



Financial Statements
December 31, 2019

City of West Fargo, North Dakota

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City of West Fargo, North Dakota
Elected and Appointed Officials (Unaudited)
December 31, 2019

<u>Elected</u>	<u>Position</u>	<u>Term Expires</u>
Bernie Dardis	Mayor/President of City Commission	6/30/2022
Mike Thorstad	Vice President of City Commission	6/30/2020
Eric Gjerdevig	City Commissioner	6/30/2022
Mark Simmons	City Commissioner	6/30/2020
Brad Olson	City Commissioner	6/30/2022
 <u>Administration</u>		
Tina Fisk	City Administrator	
Jim Larson	Finance Director	



Independent Auditor's Report

The Board of City Commissioners
City of West Fargo, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Fargo, North Dakota (the City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2019 and the respective changes in financial position and, where applicable, cash flows thereof and the General Fund Budgetary Schedule for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Errors

As discussed in Note 10 to the financial statements, certain errors resulting in understatement of amounts previously reported for retainage payable, accounts payable, capital outlay expenditures, construction in progress, and capital lease liabilities as of December 31, 2018, were discovered by management of the City during the current year. Accordingly, amounts reported for retainage payable, accounts payable, capital outlay expenditures, construction in progress, and capital lease liabilities have been restated in the 2019 financial statements now presented, and a restatement has been made to fund balance and net position as of December 31, 2018, to correct the errors. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the schedule of employer's share of net pension liability and schedule of employer's contributions and schedule of employer's share of net OPEB liability and related ratios as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods or preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that the accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by the missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The listing of elected and appointed officials is presented for purpose of additional analysis and is not a required part of the financial statements.

The listing of elected and appointed officials has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on this listing.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 30, 2020 on our consideration of the City'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Fargo, North Dakota
December 30, 2020

City of West Fargo, North Dakota

Statement of Net Position

December 31, 2019

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 90,770,757	\$ 12,553,969	\$ 103,324,726
Restricted cash	22,960,509	1,129,566	24,090,075
Receivables			
Accounts	466,199	1,213,406	1,679,605
Property taxes	296,074	-	296,074
Special assessments	215,506,809	-	215,506,809
Notes	1,520,650	-	1,520,650
Due from other governmental units	2,318,693	-	2,318,693
Interfund balances	533,686	(533,686)	-
Prepaid items	19,730	-	19,730
Capital assets, not being depreciated	86,223,695	1,857,610	88,081,305
Capital assets, net of accumulated depreciation	113,121,050	324,718,910	437,839,960
Total assets	<u>533,737,852</u>	<u>340,939,775</u>	<u>874,677,627</u>
Deferred Outflows of Resources			
Related to pensions	4,064,118	1,041,902	5,106,020
Related to OPEB	295,893	75,857	371,750
Total deferred outflows of resources	<u>4,360,011</u>	<u>1,117,759</u>	<u>5,477,770</u>
Liabilities			
Accounts payable	2,987,449	17,817	3,005,266
Retainage payable	1,525,045	-	1,525,045
Accrued interest payable	1,651,244	61,709	1,712,953
Other liabilities	593,971	134,054	728,025
Unearned revenues	301,293	-	301,293
Long-term liabilities			
Due within one year -			
other than pension and OPEB	47,856,859	767,455	48,624,314
Due in more than one year -			
other than pension and OPEB	325,611,700	11,597,090	337,208,790
Net pension liability	6,898,024	1,768,420	8,666,444
OPEB liability	609,977	156,377	766,354
Total liabilities	<u>388,035,562</u>	<u>14,502,922</u>	<u>402,538,484</u>
Deferred Inflows of Resources			
Related to pensions	4,375,030	1,121,610	5,496,640
Related to OPEB	20,329	5,212	25,541
Total deferred inflows of resources	<u>4,395,359</u>	<u>1,126,822</u>	<u>5,522,181</u>
Net Position			
Net investment in capital assets	112,434,619	314,736,520	427,171,139
Restricted	69,539,389	1,129,566	70,668,955
Unrestricted	(36,307,066)	10,561,704	(25,745,362)
Total net position	<u>\$ 145,666,942</u>	<u>\$ 326,427,790</u>	<u>\$ 472,094,732</u>

The Notes to Financial Statements are an integral part of this statement

City of West Fargo, North Dakota
Statement of Activities
Year Ended December 31, 2019

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 18,761,649	\$ 4,920,587	\$ 92,432	\$ -	\$ (13,748,630)	\$ -	\$ (13,748,630)
Public safety	10,618,855	735,768	738,172	-	(9,144,915)	-	(9,144,915)
Public works	575,515	257,181	1,681,729	9,740,228	11,103,623	-	11,103,623
Culture and recreation	2,685,592	59,800	33,759	-	(2,592,033)	-	(2,592,033)
Economic development	1,403,008	20,000	273,711	-	(1,109,297)	-	(1,109,297)
Interest on long-term debt	10,687,352	-	-	-	(10,687,352)	-	(10,687,352)
Total governmental activities	<u>44,731,971</u>	<u>5,993,336</u>	<u>2,819,803</u>	<u>9,740,228</u>	<u>(26,178,604)</u>	<u>-</u>	<u>(26,178,604)</u>
Business-type activities							
Water & sewer	17,919,735	9,008,983	-	-	-	(8,910,752)	(8,910,752)
Garbage	3,865,977	4,735,669	-	-	-	869,692	869,692
Total business-type activities	<u>21,785,712</u>	<u>13,744,652</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,041,060)</u>	<u>(8,041,060)</u>
Total Government	<u>\$ 66,517,683</u>	<u>\$ 19,737,988</u>	<u>\$ 2,819,803</u>	<u>\$ 9,740,228</u>	<u>(26,178,604)</u>	<u>(8,041,060)</u>	<u>(34,219,664)</u>
General revenues							
Sales and use tax					11,229,286	-	11,229,286
Property taxes					14,193,569	-	14,193,569
State aid					3,313,873	-	3,313,873
Unrestricted investment earnings					1,607,280	223,665	1,830,945
Miscellaneous					988,302	606,056	1,594,358
Capital asset transfers					(50,364,348)	50,364,348	-
Total general revenue and transfers					<u>(19,032,038)</u>	<u>51,194,069</u>	<u>32,162,031</u>
Change in net position					(45,210,642)	43,153,009	(2,057,633)
Net position - beginning, as restated (Note 10)					<u>190,877,584</u>	<u>283,274,781</u>	<u>474,152,365</u>
Net position - ending					<u>\$ 145,666,942</u>	<u>\$ 326,427,790</u>	<u>\$ 472,094,732</u>

The Notes to Financial Statements are an integral part of this statement

City of West Fargo, North Dakota
Governmental Funds
Balance Sheet
December 31, 2019

