

**CITY OF FARGO, NORTH DAKOTA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2018**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 162,486	\$ 12,510,870	\$ 12,673,356
Investments	13,699,395	-	13,699,395
Equity in pooled investments	77,939,444	55,700,369	133,639,813
Receivables (net of allowance for uncollectibles):			
Interest	443,688	-	443,688
Taxes	447,773	14,156	461,929
Accounts	10,383,983	5,831,144	16,215,127
Sales tax	9,189,822	-	9,189,822
Notes receivable	65,745	-	65,745
Special assessments	420,490,457	36,382	420,526,839
Intergovernmental	6,741,776	114,516	6,856,292
Contract	4,751	-	4,751
Loans	2,188,337	-	2,188,337
Internal balances	(1,283,230)	1,283,230	-
Inventory	1,517,674	945,968	2,463,642
Prepaid expenses	1,183,704	376,149	1,559,853
Property held for resale	2,832,646	-	2,832,646
Restricted assets:			
Equity in pooled investments	-	751,180	751,180
Investments	-	40,948,640	40,948,640
Capital assets not being depreciated:			
Land	82,352,549	43,285,471	125,638,020
Construction in progress	6,572,440	152,459,784	159,032,224
Intangible - Right-of-way Easements	9,974,327	420,036	10,394,363
Intangible - Water Rights	-	500,000	500,000
Capital assets (net of accumulated depreciation):			
Buildings	91,219,102	121,065,979	212,285,081
Improvements other than buildings	1,969,225	27,201,204	29,170,429
Machinery and equipment	18,474,922	36,813,360	55,288,282
Infrastructure	256,176,280	450,980,435	707,156,715
Flood Control	41,381,904	-	41,381,904
Total assets	<u>1,054,129,200</u>	<u>951,238,873</u>	<u>2,005,368,073</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflow of resources related to pension	30,776,185	7,403,545	38,179,730
Deferred outflow of resources related to OPEB	298,608	105,252	403,860
Total deferred outflows of resources	<u>31,074,793</u>	<u>7,508,797</u>	<u>38,583,590</u>
<b>LIABILITIES</b>			
Vouchers payable	16,367,579	6,173,438	22,541,017
Retainage payable	3,227,546	1,860,623	5,088,169
Accrued payroll	2,733,601	694,915	3,428,516
Accrued interest payable	4,569,650	629,904	5,199,554
Accrued interest payable from restricted assets	-	697,270	697,270
Special assessments payable	573,736	707,150	1,280,886
Unearned revenue	1,960,048	3,769,954	5,730,002
Deposits	342,953	6,311	349,264
Noncurrent liabilities:			
Due within one year	87,106,682	1,780,159	88,886,841
Due within one year payable from restricted assets	-	2,583,739	2,583,739
Due in more than one year	606,091,954	126,949,228	733,041,182
Net pension liability	91,049,630	18,082,579	109,132,209
Net OPEB liability	1,727,668	608,959	2,336,627
Total liabilities	<u>815,751,047</u>	<u>164,544,229</u>	<u>980,295,276</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflow of resources related to pension	4,192,037	1,125,625	5,317,662
Deferred Inflow of resources related to OPEB	79,045	27,862	106,907
Total deferred Inflows of resources	<u>4,271,082</u>	<u>1,153,487</u>	<u>5,424,569</u>
<b>NET POSITION</b>			
Net investment in capital assets	133,461,710	707,758,594	841,220,304
Restricted for:			
Debt service	30,936,317	3,281,009	34,217,326
Specific projects and programs	4,307,154	-	4,307,154
Capital improvements	27,614,691	40,948,640	68,563,331
Unrestricted	68,861,992	41,061,711	109,923,703
Total net position	<u>\$ 265,181,864</u>	<u>\$ 793,049,954</u>	<u>\$ 1,058,231,818</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, 2018**

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
Governmental activities:							
General government	\$ 21,121,650	\$ 3,274,293	\$ 517,016	\$ -	\$ (17,330,341)	\$ -	\$ (17,330,341)
Public safety	40,386,651	6,238,735	706,020	117,161	(33,324,735)	-	(33,324,735)
Public works	85,922,794	11,747,317	-	91,891,995	17,716,518	-	17,716,518
Public health & welfare	13,636,149	2,865,791	3,882,064	-	(6,888,294)	-	(6,888,294)
Recreation & culture	9,393,133	526,085	317,100	-	(8,549,948)	-	(8,549,948)
Urban redevelopment	1,530,806	249,471	619,286	351,763	(310,286)	-	(310,286)
Transportation	12,157,449	4,651,756	3,631,665	2,434,551	(1,439,477)	-	(1,439,477)
General support	1,192,789	-	-	-	(1,192,789)	-	(1,192,789)
Interest and fiscal charges	22,968,482	-	-	-	(22,968,482)	-	(22,968,482)
Total governmental activities	208,309,903	29,553,448	9,673,151	94,795,470	(74,287,834)	-	(74,287,834)
Business-type activities:							
Municipal airport authority	10,309,142	9,309,037	-	2,156,135	-	1,156,030	1,156,030
Water	20,414,032	23,888,031	-	163,000	-	3,636,999	3,636,999
Wastewater	11,061,329	10,961,261	-	-	-	(100,068)	(100,068)
Storm sewer	6,029,507	1,690,018	-	-	-	(4,339,489)	(4,339,489)
Solid waste	11,606,061	14,975,672	-	-	-	3,369,611	3,369,611
Fargodome	10,680,289	5,773,223	-	-	-	(4,907,066)	(4,907,066)
Southeast Cass	59,253	38,588	-	-	-	(20,665)	(20,665)
Vector control	429,203	727,430	-	-	-	298,227	298,227
Street lighting	3,502,155	1,986,450	-	-	-	(1,515,705)	(1,515,705)
Forestry	2,059,976	1,773,389	-	-	-	(286,587)	(286,587)
Total business-type activities	76,150,947	71,123,099	-	2,319,135	-	(2,708,713)	(2,708,713)
Total	\$ 284,460,850	\$ 100,676,547	\$ 9,673,151	\$ 97,114,605	(74,287,834)	(2,708,713)	(76,996,547)
General revenues:							
Taxes:							
Property taxes					29,435,063	1,009,429	30,444,492
Sales taxes					48,185,965	-	48,185,965
Gross business receipts taxes					5,264,571	-	5,264,571
Lodging taxes					2,300,096	-	2,300,096
Other taxes					1,713,618	-	1,713,618
Unrestricted intergovernmental					6,741,796	-	6,741,796
Unrestricted investment earnings					5,942,482	(1,874,911)	4,067,571
Miscellaneous revenue					415,705	1,730,758	2,146,463
Transfers					63,983,425	(63,983,425)	-
Total general revenues and transfers					163,982,721	(63,118,149)	100,864,572
Change in net position					89,694,887	(65,826,862)	23,868,025
Net position - beginning					175,486,977	858,876,816	1,034,363,793
Net position - ending					\$ 265,181,864	\$ 793,049,954	\$ 1,058,231,818

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

## CITY OF FARGO, NORTH DAKOTA

**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2018**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 162,486	\$ -	\$ -	\$ -	\$ 162,486
Investments	-	13,699,395	-	-	13,699,395
Equity in pooled investments	30,699,346	44,752,792	149,603	2,337,703	77,939,444
Receivables (net of allowance for uncollectibles):					
Interest	324,283	92,475	26,930	-	443,688
Taxes	341,045	98,942	-	7,786	447,773
Accounts	5,689,391	36,635	4,379,018	278,939	10,383,983
Sales tax	-	2,297,456	6,892,366	-	9,189,822
Special assessments	20,916	419,330,217	368,241	771,083	420,490,457
Contracts	-	4,751	-	-	4,751
Intergovernmental	4,219,321	-	2,518,792	3,663	6,741,776
Long term note receivable	-	65,745	-	-	65,745
Due from other funds	-	-	-	495,479	495,479
Loans	-	-	-	2,188,337	2,188,337
Advances to other funds	1,334,697	-	-	-	1,334,697
Inventory	1,517,674	-	-	-	1,517,674
Prepaid items	1,157,778	-	2,386	23,540	1,183,704
Property held for resale	70,000	-	2,500,000	262,646	2,832,646
<b>Total assets</b>	<b>\$ 45,536,937</b>	<b>\$ 480,378,408</b>	<b>\$ 16,837,336</b>	<b>\$ 6,369,176</b>	<b>\$ 549,121,857</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Vouchers payable	\$ 3,735,393	\$ 34,493	\$ 12,373,574	\$ 224,119	\$ 16,367,579
Contract retainage payable	-	-	3,200,173	27,373	3,227,546
Advances from other funds	-	-	780,000	1,837,927	2,617,927
Due to other funds	-	-	-	495,479	495,479
Accrued payroll	2,717,672	-	6,998	8,931	2,733,601
Special assessments payable	3,133	1,758	94,974	473,871	573,736
Unearned revenue	69,871	-	176,992	1,713,185	1,960,048
Deposits	342,953	-	-	-	342,953
<b>Total liabilities</b>	<b>6,869,022</b>	<b>36,251</b>	<b>16,632,711</b>	<b>4,780,885</b>	<b>28,318,869</b>
<b>Deferred inflows of resources</b>					
Unavailable revenue	3,128,894	405,695,953	908,643	1,136,257	410,869,747
<b>Fund balances</b>					
Nonspendable	4,080,149	-	2,386	23,540	4,106,075
Restricted	3,054,111	74,646,204	-	2,289,648	79,989,963
Committed	1,000,016	-	-	-	1,000,016
Assigned	542,423	-	-	-	542,423
Unassigned	26,862,322	-	(706,404)	(1,861,154)	24,294,764
<b>Total fund balance (deficit)</b>	<b>35,539,021</b>	<b>74,646,204</b>	<b>(704,018)</b>	<b>452,034</b>	<b>109,933,241</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 45,536,937</b>	<b>\$ 480,378,408</b>	<b>\$ 16,837,336</b>	<b>\$ 6,369,176</b>	<b>\$ 549,121,857</b>

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, 2018**

Amounts reported for governmental activities in the statement of net position (page 12)  
are different because:

Total fund balance - governmental funds (page 14)	\$ 109,933,241
Capital assets used in governmental activities are not financial resources and therefore not reported in the fund financial statements	508,120,749
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	410,869,747
Net pension 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	(64,465,482)
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	(1,508,105)
Liabilities that are not due and payable in the current period and therefore not reported in the governmental funds	<u>(697,768,286)</u>
Net position of governmental activities (page 12)	<u><u>\$ 265,181,864</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, 2018

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 31,529,144	\$ 16,226,684	\$ 36,139,475	\$ 2,853,051	\$ 86,748,354
Special assessments	-	38,177,275	41,579	428,076	38,646,930
Licenses and permits	5,198,720	-	-	-	5,198,720
Intergovernmental revenues	22,029,382	7,391,859	18,639,646	656,970	48,717,857
Charges for services	17,214,422	-	-	2,083,995	19,298,417
Fines and forfeits	2,095,543	-	-	76,566	2,172,109
Investment income	4,444,435	1,035,028	462,663	356	5,942,482
Miscellaneous revenues	939,676	40,208	1,851,105	329,461	3,160,450
Total revenues	<u>83,451,322</u>	<u>62,871,054</u>	<u>57,134,468</u>	<u>6,428,475</u>	<u>209,885,319</u>
<b>EXPENDITURES</b>					
Current:					
General government	17,159,027	-	544,623	-	17,703,650
Public safety	37,462,432	-	63,670	221,615	37,747,717
Public works	11,285,970	540,556	59,773,766	430,877	72,031,169
Public health & welfare	11,380,244	-	-	36,353	11,416,597
Recreation and culture	5,297,412	-	2,392	2,905,501	8,205,305
Urban redevelopment	-	590,557	105,678	741,808	1,438,043
Public transportation	7,892,018	-	429,366	1,314,800	9,636,184
General support	1,192,789	-	-	-	1,192,789
Capital outlay	1,411,304	70,093	79,725,702	27,662	81,234,761
Debt service:					
Principal	85,081	44,334,100	-	-	44,419,181
Interest and fiscal charges	6,649	24,950,627	-	-	24,957,276
Total expenditures	<u>93,172,926</u>	<u>70,485,933</u>	<u>140,645,197</u>	<u>5,678,616</u>	<u>309,982,672</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(9,721,604)</u>	<u>(7,614,879)</u>	<u>(83,510,729)</u>	<u>749,859</u>	<u>(100,097,353)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	13,440,600	4,557,156	21,606,042	108,091	39,711,889
Transfers out	(6,064,881)	(7,678,694)	(1,476,173)	(1,299,903)	(16,519,651)
Loans issued	-	588,799	16,328,461	-	16,917,260
Bonds issued	-	3,783,830	56,496,170	-	60,280,000
Bond premium	-	-	1,085,502	-	1,085,502
Capital lease	38,332	-	-	-	38,332
Total other financing sources (uses)	<u>7,414,051</u>	<u>1,251,091</u>	<u>94,040,002</u>	<u>(1,191,812)</u>	<u>101,513,332</u>
Net change in fund balances	(2,307,553)	(6,363,788)	10,529,273	(441,953)	1,415,979
Fund balance (deficit) - beginning of year	37,846,574	81,009,992	(11,233,291)	893,987	108,517,262
Fund balance (deficit) - end of year	<u>\$ 35,539,021</u>	<u>\$ 74,646,204</u>	<u>\$ (704,018)</u>	<u>\$ 452,034</u>	<u>\$ 109,933,241</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, 2018**

Amounts reported for governmental activities in the statement of activities (page 13) are different because:

