

CITY OF FARGO, NORTH DAKOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 122,743	\$ 37,403,232	\$ 37,525,975
Investments	119,393,257	-	119,393,257
Equity in pooled investments	84,964,599	7,932,798	92,897,397
Receivables (net of allowance for uncollectibles):			
Interest	228,785	-	228,785
Taxes	390,271	12,065	402,336
Accounts	5,784,162	7,339,580	13,123,742
Sales tax	8,725,050	-	8,725,050
Special assessments	461,176,270	29,610	461,205,880
Intergovernmental	17,823,116	1,569,715	19,392,831
Loans	2,194,940	-	2,194,940
Internal balances	(3,757,638)	3,757,638	-
Inventory	1,796,971	1,027,884	2,824,855
Prepaid expenses	2,478,541	337,267	2,815,808
Property held for resale	2,536,863	-	2,536,863
Net pension asset	54,705	32,189	86,894
Restricted assets:			
Equity in pooled investments	-	4,266,975	4,266,975
Investments	-	47,772,933	47,772,933
Capital assets not being depreciated:			
Land	104,332,960	43,887,677	148,220,637
Construction in progress	30,103,397	67,606,851	97,710,248
Intangible - Right-of-way Easements	12,579,840	420,036	12,999,876
Intangible - Water Rights	-	500,000	500,000
Capital assets (net of accumulated depreciation):			
Buildings	102,845,281	265,823,262	368,668,543
Improvements other than buildings	7,179,845	28,973,401	36,153,246
Machinery and equipment	19,580,514	34,063,062	53,643,576
Infrastructure	282,587,633	491,459,426	774,047,059
Flood Control	72,542,829	-	72,542,829
Total assets	<u>1,335,664,934</u>	<u>1,044,215,601</u>	<u>2,379,880,535</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow of resources related to pension	52,001,262	17,157,824	69,159,086
Deferred outflow of resources related to OPEB	480,307	173,802	654,109
Total deferred outflows of resources	<u>52,481,569</u>	<u>17,331,626</u>	<u>69,813,195</u>
LIABILITIES			
Vouchers payable	13,755,158	3,735,404	17,490,562
Retainage payable	1,405,566	3,830,467	5,236,033
Accrued payroll	3,675,606	207,374	3,882,980
Accrued interest payable	4,533,557	529,365	5,062,922
Accrued interest payable from restricted assets	-	953,723	953,723
Special assessments payable	797,316	536,068	1,333,384
Unearned revenue	1,795,275	3,914,709	5,709,984
Deposits	495,938	7,418	503,356
Debt			
Current debt - due within one year	89,787,522	1,840,412	91,627,934
Current debt - due within one year payable from restricted assets	-	4,599,199	4,599,199
Noncurrent debt - due in more than one year	745,818,069	166,831,504	912,649,573
Net pension liability	97,047,930	27,447,780	124,495,710
Net OPEB liability	1,937,190	688,231	2,625,421
Total liabilities	<u>961,049,127</u>	<u>215,121,654</u>	<u>1,176,170,781</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow of resources related to pension	27,299,226	6,009,005	33,308,231
Deferred Inflow of resources related to OPEB	55,278	18,944	74,222
Total deferred Inflows of resources	<u>27,354,504</u>	<u>6,027,949</u>	<u>33,382,453</u>
NET POSITION			
Net investment in capital assets	152,409,494	769,927,969	922,337,463
Restricted for:			
Debt service	138,499,891	5,552,922	144,052,813
Specific projects and programs	9,557,074	-	9,557,074
Capital improvements	21,991,212	47,772,933	69,764,145
Unrestricted	77,285,201	17,143,800	94,429,001
Total net position	<u>\$ 399,742,872</u>	<u>\$ 840,397,624</u>	<u>\$ 1,240,140,496</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, 2020**