	General	Sales Tax	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$ 25,800,069	\$ 2,703,780	\$ 14,028,516	\$ 42,841,925	\$ 5,396,467	\$ 90,770,757
Restricted cash	22,424	-	1,754,586	21,180,000	3,499	22,960,509
Due from other funds	981,247	-	-	-	-	981,247
Receivables						
Accounts	195,347	-	62,352	-	208,500	466,199
Property taxes	118,003	-	-	135,959	42,112	296,074
Special assessments	-	-	193,864	215,312,945	-	215,506,809
Notes	-	-	-	-	1,520,650	1,520,650
Due from other governmental units	594,307	1,016,679	-	252,457	455,250	2,318,693
Prepaid items	19,730	-	-	-	-	19,730
Total assets	\$ 27,731,127	\$ 3,720,459	\$ 16,039,318	\$ 279,723,286	\$ 7,626,478	\$ 334,840,668
Liabilities, Deferred Inflows of Resources, and Fund Balance						
Liabilities						
Accounts payable	\$ 161,735	\$ -	\$ 2,789,291	\$ -	\$ 36,423	\$ 2,987,449
Construction retainage payable	-	-	1,525,045	-	-	1,525,045
Accrued payroll	445,134	-	-	-	108,284	553,418
Due to other funds	-	-	-	-	447,561	447,561
Other liabilities	27,255	-	-	-	13,298	40,553
Unearned revenue	-	-	250,651	-	50,642	301,293
Total liabilities	634,124	-	4,564,987	-	656,208	5,855,319
Deferred Inflows of Resources						
Unavailable revenue-property taxes	91,026	-	-	-	32,443	123,469
Unavailable revenue-special assessments	-	-	-	215,310,544	-	215,310,544
Total deferred inflows of resources	91,026	-	-	215,310,544	32,443	215,434,013
Fund Balance						
Nonspendable						
Prepaid items	19,730	-	-	-	-	19,730
Notes receivable	-	-	-	-	1,520,650	1,520,650
Restricted for						
Sales tax	-	3,720,459	-	-	-	3,720,459
Capital projects	-	-	11,474,331	-	-	11,474,331
Debt service	-	-	-	64,412,742	-	64,412,742
General government	-	-	-	-	206,746	206,746
Public works/streets	-	-	-	-	327,038	327,038
Culture & recreation	-	-	-	-	38,107	38,107
Economic Development	-	-	-	-	3,936,511	3,936,511
Other	-	-	-	-	618,245	618,245
Committed						
Culture & recreation	-	-	-	-	222,587	222,587
Public Safety	-	-	-	-	67,943	67,943
Unassigned	26,986,247	-	-	-	-	26,986,247
Total fund balance	27,005,977	3,720,459	11,474,331	64,412,742	6,937,827	113,551,336
Total liabilities, deferred inflows of resources, and fund balance	\$ 27,731,127	\$ 3,720,459	\$ 16,039,318	\$ 279,723,286	\$ 7,626,478	\$ 334,840,668

City of West Fargo, North Dakota
 Governmental Funds
 Reconciliation of the Balance Sheet to the Statement of Net Position
 December 31, 2019

Total Fund Balances – Governmental Funds	\$ 113,551,336
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	199,344,745
Other assets are not available to pay for current-period expenditures and, therefore, are either not recognized as a receivable or are deferred in the funds.	215,434,013
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds	(35,348)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. In the current period these amounts are:	
G.O. bonds	(4,230,000)
Special assessment bonds	(343,055,000)
Revenue bonds	(1,685,000)
BND drawdown	(13,900,406)
Bond premium	(8,811,604)
Bond discount	2,257,545
Capital leases	(2,004,590)
Compensated absences	(2,039,504)
Accrued interest	(1,651,244)
Net pension liability	(6,898,024)
OPEB liability	(609,977)
Total Net Position – Governmental Activities	\$ 145,666,942

City of West Fargo, North Dakota
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended December 31, 2019

	General	Sales Tax	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
General property taxes	\$ 8,759,755	\$ -	\$ -	\$ 2,343,701	\$ 3,090,113	\$ 14,193,569
Special assessments	325,126	-	19,051	27,928,517	-	28,272,694
Charges for services	-	-	-	-	194,082	194,082
Licenses and permits	4,822,871	-	-	-	3,658	4,826,529
Intergovernmental	2,659,114	-	1,705,667	-	1,440,237	5,805,018
Fines and forfeitures	470,417	-	-	-	-	470,417
Sales tax	-	11,229,286	-	-	-	11,229,286
Other tax	68,008	-	-	-	2,002,293	2,070,301
Interest	831,203	83,878	-	586,326	105,873	1,607,280
Miscellaneous	193,283	-	297,138	-	519,793	1,010,214
Total revenues	18,129,777	11,313,164	2,021,856	30,858,544	7,356,049	69,679,390
Expenditures						
Current						
General government	6,649,311	-	412	380,614	5,534,650	12,564,987
Public safety	7,542,076	-	-	-	792,696	8,334,772
Public works	2,486,194	-	-	-	54,610	2,540,804
Culture and recreation	429,184	-	200	-	886,369	1,315,753
Miscellaneous	-	-	-	-	245,338	245,338
Capital outlay	1,932,416	-	39,010,264	-	326,538	41,269,218
Debt service						
Principal	-	-	-	17,958,138	-	17,958,138
Interest and fees	-	-	969,772	9,844,883	-	10,814,655
Total expenditures	19,039,181	-	39,980,648	28,183,635	7,840,201	95,043,665
Excess (Deficiency) of Revenues Over (Under) Expenditures	(909,404)	11,313,164	(37,958,792)	2,674,909	(484,152)	(25,364,275)
Other Financing Sources (Uses)						
Bond proceeds	-	-	34,725,000	28,285,000	-	63,010,000
Bond refunding payments	-	-	-	(7,805,000)	-	(7,805,000)
Discount on bonds	-	-	(260,436)	(231,901)	-	(492,337)
Premium on bonds	-	-	1,419,237	1,246,870	-	2,666,107
Capital lease proceeds	1,550,000	-	-	-	-	1,550,000
Transfers in	1,600,000	-	13,121,347	1,552,696	2,826,792	19,100,835
Transfers out	(8,893)	(11,207,490)	(6,023,999)	(95,000)	(1,765,453)	(19,100,835)
Total other financing sources and uses	3,141,107	(11,207,490)	42,981,149	22,952,665	1,061,339	58,928,770
Net Change in Fund Balance	2,231,703	105,674	5,022,357	25,627,574	577,187	33,564,495
Fund Balance, Beginning, as Restated (Note 10)	24,774,274	3,614,785	6,451,974	38,785,168	6,360,640	79,986,841
Fund Balance, Ending	\$ 27,005,977	\$ 3,720,459	\$ 11,474,331	\$ 64,412,742	\$ 6,937,827	\$ 113,551,336

City of West Fargo, North Dakota

Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures, and Changes

in Fund Balance to the Statement of Activities

Year Ended December 31, 2019

Net Change in Fund Balances - Total Governmental Funds	\$ 33,564,495
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:	
Capital outlay	42,106,611
Contribution of capital assets to proprietary fund	(50,364,348)
Depreciation expense	(8,995,504)
The net effect of the disposal of capital assets is to decrease net position.	(61,036)
Revenues in the statement of activities that do not provide current financial resources are deferred and not reported as revenues in the funds.	(20,284,550)
In the statement of activities compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.	(135,003)
In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.	(682,133)
In the statement of activities OPEB obligations are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.	(24,825)
Interest payable is reported in the government wide statement of net position but is not recorded in the governmental funds.	162,754
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. In the current period these amounts are:	
Debt issued	(65,183,770)
Capital lease issued	(1,550,000)
Capital lease retirement	122,070
Bond principal retirement	25,763,138
Amortization of bond discount and bond premium	351,459
Change in Net Position of Governmental Activities	<u>\$ (45,210,642)</u>

City of West Fargo, North Dakota

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual
Year Ended December 31, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues				
General property taxes	\$ 8,981,238	\$ 8,981,238	\$ 8,759,755	\$ (221,483)
Special assessments	105,000	105,000	325,126	220,126
Licenses and permits	3,359,400	3,359,400	4,822,871	1,463,471
Intergovernmental	2,258,200	2,258,200	2,659,114	400,914
Fines and forfeitures	410,000	410,000	470,417	60,417
Other tax	75,000	75,000	68,008	(6,992)
Interest	120,000	120,000	831,203	711,203
Miscellaneous	26,000	26,000	193,283	167,283
Total revenues	<u>15,334,838</u>	<u>15,334,838</u>	<u>18,129,777</u>	<u>2,794,939</u>
Expenditures				
Current				
General government	6,102,438	6,281,483	6,649,311	(367,828)
Public safety	7,208,800	7,290,270	7,542,076	(251,806)
Public works/streets	2,897,000	2,892,650	2,486,194	406,456
Culture and recreation	388,000	388,330	429,184	(40,854)
Capital outlay	396,600	396,600	1,932,416	(1,535,816)
Total expenditures	<u>16,992,838</u>	<u>17,249,333</u>	<u>19,039,181</u>	<u>(1,789,848)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,658,000)	(1,914,495)	(909,404)	1,005,091
Other Financing Sources (Uses)				
Capital lease proceeds	-	-	1,550,000	1,550,000
Transfers in	1,660,000	1,660,000	1,600,000	(60,000)
Transfers out	(12,000)	(12,000)	(8,893)	3,107
Total other financing sources and uses	<u>1,648,000</u>	<u>1,648,000</u>	<u>3,141,107</u>	<u>1,493,107</u>
Net Change in Fund Balance	<u>\$ (10,000)</u>	<u>\$ (266,495)</u>	2,231,703	<u>\$ 2,498,198</u>
Fund Balance, Beginning			<u>24,774,274</u>	
Fund Balance, Ending			<u>\$ 27,005,977</u>	

