

**CITY OF FARGO, NORTH DAKOTA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2021**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 95,590	\$ 44,464,579	\$ 44,560,169
Investments	78,831,359	-	78,831,359
Equity in pooled investments	107,471,971	11,866,183	119,338,154
Receivables (net of allowance for uncollectibles):			
Interest	137,831	-	137,831
Taxes	324,707	11,213	335,920
Accounts	6,351,388	8,579,385	14,930,773
Sales tax	12,109,127	-	12,109,127
Special assessments	454,913,635	57,219	454,970,854
Intergovernmental	9,440,923	6,710,370	16,151,293
Loans	2,152,569	-	2,152,569
Internal balances	(3,102,995)	3,102,995	-
Inventory	1,338,235	1,479,517	2,817,752
Prepaid expenses	2,546,013	419,299	2,965,312
Property held for resale	2,537,526	-	2,537,526
Net pension asset	2,278,092	1,406,209	3,684,301
Restricted assets:			
Equity in pooled investments	-	3,785,385	3,785,385
Investments	-	49,685,723	49,685,723
Capital assets not being depreciated:			
Land	108,099,779	44,541,504	152,641,283
Construction in progress	852,044	98,120,339	98,972,383
Intangible - Right-of-way Easements	12,579,840	420,036	12,999,876
Intangible - Water Rights	-	500,000	500,000
Capital assets (net of accumulated depreciation):			
Buildings	102,334,978	275,066,488	377,401,466
Improvements other than buildings	6,745,254	27,437,456	34,182,710
Machinery and equipment	14,811,082	35,645,082	50,456,164
Infrastructure	291,508,538	535,812,250	827,320,788
Flood Control	93,723,692	-	93,723,692
Total assets	<u>1,308,081,178</u>	<u>1,149,111,232</u>	<u>2,457,192,410</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflow of resources related to pension	40,950,143	13,514,100	54,464,243
Deferred outflow of resources related to OPEB	380,496	162,278	542,774
Total deferred outflows of resources	<u>41,330,639</u>	<u>13,676,378</u>	<u>55,007,017</u>
<b>LIABILITIES</b>			
Vouchers payable	12,761,965	10,936,714	23,698,679
Retainage payable	2,037,904	6,046,201	8,084,105
Accrued payroll	2,839,914	325,050	3,164,964
Accrued interest payable	4,737,351	488,722	5,226,073
Accrued interest payable from restricted assets	-	1,079,712	1,079,712
Special assessments payable	869,889	518,056	1,387,945
Unearned revenue	11,411,452	3,610,670	15,022,122
Deposits	528,150	7,385	535,535
Debt			
Current debt - due within one year	88,326,849	2,262,350	90,589,199
Current debt - due within one year payable from restricted assets	-	3,682,868	3,682,868
Noncurrent debt - due in more than one year	668,448,727	200,524,377	868,973,104
Net pension liability	48,728,189	9,356,030	58,084,219
Net OPEB liability	1,248,817	507,114	1,755,931
Total liabilities	<u>841,939,207</u>	<u>239,345,249</u>	<u>1,081,284,456</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflow of resources related to pension	60,657,961	23,730,865	84,388,826
Deferred Inflow of resources related to OPEB	450,166	208,021	658,187
Total deferred Inflows of resources	<u>61,108,127</u>	<u>23,938,886</u>	<u>85,047,013</u>
<b>NET POSITION</b>			
Net investment in capital assets	262,441,361	817,425,266	1,079,866,627
Restricted for:			
Debt service	79,776,298	4,762,580	84,538,878
Specific projects and programs	14,972,524	-	14,972,524
Capital improvements	19,212,790	49,685,723	68,898,513
Unrestricted	69,961,510	27,629,906	97,591,416
Total net position	<u>\$ 446,364,483</u>	<u>\$ 899,503,475</u>	<u>\$ 1,345,867,958</u>

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

**CITY OF FARGO, NORTH DAKOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2021**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 22,517,526	\$ 3,178,041	\$ 1,093,108	\$ 118,834	\$ (18,127,543)	\$ -	\$ (18,127,543)
Public safety	41,237,465	6,700,909	665,338	473,014	(33,398,204)	-	(33,398,204)
Public works	88,160,036	8,477,310	-	134,689,438	55,006,712	-	55,006,712
Public health and welfare	17,626,615	4,278,481	9,005,097	-	(4,343,037)	-	(4,343,037)
Recreation and culture	8,508,657	229,113	145,886	-	(8,133,658)	-	(8,133,658)
Urban redevelopment	2,482,461	239,816	1,877,832	18,518	(346,295)	-	(346,295)
Transportation	465,086	1,758,864	246,894	-	1,540,672	-	1,540,672
Economic development	501,956	-	-	-	(501,956)	-	(501,956)
General support and unallocated	1,380,060	-	-	-	(1,380,060)	-	(1,380,060)
Interest and fiscal charges	29,404,274	-	-	-	(29,404,274)	-	(29,404,274)
Total governmental activities	<u>212,284,136</u>	<u>24,862,534</u>	<u>13,034,155</u>	<u>135,299,804</u>	<u>(39,087,643)</u>	<u>-</u>	<u>(39,087,643)</u>
<b>Business-type activities:</b>							
Municipal airport authority	11,015,664	9,914,685	4,579,323	8,285,161	-	11,763,505	11,763,505
Water	25,585,590	26,123,374	-	10,215	-	547,999	547,999
Wastewater	16,051,317	14,491,086	-	1,245	-	(1,558,986)	(1,558,986)
Storm sewer	7,137,768	3,095,185	-	705,832	-	(3,336,751)	(3,336,751)
Solid waste	10,631,087	17,032,533	11,301	-	-	6,412,747	6,412,747
Fargodome	12,391,698	6,231,388	4,836,614	-	-	(1,323,696)	(1,323,696)
Southeast Cass	56,240	185,600	-	-	-	129,360	129,360
Vector control	241,544	756,459	-	-	-	514,915	514,915
Street lighting	4,541,580	3,570,442	-	-	-	(971,138)	(971,138)
Forestry	2,204,551	2,357,032	-	-	-	152,481	152,481
Transit	13,578,079	2,416,713	7,474,710	2,227,744	-	(1,458,912)	(1,458,912)
Civic Memorial Auditorium	405,109	55,382	-	-	-	(349,727)	(349,727)
Total business-type activities	<u>103,840,227</u>	<u>86,229,879</u>	<u>16,901,948</u>	<u>11,230,197</u>	<u>-</u>	<u>10,521,797</u>	<u>10,521,797</u>
<b>Total</b>	<u>\$ 316,124,363</u>	<u>\$ 111,092,413</u>	<u>\$ 29,936,103</u>	<u>\$ 146,530,001</u>	<u>(39,087,643)</u>	<u>10,521,797</u>	<u>(28,565,846)</u>

<b>General revenues:</b>		
<b>Taxes:</b>		
Property taxes		34,242,887
Sales taxes		63,840,808
Gross business receipts taxes		5,401,665
Lodging taxes		2,295,974
Other taxes		1,686,063
Unrestricted intergovernmental		7,708,324
Unrestricted investment earnings		2,155,149
Miscellaneous revenue (expense)		9,039,654
Transfers		(40,661,270)
Total general revenues and transfers		<u>85,709,254</u>
Change in net position		46,621,611
Net position - beginning		399,742,872
Net position - ending		<u>\$ 446,364,483</u>
		1,248,941
		-
		-
		-
		-
		-
		5,238,431
		1,435,412
		40,661,270
		<u>48,584,054</u>
		59,105,851
		840,397,624
		<u>\$ 899,503,475</u>
		35,491,828
		63,840,808
		5,401,665
		2,295,974
		1,686,063
		7,708,324
		7,393,580
		10,475,066
		-
		134,293,308
		105,727,462
		1,240,140,496
		<u>\$ 1,345,867,958</u>

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

**CITY OF FARGO, NORTH DAKOTA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2021**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 95,590	\$ -	\$ -	\$ -	\$ 95,590
Investments	-	78,831,359	-	-	78,831,359
Equity in pooled investments	33,657,463	59,440,478	-	14,374,030	107,471,971
Receivables (net of allowance for uncollectibles):					
Interest	80,117	56,058	1,656	-	137,831
Taxes	281,376	37,164	-	6,167	324,707
Accounts	5,059,578	-	863,769	428,041	6,351,388
Sales tax	-	3,027,282	9,081,845	-	12,109,127
Special assessments	386,334	453,868,175	-	659,126	454,913,635
Intergovernmental	4,113,459	-	4,183,977	1,143,487	9,440,923
Due from other funds	568,013	1,599,732	-	307,126	2,474,871
Loans	-	-	-	2,152,569	2,152,569
Inventory	1,338,235	-	-	-	1,338,235
Prepaid items	2,449,395	-	67,405	29,213	2,546,013
Property held for resale	-	-	2,500,000	37,526	2,537,526
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total assets	<u>\$ 48,029,560</u>	<u>\$ 596,860,248</u>	<u>\$ 16,698,652</u>	<u>\$ 19,137,285</u>	<u>\$ 680,725,745</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Vouchers payable	\$ 2,568,438	\$ 62,190	\$ 9,327,272	\$ 804,065	\$ 12,761,965
Contract retainage payable	-	-	2,024,745	13,159	2,037,904
Advances from other funds	-	-	3,102,995	-	3,102,995
Due to other funds	-	-	1,599,732	875,139	2,474,871
Accrued payroll	2,813,241	-	2,687	23,986	2,839,914
Special assessments payable	-	5,261	42,191	822,437	869,889
Unearned revenue	108,101	-	227,546	11,075,805	11,411,452
Deposits	316,950	-	211,200	-	528,150
Total liabilities	<u>5,806,730</u>	<u>67,451</u>	<u>16,538,368</u>	<u>13,614,591</u>	<u>36,027,140</u>
<b>Deferred inflows of resources</b>					
Unavailable revenue	3,786,896	431,041,065	1,133,030	1,332,646	437,293,637
<b>Fund balances</b>					
Nonspendable	3,787,630	-	67,405	29,213	3,884,248
Restricted	5,423,514	165,751,732	-	4,429,468	175,604,714
Committed	1,000,015	-	-	-	1,000,015
Assigned	1,079,780	-	-	-	1,079,780
Unassigned	27,144,995	-	(1,040,151)	(268,633)	25,836,211
Total fund balance (deficit)	<u>38,435,934</u>	<u>165,751,732</u>	<u>(972,746)</u>	<u>4,190,048</u>	<u>207,404,968</u>
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 48,029,560</u>	<u>\$ 596,860,248</u>	<u>\$ 16,698,652</u>	<u>\$ 19,137,285</u>	<u>\$ 680,725,745</u>

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

**CITY OF FARGO, NORTH DAKOTA  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
December 31, 2021**

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

Total fund balance - governmental funds	\$	207,404,968
Capital assets used in governmental activities are not financial resources and therefore not reported in the fund financial statements		630,655,207
Other assets are not available to pay for current period expenditures and, therefore, are either not recognized as a receivable or are deferred in the funds		437,293,637
Net pension asset and liability and pension related deferred outflows and inflows of resources are not due in the current period and, therefore, are not reported in the funds		(66,157,915)
Net OPEB liability and OPEB related deferred outflows and inflows of resources are not due in the current period and, therefore, are not reported in the funds		(1,318,487)
Liabilities that are not due and payable in the current period and therefore not reported in the governmental funds		<u>(761,512,927)</u>
Net position of governmental activities	\$	<u><u>446,364,483</u></u>

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

**CITY OF FARGO, NORTH DAKOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**

For the Year Ended December 31, 2021

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 38,212,111	\$ 18,418,588	\$ 47,880,606	\$ 3,043,625	\$ 107,554,930
Special assessments	-	54,310,829	29,218	640,730	54,980,777
Licenses and permits	6,055,986	-	-	-	6,055,986
Intergovernmental revenues	19,857,699	56,754,920	28,607,714	6,593,843	111,814,176
Charges for services	13,798,463	-	-	1,958,542	15,757,005
Fines and forfeits	1,630,682	-	-	107,237	1,737,919
Investment income	2,017,186	194,948	(56,984)	-	2,155,150
Miscellaneous revenues	1,419,529	588,827	534,175	9,681,675	12,224,206
Total revenues	<u>82,991,656</u>	<u>130,268,112</u>	<u>76,994,729</u>	<u>22,025,652</u>	<u>312,280,149</u>
<b>EXPENDITURES</b>					
Current:					
General government	19,178,869	-	1,023,134	322,870	20,524,873
Public safety	43,333,537	-	147,604	269,568	43,750,709
Public works	12,366,489	13,588	60,320,580	801,756	73,502,413
Public health & welfare	13,030,593	-	-	3,977,541	17,008,134
Recreation and culture	4,993,133	-	-	3,120,825	8,113,958
Urban redevelopment	-	421,152	24,243	1,962,361	2,407,756
Public transportation	-	-	900	1,470,937	1,471,837
Economic development	501,956	-	-	-	501,956
General support	1,380,060	-	-	-	1,380,060
Capital outlay	762,902	-	72,690,537	351,553	73,804,992
Debt service:					
Principal	155,080	121,461,196	-	-	121,616,276
Interest and fiscal charges	15,636	31,606,814	111,535	-	31,733,985
Total expenditures	<u>95,718,255</u>	<u>153,502,750</u>	<u>134,318,533</u>	<u>12,277,411</u>	<u>395,816,949</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(12,726,599)</u>	<u>(23,234,638)</u>	<u>(57,323,804)</u>	<u>9,748,241</u>	<u>(83,536,800)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	16,081,458	4,073,942	19,664,572	1,541,186	41,361,158
Transfers out	(11,090,617)	(9,312,393)	(1,810,201)	(6,839,384)	(29,052,595)
Loans issued	-	-	4,171,143	-	4,171,143
Bonds issued	-	294,677	37,015,323	-	37,310,000
Bond premium	-	-	3,841,856	-	3,841,856
Capital lease	228,700	-	-	-	228,700
Total other financing sources (uses)	<u>5,219,541</u>	<u>(4,943,774)</u>	<u>62,882,693</u>	<u>(5,298,198)</u>	<u>57,860,262</u>
Net change in fund balances	(7,507,058)	(28,178,412)	5,558,889	4,450,043	(25,676,538)
Fund balance (deficit) - beginning of year	45,942,992	193,930,144	(6,531,635)	(259,995)	233,081,506
Fund balance (deficit) - end of year	<u>\$ 38,435,934</u>	<u>\$ 165,751,732</u>	<u>\$ (972,746)</u>	<u>\$ 4,190,048</u>	<u>\$ 207,404,968</u>

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

**CITY OF FARGO, NORTH DAKOTA  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2021**

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

Net change in fund balances - total governmental funds	\$ (25,676,538)
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.	53,400,135
Capital assets transferred to enterprise funds.	(52,950,874)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.	(1,546,353)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(11,557,928)
Changes to net pension asset and liability and pension related deferred outflows and inflows do not require the use of current financial resources and therefore are not reported in the governmental funds	6,133,274
Changes to net OPEB liability and OPEB related deferred outflows and inflows do not require the use of current financial resources and therefore are not reported in the governmental funds	193,674
The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and deferred amounts on refundings when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	76,064,577
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	2,561,644
Change in net position of governmental activities	\$ <u><u>46,621,611</u></u>

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

**CITY OF FARGO, NORTH DAKOTA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended December 31, 2021**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 38,000,000	\$ 39,070,000	\$ 38,212,111	\$ (857,889)
Licenses & permits	5,724,400	6,091,400	6,055,986	(35,414)
Intergovernmental revenues	16,455,737	19,697,334	19,857,699	160,365
Charges for services	15,574,112	14,449,244	13,798,463	(650,781)
Fines and forfeits	2,267,500	1,722,500	1,630,682	(91,818)
Investment income	3,289,200	2,554,200	2,017,186	(537,014)
Miscellaneous revenues	3,929,650	2,897,310	1,419,529	(1,477,781)
Total revenues	85,240,599	86,481,988	82,991,656	(3,490,332)
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government	20,251,725	20,783,546	19,178,869	1,604,677
Public safety	42,955,011	43,466,978	43,333,537	133,441
Public works	12,963,251	12,893,446	12,366,489	526,957
Public health & welfare	12,493,910	14,215,507	13,030,593	1,184,914
Recreation & culture	4,973,917	5,016,605	4,993,133	23,472
Economic development	457,500	457,500	501,956	(44,456)
General support	(440,481)	(215,816)	1,380,060	(1,595,876)
Capital outlay	346,090	3,749,643	762,902	2,986,741
<b>Debt service:</b>				
Principal	-	155,080	155,080	-
Interest and fiscal charges	-	15,636	15,636	-
Total expenditures	94,000,923	100,538,125	95,718,255	4,819,870
Excess (deficiency) of revenues over (under) expenditures	(8,760,324)	(14,056,137)	(12,726,599)	1,329,538
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	11,309,401	15,997,401	16,081,458	84,057
Transfers out	(3,440,077)	(8,855,949)	(11,090,617)	(2,234,668)
Capital lease	-	-	228,700	228,700
Total other financing sources (uses)	7,869,324	7,141,452	5,219,541	(1,921,911)
Net change in fund balances	(891,000)	(6,914,685)	(7,507,058)	(592,373)
Fund balance - beginning of year			45,942,992	
Fund balance - end of year			\$ 38,435,934	

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

**CITY OF FARGO, NORTH DAKOTA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2021**

	Business Type Activities-Proprietary Funds						Other Proprietary Funds	Total
	Airport	Water	Wastewater	Storm Sewer	Solid Waste	FargoDome		
<b>ASSETS</b>								
<b>Current assets</b>								
Cash	\$ 36,073,907	\$ 50	\$ 50	\$ -	\$ 300	\$ 8,386,822	\$ 3,450	\$ 44,464,579
Equity in pooled investments	1,369,509	3,235,081	2,085,000	1,245,134	-	-	3,931,459	11,866,183
Receivables (net of allowance for uncollectibles):								
Special assessments	-	13,275	-	-	-	-	43,944	57,219
Taxes	11,213	-	-	-	-	-	-	11,213
Accounts	955,742	2,341,924	1,689,854	359,943	1,471,861	474,918	1,285,143	8,579,385
Intergovernmental	3,763,103	-	-	-	28,281	-	2,918,986	6,710,370
Due from other funds	-	-	2,401,623	-	-	-	-	2,401,623
Advances to other funds	-	1,523,663	1,686,040	-	-	-	-	3,209,703
Inventory	-	628,465	-	-	-	49,366	801,686	1,479,517
Prepaid expenses	-	87,965	27,436	5,967	86,804	117,356	93,771	419,299
Restricted equity in pooled investments	-	3,059,224	360,844	-	-	365,317	-	3,785,385
Total current assets	<u>42,173,474</u>	<u>10,889,647</u>	<u>8,250,847</u>	<u>1,611,044</u>	<u>1,587,246</u>	<u>9,393,779</u>	<u>9,078,439</u>	<u>82,984,476</u>
<b>Noncurrent assets</b>								
Net pension asset	176,964	438,454	173,674	1,021	494,068	-	122,028	1,406,209
Restricted assets								
Investments	-	-	-	-	-	49,685,723	-	49,685,723
Capital assets								
Land	8,516,547	5,591,951	583,744	27,634,732	2,214,530	-	-	44,541,504
Right of way	-	-	289,090	130,946	-	-	-	420,036
Construction in progress	590,340	16,441,446	66,942,034	6,261,662	4,476,989	1,528,586	1,879,282	98,120,339
Intangible	-	500,000	-	-	-	-	-	500,000
Buildings	33,543,778	217,913,062	61,021,419	-	5,626,724	59,768,715	23,190,051	401,063,749
Improvements other than buildings	2,676,347	2,190,737	2,306,389	3,714,279	29,131,593	6,064,049	39,438	46,122,832
Machinery and equipment	14,406,754	12,407,268	20,999,274	7,964,521	22,381,083	26,781,393	21,200,777	126,141,070
Infrastructure	140,081,488	155,291,611	167,791,005	273,401,652	6,158	-	51,802,295	788,374,209
Less accumulated depreciation	<u>(81,235,973)</u>	<u>(88,694,068)</u>	<u>(86,196,666)</u>	<u>(86,723,643)</u>	<u>(28,244,924)</u>	<u>(65,032,733)</u>	<u>(51,612,577)</u>	<u>(487,740,584)</u>
Total capital assets (net of accumulated depreciation)	<u>118,579,281</u>	<u>321,642,007</u>	<u>233,736,289</u>	<u>232,384,149</u>	<u>35,592,153</u>	<u>29,110,010</u>	<u>46,499,266</u>	<u>1,017,543,155</u>
Total noncurrent assets	<u>118,756,245</u>	<u>322,080,461</u>	<u>233,909,963</u>	<u>232,385,170</u>	<u>36,086,221</u>	<u>78,795,733</u>	<u>46,621,294</u>	<u>1,068,635,087</u>
Total assets	<u>\$ 160,929,719</u>	<u>\$ 332,970,108</u>	<u>\$ 242,160,810</u>	<u>\$ 233,996,214</u>	<u>\$ 37,673,467</u>	<u>\$ 88,189,512</u>	<u>\$ 55,699,733</u>	<u>\$ 1,151,619,563</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>								
Deferred outflows of resources related to pension	1,446,157	3,113,742	1,473,608	611,774	2,525,472	1,670,774	2,672,573	13,514,100
Deferred outflows of resources related to OPEB	16,889	37,906	17,936	7,282	28,600	21,496	32,169	162,278
Total deferred outflows of resources	<u>1,463,046</u>	<u>3,151,648</u>	<u>1,491,544</u>	<u>619,056</u>	<u>2,554,072</u>	<u>1,692,270</u>	<u>2,704,742</u>	<u>13,676,378</u>