Net change in fund balances - total governmental funds (page 16)	\$ 1,415,979
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.	63,383,231
Capital assets transferred to enterprise funds.	(32,363,266)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.	(214,229)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	23,798,952
Changes to net pension liability and pension related deferred outflows and inflows do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	(5,848,573)
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 as expenditures in governmental funds	(1,508,105)
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.	39,252,540
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.	1,778,358
Change in net position of governmental activities (page 13)	\$ <u><u>89,694,887</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, 2018**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual Amounts	
<b>REVENUES</b>				
Taxes	\$ 31,720,300	\$ 31,720,300	\$ 31,529,144	\$ (191,156)
Licenses & permits	4,790,000	4,790,000	5,198,720	408,720
Intergovernmental revenues	20,945,665	21,897,877	22,029,382	131,505
Charges for services	16,837,863	16,542,486	17,214,422	671,936
Fines and forfeits	2,536,500	2,186,500	2,095,543	(90,957)
Investment income	3,366,000	3,366,000	4,444,435	1,078,435
Miscellaneous revenues	937,672	1,083,361	939,676	(143,685)
Total revenues	<u>81,134,000</u>	<u>81,586,524</u>	<u>83,451,322</u>	<u>1,864,798</u>
<b>EXPENDITURES</b>				
Current:				
General government	17,087,212	17,079,049	17,159,027	(79,978)
Public safety	39,390,974	37,526,095	37,462,432	63,663
Public works	11,840,265	11,340,811	11,285,970	54,841
Public health & welfare	11,584,989	11,317,118	11,380,244	(63,126)
Recreation & culture	5,155,457	5,296,621	5,297,412	(791)
Public Transportation	8,442,657	8,044,117	7,892,018	152,099
General support	(931,535)	1,396,570	1,192,789	203,781
Capital outlay	630,100	2,061,761	1,411,304	650,457
Debt service:				
Principal	85,081	85,081	85,081	-
Interest and fiscal charges	6,649	6,649	6,649	-
Total expenditures	<u>93,291,849</u>	<u>94,153,872</u>	<u>93,172,926</u>	<u>980,946</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(12,157,849)</u>	<u>(12,567,348)</u>	<u>(9,721,604)</u>	<u>2,845,744</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	14,049,000	14,049,000	13,440,600	(608,400)
Transfers out	(3,076,151)	(6,065,504)	(6,064,881)	623
Capital lease	-	-	38,332	38,332
Total other financing sources (uses)	<u>10,972,849</u>	<u>7,983,496</u>	<u>7,414,051</u>	<u>(569,445)</u>
Net change in fund balances	<u>(1,185,000)</u>	<u>(4,583,852)</u>	<u>(2,307,553)</u>	<u>2,276,299</u>
Fund balance - beginning of year			37,846,574	
Fund balance - end of year			<u>\$ 35,539,021</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, 2018**

	Business Type Activities-Proprietary Funds						Other Proprietary Funds	Total
	Airport	Water	Wastewater	Storm Sewer	Solid Waste	FargoDome		
<b>ASSETS</b>								
Current assets								
Cash	\$ 7,263,735	\$ 50	\$ 50	\$ -	\$ 300	\$ 5,246,685	\$ 50	\$ 12,510,870
Equity in pooled investments	21,178,203	18,040,637	15,349,682	-	-	-	1,131,847	55,700,369
Receivables (net of allowance for uncollectibles):								
Special assessments	-	-	-	-	-	-	36,382	36,382
Taxes	14,156	-	-	-	-	-	-	14,156
Accounts	735,739	1,718,372	1,064,322	169,298	1,042,781	582,114	518,518	5,831,144
Intergovernmental	114,516	-	-	-	-	-	-	114,516
Due from other funds	-	-	1,615,008	-	-	-	-	1,615,008
Advances to other funds	-	840,000	807,462	-	53,230	-	-	1,700,692
Inventory	-	579,070	-	-	-	35,307	331,591	945,968
Prepaid expenses	21,728	67,758	37,220	7,667	96,871	132,448	12,457	376,149
Restricted equity in pooled investments	-	599,440	8,682	-	-	143,058	-	751,180
Total current assets	<u>29,328,077</u>	<u>21,845,327</u>	<u>18,882,426</u>	<u>176,965</u>	<u>1,193,182</u>	<u>6,139,612</u>	<u>2,030,845</u>	<u>79,596,434</u>
Noncurrent assets								
Restricted assets								
Investments	-	-	-	-	-	40,948,640	-	40,948,640
Capital assets								
Land	8,516,547	5,056,812	583,744	26,913,838	2,214,530	-	-	43,285,471
Right of way	-	-	289,090	130,946	-	-	-	420,036
Construction in progress	67,730	129,872,054	16,696,554	3,062,749	2,760,697	-	-	152,459,784
Intangible	-	500,000	-	-	-	-	-	500,000
Buildings	27,285,654	87,626,753	33,538,372	-	5,699,195	58,945,287	-	213,095,261
Improvements other than buildings	2,471,338	1,794,709	2,204,608	3,699,274	24,688,019	6,006,067	-	40,864,015
Machinery and equipment	10,505,491	9,802,476	19,756,828	6,120,325	21,398,810	25,609,391	1,822,845	95,016,166
Infrastructure	119,396,470	138,442,465	146,814,530	210,953,270	6,158	-	44,189,117	659,802,010
Less accumulated depreciation	<u>(67,324,909)</u>	<u>(67,704,731)</u>	<u>(69,789,287)</u>	<u>(71,143,271)</u>	<u>(23,495,032)</u>	<u>(52,554,988)</u>	<u>(20,704,256)</u>	<u>(372,716,474)</u>
Total capital assets (net of accumulated depreciation)	<u>100,918,321</u>	<u>305,390,538</u>	<u>150,094,439</u>	<u>179,737,131</u>	<u>33,272,377</u>	<u>38,005,757</u>	<u>25,307,706</u>	<u>832,726,269</u>
Total noncurrent assets	<u>100,918,321</u>	<u>305,390,538</u>	<u>150,094,439</u>	<u>179,737,131</u>	<u>33,272,377</u>	<u>78,954,397</u>	<u>25,307,706</u>	<u>873,674,909</u>
Total assets	<u>\$ 130,246,398</u>	<u>\$ 327,235,865</u>	<u>\$ 168,976,865</u>	<u>\$ 179,914,096</u>	<u>\$ 34,465,559</u>	<u>\$ 85,094,009</u>	<u>\$ 27,338,551</u>	<u>\$ 953,271,343</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>								
Deferred outflows of resources related to pension	962,421	1,860,758	983,874	321,426	1,832,418	873,967	568,681	7,403,545
Deferred outflows of resources related to OPEB	12,693	27,976	13,560	5,407	21,596	15,810	8,210	105,252
Total deferred outflows of resources	<u>975,114</u>	<u>1,888,734</u>	<u>997,434</u>	<u>326,833</u>	<u>1,854,014</u>	<u>889,777</u>	<u>576,891</u>	<u>7,508,797</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, 2018**

	Business Type Activities-Proprietary Funds						Other Proprietary Funds	Total
	Airport	Water	Wastewater	Storm Sewer	Solid Waste	FargoDome		
<b>LIABILITIES</b>								
Current liabilities								
Vouchers payable	\$ 272,243	\$ 2,552,668	\$ 1,402,251	\$ 53,593	\$ 1,047,948	\$ 627,162	\$ 217,573	\$ 6,173,438
Retainage payable	-	1,576,099	246,043	-	38,481	-	-	1,860,623
Interest payable	-	26,657	46,803	154,885	319,407	82,152	-	629,904
Advances from other funds	-	-	-	-	417,462	-	-	417,462
Due to other funds	-	-	-	333,628	1,209,475	-	71,905	1,615,008
Accrued payroll	108,809	179,383	74,261	22,971	157,841	104,792	46,858	694,915
Current portion of special assessments	-	22,781	120,496	129,495	385,767	48,611	-	707,150
Current portion of capital lease	-	-	26,439	-	725,452	-	-	751,891
Accrued vacation payable	163,063	266,747	120,417	43,382	231,695	123,382	79,582	1,028,268
Unearned revenue	-	-	-	-	-	3,769,954	-	3,769,954
Deposits	-	-	-	-	-	6,311	-	6,311
Current liabilities payable from restricted assets:								
Current portion of long-term debt	-	1,000,000	84,178	-	799,561	700,000	-	2,583,739
Accrued interest and other	-	599,440	8,682	-	51,676	37,472	-	697,270
Total current liabilities	544,115	6,223,775	2,129,570	737,954	5,384,765	5,499,836	415,918	20,935,933
Noncurrent liabilities								
Landfill closure accruals	-	-	-	-	5,273,153	-	-	5,273,153
Long-term debt, net of current portion:								
Special assessments payable	-	528,904	873,264	3,090,550	7,440,879	1,575,197	-	13,508,794
Capital lease	-	-	-	-	886,506	-	-	886,506
Revenue bonds, net of deferred amount of refunding	-	-	-	-	2,428,931	-	-	2,428,931
Annual appropriation bond	-	-	-	-	-	6,350,000	-	6,350,000
Notes payable	-	91,849,840	4,710,313	-	1,941,691	-	-	98,501,844
Net pension liability	2,413,419	4,869,569	2,487,495	746,670	4,794,071	1,347,820	1,423,535	18,082,579
Net OPEB liability	73,439	161,864	78,454	31,285	124,947	91,471	47,499	608,959
Total noncurrent liabilities	2,486,858	97,410,177	8,149,526	3,868,505	22,890,178	9,364,488	1,471,034	145,640,766
Total liabilities	3,030,973	103,633,952	10,279,096	4,606,459	28,274,943	14,864,324	1,886,952	166,576,699
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Deferred inflows of resources related to pension	141,203	307,193	148,364	42,662	288,800	112,907	84,496	1,125,625
Deferred inflows of resources related to OPEB	3,360	7,406	3,590	1,431	5,717	4,185	2,173	27,862
Total deferred inflows of resources	144,563	314,599	151,954	44,093	294,517	117,092	86,669	1,153,487
<b>NET POSITION</b>								
Net investment in capital assets	100,918,321	212,588,453	144,288,431	176,517,086	18,663,590	29,475,007	25,307,706	707,758,594
Restricted for:								
Debt service	-	1,599,440	92,860	-	851,237	737,472	-	3,281,009
Capital improvements	-	-	-	-	-	40,948,640	-	40,948,640
Unrestricted	27,127,655	10,988,155	15,161,958	(926,709)	(11,764,714)	(158,749)	634,115	41,061,711
Total net position	\$ 128,045,976	\$ 225,176,048	\$ 159,543,249	\$ 175,590,377	\$ 7,750,113	\$ 71,002,370	\$ 25,941,821	\$ 793,049,954

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, 2018**

	Business Type Activities-Proprietary Funds							
	Airport	Water	Wastewater	Storm Sewer	Solid Waste	FargoDome	Other Proprietary Funds	Total
OPERATING REVENUES								
Charges for services	\$ 9,309,037	\$ 23,888,031	\$ 10,961,261	\$ 1,690,018	\$ 14,975,672	\$ 5,773,223	\$ 4,525,857	\$ 71,123,099
OPERATING EXPENSES								
Personnel services	2,950,167	5,113,729	2,102,840	698,576	4,658,299	3,461,227	1,487,859	20,472,697
Other services	1,854,138	3,670,370	2,068,598	185,960	2,569,481	2,502,360	1,052,866	13,903,773
Materials and supplies	887,431	5,484,438	1,803,344	252,884	1,083,514	216,595	1,577,972	11,306,178
Depreciation	4,523,384	4,596,437	5,021,138	4,737,202	2,718,719	4,180,308	1,931,890	27,709,078
Total operating expenses	10,215,120	18,864,974	10,995,920	5,874,622	11,030,013	10,360,490	6,050,587	73,391,726
Operating income (loss)	(906,083)	5,023,057	(34,659)	(4,184,604)	3,945,659	(4,587,267)	(1,524,730)	(2,268,627)
NONOPERATING REVENUES (EXPENSES)								
Gain (loss) on disposal of assets	7,599	14,839	544	(17,984)	37,492	(10,000)	16,332	48,822
Investment income (expense)	361,978	(164)	7,770	-	-	(2,244,495)	-	(1,874,911)
Interest expense and bond fees	(94,022)	(1,549,058)	(65,409)	(154,885)	(576,048)	(319,799)	-	(2,759,221)
Amortization expense	-	-	-	-	-	-	-	-
General property tax revenue	1,009,429	-	-	-	-	-	-	1,009,429
Miscellaneous revenue (expense)	10,879	14,528	(3,600)	-	257,636	665	7,889	287,997
Sale of byproducts	-	-	1,216,070	-	177,869	-	-	1,393,939
Total nonoperating revenues (expenses)	1,295,863	(1,519,855)	1,155,375	(172,869)	(103,051)	(2,573,629)	24,221	(1,893,945)
Income (loss) before contributions and transfers	389,780	3,503,202	1,120,716	(4,357,473)	3,842,608	(7,160,896)	(1,500,509)	(4,162,572)
Capital contributions	2,156,135	5,682,195	9,154,272	13,723,271	-	-	3,966,528	34,682,401
Transfers in:								
Capital projects	-	-	15,000	-	-	-	-	15,000
Enterprise	-	-	877,988	-	-	-	300,000	1,177,988
Transfers out:								
General	(50,000)	(4,780,616)	(2,436,300)	(692,000)	(3,033,812)	(50,000)	(921,000)	(11,963,728)
Capital projects	-	(79,777,913)	(3,488,945)	(446,716)	(661,100)	-	(23,289)	(84,397,963)
Enterprise	-	-	(300,000)	(877,988)	-	-	-	(1,177,988)
Change in net position	2,495,915	(75,373,132)	4,942,731	7,349,094	147,696	(7,210,896)	1,821,730	(65,826,862)
Total net position - beginning	125,550,061	300,549,180	154,600,518	168,241,283	7,602,417	78,213,266	24,120,091	858,876,816
Total net position - ending	\$ 128,045,976	\$ 225,176,048	\$ 159,543,249	\$ 175,590,377	\$ 7,750,113	\$ 71,002,370	\$ 25,941,821	\$ 793,049,954