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	\$ 24,328,279	\$ 2,750,524	\$ 923,638	\$ -	\$ (20,654,117)	\$ -	\$ (20,654,117)
Public safety	39,366,726	6,675,823	16,724,755	417,860	(15,548,288)	-	(15,548,288)
Public works	90,683,363	8,972,236	679,312	93,817,555	12,785,740	-	12,785,740
Public health and welfare	21,646,822	2,380,936	12,290,703	-	(6,975,183)	-	(6,975,183)
Recreation and culture	8,869,345	180,898	247,467	-	(8,440,980)	-	(8,440,980)
Urban redevelopment	1,740,816	459,849	1,067,957	14,233	(198,777)	-	(198,777)
Transportation	13,541,248	3,857,806	7,032,637	2,335,777	(315,028)	-	(315,028)
Economic development	100,000	-	-	-	(100,000)	-	(100,000)
General support and unallocated	1,228,890	-	-	-	(1,228,890)	-	(1,228,890)
Interest and fiscal charges	24,412,629	-	-	-	(24,412,629)	-	(24,412,629)
Total governmental activities	225,918,118	25,278,072	38,966,469	96,585,425	(65,088,152)	-	(65,088,152)
Business-type activities:							
Municipal airport authority	10,359,737	6,722,634	4,072,632	11,165,916	-	11,601,445	11,601,445
Water	25,684,536	23,773,689	-	262,770	-	(1,648,077)	(1,648,077)
Wastewater	14,193,049	12,266,270	-	-	-	(1,926,779)	(1,926,779)
Storm sewer	6,986,738	3,032,860	-	-	-	(3,953,878)	(3,953,878)
Solid waste	11,755,799	17,156,780	-	-	-	5,400,981	5,400,981
Fargodome	9,442,827	1,837,932	71,339	-	-	(7,533,556)	(7,533,556)
Southeast Cass	99,473	58,998	-	-	-	(40,475)	(40,475)
Vector control	390,044	748,016	-	-	-	357,972	357,972
Street lighting	4,527,542	3,514,060	-	-	-	(1,013,482)	(1,013,482)
Forestry	2,179,408	2,065,013	-	-	-	(114,395)	(114,395)
Total business-type activities	85,619,153	71,176,252	4,143,971	11,428,686	-	1,129,756	1,129,756
Total	\$ 311,537,271	\$ 96,454,324	\$ 43,110,440	\$ 108,014,111	(65,088,152)	1,129,756	(63,958,396)

General revenues:

Taxes:		
Property taxes		31,722,101
Sales taxes		49,146,842
Gross business receipts taxes		4,920,360
Lodging taxes		1,268,373
Other taxes		1,563,737
Unrestricted intergovernmental		6,365,987
Unrestricted investment earnings		6,138,825
Miscellaneous revenue		1,483,134
Transfers		1,359,156
Total general revenues and transfers		103,968,515
Change in net position		38,880,363
Net position - beginning		360,862,509
Net position - ending		\$ 399,742,872
		1,159,827
		-
		-
		-
		-
		5,225,915
		2,504,945
		(1,359,156)
		7,531,531
		8,661,287
		831,736,337
		\$ 840,397,624
		32,881,928
		49,146,842
		4,920,360
		1,268,373
		1,563,737
		6,365,987
		11,364,740
		3,988,079
		-
		111,500,046
		47,541,650
		1,192,598,846
		\$ 1,240,140,496

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

CITY OF FARGO, NORTH DAKOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2020