City of West Fargo, North Dakota

Proprietary Funds
Statement of Net Position
December 31, 2019

	<u>Water & Sewer</u>	<u>Garbage</u>	<u>Total</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 10,143,780	\$ 2,410,189	\$ 12,553,969
Accounts receivable	834,825	378,581	1,213,406
Total current assets	<u>10,978,605</u>	<u>2,788,770</u>	<u>13,767,375</u>
Capital assets			
Land	1,857,610	-	1,857,610
Buildings	2,660,603	1,156,531	3,817,134
Land improvements	3,751,796	-	3,751,796
Machinery and equipment	6,873,728	2,242,058	9,115,786
Infrastructure	407,459,495	-	407,459,495
Less accumulated depreciation	<u>(98,077,985)</u>	<u>(1,347,316)</u>	<u>(99,425,301)</u>
Net capital assets	<u>324,525,247</u>	<u>2,051,273</u>	<u>326,576,520</u>
Restricted cash	<u>1,129,566</u>	<u>-</u>	<u>1,129,566</u>
Total assets	<u>336,633,418</u>	<u>4,840,043</u>	<u>341,473,461</u>
Deferred Outflows of Resources			
Related to pensions	667,661	374,241	1,041,902
Related to OPEB	<u>48,610</u>	<u>27,247</u>	<u>75,857</u>
Total deferred outflows of resources	<u>716,271</u>	<u>401,488</u>	<u>1,117,759</u>
Liabilities			
Current liabilities			
Accounts payable	13,290	4,527	17,817
Accrued interest payable	61,709	-	61,709
Accrued payroll	87,469	46,585	134,054
Due to other funds	533,686	-	533,686
Current maturities of long-term debt	<u>749,282</u>	<u>18,173</u>	<u>767,455</u>
Total current liabilities	<u>1,445,436</u>	<u>69,285</u>	<u>1,514,721</u>
Long-term debt (net of current portion)			
Bonds payable	11,125,000	-	11,125,000
Net pension liabilities	1,133,221	635,199	1,768,420
OPEB	100,208	56,169	156,377
Compensated absences payable	<u>308,530</u>	<u>163,560</u>	<u>472,090</u>
Total long-term debt	<u>12,666,959</u>	<u>854,928</u>	<u>13,521,887</u>
Total liabilities	<u>14,112,395</u>	<u>924,213</u>	<u>15,036,608</u>
Deferred Inflows of Resources			
Related to pensions	718,739	402,871	1,121,610
Related to OPEB	<u>3,340</u>	<u>1,872</u>	<u>5,212</u>
Total deferred inflows of resources	<u>722,079</u>	<u>404,743</u>	<u>1,126,822</u>
Net Position			
Net investment in capital assets	312,685,247	2,051,273	314,736,520
Restricted	1,129,566	-	1,129,566
Unrestricted	<u>8,700,402</u>	<u>1,861,302</u>	<u>10,561,704</u>
Total net position	<u>\$ 322,515,215</u>	<u>\$ 3,912,575</u>	<u>\$ 326,427,790</u>

City of West Fargo, North Dakota
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended December 31, 2019

	<u>Water & Sewer</u>	<u>Garbage</u>	<u>Total</u>
Operating Revenues			
Utility sales and service charges	<u>\$ 8,707,475</u>	<u>\$ 4,735,669</u>	<u>\$ 13,443,144</u>
Operating Expenses			
Distribution	4,439,857	-	4,439,857
Landfill and collections	-	2,381,350	2,381,350
Salaries and wages	2,519,673	1,312,089	3,831,762
Administration and general	498,891	19,240	518,131
Depreciation	<u>9,843,110</u>	<u>153,298</u>	<u>9,996,408</u>
Total operating expenses	<u>17,301,531</u>	<u>3,865,977</u>	<u>21,167,508</u>
Operating Income (Loss)	(8,594,056)	869,692	(7,724,364)
Nonoperating Revenues (Expenses)			
Interest income	162,447	61,218	223,665
Hook up fees	301,508	-	301,508
Miscellaneous	605,074	982	606,056
Interest expense	<u>(618,204)</u>	<u>-</u>	<u>(618,204)</u>
Total nonoperating revenues (expenses)	<u>450,825</u>	<u>62,200</u>	<u>513,025</u>
Income (Loss) Before Capital Contributions	(8,143,231)	931,892	(7,211,339)
Contribution of capital assets	<u>50,364,348</u>	<u>-</u>	<u>50,364,348</u>
Change in Net Position	42,221,117	931,892	43,153,009
Net Position, Beginning of Year	<u>280,294,098</u>	<u>2,980,683</u>	<u>283,274,781</u>
Net Position, End of Year	<u>\$ 322,515,215</u>	<u>\$ 3,912,575</u>	<u>\$ 326,427,790</u>

City of West Fargo, North Dakota

Proprietary Funds

Statement of Cash Flows

Year Ended December 31, 2019

	<u>Water & Sewer</u>	<u>Garbage</u>	<u>Total</u>
Operating Activities			
Receipts from customers and users	\$ 9,385,166	\$ 4,657,052	\$ 14,042,218
Payments for employee costs	(2,310,088)	(1,330,277)	(3,640,365)
Payments to other vendors	<u>(5,153,538)</u>	<u>(2,404,159)</u>	<u>(7,557,697)</u>
Net cash from operating activities	<u>1,921,540</u>	<u>922,616</u>	<u>2,844,156</u>
Non-Capital Financing Activity			
Change in interfund balances	<u>533,686</u>	-	<u>533,686</u>
Capital and Related Financing Activities			
Property and equipment additions	(721,249)	(50,969)	(772,218)
Payments on long-term debt			
Principal	(791,538)	18,173	(773,365)
Interest	<u>(655,334)</u>	-	<u>(655,334)</u>
Net cash used for capital and related financing activities	<u>(2,168,121)</u>	<u>(32,796)</u>	<u>(2,200,917)</u>
Investing Activity			
Interest from investments	<u>162,447</u>	<u>61,218</u>	<u>223,665</u>
Change in Cash and Cash Equivalents	449,552	951,038	1,400,590
Cash and Cash Equivalents - Beginning of Year	<u>10,823,794</u>	<u>1,459,151</u>	<u>12,282,945</u>
Cash and Cash Equivalents - End of Year	<u>\$ 11,273,346</u>	<u>\$ 2,410,189</u>	<u>\$ 13,683,535</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities			
Operating income (loss)	\$ (8,594,056)	\$ 869,692	\$ (7,724,364)
Adjustments to reconcile operating income (loss) to net cash from operating activities			
Depreciation	9,843,110	153,298	9,996,408
Other income	906,582	982	907,564
Changes in assets and liabilities			
Accounts receivable	(228,891)	(79,599)	(308,490)
Deferred outflows	227,029	208,321	435,350
Accounts payable	(214,790)	(3,569)	(218,359)
Accrued payroll	2,865	(2,145)	720
Compensated absences payable	58,970	(5,060)	53,910
Net pension and OPEB liability	(699,259)	(558,044)	(1,257,303)
Deferred inflows	<u>619,980</u>	<u>338,740</u>	<u>958,720</u>
Net cash from operating activities	<u>\$ 1,921,540</u>	<u>\$ 922,616</u>	<u>\$ 2,844,156</u>
Schedule of Non-Cash Capital and Related Financing Activity			
Capital contributions	<u>\$ 50,364,348</u>	-	<u>\$ 50,364,348</u>

The Notes to Financial Statements are an integral part of this statement

City of West Fargo, North Dakota
Fiduciary Funds
Statement of Fiduciary Assets and Liabilities
Year Ended December 31, 2019

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 375,800</u>
Liabilities	
Due to others	<u>\$ 375,800</u>

Note 1 - Summary of Significant Accounting Policies

The City of West Fargo, North Dakota ("City") operates under a Home Rule Charter and various applicable sections in Title 40 of the North Dakota Century Code. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. 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.

