



Financial Statements  
December 31, 2021

City of West Fargo, North Dakota

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City of West Fargo, North Dakota  
Elected and Appointed Officials  
December 31, 2021

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<u>Elected</u>	<u>Position</u>	<u>Term Expires</u>
Bernie Dardis	Mayor/President of City Commission	6/30/2022
Eric Gjerdevig	City Commissioner	6/30/2022
Mark Simmons	City Commissioner	6/30/2024
Brad Olson	City Commissioner	6/30/2022
Mandy George	City Commissioner	6/30/2024
 <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 Audit of the Financial Statements

#### *Opinions*

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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof and the General Fund Budgetary Schedule and Sales Tax Fund Budgetary Schedule for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

#### *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.

#### *Supplementary 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 schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### *Other Information*

Management is responsible for the other information included in the annual report. The other information comprises the listing of elected and appointed officials but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2022, 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.



Fargo, North Dakota  
June 27, 2022

City of West Fargo, North Dakota  
Statement of Net Position  
December 31, 2021

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 86,654,787	\$ 14,290,937	\$ 100,945,724
Restricted cash	1,819,736	1,038,000	2,857,736
Receivables			
Accounts	411,174	1,415,762	1,826,936
Property taxes	229,270	-	229,270
Special assessments	234,881,379	-	234,881,379
Notes	1,459,750	-	1,459,750
Due from other governmental units	2,590,069	-	2,590,069
Interfund balances	801,384	(801,384)	-
Capital assets, not being depreciated	47,881,943	1,857,610	49,739,553
Capital assets, net of accumulated depreciation	172,310,230	329,553,442	501,863,672
Total assets	<u>549,039,722</u>	<u>347,354,367</u>	<u>896,394,089</u>
<b>Deferred Outflows of Resources</b>			
Related to pensions	12,065,535	2,118,900	14,184,435
Related to OPEB	430,480	75,599	506,079
Total deferred outflows of resources	<u>12,496,015</u>	<u>2,194,499</u>	<u>14,690,514</u>
<b>Liabilities</b>			
Accounts payable	1,991,622	196,855	2,188,477
Retainage payable	333,236	-	333,236
Due to other governments	67,076	-	67,076
Accrued interest payable	1,617,061	53,061	1,670,122
Other liabilities	614,638	55,074	669,712
Unearned revenues	2,909,209	-	2,909,209
Long-term liabilities			
Due within one year - other than pension and OPEB	18,185,991	805,022	18,991,013
Due in more than one year - other than pension and OPEB	311,722,776	9,925,202	321,647,978
Net pension liability	8,048,516	1,413,447	9,461,963
OPEB liability	532,317	93,484	625,801
Total liabilities	<u>346,022,442</u>	<u>12,542,145</u>	<u>358,564,587</u>
<b>Deferred Inflows of Resources</b>			
Related to pensions	15,937,776	2,798,927	18,736,703
Related to OPEB	210,664	36,995	247,659
Total deferred inflows of resources	<u>16,148,440</u>	<u>2,835,922</u>	<u>18,984,362</u>
<b>Net Position</b>			
Net investment in capital assets	201,675,521	321,006,931	522,682,452
Restricted	65,603,738	1,038,000	66,641,738
Unrestricted	(67,914,404)	12,125,868	(55,788,536)
Total net position	<u>\$ 199,364,855</u>	<u>\$ 334,170,799</u>	<u>\$ 533,535,654</u>



City of West Fargo, North Dakota  
Statement of Activities  
Year Ended December 31, 2021

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
<b>Primary Government</b>							
Governmental activities							
General government	\$ 14,679,939	\$ 3,789,425	\$ 420,867	\$ -	\$ (10,469,647)	\$ -	\$ (10,469,647)
Public safety	10,005,287	1,281,323	185,600	-	(8,538,364)	-	(8,538,364)
Public works	14,006,300	231,736	1,629,072	39,624,819	27,479,327	-	27,479,327
Culture and recreation	3,477,505	184,150	32,722	-	(3,260,633)	-	(3,260,633)
Economic development	905,896	23,545	3,802	-	(878,549)	-	(878,549)
Interest on long-term debt	10,570,939	-	-	-	(10,570,939)	-	(10,570,939)
Total governmental activities	<u>53,645,866</u>	<u>5,510,179</u>	<u>2,272,063</u>	<u>39,624,819</u>	<u>(6,238,805)</u>	<u>-</u>	<u>(6,238,805)</u>
Business-type activities							
Water & sewer	22,998,814	13,779,782	-	-	-	(9,219,032)	(9,219,032)
Garbage	4,719,336	4,920,620	-	-	-	201,284	201,284
Total business-type activities	<u>27,718,150</u>	<u>18,700,402</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,017,748)</u>	<u>(9,017,748)</u>
Total Government	<u>\$ 81,364,016</u>	<u>\$ 24,210,581</u>	<u>\$ 2,272,063</u>	<u>\$ 39,624,819</u>	<u>(6,238,805)</u>	<u>(9,017,748)</u>	<u>(15,256,553)</u>
General revenues							
Sales and use tax					14,347,589	-	14,347,589
Property taxes					16,843,686	-	16,843,686
State aid					2,993,868	-	2,993,868
Unrestricted investment earnings					615,729	90,783	706,512
Miscellaneous					779,141	457,026	1,236,167
Transfers and capital asset contributions					(6,053,290)	6,053,289	(1)
Total general revenues and transfers and capital asset contributions					<u>29,526,723</u>	<u>6,601,098</u>	<u>36,127,821</u>
Change in net position					23,287,918	(2,416,650)	20,871,268
Net position - beginning					<u>176,076,937</u>	<u>336,587,449</u>	<u>512,664,386</u>
Net position - ending					<u>\$ 199,364,855</u>	<u>\$ 334,170,799</u>	<u>\$ 533,535,654</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, 2021