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 122,743	\$ -	\$ -	\$ -	\$ 122,743
Investments	-	119,393,257	-	-	119,393,257
Equity in pooled investments	34,305,914	49,192,053	-	1,466,632	84,964,599
Receivables (net of allowance for uncollectibles):					
Interest	97,850	83,484	47,451	-	228,785
Taxes	298,080	85,555	-	6,636	390,271
Accounts	5,122,633	22,822	334,926	303,781	5,784,162
Sales tax	-	2,181,262	6,543,788	-	8,725,050
Special assessments	330,011	460,271,423	29,218	545,618	461,176,270
Intergovernmental	8,802,587	-	4,521,780	4,498,749	17,823,116
Due from other funds	3,033,393	5,627,077	-	441,446	9,101,916
Loans	-	-	-	2,194,940	2,194,940
Advances to other funds	1,054,697	-	-	-	1,054,697
Inventory	1,796,971	-	-	-	1,796,971
Prepaid items	1,711,079	-	746,707	20,755	2,478,541
Property held for resale	-	-	2,500,000	36,863	2,536,863
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 56,675,958</u>	<u>\$ 636,856,933</u>	<u>\$ 14,723,870</u>	<u>\$ 9,515,420</u>	<u>\$ 717,772,181</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Vouchers payable	\$ 2,783,800	\$ 78,755	\$ 9,381,775	\$ 1,510,828	\$ 13,755,158
Contract retainage payable	-	-	1,400,235	5,331	1,405,566
Advances from other funds	-	-	3,552,169	1,260,166	4,812,335
Due to other funds	-	-	5,627,077	3,474,839	9,101,916
Accrued payroll	3,640,915	-	2,082	32,609	3,675,606
Special assessments payable	3,845	5,261	38,020	750,190	797,316
Unearned revenue	28,566	-	230,406	1,536,303	1,795,275
Deposits	301,718	-	194,220	-	495,938
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>6,758,844</u>	<u>84,016</u>	<u>20,425,984</u>	<u>8,570,266</u>	<u>35,839,110</u>
Deferred inflows of resources					
Unavailable revenue	<u>3,974,122</u>	<u>442,842,773</u>	<u>829,521</u>	<u>1,205,149</u>	<u>448,851,565</u>
Fund balances					
Nonspendable	4,562,747	-	746,707	20,755	5,330,209
Restricted	5,515,852	193,930,144	-	1,409,681	200,855,677
Committed	1,000,015	-	-	-	1,000,015
Assigned	234,832	-	-	-	234,832
Unassigned	34,629,546	-	(7,278,342)	(1,690,431)	25,660,773
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balance (deficit)	<u>45,942,992</u>	<u>193,930,144</u>	<u>(6,531,635)</u>	<u>(259,995)</u>	<u>233,081,506</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 56,675,958</u>	<u>\$ 636,856,933</u>	<u>\$ 14,723,870</u>	<u>\$ 9,515,420</u>	<u>\$ 717,772,181</u>

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

**CITY OF FARGO, NORTH DAKOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2020**

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

Total fund balance - governmental funds	\$	233,081,506
Capital assets used in governmental activities are not financial resources and therefore not reported in the fund financial statements		631,752,299
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		448,851,565
Net pension asset and liability and pension related deferred outflows and inflows of resources are not due in the current period and, therefore, are not reported in the funds		(72,291,189)
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		(1,512,161)
Liabilities that are not due and payable in the current period and therefore not reported in the governmental funds		<u>(840,139,148)</u>
Net position of governmental activities	\$	<u><u>399,742,872</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, 2020