Reporting Entity

The City's financial statements include all funds for which the City is financially accountable.

The City is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Additionally, the City is not included in any other governmental reporting entity.

Component units are legally separate organizations for which elected officials of the primary government are financially accountable. The City is financially accountable if it appoints a voting majority of the organization's governing body and is either:

1. able to impose its will on that organization or
2. there is potential for the organization to provide specific financial benefits to or impose financial burdens on the City. The City may be financially accountable if an organization is fiscally dependent on the City.

There are no component units reported within these financial statements.

Government-Wide and Fund Financial Statements

The goal of government-wide financial statements is to present a broad overview of government's finances. The basic statements that form the government-wide financial statements are the statement of net position and the statement of activities. These two statements report information on all of the non-fiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this rule are charges from the City's water and sewer utilities, and other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported from the various functions concerned. Governmental activities, which are normally financed through taxes and intergovernmental revenues, are reported separately from business-type activities, which are normally financed through user fees and charges for goods or services.

The statement of activities reports gross direct expenses by function reduced by program revenues. This results in a measurement of net revenue or expense for each of the government's activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues are directly associated with the function or business-type activity and include 1) charges for services and 2) operating or capital grants and contributions that are restricted to a particular function. Tax and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are prepared for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as eligibility requirements imposed by the provider have been met. Although agency funds have no measurement focus, they also use the accrual basis of accounting to recognize receivables and payables.

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 as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, special assessments, intergovernmental revenue, permits, charges for services and investment income associated with the current fiscal period are the major revenues that are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent they are collected in 60 days. All other revenue items are considered to be measurable and available only when the City receives cash.

The City reports the following major governmental funds:

- *General Fund* – The general fund is the general operating fund of the City. All financial resources of the general government that are not required to be reported in another fund are accounted for in the general fund.
- *Sales Tax Fund* – This fund accounts for the resources accumulated and payments made for infrastructure improvements, economic development, job creation, and business retention, expansion, and recruitment through the City's sales taxes.
- *Capital Projects Fund* – This fund accounts 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).
- *Debt Service Fund* – This fund accounts for the resources accumulated and payments made for principal and interest on all general obligation and special assessment bonds of governmental funds. Revenue sources in this fund are restricted solely for debt retirement.

The City reports the following major proprietary funds:

- *Water & Sewer Fund* – This fund accounts for the provision of water utility service and the sanitary sewer service to the residents of the City.
- *Garbage Fund* – This fund accounts for the provision of garbage pickup and landfill services to the residents of the City.

Additionally, the City reports the following fund type:

- *Agency Funds* – These funds account for assets by the City in a custodial capacity as an agent on behalf of others. The City's agency funds are used to account for property taxes collected on behalf of other governments.

Amounts reported as program revenues include the following: amounts received from those who purchase, use or directly benefit from a program; amounts received from parties outside the City that are restricted to one or more specific programs; and earnings on investments that are legally restricted for a specific program. Revenues that do not meet the previous criteria are reported as general revenues, including all taxes.

Proprietary funds report operating revenues and expenses separately from nonoperating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

Other Significant Accounting Policies

Budgets and Budgetary Accounting

The governing board adopts an annual budget on a basis consistent with GAAP, and state law as outlined in various sections of North Dakota Century Code (NDCC) Chapter 40-40 for the general fund, each special revenue fund and each debt service fund of the municipality. The City is required to present the adopted and final amended revenues and expenditures for each of these funds.

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

- The governing body of each municipality, annually or before August 10th, shall make an itemized statement known as the preliminary budget statement showing the amounts of money which, in the opinion of the governing body, will be required for the proper maintenance, expansion, or improvement of the municipality during the year (NDCC 40-40-04).
- The preliminary budget must include a detailed breakdown of the estimated revenues and appropriations requested for the ensuing year for the general fund, each special revenue fund, and each debt service fund of the municipality. The revenue and expenditure items for the preceding year and estimates of the revenue and expenditures for the current year must be included for each fund to assist in determining the estimated revenues and appropriation requested for the ensuing year. The budget must also include any transfers in or out and the beginning and ending fund balance for each of the funds. The budget must be prepared on the same basis of accounting used by the municipality for its annual financial reports (NDCC 40-40-05).
- After the governing body has prepared the preliminary budget statement, the auditor of the municipality shall give notice that: the preliminary budget is on file in the office of the auditor and may be examined by anyone upon request; the governing body shall meet no later than October 7th at the time and place specified in the notice for the purpose of adopting the final budget and making the annual tax levy; and, the governing shall hold a public session at the time and place designated in the notice of the hearing at which any taxpayer may appear and discuss with the body any item of proposed expenditure or may object to any item or amount (NDCC 40-40-06).
- After the budget hearing, the final budget must be prepared on or before October 7th in accordance with provisions outlined in detail in NDCC 40-40-08.
- After completing the final budget on or before October 7th, the governing body shall proceed to make the annual tax levy in an amount sufficient to meet the expenses for the ensuing year as determined at the budget meeting (NDCC 40-40-09).
- Immediately after completion of the final budget and adoption of the annual tax levy by the governing body of a municipality in accordance with provisions, and in no case later than October 10th, the auditor of the municipality shall send to the county auditor a certified copy of the final budget (NDCC 40-40-10).
- No municipal expenditure may be made nor liability incurred, and no bill may be paid for any purposes in excess of the appropriation made therefor in the final budget. Expenditures made liabilities incurred, or warrants issued in excess of the appropriations are a joint and several liability the members of the governing body (NDCC 40-40-15).
- At the end of the fiscal year, the balance to credit of each annual appropriation becomes a part of the general unappropriated balance in the municipal treasury, but no special appropriation lapses until the work for which it was made has been completed, the bills paid, and the accounts closed. Thee governing body of a city may elect, at the end of the fiscal year, to carry over the unencumbered cash balance in the general fund or other budgeted funds and designate the balances for subsequent years (NDCC 40-40-21).

All unexpended appropriations lapse at year-end.

Any changes in the total budget of each fund must be approved by a majority vote of the city commission.

Cash and Cash Equivalents, and Restricted Cash

Cash balances from all funds are combined and invested to the extent available in authorized investments. Earnings from such investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

The City considers cash equivalents to be certificates of deposit, money market funds, and other highly liquid investments with original maturities of three months or less.

The City has restricted cash set aside for the repayment of the 2019B refunding bonds and for other bond reserve requirements.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2019, are recorded as prepaid items in both government-wide and fund financial statements.

Receivable and Credit Policy

Trade receivables are uncollateralized customer obligations due under normal trade terms requiring payment within 30 days from the invoice date. Utility receivables are charged a \$10 late fee, but other City receivables are not charged any late fees. There are no allowances for doubtful accounts recorded.

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), mains and lines, and vehicles are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	30-50 years
Land Improvements	30 years
Machinery and equipment	5-20 years
Infrastructure	20-40 years

Compensated Absences

Vacation and Sick leave accruals are based on 26 pay periods. Employees not within the police department accrue vacation leave at a rate of 3.25 to 7.5 hours per pay period depending on years of service. Employees within the police department accrue vacation leave at a rate of 3.75 to 8.5 hours per pay period depending on years of service. Up to 240 hours of vacation leave may be carried over at each year-end. Upon termination vacation benefits that have accrued through the last day of work will be paid.