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, 2018**

	Business-type activities - Enterprise Funds							
	Airport	Water	Wastewater	Storm Sewer	Solid Waste	FargoDome	Other Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from customers and users	\$ 9,306,895	\$ 24,080,383	\$ 10,972,598	\$ 1,685,376	\$ 15,046,594	\$ 6,442,462	\$ 4,468,847	\$ 72,003,155
Payments to suppliers	(3,004,587)	(5,843,666)	(2,570,257)	(382,295)	(2,604,668)	(2,705,157)	(2,658,647)	(19,769,277)
Payments to employees	(2,061,327)	(3,372,977)	(1,414,903)	(454,367)	(3,085,374)	(2,132,967)	(1,003,684)	(13,525,599)
Payments of benefits on behalf of employees	(608,551)	(1,117,848)	(418,055)	(104,652)	(1,124,690)	(914,129)	(283,742)	(4,571,667)
Net cash provided (used) by operating activities	3,632,430	13,745,892	6,569,383	744,062	8,231,862	690,210	522,774	34,136,613
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Transfers to other funds	(50,000)	(11,404,076)	(6,210,245)	(1,138,716)	(3,694,912)	(50,000)	(944,289)	(23,492,238)
Transfers from other funds	-	-	-	-	-	-	300,000	300,000
Property taxes	1,004,239	-	-	-	-	-	-	1,004,239
Payments received on interfund borrowing	-	-	-	333,628	958,565	-	16,947	1,309,140
Payments made for interfund borrowing	-	-	(1,309,140)	-	-	-	-	(1,309,140)
Net cash provided (used) by noncapital financing activities	954,239	(11,404,076)	(7,519,385)	(805,088)	(2,736,347)	(50,000)	(627,342)	(22,187,999)
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Proceeds from sale of assets	7,598	321	-	-	7,436	-	16,332	31,687
Proceeds from byproduct sales	-	-	1,216,070	-	177,869	-	-	1,393,939
Payments received on advances to other funds	-	-	108,308	-	-	-	-	108,308
Payments made for advances to other funds	-	(840,000)	(390,000)	-	(108,308)	-	-	(1,338,308)
Capital debt proceeds	-	19,695,387	4,537,980	-	-	-	-	24,233,367
Acquisition of capital assets	(931,540)	(22,866,331)	(5,789,711)	(11,370)	(3,249,038)	(553,142)	(118,430)	(33,519,562)
Debt service - principal	-	(17,654)	(169,106)	(111,646)	(1,930,025)	(731,201)	-	(2,959,632)
Debt service - interest & fees	(94,022)	(949,347)	(56,480)	(155,554)	(393,449)	(324,412)	-	(1,973,264)
Intergovernmental capital grants	2,778,904	-	-	-	-	-	-	2,778,904
Net cash provided (used) by capital and related financing activities	1,760,940	(4,977,624)	(542,939)	(278,570)	(5,495,515)	(1,608,755)	(102,098)	(11,244,561)
CASH FLOWS FROM INVESTING ACTIVITIES								
Investment income (expense)	361,978	8	-	-	-	63,314	-	425,300
Investments redeemed	13,735,517	21,276,049	16,851,305	339,596	-	2,448,203	1,338,513	55,989,183
Investments (purchased)	(21,178,203)	(18,640,249)	(15,358,364)	-	-	(893,058)	(1,131,847)	(57,201,721)
Net cash provided (used) by investing activities	(7,080,708)	2,635,808	1,492,941	339,596	-	1,618,459	206,666	(787,238)
Net change in cash and cash equivalents	(733,099)	-	-	-	-	649,914	-	(83,185)
Cash and cash equivalents, January 1	7,996,834	50	50	-	300	4,596,771	50	12,594,055
Cash and cash equivalents, December 31	\$ 7,263,735	\$ 50	\$ 50	\$ -	\$ 300	\$ 5,246,685	\$ 50	\$ 12,510,870

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, 2018**

	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)	\$ (906,083)	\$ 5,023,057	\$ (34,659)	\$ (4,184,604)	\$ 3,945,659	\$ (4,587,267)	\$ (1,524,730)	\$ (2,268,627)
Adjustments to reconcile operating income to net cash provided by operating activities								
Depreciation	4,523,384	4,596,437	5,021,138	4,737,202	2,718,719	4,180,308	1,931,890	27,709,078
Change in assets and liabilities								
Accounts receivable	(2,142)	192,352	11,337	(4,642)	70,922	(204,059)	(53,053)	10,715
Specials receivable	-	-	-	-	-	-	(3,957)	(3,957)
Inventories	-	(283,198)	-	-	-	14,753	(46,119)	(314,564)
Prepaid expenses	(250)	9,438	9,622	(691)	(6,636)	105,140	(75)	116,548
Accounts payable	(227,951)	2,008,803	1,046,020	57,240	991,997	(106,095)	18,385	3,788,399
Retainage payable	(34,817)	1,576,099	246,043	-	38,481	-	-	1,825,806
Landfill closure accruals	-	-	-	-	24,485	-	-	24,485
Payroll payable	12,770	32,179	7,996	2,429	13,659	9,363	4,242	82,638
Vacation payable	(10,866)	26,850	4,610	12,181	9,702	39,723	25,204	107,404
Unearned revenue	-	-	-	-	-	875,932	-	875,932
Deposits	-	-	-	-	-	(2,634)	-	(2,634)
Net pension liability	214,279	422,581	188,792	97,638	315,806	285,200	129,525	1,653,821
Net OPEB liability	64,106	141,294	68,484	27,309	109,068	79,846	41,462	531,569
Total adjustments	4,538,513	8,722,835	6,604,042	4,928,666	4,286,203	5,277,477	2,047,504	36,405,240
Net cash provided (used) by operating activities	\$ 3,632,430	\$ 13,745,892	\$ 6,569,383	\$ 744,062	\$ 8,231,862	\$ 690,210	\$ 522,774	\$ 34,136,613
Noncash transactions affecting financial position:								
Acquisition of / change in assets through capital contributions and donations	-	\$ 5,519,195	\$ 9,154,272	\$ 13,723,271	\$ -	\$ -	\$ 3,966,528	\$ 32,363,266
Acquisition of assets through acquisition of debt	-	\$ 18,727	\$ 31,068	\$ 115,107	\$ 2,746,828	\$ -	\$ -	\$ 2,911,730
Change in fair value of investments	-	\$ (172)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (172)

Concluded

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

**CITY OF FARGO, NORTH DAKOTA**  
**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**December 31, 2018**

	<u>Pension Trust</u>	<u>Agency</u>
<b>ASSETS</b>		
Cash	\$ 226,514	\$ -
Equity in pooled investments	<u>396,872</u>	<u>86,031,492</u>
Receivables:		
Accounts receivable	7,137	-
Special assessments	-	12,500,396
Intergovernmental	-	512,105
Interest	<u>66,826</u>	<u>164,927</u>
Total receivables	<u>73,963</u>	<u>13,177,428</u>
Investments, at fair value:		
Mutual funds	<u>99,613,065</u>	<u>-</u>
Total investments	<u>99,613,065</u>	<u>-</u>
Total assets	<u><u>\$ 100,310,414</u></u>	<u><u>\$ 99,208,920</u></u>
<b>LIABILITIES</b>		
Vouchers and benefits payable	\$ 34,587	\$ 206,010
Due to other governments	-	12,500,396
Deposits	<u>-</u>	<u>86,502,514</u>
Total liabilities	<u>\$ 34,587</u>	<u>\$ 99,208,920</u>
<b>NET POSITION</b>		
Restricted for pension benefits	<u><u>\$ 100,275,827</u></u>	<u><u>\$ -</u></u>

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, 2018**

	<u>Pension Trust</u>
ADDITIONS	
Contributions	
Employer	\$ 5,209,760
Employee	<u>1,746,029</u>
Total contributions	<u>6,955,789</u>
Investment income	
Net depreciation in fair value of investments	(5,324,538)
Less investment expense	<u>(398,137)</u>
Net investment income (loss)	<u>(5,722,675)</u>
Total additions (deductions)	<u>1,233,114</u>
DEDUCTIONS	
Pension benefit payments	7,099,655
Member contribution refunds	346,922
Administrative expenses	<u>89,330</u>
Total deductions	<u>7,535,907</u>
Change in net position	(6,302,793)
Total net position - beginning	<u>106,578,620</u>
Total net position - ending	<u><u>\$ 100,275,827</u></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, 2018**

**INDEX**

**NOTE 1            SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

- A.        Basis of presentation
- B.        Reporting entity
- C.        Government-wide and fund financial statements
- D.        Measurement focus, basis of accounting and financial statement presentation
- E.        Assets, liabilities, and net position/fund balance

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

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

**NOTE 3            STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

- A.        Budgetary information
- B.        Excess of expenditures over budget
- C.        Net position/fund balance deficits
- D.        Net position restricted by enabling legislation

**NOTE 4            DETAIL NOTES ON ALL FUNDS**

- A.        Deposits and investments
- B.        Receivables
- C.        Tax abatements
- D.        Capital assets
- E.        Commitments
- F.        Interfund receivables, payables, and transfers
- G.        Leases
- H.        Long-term debt
- I.        Deferred inflows of resources/unearned revenues
- J.        Conduit debt obligation
- K.        Fund balances

**NOTE 5            OTHER NOTES**

- A.        Risk management
- B.        Pension plans
- C.        Other Post-Employment Benefit Plans (OPEB)
- D.        Joint powers agreement
- E.        Contingent liabilities
- F.        Subsequent Events

## 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.

The first statement issued but not yet implemented that will affect the City is statement No. 83, *Certain Asset Retirement Obligations*. This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for certain asset retirement obligations (ARO's). This statement will also enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those ARO's. This statement will be implemented at the City in the year ended December 31, 2019.

The second statement issued but not yet implemented that will affect the City is statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity which meets the criteria outlined in this statement should be reported in a fiduciary fund in the basic financial statements. This statement also outlines and describes the types of fiduciary funds that should be reported. This statement will be implemented at the City in the year ended December 31, 2019.

The third statement issued by not yet implemented that will affect the City is statement No. 87, *Leases*. This statement 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. This statement will be implemented at the City in the year ended December 31, 2020.

The fourth statement issued but not yet implemented that will affect the City is statement No. 88, *Certain Disclosures Related to Debt*, including Direct Borrowings and Direct Placements. This statement requires that essential information related to debt be disclosed in notes to the financial statements including unused lines of credit or assets pledged as collateral for debt. This statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. This statement will be implemented at the City in the year ended December 31, 2019.

The fifth statement issued by not yet implemented that will affect the City is statement No. 89, *Accounting for the Interest Cost incurred Before the End of a Construction Period*. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost



**CITY OF FARGO, NORTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. This statement will be implemented at the City in the year ended December 31, 2020.

The sixth statement issued by not yet implemented that will affect the City is statement No. 90, Major Equity Interests-An Amendment of GASB Statements No. 41 and No. 61. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit. This statement will be implemented at the City in the year ended December, 31, 2019.

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 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

**CITY OF FARGO, NORTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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 pension trust 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. Although agency funds have no measurement focus, they also use the accrual basis of accounting to recognize receivables and payables.

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

Taxes, special assessments (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.

**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

**CITY OF FARGO, NORTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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:

**Pension Trust Funds** – Pension trust funds are used to account for the activities of the City Employees' Pension Plan and the Police Pension Plan, which accumulates resources for pension benefit payments.

**Agency Funds** – Agency funds are used to account for assets held by the City as agent for other individuals, organizations, or governmental units. The City has four agency funds, the Performance Deposits fund, the Park District Special Assessments fund, the Red River Regional Dispatch Center fund, and the Metro Flood Diversion Authority.

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 and internal service 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 2018 were fifty-one.

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 \$5,000, 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.

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

## **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, proprietary, and fiduciary 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.

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.

**CITY OF FARGO, NORTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

- 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 \$697,768,286 difference are as follows:

**CITY OF FARGO, NORTH DAKOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

Bonds payable	\$ 540,100,000
Notes payable	118,260,400
Capital leases	174,518
December 31, 2018 long-term debt outstanding	<u>\$ 658,534,918</u>
Accrued interest payable	4,569,650
Bond premium	30,589,507
Accumulated unpaid vacation	4,074,211
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ 697,768,286</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 \$63,382,231 difference are as follows:

Capital Outlay	\$ 81,234,761
Plus: assets transferred in from enterprise funds	126,333
Plus: donated /contributed assets and gain/loss on asset trades	337,094
Plus: prior year construction in progress added as asset in current year	<u>42,114,486</u>
Capital asset increases per footnote 4.D	<u>\$ 123,812,674</u>
Less: assets transferred in from enterprise funds	(126,333)
Less: donated /contributed assets and gain/loss on asset trades	(337,094)
Less: prior year construction in progress added as asset in current year	<u>(42,114,486)</u>
Depreciation expense	<u>(17,851,530)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ 63,383,231</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. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$39,252,540 difference are as follows:



**CITY OF FARGO, NORTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

Bonded debt issued	\$ (60,280,000)
Premium on bonded debt issued	(1,085,502)
Bonded debt principal payments	39,104,000
Capital lease proceeds	(38,332)
Capital lease payment	85,081
Loan proceeds	(16,917,260)
Loans Transferred to Enterprise Funds	73,154,453
Loan payments	5,230,100
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 39,252,540</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 \$1,778,358 are as follows:

Compensated absences	\$ (210,436)
Accrued interest	151,817
Amortization of bond discounts and bond insurance	(690)
Amortization of bond premium	1,837,667
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 1,778,358</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.

**CITY OF FARGO, NORTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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.
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 2018 year include \$1,266,746 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 \$1,740,081 for the year ended December 31, 2018.

**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	\$	93,877
Downtown Business Improvement District		37,985
Regional Training Center		14,708
Parking Authority		361,367
HUD Home Program		30,000
<b>Debt Service Fund</b>	\$	282,103

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

**CITY OF FARGO, NORTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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

<b>Governmental Funds</b>			
<b>Special Revenue Funds</b>			
Parking Authority	\$	733,045	This deficit will be eliminated by future revenue growth from added facilities.
Parking Repair and Replacement		48,936	This deficit will be eliminated by future revenue growth from added facilities.
Baseball Stadium		1,057,339	This deficit is due to a capital projects fund being closed out and set up as special revenue fund. The deficit will be recovered by future suite lease fees over the next several years.
<b>Capital Projects Funds</b>			
Capital Projects Fund	\$	704,018	This deficit will be eliminated by future bond financing and transfers from other funds.

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

The government-wide statement of net position reports \$107,087,811 of restricted net position, of which \$52,178,178 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, 2018, the carrying amount of the City's deposits was \$42,651,328 and the bank balance was \$46,285,899. 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, 2018, the City's deposits were either fully insured or properly collateralized, were held in the City's name, and have no custodial credit risk.

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

**CITY OF FARGO, NORTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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.

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.