	General	Sales Tax	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$ 19,173,694	\$ 182,974	\$ -	\$ 55,002,503	\$ 12,295,616	\$ 86,654,787
Restricted cash	22,424	-	1,754,586	-	42,726	1,819,736
Due from other funds	7,725,300	-	1,692,696	1,406,400	411,911	11,236,307
Receivables						
Accounts	308,810	-	14,807	-	87,557	411,174
Property taxes	101,142	-	-	79,344	48,784	229,270
Special assessments	-	-	194,846	234,686,533	-	234,881,379
Notes	-	-	-	-	1,459,750	1,459,750
Due from other governmental units	181,967	1,124,038	907,793	125,688	250,583	2,590,069
<b>Total assets</b>	<b><u>\$ 27,513,337</u></b>	<b><u>\$ 1,307,012</u></b>	<b><u>\$ 4,564,728</u></b>	<b><u>\$ 291,300,468</u></b>	<b><u>\$ 14,596,927</u></b>	<b><u>\$ 339,282,472</u></b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balance (Deficit)</b>						
<b>Liabilities</b>						
Accounts payable	\$ 346,938	\$ -	\$ 1,476,765	\$ -	\$ 167,919	\$ 1,991,622
Construction retainage payable	-	-	333,236	-	-	333,236
Accrued payroll	516,644	-	-	-	61,250	577,894
Due to other governments	-	-	-	-	67,076	67,076
Due to other funds	259,565	-	6,426,293	2,056,369	1,692,696	10,434,923
Other liabilities	24,216	-	-	-	12,528	36,744
Unearned revenue	-	-	2,909,209	-	-	2,909,209
<b>Total liabilities</b>	<b><u>1,147,363</u></b>	<b><u>-</u></b>	<b><u>11,145,503</u></b>	<b><u>2,056,369</u></b>	<b><u>2,001,469</u></b>	<b><u>16,350,704</u></b>
<b>Deferred Inflows of Resources</b>						
Unavailable revenue-property taxes and special assessments	90,408	-	194,846	234,628,581	39,467	234,953,302
<b>Fund Balance (Deficit)</b>						
<b>Nonspendable</b>						
Notes receivable	-	-	-	-	1,459,750	1,459,750
<b>Restricted for</b>						
Sales tax	-	1,307,012	-	-	-	1,307,012
Debt service	-	-	-	54,615,518	-	54,615,518
General government	-	-	-	-	555,596	555,596
Public Safety	-	-	-	-	221,734	221,734
Public works/streets	-	-	-	-	319,463	319,463
Economic Development	-	-	-	-	9,252,133	9,252,133
Other	-	-	-	-	639,294	639,294
<b>Committed</b>						
Public Safety	-	-	-	-	108,021	108,021
Unassigned	26,275,566	-	(6,775,621)	-	-	19,499,945
<b>Total fund balance (deficit)</b>	<b><u>26,275,566</u></b>	<b><u>1,307,012</u></b>	<b><u>(6,775,621)</u></b>	<b><u>54,615,518</u></b>	<b><u>12,555,991</u></b>	<b><u>87,978,466</u></b>
<b>Total liabilities, deferred inflows of resources, and fund balance (deficit)</b>	<b><u>\$ 27,513,337</u></b>	<b><u>\$ 1,307,012</u></b>	<b><u>\$ 4,564,728</u></b>	<b><u>\$ 291,300,468</u></b>	<b><u>\$ 14,596,927</u></b>	<b><u>\$ 339,282,472</u></b>

City of West Fargo, North Dakota  
 Governmental Funds  
 Reconciliation of the Balance Sheet to the Statement of Net Position  
 December 31, 2021

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Total Fund Balances – Governmental Funds	\$ 87,978,466
<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.	220,192,173
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.	234,953,302
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds	(3,652,425)
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	(2,640,000)
Special assessment bonds	(285,755,000)
Revenue bonds	(19,235,000)
BND drawdown	(12,919,165)
Bond premium	(8,896,624)
Bond discount	2,665,545
Capital leases	(1,475,072)
Compensated absences	(1,653,451)
Accrued interest	(1,617,061)
Net pension liability	(8,048,516)
OPEB liability	(532,317)
	(1,993,317)
Total Net Position – Governmental Activities	\$ 199,364,855

City of West Fargo, North Dakota  
Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Year Ended December 31, 2021

	General	Sales Tax	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>						
General property taxes	\$ 9,371,782	\$ -	\$ -	\$ 2,806,780	\$ 4,665,124	\$ 16,843,686
Special assessments	232,224	-	32,300	25,095,274	-	25,359,798
Charges for services	71,740	-	-	-	607,055	678,795
Licenses and permits	4,042,652	-	-	-	6,001	4,048,653
Intergovernmental	2,184,211	-	4,414,721	-	1,399,827	7,998,759
Fines and forfeitures	329,788	-	-	-	-	329,788
Sales tax	-	14,347,589	-	-	-	14,347,589
Other tax	73,658	-	-	-	1,922,129	1,995,787
Interest	264,805	23,003	-	188,798	77,048	553,654
Miscellaneous	162,038	-	143,262	18,458	656,507	980,265
<b>Total revenues</b>	<b>16,732,898</b>	<b>14,370,592</b>	<b>4,590,283</b>	<b>28,109,310</b>	<b>9,333,691</b>	<b>73,136,774</b>
<b>Expenditures</b>						
<b>Current</b>						
General government	7,067,374	-	-	1,011,663	7,401,616	15,480,653
Public safety	8,898,242	-	-	-	749,393	9,647,635
Public works	2,726,306	-	-	-	24,795	2,751,101
Culture and recreation	755,785	-	-	-	1,230,692	1,986,477
Miscellaneous	-	-	-	-	104,560	104,560
Capital outlay	357,189	-	26,016,915	-	2,968	26,377,072
<b>Debt service</b>						
Principal	128,955	-	-	16,230,629	139,925	16,499,509
Interest and fees	8,956	-	-	11,115,774	49,369	11,174,099
<b>Total expenditures</b>	<b>19,942,807</b>	<b>-</b>	<b>26,016,915</b>	<b>28,358,066</b>	<b>9,703,318</b>	<b>84,021,106</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>(3,209,909)</b>	<b>14,370,592</b>	<b>(21,426,632)</b>	<b>(248,756)</b>	<b>(369,627)</b>	<b>(10,884,332)</b>
<b>Other Financing Sources (Uses)</b>						
Sale of assets	42,513	-	-	-	87,336	129,849
Bond proceeds	-	-	-	15,605,000	-	15,605,000
Bond refunding payments	-	-	-	(20,185,000)	-	(20,185,000)
Discount on bonds	-	-	-	(156,050)	-	(156,050)
Premium on bonds	-	-	-	311,697	-	311,697
Transfers in	2,851,795	-	21,193,832	4,771,534	3,787,610	32,604,771
Transfers out	(12,167)	(16,823,226)	(4,760,342)	(6,458,554)	(3,418,558)	(31,472,847)
<b>Total other financing sources (uses)</b>	<b>2,882,141</b>	<b>(16,823,226)</b>	<b>16,433,490</b>	<b>(6,111,373)</b>	<b>456,388</b>	<b>(3,162,580)</b>
<b>Net Change in Fund Balance</b>	<b>(327,768)</b>	<b>(2,452,634)</b>	<b>(4,993,142)</b>	<b>(6,360,129)</b>	<b>86,761</b>	<b>(14,046,912)</b>
<b>Fund Balance (Deficit), Beginning</b>	<b>26,603,334</b>	<b>3,759,646</b>	<b>(1,782,479)</b>	<b>60,975,647</b>	<b>12,469,230</b>	<b>102,025,378</b>
<b>Fund Balance (Deficit), Ending</b>	<b>\$ 26,275,566</b>	<b>\$ 1,307,012</b>	<b>\$ (6,775,621)</b>	<b>\$ 54,615,518</b>	<b>\$ 12,555,991</b>	<b>\$ 87,978,466</b>

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, 2021

Net Change in Fund Balances - Total Governmental Funds	\$ (14,046,912)
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	25,875,198
Contribution of capital assets to proprietary fund	(7,185,213)
Depreciation expense	(10,982,020)
The net effect of the disposal of capital assets is to decrease net position.	(12,228)
Revenues in the statement of activities that do not provide current financial resources are deferred and not reported as revenues in the funds.	9,850,300
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.	(45,057)
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.	(1,600,172)
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.	18,124
Interest payable is reported in the government wide statement of net position but is not recorded in the governmental funds.	50,368
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, net of related premiums and discounts	(15,760,647)
Capital lease retirement	268,880
Bond principal retirement	36,415,629
Amortization of bond discount and bond premium	441,668
Change in Net Position of Governmental Activities	<u>\$ 23,287,918</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, 2021

	Original and Final Budget	Actual Amounts	Variance With Final Budget
<b>Revenues</b>			
General property taxes	\$ 9,359,174	\$ 9,371,782	\$ 12,608
Special assessments	230,000	232,224	2,224
Charges for services	4,000	71,740	67,740
Licenses and permits	3,950,400	4,042,652	92,252
Intergovernmental	2,413,988	2,184,211	(229,777)
Fines and forfeitures	515,000	329,788	(185,212)
Other tax	75,000	73,658	(1,342)
Interest	679,350	264,805	(414,545)
Miscellaneous	26,000	162,038	136,038
Total revenues	<u>17,252,912</u>	<u>16,732,898</u>	<u>(520,014)</u>
<b>Expenditures</b>			
Current			
General government	7,270,112	7,067,374	202,738
Public safety	9,064,984	8,898,242	166,742
Public works/streets	2,919,205	2,855,261	63,944
Culture and recreation	771,343	755,785	15,558
Capital outlay	433,050	357,189	75,861
Debt service			
Interest and fees	-	8,956	(8,956)
Total expenditures	<u>20,458,694</u>	<u>19,942,807</u>	<u>515,887</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,205,782)	(3,209,909)	(4,127)
<b>Other Financing Sources (Uses)</b>			
Sale of assets	-	42,513	42,513
Transfers in	3,335,949	2,851,795	(484,154)
Transfers out	-	(12,167)	(12,167)
Total other financing sources and uses	<u>3,335,949</u>	<u>2,882,141</u>	<u>(453,808)</u>
Net Change in Fund Balance	<u>\$ 130,167</u>	(327,768)	<u>\$ (457,935)</u>
Fund Balance, Beginning		<u>26,603,334</u>	
Fund Balance, Ending		<u>\$ 26,275,566</u>	

City of West Fargo, North Dakota

Sales Tax Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual  
Year Ended December 31, 2021

	<u>Original and Final Budget</u>	<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
Revenues			
Sales tax	\$ 8,400,000	\$ 14,347,589	\$ 5,947,589
Interest	18,000	23,003	5,003
Total revenues	<u>8,418,000</u>	<u>14,370,592</u>	<u>5,952,592</u>
Other Financing Uses			
Transfers out	<u>(8,400,000)</u>	<u>(16,823,226)</u>	<u>(8,423,226)</u>
Net Change in Fund Balance	<u>\$ 18,000</u>	(2,452,634)	<u>\$ (2,470,634)</u>
Fund Balance, Beginning		<u>3,759,646</u>	
Fund Balance, Ending		<u>\$ 1,307,012</u>	

City of West Fargo, North Dakota

Proprietary Funds  
Statement of Net Position  
December 31, 2021

	<u>Water &amp; Sewer</u>	<u>Garbage</u>	<u>Total</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 11,113,157	\$ 3,177,780	\$ 14,290,937
Accounts receivable	1,025,195	390,567	1,415,762
Total current assets	<u>12,138,352</u>	<u>3,568,347</u>	<u>15,706,699</u>
<b>Capital assets</b>			
Land	1,857,610	-	1,857,610
Buildings	2,660,603	1,174,031	3,834,634
Land improvements	3,751,796	-	3,751,796
Machinery and equipment	6,980,656	3,034,677	10,015,333
Infrastructure	432,679,230	-	432,679,230
Less accumulated depreciation	<u>(119,243,853)</u>	<u>(1,483,698)</u>	<u>(120,727,551)</u>
Net capital assets	<u>328,686,042</u>	<u>2,725,010</u>	<u>331,411,052</u>
Restricted cash	<u>1,038,000</u>	<u>-</u>	<u>1,038,000</u>
Total assets	<u>341,862,394</u>	<u>6,293,357</u>	<u>348,155,751</u>
<b>Deferred Outflows of Resources</b>			
Related to pensions	1,260,586	858,314	2,118,900
Related to OPEB	<u>44,976</u>	<u>30,623</u>	<u>75,599</u>
Total deferred outflows of resources	<u>1,305,562</u>	<u>888,937</u>	<u>2,194,499</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	55,319	141,536	196,855
Accrued interest payable	53,061	-	53,061
Accrued payroll	34,414	20,660	55,074
Due to other funds	411,853	389,531	801,384
Current maturities of long-term debt	<u>794,121</u>	<u>10,901</u>	<u>805,022</u>
Total current liabilities	<u>1,348,768</u>	<u>562,628</u>	<u>1,911,396</u>
<b>Long-term debt (net of current portion)</b>			
Bonds payable	9,610,000	-	9,610,000
Net pension liabilities	840,894	572,553	1,413,447
OPEB	55,616	37,868	93,484
Compensated absences payable	<u>217,096</u>	<u>98,106</u>	<u>315,202</u>
Total long-term debt	<u>10,723,606</u>	<u>708,527</u>	<u>11,432,133</u>
Total liabilities	<u>12,072,374</u>	<u>1,271,155</u>	<u>13,343,529</u>
<b>Deferred Inflows of Resources</b>			
Related to pensions	1,665,150	1,133,777	2,798,927
Related to OPEB	<u>22,009</u>	<u>14,986</u>	<u>36,995</u>
Total deferred inflows of resources	<u>1,687,159</u>	<u>1,148,763</u>	<u>2,835,922</u>
<b>Net Position</b>			
Net investment in capital assets	318,281,921	2,725,010	321,006,931
Restricted	1,038,000	-	1,038,000
Unrestricted	<u>10,088,502</u>	<u>2,037,366</u>	<u>12,125,868</u>
Total net position	<u>\$ 329,408,423</u>	<u>\$ 4,762,376</u>	<u>\$ 334,170,799</u>



City of West Fargo, North Dakota  
Proprietary Funds  
Statement of Revenues, Expenses, and Changes in Net Position  
Year Ended December 31, 2021