Sick leave is accrued at a rate of 3.75 to 5.75 hours per pay period for all employees. Up to 960 hours of sick leave may be carried over at each year-end. Upon termination employees with ten continuous years of service will be paid 50% of accumulated sick leave, not to exceed 480 hours. Employees hired prior to January 1, 2017 with 10 or more years of continuous service will receive an annual sick leave payout of 50% of any hours over 960 and 50% of sick leave paid out at time of termination unless the employee selected a full sick leave payout option.

A liability for vested or accumulated vacation and sick leave is reported in the statement of net position.

Long-Term Liabilities

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pension

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS), and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The City has four items that qualify for reporting in this category. They are the contributions made to pension plans and the other postemployment benefit plan after the measurement date and prior to the fiscal year-end, changes in the net pension liability not included in pension expense, and changes in the other post employments benefits liability not included in OPEB expense, reported in the district-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has three types of items that qualify for reporting in this category. The District reports unavailable revenues from property taxes and special assessments on the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items are changes in the net pension liability not included in pension expense and changes in the other post-employment benefits liability not included in OPEB expense reported in the district-wide statement of net position.

Fund Balance

The following classifications describe the relative strength of spending constraints:

- *Nonspendable Fund Balance* – represents amounts that cannot be spent due to form such as inventories, prepaids, long-term loans, and notes receivable, and property held for resale (unless the proceeds are restricted, committed or assigned).
- *Restricted Fund Balance* – represents amounts that exist when constraints are placed on the use of resources that are either externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments (or) restrictions imposed by law through constitutional provisions or enabling legislation (i.e. Emergency fund). Restricted fund balances are shown by primary function on the balance sheet.
- *Committed Fund Balance* – represents amounts that can only be used for specific purposes pursuant to the constraints imposed by formal action of the City Commission. These committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it previously employed to commit those amounts. (Example would be legislation, resolution, or ordinance). (ie. Sales tax ordinance, budget ordinance) Committed fund balances are shown by primary function on the balance sheet.
- *Unassigned Fund Balance* – represents the remaining residual balances that have not been restricted, committed, or assigned to specific purposes within the General Fund.

The City Commission establishes fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund.

When both restricted and unrestricted resources are available for use, it is the City's policy to use nonspendable resources first, restricted second, committed third, assigned fourth and unassigned last.

Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the City's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Restricted net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the net amount of assets, deferred inflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

Risk Management

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

In 1986, state agencies and political subdivisions of the state of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City pays an annual premium to NDIRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of \$10,000,000 per occurrence for general liability and automobile, and up to \$7,340,995 for public assets (mobile equipment and portable property).

The City 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 \$1,000,000 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 has worker's compensation with the North Dakota Workforce Safety and Insurance.

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

Note 2 - Compliance and Stewardship

Expenditures in Excess of Appropriations

Expenditures in the general fund exceeded budget appropriations by \$1,739,848. These excess expenditures were funded by revenues in excess of budget and fund balance.

Note 3 - Deposits and Investments

Deposits

In accordance with the North Dakota Century Code, the City maintains deposits at depository banks covered by Federal Depository Insurance. Century Code requires that all City deposits be protected by insurance, collateral or surety bond. The market value of the collateral pledged must be equal to or greater than 110% of the deposits not covered by insurance or bonds. As of December 31, 2019, the City's deposits include savings accounts, money market funds, and certificates of deposit.

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, school district, 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 another state of the United States or such other securities approved by the banking board.

At December 31, 2019, the City's carrying amount of deposits was \$103,324,726 and the bank balances were \$129,754,784. Of the bank balances, \$122,128,197 was covered by Federal Depository Insurance, while the remaining balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the government's deposits may not be returned to it. Beyond what is stated in the Century Code, the City does not have a formal policy to further limit exposure to custodial credit risk. As of December 31, 2019, the City's deposits were either fully insured or properly collateralized, and have no custodial credit risk.

Interest Rate Risk – Investments

The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The following table presents the City’s deposit and investment balances at December 31, 2019.

Type	Fair Value	Maturities (in Years)	
		N/A	< 1
Cash and cash equivalents			
Deposits	\$ 6,435,115	\$ 6,435,115	\$ -
Petty cash	300	300	-
Certificates of deposit	121,355,186	-	121,355,186
	<u>\$ 127,790,601</u>	<u>\$ 6,435,415</u>	<u>\$ 121,355,186</u>

Cash and investments are included on the basic financial statements as follows:

Cash and cash equivalents - Statement of Net Position	\$ 103,324,726
Restricted cash - Statement of Net Position	24,090,075
Cash and cash equivalents - Statement of Fiduciary Assets and Liabilities	<u>375,800</u>
	<u>\$ 127,790,601</u>

Note 4 - Property Taxes and Special Assessments

Property Taxes

Property taxes attach as an enforceable lien on property on January 1. The tax levy may be paid in two installments: the first installment includes one-half of the real estate taxes and all the special assessments; the second installment is the balance of the real estate taxes. The first installment is due by March 1 and the second installment is due by October 15. A 5% discount is allowed if all taxes are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

Taxes which remain unpaid at December 31 are classified as delinquent taxes receivable and the portion not available within 60 days is fully offset by unavailable revenue because it is not available to finance current expenditures. The delinquent taxes receivable represents the past five years of uncollected tax levies.

Special Assessments

Special assessments are levied against the benefited properties for the assessable costs of special assessment improvement projects in accordance with state statutes. The assessments are collectible over a term of years generally consistent with the term of years of the related bond issue. Collection of annual installments (including interest) is handled by the county and remitted to the City at the same time property tax settlements are made. Property owners are allowed to prepay total future installments plus accrued interest without prepayment penalties. Special assessments are generally collected by the county and remitted to the City at the same time the tax settlements are made.

Note 5 - Capital Assets

Capital asset activity for the year ended December 31, 2019 was as follows:

Governmental Activities	Beginning Balance, as Restated (Note 10)	Increases and Transfers	Decreases and Transfers	Ending Balance
Capital assets, not being depreciated				
Land	\$ 17,253,217	\$ 277,894	\$ -	\$ 17,531,111
Construction in progress	92,973,150	39,716,560	63,997,126	68,692,584
Total capital assets not being depreciated	<u>110,226,367</u>	<u>39,994,454</u>	<u>63,997,126</u>	<u>86,223,695</u>
Capital assets, being depreciated				
Infrastructure	158,919,718	13,632,778	-	172,552,496
Buildings and improvements	13,053,204	-	-	13,053,204
Machinery and equipment	5,471,999	2,112,157	121,313	7,462,843
Total capital assets being depreciated	<u>177,444,921</u>	<u>15,744,935</u>	<u>121,313</u>	<u>193,068,543</u>
Less accumulated depreciation for				
Infrastructure	66,289,552	8,070,865	-	74,360,417
Buildings and improvements	1,987,972	287,871	-	2,275,843
Machinery and equipment	2,734,742	636,768	60,277	3,311,233
Total accumulated depreciation	<u>71,012,266</u>	<u>8,995,504</u>	<u>60,277</u>	<u>79,947,493</u>
Total capital assets being depreciated, net	<u>106,432,655</u>	<u>6,749,431</u>	<u>61,036</u>	<u>113,121,050</u>
Governmental activities capital assets, net	<u>\$ 216,659,022</u>	<u>\$ 46,743,885</u>	<u>\$ 64,058,162</u>	<u>\$ 199,344,745</u>