**CITY OF FARGO, NORTH DAKOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

Investment Type	Credit Rating	Fair Value	Investment Maturities (in years)				
			Not Applicable	< 1	1 - 5	> 5 - 10	> 10
Corporate Bonds	AAA	\$ 16,494,447	-	\$ 506,904	\$ 15,987,542	-	-
Corporate Bonds	AA1	1,477,171	-	254,533	1,222,638	-	-
Corporate Bonds	AA2	2,966,840	-	-	2,966,840	-	-
Corporate Bonds	AA3	1,351,081	-	444,177	906,904	-	-
Corporate Bonds	A1	7,994,780	-	248,943	7,745,838	-	-
Corporate Bonds	A2	8,582,172	-	896,113	7,686,059	-	-
Corporate Bonds	A3	1,889,122	-	379,571	1,509,551	-	-
Corporate Bonds	BAA1	1,405,466	-	449,825	955,641	-	-
Money Market Funds	AAAm	39,914,307	\$ 39,914,307	-	-	-	-
Money Market Funds	N/A	13,814,929	13,814,929	-	-	-	-
Municipal Bond	AA2	133,931	-	133,931	-	-	-
Municipal Bond	A1	350,428	-	-	350,428	-	-
U.S. Agencies	AAA	10,016,752	-	2,951,638	7,065,114	-	-
U.S. Agencies	NA	2,077,893	-	58,544	282,864	\$ 740,317	\$ 996,168
U.S. Treasury Note	AAA	61,343,584	-	11,255,650	50,087,934	-	-
U.S. Treasury Bill	N/A	14,944,700	-	14,944,700	-	-	-
Bond Mutual Funds	N/A	29,841,694	2,872,343	-	-	26,969,350	-
Certificate of Deposit	N/A	9,112,752	-	3,490,083	5,622,669	-	-
CDs	AA1	-	-	-	-	-	-
Corporate Commercial Paper	N/A	10,896,940	-	10,896,940	-	-	-
Corporate Stocks	N/A	-	-	-	-	-	-
Equity Mutual Funds	N/A	69,771,372	69,771,372	-	-	-	-
External Investment Pool *	N/A	40,948,640	40,948,640	-	-	-	-
Local Government Bond	N/A	-	-	-	-	-	-
		\$ 345,328,999	\$ 167,321,591	\$ 46,911,551	\$ 102,390,022	\$ 27,709,667	\$ 996,168

\* - The weighted average maturity of the portion of the external investment pool subject to maturity is 8.03 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, 2018.

### Fair Value

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

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

**CITY OF FARGO, NORTH DAKOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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, 2018:

	Level 1	Level 2	Level 3	Total
<b>Investments by fair value level</b>				
<b>Pooled Investments</b>				
U.S. Government and Agency Securities	\$ 88,382,929	\$ -	\$ -	\$ 88,382,929
Money Market Mutual Funds	53,729,236	-	-	53,729,236
Certificate of Deposit	9,112,752	-	-	9,112,752
Corporate Bonds	-	42,161,079	-	42,161,079
Municipal Bonds	-	484,358	-	484,358
Coporate Commercial Paper	-	10,896,940	-	10,896,940
Total Pooled Investments	<u>\$ 151,224,917</u>	<u>\$ 53,542,377</u>	<u>\$ -</u>	<u>\$ 204,767,294</u>
<b>Pension Investments</b>				
Bond Mutual Funds	\$ -	\$ 29,841,694	\$ -	\$ 29,841,694
Equity Mutual Funds	-	69,771,372	-	69,771,372
Total Pension Investments	<u>\$ -</u>	<u>\$ 99,613,065</u>	<u>\$ -</u>	<u>\$ 99,613,065</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.

**CITY OF FARGO, NORTH DAKOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**B. RECEIVABLES**

Loans receivable as of December 31, 2018 were:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
Community Development	0%	Non-Repayment	\$ 81,461
Neighborhood Revitalization Initiative (NRI)	3%	2/1/2020	2,565
Neighborhood Revitalization Initiative (NRI)	0%	Due Upon Sale	10,500
HUD HOME	3%	11/1/2019	2,088
HUD HOME	0%	Non-Repayment	1,631,724
HUD HOME	0%	Due Upon Sale	460,000
Total loans receivable			<u>\$ 2,188,337</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, \$1,713,185 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, 2018, 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, 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



**CITY OF FARGO, NORTH DAKOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

center. This incentive is to assist and encourage the adequacy of facilities in the community that provide early childhood and adult day care services.

<u>Tax Abatement Programs</u>	<u>Amount of Taxes Abated during the 2018 Fiscal Year</u>
Residential New Construction - School District #1	\$ 98,131
Residential New Construction - School District #6	93,860
Remodeling - Residential - School District #1	33,364
Remodeling - Commercial - School District #1	975
New Industry Exemption & Payment In Lieu - School District #1	352,566
New Industry Exemption & Payment In Lieu - School District #6	143,714
Traditional Tax Increment Financing	738,640
Renaissance Zone - Commercial - School District #1	120,671
Renaissance Zone - Residential - School District #1	1,966
Daycare, Fire Protection - Commercial - School District #1	22,093
Daycare, Fire Protection - Commercial - School District #6	11,844
	<u>\$ 1,617,824</u>

**D. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 76,969,056	\$ 5,383,493	\$ -	\$ 82,352,549
Right of Way	9,215,065	759,262	-	9,974,327
Construction in progress	43,280,891	6,572,440	43,280,891	6,572,440
Total capital assets, not being depreciated	<u>129,465,012</u>	<u>12,715,195</u>	<u>43,280,891</u>	<u>98,899,316</u>
Capital assets, being depreciated				
Buildings	82,637,279	45,785,124	823,353	127,599,050
Improvements other than buildings	1,195,284	1,505,142	70,399	2,630,027
Machinery and equipment	57,756,329	7,926,022	2,492,307	63,190,044
Infrastructure	396,487,630	54,187,226	33,562,248	417,112,608
Flood control	42,029,294	1,693,965	-	43,723,259
Total capital assets being depreciated	<u>580,105,816</u>	<u>111,097,479</u>	<u>36,948,307</u>	<u>654,254,988</u>
Less accumulated depreciation for:				
Buildings	34,518,820	2,632,162	771,034	36,379,948
Improvements other than buildings	584,392	108,089	31,679	660,802
Machinery and equipment	42,327,148	4,437,110	2,049,136	44,715,122
Infrastructure	152,910,962	10,373,640	2,348,274	160,936,328
Flood control	1,914,493	426,862	-	2,341,355
Total accumulated depreciation	<u>232,255,815</u>	<u>17,977,863</u>	<u>5,200,123</u>	<u>245,033,555</u>
Total capital assets, being depreciated, net	<u>347,850,001</u>	<u>93,119,616</u>	<u>31,748,184</u>	<u>409,221,433</u>
Governmental activities capital assets, net	<u>\$ 477,315,013</u>	<u>\$ 105,834,811</u>	<u>\$ 75,029,075</u>	<u>\$ 508,120,749</u>

**CITY OF FARGO, NORTH DAKOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

Governmental activities:	
General government	\$ 997,757
Public safety	1,542,024
Public works	11,936,911
Public health & welfare	433,252
Recreation & culture	740,569
Urban development	70,547
Transportation	2,130,470
Total depreciation expense - governmental activities	<u>\$ 17,851,530</u>
Accumulated depreciation recorded through asset transfers from business-type activities	126,333
	<u><u>\$ 17,977,863</u></u>

**CITY OF FARGO, NORTH DAKOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 40,680,774	\$ 2,604,697	\$ -	\$ 43,285,471
Intangible - Right-of -way Easements	420,036	-	-	420,036
Construction in progress	125,391,038	41,262,653	14,193,907	152,459,784
Intangible - Water rights	500,000	-	-	500,000
Total capital assets, not being depreciated	166,991,848	43,867,350	14,193,907	196,665,291
Capital assets, being depreciated				
Buildings	211,421,438	1,673,823	-	213,095,261
Improvements other than buildings	36,873,061	4,062,376	71,422	40,864,015
Machinery and equipment	91,607,650	5,200,070	1,791,554	95,016,166
Infrastructure	632,418,476	28,325,760	942,226	659,802,010
Total capital assets being depreciated	972,320,625	39,262,029	2,805,202	1,008,777,452
Less accumulated depreciation for:				
Buildings	87,393,315	4,635,967	-	92,029,282
Improvements other than buildings	12,029,031	1,699,161	65,381	13,662,811
Machinery and equipment	52,514,217	7,364,740	1,676,151	58,202,806
Infrastructure	195,752,257	14,009,210	939,892	208,821,575
Total accumulated depreciation	347,688,820	27,709,078	2,681,424	372,716,474
Total capital assets, being depreciated, net	624,631,805	11,552,951	123,778	636,060,978
Business-type activities capital assets, net	\$ 791,623,653	\$ 55,420,301	\$ 14,317,685	\$ 832,726,269

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

Business-type activities:	
Airport	\$ 4,523,384
Water	4,596,437
Wastewater	5,021,138
Storm sewer	4,737,202
Vector control	2,655
Street lighting	1,794,339
Solid waste	2,718,719
Forestry	134,896
Fargodome	4,180,308
Total depreciation expense - business-type activities	<u>\$ 27,709,078</u>

## E. COMMITMENTS

### Construction

As of December 31, 2018, the City had commitments on various construction contracts totaling approximately \$67,031,125.

### 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 23-29.04) impact the operation of the landfill.

The City of Fargo recently submitted and was granted approval on a permit modification through the North Dakota Department of Health. This modification allows a vertical expansion of Cells 1-17 and development of Cells 18-25. 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 18 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 80' 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 18 are fully constructed and partially filled. Based upon design capacity, the facility is 53.96% full (acres), and based upon present utilization rates; the remaining capacity is estimated at 21.93 years. The estimated liability for landfill closure and post closure care is \$5,273,153 as of December 31, 2018. 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 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, 2018. 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 33-20-14-02 through 33-20-14-07. Because the City is able to meet the financial test, the restriction of cash in a landfill assurance fund is not required.

**CITY OF FARGO, NORTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**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, 2018, the inter-fund advance balances are:

	Funds Advanced	Amount Repaid To-Date	Advance Balance December 31, 2018
General fund	\$ 2,298,802	\$ 1,264,105	\$ 1,034,697
Solid waste fund	1,200,000	1,146,770	53,230
Subtotal baseball advances	<u>\$ 3,498,802</u>	<u>\$ 2,410,875</u>	<u>\$ 1,087,927</u>
General fund - parking authority debt defeasance advance	\$ 765,000	\$ 465,000	\$ 300,000
Water - Parking Authority Civic Center Ramp advance	\$ 450,000	\$ -	\$ 450,000
Water - Civic Center HVAC Retrofit advance	390,000	-	390,000
Subtotal Water advances	<u>\$ 840,000</u>	<u>\$ -</u>	<u>\$ 840,000</u>
Wastewater - Solid Waste equipment advance	\$ 518,000	\$ 100,538	\$ 417,462
Wastewater - Civic Center HVAC Retrofit advance	390,000	-	390,000
Subtotal Wastewater advance	<u>\$ 908,000</u>	<u>\$ 100,538</u>	<u>\$ 807,462</u>
Total advances	<u><u>\$ 6,011,802</u></u>	<u><u>\$ 2,976,413</u></u>	<u><u>\$ 3,035,389</u></u>

Baseball stadium advances will be repaid by future lease revenues generated by the Stadium lease contract with Fargo Baseball, LLC. The terms of the lease agreement provide for collection of lease revenues for private suites and individual seat license fees.

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

The Parking authority debt defeasance advance will be repaid by future parking authority 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.

**CITY OF FARGO, NORTH DAKOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

Interfund Transfers:

	Transfer In:							
	Major Funds					Nonmajor Funds		Total
	General	Debt Service	Capital Projects	WasteWater	Airport	Governmental	Enterprise	
Transfer Out:								
Major Funds:								
General	\$ -	\$ 2,386,043	\$ 3,609,838	\$ -	\$ -	\$ 69,000	\$ -	\$ 6,064,881
Debt Service	1,450,000	-	6,228,694	-	-	-	-	7,678,694
Capital Projects	26,872	1,434,301	-	15,000	-	-	-	1,476,173
Airport	50,000	-	-	-	-	-	-	50,000
Water	4,780,616	-	79,777,913	-	-	-	-	84,558,529
Wastewater	2,436,300	-	3,488,945	-	-	-	300,000	6,225,245
Storm Sewer	692,000	-	446,716	877,988	-	-	-	2,016,704
Solid Waste	3,033,812	-	661,100	-	-	-	-	3,694,912
FargoDome	50,000	-	-	-	-	-	-	50,000
Nonmajor Funds:								
Governmental	-	736,812	524,000	-	-	39,091	-	1,299,903
Enterprise	921,000	-	23,289	-	-	-	-	944,289
Total	\$ 13,440,600	\$ 4,557,156	\$ 94,760,495	\$ 892,988	\$ -	\$ 108,091	\$ 300,000	\$ 114,059,330

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.

Capital Projects Fund Transfer in on the Governmental Statement of Revenue, Expense, and Changes in Fund Balances totals \$21,606,042. The total noted in the footnote above is \$94,760,495. The difference of \$73,154,453 is due to amending the pledged revenue source of an existing State Revolving Fund loan. The revenue pledge was changed from sales tax to water utility revenue. This amendment resulted in the transfer of \$73,154,453 of existing debt from the governmental funds to the proprietary fund.

**G. LEASES**

**Operating Leases**

The City leases building and office facilities under noncancellable operating leases. Total costs for such leases were \$1,203,713 for the year ended December 31, 2018. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2019	\$ 1,170,582
2020	695,551
2021	667,621
2022	642,178
2023	603,867
2024 - 2028	1,206,556
	<u>\$ 4,986,354</u>

**CITY OF FARGO, NORTH DAKOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**Capital Leases**

The City is obligated to the following capital lease agreements:

	Remaining Balance
<b>GOVERNMENTAL</b>	
Motor Grader	100,204
JD Motor Grader	29,963
2011 Volvo Grader	14,229
2018 Chevy Tahoe	30,122
<b>Total Governmental</b>	<b>\$ 174,518</b>
<b>BUSINESS-TYPE</b>	
<b>SOLID WASTE ENTERPRISE FUND</b>	
Peterbilt 320 Chassis	\$ 45,840
Peterbilt 320 Chassis	45,840
International Refuse Box (2)	65,334
Wildcat Compost Turner	43,663
Caterpillar D8 Dozer	203,311
Caterpillar 826K	337,598
2017 Wheel Loader	120,461
2018 Komatsu Crawler Tractor	331,415
2018 John Deere 644K	178,941
2018 Dual Arm Side Load	239,554
<b>WASTEWATER ENTERPRISE FUND</b>	
Rolloff Truck	\$ 26,439
<b>Total Business-Type</b>	<b>\$ 1,638,398</b>

The assets acquired through the capital leases are as follows:

	Governmental Activities	Business-type Activities
Asset:		
Machinery and equipment	\$ 601,423	\$ 4,442,452
Less: Accumulated depreciation	(211,176)	(1,869,254)
<b>Total</b>	<b>\$ 390,247</b>	<b>\$ 2,573,198</b>

**CITY OF FARGO, NORTH DAKOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

Future Minimum Payments under the above capital lease agreements at December 31, 2018 are shown below:

	Governmental Activities	Business-type Activities
2019	\$ 156,888	\$ 809,026
2020	8,210	428,661
2021	8,210	218,661
2022	8,210	218,661
2023	-	85,000
Total minimum lease payments	181,518	1,760,009
Less: amount representing interest	(7,000)	(121,611)
Present value of minimum lease payments	\$ 174,518	\$ 1,638,398

**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 three-year lease with North Dakota State University as of July 1, 2017. The lease addresses use of its facility and advertising revenue sharing. 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 amounts to \$165,000 and \$165,126 in 2018 and 2017, respectively.