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



**CITY OF FARGO, NORTH DAKOTA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2021**

	Business Type Activities-Proprietary Funds						Other Proprietary Funds	Total
	Airport	Water	Wastewater	Storm Sewer	Solid Waste	FargoDome		
<b>LIABILITIES</b>								
<b>Current liabilities</b>								
Vouchers payable	\$ 1,567,274	\$ 1,424,325	\$ 5,485,497	\$ 12,020	\$ 852,228	\$ 410,536	\$ 1,184,834	\$ 10,936,714
Retainage payable	5,000	221,480	5,488,415	-	231,830	16,444	83,032	6,046,201
Interest payable	-	34,466	43,734	138,118	196,762	75,553	89	488,722
Advances from other funds	-	-	-	-	106,708	-	-	106,708
Due to other funds	-	-	-	-	2,055,293	-	346,330	2,401,623
Accrued payroll	52,313	71,894	32,282	9,327	60,501	38,160	60,573	325,050
Current portion of special assessments	-	35,896	64,957	144,460	210,059	59,938	2,746	518,056
Current portion of capital lease	-	1,420	17,436	-	846,697	-	-	865,553
Accrued vacation payable	265,070	311,368	155,746	61,220	263,048	123,788	216,557	1,396,797
Unearned revenue	-	-	-	-	-	3,580,468	30,202	3,610,670
Deposits	-	-	-	-	-	7,385	-	7,385
<b>Current liabilities payable from restricted assets:</b>								
Current portion of long-term debt	-	2,435,000	-	-	492,868	755,000	-	3,682,868
Accrued interest and other	-	624,224	360,844	-	66,289	28,355	-	1,079,712
<b>Total current liabilities</b>	<b>1,889,657</b>	<b>5,160,073</b>	<b>11,648,911</b>	<b>365,145</b>	<b>5,382,283</b>	<b>5,095,627</b>	<b>1,924,363</b>	<b>31,466,059</b>
<b>Noncurrent liabilities</b>								
Landfill closure accruals	-	-	-	-	5,472,965	-	-	5,472,965
<b>Long-term debt, net of current portion:</b>								
Special assessments payable	-	822,662	851,173	2,722,236	3,978,277	1,465,058	1,440	9,840,846
Capital lease	-	2,054	75,175	-	1,569,472	-	-	1,646,701
Revenue bonds, net of deferred amount of refunding	-	-	-	-	1,659,480	-	-	1,659,480
Annual appropriation bond	-	-	-	-	-	4,145,000	-	4,145,000
Notes payable	-	96,918,280	80,241,105	-	600,000	-	-	177,759,385
Net pension liability	1,114,487	2,209,848	1,037,612	555,446	2,077,952	603,725	1,756,960	9,356,030
Net OPEB liability	53,196	119,010	56,443	23,646	93,475	67,625	93,719	507,114
<b>Total noncurrent liabilities</b>	<b>1,167,683</b>	<b>100,071,854</b>	<b>82,261,508</b>	<b>3,301,328</b>	<b>15,451,621</b>	<b>6,281,408</b>	<b>1,852,119</b>	<b>210,387,521</b>
<b>Total liabilities</b>	<b>3,057,340</b>	<b>105,231,927</b>	<b>93,910,419</b>	<b>3,666,473</b>	<b>20,833,904</b>	<b>11,377,035</b>	<b>3,776,482</b>	<b>241,853,580</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Deferred inflows of resources related to pension	2,564,013	5,636,197	2,719,883	889,442	4,454,410	2,749,754	4,717,166	23,730,865
Deferred inflows of resources related to OPEB	22,097	47,957	23,818	8,732	35,189	26,820	43,408	208,021
<b>Total deferred inflows of resources</b>	<b>2,586,110</b>	<b>5,684,154</b>	<b>2,743,701</b>	<b>898,174</b>	<b>4,489,599</b>	<b>2,776,574</b>	<b>4,760,574</b>	<b>23,938,886</b>
<b>NET POSITION</b>								
Net investment in capital assets	118,579,281	221,426,695	152,486,443	229,517,453	26,235,300	22,685,014	46,495,080	817,425,266
<b>Restricted for:</b>								
Debt service	-	3,059,224	360,844	-	559,157	783,355	-	4,762,580
Capital improvements	-	-	-	-	-	49,685,723	-	49,685,723
Unrestricted	38,170,034	719,756	(5,849,053)	533,170	(11,890,421)	2,574,081	3,372,339	27,629,906
<b>Total net position</b>	<b>\$ 156,749,315</b>	<b>\$ 225,205,675</b>	<b>\$ 146,998,234</b>	<b>\$ 230,050,623</b>	<b>\$ 14,904,036</b>	<b>\$ 75,728,173</b>	<b>\$ 49,867,419</b>	<b>\$ 899,503,475</b>

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

**CITY OF FARGO, NORTH DAKOTA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2021**

Business Type Activities-Proprietary Funds

	Airport	Water	Wastewater	Storm Sewer	Solid Waste	FargoDome	Other Proprietary Funds	Total
<b>OPERATING REVENUES</b>								
Charges for services	\$ 9,914,685	\$ 26,123,374	\$ 14,491,086	\$ 3,095,185	\$ 17,032,533	\$ 6,231,388	\$ 9,341,628	\$ 86,229,879
<b>OPERATING EXPENSES</b>								
Personnel services	2,930,039	4,895,613	2,216,036	723,975	4,288,318	2,556,612	6,551,076	24,161,669
Other services	2,016,985	4,167,851	4,095,743	165,790	2,120,642	4,168,950	7,547,075	24,283,036
Materials and supplies	1,046,763	6,319,386	2,592,973	175,486	1,347,521	1,230,501	2,938,543	15,651,173
Depreciation	4,968,245	7,746,117	5,929,463	5,934,399	2,459,767	4,172,985	3,990,320	35,201,296
Total operating expenses	10,962,032	23,128,967	14,834,215	6,999,650	10,216,248	12,129,048	21,027,014	99,297,174
Operating income (loss)	(1,047,347)	2,994,407	(343,129)	(3,904,465)	6,816,285	(5,897,660)	(11,685,386)	(13,067,295)
<b>NONOPERATING REVENUES (EXPENSES)</b>								
Gain (loss) on disposal of assets	8,150	(70,910)	5,106	(229)	(20,194)	(55,167)	(5,825)	(139,069)
Investment income (expense)	106,836	57,825	63,902	-	-	5,009,868	-	5,238,431
Interest expense and bond fees	(53,632)	(2,456,623)	(1,217,102)	(138,118)	(414,839)	(262,650)	(89)	(4,543,053)
Amortization expense	-	-	-	-	-	-	-	-
General property tax revenue	1,248,941	-	-	-	-	-	-	1,248,941
Intergovernmental revenues	4,579,323	-	-	-	11,301	4,836,614	7,474,710	16,901,948
Miscellaneous revenue (expense)	8,599	2,882	-	-	65,711	52,633	123,113	252,938
Sale of byproducts	-	-	1,175,563	-	145,980	-	-	1,321,543
Total nonoperating revenues (expenses)	5,898,217	(2,466,826)	27,469	(138,347)	(212,041)	9,581,298	7,591,909	20,281,679
Income (loss) before contributions and transfers	4,850,870	527,581	(315,660)	(4,042,812)	6,604,244	3,683,638	(4,093,477)	7,214,384
Capital contributions	8,285,161	14,374,719	2,453,663	16,483,535	-	-	22,602,952	64,200,030
Transfers in:								
General	-	265,228	111,646	26,454	109,486	26,643	2,700,838	3,240,295
Special revenue	-	286,217	-	-	-	-	-	286,217
Capital projects	-	946,500	-	-	-	-	829,614	1,776,114
Enterprise	-	-	-	-	589,670	-	1,508,000	2,097,670
Transfers out:								
General	(90,000)	(3,834,074)	(2,191,941)	(455,000)	(3,403,276)	(50,000)	(1,162,800)	(11,187,091)
Special revenue	-	-	-	-	(53,230)	-	-	(53,230)
Capital projects	-	(1,898,307)	(3,572,678)	(203,414)	-	-	(696,469)	(6,370,868)
Enterprise	-	(529,000)	(1,199,670)	-	(369,000)	-	-	(2,097,670)
Change in net position	13,046,031	10,138,864	(4,714,640)	11,808,763	3,477,894	3,660,281	21,688,658	59,105,851
Total net position - beginning	143,703,284	215,066,811	151,712,874	218,241,860	11,426,142	72,067,892	28,178,761	840,397,624
Total net position - ending	\$ 156,749,315	\$ 225,205,675	\$ 146,998,234	\$ 230,050,623	\$ 14,904,036	\$ 75,728,173	\$ 49,867,419	\$ 899,503,475

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

**CITY OF FARGO, NORTH DAKOTA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2021**

Business-type activities - Enterprise Funds

	Airport	Water	Wastewater	Storm Sewer	Solid Waste	FargoDome	Other Enterprise Funds	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Receipts from customers and users	\$ 9,725,158	\$ 26,255,928	\$ 14,289,374	\$ 3,095,096	\$ 16,746,730	\$ 5,637,361	\$ 8,908,689	\$ 84,658,336
Payments to suppliers	(2,951,438)	(9,550,139)	(168,877)	(354,905)	(2,574,577)	(5,427,074)	(9,801,752)	(30,828,762)
Payments to employees	(2,330,292)	(3,701,785)	(1,712,062)	(535,975)	(3,275,226)	(1,966,416)	(3,157,464)	(16,679,220)
Payments of benefits on behalf of employees	(570,679)	(1,338,952)	(560,886)	(133,691)	(1,290,383)	(414,453)	(987,720)	(5,296,764)
Net cash provided (used) by operating activities	<u>3,872,749</u>	<u>11,665,052</u>	<u>11,847,549</u>	<u>2,070,525</u>	<u>9,606,544</u>	<u>(2,170,582)</u>	<u>(5,038,247)</u>	<u>31,853,590</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>								
Transfers to other funds	(90,000)	(6,261,381)	(6,964,289)	(658,414)	(3,825,506)	(50,000)	(1,859,269)	(19,708,859)
Transfers from other funds	-	1,497,945	111,646	26,454	699,156	26,643	5,038,452	7,400,296
Property taxes	1,249,793	-	-	-	-	-	-	1,249,793
Intergovernmental operating grants	3,321,328	-	-	-	11,301	4,836,614	4,849,801	13,019,044
Payments received on interfund borrowing	-	-	-	-	654,610	-	904	655,514
Payments made for interfund borrowing	-	-	(488,395)	-	-	-	(167,119)	(655,514)
Net cash provided (used) by noncapital financing activities	<u>4,481,121</u>	<u>(4,763,436)</u>	<u>(7,341,038)</u>	<u>(631,960)</u>	<u>(2,460,439)</u>	<u>4,813,257</u>	<u>7,862,769</u>	<u>1,960,274</u>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>								
Proceeds from sale of assets	8,150	4,370	5,106	-	4,186	-	-	21,812
Proceeds from byproduct sales	-	-	1,175,563	-	145,980	-	-	1,321,543
Payments received on advances to other funds	-	462,485	469,362	-	53,230	-	-	985,077
Payments made for advances to other funds	-	-	-	-	(208,707)	-	-	(208,707)
Capital debt proceeds	-	3,371,081	33,653,372	-	-	-	-	37,024,453
Acquisition of capital assets	(13,278,223)	(5,534,636)	(37,587,664)	-	(4,849,412)	(1,416,009)	(2,444,264)	(65,110,208)
Debt service - principal	-	(2,407,631)	(159,153)	(133,923)	(1,871,593)	(792,032)	-	(5,364,332)
Debt service - interest & fees	(53,632)	(2,482,351)	(1,069,782)	(163,205)	(419,789)	(268,950)	-	(4,457,709)
Intergovernmental capital grants	7,349,768	-	-	-	-	-	1,933,667	9,283,435
Net cash provided (used) by capital and related financing activities	<u>(5,973,937)</u>	<u>(6,586,682)</u>	<u>(3,513,196)</u>	<u>(297,128)</u>	<u>(7,146,105)</u>	<u>(2,476,991)</u>	<u>(510,597)</u>	<u>(26,504,636)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Investment income (expense)	106,836	-	-	-	-	47,078	-	153,914
Investments redeemed	2,688,980	5,979,371	1,452,529	103,697	-	3,404,262	1,620,934	15,249,773
Investments (purchased)	(1,369,509)	(6,294,305)	(2,445,844)	(1,245,134)	-	(365,317)	(3,931,459)	(15,651,568)
Net cash provided (used) by investing activities	<u>1,426,307</u>	<u>(314,934)</u>	<u>(993,315)</u>	<u>(1,141,437)</u>	<u>-</u>	<u>3,086,023</u>	<u>(2,310,525)</u>	<u>(247,881)</u>
Net change in cash and cash equivalents	3,806,240	-	-	-	-	3,251,707	3,400	7,061,347
Cash and cash equivalents, January 1	32,267,667	50	50	-	300	5,135,115	50	37,403,232
Cash and cash equivalents, December 31	<u>\$ 36,073,907</u>	<u>\$ 50</u>	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ 8,386,822</u>	<u>\$ 3,450</u>	<u>\$ 44,464,579</u>

Continued

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

**CITY OF FARGO, NORTH DAKOTA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2021**

Business-type activities - Enterprise Funds

	Airport	Water	Wastewater	Storm Sewer	Solid Waste	FargoDome	Other Enterprise Funds	Total
Reconciliation of operating income to net cash provided (used) by operating activities:								
Operating income (loss)	\$ (1,047,347)	\$ 2,994,407	\$ (343,129)	\$ (3,904,465)	\$ 6,816,285	\$ (5,897,660)	\$ (11,685,386)	(13,067,295)
Adjustments to reconcile operating income to net cash provided by operating activities								
Depreciation	4,968,245	7,746,117	5,929,463	5,934,399	2,459,767	4,172,985	3,990,320	35,201,296
Change in assets and liabilities								
Accounts receivable	(189,527)	139,097	(201,712)	(89)	(314,084)	(259,696)	(442,075)	(1,268,086)
Specials receivable	-	(6,543)	-	-	-	-	(21,066)	(27,609)
Inventories	-	(21,249)	-	-	-	(17,549)	(412,835)	(451,633)
Prepaid expenses	25,803	(3,595)	(1,579)	(410)	(30,772)	9,430	(80,909)	(82,032)
Net pension asset	(172,876)	(428,398)	(169,268)	(995)	(482,728)	-	(119,755)	(1,374,020)
Pension related deferred outflows	626,428	1,341,304	680,055	262,150	928,766	815,088	(1,010,067)	3,643,724
OPEB related deferred outflows	3,770	8,178	4,067	1,475	5,942	4,570	(16,478)	11,524
Accounts payable	883,796	750,366	4,002,147	(13,219)	736,641	10,704	1,094,578	7,465,013
Retainage payable	(797,289)	211,520	2,519,271	-	229,408	(30,208)	83,032	2,215,734
Landfill closure accruals	-	-	-	-	(13,410)	-	-	(13,410)
Payroll payable	21,656	19,033	8,975	2,178	10,623	14,069	41,142	117,676
Vacation payable	54,861	(11,424)	(7,373)	4,039	(5,998)	8,763	105,842	148,710
Unearned revenue	-	-	-	-	-	(334,241)	30,202	(304,039)
Deposits	-	56	-	-	-	(89)	-	(33)
Net pension liability	(2,326,112)	(5,036,477)	(2,504,516)	(905,743)	(3,664,141)	(2,813,292)	(841,469)	(18,091,750)
Net OPEB liability	(29,444)	(63,864)	(31,760)	(11,519)	(46,403)	(35,692)	37,565	(181,117)
Pension related deferred inflows	1,831,010	3,983,632	1,941,578	694,988	2,945,483	2,158,264	4,166,905	17,721,860
OPEB related deferred inflows	19,775	42,892	21,330	7,736	31,165	23,972	42,207	189,077
Total adjustments	4,920,096	8,670,645	12,190,678	5,974,990	2,790,259	3,727,078	6,647,139	44,920,885
Net cash provided (used) by operating activities	<u>\$ 3,872,749</u>	<u>\$ 11,665,052</u>	<u>\$ 11,847,549</u>	<u>\$ 2,070,525</u>	<u>\$ 9,606,544</u>	<u>\$ (2,170,582)</u>	<u>\$ (5,038,247)</u>	<u>\$ 31,853,590</u>
Noncash transactions affecting financial position:								
Acquisition of / change in assets through capital contributions and donations	<u>\$ -</u>	<u>\$ 14,374,719</u>	<u>\$ 2,453,663</u>	<u>\$ 16,483,535</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,375,208</u>	<u>\$ 53,687,125</u>
Acquisition of / change in assets through acquisition of debt	<u>\$ -</u>	<u>\$ 25,043</u>	<u>\$ 127,309</u>	<u>\$ -</u>	<u>\$ 1,221,931</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,374,283</u>

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

**CITY OF FARGO, NORTH DAKOTA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**December 31, 2021**

	Pension Trust Funds	Custodial Funds	Total
<b>ASSETS</b>			
Cash	\$ 917,574	\$ 16,562,967	\$ 17,480,541
Equity in pooled investments	280,159	71,455,271	71,735,430
Receivables:			
Accounts receivable	5,668	100	5,768
Special assessments	-	10,323,508	10,323,508
Intergovernmental	-	62,487,195	62,487,195
Interest	93,364	88,630	181,994
Due from other funds	208,150	-	208,150
Total receivables	307,182	72,899,433	73,206,615
Investments, at fair value:			
Mutual funds	145,848,672	-	145,848,672
Exchange-traded products	7,298,996	-	7,298,996
Total investments	153,147,668	-	153,147,668
Prepaid items	-	248,428	248,428
Total assets	154,652,583	161,166,099	315,818,682
<b>LIABILITIES</b>			
Vouchers and benefits payable	25,797	14,104,583	14,130,380
Retainage payable	-	167,048	167,048
Due to other funds	208,150	-	208,150
Deposits	-	20,727	20,727
Long-term liabilities			
Accrued interest on settlement payable	-	800,000	800,000
Due in more than one year - settlement payable	-	40,000,000	40,000,000
Total liabilities	233,947	55,092,358	55,326,305
<b>NET POSITION</b>			
Restricted for:			
Pension benefits	154,418,636	-	154,418,636
Park district special assessments	-	10,323,508	10,323,508
Metro Flood Project Diversion Authority	-	93,435,929	93,435,929
Red River Regional Dispatch Center	-	1,613,491	1,613,491
Police Custodial Fund	-	700,813	700,813
Total net position	\$ 154,418,636	\$ 106,073,741	\$ 260,492,377

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

**CITY OF FARGO, NORTH DAKOTA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**For the Year Ended December 31, 2021**

	Pension Trust Funds	Custodial Funds	Total
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 5,295,154	\$ -	\$ 5,295,154
Employee	1,816,192	-	1,816,192
Total contributions	<u>7,111,346</u>	<u>-</u>	<u>7,111,346</u>
Investment income			
Net increase (decrease) in fair value of investments	15,581,886	(244,120)	15,337,766
Less investment expense	(515,578)	-	(515,578)
Net investment income	<u>15,066,308</u>	<u>(244,120)</u>	<u>14,822,188</u>
Special assessments collections for other governments	-	1,139,788	1,139,788
Aid from other governments	-	161,648,177	161,648,177
Miscellaneous	-	2,484,123	2,484,123
Member assessments	-	5,234,419	5,234,419
Police funds received into custody	-	497,381	497,381
Total additions	<u>22,177,654</u>	<u>170,759,768</u>	<u>192,937,422</u>
<b>DEDUCTIONS</b>			
Pension benefit payments	8,122,788	-	8,122,788
Member contribution refunds	498,086	-	498,086
Administrative expenses	81,944	-	81,944
Payments of special assessments to other governments	-	1,873,207	1,873,207
Payments for public protection	-	106,317,663	106,317,663
Payments for RRRDC	-	4,926,134	4,926,134
Police funds released from custody	-	313,127	313,127
Interest expense	-	800,000	800,000
Total deductions	<u>8,702,818</u>	<u>114,230,131</u>	<u>122,932,949</u>
Change in net position	13,474,836	56,529,637	70,004,473
Net position - beginning	140,943,800	49,544,104	190,487,904
Net position - ending	<u>\$ 154,418,636</u>	<u>\$ 106,073,741</u>	<u>\$ 260,492,377</u>

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

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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Fargo operates under a "mayor-commission" form of government under the Home Rule Charter. The accounting policies of the City, as reflected in the accompanying financial statements, conform to generally accepted accounting principles for local government units.

The following is a summary of the City's significant accounting policies:

### A. BASIS OF PRESENTATION

The financial statements of the City have been prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The GASB is the standard-setting body for governmental accounting and financial reporting. The City follows and implements all applicable GASB standards. Below are applicable statements, not yet required to be implemented.

