

# OFFICE OF THE STATE AUDITOR

**CITY OF WEST FARGO**  
**West Fargo, North Dakota**

**Audit for the Year Ended**

**December 31, 2008**



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CITY OF WEST FARGO  
West Fargo, North Dakota

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For the Year Ended December 31, 2008

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CITY OF WEST FARGO  
West Fargo, North Dakota

**CITY OFFICIALS**

December 31, 2008

Rich Mattern	President/Mayor
Lou Bennett	Vice-President
Mark A. Simmons	Commissioner
Mike Thorstad	Commissioner
Bryan Schulz	Commissioner
Jim Brownlee	City Administrator
Sharon Schacher	Finance Director
Brian Neugebauer	City Attorney

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

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INDEPENDENT AUDITOR'S REPORT

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City Commissioners  
City of West Fargo  
West Fargo, North Dakota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and aggregate remaining fund information of the City of West Fargo, North Dakota, as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of West Fargo, North Dakota management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of West Fargo, North Dakota, as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 3, 2009, on our consideration of the City of West Fargo, North Dakota 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* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 3 through 10 and pages 38 through 39 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of West Fargo, North Dakota'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 of the City of West Fargo, North Dakota. The schedule of fund activity has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, appearing to read "R. Peterson".

Robert R. Peterson  
State Auditor

August 3, 2009

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CITY OF WEST FARGO  
West Fargo, North Dakota

MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2008

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As management of the City of West Fargo, we are pleased to offer readers of the City of West Fargo's financial statements this narrative overview and analysis of the City's financial activities for the fiscal year ended December 31, 2008. We encourage readers to consider it in conjunction with the additional information presented in the basic financial statements, the fund financial statements, and the notes to the financial statements.

#### FINANCIAL HIGHLIGHTS

- The total net assets of governmental activities of the City of West Fargo decreased by \$76,235 as a result of current year operations, or less than 1%. The decrease is primarily due to the transfers of capital assets to business activities.
- Net assets of the business-type activities increased by \$6,001,711, or 15%. The increase is primarily due transfer of capital assets from the governmental funds.
- Total revenues from all sources were \$24,071,235 for governmental activities on the statement of activities and \$25,426,487 on the modified accrual basis. Total revenues from all sources were \$5,865,855 for business-type activities.
- Total cost of all programs was \$32,479,987 for governmental and business type activities. This is an increase of \$13,073,135 over 2007. The main reason for this increase was capital assets included in business expense and not in transfers as reported in 2007.
- Governmental net capital assets totaled \$66,859,391 at December 31, 2008 and net assets equity was \$50,598,071.
- Governmental expenditures exceeded revenues by \$18,564,969 in the fund-based statements due to spending \$15.8 million on infrastructure projects construction in progress. Governmental activities expenses exceeded revenue by \$76,235 (after transfers to enterprise activities).
- Unreserved fund balance for the General Fund was \$4,672,058 or 64% of the total 2008 general fund expenditures.

#### USING THIS ANNUAL REPORT

This annual report presents the following three components of the financial statements:

1. Government-wide financial statements provide information for the City as a whole.
2. Fund financial statements provide detailed information for the City's significant funds.
3. Notes to the financial statements provide additional information that is essential to understanding the government-wide and fund statements.

This report also contains other supplementary information in addition to the basic financial statements.

#### Government-wide financial statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of West Fargo's finances, in a manner similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in *net assets* may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

**CITY OF WEST FARGO**  
**Management's Discussion & Analysis - Continued**

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The *Statement of Activities* presents information on how the City's *net assets* changed during the most recent fiscal year. This statement is presented using the accrual basis of accounting, which means that all changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (for example, uncollected sales tax, and earned but unused vacation leave). Both the Statement of Net Assets and the Statement of Activities present information as follows:

- Governmental activities – this includes most of the City's basic services which are primarily supported by property and sales taxes, intergovernmental revenues, user fees and interest income.
- Business-type activities – this includes those services which are intended to recover all or a significant part of their costs through user fees. The government-wide financial statements are found on pages 11-12.

**Fund financial statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of West Fargo, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements provide detailed information about the City's significant funds – not the City as a whole. The City's funds can be divided into three categories – governmental funds, proprietary funds, and fiduciary funds.

*Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. The governmental fund statements provide a detailed short-term view of the government operations and the basic services it provides, and are reported on the modified accrual basis of accounting which focuses on available expendable resources. This allows the reader to evaluate the City's short-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between the governmental funds and the government-wide financial statements.

The City of West Fargo maintains 24 individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the general fund, and the following major funds: sales tax fund, debt service fund, and special assessment construction (capital projects) fund. Data from the 19 other special revenue governmental funds are combined into a single, aggregated presentation titled "Other Governmental Funds". The governmental fund financial statements are found on pages 13-16.

The City of West Fargo adopts an annual budget for the general fund, sales tax fund, and the special assessment debt service fund. Budgetary comparison statements have been provided to demonstrate compliance. The budgetary comparison schedules for the general fund and city sales tax fund are found on pages 38-39. A budgetary comparison schedule is not required, nor presented for the debt service fund.

*Proprietary funds* - the City of West Fargo maintains two types of proprietary funds. Enterprise funds are used to report activities that charge for services it provides to outside customers. The enterprise funds are presented as business-type activities in the government-wide statements. City of West Fargo uses enterprise funds to account for its Sanitation and Water and Sewer operations, as major funds. Proprietary fund statements provide the same type of information as the government-wide statements, only in more detail.

**CITY OF WEST FARGO**  
**Management's Discussion & Analysis - Continued**

The basic proprietary fund statements are found on pages 17-19.

*Fiduciary Funds* – the City of West Fargo is responsible for other assets that are held on behalf of others. The City is responsible for ensuring the assets reported in these funds are used for their intended purpose. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets. These activities have been excluded from the City's other financial statements since the City cannot use these assets to finance its operations.

The basic fiduciary fund statement is found on page 20.

**Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-37 of this report.

**FINANCIAL ANALYSIS OF THE CITY AS A WHOLE**

The following two tables' present condensed information on the City's Net Assets and Changes in Net Assets for the fiscal year ended December 31, 2008. As noted earlier, net assets may serve over time as a useful indicator of the City's financial position. In the case of the City of West Fargo, assets exceeded liabilities by \$167,101,853 at the close of the most recent fiscal year, an overall increase of \$5,925,476. The City of West Fargo's net assets includes its investment in capital assets (e.g. land, buildings, infrastructure, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City of West Fargo uses these capital assets to provide services to its citizens; consequently, these assets are *not* available for future spending. Although the City of West Fargo's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**TABLE 1**  
**NET ASSETS**  
 December 31, 2008

	Governmental Activities	Business- Type Activities	Total
<b>ASSETS:</b>			
Current Assets	\$ 14,884,775	\$ 10,760,781	\$ 25,645,556
Noncurrent Assets	73,058,375	-	73,058,375
Capital Assets (net of accumulated depreciation)	66,281,387	117,342,498	183,623,885
Total Assets	\$154,224,537	\$128,103,279	\$282,327,816
<b>LIABILITIES:</b>			
Current Liabilities	\$ 12,129,856	\$ 1,394,846	\$ 13,524,702
Long-Term Liabilities	91,496,610	10,204,651	101,701,261
Total Liabilities	\$103,626,466	\$ 11,599,497	\$115,225,963
<b>NET ASSETS:</b>			
Invested in Capital Assets, net of Related Debt	\$ (36,123,615)	\$105,987,773	\$ 69,864,158
Restricted	90,649,096	-	90,649,096
Unrestricted	(3,927,410)	10,516,009	6,588,599
Total Net Assets	\$ 50,598,071	\$116,503,782	\$167,101,853

**CITY OF WEST FARGO**  
**Management's Discussion & Analysis - Continued**

**TABLE 1**  
**NET ASSETS**  
December 31, 2007

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS:</b>			
Current Assets	\$ 16,748,642	\$ 10,215,450	\$ 26,964,092
Noncurrent Assets	74,688,018	-	74,688,018
Capital Assets (net of accumulated depreciation)	63,094,076	112,141,819	175,235,895
Total Assets	\$154,530,736	\$122,357,269	\$276,888,005
<b>LIABILITIES:</b>			
Current Liabilities	\$ 12,183,548	\$ 1,379,386	\$ 13,562,934
Long-Term Liabilities	91,215,698	10,475,812	101,691,510
Total Liabilities	\$103,399,246	\$ 11,855,198	\$115,254,444
<b>NET ASSETS:</b>			
Invested in Capital Assets, net of Related Debt	\$ (37,847,924)	\$100,550,072	\$ 62,702,148
Restricted	92,716,226	-	92,716,226
Unrestricted	(3,736,812)	9,951,999	6,215,187
Total Net Assets	\$ 51,131,490	\$110,502,071	\$161,633,561

**TABLE II**  
**CHANGES IN NET ASSETS**  
As of December 31, 2008

	Governmental Activities	Business-Type Activities	Total
<b>Revenues</b>			
<b>Program Revenues:</b>			
Charges for Services	\$ 887,075	\$ 5,481,264	\$ 6,368,339
Operating Grants & Contributions	316,006	-	316,006
Capital Grants & Contributions	10,321,386	8,468,373	18,789,759
<b>General Revenues:</b>			
Taxes	10,662,358	-	10,662,358
State Aid	760,977	-	760,977
Interest Earnings	965,172	124,218	1,089,390
Miscellaneous Revenue	158,261	260,373	418,634
Total Revenues	\$24,071,235	\$ 14,334,228	\$ 38,405,463
<b>Expenses</b>			
General Government	\$ 3,318,781	\$ -	\$ 2,749,619
Public Safety	3,927,784	-	3,927,784
Highways and Streets	13,002,517	-	13,002,517
Interest and Service Charges	4,080,608	-	4,080,608
Sanitation	-	1,616,575	1,616,575
Water and Sewer	-	6,533,722	6,533,722
Total Expenses	\$24,329,690	\$ 8,150,297	\$ 31,910,825
Excess before transfers	\$ (258,455)	\$ 6,183,931	\$ 5,925,476
Transfers	\$ 182,220	\$ (182,220)	\$ -
Net Assets – January 1	\$51,131,490	\$110,502,071	\$161,633,561
Prior Period Adjustment	(457,184)	-	(457,184)
Net Assets – January 1, as restated	\$50,674,306	110,502,071	\$161,176,377
Net Assets – December 31	\$50,598,071	\$116,503,782	\$167,101,853

**TABLE II**  
**CHANGES IN NET ASSETS**  
 As of December 31, 2007

	Governmental Activities	Business-Type Activities	Total
<b>Revenues</b>			
<u>Program Revenues:</u>			
Charges for Services	\$ 1,123,175	\$ 5,046,825	\$ 6,170,000
Operating Grants & Contributions	289,810	-	289,810
Capital Grants & Contributions	11,673,457	825,671	12,499,128
<u>General Revenues:</u>			
Taxes	12,151,278	-	12,151,278
State Aid	645,068	-	645,068
Interest Earnings	1,264,712	186,179	1,450,891
Miscellaneous Revenue	584,927	366,109	951,036
<b>Total Revenues</b>	<b>\$ 27,732,427</b>	<b>\$ 6,424,784</b>	<b>\$ 34,157,211</b>
<b>Expenses</b>			
General Government	\$ 2,134,186	\$ -	\$ 2,134,186
Public Safety	2,823,316	-	2,823,316
Highways	3,234,478	-	3,234,478
Economic Development	20,590	-	20,590
Other	514,107	-	514,107
Interest and Service Charges	3,935,505	-	3,935,505
Sanitation	-	1,560,526	1,560,526
Water and Sewer	-	5,184,145	5,184,145
<b>Total Expenses</b>	<b>\$ 12,662,182</b>	<b>\$ 6,744,671</b>	<b>\$ 19,406,853</b>
Excess before transfers/special items	\$ 15,070,245	\$ (319,887)	\$ 14,750,358
Transfers	(40,145,251)	40,145,251	-
<b>Net Change in Assets</b>	<b>\$ (25,075,006)</b>	<b>\$ 39,825,364</b>	<b>\$ 14,750,358</b>
Net Assets – January 1	\$ 76,206,496	\$ 70,676,707	\$ 146,883,203
Net Assets – December 31	\$ 51,131,490	\$ 110,502,071	\$ 161,633,561

A portion of the City of West Fargo's net assets totaling \$90,649,096 represents resources that are subject to external restrictions on how they may be used (primarily debt service). The large negative invested in capital assets net of related debt equity shown totaling (\$36,123,615) in governmental activities is due to debt issued for capital projects for infrastructure project capital assets not yet completed. The remaining negative balance of *unrestricted net assets* (\$3,736,812) may be used to meet the government's ongoing obligations to citizens and creditors. At the end of the 2008, the City of West Fargo is able to report positive balances in all three categories of net assets for the government as a whole, and one of three categories for its separate governmental activities, while the business-type activities showed positive balances in both categories. The City of West Fargo's total net assets increased by \$5,925,476 (4%) for the year ended December 31, 2008. The main reason for the increase was an increase in business-type activities net assets equity of \$6 million as a result of new assessment districts for water and sewer projects; as well as an \$8 million capital contribution from governmental activities in the form of an infrastructure transfer for completed projects.