*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 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 \$77,092 and \$76,272 in 2018 and 2017, respectively.



**CITY OF FARGO, NORTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

The asset leased to NDSU is as follows:

	<u>Business-type Activity</u>
Asset:	
Fargodome	\$ 58,945,287
Less: Accumulated depreciation	34,375,085
Total	<u>\$ 93,320,372</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.

**CITY OF FARGO, NORTH DAKOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

The leased asset is as follows:

	Governmental Activity
Asset:	
Baseball stadium	\$ 5,266,692
Less: Accumulated depreciation	(2,600,208)
Total	<u>\$ 2,666,484</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:

2019	\$ 45,684
2020	45,684
2021	45,684
2022	45,684
2023	45,684
Thereafter	<u>159,894</u>
	<u>\$ 388,314</u>

**CITY OF FARGO, NORTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**H. LONG-TERM DEBT**

The following is a summary of changes in long-term debt of the City for the year ended December 31, 2018:

	Balance 1/1/2018	Additions	Deletions	Transfers	Balance 12/31/2018	Due within one year
<b>GOVERNMENTAL ACTIVITIES</b>						
Improvement bonds	\$ 409,335,000	\$ 42,965,000	\$ 34,245,000	\$ -	\$ 418,055,000	\$ 17,435,000
General obligation bonds	36,980,000	-	1,465,000	-	35,515,000	1,520,000
Sales tax revenue bonds	72,609,000	-	3,394,000	-	69,215,000	3,519,000
Taxable annual appropriation bonds	-	17,315,000	-	-	17,315,000	-
Total Bonds Payable	518,924,000	60,280,000	39,104,000	-	540,100,000	22,474,000
State revolving fund notes	119,916,997	11,964,865	4,242,409	(73,154,453)	54,485,000	4,445,000
Direct bank loan	54,585,000	-	575,000	-	54,010,000	54,010,000
BND Infrastructure Loan	-	4,363,596	-	-	4,363,596	100,000
Tax increment revenue notes	5,225,696	588,799	412,691	-	5,401,804	-
Total Notes Payable	179,727,693	16,917,260	5,230,100	(73,154,453)	118,260,400	58,555,000
Capital leases	221,267	38,332	85,081	-	174,518	151,537
Total Debt	698,872,960	77,235,592	44,419,181	(73,154,453)	658,534,918	81,180,537
Accumulated unpaid vacation	3,863,775	4,074,211	3,863,775	-	4,074,211	4,074,211
Unamortized premium on refunding	31,341,672	1,085,502	1,837,667	-	30,589,507	1,851,934
Net pension liability	74,750,041	24,696,998	8,397,409	-	91,049,630	-
Net OPEB liability	-	2,008,643	280,975	-	1,727,668	-
<b>TOTAL</b>	<b>\$ 808,828,448</b>	<b>\$ 109,100,946</b>	<b>\$ 58,799,007</b>	<b>\$ (73,154,453)</b>	<b>\$ 785,975,934</b>	<b>\$ 87,106,682</b>
	Balance 1/1/2018	Additions	Deletions	Transfers	Balance 12/31/2018	Due within one year
<b>BUSINESS-TYPE ACTIVITIES</b>						
Revenue bonds	\$ 2,993,632	\$ -	\$ 280,889	\$ -	\$ 2,712,743	\$ 283,812
Annual appropriation bonds	7,735,000	-	685,000	-	7,050,000	700,000
Total Bonds Payable	10,728,632	-	965,889	-	9,762,743	983,812
State revolving fund notes	-	24,233,367	-	73,154,453	97,387,820	1,000,000
Direct bank loan	3,309,253	-	595,302	-	2,713,951	599,928
Total Notes Payable	3,309,253	24,233,367	595,302	73,154,453	100,101,771	1,599,928
Capital leases	1,550,898	935,755	848,255	-	1,638,398	751,892
Special assessments	12,689,133	1,991,039	464,227	-	14,215,945	707,151
Landfill closure/postclosure	5,248,668	24,485	-	-	5,273,153	-
Accumulated unpaid vacation	920,864	1,028,268	920,864	-	1,028,268	1,028,268
Net pension liability	14,922,337	4,629,503	1,469,261	-	18,082,579	-
Net OPEB liability	-	707,680	98,721	-	608,959	-
<b>TOTAL</b>	<b>\$ 49,369,785</b>	<b>\$ 33,550,097</b>	<b>\$ 5,362,519</b>	<b>\$ 73,154,453</b>	<b>\$ 150,711,816</b>	<b>\$ 5,071,051</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 at December 31, 2018 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 has typically been used in prior years to 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.

**CITY OF FARGO, NORTH DAKOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**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)	2.00 - 5.00%	\$ 509,805,000	\$ 418,055,000
General obligation bonds	1.00 - 5.00%	38,745,000	35,515,000
Sales tax revenue bonds	2.00 - 5.00%	83,887,000	69,215,000
Taxable annual appropriation bonds	3.30 - 4.47%	17,315,000	17,315,000
<b>TOTAL</b>		<u><u>\$ 649,752,000</u></u>	<u><u>\$ 540,100,000</u></u>
<b>BUSINESS-TYPE ACTIVITIES</b>			
Clean renewable energy bond	0.85%	\$ 1,500,000	\$ 300,000
Qualified Energy Conservation Bond	4.85%	2,875,000	2,412,743
Annual Appropriation	1.75 - 3.85%	7,810,000	7,050,000
<b>TOTAL</b>		<u><u>\$ 12,185,000</u></u>	<u><u>\$ 9,762,743</u></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, 2018, consist of two issues backed and serviced by sales tax and two issues backed and serviced by Solid Waste utility revenues.

**CITY OF FARGO, NORTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**PLEDGED 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 \$6,296,050. Net sales tax revenue totaled \$7,555,260 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 \$187,013. Net general fund appropriations totaled \$187,013 for the year.

The City has pledged future solid waste byproduct revenues to repay \$1.5 million in clean renewable energy bonds issued in 2007. Proceeds from the bond were used to finance improvements to the landfill gas collection system. Principal and interest paid for the current year was \$103,400. Net solid waste byproduct revenue totaled \$177,869 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 \$302,294. Net landfill tipping fee revenue totaled \$8,781,299 for the year.

Debt service maturities for these revenue bonds at December 31, 2018, are as follows:

Sales Tax			
Year	Principal	Interest	Total
2019	\$ 3,519,000	\$ 2,774,065	\$ 6,293,065
2020	3,657,000	2,637,515	6,294,515
2021	3,813,000	2,483,790	6,296,790
2022	3,982,000	2,311,915	6,293,915
2023	4,161,000	2,132,265	6,293,265
2024-2028	23,709,000	7,761,720	31,470,720
2029-2033	26,374,000	2,519,280	28,893,280
Totals	<u>\$ 69,215,000</u>	<u>\$ 22,620,550</u>	<u>\$ 91,835,550</u>

Solid Waste			
Year	Principal	Interest	Total
2019	\$ 283,812	\$ 115,111	\$ 398,923
2020	286,782	105,274	392,056
2021	289,801	95,292	385,093
2022	192,868	85,162	278,030
2023	195,985	75,732	271,717
2024-2028	1,028,465	231,795	1,260,260
2029-2033	435,030	21,183	456,213
Totals	<u>\$ 2,712,743</u>	<u>\$ 729,549</u>	<u>\$ 3,442,292</u>

General Fund Appropriations			
Year	Principal	Interest	Total
2019	\$ 1,520,000	\$ 1,186,120	\$ 2,706,120
2020	1,590,000	1,127,090	2,717,090
2021	1,655,000	1,063,965	2,718,965
2022	1,715,000	997,630	2,712,630
2023	1,780,000	927,301	2,707,301
2024-2028	10,055,000	3,522,400	13,577,400
2029-2033	10,775,000	2,020,373	12,795,373
2034-2038	6,425,000	385,800	6,810,800
Totals	<u>\$ 35,515,000</u>	<u>\$ 11,230,679</u>	<u>\$ 46,745,679</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.

**CITY OF FARGO, NORTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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, 2018, the statutory limit for the City was \$292,873,748 providing a debt margin of \$237,564,491. 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, sewer hook-up for Reile's Acres and Oxbow, 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, and a wastewater stabilization pond project.

The City has issued ten tax 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.

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, Wastewater and Solid Waste equipment, and the FM Diversion project.

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

**CITY OF FARGO, NORTH DAKOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

Details relative to the outstanding notes payable are shown below:

TYPE AND ISSUE	FINAL MATURITY DATE	INTEREST RATES	ORIGINAL ISSUE	PRINCIPAL OUTSTANDING 12/31/18
<b>GOVERNMENTAL ACTIVITIES</b>				
SRLF Storm Sewer Project	9/1/2020	2.50%	\$ 1,816,295	\$ 220,000
SRLF Water Tower	9/1/2027	2.50%	2,270,000	1,345,000
SRLF North Side Sewer Service Facility Plan	9/1/2028	2.50%	1,630,000	1,010,000
SRLF 45th Street Corridor Interceptor System	9/1/2029	2.50%	63,725,000	42,260,000
SRLF Transmission Lines South Side System	9/1/2029	2.82%	14,110,422	6,435,000
SRLF Wastewater Clarifier Improvements	9/1/2029	0.50%	699,374	455,000
SRLF Wastewater Stabilization Ponds	9/1/2030	2.50%	4,071,140	2,760,000
TIF Revenue Notes	5/1/2038	5.00 - 6.00%	7,106,853	5,401,804
Direct Bank Loan - Fargo Cass Public Health Expansion and Relocation				
Project and Red River Regional Dispatch Center Project	5/1/2019	2.42% *	6,000,000	3,760,000
Direct Bank Loan - FM Diversion Project	7/31/2019	2.55% *	100,000,000	50,250,000
BND Infrastructure Loan	5/1/2044	2.00%	15,000,000	4,363,596
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>			<b>\$ 216,429,084</b>	<b>\$ 118,260,400</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
SRLF Wastewater Construction Loan	9/1/2052	1.50%	\$ 126,500,000	\$ 1,545,675
SRLF Wastewater Engineering Loan	9/1/2052	1.50%	20,229,000	2,992,305
SRLF Water Treatment Plant	9/1/2048	1.50%	98,000,000	92,849,840
Direct Bank Loan - Baling Facility	12/1/2024	3.90% *	3,000,000	1,800,000
Direct Bank Loan - Wastewater and Solid Waste Equipment	7/15/2021	1.57%	1,500,000	913,951
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>			<b>\$ 249,229,000</b>	<b>\$ 100,101,771</b>
<b>TOTAL NOTES PAYABLE</b>			<b>\$ 465,658,084</b>	<b>\$ 218,362,171</b>
* Variable rate note. Rate reported is as of December 31, 2018.				

**CITY OF FARGO, NORTH DAKOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

The annual requirements to amortize long-term debt for the next five years (excluding accumulated unpaid vacation, capital leases, contract payable, landfill closure/postclosure, unamortized premium on refunding, and net pension obligations) as of December 31, 2018, are shown in the following table:

**GOVERNMENTAL ACTIVITIES**

	Special Assessment Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2019	\$ 17,435,000	\$ 15,864,846	\$ 1,520,000	\$ 1,186,120
2020	18,745,000	14,789,286	1,590,000	1,127,090
2021	18,960,000	13,779,587	1,655,000	1,063,965
2022	19,070,000	13,044,643	1,715,000	997,630
2023	20,610,000	12,563,855	1,780,000	927,301
2024-2028	107,505,000	50,579,510	10,055,000	3,522,400
2029-2033	93,710,000	31,596,533	10,775,000	2,020,373
2034-2038	81,030,000	15,201,973	6,425,000	385,800
2039-2043	40,650,000	2,727,717	-	-
2044	340,000	6,163	-	-
	<u>\$ 418,055,000</u>	<u>\$ 170,154,113</u>	<u>\$ 35,515,000</u>	<u>\$ 11,230,679</u>

  

	Sales Tax Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2019	\$ 3,519,000	\$ 2,774,065	\$ 58,555,000	\$ 2,148,267
2020	3,657,000	2,637,515	4,680,310	1,363,020
2021	3,813,000	2,483,790	4,698,613	1,241,760
2022	3,982,000	2,311,915	4,816,294	1,122,933
2023	4,161,000	2,132,265	6,020,524	1,001,100
2024-2028	23,709,000	7,761,720	27,438,892	3,062,733
2029-2033	26,374,000	2,519,280	9,298,684	416,717
2034-2038	-	-	1,526,609	180,046
2039-2043	-	-	1,010,883	83,812
2044	-	-	214,591	4,347
	<u>\$ 69,215,000</u>	<u>\$ 22,620,550</u>	<u>\$ 118,260,400</u>	<u>\$ 10,624,735</u>

  

Taxable Annual Appropriation Bond		
	Principal	Interest
2019	\$ -	\$ 840,498
2020	-	729,107
2021	445,000	721,764
2022	460,000	706,602
2023	475,000	690,445
2024-2028	2,650,000	3,169,931
2029-2033	3,225,000	2,580,091
2034-2038	4,000,000	1,806,705
2039-2043	4,935,000	822,368
2044	1,125,000	25,143
	<u>\$ 17,315,000</u>	<u>\$ 12,092,654</u>



**CITY OF FARGO, NORTH DAKOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

**BUSINESS-TYPE ACTIVITIES**

	Revenue Bonds		Annual Appropriation Bonds	
	Principal	Interest	Principal	Interest
2019	\$ 283,812	\$ 115,111	700,000	224,830
2020	286,782	105,274	715,000	209,080
2021	289,801	95,292	735,000	190,490
2022	192,868	85,162	755,000	170,131
2023	195,985	75,732	775,000	147,103
2024-2028	1,028,465	231,795	3,370,000	317,571
2029-2033	435,030	21,183	-	-
	<u>\$ 2,712,743</u>	<u>\$ 729,549</u>	<u>\$ 7,050,000</u>	<u>\$ 1,259,205</u>
	Special Assessments		Notes Payable	
	Principal	Interest	Principal	Interest
2019	\$ 707,151	\$ 629,905	\$ 1,599,928	\$ 1,549,293
2020	584,898	643,595	3,148,638	1,525,871
2021	588,029	615,306	3,195,689	1,466,937
2022	606,405	586,744	3,041,251	1,411,311
2023	625,756	557,235	3,082,679	1,358,189
2024-2028	3,366,362	2,312,202	14,850,168	6,060,620
2029-2033	3,294,163	1,476,179	15,687,641	4,914,375
2034-2038	2,807,667	745,349	16,909,954	3,692,062
2039-2043	1,635,514	183,563	18,227,516	2,374,501
2044-2048	-	-	19,647,549	954,468
2049-2052	-	-	710,758	27,063
	<u>\$ 14,215,945</u>	<u>\$ 7,750,078</u>	<u>\$ 100,101,771</u>	<u>\$ 25,334,690</u>

**CITY OF FARGO, NORTH DAKOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

Individual Bond Issues by Fund – The following is a summary of the individual bond issues, as of the year ended December 31, 2018.

TYPE AND ISSUE	PURPOSE	ISSUE DATE	FINAL MATURITY DATE	INTEREST RATES	ORIGINAL ISSUE	PRINCIPAL OUTSTANDING 12/31/18
<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	\$ 10,640,000
2009 Series A Refunding	Current refunding of 2001 Series A and B	4/30/2009	5/1/2019	2.50-4.00	13,190,000	1,325,000
2014 Series E Refunding	Current refunding of 2010 Series B	9/4/2014	5/1/2035	2.00 - 5.00	19,440,000	16,725,000
2010 Series C Refunding	Crossover refunding of 2002 Series A	5/25/2010	5/1/2027	3.00-5.00	8,250,000	5,485,000
2011 Series A	Infrastructure system construction	5/15/2011	5/1/2036	2.00-5.00	19,180,000	15,675,000
2011 Series C	Infrastructure system construction	12/15/2011	5/1/2037	2.00-4.00	20,965,000	17,765,000
2011 Series E Refunding	Crossover refunding of 2003 Series A	12/15/2011	5/1/2028	2.00-3.25	9,515,000	6,610,000
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	24,755,000
2013 Series C	Infrastructure system construction	9/12/2013	5/1/2039	2.00 - 4.60	16,705,000	13,595,000
2014 Series D	Infrastructure system construction	6/25/2014	5/1/2039	2.00 - 5.00	39,760,000	35,495,000
2014 Series F	Infrastructure system construction	12/22/2014	5/1/2039	2.00 - 5.00	40,445,000	36,990,000
2014 Series G	Infrastructure system construction	12/22/2014	5/1/2039	2.00 - 4.25	8,355,000	7,525,000
2015 Series A Refunding	Crossover refunding of Series 2006B and 2007B	2/25/2015	5/1/2031	2.00 - 5.00	18,250,000	16,780,000
2015 Series B Refunding	Crossover refunding of Series 2008E	9/30/2015	5/1/2033	2.50 - 5.00	15,235,000	15,325,000
2015 Series D	Infrastructure system construction	11/18/2015	5/1/2041	3.00 - 5.00	34,675,000	32,885,000
2016 Series B Refunding	Crossover refunding of Series 2009C	6/6/2016	5/1/2034	2.00 - 5.00	27,485,000	26,785,000
2016 Series C	Infrastructure system construction	11/7/2016	5/1/2042	2.00 - 5.00	41,745,000	40,865,000
2017 Series C	Infrastructure system construction	8/17/2017	5/1/2043	2.00 - 5.00	38,525,000	38,525,000
2017 Series D	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	42,965,000
					<u>\$ 509,805,000</u>	<u>\$ 418,055,000</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	\$ 1,790,000
2015 Series E	Roberts Commons Parking Ramp	12/7/2015	12/1/2035	1.00 - 3.85	10,230,000	9,365,000
2016 Series A	City Hall building	6/14/2016	7/1/2036	2.00 - 5.00	25,640,000	24,360,000
					<u>\$ 38,745,000</u>	<u>\$ 35,515,000</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	\$ 41,940,000
2014 Series B	Flood mitigation projects	4/22/2014	6/1/2032	2.00 - 5.00	32,512,000	27,275,000
					<u>\$ 83,887,000</u>	<u>\$ 69,215,000</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	\$ 17,315,000
					<u>\$ 17,315,000</u>	<u>\$ 17,315,000</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>					<u>\$ 649,752,000</u>	<u>\$ 540,100,000</u>

TYPE AND ISSUE	PURPOSE	ISSUE DATE	FINAL MATURITY DATE	INTEREST RATES	ORIGINAL ISSUE	PRINCIPAL OUTSTANDING 12/31/18
<b>BUSINESS-TYPE ACTIVITIES</b>						
<b>SOLID WASTE FUND</b>						
Clean Renewable Energy Bond	Improvements to Landfill Gas Collection System	11/5/2007	12/15/2021	0.85	\$ 1,500,000	\$ 300,000
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	2,412,743
					<u>\$ 4,375,000</u>	<u>\$ 2,712,743</u>
<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	\$ 7,050,000
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>					<u>\$ 12,185,000</u>	<u>\$ 9,762,743</u>
<b>TOTAL BONDED INDEBTEDNESS</b>					<u>\$ 661,937,000</u>	<u>\$ 549,862,743</u>

**CITY OF FARGO, NORTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**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	\$ 364,709	\$ -	\$ 364,709
Special assessments receivable	406,627,738	-	406,627,738
Grant resources held and grant items receivable	340,401	215,569	555,970
Loans/contracts/accounts receivable	3,536,899	1,744,479	5,281,378
Total unavailable revenue for governmental funds	<u>\$ 410,869,747</u>	<u>\$ 1,960,048</u>	<u>\$ 412,829,795</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, 2018, 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.

**CITY OF FARGO, NORTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**K. FUND BALANCES**

The City classified fund balances within the governmental funds as follows at December 31, 2018:

	General Fund	Debt Service	Capital Projects	Other Governmental Funds	Total
<b>Fund balances:</b>					
<b>Nonspendable:</b>					
Advances to other funds	\$ 1,334,697	\$ -	\$ -	\$ -	\$ 1,334,697
Inventory	1,517,674	-	-	-	1,517,674
Prepaid Items	1,157,778	-	2,386	23,540	1,183,704
Property held for resale	70,000	-	-	-	70,000
Total Nonspendable	4,080,149	-	2,386	23,540	4,106,075
<b>Restricted for:</b>					
City Share of Specials	-	-	-	986,819	986,819
Community Development	-	-	-	274,067	274,067
Convention & Visitors Bureau	-	-	-	32,145	32,145
Court Forfeits	-	-	-	70,329	70,329
Debt Service	-	74,646,204	-	-	74,646,204
Downtown Business Improvement District	-	-	-	126,487	126,487
Fire	415,935	-	-	-	415,935
Health	781,122	-	-	-	781,122
Highway and streets	1,301,839	-	-	-	1,301,839
HUD Home Participating Jurisdiction	-	-	-	160,944	160,944
HUD Home Program	-	-	-	5,102	5,102
Neighborhood Stabilization	-	-	-	71,100	71,100
Noxious Weeds	-	-	-	33,373	33,373
NRI Loan Program	-	-	-	191,879	191,879
Parking Repair and Replacement	-	-	-	-	-
Planning and Development	297,088	-	-	-	297,088
Police	247,684	-	-	-	247,684
Regional Training Center	-	-	-	231,186	231,186
Skyway Maintenance	-	-	-	106,217	106,217
Transit	10,443	-	-	-	10,443
Total Restricted	3,054,111	74,646,204	-	2,289,648	79,989,963
<b>Committed to:</b>					
Revenue Stabilization	1,000,016	-	-	-	1,000,016
<b>Assigned to:</b>					
2019 Budget	542,423	-	-	-	542,423
<b>Unassigned:</b>	26,862,322	-	(706,404)	(1,861,154)	24,294,764
<b>Total Fund Balances</b>	<b>\$ 35,539,021</b>	<b>\$ 74,646,204</b>	<b>\$ (704,018)</b>	<b>\$ 452,034</b>	<b>\$ 109,933,241</b>

## 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 our 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. A schedule of insurance in force is included in the supplementary information portions of this report. 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 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, 2018 (date of most recent actuarial study) is as follows:

Retirees and beneficiaries	237
Terminated vested and deferred beneficiaries	51
City active plan members	106
NDPERS active plan members	150

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.

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

**CITY OF FARGO, NORTH DAKOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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 was measured as of December 31, 2018, and the total pension liability was 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	7.25%
Expected return on plan assets	7.25%
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	Base RP-2014 no-collar table adjusted to 2006. Generational projection using scale MP-2017 was applied to these base rates after 2006.

Long-term Expected Investment Return The long-term expected rate of return on pension plan investments was determined by the employer. We verified the reasonability of the assumption using a building-block method in which best-estimates 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 asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.50%). All results are then rounded to the nearest quarter percentage point.

The best-estimates of expected future asset class returns were published in the 2016 Survey of Capital Market Assumptions produced by Horizon Actuarial Services. These expected returns, along with expected asset class standard deviations and correlation coefficients, are based on Horizon's annual survey of investment advisory firms. The expected inflation assumption was developed based on an analysis of historical experience blended with forward-looking expectations available in market data.

Best-estimates of geometric real and nominal rates of return for each major asset class included in the pension plan's asset allocation as of the measurement date are summarized in the following table:

**CITY OF FARGO, NORTH DAKOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

Asset Class	Allocation at Measurement Date	Long-Term Expected Real Rate of Return	Long-Term Expected Real Rate of Return <sup>1</sup>
Domestic equity	42.00%	5.58%	8.33%
International equity	16.00%	5.71%	8.46%
Emerging markets equity	7.00%	6.80%	9.55%
Core fixed income	26.00%	2.27%	5.02%
Investment grade corporate	2.25%	2.56%	5.31%
High yield	2.25%	4.50%	7.25%
Emerging markets debt	2.25%	4.12%	6.87%
Bank loans	2.25%	1.63%	4.38%
Total <sup>2</sup>	100.00%		7.81%
Reduced for assumed investment expense <sup>3</sup>			-0.50%
Net assumed investment return (weighted avg, rounded to 1/4%)			7.25%

1 Nominal rates of return are equal to real rates of return plus the assumed inflation rate.  
2 Portfolio total expected return is weighted average of arithmetic asset class returns, with adjustment to reflect geometric averages. It is not equal to the weighted average of the asset class geometric returns shown above.  
3 Investment expense reduction assumes 0.4% investment expense and 0.1% margin for adverse deviation.

**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			
	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at 1/1/2018	\$ 57,976,637	\$ 47,988,943	\$ 9,987,694
Changes for the year:			
Service cost	432,671	-	432,671
Interest	4,113,116	-	4,113,116
Differences between expected and actual experience	74,079	-	74,079
Changes of assumptions	(111,771)	-	(111,771)
Contributions - City and Park District	-	2,213,651	(2,213,651)
Contributions - member	-	481,258	(481,258)
Net investment income	-	(2,841,329)	2,841,329
Benefit payments, including refund of member contributions	(3,353,355)	(3,353,355)	-
Administrative expense	-	(50,056)	50,056
Net changes	1,154,740	(3,549,831)	4,704,571
Balance at 12/31/2018 Measurement Date	\$ 59,131,377	\$ 44,439,112	\$ 14,692,265

The following presents the net pension liability of the City calculated using a discount rate of 7.25%, 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	Plan Fiduciary Net Position	Net Pension Liability	City of Fargo Proportionate Share of the Net Pension Liability
1% Decrease in Discount Rate (6.25%)	\$ 65,314,849	\$ 44,439,112	\$ 20,875,737	\$ 18,339,335
Current Discount Rate (7.25%)	59,131,377	44,439,112	14,692,265	12,907,155
1% Increase in Discount Rate (8.25%)	53,864,038	44,439,112	9,424,926	8,279,797



**CITY OF FARGO, NORTH DAKOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

For the year ended December 31, 2018, the City recognized pension expense of \$1,308,962. At December 31, 2018, 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><u>Summary of Deferred Outflows (Inflows)</u></b>		
Difference between expected and actual experience	\$ 332,980	\$ 75,950
Change of assumptions and methods	44,517	714,276
Net difference between projected and actual investment earnings	3,066,408	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	43,361	149,666
Total	\$ 3,487,266	\$ 939,892

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

<u>Year ended:</u>	<u>Future recognition</u>
2019	\$ 756,483
2020	266,571
2021	420,642
2022	1,103,678
2023	-
Thereafter	-
	\$ 2,547,374

Reserves The net position at December 31, 2018 is \$44,439,112 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**

*Pensions.* 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 and additions to/deductions from NDPERS' fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### **General Information about the Pension Plan**

#### ***North Dakota Public Employees Retirement System (Main System)***

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

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

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of 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. The plan permits early retirement at ages 55-64 with three or more years of service.

**CITY OF FARGO, NORTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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

***Death and Disability Benefits***

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

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

***Refunds of Member Account Balance***

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

***Member and Employer Contributions***

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

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

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

**CITY OF FARGO, NORTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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

At December 31, 2018, the City reported a liability of \$53,264,757 for its proportionate share of the net pension liability. The net pension liability was measured as of 6/30/2018, 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 6/30/2018, the Employer's proportion was 3.156226 percent.

For the year ended 12/31/2018, the Employer recognized pension expense of \$7,285,486. At 12/31/2018, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 140,997	\$ 1,812,171
Changes of assumptions	19,227,467	760,251
Net difference between projected and actual earnings on pension plan investments	-	259,139
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,212,053	(1)
Employer contributions subsequent to the measurement date (see below)	<u>*1,389,277</u>	<u>0-</u>
Total	<u>*\$23,969,794</u>	<u>\$2,831,560</u>

\$1,389,277 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended 12/31/2018.