GASB statement No. 87, *Leases* requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The requirements of this statement are effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter.

GASB statement No. 91, *Conduit Debt Obligations* clarifies the existing definition of a conduit debt obligation and establishes that is not a liability of the issuer as well as establishes standards for accounting and financial reporting for additional commitments and voluntary commitments extended by issuers, and improves required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2021.

GASB statement No.92, *Omnibus 2020* is to enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature. This statement addresses GASB no. 73, 84 and 87 and other topics. The requirements of this statement are effective for fiscal years beginning after June 15, 2021.

GASB statement No. 93, *Replacement of Interbank Offered Rates* addresses the issue of the London Interbank Offered Rate (LIBOR) cease to exist as well as addresses the accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). The requirements of this statement are effective for reporting period ending after December 31, 2022.

GASB statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* objective is to improve financial reporting by addressing issues related to public- private and public partnership arrangements (PPPs) and require those that meet the definition of a lease apply the guidance of GASB Statement No. 87, *Leases*. The requirements of this statement are effective for fiscal years beginning after June 15, 2022.

GASB statement No. 96, *Subscription-Based Information Technology Arrangements* provides guidance on the accounting and financial reporting for subscription-based informational technology arrangements (SBITAs). Under this Statement, a government generally should recognize a right-to-use subscription asset – an intangible asset and a corresponding liability. The requirements of this statement are effective for fiscal years beginning after June 15, 2022.



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GASB statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—is an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. The primary objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plan. The requirements of this statement are effective for reporting periods beginning after June 15, 2021.

Management has not yet determined the effect these statements will have on the City's financial statements.

**B. REPORTING ENTITY**

The City is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Additionally, the City is not included in any other governmental reporting entity.

The accompanying financial statements present the City and its component units. Blended component units are entities which are legally separate from the City but which are so intertwined with the City that they are, in substance, the same as the City. Discretely presented component units are entities for which the City is considered to be financially accountable or 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.

**Blended Component Unit**

**The City of Fargo Building Authority**, a non-profit corporation, was formed for the purpose of providing funds to finance improvements on City property and for leasing property from the City. The directors of the Authority are made up of the City's Board of Commissioners, as well as the City Administrator and City Finance Director. The activity of the Authority is being reported as a blended component unit within the activities of the primary government. There are no separately issued statements for this component unit.

**C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The goal of government-wide financial statements is to present a broad overview of a government's finances. The basic statements that form the government-wide financial statements are the statement of net position and the statement of activities. These two statements report information on all of the nonfiduciary activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are normally financed through taxes and intergovernmental

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revenues, are reported separately from business-type activities, which are normally financed through user fees and charges for goods or services.

The statement of activities reports gross direct expenses by function reduced by program revenues. This results in a measurement of net revenue or expense for each of the government's activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues are directly associated with the function or business-type activity and include 1) charges for services and 2) operating or capital grants and contributions that are restricted to a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are prepared for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The government-wide, proprietary fund, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. For FEMA grant funds, the City considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, special assessments (both certified and uncertified), intergovernmental revenue, permits, charges for services, pledges and investment income associated with the current fiscal period are the major revenues that are considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent they are collected in 60 days. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

**General Fund** – The general fund is the general operating fund of the City. All financial resources of the general government that are not required to be reported in another fund are accounted for in the general fund.

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**Debt Service Fund** – The debt service fund is used to account for the accumulation of resources for and the payment of general long-term debt principal and interest.

**Capital Projects Fund** – The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets other than those financed directly by proprietary funds. Major capital facilities include infrastructure such as streets, sidewalks, street lighting, paving, sanitary storm sewers, water mains, sewer lines, flood control and other projects.

The City reports the following major proprietary funds:

**Airport** – This fund accounts for the operations and construction activities of the Hector International Airport.

**Water** – This fund accounts for the activities (revenues, operating and capital expenses) of the City's water system. The City receives user fee revenues derived from sale of water and other related services to the general public.

**Wastewater** – This fund accounts for the activities (revenues, operating and capital expenses) of the City's wastewater (sewer) disposal system. The City receives user fee revenues derived from providing sanitary sewer services to the public.

**Storm Sewer** – This fund accounts for the activities (revenues, operating and capital expenses) of the City's storm sewer system. The City receives user fee revenues derived from providing storm sewer services to the public.

**Solid Waste** – This fund accounts for the activities (revenues, operating and capital expenses) of the City's garbage utility. The City receives user fee revenues derived from providing garbage services to the public and operating a regional landfill.

**FargoDome** – This fund accounts for the operation of the FargoDome which is a multi-purpose regional event center that was constructed in 1989 and is used for conventions, sporting events, trade shows, concerts and other programs. The FargoDome has a maximum seating capacity of 28,000. As of January 1, 2016, the onsite FargoDome staff became employees of the City of Fargo and assumed the management of arena operations exclusive of a 3<sup>rd</sup> party Management Company.

In addition, the City reports for the following fund types:

**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 statements because the resources of those funds are not available to support the City's own programs. The accounting 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.

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As a general rule, the City has eliminated the effect of interfund activity from the government-wide financial statements. Exceptions to this rule are when various charges exist between different functions of the government (i.e. water and sewer charges to other various functions of the City). Elimination of these charges would distort direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include the following: amounts received from those who purchase, use or directly benefit from a program; amounts received from parties outside the City that are restricted to one or more specific programs; and earnings on investments that are legally restricted for a specific program. Revenues that do not meet the previous criteria are reported as general revenues, including all taxes.

Proprietary funds report operating revenues and expenses separately from nonoperating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**E. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY**

**1. Equity in Pooled Investments, Cash and Investments**

The City maintains investment pools used by the funds. Each fund's portion of the pool is displayed on the statements as "Equity in Pooled Investments." Interest income on such investments is allocated to certain funds on the basis of the participating funds balance in the cash and investments pool. In addition, investments are separately held by various funds. Five of the investment pools used by the City are managed by the PFM Financial Advisors Group.

Investments for the City are reported at fair value based on the framework established by GASB 72 *Fair Value Measurement and Application*.

**2. Receivables and Payables**

All outstanding balances between funds are reported as "due to/from other funds" (current portion) or "advances to/from other funds" (non-current portion). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by "nonspendable: fund balance in the applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

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. The current Home Rule Charter maximum mill levy is sixty-four mills, excluding City share of special assessments. Total mills levied for 2021 were fifty-three.

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All real estate is assessed on current value as of February 1 of each year. Property taxes are attached as an enforceable lien on the real estate and become due on January 1 of the year following the assessment date. A 5% reduction of taxes is allowed if taxes are paid in full by February 15. To avoid being delinquent, one-half of taxes due must be paid by March 1 and the remaining balance paid by October 15.

Taxes are collected by the County and remitted monthly to the City no later than the 10<sup>th</sup> working day following the month of collection.

**3. Inventories and Prepaid Items**

Depending upon the nature of the item, inventories of supplies for both governmental and business-type funds are valued at cost using either first-in-first-out or weighted average. The cost of inventory is recognized as an expense in both the fund and the government-wide financial statements when used (consumption method). Reported inventories of governmental funds are offset by “nonspendable” fund balance to indicate they are not available for appropriation and are not expendable available financial resources.

Inventories held for resale are reported at lower of cost or market.

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

**4. Restricted Assets**

Certain proceeds of the City’s enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Resources have been set aside for capital repair and upkeep of the FargoDome, as directed by Section 3-1509 of the Municipal Code.

**5. Capital Assets**

Capital assets, which include property, plant, equipment, intangible, and infrastructure assets (e.g., roads, bridges, sidewalks, flood control, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost equal to or greater than \$10,000, except for infrastructure networks which are capitalized in their entirety. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. Intangible assets consist of water rights and right-of-way easements. The water rights were purchased from Cass Rural Water Users. Both the water rights and right-of-way easement assets are considered to have an indefinite useful life as there are no legal, contractual, regulatory, technological, or other factors that limit the useful life of the assets and therefore the assets are not amortized.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized.

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Property, plant and equipment of the government is depreciated using the straight line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings	10 – 50
Improvements other than buildings	10 – 20
Infrastructure/Flood Control	20 – 100
Vehicles	3 – 10
Equipment	5 – 10
Office equipment	5 – 10
Computer equipment	3 – 5

**6. Compensated Absences**

It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees vest in sick leave accumulated in excess of 960 hours, which is paid out at 44.4% of their normal pay in December of every year. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts (other than the vested amounts paid out annually) when employees separate from service. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. In the governmental funds, a liability would be reported only if they have matured, for example, as a result of employee retirements or resignations. The entire portion of accumulated unpaid vacation is considered short term for the reason that historically, unpaid vacation is utilized within one year either through vacation payouts when employees terminate their service with the City or with the use of annual leave throughout the year.

**7. Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis over the term of the related issue. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses.

**8. Net Position/Fund Balance**

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

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Fund balances are classified based on the spending constraints placed upon them. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.
- Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e. City Commission). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same, or higher, level action to remove or change the constraint.
- Assigned fund balance – amounts the City intends to use for a specific purpose. Intent can be expressed by the City Commission or by an official or body to which the City Commission delegates the authority.
- Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The City Commission establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance. An ordinance is the highest level of authority and requires another ordinance to modify or rescind.

Assigned fund balance is established by the City Commission through adoption or amendment of the budget as intended for specific purpose (such as the purchase of capital outlay, project construction, debt service, or other purposes).

The City's first priority is to utilize the restricted fund balance. Committed funds will be considered second with assigned fund balance third when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications are eligible to be used.

The Board of City Commissioners has adopted, through policy, a formal revenue stabilization arrangement. The primary funding source for this arrangement is surplus revenues generated by the General fund. The funding status and sufficiency of this arrangement is to be evaluated annually during the budget development process. As defined in the policy establishing this commitment, the specific uses are listed as overall decline of economically sensitive revenues over at least one fiscal period as incorporated into the City's annual budget revenue projections, (or) need for emergency funds as declared by the Mayor for the local share funding of any major natural disaster event.

In the General Fund, the City strives to maintain an unassigned fund balance to be used for cash flow and unanticipated expenditures of 25 percent of the total current year general fund expenditures.

**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 POSITION**

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government – wide statement of net position. 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 this \$761,512,927 difference are as follows:

Bonds payable	\$ 644,281,000
Notes payable	71,544,920
Capital leases	456,740
December 31, 2021 long-term debt outstanding	<u>\$ 716,282,660</u>
Accrued interest payable	4,737,351
Bond premium	35,600,959
Accumulated unpaid vacation	4,891,957
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ 761,512,927</u></u>

**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position 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 their estimated useful lives and reported as depreciation expense.” The details of this \$53,400,135 difference are as follows:

Capital Outlay	\$ 73,804,992
Plus: assets transferred in from enterprise funds	272,312
Plus: donated /contributed assets and gain/loss on asset trades	1,108,369
Plus: prior year construction in progress added as asset in current year	26,342,011
Capital asset increases per footnote 4.D	<u>\$ 101,527,684</u>
Less: assets transferred in from enterprise funds	(272,312)
Less: donated /contributed assets and gain/loss on asset trades	(1,108,369)
Less: prior year construction in progress added as asset in current year	(26,342,011)
Depreciation expense	(20,404,857)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ 53,400,135</u></u>

Another element of that reconciliation states that “The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and deferred amounts on refundings when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.



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This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$76,054,577 difference are as follows:

Bonded debt issued	\$ (37,310,000)
Premium on bonded debt issued	(3,841,856)
Bonded debt principal payments	65,513,000
Capital lease proceeds	(228,700)
Capital lease payment	155,080
Loan proceeds	(4,171,143)
Loan payments	55,948,196
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 76,064,577</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$2,561,644 are as follows:

Compensated absences	\$ 231,933
Accrued interest	(203,794)
Amortization of bond premium	2,533,505
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 2,561,644</u>

**3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. BUDGETARY INFORMATION**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the governmental funds classified as the general fund, special revenue funds, and the debt service fund. No budgets are prepared for capital projects funds.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. According to City charter, the Mayor submits a proposed budget each July to the City Commission. At that time, the City Commission makes any changes they deem necessary to this proposed budget.
2. The preliminary budget must be adopted by August 10.
3. Public hearings are conducted to obtain taxpayer comments prior to the final budget adoption.
4. The budget is legally enacted through the passage of a budget ordinance no later than October 7.
5. Budgets are adopted for the general, special revenue, and debt service funds.

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6. The legal level of budgetary control is at the fund level. The Finance Director may approve transfers of budgeted amounts between departments within a given fund. Any transfers of budgeted amounts and any revisions that alter the total expenditures of any fund must be approved by the City Commission.
7. Formal budgetary integration is employed as a management control device during the period for the general fund, special revenue funds and the debt service fund at the fund level. Any expenditures in excess of the current year’s budget must be approved by the Finance Committee and the City Commission. Supplemental appropriations granted for the 2021 year include \$6,929,900 for the General Fund.
8. Appropriations lapse at year-end.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration of all funds. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Authority to complete year-end encumbrances for the general fund may be granted by amending the subsequent year’s budget. General Fund Budget revisions approved for open encumbrances totaled \$234,832 for the year ended December 31, 2021.

**B. EXCESS OF EXPENDITURES OVER BUDGET**

Expenditures exceeded budget in the following funds by the following amounts:

<b>Special Revenue Funds</b>		
City Share of Specials	\$	131,062
Downtown Business Improvement District		50,033
Convention & Visitors Bureau		994,366
Neighborhood Stabilization		156,000
Parking Repair and Replacement		118,571
HUD Home Participating Jurisdiction		46,975
HUD Home Program		28,782
Baseball Stadium		26,772
COVID-19 Emergency		4,523,334

No remedial action is anticipated or required by the City regarding these excess expenditures.

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**C. NET POSITION/FUND BALANCE DEFICITS**

<b>Governmental Funds</b>		
<b>Capital Projects Funds</b>		
Capital Projects Fund	\$ 972,746	This deficit will be eliminated by future bond financing and transfers from other funds.
<b>Special Revenue Funds</b>		
Parking Repair and Replacement	137,436	This deficit will be eliminated by future revenue growth from added facilities.
Community Development	2,523	This deficit will be eliminated by future grant reimbursements.
Baseball Stadium	9,656	The deficit will be recovered by future suite lease fees.
COVID-19 Emergency	113,018	This deficit will be eliminated by future transfers from other funds.
<b>Proprietary Funds</b>		
Southeast Cass Sewer	8,770	This deficit will be eliminated by future user fee revenue.
Forestry	699,496	This deficit will be eliminated by future user fee revenue.

**D. NET POSITION RESTRICTED BY ENABLING LEGISLATION**

The government-wide statement of net position reports \$168,409,915 of restricted net position, of which \$64,027,056 is restricted by enabling legislation.

**4. DETAILED NOTES ON ALL FUNDS**

**A. DEPOSITS AND INVESTMENTS**

Deposits - In accordance with North Dakota Century Code, the City maintains deposits at those depository banks and brokerages authorized by the City Commission, all of which are covered by Federal Depository Insurance or Securities Investor Protection. Century Code requires that all City deposits be protected by insurance, collateral or surety bond. The market value of the collateral pledged must be equal to or greater than 110% of the deposits not covered by insurance or bonds. As of December 31, 2021, the carrying amount of the City's deposits was \$115,877,120 and the bank balance was \$120,208,909. As noted above, the bank balance is covered by Federal Depository Insurance or Securities Investor Protection.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Per the City's investment policy, custodial credit risk will be minimized by using the following techniques; limiting investments to the safest type of securities, pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the City will do business; and diversifying the investment portfolio so that potential losses on individual securities will be minimized. As of December 31, 2021, the City's deposits were either fully insured or properly collateralized, were held in the City's name, and have no custodial credit risk.

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Investments – The City maintains pooled cash portfolios used by substantially all City funds, excluding the investment of employees’ retirement funds, using the pooled deposit and investment concept. These pools are governed by an investment policy established by the City Commission.

*Investment policy:* The City has an adopted investment policy, conforming with federal, state, and other legal requirements, including the City of Fargo Home Rule Charter, specifically Article 3.B – Powers of the City. This policy sets forth the City’s investment objectives as well as authorized and suitable deposits and investments, and serves as a guide to proper diversification, maturity constraints, internal controls, and performance measurement. The foremost objective of the City’s investment program as set forth by the investment policy is safety of principal. Investment decisions are made under the assumption that, except under limited circumstances, all investments within the pooled portfolios will be held to maturity.

Allowable deposits and investment include:

- a. Direct obligations of the United States of America
- b. Debt securities issued by government sponsored enterprises (GSE’s), federal agencies, and federal financing banks
- c. Direct obligations of the state of North Dakota
- d. Commercial paper
- e. Bankers’ acceptances
- f. Negotiable certificates of deposit
- g. Certificates of deposit and time deposits
- h. Obligations or notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States
- i. Investments in money-market funds rated “AAAm” by Standard & Poor’s Corporation
- j. Repurchase agreements that are collateralized only by direct obligation of the U.S. government, GNMA, Fannie Mae, Freddie Mac, FFCB, and FHLB
- k. Asset-backed securities (ABS) rated a minimum of AA long-term or A-1 short-term, or its equivalent, from any nationally recognized statistical rating organization (NRSRO).

Pension funds may purchase any investments authorized by the Pension Boards.

The North Dakota Retirement and Investment Office (NDRIO) manages the FargoDome capital escrow investments, which the City reports as an external investment pool. The investment pool is not registered with the SEC and is regulated by the North Dakota Century Code. The fair value of the investment pool is the same as the value of the pooled investment shares. More information on the NDRIO can be found in their financial reports at <http://www.state.nd.us/rio/SIB/Publications/default.htm>.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The chart below summarizes the City’s investments using segmented time distribution. The City’s investment policy, limits investing funds primarily in short- and intermediate-term liquid securities of high credit quality to ensure adequate liquidity and minimize the impact of changes in interest rates. Portfolios are structured so that securities mature concurrent with cash needs to meet anticipated demands.

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**Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As outlined above, city policy limits the type of investments allowed to reduce the amount of credit risk to the portfolio. The chart below summarizes the credit quality of the City's investment holdings.

Investment Type	Credit Rating	Fair Value	Investment Maturities (in years)				
			Not Applicable	< 1	1 - 5	> 5 - 10	> 10
Corporate Bonds	AAA	\$ 16,246,171	\$ -	\$ -	\$ 16,246,171	\$ -	\$ -
Corporate Bonds	AA2	337,247	-	-	337,247	-	-
Corporate Bonds	AA3	767,335	-	131,578	635,757	-	-
Corporate Bonds	A1	6,118,395	-	303,360	5,815,035	-	-
Corporate Bonds	A2	5,990,029	-	-	5,990,029	-	-
Corporate Bonds	A3	2,255,642	-	-	2,255,642	-	-
Money Market Funds	N/A	105,579,577	105,579,577	-	-	-	-
Municipal Bond	AAA	433,950	-	-	433,950	-	-
Municipal Bond	AA1	1,091,451	-	-	1,091,451	-	-
Municipal Bond	AA3	795,632	-	-	795,632	-	-
U.S. Agencies	NA	27,514,333	-	3,380,731	19,059,179	2,099,908	2,974,515
U.S. Treasury Note	NA	52,591,822	-	2,499,600	50,092,222	-	-
Bond Mutual Funds	N/A	47,125,814	9,161,822	-	29,107,348	8,856,644	-
Equity Mutual Funds	N/A	98,722,857	98,722,857	-	-	-	-
Equity Exchange Traded Fund	N/A	7,298,995	7,298,995	-	-	-	-
External Investment Pool *	N/A	49,685,723	49,685,723	-	-	-	-
		<b>\$ 422,554,973</b>	<b>\$ 270,448,974</b>	<b>\$ 6,315,269</b>	<b>\$ 131,859,663</b>	<b>\$ 10,956,552</b>	<b>\$ 2,974,515</b>

\*The weighted average maturity of the portion of the external investment pool subject to maturity is 6.64 years.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment policy diversifies the portfolios by limiting investments to avoid overconcentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities). Investments in a single issuer shall not exceed 5 percent of the City's portfolio for any of the following types in total: commercial paper, corporate obligations or notes, bankers' acceptances, and negotiable CD's.

The City's investment policy also has limits on the following allowable deposits and investment; direct obligations of the state of North Dakota shall not exceed 5 percent of the City's portfolio, investments in money market funds rated "AAAm" by Standard & Poor's shall not exceed 25 percent of the City's portfolio, repurchase agreements shall not exceed 25 percent of the City's portfolio, and aggregate Asset-backed securities may not exceed 25% of the portfolio at the time of purchase. None of the established limits were exceeded as of December 31, 2021.