**Financial Analysis of the Government's Funds**

As noted earlier, the City of West Fargo uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Funds**

The focus of the City of West Fargo's *governmental funds* is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City of West Fargo's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City of West Fargo's governmental funds reported combined ending fund balances of \$12,115,531. The total *unreserved fund balances* are (\$5,475,190) with the general fund being a positive \$4,672,058. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been committed to pay debt service for capital improvements.

The general fund is the chief operating fund of the City of West Fargo. At the end of the current fiscal year, unreserved fund balance of the general fund was \$4,672,058. Unreserved fund balance represents 64% of total 2008 general fund expenditures. The fund balance of the City of West Fargo's general fund increased \$384,975 (9%) during the current fiscal year. The main reason was increased transfers from construction funds for administration.

The debt service fund has a total fund balance of \$17,590,721, all of which is reserved for the payment of debt service.

### **Proprietary Funds**

The City of West Fargo's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Health and Sanitation Fund totaled \$870,620, and for Water and Sewer Funds \$9,645,395. Total growth in net assets for these funds was \$6,001,717. The majority of this increase is attributable to a transfer of completed infrastructure totaling \$8 million from in the form of a capital grant from governmental activities, and also partly due to an increase in rates for user fees.

### **General Fund Budgetary Highlights**

The city amended the original general budget (reserve) expenditures to \$844,188.

- Revenue exceeded expected amounts by \$104,145 (2%).
- Expenditures were below appropriations by \$368,360 (5%).

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

The City of West Fargo's investment in capital assets for its governmental and business-type activities as of December 31, 2008, amounts to \$184,201,889 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings, improvements, machinery and equipment, and construction in progress. This represents an overall increase in capital assets of \$8,965,994 (5%).

Major capital asset events during the current fiscal year included new street, street lights, storm sewer, and sewer and water projects capitalized in infrastructure and construction in progress in new subdivisions.

**CITY OF WEST FARGO**  
**Management's Discussion & Analysis - Continued**

**TABLE III**  
**CAPITAL ASSETS**  
(Net of Accumulated Depreciation)  
December 31, 2008 and 2007

	2008			2007		
	Governmental Activities	Business- Type Activities	Total	Governmental Activities	Business- Type Activities	Total
Land	\$ 3,503,806	\$ 372,500	\$ 3,876,306	\$ 3,503,806	\$ 372,500	\$ 3,876,306
Land Improvements	-	562,768	562,768	-	750,358	750,358
Buildings	1,392,820	1,007,461	2,400,281	1,442,926	1,043,442	2,486,368
Equipment	970,444	1,063,293	2,033,737	1,056,757	1,275,322	2,332,079
Infrastructure	44,290,112	108,451,241	152,741,353	44,693,821	102,814,962	147,508,783
Construction in Progress	16,702,209	5,885,235	22,587,444	12,396,766	5,885,235	18,282,001
<b>Total Capital Assets</b>	<b>\$66,859,391</b>	<b>\$117,342,498</b>	<b>\$184,201,889</b>	<b>\$63,094,076</b>	<b>\$112,141,819</b>	<b>\$175,235,895</b>

Additional information on the City of West Fargo's capital assets can be found in Note 4D on pages 29-30 of this report.

**Long-Term Debt**

At year-end, the City had total debt of \$113,232,911, a net overall increase of \$965,820 over the prior year. Note 4E to the financial statements describes the City's long-term debt in greater detail.

The City issued new debt for Special Assessment Refunding Bonds in the amount of \$15,665,000 for various water, sewer, light, sidewalk and street projects.

During the year ended December 31, 2008, the City's bond rating remained at A-2

**TABLE IV**  
**OUTSTANDING LONG-TERM DEBT**  
As of December 31, 2008

	Total Outstanding			Total Outstanding		Due Within One Year
	Dec. 31, 2007	Increases	Decreases	Dec. 31, 2008		
<b>Governmental Activities:</b>						
G.O. Bonds Payable	\$ 620,000	\$ -	\$ 115,000	\$ 505,000	\$ 115,000	
Revenue Bonds	3,435,000	-	620,000	2,815,000	620,000	
Special Assessment Bonds	96,887,000	15,665,000	14,742,000	97,810,000	8,377,000	
Compensated Absences	527,002	52,320	-	579,322	57,932	
<b>Total Governmental Activities</b>	<b>\$101,469,002</b>	<b>\$15,717,320</b>	<b>\$15,477,000</b>	<b>\$101,709,322</b>	<b>\$9,169,932</b>	
<b>Business-Type Activities:</b>						
Sewer Bonds	\$ 10,355,000	\$ -	\$ 285,000	\$ 10,070,000	\$ 275,000	
Contracts Payable	257,323	-	28,701	228,622	28,702	
Loan Payable	979,423	-	-	979,423	100,000	
Compensated Absences	185,766	59,778	-	245,544	24,544	
<b>Total Business-Type Activities</b>	<b>\$ 11,777,512</b>	<b>\$ 59,778</b>	<b>\$ 313,701</b>	<b>\$ 11,523,589</b>	<b>\$ 428,246</b>	
<b>Total Long-Term Debt</b>	<b>\$113,246,514</b>	<b>\$15,777,098</b>	<b>\$15,790,701</b>	<b>\$113,232,911</b>	<b>\$9,598,178</b>	

**TABLE IV**  
**OUTSTANDING LONG-TERM DEBT**  
 As of December 31, 2007

	Total Outstanding Dec. 31, 2006	Increases	Decreases	Total Outstanding Dec. 31, 2007	Due Within One Year
<b>Governmental Activities:</b>					
G.O. Bonds Payable	\$ 725,000	\$ -	\$ 105,000	\$ 620,000	\$ 115,000
Revenue Bonds	4,035,000	-	600,000	3,435,000	620,000
Special Assessment Bonds	87,404,000	16,925,000	7,442,000	96,887,000	8,517,000
Sheyenne Specials	8,471	-	8,471	-	-
Compensated Absences	561,364	-	34,362	527,002	52,700
<b>Total Governmental Activities</b>	<b>\$ 92,733,835</b>	<b>\$16,925,000</b>	<b>\$8,189,833</b>	<b>\$101,469,002</b>	<b>\$9,304,700</b>
<b>Business-Type Activities:</b>					
Sewer Bonds	\$ 10,630,000	\$ -	\$ 275,000	\$ 10,355,000	\$ 285,000
Contracts Payable	283,661	-	26,338	257,323	28,702
Compensated Absences	241,202	-	55,436	185,766	18,576
<b>Total Business-Type Activities</b>	<b>\$ 11,154,863</b>	<b>\$ -</b>	<b>\$ 356,774</b>	<b>\$ 10,798,089</b>	<b>\$ 332,278</b>
<b>Total Long-Term Debt</b>	<b>\$103,888,698</b>	<b>\$16,925,000</b>	<b>\$8,546,607</b>	<b>\$112,267,091</b>	<b>\$9,636,978</b>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

Projects in 2008 that boosted the economy in West Fargo included the addition of \$14,962,061 in various street, water and sewer, storm sewer, street lighting projects in various new subdivisions of the city. Also the city issued 91 single family building permits in 2008. The City anticipated that the level on new construction will continue to be down in 2009. The 2009 budget for the City of West Fargo increased water rates and assessed an additional forestry charge of .50 for the purpose of mowing city owned lots. The budget included no mill levy increase. The value of a mill for the City is expected to increase from \$63,194 to \$67,900 per mill.

Total appropriations for operations for 2009 increased by approximately \$1,101,453 from the 2008 budget. This 6.40% increase is caused primarily by increases in Capital Purchases as well as increases in employee salaries and benefits.

**CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the City's finances and to demonstrate the City's accountability for the money it receives to the citizens of West Fargo. If you have any questions about this report or need further information, contact the City of West Fargo Finance Department, 800 4<sup>th</sup> Ave. E., West Fargo, ND 58078 or visit us online at [www.westfargond.gov](http://www.westfargond.gov).

CITY OF WEST FARGO  
West Fargo, North Dakota

STATEMENT OF NET ASSETS  
December 31, 2008

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Airport	Library
<b>ASSETS:</b>					
Cash and investments	\$ 12,854,248	\$ 10,338,339	\$ 23,192,587	\$ 88,716	\$ 263,963
Accounts receivable	1,114,289	422,442	1,536,731	-	-
Intergovernmental receivable	-	-	-	-	-
Taxes receivable	102,629	-	102,629	2,694	11,567
Special assessments receivable - current	813,609	-	813,609	-	-
Long-Term Receivable:					
Long-term special assessments receivable	73,058,375	-	73,058,375	-	-
Capital Assets:					
Land	3,503,806	372,500	3,876,306	100,000	-
Improvements to land	-	562,768	562,768	-	-
Buildings	1,392,820	1,007,461	2,400,281	236,282	-
Equipment	970,444	1,063,293	2,033,737	7,565	-
Infrastructure	44,290,112	108,451,241	152,741,353	-	-
Construction in progress	16,702,209	5,885,235	22,587,444	-	-
Total Capital Assets	<u>\$ 66,859,391</u>	<u>\$ 117,342,498</u>	<u>\$ 184,201,889</u>	<u>\$ 343,847</u>	<u>\$ -</u>
Total Assets	<u>\$ 154,802,541</u>	<u>\$ 128,103,279</u>	<u>\$ 282,905,820</u>	<u>\$ 435,257</u>	<u>\$ 275,530</u>
<b>LIABILITIES:</b>					
Accounts payable	\$ 578,004	\$ -	\$ 578,004	\$ -	\$ -
Retainages payable	1,275,002	-	1,275,002	-	-
Interest payable	642,142	75,908	718,050	-	-
Long-Term Liabilities:					
Portion Due or Payable Within One Year:					
Loan payable	-	100,000	100,000	-	-
Bonds payable	9,792,000	295,000	10,087,000	-	-
Contracts payable	-	29,962	29,962	-	-
Compensated absences	57,932	24,553	82,485	-	2,488
Portion Due or Payable After One Year:					
Loan payable	-	879,423	879,423	-	-
Bonds payable	91,338,000	9,775,000	101,113,000	-	-
Contracts payable	-	198,660	198,660	-	-
Compensated absences	521,390	220,991	742,381	-	22,389
Total Liabilities	<u>\$ 104,204,470</u>	<u>\$ 11,599,497</u>	<u>\$ 115,803,967</u>	<u>\$ -</u>	<u>\$ 24,877</u>
<b>NET ASSETS:</b>					
Invested in capital assets, net of related debt	\$ (36,123,615)	\$ 105,987,773	\$ 69,864,158	\$ 343,847	\$ -
Restricted for:					
Debt service	90,649,096	-	90,649,096	-	-
Unrestricted	(3,927,410)	10,516,009	6,588,599	91,410	250,653
Total Net Assets	<u>\$ 50,598,071</u>	<u>\$ 116,503,782</u>	<u>\$ 167,101,853</u>	<u>\$ 435,257</u>	<u>\$ 250,653</u>

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, 2008

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units	
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Airport	Library
<b>Primary Government:</b>									
<b>Governmental Activities:</b>									
General government	\$ 3,318,781	\$ 577,771	\$ 65,739	\$ -	\$ (2,675,271)		\$ (2,675,271)		
Public safety	3,927,784	294,069	127,064	-	(3,506,651)		(3,506,651)		
Highways and streets	13,002,517	15,235	123,203	10,321,386	(2,542,693)		(2,542,693)		
Interest on long-term debt	4,080,608	-	-	-	(4,080,608)		(4,080,608)		
<b>Total Governmental Activities</b>	<b>\$ 24,329,690</b>	<b>\$ 887,075</b>	<b>\$ 316,006</b>	<b>\$ 10,321,386</b>	<b>\$(12,805,223)</b>		<b>\$ (12,805,223)</b>		
<b>Business-Type Activities:</b>									
Water and sewer	\$ 6,533,722	\$ 3,916,256	\$ -	\$ 8,468,373	\$ -	\$ 5,850,907	\$ 5,850,907		
Health and sanitation	1,616,575	1,565,008	-	-	-	(51,567)	(51,567)		
<b>Total Business-Type Activities</b>	<b>\$ 8,150,297</b>	<b>\$ 5,481,264</b>	<b>\$ -</b>	<b>\$ 8,468,373</b>	<b>\$ -</b>	<b>\$ 5,799,340</b>	<b>\$ 5,799,340</b>		
<b>Total Primary Government</b>	<b>\$32,479,987</b>	<b>\$ 6,368,339</b>	<b>\$ 316,006</b>	<b>\$ 18,789,759</b>	<b>\$(12,805,223)</b>	<b>\$ 5,799,340</b>	<b>\$ (7,005,883)</b>		
<b>Component Units:</b>									
Library	\$ 570,486	\$ -	\$ -	\$ -				\$ -	\$ (570,486)
Airport	143,642	-	-	-				(143,642)	-
<b>Total Component Units</b>	<b>\$ 714,128</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>				<b>\$ (143,642)</b>	<b>\$ (570,486)</b>
<b>General Revenues:</b>									
<b>Taxes:</b>									
Property taxes, levied for general purposes					\$ 5,166,926	\$ -	\$ 5,166,926	\$ 124,502	\$ 541,467
Property taxes, levied for debt service					2,839,345	-	2,839,345	-	-
Sales taxes					2,520,390	-	2,520,390	-	-
Franchise taxes					135,697	-	135,697	-	-
State aid distribution					760,977	-	760,977	23,025	13,143
Unrestricted investment interest					965,172	124,218	1,089,390	4,693	16,539
Sale of lots					8,898	-	8,898	-	-
Miscellaneous					149,363	260,373	409,736	15,216	19,400
Transfers					182,220	(182,220)	-	-	-
<b>Total General Revenues and Transfers</b>					<b>\$ 12,728,988</b>	<b>\$ 202,371</b>	<b>\$ 12,931,359</b>	<b>\$ 167,436</b>	<b>\$ 590,549</b>
<b>Change in Net Assets</b>					<b>\$ (76,235)</b>	<b>\$ 6,001,711</b>	<b>\$ 5,925,476</b>	<b>\$ 23,794</b>	<b>\$ 20,063</b>
<b>Net Assets - January 1</b>					<b>\$ 51,131,490</b>	<b>\$ 110,502,071</b>	<b>\$ 161,633,561</b>	<b>\$ 411,463</b>	<b>\$ 230,590</b>
<b>Prior Period Adjustment</b>					<b>(457,184)</b>	<b>-</b>	<b>(457,184)</b>	<b>-</b>	<b>-</b>
<b>Net Assets - January 1, as restated</b>					<b>\$ 50,674,306</b>	<b>\$ 110,502,071</b>	<b>\$ 161,176,377</b>	<b>\$ 411,463</b>	<b>\$ 230,590</b>
<b>Net Assets - December 31</b>					<b>\$ 50,598,071</b>	<b>\$ 116,503,782</b>	<b>\$ 167,101,853</b>	<b>\$ 435,257</b>	<b>\$ 250,653</b>

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, 2008

	General Fund	Sales Tax Fund	Debt Service Funds	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and investments	\$ 4,542,662	\$ 6,103,897	\$ 924,381	\$ -	\$ 1,283,308	\$ 12,854,248
Accounts receivable	129,396	-	979,423	-	5,470	1,114,289
Taxes receivable	85,318	-	3,231	-	14,080	102,629
Special assessments receivable - current	-	-	813,609	-	-	813,609
Special assessments receivable - deferred	-	-	73,058,375	-	-	73,058,375
Due from other city funds	-	-	15,686,917	-	-	15,686,917
<b>Total Assets</b>	<b>\$ 4,757,376</b>	<b>\$ 6,103,897</b>	<b>\$ 91,465,936</b>	<b>\$ -</b>	<b>\$ 1,302,858</b>	<b>\$ 103,630,067</b>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities:</b>						
Accounts payable	\$ -	\$ -	\$ -	\$ 578,004	\$ -	\$ 578,004
Retainages payable	-	-	-	1,275,002	-	1,275,002
Due to other city funds	-	-	-	15,686,917	-	15,686,917
Deferred revenues	85,318	-	73,875,215	-	14,080	73,974,613
<b>Total Liabilities</b>	<b>\$ 85,318</b>	<b>\$ -</b>	<b>\$ 73,875,215</b>	<b>\$ 17,539,923</b>	<b>\$ 14,080</b>	<b>\$ 91,514,536</b>
<b>Fund Balances:</b>						
<b>Reserved for:</b>						
Debt service	\$ -	\$ -	\$ 17,590,721	\$ -	\$ -	\$ 17,590,721
<b>Unreserved, reported in:</b>						
General fund	4,672,058	-	-	-	-	4,672,058
Special revenue funds	-	6,103,897	-	-	1,288,778	7,392,675
Capital project funds	-	-	-	(17,539,923)	-	(17,539,923)
<b>Total Fund Balances</b>	<b>\$ 4,672,058</b>	<b>\$ 6,103,897</b>	<b>\$ 17,590,721</b>	<b>\$ (17,539,923)</b>	<b>\$ 1,288,778</b>	<b>\$ 12,115,531</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 4,757,376</b>	<b>\$ 6,103,897</b>	<b>\$ 91,465,936</b>	<b>\$ -</b>	<b>\$ 1,302,858</b>	<b>\$ 103,630,067</b>

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

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
December 31, 2008

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Total Fund Balances for Governmental Funds \$ 12,115,531

Total net assets reported for governmental activities in the statement of net assets 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	\$ 3,503,806	
Infrastructure, net of \$6,918,036 accumulated depreciation	44,290,112	
Construction in progress	16,702,209	
Buildings, net of \$679,176 accumulated depreciation	1,392,820	
Equipment, net of \$1,384,129 accumulated depreciation	<u>970,444</u>	
Total Capital Assets		66,859,391

Some 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. 73,974,613

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 assets. Balances at December 31, 2008 are:

Accrued interest on bonds	\$ (642,142)	
Bonds payable	(101,130,000)	
Compensated absences	<u>(579,322)</u>	
Total Long-Term Liabilities		(102,351,464)

Total Net Assets of Governmental Activities \$ 50,598,071

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, 2008

	General Fund	Sales Tax Fund	Debt Service Funds	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
<u>Revenues:</u>						
Taxes and special assessments	\$ 3,976,927	\$ 2,520,390	\$ 13,990,060	\$ -	\$ 915,617	\$ 21,402,994
Licenses, permits and fees	547,203	-	-	-	-	547,203
Charges for services	-	-	-	-	91,483	91,483
Intergovernmental	849,410	-	-	-	1,170,833	2,020,243
Fines, forfeitures and penalties	217,200	-	-	-	-	217,200
Miscellaneous	257,960	161,147	562,934	49,459	115,864	1,147,364
<b>Total Revenues</b>	<b>\$ 5,848,700</b>	<b>\$ 2,681,537</b>	<b>\$ 14,552,994</b>	<b>\$ 49,459</b>	<b>\$ 2,293,797</b>	<b>\$ 25,426,487</b>
<u>Expenditures:</u>						
Current:						
General government	\$ 2,016,025	\$ -	\$ -	\$ -	\$ 1,199,161	\$ 3,215,186
Public safety	3,405,690	-	-	-	361,875	3,767,565
Highways and streets	1,052,247	-	-	-	-	1,052,247
Debt Service:						
Principal	-	-	15,477,000	-	-	15,477,000
Interest and fiscal charges	-	-	4,095,202	-	-	4,095,202
Capital outlay	844,189	-	-	15,540,067	-	16,384,256
<b>Total Expenditures</b>	<b>\$ 7,318,151</b>	<b>\$ -</b>	<b>\$ 19,572,202</b>	<b>\$ 15,540,067</b>	<b>\$ 1,561,036</b>	<b>\$ 43,991,456</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (1,469,451)</b>	<b>\$ 2,681,537</b>	<b>\$ (5,019,208)</b>	<b>\$ (15,490,608)</b>	<b>\$ 732,761</b>	<b>\$ (18,564,969)</b>
<u>Other Financing Sources (Uses):</u>						
Proceeds from bond sale	\$ -	\$ -	\$ 5,850,000	\$ 9,815,000	\$ -	\$ 15,665,000
Transfers in	1,854,426	-	2,503,363	1,179,634	18,791	5,556,214
Transfers out	-	(1,264,000)	(3,077,447)	(100,630)	(931,916)	(5,373,993)
<b>Total Other Financing Sources and Uses</b>	<b>\$ 1,854,426</b>	<b>\$ (1,264,000)</b>	<b>\$ 5,275,916</b>	<b>\$ 10,894,004</b>	<b>\$ (913,125)</b>	<b>\$ 15,847,221</b>
<b>Net Change in Fund Balances</b>	<b>\$ 384,975</b>	<b>\$ 1,417,537</b>	<b>\$ 256,708</b>	<b>\$ (4,596,604)</b>	<b>\$ (180,364)</b>	<b>\$ (2,717,748)</b>
<b>Fund Balances - January 1</b>	<b>\$ 4,287,083</b>	<b>\$ 4,686,360</b>	<b>\$ 17,334,013</b>	<b>\$ (12,943,319)</b>	<b>\$ 1,469,142</b>	<b>\$ 14,833,279</b>
<b>Fund Balances - December 31</b>	<b>\$ 4,672,058</b>	<b>\$ 6,103,897</b>	<b>\$ 17,590,721</b>	<b>\$ (17,539,923)</b>	<b>\$ 1,288,778</b>	<b>\$ 12,115,531</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, 2008

Net Change in <i>Fund Balances</i> - Total Governmental Funds		\$ (2,717,748)
<p>The change in net assets reported for governmental activities in the statement of activities is different because:</p>		
<p>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. This is the amount by which capital outlays (\$15,545,376) exceeded depreciation (\$2,854,504) in the current period.</p>		
	12,690,872	
<p>Capital grants to enterprise funds are not recorded in the modified accrual basis of accounting; however, on the accrual basis a transfer is recorded in the governmental funds and a capital contribution is recorded in the enterprise funds.</p>		
	(8,468,373)	
<p>Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, 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 assets.</p>		
Debt issued:		
Special assessment bonds	\$ (15,665,000)	
Repayments:		
Bond principal	15,477,000	(188,000)
<p>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:</p>		
Net increase in compensated absences	\$ (52,320)	
Net decrease in interest payable	14,594	(37,726)
<p>Special assessments levied in the current period are not considered as available resources in the governmental funds; however, they are revenues in the statement of activities. Likewise, collections of current 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:</p>		
		(1,629,643)
<p>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:</p>		
Net increase in taxes receivable		37,214
Net increase in special assessments receivable		237,169
Change in Net Assets of Governmental Activities		<u>\$ (76,235)</u>

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

CITY OF WEST FARGO  
West Fargo, North Dakota

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
December 31, 2008

	Business Type Activities - Enterprise Funds		
	Water & Sewer Funds	Sanitation & Health Fund	Total
<b>ASSETS</b>			
Current Assets:			
Cash and investments	\$ 9,537,264	\$ 801,082	\$ 10,338,346
Accounts receivable	277,416	145,025	422,441
<b>Total Current Assets</b>	<b>\$ 9,814,680</b>	<b>\$ 946,107</b>	<b>\$ 10,760,787</b>
Noncurrent Assets:			
Capital Assets:			
Land	\$ 372,500	\$ -	\$ 372,500
Improvements to land	562,768	-	562,768
Building	-	1,007,461	1,007,461
Equipment	688,912	374,380	1,063,292
Construction in progress	5,885,235	-	5,885,235
Infrastructure	108,451,241	-	108,451,241
<b>Total Noncurrent Assets</b>	<b>\$ 115,960,656</b>	<b>\$ 1,381,841</b>	<b>\$ 117,342,497</b>
<b>Total Assets</b>	<b>\$ 125,775,336</b>	<b>\$ 2,327,948</b>	<b>\$ 128,103,284</b>
<b>LIABILITIES</b>			
Current Liabilities:			
Loan payable	\$ -	\$ 100,000	\$ 100,000
Interest payable	75,908	-	75,908
Bonds payable	295,000	-	295,000
Contracts payable	-	29,962	29,962
Compensated absences	17,105	7,448	24,553
<b>Total Current Liabilities</b>	<b>\$ 388,013</b>	<b>\$ 137,410</b>	<b>\$ 525,423</b>
Noncurrent Liabilities:			
Bonds payable	\$ 9,775,000	\$ -	\$ 9,775,000
Contracts payable	-	198,660	198,660
Loan payable	-	879,422	879,422
Compensated absences	153,951	67,040	220,991
<b>Total Noncurrent Liabilities</b>	<b>\$ 9,928,951</b>	<b>\$ 1,145,122</b>	<b>\$ 11,074,073</b>
<b>Total Liabilities</b>	<b>\$ 10,316,964</b>	<b>\$ 1,282,532</b>	<b>\$ 11,599,496</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	\$ 105,812,977	\$ 174,796	\$ 105,987,773
Unrestricted	9,645,395	870,620	10,516,015
<b>Total Net Assets</b>	<b>\$ 115,458,372</b>	<b>\$ 1,045,416</b>	<b>\$ 116,503,788</b>

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 ASSETS  
PROPRIETARY FUNDS  
December 31, 2008

	Business-Type Activities - Enterprise Funds		
	Water & Sewer Funds	Sanitation & Health Fund	Total
<u>Operating Revenues:</u>			
Charges for sales services	\$ 3,916,256	\$ 1,565,008	\$ 5,481,264
<u>Operating Expenses:</u>			
Water and sewer operating	\$ 2,898,184	\$ -	\$ 2,898,184
Sanitation operating	-	1,505,854	1,505,854
Depreciation	3,168,746	98,948	3,267,694
Total Operating Expenses	\$ 6,066,930	\$ 1,604,802	\$ 7,671,732
Operating Income	\$ (2,150,674)	\$ (39,794)	\$ (2,190,468)
<u>Nonoperating Revenues (Expenses):</u>			
Investment earnings	\$ 100,682	\$ 23,537	\$ 124,219
Miscellaneous	51,626	208,796	260,422
Interest expense	(466,836)	(11,773)	(478,609)
Total Nonoperating Revenue (Expenses)	\$ (314,528)	\$ 220,560	\$ (93,968)
Income Before Transfers	\$ (2,465,202)	\$ 180,766	\$ (2,284,436)
Transfers in	\$ 8,586,153	\$ -	\$ 8,586,153
Transfers out	(300,000)	-	(300,000)
Changes in Net Assets	\$ 5,820,951	\$ 180,766	\$ 6,001,717
Net Assets - January 1	\$ 109,637,421	\$ 864,650	\$ 110,502,071
Net Assets - December 31	\$ 115,458,372	\$ 1,045,416	\$ 116,503,788

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, 2008

	Business-Type Activities - Enterprise Funds		
	Water & Sewer Operating	Sanitation & Health Fund	Total Enterprise Funds
<b><u>Cash Flows from Operating Activities:</u></b>			
Receipts from customers and users	\$ 3,907,160	\$ 1,557,247	\$ 5,464,407
Payments to suppliers	(1,749,391)	(820,143)	(2,569,534)
Payments to employees	(1,114,303)	(662,204)	(1,776,507)
<b>Net Cash Provided by Operating Activities</b>	<b>\$ 1,043,466</b>	<b>\$ 74,900</b>	<b>\$ 1,118,366</b>
<b><u>Cash Flows from Noncapital Financing Activities:</u></b>			
Property, sales and use taxes	\$ 51,588	\$ 208,785	\$ 260,373
Transfer in	117,780	-	117,780
Transfers out	(300,000)	-	(300,000)
<b>Net Cash Provided (Used) by Noncapital Financing Activities</b>	<b>\$ (130,632)</b>	<b>\$ 208,785</b>	<b>\$ 78,153</b>
<b><u>Cash Flows from Capital and Related Financing Activities:</u></b>			
Principal paid on capital debt	\$ (285,000)	\$ (28,703)	\$ (313,703)
Interest paid on capital debt	(466,836)	(11,773)	(478,609)
<b>Net Cash Used by Capital and Related Financing Activities</b>	<b>\$ (751,836)</b>	<b>\$ (40,476)</b>	<b>\$ (792,312)</b>
<b><u>Cash Flows from Investing Activities:</u></b>			
Interest income	\$ 100,682	\$ 23,536	\$ 124,218
<b>Net Increase in Cash and Cash Equivalents</b>	<b>\$ 261,680</b>	<b>\$ 266,745</b>	<b>\$ 528,425</b>
<b>Cash and Cash Equivalents - January 1</b>	<b>\$ 9,275,584</b>	<b>\$ 534,337</b>	<b>\$ 9,809,921</b>
<b>Cash and Cash Equivalents - December 31</b>	<b>\$ 9,537,264</b>	<b>\$ 801,082</b>	<b>\$ 10,338,346</b>
<b><u>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:</u></b>			
Operating income (loss)	\$ (2,150,674)	\$ (39,794)	\$ (2,190,468)
<b><u>Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:</u></b>			
Depreciation expense	3,168,746	98,948	3,267,694
Increase in utility billing receivables	(9,102)	(7,761)	(16,863)
Increase in compensated absences	36,273	23,507	59,780
Decrease in accounts payable	(6)	-	(6)
Decrease in interest payable	(1,771)	-	(1,771)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 1,043,466</b>	<b>\$ 74,900</b>	<b>\$ 1,118,366</b>

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 AND LIABILITIES  
FIDUCIARY FUNDS  
December 31, 2008

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	<u>Agency Funds</u>
<u>ASSETS:</u>	
Cash and investments	<u>\$ 363,701</u>
<u>LIABILITIES:</u>	
Due to others	<u>\$ 363,701</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, 2008

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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of West Fargo, North Dakota, operates under a home rule charter. 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 two component units to be included within the City of West Fargo as a reporting entity.

**DISCRETELY PRESENTED COMPONENT UNITS**

The component units' columns in the basic financial statements include the financial data of the city's two component units. These units are reported in a separate column to emphasize that they are legally separate from the city.

West Fargo Airport Authority - The City's governing board appoints a voting majority of the members of the Authority's Board. The city has the authority to approve or modify the Airport Authority's operational and capital budgets. The city also must approve the tax levy established by the Airport Authority.

West Fargo Municipal Library - The City's governing board appoints a voting majority of the members of the Library's Board. The city has the authority to approve or modify the Library's operational and capital budgets. The city also must approve the tax levy established by the Library.

Complete financial statements for the component units may be obtained by contacting the City Finance Director at 800 4<sup>th</sup> Ave. East, West Fargo, ND 58078.

B. Government-wide and fund financial statements

*Government-wide statements:* The statement of net assets 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 expenses 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 and blended component units. 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 nonmajor 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. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange 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.

*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.

*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 proprietary 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 and proprietary 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 are both restricted and unrestricted net assets 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 principals for government entities. For government-wide and proprietary fund financial statements the city applies all GASB (Governmental Accounting Standards Board) pronouncements as well as the FASB (Financial Accounting Standards Board) pronouncements issued before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The city does not apply FASB pronouncements issued after November 30, 1989.

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: Assets, Liabilities and Equity

1. 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, stated at cost.

## 2. 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.

## 3. 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:

Assets	Years
Buildings	50
Equipment	5 - 20
Vehicles	5 - 10
Infrastructure	20 - 40

## 4. 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 four hours per month for from one to five years of service and eight hours per month of continuous service after five years. A maximum of 480 hours 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.

5. Long-Term Obligations

In the government-wide financial statements and proprietary fund statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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.

6. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balances for amounts that are legally segregated for a specific future use or are not available for appropriations for expenditures or expenses.

7. Interfund 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.

**NOTE 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

A: Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of the \$38,482,540 differences are as follows:

Total Governmental Fund Balances		\$ 12,115,531
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		66,859,391
Other long-term assets are not available to pay current period expenditures and therefore are not reported in the funds		73,974,613
Long-term liabilities, including bonds payable and accrued interest payable, are not due and payable in the current Period and therefore are not reported in the funds.		
Bonds Payable	\$(101,130,000)	
Interest Payable	(642,142)	
Compensated Absences Payable	(579,322)	(102,351,464)
Net Assets of Governmental Activities		\$ 50,598,071

CITY OF WEST FARGO  
Notes to the Financial Statements

B: Explanation of certain differences between the governmental fund statements of revenue, expenditures, and changes in fund balances and the government-wide statement of activities:

The governmental fund statements of revenues, expenditures and changes in fund balances includes a reconciliation between net changes in fund balance – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over the useful lives and reported as depreciation expenses." The details of this \$2,641,512 difference are as follows:

Net Changes in Fund Balance-Governmental Funds	\$(2,717,748)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation expense. This is the amount that capital outlays exceeded depreciation in the current period.	12,690,872
Accrued interest reported in the statement of activities does not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	14,594
Accrued compensated absences reported in the statement of activities does not require current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(52,320)
Capital grants to enterprise funds are not reported in the fund financial statements; however, a capital contribution is reported in the enterprise funds and a transfer is reported in the governmental activities at the government-wide level.	(8,468,373)
Because some property taxes will not be collected for several months after year end, they are not considered as available revenues in the governmental funds. However, they are revenues in the statement of activities.	37,214
Bond proceeds are reported as financing sources in governmental funds and thus contribute to the changes in fund balance. In the statement of net assets, however the, issuing debt increases long-term liabilities and does not effect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.	(188,000)
Special assessments levied in the current period are not considered as available revenues in the governmental funds, however they are revenues in the statement of activities. Likewise collection of current special assessments are reported as revenues in the governmental funds, however they are a reduction of the receivables in the statement of activities. The net effect is:	(1,392,474)
Change in Net Assets of Governmental Activities	\$ (76,235)

**NOTE 3: STEWARDSHIP, COMPLIANCE AND ACCCOUNTABILITY**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted accounting in the United States of America (GAAP) for the General Fund, Special Revenue Funds, and the Debt Service Funds.

Based upon available financial information and requests by the governing board, the city auditor prepares the preliminary city budget. The city budget is by function and activity on the modified accrual basis of accounting. The preliminary budget includes the proposed expenditures and the means of financing them. All annual appropriations lapse at year-end.

The governing board holds a public hearing where any taxpayer may testify in favor of or against any proposed expenditure or tax levies requested in the preliminary budget. After the budget hearing and on or before October 1, the board adopts the final budget. The final budget must be filed with the county auditor by October 10. No expenditure shall be made or liability incurred in excess of the total appropriation by fund. However, the governing board may amend the budget during the year for any revenues and appropriations not anticipated at the time the budget was prepared. The board must approve the budget amendments and the approval must be noted in the proceedings of the board.

The governing board approved the following budget amendments to the 2008 city budget:

Fund #	Fund	Amendment
1001	General Fund Reserve	\$844,189
2030	City's Share of Specials	75,942
2070	Communications	250
2090	Road and Bridge	18,791
2120	911 Communications	331,131
2130	Municipal Highway	903,126
2151	City Hall Remodeling	18,950
2200	Vector Control	97,419
2240	Flood Control	8,753
2950	Asset Forfeitures	15,380
7050	Airport Authority	142,289

**NOTE 4: DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

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 an other state of the United States or such other securities approved by the banking board.