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

**Year ended June 30:**

2019	\$ 6,350,294
2020	5,639,038
2021	4,713,471
2022	2,738,587
2023	307,567
Thereafter	0
Total	\$19,748,957

**CITY OF FARGO, NORTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**Actuarial assumptions.** The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

<b>Inflation</b>	2.50%		
<b>Salary increase (Payroll Growth)</b>	For June, 30, 2018:		
	Service at Beginning of Year:	Increase Rate:	
	0	15.00%	
	1	10.00%	
	2	8.00%	
	Age*		
	Under 30	10.00%	
	30-39	7.50%	
	40-49	6.75%	
	50-59	6.50%	
	60+	5.25%	
	*Age-based salary increase rates apply for employees with three or more years of service		
<b>Investment Rate of Return</b>	7.75%, net of investment expense, including inflation.		

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

The long-term expected rate of return 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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>Domestic Equity</b>	<b>30%</b>	<b>6.05%</b>
<b>International Equity</b>	<b>21%</b>	<b>6.71%</b>
<b>Private Equity</b>	<b>7%</b>	<b>10.20%</b>
<b>Domestic Fixed Income</b>	<b>23%</b>	<b>1.45%</b>
<b>International Fixed Income</b>	<b>0%</b>	<b>0.00%</b>
<b>Global Real Assets</b>	<b>19%</b>	<b>5.11%</b>
<b>Cash Equivalents</b>	<b>0%</b>	<b>0.00%</b>

**CITY OF FARGO, NORTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**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 7.75%; the municipal bond rate is 3.62%; and the resulting Single Discount Rate is 6.32%.

**Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.** The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 6.32 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.32 percent) or 1-percentage-point higher (7.32 percent) than the current rate:

	<b>1% Decrease (5.32%)</b>	<b>Current Discount Rate (6.32%)</b>	<b>1% Increase (7.32%)</b>
Employer's proportionate share of the net pension liability	\$73,376,902	\$53,264,757	\$37,316,287

**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.

**CITY OF FARGO, NORTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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

Membership on December 31, 2018, (date of most recent actuarial study) in the plan is as follows:

Retirees and beneficiaries currently receiving pension payments	116
Fully vested members contributing	87
Non vested members contributing	108
Terminated vested employees	12

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 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, 2018, and the total pension liability was used to calculate the net pension liability was determined by an actuarial valuation.

**CITY OF FARGO, NORTH DAKOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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	7.25%
Expected return on plan assets	7.25%
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	Base RP-2014 no-collar table adjusted to 2006. Generational projection using scale MP-2017 was applied to these base rates after 2006.

Long-term Expected Investment Return The long-term expected rate of return on pension plan investments was determined by the employer. We verified the reasonability of the assumption using a building-block method in which best-estimates 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 asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.50%). All results are then rounded to the nearest quarter percentage point.

The best-estimates of expected future asset class returns were published in the 2016 Survey of Capital Market Assumptions produced by Horizon Actuarial Services. These expected returns, along with expected asset class standard deviations and correlation coefficients, are based on Horizon's annual survey of investment advisory firms. The expected inflation assumption was developed based on an analysis of historical experience blended with forward-looking expectations available in market data.

Best-estimates of geometric real and nominal rates of return for each major asset class included in the pension plan's asset allocation as of the measurement date are summarized in the following table:

Asset Class	Allocation at Measurement Date	Long-Term Expected Real Rate of Return	Long-Term Expected Real Rate of Return <sup>1</sup>
Domestic large cap equity	54.00%	5.58%	8.33%
International equity	16.00%	571.00%	8.46%
US aggregate fixed income	25.00%	2.27%	5.02%
Global fixed income	5.00%	1.39%	4.14%
Total <sup>2</sup>			7.64%
Reduced for assumed investment expense			-0.40%
Net assumed investment return ( weighted avg, rounded to 1/4%)			7.25%

1 Nominal rates of return are equal to real rates of return plus the assumed inflation rate.  
2 Portfolio total expected return is weighted average of arithmetic asset class returns, with adjustment to reflect geometric averages. It is not equal to the weighted average of the asset class geometric returns shown above.



**CITY OF FARGO, NORTH DAKOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at 1/1/2018	\$ 75,095,345	\$ 58,589,678	\$ 16,505,667
Changes for the year:			
Service cost	2,188,283	-	2,188,283
Interest	5,454,684	-	5,454,684
Differences between expected and actual experience	(390,727)	-	(390,727)
Changes of assumptions	(179,362)	-	(179,362)
Contributions - City and Pension Stability Fund	-	2,996,110	(2,996,110)
Contributions - member	-	1,264,771	(1,264,771)
Net investment income	-	(2,881,346)	2,881,346
Benefit payments, including refund of member contributions	(4,093,222)	(4,093,222)	-
Administrative expense	-	(39,276)	39,276
Net changes	2,979,656	(2,752,963)	5,732,619
Balance at 12/31/2018 Measurement Date	\$ 78,075,001	\$ 55,836,715	\$ 22,238,286

The following presents the net pension liability of the City calculated using a discount rate of 7.25%, 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	Plan Fiduciary Net Position	Net Pension Liability
1% Decrease in Discount Rate (6.25%)	\$ 88,084,960	\$ 55,836,715	\$ 32,248,245
Current Discount Rate (7.25%)	78,075,001	55,836,715	22,238,286
1% Increase in Discount Rate (8.25%)	69,751,378	55,836,715	13,914,663

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

For the year ended December 31, 2018, the City recognized pension expense of \$3,677,777. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflows	Inflows
<b>Summary of Deferred Outflows (Inflows)</b>		
Difference between expected and actual liability	\$ 802,513	\$ 343,366
Change of assumptions and methods	804,114	727,537
Net difference between projected and actual investment earnings	3,997,358	-
Total	\$ 5,603,985	\$ 1,070,903

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

**CITY OF FARGO, NORTH DAKOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

Year ended:	Future recognition
2019	\$ 1,556,647
2020	830,636
2021	798,181
2022	1,640,355
2023	(98,574)
Thereafter	(194,163)
	<u>\$ 4,533,082</u>

Reserves The net position at December 31, 2018 is \$55,836,715 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, 2018, (date of most recent actuarial study) in the plan is as follows:

Active plan members	119
Deferred vested	5
Retirees, disabled, and beneficiaries	95

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 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

**CITY OF FARGO, NORTH DAKOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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, 2018, and the total pension liability was 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	7.25%
Expected return on plan assets	7.25%
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	Base RP-2014 no-collar table adjusted to 2006. Generational projection using scale MP-2017 was applied to these base rates after 2006.

Long-term Expected Investment Return The long-term expected rate of return on pension plan investments was determined by the employer. We verified the reasonability of the assumption using a building-block method in which best-estimates 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 asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation (2.75%). All results are then rounded to the nearest quarter percentage point.

The best-estimates of expected future asset class returns were published in the 2016 Survey of Capital Market Assumptions produced by Horizon Actuarial Services. These expected returns, along with expected asset class standard deviations and correlation coefficients, are based on Horizon's annual survey of investment advisory firms. The expected inflation assumption was developed based on an analysis of historical experience blended with forward-looking expectations available in market data.

Best-estimates of geometric real and nominal rates of return for each major asset class included in the pension plan's asset allocation as of the measurement date are summarized in the following table:

**CITY OF FARGO, NORTH DAKOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

Asset Class	Allocation at Measurement Date	Long-Term Expected Real Rate of Return	Long-Term Expected Real Rate of Return <sup>1</sup>
Domestic large cap equity	54.00%	5.58%	8.33%
International equity	16.00%	5.71%	8.46%
US aggregate fixed income	25.00%	2.27%	5.02%
Global fixed income	5.00%	1.39%	4.14%
Total <sup>2</sup>			7.64%
Reduced for assumed investment expense			-0.40%
Net assumed investment return ( weighted avg, rounded to 1/4%)			7.25%

1 Nominal rates of return are equal to real rates of return plus the assumed inflation rate.  
2 Portfolio total expected return is weighted average of arithmetic asset class returns, with adjustment to reflect geometric averages. It is not equal to the weighted average of the asset class geometric returns shown above.

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				
	Total Pension Liability	Increase (Decrease)		Net Pension Liability
	(a)	Plan Fiduciary Net Position		(c) = (a) - (b)
		(b)		
Balance at 1/1/2018	\$ 49,218,214	\$ 31,780,516		\$ 17,437,698
Changes for the year:				
Service cost	1,139,344	-		1,139,344
Interest	3,552,233	-		3,552,233
Differences between expected and actual experience	244,951	-		244,951
Changes of assumptions	(46,847)	-		(46,847)
Contributions - City and Pension Stability Fund	-	2,486,861		(2,486,861)
Contributions - member	-	825,550		(825,550)
Net investment income	-	(1,646,760)		1,646,760
Benefit payments, including refund of member contributions	(2,722,482)	(2,722,482)		-
Administrative expense	-	(60,285)		60,285
Net changes	2,167,199	(1,117,116)		3,284,315
Balance at 12/31/2018 Measurement Date	\$ 51,385,413	\$ 30,663,400		\$ 20,722,013

The following presents the net pension liability of the City calculated using a discount rate of 7.25%, 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	Plan Fiduciary Net Position	Net Pension Liability
1% Decrease in Discount Rate (6.25%)	\$ 58,076,428	\$ 30,663,400	\$ 27,413,028
Current Discount Rate (7.25%)	51,385,413	30,663,400	20,722,013
1% Increase in Discount Rate (8.25%)	45,818,312	30,663,400	15,154,912

**CITY OF FARGO, NORTH DAKOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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

For the year ended December 31, 2018, the City recognized pension expense of \$2,725,405. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Outflows</u>	<u>Inflows</u>
<b><u>Summary of Deferred Outflows (Inflows)</u></b>		
Difference between expected and actual liability	\$ 2,705,303	\$ -
Change of assumptions and methods	409,962	475,306
Net difference between projected and actual investment earnings	<u>2,003,419</u>	<u>-</u>
Total	\$ 5,118,684	\$ 475,306

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

<u>Year ended:</u>	<u>Future recognition</u>
2019	\$ 1,156,480
2020	770,967
2021	750,868
2022	1,292,736
2023	417,673
Thereafter	<u>254,654</u>
	\$ 4,643,378

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.

**CITY OF FARGO, NORTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**CITY OF FARGO, NORTH DAKOTA  
PENSION TRUST FUNDS  
COMBINING STATEMENT OF NET POSITION  
December 31, 2018**

	<b>CITY EMPLOYEES' PENSION</b>	<b>POLICE PENSION</b>	<b>TOTAL</b>
<b>ASSETS</b>			
Cash	\$ 115,534	\$ 110,980	\$ 226,514
Equity in pooled investments	232,815	164,057	396,872
Receivables:			
Accounts receivable	-	7,137	7,137
Interest	427	66,399	66,826
Total receivables	427	73,536	73,963
Investments, at fair value:			
Mutual funds	44,121,585	55,491,480	99,613,065
Total investments	44,121,585	55,491,480	99,613,065
Total assets	<u>\$ 44,470,361</u>	<u>\$ 55,840,053</u>	<u>\$ 100,310,414</u>
<b>LIABILITIES</b>			
Vouchers and benefits payable	\$ 31,249	\$ 3,338	\$ 34,587
<b>NET POSITION</b>			
Restricted for pension benefits	<u>\$ 44,439,112</u>	<u>\$ 55,836,715</u>	<u>\$ 100,275,827</u>

**CITY OF FARGO, NORTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**CITY OF FARGO, NORTH DAKOTA  
PENSION TRUST FUNDS  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
For the Year Ended December 31, 2018**

	<b>CITY EMPLOYEES' PENSION</b>	<b>POLICE PENSION</b>	<b>TOTAL</b>
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 2,012,265	\$ 2,996,109	\$ 5,008,374
Employer (Fargo Park District)	201,386	-	201,386
Employee	398,849	1,264,771	1,663,620
Employee (Fargo Park District)	82,409	-	82,409
Total contributions	<u>2,694,909</u>	<u>4,260,880</u>	<u>6,955,789</u>
Investment income			
Net depreciation in fair value of investments, and interest and dividends	(2,675,331)	(2,649,207)	(5,324,538)
Less investment expense	<u>(165,998)</u>	<u>(232,139)</u>	<u>(398,137)</u>
Net investment income (loss)	<u>(2,841,329)</u>	<u>(2,881,346)</u>	<u>(5,722,675)</u>
Total additions (deductions)	<u>(146,420)</u>	<u>1,379,534</u>	<u>1,233,114</u>
<b>DEDUCTIONS</b>			
Pension benefit payments	3,275,606	3,824,049	7,099,655
Member contribution refunds	77,749	269,173	346,922
Administrative expenses	<u>50,055</u>	<u>39,275</u>	<u>89,330</u>
Total deductions	<u>3,403,410</u>	<u>4,132,497</u>	<u>7,535,907</u>
Change in net position	(3,549,830)	(2,752,963)	(6,302,793)
Total net position - beginning	<u>47,988,942</u>	<u>58,589,678</u>	<u>106,578,620</u>
Total net position - ending	<u>\$ 44,439,112</u>	<u>\$ 55,836,715</u>	<u>\$ 100,275,827</u>

### **Related Party Investments**

During 2018 and as of December 31, 2018 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**

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

### **General Information about the OPEB Plan**

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

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to 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. 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



**CITY OF FARGO, NORTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

amount applied each year is shown as *"prefunded credit applied"* on the Statement of Changes in Plan Net Position for the OPEB trust funds.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

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

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

At 12/31/2018 the Employer reported a liability of \$2,336,627 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of 06/30/2018, 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 06/30/2018, the Employer's proportion was 2.966889 percent.

For the year ended 12/31/2018, the Employer recognized OPEB expense of \$307,285. At 12/31/2018, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Outflows</b>	<b>Inflows</b>
<b><u>Summary of Deferred Outflows (Inflows)</u></b>		
Differences between expected and actual experience	\$ 69,955	\$ 48,277
Changes of assumptions and methods	191,723	-
Net difference between projected and actual earnings on OPEB plan investments	-	50,267
Changes in proportion and differences between Employer contributions and proportionate share of contributions	126,344	8,363
Employer contributions subsequent to the measurement date	15,838	-
<b>Total</b>	<b>\$ 403,860</b>	<b>\$ 106,907</b>

\$15,838 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 12/31/2019.