**Fair Value**

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

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

Level 2 – Inputs to the valuation methodology include:

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

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

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

The following table presents the assets measure at fair value on a recurring basis, except those measured at cost as identified below, at December 31, 2021:

	Level 1	Level 2	Level 3	Total
<b>Investments by fair value level</b>				
<b>Pooled Investments</b>				
U.S. Government and Agency Securities	\$ 80,106,156	\$ -	\$ -	\$ 80,106,156
Money Market Mutual Funds	105,579,577	-	-	105,579,577
Corporate Bonds	-	31,714,819	-	31,714,819
Municipal Bonds	-	2,321,033	-	2,321,033
Total Pooled Investments	<u>\$ 185,685,733</u>	<u>\$ 34,035,852</u>	<u>\$ -</u>	<u>\$ 219,721,585</u>
<b>Pension Investments</b>				
Bond Mutual Funds	\$ -	\$ 47,125,815	\$ -	\$ 47,125,815
Equity Mutual Funds	-	98,722,857	-	98,722,857
Equity Exchange Traded Funds	-	7,298,995	-	7,298,995
Total Pension Investments	<u>\$ -</u>	<u>\$ 153,147,667</u>	<u>\$ -</u>	<u>\$ 153,147,667</u>

U.S. Government and Agency securities, money market mutual funds, and certificates of deposit classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for these securities. Corporate bonds, municipal bonds, corporate commercial paper, bond and equity mutual funds classified in Level 2 of the fair value hierarchy are valued using techniques such as quoted prices for similar investments in active and inactive markets as well as inputs other than quoted prices that are observable for these assets.

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**B. RECEIVABLES**

Loans receivable as of December 31, 2021 were:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
Community Development	0%	Non-Repayment	\$ 229,950
Neighborhood Revitalization Initiative (NRI)	0%	Due Upon Sale	7,000
HUD HOME	0%	8/27/2040	493,043
HUD HOME	0%	Non-Repayment	1,112,576
HUD HOME	0%	Due Upon Sale	290,000
Bridge Loan	0%		20,000
Total loans receivable			<u>\$ 2,152,569</u>

The NRI loans and HUD HOME (Home Investment Partnership Program) loans are made to encourage investment in housing as a way to stabilize and strengthen Fargo's neighborhoods. Loans are made for renovation of homes already owned, for assistance with buying and renovating a home, and for assistance with low-income housing and other housing-related issues. The HOME loans are funded by the Department of Housing and Urban Development, while the NRI loans are funded by the City.

Of the above loans, \$1,342,526 is considered in non-repayment status. These loans are forgiven upon certain criteria being met, usually relating to maintaining ownership for a certain number of years. However, if the given criteria are not met, payment is required.

**C. TAX ABATEMENTS**

Per GASB Statement No. 77, a tax abatement is defined as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to tax a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

As of December 31, 2021, the City of Fargo provided tax abatements in the form of property tax exemptions for certain new residential properties, improvements made to existing commercial and residential buildings, new and expanding businesses, tax increment financing, properties in the Renaissance Zone, and daycare facilities.

The property tax exemption for certain single family, condominium, & townhouse residential properties, N.D.C.C. § 57-02-08 (35) & (42), allows for newly constructed homes, excluding land, to be exempt for up to two years, up to a maximum of \$150,000 of the home's value. This is available to homes owned and occupied for the first time as well as unoccupied homes still owned by the builder.

The property tax exemption for improvements made to existing commercial and residential buildings, N.D.C.C. § 57-02.2, allows for value added resulting from the improvements made to the property to be exempt from assessment and taxation for up to five years from the date of commencement of making the improvements. This incentive is to encourage the investment of private capital in improvements to buildings, thereby encouraging the production of wealth,

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improving the volume of employment, enhancing living conditions, and preserving and increasing the property tax base.

The property tax incentive for new or expanding businesses, N.D.C.C. § 40-57.1, provides for property tax exemptions as well as payments in lieu of taxes to revenue-producing, primary sector enterprises. This incentive allows for a new or expanding business to be granted a property tax exemption for up to five years or a payment in lieu of tax option for up to twenty years. This is to encourage activities in the public interest by assisting in establishing industrial plants, expanding and retaining existing businesses, and to help promote economic activities within the state and thereby increasing production of wealth and adding to the volume of employment.

Tax increment financing, N.D.C.C. § 40-58-20, allows for providing a property tax exemption to provide assistance in a development or urban renewal area for the development of commercial or industrial property or for the elimination and prevention of the development or spread of slums and blight.

The Renaissance Zone property tax exemption, N.D.C.C. § 40-63, is for commercial and residential properties located within a renaissance zone and allows for the buildings to be exempt for up to five years. A renaissance zone is a geographic area, proposed by a city, and designated by the State Department of Commerce. This incentive is to encourage the purchase, lease, rehabilitation, or historical preservation or renovation of properties within the zone.

The property tax exemption for daycare facilities, N.D.C.C. § 57-02-08(36) may exempt buildings used to provide early childhood services by a corporation, limited liability company, or organization licensed under chapter 50-11.1 or used primarily as an adult day care center. This incentive is to assist and encourage the adequacy of facilities in the community that provide early childhood and adult day care services.

Tax Abatement Programs	Amount of Taxes Abated during the 2021 Fiscal Year	
Residential New Construction - School District #1	\$	156,651
Residential New Construction - School District #6		64,742
Remodeling - Residential - School District #1		38,532
Remodeling - Commercial - School District #1		24,079
Remodeling - Commercial - School District #6		4,414
New Industry Exemption & Payment In Lieu - School District #1		372,502
New Industry Exemption & Payment In Lieu - School District #6		212,531
Traditional Tax Increment Financing		440,174
Renaissance Zone - Commercial - School District #1		459,378
Renaissance Zone - Residential - School District #1		40,614
Daycare, Fire Protection - Commercial - School District #1		39,326
Daycare, Fire Protection - Commercial - School District #6		26,222
	<u>\$</u>	<u>1,879,165</u>



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**D. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2021 was as follows:

	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 104,332,960	\$ 4,352,199	\$ -	\$ (585,380)	\$ 108,099,779
Right of Way	12,579,840	-	-	-	12,579,840
Construction in progress	30,103,397	222,109	(3,131,451)	(26,342,011)	852,044
Total capital assets, not being depreciated	147,016,197	4,574,308	(3,131,451)	(26,927,391)	121,531,663
Capital assets, being depreciated					
Buildings	146,232,233	13,076,512	(20,693,389)	(4,802,842)	133,812,514
Improvements other than buildings	8,425,887	108,440	(20,473)	-	8,513,854
Machinery and equipment	70,779,774	4,409,349	(17,886,315)	(3,468,210)	53,834,598
Infrastructure	463,551,204	57,038,081	-	(37,132,433)	483,456,852
Flood control	76,296,617	22,048,682	-	-	98,345,299
Total capital assets being depreciated	765,285,715	96,681,064	(38,600,177)	(45,403,485)	777,963,117
Less accumulated depreciation for:					
Buildings	43,386,952	3,275,859	(12,130,855)	(3,054,420)	31,477,536
Improvements other than buildings	1,246,042	527,676	(5,118)	-	1,768,600
Machinery and equipment	51,199,260	3,643,459	(12,742,148)	(3,077,055)	39,023,516
Infrastructure	180,963,571	12,090,044	-	(1,105,301)	191,948,314
Flood control	3,753,788	867,819	-	-	4,621,607
Total accumulated depreciation	280,549,613	20,404,857	(24,878,121)	(7,236,776)	268,839,573
Total capital assets, being depreciated, net	484,736,102	76,276,207	(13,722,056)	(38,166,709)	509,123,544
Governmental activities capital assets, net	\$ 631,752,299	\$ 80,850,515	\$ (16,853,507)	\$ (65,094,100)	\$ 630,655,207

Depreciation expense was charged to functions/programs of the government as follows:

<b>Governmental activities:</b>	
General government	\$ 1,858,944
Public safety	1,913,131
Public works	14,358,595
Public health & welfare	467,736
Recreation & culture	547,517
Urban development	70,546
Transportation	1,188,388
Total depreciation expense - governmental activities	<u>\$ 20,404,857</u>

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	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 43,887,677	\$ 653,827	\$ -	\$ -	\$ 44,541,504
Intangible - Right-of-way Easements	420,036	-	-	-	420,036
Construction in progress	67,606,851	65,776,580	3,131,451	(38,394,543)	98,120,339
Intangible - Water rights	500,000	-	-	-	500,000
Total capital assets, not being depreciated	112,414,564	66,430,407	3,131,451	(38,394,543)	143,581,879
Capital assets, being depreciated					
Buildings	371,291,874	9,183,354	20,693,389	(104,868)	401,063,749
Improvements other than buildings	45,824,708	302,563	20,473	(24,912)	46,122,832
Machinery and equipment	105,504,156	4,960,804	17,886,315	(2,210,205)	126,141,070
Infrastructure	728,111,979	60,842,040	-	(579,810)	788,374,209
Total capital assets being depreciated	1,250,732,717	75,288,761	38,600,177	(2,919,795)	1,361,701,860
Less accumulated depreciation for:					
Buildings	105,468,612	8,443,322	12,130,855	(45,528)	125,997,261
Improvements other than buildings	16,851,307	1,853,863	5,118	(24,912)	18,685,376
Machinery and equipment	71,441,094	8,415,122	12,742,148	(2,102,376)	90,495,988
Infrastructure	236,652,553	16,488,989	-	(579,583)	252,561,959
Total accumulated depreciation	430,413,566	35,201,296	24,878,121	(2,752,399)	487,740,584
Total capital assets, being depreciated, net	820,319,151	40,087,465	13,722,056	(167,396)	873,961,276
Business-type activities capital assets, net	\$ 932,733,715	\$ 106,517,872	\$ 16,853,507	\$ (38,561,939)	\$ 1,017,543,155

Depreciation expense was charged to functions/programs of the government as follows:

<b>Business-type activities:</b>	
Airport	\$ 4,968,245
Water	7,746,117
Wastewater	5,929,463
Storm Sewer	5,934,399
Solid Waste	2,459,767
Fargodome	4,172,985
Street Lighting	2,075,364
Forestry	143,097
Transit	1,604,367
Civic Memorial Auditorium	167,492
Total depreciation expense - business-type activities	<u>\$ 35,201,296</u>

## E. COMMITMENTS

### Construction

As of December 31, 2021, the City had commitments on various construction contracts totaling approximately \$108,211,529.

### Municipal Landfill Closure and Post-Closure Care Costs

The City of Fargo operates a municipal solid waste landfill to service the waste disposal needs of the community. The Environmental Protection Agency and the State of North Dakota regulations and guidelines (NDCC 23.1) impact the operation of the landfill.

The City of Fargo operates under a permit through the North Dakota Department of Environmental Quality. This current permit includes Cells 1-25. Cells 1-17 are in an area referred to as the West Landfill, Cells 18-25 are in on adjacent land that was a former landfill and is referred to as the East Landfill. The East Landfill will be reclaimed as it is developed, with existing waste being removed and placed within permit approved and constructed cells. The volume of existing waste in place has been included in the volume of waste in place.

The current landfill site design consists of Cells 1-25 on approximately 174 acres of land. The City has constructed all or portions of 19 cells to date, which vary in surface area from 4 to 10 acres. The cell depths range up to 35' below existing grade, varying based on their footprint location. Final elevations of cells range from 40' to 92' above existing grade. The cells have been designed with a leachate collection system and each cell is constructed with a composite liner system consisting of a compacted clay subgrade overlain by a 60-mil high-density polyethylene synthetic liner. Once cells have been filled to design capacity, final closure can be performed, which involves placement of 4' un-compacted clay-rich soils, in which 4" of yard waste compost is incorporated into the top 12", and 6" of topsoil.

Cells 1 through 14 are presently fully constructed and mostly filled. Cells 15 through 19 are fully constructed and partially filled. Based upon design capacity, the facility is 59.72% full (acres), and based upon present utilization rates; the remaining capacity is estimated at 23.11 years. The estimated liability for landfill closure and post closure care is \$5,472,965 as of December 31, 2021. Per the City's solid waste permit (SW-260), the City is allowed a maximum of 80 acres of open landfill area at any one time and is required to calculate closure cost based on having 80 acres of landfill area to close. The estimated total current cost of landfill closure and post closure care is based upon the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2021. However, actual costs may be higher due to inflation, changes in technology, or landfill regulations.

The City is meeting closure and post closure obligations by applying a financial test as specified in North Dakota Administrative Code sections 33.1-20-14-02 through 33.1-20-14-07. Because the City is able to meet the financial test, the restriction of cash in a landfill assurance fund is not required.

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**F. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

Interfund receivables/payables are used when a fund has a cash deficit, as well as for other amounts owed between funds.

At December 31, 2021, the interfund advance balances are:

	Funds Advanced	Amount Repaid To-Date	Advance Balance December 31, 2021
Water - Civic Center HVAC Retrofit advance	\$ 390,000	\$ 110,966	\$ 279,034
Water - Border States Facility Acquisition Equipment advance	550,000	102,920	447,080
Water - Border States Facility Acquisition Building advance	872,524	74,975	797,549
Subtotal Water advances	<u>\$ 1,812,524</u>	<u>\$ 288,861</u>	<u>\$ 1,523,663</u>
Wastewater - Solid Waste equipment advance	\$ 518,000	\$ 411,292	\$ 106,708
Wastewater - Civic Center HVAC Retrofit advance	390,000	110,966	279,034
Wastewater - Border States Facility Acquisition Building advance	1,422,524	122,226	1,300,298
Subtotal Wastewater advance	<u>\$ 2,330,524</u>	<u>\$ 644,484</u>	<u>\$ 1,686,040</u>
Total advances to other funds	<u><u>\$ 4,143,048</u></u>	<u><u>\$ 933,345</u></u>	<u><u>\$ 3,209,703</u></u>

The Solid Waste equipment advance will be repaid to the Wastewater fund over a five year period with future utility rate revenue.

The Civic Center HVAC retrofit advance will be repaid to the Water and Wastewater funds over a five year period with future general fund budget appropriations transfers.

The Border States facility acquisition will be repaid to the Water and Wastewater funds over a twenty year period with future general fund budget appropriation transfers.

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Interfund Transfers:

Transfers are made for funding various projects, meeting debt service requirements, and for capital infrastructure. Interest earned on Debt fund residuals and reported as revenue in the Debt fund is periodically transferred to the General Fund.

Below is a schedule of interfund transfers as of December 31, 2021:

Transfer Out:	Transfer In:										
	Major Funds							Nonmajor Funds			Total
	General	Debt Service	Capital Projects	Water	Wastewater	Storm Sewer	Solid Waste	FargoDome	Governmental	Enterprise	
Major Funds:											
General	\$ -	\$ 2,436,732	\$ 4,066,187	\$ 265,228	\$ 111,646	\$ 26,454	\$ 109,486	\$ 26,643	\$ 1,347,403	\$ 2,700,838	\$ 11,090,617
Debt Service	206,367	-	9,099,560	-	-	-	-	-	6,466	-	9,312,393
Capital Projects	-	-	-	946,500	-	-	-	-	34,087	829,614	1,810,201
Airport	90,000	-	-	-	-	-	-	-	-	-	90,000
Water	3,834,074	-	1,898,307	-	-	-	-	-	-	529,000	6,261,381
Wastewater	2,191,941	-	3,572,678	-	-	-	589,670	-	-	610,000	6,964,289
Storm Sewer	455,000	-	203,414	-	-	-	-	-	-	-	658,414
Solid Waste	3,403,276	-	-	-	-	-	-	-	53,230	369,000	3,825,506
FargoDome	50,000	-	-	-	-	-	-	-	-	-	50,000
Nonmajor Funds:											
Governmental	4,688,000	1,637,210	127,957	286,217	-	-	-	-	100,000	-	6,839,384
Enterprise	1,162,800	-	696,469	-	-	-	-	-	-	-	1,859,269
<b>Total</b>	<b>\$ 16,081,458</b>	<b>\$ 4,073,942</b>	<b>\$ 19,664,572</b>	<b>\$ 1,497,945</b>	<b>\$ 111,646</b>	<b>\$ 26,454</b>	<b>\$ 699,156</b>	<b>\$ 26,643</b>	<b>\$ 1,541,186</b>	<b>\$ 5,038,452</b>	<b>\$ 48,761,454</b>

**G. LEASES**

**Operating Leases**

The City leases building and office facilities under noncancellable operating leases. Total costs for such leases were \$1,721,550 for the year ended December 31, 2021. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2022	\$ 1,728,716
2023	1,688,491
2024	740,920
2025	716,176
2026	427,630
2027-2031	1,900,000
2032-2036	1,900,000
2037-2041	1,900,000
2042-2046	1,108,333
	<u>\$ 12,110,266</u>

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**Capital Leases**

The City is obligated to the following capital lease agreements:

	Remaining Balance
<b>GOVERNMENTAL</b>	
2018 Chevy Tahoe	7,929
2019 Caterpillar Motor Grader	105,505
2020 John Deere Motor Grader with Wings	162,285
2021 John Deere Motor Grader with Wings	181,021
<b>Total Governmental</b>	<b>\$ 456,740</b>
<b>BUSINESS-TYPE</b>	
<b>SOLID WASTE ENTERPRISE FUND</b>	
2017 Wheel Loader	31,374
2018 Komatsu D65PXL-18 Crawler Tractor	148,074
2018 John Deere 644K	46,731
2018 Dual Arm Side Load	62,713
2019 International 7000 Loadmaster	69,426
2019 Crawler Dozer	315,023
2019 Excavator	212,442
2020 International Garbage Truck	64,347
2020 Bomag 772 Landfill Compactor	377,547
2020 Freightliner with Sideload	123,387
2021 Freightliner M2 Heil	160,884
2021 Freightliner M2 Heil	160,884
2021 International HV 607	126,160
2021 John Deere 644P	172,192
2021 Peterbilt 520	166,560
2021 Peterbilt 520	178,425
<b>WASTEWATER ENTERPRISE FUND</b>	
2020 Ford F450 with Crane Body	<b>\$ 92,611</b>
<b>WATER ENTERPRISE FUND</b>	
Savin IM C3000 Copier	<b>\$ 3,474</b>
<b>Total Business-Type</b>	<b>\$ 2,512,254</b>

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The assets acquired through the capital leases are as follows:

	Governmental Activities	Business-type Activities
Asset:		
Machinery and equipment	\$ 846,782	\$ 4,794,982
Less: Accumulated depreciation	(146,130)	(1,388,431)
Total	<u>\$ 700,652</u>	<u>\$ 3,406,551</u>

Future Minimum Payments under the above capital lease agreements at December 31, 2021 are shown below:

	Governmental Activities	Business-type Activities
2022	\$ 170,716	\$ 955,383
2023	162,505	844,819
2024	106,576	508,471
2025	48,118	326,565
2026	-	69,302
2027-2031	-	-
Total minimum lease payments	<u>487,915</u>	<u>2,704,540</u>
Less: amount representing interest	(31,175)	(192,286)
Present value of minimum lease payments	<u>\$ 456,740</u>	<u>\$ 2,512,254</u>

**Site and Facility Lease**

*Site Lease*

The City of Fargo executed a long-term lease agreement with North Dakota State University (NDSU) for the FargoDome site. NDSU is leasing the FargoDome site to the City, and is in turn leasing forty days use of the facility from the City. The site lease agreement, which runs from January 1990 to December 2089, requires payments of base rent of \$1 per year.

*Facility Lease*

The FargoDome executed a one-year extension of the lease with North Dakota State University as of July 1, 2021. The lease addresses use of its facility and advertising revenue sharing through June 30, 2022. The lease allows NDSU a maximum of fifty days per lease year to rent the FargoDome at an annual rental rate paid over ten months. Rental income amounted to \$165,000 in both 2021 and 2020.

*Locker Room Rental Agreement*

An additional lease agreement was entered into with North Dakota State University for the use of approximately 23,461 square feet of its upstairs mezzanine level and lower level locker rooms. The agreement provides for annual rent of \$57,500 due August 1 of each year. In addition to the rent, North Dakota State University will pay annual fixed expenses of \$3,000 for the generator and building depreciation, as well as the variable costs associated with

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electrical usage and generator operating costs. The original lease expired in 2016, however it was renewed via an auto-renew clause for an additional 10 year period. The lease may be renewed for an additional period of another 10 years unless North Dakota State University gives the FargoDome Authority six months in advance at the end of any 10-year term their intent to not renew the lease. The annual rent will be increased 5% every ten years during the term of the lease. Rental income amounted to \$60,375 in both 2021 and 2020. Future minimum lease payments excluding considering for variable costs associated with electrical usage and generator operating costs are:

2022	\$	60,375
2023		60,375
2024		60,375
2025		60,375
	\$	<u>241,500</u>

The asset leased to NDSU is as follows:

	<u>Business-type Activity</u>	
Asset:		
Fargodome	\$	59,801,112
Less: Accumulated depreciation		(38,848,761)
Total	\$	<u>20,952,351</u>

**Baseball Stadium Lease**

The City of Fargo constructed a baseball stadium in 1996, and as lessor, has leased the stadium to Fargo Baseball, LLC and North Dakota State University under separate lease agreements.

Fargo Baseball, LLC, as lessee, has leased the stadium for exclusive lease from May 29<sup>th</sup> of each year through the end of each baseball season. The lessee will pay the City funds raised from private suite and VIP seat licenses. A 30% commission from these revenue sources will be paid to the lessee by the City according to the lease agreement. The lessee retains the exclusive rights to the concession operations during the lease period. The lessee has responsibility for normal maintenance of the stadium and the lessor has responsibility for major structural improvements, maintenance and insurance.