City of West Fargo, North Dakota

Notes to Financial Statements

December 31, 2019

Business-Type Activities	Beginning Balance	Increases and Transfers	Decreases and Transfers	Ending Balance
Capital assets, not being depreciated				
Land	\$ 1,857,610	\$ -	\$ -	\$ 1,857,610
Capital assets, being depreciated				
Buildings	3,817,134	-	-	3,817,134
Land improvements	3,751,796	-	-	3,751,796
Machinery and equipment	8,441,251	772,218	97,683	9,115,786
Infrastructure	357,095,147	50,364,348	-	407,459,495
Total capital assets being depreciated	373,105,328	51,136,566	97,683	424,144,211
Less accumulated depreciation for				
Buildings	588,314	77,370	-	665,684
Land improvements	3,751,796	-	-	3,751,796
Machinery and equipment	5,708,892	334,658	97,683	5,945,867
Infrastructure	79,477,574	9,584,380	-	89,061,954
Total accumulated depreciation	89,526,576	9,996,408	97,683	99,425,301
Total capital assets being depreciated, net	283,578,752	41,140,158	-	324,718,910
Business-type activities capital assets, net	\$ 285,436,362	\$ 41,140,158	\$ -	\$ 326,576,520

Depreciation expense was charged to functions/programs of the government as follows:

Governmental Activities		
General government		\$ 8,408,885
Public safety		379,731
Public works		183,836
Culture and recreation		23,052
Total depreciation expense - governmental activities		\$ 8,995,504
Business-Type Activities		
Water & sewer		\$ 9,843,110
Garbage		153,298
Total depreciation expense - business-type activities		\$ 9,996,408

Note 6 - Long-Term Debt

The following is a summary of changes in long-term debt of the City for the year ended December 31, 2019:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
G.O. bonds	\$ 4,985,000	\$ -	\$ 755,000	\$ 4,230,000	\$ 780,000
Special assessment bonds	304,420,000	63,010,000	24,375,000	343,055,000	45,500,000
Revenue bonds	1,915,000	-	230,000	1,685,000	240,000
BND drawdown	14,303,544	-	403,138	13,900,406	520,813
Bond premium	6,677,110	2,666,107	531,613	8,811,604	531,613
Bond discount	(1,945,362)	(492,337)	(180,154)	(2,257,545)	(180,155)
Capital leases	576,660	1,550,000	122,070	2,004,590	260,638
Compensated absences*	1,904,501	135,003	-	2,039,504	203,950
	<u>\$ 332,836,453</u>	<u>\$ 66,868,773</u>	<u>\$ 26,236,667</u>	<u>\$ 373,468,559</u>	<u>\$ 47,856,859</u>
Governmental activity long-term debt					
Business-type activities					
Revenue bonds	\$12,600,000	\$ 5,905,000	\$ 6,665,000	\$ 11,840,000	\$ 715,000
Compensated absences*	484,000	40,545	-	524,545	52,455
	<u>\$ 13,084,000</u>	<u>\$ 5,945,545</u>	<u>\$ 6,665,000</u>	<u>\$ 12,364,545</u>	<u>\$ 767,455</u>
Business-type activity long-term debt					

*Change in compensated absences is presented as a net change.

General obligation bonds are recorded in the governmental activities in the government-wide statement and are backed by the full faith and credit of the City. These bonds are payable from the debt service funds primarily through property tax levies.

General obligation revenue bonds are recorded as a liability in the public utilities fund and are payable from public utility revenues.

The City has pledged future sales tax revenues, net of specified operating expenses, to repay \$2.06 million in sales tax revenue bonds issued in 2012. Proceeds from the bonds were used for economic development, job creation. Principal and interest paid for the current year was \$211,850. Net sales tax revenue totaled \$11,229,286 for the year.

The City has issued numerous Refunding Improvement Bonds that were special assessment bonds. North Dakota state law requires that these be called refunding bonds because warrants are the first issuance that are refunded with the bond issuance. These bonds are repaid through special assessments levied against the benefiting properties.

City of West Fargo, North Dakota

Notes to Financial Statements

December 31, 2019

Bonds payable outstanding as of December 31, 2019, consist of the following:

	Interest Rate	Final Year of Maturity	Authorized and Issued	Outstanding
Governmental activities				
2009 General Obligation Arterial Street Bonds	2.50-4.35%	2024	\$ 10,000,000	\$ 4,230,000
2009 Municipal Improvement Bonds	2.00-5.50%	2039	530,000	430,000
2009 TIF District Bonds	2.75-4.50%	2025	570,000	270,000
2010 Sidewalk Warrants	1.00-2.40%	2020	525,000	50,000
2010B Refunding Improvement Bonds	2.50-4.00%	2035	7,130,000	4,525,000
2011A Refunding Improvement Bonds	2.00-4.00%	2020	5,315,000	550,000
2011B Refunding Improvement Bonds	0.60-3.20%	2020	2,645,000	175,000
2011C Refunding Improvement Bonds	2.50-4.00%	2036	9,960,000	6,745,000
2012 Sales Tax Revenue Bonds	1.20-3.00%	2023	2,060,000	985,000
2012 Sidewalk Warrants	1.00-2.25%	2022	170,000	60,000
2012A Refunding Improvement Bonds	3.00-4.25%	2036	15,360,000	9,910,000
2012B Refunding Improvement Bonds	0.35-1.85%	2021	6,030,000	1,205,000
2012D Refunding Improvement Bonds	2.00-3.375%	2037	37,600,000	23,555,000
2013A Refunding Improvement Bonds	2.00-3.125%	2037	15,900,000	11,375,000
2013B Refunding Improvement Bonds	2.00-4.20%	2038	13,630,000	10,155,000
2014A Refunding Improvement Bonds	2.00-3.625%	2038	17,750,000	13,345,000
2014B Refunding Improvement Bonds	2.00-5.00%	2039	20,460,000	16,565,000
2015A Refunding Improvement Bonds	2.00-5.00%	2040	28,180,000	22,525,000
2015B Refunding Improvement Bonds	2.00-5.00%	2040	24,470,000	21,545,000
2016A Refunding Improvement Bonds	1.50-4.50%	2041	27,140,000	23,690,000
2017A Refunding Improvement Bonds	3.00-5.00%	2042	36,860,000	34,985,000
2018 Temporary Refunding Improvement Bonds	2.15%	2021	45,060,000	45,060,000
2018A Refunding Improvement Bonds	4.50-5.00%	2023	9,275,000	5,075,000
2018B Refunding Improvement Bonds	3.50-5.00%	2043	30,230,000	29,790,000
2019A Refunding Improvement Bonds	2.00-4.00%	2024	7,905,000	7,065,000
2019B Refunding Improvement Bonds	2.625-4.00%	2036	55,105,000	55,105,000
Total				<u>\$ 348,970,000</u>
Business-type activities				
2012 Refunding Improvement Bond	0.50-4.25%	2030	\$ 9,145,000	\$ 5,935,000
2019 Refunding Improvement Bond	2.00-3.00%	2034	5,905,000	5,905,000
Total				<u>\$ 11,840,000</u>

The annual requirements to amortize all bonded debt outstanding as of December 31, 2019, are as follows:

Years Ending December 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2020	\$ 46,520,000	\$ 10,417,188	\$ 715,000	\$ 366,798
2021	52,860,000	9,485,252	745,000	341,894
2022	15,365,000	8,462,500	770,000	318,368
2023	14,955,000	7,860,656	800,000	291,632
2024	13,890,000	7,297,091	835,000	263,881
2025-2029	62,045,000	29,166,584	4,655,000	920,655
2030-2034	61,780,000	18,470,290	3,320,000	266,078
2035-2039	53,970,000	8,772,732	-	-
2040-2044	25,590,000	2,101,013	-	-
2045-2048	1,995,000	79,800	-	-
Total	<u>\$ 348,970,000</u>	<u>\$ 102,113,106</u>	<u>\$ 11,840,000</u>	<u>\$ 2,769,306</u>

City of West Fargo, North Dakota

Notes to Financial Statements

December 31, 2019

The City has entered into two drawdown agreements with the Bank of North Dakota to finance various improvement projects within the City. These loans are repaid through special assessments levied against the benefiting properties. Drawdown agreements payable outstanding as of December 31, 2019, consist of the following:

	<u>Interest Rate</u>	<u>Final Year of Maturity</u>	<u>Authorized and Issued</u>	<u>Outstanding</u>
Governmental activities				
Bank of North Dakota Drawdown	2.00%	2041	\$ 10,000,000	\$ 8,987,913
Bank of North Dakota Drawdown	2.00%	2043	5,000,000	<u>4,912,493</u>
				<u>\$ 13,900,406</u>

The annual requirements to amortize all Bank of North Dakota drawdowns outstanding as of December 31, 2019, are as follows:

<u>Years Ending December 31,</u>	<u>Drawdown Agreement</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 520,813	\$ 278,081
2021	500,629	268,265
2022	510,642	258,252
2023	520,855	248,039
2024	531,272	237,622
2025-2029	2,820,055	1,024,415
2030-2034	3,113,567	730,903
2035-2039	3,437,628	406,842
2040-2043	<u>1,944,945</u>	<u>79,768</u>
Total	<u>\$ 13,900,406</u>	<u>\$ 3,532,187</u>

During the year ended December 31, 2019, the City entered into a capital lease direct financing agreement to purchase two fire trucks. The capital lease agreement requires annual lease and interest payments, at an interest rate of 3.50%. Payments commence May 2020 and will continue through June 2026. Payments will be made out of the general fund.

The capital leases consists of various vehicles and equipment at a total cost of \$2,311,068, with total accumulated depreciation of \$201,782 as of December 31, 2019. The capital lease agreements include provisions that in the event of default, the equipment will be repossessed. Maturities of principal and interest payments are as follows:

<u>Years Ending December 31,</u>	<u>Capital leases</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 260,638	\$ 65,817
2021	268,880	57,574
2022	277,351	49,104
2023	217,523	40,364
2024	155,090	34,204
2025-2	825,108	53,481
Total	<u>\$ 2,004,590</u>	<u>\$ 300,544</u>

Compensated Absences

Compensated absences for governmental funds are recorded as a liability in the governmental activities in the government-wide statement. This liability matures only upon qualified retirements or terminations and is paid out of the general fund.

Note 7 - Pension Plan**North Dakota Public Employees Retirement System (Main System)**

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

Pension Benefits

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation

The member’s account balance includes the vested employer contributions equal to the member’s contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

1 to 12 months of service	Greater of one percent of monthly salary or \$25
13 to 24 months of service	Greater of two percent of monthly salary or \$25
25 to 36 months of service	Greater of three percent of monthly salary or \$25
Longer than 36 months of service	Greater of four percent of monthly salary or \$25

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2019, the Employer reported a liability of \$8,666,444 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2019, the Employer's proportion was 0.739412 percent, which was a decrease of 0.128418% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Employer recognized pension expense of \$1,580,850. At December 31, 2019, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 5,133	\$ 1,572,794
Changes of assumptions	3,238,422	2,780,466
Net difference between projected and actual investment earnings on pension plan investments	150,990	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	945,989	1,143,380
Employer contributions subsequent to the measurement date	765,486	-
	<u>\$ 5,106,020</u>	<u>\$ 5,496,640</u>

\$765,486 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

2020	\$ 351,211
2021	138,116
2022	(347,754)
2023	(977,690)
2024	(319,989)

Actuarial Assumptions

The total pension liability in the July 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	Service at Beginning of Year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 30	10.00%
	30-39	7.50%
	40-49	6.75%
	50-59	6.50%
	60+	5.25%
	* Age-based salary increase rates apply for employees with three or more years of service	
Investment rate of return	7.50%, net of investment expenses	
Cost-of-living adjustments	None	

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.25%
International Equity	21%	6.95%
Private Equity	7%	10.15%
Domestic Fixed Income	23%	2.11%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.41%
Cash Equivalents	0%	0.00%

Discount Rate

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.13%; and the resulting Single Discount Rate is 7.50%.

Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Increase (8.50%)</u>
Employer's proportionate share of the net pension liability	\$ 12,425,815	\$ 8,666,444	\$ 5,507,915

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

Note 8 - Other Post-Employments Benefit Plan

North Dakota Public Employees Retirement System

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

OPEB Benefits

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "*prefunded credit applied*" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long-term care plan premium expense. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2019, the Employer reported a liability of \$766,354 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2019, the Employer's proportion was 0.954142 percent, which was an increase of 0.13937 percent from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Employer recognized OPEB expense of \$104,017. At December 31, 2019, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 18,924	\$ 23,940
Changes of assumptions	91,336	-
Net difference between projected and actual investment earnings on pension plan investments	854	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	138,072	1,601
Employer contributions subsequent to the measurement date	<u>122,564</u>	<u>-</u>
	<u>\$ 371,750</u>	<u>\$ 25,541</u>

\$122,564 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2020.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

2020	\$ 37,274
2021	37,274
2022	44,408
2023	43,099
2024	35,286
Thereafter	26,304

Actuarial Assumptions

The total OPEB liability in the July 1, 2019, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Not applicable
Investment rate of return	7.25%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	6.00%
Small Cap Domestic Equities	6%	7.30%
Domestic Fixed Income	40%	2.07%
International Equities	21%	6.95%

Discount Rate

The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Employer's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Plans as of June 30, 2019, calculated using the discount rate of 7.25%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Employer's proportionate share of the net pension liability	\$ 978,150	\$ 766,354	\$ 585,058

Note 9 - Interfund Receivables, Payables, Transfers, and Capital Contributions

Interfund receivables/payables are used to record accrued obligations between funds.

	Due from Other Funds	Due to Other Funds
General	\$ 981,247	\$ -
Other nonmajor governmental funds	-	447,561
Water & Sewer	-	533,686
	\$ 981,247	\$ 981,247

A summary of the City's interfund transfers is as follows:

	Transfer In	Transfer Out
Governmental Funds		
General	\$ 1,600,000	\$ 8,893
Sales Tax	-	11,207,490
Capital Projects	13,121,347	6,023,999
Debt Service	1,552,696	95,000
Non-major governmental	2,826,792	1,765,453
Total governmental funds	\$ 19,100,835	\$ 19,100,835

Transfers are made for funding various projects, operational expenses, and meeting debt service requirements.

During the year end ended December 31, 2019, the following capital contributions were made from the governmental activities to the proprietary funds:

	Transfer In	Transfer Out
Governmental Activities	\$ -	\$ 50,364,348
Water & Sewer Proprietary Fund	\$ 50,364,348	\$ -

Note 10 - Restatements

The City has recorded restatements for previously unrecorded retainage payable and accounts payable in the Capital Projects Fund and previously unrecorded construction in progress and capital lease liabilities in the governmental activities. The effect of these restatements are as follows:

	Capital Projects Fund - Fund Balance	Governmental Activities Net Position
Balance - December 31, 2018, as previously reported	\$ 8,450,004	\$ 191,454,244
Restatement due to previously unrecorded retainage payable	(1,481,282)	-
Restatement due to previously unrecorded capital outlay	(516,748)	-
Restatement due to previously unrecorded capital lease liabilities	-	(576,660)
Balance - January 1, 2019, as restated	\$ 6,451,974	\$ 190,877,584

The beginning of year construction in progress balance for governmental activities increased \$516,748 to account for these restatements.

Note 11 - Operating Leases

The City is obligated under certain leases accounted for as operating leases for various equipment. Operating leases do not give rise to property rights or lease obligations, and therefore, the results of the lease agreements are not reflected as a liability in the City's financial statements. Lease expense for all leases of the City for the current year was \$8,454.

The following is a summary of future operating lease payments:

Years Ending December 31,	Payment
2020	\$ 8,454
2021	6,341
	\$ 14,795

Note 12 - Commitments

Litigation and Potential Exposure – In the ordinary course of its business, the City is party to legal proceedings as a plaintiff or defendant. The financial impact of remaining actions is not determinable at December 31, 2019, but in the opinion of management and legal counsel the ultimate disposition of any or all of these proceedings will not have a material effect on the City’s financial position.