**CITY OF FARGO, NORTH DAKOTA**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2018**

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:	Future recognition
2019	\$ 53,968
2020	38,130
2021	38,130
2022	60,313
2023	56,242
Thereafter	34,332
	<u>\$ 281,115</u>

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

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

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

The long-term expected 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, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	37%	7.15%
Small Cap Domestic Equities	9%	14.42%
International Equities	14%	8.83%
Core-Plus Fixed Income	40%	0.10%

**CITY OF FARGO, NORTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

**Discount rate.** The discount rate used to measure the total OPEB liability was 7.5%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be 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, 2018, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net OPEB liability	\$ 2,956,392	\$ 2,336,627	\$ 1,805,327

**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.

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

City of Fargo – 50%

**CITY OF FARGO, NORTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018**

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, Box 2806, 211 Ninth Street South, Fargo, ND 58108.

**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 January 15, 2019, the City of Fargo received a Notice of Order and Judgment related to an eminent domain action that commenced in February 2017 following the City's Resolution of Necessity to acquire a property by eminent domain. The District Court granted the City's motion for summary judgment on the issue of necessity in November 2018. A jury trial was completed on December 5, 2018 which determined fair compensation for the property to be \$850,000. The City deposited this money with the Clerk of District Court as permitted by the Order on Jury Verdict. The Court also awarded costs, fees and pre-judgment interest to the property owner in the amount of \$89,044.32 which the City deposited with the Clerk of District Court. The City obtained a Final Order of Condemnation Authorizing the City to take possession of the property. The property owner filed a Notice of Appeal to the North Dakota Supreme Court on the issue of necessity, among other issues, on May 10, 2019. The City is awaiting a decision on the appeal.

**CITY OF FARGO, NORTH DAKOTA  
REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2018**

**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>City of Fargo Employees' Pension Plan Schedule of Change in Net Pension Liability</b>					
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Total Pension Liability</b>					
Service Cost	\$ 632,671	\$ 469,907	\$ 487,463	\$ 529,173	\$ 557,997
Interest	4,113,116	4,019,115	4,000,397	4,014,233	3,646,552
Differences between expected and actual experience	74,079	409,699	232,443	(297,322)	138,298
Changes in assumptions and methods	(111,771)	(280,032)	(1,434,752)	174,274	3,112,904
Benefit payments, including refunds of member contributions	(3,353,355)	(3,216,427)	(2,803,193)	(2,644,555)	(2,404,469)
Net change in total pension liability	1,354,740	1,402,262	482,358	1,775,803	5,051,282
Total Pension Liability - beginning of year	57,976,637	56,574,375	56,092,017	54,316,214	49,264,932
Total Pension Liability - end of year (a)	<u>\$ 59,331,377</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	\$ 2,213,651	\$ 2,035,460	\$ 1,955,478	\$ 1,946,591	\$ 1,782,708
Contributions - member	481,258	503,548	564,107	596,282	626,300
Net investment income	(2,841,329)	6,769,009	2,590,225	122,865	2,220,334
Benefit payments, including member contribution refunds	(3,353,355)	(3,216,427)	(2,803,193)	(2,644,555)	(2,404,469)
Administrative expense	(50,056)	(55,719)	(50,264)	(43,830)	(48,178)
Other changes	-	6,149	4,209	-	-
Net change in plan fiduciary net position	(3,549,831)	6,042,020	2,260,562	(22,647)	2,176,695
Plan fiduciary net position - beginning of year	47,988,943	41,946,923	39,686,361	39,709,008	37,532,313
Plan fiduciary net position - end of year (b)	<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>
Net Pension Liability - end of year (a) - (b)	\$ 14,892,265	\$ 9,987,694	\$ 14,627,452	\$ 16,405,656	\$ 14,607,206

<b>City of Fargo Employees' Pension Plan Schedule of Employer Contributions</b>					
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Actuarially determined contribution (ADC)	\$ 1,745,338	\$ 2,262,115	\$ 2,324,774	\$ 1,980,838	\$ 1,569,560
Contributions in relation to the ADC	2,213,651	2,035,460	1,955,478	1,946,591	1,782,708
Contribution deficiency (excess)	<u>\$ (468,313)</u>	<u>\$ 226,655</u>	<u>\$ 369,296</u>	<u>\$ 34,247</u>	<u>\$ (213,148)</u>

<b>City of Fargo Employees' Pension Plan Schedule of Investment Returns</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	-5.9%	16.3%	6.6%	0.3%	5.9%

<b>City of Fargo Employees' Pension Plan Contributions and Net Pension Liability as a Percent of Payroll</b>					
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Payroll	\$ 20,993,347	\$ 21,459,747	\$ 21,788,871	\$ 22,786,760	\$ 23,051,797
Contributions as a percent of payroll	10.54%	9.49%	8.97%	8.54%	7.73%
Net pension liability as a percent of payroll	69.9%	46.5%	67.10%	72.0%	63.4%

**CITY OF FARGO, NORTH DAKOTA  
REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2018**

City of Fargo Employees' Pension Plan Schedule of Net Pension Liability - City of Fargo's Proportionate Share					
<u>Fiscal Year Ending</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
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%

City of Fargo Employees' Pension Plan Schedule of Employer Contributions - City of Fargo's Proportionate Share					
<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in relation to the required contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
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%

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

Schedule of Employer's Share of Net Pension Liability ND Public Employees Retirement System				
	As of measurement date of			
	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Employer's proportion of the net pension liability	3.156226%	2.912473%	2.742572%	2.611792%
Employer's proportionate share of the net pension liability	\$ 53,264,757	\$ 46,812,999	\$ 26,729,038	\$ 17,759,740
Employer's covered payroll	\$ 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	164.27%	157.45%	96.71%	76.33%
Plan fiduciary net position as a percentage of the total pension liability	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 ND Public Employees Retirement System				
	12/31/2018	12/31/2017	12/31/2016	12/31/2015
Statutorily required contribution	\$ 2,371,434	\$ 2,189,026	\$ 2,012,946	\$ 1,776,751
Contributions in relation to the statutorily required contribution	\$ (2,371,434)	\$ (2,189,026)	\$ (2,012,946)	\$ (1,776,751)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 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%

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

**CITY OF FARGO, NORTH DAKOTA  
REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2018**

**POLICE PENSION PLAN**

<b>City of Fargo Police Pension Plan Schedule of Change in Net Pension Liability</b>					
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Total Pension Liability</b>					
Service Cost	\$ 2,188,283	\$ 2,014,929	\$ 1,894,349	\$ 1,655,230	\$ 1,463,698
Interest	5,454,684	5,225,129	4,995,916	4,750,232	4,417,408
Differences between expected and actual experience	(390,727)	23,450	586,409	838,127	519,099
Changes in assumptions and methods	(179,362)	(284,113)	(568,315)	1,610,242	986,369
Benefit payments, including refunds of member contributions	(4,093,222)	(3,879,726)	(3,855,050)	(3,185,308)	(3,095,609)
Net change in total pension liability	2,979,656	3,099,669	3,053,309	5,668,523	4,290,965
Total Pension Liability - beginning of year	75,095,345	71,995,676	68,942,367	63,273,844	58,982,879
Total Pension Liability - end of year (a)	<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</b>					
Contributions - employer	\$ 2,996,110	\$ 2,907,142	\$ 2,599,313	\$ 2,338,069	\$ 2,516,258
Contributions - member	1,264,771	1,181,265	1,119,749	1,052,344	997,513
Net investment income	(2,881,346)	7,898,700	3,264,292	(75,555)	2,636,103
Benefit payments, including member contribution refunds	(4,093,222)	(3,879,726)	(3,855,050)	(3,185,308)	(3,095,609)
Administrative expense	(39,274)	(38,609)	(35,889)	(35,797)	(38,021)
Other changes	-	-	26,185	-	-
Net change in plan fiduciary net position	(2,752,961)	8,068,772	3,118,600	93,753	3,016,244
Plan fiduciary net position - beginning of year	58,589,678	50,520,906	47,402,306	47,308,553	44,292,309
Plan fiduciary net position - end of year (b)	<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>
Net Pension Liability - end of year (a) - (b)	\$ 22,238,284	\$ 16,505,667	\$ 21,474,770	\$ 21,540,061	\$ 15,965,291
FNP as a percentage of the TPL	71.52%	78.02%	70.17%	68.76%	74.77%
Covered Payroll	\$ 12,669,718	\$ 11,604,167	\$ 10,882,568	\$ 10,312,350	\$ 10,050,543
Net Pension Liability as a Percentage of Covered Payroll	175.52%	142.24%	197.33%	208.88%	158.85%

<b>City of Fargo Police Pension Plan Schedule of Employer Contributions</b>					
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Actuarially determined contribution (ADC)	\$ 2,987,966	\$ 3,331,157	\$ 3,205,550	\$ 2,422,703	\$ 2,059,933
Contributions in relation to the ADC	2,996,110	2,907,142	2,599,313	2,338,069	2,516,258
Contribution deficiency (excess)	<u>\$ (8,144)</u>	<u>\$ 424,015</u>	<u>\$ 606,237</u>	<u>\$ 84,634</u>	<u>\$ (456,325)</u>

<b>City of Fargo Police Pension Plan Schedule of Investment Returns</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	-4.9%	15.6%	6.9%	-0.2%	5.9%

<b>City of Fargo Police Pension Plan Contributions and Net Pension Liability as a Percent of Payroll</b>					
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Payroll	\$ 12,669,718	\$ 11,604,167	\$ 10,882,568	\$ 10,312,350	\$ 10,050,543
Contributions as a percent of payroll	23.7%	25.1%	23.89%	22.67%	25.04%
Net pension liability as a percent of payroll	175.5%	142.2%	197.33%	208.90%	158.85%



**CITY OF FARGO, NORTH DAKOTA  
REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2018**

**FARGO FIREFIGHTERS' RELIEF ASSOCIATION RETIREMENT PLAN**

<b>Fargo Firefighters Pension Association Pension Plan Schedule of Change in Net Pension Liability</b>					
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Total Pension Liability</b>					
Service Cost	\$ 1,139,344	\$ 1,065,668	\$ 1,033,817	\$ 942,970	\$ 882,740
Interest	3,552,233	3,285,670	3,107,060	3,020,513	2,656,719
Differences between expected and actual experience	244,951	2,074,434	1,380,692	164,724	(114,152)
Changes in assumptions and methods	(46,847)	(133,772)	(537,815)	783,502	3,642,866
Benefit payments, including refunds of member contributions	(2,722,482)	(2,655,413)	(2,448,614)	(2,391,530)	(2,164,096)
Net change in total pension liability	2,167,199	3,636,587	2,535,140	2,520,179	4,904,077
Total Pension Liability - beginning of year	49,218,214	45,581,627	43,046,487	40,526,308	35,622,231
Total Pension Liability - end of year (a)	<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</b>					
Contributions - employer	\$ 2,486,861	\$ 2,139,153	\$ 1,916,012	\$ 1,889,722	\$ 1,661,219
Contributions - member	825,550	779,473	769,780	744,739	723,023
Net investment income	(1,646,760)	4,665,107	1,711,824	(54,881)	1,417,654
Benefit payments, including member contribution refunds	(2,722,482)	(2,655,413)	(2,448,614)	(2,391,530)	(2,164,096)
Administrative expense	(60,285)	(60,855)	(45,295)	(52,707)	(64,290)
Net change in plan fiduciary net position	(1,117,116)	4,867,465	1,903,707	135,343	1,573,510
Plan fiduciary net position - beginning of year	31,780,516	26,913,051	25,009,344	24,874,001	23,300,491
Plan fiduciary net position - end of year (b)	<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>
<b>Net Pension Liability - end of year (a) - (b)</b>	\$ 20,722,013	\$ 17,437,698	\$ 18,668,576	\$ 18,037,143	\$ 15,652,307
<b>FNP as a percentage of the TPL</b>	59.67%	64.57%	59.04%	58.10%	61.38%
<b>Covered Payroll</b>	\$ 7,966,082	\$ 7,487,808	\$ 7,362,577	\$ 7,129,995	\$ 6,813,000
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	260.13%	232.88%	253.56%	252.98%	229.74%

<b>Fargo Firefighters Pension Association Pension Plan Schedule of Employer Contributions</b>					
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Actuarially determined contribution (ADC)	\$ 2,484,690	\$ 2,466,528	\$ 2,312,759	\$ 1,995,062	\$ 1,542,399
Contributions in relation to the ADC	2,486,861	2,139,153	1,916,012	1,889,722	1,661,219
Contribution deficiency (excess)	<u>\$ (2,171)</u>	<u>\$ 327,375</u>	<u>\$ 396,747</u>	<u>\$ 105,340</u>	<u>\$ (118,820)</u>

<b>Fargo Firefighters Pension Association Pension Plan Schedule of Investment Returns</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	-5.1%	17.3%	6.8%	-0.2%	6.0%

<b>Fargo Firefighters Pension Association Pension Plan Contributions and Net Pension Liability as a Percent of Payroll</b>					
	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Payroll	\$ 7,966,082	\$ 7,487,808	\$ 7,362,577	\$ 7,129,995	\$ 6,813,000
Contributions as a percent of payroll	31.2%	28.6%	26.0%	26.5%	24.4%
Net pension liability as a percent of payroll	260.13%	232.88%	253.56%	252.98%	229.74%

**CITY OF FARGO, NORTH DAKOTA  
REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2018**

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

<b>Schedule of Employer's Share of Net OPEB Liability ND Public Employees Retirement System OPEB Plan</b>		
	<u>As of measurement date of</u>	
	<u>6/30/2018</u>	
Employer's proportion of the net OPEB Liability		2.966889%
Employer's proportionate share of the net OPEB liability	\$	2,336,627
Employer's covered payroll	\$	32,464,199
Employer's proportionate share of the net OPEB liability as a percentage of its covered payroll		7.20%
Plan fiduciary net position as a percentage of the total OPEB liability		61.89%

<b>Schedule of Employer Contributions ND Public Employees Retirement System OPEB Plan</b>		
		<u>12/31/2018</u>
Statutorily required contribution	\$	370,092
Contributions in relation to the statutorily required contribution	\$	(370,092)
Contribution deficiency (excess)	\$	-
Employer's covered payroll	\$	32,464,199
Contributions as a percentage of covered payroll		1.14%

**Changes of assumptions**

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2018 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.