North Dakota State University, as another lessee, has leased the stadium for an exclusive period from March 21<sup>st</sup> to May 29<sup>th</sup> of each season. NDSU has exclusive rights to the parking fees and concessions operations. The lease agreement expires in 2089, and is conditioned on the use of the premises as a stadium for professional baseball. After the City has been repaid all the money it advanced for initial construction of the stadium, or twenty years after the beginning date of the lease, whichever occurs first, the lease will automatically terminate if the premises are not used by a professional baseball team for 24 consecutive months, or have not been used for some other mutually agreeable purpose. Upon termination of the lease, the stadium and all fixtures will belong to NDSU with no further compensation due to the City. Because future payments are not known, a schedule of future minimum lease payments is not presented.



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The leased asset is as follows:

	<u>Governmental Activity</u>
Asset:	
Baseball stadium	\$ 5,266,692
Less: Accumulated depreciation	<u>(3,013,422)</u>
Total	<u>\$ 2,253,270</u>

**Lease of Rights to Sewer System**

The City of Fargo completed installation of a sewer line to a point of connection with the corporate city limits of the City of Oxbow, and as lessor, has leased the rights of the sewer system to the City of Oxbow.

The City of Oxbow, as lessee, has leased the sewer system until 2027 with the lease agreement expiring at this time.

The future minimum lease payments for this lease are as follows:

2022	\$ 45,684
2023	45,684
2024	45,684
2025	45,684
2026	45,684
Thereafter	<u>22,842</u>
	<u>\$ 251,262</u>

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**H. LONG-TERM DEBT**

The following is a summary of changes in long-term debt of the City for the year ended December 31, 2021:

	Balance 1/1/2021	Additions	Deletions	Balance 12/31/2021	Due within one year
<b>GOVERNMENTAL ACTIVITIES</b>					
Improvement bonds	\$ 549,200,000	\$ 37,310,000	\$ 59,600,000	\$ 526,910,000	\$ 69,035,000
General obligation bonds	32,405,000	-	1,655,000	30,750,000	1,715,000
Sales tax revenue bonds	62,039,000	-	3,813,000	58,226,000	3,982,000
Taxable annual appropriation bonds	28,840,000	-	445,000	28,395,000	560,000
Total Bonds Payable	672,484,000	37,310,000	65,513,000	644,281,000	75,292,000
State revolving fund notes	50,312,129	4,171,143	4,780,000	49,703,272	4,920,000
Direct bank loan	53,657,486	-	50,607,538	3,049,948	362,632
Mercantile Parking Ramp	2,000,000	-	-	2,000,000	-
BND Infrastructure Loan	12,544,983	-	416,200	12,128,783	420,482
Tax increment revenue notes	4,807,375	-	144,458	4,662,917	-
Total Notes Payable	123,321,973	4,171,143	55,948,196	71,544,920	5,703,114
Capital leases	383,120	228,700	155,080	456,740	155,241
Total Debt	796,189,093	41,709,843	121,616,276	716,282,660	81,150,355
Accumulated unpaid vacation	5,123,890	4,891,957	5,123,890	4,891,957	4,891,957
Unamortized premium on refunding	34,292,608	3,841,856	2,533,505	35,600,959	2,284,537
Net pension liability	97,047,930	-	48,319,741	48,728,189	-
Net OPEB liability	1,937,190	-	688,373	1,248,817	-
<b>TOTAL</b>	<b>\$ 934,590,711</b>	<b>\$ 50,443,656</b>	<b>\$ 178,281,785</b>	<b>\$ 806,752,582</b>	<b>\$ 88,326,849</b>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Revenue bonds	\$ 2,142,149	\$ -	\$ 289,801	\$ 1,852,348	\$ 192,868
Annual appropriation bonds	5,635,000	-	735,000	4,900,000	755,000
Total Bonds Payable	7,777,149	-	1,024,801	6,752,348	947,868
State revolving fund notes	144,944,932	37,024,453	2,375,000	179,594,385	2,435,000
Direct bank loan	1,509,398	-	609,398	900,000	300,000
Total Notes Payable	146,454,330	37,024,453	2,984,398	180,494,385	2,735,000
Capital leases	2,046,863	1,334,775	869,384	2,512,254	865,553
Special assessments	10,794,379	59,791	495,268	10,358,902	518,056
Landfill closure/postclosure	5,486,375	-	13,410	5,472,965	-
Accumulated unpaid vacation	1,248,087	1,396,797	1,248,087	1,396,797	1,396,797
Net pension liability	27,447,780	5,049,630	23,141,380	9,356,030	-
Net OPEB liability	688,231	-	181,117	507,114	-
<b>TOTAL</b>	<b>\$ 201,943,194</b>	<b>\$ 44,865,446</b>	<b>\$ 29,957,845</b>	<b>\$ 216,850,795</b>	<b>\$ 6,463,274</b>

The General Fund has typically been used in prior years to liquidate the bulk of the liability for accumulated unpaid vacation. Smaller amounts have typically been liquidated by Community Development, HUD HOME, HUD HOME Participating Jurisdiction, and Parking Authority Special Revenue Funds.

Net pension liability was recorded due to the implementation of *GASB Statement No. 68 Accounting and Financial Reporting for Pensions* and *GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date*. The General Fund will liquidate the bulk of the net pension liability.

The entire portion of accumulated unpaid vacation is considered short term for the reason that historically, unpaid vacation is utilized within one year either through vacation payouts when employees terminated their service with the City or with the use of annual leave throughout the year.

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**BONDS PAYABLE**

A summary of bonds payable is shown below. A detailed listing of the individual bond issues is continued at the end of Note H.

	Original Interest Rates	Original Issue Amounts	Balance Remaining
<b>GOVERNMENTAL ACTIVITIES</b>			
Improvement bonds			
(Special assessment debt)	1.80 - 5.00%	\$ 649,565,000	\$ 526,910,000
General obligation bonds	1.00 - 5.00%	38,745,000	30,750,000
Sales tax revenue bonds	2.00 - 5.00%	83,887,000	58,226,000
Taxable annual appropriation bonds	3.30 - 4.47%	28,840,000	28,395,000
<b>TOTAL</b>		<u>\$ 801,037,000</u>	<u>\$ 644,281,000</u>
<b>BUSINESS-TYPE ACTIVITIES</b>			
Qualified Energy Conservation Bond	4.85%	\$ 2,875,000	\$ 1,852,348
Annual Appropriation	1.75 - 3.85%	7,810,000	4,900,000
<b>TOTAL</b>		<u>\$ 10,685,000</u>	<u>\$ 6,752,348</u>

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

Revenue bonds payable at December 31, 2021, consist of two issues backed and serviced by sales tax and one issue backed and serviced by Solid Waste utility revenues.

**PLEGGED REVENUES**

The City has pledged future sales tax revenues, net of specified operating expenses, to repay \$83.887 million in sales tax revenue bonds issued in 2013 and 2014. Proceeds from the bonds were used to finance the construction and installation of flood mitigation projects. Principal and interest paid for the current year was \$6,296,790. Net sales tax revenue totaled \$7,556,148 for the year.

The City has pledged future general fund appropriations to repay \$2.875 million in development bonds issued in 2009. Proceeds from the bond were used to finance the capital and equipment costs related to the construction of a new fire station in southwest Fargo. Principal and interest paid for the current year was \$199,788. Net general fund appropriations totaled \$199,788 for the year.

The City has pledged future landfill tipping fee revenue to repay \$2.875 million in qualified energy conservation taxable revenue bonds. Proceeds from the bond were used to finance the acquisition, installation and construction of equipment and facilities for the conversion of landfill gas to compressed natural gas. Principal and interest paid for the current year was \$284,243. Net landfill tipping fee revenue totaled \$9,990,370 for the year.

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Debt service maturities for these revenue bonds at December 31, 2021, are as follows:

Sales Tax				Solid Waste			
Year	Principal	Interest	Total	Year	Principal	Interest	Total
2022	\$ 3,982,000	\$ 2,311,915	\$ 6,293,915	2022	\$ 192,868	\$ 85,162	\$ 278,030
2023	4,161,000	2,132,265	6,293,265	2023	195,985	75,732	271,717
2024	4,350,000	1,944,390	6,294,390	2024	199,152	66,150	265,302
2025	4,547,000	1,747,890	6,294,890	2025	202,370	56,413	258,783
2026	4,740,000	1,552,640	6,292,640	2026	205,640	46,519	252,159
2027-2031	26,776,000	4,697,080	31,473,080	2027-2031	856,333	83,897	940,230
2032-2036	9,670,000	339,000	10,009,000	Totals	<u>\$ 1,852,348</u>	<u>\$ 413,873</u>	<u>\$ 2,266,221</u>
Totals	<u>\$ 58,226,000</u>	<u>\$ 14,725,180</u>	<u>\$ 72,951,180</u>				

General Fund Appropriations			
Year	Principal	Interest	Total
2022	\$ 1,715,000	\$ 997,630	\$ 2,712,630
2023	1,780,000	927,301	2,707,301
2024	1,860,000	851,778	2,711,778
2025	1,940,000	771,921	2,711,921
2026	2,030,000	687,528	2,717,528
2027-2031	10,585,000	2,608,931	13,193,931
2032-2036	10,840,000	1,008,415	11,848,415
Totals	<u>\$ 30,750,000</u>	<u>\$ 7,853,504</u>	<u>\$ 38,603,504</u>

Special assessment bonds are paid directly from debt service sinking funds. Special assessments are certified annually in amounts sufficient to pay the debt service requirement. Whenever all special assessments appropriated and collected for a special improvement district are insufficient to pay principal and interest then due on the special improvement bonds issued against such improvement district, the City of Fargo is to levy a tax upon all the taxable property in the City for the payment of such deficiency.

The City of Fargo is subject to the North Dakota Century Code, which limits the amount of general obligation indebtedness (exclusive of revenue-producing utility debt, special assessment debt, tax increment debt, and Housing Authority debt) that the City may have outstanding to 5% of assessed valuation. On December 31, 2021, the statutory limit for the City was \$344,362,427 providing a debt margin of \$295,451,350. This calculation can be found in the statistical section of this report.

**NOTES PAYABLE**

The City has obtained financing from the State of North Dakota's State Revolving Loan Fund (SRLF) to finance expansion of the wastewater treatment facility, water treatment plant, storm sewer system, 45<sup>th</sup> street corridor interceptor project, north side sewer service facility project, transmission lines south side system project, a water tower project, clarifier improvements to the wastewater system, a wastewater stabilization pond project, and a regional stormwater pond.

The City has issued nine increment revenue notes subject to development agreements for housing and commercial redevelopment projects. The notes are payable from the future taxes generated by the redevelopment projects and will be paid to the developer annually as property taxes are collected from the tax increment project.

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The City has obtained financing through direct bank loans to finance the Fargo Cass Public Health Expansion and Relocation project, the Red River Regional Dispatch Center project, the Solid Waste Baling Facility, and the Mercantile Parking Ramp.

The City has obtained financing through the Bank of North Dakota to finance construction costs of Improvement District projects.

Details relative to the outstanding notes payable are shown below:

TYPE AND ISSUE	FINAL MATURITY DATE	INTEREST RATES	ORIGINAL ISSUE	PRINCIPAL OUTSTANDING 12/31/21
<b>GOVERNMENTAL ACTIVITIES</b>				
SRLF Water Tower	9/1/2027	2.50%	\$ 2,270,000	\$ 940,000
SRLF North Side Sewer Service Facility Plan	9/1/2028	2.50%	1,630,000	735,000
SRLF 45th Street Corridor Interceptor System	9/1/2029	2.50%	63,725,000	32,060,000
SRLF Transmission Lines South Side System	9/1/2029	2.82%	14,110,422	4,900,000
SRLF Wastewater Clarifier Improvements	9/1/2029	0.50%	699,374	335,000
SRLF Wastewater Stabilization Ponds	9/1/2030	2.50%	4,071,140	2,160,000
SRLF Regional Storm Water Pond - Construction	9/1/2052	1.50%	10,500,000	8,083,272
SRLF Regional Storm Water Pond - Engineering	9/1/2052	1.50%	500,000	490,000
TIF Revenue Notes	5/1/2038	5.00 - 6.00%	5,412,590	4,662,917
Direct Bank Loan - Fargo Cass Public Health Expansion and Relocation Project and Red River Regional Dispatch Center Project	4/8/2029	2.85%	6,000,000	3,049,948
Mercantile Parking Garage	11/22/2029	0.00%	2,000,000	2,000,000
BND Infrastructure Loan	5/1/2044	2.00%	15,000,000	12,128,783
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>			<b>\$ 125,918,526</b>	<b>\$ 71,544,920</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
SRLF Wastewater Construction Loan	9/1/2052	1.50%	\$ 126,500,000	\$ 64,805,945
SRLF Wastewater Engineering Loan	9/1/2052	1.50%	20,229,000	15,435,160
SRLF Water Treatment Plant	9/1/2048	1.50%	98,000,000	92,310,000
SRLF Water Supply and Treatment	9/1/2050	1.50%	23,950,000	7,043,280
Direct Bank Loan - Baling Facility	12/1/2024	1.63%	3,000,000	900,000
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>			<b>\$ 271,679,000</b>	<b>\$ 180,494,385</b>
<b>TOTAL NOTES PAYABLE</b>			<b>\$ 397,597,526</b>	<b>\$ 252,039,305</b>

The annual requirements to amortize long-term debt for the next five years (excluding accumulated unpaid vacation, capital leases, contract payable, landfill closure and post-closure, unamortized premium on refunding, and net pension obligations) as of December 31, 2021, are shown in the following table:

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**GOVERNMENTAL ACTIVITIES**

	Special Assessment Bonds		General Obligation Bonds		Sales Tax Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2022	\$ 69,035,000	\$ 23,698,818	\$ 1,715,000	\$ 997,630	\$ 3,982,000	\$ 2,311,915
2023	23,010,000	16,275,059	1,780,000	927,301	4,161,000	2,132,265
2024	25,485,000	15,407,319	1,860,000	851,778	4,350,000	1,944,390
2025	25,740,000	13,704,999	1,940,000	771,921	4,547,000	1,747,890
2026	27,000,000	12,727,183	2,030,000	687,528	4,740,000	1,552,640
2027-2031	125,645,000	49,416,053	10,585,000	2,608,931	26,776,000	4,697,080
2032-2036	113,855,000	28,135,930	10,840,000	1,008,415	9,670,000	339,000
2037-2041	87,645,000	10,354,202	-	-	-	-
2042-2046	29,495,000	1,284,325	-	-	-	-
	<u>\$ 526,910,000</u>	<u>\$ 171,003,888</u>	<u>\$ 30,750,000</u>	<u>\$ 7,853,504</u>	<u>\$ 58,226,000</u>	<u>\$ 14,725,180</u>
	Notes Payable		Taxable Annual Appropriation Bond			
	Principal	Interest	Principal	Interest		
2022	\$ 5,703,114	\$ 1,491,072	\$ 560,000	\$ 1,095,786		
2023	6,904,348	1,351,080	600,000	1,077,479		
2024	6,226,317	1,207,857	620,000	1,057,474		
2025	6,152,890	1,060,209	645,000	1,036,063		
2026	6,330,732	908,653	740,000	1,013,094		
2027-2031	23,369,019	2,308,564	5,060,000	4,594,660		
2032-2036	6,796,423	1,059,008	6,305,000	3,527,958		
2037-2041	5,090,732	671,413	7,675,000	2,139,482		
2042-2046	3,563,611	258,958	6,190,000	498,860		
2047-2051	1,407,734	53,583	-	-		
	<u>\$ 71,544,920</u>	<u>\$ 10,370,397</u>	<u>\$ 28,395,000</u>	<u>\$ 16,040,856</u>		

**BUSINESS-TYPE ACTIVITIES**

	Revenue Bonds		Annual Appropriation Bonds	
	Principal	Interest	Principal	Interest
2022	\$ 192,868	\$ 85,162	755,000	170,131
2023	195,985	75,732	775,000	147,103
2024	199,152	66,150	800,000	122,536
2025	202,370	56,413	830,000	95,256
2026	205,640	46,519	855,000	65,708
2027-2031	856,333	83,897	885,000	34,073
	<u>\$ 1,852,348</u>	<u>\$ 413,873</u>	<u>\$ 4,900,000</u>	<u>\$ 634,807</u>
	Special Assessments		Notes Payable	
	Principal	Interest	Principal	Interest
2022	\$ 518,056	\$ 488,722	\$ 2,735,000	\$ 3,179,406
2023	503,196	465,101	2,998,979	3,125,579
2024	538,775	440,411	5,289,256	3,071,103
2025	544,334	414,022	5,089,601	2,975,712
2026	566,508	387,252	5,191,924	2,885,989
2027-2031	2,945,547	1,503,041	27,591,133	13,019,933
2032-2036	2,466,606	833,860	30,510,369	10,478,697
2037-2041	1,831,958	311,883	33,764,295	7,652,770
2042-2046	443,922	31,677	37,391,296	4,517,669
2047-2051	-	-	26,545,372	1,319,672
2052-2056	-	-	3,387,160	51,330
	<u>\$ 10,358,902</u>	<u>\$ 4,875,969</u>	<u>\$ 180,494,385</u>	<u>\$ 52,277,860</u>

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Individual Bond Issues by Fund – The following is a summary of the individual bond issues, as of the year ended December 31, 2021.

TYPE AND ISSUE	PURPOSE	ISSUE DATE	FINAL MATURITY DATE	INTEREST RATES	ORIGINAL ISSUE	PRINCIPAL OUTSTANDING 12/31/21
<b>GOVERNMENTAL ACTIVITIES</b>						
<b>SPECIAL ASSESSMENT BONDS</b>						
2014 Series D Refunding	Advance refunding of 2005 Series A	6/25/2014	5/1/2030	2.00 - 5.00	\$ 12,640,000	\$ 8,410,000
2014 Series E Refunding	Current refunding of 2010 Series B	9/4/2014	5/1/2035	2.00 - 5.00	19,440,000	14,450,000
2010 Series C Refunding	Crossover refunding of 2002 Series A	5/25/2010	5/1/2027	3.00 - 5.00	8,250,000	2,475,000
2011 Series C	Infrastructure system construction	12/15/2011	5/1/2037	2.00 - 4.00	20,965,000	16,020,000
2011 Series E Refunding	Crossover refunding of 2003 Series A	12/15/2011	5/1/2028	2.00 - 3.25	9,515,000	4,690,000
2012 Series A Refunding	Crossover refunding of Series 2003D, 2004C, and 2004E	4/26/2012	5/1/2029	3.00 - 4.00	34,180,000	3,820,000
2013 Series C	Infrastructure system construction	9/12/2013	5/1/2039	2.00 - 4.60	16,705,000	580,000
2014 Series D	Infrastructure system construction	6/25/2014	5/1/2039	2.00 - 5.00	39,760,000	31,665,000
2014 Series F	Infrastructure system construction	12/22/2014	5/1/2039	2.00 - 5.00	40,445,000	33,275,000
2014 Series G	Infrastructure system construction	12/22/2014	5/1/2039	2.00 - 4.25	8,355,000	6,725,000
2015 Series A Refunding	Crossover refunding of Series 2006B and 2007B	2/25/2015	5/1/2031	2.00 - 5.00	18,250,000	13,045,000
2015 Series B Refunding	Crossover refunding of Series 2008E	9/30/2015	5/1/2033	2.50 - 5.00	15,235,000	11,100,000
2015 Series D	Infrastructure system construction	11/18/2015	5/1/2041	3.00 - 5.00	34,675,000	27,065,000
2016 Series B Refunding	Crossover refunding of Series 2009C	6/6/2016	5/1/2034	2.00 - 5.00	27,485,000	22,945,000
2016 Series C	Infrastructure system construction	11/7/2016	5/1/2042	2.00 - 5.00	41,745,000	37,150,000
2017 Series C	Infrastructure system construction	8/17/2017	5/1/2043	2.00 - 5.00	38,525,000	34,935,000
2017 Series D Refunding	Crossover refunding of Series 2013C	8/17/2017	5/1/2039	3.00 - 5.00	11,340,000	11,340,000
2018 Series D	Infrastructure system construction	7/24/2018	5/1/2044	2.70 - 5.00	42,965,000	40,515,000
2019 Series A	Infrastructure system construction	8/6/2019	5/1/2042	3.00 - 5.00	37,260,000	35,450,000
2019 Series B Refunding	Crossover refunding of Series 2011A	11/21/2019	5/1/2036	1.80 - 2.90	13,940,000	13,940,000
2020 Series B	Infrastructure system construction	11/5/2020	5/1/2045	2.00 - 5.00	29,565,000	28,990,000
2020 Series C Refunding	Crossover refunding of Series 2011C, 2012A, 2014D, and 2014F	11/5/2020	5/1/2023	1.50 - 2.30	91,015,000	91,015,000
2021 Series A	Infrastructure system construction	5/20/2021	5/1/2046	2.00 - 5.00	37,310,000	37,310,000
					<u>\$ 649,565,000</u>	<u>\$ 526,910,000</u>
<b>GENERAL OBLIGATION BONDS</b>						
2009 Series B	Fire station and fire truck	10/15/2009	5/1/2029	2.00 - 4.00	\$ 2,875,000	\$ 1,370,000
2015 Series E	Roberts Commons Parking Ramp	12/7/2015	12/1/2035	1.00 - 3.85	10,230,000	8,015,000
2016 Series A	City Hall building	6/14/2016	7/1/2036	2.00 - 5.00	25,640,000	21,365,000
					<u>\$ 38,745,000</u>	<u>\$ 30,750,000</u>
<b>SALES TAX INFRASTRUCTURE BONDS</b>						
2013 Series A	Flood mitigation projects	3/27/2013	6/1/2033	3.00 - 4.00	\$ 51,375,000	\$ 35,400,000
2014 Series B	Flood mitigation projects	4/22/2014	6/1/2032	2.00 - 5.00	32,512,000	22,826,000
					<u>\$ 83,887,000</u>	<u>\$ 58,226,000</u>
<b>TAXABLE ANNUAL APPROPRIATION BONDS</b>						
2018 Series E	Block Nine project	9/6/2018	5/1/2044	3.30 - 4.47	\$ 17,315,000	\$ 16,870,000
2020 Series A	Mercantile Parking Ramp	1/30/2020	12/1/2045	2.15 - 3.69	11,525,000	11,525,000
					<u>\$ 28,840,000</u>	<u>\$ 28,395,000</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>					<b>\$ 801,037,000</b>	<b>\$ 644,281,000</b>

TYPE AND ISSUE	PURPOSE	ISSUE DATE	FINAL MATURITY DATE	INTEREST RATES	ORIGINAL ISSUE	PRINCIPAL OUTSTANDING 12/31/20
<b>BUSINESS-TYPE ACTIVITIES</b>						
<b>SOLID WASTE FUND</b>						
Qualified Energy Conservation Bond	Conversion of landfill gas to compressed natural gas for use in landfill generator	9/30/2015	5/1/2030	4.85	\$ 2,875,000	\$ 1,852,348
<b>FARGODOME BUILDING FUND</b>						
Annual Appropriation Bonds of 2017	Fargodome video board upgrade	2/9/2017	11/1/2027	1.75 - 3.85	\$ 7,810,000	\$ 4,900,000
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>					<b>\$ 10,685,000</b>	<b>\$ 6,752,348</b>
<b>TOTAL BONDED INDEBTEDNESS</b>					<b>\$ 811,722,000</b>	<b>\$ 651,033,348</b>

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**I. DEFERRED INFLOW OF RESOURCES/UNEARNED REVENUES**

Governmental funds report unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. A large portion of the amount unavailable relates to special assessments receivable which will be used to pay off refunding improvement and sidewalk bonds. Governmental funds also report unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unearned revenue in the governmental funds were as follows:

	Deferred Inflows of Resources Unavailable	Liabilities Unearned	Total
Delinquent property taxes receivable	\$ 204,542	\$ -	\$ 204,542
Special assessments receivable	431,827,214	-	431,827,214
Grant resources held and grant items receivable	1,324,985	10,053,566	11,378,551
Loans/contracts/accounts receivable	3,936,896	1,357,886	5,294,782
Total unavailable revenue for governmental funds	<u>\$ 437,293,637</u>	<u>\$ 11,411,452</u>	<u>\$ 448,705,089</u>

**J. CONDUIT DEBT OBLIGATIONS**

From time to time, the City has approved issuance of Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2021, the number of Industrial Revenue Bonds outstanding and the aggregate principal amount payable is unknown. Neither the State of North Dakota nor the City of Fargo has a central repository. The only requirement for this type of issue is to request the amount needed for City approval, most times this amount is in excess of the actual amount issued. When completely paid or called they must notify the City of this event.