	<u>Water &amp; Sewer</u>	<u>Garbage</u>	<u>Total</u>
Operating Revenues			
Utility sales and service charges	\$ 13,663,391	\$ 4,920,620	\$ 18,584,011
Operating Expenses			
Distribution	8,231,934	-	8,231,934
Landfill and collections	-	2,480,394	2,480,394
Salaries and wages	1,865,454	1,464,644	3,330,098
Administration and general	1,387,774	490,704	1,878,478
Depreciation	11,159,669	269,196	11,428,865
Total operating expenses	<u>22,644,831</u>	<u>4,704,938</u>	<u>27,349,769</u>
Operating Income (Loss)	(8,981,440)	215,682	(8,765,758)
Nonoperating Revenues (Expenses)			
Interest income	59,450	31,333	90,783
Hook up fees	116,391	-	116,391
Miscellaneous	433,462	23,564	457,026
Interest expense	(353,983)	(14,398)	(368,381)
Total nonoperating revenues (expenses)	<u>255,320</u>	<u>40,499</u>	<u>295,819</u>
Income (Loss) before Capital Contributions and Transfers	(8,726,120)	256,181	(8,469,939)
Transfers out	(1,131,924)	-	(1,131,924)
Contribution of capital assets	<u>7,185,213</u>	<u>-</u>	<u>7,185,213</u>
Change in Net Position	(2,672,831)	256,181	(2,416,650)
Net Position, Beginning of Year	<u>332,081,254</u>	<u>4,506,195</u>	<u>336,587,449</u>
Net Position, End of Year	<u>\$ 329,408,423</u>	<u>\$ 4,762,376</u>	<u>\$ 334,170,799</u>

City of West Fargo, North Dakota

Proprietary Funds

Statement of Cash Flows

Year Ended December 31, 2021

	<u>Water &amp; Sewer</u>	<u>Garbage</u>	<u>Total</u>
<b>Operating Activities</b>			
Receipts from customers and users	\$ 14,241,541	\$ 4,990,618	\$ 19,232,159
Payments for employee costs	(2,206,483)	(1,470,769)	(3,677,252)
Payments to other vendors	(9,938,463)	(2,985,107)	(12,923,570)
Net cash from operating activities	<u>2,096,595</u>	<u>534,742</u>	<u>2,631,337</u>
<b>Non-Capital Financing Activities</b>			
Transfers to other funds	(1,131,924)	-	(1,131,924)
Change in interfund balances	(61,817)	(90,397)	(152,214)
Net cash used for non-capital financing activities	<u>(1,193,741)</u>	<u>(90,397)</u>	<u>(1,284,138)</u>
<b>Capital and Related Financing Activities</b>			
Property and equipment additions	(85,253)	(542,040)	(627,293)
Payments on long-term debt			
Principal	(745,000)	-	(745,000)
Interest	(357,904)	(14,398)	(372,302)
Net cash used for capital and related financing activities	<u>(1,188,157)</u>	<u>(556,438)</u>	<u>(1,744,595)</u>
<b>Investing Activity</b>			
Interest from investments	59,450	31,333	90,783
Change in Cash and Cash Equivalents	(225,853)	(80,760)	(306,613)
Cash and Cash Equivalents - Beginning of Year	<u>12,377,010</u>	<u>3,258,540</u>	<u>15,635,550</u>
Cash and Cash Equivalents - End of Year	<u>\$ 12,151,157</u>	<u>\$ 3,177,780</u>	<u>\$ 15,328,937</u>
<b>Reconciliation to the Statement of Net Position</b>			
Cash and Cash Equivalents	\$ 11,113,157	\$ 3,177,780	\$ 14,290,937
Restricted Cash	<u>1,038,000</u>	<u>-</u>	<u>1,038,000</u>
Total Cash and Cash Equivalents	<u>\$ 12,151,157</u>	<u>\$ 3,177,780</u>	<u>\$ 15,328,937</u>

City of West Fargo, North Dakota

Proprietary Funds

Statement of Cash Flows

Year Ended December 31, 2021

	<u>Water &amp; Sewer</u>	<u>Garbage</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities			
Operating income (loss)	\$ (8,981,440)	\$ 215,682	\$ (8,765,758)
Adjustments to reconcile operating income (loss) to net cash from operating activities			
Depreciation	11,159,669	269,196	11,428,865
Other income	549,853	23,564	573,417
Changes in assets and liabilities			
Accounts receivable	28,297	46,434	74,731
Deferred outflows	658,374	158,467	816,841
Accounts payable	(318,755)	(14,009)	(332,764)
Accrued payroll	(33,396)	(31,085)	(64,481)
Compensated absences payable	45,966	24,935	70,901
Net pension and OPEB liability	(2,171,612)	(1,025,867)	(3,197,479)
Deferred inflows	1,159,639	867,425	2,027,064
Net cash from operating activities	<u>\$ 2,096,595</u>	<u>\$ 534,742</u>	<u>\$ 2,631,337</u>
Supplemental Disclosure of Cash Flow Information			
Cash payments for interest	<u>\$ 361,825</u>	<u>\$ 14,398</u>	<u>\$ 376,223</u>
Supplemental Disclosure of Non-Cash Capital and Related Financing Activities			
Capital contributions	<u>\$ 7,185,213</u>	<u>\$ -</u>	<u>\$ 7,185,213</u>

City of West Fargo, North Dakota  
Statement of Fiduciary Net Position – Custodial Fund  
Year Ended December 31, 2021

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Assets	
Cash and cash equivalents	\$ 1,275,874
Receivables	<u>944</u>
Total assets	<u>1,276,818</u>
Liabilities	
Payables	<u>55</u>
Net Position	<u><u>\$ 1,276,763</u></u>

City of West Fargo, North Dakota  
Statement of Changes in Fiduciary Net Position – Custodial Fund  
Year Ended December 31, 2021

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Additions	
Property taxes, special assessments, and other receipts collected for other governments	\$ 603,269
Deductions	
Payments of property taxes, special assessments, and other receipts to other governments	<u>568,038</u>
Change in Fiduciary Net Position	35,231
Net Position, Beginning of Year	<u>1,241,532</u>
Net Position, End of Year	<u><u>\$ 1,276,763</u></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 custodial 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).
- *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:

- *Custodial Fund* – These funds account for assets by the City in a custodial capacity as an agent on behalf of others. The City's custodial funds are used to account for property taxes, special assessments, and other items 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.

**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 acquisition 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). (i.e., 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 (NDRF), 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 NDRF for its general liability, automobile, and inland marine insurance coverage. The coverage by NDRF is limited to losses of \$10,000,000 per occurrence for general liability and automobile, and up to \$10,244,330 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**

### **Deficit Fund Balance**

At December 31, 2021, the Capital Projects fund had a deficit fund balance of \$6,775,621. The deficit will be eliminated through a combination of future intergovernmental revenues, debt issuances, and transfers from other funds.

## **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, 2021, 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, 2021, the City's carrying amount of deposits was \$105,079,334 and the bank balances were \$107,039,238. Of the bank balances, \$91,586,857 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, 2021, 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, 2021.

Type	Fair Value	Maturities (in Years)	
		N/A	< 1
Cash and cash equivalents			
Deposits	\$ 90,399,227	\$ 90,399,227	\$ -
Petty cash	400	400	-
Certificates of deposit	14,679,707	-	14,679,707
	<u>\$ 105,079,334</u>	<u>\$ 90,399,627</u>	<u>\$ 14,679,707</u>

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

Cash and cash equivalents - Statement of Net Position	\$ 100,945,724
Restricted cash - Statement of Net Position	2,857,736
Cash and cash equivalents - Statement of Fiduciary Net Position	<u>1,275,874</u>
	<u>\$ 105,079,334</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, 2021 was as follows:

Governmental Activities	Beginning Balance	Increases and Transfers	Decreases and Transfers	Ending Balance
Capital assets, not being depreciated				
Land	\$ 19,783,400	\$ 319,275	\$ -	\$ 20,102,675
Construction in progress	55,763,223	24,124,713	52,108,668	27,779,268
Total capital assets not being depreciated	<u>75,546,623</u>	<u>24,443,988</u>	<u>52,108,668</u>	<u>47,881,943</u>
Capital assets, being depreciated				
Infrastructure	191,458,517	44,857,977	-	236,316,494
Buildings and improvements	26,189,910	15,293	-	26,205,203
Machinery and equipment	9,256,589	1,481,395	300,758	10,437,226
Total capital assets being depreciated	<u>226,905,016</u>	<u>46,354,665</u>	<u>300,758</u>	<u>272,958,923</u>
Less accumulated depreciation for				
Infrastructure	82,903,932	9,389,053	-	92,292,985
Buildings and improvements	3,001,956	726,623	-	3,728,579
Machinery and equipment	4,049,315	866,344	288,530	4,627,129
Total accumulated depreciation	<u>89,955,203</u>	<u>10,982,020</u>	<u>288,530</u>	<u>100,648,693</u>
Total capital assets being depreciated, net	<u>136,949,813</u>	<u>35,372,645</u>	<u>12,228</u>	<u>172,310,230</u>
Governmental activities capital assets, net	<u>\$ 212,496,436</u>	<u>\$ 59,816,633</u>	<u>\$ 52,120,896</u>	<u>\$ 220,192,173</u>



City of West Fargo, North Dakota

Notes to Financial Statements

December 31, 2021

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	3,834,634	-	-	3,834,634
Land improvements	3,751,796	-	-	3,751,796
Machinery and equipment	9,741,159	627,293	353,119	10,015,333
Infrastructure	425,494,017	7,185,213	-	432,679,230
Total capital assets being depreciated	442,821,606	7,812,506	353,119	450,280,993
Less accumulated depreciation for				
Buildings	743,930	78,246	-	822,176
Land improvements	3,751,796	-	-	3,751,796
Machinery and equipment	6,284,313	596,004	353,119	6,527,198
Infrastructure	98,871,766	10,754,615	-	109,626,381
Total accumulated depreciation	109,651,805	11,428,865	353,119	120,727,551
Total capital assets being depreciated, net	333,169,801	(3,616,359)	-	329,553,442
Business-type activities capital assets, net	\$ 335,027,411	\$ (3,616,359)	\$ -	\$ 331,411,052

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

Governmental Activities		
General government		\$ 10,378,775
Public safety		406,518
Public works		196,727
Total depreciation expense - governmental activities		<u>\$ 10,982,020</u>
Business-Type Activities		
Water & sewer		\$ 11,159,669
Garbage		269,196
Total depreciation expense - business-type activities		<u>\$ 11,428,865</u>

**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, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
G.O. bonds	\$ 3,450,000	\$ -	\$ 810,000	\$ 2,640,000	\$ 845,000
Special assessment bonds	305,200,000	15,605,000	35,050,000	285,755,000	15,565,000
Revenue bonds	19,290,000	-	55,000	19,235,000	450,000
BND drawdown	13,419,794	-	500,629	12,919,165	510,641
Bond premium	9,170,606	311,697	585,679	8,896,624	516,667
Bond discount	(2,653,506)	(156,050)	(144,011)	(2,665,545)	(144,012)
Capital leases	1,743,952	-	268,880	1,475,072	277,350
Compensated absences*	1,608,394	45,057	-	1,653,451	165,345
	<u>\$ 351,229,240</u>	<u>\$ 15,805,704</u>	<u>\$ 37,126,177</u>	<u>\$ 329,908,767</u>	<u>\$ 18,185,991</u>
<b>Governmental activity long-term debt</b>					
<b>Business-type activities</b>					
Revenue bonds	\$ 11,125,000	\$ -	\$ 745,000	\$ 10,380,000	\$ 770,000
Compensated absences*	279,323	70,901	-	350,224	35,022
	<u>\$ 11,404,323</u>	<u>\$ 70,901</u>	<u>\$ 745,000</u>	<u>\$ 10,730,224</u>	<u>\$ 805,022</u>
<b>Business-type activity long-term debt</b>					

\*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.

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.

The City has General obligation revenue bonds that are recorded as a liability in the business utilities fund and are payable from public utility revenues. The City has pledged future revenues, net of specified operating expenses, to repay these bonds. The debt and information related to the pledged revenues at December 31, 2021 are as follows:

	Pledged Revenue Source	2021		Approximate Amount of Revenue Pledged
		Principal and Interest Paid	Net Revenues	
<b>Business-type activities</b>				
2012 Refunding Improvement Bond	Water and Sewer Revenue	\$ 422,653	\$ 2,237,679	18.9%
2019 Refunding Improvement Bond	Water and Sewer Revenue	664,241	2,237,679	29.7%

City of West Fargo, North Dakota

Notes to Financial Statements

December 31, 2021

Bonds payable outstanding as of December 31, 2021, consist of the following:

	Interest Rate	Final Year of Maturity	Authorized and Issued	Outstanding
<b>Governmental activities</b>				
2009 General Obligation Arterial Street Bonds	2.50-4.35%	2024	\$ 10,000,000	\$ 2,640,000
2009 Municipal Improvement Bonds	2.00-5.50%	2039	530,000	400,000
2009 TIF District Bonds	2.75-4.50%	2025	570,000	190,000
2012 Sidewalk Warrants	1.00-2.25%	2022	170,000	20,000
2014A Refunding Improvement Bonds	2.00-3.625%	2038	17,750,000	11,685,000
2014B Refunding Improvement Bonds	2.00-5.00%	2039	20,460,000	14,730,000
2015A Refunding Improvement Bonds	2.00-5.00%	2040	28,180,000	19,975,000
2015B Refunding Improvement Bonds	2.00-5.00%	2040	24,470,000	19,445,000
2016A Refunding Improvement Bonds	1.50-4.50%	2041	27,140,000	21,100,000
2017A Refunding Improvement Bonds	3.00-5.00%	2042	36,860,000	32,670,000
2018A Refunding Improvement Bonds	4.50-5.00%	2023	9,275,000	1,775,000
2018B Refunding Improvement Bonds	3.50-5.00%	2043	30,230,000	28,010,000
2019A Refunding Improvement Bonds	2.00-4.00%	2024	7,905,000	5,440,000
2019B Refunding Improvement Bonds	2.625-4.00%	2036	55,105,000	51,465,000
2020A Refunding Improvement Bonds	2.00-4.00%	2041	66,430,000	64,430,000
2020 Taxable Gross Revenue Bonds	0.60-3.00%	2045	18,645,000	18,645,000
2021A Refunding Improvement Bonds	2.00%	2034	7,060,000	7,060,000
2021B Refunding Improvement Bonds	0.25-2.10%	2034	8,545,000	7,950,000
Total				<u>\$ 307,630,000</u>
<b>Business-type activities</b>				
2012 Refunding Improvement Bond	0.50-4.25%	2030	\$ 9,145,000	\$ 5,010,000
2019 Refunding Improvement Bond	2.00-3.00%	2034	5,905,000	5,370,000
Total				<u>\$ 10,380,000</u>

The annual requirements to amortize all bonded debt outstanding as of December 31, 2021, are as follows:

Years Ending December 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2022	\$ 16,860,000	\$ 9,387,373	\$ 770,000	\$ 318,368
2023	16,420,000	8,785,778	800,000	291,631
2024	15,820,000	8,220,078	835,000	263,881
2025	14,535,000	7,654,126	865,000	238,831
2026	14,460,000	7,112,859	895,000	210,180
2027-2031	72,270,000	28,616,007	4,355,000	626,814
2032-2036	72,295,000	17,812,455	1,860,000	110,906
2037-2041	57,945,000	8,155,039	-	-
2042-2045	27,025,000	1,529,397	-	-
Total	<u>\$ 307,630,000</u>	<u>\$ 97,273,112</u>	<u>\$ 10,380,000</u>	<u>\$ 2,060,611</u>

City of West Fargo, North Dakota

Notes to Financial Statements

December 31, 2021

During the year ended December 31, 2021, the City issued \$15,605,000 in refunding improvement bonds with interest rates ranging from 0.25% to 2.10%. The proceeds were used to refund \$15,895,000 of outstanding refunding improvement 2013 bonds which had interest rates ranging from 2.00% to 4.20%. The net bond proceeds were \$15,916,697 which included a net bond premium of \$311,697 and a bond discount of \$156,050. The refunding reduced the total debt service payments by \$6,980,251 and obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,873,702.

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, 2021, 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	\$ 8,331,075
Bank of North Dakota Drawdown	2.00%	2043	5,000,000	<u>4,588,090</u>
				<u>\$ 12,919,165</u>

The annual requirements to amortize all Bank of North Dakota drawdowns outstanding as of December 31, 2021, are as follows:

<u>Years Ending December 31,</u>	<u>Drawdown Agreement</u>	
	<u>Principal</u>	<u>Interest</u>
2022	\$ 510,641	\$ 258,252
2023	520,854	248,039
2024	531,272	237,622
2025	541,897	226,997
2026	552,735	216,159
2027-2031	2,933,985	910,486
2032-2036	3,239,355	605,114
2037-2041	3,576,509	267,960
2042-2043	<u>511,917</u>	<u>15,211</u>
Total	<u>\$ 12,919,165</u>	<u>\$ 2,985,840</u>

The capital leases consists of various vehicles and equipment at a total cost of \$2,311,068, with total accumulated depreciation of \$482,071 as of December 31, 2021. 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>
2022	\$ 277,350	\$ 49,104
2023	217,510	40,363
2024	155,090	34,203
2025	160,502	28,791
2026	664,620	24,689
Total	<u>\$ 1,475,072</u>	<u>\$ 177,150</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, 2021, the City reported a liability of \$9,461,963 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City'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, 2021, the Employer's proportion was 0.907796 percent, which was an increase of 0.146159 percent from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the City recognized pension expense of \$1,518,089. At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 163,358	\$ 965,723
Changes of assumptions	10,472,555	13,654,023
Net difference between projected and actual investment earnings on pension plan investments	-	3,509,293
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,508,044	607,664
City contributions subsequent to the measurement date	<u>1,040,478</u>	<u>-</u>
	<u>\$ 14,184,435</u>	<u>\$ 18,736,703</u>

The \$1,040,478 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022.

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

2022	\$ (511,226)
2023	\$ (1,251,545)
2024	\$ (817,840)
2025	\$ (3,012,135)

### Actuarial Assumptions

The total pension liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	3.5% to 17.75% including inflation
Investment rate of return	7.00%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.

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%	6.00%
International Equity	21%	6.70%
Private Equity	7%	9.50%
Domestic Fixed Income	23%	0.73%
International Fixed Income	0%	0.00%
Global Real Assets	19%	4.77%
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 7.00%; the municipal bond rate is 1.92%; and the resulting Single Discount Rate is 7.00%.

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

The following presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City's proportionate share of the net pension liability	\$ 15,047,701	\$ 9,461,963	\$ 4,810,958

**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, 2021, the City reported a liability of \$625,801 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City's proportion of the net OPEB liability was based on the City's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2021, the City's proportion was 1.125192 percent, which was an increase of 0.208912 percent from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the City recognized OPEB expense of \$83,312. At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 35,939	\$ 17,153
Changes of assumptions	96,912	-
Net difference between projected and actual investment earnings on pension plan investments	-	214,415
Changes in proportion and differences between employer contributions and proportionate share of contributions	206,635	16,091
City contributions subsequent to the measurement date	166,593	-
	<u>\$ 506,079</u>	<u>\$ 247,659</u>

The \$166,593 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2022.

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

2022	\$	31,038
2023		29,494
2024		20,240
2025		(2,598)
2026		13,653
Thereafter		-

### Actuarial Assumptions

The total OPEB liability in the July 1, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the Mortality Pub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

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, 2021, are summarized in the following table:

Asset Class	Target	Long-Term
Large Cap Domestic Equities	33%	5.85%
Small Cap Domestic Equities	6%	6.75%
Domestic Fixed Income	40%	0.50%
International Equities	21%	6.25%

**Discount Rate**

The discount rate used to measure the total OPEB liability was 6.50%. 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 City'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, 2021, calculated using the discount rate of 6.50%, 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 (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	<u>1% Decrease (5.50%)</u>	<u>Current Discount Rate (6.50%)</u>	<u>1% Increase (7.50%)</u>
City's proportionate share of the net pension liability	\$ 928,144	\$ 625,801	\$ 369,974

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

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

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General	\$ 7,725,300	\$ 259,565
Capital projects	1,692,696	6,426,293
Debt service	1,406,400	2,056,369
Other nonmajor governmental funds	411,911	1,692,696
Water & Sewer	-	411,853
Garbage	-	389,531
	<u>\$ 11,236,307</u>	<u>\$ 11,236,307</u>

City of West Fargo, North Dakota

Notes to Financial Statements

December 31, 2021

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

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Funds		
General	\$ 2,851,795	\$ 12,167
Sales Tax	-	16,823,226
Capital Projects	21,193,832	4,760,342
Debt Service	4,771,534	6,458,554
Non-major governmental	<u>3,787,610</u>	<u>3,418,558</u>
Total governmental funds	<u>\$ 32,604,771</u>	<u>\$ 31,472,847</u>
Proprietary Funds		
Water & Sewer	<u>\$ -</u>	<u>\$ 1,131,924</u>
Total transfers	<u>\$ 32,604,771</u>	<u>\$ 32,604,771</u>

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

During the year end ended December 31, 2021, the following capital contributions were made from the governmental activities to the proprietary funds:

	<u>Transfer In</u>	<u>Transfer Out</u>
Governmental Activities	<u>\$ -</u>	<u>\$ 7,185,213</u>
Water & Sewer Proprietary Fund	<u>\$ 7,185,213</u>	<u>\$ -</u>

**Note 10 - Operating Leases**

The City is obligated under certain leases accounted for as operating leases for various copier equipment and road graders. 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 \$462,504.

The following is a summary of future operating lease payments:

<u>Years Ending December 31,</u>	<u>Payment</u>
2022	\$ 450,588
2023	450,588
2024	450,588
2025	<u>450,588</u>
	<u>\$ 1,802,352</u>

**Note 11 - 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, 2021, 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, 2021, the City has entered into contracts for various construction contracts for street improvements, sidewalks, the storm sewer system, and the water and sanitary systems. At December 31, 2021, construction in progress consisted of street improvements totaling \$18,902,240, with estimated costs to completion of \$4,410,000; storm sewer systems totaling \$1,763,739, with estimated costs to completion of \$9,200,000; fire hall totaling \$489,185, with estimated costs to completion of \$18,000,000; and water and sanitary systems of \$6,146,810, with estimated costs to completion of \$10,300,000. Estimated completion dates for these projects range from early 2022 through 2025.

*Fire Department Debt Obligation* – The Fire Department of the City previously operated as an independent nonprofit entity and has issued debt through various programs of the United States Department of Agriculture (USDA), which is not a legal debt obligation of the City and has not been reported as a long-term obligation within the City’s financial statements. However, the City has committed to pay the annual debt service of these obligations as follows:

<u>Years Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 55,657	\$ 29,303
2023	57,780	27,180
2024	59,912	25,048
2025	62,270	22,690
2026	64,646	20,314
2027-2031	362,109	62,691
2032-2033	144,438	5,054
	<u>\$ 806,812</u>	<u>\$ 192,281</u>

The City expended \$84,960 on behalf of the Fire Department during the year ended December 31, 2021.

*Cass County Career Workforce Academy* – The City has pledged \$600,000 towards the creation of the Cass County Career Workforce Academy, a partnership between the school districts of Fargo, West Fargo, Northern Cass and Central Cass and the North Dakota State College of Science. The Career Workforce Academy will provide education and job training opportunities for local students and community members. The City is committed to contribute \$120,000 annually for the years 2021 through 2025, with the money coming from revenues of the economic development sales tax levy. The City contributed \$120,000 during the year ended December 31, 2021.

*Parking Garage Lease* - In 2020, the City entered into a lease agreement to provide parking garage services to private entities. This lease agreement is for 10 years, commencing in 2020. Lease revenue of the City for the current year was \$175,000.

The following is a summary of future lease receipts:

Years Ending December 31,	Receipts
2022	\$ 200,000
2023	200,000
2024	200,000
2025	200,000
2026	200,000
Thereafter	600,000
	\$ 1,600,000

**Note 12 - Tax Exemptions and Abatements**

The City provides tax exemptions and abatements through various programs including: New Single-Family Homes, New Industry, Low Income Housing, Residential and Commercial Remodeling, and more. The amount of tax exemptions and abatements for the year ended December 31, 2021, was approximately \$700,649.

**Note 13 - Joint Power Agreement with other Governmental Entities**

**Red River Regional Dispatch Center (RRRDC)**

In 2008, the City entered into a joint powers agreement with the City of Fargo, North Dakota, City of Moorhead, Minnesota, Clay County of Minnesota, and Cass County of North Dakota, to establish a framework that allows for the joint operation of dispatch functions by the named entities. By combining the communications and dispatch of these agencies, duplication of equipment and staff time is reduced or eliminated. The goal was to reduce the financial burden to the respective governments' taxpayers through the sharing of one communication center, as well as to improve communications services.

Effective January 1, 2015 the joint powers agreement was amended as a result of the countywide vote in November 2014, which ended the City of West Fargo and City of Fargo collections of emergency communication system fees on an individual city-wide basis. Cass County emergency fee collection, which is collected per user by the county, is expected to be sufficient to cover the contribution for the City of Fargo, West Fargo and Cass County. Cass County has agreed to pay all valid billings from vendors of emergency service communication system funds for all users in Cass County.



Effective January 1, 2015, the cost share formula was amended as follows:

- City of Fargo – 0%
- City of Moorhead – 18.2%
- Cass County – 71.8%
- Clay County – 10%
- City of West Fargo – 0%

Members of the RRRDC may elect to withdraw from participation in the Agreement upon giving a six-month written notice. Additional financial information may be obtained by contacting: Attn: Director, Red River Regional Dispatch Center, 300 NP Avenue, Suite 206, Fargo, ND 58102.

#### **Note 14 - Subsequent Events**

Subsequent to year end, the City issued Public Safety Annual Appropriation Bonds in the amount of \$10,000,000 to finance the construction of a new fire department headquarters. The bonds bear an interest rate of 3.60 to 4.00% and call for semiannual payments of interest and annual payments of principal commencing December 2022. The bonds are a special, limited obligation of the City payable from a standing appropriation in the City's annual budget which is subject to the right of the City to non-appropriate funds to pay the bonds in any future fiscal year (an "event of non-appropriation") as provided in the bond resolution. Subject to an event of non-appropriation, under the terms of the bond resolution, the general resources and legally available funds of the City are pledged to the payment of the bonds. The City anticipates, but is not obligated to, make payments on the bonds in whole or in part from revenues received from its capital improvements portion of the City's two percent Citywide Capital Improvements Sales Tax. Additionally, the City will be asking the voters to approve an additional one-half cent sales tax in November 2022 that will be dedicated to public safety purposes. If the voters approve the proposed sales tax, it will provide for another source of funding to make payments on these bonds.



Required Supplementary Information  
December 31, 2021

**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
2021	0.907796%	\$ 9,461,963	\$ 10,279,796	92.04%	78.26%
2020	0.761637%	\$ 23,961,263	\$ 8,401,775	285.19%	48.91%
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)
2021	\$ 758,090	\$ 724,144	\$ 33,946	\$ 10,279,796	7.04%
2020	\$ 594,919	\$ 587,156	\$ 7,763	\$ 8,401,775	6.99%
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****2021***Changes of benefit terms*

The interest rate earned on member contributions decreased from 7.00 percent to 6.50 percent effective January 1, 2021 (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 increased 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, 2020.

*Changes of assumptions*

All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2020.

**2020***Changes of benefit terms*

The interest rate earned on member contributions will decrease from 7.00 percent to 6.50 percent effective January 1, 2021 (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, 2019.

*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 7.5% to 7.0%
- The assumed rate of price inflation was lowered from 2.5 to 2.25 percent for the July 1, 2020 valuation
- The assumed rate of total payroll growth was updated for the July 1, 2020 valuation
- Mortality table updates were made for the July 1, 2020 valuation

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

**2019***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.

**2018***Changes of benefit terms*

None

*Changes of assumptions*

Amounts reported in 2019 reflect actuarial assumption changes effective July 1, 2018 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

**2017***Changes of benefit terms*

None

*Changes of assumptions*

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2017 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

**2016**

*Changes of benefit terms*

None

*Changes of assumptions*

Amounts reported in 2017 reflect actuarial assumption changes effective July 1, 2016 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

**2015**

*Changes of benefit terms*

None

*Changes of assumptions*

Amounts reported in 2016 reflect actuarial assumption changes effective July 1, 2015 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

City of West Fargo, North Dakota

Schedule of Employer's Share of Net OPEB Liability and Schedule of Employer's Contributions

December 31, 2021

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

Measurement Date	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 OPEB Liability as a Percentage of its Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2021	1.125192%	\$ 625,801	\$ 12,267,498	5.10%	76.63%
2020	0.916280%	\$ 770,773	\$ 10,445,327	7.38%	63.38%
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 \***

Fiscal Year Ending	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
2021	\$ 147,520	\$ 144,106	\$ 3,414	\$ 12,267,498	1.17%
2020	\$ 122,711	\$ 126,102	\$ (3,391)	\$ 10,445,327	1.21%
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**

**2021**

*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, 2020.

*Changes of assumptions*

All actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2020.

**2020**

*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, 2019.

*Changes of assumptions*

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2020 valuation:

- The investment return assumption was lowered from 7.25% to 6.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.

**2019**

*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.



**2018**

*Changes of Benefit Terms*

None

*Changes of assumptions*

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2018 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.



Additional Reports  
December 31, 2021

# 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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 27, 2022.

**Report on 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) as a basis for designing 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.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002, that we consider to be material weaknesses.

## **Report on 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 financial statements. 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**

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## **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.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP".

Fargo, North Dakota

June 27, 2022



**Independent Auditor’s Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance**

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

**Report on Compliance for the Major Federal Program**

*Opinion on the Major Federal Program*

We have audited the City of West Fargo, North Dakota’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City’s major federal program for the year ended December 31, 2021. The City’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2021.

*Basis for Opinion on the Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City’s compliance with the compliance requirements referred to above.

### *Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

### *Auditor's Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-003 to be a significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Fargo, North Dakota  
June 27, 2022

City of West Fargo, North Dakota  
 Schedule of Expenditures of Federal Awards  
 Year Ended December 31, 2021

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing/Federal CFDA Number	Pass-Through Entity Identifying Number	Expenditures
Department of Agriculture Passed through North Dakota Forest Service			
Urban and Community Forestry Program	10.675	2021-ATBTP-008	\$ 9,020
Department of Transportation Passed through North Dakota Department of Transportation			
Highway Planning and Construction Cluster	20.205	38181296	2,377,446
Department of Homeland Security Passed through North Dakota Department of Emergency Management			
Disaster Grants - Public Assistance (FEMA)	97.036	4553DR-ND	<u>34,923</u>
Total Federal Financial Assistance			<u>\$ 2,421,389</u>



**Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal award activity of the City of West Fargo, North Dakota (the City) under programs of the federal government for the year ended December 31, 2021. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position or fund balance, or cash flows of the City.

**Note 2 - Summary of Significant Accounting Policies**

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

**Note 3 - Indirect Cost Rate**

The City does not draw for indirect administrative expenses and has not elected to use the 10% de minimus cost rate.

**Section I – Summary of Auditor’s Results**

**FINANCIAL STATEMENTS**

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	No
Noncompliance material to financial statements noted?	No

**FEDERAL AWARDS**

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516:	Yes

**Identification of major programs:**

Name of Federal Program	Federal Financial Assistance Listing/CFDA Number
Highway Planning and Construction	20.205
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

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**Section II – Financial Statement Findings**

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**2021-001      Material Journal Entries  
                  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 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.

**2021-002      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 Statements No. 34, 68, and 75.

*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* – 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.

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Section III – Federal Award Findings and Questioned Costs

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**2021-003**      **Department of Transportation, passed through State of North Dakota Department of Transportation  
Federal Financial Assistance Listing/CFDA Number 20.205, Contract 38181296 Fiscal Year 2021  
Highway Planning and Construction**

**Procurement, Suspension and Debarment  
Significant Deficiency in Internal Control Over Compliance**

*Criteria* – Uniform Guidance and 2 CFR sections 200.318 through 200.326 set forth the procurement standards non-federal entities other than states must follow when operating federal programs and the procurement procedures required.

*Condition* – In our testing of procurement, suspension and debarment it was identified that the City did not have a written policy on procurement that satisfied the requirements of 2 CFR sections 200.318 through 200.326.

*Cause* – Lack of oversight, awareness, or understanding of all of the specific requirements under the Uniform Guidance and applicable CFR sections, and controls were not adequately designed to ensure compliance with all of these requirements.

*Effect* – A lack of compliant policies increases the overall risk of non-compliance.

*Questioned Costs* – None reported

*Context/Sampling* – Overall procurement policy.

*Repeat Finding from Prior Years* – No

*Recommendation* – We recommend that management establish a written policy that is in compliance with all of the procurement requirements for federal programs as identified in 2 CFR sections 200.318 through 200.326 and maintain adequate supporting documentation and records to document history and methods of procurement and the procedures performed to comply with these CFR sections.

*Views of Responsible Officials* – There is no disagreement with the audit finding.