Construction Commitments – As of December 31, 2019, the City has entered into contracts for various construction contracts for street improvements, the storm sewer system, and the water and sanitary systems. At December 31, 2019, construction in progress consisted of street improvements totaling \$50,046,522, with estimated costs to completion of \$7,940,000; storm sewer systems totaling \$6,220,950, with estimated costs to completion of \$1,265,000; and water and sanitary systems of \$12,425,112, with estimated costs to completion of \$3,514,000. Estimated completion dates for these projects range from early 2020 through 2022.

Note 13 - Subsequent Events

Bond Refunding

Subsequent to year end, the City made refunding payments on bond issuances as follows:

Bond Issuance	Amount
2010B Refunding Improvement Bonds	\$ 4,525,000
2011C Refunding Improvement Bonds	6,745,000
2012A Refunding Improvement Bonds	9,910,000

These refunding bond payments were made from the proceeds of the 2019B Refunding Improvement Bonds issued prior to year-end.

COVID-19

Subsequent to year-end, the City has been impacted by the effects of the world-wide coronavirus pandemic. The City is closely monitoring its operations and reserves and is actively working to minimize the current and future impact of this unprecedented situation. As of the date of issuance of these financial statements, the City’s management does not expect the pandemic to have a significant impact on operations and reserves.



Required Supplementary Information
December 31, 2019

City of West Fargo, North Dakota

**Schedule of Employer's Share of Net Pension Liability
Last 10 Fiscal Years***

Measurement Date	Employer's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.739412%	\$ 8,666,444	\$ 7,691,139	112.68%	71.66%
2018	0.867830%	\$ 14,645,578	\$ 8,915,372	164.27%	62.80%
2017	0.748489%	\$ 12,030,675	\$ 7,640,904	157.45%	61.98%
2016	0.712207%	\$ 6,941,151	\$ 7,177,366	96.71%	70.46%
2015	0.665753%	\$ 4,527,007	\$ 5,931,052	76.33%	77.15%
2014	0.655469%	\$ 4,160,402	\$ 5,521,525	75.35%	77.15%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**Schedule of Employer's Contributions
Last 10 Fiscal Years ***

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
2019	\$ 559,959	\$ 643,072	\$ (83,113)	\$ 7,691,139	8.36%
2018	\$ 656,655	\$ 609,328	\$ 47,327	\$ 8,915,372	6.83%
2017	\$ 519,630	\$ 546,659	\$ (27,029)	\$ 7,177,366	7.62%
2016	\$ 450,511	\$ 451,207	\$ (696)	\$ 5,931,052	7.61%
2015	\$ 393,133	\$ 393,133	\$ -	\$ 5,521,525	7.12%
2014	\$ 328,555	\$ 328,555	\$ -	\$ 4,614,538	7.12%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**Schedule of Employer's Share of Net Pension Liability
Last 10 Fiscal Years***

Measurement Date	Employer's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
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2019	\$ 559,959	\$ 643,072	\$ (83,113)	\$ 7,691,139	8.36%
2018	\$ 656,655	\$ 609,328	\$ 47,327	\$ 8,915,372	6.83%
2017	\$ 519,630	\$ 546,659	\$ (27,029)	\$ 7,177,366	7.62%
2016	\$ 450,511	\$ 451,207	\$ (696)	\$ 5,931,052	7.61%
2015	\$ 393,133	\$ 393,133	\$ -	\$ 5,521,525	7.12%
2014	\$ 328,555	\$ 328,555	\$ -	\$ 4,614,538	7.12%

* GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions

Changes of Benefit Terms

The interest rate earned on member contributions will decrease from 7.25 percent to 7.00 percent effective January 1, 2020 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

Changes of Assumptions

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.75% to 7.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.

**Schedule of Employer's Share of Net Pension Liability
Last 10 Fiscal Years***

	Employer's Proportionate Share (Percentage) of the Net OPEB Liability (Asset)	Employer's Proportionate Share (Amount) of the Net OPEB Liability (Asset)	Employer's Covered Payroll	Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2019	0.954142%	\$ 766,354	\$ 10,646,871	7.20%	71.66%
2018	0.814772%	\$ 641,668	\$ 8,915,372	7.20%	61.89%
2017	0.706287%	\$ 558,681	\$ 7,640,904	7.31%	59.78%

*GASB Statement No. 75 require ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

**Schedule of Employer's Contributions
Last 10 Fiscal Years ***

	Statutorily Required Contribution	Contributions in Relation to the Statutorily Required Contribution	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2019	\$ 123,823	\$ 118,095	\$ 5,728	\$ 10,646,871	1.11%
2018	\$ 104,572	\$ 97,561	\$ 7,011	\$ 8,915,372	1.09%
2017	\$ 88,820	\$ 86,124	\$ 2,696	\$ 7,640,904	1.13%

*GASB Statement No. 75 require ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Notes to the Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions

Changes of Benefit Terms

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2018.

Changes of assumptions.

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.50% to 7.25%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2018.



Additional Reports
December 31, 2019

City of West Fargo, North Dakota



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Honorable Mayor and City Council
City of West Fargo, North Dakota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Fargo, North Dakota (the City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 30, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings as items 2019-001 and 2019-002 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings as item 2019-003 to be a significant deficiency.

Compliance and Other Matters

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

City's Response to Findings

The City's response to the findings identified in our audit are described in the accompanying schedule of findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



Fargo, North Dakota
December 30, 2020

Financial Statement Findings

**2019-001 Material Journal Entries, Including Restatements
Material Weakness**

Criteria – A good system of internal control contemplates an adequate system for recording and processing entries material to the financial statements.

Condition – During the course of our engagement, we proposed numerous material audit adjustments, including prior period restatements, which would not have been identified as a result of the City’s existing internal controls, and therefore could have resulted in a material misstatement of the City’s financial statements.

Cause – The City does not have an internal control system designed to identify all necessary adjustments.

Effect – This control deficiency could result in a material misstatement to the financial statements that would not be prevented or detected.

Recommendation – A thorough review and reconciliation of accounts in each fund should take place prior to the beginning of the audit. This review should be done at both the accounting staff and accounting supervisory levels.

View of Responsible Officials – Management of the City is in agreement with the finding.

2019-002 Preparation of Financial Statements
Material Weakness

Criteria – A good system of internal accounting control contemplates an adequate system for recording and processing entries material to the financial statements.

Condition – The City does not have an internal control system designed to provide for the preparation of the financial statements being audited. As auditors, we were requested to draft the financial statements and accompanying notes to the financial statements. This included formulating the proposal of necessary adjusting journal entries to convert the fund financial statements in accordance with GASB Statement No. 34.

Cause – The City does not have an internal control system designed to provide for the preparation of the financial statements being audited.

Effect – This control deficiency could result in a misstatement to the financial statements that would not be prevented or detected.

Recommendation – This circumstance is not unusual in a city of your size. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

View of Responsible Officials – Due to cost constraints, the City will continue to have the auditor's draft the financial statements and accompanying notes to the financial statements.

**2019-003 Inadequate Support for NDPERS Contributions
Significant Deficiency**

Criteria – A good system of internal accounting control contemplates an adequate system for recording and processing employee payroll deductions and benefits.

Condition – The City could not adequately support NDPERS contribution amounts made for selected employees.

Cause – The City does not have an internal control system designed to provide for a reconciliation of payroll deductions, employee benefits, and remittances to benefit providers.

Effect – This control deficiency could result in inaccurate payments to employees and benefit providers.

Recommendation – The City should take steps to ensure a system of internal control that provides for an accurate reconciliation of payroll deductions, employee benefits, and remittances to benefit providers.

View of Responsible Officials – There is no disagreement with this finding. The City has implemented changes in the payroll system to alleviate future issues.