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**K. FUND BALANCES**

The City classified fund balances within the governmental funds as follows at December 31, 2021:

	General Fund	Debt Service	Capital Projects	Other Governmental Funds	Total
<b>Fund balances:</b>					
<b>Nonspendable:</b>					
Inventory	\$ 1,338,235	\$ -	\$ -	\$ -	\$ 1,338,235
Prepaid Items	2,449,395	-	67,405	29,213	2,546,013
Total Nonspendable	<u>3,787,630</u>	<u>-</u>	<u>67,405</u>	<u>29,213</u>	<u>3,884,248</u>
<b>Restricted for:</b>					
City Share of Specials	-	-	-	209,875	209,875
Convention & Visitors Bureau	-	-	-	58,245	58,245
Court Forfeits	-	-	-	87,855	87,855
Debt Service	-	165,751,732	-	-	165,751,732
Downtown Business Improvement District	-	-	-	196,873	196,873
Fire	165,834	-	-	-	165,834
Health	4,023,969	-	-	-	4,023,969
Highway and streets	1,072,885	-	-	-	1,072,885
HUD Home Participating Jurisdiction	-	-	-	80,741	80,741
Noxious Weeds	-	-	-	21,869	21,869
NRI Loan Program	-	-	-	171,108	171,108
Parking Authority	-	-	-	3,127,666	3,127,666
Police	160,826	-	-	-	160,826
Regional Training Center	-	-	-	361,287	361,287
Skyway Maintenance	-	-	-	96,988	96,988
SWAT	-	-	-	16,961	16,961
Total Restricted	<u>5,423,514</u>	<u>165,751,732</u>	<u>-</u>	<u>4,429,468</u>	<u>175,604,714</u>
<b>Committed to:</b>					
Revenue Stabilization	<u>1,000,015</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000,015</u>
<b>Assigned to:</b>					
2022 Budget	<u>1,079,780</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,079,780</u>
<b>Unassigned:</b>	<u>27,144,995</u>	<u>-</u>	<u>(1,040,151)</u>	<u>(268,633)</u>	<u>25,836,211</u>
<b>Total Fund Balances</b>	<u>\$ 38,435,934</u>	<u>\$ 165,751,732</u>	<u>\$ (972,746)</u>	<u>\$ 4,190,048</u>	<u>\$ 207,404,968</u>

**5. OTHER NOTES**

**A. RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruptions, errors and omissions; job related illness or injuries to employees; acts of God, and losses resulting from providing accident, health, dental and medical benefits to employees and retirees and their dependents or beneficiaries.

**INSURED RISKS**

The City purchases commercial insurance for the risk of damage to or destruction of buildings and equipment. Present coverage is provided by the State Fire and Tornado Fund as the primary property insurance carrier. The City's general liability coverage is provided by the North Dakota Insurance Reserve Fund. Other commercial insurance is also purchased for boiler, specialty equipment floaters, aircraft liability coverage and flood coverage for certain locations required by FEMA. There have been no significant reductions to insurance coverage in the past year. There have been no insurance settlements in excess of the City's coverage in the past three years.

## B. PENSION PLANS

The City of Fargo contributes to four separate pension plans which cover substantially all full-time employees. They are the North Dakota Public Employee Retirement System, Employees' Pension Plan, Police Pension Plan, and the Fargo Firefighters' Relief Association Retirement Plan. All of these plans are defined benefit pension systems. The Fargo Firefighters' Relief Association Retirement Plan and the North Dakota Public Employee Retirement System are separate legal entities and are not administered by the City. The plans have not been included in the reporting entity and are not shown in the accompanying financial statements. Details regarding this fund are described below.

### Summary of Significant Accounting Policies

Basis of Accounting - The City's financial statements are prepared using the accrual basis of accounting. Employer and plan member contributions are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

Method Used to Value Investments - Investments are reported at fair value. Certificates of deposit are reported at cost, which approximates fair value. Securities traded on national or international exchange are valued at the last reported sales price at current exchange rates.

### Plan Description, Contribution and Reserves Information

#### Employees' Pension Plan

Plan Description The City of Fargo Employees' Pension plan is a cost-sharing multiple employer public employee retirement system. The plan is integrated with social security and therefore, is considered a supplemental plan. All full-time City employees not covered by another plan are eligible for participation in the Employees' Pension Plan. As of January 1, 2008 all newly hired employees become North Dakota Public Employee Retirement System (NDPERS) members. Voluntary enrollment in the NDPERS plan was offered to all members currently participating in the City Employee Pension Plan.

Membership in the plan on December 31, 2021 (date of most recent actuarial study) is as follows:

Retirees and beneficiaries	260
Terminated vested and deferred beneficiaries	63
City active plan members	69
NDPERS active plan members	147

Number of participating employers: 2

Employees under a discounted annuity formula may be eligible for early, normal or disability retirement. The plan permits early retirement at age 55. Normal retirement age for full benefits is age 65 or when an employee's age plus their years of service as a full time city employee reaches a sum of 90.

Employee death benefits of \$20,000 are paid to a designated beneficiary for a participant who dies prior to retirement. If a participant dies after retirement, the designated beneficiary will receive a \$3,000 death benefit.

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All participants are eligible for a full refund of their contributions plus interest at 5%. Upon termination of employment prior to retirement age, participants may elect a deferred vested benefit to begin between ages 55-65 or a lump sum payment. Lump sum settlements are allowable up to age 55. Lump sum payments are computed as the greater of the actuarial value of plan assets or the "cash balance" in their plan account. The cash balance consists of the employee contributions, plus one-half of the employer's contribution since January 1, 1990, plus interest at 5%.

The City makes a matching contribution of \$25 per month to a deferred compensation plan on behalf of pension plan members who also contribute a minimum of \$25 per month to the deferred compensation plan.

Benefit provisions are established under the authority of the City Commission.

Plan Administration Management of the plan consists of 7 members; the Mayor, City Attorney, City Auditor, Director of Finance, and 4 at large members elected by all plan members. Elected members serve 2-year terms.

Contributions Participating employees contribute to the plan at a rate of 6.5% of salary and the employers contribute at a rate of 8.0% of regular salary for all employees. The contribution rates are established by local ordinance, and the employer's contribution rate is set by the City Commission. Costs of administering the plan are financed by the employer and employee contributions, and by the Plan's investment earnings.

Actuarial Methods and Assumptions The City's net pension liability (asset) was measured as of December 31, 2021. The total pension liability (asset) used to calculate the net pension liability (asset) was determined by an actuarial valuation.

The total pension liability (asset) in the actuarial valuation was determined using the following actuarial assumptions.

Significant Assumptions and Methods Used to Measure the Total Pension Liability

Discount rate	7.00%
Expected return on plan assets	7.00%
Inflation rate	2.50%
Actuarial cost method	Entry age normal in accordance with the requirements of GASB 67/68
Asset valuation method	Market value of assets
Mortality	PubG-2010 General mortality tables with generational projection using scale MP-2021.

Long-term Expected Investment Return The long-term expected rate of return on pension plan investments was selected by the City. This assumption is based on the Plan's current investment policy and forward-looking capital market assumptions provided by the Plan's investment advisor. It uses a building-block method in which best-estimates of expected future "real" rates of return (expected returns net of inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio's long-term expected real rate of return. Expected inflation (2.50%) is added to the portfolio real rate of return to determine the portfolio nominal rate of return.

The best-estimates of expected future asset class returns were provided by the Plan's investment advisor. The expected inflation assumption was developed based on an analysis of historical experience blended with forward-looking expectations available in market data.

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The table below summarizes the assumed nominal rates of return for each major asset class included in the pension plan's target asset allocation as of the measurement date.

Asset Class	Allocation at Measurement Date	Long-Term Expected Real Rate of Return
Domestic equity	42.00%	7.60%
International equity	16.00%	7.30%
Emerging markets equity	7.00%	7.70%
Core fixed income	17.50%	3.90%
Investment grade corporate	8.75%	4.40%
High yield	4.38%	5.00%
Emerging markets debt	4.38%	4.90%

**Schedule of Changes in Net Pension Liability (Asset)**

The following chart summarize the changes in the key items during the year:

	Changes in Net Pension Liability (Asset)			
	Increase (Decrease)		Net Pension Liability (Asset) (c) = (a) - (b)	City of Fargo Proportionate Share
	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)		
Balance at 1/1/2021	\$ 60,735,704	\$ 60,833,591	\$ (97,887)	\$ (86,894)
Changes for the year:				
Service cost	533,945	-	533,945	473,983
Interest	4,296,324	-	4,296,324	3,813,847
Differences between expected and actual experience	(50,217)	-	(50,217)	(44,578)
Changes of assumptions	1,529,548	-	1,529,548	1,357,780
Contributions - City and Park District	-	2,106,906	(2,106,906)	(1,870,301)
Contributions - member	-	386,154	(386,154)	(342,789)
Net investment income	-	7,916,223	(7,916,223)	(7,027,231)
Other additions (e.g. receivables)	-	-	-	-
Benefit payments, including refund of member contributions	(4,020,015)	(4,020,015)	-	-
Administrative expense	-	(47,180)	47,180	41,882
Net changes	2,289,585	6,342,088	(4,052,503)	(3,597,407)
Balance at 12/31/2021 Measurement Date	\$ 63,025,289	\$ 67,175,679	\$ (4,150,390)	\$ (3,684,301)
Funded Percentage (Plan Fiduciary Net Position / Total Pension Liability (Asset))	106.59%			

The following presents the net pension liability (asset) of the City calculated using a discount rate of 7.00%, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate				
	Total Pension Liability (Asset) (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) c = (a) - (b)	City of Fargo Proportionate Share of Net Pension Liability (Asset)
1% Decrease in Discount Rate (6.00%)	\$ 69,305,796	\$ 67,175,679	\$ 2,130,117	\$ (1,890,905)
Current Discount Rate (7.00%)	63,025,289	67,175,679	(4,150,390)	(3,684,301)
1% Increase in Discount Rate (8.00%)	57,629,289	67,175,679	(9,546,390)	(8,474,330)

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Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2021, the City recognized pension expense of (\$1,705,772). At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Outflows</b>	<b>Inflows</b>
<b>Summary of Deferred Outflows (Inflows)</b>		
Difference between expected and actual experience	\$ 3,724	\$ 103,190
Change of assumptions and methods	989,817	157,455
Net difference between projected and actual investment earnings	-	6,190,704
Changes in proportion and differences between Employer contributions and proportionate share of contributions	223,295	6,108
<b>Total</b>	<b>\$ 1,216,836</b>	<b>\$ 6,457,457</b>

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

Year ended:	Future recognition
2022	\$ (1,145,698)
2023	(2,208,957)
2024	(1,251,282)
2025	(634,684)
2026	-
Thereafter	-
	<b>\$ (5,240,621)</b>

Reserves The net position at December 31, 2020 is \$67,175,679 and the entire amount is reserved for employee pension benefits.

The City Employees' Pension Plan is included in the City of Fargo financial statements. It does not issue a stand-alone report, nor is it included in the report of any other entity.

**North Dakota Public Employee Retirement System Pension Plan**

Plan Description As of January 1, 2008, all newly hired full-time and certain part-time employees (with the exception of Police and Fire department employees) of the City of Fargo are covered by defined benefit plans administered by the North Dakota Public Employee Retirement System (NDPERS). Voluntary enrollment in the NDPERS plan was offered to all members currently participating in the City Employee Pension Plan.

Summary of Significant Accounting Policies For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee

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contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

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

Pension Benefits Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Member of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 was replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

Death and Disability Benefits Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period

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of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

Refunds of Member Account Balance Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

Member and Employer Contributions Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2021, the City reported a liability of \$35,031,450 for its proportionate share of the net pension liability. The net pension liability was measured as of 6/30/2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At 6/30/2021, the Employer's proportion was 3.360974 percent which was an increase of .006639 from its proportion measured as of 6/30/2020.

For the year ended 12/31/2021, the Employer recognized pension expense of \$3,903,907. At 12/31/2021, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 604,808	\$ 3,575,439
Changes of assumptions	38,773,013	50,551,904
Net difference between projected and actual earnings on pension plan investments	-	12,992,612
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,400,375	120,626
Employer contributions subsequent to the measurement date (see below)	1,603,996 *	-
<b>Total</b>	<b>\$ 43,382,192</b>	<b>\$ 67,240,581</b>

\*\$1,603,996 reported as deferred outflows of resources related to pensions resulting from employer contributions made after the measurement date of the net pension liability but before the end of the employer's reporting period will be recognized as a reduction of the net pension liability in the subsequent fiscal period rather than in the current fiscal period.

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

<u>Year Ended June 30:</u>	
2022	\$ (2,913,446)
2023	(5,478,956)
2024	(4,646,062)
2025	(12,423,921)
2026	-
Thereafter	-
<b>Total</b>	<b>\$ (25,462,385)</b>

Actuarial Assumptions The total pension liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Significant Assumptions and Methods Used to Measure the Total Pension Liability

Inflation rate	2.25%
Salary increase	3.50% to 17.75% including inflation
Investment Rate of Return	7.00%, net of investment expenses
Cost-of-living adjustment	None

For active members, inactive members and healthy retirees, mortality rates were based on the Sex-distinct Pub-2010 table for General Employees, with scaling based on actual experience. Respective corresponding tables were used for healthy retirees, disabled retirees, and active members. Mortality rates are projected from 2010 using the MP-2019 scale.



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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.00%
International Equity	21%	6.70%
Private Equity	7%	9.50%
Domestic Fixed Income	23%	0.73%
International Fixed Income	0%	0.00%
Global Real Assets	19%	4.77%
Cash Equivalents	0%	0.00%

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

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 1.92%; and the resulting Single Discount Rate is 7.00%.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 7.00 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

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Sensitivity of the Net Pension Liability to Changes in the Discount Rate	
	Employer's proportionate share of the net pension liability
1% Decrease in Discount Rate (6.00%)	\$ 55,711,780
Current Discount Rate (7.00%)	35,031,450
1% Increase in Discount Rate (8.00%)	17,811,826

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

NDPERS issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained on the internet at [www.nd.gov/ndpers](http://www.nd.gov/ndpers), or by writing to NDPERS at PO Box 1657, Bismarck, ND 58502.

**Police Pension Plan**

Plan Description The Police Pension Plan is a single employer public employee retirement system. The plan is not integrated with Social Security and has elected to make contributions on a pre-tax basis as of January 1, 1986.

All full-time employees of the Police department, except the Chief of Police, are required to enroll in the plan.

Membership in the plan on December 31, 2021, (date of most recent actuarial study) is as follows:

Retirees and beneficiaries currently receiving pension payments	120
Fully vested members contributing	83
Non vested members contributing	117
Terminated vested employees	15

Number of participating employers: 1

Plan participants are eligible for normal retirement benefits after age 50 with 10 years of service under 2.65% per year of service formula, plus \$8.33 per year of service, maximum \$250. This is applicable to all new members who participate on or after August 1, 1990. Members who first participated prior to August 1, 1990, can elect this retirement age formula or remain under the Rule of 88, 60% formula.

The Plan purchases life insurance for active employees, the proceeds of which are paid to a designated beneficiary in the amount of \$65,000. The designated beneficiary will also receive the participant's employee contribution plus interest earned on contributions at 6% per annum. Interest is accrued on contributions starting January 1, 1970. Non-active participant's death benefit is \$40,000 for retirements after September 1985, and \$25,000 for retirements between July 25, 1983 and September 30, 1985.

Participants are fully vested in plan benefits after 10 years of service. Upon termination of employment prior to retirement age, participants may elect a deferred vested benefit to begin

**CITY OF FARGO, NORTH DAKOTA  
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at the early retirement date, or may elect a refund of all employee contributions plus interest at 6% per annum, in lieu of a deferred vested benefit.

Benefit provisions are established under the authority of the City Commission.

Plan Administration Management of the plan consists of 5 members; the Director of Finance is the member designated by the Board of City Commissioners and 4 members are elected by and from the members of the police department who are currently being assessed. Elected members serve 4-year terms.

Contributions Employees contribute at a rate of 10.0% of salary. The City contributes at a rate of 15.65% of salary for members employed prior to April 1, 1986, and a rate of 14.20% of salary for members employed after April 1, 1986. Costs of administering the plan are financed by the employer and employee contributions, and by the Plan's investment earnings.

Actuarial Methods and Assumptions The City's net pension liability was measured as of December 31, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation.

The total pension liability in the actuarial valuation was determined using the following actuarial assumptions.

Significant Assumptions and Methods Used to Measure the Total Pension Liability

Discount rate	7.00%
Expected return on plan assets	7.00%
Inflation rate	2.50%
Actuarial cost method	Entry age normal in accordance with the requirements of GASB 67/68
Asset valuation method	Market value of assets
Mortality	PubG-2010 General mortality tables with generational projection using scale MP-2021.

Long-term Expected Investment Return The long-term expected rate of return on pension plan investments was selected by the City. This assumption is based on the Plan's current investment policy and forward-looking capital market assumptions provided by the Plan's investment advisor. It uses a building-block method in which best-estimates of expected future "real" rates of return (expected returns net of inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio's long-term expected real rate of return. Expected inflation (2.50%) is added to the portfolio real rate of return to determine the portfolio nominal rate of return.

The best-estimates of expected future asset class returns were provided by the Plan's investment advisor. The expected inflation assumption was developed based on an analysis of historical experience blended with forward-looking expectations available in market data.

The table below summarizes the assumed nominal rates of return for each major asset class included in the pension plan's asset allocation as of the measurement date, with adjustment for the Plan's inflation assumption.

