

# City of West Fargo

West Fargo, North Dakota

## Audit Report

For the Year Ended December 31, 2017

**JOSHUA C. GALLION**  
**STATE AUDITOR**

Office of the State Auditor  
Division of Local Government

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CITY OF WEST FARGO  
West Fargo, North Dakota

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For the Year Ended December 31, 2017

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CITY OF WEST FARGO  
West Fargo, North Dakota

December 31, 2017

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**CITY OFFICIALS**

President / Mayor	Rich Mattern
Vice-President	Mark Wentz
Commissioner	Mike Thorstad
Commissioner	Mark Simmons
Commissioner	Duane Hanson
City Administrator	Tina Fisk
Finance Director	Aaron Mitchell
Police Chief	Heith Janke
Public Works Director	Chris Brungardt
Planning Director	Larry Weil
Human Resources Administrator	Jenna Wilm
City Attorney	John Shockley

**STATE AUDITOR PERSONNEL**

Audit Manager / Auditor In-Charge	David Mix
Staff Auditor	Heath Erickson
Staff Auditor	Alex Bakken
Staff Auditor	Jon Worrall



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

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## INDEPENDENT AUDITOR'S REPORT

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City Commission  
City of West Fargo  
West Fargo, North Dakota

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Fargo, North Dakota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of West Fargo, North Dakota, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## CITY OF WEST FARGO

### Independent Auditor's Report - Continued

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#### Emphasis of a Matter

As discussed in Note 10 to the financial statements, the City of West Fargo adopted new accounting guidance, GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefit Plans Other Than Pensions. Our opinion is not modified with respect to this matter.

#### Other Matters

##### *Required Supplementary Information*

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 opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the *budgetary comparison information, pension schedules, and the notes to the required supplementary information* on pages 45-50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of 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.

##### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of West Fargo's basic financial statements. The *schedule of fund activity* is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The *schedule of fund activity* 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the *schedule of fund activity* is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2018, on our consideration of the City of West Fargo's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 of West Fargo's internal control over financial reporting and compliance.

/s/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
April 26, 2018

CITY OF WEST FARGO  
West Fargo, North Dakota

STATEMENT OF NET POSITION  
December 31, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Cash and investments	\$ 35,942,904	\$ 12,867,802	\$ 48,810,706
Restricted cash	15,796	-	15,796
Accounts receivable	257,129	-	257,129
Utility billings receivable	-	940,437	940,437
Intergovernmental receivable	1,323,782	-	1,323,782
Other asset	-	4,860	4,860
Storefront loans receivable	82,816	-	82,816
TIF long-term loan receivable	1,444,481	-	1,444,481
Taxes receivable	111,223	-	111,223
Special assessments receivable - current	997,920	-	997,920
Capital projects - special assessments receivable	270,000	-	270,000
Bond Discount	1,237,171	-	1,237,171
Long-Term Receivable:			
Long-term special assessments receivable	221,132,905	-	221,132,905
Capital Assets not being depreciated:			
Land	14,752,650	1,857,610	16,610,260
Construction in progress	87,240,598	-	87,240,598
Capital Assets being depreciated:			
Buildings	11,342,609	3,306,191	14,648,800
Equipment	2,284,735	2,786,625	5,071,360
Improvements to land	10,494	-	10,494
Infrastructure	80,613,699	270,927,884	351,541,583
Total Capital Assets	\$ 196,244,785	\$ 278,878,310	\$ 475,123,095
Total Assets	\$ 459,060,912	\$ 292,691,409	\$ 751,752,321
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Pension & OPEB	\$ 4,816,517	\$ 1,504,564	\$ 6,321,081
Total Assets & Deferred Outflows of Resources	\$ 463,877,429	\$ 294,195,973	\$ 758,073,402
<b>LIABILITIES:</b>			
Accounts & accrued expenses payable	\$ 342,754	\$ 398,085	\$ 740,839
Construction payable	1,377,662	-	1,377,662
Salaries & benefits payable	397,225	121,448	518,673
Court deposits payable	59,200	-	59,200
Retainages payable	960,965	-	960,965
Interest payable	1,557,370	104,604	1,661,974
Bond Premium	4,788,489	-	4,788,489
Long-Term Liabilities:			
Portion Due or Payable Within One Year:			
Bonds payable	17,540,000	640,000	18,180,000
Drawdowns payable	312,901	-	312,901
Compensated absences	115,065	42,307	157,372
Portion Due or Payable After One Year:			
Bonds payable	237,225,000	12,600,000	249,825,000
Drawdowns payable	14,298,531	-	14,298,531
Compensated absences	1,035,584	380,766	1,416,350
Net pension & OPEB liability	9,592,797	2,996,558	12,589,355
Total Liabilities	\$ 289,603,543	\$ 17,283,768	\$ 306,887,311
<b>DEFERRED INFLOWS OF RESOURCES:</b>			
Pension & OPEB	\$ 279,677	\$ 87,365	\$ 367,042
Total Liabilities & Deferred Inflows of Resources	\$ 289,883,220	\$ 17,371,133	\$ 307,254,353
<b>NET POSITION:</b>			
Net investment in capital assets	\$ 145,447,860	\$ 265,598,412	\$ 411,046,272
Restricted for:			
Public works/streets	1,017	-	1,017
Culture & recreation	601,811	-	601,811
Economic development	1,791,086	-	1,791,086
Other special purposes	426,954	-	426,954
Building/capital projects	9,316,010	-	9,316,010
Debt service	34,047,354	-	34,047,354
Loans	1,619,501	-	1,619,501
Unrestricted	(19,257,384)	11,226,428	(8,030,956)
Total Net Position	\$ 173,994,209	\$ 276,824,840	\$ 450,819,049

The notes to the financial statements are an integral part of this statement.

CITY OF WEST FARGO  
West Fargo, North Dakota

STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Primary Government:</b>							
<u><b>Governmental Activities:</b></u>							
General government	\$ 4,045,096	\$ 1,319,328	\$ 48,552	\$ -	\$ (2,677,216)		\$ (2,677,216)
Public safety	8,096,718	401,358	801,524	-	(6,893,836)		(6,893,836)
Public works/streets	12,532,297	1,958,692	4,149,100	61,064,593	54,640,088		54,640,088
Economic development	2,060,964	-	-	-	(2,060,964)		(2,060,964)
Culture and recreation	1,124,130	30,866	-	-	(1,093,264)		(1,093,264)
Miscellaneous/other	117,139	15,800	48,553	-	(52,786)		(52,786)
Interest & costs on long-term debt	7,738,102	-	-	-	(7,738,102)		(7,738,102)
Total Governmental Activities	\$ 35,714,446	\$ 3,726,044	\$ 5,047,729	\$ 61,064,593	\$ 34,123,920		\$ 34,123,920
<u><b>Business-Type Activities:</b></u>							
Water and sewer	\$ 16,309,741	\$ 9,583,547	\$ -	\$ -	\$ -	\$ (6,726,194)	\$ (6,726,194)
Health and sanitation	3,494,372	3,368,333	-	-	-	(126,039)	(126,039)
Total Business-Type Activities	\$ 19,804,113	\$ 12,951,880	\$ -	\$ -	\$ -	\$ (6,852,233)	\$ (6,852,233)
Total Primary Government	<u>\$ 55,518,559</u>	<u>\$ 16,677,924</u>	<u>\$ 5,047,729</u>	<u>\$ 61,064,593</u>	<u>\$ 34,123,920</u>	<u>\$ (6,852,233)</u>	<u>\$ 27,271,687</u>
<u><b>General Revenues:</b></u>							
<b>Taxes:</b>							
Property taxes, levied for general purposes					\$ 7,528,869	\$ -	\$ 7,528,869
Property taxes, levied for debt service					1,723,712	-	1,723,712
Property taxes, levied for special purposes					2,465,198	-	2,465,198
Sales taxes					9,983,662	-	9,983,662
State aid distribution & other unrestricted revenues					1,772,067	-	1,772,067
Unrestricted investment interest earnings					225,826	31,459	257,285
Miscellaneous income					305,691	308,060	613,751
Transfers					(21,042,648)	21,042,648	-
Total General Revenues and Transfers					\$ 2,962,377	\$ 21,382,167	\$ 24,344,544
Change in Net Position					\$ 37,086,297	\$ 14,529,934	\$ 51,616,231
Net Position - January 1					\$ 138,952,281	\$ 262,431,405	\$ 401,383,686
Prior Period Adjustments					(2,044,369)	(136,499)	(2,180,868)
Net Position - January 1, as restated					\$ 136,907,912	\$ 262,294,906	\$ 399,202,818
Net Position - December 31					\$ 173,994,209	\$ 276,824,840	\$ 450,819,049

The notes to the financial statements are an integral part of this statement.

CITY OF WEST FARGO  
West Fargo, North Dakota

BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2017

	General Fund	Sales Tax Fund	Debt Service Funds	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and investments	\$ 22,175,193	\$ 8,473,221	\$ 2,088,995	\$ -	\$ 3,205,495	\$ 35,942,904
Restricted cash	-	-	-	-	15,796	15,796
Accounts receivable	233,738	-	-	2,290	21,101	257,129
Intergovernmental receivable	442,989	712,750	-	-	168,043	1,323,782
TIF loans long-term receivable	-	-	-	-	1,444,481	1,444,481
Storefront loans receivable	-	-	-	-	82,816	82,816
Taxes receivable	73,430	-	26,971	-	10,822	111,223
Special assessments receivable - current	-	-	997,920	-	-	997,920
Special assessments receivable - deferred	-	-	221,132,905	-	-	221,132,905
Special assessments receivable - capital projects	-	-	-	270,000	-	270,000
Due from other city funds - negative cash	-	-	34,495,722	-	-	34,495,722
Total Assets	<u>\$ 22,925,350</u>	<u>\$ 9,185,971</u>	<u>\$ 258,742,513</u>	<u>\$ 272,290</u>	<u>\$ 4,948,554</u>	<u>\$ 296,074,678</u>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>						
<u>Liabilities:</u>						
Accounts & accrued expenses payable	\$ 186,096	\$ -	\$ -	\$ -	\$ 156,658	\$ 342,754
Salaries & benefits payable	368,862	-	-	-	28,363	397,225
Construction payable	-	-	-	1,377,662	-	1,377,662
Municipal court bonds payable	59,200	-	-	-	-	59,200
Due to other city funds - negative cash	-	-	-	34,495,722	-	34,495,722
Total Liabilities	<u>\$ 614,158</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,873,384</u>	<u>\$ 185,021</u>	<u>\$ 36,672,563</u>
<u>Deferred Inflows of Resources</u>						
Deferred taxes & special assmts. rec.	\$ 73,430	\$ -	\$ 222,157,796	\$ -	\$ 10,822	\$ 222,242,048
Total Liabilities & Deferred Inflows of Resources	<u>\$ 687,588</u>	<u>\$ -</u>	<u>\$ 222,157,796</u>	<u>\$ 35,873,384</u>	<u>\$ 195,843</u>	<u>\$ 258,914,611</u>
<u>Fund Balances:</u>						
<u>Non-Spendable:</u>						
Loans receivable	\$ -	\$ -	\$ -	\$ -	\$ 1,527,297	\$ 1,527,297
<u>Restricted:</u>						
Debt service	-	-	36,584,717	-	-	36,584,717
General government	-	-	-	-	48,629	48,629
Public safety	-	-	-	-	210,265	210,265
Public works/streets	-	-	-	-	693,451	693,451
Culture & recreation	-	-	-	-	917,121	917,121
Economic development	-	-	-	-	769,146	769,146
Other	-	-	-	-	427,971	427,971
<u>Committed:</u>						
Sales tax fund	-	9,185,971	-	-	-	9,185,971
Culture & recreation	-	-	-	-	43,262	43,262
Public safety	-	-	-	-	1,017	1,017
Future building fund	-	-	-	-	130,039	130,039
<u>Unassigned:</u>						
Negative fund balances	-	-	-	(35,601,094)	(15,487)	(35,616,581)
General fund	<u>22,237,762</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,237,762</u>
Total Fund Balances	<u>\$ 22,237,762</u>	<u>\$ 9,185,971</u>	<u>\$ 36,584,717</u>	<u>\$ (35,601,094)</u>	<u>\$ 4,752,711</u>	<u>\$ 37,160,067</u>
Total Liabilities and Fund Balances	<u>\$ 22,925,350</u>	<u>\$ 9,185,971</u>	<u>\$ 258,742,513</u>	<u>\$ 272,290</u>	<u>\$ 4,948,554</u>	<u>\$ 296,074,678</u>

The notes to the financial statements are an integral part of this statement.



CITY OF WEST FARGO  
West Fargo, North Dakota

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
December 31, 2017

Total *Fund Balances* for Governmental Funds \$ 37,160,067

Total Net Position reported for governmental activities in the statement of Net Position  
is different because:

Capital assets used in governmental activities are not financial resources and  
therefore are not reported in the funds. Those assets consist of:

Land (not depreciated)	\$ 14,752,650	
Construction in Progress (not depreciated)	87,240,598	
Land Improvements, net of (\$3,193) accumulated depreciation	10,494	
Buildings, net of (\$1,696,908) accumulated depreciation	11,342,609	
Equipment, net of (\$2,470,096) accumulated depreciation	2,284,735	
Infrastructure, net of (\$57,972,801) accumulated depreciation	<u>80,613,699</u>	196,244,785

Most of the City's taxes and special assessments will be collected after year-  
end, but are not available soon enough to pay for the current period's  
expenditures and therefore are reported as deferred revenue in the funds.

Long-Term Uncertified Special Assessments Receivable	\$ 221,132,905	
Uncollected Taxes Receivable	111,223	
Special Assessments Receivable	<u>997,920</u>	222,242,048

Retainages payable are not a fund liability, but are accrued for government-wide  
purposes as those liabilities will be liquidated at the completion of capital projects. (960,965)

Deferred outflows and inflows of resources related to pensions & OPEB are applicable  
to future periods and, therefore, are not reported in the governmental funds.

Pension & OPEB Deferred Inflows of Resources	\$ (279,677)	
Pension & OPEB Deferred Outflows of Resources	<u>4,816,517</u>	4,536,840

Long-term liabilities applicable to the City's governmental activities are not  
due and payable in the current period and accordingly are not reported as  
fund liabilities. Interest on long-term debt is not accrued in governmental  
funds, but rather is recognized as an expenditure when due. All liabilities  
--both current and long-term--are reported in the Statement of Net Position.  
Balances at December 31, 2017 are:

Special Assessment Bonds Payable	\$ (246,915,000)	
TIF Bonds Payable	(795,000)	
General Obligation Bonds Payable	(5,715,000)	
Sales Tax Bonds Payable	(1,340,000)	
BND Drawdowns Payable	(14,611,432)	
Unamortized Bond Discount	(4,788,489)	
Unamortized Bond Premium	1,237,171	
Interest Payable	(1,557,370)	
Compensated Absences	(1,150,649)	
Net Pension & OPEB Liability	<u>(9,592,797)</u>	<u>(285,228,566)</u>

Total Net Position of Governmental Activities \$ 173,994,209

The notes to the financial statements are an integral part of this statement.

CITY OF WEST FARGO  
West Fargo, North Dakota

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended December 31, 2017

	General Fund	Sales Tax Fund	Debt Service Funds	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Taxes	\$ 7,509,022	\$ -	\$ 1,727,953	\$ -	\$ 2,470,993	\$ 11,707,968
Special assessments	-	-	29,749,605	-	-	29,749,605
Sales taxes	-	9,983,662	-	-	-	9,983,662
Licenses, permits and fees	3,113,975	-	-	-	-	3,113,975
Charges for services	-	-	-	146,275	240,191	386,466
Intergovernmental	3,307,030	-	-	1,644,372	1,722,120	6,673,522
Fines, forfeitures and penalties	371,878	-	-	-	-	371,878
Interest on investments	65,139	37,478	112,450	2,449	8,310	225,826
Miscellaneous	81,036	-	-	-	224,655	305,691
<b>Total Revenues</b>	<b>\$ 14,448,080</b>	<b>\$ 10,021,140</b>	<b>\$ 31,590,008</b>	<b>\$ 1,793,096</b>	<b>\$ 4,666,269</b>	<b>\$ 62,518,593</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	\$ 3,685,581	\$ -	\$ -	\$ -	\$ 135,390	\$ 3,820,971
Public safety	6,877,592	-	-	-	838,370	7,715,962
Public works/streets	3,862,165	-	-	-	420,959	4,283,124
Economic development	212,547	-	652,160	-	1,176,348	2,041,055
Culture and recreation	-	-	-	-	1,076,694	1,076,694
Other	-	-	-	30	117,109	117,139
Capital Outlay	-	260,983	-	49,863,695	-	50,124,678
<b>Debt Service:</b>						
Principal - Bonds	-	-	17,823,568	-	-	17,823,568
Interest	-	-	7,646,731	-	-	7,646,731
Fiscal charges & fees	-	-	33,976	-	-	33,976
<b>Total Expenditures</b>	<b>\$ 14,637,885</b>	<b>\$ 260,983</b>	<b>\$ 26,156,435</b>	<b>\$ 49,863,725</b>	<b>\$ 3,764,870</b>	<b>\$ 94,683,898</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (189,805)</b>	<b>\$ 9,760,157</b>	<b>\$ 5,433,573</b>	<b>\$ (48,070,629)</b>	<b>\$ 901,399</b>	<b>\$(32,165,305)</b>
<b>Other Financing Sources (Uses):</b>						
Proceeds from bond sale	\$ -	\$ -	\$ -	\$ 36,860,000	\$ -	\$ 36,860,000
Loan proceeds	-	-	-	8,308,195	-	8,308,195
Bond premium	-	-	-	2,715,455	-	2,715,455
Bond discount	-	-	-	(412,617)	-	(412,617)
Transfers in	2,113,272	-	4,950,100	10,031,716	1,742,940	18,838,028
Transfers out	(2,142,000)	(10,993,572)	(514,339)	(3,528,723)	(1,659,394)	(18,838,028)
<b>Total Other Financing Sources and Uses</b>	<b>\$ (28,728)</b>	<b>\$(10,993,572)</b>	<b>\$ 4,435,761</b>	<b>\$ 53,974,026</b>	<b>\$ 83,546</b>	<b>\$ 47,471,033</b>
<b>Net Change in Fund Balances</b>	<b>\$ (218,533)</b>	<b>\$ (1,233,415)</b>	<b>\$ 9,869,334</b>	<b>\$ 5,903,397</b>	<b>\$ 984,945</b>	<b>\$ 15,305,728</b>
Fund Balances - January 1	\$ 22,456,295	\$ 10,419,386	\$ 28,313,003	\$ (41,774,491)	\$ 2,608,666	\$ 22,022,859
Prior Period Adjustments	-	-	(1,597,620)	270,000	1,159,100	(168,520)
<b>Fund Balances - Jan. 1, as restated</b>	<b>\$ 22,456,295</b>	<b>\$ 10,419,386</b>	<b>\$ 26,715,383</b>	<b>\$ (41,504,491)</b>	<b>\$ 3,767,766</b>	<b>\$ 21,854,339</b>
<b>Fund Balances - December 31</b>	<b>\$ 22,237,762</b>	<b>\$ 9,185,971</b>	<b>\$ 36,584,717</b>	<b>\$ (35,601,094)</b>	<b>\$ 4,752,711</b>	<b>\$ 37,160,067</b>

The notes to the financial statements are an integral part of this statement.

CITY OF WEST FARGO  
West Fargo, North Dakota

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2017

Net Change in <i>Fund Balances</i> - Total Governmental Funds	\$ 15,305,728
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The change in Net Position reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These are the amount by which capital asset additions & capital contributions exceeded transfers, disposals, and depreciation in the current period:

Capital Asset Additions	\$ 48,310,677		
Capital Contributions	3,133,197		
Transfer of Capital Assets to Enterprise Activities	(21,042,648)		
Depreciation on Capital Assets	<u>(6,493,882)</u>		23,907,344

In the statement of activities, only the gain on the sale of the capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the loss on the capital assets sold.

(56,968)

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position:

Debt Issued:			
Special Assessment Bonds	\$ (36,860,000)		
Loan Drawdown Proceeds	(8,308,195)		
Bond Premium	(2,715,455)		
Bond Discount	412,616		
Debt Repayments:			
Bond Principal	<u>17,823,568</u>		(29,647,466)

Bond premium amortization is a reduction to interest expense as it is amortized over the life of the outstanding bonds using the straight-line method. Bond discounts are amortized over the life of the bond using the straight-line method (as interest expense):

Discount Amortization	\$ 263,525		
Premium Amortization	<u>(60,453)</u>		203,072

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. In addition, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This adjustment combines the net changes of the following balances:

Net Change in Compensated Absences	\$ 360,016		
Net Change in Retainages Payable	143,086		
Net Change in Interest Payable	<u>(260,467)</u>		242,635

The Net Pension Liability, and related Deferred Outflows of Resources and Deferred Inflows of Resources are reported in the government wide statements; however, activity related to these pension items do not involve current financial resources, and are not reported in the funds.

Net Change in Pension & OPEB Liability	\$ (3,916,842)		
Net Change in Deferred Inflows of Resources for Pensions & OPEB	29,851		
Net Change in Deferred Outflows of Resources for Pensions & OPEB	<u>2,827,341</u>		(1,059,650)

Long-term Special Assessments are not considered as available resources in the governmental funds; however, they are revenues in the statement of activities of activities. Likewise, collections of long-term special assessments are reported as revenues in the governmental funds; however, they are a reduction of receivables in the statement of activities. The net effect is a net increase to the receivable:

27,853,487

Because some property taxes and special assessments will not be collected for several months after year end, they are not considered as available resources in the governmental funds. However, they are revenues in the statement of activities. The net effect is:

Net Change in Taxes Receivable		9,811	
Net Change in Special Assessments Receivable		<u>328,304</u>	

Change in Net Position of Governmental Activities	<u>\$ 37,086,297</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF WEST FARGO  
West Fargo, North Dakota

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2017

	Business-Type Activities - Enterprise Funds		
	Water & Sewer Funds	Sanitation & Health Fund	Total
<u>ASSETS</u>			
Current Assets:			
Cash and investments	\$ 11,541,324	\$ 1,326,478	\$ 12,867,802
Other asset	4,860	-	4,860
Utility billings receivable	640,297	300,140	940,437
Total Current Assets	<u>\$ 12,186,481</u>	<u>\$ 1,626,618</u>	<u>\$ 13,813,099</u>
Noncurrent Assets:			
Capital Assets not being depreciated:			
Land	\$ 1,857,610	\$ -	\$ 1,857,610
Capital Assets being depreciated:			
Building	2,389,093	917,098	3,306,191
Equipment	1,449,706	1,336,919	2,786,625
Infrastructure	270,927,884	-	270,927,884
Total Noncurrent Assets	<u>\$ 276,624,293</u>	<u>\$ 2,254,017</u>	<u>\$ 278,878,310</u>
Total Assets	<u>\$ 288,810,774</u>	<u>\$ 3,880,635</u>	<u>\$ 292,691,409</u>
<u>DEFERRED OUTFLOWS OF RESOURCES:</u>			
Pension & OPEB	<u>\$ 982,354</u>	<u>\$ 522,210</u>	<u>\$ 1,504,564</u>
Total Assets & Deferred Outflows of Resources	<u>\$ 289,793,128</u>	<u>\$ 4,402,845</u>	<u>\$ 294,195,973</u>
<u>LIABILITIES</u>			
Current Liabilities:			
Accounts payable	\$ 290,355	\$ 107,730	\$ 398,085
Salaries & benefits payable	81,550	39,898	121,448
Interest payable	104,604	-	104,604
Bonds payable	640,000	-	640,000
Compensated absences	29,197	13,110	42,307
Total Current Liabilities	<u>\$ 1,145,706</u>	<u>\$ 160,738</u>	<u>\$ 1,306,444</u>
Noncurrent Liabilities:			
Bonds payable	\$ 12,600,000	\$ -	\$ 12,600,000
Compensated absences	262,775	117,991	380,766
Net Pension & OPEB Liability	1,956,501	1,040,057	2,996,558
Total Noncurrent Liabilities	<u>\$ 14,819,276</u>	<u>\$ 1,158,048</u>	<u>\$ 15,977,324</u>
Total Liabilities	<u>\$ 15,964,982</u>	<u>\$ 1,318,786</u>	<u>\$ 17,283,768</u>
<u>DEFERRED INFLOWS OF RESOURCES:</u>			
Pension & OPEB	<u>\$ 57,042</u>	<u>\$ 30,323</u>	<u>\$ 87,365</u>
Total Liabilities & Deferred Inflows of Resources	<u>\$ 16,022,024</u>	<u>\$ 1,349,109</u>	<u>\$ 17,371,133</u>
<u>NET POSITION</u>			
Net investment in capital assets	\$ 263,384,293	\$ 2,214,119	\$ 265,598,412
Unrestricted	10,386,811	839,617	11,226,428
Total Net Position	<u>\$ 273,771,104</u>	<u>\$ 3,053,736</u>	<u>\$ 276,824,840</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WEST FARGO  
West Fargo, North Dakota

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS

For the Year Ended December 31, 2017

	Business-Type Activities - Enterprise Funds		
	Water & Sewer Funds	Sanitation & Health Fund	Total
<u>Operating Revenues:</u>			
Charges for sales services	\$ 9,583,547	\$ 3,368,333	\$ 12,951,880
<u>Operating Expenses:</u>			
Salaries and benefits	\$ 2,332,929	\$ 1,144,728	\$ 3,477,657
Utilities	418,132	-	418,132
Operation, maintenance & supplies	881,371	101,126	982,497
Water purchases	3,341,258	-	3,341,258
Water & sewer other operating	430,527	-	430,527
Sanitation & health other operating	-	212,696	212,696
Recycling	-	660,792	660,792
Landfill charges	-	1,056,754	1,056,754
Depreciation	8,242,193	167,329	8,409,522
Total Operating Expenses	\$ 15,646,410	\$ 3,343,425	\$ 18,989,835
Operating Income	\$ (6,062,863)	\$ 24,908	\$ (6,037,955)
<u>Nonoperating Revenues (Expenses):</u>			
Investment earnings	\$ 27,758	\$ 3,701	\$ 31,459
Miscellaneous revenue & rental income	229,560	78,500	308,060
Miscellaneous expense	(20,545)	-	(20,545)
Interest expense & fees on long-term debt	(642,786)	-	(642,786)
Loss on capital assets	-	(150,947)	(150,947)
Total Nonoperating Revenue (Expenses)	\$ (406,013)	\$ (68,746)	\$ (474,759)
Income Before Transfers	\$ (6,468,876)	\$ (43,838)	\$ (6,512,714)
Transfers in (govt. activities capital assets)	\$ 21,042,648	\$ -	\$ 21,042,648
Total Net Transfers	\$ 21,042,648	\$ -	\$ 21,042,648
Changes in Net Position	\$ 14,573,772	\$ (43,838)	\$ 14,529,934
Net Position - January 1	\$ 259,283,970	\$ 3,147,435	\$ 262,431,405
Prior Period Adjustments	(86,638)	(49,861)	(136,499)
Net Position - January 1, as restated	\$ 259,197,332	\$ 3,097,574	\$ 262,294,906
Net Position - December 31	\$ 273,771,104	\$ 3,053,736	\$ 276,824,840

The notes to the financial statements are an integral part of this statement.

CITY OF WEST FARGO  
West Fargo, North Dakota

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended December 31, 2017

	Business-Type Activities - Enterprise Funds		
	Water & Sewer Operating	Sanitation & Health Fund	Total Funds
<u>Cash Flows from Operating Activities:</u>			
Receipts from customers and users	\$ 9,591,941	\$ 3,377,254	\$ 12,969,195
Payments to suppliers	(5,013,362)	(1,983,420)	(6,996,782)
Payments to employees	(2,109,063)	(1,052,464)	(3,161,527)
Net Cash Provided by Operating Activities	\$ 2,469,516	\$ 341,370	\$ 2,810,886
<u>Cash Flows from Noncapital Financing Activities:</u>			
Miscellaneous receipts	\$ 40,956	\$ -	\$ 40,956
Miscellaneous disbursements	(51,744)	-	(51,744)
Maintenance agreement revenue	56,603	-	56,603
Net Cash Provided (Used) by Noncapital Financing Activities	\$ 45,815	\$ -	\$ 45,815
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Principal paid on capital debt	\$ (630,000)	\$ -	\$ (630,000)
Interest & fees paid on capital debt	(645,401)	-	(645,401)
Sales of capital assets	-	78,500	78,500
Interest subsidy (build America bonds)	132,001	-	132,001
Construction & purchases of capital assets	(464,422)	(147,890)	(612,312)
Net Cash Used by Capital and Related Financing Activities	\$ (1,607,822)	\$ (69,390)	\$ (1,677,212)
<u>Cash Flows from Investing Activities:</u>			
Interest income	\$ 27,758	\$ 3,701	\$ 31,459
Net Increase in Cash and Cash Equivalents	\$ 935,267	\$ 275,681	\$ 1,210,948
Cash and Cash Equivalents - January 1	\$ 10,606,057	\$ 1,050,797	\$ 11,656,854
Cash and Cash Equivalents - December 31	11,541,324	\$ 1,326,478	\$ 12,867,802
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u>			
Operating income (loss)	\$ (6,062,863)	\$ 24,908	\$ (6,037,955)
<u>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</u>			
Depreciation expense	8,242,193	167,329	8,409,522
Decrease (increase) in utility billing receivables	8,395	8,921	17,316
Increase (decrease) in compensated absences	(72,858)	(26,180)	(99,038)
Net change (decrease) in pension & OPEB items	215,174	78,547	293,721
Net change in accrued payables	139,475	87,845	227,320
Net Cash Provided (Used) by Operating Activities	\$ 2,469,516	\$ 341,370	\$ 2,810,886

The notes to the financial statements are an integral part of this statement.

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CITY OF WEST FARGO  
West Fargo, North Dakota

STATEMENT OF FIDUCIARY ASSETS & LIABILITIES  
AGENCY FUNDS  
December 31, 2017

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	<u>Agency Funds</u>
<u>ASSETS:</u>	
Cash and investments	<u>\$ 1,148,172</u>
<u>LIABILITIES:</u>	
Due to others	<u>\$ 1,148,172</u>

The notes to the financial statements are an integral part of this statement.

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CITY OF WEST FARGO  
West Fargo, North Dakota

NOTES TO THE FINANCIAL STATEMENTS  
December 31, 2017

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
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The City of West Fargo operates under a home rule charter and various city ordinances, as well as under certain statutes as outlined in the North Dakota Century Code. The financial statements of the City of West Fargo have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**A. Reporting Entity**

The accompanying financial statements present the activities of the City of West Fargo. The City of West Fargo has considered all potential component units for which the city is financially accountable, and other organizations for which the nature and significance of their relationship with the city are such that exclusion would cause the city's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. The criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City of West Fargo to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City of West Fargo.

Based on these criteria, there are no component units to be included within the City of West Fargo as a reporting entity.

**B. Government-wide and fund financial statements**

*Government-wide statements:* The statement of net position displays information on the financial activities of the city, with the exception of the fiduciary activities. Reporting on the internal activities has been eliminated to avoid duplication on the statements. The statements distinguish between governmental activities – which are normally financed through taxes and intergovernmental revenues – and business type activities – which are normally financed in whole or in part by fees and charges for services. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially responsible.

The statement of activities compares the direct expenses and program revenues for both the functions of the governmental activities and business-type activities of the city. Direct expenses are clearly identifiable with a specific function. Indirect expense allocations have been eliminated for the statement of financial activities. Program revenues include 1) fines, fees and charges for services to customers that benefit from the services provided, and 2) operating grants and contributions, and 3) capital grants are contributions, including special assessments. General revenues, including taxes, are those revenues that are not properly classified as program revenue.



*Fund Financial Statements:* The fund financial statements provide information about the city's funds including its fiduciary funds. Separate statements for each fund category-governmental, proprietary and fiduciary-are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, results from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

The city reports the following major governmental funds:

*General Fund.* The general fund is the general operating fund of the city. It is used to account for all financial resources except those required to be accounted for in another fund.

*Sales Tax Fund:* The sales tax fund is used to account for the city sales tax revenue. The sales tax fund is a major special revenue fund with a committed revenue stream to transfer to debt service funds and to close out various capital projects.

*Debt Service Funds:* Debt service funds are used to account for the accumulation of resources for, and the payment of, long-term debt principal, interest, and related costs. Revenue sources in this fund are restricted solely for debt retirement.

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

The city reports the following major business-type funds:

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

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

In addition, the city reports the following fund type:

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

### **C. Measurement Focus and Basis of Accounting**

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

Governmental Fund Financial Statements: Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The city considers revenues to be available if they are collected within sixty days after year-end. Special assessments, intergovernmental revenues, charges for services and investment income are considered susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except principal and interest on long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the city funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there 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.

The city follows the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard setting body for establishing generally accepted accounting principles for government entities. For government-wide and proprietary fund financial statements the city applies all GASB (Governmental Accounting Standards Board) pronouncements.

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

#### **D. Cash, Cash Equivalents and Investments**

Cash and cash equivalents include amounts in demand deposits and money market accounts.

Investments consist of certificates of deposit, with a maturity date in excess of 90 days, CDAR investments, with a maturity of 28 days, stated at cost.

#### **E. Receivables and Payables**

Activities between funds that are representative of lending/borrowing transaction outstanding at the end of the fiscal year are designated as either "due to other funds" or "due from other funds" in the governmental fund financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All real estate is assessed as of the current value on February 1<sup>st</sup> of each year. Property taxes are attached as an enforceable lien on the real estate and become due on January 1<sup>st</sup> of the year following the assessment date. A 5% reduction of the taxes is allowed if the taxes are paid in full by February 15<sup>th</sup>.

Penalty and interest are added on March 1<sup>st</sup> if the first half of the year taxes is not paid. Additional penalty and interest are added October 15<sup>th</sup> to those taxes that are not paid. Taxes are collected by the County and remitted to the city monthly.

The city is permitted under provisions of the Home Rule Charter to levy taxes as needed for general governmental services and payment of principal and interest on long-term debt.

**F. Capital Assets**

Capital assets, which include property, plant and equipment, are reported in the applicable governmental and business-type activities columns in the government-wide financial statements. Capital assets are defined as having an individual cost of \$5,000 or more and have a useful life in excess of two years. Capital assets are valued at historical or estimated historical cost if actual cost historical cost is not available. Donated capital assets are valued at estimated fair value on the date donated.

Major outlays for capital assets and improvements, including infrastructure, are capitalized as projects are constructed.

Depreciation has been provided over the estimated useful life, using the straight-line method for the city and the discretely presented component units, as follows:

<b>Assets</b>	<b>Years</b>
Buildings	30-50
Equipment	5-20
Vehicles	5-10
Infrastructure	20-40

**G. Long-Term Liabilities**

In the government-wide financial statements and proprietary fund statements, long-term debt and other long-term liabilities are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as costs in the current period under provisions of GASB 65.

In the fund financial statements, governmental fund types recognize bond discounts and premiums, as well as bond issuance costs, during the current period. The face amount of the debt is reported as other financing sources.

**H. Compensated Absences**

Employees accrue vacation leave at a rate of four hours per month for the first year of service. The accrual rate is increased to seven hours per month from two to four years of continuous service, and nine hours per month from five to nine years of service, twelve hours per month from ten to fourteen years of service, fourteen hours per month from fifteen to nineteen years of service and sixteen hours per month for over twenty years of service. A maximum of 240 vacation hours is payable upon termination. Accumulated unpaid vacation is accrued when earned in the government-wide and proprietary fund statements.

Sick leave is accrued at a rate of 3.75 hours per pay period from one to five years of service, and eight hours per month of continuous service after five years. A maximum of 480 hours of sick leave is payable upon termination with ten or more years of service. Accumulated unpaid sick leave is accrued when earned in the government-wide and proprietary fund statements.

**I. 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.

**J. 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, and 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.

**K. Fund Balance / Net Position****Fund Balance****Fund Balance Spending Policy**

It is the policy of the City of West Fargo to spend restricted resources first, followed by unrestricted resources. It is also the policy of the Board to spend unrestricted resources of funds in the following order: committed, assigned and then unassigned.

**GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions**

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

<b>CLASSIFICATION</b>	<b>DEFINITION</b>	<b>EXAMPLES</b>
Nonspendable	Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.	Inventories, prepaid amounts (expenses), long-term receivables, endowment funds.
Restricted	Fund balance is reported as restricted when constraints are placed on the use of resources that are either (a) Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments. (b) Imposed by law through constitutional provisions or enabling legislation.	Funds restricted by State Statute, unspent bond proceeds, grants earned but not spent, debt covenants, taxes raised for a specific purpose.
Committed	A committed fund balance includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, City Commission formal action is required to be taken to establish, modify or rescind a fund balance commitment.	By board action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Assigned	Assigned fund balances are amounts that are constrained by the government's intent to be used for specific purposes, but are under the direction of the business manager.	By city administrator action, construction, claims and judgments, retirements of loans and notes payable, capital expenditures and self-insurance.
Unassigned	Unassigned fund balance is the lowest classification for the General Fund. This is fund balance that has not been reported in any other classification. (a) The General Fund is the only fund that can report a positive unassigned fund balance (b) A negative unassigned fund balance may be reported in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes	Available for any remaining general fund expenditure, and used to report negative fund balances of the capital projects funds, and other non-major special revenue funds.

The City of West Fargo reports non-spendable fund balance, restricted fund balances, committed fund balances, and unassigned fund balances at December 31, 2017.

Non-spendable fund balances are reported in the general fund and various debt service funds totaling for loans receivable and Economic Development loans.

Restricted fund balances are reported for the debt service fund and various functions within the special revenue funds for restricted tax levies, and amounts restricted by state and federal grants/contracts.

Committed fund balances are reported for the sales tax fund, committed by the governing board to close out various capital projects and for debt service, and the Future Building Fund, also committed by the governing board for construction which started in 2015.

Unassigned fund balances are reported for the general fund and for negative fund balances.

### **Net Position**

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

Net investment in capital assets is reported for capital assets less accumulated depreciation and any related debt (bonds payable) issued to construct them. The resources needed to repay this related debt must be provided from other sources, since the capital assets are not used to liquidate these liabilities. These assets are not available for future spending.

Restrictions of net position shown in the net position statement are due to restricted tax levies and restricted Federal & State grants/reimbursements. Net position balances in the statement of net position is also shown by primary function as fund balances are shown and are restricted for debt service, general government, public safety, public works/streets, culture & recreation, economic development, capital projects, and other special purposes.

Unrestricted net position is primarily unrestricted amounts related to the general fund and enterprise funds, and amounts reclassified for negative cash balances from capital projects funds and applicable special revenue funds. The unrestricted net position is available to meet the district's ongoing obligations.

### **L. Inter-fund Transactions**

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

<b>NOTE 2: DEPOSITS</b>
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In accordance with North Dakota Statutes, the city maintains deposits at the depository banks designated by the governing board. All depositories are members of the Federal Reserve System.

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

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

**CITY OF WEST FARGO**

## Notes to the Financial Statements – Continued

At year ended December 31, 2017, the city's carrying amount of deposits was \$49,974,675, and the bank balances were \$53,533,156. Of the bank balances, \$1,500,000 was covered by Federal Depository Insurance, and \$26,960,961 was covered by SIPC and other applicable insurance. The remaining bank balances were collateralized with securities held by the pledging financial institution's agent in the government's name.

Credit Risk:

The city may invest idle funds as authorized in North Dakota Statutes, as follows:

- (a) Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of congress.
- (b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- (c) Certificates of Deposit fully insured by the federal deposit insurance corporation.
- (d) Obligations of the state.

As of December 31, 2017, the city held certificates of deposit totaling \$1,125,701.

The city's bond rating was A1 during the year ended December 31, 2017.

**NOTE 3: RECEIVABLES**Accounts Receivable

Accounts receivable consists of amounts due from other government agencies and private individuals for services earned but not yet collected.

Utility Billings Receivable

Utility billings receivable consists of amounts due from citizens on open account for water, sewer and garbage services furnished by the city. No allowance has been established for estimated uncollectible utility billings receivable.

Intergovernmental Receivables

Intergovernmental receivable consists of amounts due from the state government for sales tax, highway tax, and state revenue sharing collected and not yet distributed but owed to the city at year-end.

Storefront Loans Receivable

Storefront loans receivable is made up of the following individual balances:

<b>Name/Business</b>	<b>Beg. Balance 1/1/17</b>	<b>Loan Forgiveness</b>	<b>Payments</b>	<b>Ending Balance 12/31/17</b>
Sandy's Donuts	\$ 12,318	\$ -	\$ 2,004	\$ 10,314
Off the Wall Advertising	12,652	-	2,004	10,648
Silver Dollar	12,986	-	2,004	10,982
Bordertown	13,320	10,000	3,320	-
Dan's Service Center	13,988	-	2,004	11,984
Westside Salon	14,001	-	1,570	12,431
Westgo Square	14,268	-	1,632	12,636
Payroll Express	15,825	-	2,004	13,821
<b>Total Loans Receivable</b>	<b>\$ 109,358</b>	<b>\$ 10,000</b>	<b>\$ 16,542</b>	<b>\$ 82,816</b>

**CITY OF WEST FARGO**

## Notes to the Financial Statements – Continued

Tax Increment Financing Loans Receivable

Tax increment financing loans receivable is made up of the following individual balances:

<b>Fund</b>	<b>Beg. Balance 1/1/17</b>	<b>Reclass/ Adjust.</b>	<b>Payments</b>	<b>End. Balance 12/31/17</b>
Due from Highpoint TIF	\$ 354,947	\$ (22,649)	\$ 21,779	\$ 310,519
Due from Lexstar TIF	139,999	(11,488)	18,738	109,773
Due from Titan/Fargo Hosp. TIF	852,707	227,315	55,833	1,024,189
<b>Total TIF Loans</b>	<b>\$ 1,347,653</b>	<b>\$ 193,178</b>	<b>\$ 96,350</b>	<b>\$ 1,444,481</b>

Taxes Receivable

The taxes receivable and special assessments receivable amounts represent the past three years of delinquent uncollected taxes. The long-term uncertified special assessments receivable represents amounts not yet certified/assessed, but are to be assessed in future years for various projects/debt service collections. No allowance has been established for uncollectible taxes or special assessments receivable, or long-term uncertified special assessments receivable.

The county treasurer acts as an agent to collect property taxes levied in the county for all taxing authorities. Any material collections are distributed after the end of the month.

Property taxes are levied as of January 1. The 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 and special assessments are paid by February 15. After the due dates, the bill becomes delinquent and penalties are assessed.

Most property owners choose to pay property taxes and special assessments in a single payment on or before February 15 and receive the 5% discount on the property taxes.

Special Assessments Receivable

Special assessments receivable consists of uncollected special assessments due the city at December 31 for debt service fund regular tax levies. No allowance has been established for uncollectible special assessments.

Long Term Special Assessments Receivable

Special assessments receivable consists of uncollected special assessments due the city at December 31 and uncertified special assessments, which represents a long-term receivable in the financial statements. No allowance has been established for uncollectible long-term special assessments receivable.

**NOTE 4: DEFERRED OUTFLOW OF RESOURCES**

Deferred outflows of resources in the government wide financial statements consist of amounts related to pensions and other post-employment benefits liabilities.

**CITY OF WEST FARGO**

## Notes to the Financial Statements – Continued

**NOTE 5: INTER-FUND RECEIVABLES/PAYABLES AND TRANSFERS**

Interfund receivables and payables -- the amount of due to / due from other funds represents the \$34,495,722 total that the capital projects fund owes the debt service fund (\$34,495,722) for over expending their share of the pooled cash account.

Interfund Cash Transfers:

The following is a schedule of cash interfund transfers for the year ended December 31, 2017 (does not include capital asset transfers between governmental and business-type activities):

<b>Transfers In</b>					
<b>Transfers Out</b>	<b>General</b>	<b>Debt Service</b>	<b>Capital Projects</b>	<b>Nonmajor Funds</b>	<b>Total</b>
General	\$ -	\$ -	\$ 2,000,000	\$ 142,000	\$ 2,142,000
Sales Tax	-	2,029,445	7,423,649	1,540,479	10,993,573
Debt Service	514,339	-	-	-	514,339
Capital Projects	-	2,920,655	608,067	-	3,528,722
Nonmajor Funds	1,598,933	-	-	60,461	1,659,394
<b>Total</b>	<b>\$2,113,272</b>	<b>\$4,950,100</b>	<b>\$10,031,716</b>	<b>\$1,742,940</b>	<b>\$18,838,028</b>

Interfund cash transfers in/out totaling \$18,838,028, consist of the following:

- \$1,598,933 from the highway tax fund 2130 to the general fund for street expenses
- \$2,000,000 from the general fund to capital projects fund 4499
- \$140,000 from the general fund to the tourist & event committee fund (\$10,000), vector control fund (\$30,000), and forestry fund (\$100,000) for operating expenses & \$2,000 into fund 2500 for national night out expenses
- \$2,029,445 from sales tax to debt service funds 3368 (\$940,945) and 3379 (\$1,088,500) for scheduled debt payments
- \$6,040,732 from sales tax fund 2000 to capital projects fund 2970
- \$1,540,479 from sales tax fund 2000 to non-major economic development fund 2960
- \$1,382,916 from sales tax fund 2000 to capital projects funds 4302 & 4365
- \$205,201 from capital projects funds 4049, 4051, 4353, 4362, 4366, & 4368 into debt service fund 3388
- \$2,715,455 from capital projects funds 4031, 4048, 4302, 4367, 4371, 4372, 4376, & 4586 into debt service fund 3389 (2017A RIB)
- \$608,067 from capital projects fund 2970 into capital projects funds 4052, 4369, 4396, 4480, 4498, & 4579
- \$60,461 of transfers out of non-major fund 7050 (airport authority) into non-major fund 7040 (airport authority bond construction)
- \$514,339 from debt service fund 3730 to general fund 1001 to close out fund 3730



**CITY OF WEST FARGO**

## Notes to the Financial Statements – Continued

**NOTE 6: CAPITAL ASSETS**

The following is a summary of changes in capital assets for the year ended December 31, 2017:

**Governmental Activities**

<b>Governmental Activities</b>	<b>Balance 1/1/17</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance 12/31/17</b>
<i>Capital assets not being depreciated:</i>					
Land	\$ 14,654,817	\$ 97,833	\$ -	\$ -	\$ 14,752,650
Construction in Progress	69,604,194	50,868,378	-	(33,231,974)	87,240,598
<b>Total Capital Assets, Not Being Depreciated</b>	<b>\$ 84,259,011</b>	<b>\$ 50,966,211</b>	<b>\$ -</b>	<b>\$ (33,231,974)</b>	<b>\$ 101,993,248</b>
<i>Capital assets being depreciated:</i>					
Buildings	\$ 12,975,611	\$ 63,906	\$ -	\$ -	\$ 13,039,517
Equipment	4,607,999	413,757	266,924	-	4,754,832
Land Improvements	13,687	-	-	-	13,687
Infrastructure	126,367,174	-	-	12,189,326	138,556,500
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 143,964,471</b>	<b>\$ 477,663</b>	<b>\$ 266,924</b>	<b>\$ 12,189,326</b>	<b>\$ 156,364,536</b>
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 1,403,126	\$ 293,782	\$ -	\$ -	\$ 1,696,908
Equipment	2,277,035	403,019	209,957	-	2,470,097
Land Improvements	2,737	456	-	-	3,193
Infrastructure	52,146,175	5,796,626	-	-	57,942,801
<b>Total Accumulated Depreciation</b>	<b>\$ 55,829,073</b>	<b>\$ 6,493,883</b>	<b>\$ 209,957</b>	<b>\$ -</b>	<b>\$ 62,112,999</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 88,135,398</b>	<b>\$ (6,016,220)</b>	<b>\$ 56,967</b>	<b>\$ 12,189,326</b>	<b>\$ 94,251,537</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 172,394,409</b>	<b>\$ 44,949,991</b>	<b>\$ 56,967</b>	<b>\$ (21,042,648)</b>	<b>\$ 196,244,785</b>

Depreciation expense was charged to the following functions/programs of the city's governmental activities for the current fiscal year:

<b>Governmental Activities</b>	<b>Amounts</b>
General Government	\$ 327,013
Public Safety	199,957
Public Works	5,962,478
Forestry	4,435
<b>Total Depreciation Expense</b>	<b>\$ 6,493,883</b>

**Business-Type Activities**

<b>Business-Type Activities</b>	<b>Balance 1/1/17</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>Balance 12/31/17</b>
<b>Water &amp; Sewer</b>					
<i>Capital assets not being depreciated:</i>					
Land	\$ 1,620,110	\$ -	\$ -	\$ 237,500	\$ 1,857,610
<i>Capital assets being depreciated:</i>					
Buildings	\$ 2,652,603	\$ 8,000	\$ -	\$ -	\$ 2,660,603
Equipment	6,049,913	487,623	127,094	-	6,410,442
Land Improvements	3,751,796	-	-	-	3,751,796
Infrastructure	320,322,196	-	-	20,805,148	341,127,344
<b>Total Capital Assets, Being Depreciated</b>	<b>\$ 332,776,508</b>	<b>\$ 495,623</b>	<b>\$ 127,094</b>	<b>\$ 20,805,148</b>	<b>\$ 353,950,185</b>
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 217,998	\$ 53,512	\$ -	\$ -	\$ 271,510
Equipment	4,862,605	225,225	127,094	-	4,960,736
Land Improvements	3,751,796	-	-	-	3,751,796
Infrastructure	62,236,004	7,963,456	-	-	70,199,460
<b>Total Accumulated Depreciation</b>	<b>\$ 71,068,403</b>	<b>\$ 8,242,193</b>	<b>\$ 127,094</b>	<b>\$ -</b>	<b>\$ 79,183,502</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$ 261,708,105</b>	<b>\$ (7,746,570)</b>	<b>\$ -</b>	<b>\$ 20,805,148</b>	<b>\$ 274,766,683</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 263,328,215</b>	<b>\$ (7,746,570)</b>	<b>\$ -</b>	<b>\$ 21,042,648</b>	<b>\$ 276,624,293</b>

**CITY OF WEST FARGO**

## Notes to the Financial Statements – Continued

<b>Business-Type Activities</b>	<b>Balance</b>				<b>Balance</b>
<b>Sanitation and Health</b>	<b>1/1/17</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>12/31/17</b>
<i>Capital assets being depreciated:</i>					
Buildings	\$ 1,156,531	\$ -	\$ -	\$ -	\$ 1,156,531
Equipment	2,502,344	147,890	518,125	-	2,132,109
Total Capital Assets, Being Depreciated	\$ 3,658,875	\$ 147,890	\$ 518,125	\$ -	\$ 3,288,640
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 216,285	\$ 23,148	\$ -	\$ -	\$ 239,433
Equipment	1,018,188	144,180	367,178	-	795,190
Total Accumulated Depreciation	\$ 1,234,473	\$ 167,328	\$ 367,178	\$ -	\$ 1,034,623
Total Capital Assets Being Depreciated, Net	\$ 2,424,402	\$ (19,438)	\$ 150,947	\$ -	\$ 2,254,017
Business-Type Activities Capital Assets, Net	\$ 2,424,402	\$ (19,438)	\$ 150,947	\$ -	\$ 2,254,017

<b>Business-Type Activities</b>	<b>Balance</b>				<b>Balance</b>
<b>Total</b>	<b>1/1/17</b>	<b>Increases</b>	<b>Decreases</b>	<b>Transfers</b>	<b>12/31/17</b>
<i>Capital assets not being depreciated:</i>					
Land	\$ 1,620,110	\$ -	\$ -	\$ 237,500	\$ 1,857,610
<i>Capital assets being depreciated:</i>					
Buildings	\$ 3,809,134	\$ 8,000	\$ -	\$ -	\$ 3,817,134
Equipment	8,552,257	635,513	645,219	-	8,542,551
Land Improvements	3,751,796	-	-	-	3,751,796
Infrastructure	320,322,196	-	-	20,805,148	341,127,344
Total Capital Assets, Being Depreciated	\$ 336,435,383	\$ 643,513	\$ 645,219	\$ 20,805,148	\$ 357,238,825
<i>Less Accumulated Depreciation for:</i>					
Buildings	\$ 434,283	\$ 76,660	\$ -	\$ -	\$ 510,943
Equipment	5,880,793	369,405	494,272	-	5,755,926
Land Improvements	3,751,796	-	-	-	3,751,796
Infrastructure	62,236,004	7,963,456	-	-	70,199,460
Total Accumulated Depreciation	\$ 72,302,876	\$ 8,409,521	\$ 494,272	\$ -	\$ 80,218,125
Total Capital Assets Being Depreciated, Net	\$ 264,132,507	\$ (7,766,008)	\$ 150,947	\$ 20,805,148	\$ 277,020,700
Business-Type Activities Capital Assets, Net	\$ 265,752,617	\$ (7,766,008)	\$ 150,947	\$ 21,042,648	\$ 278,878,310

**NOTE 7: LONG-TERM LIABILITIES**

During the year ended December 31, 2017, the following changes occurred in long-term liabilities of governmental and business type activities:

**Governmental Activities**

<b>Governmental Activities</b>	<b>Bal. Jan. 1</b>			<b>Balance</b>	<b>Due Within</b>
	<b>(Restated)</b>	<b>Increases</b>	<b>Decreases</b>	<b>Dec. 31</b>	<b>One Year</b>
Bonds Payable					
G.O. Bonds	\$ 6,420,000	\$ -	\$ 705,000	\$ 5,715,000	\$ 730,000
Spec. Assmt. Bonds	226,565,000	36,860,000	16,510,000	246,915,000	16,590,000
Revenue Bonds	2,355,000	-	220,000	2,135,000	220,000
Total Bonds Payable	\$ 235,340,000	\$ 36,860,000	\$ 17,435,000	\$ 254,765,000	\$ 17,540,000
Bond Premium	\$ 2,336,559	\$ 2,715,455	\$ 263,525	\$ 4,788,489	\$ 263,525
Bond Discount	\$ (885,007)	\$ (412,617)	\$ (60,453)	\$ (1,237,171)	\$ (60,453)
BND Drawdown Payable	\$ 6,691,805	\$ 8,308,195	\$ 388,568	\$ 14,611,432	\$ 312,901
Compensated Absences *	1,510,665	-	360,016	1,150,649	115,065
Net Pension and OPEB Liability *	5,675,955	3,916,842	-	9,592,797	-
Total Governmental Activities	\$ 250,669,977	\$ 51,387,875	\$ 18,386,656	\$ 283,671,196	\$ 18,171,038

\* The change in compensated absences, and net pension & OPEB liability is shown as a net change because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost.

**General Obligation Bonds**

The city issued general obligation bonds in 2009 to provide funds for the construction of major capital assets for governmental type activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the city. These bonds generally are issued as 20-year serial bonds with equal amounts maturing each year. General obligation bonds currently outstanding are as follows:

\$10,000,000 Refunding Bond G.O. Bonds of 2009 due in annual installments of \$730,000 to \$915,000 through 2024; interest at 3.20% to 4.35%.	<u>\$ 5,715,000</u>
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**Special Assessment Bonds**

The city issued \$36,860,000 of special assessment debt in 2017 to provide funds for the construction of streets, water and sewer lines, storm sewers, and street lights in new residential developments. These bonds will be repaid from amounts levied against the property owners benefited by this construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the city must provide resources to cover the deficiency until other resources, for example, foreclosure proceeds, are received.

Special assessment bonds at December 31, 2017 is comprised of the following individual issues:

\$10,340,000 Refunding Improvement Bonds of 2007, Series A, due in annual installments of \$180,000 to \$690,000 through 2023; interest at 4.0%.	\$ 3,585,000
\$6,345,000 Refunding Improvement Bonds of 2007, Series B due in annual installments of \$265,000 to \$420,000 through 2023; interest at 4.0% to 4.25%.	2,320,000
\$215,000 of 2008 Sidewalk Bonds, due in one remaining installment of \$20,000, interest at 4.0%	20,000
\$2,735,000 Refunding Improvement Bonds 2008, Series B due in annual installments of \$175,000 to \$185,000 through 2023; interest 4.0% to 4.5%.	1,070,000
\$7,080,000 Refunding Improvement Bonds 2008, Series C due in annual installments of \$450,000 to \$465,000 through 2024; interest 4.1% to 4.75%.	3,200,000
\$5,430,000 Refunding Improvement Bonds of 2009, Series B (refund of 2003C and 2003D) due in one annual installment of \$290,000 in 2018; interest at 3.2%.	290,000
\$7,725,000 Refunding Improvement Bonds of 2009, Series C, due in annual installments of \$310,000 to \$325,000 through 2034; interest at 3.0% to 4.85%.	5,395,000
\$5,935,000 Refunding Improvement Bonds of 2010, Series A, due in annual installments of \$600,000 to \$605,000 through 2019; interest at 3.0% to 3.25%.	1,205,000

**CITY OF WEST FARGO**Notes to the Financial Statements – Continued

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Special assessment bonds at December 31, 2017 is comprised of the following individual issues:

\$7,130,000 Refunding Improvement Bonds of 2010, Series B, due in annual installments of \$265,000 to \$320,000 through 2035; interest at 2.0% to 4.0%.	\$ 5,165,000
\$525,000 Sidewalk Warrants of 2010 (6048) due in annual installments of \$50,000 through 2020; interest at 2.0% to 2.4%.	150,000
\$5,315,000 Refunding Improvement Bonds 2011, Series A due in annual installments of \$550,000 to \$565,000 through 2020; interest 3.45% to 4.0%.	1,670,000
\$2,645,000 Refunding Improvement Bonds 2011, Series B due in annual installments of \$175,000 to \$295,000 through 2020; interest 3.0% to 3.2%.	760,000
\$9,960,000 Refunding Improvement Bonds 2011, Series C due in annual installments of \$380,000 to \$440,000 through 2036; interest 2.0% to 4.0%.	7,615,000
\$15,630,000 Refunding Improvement Bonds of 2012, Series A, due in annual installments of \$535,000 to \$755,000 through 2036; interest rate from 3.0% to 4.25%.	11,390,000
\$170,000 Sidewalk Bonds of 2012, due in annual installments of \$15,000 to \$20,000 through 2022 at 2.25% interest.	95,000
\$6,030,000 Refunding Improvement Bonds of 2012, Series B, refinance of 2006A, due in annual installments of \$595,000 to \$650,000 through 2021; interest rate from 1.15% to 1.85%.	2,490,000
\$9,740,000 Refunding Improvement Bonds of 2012, Series C, refinance of 2005B and 2005D, due in annual installments of \$405,000 to \$1,015,000 through 2021; interest rate at 4.50%.	3,750,000
\$37,600,000 Refunding Improvement Bonds of 2012, Series D, included refinance of 2008A, due in annual installments of \$1,145,000 to \$1,600,000 through 2037; interest rate from 2.0% to 3.375%.	26,730,000
\$15,900,000 Refunding Improvement Bonds of 2014, Series A, due in annual installments of \$570,000 to \$725,000 through 2037; interest rate from 2.0% to 3.25%.	12,825,000
\$13,630,000 Refunding Improvement Bonds of 2014, Series B, due in annual installments of \$470,000 to \$635,000 through 2038; interest rates from 3.0% to 4.2%.	11,415,000
\$17,775,000 Refunding Improvement Bonds 2014, Series A due in annual installments of \$610,000 to \$870,000 through 2038; interest 2.0% to 3.625%.	15,075,000
\$20,460,000 Refunding Improvement Bonds 2014, Series B due in annual installments of \$750,000 to \$960,000 through 2039; interest 2.0% to 5.0%.	18,465,000

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**CITY OF WEST FARGO****Notes to the Financial Statements – Continued**

Special assessment bonds at December 31, 2017 is comprised of the following individual issues:

\$28,180,000 Refunding Improvement Bonds 2015, Series A due in annual installments of \$1,000,000 to \$1,425,000 through 2040; interest 2.0% to 5.0%.	\$ 25,325,000
\$24,400,000 Refunding Improvement Bonds 2015, Series B due in annual installments of \$1,000,000 to \$1,050,000 through 2040; interest 2.0% to 5.0%.	23,645,000
\$27,130,000 Refunding Improvement Bonds of 2017, Series A, due in annual installments of \$880,000 to \$1,375,000 through 2035; interest at 1.5% to 4.5%.	26,405,000
\$36,860,000 of Refunding Improvement Bonds of 2017, Series A, due in annual installments of \$745,000 to \$2,110,000 through 2042; interest at 3.0% to 5.0%.	<u>36,860,000</u>
Total Special Assessment Bonds	<u>\$ 246,915,000</u>

**Revenue Bonds**

Tax Increment Finance Revenue Bonds are issued for certain tax increment financing districts for redevelopment, infrastructure, and other community-improvement projects pursuant to state law as found in North Dakota Century Code sections 40-58-20, 40--58-20.1, 40-58-20.2 and 40-58-20.3.

Sales tax revenue bonds are paid from proceeds of sales tax pursuant to Article 3 (16) of the West Fargo Home Rule Charter authorizing the pledge of sales tax proceeds to pay bonds issued to construct, and maintain infrastructure improvements, job creation, and business recruitment.

Revenue and TIF bonds at December 31, 2017 is comprised of the following individual issues:

\$2,060,000 Sales Tax Revenue Bond, Series 2012, due in annual payments of \$175,000 to \$410,000 through 2023; interest rate of 3.0%.	\$ 1,340,000
\$570,000 Tax Increment Revenue Bonds of 2009, due in annual installments of \$35,000 to \$50,000; interest at 4.0% to 4.5%.	345,000
\$530,000 Municipal Bonds of 2009 (TIF), due in annual installments of \$10,000 to \$35,000 through 2039; interest at 4.0% to 5.0%.	<u>450,000</u>
Total Revenue & TIF Bonds	<u>\$ 2,135,000</u>
Total Bonds	<u>\$ 254,765,000</u>

**Bank of North Dakota – Drawdown Payable**

Two loan lines of credit exist with the Bank of North Dakota to draw down up to \$15,000,000 for construction costs related to fund 4586 for the 32<sup>nd</sup> and 40<sup>th</sup> Avenue West to Diversion project. As of December 31, 2017, the city drew down \$ of the loan lines of credit.

\$10,00,000 Drawdown, due in annual installments of \$508,533 through 2041; interest at 2.0%.	\$ 9,611,432
\$5,00,000 Drawdown, due in annual installments of \$259,729 through 2043; interest at 2.0%.	<u>5,000,000</u>
Total Drawdown Payable	<u>\$ 14,611,432</u>

**CITY OF WEST FARGO**

## Notes to the Financial Statements – Continued

Governmental activities debt service requirements to maturity (excluding compensated absences and net pension/OPEB liabilities) at December 31, 2017 are as follows:

<b>GOVERNMENTAL ACTIVITIES</b>						
<b>Year Ending Dec. 31</b>	<b>G.O. Bonds Payable</b>		<b>Special Assessment Bonds</b>		<b>Revenue Bonds</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2018	\$ 730,000	\$ 222,138	\$ 16,590,000	\$ 8,545,493	\$ 220,000	\$ 71,958
2019	755,000	198,777	16,435,000	7,756,299	230,000	65,603
2020	780,000	173,108	15,485,000	7,201,860	240,000	58,008
2021	810,000	144,248	13,695,000	6,673,506	245,000	50,079
2022	845,000	111,847	12,535,000	6,173,430	260,000	41,849
2023 - 2027	1,795,000	117,005	53,940,000	24,524,662	635,000	101,404
2028 - 2032	-	-	49,720,000	15,548,266	100,000	63,650
2033 - 2037	-	-	46,465,000	7,164,643	140,000	34,500
2038 - 2042	-	-	22,050,000	1,346,095	65,000	3,375
<b>Totals</b>	<b>\$ 5,715,000</b>	<b>\$ 967,123</b>	<b>\$ 246,915,000</b>	<b>\$ 84,934,254</b>	<b>\$ 2,135,000</b>	<b>\$ 490,424</b>

<b>GOVERNMENTAL ACTIVITIES</b>				
<b>Year Ending Dec. 31</b>	<b>Drawdown Payable</b>		<b>Bond Premium/Discounts</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Premium</b>	<b>Discount</b>
2018	\$ 312,901	\$ 195,432	\$ 263,525	\$ 60,453
2019	409,869	358,193	263,525	60,453
2020	490,289	277,773	263,525	60,453
2021	500,094	267,967	263,525	52,493
2022	510,096	257,966	194,513	52,493
2023 - 2027	2,707,653	1,132,656	972,567	262,464
2028 - 2032	2,989,468	850,842	972,567	262,464
2033 - 2037	3,300,614	539,696	972,567	262,464
2038 - 2042	3,135,812	196,165	622,174	163,434
2043 - 2047	254,636	5,093	-	-
<b>Totals</b>	<b>\$ 14,611,432</b>	<b>\$ 4,081,783</b>	<b>\$ 4,788,488</b>	<b>\$ 1,237,171</b>

**Operating Lease - Copier**

The City of West Fargo entered an operating lease with Laser Systems for a copier in 2016. The lease calls for 63 monthly payments of \$704.51 each. Total operating lease payments made in 2017 totaled \$8,454.

Remaining operating lease payment commitments to Laser Systems for the copier are as follows at December 31, 2017:

<b>Year Ended</b>	<b>Amounts</b>
2018	\$ 8,454
2019	8,454
2020	8,454
2021	6,341
<b>Total</b>	<b>\$ 31,703</b>

**Business-Type Activities**

<b>Business-Type Activities (Water and Sewer)</b>	<b>Bal. Jan. 1 (Restated)</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec. 31</b>	<b>Due Within One Year</b>
Sewer Bonds	\$ 13,870,000	\$ -	\$ 630,000	\$ 13,240,000	\$ 640,000
Compensated Absences *	364,830	-	72,858	291,972	29,197
Net Pension and OPEB Liability *	1,158,986	797,515	-	1,956,501	-
<b>Total Business-Type Activities</b>	<b>\$ 15,393,816</b>	<b>\$ 797,515</b>	<b>\$ 702,858</b>	<b>\$ 15,488,473</b>	<b>\$ 669,197</b>

**CITY OF WEST FARGO**

## Notes to the Financial Statements – Continued

<b>Business-Type Activities (Sanitation and Health)</b>	<b>Bal. Jan. 1 (Restated)</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec. 31</b>	<b>Due Within One Year</b>
Compensated Absences *	\$ 157,281	\$ -	\$ 26,180	\$ 131,101	\$ 13,110
Net Pension and OPEB Liability *	667,006	373,051		1,040,057	-
<b>Total Business-Type Activities</b>	<b>\$ 824,287</b>	<b>\$ 373,051</b>	<b>\$ 26,180</b>	<b>\$ 1,171,158</b>	<b>\$ 13,110</b>

<b>Business-Type Activities (Total)</b>	<b>Bal. Jan. 1 (Restated)</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance Dec. 31</b>	<b>Due Within One Year</b>
Sewer Bonds	\$13,870,000	\$ -	\$ 630,000	\$13,240,000	\$ 640,000
Compensated Absences *	522,111	-	99,038	423,073	42,307
Net Pension and OPEB Liability *	1,825,992	1,170,566	-	2,996,558	-
<b>Total Business-Type Activities</b>	<b>\$16,218,103</b>	<b>\$1,170,566</b>	<b>\$ 729,038</b>	<b>\$16,659,631</b>	<b>\$ 682,307</b>

\* The change in compensated absences, and net pension & OPEB liability is shown as a net change because changes in salary prohibit exact calculations of additions and reductions at a reasonable cost.

**Sewer Bonds**

\$9,145,000 Water & Sewer Refunding Bonds 2012, (2005), due in annual installments of \$430,000 to \$630,000 through 2030; interest at 2.75% to 4.25% - enterprise funds (Business-Type Activities). \$ 6,805,000

\$7,870,000 Water and Sewer Revenue Bonds Series 2009 due in annual installments of \$210,000 to \$1,140,000 through 2034; interest at 5.0% to 6.375% - enterprise funds (Business-Type Activities) 6,435,000

Total Business-Type Activities Revenue Bonds \$ 13,240,000

Business-Type activities debt service requirements to maturity (excluding compensated absences and net pension/OPEB liabilities) at December 31, 2017 are as follows:

<b>BUSINESS TYPE ACTIVITIES</b>		
<b>Year Ending Dec. 31</b>	<b>Revenue Bonds Payable</b>	
	<b>Principal</b>	<b>Interest</b>
2018	\$ 640,000	\$ 627,625
2019	665,000	605,300
2020	690,000	580,400
2021	715,000	554,060
2022	745,000	523,840
2023 - 2027	4,235,000	2,095,058
2028 - 2032	3,910,000	1,086,211
2033 - 2037	1,640,000	177,225
<b>Totals</b>	<b>\$ 13,240,000</b>	<b>\$ 6,249,719</b>

**NOTE 8: DEFERRED INFLOW OF RESOURCES**

Deferred inflows of resources at the government-wide level consist of amounts related to pensions and other post-employment benefits liabilities.

**CITY OF WEST FARGO**

## Notes to the Financial Statements – Continued

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At year end, deferred inflows of resource on the balance sheet consisted of the following:

<b>Deferred Inflows - Balance Sheet</b>	<b>Amounts</b>
<b>Governmental Activities</b>	
<u>Taxes Receivable</u>	
General Fund	\$ 73,430
Debt Service Funds	26,971
Nonmajor Funds	10,822
<u>Special Assessment Receivable - Current</u>	
Debt Service Funds	997,920
<u>Long Term Uncertified Special Assessments</u>	
Debt Service Funds	221,132,905
<b>Total Deferred Inflows - Balance Sheet</b>	<b>\$ 222,242,048</b>

**NOTE 9: PENSION PLAN****General Information about the Pension Plan*****North Dakota Public Employees Retirement System (Main System)***

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

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan. Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of seven 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; and one member elected by the retired public employees. Effective July 1, 2015, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management

***Pension Benefits***

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be 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. 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 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 Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

***Member and Employer Contributions***

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

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, 2017, the Employer reported a liability of \$12,030,675 (\$9,167,095 governmental / \$2,863,580 business-type) for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2017 the Employer's proportion was .748489 percent, which was an increase of .036282 percent from its proportion measured as of June 30, 2016.

**CITY OF WEST FARGO**

## Notes to the Financial Statements – Continued

For the year ended 12/31/2017 the Employer recognized pension expense of \$1,948,001 (\$1,484,332 governmental / \$463,669 business-type). At 12/31/2017 the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Governmental</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 54,489	\$ 44,664
Change in proportion and differences between employer contributions & proportionate share of contributions	383,066	(1)
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	123,290	-
Changes of Assumptions	3,759,127	206,760
District Contributions Subsequent to the Measurement Date	455,314	-
<b>Total</b>	<b>\$ 4,775,286</b>	<b>\$ 251,423</b>

<b>Business Type - Water &amp; Sewer</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 11,113	\$ 9,109
Change in proportion and differences between employer contributions & proportionate share of contributions	78,128	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	25,146	-
Changes of Assumptions	766,694	42,170
District Contributions Subsequent to the Measurement Date	92,864	-
<b>Total</b>	<b>\$ 973,945</b>	<b>\$ 51,279</b>

<b>Business Type - Sanitation &amp; Health</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 5,908	\$ 4,843
Change in proportion and differences between employer contributions & proportionate share of contributions	41,532	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	13,367	-
Changes of Assumptions	407,567	22,417
District Contributions Subsequent to the Measurement Date	49,366	-
<b>Total</b>	<b>\$ 517,740</b>	<b>\$ 27,260</b>

<b>Total Business Type</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ 65,602	\$ 13,952
Change in proportion and differences between employer contributions & proportionate share of contributions	119,660	-
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	38,513	-
Changes of Assumptions	1,174,261	64,587
District Contributions Subsequent to the Measurement Date	142,230	-
<b>Total</b>	<b>\$ 1,540,266</b>	<b>\$ 78,539</b>

\$597,543 (\$455,314 governmental / \$142,229 business-type) reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018.

**CITY OF WEST FARGO**
**Notes to the Financial Statements – Continued**

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

	<b>Governmental</b>	<b>Business-Type</b>	
		<b>Water &amp; Sewer</b>	<b>Health &amp; Sanitation</b>
2018	\$ 895,887	\$ 182,721	\$ 91,133
2019	1,065,055	217,224	115,474
2020	936,657	191,036	101,553
2021	772,493	157,554	83,754
2022	398,457	81,267	43,201
Thereafter	-	-	-

**Actuarial assumptions.** The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	<div> <div>Service at Beginning of year:</div> <div> <div>0</div> <div>1</div> <div>2</div> </div> <div>Increase Rate:</div> <div> <div>15.00%</div> <div>10.00%</div> <div>8.00%</div> </div> </div>
	<div> <div>Age*</div> <div> <div>Under 36</div> <div>36 – 40</div> <div>41 – 49</div> <div>50+</div> </div> <div> <div>8.00%</div> <div>7.50%</div> <div>6.00%</div> <div>5.00%</div> </div> </div>
	* Age-based salary increase rates apply for employees with three or more years of service
Investment rate of return	7.75%, net of investment expenses
Cost-of-living adjustments	None

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	31%	6.05%
International Equity	21%	6.70%
Private Equity	5%	10.20%
Domestic Fixed Income	17%	1.43%
International Fixed Income	5%	(0.45)%
Global Real Assets	20%	5.16%
Cash Equivalents	1%	0.00%

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

The pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments through the year of 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.56%; and the resulting Single Discount Rate is 6.44%.

**Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.** The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 6.44 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.44 percent) or 1-percentage-point higher (7.44 percent) than the current rate:

<b>Proportionate Share of the Net Pension Liability</b>	<b>1% Decrease (5.44%)</b>	<b>Current Discount Rate (6.44%)</b>	<b>1% Increase (7.44%)</b>
<u>Governmental</u>	\$ 12,444,612	\$ 9,167,095	\$ 6,440,338
<u>Business-Type</u>			
Water & Sewer	2,538,144	1,869,677	1,313,541
Health & Sanitation	1,349,253	993,902	698,266

**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-EMPLOYMENT BENEFITS

##### General Information about the OPEB Plan

##### **North Dakota Public Employees Retirement System**

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

NDPERS 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. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

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

### **OPEB Benefits**

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as *"prefunded credit applied"* on the Statement of Changes in Plan Net Position for the OPEB trust funds.

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. 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, 2017, the Employer reported a liability of \$558,681 (Governmental - \$425,702, Business-Type - \$132,979) for its proportionate share of the net liability. The net OPEB liability was measured as of July 1, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability was based on the employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2017 the Employer's proportion was .706287 percent.

**CITY OF WEST FARGO**

## Notes to the Financial Statements – Continued

For the year ended December 31, 2017, the Employer recognized OPEB expense of \$66,978, (\$51,036 governmental / \$15,942 business-type). At December 31, 2017 the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<b>Governmental</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ -	\$ 10,383
Changes of Assumptions	41,231	-
Net Difference Between Projected and Actual Investment		
Earnings on OPEB Plan Investments	-	16,095
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	-	1,776
City Contributions Subsequent to the Measurement Date	-	-
<b>Total Governmental</b>	<b>\$ 41,231</b>	<b>\$ 28,254</b>

<b>Business Type - Sewer &amp; Water</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ -	\$ 2,118
Changes of Assumptions	8,409	-
Net Difference Between Projected and Actual Investment		
Earnings on OPEB Plan Investments	-	3,283
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	-	362
City Contributions Subsequent to the Measurement Date	-	-
<b>Total Water Fund</b>	<b>\$ 8,409</b>	<b>\$ 5,763</b>

<b>Business-Type - Health &amp; Sanitation</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ -	\$ 1,126
Changes of Assumptions	4,470	-
Net Difference Between Projected and Actual Investment		
Earnings on OPEB Plan Investments	-	1,745
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	-	192
City Contributions Subsequent to the Measurement Date	-	-
<b>Total Sewer Fund</b>	<b>\$ 4,470</b>	<b>\$ 3,063</b>

<b>Total Business-Type</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences Between Expected and Actual Experience	\$ -	\$ 3,244
Changes of Assumptions	12,879	-
Net Difference Between Projected and Actual Investment		
Earnings on OPEB Plan Investments	-	5,028
Changes in Proportion and Differences Between Employer		
Contributions and Proportionate Share of Contributions	-	554
City Contributions Subsequent to the Measurement Date	-	-
<b>Total Business-Type</b>	<b>\$ 12,879</b>	<b>\$ 8,826</b>

**CITY OF WEST FARGO**
**Notes to the Financial Statements – Continued**

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

		Business-Type	
		Water & Sewer Fund	Health & San. Fund
2018	\$ 527	\$ 108	\$ 57
2019	527	108	57
2020	527	108	57
2021	528	107	57
2022	4,551	928	494
2023	4,551	928	493
Thereafter	1,766	360	192

**Actuarial assumptions.** The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Not applicable
Investment rate of return	7.50%, net of investment expenses, including inflation
Cost-of-living adjustments	None

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

The long-term expected rate of return 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 Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	37%	5.80%
Small Cap Domestic Equities	9%	7.05%
International Equities	14%	6.20%
Core-Plus Fixed Income	40%	1.56%

**Discount rate.** The discount rate used to measure the total OPEB liability was 7.5%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2017 and July 1, 2016 HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on RHIC plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**CITY OF WEST FARGO**

## Notes to the Financial Statements – Continued

***Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate.*** The following presents the net OPEB liability of the Plans as of June 30, 2017, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

<b>Proportionate Share of the Net OPEB Liability</b>	<b>1% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1% Increase (8.50%)</b>
Governmental	\$ 532,927	\$ 425,702	\$ 333,791
<u>Business-Type</u>			
Water & Sewer Fund	108,693	86,824	68,078
Health & Sanitation Fund	57,780	46,155	36,190

**NOTE 11: RISK MANAGEMENT**

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

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City of West Fargo pays an annual premium to NDRF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRF is limited to losses of two million dollars per occurrence for general liability and automobile and \$7,814,776 for mobile equipment and portable property (public assets).

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

The City of West Fargo has worker's compensation insurance with North Dakota Workforce, Safety and Insurance and provides health, dental and vision insurance benefits for full-time employees through Blue Cross Blue Shield of North Dakota. The city pays 87.5% for single coverage or 75% of family, employee with spouse or single with dependents coverage.

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



**CITY OF WEST FARGO**

## Notes to the Financial Statements – Continued

**NOTE 12: INDIVIDUAL FUND DEFICITS**

The following funds were in a deficit fund balance and cash balance position at December 31, 2017:

<b>Fund Name</b>	<b>Fund Balance</b>	<b>Cash</b>
<u>Debt Service Funds (3000's):</u>		
Sidewalk 2006	\$ (36,084)	\$ (36,084)
Sidewalk District 2012	(116,661)	(116,661)
2014B-RIB	(320,322)	(320,322)
<u>Capital Projects Funds (4000's):</u>		
3001 1st Ave. E. Improvements	(2,473,801)	(2,473,801)
2241 5th St. West. Ext. (27th to 28th Ave. W.)	(333,072)	(333,072)
2240 8th Ave. NW. & 26th St. NW - Paving	(1,993,255)	(1,993,255)
2242 Street Improvement District	(206,770)	(206,770)
4058 Storm Lift Station (SM 71)	(131,107)	(131,107)
2243 Street Improvement District	(1,930,541)	(1,930,541)
4060 Storm Sewer Lift SA 72 Improvements	(1,642,772)	(1,642,772)
Storm Lift SM 33 Rehabilitation	(238,595)	(238,595)
4061 Storm Lift Rehab (SM 25, 28, 44)	(1,318,413)	(1,318,413)
4062 Storm Lift SM 75 & CR 19 Abandonment	(264,224)	(264,224)
2219 7th Ave - 17th to 45th Street Impr.	(5,345)	(5,345)
1279 12th Ave N-45th Str to Cty 19 Impr	(8,679,989)	(8,679,989)
1295 Highland Meadows 2nd Addition	(3,606,432)	(3,606,432)
1296 Lagoon System Improvements	(62,604)	(62,604)
1297 Sewer Improvement District	(2,654,348)	(2,654,348)
1301 Water Storm Sewer Street District	(3,780,367)	(3,780,367)
1292 North Pond at the Preserve 9th	(903,988)	(903,988)
1299 Lift Station SA13 Rehabilitation	(128,946)	(128,946)
1300 Reiver Bend at Preserve 4th Addition	(2,066,325)	(2,066,325)
1303 Oak Ridge 11th Addition	(1,142,636)	(1,142,636)
1302 Water Tank Rehabilitation	(1,176,719)	(1,176,719)
1304 26th Ave. W. & 5th CT W	(275,350)	(275,350)
1305 Wilds 9th & SA 46	(3,832,754)	(3,832,754)
1308 Fargo Wastewater Connection Project	(124)	(124)
Lagoon Decommissioning Project	(124)	(124)
1310 South Reginal Sanitary Sewer Forcemain	(2,995)	(2,995)
2248 1st Ave. & 10 St. E. Improvement District	(270)	(270)
2250 Sheyenne St. Improvement District	(856)	(856)
1311 Brooks Harbor Water Tower	(135,162)	(135,162)
1312 Water Improvement District	(150)	(150)
2251 13th Ave. (12th to 45th) Reconstruct.	(39,041)	(39,041)
6053 Sidewalk Improvement District	(128,858)	(128,858)
2249 Street Improvement District	(124)	(124)
1313 Sewer Improvement District	(120)	(120)
Sheyenne St S of I94	(632,860)	(632,860)
2246 Traffic Calming Elmwood Ct	(165,054)	(165,054)

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

- Transfer general fund, sales tax fund, and capital project fund moneys sufficient to relieve deficits
- Issue bonds to finance capital projects
- Collect special assessments to relieve deficits

**CITY OF WEST FARGO**

## Notes to the Financial Statements – Continued

**NOTE 13: CONTINGENT LIABILITIES**

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

Additionally, the city is defendant in certain lawsuits incident to its operations. In the opinion of City Counsel and management, such claims against the city not covered by insurance would not materially affect the financial condition of the city.

**NOTE 14: OPEN CONSTRUCTION PROJECTS**

The city had 22 construction projects open at year-end. The total amount of construction costs in progress was \$35,088,097 with contract amounts of \$56,815,358 leaving total construction commitments of \$21,727,261 at December 31, 2017. Additionally, retainages payable related to construction at December 31, 2017 totaled \$960,965.

<b>Project</b>	<b>Contract Amount</b>	<b>Total Completed</b>	<b>Remaining Balance</b>	<b>Retainage</b>
Storm Improvement District No. 4058	\$ 135,353	\$ 105,237	\$ 30,116	\$ -
Sewer, Water, Storm and Street District No. 1301	3,364,812	3,362,187	2,625	5,000
Sewer, Water, Storm and Street District No. 1273-Phase III	1,295,400	1,400,696	(105,296)	1,000
Sewer, Water, Storm and Street District No. 1289-Phase II	7,128,215	7,350,555	(222,340)	10,351
Sewer, Water, Storm and Street District No. 1295	3,412,533	3,213,775	198,758	70,000
Sewer, Water, Storm and Street District No. 1300	1,880,599	1,892,851	(12,252)	-
Sewer, Water, Storm and Street District No. 1305	5,218,551	3,583,475	1,635,076	260,928
Storm Improvement District No. 4059 - Electrical Constr.	98,407	98,407	-	-
HEU-8-992(038)039	4,933,856	1,456,186	3,477,670	29,124
SU8-992(036)037	19,388,757	3,822,496	15,566,261	76,449
Infrastructure Replacement District No. 3001	2,627,333	2,476,221	151,112	247,622
Storm Improvement District No. 4057 - General Constr.	1,896,900	1,842,400	54,500	9,484
Storm Improvement District No. 4059 - General Constr.	152,626	151,866	760	7,550
Storm Improvement District No. 4060 - General Constr.	1,481,607	1,353,239	128,368	74,080
Storm Improvement District No. 4060 - Electrical Constr.	348,400	130,474	217,926	13,047
Storm Improvement District No. 4061 - General Constr.	1,307,802	1,191,227	116,575	65,390
Storm Improvement District No. 4061 - Electrical Constr.	115,293	33,527	81,766	3,353
Storm Improvement District No. 4062 - General Constr.	371,813	226,425	145,388	18,591
Storm Improvement District No. 4062 - Electrical Constr.	50,327	4,500	45,827	450
Water Improvement Project No. 1302	935,535	877,460	58,075	46,777
Street Improvement District No. 2241	435,389	279,043	156,346	21,769
Sanitary System Improvements - Electrical Constr.	235,850	235,850	-	-
<b>Total</b>	<b>\$56,815,358</b>	<b>\$ 35,088,097</b>	<b>\$ 21,727,261</b>	<b>\$ 960,965</b>

**NOTE 15: TAX ABATEMENTS**

The City of West Fargo negotiates property tax abatement agreements on an individual basis with certain individuals and various commercial entities/businesses. The city has the following types of tax abatement agreements with various individuals and commercial entities at December 31, 2017.

The City of West Fargo will state individually the parties whom received a benefit of the reduction in taxes of 20% or greater when compared to the total reduction of taxes for all tax abatement programs.

**New and Expanding Business:**

Businesses that are primarily industrial, commercial, retail or service are eligible for property tax incentives for new and expanding businesses if they meet state requirements (NDCC 40.57.1-03) and the guidelines stated below. The following criteria are only guidelines.

General criteria — In evaluation applications for property tax exemption, the City Council will consider the following factors:

- Economic impact through increased construction activity, equipment purchases, additional product purchases, additional work activity, immediate and projected increases in property values, and impact on future tax collections
- Number of jobs created and employee benefits (types of jobs — professional, managerial, technical, skilled, unskilled with emphasis on full-time positions)
- Diversification of economic base
- Growth potential of company and industry and potential spin-off benefits
- Impact on city services: Can the company be accommodated within existing service levels, or will additional capacity be needed? Is the company locating where better use of existing services will take place or further the development plans of the city?
- Utilization of local resources: Will the company be an exporter from our region? Will it provide support services to existing companies? Use of raw materials and services developed in the area

**Exemption Criteria:**

Amount of exemption is per the following schedule: Year 1 — 100%, Year 2 — 100%, Year 3 — 75%, Year 4 — 50%, Year 5 — 25%.

**2017 Reduction in Taxes – Other Entities:**

Total program reduction in taxes – \$47,093

**Public Charity Exemption:**

Public Charities are eligible for property tax incentives if they meet state requirements (NDCC 57-02-08(8)) and the guidelines stated below. The following criteria are only guidelines.

All buildings belonging to institutions of public charity, including public hospitals and nursing homes licensed pursuant to section 23-16-01 under the control of religious or charitable institutions, used wholly or in part for public charity, together with the land actually occupied by such institutions not leased or otherwise used with a view to profit. The exemption provided by this subsection includes any dormitory, dwelling, or residential-type structure, together with necessary land on which such structure is located, owned by a religious or charitable organization recognized as tax exempt under section 501(c)(3) of the United States Internal Revenue Code which is occupied by members of said organization who are subject to a religious vow of poverty and devote and donate substantially all of their time to the religious or charitable activities of the owner.

**Exemption criteria:**

Property exempt if the qualified facility is used wholly or in part for public charity, together with the land occupied by such institutions not leased or otherwise used with a view to profit.

**2017 Reduction in Taxes – Other Entities:**

Total program reduction in taxes – \$1,095

**Single Family Residence:**

Single Family property owners are eligible for property tax incentives for the specified property that meet state requirements (NDCC 57-02-08(35)).

General Criteria -- Up to one hundred fifty thousand dollars of the true and full value of all new single-family and condominium and townhouse residential property, exclusive of the land on which it is situated, is exempt from taxation for the first two taxable years after the taxable year in which construction is completed and the residence is owned and occupied for the first time if all the following conditions are met:

- a. The governing body of the city, for property within city limits, or the governing body of the county, for property outside city limits, has approved the exemption of the property by resolution. A resolution adopted under this subsection may be rescinded or amended at any time. The governing body of the city or county may limit or impose conditions upon exemptions under this subsection, including limitations on the time during which an exemption is allowed.
- b. Special assessments and taxes on the property upon which the residence is situated are not delinquent.

2017 Reduction in Taxes – Other Entities:

Total Program Reduction in taxes – \$280,969

**Childhood Services Exemption**

Childhood Services (also adult daycare) are eligible for property tax incentives if they meet state requirements (NDCC 57-02-08(36) and the guidelines stated below. The following criteria are only guidelines.

The governing body of the city, for property within city limits, or of the county, for property outside city limits, may grant a property tax exemption for the portion of fixtures, buildings, and improvements, used primarily to provide early childhood services by a corporation, limited liability company, or organization licensed under chapter 50-11.1 or used primarily as an adult day care center. However, this exemption is not available for property used as a residence.

2017 Reduction in Taxes – Other Entities:

Total program reduction in taxes – \$4,292

**Commercial and Residential:**

Commercial and Residential property are eligible for property tax incentives if they meet state requirements (NDCC 57-02.2-03) and the guidelines stated below. The following criteria are only guidelines.

Under NDCC 57-02.2-03 improvements to commercial and residential buildings and structures as defined in this chapter may be exempt from assessment and taxation for up to five years from the date of commencement of making the improvements, if the exemption is approved by the governing body of the city, for property within city limits, or the governing body of the county, for property outside city limits. The governing body of the city or county may limit or impose conditions upon exemptions under this section, including limitations on the time during which an exemption is allowed. A resolution adopted by the governing body of the city or county under this section may be rescinded or amended at any time. The exemption provided by this chapter shall apply only to that part of the valuation resulting from the improvements which is over and above the assessed valuation, exclusive of the land, placed upon the building or structure for the last assessment period immediately preceding the date of commencement of the improvements. Any person, corporation, limited liability company, association, or organization owning real property and seeking an exemption under this chapter shall file with the assessor a certificate setting out the facts upon which the claim for exemption is based. The assessor shall determine whether the improvements qualify for the exemption based on the resolution of the governing body of the city or county, and if the assessor determines that the exemption should apply, upon approval of the governing body, the exemption is valid for the prescribed period and shall not terminate upon the sale or exchange of the property but shall be transferable to subsequent owners. If the certificate is not filed as herein provided, the assessor shall regard the improvements as nonexempt and shall assess them as such.

**CITY OF WEST FARGO**

## Notes to the Financial Statements – Continued

2017 Reduction in Taxes – Other Entities:

Total program reduction in taxes – \$3,486

**NOTE 16: SUBSEQUENT EVENTS**

On February 1, 2018, the City of West Fargo called refunding bonds Series' 2007A, 2007B, 2008B, and 2012C and issued refunding bonds Series 2018A at a par value of \$9,275,000.

On March 5, 2018, the City of West Fargo approved a bid (5-year term at 2.75% interest) for equipment lease financing by Choice Financial Bank in the amount of \$700,000.

**NOTE 17: PRIOR PERIOD ADJUSTMENTS**Due to Change in Accounting Principle:

Due to the provisions of GASB Statement No. 75 'Accounting and Financing Reporting for Postemployment Benefit Plans Other than Pensions', the beginning balance of the liability related to the retiree health insurance credit fund.

Due to Prior Errors

The beginning balances of the debt service, capital projects, and total non-major funds were restated to properly account for certain reclassifications of items in debt service funds and to remove prior receivables reported in debt service funds and reclassify them to the non-major funds. Additionally, the beginning amount of bond premium and bond discount were reported in governmental activities to properly reflect those in the beginning net position balance.

**Governmental Activities**

<b>Governmental Activities</b>	<b>Amounts</b>
Beginning Net Position, as previously reported	\$ 138,952,281
<b>Adjustments to restate the January 1, 2017 Net Position:</b>	
Modified Accrual Adjustments - Debt Service Funds	(1,597,620)
Modified Accrual Adjustments - Capital Projects Funds	270,000
Modified Accrual Adjustments - Non-Major Funds	1,159,100
Beginning Bond Premium	(2,336,559)
Beginning Bond Discount	885,007
Report Beginning Balance of OPEB Liability - retiree health	(424,297)
Net Position January 1, as restated	\$ 136,907,912

<b>Debt Service Funds</b>	<b>Amounts</b>
Beginning Fund Balance, as previously reported	\$ 28,313,003
<b>Adjustments to restate the January 1, 2017 Fund Balance:</b>	
Reclassifications of items in funds 3730, 3982 & 3983	(64,620)
Remove prior interfund receivables	(1,533,000)
Fund Balance January 1, as restated	\$ 26,715,383

<b>Capital Project Funds</b>	<b>Amounts</b>
Beginning Fund Balance, as previously reported	\$ (41,774,491)
<b>Adjustments to restate the January 1, 2017 Fund Balance:</b>	
Capital Projects Special Assessment Receivable	270,000
Fund Balance January 1, as restated	\$ (41,504,491)

**CITY OF WEST FARGO**

## Notes to the Financial Statements – Continued

<b>Non-Major Funds</b>	<b>Amounts</b>
Beginning Fund Balance, as previously reported	\$ 2,608,666
<b>Adjustments to restate the January 1, 2017 Fund Balance:</b>	
Reclassify items in funds 3982 & 3983 to fund 2960	1,159,100
Fund Balance January 1, as restated	\$ 3,767,766

<b>Total Fund Balances</b>	<b>Amounts</b>
Beginning Fund Balance, as previously reported	\$ 22,022,859
<b>Adjustments to restate the January 1, 2017 Net Position:</b>	
Modified Accrual Adjustments - Debt Service Funds	(1,597,620)
Modified Accrual Adjustments - Capital Projects Funds	270,000
Modified Accrual Adjustments - Non-Major Funds	1,159,100
Net Position January 1, as restated	\$ 21,854,339

**Business-Type Activities**

<b>Business-Type Activities</b>	<b>Amounts</b>
<b>Water and Sewer</b>	
Beginning Net Position, as previously reported	\$ 259,283,970
<b>Adjustments to restate the January 1, 2017 Net Position:</b>	
Report Beginning Balance of OPEB Liability - retiree health	(86,638)
Net Position January 1, as restated	\$ 259,197,332

<b>Business-Type Activities</b>	<b>Amounts</b>
<b>Sanitation and Health</b>	
Beginning Net Position, as previously reported	\$ 3,147,435
<b>Adjustments to restate the January 1, 2017 Net Position:</b>	
Report Beginning Balance of OPEB Liability - retiree health	(49,861)
Net Position January 1, as restated	\$ 3,097,574

<b>Business-Type Activities</b>	<b>Amounts</b>
<b>Total</b>	
Beginning Net Position, as previously reported	\$ 262,431,405
<b>Adjustments to restate the January 1, 2017 Net Position:</b>	
Report Beginning Balance of OPEB Liability - retiree health	(136,499)
Net Position January 1, as restated	\$ 262,294,906

CITY OF WEST FARGO  
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 7,554,494	\$ 7,554,494	\$ 7,509,022	\$ (45,472)
Licenses, Permits & Fees	2,252,700	2,252,700	3,113,975	861,275
Intergovernmental	2,630,000	2,630,000	3,307,030	677,030
Fines, Forfeitures, & Penalties	30,000	30,000	371,878	341,878
Interest Income	20,000	20,000	65,139	45,139
Miscellaneous	1,000	1,000	81,036	80,036
Total Revenues	\$ 12,488,194	\$ 12,488,194	\$ 14,448,080	\$ 1,959,886
<u>Expenditures:</u>				
Current:				
General Government	\$ 3,386,446	\$ 3,386,446	\$ 3,685,581	\$ (299,135)
Public Safety	6,501,830	6,753,755	6,877,592	(123,837)
Public Works/Streets	4,042,833	4,042,833	3,862,165	180,668
Economic Development	194,966	194,966	212,547	(17,581)
Total Expenditures	\$ 14,126,075	\$ 14,378,000	\$ 14,637,885	\$ (259,885)
Excess (Deficiency) of Revenues Over Expenditures	\$ (1,637,881)	\$ (1,889,806)	\$ (189,805)	\$ 1,700,001
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 1,430,000	\$ 1,430,000	\$ 2,113,272	\$ 683,272
Transfers Out	(132,000)	(2,142,000)	(2,142,000)	-
Total Other Financing Sources and Uses	\$ 1,298,000	\$ (712,000)	\$ (28,728)	\$ 683,272
Net Changes in Fund Balances	\$ (339,881)	\$ (2,601,806)	\$ (218,533)	\$ 2,383,273
Fund Balance - January 1	\$ 22,456,295	\$ 22,456,295	\$ 22,456,295	\$ -
Fund Balance - December 31	\$ 22,116,414	\$ 19,854,489	\$ 22,237,762	\$ 2,383,273

The accompanying required supplementary information notes are an integral part of this schedule.

CITY OF WEST FARGO  
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE  
SALES TAX FUND  
For the Year Ended December 31, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 8,000,000	\$ 8,000,000	\$ 9,983,662	\$ 1,983,662
Interest Income	2,000	2,000	37,478	35,478
Total Revenues	\$ 8,002,000	\$ 8,002,000	\$ 10,021,140	\$ 2,019,140
<u>Expenditures:</u>				
Current:				
Other	\$ 500,000	\$ 500,000	\$ -	\$ 500,000
Capital Outlay	4,350,000	4,350,000	260,983	4,089,017
Total Expenditures	\$ 4,850,000	\$ 4,850,000	\$ 260,983	\$ 4,589,017
Excess (Deficiency) of Revenues Over Expenditures	\$ 3,152,000	\$ 3,152,000	\$ 9,760,157	\$ 6,608,157
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ (1,581,000)	\$ (6,405,000)	\$ (10,993,572)	\$ (4,588,572)
Net Changes in Fund Balances	\$ 1,571,000	\$ (3,253,000)	\$ (1,233,415)	\$ 2,019,585
Fund Balance - January 1	\$ 10,419,386	\$ 10,419,386	\$ 10,419,386	\$ -
Fund Balance - December 31	\$ 11,990,386	\$ 7,166,386	\$ 9,185,971	\$ 2,019,585

The accompanying required supplementary information notes are an integral part of this schedule.



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CITY OF WEST FARGO  
West Fargo, North Dakota

PENSION & OPEB SCHEDULES  
For the Year Ended December 31, 2017

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**Schedule of Employer's Share of Net Pension Liability  
ND Public Employees Retirement System  
Last 10 Fiscal Years\***

	2017	2016	2015	2014
City's proportion of the net pension liability (asset)	0.748489%	0.712207%	0.665753%	0.655469%
City's proportionate share of the net pension liability (asset)	\$12,030,675	\$ 6,941,151	\$ 4,527,007	\$ 4,160,402
City's covered-employee payroll	\$ 7,640,904	\$ 7,177,366	\$ 5,931,052	\$ 5,521,525
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	157.45%	96.71%	76.33%	75.35%
Plan fiduciary net position as a percentage of the total pension liability	61.80%	70.46%	77.15%	77.70%

\*Complete data for this schedule is not available prior to 2014.

**Schedule of Employer Contributions  
ND Public Employees Retirement System  
Last 10 Fiscal Years\***

	2017	2016	2015	2014
Statutorily required contribution	\$ 554,058	\$ 519,630	\$ 450,511	\$ 393,133
Contributions in relation to the statutorily required contribution	\$ 537,895	\$ 546,659	\$ 451,207	\$ 393,133
Contribution deficiency (excess)	\$ (16,163)	\$ 27,029	\$ 696	\$ -
City's covered-employee payroll	\$7,640,904	\$7,177,367	\$5,931,052	\$5,521,525
Contributions as a percentage of covered-employee payroll	7.04%	7.62%	7.61%	7.12%

\*Complete data for this schedule is not available prior to 2014.

**Schedule of Employer's Share of Net OPEB Liability  
ND Public Employees Retirement System  
Last 10 Fiscal Years\***

<b>City - ND PERS - OPEB</b>	<b>2017</b>
City's proportion of the net OPEB liability (asset)	0.706287%
City's proportionate share of the net OPEB liability (asset)	\$ 558,681
City's covered-employee payroll	\$ 7,640,904
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	7.31%
Plan fiduciary net position as a percentage of the total OPEB liability	59.78%

\*Complete data for this schedule is not available prior to 2017.

**Schedule of Employer Contributions  
ND Public Employees Retirement System  
Last 10 Fiscal Years\***

<b>City - ND PERS - OPEB</b>	<b>2017</b>
Statutory required contribution	\$ 88,820
Contributions in relation to the statutory required contribution	\$ 86,124
Contribution deficiency (excess)	\$ 2,696
District's covered-employee payroll	\$ 7,640,904
Contributions as a percentage of covered-employee payroll	1.13%

\*Complete data for this schedule is not available prior to 2017.

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CITY OF WEST FARGO  
West Fargo, North Dakota

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2017

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NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information:

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 September tenth, 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 7<sup>th</sup> 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 7<sup>th</sup> in accordance with provisions outlined in detail in NDCC 40-40-08.
- After completing the final budget on or before October 7<sup>th</sup>, 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 10<sup>th</sup>, the auditor of the municipality shall send to the county auditor a certified copy of the final budget (NDCC 40-40-10).

**CITY OF WEST FARGO****Notes to the Required Supplementary Information - Continued**

- 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. The 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).

**NOTE 2: LEGAL COMPLIANCE - BUDGETS****BUDGET AMENDMENTS**

The governing board approved the following budget amendments to the 2017 city budget (expenditures and transfers out):

<b>Budget Amendments Governmental Funds</b>	<b>Expenditures/Transfers Out</b>		
	<b>Original Budget</b>	<b>Budget Amendments</b>	<b>Amended Budget</b>
General Fund - expenditures	\$ 6,501,830	\$ 251,925	\$ 6,753,755
General Fund - transfers out	132,000	2,010,000	2,142,000
Sales Tax Fund - transfers out	6,405,000	4,824,000	11,229,000
Share of Specials	120,000	15,000	135,000
Fire Fund	797,680	20,320	818,000
Tourist & Event Committee	20,000	3,500	23,500
Otto Brehmer Grant	-	3,400	3,400
Nite to Unite	5,500	500	6,000
West Fest	25,000	7,500	32,500
Economic Development	200,000	680,000	880,000
Refund Bond 2008B	231,685	4,315	236,000
2012 CostCo Sales Tax Bonds	416,438	453,562	870,000
2015B Refunding Improvement Bonds	1,584,300	100	1,584,400
2016A Refunding Improvement Bonds	-	1,632,000	1,632,000
2017A Refunding Improvement Bonds	-	389,500	389,500
Butler TIF (3360 & 3366)	-	6,000	6,000
TIF Bonds 2009 Titan Machinery	51,550	48,450	100,000

**NOTE 3: CHANGES OF ASSUMPTIONS – NET PENSION AND OPEB LIABILITY**

Amounts reported in 2017 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.

CITY OF WEST FARGO  
West Fargo, North Dakota

SCHEDULE OF FUND ACTIVITY - CLIENT GENERAL LEDGER BASIS  
For the Year Ended December 31, 2017

	Balance 1-1-17	Revenues & Bond Premium	Transfers In	Other Financing Sources (gross)	Transfers Out	Expenditures & Bond Discount	Balance 12-31-17
General Fund (Major)	\$ 13,965,241.77	\$ 13,083,287.49	\$ 1,598,932.51	\$ -	\$ 2,142,000.04	\$ 14,126,394.62	\$ 12,379,067.11
General Fund Reserve	8,030,739.18	1,407,558.86	514,339.25	-	-	99,144.65	9,853,492.64
Total General Fund	\$ 21,995,980.95	\$ 14,490,846.35	\$ 2,113,271.76	\$ -	\$ 2,142,000.04	\$ 14,225,539.27	\$ 22,232,559.75
Sales Tax (Major)	\$ 9,640,353.06	\$ 10,087,422.84	\$ -	\$ -	\$ 10,993,572.43	\$ 260,982.38	\$ 8,473,221.09
<b>Special Revenue Funds (Nonmajor):</b>							
City's Share of Specials	\$ 41,608.73	\$ 117,278.17	\$ -	\$ -	\$ -	\$ 134,481.17	\$ 24,405.73
Fire Fund	155,475.96	775,777.99	-	-	-	817,410.28	113,843.67
Building & Technology Fund	908.30	-	-	-	-	908.30	-
Gaming Funds	38,693.29	9,935.86	-	-	-	-	48,629.15
Municipal Highway Fund	369,361.06	1,600,616.04	-	-	1,598,932.51	20,540.00	350,504.59
Tourist & Event Committee	68,710.87	3,444.88	10,000.00	-	-	23,416.63	58,739.12
FM Visitor's Bureau-Lodging	-	139,918.19	-	-	-	139,918.19	-
Otto Bremer Grant Crisis Training	3,367.06	-	-	-	-	3,367.06	-
Vector Control	9,566.76	92,256.02	30,000.00	-	-	74,097.52	57,725.26
Forestry	71,969.83	106,035.58	100,000.00	-	-	158,986.36	119,019.05
National Night Out (Night to Unite)	999.94	4,000.00	2,000.00	-	-	5,983.20	1,016.74
Future Building	294,856.65	676.47	-	-	-	165,494.43	130,038.69
West Fest	32,036.77	30,400.00	-	-	-	32,322.95	30,113.82
Cruise Night	11,095.61	13,540.00	-	-	-	11,487.37	13,148.24
Asset Forfeitures	80,956.40	28,091.35	-	-	-	9,739.75	99,308.00
Economic Development	1,559,633.79	150,543.19	1,540,478.96	-	-	876,105.46	2,374,550.48
Library General	608,124.10	1,326,456.50	-	-	-	992,807.00	941,773.60
Airport Authority Bond Construction	136,868.83	383.73	60,461.27	-	-	-	197,713.83
Airport Authority	133,901.68	248,503.12	-	-	60,461.27	116,934.73	205,008.80
Total Special Revenue Funds (Nonmajor)	\$ 3,618,135.63	\$ 4,647,857.09	\$ 1,742,940.23	\$ -	\$ 1,659,393.78	\$ 3,584,000.40	\$ 4,765,538.77
Total Special Revenue Funds	\$ 13,258,488.69	\$ 14,735,279.93	\$ 1,742,940.23	\$ -	\$ 12,652,966.21	\$ 3,844,982.78	\$ 13,238,759.86
<b>Debt Service Funds (Major):</b>							
2011-C RIB	\$ 1,489,738.31	\$ 1,121,916.54	\$ -	\$ -	\$ -	\$ 697,148.00	\$ 1,914,506.85
RIB 2011 B (recall 2004B)	182,778.89	235,515.61	-	-	-	321,594.00	96,700.50
2005 A Refunding Improvement Bonds	1,988,885.71	319,612.84	-	-	-	648,456.50	1,660,042.05
Sidewalk 6043 - 2006	(24,653.67)	9,737.06	-	-	-	21,167.00	(36,083.61)
Sidewalk 6042 - 2005	24,376.66	68.35	-	-	-	-	24,445.01
Sidewalk 6044 - 2007	24,366.72	11,986.82	-	-	-	22,351.00	14,002.54
2008-B RIB	157,183.03	214,683.73	-	-	-	235,678.50	136,188.26
2008-C RIB	1,767,113.54	731,029.06	-	-	-	617,490.00	1,880,652.60
2009-A RIB (from 2001/2001c/2002)	820,429.39	423,723.68	-	-	-	675,732.00	568,421.07
2009-B RIB (from 2003C & 2003D)	376,980.07	198,323.20	-	-	-	309,781.00	265,522.27
2005-C Refunding Bonds	25,156.35	7,674.18	-	-	-	-	32,830.53
2006 A RIB	390,321.57	425,873.04	-	-	-	711,540.50	104,654.11
2007A RIB	1,169,254.99	710,831.73	-	-	-	848,296.00	1,031,790.72
2007B RIB	1,163,708.29	564,151.16	-	-	-	525,186.00	1,202,673.45
G.O. Bonds 2009	8,349.45	4.93	940,945.12	-	-	949,299.50	-
Municipal Bonds 2009 NDPFA	182,269.08	32,271.67	-	-	-	32,125.84	182,414.91
2009-C RIB	580,233.83	685,732.35	-	-	-	554,592.50	711,373.68
2010 A - RIB (refund of 2003E & 2004A)	1,238,322.70	696,320.32	-	-	-	671,042.50	1,263,600.52
2010 B - RIB	379,569.00	616,477.54	-	-	-	499,956.50	496,090.04
Sidewalk Refunding Bonds 2010	28,812.02	136,507.84	-	-	-	55,059.00	110,260.86
2012 A-RIB	1,412,546.54	2,312,883.72	-	-	-	1,169,510.54	2,555,919.72
2012 Sidewalk Refunding Bonds	39,170.50	12,956.22	-	-	-	18,473.25	33,653.47
2012 C (Ref of 2005B & 2005D)	1,148,318.80	935,546.94	-	-	-	1,316,788.00	767,077.74
2012 D Special Assessment Bond	2,265,549.80	4,721,576.53	-	-	-	2,949,122.02	4,038,004.31
2012 Sales Tax Bonds	316,029.03	653.61	1,088,499.67	-	-	868,360.42	536,821.89
Reserve for 2012 Sales Tax Bonds	206,771.02	579.72	-	-	-	-	207,350.74
2013 A RIB	1,577,369.94	1,125,602.30	-	-	-	1,067,952.00	1,635,020.24
2013B RIB	1,555,563.19	1,303,062.61	-	-	-	1,076,964.76	1,781,661.04
2012 Sidewalk District (6050)	(146,891.32)	30,230.37	-	-	-	-	(116,660.95)
2014A RIB	17,060.70	1,976,901.85	-	-	-	1,345,780.98	648,181.57
2014B RIB	(481,519.48)	1,851,967.56	-	-	-	1,690,770.00	(320,321.92)
2015A RIB	1,802,585.72	3,150,680.10	-	-	-	2,545,289.00	2,407,976.82
2015B RIB	2,126,299.77	1,873,342.04	-	-	-	1,584,397.60	2,415,244.21
2016A RIB	60,740.77	2,928,710.92	205,200.89	-	-	1,631,382.85	1,563,269.73
2017A RIB	-	439,676.09	2,715,454.69	-	-	389,467.98	2,765,662.80
2067	459,096.22	55,243.03	-	-	514,339.25	-	-
TIF West Fargo 2nd & 3rd	-	44,506.90	-	-	-	-	44,506.90
TIF Bonds Sterling Industrial Park (to 3377)	911,159.33	263,223.99	-	-	-	-	1,174,383.32
TIF Butler (to 3360 and 3366)	1,278,982.33	1,056,706.11	-	-	-	5,919.99	2,329,768.45
TIF Titan Machinery (to 3370)	193,355.50	363,515.82	-	-	-	99,760.16	457,111.16
Total Debt Service Funds	\$ 26,715,384.29	\$ 31,590,008.08	\$ 4,950,100.37	\$ -	\$ 514,339.25	\$ 26,156,435.89	\$ 36,584,717.60
<b>Capital Projects Funds (Major):</b>							
Capital Improvements	\$ 1,094,898.73	\$ 148,724.32	\$ 6,040,732.35	\$ -	\$ 608,066.93	\$ 118,426.87	\$ 6,557,861.60
Construction Testing	2,432.03	-	-	-	-	30.00	2,402.03
3001 1st Ave. E. Improvements	-	-	-	-	-	2,473,800.86	(2,473,800.86)

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CITY OF WEST FARGO  
West Fargo, North Dakota

SCHEDULE OF FUND ACTIVITY - CLIENT GENERAL LEDGER BASIS  
For the Year Ended December 31, 2017

	Balance 1-1-17	Revenues & Bond Premium	Transfers In	Other Financing Sources (gross)	Transfers Out	Expenditures & Bond Discount	Balance 12-31-17
CONTINUED...							
<u>Capital Projects Funds (Major):</u>							
Storm Lift Station	\$ (744,884.92)	\$ 195,223.95	\$ -	\$ 2,650,000.00	\$ 195,223.95	\$ 1,799,534.11	\$ 105,580.97
2241 5th St. West. Ext. (27th to 28th Ave. W.)	(32,945.25)	-	-	-	-	300,127.10	(333,072.35)
2240 8th Ave. NW. & 26th St. NW - Paving	(1,487,265.17)	-	-	-	-	505,989.45	(1,993,254.62)
2242 Street Improvement District	(19,726.00)	-	-	-	-	187,043.99	(206,769.99)
4054 Regional Stm Lft	(4,779,590.27)	405,918.48	-	5,510,000.00	405,918.48	659,239.80	71,169.93
4055 Christianson's 3rd Lift	4,863.35	-	-	-	4,814.35	49.00	-
Main Avenue Project	-	-	-	-	-	-	-
4056 - Meadow Ridge Stm Lift	1,911.34	-	-	-	1,844.14	67.20	-
4045 Southside General Storm Sewer	(8,330.50)	-	8,330.50	-	-	-	-
4058 Storm Lift Station (SM 71)	(135,810.89)	-	-	-	-	(4,704.12)	(131,106.77)
2243 Street Improvement District	(581.54)	-	-	-	-	1,929,959.32	(1,930,540.86)
4060 Storm Sewer Lift SA 72 Improvements	-	-	-	-	-	1,642,771.79	(1,642,771.79)
Storm Lift SM 33 Rehabilitation	-	-	-	-	-	238,595.08	(238,595.08)
4061 Storm Lift Rehab (SM 25, 28, 44)	-	-	-	-	-	1,318,413.45	(1,318,413.45)
4062 Storm Lift SM 75 & CR 19 Abandonment	-	-	-	-	-	264,223.61	(264,223.61)
2219 7th Ave - 17th to 45th Street Impr.	(5,344.70)	-	-	-	-	-	(5,344.70)
1279 12th Ave N-45th Str to City 19 Impr	(4,597,352.95)	900,000.00	-	5,000,000.00	-	9,982,636.28	(8,679,989.23)
1273 Main Ave. Phase III NHU-8-010(032)932	(8,993,123.03)	748,481.27	1,000,000.00	10,160,000.00	748,481.27	1,972,196.48	194,680.49
1260 1.5mm gallon water tower	(1,405,878.91)	511,224.89	-	-	-	1,054,637.13	(1,949,291.15)
1276-Christianson's 2nd	-	3,548.58	-	-	3,499.38	49.20	-
1284 Christianson Dr	15,552.14	-	-	-	15,502.94	49.20	-
1287 - Sheyenne & 52nd Ave Water Main	(386,829.77)	3,913.44	382,916.33	-	-	-	-
1288 Wilds 7th Addition	96,757.98	-	-	-	96,704.58	53.40	-
1289 26th St NE & Diversion Road	(9,179,974.26)	779,790.78	-	10,585,000.00	779,790.78	1,159,278.01	245,747.73
1291 Brooks Harbor 5th & 6th	82,900.10	-	-	-	82,835.50	64.60	-
1290 7th AVE NW & Center St	(1,972.00)	-	1,972.00	-	-	-	-
1293 Wild's 8th Addition	(1,063,240.08)	356,681.54	-	1,730,000.00	127,448.09	820,507.75	75,485.62
1294 Eaglewood 5th Addition	(1,961,691.70)	159,862.63	-	2,170,000.00	159,862.63	174,126.20	34,182.10
1295 Highland Meadows 2nd Addition	(85.00)	-	-	-	-	3,606,346.80	(3,606,431.80)
1296 Lagoon System Improvements	(114.00)	-	-	-	-	62,490.00	(62,604.00)
1297 Sewer Improvement District	(1,052,415.95)	-	-	-	-	1,601,931.59	(2,654,347.54)
1298 Eagle Run Plaza 5th Addition	(463,841.64)	75,879.50	-	1,030,000.00	75,879.50	547,456.92	18,701.44
1301 Water Storm Sewer Street District	(176.00)	-	-	-	-	3,780,191.01	(3,780,367.01)
1292 North Pond at the Preserve 9th	-	-	-	-	-	903,988.06	(903,988.06)
1299 Lift Station SA13 Rehabilitation	(447.41)	-	-	-	-	128,499.08	(128,946.49)
1300 Reiver Bend at Preserve 4th Addition	-	-	-	-	-	2,066,325.10	(2,066,325.10)
1303 Oak Ridge 11th Addition	-	-	-	-	-	1,142,635.95	(1,142,635.95)
1302 Water Tank Rehabilitation	-	-	-	-	-	1,176,718.65	(1,176,718.65)
1304 26th Ave. W. & 5th CT W	-	-	-	-	-	275,350.20	(275,350.20)
1305 Wilds 9th & SA 46	-	-	-	-	-	3,832,754.24	(3,832,754.24)
1308 Fargo Wastewater Connection Project	-	-	-	-	-	124.00	(124.00)
Lagoon Decommissioning Project	-	-	-	-	-	124.00	(124.00)
1310 South Reginal Sanitary Sewer Forcemain	-	-	-	-	-	2,995.20	(2,995.20)
2248 1st Ave. & 10 St. E. Improvement District	-	-	-	-	-	270.00	(270.00)
2250 Sheyenne St. Improvement District	-	-	-	-	-	855.62	(855.62)
1311 Brooks Harbor Water Tower	-	-	-	-	-	135,162.49	(135,162.49)
1312 Water Improvement District	-	-	-	-	-	150.00	(150.00)
2251 13th Ave. (12th to 45th) Reconstruct.	-	-	-	-	-	39,041.13	(39,041.13)
6052 Sidewalk Improvement District 2016	(320,502.01)	-	329,655.82	-	-	9,153.81	-
6053 Sidewalk Improvement District	-	-	-	-	-	128,857.62	(128,857.62)
2249 Street Improvement District	-	-	-	-	-	124.00	(124.00)
1313 Sewer Improvement District	-	-	-	-	-	120.00	(120.00)
2157 13th Ave. West	(300.00)	-	300.00	-	-	-	-
2245 City Striping Improvement Project	-	-	252,617.81	-	-	252,617.81	-
Sheyenne St S of I94	(690,054.43)	-	2,000,000.04	-	-	1,942,805.38	(632,859.77)
2246 Traffic Calming Elmwood Ct	-	-	-	-	-	165,054.08	(165,054.08)
2233-40th Ave E (Shey to Dr 21-Shard w/Fargo	2,012.03	-	-	-	-	2,012.03	-
2234-33rd Ave E to Prairie Hgts Drive	(15,190.80)	-	15,190.80	-	-	-	-
2239 32 & 40th Ave W to Diversion	(4,534,834.45)	222,849.99	-	6,333,194.92	222,849.99	1,424,223.33	374,137.14
Total Capital Projects Funds	\$(40,577,627.35)	\$ 4,508,550.79	\$10,031,715.65	\$ 45,168,194.92	\$ 3,528,722.51	\$ 49,825,543.86	\$(34,223,432.36)
Total Governmental Funds	\$ 21,392,226.58	\$ 65,324,685.15	\$18,838,028.01	\$ 45,168,194.92	\$18,838,028.01	\$ 94,052,501.80	\$ 37,832,604.85
<u>Enterprise Funds:</u>							
<u>Water and Sewer</u>							
Sewer and Water Operating	\$ 6,505,680.06	\$ 9,581,296.22	\$ -	\$ -	\$ -	\$ 8,647,691.11	\$ 7,439,285.17
City Utility	384,653.07	130,394.63	-	-	-	214,893.91	300,153.79
Repl & Deprec. SWOP	30,000.00	-	-	-	-	-	30,000.00
Sewage Surcharge	295,799.86	6,590.46	-	-	-	-	302,390.32
2012 Ref Water/Sewer Reserve (2005)	665,660.22	-	-	-	-	-	665,660.22
Water/Sewer 2009 Reserve	601,646.26	-	-	-	-	-	601,646.26
South Facilities Hookup	2,776,325.36	122,583.60	-	-	-	51,744.00	2,847,164.96
Total Sewer and Water	\$ 11,259,764.83	\$ 9,840,864.91	\$ -	\$ -	\$ -	\$ 8,914,329.02	\$ 12,186,300.72
Health and Sanitation Operating	\$ 1,359,249.85	\$ 3,450,533.28	\$ -	\$ -	\$ -	\$ 3,183,164.56	\$ 1,626,618.57
Total Enterprise Funds	\$ 12,619,014.68	\$ 13,291,398.19	\$ -	\$ -	\$ -	\$ 12,097,493.58	\$ 13,812,919.29
Total Govt. & Enterprise Funds	\$ 34,011,241.26	\$ 78,616,083.34	\$18,838,028.01	\$ 45,168,194.92	\$18,838,028.01	\$ 106,149,995.38	\$ 51,645,524.14

CITY OF WEST FARGO  
West Fargo, North Dakota

SCHEDULE OF FUND ACTIVITY - CLIENT GENERAL LEDGER BASIS  
For the Year Ended December 31, 2017

	Balance 1-1-17	Revenues & Bond Premium	Transfers In	Other Financing Sources (gross)	Transfers Out	Expenditures & Bond Discount	Balance 12-31-17
<b>Agency Funds:</b>							
Park	\$ 452,442.91	\$ 644,379.67	\$ -	\$ -	\$ -	\$ 1,096,822.58	\$ -
Cash in Lieu of Land Dedication	-	631,908.61	-	-	-	347,198.97	284,709.64
Tree Planting	432,183.36	80,496.52	-	-	-	35,425.00	477,254.88
Marvin Windows Escrow Sp Assmts	170,658.00	-	-	-	-	-	170,658.00
Titan Job Training Grant 5%	10,452.45	55,756.00	-	-	-	52,968.20	13,240.25
Energy Grant	15,800.00	-	-	-	-	-	15,800.00
Downtown Business Association	10,161.11	100.00	-	-	-	119.10	10,142.01
Windsor Green Subdivision	15,910.81	-	-	-	-	-	15,910.81
Eagle Run 8th-Land Development	118,516.89	-	-	-	-	-	118,516.89
Borud's Subdivision	21,739.37	-	-	-	-	-	21,739.37
Park Sp Assmt 2003-1	-	4,196.17	-	-	-	4,058.41	137.76
2003-1 Sp. Assmt. Park - 40th Ave.	-	549.30	-	-	-	-	549.30
2014-2 Goldendood Area Park	-	2,520.25	-	-	-	-	2,520.25
Shadowwood Pk Sp.2010	-	20,976.13	-	-	-	20,544.11	432.02
2011 Park Specials - Maple Ridge	-	29,400.84	-	-	-	29,159.54	241.30
Park Improvement District 2011-1	-	425,623.12	-	-	-	415,215.00	10,408.12
2014 Park Special Assessments - Rivers Bend	-	193,639.73	-	-	-	193,012.17	627.56
Park Sp Assmt 2007-1	-	14,217.92	-	-	-	10,856.17	3,361.75
Community Development Block Grant (CDBG)	1,921.91	-	-	-	-	-	1,921.91
<b>Total Agency Funds</b>	<b>\$ 1,249,786.81</b>	<b>\$ 2,103,764.26</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,205,379.25</b>	<b>\$ 1,148,171.82</b>
<b>Total Primary Government</b>	<b>\$ 35,261,028.07</b>	<b>\$ 80,719,847.60</b>	<b>\$ 18,838,028.01</b>	<b>\$ 45,168,194.92</b>	<b>\$ 18,838,028.01</b>	<b>\$ 108,355,374.63</b>	<b>\$ 52,793,695.96</b>
<b>Total Reporting Entity</b>	<b>\$ 35,261,028.07</b>	<b>\$ 80,719,847.60</b>	<b>\$ 18,838,028.01</b>	<b>\$ 45,168,194.92</b>	<b>\$ 18,838,028.01</b>	<b>\$ 108,355,374.63</b>	<b>\$ 52,793,695.96</b>

**STATE AUDITOR**

JOSHUA C. GALLION  
Phone (701) 328-2241



Local Government Division:

FARGO OFFICE  
MANAGER – DAVID MIX  
Phone: (701) 239-7252

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

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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Independent Auditor's Report

City Commission  
City of West Fargo  
West Fargo, North Dakota

We have audited, in accordance with the 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, 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 as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of West Fargo's basic financial statements, and have issued our report thereon dated April 26, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of West Fargo's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of West Fargo's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of West Fargo'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



## **CITY OF WEST FARGO**

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* - Continued

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### **Compliance and Other Matters**

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

### **City of West Fargo's Response to Findings**

City of West Fargo's response to the finding identified in our audit is described in the accompanying *schedule of findings and questioned costs*. City of West Fargo's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it

### **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.

/s/

Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
April 26, 2018

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CITY OF WEST FARGO  
West Fargo, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2017

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**Section I - Summary of Auditor's Results**

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Financial Statements

Type of Report Issued?	
Governmental Activities	Unmodified
Business-Type Activities	Unmodified
Major Funds	Unmodified
Aggregate Remaining Fund Information	Unmodified

Internal Control over financial reporting:

Material weaknesses identified?	_____ Yes	_____ <u>X</u> None noted
Significant deficiencies identified not considered to be material weaknesses?	_____ Yes	_____ <u>X</u> None noted
Noncompliance material to financial statements noted?	_____ Yes	_____ <u>X</u> None noted

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**Section II - Financial Statement Findings**

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No matters were reported.

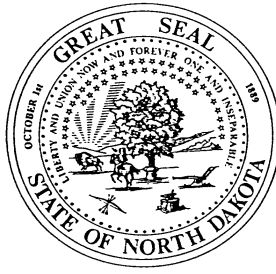
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or by contacting the  
Division of Local Government Audit

Office of the State Auditor  
600 East Boulevard Avenue – Department 117  
Bismarck, ND 58505-0060

(701) 328-2220



# City of West Fargo

West Fargo, North Dakota

## Management's Letter

For the Year Ended December 31, 2017

**JOSHUA C. GALLION**  
**STATE AUDITOR**

Office of the State Auditor  
Division of Local Government

## STATE AUDITOR

JOSHUA C. GALLION  
Phone (701) 328-2241



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MANAGER – DAVID MIX  
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STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
STATE CAPITOL  
600 E. BOULEVARD AVENUE - DEPT. 117  
BISMARCK, NORTH DAKOTA 58505

City Commissioners  
City of West Fargo  
West Fargo, North Dakota

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 for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 26, 2018. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under Auditing Standards Generally Accepted in The United States Of America, Government Auditing Standards**

As stated in our engagement letter dated January 23, 2018, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the basic financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, or fraud may exist and not be detected by us.

In planning and performing our audit, we considered the City of West Fargo's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting.

As part of obtaining reasonable assurance about whether the City of West Fargo's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit.

**Significant Accounting Policies/Qualitative Aspects Of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of West Fargo are described in Note 1 to the basic financial statements. Application of existing policies was not changed during the year ended December 31, 2017. GASB Statement 75(Accounting and Financial Reporting for Post-Employment Benefit Plans Other Than Pensions) was adopted during the year ended December 31, 2017. We noted no transactions entered into by the City of West Fargo during the year ended December 31, 2017 that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting estimates are an integral part of the financial statements presented by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the financial statements is useful lives of capital assets.

**Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and report them to the appropriate level of management.

<b>AUDIT ADJUSTMENTS - PRIMARY GOVERNMENT</b>		
<b><u>Governmental Funds/Activities</u></b>		
Intergovernmental Receivable	1,323,782	
Accounts Receivable	89,232	
Revenue - govt. funds/activities		1,413,014
Expenditures/Expenses	2,085,552	
Accounts Payable		310,665
Salaries Payable		397,225
Construction Payable		1,377,662
Expenses - Govt. Wide	960,965	
Retainages Payable		960,965
<b><u>Beginning Fund Balances</u></b>		
Total Fund Balances	(168,520)	
Debt Service Fund Balance		(1,597,620)
Capital Projects Fund Balance		270,000
Non-Major Funds Balances		1,159,100
<b><u>Business-Type Funds/Activities</u></b>		
Expenses	519,354	
Accounts Payable		397,906
Salaries Payable		121,448

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, or reporting matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Management Representations**

We have requested certain representations from management that are included in the management representation letter dated April 26, 2018.

**Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the city's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

**Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the City Commission and management of the City of West Fargo and should not be used for any other purpose. We would be happy to meet with you and any member of your staff to discuss any of the items in this letter in more detail if you so desire.

Thank you and the employees of the City of West Fargo for the courteous and friendly assistance we received during the course of our audit. It is a pleasure for us to be able to serve the City of West Fargo.

/s/  
Joshua C. Gallion  
State Auditor

Fargo, North Dakota  
April 26, 2018