



## Independent Auditor's Report

To the Honorable Mayor  
and Members of City Commission  
City of Fargo, North Dakota  
Fargo, North Dakota

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fargo (City) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, based on our audit, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of December 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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

### ***Responsibilities of Management for the Financial Statements***

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

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

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

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, City employees' pension plan schedules: Schedule of changes in net pension liability (assets), schedule of employer contributions, schedule of investment returns, contributions and net pension liability (asset) as a percent of payroll, City's proportionate share of net pension liability (asset) and City's proportionate share of employer contributions, North Dakota Public Employee Retirement System Pension plan schedules: schedule of employer's share of net pension liability, schedule of employer contributions; Police Pension Plan schedules: Schedule of change in net pension liability, schedule of employer contributions, schedule of investment returns, and contributions and net pension liability as a percent of payroll; Fargo Firefighters' Relief Association Retirement Plan schedules: schedule of change in net pension liability, schedule of employer contributions, schedule of investment returns, and contributions and net pension liability as a percent of payroll; and North Dakota public Employee Retirement System OPEB Plan schedules: schedule of employer's share of net OPEB liability and schedule of employer contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund statements and schedules, and Capital Assets Used in the Operation of Governmental Funds section are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules, and the capital assets section, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Mankato, Minnesota  
June 29, 2022

## **City of Fargo, North Dakota**

### **Management's Discussion and Analysis**

As management of the City of Fargo, we offer readers of the City of Fargo's financial statements this narrative overview and analysis of the financial activities of the City of Fargo for the fiscal year ended December 31, 2021. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages IV - IX of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

#### **FINANCIAL HIGHLIGHTS**

##### **Government-wide Statements**

The assets and deferred outflows of resources of the City of Fargo exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$1,345,868 (net position). Of this amount, \$97,591 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

##### **Fund Financial Statements**

As of the close of the current fiscal year, the City of Fargo's governmental funds reported combined ending fund balances of \$207,405 a decrease of \$25,677 in comparison with the prior year balance. Of this balance, \$25,836 constitutes unassigned fund balance, \$1,080 assigned fund balance, \$1,000 committed fund balance, \$175,605 restricted fund balance and \$3,884 nonspendable fund balance.

The City's twelve enterprise funds ended the year with net position of \$899,503. An increase of \$59,106 from the prior year balance. Net cash flows from operations were \$31,854 while net cash used by capital and financing activities was \$26,505.

The City's unassigned General Fund balance of \$27,145 represents 28 percent of the total General Fund expenditures. This exceeds our management goal of 25 percent.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the City of Fargo's basic financial statements. The City of Fargo's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

##### **Government-wide financial statements**

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

The statement of net position presents information on all of the City of Fargo's assets, deferred outflow of resources, liabilities and deferred inflow of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Fargo is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position 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 this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Fargo that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Fargo include general government,

public safety, public works, public health and welfare, recreation & culture, urban redevelopment, public transportation, economic development, and general support. The business-type activities of the City of Fargo include a Municipal Airport, Water, Wastewater, Storm Sewer, Solid Waste, Southeast Cass Sewer, Forestry, Vector Control, Street Lighting, Transit, Civic Memorial Auditorium, and the FargoDome, a multi-use facility.

The government-wide financial statements can be found on pages 13 and 14 of this report.

### **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 Fargo, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Fargo can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

### **Governmental funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-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 this comparison between governmental funds and governmental activities.

The City of Fargo maintains twenty-one individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the debt service fund, and the capital projects fund, which are all considered as major funds. Data from the other eighteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Fargo adopts an annual appropriated budget for its governmental funds, except for capital projects funds. Budgetary comparison statements have been provided to demonstrate compliance with the approved budget.

The basic governmental fund financial statements can be found on pages 15 - 18 of this report.

### **Proprietary funds**

The City of Fargo maintains twelve different proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Fargo uses enterprise funds to account for its Municipal Airport, Water, Wastewater, Storm Sewer, Vector Control, Solid Waste, Southeast Cass Sewer, Forestry, Street Lighting, Transit, Civic Memorial Auditorium, and FargoDome activities.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Municipal Airport, Water, Wastewater, Storm Sewer, Solid Waste, and FargoDome activities, which are considered major funds of the City of Fargo. Data from the other six enterprise funds are combined into a single, aggregated presentation, with individual data available elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 20 - 24 of this report.

### **Fiduciary funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of

those funds are not available to support the City of Fargo's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City's fiduciary funds consist of pension trust funds and custodial funds. The City's two pension funds, the City Employees' Pension Plan and the Police Pension Plan are reported as pension trust funds. The City has four custodial funds: Park District Special Assessments, Metro Flood Project Diversion Authority, Red River Regional Dispatch Center and Police Custodial Fund.

The basic fiduciary fund financial statements can be found on pages 25 and 26 of this report.

### **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 27 – 84 of this report.

### **Other information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Fargo's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees. Required supplementary information can be found on pages 85 - 93 of this report.

The combining statements referred to earlier in connection with non-major governmental and proprietary funds as well as the custodial funds are presented immediately following the notes to the financial statements. Combining statements and schedules can be found on pages 94 - 118 of this report.

In 2021, as a way to improve administrative efficiency and provide for a greater ability to monitor operating performance, the Transit and Civic Memorial Auditorium functions were reclassified from the General Fund to separate proprietary funds. This reclassification had numerous effects on the 2021 financial statements. The largest being the transfer of \$16.9 million in capital assets net of accumulated depreciation from governmental activities into business-type activities. This was shown as contributed capital in the proprietary statements.

## **Government-wide Financial Analysis**

### **Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Fargo, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,345,868 at the close of the most recent fiscal year.

By far the largest portion of the City of Fargo's net position (80%) reflects its net investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related outstanding debt used to acquire those assets. The City of Fargo uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Fargo's net investment in 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.

The following two tables present condensed financial information on the City's Net Position and Changes in Net Position for the fiscal year ending December 31, 2021 and 2020.

City of Fargo's Net Position (In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 677,426	\$ 703,913	\$ 131,568	\$ 111,482	\$ 808,994	\$ 815,395
Capital assets	630,655	631,752	1,017,543	932,734	1,648,198	1,564,486
Total assets	1,308,081	1,335,665	1,149,111	1,044,216	2,457,192	2,379,881
Deferred outflows of resources	41,331	52,481	13,676	17,332	55,007	69,813
Long-term liabilities outstanding	806,752	934,591	216,333	201,407	1,023,085	1,135,998
Other liabilities	35,187	26,458	23,012	13,715	58,199	40,173
Total liabilities	841,939	961,049	239,345	215,122	1,081,284	1,176,171
Deferred inflows of resources	61,108	27,355	23,939	6,028	85,047	33,383
Net position:						
Net investment in capital assets	262,441	152,409	817,425	769,928	1,079,866	922,337
Restricted	113,962	170,048	54,448	53,326	168,410	223,374
Unrestricted	69,962	77,285	27,630	17,144	97,592	94,429
Total net position	\$ 446,365	\$ 399,742	\$ 899,503	\$ 840,398	\$ 1,345,868	\$ 1,240,140

A portion of the City of Fargo's net position (13%) represents resources that are subject to external restrictions on how they may be used.

The unrestricted net position of \$97,592 may be used to meet the government's ongoing obligations to citizens and creditors.

### Changes in net position

The City's net position increased by \$105,728 as revenues exceeded expenses during the current fiscal year for both governmental and enterprise funds. Much of this is committed to current and future capital infrastructure.

### Governmental activities

Governmental activities increased the City's net position increased by \$46,623 during the current fiscal year, thereby accounting for 44.1 percent of the total growth in the net position of the City.

Revenues increased by \$36,129 or 13.7 percent. This increase can be attributed to local grant proceeds received from the Cass County Joint Water Resource District to pay off the direct bank loan that the City was holding on behalf of the Metro Flood Diversion. Sales tax revenues also increased 30% from 2020 to 2021.

### Business type activities

Business-type activities increased the City of Fargo's net position by \$59,105 during the current fiscal year, accounting for 55.9 percent of the total growth in the government's net position. Some of this growth is due to capital contributions relating to the transfer of Transit and Civic Memorial Auditorium fixed assets from governmental to business-type funds. As the City continues to plan for both current and future infrastructure investments we have been closely monitoring revenues to ensure they exceed expenses.

City of Fargo's Changes in Net Position (In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 24,863	\$ 25,278	\$ 86,230	\$ 71,176	\$ 111,093	\$ 96,454
Operating grants and contributions	13,034	38,966	16,902	4,144	29,936	43,110
Capital grants and contributions	135,300	96,585	11,230	11,429	146,530	108,014
General Revenues:						
Taxes	107,467	88,621	1,249	1,160	108,716	89,781
Unrestricted intergovernmental	7,708	6,366	-	-	7,708	6,366
Unrestricted investment earnings	2,155	6,139	5,238	5,226	7,393	11,365
Miscellaneous	9,040	1,483	1,435	2,505	10,475	3,988
Total revenues	299,567	263,438	122,284	95,640	421,851	359,078
Expenses:						
General government	22,518	24,328	-	-	22,518	24,328
Public safety	41,237	39,367	-	-	41,237	39,367
Public works	88,160	90,683	-	-	88,160	90,683
Public health and welfare	17,626	21,647	-	-	17,626	21,647
Recreation and culture	8,509	8,869	-	-	8,509	8,869
Urban redevelopment	2,482	1,741	-	-	2,482	1,741
Transportation	465	13,541	-	-	465	13,541
Economic development	502	100	-	-	502	100
General support	1,380	1,229	-	-	1,380	1,229
Interest and fiscal charges	29,404	24,413	-	-	29,404	24,413
Municipal airport authority	-	-	11,016	10,360	11,016	10,360
Water	-	-	25,585	25,684	25,585	25,684
Wastewater	-	-	16,051	14,193	16,051	14,193
Storm sewer	-	-	7,138	6,987	7,138	6,987
Solid waste	-	-	10,631	11,756	10,631	11,756
Fargodome	-	-	12,392	9,443	12,392	9,443
Southeast cass	-	-	56	99	56	99
Vector control	-	-	241	390	241	390
Street lighting	-	-	4,542	4,528	4,542	4,528
Forestry	-	-	2,205	2,179	2,205	2,179
Transit	-	-	13,578	-	13,578	-
Civic	-	-	405	-	405	-
Total expenses	212,283	225,918	103,840	85,619	316,123	311,537
Excess before Transfers	87,284	37,520	18,444	10,021	105,728	47,541
Transfers	(40,661)	1,359	40,661	(1,359)	-	-
Change in net position	46,623	38,879	59,105	8,662	105,728	47,541
Net position - beginning	399,742	360,863	840,398	831,736	1,240,140	1,192,599
Net position - ending	\$ 446,365	\$ 399,742	\$ 899,503	\$ 840,398	\$ 1,345,868	\$ 1,240,140

## Financial Analysis of the City's Funds

As noted earlier, the City of Fargo uses fund accounting to demonstrate compliance with finance-related legal requirements. Some funds are required statutorily while others are established internally to assist management in accounting for certain activities.

### Governmental funds

The focus of the City governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financial needs and ability to meet those needs with current revenue streams.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$207,405.

Approximately 12.5 percent, or \$25,836, of this combined ending fund balance constitutes unassigned fund balance. The remainder of fund balance is assigned (\$1,080, 0.5 percent), committed (\$1,000, 0.5 percent), restricted (\$175,605, 84.7 percent), or nonspendable (\$3,884, 1.9 percent).

The General Fund is the primary operating fund of the City of Fargo. At the end of the 2021 fiscal year, the General Fund unassigned fund balance was \$27,145, a decrease of \$7,485 from the prior year. Unassigned fund balance represents 28 percent of total general fund expenditures, while total fund balance represents

40 percent of that same amount. Managements fund balance goal of 25 percent has been achieved for this fiscal year

The city strategically manages reserves above this target to plan for the operating impacts resulting from future growth, including the ability to operate and maintain new capital infrastructure.

Overall General Fund revenues of this fund group decreased by 21 percent compared to the prior year, while total expenditures decreased by 4 percent.

The decrease in General Fund revenues is due to one-time grant funding received in 2020 via the CARES Act, as part of the COVID-19 pandemic response.

The debt service fund has a total fund balance of \$165,752, all of which is restricted for the payment of future debt service. The net decrease in fund balance during the current year was \$28,178 and was the result of crossover refunding of debt during 2021.

The capital projects fund had a net increase in fund balance of \$5,559. Capital project intergovernmental revenues increased by 49.7 percent in 2021. This rise is due to increased work on in-town flood control projects reimbursed by the Metro Flood Diversion.

### **Proprietary (business-type) Funds**

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

Unrestricted net position of the proprietary funds at the end of the year amounted to \$27,630. The Wastewater fund was the major proprietary fund that reported a decrease in net position. The Wastewater fund decrease is the result of significant transfers out of the fund, \$6,964, to fund various capital project and capital asset purchases.

Operating revenues of this fund group increased by \$15,054, or 21.1 percent. A portion of this increase was the result of transferring the Transit and Civic Memorial Auditorium Funds from the governmental fund type to an enterprise fund type. FargoDome charges for services increased 240% from 2020. This increase is due to the COVID-19 Pandemic, which resulted in very few concerts or events being held at the FargoDome in 2020.

Operating expenses increased by \$17,980, or 22.1 percent. This increase was the result of transferring the Transit and Civic Memorial Auditorium Funds from a governmental fund type to an enterprise fund type.

### **General Fund Budgetary Highlights**

The City's low annual average unemployment rate of 2.2 percent and continued positive construction activity of \$763.3 million in valuations both point to a growing economy.

The General fund has two primary revenue sources, property tax and intergovernmental revenues, which count for around 68% of the budgeted revenues.

The City expenditures ended the year at \$95.7 million or 4.8% below final budget. This budgetary expense savings was a result of reduced expenditures relating to public health & welfare and capital outlay than what was expected.

### **Capital Asset and Debt Administration**

**Capital Assets.** The City of Fargo's investment in capital assets for its governmental and business type activities as of December 31, 2021 amounts to \$1,648 (net of accumulated depreciation). This investment in capital assets includes land, intangibles, construction in progress, buildings, improvements, machinery and equipment, infrastructure, and flood control projects.

Major capital asset events during the current fiscal year included the following:

\$37.6 million was expended on the expansion of the City's Wastewater Treatment facility. This is a major expansion allowing an increase in treatment capacity from 26 MGD to 50 MGD per day. The completion of the expansion is expected to occur in 2023.

Significant projects were completed at the Municipal Airport Authority including a cargo apron expansion and a new SRE building and remodeling of the existing SRE facility. Nearly \$12 million was spent on these projects in 2021.

City of Fargo's Capital Assets (net of depreciation) (In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 108,099	\$ 104,333	\$ 44,542	\$ 43,888	\$ 152,641	\$ 148,221
Construction in progress	852	30,103	98,120	67,607	98,972	97,710
Intangible	12,580	12,580	920	920	13,500	13,500
Buildings	102,335	102,845	275,066	265,823	377,401	368,668
Improvements other than buildings	6,745	7,180	27,437	28,973	34,182	36,153
Machinery and equipment	14,811	19,580	35,645	34,063	50,456	53,643
Infrastructure	291,509	282,588	535,813	491,460	827,322	774,048
Flood Control	93,724	72,543	-	-	93,724	72,543
Total	<u>\$ 630,655</u>	<u>\$ 631,752</u>	<u>\$ 1,017,543</u>	<u>\$ 932,734</u>	<u>\$ 1,648,198</u>	<u>\$ 1,564,486</u>

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

## Long Term Debt

At the end of the current fiscal year, the City of Fargo had total debt of \$1,023,604, a decrease of \$112,930 from the prior fiscal year.

Of this amount, \$526,910 is refunding improvement bonds (funded by special assessments) for which the government is liable in the event of default by the property owners subject to the assessment.

Notes payable amounted to \$252,040 of the total debt. This type of debt will be funded with utility fees and/or sales tax receipts.

The City's net pension liability decreased by \$66,412 from 2020. Most of this decrease was seen in the North Dakota Public Employee Retirement System Pension Plan due to assumption changes.

City of Fargo's Outstanding Debt (In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Improvement bonds	\$ 526,910	\$ 549,200	\$ -	\$ -	\$ 526,910	\$ 549,200
Gross revenue bonds	-	-	1,852	2,142	1,852	2,142
Annual appropriation bonds	28,395	28,840	4,900	5,635	33,295	34,475
General obligation bonds	30,750	32,405	-	-	30,750	32,405
Sales tax bonds	58,226	62,039	-	-	58,226	62,039
Notes payable	71,545	123,322	180,495	146,454	252,040	269,776
Capital leases	457	383	2,512	2,047	2,969	2,430
Accumulated unpaid vacation	4,892	5,124	1,397	1,248	6,289	6,372
Unamortized premium on refunding	35,601	34,293	-	-	35,601	34,293
Special Assessments	-	-	10,359	10,795	10,359	10,795
Landfill closure/postclosure	-	-	5,473	5,486	5,473	5,486
Net pension liability	48,728	97,048	9,356	27,448	58,084	124,496
Net OPEB liability	1,249	1,937	507	688	1,756	2,625
Total	<u>\$ 806,753</u>	<u>\$ 934,591</u>	<u>\$ 216,851</u>	<u>\$ 201,943</u>	<u>\$ 1,023,604</u>	<u>\$ 1,136,534</u>

During the current fiscal year, the City issued debt as detailed below:

The City issued \$37,310 Refunding Improvement Bonds, Series 2021A at a true interest cost of 1.85%. These bonds were issued to reimburse the capital project fund for project costs previously incurred for the expansion of the City's utility infrastructure.

The City of Fargo has an "Aa2" rating from Moody's Investors Service for general obligation debt.

Additional information on the City of Fargo's long-term debt can be found in Note 4. H. of this report.

### **Economic Factors and Next Year's Budgets and Rates**

After a long 18 months of challenges brought on by the COVID-19 pandemic, the 2022 budget is getting the City back to the priorities and initiatives that make us Fargo and make our citizens proud to live here. The 2022 budget included a 7% increase in general fund expenditures. In order to attract and retain the best employees a 3.5% competitive wage adjustment was included in the 2022 budget along with adding 20 full time employees. The budget does not include any increase in tax mills for 2022. The City has had a stable City mill levy history for the past several years; in fact, mills have been reduced by 5.25 since 2013.

The budget team embraced the themes of attracting and retaining a talented team, funding essential infrastructure, reinforcing our strong commitment to public safety, supporting community equity initiatives, funding delayed requests due to COVID-19, and efficient and effective use of federal funds.

Fargo has a strong tax base fueled by economic activity, steady population growth, robust activity in the construction sector and street level excellence at reasonable rates. When combined, these factors produce a synergy that makes Fargo a community where people choose to live, work and play.

### **Requests for information**

This financial report is designed to provide a general overview of the City of Fargo's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 225 4<sup>th</sup> Street North, City of Fargo, ND, 58102 or visit the City's web site at [www.fargond.gov](http://www.fargond.gov). The entire report is presented in the Finance department section.