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Asset Class	Allocation at Measurement Date	Long-Term Expected Real Rate of Return
Domestic equity - large cap	42.00%	6.74%
Domestic equity - small/mid cap	13.00%	6.98%
International equity - developed	7.00%	6.69%
International equity - emerging market	4.00%	7.55%
Core fixed income	14.00%	3.89%
High yield fixed income	19.00%	5.64%
Cash	1.00%	2.80%

Schedule of Changes in Net Pension Liability

The following chart summarize the changes in the key items during the year:

Changes in Net Pension Liability			
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at 1/1/2021	\$ 88,240,334	\$ 80,110,210	\$ 8,130,124
Changes for the year:			
Service cost	2,392,318	-	2,392,318
Interest	6,404,086	-	6,404,086
Differences between expected and actual experience	254,789	-	254,789
Changes of assumptions	2,991,523	-	2,991,523
Contributions - City and Pension Stability Fund	-	3,188,248	(3,188,248)
Contributions - member	-	1,428,983	(1,428,983)
Net investment income	-	7,150,085	(7,150,085)
Benefit payments, including refund of member contributions	(4,600,860)	(4,600,860)	-
Administrative expense	-	(33,709)	33,709
Net changes	7,441,856	7,132,747	309,109
Balance at 12/31/2021 Measurement Date	\$ 95,682,190	\$ 87,242,957	\$ 8,439,233
Funded Percentage (Plan Fiduciary Net Position / Total Pension Liability)	91.18%		

The following presents the net pension liability of the City calculated using a discount rate of 7.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability c = (a) - (b)
1% Decrease in Discount Rate (6.00%)	\$ 108,620,798	\$ 87,242,957	\$ 21,377,841
Current Discount Rate (7.00%)	95,682,190	87,242,957	8,439,233
1% Increase in Discount Rate (8.00%)	85,009,487	87,242,957	(2,233,470)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2021, the City recognized pension expense of \$22,166. At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CITY OF FARGO, NORTH DAKOTA  
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	<b>Outflows</b>	<b>Inflows</b>
<b>Summary of Deferred Outflows (Inflows)</b>		
Difference between expected and actual liability	\$ 1,045,105	\$ 201,283
Change of assumptions and methods	3,255,867	345,238
Net difference between projected and actual investment earnings	-	6,459,771
<b>Total</b>	<b>\$ 4,300,972</b>	<b>\$ 7,006,292</b>

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

Year ended:	Future recognition
2022	\$ (736,690)
2023	(2,475,619)
2024	(872,388)
2025	353,808
2026	665,618
Thereafter	359,951
	<b>\$ (2,705,320)</b>

Reserves The net position at December 31, 2021 is \$87,242,957 and the entire amount is reserved for employee pension benefits.

The Police Pension Plan is included in the City of Fargo financial statements. It does not issue a stand-alone report, nor is it included in the report of any other entity.

**Fargo Firefighters' Relief Association Retirement Plan**

Plan Description The Fargo Firefighters' Relief Association Retirement Plan is a single employer public employee retirement system governed by Section 18-11 of the North Dakota State Century Code. The Association is organized, operated, and maintained in accordance with its own articles of incorporation and by-laws. The plan is not integrated with social security and has elected to make employee contributions on a pre-tax basis as of January 1, 1996

All full time firefighters are required to enroll in the plan.

Membership on December 31, 2021, (date of most recent actuarial study) in the plan is as follows:

Active plan members	119
Deferred vested	8
Retirees, disabled, and beneficiaries	89

Number of participating employers: 1

Plan participants are eligible for normal retirement at age 55 with 10 years of eligible service. Effective August 1, 2001, the benefit formula was improved to provide 2.50% of earnings times years of service. The result is taken times the salary of a first class firefighter to determine

**CITY OF FARGO, NORTH DAKOTA  
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the monthly pension benefit amount. A monthly disability service pension benefit is also provided under an alternative formula along with family death benefits.

In lieu of any other benefits from the plan, a member may request a lump sum payment of employee contributions without interest.

Benefit provisions and changes to benefit formulas are established under the authority of the plan's Board of Directors.

Plan Administration Management of the plan consists of a 7 member Board of Trustees, with a President, Vice-President, Secretary-Treasurer, and four (4) Trustees-at-large. One of the Trustees can be the Chief of the Fargo Fire Department. At each annual meeting of the Association, Trustees shall be elected by the voting membership for a term of two (2) years each to succeed those Trustees whose terms are expiring.

Contributions Participating employees contribute to the plan at a rate of 10.4% of salary and the City contributes at a rate of 15.65% for pre-1986 employees and 14.20% for post 1986 employees covered by Medicare. Costs of administering the plan are financed by the employer and employee contributions, and by the Plan's investment earnings.

Actuarial Methods and Assumptions The City's net pension liability was measured as of December 31, 2021. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation.

The total pension liability in the actuarial valuation was determined using the following actuarial assumptions.

Significant Assumptions and Methods Used to Measure the Total Pension Liability

Discount rate	7.00%
Expected return on plan assets	7.00%
Inflation rate	2.50%
Actuarial cost method	Entry age normal in accordance with the requirements of GASB 67/68
Asset valuation method	Market value of assets
Mortality	PubG-2010 General mortality tables with generational projection using scale MP-2021.

Long-term Expected Investment Return The long-term expected rate of return on pension plan investments was selected by the City. This assumption is based on the Plan's current investment policy and forward-looking capital market assumptions provided by the Plan's investment advisor. It uses a building-block method in which best-estimates of expected future "real" rates of return (expected returns net of inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio's long-term expected real rate of return. Expected inflation (2.50%) is added to the portfolio real rate of return to determine the portfolio nominal rate of return.

The best-estimates of expected future asset class returns were provided by the Plan's investment advisor. The expected inflation assumption was developed based on an analysis of historical experience blended with forward-looking expectations available in market data.

The table below summarizes the assumed nominal rates of return for each major asset class included in the pension plan's asset allocation as of the measurement date, with adjustment for the Plan's inflation assumption.

**CITY OF FARGO, NORTH DAKOTA  
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Asset Class	Allocation at Measurement Date	Long-Term Expected Real Rate of Return
Domestic equity - large cap	42.00%	6.74%
Domestic equity - small/mid cap	13.00%	6.98%
International equity - developed	7.00%	6.69%
International equity - emerging market	4.00%	7.55%
Core fixed income	14.00%	3.89%
High yield fixed income	19.00%	5.64%
Cash	1.00%	2.80%

The City is legally obligated to contribute to the plan based upon a certain formula established by State law. The City has chosen to fund this obligation by paying the same percentage of pay as other defined benefit plans.

**Schedule of Changes in Net Pension Liability**

The following chart summarize the changes in the key items during the year:

Changes in Net Pension Liability			
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at 1/1/2021	\$ 57,981,291	\$ 45,264,023	\$ 12,717,268
Changes for the year:			
Service cost	1,351,503	-	1,351,503
Interest	4,198,672	-	4,198,672
Differences between expected and actual experience	1,402,629	-	1,402,629
Changes of assumptions	2,015,570	-	2,015,570
Contributions - City and Pension Stability Fund	-	2,467,028	(2,467,028)
Contributions - member	-	922,596	(922,596)
Net investment income	-	3,728,930	(3,728,930)
Benefit payments, including refund of member contributions	(2,840,147)	(2,840,147)	-
Administrative expense	-	(46,448)	46,448
Net changes	6,128,227	4,231,959	1,896,268
Balance at 12/31/2021 Measurement Date	\$ 64,109,518	\$ 49,495,982	\$ 14,613,536

The following presents the net pension liability of the City calculated using a discount rate of 7.00%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability c = (a) - (b)
1% Decrease in Discount Rate (6.00%)	\$ 72,873,744	\$ 49,495,982	\$ 23,377,762
Current Discount Rate (7.00%)	64,109,518	49,495,982	14,613,536
1% Increase in Discount Rate (8.00%)	56,862,289	49,495,982	7,366,307

**CITY OF FARGO, NORTH DAKOTA  
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Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2021, the City recognized pension expense of \$1,224,913. At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Outflows</b>	<b>Inflows</b>
<b>Summary of Deferred Outflows (Inflows)</b>		
Difference between expected and actual liability	\$ 2,701,204	\$ -
Change of assumptions and methods	2,863,039	202,879
Net difference between projected and actual investment earnings	-	3,481,617
<b>Total</b>	<b>\$ 5,564,243</b>	<b>\$ 3,684,496</b>

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

Year ended:	Future recognition
2022	\$ 381,400
2023	(493,665)
2024	261,300
2025	726,539
2026	707,618
Thereafter	296,555
	<u>\$ 1,879,747</u>

The Fargo Firefighters' Relief Association Retirement Plan is not included in the City of Fargo financial statements, nor is it included in the report of any other entity. The Firefighters' Relief Association issues a stand-alone, publicly available financial report. This report can be obtained by contacting: City of Fargo Fire Department Headquarters, 627 N.P. Avenue, Fargo, ND 58102, Attention: Secretary/Treasurer of the Fargo Firefighters Pension Association.

Total Pension Expense

Aggregate Amount of Pension Expense					
Year ended:	Employee's Pension Plan	NDPERS	Police Pension Plan	Fargo Firefighters' Relief Association Retirement Plan	Total
2021	(1,705,772.00)	3,903,907.00	22,166.00	1,224,913.00	3,445,214.00
2022	(1,145,698.00)	(2,913,446.00)	(736,690.00)	381,400.00	(4,414,434.00)
2023	(2,208,957.00)	(5,478,956.00)	(2,475,619.00)	(493,665.00)	(10,657,197.00)
2024	(1,251,282.00)	(4,646,062.00)	(872,388.00)	261,300.00	(6,508,432.00)
2025	(634,684.00)	(12,423,921.00)	353,808.00	726,539.00	(11,978,258.00)
2026	-	-	665,618.00	707,618.00	1,373,236.00
Thereafter	-	-	359,951.00	296,555.00	656,506.00
<b>Total</b>	<u>(6,946,393.00)</u>	<u>(21,558,478.00)</u>	<u>(2,683,154.00)</u>	<u>3,104,660.00</u>	<u>(28,083,365.00)</u>



**CITY OF FARGO, NORTH DAKOTA  
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**CITY OF FARGO, NORTH DAKOTA  
COMBINING STATEMENT OF NET POSITION  
PENSION TRUST FUNDS  
December 31, 2021**

	<b>CITY EMPLOYEES' PENSION</b>	<b>POLICE PENSION</b>	<b>TOTAL</b>
<b>ASSETS</b>			
Cash	\$ 375,042	\$ 542,532	\$ 917,574
Equity in pooled investments	-	280,159	280,159
Receivables:			
Accounts receivable	5,668	-	5,668
Interest	5	93,359	93,364
Due from other funds	-	208,150	208,150
Total receivables	<u>5,673</u>	<u>301,509</u>	<u>307,182</u>
Investments, at fair value:			
Mutual funds	67,023,455	78,825,217	145,848,672
Exchange-traded products	-	7,298,996	7,298,996
Total investments	<u>67,023,455</u>	<u>86,124,213</u>	<u>153,147,668</u>
Total assets	<u>\$ 67,404,170</u>	<u>\$ 87,248,413</u>	<u>\$ 154,652,583</u>
<b>LIABILITIES</b>			
Vouchers and benefits payable	\$ 20,341	\$ 5,456	\$ 25,797
Due to other funds	208,150	-	208,150
Total liabilities	<u>\$ 228,491</u>	<u>\$ 5,456</u>	<u>\$ 233,947</u>
<b>NET POSITION</b>			
Restricted for pension benefits	<u>\$ 67,175,679</u>	<u>\$ 87,242,957</u>	<u>\$ 154,418,636</u>

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

**CITY OF FARGO, NORTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2021**

**CITY OF FARGO, NORTH DAKOTA  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
PENSION TRUST FUNDS  
For the Year Ended December 31, 2021**

	<u>CITY EMPLOYEES' PENSION</u>	<u>POLICE PENSION</u>	<u>TOTAL</u>
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 2,023,398	\$ 3,188,248	\$ 5,211,646
Employer (Fargo Park District)	83,508	-	83,508
Employee	315,355	1,428,983	1,744,338
Employee (Fargo Park District)	71,854	-	71,854
Total contributions	<u>2,494,115</u>	<u>4,617,231</u>	<u>7,111,346</u>
Investment income			
Net appreciation in fair value of investments, and interest and dividends	8,103,392	7,478,494	15,581,886
Less investment expense	<u>(187,168)</u>	<u>(328,410)</u>	<u>(515,578)</u>
Net investment income (loss)	<u>7,916,224</u>	<u>7,150,084</u>	<u>15,066,308</u>
Total additions (deductions)	<u>10,410,339</u>	<u>11,767,315</u>	<u>22,177,654</u>
<b>DEDUCTIONS</b>			
Pension benefit payments	3,880,676	4,242,112	8,122,788
Member contribution refunds	139,339	358,747	498,086
Administrative expenses	<u>48,235</u>	<u>33,709</u>	<u>81,944</u>
Total deductions	<u>4,068,250</u>	<u>4,634,568</u>	<u>8,702,818</u>
Change in net position	6,342,089	7,132,747	13,474,836
Total net position - beginning	<u>60,833,590</u>	<u>80,110,210</u>	<u>140,943,800</u>
Total net position - ending	<u>\$ 67,175,679</u>	<u>\$ 87,242,957</u>	<u>\$ 154,418,636</u>

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

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Related Party Investments During 2021 and as of December 31, 2021 the pension plans (City Employees', Police and Firefighters Relief Association) held no securities issued by the City of Fargo or other related parties.

**C. POST-EMPLOYMENT HEALTH CARE BENEFITS (OPEB)**

Summary of Significant Accounting Policies For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the OPEB Plan The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

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

OPEB Benefits The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "*prefunded credit applied*" on the Statement of Changes in Plan Net Position for the OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving

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disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At 12/31/2021 the City reported a liability of \$1,755,931 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of 6/30/2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At 6/30/2021, the Employer's proportion was 3.1571680 percent, which was an increase of 0.0361180 from its proportion measured as of 6/30/2020.

For the year ended 12/31/2021, the Employer recognized OPEB expense of \$271,012. At 12/31/2021, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 100,841	\$ 48,130
Changes of assumptions and methods	271,925	-
Net difference between projected and actual earnings on OPEB plan investments	-	601,625
Changes in proportion and differences between Employer contributions and proportionate share of contributions	151,512	8,432
Employer contributions subsequent to the measurement date	18,496	-
<b>Total</b>	<b>\$ 542,774</b>	<b>\$ 658,187</b>

\$18,496 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended 12/31/2022.

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

Year Ended June 30:	
2022	\$ (5,277)
2023	(9,609)
2024	(35,255)
2025	(96,386)
2026	12,618
Thereafter	-
Total	<u>\$ (133,909)</u>

Actuarial Assumptions The total OPEB liability in the July 1, 2021 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Significant Assumptions and Methods Used to Measure the Total OPEB Liability

Inflation rate	2.25%
Salary increase	Not applicable
Investment Rate of Return	6.5%, net of investment expenses
Cost-of-living adjustment	None

For active members, inactive members and healthy retirees, mortality rates were based on the MortalityPub-2010 Healthy Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 103% for males and 101% for females. Pub-2010 Disabled Retiree Mortality table (for General Employees), sex-distinct, with rates multiplied by 117% for males and 112% for females. Pub-2010 Employee Mortality table (for General Employees), sex-distinct, with rates multiplied by 92% for both males and females. Mortality rates are projected from 2010 using the MP-2019 scale.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33%	5.85%
Small Cap Domestic Equities	6%	6.75%
International Equities	40%	0.50%
Core-Plus Fixed Income	21%	6.25%

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Discount Rate The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory rates described in this report. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate

The following presents the net OPEB liability of the Plans as of June 30, 2021, calculated using the discount rate of 6.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Employer's proportionate share of the net OPEB liability	\$ 2,604,273	\$ 1,755,931	\$ 1,038,108

**D. JOINT POWERS AGREEMENT**

**Regional Dispatch Center**

In December of 2002, the City of Fargo, ND, City of Moorhead, MN, Clay County of MN and Cass County of ND entered into a joint powers agreement to establish a framework that allows for the joint operation of dispatch functions by the named entities. Additionally, the City of West Fargo, ND entered into the joint powers agreement in 2008. By combining the communications and dispatch of these agencies, duplication of equipment and staff time is reduced or eliminated. The goal was to reduce the financial burden to the respective governments' taxpayers through the sharing of one communication center, as well as to improve communications services.

Effective January 1, 2015 the joint powers agreement was amended as a result of the county-wide vote in November 2014, which ended the City of West Fargo and City of Fargo collections of emergency communication system fees on an individual city-wide basis. Cass County emergency fee collection, which is collected per user by the county, is expected to be sufficient to cover the contribution for the City of Fargo, West Fargo and Cass County. Cass County has agreed to pay all valid billings from vendors of emergency service communication system funds for all users in Cass County.

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Prior to 2015, each governmental entity contributed to the joint operations in the following percentages:

City of Fargo – 50%  
City of Moorhead – 20%  
Cass County – 10%  
Clay County – 11%  
City of West Fargo – 9%

Effective January 1, 2015, the cost share formula was amended as follows:

City of Fargo – 0%  
City of Moorhead – 18.2%  
Cass County – 71.8%  
Clay County – 10%  
City of West Fargo – 0%

Members of the RRRDC may elect to withdraw from participation in the Agreement upon giving a 6-month written notice. Additional financial information may be obtained by contacting: Attn: Director, Red River Regional Dispatch Center, 300 NP Avenue, Suite 206, Fargo, ND 58102.

**Metro Flood Diversion Authority**

In June of 2010, the City of Fargo, ND, City of Moorhead, MN, Clay County of MN, Cass County of ND, the Cass County Joint Water Resource District, and the Buffalo Red River Watershed District entered into a joint powers agreement for the purpose of building and operating a flood diversion channel along the Red River of the North to reduce the flood risk of the stakeholder communities and counties. The Diversion Authority and its members worked with the United States Army Corps of Engineers on the FM Metro Flood Risk Management Feasibility Study to develop the flood diversion channel project plan.

In June of 2016, the joint powers agreement was revised to exclude the Buffalo Red River Watershed District.

This joint powers agreement will continue to be in full force and effect until it is terminated upon unanimous approval of the members to this Agreement. Additional information regarding the authority may be obtained by contacting: Flood Diversion Board of Authority, 207 Fourth Street North, Fargo, ND 58102.

**E. CONTINGENT LIABILITIES**

Amounts received or receivables from grantor agencies are subject to audit and adjustment 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 which may be disallowed by the grantor cannot be determined at this time.

The City is a defendant in various 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.

### **Metro Flood Diversion Project**

The Diversion Project is the first project of the U.S. Army Corps of Engineers to use a public private partnership approach to project delivery. The City of Fargo is one of three non-federal sponsors of the project along with the City of Moorhead (Minnesota) and the Metro Flood Diversion Authority. The Authority is a joint powers entity established by a joint powers agreement between the cities of Fargo, Moorhead, the counties of Clay (Minnesota) and Cass (North Dakota) and the Cass County Joint Water Resource District. Although the Project's status carries with it all of the authority, immunities and limitations of liability associated with such federal authorization and implementation, given the level of the City of Fargo's involvement in the Project, there is a reasonable likelihood that the City will be named as a defendant in one or more claims or lawsuits related to the Project, its design, construction, financing, operations and/or maintenance. To the extent such claims would not be covered by insurance, they would not materially affect the financial condition of the City.

### **F. SUBSEQUENT EVENTS**

On February 7, 2022, the Board of City Commissioners approved a resolution authorizing the issuance of \$22,855,000, Refunding Improvement Bonds, Series 2022A to finance the construction of infrastructure improvements within various improvement districts. The bonds closed on March 10, 2022.

On November 9, 2021, the Board of City Commission approved a resolution authorizing the issuance of \$4,620,000, State Revolving Fund loans, Series 2022B and C, to finance the construction of Solid Waste's Leachate Collection Improvements project. The bonds closed on January 24, 2022.

On April 18, 2022, the Board of City Commissioners approved a resolution authorizing the issuance of \$8,103,000, Appropriation Bonds, Series 2022D to finance the construction of Fire Station #8 along with the associated vehicles and equipment necessary for an operating fire station. The bonds closed on April 28, 2022.

On May 1, 2022, the City of Fargo called for redemption the following obligations. This call redemption resulted in cost savings of \$1,233,587.

- The May 1, 2023 through May 1, 2025 maturities of the Refunding Improvement Refunding Bonds, Series 2010C, dated May 25, 2010
- The May 1, 2023 through May 1, 2028 maturities of the Refunding Improvement Refunding Bonds, Series 2011E, dated December 15, 2011
- The May 1, 2023 through May 1, 2024 maturities of the Refunding Improvement and Refunding Bonds, Series 2014D, dated June 25, 2014
- The May 1, 2023 through May 1, 2025 maturities of the Refunding Improvement Bonds, Series 2014F, dated December 22, 2014
- The May 1, 2023 through May 1, 2024 maturities of the Refunding Improvement Bonds, Series 2016C, dated November 22, 2016
- The May 1, 2023 through May 1, 2025 maturities of the Refunding Improvement Bonds, Series 2017C, dated August 17, 2017



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**REQUIRED SUPPLEMENTARY INFORMATION**

Schedules are intended to show information for ten years commencing with the fiscal year ended December 31, 2014. Additional years will be displayed as they occur.

