



Financial Statements  
December 31, 2023

# City of West Fargo, North Dakota

Elected and Appointed Officials.....	1
Independent Auditor's Report.....	2
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position.....	6
Statement of Activities.....	8
Fund Financial Statements	
Governmental Funds	
Balance Sheet.....	9
Reconciliation of the Balance Sheet to the Statement of Net Position .....	10
Statement of Revenues, Expenditures, and Changes in Fund Balances .....	11
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities.....	12
General Fund	
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget to Actual .....	13
Proprietary Funds	
Statement of Net Position.....	14
Statement of Revenues, Expenses, and Changes in Net Position .....	16
Statement of Cash Flows.....	17
Fiduciary Fund	
Statement of Fiduciary Net Position – Custodial Fund .....	19
Statement of Changes in Fiduciary Net Position – Custodial Fund .....	20
Notes to Financial Statements .....	21
Required Supplementary Information	
Schedules of Employer's Share of Net Pension Liability and Schedules of Employer's Contributions	
Main System.....	59
Law Enforcement System.....	63
Schedule of Employer's Share of Net OPEB Liability and Schedule of Employer's Contributions.....	66
Other Supplementary Information	
Schedule of Expenditures of Federal Awards .....	69
Notes to Schedule of Expenditures of Federal Awards .....	70
Additional Reports	
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 <i>Government</i> <i>Auditing Standards</i> .....	
	71
Independent Auditor's Report on Compliance for the Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance.....	
	73
Schedule of Findings and Questioned Costs .....	76

City of West Fargo, North Dakota  
Elected and Appointed Officials  
December 31, 2023

---

<u>Elected</u>	<u>Position</u>	<u>Term Expires</u>
Bernie Dardis	Mayor/President of City Commission	6/30/2026
Brad Olson	Vice President of City Commission	6/30/2026
Roben Anderson	City Commissioner	6/30/2026
Amanda George	City Commissioner	6/30/2024
Mark Simmons	City Commissioner	6/30/2024
<u>Administration</u>		
Dustin Scott	City Administrator	
Heide Delorme	Finance Director (through February 2024)	
Vacant	Finance Director (current)	



## 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 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, 2023, 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 accompanying 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, 2023, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison schedule for the general fund 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* issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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 schedules of employer's share of net pension liability and schedules of employer's contributions, and schedule of employer's share of net OPEB liability and schedule of employer's contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and 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 GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require 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 opinions on the basic financial statements are not affected by this 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 GAAS. 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 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 August 28, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota  
August 28, 2024

City of West Fargo, North Dakota

Statement of Net Position

December 31, 2023

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 51,210,261	\$ 11,598,577	\$ 62,808,838
Restricted cash	1,121,393	1,129,566	2,250,959
Investments	36,402,865	4,241,961	40,644,826
Receivables			
Accounts	398,483	1,876,253	2,274,736
Interest	102,568	11,953	114,521
Property taxes	160,669	-	160,669
Special assessments	250,010,439	-	250,010,439
Notes	1,014,748	-	1,014,748
Due from other governmental units	2,189,928	-	2,189,928
Leases	4,343,706	273,998	4,617,704
Interfund balances	483,121	(483,121)	-
Prepaid items	45,518	22,385	67,903
	<u>347,483,699</u>	<u>18,671,572</u>	<u>366,155,271</u>
<b>Capital assets</b>			
Capital assets, not being depreciated	74,560,717	1,857,610	76,418,327
Capital assets, net of accumulated depreciation	168,789,932	313,848,498	482,638,430
Right to use leased assets, net of accumulated amortization	1,163,715	-	1,163,715
Subscription-based IT assets, net of accumulated amortization	393,469	-	393,469
	<u>244,907,833</u>	<u>315,706,108</u>	<u>560,613,941</u>
<b>Total capital assets</b>	<u>244,907,833</u>	<u>315,706,108</u>	<u>560,613,941</u>
<b>Total assets</b>	<u>592,391,532</u>	<u>334,377,680</u>	<u>926,769,212</u>
<b>Deferred Outflows of Resources</b>			
Related to pensions	21,060,583	2,401,328	23,461,911
Related to OPEB	701,103	119,388	820,491
	<u>21,761,686</u>	<u>2,520,716</u>	<u>24,282,402</u>
<b>Total deferred outflows of resources</b>	<u>21,761,686</u>	<u>2,520,716</u>	<u>24,282,402</u>



City of West Fargo, North Dakota

Statement of Net Position

December 31, 2023

	Governmental Activities	Business-type Activities	Total
<b>Liabilities</b>			
Accounts payable	\$ 2,764,366	\$ 358,567	\$ 3,122,933
Retainage payable	1,708,959	-	1,708,959
Due to other governments	77,977	-	77,977
Accrued interest payable	1,322,098	43,980	1,366,078
Other liabilities	584,925	92,994	677,919
Unearned revenues	1,852,442	-	1,852,442
Long-term liabilities			
Due within one year -			
other than pension and OPEB	17,773,273	879,030	18,652,303
Due in more than one year -			
other than pension and OPEB	293,654,652	8,371,274	302,025,926
Net pension liability	21,966,725	2,937,248	24,903,973
Net OPEB liability	1,215,224	206,936	1,422,160
<b>Total liabilities</b>	<b>342,920,641</b>	<b>12,890,029</b>	<b>355,810,670</b>
<b>Deferred Inflows of Resources</b>			
Related to pensions	18,986,254	2,257,842	21,244,096
Related to OPEB	120,541	20,527	141,068
Related to leases	4,077,449	227,702	4,305,151
<b>Total deferred inflows of resources</b>	<b>23,184,244</b>	<b>2,506,071</b>	<b>25,690,315</b>
<b>Net Position</b>			
Net investment in capital assets	248,967,794	306,867,389	555,835,183
Restricted	68,980,169	1,129,566	70,109,735
Unrestricted	(69,899,630)	13,505,341	(56,394,289)
<b>Total net position</b>	<b>\$ 248,048,333</b>	<b>\$ 321,502,296</b>	<b>\$ 569,550,629</b>

City of West Fargo, North Dakota

Statement of Activities

Year Ended December 31, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 19,834,216	\$ 2,988,453	\$ 2,301,044	\$ -	\$ (14,544,719)	\$ -	\$ (14,544,719)
Public safety	12,138,601	3,765,924	561,027	-	(7,811,650)	-	(7,811,650)
Public works	20,058,845	-	-	8,018,252	(12,040,593)	-	(12,040,593)
Culture and recreation	4,341,089	304,020	1,184,697	-	(2,852,372)	-	(2,852,372)
Economic development	1,205,019	75,000	-	-	(1,130,019)	-	(1,130,019)
Interest on long-term debt	8,048,111	-	-	-	(8,048,111)	-	(8,048,111)
Total governmental activities	<u>65,625,881</u>	<u>7,133,397</u>	<u>4,046,768</u>	<u>8,018,252</u>	<u>(46,427,464)</u>	<u>-</u>	<u>(46,427,464)</u>
Business-type activities							
Water & sewer	22,856,306	14,790,593	-	-	-	(8,065,713)	(8,065,713)
Garbage	6,205,971	5,596,705	-	-	-	(609,266)	(609,266)
Total business-type activities	<u>29,062,277</u>	<u>20,387,298</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(8,674,979)</u>	<u>(8,674,979)</u>
Total government	<u>\$ 94,688,158</u>	<u>\$ 27,520,695</u>	<u>\$ 4,046,768</u>	<u>\$ 8,018,252</u>	<u>(46,427,464)</u>	<u>(8,674,979)</u>	<u>(55,102,443)</u>
General revenues							
Sales and use tax					17,196,194	-	17,196,194
Property taxes					19,871,852	-	19,871,852
State aid					11,554,394	-	11,554,394
Unrestricted investment earnings					4,598,585	532,107	5,130,692
Miscellaneous					35,347	783,796	819,143
Transfers and capital asset contributions					(1,863,778)	1,863,778	-
Total general revenues and transfers and capital asset contributions					<u>51,392,594</u>	<u>3,179,681</u>	<u>54,572,275</u>
Change in net position					4,965,130	(5,495,298)	(530,168)
Net position - beginning					<u>243,083,203</u>	<u>326,997,594</u>	<u>570,080,797</u>
Net position - ending					<u>\$ 248,048,333</u>	<u>\$ 321,502,296</u>	<u>\$ 569,550,629</u>

City of West Fargo, North Dakota  
Governmental Funds  
Balance Sheet  
December 31, 2023

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$ 6,723,149	\$ -	\$ 33,642,716	\$ 10,844,396	\$ 51,210,261
Restricted cash	22,424	-	1,049,884	49,085	1,121,393
Investments	8,202,475	4,635,507	18,741,503	4,823,380	36,402,865
Due from other funds	4,754,398	700,470	1,274,755	649,436	7,379,059
Receivables					
Accounts	160,163	37,861	-	200,459	398,483
Property taxes	104,694	-	-	55,975	160,669
Interest	23,112	13,061	52,804	13,591	102,568
Special assessments	-	116,824	249,893,615	-	250,010,439
Notes	-	-	-	1,014,748	1,014,748
Due from other governmental units	580,478	662,552	171,517	775,381	2,189,928
Leases	-	-	-	4,343,706	4,343,706
Prepaid items	32,560	-	-	12,958	45,518
<b>Total assets</b>	<b>\$ 20,603,453</b>	<b>\$ 6,166,275</b>	<b>\$ 304,826,794</b>	<b>\$ 22,783,115</b>	<b>\$ 354,379,637</b>
<b>Liabilities</b>					
Accounts payable	\$ 863,896	\$ 1,634,361	\$ -	\$ 266,109	\$ 2,764,366
Construction retainage payable	-	1,708,959	-	-	1,708,959
Accrued payroll	411,791	-	-	130,081	541,872
Due to other governments	-	-	-	77,977	77,977
Due to other funds	-	3,969,153	2,206,058	720,727	6,895,938
Other liabilities	23,895	-	-	19,158	43,053
Unearned revenue	-	1,852,442	-	-	1,852,442
<b>Total liabilities</b>	<b>1,299,582</b>	<b>9,164,915</b>	<b>2,206,058</b>	<b>1,214,052</b>	<b>13,884,607</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenue-property taxes and special assessments	104,694	116,824	249,893,615	55,975	250,171,108
Related to leases	-	-	-	4,077,449	4,077,449
<b>Total deferred inflows of resources</b>	<b>104,694</b>	<b>116,824</b>	<b>249,893,615</b>	<b>4,133,424</b>	<b>254,248,557</b>
<b>Fund Balance (Deficit)</b>					
<b>Nonspendable</b>					
Prepaid items	32,560	-	-	12,958	45,518
Notes receivable	-	-	-	1,014,748	1,014,748
<b>Restricted for</b>					
Debt service	-	-	52,727,121	-	52,727,121
General government	-	-	-	123,307	123,307
Public safety	-	-	-	319,596	319,596
Public works/streets	-	-	-	574,613	574,613
Economic development	-	-	-	15,235,532	15,235,532
<b>Committed</b>					
Public Safety	-	-	-	154,885	154,885
<b>Unassigned</b>	<b>19,166,617</b>	<b>(3,115,464)</b>	<b>-</b>	<b>-</b>	<b>16,051,153</b>
<b>Total fund balance (deficit)</b>	<b>19,199,177</b>	<b>(3,115,464)</b>	<b>52,727,121</b>	<b>17,435,639</b>	<b>86,246,473</b>
<b>Total liabilities, deferred inflows of resources, and fund balance (deficit)</b>	<b>\$ 20,603,453</b>	<b>\$ 6,166,275</b>	<b>\$ 304,826,794</b>	<b>\$ 22,783,115</b>	<b>\$ 354,379,637</b>

City of West Fargo, North Dakota  
Governmental Funds  
Reconciliation of the Balance Sheet to the Statement of Net Position  
December 31, 2023

---

Total Fund Balances – Governmental Funds	\$ 86,246,473
--	---------------

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	244,907,833
---	-------------

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.	250,171,108
---	-------------

Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.	2,654,891
---	-----------

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	(915,000)
Special assessment bonds	(261,480,000)
Revenue bonds	(17,815,000)
Annual appropriation bonds	(9,490,000)
BND drawdown	(11,866,282)
Bond premium	(5,772,702)
Leases payable	(1,603,611)
SBITAs payable	(304,177)
Compensated absences	(2,181,153)
Accrued interest	(1,322,098)
Net pension liability	(21,966,725)
OPEB liability	(1,215,224)

Total Net Position – Governmental Activities	<u>\$ 248,048,333</u>
--	-----------------------

City of West Fargo, North Dakota  
Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Year Ended December 31, 2023

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>					
General property taxes	\$ 11,624,443	\$ -	\$ 2,035,741	\$ 6,211,668	\$ 19,871,852
Special assessments	201,758	32,184	21,903,497	-	22,137,439
Charges for services	42,623	-	-	658,925	701,548
Licenses and permits	2,989,335	-	-	17,342	3,006,677
Intergovernmental	3,875,760	9,970,779	-	1,727,885	15,574,424
Fines and forfeitures	297,348	-	-	-	297,348
Sales tax	171,962	11,296,494	-	5,727,738	17,196,194
Other tax	1,953,109	-	-	438,646	2,391,755
Interest	985,474	588,402	2,322,405	770,799	4,667,080
Miscellaneous	314,128	41,852	-	381,729	737,709
<b>Total revenues</b>	<b>22,455,940</b>	<b>21,929,711</b>	<b>26,261,643</b>	<b>15,934,732</b>	<b>86,582,026</b>
<b>Expenditures</b>					
Current					
General government	9,371,419	87,946	-	8,107,002	17,566,367
Public safety	10,982,656	-	-	439,771	11,422,427
Public works	3,969,698	-	-	-	3,969,698
Culture and recreation	1,173,306	-	-	1,509,974	2,683,280
Miscellaneous	-	-	-	82,823	82,823
Capital outlay	1,660,452	27,840,123	-	387,587	29,888,162
Debt service					
Principal	228,565	-	17,456,565	286,908	17,972,038
Interest and fees	10,112	-	9,964,425	72,419	10,046,956
<b>Total expenditures</b>	<b>27,396,208</b>	<b>27,928,069</b>	<b>27,420,990</b>	<b>10,886,484</b>	<b>93,631,751</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,940,268)	(5,998,358)	(1,159,347)	5,048,248	(7,049,725)
<b>Other Financing Sources (Uses)</b>					
Sale of assets	81,633	-	-	25,320	106,953
Lease proceeds	197,769	-	-	6,510	204,279
SBITA proceeds	433,605	-	-	-	433,605
Transfers in	3,180,664	134,966	958,278	1,173,343	5,447,251
Transfers out	-	(1,221,028)	(222,868)	(4,003,355)	(5,447,251)
<b>Total other financing sources (uses)</b>	<b>3,893,671</b>	<b>(1,086,062)</b>	<b>735,410</b>	<b>(2,798,182)</b>	<b>744,837</b>
<b>Net Change in Fund Balance</b>	<b>(1,046,597)</b>	<b>(7,084,420)</b>	<b>(423,937)</b>	<b>2,250,066</b>	<b>(6,304,888)</b>
<b>Fund Balance, Beginning</b>	<b>20,245,774</b>	<b>3,968,956</b>	<b>53,151,058</b>	<b>15,185,573</b>	<b>92,551,361</b>
<b>Fund Balance (Deficit), Ending</b>	<b>\$ 19,199,177</b>	<b>\$ (3,115,464)</b>	<b>\$ 52,727,121</b>	<b>\$ 17,435,639</b>	<b>\$ 86,246,473</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, 2023

Net Change in Fund Balances - Total Governmental Funds	\$ (6,304,888)
--	----------------

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/  
amortization expense. In the current period these amounts are:

Capital outlay	26,922,377
Contribution of capital assets to proprietary fund	(1,863,778)
Depreciation/amortization expense	(13,180,266)

The net effect of the disposal of capital assets is to decrease net position.	(471,225)
---	-----------

Revenues in the statement of activities that do not provide current financial resources are deferred and not reported as revenues in the funds.	(14,127,237)
--	--------------

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.	(27,241)
---	----------

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.	(3,852,027)
--	-------------

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.	(180,188)
---	-----------

Interest payable is reported in the government wide statement of net position but is not recorded in the governmental funds.	336,911
---	---------

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:

Leases issued	(204,279)
SBITAs issued	(433,605)
Lease retirement	386,045
SBITA retirement	129,428
Bond principal retirement	17,456,565
Amortization of bond premium	378,538

Change in Net Position of Governmental Activities	<u>\$ 4,965,130</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, 2023

	Original and Final Budget	Actual Amounts	Variance With Final Budget
Revenues			
General property taxes	\$ 12,104,678	\$ 11,624,443	\$ (480,235)
Special assessments	310,000	201,758	(108,242)
Charges for services	25,000	42,623	17,623
Licenses and permits	3,397,510	2,989,335	(408,175)
Intergovernmental	2,685,450	3,875,760	1,190,310
Fines and forfeitures	320,000	297,348	(22,652)
Sales tax	-	171,962	171,962
Other tax	73,650	1,953,109	1,879,459
Interest	2,246,122	985,474	(1,260,648)
Miscellaneous	59,148	314,128	254,980
Total revenues	21,221,558	22,455,940	1,234,382
Expenditures			
Current			
General government	9,297,748	9,371,419	(73,671)
Public safety	11,815,685	10,982,656	833,029
Public works/streets	3,805,105	3,969,698	(164,593)
Culture and recreation	1,131,202	1,173,306	(42,104)
Capital outlay	916,250	1,660,452	(744,202)
Debt service			
Principal	-	228,565	(228,565)
Interest and fees	-	10,112	(10,112)
Total expenditures	26,965,990	27,396,208	(430,218)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,744,432)	(4,940,268)	804,164
Other Financing Sources (Uses)			
Sale of assets	-	81,633	81,633
Lease proceeds	-	197,769	197,769
SBITA proceeds	-	433,605	433,605
Transfers in	3,848,575	3,180,664	(667,911)
Transfers out	(47,915)	-	47,915
Total other financing sources and uses	3,800,660	3,893,671	11,378
Net Change in Fund Balance	\$ (1,943,772)	(1,046,597)	\$ 815,542
Fund Balance, Beginning		20,245,774	
Fund Balance, Ending		\$ 19,199,177	

City of West Fargo, North Dakota

Proprietary Funds  
Statement of Net Position  
December 31, 2023

	<u>Water &amp; Sewer</u>	<u>Garbage</u>	<u>Total</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 9,854,615	\$ 1,743,962	\$ 11,598,577
Restricted cash	1,129,566	-	1,129,566
Investments	3,440,584	801,377	4,241,961
Receivables			
Accounts	1,392,681	483,572	1,876,253
Accrued interest	9,695	2,258	11,953
Leases	273,998	-	273,998
Prepaid expenses	17,574	4,811	22,385
Total current assets	<u>16,118,713</u>	<u>3,035,980</u>	<u>19,154,693</u>
Capital assets			
Land	1,857,610	-	1,857,610
Buildings	2,502,603	1,174,031	3,676,634
Land improvements	3,751,796	-	3,751,796
Machinery and equipment	8,407,674	4,101,209	12,508,883
Infrastructure	436,085,411	-	436,085,411
Less accumulated depreciation	<u>(140,028,918)</u>	<u>(2,145,308)</u>	<u>(142,174,226)</u>
Net capital assets	<u>312,576,176</u>	<u>3,129,932</u>	<u>315,706,108</u>
Total assets	<u>328,694,889</u>	<u>6,165,912</u>	<u>334,860,801</u>
Deferred Outflows of Resources			
Related to pensions	1,362,774	1,038,554	2,401,328
Related to OPEB	<u>67,754</u>	<u>51,634</u>	<u>119,388</u>
Total deferred outflows of resources	<u>1,430,528</u>	<u>1,090,188</u>	<u>2,520,716</u>



City of West Fargo, North Dakota

Proprietary Funds  
Statement of Net Position  
December 31, 2023

	<u>Water &amp; Sewer</u>	<u>Garbage</u>	<u>Total</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 111,753	\$ 246,814	\$ 358,567
Accrued interest payable	43,980	-	43,980
Accrued payroll	52,162	40,832	92,994
Due to other funds	282,600	200,521	483,121
Current maturities of long-term debt	<u>863,719</u>	<u>15,311</u>	<u>879,030</u>
Total current liabilities	<u>1,354,214</u>	<u>503,478</u>	<u>1,857,692</u>
Long-term debt (net of current portion)			
Bonds payable	7,975,000	-	7,975,000
Net pension liability	1,666,913	1,270,335	2,937,248
Net OPEB liability	117,438	89,498	206,936
Compensated absences payable	<u>258,473</u>	<u>137,801</u>	<u>396,274</u>
Total long-term debt	<u>10,017,824</u>	<u>1,497,634</u>	<u>11,515,458</u>
Total liabilities	<u>11,372,038</u>	<u>2,001,112</u>	<u>13,373,150</u>
Deferred Inflows of Resources			
Related to pensions	1,281,344	976,498	2,257,842
Related to OPEB	11,649	8,878	20,527
Related to leases	<u>227,702</u>	<u>-</u>	<u>227,702</u>
Total deferred inflows of resources	<u>1,520,695</u>	<u>985,376</u>	<u>2,506,071</u>
Net Position			
Net investment in capital assets	303,737,457	3,129,932	306,867,389
Restricted	1,129,566	-	1,129,566
Unrestricted	<u>12,365,661</u>	<u>1,139,680</u>	<u>13,505,341</u>
Total net position	<u>\$ 317,232,684</u>	<u>\$ 4,269,612</u>	<u>\$ 321,502,296</u>

City of West Fargo, North Dakota  
Proprietary Funds  
Statement of Revenues, Expenses, and Changes in Net Position  
Year Ended December 31, 2023

	<u>Water &amp; Sewer</u>	<u>Garbage</u>	<u>Total</u>
Operating Revenues			
Utility sales and service charges	\$ 14,790,593	\$ 5,596,705	\$ 20,387,298
Operating Expenses			
Distribution	8,051,831	-	8,051,831
Landfill and collections	-	3,105,290	3,105,290
Salaries and wages	2,591,235	1,900,343	4,491,578
Administration and general	1,634,306	684,621	2,318,927
Depreciation/amortization	10,334,556	483,224	10,817,780
Total operating expenses	<u>22,611,928</u>	<u>6,173,478</u>	<u>28,785,406</u>
Operating Loss	(7,821,335)	(576,773)	(8,398,108)
Nonoperating Revenues (Expenses)			
Interest income	434,708	97,399	532,107
Lease income	16,330	-	16,330
Loss on disposal of asset	(91,343)	(23,600)	(114,943)
Miscellaneous	484,933	282,533	767,466
Interest expense	(153,035)	(8,893)	(161,928)
Total nonoperating revenues (expenses)	<u>691,593</u>	<u>347,439</u>	<u>1,039,032</u>
Loss before Capital Contributions	(7,129,742)	(229,334)	(7,359,076)
Contribution of capital assets	<u>1,863,778</u>	<u>-</u>	<u>1,863,778</u>
Change in Net Position	(5,265,964)	(229,334)	(5,495,298)
Net Position, Beginning of Year	<u>322,498,648</u>	<u>4,498,946</u>	<u>326,997,594</u>
Net Position, End of Year	<u>\$ 317,232,684</u>	<u>\$ 4,269,612</u>	<u>\$ 321,502,296</u>

City of West Fargo, North Dakota

Proprietary Funds

Statement of Cash Flows

Year Ended December 31, 2023

	Water & Sewer	Garbage	Total
Operating Activities			
Receipts from customers and users	\$ 15,912,369	\$ 5,572,605	\$ 21,484,974
Payments for employee costs	(2,492,563)	(1,700,156)	(4,192,719)
Payments to other vendors	(10,108,668)	(3,721,021)	(13,829,689)
Net cash from operating activities	3,311,138	151,428	3,462,566
Non-Capital Financing Activities			
Change in interfund balances	(65,581)	(95,902)	(161,483)
Miscellaneous income	484,933	282,533	767,466
Net cash from non-capital financing activities	419,352	186,631	605,983
Capital and Related Financing Activities			
Property and equipment additions	(1,711,473)	(763,070)	(2,474,543)
Proceeds from sale of assets	25,122	59,400	84,522
Receipts from lease receivables			
Principal	13,342	-	13,342
Interest	8,438	-	8,438
Payments on long-term debt			
Principal	(809,865)	-	(809,865)
Interest	(157,660)	(8,893)	(166,553)
Net cash used for capital and related financing activities	(2,632,096)	(712,563)	(3,344,659)
Investing Activities			
Purchase of investments	3,378,741	690,164	4,068,905
Interest from investments	426,310	98,307	524,617
Net cash from investing activities	3,805,051	788,471	4,593,522
Change in Cash and Cash Equivalents	4,903,445	413,967	5,317,412
Cash and Cash Equivalents - Beginning of Year	6,080,736	1,329,995	7,410,731
Cash and Cash Equivalents - End of Year	\$ 10,984,181	\$ 1,743,962	\$ 12,728,143
Reconciliation to the Statement of Net Position			
Cash and Cash Equivalents	\$ 9,854,615	\$ 1,743,962	\$ 11,598,577
Restricted Cash	1,129,566	-	1,129,566
Total Cash and Cash Equivalents	\$ 10,984,181	\$ 1,743,962	\$ 12,728,143

City of West Fargo, North Dakota

Proprietary Funds

Statement of Cash Flows

Year Ended December 31, 2023

	<u>Water &amp; Sewer</u>	<u>Garbage</u>	<u>Total</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	\$ (7,821,335)	\$ (576,773)	\$ (8,398,108)
Adjustments to reconcile operating loss to net cash from operating activities			
Depreciation/amortization	10,334,556	483,224	10,817,780
Changes in assets and liabilities			
Accounts receivable	1,121,776	(24,100)	1,097,676
Prepaid expenses	112,038	189	112,227
Deferred outflows related to pension and OPEB	278,231	133,212	411,443
Accounts payable	(534,569)	68,701	(465,868)
Accrued payroll	10,139	12,247	22,386
Compensated absences payable	(37,664)	21,624	(16,040)
Net pension and OPEB liability	(550,032)	(311,490)	(861,522)
Deferred inflows related to pension and OPEB	397,998	344,594	742,592
Net cash from operating activities	<u>\$ 3,311,138</u>	<u>\$ 151,428</u>	<u>\$ 3,462,566</u>
Supplemental Disclosure of Cash Flow Information			
Cash payments for interest	<u>\$ 162,285</u>	<u>\$ 8,893</u>	<u>\$ 171,178</u>
Supplemental Disclosure of Non-Cash Capital and Related Financing Activities			
Capital contributions	<u>\$ 1,863,778</u>	<u>\$ -</u>	<u>\$ 1,863,778</u>

City of West Fargo, North Dakota  
Statement of Fiduciary Net Position – Custodial Fund  
Year Ended December 31, 2023

---

Assets	
Cash and cash equivalents	\$ 1,219,201
Investments	188,416
Accounts receivable	157,593
Interest receivable	<u>531</u>
Total assets	<u>1,565,741</u>
Liabilities	
Payables	<u>15,968</u>
Net Position	<u><u>\$ 1,549,773</u></u>

City of West Fargo, North Dakota  
Statement of Changes in Fiduciary Net Position – Custodial Fund  
Year Ended December 31, 2023

---

Additions	
Property taxes, special assessments, and other receipts collected for other governments	\$ 1,004,713
Deductions	
Payments of property taxes, special assessments, and other receipts to other governments	<u>725,320</u>
Change in Fiduciary Net Position	279,393
Net Position, Beginning of Year	<u>1,270,380</u>
Net Position, End of Year	<u><u>\$ 1,549,773</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.
- *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, Restricted Cash, and Investments**

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.

Restricted cash consists of amounts restricted as required by bond agreements.

Investments of the City are reported at fair value based on the framework established by GASB Statement No. 72, *Fair Value Measurement and Application*.

#### **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.

#### **Lease Receivables**

Lease receivables are recorded by the City as the present value of future lease payments expected to be received from the lessee during the lease term, reduced by any provision for estimated uncollectible amounts. Lease receivables are subsequently reduced over the life of the lease as cash is received in the applicable reporting period. The present value of future lease payments to be received are discounted based on the interest rate the City charges the lessee.

**Capital Assets**

Capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historic cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. Acquisition value is the price that would have been paid to acquire an asset with equivalent service potential on the date of the donation. The City maintains a threshold level of \$5,000 or more for capitalizing capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are recorded in the government-wide financial statements but are not reported in the fund financial statements. Capital assets are depreciated using the straight-line method over their estimated useful lives. Since surplus assets are sold for an immaterial amount when declared as no longer needed, no salvage value is taken into consideration for depreciation purposes. Land is not depreciated.

Useful lives for capital assets are as follows:

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

Right to use leased assets are recognized at the lease commencement date and represent the City's right to use an underlying asset for the lease term. Right to use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right to use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method. The amortization period varies from 1 to 5 years.

The right to use subscription IT assets are recognized at the subscription commencement date and represent the City's right to use the underlying IT asset for the subscription term. Right to use subscription IT assets are measured at the initial value of the subscription liability plus any payments made to the vendor at the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term, plus any capitalizable initial implementation costs necessary to place the subscription asset into service. Right to use subscription IT assets are amortized over the shorter of the subscription term or useful life of the underlying asset using the straight-line method. The amortization period varies from more than 1 to 5 years.

**Compensated Absences**

Vacation and Sick leave accruals are based on 26 pay periods. Employees not within the fire department accrue vacation leave at a rate of 3.25 to 7.5 hours per pay period depending on years of service and have a maximum accrual of 240 hours. Employees within the fire department accrue vacation leave at a rate of 3.38 to 7.8 hours per pay period depending on years of service and have a maximum accrual of 336 hours. Unused accrued vacation leave may be carried over at each year-end, up to the applicable maximum accrual. 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.

Lease liabilities represent the City's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future lease payments expected to be made during the lease term. The present values of lease payments are discounted based on a borrowing rate determined by the City.

Subscription liabilities represent the City's obligation to make subscription payments arising from the subscription contract. Subscription liabilities are recognized at the subscription commencement date based on the present value of future subscription payments expected to be made during the subscription term. The present value of subscription payments are discounted based on a borrowing rate determined by the City.

### **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 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 two items that qualify for reporting in this category on the government-wide statement of net position. Deferred outflows of resources related to other postemployment benefits consist of various estimate differences and contributions made to the plan subsequent to the measurement date that will be recognized as expenditures in future years. Deferred outflows of resources related to pension plans consists of various estimate differences and contributions made to the plan subsequent to the measurement date that will be recognized in future years.

**Deferred Inflows of Resources**

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 four types of items that qualify for reporting in this category. The first item, unavailable revenue from property taxes, arises under a modified accrual basis of accounting and is reported only in the Governmental Fund Balance Sheet. Delinquent property taxes not collected within 60 days of year-end are deferred and recognized as an inflow of resources in the governmental funds in the period the amounts become available. The second item is property taxes levied for subsequent years, which represent property taxes received or reported as a receivable before the period for which the taxes are levied, and is reported as a deferred inflow of resources in both the government-wide statement of net position and the governmental funds balance sheet. Property taxes levied for subsequent years are deferred and recognized as an inflow of resources in the government-wide financial statements in the year for which they are levied and in the governmental fund financial statements during the year for which they are levied and in the governmental fund financial statements during the year for which they are levied, if available. The third item is deferred inflows related to pension and OPEB plans as a result of various estimate differences that will be recognized as expenses in future years, reported in the government-wide statement of net position. The fourth item is deferred inflows related to leases where the City is the lessor and is reported in the governmental funds balance sheet and statement of net position. The deferred inflows of resources related to leases are recognized as an inflow of resources (revenue) on the straight-line basis over the term of the lease.

## 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.
- *Assigned Fund Balance* – represents amounts the City intends to use for a specific purpose but do not meet the criteria to be classified as committed.
- *Unassigned Fund Balance* – represents the remaining residual balances that have not been restricted, committed, or assigned to specific purposes within the General Fund.

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

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

## Net Position

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

**Risk Management**

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

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

**Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Implementation of GASB Statement No. 96**

As of January 1, 2023, the City adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. The implementation of this standard establishes that a SBITA results in a right to use subscription IT asset – an intangible asset – and a corresponding liability. The standard provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA. The statement requires recognition of certain SBITA assets and liabilities for SBITAs that previously were recognized as outflows of resources based on the payment provisions of the contract. The additional disclosures required by this standard are included in Notes 6 and 7.



## **Note 2 - Stewardship, Compliance, and Accountability**

### **Expenditures in Excess of Appropriations**

Budget control for the fund is established by its total appropriations. The General Fund had expenditures exceeding appropriations in the amount of \$430,218 for the year ended December 31, 2023. These over expenditures were funded by greater than expected revenues and existing fund balance of the General Fund.

### **Deficit Fund Balance**

At December 31, 2023, the Capital Projects fund had a deficit fund balance of \$3,115,464. 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.

The following is considered the most significant risk associated with deposits:

*Custodial Credit Risk* – In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may be lost.

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, 2023, the City's deposits include savings accounts, money market funds, and certificates of deposit. At December 31, 2023, the City's carrying amount of deposits was \$66,278,998 and the bank balances were \$68,196,466. The City's deposits were secured by FDIC coverage of \$41,777,425 and pledged collateral of \$446,917,723.

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, 2023, all deposits were insured or collateralized by securities held by the City's agent in the City's name.

**Concentration of Credit Risk** – The City maintains its cash in bank deposit accounts which exceed federally insured limits. Accounts are guaranteed by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per depositor, per insured bank, for each account ownership category. At December 31, 2023, the City had approximately \$26,419,042 in excess of FDIC-insured limits.

## Investments

The City maintains pooled cash portfolios used by substantially all City funds using the pooled deposit and investment concept. Statutes authorize the City to invest in obligations of the U.S. Treasury Investments and U.S. agencies, bankers' acceptances, certain repurchase agreements, and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record. Beyond what is stated in the Century Code, the City does not have a formal policy governing investments.

The following are considered the most significant risks associated with investments:

**Custodial Credit Risk – Investments** - 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, 2023, the City's deposits were either fully insured or properly collateralized and have no custodial credit risk.

**Interest Rate Risk – Investments** - The risk that changes in interest rates will adversely affect the fair value of an investment. North Dakota Century Code limits investing funds primarily in the short- and intermediate-term liquid securities of high credit quality to ensure adequate liquidity and to minimize the impact of changes in interest rates. Portfolios are structured so that securities mature concurrent with cash needs to meet anticipated demands. 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.

**Credit Risk – Investments** - The risk that an issuer or other counterparty to an investment will not fulfill its obligations. State statutes authorize investments in obligations of the U.S. Treasury Investments and U.S. agencies, bankers' acceptances, certain repurchase agreements, and commercial paper rated A-1 by Standard & Poor's Corporation or P-1 by Moody's Commercial Paper Record. Beyond what is stated in the Century Code, the City does not have a formal policy to further limit exposure to custodial credit risk.

The following table presents the City's deposit and investment balances at December 31, 2023.

Investment Type	Credit Rating	Fair Value	Maturities (in Years)		
			N/A	< 1	1-5
Cash and Cash Equivalents					
Deposits	N/A	\$ 25,317,434	\$ 25,317,434	\$ -	\$ -
Petty cash	N/A	600	600	-	-
Certificates of deposit	N/A	40,960,964	-	40,960,964	-
Investments					
U.S. Treasury notes	AAA	40,833,242	-	40,833,242	-
		<u>\$ 107,112,240</u>	<u>\$ 25,318,034</u>	<u>\$ 81,794,206</u>	<u>\$ -</u>

**Fair Value**

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs.

The three levels of the fair value hierarchy are described as follows:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the City has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in active markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology that are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

At December 31, 2023, the City had investments in U.S. Treasury notes of \$40,833,242 valued using Level 1 inputs.

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

Cash and Cash Equivalents - Statement of Net Position	\$ 62,808,838
Restricted Cash - Statement of Net Position	2,250,959
Investments - Statement of Net Position	40,644,826
Cash and Cash Equivalents - Statement of Fiduciary Net Position	1,219,201
Investments - Statement of Fiduciary Net Position	188,416
	<hr/>
	<u>\$ 107,112,240</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 - Leases****Lease Receivables and Deferred Inflows of Resources**Governmental Activities

The City entered into a lease as lessor for the use of a parking garage. An initial lease receivable was recorded in the amount of \$4,526,521. As of December 31, 2023, the value of the lease receivable was \$4,343,706. The lessee is required to make fixed payments totaling of \$200,000 per year, with the total annual payment amount increasing by the CPI-U rate annually beginning in the 11th year of the agreement. The lease has an interest rate of 1.851% based on the City's incremental borrowing rate. The value of the deferred inflow of resources as of December 31, 2023 was \$4,077,449, and the City recognized lease revenue of \$131,702 during the fiscal year.

Business-Type Activities

The City entered into a lease as lessor for the use of land and a water tower for a cellular antenna. An initial lease receivable was recorded in the amount of \$299,197. As of December 31, 2023, the value of the lease receivable was \$273,998. The lessee is required to make fixed monthly payments of \$1,650 per month, increasing by 10% at each renewal term, if exercised. The lease has an interest rate of 1.518% based on the City's incremental borrowing rate. The value of the deferred inflow of resources as of December 31, 2023 was \$227,702, and the City recognized lease revenue of \$16,330 during the fiscal year. The lessee has 2 extension options, each for 60 months.

The principal and interest payments that are expected to maturity are as follows:

Years Ending December 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2024	\$ 73,567	\$ 126,433	\$ 13,725	\$ 8,021
2025	76,087	123,913	14,165	7,580
2026	78,402	121,598	14,596	7,148
2027	80,787	119,213	15,093	6,703
2028	82,987	117,013	17,690	6,225
2029-2033	331,645	561,791	99,512	22,570
2034-2038	510,713	546,181	99,217	5,954
2039-2043	695,918	441,060	-	-
2044-2048	948,226	303,041	-	-
2049-2053	1,274,709	140,054	-	-
2054	190,665	17,186	-	-
Total	<u>\$ 4,343,706</u>	<u>\$ 2,617,483</u>	<u>\$ 273,998</u>	<u>\$ 64,201</u>

**Lease Liabilities and Right to Use Leased Assets**Governmental Activities

The City has entered into a lease as lessee for the use of a vehicle with a lease term of 53 months. The total initial lease liability recorded was \$1,029,209. As of December 31, 2023, the total value of the lease liability was \$990,771. The City is required to make fixed annual payments of \$189,294 per year. The lease has an interest rate of 0.602% based on the City's incremental borrowing rate. The value of the right to use asset and related accumulated amortization was \$1,029,209 and \$457,992, as of December 31, 2023, respectively.

The City has entered into seven leases as lessee for the use of machinery and equipment with lease terms ranging from 24 months to 55 months. The total initial lease liability recorded was \$49,043, with individual amounts ranging from \$1,236 to \$22,189. As of December 31, 2023, the total value of the lease liabilities was \$33,515. The City is required to make fixed semi-annual, quarterly, or monthly payments in amounts ranging from \$280 to \$7,752 per year. The leases have interest rates ranging from 0.380% to 5.540% based on the City's incremental borrowing rate. The total value of the right to use assets and related accumulated amortization was \$49,043 and \$16,218, as of December 31, 2023, respectively.

The City entered into two leases as Lessee for the use of a buildings within the City. An initial lease liability was recorded in the amount of \$779,503. As of December 31, 2023, the value of the lease liability was \$579,325. The City is required to make monthly fixed payments ranging from \$5,252 to \$10,033, which increase by 3% on the anniversary date of each lease. The leases have interest rates ranging from 2.536% to 5.660% based on the City's incremental borrowing rate. The total value of the right to use assets and related accumulated amortization was \$779,503 and \$219,830, as of December 31, 2023, respectively.

#### Business-Type Activities

The City entered into a 15-month lease as Lessee for the use of a vehicle in the Water Fund. An initial lease liability was recorded in the amount of \$29,379. As of December 31, 2023, the value of the right to use asset, related accumulated amortization, and lease liability was \$0, as the lease was fully paid off during the year.

The principal and interest payments that are expected to maturity for all leases are as follows:

<u>Years Ending December 31,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 344,018	\$ 47,312
2025	361,413	35,380
2026	804,476	26,027
2027	92,685	1,001
2028	1,019	23
Total	<u>\$ 1,603,611</u>	<u>\$ 109,743</u>

#### **Note 6 - Subscription-Based Information Technology Arrangements (SBITAs)**

During the current year, the City entered into three SBITA contracts with subscription terms of 13 to 60 months. As of December 31, 2023, the value of the total subscription liability for these contracts was \$304,177. The subscription liabilities were valued using discount rates ranging from 5.37% to 6.20% based on the rates from the State and Local Government Securities table, plus 150 basis points, for the nearest maturity to the noncancelable term of the agreements. The total amount of right to use subscription assets, and the related accumulated amortization on right to use subscription assets were \$439,215 and \$45,746, as of December 31, 2023, respectively.

The principal and interest payments that are expected to maturity for all SBITA contracts are as follows:

<u>Years Ending December 31,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 70,011	\$ 16,791
2025	73,912	12,890
2026	77,981	8,821
2027	82,273	4,529
Total	<u>\$ 304,177</u>	<u>\$ 43,031</u>

**Note 7 - Capital Assets**

Capital asset activity of the governmental activities for the year ended December 31, 2023 was as follows:

Governmental Activities	Beginning Balance	Increases and Transfers	Decreases and Transfers	Ending Balance
Capital assets, not being depreciated				
Land	\$ 20,102,675	\$ 170,000	\$ -	\$ 20,272,675
Construction in progress	43,785,761	24,218,141	13,715,860	54,288,042
Total capital assets not being depreciated	63,888,436	24,388,141	13,715,860	74,560,717
Capital assets, being depreciated				
Infrastructure	242,644,503	10,542,627	-	253,187,130
Buildings and improvements	26,205,203	1,202,687	323,973	27,083,917
Machinery and equipment	11,362,617	1,899,637	428,719	12,833,535
Total capital assets being depreciated	280,212,323	13,644,951	752,692	293,104,582
Less accumulated depreciation for				
Infrastructure	102,616,964	10,587,544	-	113,204,508
Buildings and improvements	4,455,202	769,073	129,589	5,094,686
Machinery and equipment	4,938,864	1,442,759	366,167	6,015,456
Total accumulated depreciation	112,011,030	12,799,376	495,756	124,314,650
Net capital assets being depreciated	168,201,293	845,575	256,936	168,789,932
Right to use leased assets being amortized				
Right to use leased building	600,065	179,438	-	779,503
Right to use leased equipment	112,410	24,841	88,208	49,043
Right to use leased vehicles	1,087,218	-	58,009	1,029,209
Total right to use leased assets being amortized	1,799,693	204,279	146,217	1,857,755
Less accumulated amortization for				
Right to use leased building	40,004	179,826	-	219,830
Right to use leased equipment	74,799	29,627	88,208	16,218
Right to use leased vehicles	273,894	242,107	58,009	457,992
Total accumulated amortization	388,697	451,560	146,217	694,040
Net right to use leased assets	1,410,996	(247,281)	-	1,163,715
Subscription-based IT assets being amortized	-	439,215	-	439,215
Less accumulated amortization	-	(45,746)	-	(45,746)
Net subscription-based IT assets	-	393,469	-	393,469
Governmental activities capital assets, net	<u>\$ 233,500,725</u>	<u>\$ 25,379,904</u>	<u>\$ 13,972,796</u>	<u>\$ 244,907,833</u>

Additions to accumulated depreciation include \$116,416 of accumulated depreciation on assets transferred from business-type activities to the governmental activities.

City of West Fargo, North Dakota

Notes to Financial Statements

December 31, 2023

Depreciation/amortization expense was charged to functions/programs of the governmental activities as follows:

Governmental Activities	
General government	\$ 12,752,925
Public safety	290,022
Public works	17,058
Culture and recreation	120,261
Total depreciation/amortization expense - governmental activities	<u>\$ 13,180,266</u>

Capital asset activity of the business-type activities for the year ended December 31, 2023 was as follows:

Business-Type Activities	Beginning Balance	Increases and Transfers	Decreases and Transfers	Ending Balance
Capital assets, not being depreciated				
Land	<u>\$ 1,857,610</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,857,610</u>
Capital assets, being depreciated				
Buildings	3,834,634	-	158,000	3,676,634
Land improvements	3,751,796	-	-	3,751,796
Machinery and equipment	10,779,455	2,474,543	745,115	12,508,883
Infrastructure	<u>434,197,853</u>	<u>1,887,558</u>	<u>-</u>	<u>436,085,411</u>
Total capital assets being depreciated	<u>452,563,738</u>	<u>4,362,101</u>	<u>903,115</u>	<u>456,022,724</u>
Less accumulated depreciation for				
Buildings	900,420	78,246	41,535	937,131
Land improvements	3,751,796	-	-	3,751,796
Machinery and equipment	6,899,232	839,127	639,485	7,098,874
Infrastructure	<u>120,489,791</u>	<u>9,896,634</u>	<u>-</u>	<u>130,386,425</u>
Total accumulated depreciation	<u>132,041,239</u>	<u>10,814,007</u>	<u>681,020</u>	<u>142,174,226</u>
Net capital assets being depreciated	<u>320,522,499</u>	<u>(6,451,906)</u>	<u>222,095</u>	<u>313,848,498</u>
Right to use leased assets being amortized				
Right to use leased vehicles	<u>24,400</u>	<u>-</u>	<u>24,400</u>	<u>-</u>
Less accumulated amortization for				
Right to use leased vehicles	<u>19,477</u>	<u>4,923</u>	<u>24,400</u>	<u>-</u>
Net right to use leased assets	<u>4,923</u>	<u>(4,923)</u>	<u>-</u>	<u>-</u>
Business-type activities capital assets, net	<u>\$ 322,385,032</u>	<u>\$ (6,456,829)</u>	<u>\$ 222,095</u>	<u>\$ 315,706,108</u>

Additions to accumulated depreciation include \$1,150 of accumulated depreciation on assets transferred from governmental activities to the business-type activities.



City of West Fargo, North Dakota

Notes to Financial Statements

December 31, 2023

Depreciation/amortization expense was charged to functions/programs of the business-type activities as follows:

Business-Type Activities	
Water & sewer	\$ 10,334,556
Garbage	483,224
	<u>                    </u>
Total depreciation/amortization expense - business-type activities	<u><u>\$ 10,817,780</u></u>

**Note 8 - Long-Term Debt**

The following is a summary of changes in long-term debt of the City for the year ended December 31, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
G.O. bonds	\$ 1,795,000	\$ -	\$ 880,000	\$ 915,000	\$ 915,000
Special assessment bonds	276,630,000	-	15,150,000	261,480,000	14,400,000
Revenue bonds	18,400,000	-	585,000	17,815,000	640,000
Annual appropriation bonds	9,820,000	-	330,000	9,490,000	345,000
BND drawdown	12,377,847	-	511,565	11,866,282	531,272
Bond premium	6,151,240	-	378,538	5,772,702	309,857
Leases payable	1,785,377	204,279	386,045	1,603,611	344,018
Subscription IT liabilities	-	433,605	129,428	304,177	70,011
Compensated absences*	2,153,912	27,241	-	2,181,153	218,115
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Governmental activity long-term debt	<u>\$ 329,113,376</u>	<u>\$ 665,125</u>	<u>\$ 18,350,576</u>	<u>\$ 311,427,925</u>	<u>\$ 17,773,273</u>
Business-Type Activities					
Revenue bonds	\$ 9,610,000	\$ -	\$ 800,000	\$ 8,810,000	\$ 835,000
Leases payable	9,865	-	9,865	-	-
Compensated absences*	456,344	-	16,039	440,305	44,030
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Business-type activity long-term debt	<u>\$ 10,076,209</u>	<u>\$ -</u>	<u>\$ 825,904</u>	<u>\$ 9,250,305</u>	<u>\$ 879,030</u>

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

**Bonds Payable**

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 fund 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 from the debt service fund through special assessments levied against the benefiting properties.

Annual appropriation bonds are special, limited obligations 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. Also, voters approved an additional one-half cent sales tax effective July 1, 2023, that will provide for another source of funding to make payments on these bonds. In the event of nonappropriation, the bonds will be paid from the amounts deposited to the bond reserve account. At December 31, 2023, the bond reserve account has a balance is \$1,049,884, which is reported as restricted cash. Principal and interest payments on these bonds are made from the debt service fund.

The City has General obligation revenue bonds that are recorded as a liability in the water and sewer 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, 2023 are as follows:

	Pledged Revenue Source	2023		Approximate Amount of Revenue Pledged
		Principal and Interest Paid	Net Revenues	
Business-Type Activities				
2012 Refunding Improvement Bond	Water and Sewer Revenue	\$ 660,779	\$ 2,947,929	22.4%
2019 Refunding Improvement Bond	Water and Sewer Revenue	430,853	2,947,929	14.6%

# City of West Fargo, North Dakota

## Notes to Financial Statements

December 31, 2023

Bonds payable outstanding as of December 31, 2023, consist of the following:

	<u>Interest Rate</u>	<u>Final Year of Maturity</u>	<u>Authorized and Issued</u>	<u>Outstanding</u>
<b>Governmental activities</b>				
G.O. Bonds				
2009 General Obligation Arterial Street Bonds	2.50-4.35%	2024	\$ 10,000,000	\$ 915,000
<b>Special Assessment Bonds</b>				
2009 Municipal Improvement Bonds	2.00-5.50%	2039	530,000	370,000
2014A Refunding Improvement Bonds	2.00-3.625%	2038	17,750,000	10,120,000
2014B Refunding Improvement Bonds	2.00-5.00%	2039	20,460,000	12,945,000
2015A Refunding Improvement Bonds	2.00-5.00%	2040	28,180,000	17,600,000
2015B Refunding Improvement Bonds	2.00-5.00%	2040	24,470,000	17,345,000
2016A Refunding Improvement Bonds	1.50-4.50%	2041	27,140,000	18,620,000
2017A Refunding Improvement Bonds	3.00-5.00%	2042	36,860,000	30,290,000
2018B Refunding Improvement Bonds	3.50-5.00%	2043	30,230,000	26,155,000
2019A Refunding Improvement Bonds	2.00-4.00%	2024	7,905,000	3,860,000
2019B Refunding Improvement Bonds	2.625-4.00%	2036	55,105,000	46,920,000
2020A Refunding Improvement Bonds	2.00-4.00%	2041	66,430,000	58,705,000
2021A Refunding Improvement Bonds	2.00%	2034	7,060,000	5,975,000
2021B Refunding Improvement Bonds	0.25-2.10%	2034	8,545,000	6,715,000
2022A Refunding Improvement Bonds	3.75-5.00%	2047	6,055,000	5,860,000
Total special assessment bonds				<u>261,480,000</u>
<b>Revenue Bonds</b>				
2009 TIF District Bonds	2.75-4.50%	2025	570,000	100,000
2020 Taxable Gross Revenue Bonds	0.60-3.00%	2045	18,645,000	17,715,000
Total revenue bonds				<u>17,815,000</u>
<b>Annual Appropriation Bonds</b>				
2022 Public Safety Annual Appropriation Bonds	3.60-4.00%	2042	10,000,000	9,490,000
Total				<u>\$ 289,700,000</u>
<b>Business-type activities</b>				
<b>Revenue Bonds</b>				
2012 Refunding Improvement Bond	0.50-4.25%	2030	\$ 9,145,000	\$ 4,025,000
2019 Refunding Improvement Bond	2.00-3.00%	2034	5,905,000	4,785,000
Total				<u>\$ 8,810,000</u>

The annual requirements to amortize all bonded debt outstanding as of December 31, 2023, are as follows:

<u>Years Ending December 31,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 16,300,000	\$ 9,082,304	\$ 835,000	\$ 263,881
2025	15,045,000	8,517,782	865,000	238,831
2026	14,990,000	7,952,249	895,000	210,180
2027	15,095,000	7,390,736	935,000	183,331
2028	14,965,000	6,689,188	960,000	158,163
2029-2033	75,660,000	26,409,697	3,370,000	371,290
2034-2038	73,105,000	15,252,895	950,000	24,938
2039-2043	51,610,000	5,689,521	-	-
2044-2047	12,930,000	483,281	-	-
Total	<u>\$ 289,700,000</u>	<u>\$ 87,467,653</u>	<u>\$ 8,810,000</u>	<u>\$ 1,450,614</u>

**BND Drawdown Payable**

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 from the debt service fund through special assessments levied against the benefiting properties. Drawdown agreements payable outstanding as of December 31, 2023, 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	\$ 7,619,873
Bank of North Dakota Drawdown	2.00%	2043	5,000,000	4,246,409
				<u>\$ 11,866,282</u>

The annual requirements to amortize all Bank of North Dakota drawdowns outstanding as of December 31, 2023, are as follows:

<u>Years Ending December 31,</u>	<u>Drawdown Agreement</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 531,272	\$ 237,622
2025	541,897	226,997
2026	552,735	216,159
2027	563,790	205,104
2028	575,066	193,828
2029-2033	3,052,517	791,952
2034-2038	3,374,667	474,243
2039-2043	2,674,338	133,640
Total	<u>\$ 11,866,282</u>	<u>\$ 2,479,545</u>

**Leases Payable**

Leases payable consists of lease liabilities as described in Note 5. Leases payable of the governmental activities are paid from the general, fire, forestry, and library funds. Leases payable of the business-type activities are paid from the water and sewer fund.

**Subscription IT liabilities**

Subscription IT liabilities consist of subscription-based IT agreements as described in Note 6. Subscription IT liabilities are paid from the general fund.

**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 primarily is paid out of the general fund. Smaller amounts have typically been liquidated by the nonmajor governmental funds from which the employee's wages are paid. Compensated absences for business-type activities are payable from the water and sewer and garbage funds.

**Note 9 - Pension Plan**

The City contributes to two separate pension plans which cover substantially all full-time employees and certain part-time employees. They are the North Dakota Public Employee Retirement System (NDPERS) Main System and the NDPERS Law Enforcement Retirement System.

For the year ended December 31, 2023, the City reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the plans as follows:

	Deferred Outflows of Resources	Net Pension Liability	Deferred Inflows of Resources	Pension Expense
Main System	\$ 16,503,123	\$ 20,186,218	\$ 15,517,022	\$ 2,740,891
Law Enforcement System	6,958,788	4,717,755	5,727,074	2,765,898
Total all plans	<u>\$ 23,461,911</u>	<u>\$ 24,903,973</u>	<u>\$ 21,244,096</u>	<u>\$ 5,506,789</u>

**North Dakota Public Employees Retirement System (Main System)****General Information about the Pension Plan**

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 eleven members. The Governor is responsible for appointing three other members in addition to the Chairman of the Board. Four members are appointed by legislative management, and the remaining three Board members are elected from active employees currently contributing to PERS.

**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, 2023, the City reported a liability of \$20,186,218 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2023, the City's proportion was 1.046866 percent, which was an increase of 0.144569 percent from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the City recognized pension expense of \$2,740,891. At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 657,127	\$ 111,326
Changes of assumptions	11,130,917	15,321,852
Net difference between projected and actual investment earnings on pension plan investments	529,650	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,314,843	83,844
City contributions subsequent to the measurement date	870,586	-
	<u>\$ 16,503,123</u>	<u>\$ 15,517,022</u>

The \$870,586 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, 2024.

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

2024	\$ 1,242,302
2025	(1,269,062)
2026	1,003,233
2027	(860,958)

### Actuarial Assumptions

The total pension liability in the July 1, 2023, 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	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 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	31%	6.25%
International Equity	20%	6.95%
Private Equity	7%	9.45%
Domestic Fixed Income	23%	2.51%
Global Real Assets	19%	4.33%



### 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 6.50%; the municipal bond rate is 3.86%; and the resulting Single Discount Rate is 6.50%.

### 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 6.50 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 (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
City's Proportionate Share of the net pension liability	\$ 27,831,945	\$ 20,186,218	\$ 13,843,495

### Pension Plan Fiduciary Net Position

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

**NDPERS Law Enforcement Retirement System (Law Enforcement System)****General Information about the Pension Plan**

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

The Law Enforcement System is a cost-sharing multiple-employer defined benefit pension plan that covers peace officers and correctional officers employed by participating political subdivisions. Effective August 1, 2015, the plan will include National Guard Security Officers and Firefighters. The Law Enforcement System 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 eleven members. The Governor is responsible for appointing three other members in addition to the Chairman of the Board. Four members are appointed by legislative management, and the remaining three Board members are elected from active employees currently contributing to PERS.

**Pension Benefits**

Benefits are set by statute. The Law Enforcement System has no provision or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Law Enforcement 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 (55) with three or more years of service. 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. The plan permits early retirement at ages 50-55 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 in the Law Enforcement 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 Law Enforcement 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 of disabled is set by the NDPERS in the North Dakota Administrative Code.

### Refunds of Member Account Balance

Upon termination, if a member of the Law Enforcement System is not vested (is not 55 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 established as a percent of covered compensation. Member contribution rates are set by statute and employer contribution rates are set by the Board. Contribution rates for the Law Enforcement System are established as follows:

<u>Plan</u>	<u>Member Contribution Rate</u>	<u>Employer Contribution Rate</u>
Law Enforcement with Previous Service		
Political Subdivisions	5.50%	9.81%
State	6.00%	9.81%
National Guard	5.50%	9.81%
Law Enforcement without Previous Service	5.50%	7.93%

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, 2023, the City reported a liability of \$4,717,755 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, 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/contributions in the Law Enforcement System pension plan relative to the covered payroll/contributions of all participating Law Enforcement System employers. At June 30, 2023, the City's proportion was 7.787440 percent, which was an increase of 1.329703 from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the City recognized pension expense of \$2,765,898. At December 31, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,807,396	\$ 16,248
Changes of assumptions	4,152,940	5,710,826
Net difference between projected and actual investment earnings on pension plan investments	241,371	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	300,761	-
City contributions subsequent to the measurement date	456,320	-
	<u>\$ 6,958,788</u>	<u>\$ 5,727,074</u>

The \$456,320 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, 2024.

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

2024	\$ 500,866
2025	492,904
2026	146,157
2027	(100,732)
2028	(206,351)
Thereafter	(57,450)

### Actuarial Assumptions

Actuarial assumptions. The total pension liability in the July 1, 2023, 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	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 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	31%	6.25%
International Equity	20%	6.95%
Private Equity	7%	9.45%
Domestic Fixed Income	23%	2.51%
Global Real Assets	19%	4.33%

### 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 6.50%; the municipal bond rate is 3.86%; and the resulting Single Discount Rate is 6.50%.

#### **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 6.50 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 (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	\$ 7,284,785	\$ 4,717,755	\$ 2,754,479

#### **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 10 - 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. 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, 2023, the City reported a liability of \$1,422,160 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2023, 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, 2023, the City's proportion was 1.422514 percent, which was an increase of 0.232793 percent from its proportion measured as of June 30, 2022.

# City of West Fargo, North Dakota

Notes to Financial Statements

December 31, 2023

For the year ended December 31, 2023, the City recognized OPEB expense of \$363,398. At December 31, 2023, 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	\$ 26,757	\$ 16,275
Changes of assumptions	303,314	117,772
Net difference between projected and actual investment earnings on pension plan investments	102,719	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	248,309	7,021
City contributions subsequent to the measurement date	139,392	-
	<u>\$ 820,491</u>	<u>\$ 141,068</u>

The \$139,392 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, 2024.

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

2024	\$ 200,085
2025	172,719
2026	189,758
2027	(22,531)

## Actuarial Assumptions

The total OPEB liability in the July 1, 2023, 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	5.75%, 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, 2023, are summarized in the following table:

Asset Class	Target	Long-Term
Large Cap Domestic Equities	33%	6.10%
Small Cap Domestic Equities	6%	7.10%
Domestic Fixed Income	35%	2.59%
International Equities	26%	6.50%

### Discount Rate

The discount rate used to measure the total OPEB liability was 5.75%. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. 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, 2023, calculated using the discount rate of 5.75%, 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 (4.75 percent) or 1-percentage-point higher (6.75 percent) than the current rate:

	1% Decrease (4.75%)	Current Discount Rate (5.75%)	1% Increase (6.75%)
City's Proportionate Share of the net OPEB liability	\$ 1,869,066	\$ 1,422,160	\$ 1,045,920

**Note 11 - Interfund Receivables, Payables, Transfers, and Capital Contributions**

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

	Due from Other Funds	Due to Other Funds
General	\$ 4,754,398	\$ -
Capital Projects	700,470	3,969,153
Debt Service	1,274,755	2,206,058
Other Nonmajor Governmental Funds	649,436	720,727
Water & Sewer	-	282,600
Garbage	-	200,521
	<u>\$ 7,379,059</u>	<u>\$ 7,379,059</u>

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

	Transfer In	Transfer Out
Governmental Funds		
General	\$ 3,180,664	\$ -
Capital Projects	134,966	1,221,028
Debt Service	958,278	222,868
Non-major governmental	1,173,343	4,003,355
	<u>\$ 5,447,251</u>	<u>\$ 5,447,251</u>
Total transfers		

Transfers are made for funding various projects and operational expenses, meeting debt service requirements, and closing funds no longer used.

During the year ended December 31, 2023, the following capital contributions were made from the governmental activities to the proprietary funds:

	Transfer In	Transfer Out
Governmental Activities	<u>\$ 34,130</u>	<u>\$ 1,897,908</u>
Water & Sewer Proprietary Fund	<u>\$ 1,897,908</u>	<u>\$ 34,130</u>

**Note 12 - Commitments**

*Litigation and Potential Exposure* – In the ordinary course of its business, the City is party to legal proceedings as a plaintiff or defendant. The financial impact of remaining actions is not determinable at December 31, 2023, 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, 2023, 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, 2023, construction in progress consisted of street improvements totaling \$18,030,372, with estimated costs to completion of \$75,043,796; storm sewer systems totaling \$8,024,032, with estimated costs to completion of \$1,432,329; and water and sanitary systems of \$9,409,763, with estimated costs to completion of \$11,732,621. Estimated completion dates for these projects range from early 2024 through 2025. In addition, the City is completing a project over construction of a new fire hall with project costs to date of \$18,823,877, total estimated costs of totaling \$19,173,877, and an estimated completion date of early 2024.

*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, 2023, bringing total contributions made on the pledge to \$360,000 as of December 31, 2023.

**Note 13 - 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, 2023, was approximately \$655,449.

**Note 14 - 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.



Required Supplementary Information  
December 31, 2023

**City of West Fargo, North Dakota**

# City of West Fargo, North Dakota

## Schedule of Employer's Share of Net Pension Liability and Schedule of Employer's Contributions

Main System

December 31, 2023

### 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
2023	1.046866%	\$ 20,186,218	\$ 12,801,811	157.68%	65.31%
2022	0.902297%	\$ 25,986,754	\$ 10,474,195	248.10%	54.47%
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%

### 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)
2023	\$ 968,467	\$ 838,324	\$ 130,143	\$ 12,801,811	6.55%
2022	\$ 788,885	\$ 870,463	\$ (81,578)	\$ 10,474,195	8.31%
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%

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

### **2023**

#### *Changes of benefit terms*

In 2023, House Bill 1040 was passed, which closes the Main System to employees newly enrolled into the system on January 1, 2025, and later. The state employer contribution for 2026 and later was changed to be the amount sufficient to fund the Main System on actuarial basis, with the amortization of the unfunded liability determined on a level percent of payroll basis over a closed period beginning on January 1, 2026, and ending June 30, 2056.

#### *Changes of assumptions*

All actuarial assumptions used in the actuarial valuation as of July 1, 2022, were based on an experience review for the period from July 1, 2014, to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020. There have been no changes in actuarial assumptions since the previous actuarial valuation as of July 1, 2022.

### **2022**

#### *Changes of benefit terms*

The interest rate earned on member contributions decreased from 6.50 percent to 6.00 percent effective January 1, 2023 (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*

The investment return assumption was updated from 7.00% to 6.50% beginning with the actuarial valuation as of July 1, 2022. All other actuarial assumptions used in the actuarial valuation as of July 1, 2022, were based on an experience review for the period from July 1, 2014, to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020.

### **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 Pension Liability and Schedule of Employer's Contributions

Law Enforcement System

December 31, 2023

### 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
2023	7.787440%	\$ 4,717,755	\$ 5,572,309	84.66%	67.61%
2022	6.457737%	\$ 5,301,603	\$ 4,181,134	126.80%	57.48%
2021	6.221720%	\$ 1,031,033	\$ 3,828,442	26.93%	87.10%
2020	6.713186%	\$ 4,400,352	\$ 3,046,702	144.43%	53.12%
2019	7.335787%	\$ 872,434	\$ 2,955,732	29.52%	84.95%

\* 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 City 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)
2023	\$ 518,494	\$ 444,406	\$ 74,088	\$ 5,572,309	7.98%
2022	\$ 420,266	\$ 429,602	\$ (9,336)	\$ 4,181,134	10.27%
2021	\$ 340,370	\$ 362,007	\$ (21,637)	\$ 3,828,442	9.46%
2020	\$ 325,271	\$ 298,950	\$ 26,321	\$ 3,046,702	9.81%
2019	\$ 275,994	\$ 130,217	\$ 145,777	\$ 2,955,732	4.41%

\* 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 City 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**

**2023**

*Changes of benefit terms*

Legislation was passed relating to the Public Safety with Prior Service System. The Public Safety with Prior Service System was expanded to allow peace officers employed by the State to participate. The provisions are similar to the Public Safety with Prior Service System, but with a 6.00 percent employee contribution rate. The benefit multiplier and the vesting requirements for the Bureau of Criminal Investigation group were changed.

*Changes of assumptions*

All actuarial assumptions used in the actuarial valuation as of July 1, 2022, were based on an experience review for the period from July 1, 2014, to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020. There have been no changes in actuarial assumptions since the previous actuarial valuation as of July 1, 2022.

**2022**

*Changes of benefit terms*

The interest rate earned on member contributions decreased from 6.50 percent to 6.00 percent effective January 1, 2023 (based on the adopted decrease in the investment return assumption). New Public Safety 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). 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*

The investment return assumption was updated from 7.00% to 6.50% beginning with the actuarial valuation as of July 1, 2022. All other actuarial assumptions used in the actuarial valuation as of July 1, 2022, were based on an experience review for the period from July 1, 2014, to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020.

## 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 Public Safety 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). 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 Public Safety 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). 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.

City of West Fargo, North Dakota

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

December 31, 2023

**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 OPEB Liability
2023	1.422514%	\$ 1,422,160	\$ 14,298,866	9.95%	62.74%
2022	1.189721%	\$ 1,428,034	\$ 12,282,738	11.63%	56.28%
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 City 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
2023	\$ 172,657	\$ 148,376	\$ 24,281	\$ 14,298,866	1.04%
2022	\$ 149,495	\$ 162,023	\$ (12,528)	\$ 12,282,738	1.32%
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 City 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**

**2023**

*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, 2022.

*Changes of assumptions*

All actuarial assumptions used in the actuarial valuation as of July 1, 2022, were based on an experience review for the period from July 1, 2014, to July 1, 2019, and were adopted for first use commencing with the actuarial valuation as of July 1, 2020. There have been no changes in actuarial assumptions since the previous actuarial valuation as of July 1, 2022.

**2022**

*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*

The investment return assumption was updated from 6.50% to 5.75% beginning with the actuarial valuation as of July 1, 2022. All actuarial assumptions and the actuarial cost method are un-changed from the last actuarial valuation as of July 1, 2021.

**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.



Other Supplementary Information  
December 31, 2023

City of West Fargo, North Dakota



City of West Fargo, North Dakota  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2023

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Expenditures
Department of Agriculture Passed through North Dakota Forest Service Urban and Community Forestry Program	10.675	2023-ATBTP	\$ 16,803
Department of the Treasury Passed through North Dakota Office of Management and Budget COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Unknown	1,232,007
Department of Homeland Security Passed through North Dakota Department of Emergency Management Hazard Mitigation Grant Program	97.039	FEMA-DR-4509-ND	645,515
Total Federal Financial Assistance			<u>\$ 1,894,325</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, 2023. 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.



Additional Reports  
December 31, 2023

## 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 *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), 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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 28, 2024.

**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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as items 2023-001, 2023-002, 2023-003, and 2023-004 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.

A handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota  
August 28, 2024



## **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 Program***

We have audited the City of West Fargo, North Dakota's compliance with the types of compliance requirements identified as subject to audit 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, 2023. 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, 2023.

#### ***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. However, as discussed below we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

*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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-005 and 2023-006 to be material weaknesses.

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 finding identified in our compliance 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.

The image shows a handwritten signature in black ink that reads "Erik Bailey LLP". The signature is written in a cursive, flowing style.

Fargo, North Dakota  
August 28, 2024



---

**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	Yes
Significant deficiencies identified not considered to be material weaknesses	No
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:**

<u>Name of Federal Program</u>	<u>Federal Financial Assistance Listing</u>
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027
Dollar threshold used to distinguish between type A and type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

---

**Section II – Financial Statement Findings**

---

**2023-001      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* – There is no disagreement with the audit finding.

**2023-002      Preparation of Financial Statements, including the Schedule of Expenditures of Federal Awards**  
**Material Weakness**

*Criteria* – A good system of internal accounting control contemplates an adequate system an adequate system for internally preparing the City’s financial statements, including the schedule of expenditures of federal awards.

*Condition* – The City does not have an internal control system designed to provide for the preparation of the financial statements, including the schedule of expenditures of federal awards, being audited. The auditors were requested to, and did, draft the financial statements, including the schedule of expenditures of federal awards and accompanying notes to the financial statements.

*Cause* – The City does not have an internal control system designed to provide for the preparation of the financial statements, including the schedule of expenditures of federal awards, being audited.

*Effect* – The disclosures in the financial statements could be incomplete.

*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* – There is no disagreement with the audit finding. Due to cost constraints, the City will continue to have the auditor’s draft the financial statements, including the schedule of expenditures of federal awards and accompanying notes to the financial statements.

**2023-003      Segregation of Duties**  
**Material Weakness**

*Criteria* – A good system of internal control requires an adequate segregation of duties so that no one individual has incompatible responsibilities. No one person should have more than one duty relating to the authorization (approval), custody of assets (check signers), record keeping and reconciliation functions. Additionally, appropriate checks and balances should be present when processing and approving payroll functions.

*Condition* – The City does not have enough staff to adequately separate duties in cash receipts, cash disbursements, payroll and related liabilities, and general ledger maintenance and reconciliation. Certain employees have the ability to perform incompatible responsibilities such as new vendor creation, check writing, and payroll changes.

*Cause* – There is a limited amount of office employees involved in the internal control process. Additionally, the City experienced turnover and vacancies in several positions within the accounting and finance department during the year ended December 31, 2023, and throughout the audit period.

*Effect* – Inadequate segregation of duties could adversely affect the City's ability to detect misstatements in amounts that would be material in relation to the financial statements in a timely period by employees in the normal course of performing their assigned functions. Additionally, inadequate controls over payroll functions could lead to improper or unapproved payroll disbursements.

*Recommendation* – The accounting functions should be reviewed to determine if additional segregation of duties is feasible and to improve the efficiency and effectiveness of financial management and financial statement accuracy for the City. Segregation of authorization, custody of assets, record keeping, account reconciliations, and payroll functions would assist in mitigating the risk of fraud or misstatements to the financial statements.

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

**2023-004      Lack of Timely Bank Reconciliations**  
**Material Weakness**

*Criteria* – A good system of internal accounting control contemplates an adequate system for the timely completion of the monthly bank reconciliations.

*Condition* – During the course of our engagement, it was noted that monthly bank reconciliations were not being completed in a timely manner throughout the entirety of the year. We specifically noted that the June 30, 2023 bank reconciliation was not completed until approximately two months following month-end.

*Cause* – The City does not have an internal control system designed to ensure the timely completion of the monthly bank reconciliations.

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

*Recommendation* – A process should be put in place to ensure that the monthly bank reconciliations are done timely, likely in a timeframe where they are completed within two weeks of month-end.

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

---

**Section III – Federal Award Findings and Questioned Costs**

---

**2023-005      Department of the Treasury, Passed through North Dakota Office of Management and Budget  
Federal Financial Assistance Listing 21.027  
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds**

**Activities Allowed or Unallowed  
Material Weakness in Internal Control over Compliance**

*Criteria* – A good system of internal accounting control contemplates an adequate system for review of the allocation of payroll expenditures to federal awards.

*Condition* – During the course of our engagement, we noted that the City has no formal review process for the allocation of payroll costs to federal awards, which could result in a material misstatement of the City's schedule of expenditures of federal awards.

*Cause* – The City does not have an internal control system designed to review the allocation of payroll costs to federal awards.

*Effect* – This deficiency could result in a misstatement to the financial statements and noncompliance with federal awards that would not be prevented or detected.

*Questioned Costs* – None reported.

*Context/Sampling* – A non-statistical sample of 60 transactions out of a population over 250 total transactions were selected for testing, which accounted for \$973,584 of \$1,232,007 of federal program expenditures. Of these transactions tested, seven of the seven payroll selections did not have approval, and that accounted for \$333,540 of the total being tested.

*Repeat Finding from Prior Year(s)* – Yes, prior year finding 2022-006.

*Recommendation* – A thorough review and reconciliation of the allocation of payroll costs to federal awards should take place prior to the beginning of the audit. This review should be done at both the accounting staff and accounting supervisor levels.

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

**2023-006      Department of the Treasury, Passed through North Dakota Office of Management and Budget  
Federal Financial Assistance Listing 21.027  
COVID-19 – Coronavirus State and Local Fiscal Recovery Funds**

**Procurement, Suspension, and Debarment  
Material Weakness 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* – Yes, prior year finding 2022-007.

*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.



Management's Response to Auditor's Findings:  
Summary Schedule of Prior Audit Findings and  
Corrective Action Plan  
December 31, 2023

Prepared by Management of  
**City of West Fargo, North Dakota**



**Finding 2022-001      Material Journal Entries**

*Initial Fiscal Year Finding Occurred:* 2019

*Finding Summary:* During the course of the engagement numerous material audit adjustments were proposed by Eide Bailly LLP.

*Status:* Ongoing. See finding 2023-001.

**Finding 2022-002      Preparation of Financial Statements, including Schedule of Expenditures of Federal Awards**

*Initial Fiscal Year Finding Occurred:* 2018

*Finding Summary:* The auditor assists management in preparing the financial statements and schedule of expenditures of federal awards that are presented, including note disclosures.

*Status:* Ongoing. See finding 2023-002.

**Finding 2022-003      Segregation of Duties**

*Initial Fiscal Year Finding Occurred:* 2022

*Finding Summary:* The City does not have enough staff to adequately separate duties in cash receipts, cash disbursements, payroll and related liabilities, and general ledger maintenance and reconciliation.

*Status:* Ongoing. See finding 2023-003.

**Finding 2022-004      Material Restatement for Correction of Errors**

*Initial Fiscal Year Finding Occurred:* 2022

*Finding Summary:* Restatements were made for material utility billing errors resulting in understated accounts receivables and utility revenues in prior years, unrecorded prepaid expenses/expenditures resulting in understated prepaid expenses/expenditures and overstated expenses/expenditures in prior years, and improperly capitalized capital assets in the prior year, resulting in overstated capital assets and depreciation expense in the prior year.

*Status:* Corrected.



**Finding 2022-005      Lack of Timely Bank Reconciliations**

*Initial Fiscal Year Finding Occurred: 2022*

*Finding Summary:* During the course of the engagement, it was noted that monthly bank reconciliations were not being completed in a timely manner.

*Status:* Ongoing. See finding 2023-004

**Finding 2022-006      Activities Allowed or Unallowed**

*Federal Agency Name:* Department of Treasury

*Pass-Through Entity:* North Dakota Office of Management and Budget

*Assistance Listing Number:* 21.027

*Program Name:* COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

*Initial Fiscal Year Finding Occurred: 2022*

*Finding Summary:* The City had no formal review process for the allocation of payroll costs to federal awards.

*Status:* Ongoing. See finding 2023-005.

**Finding 2022-007      Procurement, Suspension, and Debarment**

*Federal Agency Name:* Department of Treasury

*Pass-Through Entity:* North Dakota Office of Management and Budget

*Assistance Listing Number:* 21.027

*Program Name:* COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

*Initial Fiscal Year Finding Occurred: 2021*

*Finding Summary:* The City did not have a written policy on procurement that satisfied the requirements of 2 CFR sections 200.318 through 200.326.

*Status:* Ongoing. See finding 2023-006.



**Finding 2022-008      Reporting**

*Federal Agency Name:* Department of Treasury

*Pass-Through Entity:* North Dakota Office of Management and Budget

*Assistance Listing Number:* 21.027

*Program Name:* COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

*Initial Fiscal Year Finding Occurred:* 2022

*Finding Summary:* The amounts reported as expended in the current period and cumulative expenditures for the award did not agree with the amounts supported by the City's accounting records.

*Status:* Corrected



**Finding 2023-001      Material Journal Entries  
Material Weakness**

*Finding Summary:* During the course of the engagement, the auditor 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. These adjustments include: the recognition of the changes in the net pension and net OPEB liabilities and related deferred inflows and outflows of resources under GASB Statements No. 68 and 75; the impact of GASB Statement No. 87, *Leases*, to record right to use leased assets and related liabilities; and the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)* to record right to use subscription IT assets and related liabilities.

*Corrective Action Plan:* A thorough review and reconciliation of accounts in each fund will take place prior to the beginning of the audit. The City has established an internal control policy to document the monthly review of the financial statements by the City Commission.

*Responsible Individuals:* Dustin Scott, City Administrator

*Anticipated Completion Date:* Ongoing

**Finding 2023-002      Preparation of Financial Statements, including Schedule of Expenditures of Federal  
Awards  
Material Weakness**

*Finding Summary:* The City does not have an internal control system designed to provide for the preparation of the financial statements, including the schedule of expenditures of federal awards, being audited. The auditors were requested to, and did, draft the financial statements, including the schedule of expenditures of federal awards 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, 75, 87, and 96.

*Corrective Action Plan:* It is not cost effective to have an internal control system designed to provide for the preparation of the financial statements and accompanying notes. We requested that our auditors, Eide Bailly LLP, prepare the financial statements and the accompanying notes to the financial statements as a part of their annual audit. We have designated a member of management to review the drafted financial statements and accompanying notes, including the schedule of expenditures of federal awards.

*Responsible Individuals:* Dustin Scott, City Administrator

*Anticipated Completion Date:* Ongoing



**Finding 2023-003      Segregation of Duties  
Material Weakness**

*Finding Summary:* The City does not have enough staff to adequately separate duties in cash receipts, cash disbursements, payroll and related liabilities, and general ledger maintenance and reconciliation. Certain employees have the ability to perform incompatible responsibilities such as new vendor creation, check writing, and payroll changes.

*Corrective Action Plan:* The City experienced significant turnover within the accounting and finance department during the year. When the department is fully staffed, positions will be evaluated to ensure that no one individual has incompatible responsibilities.

*Responsible Individuals:* Dustin Scott, City Administrator

*Anticipated Completion Date:* December 31, 2024

**Finding 2023-004      Lack of Timely Bank Reconciliations  
Material Weakness**

*Finding Summary:* During the course of the engagement, it was noted that monthly bank reconciliations were not being completed in a timely manner. During the planning phase of the audit, it was discovered that reconciliations were multiple months behind. For example, the June 30, 2023 bank reconciliations were not completed until approximately 2 months following month-end.

*Corrective Action Plan:* The City will review its bank reconciliation processes to ensure that they are completed in a timely manner, ideally within two weeks of month-end.

*Responsible Individuals:* Dustin Scott, City Administrator

*Anticipated Completion Date:* December 31, 2024



**Finding 2023-005      Activities Allowed or Unallowed  
Material Weakness in Internal Control Over Compliance**

*Federal Agency Name:* Department of Treasury

*Pass-Through Entity:* North Dakota Office of Management and Budget

*Assistance Listing Number:* 21.027

*Program Name:* COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

*Finding Summary:* During the course of the engagement, it was noted that the City has no formal review process for the allocation of payroll costs to federal awards, which could result in a material misstatement of the City's schedule of expenditures of federal awards.

*Corrective Action Plan:* The City will review its internal control processes over compliance to ensure that payroll costs allocated to federal awards are adequately reviewed.

*Responsible Individuals:* Dustin Scott, City Administrator

*Anticipated Completion Date:* December 31, 2024

**Finding 2023-006      Procurement, Suspension, and Debarment  
Material Weakness in Internal Control Over Compliance**

*Federal Agency Name:* Department of Treasury

*Pass-Through Entity:* North Dakota Office of Management and Budget

*Assistance Listing Number:* 21.027

*Program Name:* COVID-19 – Coronavirus State and Local Fiscal Recovery Funds

*Finding Summary:* In the 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.

*Corrective Action Plan:* The City has adopted a procurement policy satisfying the requirements of 2 CFR sections 200.318 through 200.326 as of January 8, 2024.

*Responsible Individuals:* Dustin Scott, City Administrator

*Anticipated Completion Date:* January 8, 2024