CITY OF WEST FARGO  
Notes to the Financial Statements

At year ended December 31, 2008, the city's carrying amount of deposits was \$23,890,006 and the bank balances were \$25,012,925. Of the bank balances, \$750,000 was covered by Federal Depository 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, 2008, the city held certificates of deposit totaling \$16,866,354.

The City's bond rating was A-2 during the year ended December 31, 2008.

B. Receivables

Receivables as of the year-end for the government's individual major and nonmajor funds are as follows:

Receivables:	General	Debt Service	Water & Sewer	Health & Sanitation	Nonmajor Funds	Total
Accounts	\$129,396	\$ 979,423	\$277,416	\$145,025	\$ 5,470	\$ 1,536,730
Taxes	85,318	3,231	-	-	14,080	102,629
Specials-Current	-	813,609	-	-	-	813,609
Specials-Deferred	-	73,058,375	-	-	-	73,058,375
<b>Total Net Receivables</b>	<b>\$214,714</b>	<b>\$74,854,638</b>	<b>\$ 277,416</b>	<b>\$145,025</b>	<b>\$19,550</b>	<b>\$75,511,343</b>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds were as follows:

C. Inter-fund Receivables/Payables and Transfers

The amount of due to/from other funds represents the \$15,686,917 the capital projects funds owe the debt service fund for over expending their share of the pooled cash account.

The following is a schedule of interfund transfers for the year ended December 31, 2008:

Transfers In						
Transfers Out:	General	Debt Service	Capital Projects	Nonmajor Funds	Water Sewer	Totals
Sales Tax Fund	\$ -	\$ 764,000	\$ 500,000	\$ -	\$ -	\$1,264,000
Debt Service	540,671	1,739,363	679,634	-	117,780	3,077,448
Capital Projects	100,630	-	-	-	-	100,630
Nonmajor Govt.	913,125	-	-	18,791	-	931,916
Water & Sewer	300,000	-	-	-	-	300,000
<b>Totals</b>	<b>\$1,854,426</b>	<b>\$2,503,363</b>	<b>\$1,179,634</b>	<b>\$18,791</b>	<b>\$117,780</b>	<b>\$5,673,994</b>

CITY OF WEST FARGO  
Notes to the Financial Statements

Transfers in/out consist of the following:

- \$300,000 from Water and Sewer to General to supplement other fund sources.
- \$903,126 from Highway tax to General to fund street expenses.
- \$100,630 from Capital project to general for administrative costs.
- \$764,000 from Sales tax to Debt Service for scheduled payment
- \$540,671 from Debt Service to General to close out funds.

D. Capital Assets

Capital asset activity for the year ended December 31, 2008 was as follows for the City:

<b>Governmental Activities:</b>	<b>Balance 1-1-08</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12-31-08</b>
<i>Capital assets not being depreciated:</i>				
Land	\$ 3,503,806	\$ -	\$ -	\$ 3,503,806
Construction in Progress	12,396,766	15,418,817	11,113,374	16,702,209
<b>Total Capital Assets, not being depreciated</b>	<b>\$15,900,572</b>	<b>\$15,418,817</b>	<b>\$11,113,374</b>	<b>\$20,206,015</b>
<i>Capital assets being depreciated:</i>				
Buildings	\$ 2,071,995	\$ -	\$ -	\$ 2,071,995
Equipment	2,228,013	126,559	-	2,354,572
Infrastructure	49,020,331	2,187,817	-	51,208,148
<b>Total Capital Assets, Being Depreciated</b>	<b>\$53,320,339</b>	<b>\$ 2,314,376</b>	<b>\$ -</b>	<b>\$55,634,715</b>
<i>Less Accumulated Depreciation for:</i>				
Buildings	\$ 629,069	\$ 50,107	\$ -	\$ 679,176
Equipment	1,171,256	212,871	-	1,384,127
Infrastructure	4,326,510	2,591,526	-	6,918,036
<b>Total Accumulated Depreciation</b>	<b>\$ 6,126,835</b>	<b>\$ 2,854,504</b>	<b>\$ -</b>	<b>\$ 8,981,339</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$47,193,504</b>	<b>\$ (540,128)</b>	<b>\$ -</b>	<b>\$46,653,376</b>
<b>Governmental Activities - Capital Assets, Net</b>	<b>\$63,094,076</b>	<b>\$14,878,689</b>	<b>\$11,113,374</b>	<b>\$66,859,391</b>

<b>Business-Type Activities:</b>	<b>Balance 1-1-08</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12-31-08</b>
<i>Capital assets not being depreciated:</i>				
Land	\$ 372,500	\$ -	\$ -	\$ 372,500
Construction in Progress	5,885,235	-	-	5,885,235
<b>Total Capital Assets, not being depreciated</b>	<b>\$ 6,257,735</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 6,257,735</b>
<i>Capital assets being depreciated:</i>				
Land Improvements	\$ 3,751,796	\$ -	\$ -	\$ 3,751,796
Buildings	1,079,423	-	-	1,079,423
Equipment	5,995,934	-	22,500	5,973,434
Infrastructure	105,699,258	8,468,373	-	114,167,631
<b>Total Capital Assets, Being Depreciated</b>	<b>\$116,526,411</b>	<b>\$8,468,373</b>	<b>\$22,500</b>	<b>\$124,972,284</b>
<i>Less Accumulated Depreciation for:</i>				
Land Improvements	\$ 3,001,438	\$ 187,590	\$ -	\$ 3,189,028
Buildings	35,981	35,981	-	71,962
Equipment	4,720,612	212,029	22,500	4,910,141
Infrastructure	2,884,296	2,832,094	-	5,716,390
<b>Total Accumulated Depreciation</b>	<b>\$ 10,642,327</b>	<b>\$3,267,694</b>	<b>\$22,500</b>	<b>\$ 13,887,521</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$105,884,084</b>	<b>\$5,200,679</b>	<b>\$ -</b>	<b>\$111,084,763</b>
<b>Business-Type Activities - Capital Assets, Net</b>	<b>\$112,141,819</b>	<b>\$5,200,679</b>	<b>\$ -</b>	<b>\$117,342,498</b>

CITY OF WEST FARGO  
Notes to the Financial Statements

Depreciation expense was charged to the following functions/programs of the City's governmental activities for the current fiscal year (\$2,854,504):

<b>Governmental Activities:</b>	<b>Amounts</b>
General Government	\$ 51,274
Public Safety	160,219
Highways and Streets	2,643,011
<b>Total Depreciation Expense-Governmental Activities</b>	<b>\$2,854,504</b>

Component Unit – Airport:

Capital Asset activity for the year ended December 31, 2008 was as follows for the Airport:

<b>Airport Authority - Governmental Activities:</b>	<b>Balance 1-1-08</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12-31-08</b>
<i>Capital assets not being depreciated:</i>				
Land	\$100,000	\$ -	\$ -	\$100,000
<i>Capital assets being depreciated:</i>				
Buildings	\$260,006	\$ -	\$ -	\$260,006
Equipment	8,900	-	-	8,900
<b>Total Capital Assets, Being Depreciated</b>	<b>\$368,906</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$368,906</b>
<i>Less Accumulated Depreciation for:</i>				
Building	\$ 15,816	\$ 7,908	\$ -	\$ 23,724
Equipment	890	445	-	1,335
<b>Total Accumulated Depreciation</b>	<b>\$ 16,706</b>	<b>\$ 8,353</b>	<b>\$ -</b>	<b>\$ 25,059</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>\$352,200</b>	<b>\$(8,353)</b>	<b>\$ -</b>	<b>\$343,847</b>
<b>Business-Type Activities - Capital Assets, Net</b>	<b>\$352,200</b>	<b>\$(8,353)</b>	<b>\$ -</b>	<b>\$343,847</b>

E. Long-Term Debt

Changes in Long-Term Liabilities:

During the year ended December 31, 2008, the following changes occurred in long-term liabilities of governmental and business-type activities:

<b>Governmental Activities:</b>	<b>Balance 1-1-08</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12-31-08</b>	<b>Due Within One Year</b>
General Obligation Bonds	\$ 620,000	\$ -	\$ 115,000	\$ 505,000	\$ 120,000
Revenue Bonds	3,435,000	-	620,000	2,815,000	645,000
Special Assessment Bonds	96,887,000	15,665,000	14,742,000	97,810,000	9,027,000
Compensated Absences *	527,002	52,320	-	579,322	57,932
<b>Total Governmental Activities</b>	<b>\$101,469,002</b>	<b>\$15,717,320</b>	<b>\$15,477,000</b>	<b>\$101,709,322</b>	<b>\$9,849,932</b>

<b>Business-Type Activities:</b>	<b>Balance 1-1-08</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12-31-08</b>	<b>Due Within One Year</b>
Contracts Payable	\$ 257,323	\$ -	\$ 28,701	\$ 228,622	\$ 29,962
Sewer Bonds	10,355,000	-	285,000	10,070,000	295,000
Compensated Absences *	185,766	59,778	-	245,544	24,544
<b>Total Governmental Activities</b>	<b>\$10,798,089</b>	<b>\$59,778</b>	<b>\$313,701</b>	<b>\$10,544,166</b>	<b>\$349,506</b>

\* - Compensated absences are reported as a net change for the year because changes in salary prohibit exact calculations of additions and deductions.

Contracts Payable – Business-Type Activities:

The City entered into a lease purchase on September 6, 2005 with Municipal Service Group to purchase Sewer and Water equipment. The contract calls for annual payments of \$40,474 with interest at 4%, through 2015.

The future minimum payments for these contracts are as follows:

Year Ending December 31	Contracts
2009	\$ 40,474
2010	40,474
2011	40,474
2012	40,474
2013	40,474
2014	40,474
2015	40,474
Total Contract Payments	\$283,318
Less: Amount Representing Interest	(54,696)
Present Value of Contract Payments	\$228,622

General Obligation Bonds – Governmental Activities:

The City issued general obligation bonds 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:

\$1,030,000 Refunding Improvement Bond G.O. Bonds of 2003 due in annual installments of \$100,000 to \$130,000 through 2012; interest at 3.0% to 3.65%.

\$505,000

Annual debt service requirements to maturity for general obligation bonds are as follows:

GOVERNMENTAL ACTIVITIES		
Year Ending December 31	G.O. Bonds Payable	
	Principal	Interest
2009	\$120,000	\$15,113
2010	120,000	11,363
2011	130,000	7,170
2012	135,000	2,464
TOTALS	\$505,000	\$36,109

The City also issued \$15,665,000 of special assessment debt in 2008 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 currently outstanding are as follows:

**Special Assessment Bonds:**

\$3,030,000 Refunding Improvement Bonds of 2003 - Series A, due in annual installments of \$50,000 to \$305,000 through 2013; interest at 3.25% to 3.85%.	\$ 850,000
\$1,120,000 Refunding Improvement Bonds of 2001 – Series B, due in annual installments of \$105,000 through 2011; interest at 3.95% to 4.15%.	315,000
\$4,045,000 Refunding Improvement Bonds of 1998 - Series B due in annual installments of \$275,000 to \$280,000 through 2013; interest at 4.0%.	1,385,000
\$3,815,000 of Refunding Improvement Bonds of 2002, Series A, due in annual installments of \$260,000 through 2017; interest at 3.1% to 3.6%.	2,340,000
\$295,000 Sidewalk Warrants of 1999, due in annual installments of \$25,000 to \$30,000 through 2010; interest at 5.25%.	55,000
\$3,275,000 Refunding Improvement Bonds of 2002, Series B, due in annual installments of \$100,000 to \$350,000 through 2012; interest at 3.75% to 4.0%.	1,140,000
\$122,000 Sidewalk Warrants #6037 of 2001, due in annual installments of \$12,000 \$14,000 through 2012; interest at 4.15% to 4.35%.	50,000
\$3,975,000 Refunding Improvement Bonds of 2001, Series C, due in annual installments of \$265,000 through 2017; interest at 3.90% to 4.6%.	2,385,000
\$3,495,000 Refunding Improvement Bonds of 2001, Series A, due in annual installments of \$165,000 to \$240,000 through 2017; interest at 4.0% to 4.5%.	2,055,000
\$55,000 Sidewalk Warrants of 2003 (6039) due in annual installments of \$5,000 through 2014; interest at 4.5%.	30,000
\$6,050,000 Refunding Improvement Bonds of 2003, Series C, due in annual installments of \$55,000 to \$660,000 through 2015; interest at 3.0% to 4.0%.	3,285,000
\$4,415,000 Refunding Improvement Bonds of 2003, Series D, due in annual installments of \$300,000 to \$310,000 through 2018; interest at 3.0% to 4.25%.	3,035,000
\$7,055,000 Refunding Improvement Bonds of 2003, Series E, due in annual installments of \$470,000 to \$475,000 through 2019; interest at 3.0% to 4.25%.	5,175,000
\$4,985,000 Refunding Improvement Bonds of 2004, Series A, due in annual installments of \$335,000 to \$355,000 through 2019; interest at 4.0% to 4.4%.	3,805,000
\$4,880,000 Refunding Improvement Bonds of 2004, Series B, due in annual installments of \$210,000 to \$330,000 through 2020; interest at 3.0% to 4.0%.	3,775,000

CITY OF WEST FARGO  
Notes to the Financial Statements

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\$135,000 Sidewalk Warrants 2004, due in annual installments of \$15,000 through 2014; interest at 5.0%.	\$ 90,000
\$10,000,000 Refunding Improvement Bonds of 2005, Series A, due in annual installments of \$665,000 to \$670,000 through 2020; interest at 3.0% to 4.0%.	7,990,000
\$11,545,000 Refunding Improvement Bonds of 2005, Series B, due in annual installments of \$785,000 to \$805,000 through 2020; interest at 3.5% to 4.0%.	9,545,000
\$730,000 Refunding Improvement Bonds of 2005, Series C, due in annual installments of \$240,000 to \$505,000 through 2016; interest at 4.0%.	3,700,000
\$6,605,000 Refunding Improvement Bonds of 2005, Series D, due in annual installments of \$440,000 to \$445,000 through 2021; interest at 3.5% to 4.25%.	5,725,000
\$9,975,000 Refunding Improvement Bonds of 2006, Series A, due in annual installments of \$670,000 to \$715,000 through 2021; interest at 4.0%.	8,880,000
\$225,000 Sidewalk Bonds of 2006, due in annual installments of \$20,000 to \$25,000 through 2016; interest at 4.1% to 4.25%.	185,000
\$10,340,000 Refunding Improvement Bonds of 2007, Series A, due in annual installments of \$180,000 to \$700,000 through 2023; interest at 4.0%.	9,865,000
\$6,345,000 Refunding Improvement Bonds 2007, Series B due in annual installments of \$265,000 to \$460,000 through 2023; interest at 4.0% to 4.25%.	6,270,000
\$240,000 Sidewalk Bonds of 2007, due in annual installments of \$20,000 to \$25,000 through 2020; interest 3.75% to 4.1%.	215,000
\$215,000 Sidewalk Bonds of 2008, due in annual installments of \$25,000 to \$20,000 through 2018; interest 3.15% to 4.0%.	215,000
\$5,635,000 Refunding Improvement Bonds 2008, Series A due in annual installments of \$540,000 to \$580,000 through 2018; interest 4.0%.	5,635,000
\$2,735,000 Refunding Improvement Bonds 2008, Series B due in annual installments of \$145,000 to \$195,000 through 2023; interest 3.75% to 4.50%.	2,735,000
\$7,080,000 Refunding Improvement Bonds 2008, Series C due in annual installments of \$450,000 to \$515,000 through 2024; interest 3.5% to 4.75%.	<u>7,080,000</u>
<b>Total Special Assessment Bonds</b>	<b><u>\$97,810,000</u></b>

Annual debt service requirements to maturity for special assessment bonds are as follows:

GOVERNMENTAL ACTIVITIES		
Year Ending December 31	Special Assessment Bonds Payable	
	Principal	Interest
2009	\$ 9,027,000	\$ 3,601,093
2010	9,487,000	3,306,686
2011	9,252,000	2,961,539
2012	8,744,000	2,623,739
2013	8,605,000	2,292,665
2014 - 2018	36,700,000	6,810,635
2019 - 2023	15,545,000	1,274,804
2024 - 2026	450,000	10,687
<b>TOTALS</b>	<b>\$97,810,000</b>	<b>\$22,881,848</b>

Revenue Bonds:

The City also issued bonds where the government pledges income derived the acquired or constructed asset to pay debt service and from the collection of a 1% city sales tax. Revenue bonds outstanding at year end are as follows:

Governmental Activities:

\$6,185,000 Sales Tax Revenue Bonds of 2002 due in annual installments of \$575,000 to \$760,000 through 2012; interest at 3.85% to 4.4% - governmental funds (Governmental Activities). \$ 2,815,000

Business-Type Activities:

\$10,820,000 Water & Sewer Revenue Bonds, Series 2005, due in annual installments of \$260,000 to \$700,000 through 2030; interest at 4.0% to 5.0% - enterprise funds (Business-Type Activities). \$10,020,000

\$175,000 Sewer Revenue Bonds, Series 1993A, due in annual installments of \$10,000 through 2013; interest at 2.5% - enterprise funds (Business-Type Activities). 50,000

Total Business-Type Activities Revenue Bonds \$10,070,000

Annual debt service requirements to maturity for the sales tax revenue bonds are as follows:

GOVERNMENTAL ACTIVITIES		
Year Ending December 31	Revenue Bonds Payable	
	Principal	Interest
2009	\$ 645,000	\$119,180
2010	690,000	93,380
2011	720,000	64,400
2012	760,000	33,440
<b>TOTALS</b>	<b>\$2,815,000</b>	<b>\$310,400</b>

Annual debt service requirements to maturity for the enterprise revenue bonds are as follows:

ENTERPRISE ACTIVITIES		
Year Ending December 31	Revenue Bonds Payable	
	Principal	Interest
2009	\$ 295,000	\$ 454,824
2010	305,000	443,174
2011	315,000	431,123
2012	330,000	418,674
2013	340,000	405,624
2014 - 2018	1,875,000	1,814,956
2019 - 2023	2,325,000	1,378,923
2024 - 2028	2,915,000	790,850
2029 - 2031	1,370,000	103,500
<b>TOTALS</b>	<b>\$10,070,000</b>	<b>\$6,241,648</b>

**F. Contingent Liability**

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.

**G. Pension Plan**

The City of West Fargo contributes to the North Dakota Public Employees' Retirement System (NDPERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Dakota. NDPERS provides for retirement, disability and survivor benefits to plan members and beneficiaries. Benefit and contribution provisions are administered in accordance with chapter 54-52 of the North Dakota Century Code. NDPERS issues a publicly available financial report that includes financial statements and required supplementary information for NDPERS. That report may be obtained by writing to NDPERS, 400 E Broadway, Suite 505, PO Box 1214, Bismarck, North Dakota, 58502-1214.

Plan members are required to contribute 4% of their annual covered salary. The city is required to contribute 5.12% of the employee's salary, which consists of 4.12% for employee retirement and 1% for the retiree health benefits fund. The city has agreed to pay 100% of the member assessments in lieu of a salary increase. The contribution requirements of plan members and the city are established and may be amended by the State legislature. The city's contributions to NDPERS for the years ending December 31, 2008, 2007 and 2006 were \$241,570, \$228,953, and \$194,015, respectively, equal to the required contributions for each year.

**NOTE 5: INDIVIDUAL FUND DEFICITS**

The following funds were in a deficit cash position at December 31, 2008:

Fund	Balance
<b>Nonmajor Fund - Special Revenue:</b>	
Vector Control	\$ (32,687)
<b>Debt Service Funds (Major):</b>	
Sidewalk 2004	(6,810)
2008B	(19,016)
<b>Capital Projects Funds (Major):</b>	
Total Capital Projects Funds	(16,970,732)

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

- Transfer General Fund moneys sufficient to relieve deficits.
- Issue bonds to finance capital projects.
- Collect Special assessments to relieve deficits.

**NOTE 6: 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 (NDRIF), 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 NDRIF for its general liability, auto, and inland marine insurance coverage. The coverage by NDRIF is limited to losses of two million dollars per occurrence for general liability and automobile and \$3,411,364 for mobile equipment and portable property.

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 workers 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 100% for single coverage or 75% of family or single with dependents coverage.

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

**NOTE 7: OPEN CONSTRUCTION PROJECTS**

The city had 11 construction projects open at year-end. The total amount of construction costs in progress was \$12,998,632 with contract amounts of \$18,069,614 leaving total construction commitments of \$5,070,982 at December 31, 2008.

**NOTE 8: CONDUIT DEBT**

From time to time, the City of West Fargo has lent their name to private industries to help them secure community development block grant loans. The loans are issued for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The loans are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the loans, ownership of the acquired facilities transfers to the private-sector entity. The City is not obligated in any manner for repayment of the loans. Accordingly, the loans are not reported as liabilities in the accompanying financial statements.

The total principal balance of the four CDBG loans issued to SnoBear Industries, LLC totaled \$400,000 at December 31, 2008. The outstanding principal balance on those loans was \$395,785.

**NOTE 9: SUBSEQUENT EVENTS**

In February, April, May and June of 2009, the City Commission approved the issuance of the following bond issues:

- \$6,015,000 of 2009 Refunding Improvement Bonds, Series A. The bonds were issued for various street, water & sewer and other infrastructure improvement projects.
- \$5,460,000 of 2009 Refunding Improvement Bonds, Series B. The bonds were issued for various street, water & sewer and other infrastructure improvement projects.
- \$2,225,000 of 2009 Sales Tax Improvement Bonds. The bonds were issued for the 9<sup>th</sup> Street Overpass project.
- \$10,000,000 of 2009 General Obligation Arterial Street Bonds. The bonds were issued for various street infrastructure improvement projects.
- \$530,000 of Capital Financing Bonds. The bonds were issued for Water/Sewer project #1210.
- \$570,000 of Tax Increment Revenue Bonds of 2009. The bonds were issued to finance the Charleswood 25<sup>th</sup> project.

**NOTE 10: CONTINGENT LIABILITIES**

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 11: DEBT DEFEASANCE**

At the January 21, 2008 board meeting, the West Fargo City County Commission moved to refund the remaining 2003 Refunding Improvement Bonds, Series B, to obtain interest savings and realize an economic gain. \$5,790,000 of Refunding Bonds, Series 2008A with an effective true interest rate of 3.68% were issued to refund the remaining 2003B bonds totaling \$6,225,000 for a total cost savings of \$429,201 and \$253,756 in net present value savings (economic gain) over the remainder of the bonds.

**NOTE 12: PRIOR PERIOD ADJUSTMENT**

A prior period of adjustment totaling a reduction of \$457,184 was made to beginning net assets of the governmental activities. The adjustment was necessary to correct prior period errors related to beginning capital assets for an error in beginning construction in progress. A summary of the adjustments is included in the table below.

	Governmental Activities
Net Assets Equity as previously reported	\$51,131,490
<b>Adjustments to restate the January 1, 2007 net assets equity for capital assets:</b>	
Capital Assets – Construction in Progress	(457,184)
<b>Net Assets Equity December 31, 2007 as restated</b>	<b>\$50,674,306</b>

CITY OF WEST FARGO  
West Fargo, North Dakota

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Year Ended December 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 4,106,385	\$ 4,106,385	\$ 3,976,927	\$ (129,458)
Licenses, Permits & Fees	572,000	572,000	547,203	(24,797)
Intergovernmental	615,000	615,000	849,410	234,410
Fines	286,170	286,170	217,200	(68,970)
Miscellaneous	165,000	165,000	257,960	92,960
<b>Total Revenues</b>	<b>\$ 5,744,555</b>	<b>\$ 5,744,555</b>	<b>\$ 5,848,700</b>	<b>\$ 104,145</b>
<u>Expenditures:</u>				
Current:				
General Government	\$ 2,113,958	\$ 2,113,958	\$ 2,016,025	\$ 97,933
Public Safety	3,680,929	3,680,929	3,405,690	275,239
Highways & Streets	1,047,435	1,047,435	1,052,247	(4,812)
Capital Outlay	483,000	844,189	844,189	-
<b>Total Expenditures</b>	<b>\$ 7,325,322</b>	<b>\$ 7,686,511</b>	<b>\$ 7,318,151</b>	<b>\$ 368,360</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>\$ (1,580,767)</b>	<b>\$ (1,941,956)</b>	<b>\$ (1,469,451)</b>	<b>\$ 472,505</b>
<u>Other Financing Sources (Uses):</u>				
Transfers In	\$ 1,250,000	\$ 1,250,000	\$ 1,854,426	\$ 604,426
<b>Net Changes in Fund Balances</b>	<b>\$ (330,767)</b>	<b>\$ (691,956)</b>	<b>\$ 384,975</b>	<b>\$ 1,076,931</b>
<b>Fund Balance - January 1</b>	<b>\$ 2,390,112</b>	<b>\$ 2,390,112</b>	<b>\$ 4,287,083</b>	<b>\$ 1,896,971</b>
<b>Fund Balance - December 31</b>	<b>\$ 2,059,345</b>	<b>\$ 1,698,156</b>	<b>\$ 4,672,058</b>	<b>\$ 2,973,902</b>

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, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget
<u>Revenues:</u>				
Taxes	\$ 2,000,000	\$ 2,000,000	\$ 2,520,390	\$ 520,390
Miscellaneous	5,000	5,000	161,147	156,147
Total Revenues	<u>\$ 2,005,000</u>	<u>\$ 2,005,000</u>	<u>\$ 2,681,537</u>	<u>\$ 676,537</u>
<u>Expenditures:</u>				
Current:	\$ -	\$ -	\$ -	\$ -
Excess (Deficiency) of Revenues Over Expenditures	<u>\$ 2,005,000</u>	<u>\$ 2,005,000</u>	<u>\$ 2,681,537</u>	<u>\$ 676,537</u>
<u>Other Financing Sources (Uses):</u>				
Transfers Out	\$ (1,265,000)	\$ (1,265,000)	\$ (1,264,000)	\$ 1,000
Net Changes in Fund Balances	<u>\$ 740,000</u>	<u>\$ 740,000</u>	<u>\$ 1,417,537</u>	<u>\$ 677,537</u>
Fund Balance - January 1	<u>\$ 4,501,916</u>	<u>\$ 4,501,916</u>	<u>\$ 4,686,360</u>	<u>\$ 184,444</u>
Fund Balance - December 31	<u>\$ 5,241,916</u>	<u>\$ 5,241,916</u>	<u>\$ 6,103,897</u>	<u>\$ 861,981</u>

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

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION  
December 31, 2008

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**NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgetary Information:

The governing body adopts an annual budget on a basis consistent with accounting principles generally accepted in the United States of America 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 of these funds.

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

- On or before September 10th of the preceding fiscal year, the city prepares a preliminary budget for the next succeeding year beginning January 1<sup>st</sup>. The preliminary budget includes a breakdown of the estimated revenues and appropriations.
- The governing body holds a public hearing where any taxpayer may testify in favor or against any proposed disbursements or tax levies requested in the preliminary budget. After the budget hearing and on or before October 7th, the board adopts the final budget.
- The final budget must be filed with the county auditor by October 10th.
- No disbursement shall be made or liability incurred in excess of the total appropriation by fund. However, the governing body may amend the budget during the year for any revenues and appropriations not anticipated at the time the budget was prepared. The budget amendments must be approved by the governing board and the approval must be noted in the official proceedings of the board.
- All appropriations lapse at year-end.

CITY OF WEST FARGO  
West Fargo, North Dakota

SCHEDULE OF FUND ACTIVITY - CLIENT GENERAL LEDGER BASIS  
For the Year Ended December 31, 2008

	Balance 1-1-08	Revenues	Transfers In	Other Financing Sources	Transfers Out	Expenditures	Balance 12-31-08
<b>General Fund (Major)</b>	\$ 3,240,531.56	\$ 5,803,285.97	\$ 1,256,909.61	\$ -	\$ -	\$ 6,473,962.54	\$ 3,826,774.60
<b>General Fund Reserve</b>	1,046,551.71	45,404.35	597,515.96	-	-	844,188.71	845,283.31
<b>Total General Fund</b>	\$ 4,287,083.27	\$ 5,848,700.32	\$ 1,854,425.57	\$ -	\$ -	\$ 7,318,151.25	\$ 4,672,057.91
<b>Special Revenue Funds:</b>							
<b>Sales Tax (Major)</b>	\$ 4,666,360.08	\$ 2,661,536.83	\$ -	\$ -	\$ 1,264,000.00	\$ -	\$ 6,103,897.01
<b>Special Revenue Funds (Nonmajor):</b>							
City Share of Specials	\$ (1,766.03)	\$ 59,286.40	\$ 18,790.69	\$ -	\$ -	\$ 75,942.26	\$ 366.80
Park	-	350,034.09	-	-	-	350,034.09	-
Fire	28,448.11	514,677.11	-	-	-	506,795.22	36,329.00
Communications	13,000.00	-	-	-	-	250.00	12,750.00
Building Fund	326,746.33	121,719.28	-	-	-	121,605.70	328,859.91
Road and Bridge	18,790.69	-	-	-	18,790.69	-	-
Gaming Funds	74,487.04	21,648.59	-	-	10,000.00	-	86,135.63
E-911	517,814.55	238,595.89	-	-	-	331,131.14	425,279.10
Municipal Highway	101,823.87	801,301.87	-	-	903,125.74	-	-
Lodging Tax	31,418.72	48,881.03	-	-	-	18,089.88	62,210.07
General Fund Equipment	57,754.91	8,000.00	-	-	-	(5.91)	65,760.82
City Hall Remodeling	72,759.05	407.30	-	-	-	18,949.98	54,216.37
New City Shop	1,208.10	112.44	-	-	-	1,320.54	-
Vector Control	7,042.57	63,160.16	-	-	-	97,419.00	(27,216.27)
Flood Control	129,747.83	4,198.47	-	-	-	8,753.25	125,193.05
DARE	(4,938.38)	24,281.47	-	-	-	13,423.81	5,919.28
Evidence Police Dept.	10,395.17	1,091.83	-	-	-	-	11,487.00
National Night Out	-	5,003.85	-	-	-	1,945.84	3,058.01
Drug Enforcement	23,587.21	25,810.66	-	-	-	15,379.67	34,018.20
Economic Development	60,523.89	4,473.57	-	-	-	-	64,997.58
Marcell Job Training Loan	-	1,113.88	-	-	-	-	1,113.88
Change Fund	300.00	-	-	-	-	-	300.00
<b>Total Special Revenue Funds (Nonmajor)</b>	\$ 1,469,141.73	\$ 2,293,797.89	\$ 18,790.69	\$ -	\$ 931,916.43	\$ 1,561,035.27	\$ 1,288,778.41
<b>Total Special Revenue Funds</b>	\$ 6,156,501.81	\$ 4,975,334.82	\$ 18,790.69	\$ -	\$ 2,195,916.43	\$ 1,561,035.27	\$ 7,392,675.42
<b>Debt Service Funds (Major):</b>							
2001 B	\$ 290,532.36	\$ 103,467.83	\$ -	\$ -	\$ -	\$ 126,458.50	\$ 267,541.69
2001 C	764,233.03	401,329.89	-	-	-	372,039.25	793,523.67
#6037 - Sidewalk 2001	20,742.02	10,922.48	-	-	-	14,379.00	17,285.50
Sales Tax Revenue Bonds - 2002	93,033.22	20,145.47	784,000.00	-	-	763,740.00	113,438.69
Sales Tax Reserve	651,408.32	-	-	-	-	-	651,408.32
2002 A	647,134.37	369,474.34	-	-	-	349,785.50	666,843.21
2002 B	856,723.83	274,082.83	-	-	-	400,845.50	729,961.16
2003 A	1,499,339.10	349,821.88	-	-	-	440,737.00	1,408,423.98
2003	9,801.70	144,189.78	-	-	-	134,325.50	19,765.98
2003 B	1,059,433.88	426,301.63	-	5,635,000.00	1,329,510.01	5,791,225.50	-
2003 C	826,750.96	691,652.63	-	-	-	793,452.50	724,951.09
2003D	865,825.95	458,504.08	-	-	-	427,835.74	896,494.29
2003 E	1,240,590.65	690,828.23	-	-	-	666,448.50	1,264,970.38
2004A	819,384.08	548,828.26	-	-	-	515,837.26	852,375.06
2004B	466,997.21	466,188.96	80,000.00	-	-	464,692.50	567,491.67
2005A	748,334.18	1,255,957.28	-	-	-	971,355.00	1,032,936.44
Sidewalk 6040-2004	(17,210.94)	29,788.30	-	-	-	19,387.50	(6,810.14)
Sidewalk 6043 - 2007	(1,934.34)	100,649.76	-	-	-	34,931.75	63,783.67
Sidewalk 6042-2008	98,173.38	42,178.88	-	-	-	34,291.50	46,000.76
Sidewalk 6044 - 2008	-	34,195.81	-	215,000.00	187,770.68	6,802.18	54,622.95
2008-B	-	252,553.00	-	-	187,020.00	84,548.75	(19,015.75)
2008-C	-	1,308,212.40	-	-	844,246.80	12,500.00	451,465.60
2005-B	519,421.30	1,257,939.22	-	-	-	1,189,582.50	587,778.02
2005-D	335,282.92	800,069.18	60,000.00	-	-	673,696.50	511,655.58
2005-C	1,044,680.94	616,964.23	-	-	-	668,904.00	992,741.17
2006 A	34,987.92	979,015.54	280,000.00	-	-	1,140,517.67	153,485.79
2007A	1,110,679.94	841,222.66	-	-	-	880,082.00	1,071,820.60
2007B	221,046.00	287,781.91	-	-	-	352,837.82	156,200.09
2008A	\$ -	\$ 528,923.49	\$ 1,329,363.09	\$ -	\$ -	\$ 1,488,000.62	\$ 470,285.96
2001 A	600,735.97	299,305.30	-	-	-	333,943.00	566,098.27
#6034 - Sidewalk 1999	51,419.26	28,548.63	-	-	-	34,335.00	45,632.89
1998 B	734,039.25	293,907.17	-	-	-	341,932.00	686,014.42
#6032 - Sidewalk 1997	26.38	0.71	-	-	27.07	-	-
2067	1,523,958.45	136,292.51	-	-	-	-	1,660,250.96
1993-B	26,049.39	29,332.88	-	-	18,872.22	36,510.00	-
#6039	9,156.72	6,910.32	-	-	-	6,462.50	9,604.54
TIF Bonds Sterling Ind.	121,238.74	126,283.89	-	-	210,000.00	-	37,522.63
TIF Butler	121,898.87	222,215.09	-	-	300,000.00	-	44,111.96
<b>Total Debt Service Funds</b>	\$ 17,334,012.97	\$ 14,552,994.36	\$ 2,503,363.09	\$ 5,850,000.00	\$ 3,077,446.78	\$ 19,572,202.54	\$ 17,590,721.10

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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, 2008

	Balance 1-1-08	Revenues	Transfers In	Other Financing Sources	Transfers Out	Expenditures	Balance 12-31-08
<b>Capital Projects Funds (Major):</b>							
Capital Improvements	\$ 221,499.98	\$ 22,840.83	\$ 500,000.00	\$ -	\$ -	\$ 373,628.35	\$ 370,512.46
Construction Testing	41,128.90	1,340.77	-	-	-	5,849.68	36,619.99
Golf Course	-	-	-	-	-	3,964.02	(3,964.02)
9th Street Interchange	(1,758,343.50)	-	-	-	-	2,114,703.89	(3,871,047.39)
Buller Properties	(484,000.00)	-	100,000.00	-	-	-	(384,000.00)
Retention Shadowwood	(400,259.80)	-	400,259.80	-	-	-	-
Main Avenue Project	(10,596.00)	14,461.20	-	-	-	-	3,865.20
1138 Charleswood Peninsula	(170.90)	-	-	-	-	-	(170.90)
1182 Integrity 1st	(56,022.53)	-	-	-	-	-	(56,022.53)
1185 West Sanitary Lift	(4,883,205.99)	-	-	-	-	3,006,605.81	(7,889,811.80)
1188 Christlanson's 1st	(160.00)	-	-	-	-	244,272.08	(244,432.08)
1193 Shadowwood Addition	(1,876,022.92)	-	-	4,049,000.00	-	1,674,083.02	498,894.36
1191 W River/Borderud/Winsor Green	146,407.92	-	-	-	34,222.67	112,184.95	-
1194 Westport Beach 2nd	(457,184.18)	-	-	531,000.00	6,070.82	67,745.00	-
1196 Eagle Run 12th Phase 2	7,049.27	-	-	-	7,049.27	-	-
1197 Eagle run 17th/18th	(155.00)	155.00	-	-	-	-	-
1198 Doll's/Shloh	(129.02)	129.02	-	-	-	-	-
1199 Buller's 8th	(1,879.79)	1,396.78	483.01	-	-	-	-
1200 Goldenwood 3rd	14,787.47	-	-	-	14,787.47	-	-
2199 Hayden Heights	-	-	-	242,000.00	-	257,499.63	(15,499.63)
1201 Shadow Wood 2nd	-	-	-	-	-	1,280,226.32	(1,280,226.32)
1203 Buller's 4th	(757,193.51)	-	-	658,000.00	-	90,972.12	9,834.37
1204 Buller's 4th Phase 3	-	-	-	-	-	844,980.73	(844,980.73)
1205 Dakota 5th	-	-	-	-	-	289,900.12	(289,900.12)
1206 Reserve at Osgood	-	-	-	2,390,000.00	-	2,053,723.72	336,276.28
1209 Charleswood 25th	-	-	-	-	-	714,552.48	(714,552.48)
1210 Twin Meadows/Hersch	-	-	-	-	-	999.08	(999.08)
1202 - 32nd Ave/Shey-9th Street	-	-	-	-	-	242,010.74	(242,010.74)
2189 9th SLE/32/40th Avenue	(9,335.23)	9,335.23	-	-	-	-	-
2173 Westport Beach	33,139.02	-	-	-	-	-	-
2198 8th St E to Main to 1st Avenue	-	-	-	135,000.00	33,139.02	-	-
2195 I 94 to 32nd Ave	-	-	-	-	-	146,509.96	(11,509.96)
2200 3rd St E to Main to 1st Ave	-	-	-	-	-	474,980.33	(474,980.33)
4041 32nd Ave Bridge Replacement	-	-	-	264,000.00	-	248,112.17	15,887.83
6045 Sidewalk 2008	-	-	-	-	-	98,650.74	(98,650.74)
6044 - 2007 Sidewalk	(177,020.68)	-	177,020.68	-	-	343,404.55	(343,404.55)
2157 13th Ave. West	(130,610.55)	-	-	-	-	-	-
1163 Elmwood Court Private	(1,870.47)	-	1,870.47	-	-	71,000.00	(201,610.55)
2193 Section 20,29	(1,007,042.48)	-	-	1,202,000.00	-	-	-
2191 Pinewood Blvd Extension	(124,622.15)	-	-	144,000.00	5,360.85	183,032.86	11,924.66
4039 Section 29 Water Retention	-	-	-	-	-	14,017.00	-
	-	-	-	-	-	2,958.44	(2,958.44)
<b>Total Capital Projects Funds</b>	<b>\$ (11,669,812.14)</b>	<b>\$ 49,456.83</b>	<b>\$ 1,179,633.96</b>	<b>\$ 9,815,000.00</b>	<b>\$ 100,630.10</b>	<b>\$ 14,960,567.79</b>	<b>\$ (15,686,917.24)</b>
<b>Total Governmental Funds</b>	<b>\$ 16,106,785.91</b>	<b>\$ 25,426,488.13</b>	<b>\$ 5,656,213.31</b>	<b>\$ 15,665,000.00</b>	<b>\$ 5,373,993.31</b>	<b>\$ 43,411,956.85</b>	<b>\$ 13,966,537.10</b>
<b>Enterprise Funds:</b>							
Sewer and Water Operating	\$ 2,919,827.58	\$ 3,980,597.30	\$ -	\$ -	\$ 300,000.00	\$ 3,341,232.59	\$ 3,259,192.29
Water Tower Maintenance	296,822.36	48,236.12	-	-	-	-	345,058.48
Sewage Surcharge	251,256.56	16,809.37	-	-	-	-	268,065.93
w/s 2005 Reserve	742,750.00	-	-	-	-	-	742,750.00
South Facilities Hookup	646,180.93	20,982.86	117,780.00	-	-	-	784,943.79
Waste Water Revenue Bonds	58,365.77	1,900.07	-	-	-	79,464.00	705,479.79
Southside Well	4,598,673.47	-	-	-	-	11,775.00	46,490.84
1208 Water Treatment Plant	-	-	-	-	-	148,938.47	4,449,735.00
Replacement/Depreciation SWOP	30,000.00	-	-	-	-	34,118.58	(34,118.58)
	-	-	-	-	-	-	30,000.00
<b>Total Sewer and Water</b>	<b>\$ 9,543,876.67</b>	<b>\$ 4,068,525.72</b>	<b>\$ 117,780.00</b>	<b>\$ -</b>	<b>\$ 300,000.00</b>	<b>\$ 3,615,528.64</b>	<b>\$ 9,814,653.75</b>
<b>Health and Sanitation Operating</b>	<b>\$ 671,590.48</b>	<b>\$ 1,797,109.88</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,522,822.72</b>	<b>\$ 945,877.64</b>
<b>Total Enterprise Funds</b>	<b>\$ 10,215,467.15</b>	<b>\$ 5,865,635.60</b>	<b>\$ 117,780.00</b>	<b>\$ -</b>	<b>\$ 300,000.00</b>	<b>\$ 5,138,351.36</b>	<b>\$ 10,760,531.39</b>
<b>Agency Funds:</b>							
Park Sp Assmt 2003-1	\$ -	\$ 11,104.30	\$ -	\$ -	\$ -	\$ 11,104.30	\$ -
Park Sp Assmt 2007-1	-	22,104.83	-	-	-	22,104.83	-
Community Dev. Block Grant	1,796.55	61.86	-	-	-	-	1,858.41
Tree Planting	198,609.28	25,752.94	-	-	-	-	186,184.72
Midcontinent Escrow	5,000.00	-	-	-	-	38,177.50	5,000.00
Marvin Windows Escrow Sp Assmts	170,658.00	-	-	-	-	-	170,658.00
	-	-	-	-	-	-	-
<b>Total Agency Funds</b>	<b>\$ 376,063.83</b>	<b>\$ 59,023.93</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 71,386.63</b>	<b>\$ 363,701.13</b>
<b>Total Primary Government</b>	<b>\$ 26,698,316.89</b>	<b>\$ 31,351,147.66</b>	<b>\$ 5,673,993.31</b>	<b>\$ 15,665,000.00</b>	<b>\$ 5,673,993.31</b>	<b>\$ 48,621,694.84</b>	<b>\$ 25,092,769.71</b>

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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, 2008

	Balance 1-1-08	Revenues	Transfers In	Other Financing Sources	Transfers Out	Expenditures	Balance 12-31-08
<b>Component Units:</b>							
<b>Airport:</b>							
Airport General	\$ 64,542.86	\$ 166,461.99	\$ -	\$ -	\$ -	\$ 142,288.82	\$ 88,716.02
Airport Construction	6.25	0.09	-	-	-	-	6.34
<b>Total Airport</b>	<b>\$ 64,549.10</b>	<b>\$ 166,462.08</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 142,288.82</b>	<b>\$ 88,722.36</b>
<b>Library:</b>							
Library General	\$ 236,705.71	\$ 585,410.78	\$ -	\$ -	\$ -	\$ 560,849.53	\$ 261,266.94
Library Memorials	2,115.68	580.10	-	-	-	-	2,695.68
<b>Total Library</b>	<b>\$ 238,821.29</b>	<b>\$ 585,990.86</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 560,849.53</b>	<b>\$ 263,962.62</b>
<b>Total Component Units</b>	<b>\$ 303,370.39</b>	<b>\$ 752,452.94</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 703,138.35</b>	<b>\$ 352,684.98</b>
<b>Total Reporting Entity</b>	<b>\$ 27,001,687.28</b>	<b>\$ 92,103,600.60</b>	<b>\$ 5,673,993.31</b>	<b>\$ 15,665,000.00</b>	<b>\$ 5,673,993.31</b>	<b>\$ 49,324,833.19</b>	<b>\$ 25,445,454.69</b>

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**OFFICE OF THE STATE AUDITOR**  
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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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City Commissioners  
City of West Fargo  
West Fargo, North Dakota

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, 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, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated August 3, 2009. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered City of West Fargo's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of West Fargo's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency in internal control over financial reporting. The significant deficiencies are described in the accompanying schedule of findings and questioned costs as items 08-01 and 08-02.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

**Compliance and Other Matters**

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 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 is required to be reported under *Government Auditing Standards*.

The City of West Fargo's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of West Fargo's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the City Commissioners, others within the City, and is not intended to be and should not be used by anyone other than these specified parties.



Robert R. Peterson  
State Auditor

August 3, 2009

CITY OF WEST FARGO  
West Fargo, North Dakota

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2008

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

Financial Statements

Type of Report Issued?	
Governmental Activities	Unqualified
Business-Type Activities	Unqualified
Discretely Presented Component Units	Unqualified
Major Funds	Unqualified
Aggregate Remaining Fund Information	Unqualified

Internal Control over financial reporting:

Material weaknesses identified?	<u>      </u> Yes	<u>  X  </u> No
Reportable conditions identified not considered to be material weaknesses?	<u>  X  </u> Yes	<u>      </u>
Noncompliance material to financial statements noted?	<u>      </u> Yes	<u>  X  </u> No

**Section II - Financial Statement Findings**

**08-01 - FRAUD RISK ASSESSMENT PROCESS & CONTROLS**

Condition:

The City of West Fargo does not have a written fraud risk management program in place to specifically identify fraud risks. This includes not having: 1) policies or procedures relating to a formal systematic risk assessment process which should include a thorough fraud risk assessment, including channels for reporting suspected instances of impropriety; and, 2) adequate written policies relating to background investigations. Furthermore, the city does not do regular overall entity wide risk analysis and develop procedures to address identified risks.

Criteria:

Generally accepted accounting principles in the United States of America require the development of a fraud risk management program and controls. The standards include discussions about the importance of adequate risk assessment, background investigations, as well as fraud management programs and controls.

Effect:

Without adequate fraud risk programs and controls the City of West Fargo exposes itself to risk of loss of assets, potential liabilities, and damage to the City's reputation. Without an adequate fraud management program in place, employees within the City are unaware of the proper channels to report suspected instances of impropriety.

**Recommendation:**

We recommend that the City of West Fargo develop and implement policies at an overall entity level including procedures specifically relating to a thorough fraud risk assessment and developing a policy and channels for reporting suspected instances of impropriety. We further recommend the City conduct overall entity wide risk assessments on a periodic basis and develop procedures/controls to address any risks identified. The governing board should be involved in these processes.

**Views of Responsible Officials:**

The City of West Fargo is working on implementing specific policies and procedures relating to fraud risk management programs and controls, as well as on overall entity risk assessment process involving the governing board.

<b>08-02 – ACCRUING MATERIAL ACCOUNTS PAYABLE – CONSTRUCTION FUNDS</b>
--

**Condition:**

The City of West Fargo did not accrue a material accounts payable in the capital projects major fund totaling \$578,004 to their financial statements. Planning materiality was calculated at \$459,000 for the capital projects major fund. The City did make a working paper adjustment to the 2008 financial statements to report the material proposed audit adjustment.

**Criteria:**

Generally Accepted Accounting Principles in the United States of America and strong internal control over the preparation of complete and accurate financial statements require the accrual of accounts payable in the financial statements.

**Effect:**

The 2008 financial statements are misstated by \$578,004 in the capital projects major fund. This caused a misstatement in liabilities and fund balance of 3.4% and a misstatement of expenditures of 3.8%.

**Recommendation:**

We recommend that the City review January invoices of the following year to search for potential unrecorded accounts payable and accrue at least significant/material accounts payable in the year-end financial statements.

**Views of Responsible Officials:**

The City accrued the proposed material accounts payable in the capital projects fund for 2008. Going forward, the City will review invoices in January of each subsequent year to determine if significant accounts payable exists at year-end for accrual into the financial statements.