**CITY EMPLOYEES' PENSION PLAN**

	<b>Schedule of Change in Net Pension Liability (Asset)</b>							
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Total Pension Liability (Asset)</b>								
Service Cost	\$ 533,945	\$ 365,929	\$ 401,832	\$ 432,671	\$ 469,907	\$ 487,463	\$ 529,173	\$ 557,997
Interest	4,296,324	4,245,644	4,191,703	4,113,116	4,019,115	4,000,397	4,014,233	3,646,552
Differences between expected and actual experience	(50,217)	-	(333,799)	74,079	409,699	232,443	(297,322)	138,298
Changes in assumptions and methods	1,529,548	(307,341)	-	(111,771)	(280,032)	(1,434,752)	174,274	3,112,904
Benefit payments and refunds	(4,020,015)	(3,526,401)	(3,433,240)	(3,353,355)	(3,216,427)	(2,803,193)	(2,644,555)	(2,404,469)
Net change in total pension liability	2,289,585	777,831	826,496	1,154,740	1,402,262	482,358	1,775,803	5,051,282
Total Pension Liability (Asset) - beginning of year	60,735,704	59,957,873	59,131,377	57,976,637	56,574,375	56,092,017	54,316,214	49,264,932
Total Pension Liability (Asset) - end of year (a)	<u>\$ 63,025,289</u>	<u>\$ 60,735,704</u>	<u>\$ 59,957,873</u>	<u>\$ 59,131,377</u>	<u>\$ 57,976,637</u>	<u>\$ 56,574,375</u>	<u>\$ 56,092,017</u>	<u>\$ 54,316,214</u>
<b>Plan fiduciary net position</b>								
Contributions - employer	\$ 2,106,906	\$ 2,355,393	\$ 2,233,282	\$ 2,213,651	\$ 2,035,460	\$ 1,955,478	\$ 1,946,591	\$ 1,782,708
Contributions - member	386,154	452,023	450,243	481,258	503,548	564,107	596,282	626,300
Net investment income	7,916,223	8,741,227	9,229,281	(2,841,329)	6,769,009	2,590,225	122,865	2,220,334
Benefit payments and refunds	(4,020,015)	(3,526,401)	(3,433,240)	(3,353,355)	(3,216,427)	(2,803,193)	(2,644,555)	(2,404,469)
Administrative expense	(48,235)	(52,226)	(56,158)	(50,056)	(55,719)	(50,264)	(43,830)	(48,178)
Other changes	1,055	1,055	-	-	6,149	4,209	-	-
Net change in plan fiduciary net position	6,342,088	7,971,071	8,423,408	(3,549,831)	6,042,020	2,260,562	(22,647)	2,176,695
Plan fiduciary net position - beginning of year	60,833,591	52,862,520	44,439,112	47,988,943	41,946,923	39,686,361	39,709,008	37,532,313
Plan fiduciary net position - end of year (b)	<u>\$ 67,175,679</u>	<u>\$ 60,833,591</u>	<u>\$ 52,862,520</u>	<u>\$ 44,439,112</u>	<u>\$ 47,988,943</u>	<u>\$ 41,946,923</u>	<u>\$ 39,686,361</u>	<u>\$ 39,709,008</u>
<b>Net Pension Liability (Asset) - end of year (a) - (b)</b>	\$ (4,150,390)	\$ (97,887)	\$ 7,095,353	\$ 14,692,265	\$ 9,987,694	\$ 14,627,452	\$ 16,405,656	\$ 14,607,206

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<b>Schedule of Employer Contributions</b>								
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Actuarially determined contribution (ADC)	\$ 2,204,263	\$ 2,204,263	\$ 2,639,134	\$ 1,745,338	\$ 2,262,115	\$ 2,324,774	\$ 1,980,838	\$ 1,569,560
Contributions in relation to the ADC	2,106,906	2,355,393	2,233,282	2,213,651	2,035,460	1,955,478	1,946,591	1,782,708
Contribution deficiency (excess)	<u>\$ 97,357</u>	<u>\$ (151,130)</u>	<u>\$ 405,852</u>	<u>\$ (468,313)</u>	<u>\$ 226,655</u>	<u>\$ 369,296</u>	<u>\$ 34,247</u>	<u>\$ (213,148)</u>

<b>Schedule of Investment Returns</b>								
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Annual money-weighted rate of return, net of investment expense	13.2%	16.7%	20.9%	-5.9%	16.3%	6.6%	0.3%	5.9%

<b>Contributions and Net Pension Liability (Asset) as a Percent of Payroll</b>								
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Payroll	\$ 17,882,104	\$ 19,752,588	\$ 20,322,191	\$ 20,993,347	\$ 21,459,747	\$ 21,788,871	\$ 22,786,760	\$ 23,051,797
Contributions as a percent of payroll	11.8%	11.9%	11.0%	10.5%	9.5%	9.0%	8.5%	7.7%
Net pension liability (asset) as a percent of payroll	-23.2%	-0.5%	34.9%	69.9%	46.5%	67.1%	72.0%	63.4%

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<b>Schedule of Net Pension Liability (Asset) - City of Fargo's Proportionate Share</b>						
<b>Fiscal Year Ending</b>	<b>Proportion of the Net Pension Liability (Asset)</b>	<b>Proportionate Share of the Net Pension Liability (Asset)</b>	<b>Covered Payroll</b>	<b>Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</b>	<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)</b>	
2021	88.77%	\$ (3,684,301)	\$ 15,815,811	-23.30%	106.59%	
2020	88.77%	\$ (86,894)	\$ 17,601,166	-0.49%	100.16%	
2019	88.93%	\$ 6,309,897	\$ 17,964,987	35.12%	88.17%	
2018	87.85%	\$ 12,907,155	\$ 18,565,983	69.52%	75.15%	
2017	89.27%	\$ 8,916,014	\$ 19,132,995	46.60%	82.77%	
2016	89.96%	\$ 13,158,856	\$ 19,189,598	68.57%	74.14%	
2015	89.44%	\$ 14,673,219	\$ 20,056,043	73.16%	70.75%	

<b>Schedule of Employer Contributions - City of Fargo's Proportionate Share</b>						
<b>Fiscal Year Ending</b>	<b>Contractually Required Contributions</b>	<b>Contributions in relation to the required contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Contributions as a Percentage of Covered Payroll</b>	
2021	\$ 1,956,638	\$ (2,023,398)	\$ (66,760)	\$ 15,815,811	12.79%	
2020	\$ 1,956,638	\$ (2,274,111)	\$ (317,473)	\$ 17,601,166	12.92%	
2019	\$ 2,346,966	\$ (1,938,175)	\$ 408,791	\$ 17,964,987	10.79%	
2018	\$ 1,533,328	\$ (2,012,265)	\$ (478,937)	\$ 18,565,983	10.84%	
2017	\$ 2,019,399	\$ (1,809,129)	\$ 210,270	\$ 19,132,995	9.46%	
2016	\$ 2,091,436	\$ (1,770,290)	\$ 321,146	\$ 19,189,598	9.23%	
2015	\$ 1,771,591	\$ (1,792,333)	\$ (20,742)	\$ 20,056,043	8.94%	

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**NORTH DAKOTA PUBLIC EMPLOYEE RETIREMENT SYSTEM PENSION PLAN**

Schedule of Employer's Share of Net Pension Liability							
	As of measurement date of						
	6/30/2021	6/30/2020	6/30/2019	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Employer's proportion of the net pension liability	3.360974%	3.294584%	3.294081%	3.156226%	2.912473%	2.742572%	2.611792%
Employer's proportionate share of the net pension liability	\$ 35,031,450	\$ 103,648,318	\$ 38,609,013	\$ 53,264,757	\$ 46,812,999	\$ 26,729,038	\$ 17,759,740
Employer's covered payroll	\$ 38,059,358	\$ 36,343,235	\$ 34,264,052	\$ 32,424,454	\$ 29,731,782	\$ 27,638,652	\$ 23,267,898
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	92.04%	285.19%	112.68%	164.27%	157.45%	96.71%	76.33%
Plan fiduciary net position as a percentage of the total pension liability	79.13%	49.44%	72.53%	63.53%	61.98%	70.46%	77.15%

The amounts presented for each fiscal year were determined as of the measurement date of the City's net pension liability, which is June 30, of the previous year for NDPERS.

Schedule of Employer Contributions							
	12/31/2021	12/31/2020	12/31/2019	12/31/2018	12/31/2017	12/31/2016	12/31/2015
Statutorily required contribution	\$ 2,500,163	\$ 2,693,322	\$ 2,500,366	\$ 2,371,434	\$ 2,189,026	\$ 2,012,946	\$ 1,776,751
Contributions in relation to the statutorily required contribution	<u>(2,500,163)</u>	<u>(2,693,322)</u>	<u>(2,500,366)</u>	<u>(2,371,434)</u>	<u>(2,189,026)</u>	<u>(2,012,946)</u>	<u>(1,776,751)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Employer's covered payroll	\$ 35,114,651	\$ 37,827,559	\$ 35,117,500	\$ 33,306,661	\$ 30,744,747	\$ 28,271,713	\$ 24,954,368
Contributions as a percentage of covered payroll	7.12%	7.12%	7.12%	7.12%	7.12%	7.12%	7.12%

The amounts presented for each fiscal year were determined as of the City's year end which is December 31.

**Changes of benefit terms**

The interest rate earned on member contributions will decrease from 7.00 percent to 6.50 percent effective January 1, 2021 (based on the adopted decrease in the investment return assumption). New Main System members who are hired on or after January 1, 2020 will have a benefit multiplier of 1.75 percent (compared to the current benefit multiplier of 2.00 percent). The fixed employer contribution for new members of the Main System will increase from 7.12 percent to 8.26 percent. For members who terminate after December 31, 2019, final average salary is the higher of the final average salary calculated on December 31, 2019 or the average salary earned in the three highest periods of twelve consecutive months employed during the last 180 months of employment.

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**POLICE PENSION PLAN**

	<b>Schedule of Change in Net Pension Liability</b>							
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Total Pension Liability (TPL)</b>								
Service Cost	\$ 2,392,318	\$ 2,469,074	\$ 2,285,820	\$ 2,188,283	\$ 2,014,929	\$ 1,894,349	\$ 1,655,230	\$ 1,463,698
Interest	6,404,086	6,054,419	5,686,744	5,454,684	5,225,129	4,995,916	4,750,232	4,417,408
Differences between expected and actual experience	254,789	-	888,233	(390,727)	23,450	586,409	838,127	519,099
Changes in assumptions and methods	2,991,523	726,402	-	(179,362)	(284,113)	(568,315)	1,610,242	986,369
Benefit payments and refunds	(4,600,860)	(4,099,421)	(3,845,938)	(4,093,222)	(3,879,726)	(3,855,050)	(3,185,308)	(3,095,609)
Net change in total pension liability	7,441,856	5,150,474	5,014,859	2,979,656	3,099,669	3,053,309	5,668,523	4,290,965
Total Pension Liability - beginning of year	88,240,334	83,089,860	78,075,001	75,095,345	71,995,676	68,942,367	63,273,844	58,982,879
Total Pension Liability - end of year (a)	<u>\$ 95,682,190</u>	<u>\$ 88,240,334</u>	<u>\$ 83,089,860</u>	<u>\$ 78,075,001</u>	<u>\$ 75,095,345</u>	<u>\$ 71,995,676</u>	<u>\$ 68,942,367</u>	<u>\$ 63,273,844</u>
<b>Plan fiduciary net position (FNP)</b>								
Contributions - employer	\$ 3,188,248	\$ 3,274,581	\$ 3,107,627	\$ 2,996,110	\$ 2,907,142	\$ 2,599,313	\$ 2,338,069	\$ 2,516,258
Contributions - member	1,428,983	1,490,856	1,326,151	1,264,771	1,181,265	1,119,749	1,052,344	997,513
Net investment income	7,150,085	10,994,087	12,107,073	(2,881,346)	7,898,700	3,264,292	(75,555)	2,636,103
Benefit payments and refunds	(4,600,860)	(4,099,421)	(3,845,938)	(4,093,222)	(3,879,726)	(3,855,050)	(3,185,308)	(3,095,609)
Administrative expense	(33,709)	(41,779)	(39,744)	(39,274)	(38,609)	(35,889)	(35,797)	(38,021)
Other changes	-	-	-	-	-	26,185	-	-
Net change in plan fiduciary net position	7,132,747	11,618,324	12,655,169	(2,752,961)	8,068,772	3,118,600	93,753	3,016,244
Plan fiduciary net position - beginning of year	80,110,210	68,491,886	55,836,717	58,589,678	50,520,906	47,402,306	47,308,553	44,292,309
Plan fiduciary net position - end of year (b)	<u>\$ 87,242,957</u>	<u>\$ 80,110,210</u>	<u>\$ 68,491,886</u>	<u>\$ 55,836,717</u>	<u>\$ 58,589,678</u>	<u>\$ 50,520,906</u>	<u>\$ 47,402,306</u>	<u>\$ 47,308,553</u>
<b>Net Pension Liability - end of year (a) - (b)</b>	\$ 8,439,233	\$ 8,130,124	\$ 14,597,974	\$ 22,238,284	\$ 16,505,667	\$ 21,474,770	\$ 21,540,061	\$ 15,965,291
<b>FNP as a percentage of the TPL</b>	91.18%	90.79%	82.43%	71.52%	78.02%	70.17%	68.76%	74.77%
<b>Covered Payroll</b>	\$ 13,295,371	\$ 14,564,739	\$ 13,305,433	\$ 12,669,718	\$ 11,604,167	\$ 10,882,568	\$ 10,312,350	\$ 10,050,543
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	63.47%	55.82%	109.71%	175.52%	142.24%	197.33%	208.88%	158.85%

**CITY OF FARGO, NORTH DAKOTA  
REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2021**

<b>Schedule of Employer Contributions</b>								
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Actuarially determined contribution (ADC)	\$ 3,481,047	\$ 3,481,047	\$ 3,743,822	\$ 2,987,966	\$ 3,331,157	\$ 3,205,550	\$ 2,422,703	\$ 2,059,933
Contributions in relation to the ADC	3,188,248	3,274,581	3,107,627	2,996,110	2,907,142	2,599,313	2,338,069	2,516,258
Contribution deficiency (excess)	<u>\$ 292,799</u>	<u>\$ 206,466</u>	<u>\$ 636,195</u>	<u>\$ (8,144)</u>	<u>\$ 424,015</u>	<u>\$ 606,237</u>	<u>\$ 84,634</u>	<u>\$ (456,325)</u>

<b>Schedule of Investment Returns</b>								
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Annual money-weighted rate of return, net of investment expense	8.9%	16.0%	21.5%	-4.9%	15.6%	6.9%	-0.2%	5.9%

<b>Contributions and Net Pension Liability as a Percent of Payroll</b>								
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Payroll	\$ 13,295,371	\$ 14,564,739	\$ 13,305,433	\$ 12,669,718	\$ 11,604,167	\$ 10,882,568	\$ 10,312,350	\$ 10,050,543
Contributions as a percent of payroll	24.0%	22.5%	23.4%	23.6%	25.1%	23.9%	22.7%	25.0%
Net pension liability as a percent of payroll	63.5%	55.8%	109.7%	175.5%	142.2%	197.3%	208.9%	158.9%

CITY OF FARGO, NORTH DAKOTA  
 REQUIRED SUPPLEMENTARY INFORMATION  
 DECEMBER 31, 2021

**FARGO FIREFIGHTERS' RELIEF ASSOCIATION RETIREMENT PLAN**

Schedule of Change in Net Pension Liability								
	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability (TPL)</b>								
Service Cost	\$ 1,351,503	\$ 1,226,111	\$ 1,153,327	\$ 1,139,344	\$ 1,065,668	\$ 1,033,817	\$ 942,970	\$ 882,740
Interest	4,198,672	3,911,808	3,713,542	3,552,233	3,285,670	3,107,060	3,020,513	2,656,719
Differences between expected and actual experience	1,402,629	-	457,524	244,951	2,074,434	1,380,692	164,724	(114,152)
Changes in assumptions and methods	2,015,570	1,458,532	-	(46,847)	(133,772)	(537,815)	783,502	3,642,866
Benefit payments and refunds	(2,840,147)	(2,690,035)	(2,634,931)	(2,722,482)	(2,655,413)	(2,448,614)	(2,391,530)	(2,164,096)
Net change in total pension liability	6,128,227	3,906,416	2,689,462	2,167,199	3,636,587	2,535,140	2,520,179	4,904,077
Total Pension Liability - beginning of year	57,981,291	54,074,875	51,385,413	49,218,214	45,581,627	43,046,487	40,526,308	35,622,231
Total Pension Liability - end of year (a)	<u>\$ 64,109,518</u>	<u>\$ 57,981,291</u>	<u>\$ 54,074,875</u>	<u>\$ 51,385,413</u>	<u>\$ 49,218,214</u>	<u>\$ 45,581,627</u>	<u>\$ 43,046,487</u>	<u>\$ 40,526,308</u>
<b>Plan fiduciary net position (FNP)</b>								
Contributions - employer	\$ 2,467,028	\$ 2,625,101	\$ 2,465,168	\$ 2,486,861	\$ 2,139,153	\$ 1,916,012	\$ 1,889,722	\$ 1,661,219
Contributions - member	922,596	949,539	860,908	825,550	779,473	769,780	744,739	723,023
Net investment income	3,728,930	6,208,207	6,921,391	(1,646,760)	4,665,107	1,711,824	(54,881)	1,417,654
Benefit payments and refunds	(2,840,147)	(2,690,035)	(2,634,931)	(2,722,482)	(2,655,413)	(2,448,614)	(2,391,530)	(2,164,096)
Administrative expense	(46,448)	(55,492)	(49,233)	(60,285)	(60,855)	(45,295)	(52,707)	(64,290)
Net change in plan fiduciary net position	4,231,959	7,037,320	7,563,303	(1,117,116)	4,867,465	1,903,707	135,343	1,573,510
Plan fiduciary net position - beginning of year	45,264,023	38,226,703	30,663,400	31,780,516	26,913,051	25,009,344	24,874,001	23,300,491
Plan fiduciary net position - end of year (b)	<u>\$ 49,495,982</u>	<u>\$ 45,264,023</u>	<u>\$ 38,226,703</u>	<u>\$ 30,663,400</u>	<u>\$ 31,780,516</u>	<u>\$ 26,913,051</u>	<u>\$ 25,009,344</u>	<u>\$ 24,874,001</u>
Net Pension Liability - end of year (a) - (b)	\$ 14,613,536	\$ 12,717,268	\$ 15,848,172	\$ 20,722,013	\$ 17,437,698	\$ 18,668,576	\$ 18,037,143	\$ 15,652,307
FNP as a percentage of the TPL	77.21%	78.07%	70.69%	59.67%	64.57%	59.04%	58.10%	61.38%
Covered Payroll	\$ 8,869,450	\$ 8,658,216	\$ 8,118,061	\$ 7,966,082	\$ 7,487,808	\$ 7,362,577	\$ 7,129,995	\$ 6,813,000
Net Pension Liability as a Percentage of Covered Payroll	164.76%	146.88%	195.22%	260.13%	232.88%	253.56%	252.98%	229.74%

**CITY OF FARGO, NORTH DAKOTA  
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<b>Schedule of Employer Contributions</b>								
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Actuarially determined contribution (ADC)	\$ 3,004,925	\$ 3,004,925	\$ 2,934,543	\$ 2,484,690	\$ 2,466,528	\$ 2,312,759	\$ 1,995,062	\$ 1,542,399
Contributions in relation to the ADC	2,467,028	2,625,101	2,465,168	2,486,861	2,139,153	1,916,012	1,889,722	1,661,219
Contribution deficiency (excess)	<u>\$ 537,897</u>	<u>\$ 379,824</u>	<u>\$ 469,375</u>	<u>\$ (2,171)</u>	<u>\$ 327,375</u>	<u>\$ 396,747</u>	<u>\$ 105,340</u>	<u>\$ (118,820)</u>

<b>Schedule of Investment Returns</b>								
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Annual money-weighted rate of return, net of investment expense	8.2%	16.2%	22.3%	-5.1%	17.3%	6.8%	-0.2%	6.0%

<b>Contributions and Net Pension Liability as a Percent of Payroll</b>								
	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Payroll	\$ 8,869,450	\$ 8,658,216	\$ 8,118,061	\$ 7,966,082	\$ 7,487,808	\$ 7,362,577	\$ 7,129,995	\$ 6,813,000
Contributions as a percent of payroll	27.8%	30.3%	30.4%	31.2%	28.6%	26.0%	26.5%	24.4%
Net pension liability as a percent of payroll	164.8%	146.9%	195.2%	260.1%	232.9%	253.6%	253.0%	229.7%



**NORTH DAKOTA PUBLIC EMPLOYEE RETIREMENT SYSTEM OPEB PLAN**

<b>Schedule of Employer's Share of Net OPEB Liability</b>			
	As of measurement date of		
	6/30/2021	6/30/2020	
Employer's proportion of the net OPEB Liability	3.157168%		3.121050%
Employer's proportionate share of the net OPEB liability	\$ 1,755,931		\$ 2,625,420
Employer's covered payroll	\$ 34,421,272		\$ 35,579,046
Employer's proportionate share of the net OPEB liability as a percentage of its covered payroll	5.10%		7.38%
Plan fiduciary net position as a percentage of the total OPEB liability	76.63%		63.38%

<b>Schedule of Employer Contributions</b>			
	As of measurement date of		
	12/30/2021	12/30/2020	
Statutorily required contribution	\$ 413,925		\$ 417,979
Contributions in relation to the statutorily required contribution	(444,411)		(377,645)
Contribution deficiency (excess)	\$ (30,486)		\$ 40,334
Employer's covered payroll	\$ 35,114,651		\$ 37,827,559
Contributions as a percentage of covered payroll	1.27%		1.00%

Changes of benefit terms

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan.