

Financial Statements
December 31, 2024

City of West Fargo, North Dakota

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City of West Fargo, North Dakota
Elected and Appointed Officials
December 31, 2024

<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
Amy Zundel	City Commissioner	6/30/2028
Rory Jorgensen	City Commissioner	6/30/2028
 <u>Administration</u>		
Dustin Scott	City Administrator	
Willy Galindo	Director of Finance	



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, 2024, 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, 2024, 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.

Adoption of New Accounting Standard

As discussed in Notes 1 and 15 to the financial statements, the City has adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* for the year ended December 31, 2024. Accordingly, a restatement of the governmental activities, business-type activities, water & sewer fund, and garbage fund net position as of January 1, 2024, to restate beginning net position. Our opinions are not modified with respect to this matter.

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 September 16, 2025, 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
September 16, 2025

City of West Fargo, North Dakota

Statement of Net Position

December 31, 2024

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 60,357,765	\$ 7,012,640	\$ 67,370,405
Restricted cash	1,803,568	1,129,566	2,933,134
Investments	34,856,318	6,404,229	41,260,547
Receivables			
Accounts	1,142,439	1,907,462	3,049,901
Interest	213,022	-	213,022
Property taxes	155,279	-	155,279
Special assessments	237,315,535	-	237,315,535
Notes	862,033	-	862,033
Due from other governmental units	3,240,518	-	3,240,518
Leases	4,270,141	260,273	4,530,414
Interfund balances	316,793	(316,793)	-
Prepaid items	707,870	25,884	733,754
	<u>345,241,281</u>	<u>16,423,261</u>	<u>361,664,542</u>
Capital assets			
Capital assets, not being depreciated	65,208,482	1,857,610	67,066,092
Capital assets, net of accumulated depreciation	185,770,767	309,407,865	495,178,632
Right to use leased assets, net of accumulated amortization	8,366,101	-	8,366,101
Subscription-based IT assets, net of accumulated amortization	594,533	-	594,533
	<u>259,939,883</u>	<u>311,265,475</u>	<u>571,205,358</u>
Total capital assets	<u>259,939,883</u>	<u>311,265,475</u>	<u>571,205,358</u>
Total assets	<u>605,181,164</u>	<u>327,688,736</u>	<u>932,869,900</u>
Deferred Outflows of Resources			
Related to pensions	15,177,356	1,242,772	16,420,128
Related to OPEB	493,204	82,291	575,495
	<u>15,670,560</u>	<u>1,325,063</u>	<u>16,995,623</u>
Total deferred outflows of resources	<u>15,670,560</u>	<u>1,325,063</u>	<u>16,995,623</u>

City of West Fargo, North Dakota

Statement of Net Position

December 31, 2024

	Governmental Activities	Business-type Activities	Total
Liabilities			
Accounts payable	\$ 1,872,338	\$ 424,998	\$ 2,297,336
Retainage payable	561,989	-	561,989
Due to other governments	105,808	-	105,808
Accrued interest payable	1,425,558	39,805	1,465,363
Other liabilities	934,248	146,266	1,080,514
Unearned revenues	483,468	-	483,468
Long-term liabilities			
Due within one year -			
other than pension and OPEB	18,560,132	1,236,737	19,796,869
Due in more than one year -			
other than pension and OPEB	301,554,195	7,481,734	309,035,929
Net pension liability	21,932,348	2,784,798	24,717,146
Net OPEB liability	1,108,269	184,914	1,293,183
Total liabilities	348,538,353	12,299,252	360,837,605
Deferred Inflows of Resources			
Related to pensions	12,057,403	1,305,510	13,362,913
Related to OPEB	128,168	21,385	149,553
Related to leases	3,945,747	211,372	4,157,119
Total deferred inflows of resources	16,131,318	1,538,267	17,669,585
Net Position			
Net investment in capital assets	262,072,188	303,290,475	565,362,663
Restricted	75,238,589	1,129,566	76,368,155
Unrestricted	(81,128,724)	10,756,239	(70,372,485)
Total net position	\$ 256,182,053	\$ 315,176,280	\$ 571,358,333

City of West Fargo, North Dakota

Statement of Activities

Year Ended December 31, 2024

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government							
Governmental activities							
General government	\$ 18,444,496	\$ 3,092,854	\$ 1,737,645	\$ -	\$ (13,613,997)	\$ -	\$ (13,613,997)
Public safety	14,442,297	6,224,741	559,409	-	(7,658,147)	-	(7,658,147)
Public works	16,871,000	-	-	9,349,425	(7,521,575)	-	(7,521,575)
Culture and recreation	5,915,969	352,913	1,244,967	-	(4,318,089)	-	(4,318,089)
Economic development	1,450,549	75,000	15,673	-	(1,359,876)	-	(1,359,876)
Interest on long-term debt	7,855,414	-	-	-	(7,855,414)	-	(7,855,414)
Total governmental activities	<u>64,979,725</u>	<u>9,745,508</u>	<u>3,557,694</u>	<u>9,349,425</u>	<u>(42,327,098)</u>	<u>-</u>	<u>(42,327,098)</u>
Business-type activities							
Water & sewer	23,574,564	14,359,899	-	75,000	-	(9,139,665)	(9,139,665)
Garbage	6,360,513	6,210,516	-	-	-	(149,997)	(149,997)
Total business-type activities	<u>29,935,077</u>	<u>20,570,415</u>	<u>-</u>	<u>75,000</u>	<u>-</u>	<u>(9,289,662)</u>	<u>(9,289,662)</u>
Total government	<u>\$ 94,914,802</u>	<u>\$ 30,315,923</u>	<u>\$ 3,557,694</u>	<u>\$ 9,424,425</u>	<u>(42,327,098)</u>	<u>(9,289,662)</u>	<u>(51,616,760)</u>
General revenues							
Sales and use tax					20,714,727	-	20,714,727
Property taxes					22,029,667	-	22,029,667
State aid					5,462,162	-	5,462,162
Unrestricted investment earnings					4,931,456	712,166	5,643,622
Gain on sale of capital assets					-	26,979	26,979
Miscellaneous					181,195	828,534	1,009,729
Transfers and capital asset contributions					<u>(1,593,561)</u>	<u>1,593,561</u>	<u>-</u>
Total general revenues and transfers and capital asset contributions					<u>51,725,646</u>	<u>3,161,240</u>	<u>54,886,886</u>
Change in net position					<u>9,398,548</u>	<u>(6,128,422)</u>	<u>3,270,126</u>
Net position - beginning, as previously reported					<u>248,048,333</u>	<u>321,502,296</u>	<u>569,550,629</u>
Adjustments (Note 15)					<u>(1,264,828)</u>	<u>(197,594)</u>	<u>(1,462,422)</u>
Net position - beginning, as restated					<u>246,783,505</u>	<u>321,304,702</u>	<u>568,088,207</u>
Net position - ending					<u>\$ 256,182,053</u>	<u>\$ 315,176,280</u>	<u>\$ 571,358,333</u>

City of West Fargo, North Dakota
Governmental Funds
Balance Sheet
December 31, 2024

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 8,670,193	\$ 6,208,672	\$ 33,548,631	\$ 11,930,269	\$ 60,357,765
Restricted cash	22,424	-	1,732,328	48,816	1,803,568
Investments	5,316,520	1,703,015	20,521,199	7,315,584	34,856,318
Due from other funds	587,396	599,870	1,230,600	649,436	3,067,302
Receivables					
Accounts	224,030	800,489	4,992	112,928	1,142,439
Property taxes	101,350	-	-	53,929	155,279
Interest	213,022	-	-	-	213,022
Special assessments	-	89,313	237,226,222	-	237,315,535
Notes	-	-	-	862,033	862,033
Due from other governmental units	828,663	1,242,359	202,749	966,747	3,240,518
Leases	-	-	-	4,270,141	4,270,141
Prepaid items	113,191	-	-	594,679	707,870
Total assets	\$ 16,076,789	\$ 10,643,718	\$ 294,466,721	\$ 26,804,562	\$ 347,991,790
Liabilities					
Accounts payable	\$ 871,042	\$ 883,479	\$ -	\$ 117,817	\$ 1,872,338
Retainage payable	-	561,989	-	-	561,989
Accrued payroll	661,976	-	-	231,835	893,811
Due to other governments	-	-	-	105,808	105,808
Due to other funds	-	-	2,127,957	622,552	2,750,509
Other liabilities	23,968	-	-	16,469	40,437
Unearned revenue	-	483,468	-	-	483,468
Total liabilities	1,556,986	1,928,936	2,127,957	1,094,481	6,708,360
Deferred Inflows of Resources					
Unavailable revenue-property taxes and special assessments	101,350	89,313	237,226,222	53,929	237,470,814
Related to leases	-	-	-	3,945,747	3,945,747
Total deferred inflows of resources	101,350	89,313	237,226,222	3,999,676	241,416,561
Fund Balance					
Nonspendable					
Prepaid items	113,191	-	-	594,679	707,870
Notes receivable	-	-	-	862,033	862,033
Restricted for					
Capital projects	-	8,625,469	-	-	8,625,469
Debt service	-	-	55,112,542	-	55,112,542
General government	-	-	-	1,842,347	1,842,347
Public safety	-	-	-	340,293	340,293
Public works/streets	-	-	-	880,078	880,078
Economic development	-	-	-	17,063,329	17,063,329
Committed					
Public Safety	-	-	-	127,646	127,646
Unassigned	14,305,262	-	-	-	14,305,262
Total fund balance	14,418,453	8,625,469	55,112,542	21,710,405	99,866,869
Total liabilities, deferred inflows of resources, and fund balance	\$ 16,076,789	\$ 10,643,718	\$ 294,466,721	\$ 26,804,562	\$ 347,991,790

City of West Fargo, North Dakota
Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Position
December 31, 2024

Total Fund Balances – Governmental Funds	\$ 99,866,869
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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.	259,939,883
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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.	237,470,814
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Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.	3,484,989
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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:

Special assessment bonds	(263,060,000)
Revenue bonds	(17,175,000)
Annual appropriation bonds	(9,145,000)
BND drawdown	(11,335,547)
Bond premium	(5,921,258)
Leases payable	(9,088,821)
SBITAs payable	(473,754)
Compensated absences	(3,914,947)
Accrued interest	(1,425,558)
Net pension liability	(21,932,348)
OPEB liability	(1,108,269)

Total Net Position – Governmental Activities	\$ 256,182,053
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City of West Fargo, North Dakota
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
Year Ended December 31, 2024

	General	Capital Projects	Debt Service	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
General property taxes	\$ 12,864,454	\$ -	\$ 2,352,999	\$ 6,812,214	\$ 22,029,667
Special assessments	174,272	32,184	21,840,013	3,250	22,049,719
Charges for services	1,961,847	-	-	668,003	2,629,850
Licenses and permits	3,544,123	-	-	28,868	3,572,991
Intergovernmental	3,037,111	4,638,813	-	1,649,684	9,325,608
Fines and forfeitures	325,147	-	-	-	325,147
Sales tax	207,147	12,437,058	-	8,070,522	20,714,727
Other tax	1,978,289	-	-	460,706	2,438,995
Interest	241,218	198,095	3,298,604	1,264,777	5,002,694
Miscellaneous	304,085	183,651	-	512,139	999,875
Total revenues	24,637,693	17,489,801	27,491,616	19,470,163	89,089,273
Expenditures					
Current					
General government	10,898,106	93,813	-	10,462,561	21,454,480
Public safety	12,292,884	-	-	549,265	12,842,149
Public works	3,574,652	-	-	-	3,574,652
Culture and recreation	1,612,464	-	-	1,973,160	3,585,624
Miscellaneous	-	-	-	80,813	80,813
Capital outlay	8,548,686	24,508,728	82,616	1,573,886	34,713,916
Debt service					
Principal	422,761	-	16,830,736	281,051	17,534,548
Interest and fees	439,214	235,865	9,306,352	63,129	10,044,560
Total expenditures	37,788,767	24,838,406	26,219,704	14,983,865	103,830,742
Excess (Deficiency) of Revenues Over (Under) Expenditures	(13,151,074)	(7,348,605)	1,271,912	4,486,298	(14,741,469)
Other Financing Sources (Uses)					
Sale of assets	54,240	-	-	61,590	115,830
Bond proceeds	-	15,980,000	-	-	15,980,000
Premium on bonds	-	476,044	-	-	476,044
Lease proceeds	7,963,784	-	-	65,950	8,029,734
SBITA proceeds	328,866	-	-	-	328,866
Transfers in	1,864,021	5,185,222	1,696,212	4,468,695	13,214,150
Transfers out	(1,840,561)	(2,551,728)	(582,703)	(4,807,767)	(9,782,759)
Total other financing sources (uses)	8,370,350	19,089,538	1,113,509	(211,532)	28,361,865
Net Change in Fund Balance	(4,780,724)	11,740,933	2,385,421	4,274,766	13,620,396
Fund Balance (Deficit), Beginning	19,199,177	(3,115,464)	52,727,121	17,435,639	86,246,473
Fund Balance, Ending	\$ 14,418,453	\$ 8,625,469	\$ 55,112,542	\$ 21,710,405	\$ 99,866,869

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, 2024

Net Change in Fund Balances - Total Governmental Funds	\$ 13,620,396
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	34,631,300
Contribution of capital assets to proprietary fund	(5,024,953)
Depreciation/amortization expense	(13,930,143)
The net effect of the disposal of capital assets is to decrease net position.	(644,154)
Revenues in the statement of activities that do not provide current financial resources are deferred and not reported as revenues in the funds.	(12,700,294)
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.	(468,966)
In the statement of activities the cost of pension benefits earned net of employee contributions is reported as pension expense. In the governmental funds, however, the contributions are reported as expense.	1,080,001
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.	(108,571)
Interest payable is reported in the government wide statement of net position but is not recorded in the governmental funds.	(103,460)
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:	
Bonds issued, net of related premiums	(16,456,044)
Leases issued	(8,029,734)
SBITAs issued	(328,866)
Lease retirement	544,524
SBITA retirement	159,289
Bond principal retirement	16,830,735
Amortization of bond premium	327,488
Change in Net Position of Governmental Activities	<u>\$ 9,398,548</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, 2024

	Original and Final Budget	Actual Amounts	Variance With Final Budget
Revenues			
General property taxes	\$ 13,063,671	\$ 12,864,454	\$ (199,217)
Special assessments	10,000	174,272	164,272
Charges for services	1,572,167	1,961,847	389,680
Licenses and permits	5,564,324	3,544,123	(2,020,201)
Intergovernmental	2,877,095	3,037,111	160,016
Fines and forfeitures	320,500	325,147	4,647
Sales tax	-	207,147	207,147
Other tax	73,650	1,978,289	1,904,639
Interest	2,338,770	241,218	(2,097,552)
Miscellaneous	52,090	304,085	251,995
Total revenues	25,872,267	24,637,693	(1,234,574)
Expenditures			
Current			
General government	10,922,212	10,898,106	24,106
Public safety	12,750,824	12,292,884	457,940
Public works/streets	3,859,987	3,574,652	285,335
Culture and recreation	1,297,897	1,612,464	(314,567)
Capital outlay	1,807,900	8,548,686	(6,740,786)
Debt service			
Principal	-	422,761	(422,761)
Interest and fees	-	439,214	(439,214)
Total expenditures	30,638,820	37,788,767	(7,149,947)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,766,553)	(13,151,074)	(8,384,521)
Other Financing Sources (Uses)			
Sale of assets	-	54,240	54,240
Lease proceeds	-	7,963,784	7,963,784
SBITA proceeds	-	328,866	328,866
Transfers in	4,322,355	1,864,021	(2,458,334)
Transfers out	(183,569)	(1,840,561)	(1,656,992)
Total other financing sources and uses	4,138,786	8,370,350	4,231,564
Net Change in Fund Balance	\$ (627,767)	(4,780,724)	\$ (4,152,957)
Fund Balance, Beginning		19,199,177	
Fund Balance, Ending		\$ 14,418,453	

City of West Fargo, North Dakota

Proprietary Funds
Statement of Net Position
December 31, 2024

	<u>Water & Sewer</u>	<u>Garbage</u>	<u>Total</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 5,716,349	\$ 1,296,291	\$ 7,012,640
Restricted cash	1,129,566	-	1,129,566
Investments	5,609,350	794,879	6,404,229
Receivables			
Accounts	1,399,316	508,146	1,907,462
Leases	260,273	-	260,273
Prepaid expenses	21,281	4,603	25,884
Total current assets	<u>14,136,135</u>	<u>2,603,919</u>	<u>16,740,054</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	8,636,001	4,897,275	13,533,276
Infrastructure	441,075,899	-	441,075,899
Less accumulated depreciation	<u>(150,019,064)</u>	<u>(2,610,676)</u>	<u>(152,629,740)</u>
Net capital assets	<u>307,804,845</u>	<u>3,460,630</u>	<u>311,265,475</u>
Total assets	<u>321,940,980</u>	<u>6,064,549</u>	<u>328,005,529</u>
Deferred Outflows of Resources			
Related to pensions	706,108	536,664	1,242,772
Related to OPEB	<u>46,755</u>	<u>35,536</u>	<u>82,291</u>
Total deferred outflows of resources	<u>752,863</u>	<u>572,200</u>	<u>1,325,063</u>

City of West Fargo, North Dakota

Proprietary Funds
Statement of Net Position
December 31, 2024

	<u>Water & Sewer</u>	<u>Garbage</u>	<u>Total</u>
Liabilities			
Current liabilities			
Accounts payable	\$ 261,781	\$ 163,217	\$ 424,998
Accrued interest payable	39,805	-	39,805
Accrued payroll	85,451	60,815	146,266
Due to other funds	215,051	101,742	316,793
Current maturities of long-term debt	<u>1,104,001</u>	<u>132,736</u>	<u>1,236,737</u>
Total current liabilities	<u>1,706,089</u>	<u>458,510</u>	<u>2,164,599</u>
Long-term debt (net of current portion)			
Bonds payable	7,110,000	-	7,110,000
Net pension liability	1,582,241	1,202,557	2,784,798
Net OPEB liability	105,063	79,851	184,914
Compensated absences payable	<u>238,999</u>	<u>132,735</u>	<u>371,734</u>
Total long-term debt	<u>9,036,303</u>	<u>1,415,143</u>	<u>10,451,446</u>
Total liabilities	<u>10,742,392</u>	<u>1,873,653</u>	<u>12,616,045</u>
Deferred Inflows of Resources			
Related to pensions	741,752	563,758	1,305,510
Related to OPEB	12,150	9,235	21,385
Related to leases	<u>211,372</u>	<u>-</u>	<u>211,372</u>
Total deferred inflows of resources	<u>965,274</u>	<u>572,993</u>	<u>1,538,267</u>
Net Position			
Net investment in capital assets	299,829,845	3,460,630	303,290,475
Restricted	1,129,566	-	1,129,566
Unrestricted	<u>10,026,766</u>	<u>729,473</u>	<u>10,756,239</u>
Total net position	<u>\$ 310,986,177</u>	<u>\$ 4,190,103</u>	<u>\$ 315,176,280</u>

City of West Fargo, North Dakota
Proprietary Funds
Statement of Revenues, Expenses, and Changes in Net Position
Year Ended December 31, 2024

	<u>Water & Sewer</u>	<u>Garbage</u>	<u>Total</u>
Operating Revenues			
Utility sales and service charges	\$ 14,359,899	\$ 6,210,516	\$ 20,570,415
Operating Expenses			
Distribution	8,319,312	-	8,319,312
Landfill and collections	-	2,892,055	2,892,055
Salaries and wages	2,807,313	2,073,327	4,880,640
Administration and general	1,774,571	704,001	2,478,572
Depreciation/amortization	10,403,034	541,869	10,944,903
Total operating expenses	<u>23,304,230</u>	<u>6,211,252</u>	<u>29,515,482</u>
Operating Loss	(8,944,331)	(736)	(8,945,067)
Nonoperating Revenues (Expenses)			
Interest income	599,065	113,101	712,166
Lease income	16,330	-	16,330
Gain (loss) on disposal of asset	26,979	(143,245)	(116,266)
Miscellaneous	880,435	6,769	887,204
Interest expense	(270,334)	(6,016)	(276,350)
Total nonoperating revenues (expenses)	<u>1,252,475</u>	<u>(29,391)</u>	<u>1,223,084</u>
Loss before Capital Contributions and Transfers	(7,691,856)	(30,127)	(7,721,983)
Transfers out	(3,431,391)	-	(3,431,391)
Contribution of capital assets	4,990,488	34,464	5,024,952
Total Transfers and Capital Contributions	<u>1,559,097</u>	<u>34,464</u>	<u>1,593,561</u>
Change in Net Position	<u>(6,132,759)</u>	<u>4,337</u>	<u>(6,128,422)</u>
Net Position, Beginning of Year - as previously reported	317,232,684	4,269,612	321,502,296
Adjustments (Note 15)	<u>(113,748)</u>	<u>(83,846)</u>	<u>(197,594)</u>
Net Position, Beginning of Year - as restated	<u>317,118,936</u>	<u>4,185,766</u>	<u>321,304,702</u>
Net Position, End of Year	<u>\$ 310,986,177</u>	<u>\$ 4,190,103</u>	<u>\$ 315,176,280</u>

City of West Fargo, North Dakota

Proprietary Funds

Statement of Cash Flows

Year Ended December 31, 2024

	Water & Sewer	Garbage	Total
Operating Activities			
Receipts from customers and users	\$ 14,353,264	\$ 6,185,942	\$ 20,539,206
Payments for employee costs	(2,655,437)	(1,996,651)	(4,652,088)
Payments to other vendors	(9,947,562)	(3,679,445)	(13,627,007)
Net cash from operating activities	1,750,265	509,846	2,260,111
Non-Capital Financing Activities			
Transfers to other funds	(3,431,391)	-	(3,431,391)
Change in interfund balances	(67,549)	(98,779)	(166,328)
Miscellaneous income	880,435	6,769	887,204
Net cash used for non-capital financing activities	(2,618,505)	(92,010)	(2,710,515)
Capital and Related Financing Activities			
Property and equipment additions	(641,215)	(981,348)	(1,622,563)
Proceeds from sale of assets	26,979	-	26,979
Receipts from lease receivables			
Principal	13,725	-	13,725
Interest	8,055	-	8,055
Payments on long-term debt			
Principal	(835,000)	-	(835,000)
Interest	(274,509)	(6,016)	(280,525)
Net cash used for capital and related financing activities	(1,701,965)	(987,364)	(2,689,329)
Investing Activities			
Purchase of investments	(2,168,766)	6,498	(2,162,268)
Interest from investments	600,705	115,359	716,064
Net cash from (used for) investing activities	(1,568,061)	121,857	(1,446,204)
Change in Cash and Cash Equivalents	(4,138,266)	(447,671)	(4,585,937)
Cash and Cash Equivalents - Beginning of Year	10,984,181	1,743,962	12,728,143
Cash and Cash Equivalents - End of Year	\$ 6,845,915	\$ 1,296,291	\$ 8,142,206
Reconciliation to the Statement of Net Position			
Cash and Cash Equivalents	\$ 5,716,349	\$ 1,296,291	\$ 7,012,640
Restricted Cash	1,129,566	-	1,129,566
Total Cash and Cash Equivalents	\$ 6,845,915	\$ 1,296,291	\$ 8,142,206

City of West Fargo, North Dakota

Proprietary Funds

Statement of Cash Flows

Year Ended December 31, 2024

	<u>Water & Sewer</u>	<u>Garbage</u>	<u>Total</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	\$ (8,944,331)	\$ (736)	\$ (8,945,067)
Adjustments to reconcile operating loss to net cash from operating activities			
Depreciation/amortization	10,403,034	541,869	10,944,903
Changes in assets and liabilities			
Accounts receivable	(6,635)	(24,574)	(31,209)
Prepaid expenses	(3,707)	208	(3,499)
Deferred outflows related to pension and OPEB	677,665	517,988	1,195,653
Accounts payable	150,028	(83,597)	66,431
Accrued payroll	33,289	19,983	53,272
Compensated absences payable	77,060	28,513	105,573
Net pension and OPEB liability	(97,047)	(77,425)	(174,472)
Deferred inflows related to pension and OPEB	(539,091)	(412,383)	(951,474)
Net cash from operating activities	<u>\$ 1,750,265</u>	<u>\$ 509,846</u>	<u>\$ 2,260,111</u>
Supplemental Disclosure of Cash Flow Information			
Cash payments for interest	<u>\$ 278,684</u>	<u>\$ 6,016</u>	<u>\$ 284,700</u>
Supplemental Disclosure of Non-Cash Capital and Related Financing Activities			
Capital contributions	<u>\$ 4,990,488</u>	<u>\$ 34,464</u>	<u>\$ 5,024,952</u>

City of West Fargo, North Dakota
Statement of Fiduciary Net Position – Custodial Fund
Year Ended December 31, 2024

Assets	
Cash and cash equivalents	\$ 1,035,921
Investments	635,221
Accounts receivable	<u>7,703</u>
Total assets	<u>1,678,845</u>
Net Position	<u><u>\$ 1,678,845</u></u>

City of West Fargo, North Dakota
Statement of Changes in Fiduciary Net Position – Custodial Fund
Year Ended December 31, 2024

Additions	
Property taxes, special assessments, and other receipts collected for other governments	\$ 1,057,922
Deductions	
Payments of property taxes, special assessments, and other receipts to other governments	<u>928,850</u>
Change in Fiduciary Net Position	129,072
Net Position, Beginning of Year	<u>1,549,773</u>
Net Position, End of Year	<u><u>\$ 1,678,845</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.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods (consumption method) and are recorded as prepaid items in both government-wide and fund financial statements.

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
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 as compensated absences liability.

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. 101

As of January 1, 2024, the City adopted GASB Statement No. 10, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. The accounting changes has been retrospectively applied for all periods presented and the effect of the implementation of this standard on beginning net position is disclosed in Note 15.

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 \$7,149,947 for the year ended December 31, 2024. These over expenditures were funded by lease proceeds of \$7,963,784 and existing fund balance of the General Fund.

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, 2024, the City's deposits include savings accounts, money market funds, and certificates of deposit. At December 31, 2024, the City's carrying amount of deposits was \$71,339,459 and the bank balances were \$74,061,739. The City's deposits were secured by FDIC coverage of \$27,799,753 and pledged collateral of \$413,644,759.

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, 2024, 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, 2024, the City had approximately \$27,799,753 in excess of FDIC-insured limits, which was covered by pledged collateral held in the District's name.

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, 2024, 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 credit risk.

The following table presents the City's deposit and investment balances at December 31, 2024.

Investment Type	Credit Rating	Fair Value/ Carrying Value	Maturities (in Years)		
			N/A	< 1	1-5
Cash and Cash Equivalents					
Deposits	N/A	\$ 26,066,516	\$ 26,066,516	\$ -	\$ -
Petty cash	N/A	600	600	-	-
Certificates of deposit	N/A	45,272,343	-	45,272,343	-
Investments					
U.S. Treasury notes	AAA	41,895,769	-	41,895,769	-
		<u>\$ 113,235,228</u>	<u>\$ 26,067,116</u>	<u>\$ 87,168,112</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, 2024, the City had investments in U.S. Treasury notes of \$41,895,769 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	\$ 67,370,405
Restricted Cash - Statement of Net Position	2,933,134
Investments - Statement of Net Position	41,260,547
Cash and Cash Equivalents - Statement of Fiduciary Net Position	1,035,921
Investments - Statement of Fiduciary Net Position	635,221
	<hr/>
	<u>\$ 113,235,228</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**

The City has accrued receivables for the use of a parking garage, land, and a water tower for a cellular antenna. The remaining receivables for these leases were \$4,270,141 for the governmental activities and \$260,273 for the business-type activities at December 31, 2024. Interest revenue from leases was \$130,350 for the governmental activities and \$8,021 for the business-type activities for the year ended December 31, 2024. Lease revenue of \$131,702 and \$16,330 for the governmental and business-type activities, respectively, was recognized during the fiscal year. The interest rates on the leases range from 1.518% to 1.851%.

City of West Fargo, North Dakota

Notes to Financial Statements

December 31, 2024

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
2025	\$ 76,087	\$ 123,914	\$ 14,165	\$ 7,615
2026	78,402	121,599	14,596	7,184
2027	80,787	119,214	15,093	6,740
2028	82,987	117,014	17,690	6,268
2029	85,767	114,233	18,246	5,712
2030-2034	341,924	557,759	104,969	19,755
2035-2039	526,550	544,173	75,514	3,546
2040-2044	752,283	404,419	-	-
2045-2049	1,005,365	274,116	-	-
2050-2052	1,239,989	102,086	-	-
Total	<u>\$ 4,270,141</u>	<u>\$ 2,478,527</u>	<u>\$ 260,273</u>	<u>\$ 56,820</u>

Lease Liabilities and Right to Use Leased Assets

Governmental Activities

The City has entered into lease agreements for the use of various building spaces, vehicles, and office equipment. The total lease liability at December 31, 2024 is \$9,088,821 for the governmental activities. The City is required to make principal and interest payments through 2043. The lease liabilities were valued using discount rates of 0.26% to 5.77%. For leases with no interest rate stated, the City utilized its incremental borrowing rate for valuing the lease. The total value of the right to use assets and related accumulated amortization was \$9,885,476 and \$1,519,375, as of December 31, 2024, respectively.

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

Years Ending December 31,	Governmental Activities	
	Principal	Interest
2025	\$ 577,059	\$ 480,437
2026	1,032,656	458,552
2027	334,127	420,264
2028	255,321	406,424
2029	295,445	389,308
2030-2034	1,503,456	1,707,708
2035-2039	2,375,573	1,156,707
2040-2044	2,715,184	332,277
Total	<u>\$ 9,088,821</u>	<u>\$ 5,351,677</u>

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

The City has entered into five (5) SBITA contracts with initial subscription terms ranging from 24 to 60 months. As of December 31, 2024, the value of the total subscription liabilities was \$473,754. The subscription liabilities were valued using discount rates ranging from 5.37% to 5.82% 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 agreement. As of December 31, 2024, the total amount of right to use subscription assets, and the related accumulated amortization on right to use subscription assets were \$816,317 and \$221,784, respectively.

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

Years Ending December 31,	Governmental Activities	
	Principal	Interest
2025	\$ 128,845	\$ 24,752
2026	128,536	17,606
2027	135,645	10,497
2028	56,334	3,006
2029	24,394	331
Total	<u>\$ 473,754</u>	<u>\$ 56,192</u>

Note 7 - Capital Assets

Capital asset activity of the governmental activities for the year ended December 31, 2024 was as follows:

Governmental Activities	Beginning Balance	Increases and Transfers	Decreases and Transfers	Ending Balance
Capital assets, not being depreciated				
Land	\$ 20,272,675	\$ 96,700	\$ -	\$ 20,369,375
Construction in progress	54,288,042	23,484,964	32,933,899	44,839,107
Total capital assets not being depreciated	74,560,717	23,581,664	32,933,899	65,208,482
Capital assets, being depreciated				
Infrastructure	253,187,130	6,725,697	-	259,912,827
Buildings and improvements	27,083,917	20,622,533	-	47,706,450
Machinery and equipment	12,833,535	2,691,034	397,062	15,127,507
Total capital assets being depreciated	293,104,582	30,039,264	397,062	322,746,784
Less accumulated depreciation for				
Infrastructure	113,204,508	10,774,851	-	123,979,359
Buildings and improvements	5,094,686	739,875	-	5,834,561
Machinery and equipment	6,015,456	1,460,267	313,626	7,162,097
Total accumulated depreciation	124,314,650	12,974,993	313,626	136,976,017
Net capital assets being depreciated	168,789,932	17,064,271	83,436	185,770,767
Right to use leased assets being amortized				
Right to use leased building	779,503	7,642,180	-	8,421,683
Right to use leased equipment	49,043	387,554	2,013	434,584
Right to use leased vehicles	1,029,209	-	-	1,029,209
Total right to use leased assets being amortized	1,857,755	8,029,734	2,013	9,885,476
Less accumulated amortization for				
Right to use leased building	219,830	561,935	-	781,765
Right to use leased equipment	16,218	36,417	2,013	50,622
Right to use leased vehicles	457,992	228,996	-	686,988
Total accumulated amortization	694,040	827,348	2,013	1,519,375
Net right to use leased assets	1,163,715	7,202,386	-	8,366,101
Subscription-based IT assets being amortized	439,215	328,866	48,236	719,845
Less accumulated amortization	(45,746)	(127,802)	(48,236)	(125,312)
Net subscription-based IT assets	393,469	201,064	-	594,533
Governmental activities capital assets, net	<u>\$ 244,907,833</u>	<u>\$ 48,049,385</u>	<u>\$ 33,017,335</u>	<u>\$ 259,939,883</u>

Additions to accumulated depreciation include \$57,907 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, 2024

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

Governmental Activities	
General government	\$ 13,446,239
Public safety	357,267
Culture and recreation	126,637
	<u>126,637</u>
Total depreciation/amortization expense - governmental activities	<u>\$ 13,930,143</u>

Capital asset activity of the business-type activities for the year ended December 31, 2024 was as follows:

Business-Type Activities	Beginning Balance	Increases and Transfers	Decreases and Transfers	Ending Balance
Capital assets, not being depreciated				
Land	\$ 1,857,610	\$ -	\$ -	\$ 1,857,610
Capital assets, being depreciated				
Buildings	3,676,634	-	-	3,676,634
Land improvements	3,751,796	-	-	3,751,796
Machinery and equipment	12,508,883	1,815,208	790,815	13,533,276
Infrastructure	436,085,411	4,990,488	-	441,075,899
Total capital assets being depreciated	<u>456,022,724</u>	<u>6,805,696</u>	<u>790,815</u>	<u>462,037,605</u>
Less accumulated depreciation for				
Buildings	937,131	75,086	-	1,012,217
Land improvements	3,751,796	-	-	3,751,796
Machinery and equipment	7,098,874	949,185	489,389	7,558,670
Infrastructure	130,386,425	9,920,632	-	140,307,057
Total accumulated depreciation	<u>142,174,226</u>	<u>10,944,903</u>	<u>489,389</u>	<u>152,629,740</u>
Net capital assets being depreciated	<u>313,848,498</u>	<u>(4,139,207)</u>	<u>301,426</u>	<u>309,407,865</u>
Business-type activities capital assets, net	<u>\$ 315,706,108</u>	<u>\$ (4,139,207)</u>	<u>\$ 301,426</u>	<u>\$ 311,265,475</u>

Additions to accumulated depreciation include \$156,352 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, 2024

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

Business-Type Activities	
Water & sewer	\$ 10,403,034
Garbage	541,869
	<u>541,869</u>
Total depreciation/amortization expense - business-type activities	<u>\$ 10,944,903</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, 2024:

	Beginning Balance, As Restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
G.O. bonds	\$ 915,000	\$ -	\$ 915,000	\$ -	\$ -
Special assessment bonds	261,480,000	15,980,000	14,400,000	263,060,000	14,020,000
Revenue bonds	17,815,000	-	640,000	17,175,000	665,000
Annual appropriation bonds	9,490,000	-	345,000	9,145,000	360,000
BND drawdown	11,866,282	-	530,735	11,335,547	541,897
Bond premium	5,772,702	476,044	327,488	5,921,258	309,857
Leases payable	1,603,611	8,029,734	544,524	9,088,821	577,059
Subscription IT liabilities	304,177	328,866	159,289	473,754	128,845
Compensated absences*	3,445,981	468,966	-	3,914,947	1,957,474
	<u>\$ 312,692,753</u>	<u>\$ 25,283,610</u>	<u>\$ 17,862,036</u>	<u>\$ 320,114,327</u>	<u>\$ 18,560,132</u>
Governmental activity long-term debt					
Business-Type Activities					
Revenue bonds	\$ 8,810,000	\$ -	\$ 835,000	\$ 7,975,000	\$ 865,000
Compensated absences*	637,899	105,572	-	743,471	371,737
	<u>\$ 9,447,899</u>	<u>\$ 105,572</u>	<u>\$ 835,000</u>	<u>\$ 8,718,471</u>	<u>\$ 1,236,737</u>
Business-type activity long-term debt					

*The roll-forward schedule only reports the net change in the compensated absences liability.

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, 2024, 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, 2024 are as follows:

	Pledged Revenue Source	Principal and Interest Paid	Net Revenues	Approximate Amount of Revenue Pledged
Business-Type Activities				
2012 Refunding Improvement Bond	Water and Sewer Revenue	\$ 671,331	\$ 2,057,768	32.6%
2019 Refunding Improvement Bond	Water and Sewer Revenue	434,003	2,057,768	21.1%

City of West Fargo, North Dakota

Notes to Financial Statements

December 31, 2024

Bonds payable outstanding as of December 31, 2024, consist of the following:

	<u>Interest Rate</u>	<u>Final Year of Maturity</u>	<u>Authorized and Issued</u>	<u>Outstanding</u>
Governmental activities				
Special Assessment Bonds				
2009 Municipal Improvement Bonds	2.00-5.50%	2039	\$ 530,000	\$ 355,000
2014A Refunding Improvement Bonds	2.00-3.625%	2038	17,750,000	9,350,000
2014B Refunding Improvement Bonds	2.00-5.00%	2039	20,460,000	12,065,000
2015A Refunding Improvement Bonds	2.00-5.00%	2040	28,180,000	16,450,000
2015B Refunding Improvement Bonds	2.00-5.00%	2040	24,470,000	16,300,000
2016A Refunding Improvement Bonds	1.50-4.50%	2041	27,140,000	17,420,000
2017A Refunding Improvement Bonds	3.00-5.00%	2042	36,860,000	29,065,000
2018B Refunding Improvement Bonds	3.50-5.00%	2043	30,230,000	25,205,000
2019A Refunding Improvement Bonds	2.00-4.00%	2024	7,905,000	3,085,000
2019B Refunding Improvement Bonds	2.625-4.00%	2036	55,105,000	44,655,000
2020A Refunding Improvement Bonds	2.00-4.00%	2041	66,430,000	55,850,000
2021A Refunding Improvement Bonds	2.00%	2034	7,060,000	5,430,000
2021B Refunding Improvement Bonds	0.25-2.10%	2034	8,545,000	6,125,000
2022A Refunding Improvement Bonds	3.75-5.00%	2047	6,055,000	5,725,000
2024 Refunding Improvement Bonds	4.00-5.00%	2050	15,980,000	15,980,000
Total special assessment bonds				<u>263,060,000</u>
Revenue Bonds				
2009 TIF District Bonds	2.75-4.50%	2025	570,000	50,000
2020 Taxable Gross Revenue Bonds	0.60-3.00%	2045	18,645,000	17,125,000
Total revenue bonds				<u>17,175,000</u>
Annual Appropriation Bonds				
2022 Public Safety Annual Appropriation Bonds	3.60-4.00%	2042	10,000,000	9,145,000
Total				<u>\$ 289,380,000</u>
Business-type activities				
Revenue Bonds				
2012 Refunding Improvement Bond	0.50-4.25%	2030	\$ 9,145,000	\$ 3,500,000
2019 Refunding Improvement Bond	2.00-3.00%	2034	5,905,000	4,475,000
Total				<u>\$ 7,975,000</u>

City of West Fargo, North Dakota

Notes to Financial Statements

December 31, 2024

The annual requirements to amortize all bonded debt outstanding as of December 31, 2024, are as follows:

Years Ending December 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2025	\$ 15,045,000	\$ 8,926,122	\$ 865,000	\$ 238,831
2026	15,355,000	8,335,261	895,000	210,180
2027	15,475,000	7,799,614	935,000	183,331
2028	15,365,000	7,305,938	960,000	158,163
2029	15,425,000	6,811,670	1,000,000	130,148
2030-2034	78,400,000	26,765,362	3,320,000	266,080
2035-2039	73,305,000	15,265,507	-	-
2040-2044	48,185,000	5,600,030	-	-
2045-2049	11,840,000	852,850	-	-
2050	985,000	19,700	-	-
Total	<u>\$ 289,380,000</u>	<u>\$ 87,682,054</u>	<u>\$ 7,975,000</u>	<u>\$ 1,186,733</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, 2024, consist of the following:

	Interest Rate	Final Year of Maturity	Authorized and Issued	Outstanding
Governmental Activities				
Bank of North Dakota Drawdown	2.00%	2041	\$ 10,000,000	\$ 7,263,938
Bank of North Dakota Drawdown	2.00%	2043	5,000,000	4,071,609
				<u>\$ 11,335,547</u>

The annual requirements to amortize all Bank of North Dakota drawdowns outstanding as of December 31, 2024, are as follows:

Years Ending December 31,	Drawdown Agreement	
	Principal	Interest
2025	\$ 541,897	\$ 226,997
2026	552,735	216,159
2027	563,790	205,104
2028	575,066	193,828
2029	586,567	182,327
2030-2034	3,113,567	730,902
2035-2039	3,437,630	406,838
2040-2043	1,964,295	79,768
Total	<u>\$ 11,335,547</u>	<u>\$ 2,241,923</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 and business-type activities are payable from the water and sewer and garbage funds. The amounts consist of payments for vacation and sick leave that are accrued for as discussed in Note 1.

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, 2024, 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	\$ 8,691,241	\$ 19,475,269	\$ 9,129,999	\$ 1,978,690
Law Enforcement System	<u>7,728,887</u>	<u>5,241,877</u>	<u>4,232,914</u>	<u>895,748</u>
Total all plans	<u>\$ 16,420,128</u>	<u>\$ 24,717,146</u>	<u>\$ 13,362,913</u>	<u>\$ 2,874,438</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 8.12% of covered compensation. For members hired on or after January 1, 2020, member contribution rates are 7% and employer contribution rates are 9.26% 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, 2024, the City reported a liability of \$19,475,269 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2024, the City's proportion was 1.041260 percent, which was a decrease of 0.005606 percent from its proportion measured as of June 30, 2023.

For the year ended December 31, 2024, the City recognized pension expense of \$1,978,690. At December 31, 2024, 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	\$ 924,678	\$ -
Changes of assumptions	4,693,500	8,837,530
Net difference between projected and actual investment earnings on pension plan investments	-	178,073
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,047,715	114,396
City contributions subsequent to the measurement date	1,025,348	-
	<u>\$ 8,691,241</u>	<u>\$ 9,129,999</u>

The \$1,025,348 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, 2025.

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

2025	\$ (1,326,020)
2026	931,982
2027	(924,176)
2028	(145,892)

Actuarial Assumptions

The total pension liability in the July 1, 2024, 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	32%	5.40%
International Equity	19%	7.00%
Private Equity	7%	8.50%
Domestic Fixed Income	23%	2.88%
Global Real Assets	19%	6.10%

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 3.97%; 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	\$ 27,523,162	\$ 19,475,269	\$ 12,800,606

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%	11.40%
State	6.00%	11.40%
National Guard	5.50%	11.40%
Law Enforcement without Previous Service	5.50%	9.16%

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, 2024, the City reported a liability of \$5,241,877 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2024, 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, 2024, the City's proportion was 5.823403 percent, which was a decrease of 1.964037 from its proportion measured as of June 30, 2023.

For the year ended December 31, 2024, the City recognized grant revenue of \$895,748 for its proportionate share of the net pension liability. At December 31, 2024, 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	\$ 4,746,503	\$ -
Changes of assumptions	2,151,260	3,213,589
Net difference between projected and actual investment earnings on pension plan investments	-	54,913
Changes in proportion and differences between employer contributions and proportionate share of contributions	218,907	964,412
City contributions subsequent to the measurement date	612,217	-
	<u>\$ 7,728,887</u>	<u>\$ 4,232,914</u>

The \$612,217 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, 2025.

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

2025	\$ 831,423
2026	575,637
2027	392,393
2028	314,611
2029	464,784
Thereafter	304,908

Actuarial Assumptions

Actuarial assumptions. The total pension liability in the July 1, 2024, 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	32%	5.40%
International Equity	19%	7.00%
Private Equity	7%	8.50%
Domestic Fixed Income	23%	2.88%
Global Real Assets	19%	6.10%

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 3.97%; 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	\$ 8,145,321	\$ 5,241,877	\$ 2,905,637

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, 2024, the City reported a liability of \$1,293,183 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2024, 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, 2024, the City's proportion was 1.496643 percent, which was an increase of 0.074129 percent from its proportion measured as of June 30, 2023.

For the year ended December 31, 2024, the City recognized OPEB expense of \$332,917. At December 31, 2024, 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	\$ 15,958	\$ 9,939
Changes of assumptions	196,723	88,535
Net difference between projected and actual investment earnings on pension plan investments	-	48,369
Changes in proportion and differences between employer contributions and proportionate share of contributions	198,643	2,710
City contributions subsequent to the measurement date	164,171	-
	<u>\$ 575,495</u>	<u>\$ 149,553</u>

The \$164,171 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, 2025.

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

2025	\$ 158,362
2026	177,900
2027	(43,543)
2028	(30,948)

Actuarial Assumptions

The total OPEB liability in the July 1, 2024, 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, 2024, are summarized in the following table:

Asset Class	Target	Long-Term
Large Cap Domestic Equities	33%	4.00%
Small Cap Domestic Equities	6%	6.00%
Domestic Fixed Income	35%	3.29%
International Equities	26%	7.00%

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, 2024, 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:

	<u>1% Decrease (4.75%)</u>	<u>Current Discount Rate (5.75%)</u>	<u>1% Increase (6.75%)</u>
City's Proportionate Share of the net OPEB liability	\$ 1,767,463	\$ 1,293,183	\$ 893,725

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

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

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
General	\$ 587,396	\$ -
Capital Projects	599,870	-
Debt Service	1,230,600	2,127,957
Other Nonmajor Governmental Funds	649,436	622,552
Water & Sewer	-	215,051
Garbage	-	101,742
	<u>\$ 3,067,302</u>	<u>\$ 3,067,302</u>

City of West Fargo, North Dakota

Notes to Financial Statements

December 31, 2024

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

	Transfer In	Transfer Out
Governmental Funds		
General	\$ 1,864,021	\$ 1,840,561
Capital Projects	5,185,222	2,551,728
Debt Service	1,696,212	582,703
Non-major governmental	4,468,695	4,807,767
Total governmental funds	<u>\$ 13,214,150</u>	<u>\$ 9,782,759</u>
Proprietary Funds		
Water & Sewer	\$ -	\$ 3,431,391
Total transfers	<u>\$ 13,214,150</u>	<u>\$ 13,214,150</u>

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

During the year end ended December 31, 2024, the following capital contributions were made from the governmental activities to the proprietary funds:

	Transfer In	Transfer Out
Governmental Activities	<u>\$ -</u>	<u>\$ 5,024,952</u>
Proprietary Funds		
Water & Sewer	\$ 4,990,488	\$ -
Garbage	34,464	-
Total Proprietary Funds	<u>\$ 5,024,952</u>	<u>\$ -</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, 2024, 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, 2024, 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, 2024, total construction in progress costs were \$44,839,107, with total estimated costs of approximately \$151,275,000. These projects have completions dates ranging from early 2025 through 2027.

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, 2024, bringing total contributions made on the pledge to \$480,000 as of December 31, 2024.

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, 2024, was approximately \$528,000.

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.

Note 15 - Adoption of New Standard

As of January 1, 2024, the City adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. Therefore, compensated absences were increased by a total of \$1,462,422, as of January 1, 2024. The effect of this change in accounting principle is described in the table below.

	January 1, 2024, As Previously Reported	Change in Accounting Principle	January 1, 2024, As Restated
Government-Wide			
Governmental Activities Net Position	\$ 248,048,333	\$ (1,264,828)	\$ 246,783,505
Business-type Activities Net Position	321,502,296	(197,594)	321,304,702
Proprietary Funds			
Water & Sewer Net Position	317,232,684	(113,748)	317,118,936
Garbage Net Position	4,269,612	(83,846)	4,185,766

Note 16 - Subsequent Events

Subsequent to year end, the City authorized the issuance and sale of \$750,000 Water Treatment Improvement Warrant, Series 2025A under the Drinking Water State Revolving Fund Program. The loan bears an interest rate of 1.5% and calls for semiannual payments of interest and annual payments of principal, expected through 2056. This loan is repaid through special assessments levied against the benefiting properties. As of the date of the financial statements, no amounts have been drawn relating to this loan.

Subsequent to year end, the City authorized the issuance and sale of \$6,100,000 Wastewater Treatment Improvement Warrant, Series 2025B under the Clean Water State Revolving Fund Program. The loan bears an interest rate of 1.5% and calls for semiannual payments of interest and annual payments of principal, expected through 2056. This loan is repaid through special assessments levied against the benefiting properties. As of the date of the financial statements, no amounts have been drawn relating to this loan.

Subsequent to year end, the City authorized the issuance and sale of \$2,700,000 Water Treatment Improvement Warrant, Series 2025C under the Drinking Water State Revolving Fund Program. The loan bears an interest rate of 1.5% and calls for semiannual payments of interest and annual payments of principal, expected through 2056. This loan is repaid through revenue collections of the water & sewer fund. As of the date of the financial statements, no amounts have been drawn relating to this loan.

Subsequent to year end, the City authorized the issuance and sale of \$8,500,000 Wastewater Treatment Improvement Warrant, Series 2025D under the Clean Water State Revolving Fund Program. The loan bears an interest rate of 1.5% and calls for semiannual payments of interest and annual payments of principal, expected through 2056. This loan is repaid through revenue collections of the water & sewer fund. As of the date of the financial statements, no amounts have been drawn relating to this loan.

Required Supplementary Information
December 31, 2024

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, 2024

**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
2024	1.041260%	\$ 19,475,269	\$ 13,659,224	142.58%	68.02%
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%

**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)
2024	\$ 1,163,766	\$ 1,025,348	\$ 138,418	\$ 13,659,224	7.51%
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%

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

2024

Changes of benefit terms

None

Changes of assumptions

All actuarial assumptions used in the actuarial valuation as of July 1, 2024, 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, 2023.

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, 2024

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
2024	5.823403%	\$ 5,241,877	\$ 6,828,829	76.76%	68.14%
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)
2024	\$ 837,897	\$ 612,217	\$ 225,680	\$ 6,828,829	8.97%
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

2024

Changes of benefit terms

None

Changes of assumptions

All actuarial assumptions used in the actuarial valuation as of July 1, 2024, 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, 2023.

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, 2024

**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
2024	1.496643%	\$ 1,293,183	\$ 15,515,808	8.33%	68.35%
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
2024	\$ 176,880	\$ 164,171	\$ 12,709	\$ 15,515,808	1.06%
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

2024

Changes of benefit terms

None

Changes of assumptions

All actuarial assumptions used in the actuarial valuation as of July 1, 2024, 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, 2023.

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, 2024

City of West Fargo, North Dakota

City of West Fargo, North Dakota
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2024

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	\$ 19,220
Department of Interior Passed through the Bureau of Reclamation WaterSMART (Sustain and Manage America's Resources for Tomorrow)	15.507	Unknown	75,000
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	1,368,974
Department of Homeland Security Passed through North Dakota Department of Emergency Management Hazard Mitigation Grant Program	97.039	FEMA-DR-4509-ND	<u>745,006</u>
Total Federal Financial Assistance			<u><u>\$ 2,208,200</u></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, 2024. 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, 2024

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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 16, 2025.

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 2024-001, 2024-002 and 2024-003 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 City'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 City'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
September 16, 2025



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, 2024. 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, 2024.

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 the 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

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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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



Fargo, North Dakota
September 16, 2025

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	None Reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
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:	No

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

**2024-001 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.

2024-002 Preparation of Financial Statements
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.

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

**2024-003 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 did not have enough staff to adequately separate duties in cash receipts, cash disbursements, payroll and related liabilities, and general ledger maintenance and reconciliation throughout the entire year under audit. 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, 2024.

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.

Section III – Federal Award Findings and Questioned Costs

None reported.

Management's Response to Auditor's Findings:
Summary Schedule of Prior Audit Findings and
Corrective Action Plan
December 31, 2024

Prepared by Management of

City of West Fargo, North Dakota

2515 6th Street E.
West Fargo, ND 58078
701-515-5000
westfargond.gov

Summary Schedule of Prior Audit Findings

Finding 2023-001 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 2024-001.

Finding 2023-002 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 not disclosures.

Status: Ongoing/Resolved. The City prepared the Schedule of Expenditures of Federal Awards. See finding 2024-002.

Finding 2023-003 Segregation of Duties

Initial Fiscal Year Finding Occurred: 2022

Finding Summary: The auditor assists management in preparing the financial statements and schedule of expenditures of federal awards that are presented, including not disclosures.

Status: Ongoing. See finding 2024-003.

Finding 2023-004 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: Resolved. The City's bank reconciliations were completed in a timely manner.

Finding 2023-005 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: Resolved. The City implemented a review process for the allocation of payroll costs to federal awards.

Finding 2023-006 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: 2022

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: Resolved. The City implemented procurement policy to incorporate requirements of 2 CFR sections 200.318 through 200.326.

Finding 2024-001 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; impact of GASB Statement No. 96, Subscription-Based Information Technology Arrangements (SBITAs) to record right to use subscription IT assets and related liabilities, and implementation of GASB Statement No. 101, Compensated Absences to record long-term compensated absences liabilities.

Responsible Individuals: Willy Galindo, Finance Director

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.

Anticipated Completion Date: Ongoing

Finding 2024-002 Preparation of Financial Statements
Material Weakness

Finding Summary: The City does not have an internal control system designed to provide for the preparation of the financial statements being audited. The auditors were requested to, and did, draft the financial statements and accompanying notes to the financial statements. This included formulating the proposal of necessary adjusting journal entries to convert the fund financial statements in accordance with GASB Statements No. 34, 68, 75, 87, and 96.

Responsible Individuals: Willy Galindo, Finance Director

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.

Anticipated Completion Date: Ongoing

Corrective Action Plan (continued)

Finding 2024-003 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.
Responsible Individuals:	Willy Galindo, Finance Director
Corrective Action Plan:	The City experienced turnover within the finance department during the year. When the department is fully staffed, positions will be evaluated to ensure that no one individual has incompatible responsibilities.
Anticipated Completion Date:	December 31, 2025