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 35,707,423	\$ 14,222,322	\$ 36,860,132	\$ 1,908,750	\$ 88,698,627
Special assessments	-	48,152,839	29,218	544,489	48,726,546
Licenses and permits	5,737,598	-	-	-	5,737,598
Intergovernmental revenues	41,895,083	6,889,539	19,106,884	8,405,348	76,296,854
Charges for services	14,388,776	-	-	1,906,647	16,295,423
Fines and forfeits	1,637,895	-	-	24,470	1,662,365
Investment income	4,458,511	952,533	727,784	-	6,138,828
Miscellaneous revenues	1,008,855	704,845	334,835	296,777	2,345,312
Total revenues	104,834,141	70,922,078	57,058,853	13,086,481	245,901,553
EXPENDITURES					
Current:					
General government	18,868,072	-	933,957	468,915	20,270,944
Public safety	41,073,153	-	281,939	262,735	41,617,827
Public works	12,550,904	13,375	59,652,173	1,117,188	73,333,640
Public health & welfare	11,782,363	-	21,426	6,041,323	17,845,112
Recreation and culture	5,277,791	-	36,714	1,889,446	7,203,951
Urban redevelopment	-	42,613	28,199	1,550,306	1,621,118
Public transportation	8,382,883	-	150,641	1,780,586	10,314,110
Economic development	100,000	-	-	-	100,000
General support	1,228,890	-	-	-	1,228,890
Capital outlay	785,032	-	68,012,902	944,435	69,742,369
Debt service:					
Principal	113,681	34,457,963	-	-	34,571,644
Interest and fiscal charges	8,917	26,390,581	-	-	26,399,498
Total expenditures	100,171,686	60,904,532	129,117,951	14,054,934	304,249,103
Excess (deficiency) of revenues over (under) expenditures	4,662,455	10,017,546	(72,059,098)	(968,453)	(58,347,550)
OTHER FINANCING SOURCES (USES)					
Transfers in	14,533,651	3,478,857	22,323,121	1,204,290	41,539,919
Transfers out	(7,208,589)	(9,478,954)	(272,329)	(773,765)	(17,733,637)
Loans issued	-	37,352	502,894	-	540,246
Bonds issued	-	91,647,169	40,457,831	-	132,105,000
Bond premium	-	3,015,879	2,053,122	-	5,069,001
Capital lease	270,750	-	-	-	270,750
Total other financing sources (uses)	7,595,812	88,700,303	65,064,639	430,525	161,791,279
Net change in fund balances	12,258,267	98,717,849	(6,994,459)	(537,928)	103,443,729
Fund balance (deficit) - beginning of year	33,684,725	95,212,295	462,824	277,933	129,637,777
Fund balance (deficit) - end of year	\$ 45,942,992	\$ 193,930,144	\$ (6,531,635)	\$ (259,995)	\$ 233,081,506

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, 2020**

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

Net change in fund balances - total governmental funds	\$	103,443,729
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.		47,964,911
Capital assets transferred to enterprise funds.		(22,447,126)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.		1,617,584
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		15,865,701
Changes to net pension asset and liability and pension related deferred outflows and inflows do not require the use of current financial resources and therefore are not reported in the governmental funds		(5,393,236)
Changes to net OPEB liability and OPEB related deferred outflows and inflows do not require the use of current financial resources and therefore are not reported in the governmental funds		(23,266)
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.		(103,413,353)
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.		1,265,419
Change in net position of governmental activities	\$	<u><u>38,880,363</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, 2020

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 36,076,800	\$ 36,310,800	\$ 35,707,423	\$ (603,377)
Licenses & permits	5,042,250	5,320,250	5,737,598	417,348
Intergovernmental revenues	23,283,383	28,454,937	41,895,083	13,440,146
Charges for services	16,217,253	15,094,605	14,388,776	(705,829)
Fines and forfeits	2,437,500	1,705,500	1,637,895	(67,605)
Investment income	3,980,700	3,458,200	4,458,511	1,000,311
Miscellaneous revenues	1,848,614	1,848,614	1,008,855	(839,759)
Total revenues	<u>88,886,500</u>	<u>92,192,906</u>	<u>104,834,141</u>	<u>12,641,235</u>
EXPENDITURES				
Current:				
General government	19,383,975	19,552,279	18,868,072	684,207
Public safety	41,209,307	40,849,989	41,073,153	(223,164)
Public works	12,751,518	12,512,130	12,550,904	(38,774)
Public health & welfare	11,831,613	12,336,950	11,782,363	554,587
Recreation & culture	5,513,618	5,474,881	5,277,791	197,090
Public transportation	9,161,560	9,169,528	8,382,883	786,645
Economic development	-	400,000	100,000	300,000
General support	(836,852)	(536,852)	1,228,890	(1,765,742)
Capital outlay	657,367	993,867	785,032	208,835
Debt service:				
Principal	-	113,681	113,681	-
Interest and fiscal charges	-	8,917	8,917	-
Total expenditures	<u>99,672,106</u>	<u>100,875,370</u>	<u>100,171,686</u>	<u>703,684</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(10,785,606)</u>	<u>(8,682,464)</u>	<u>4,662,455</u>	<u>13,344,919</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	14,286,000	13,808,000	14,533,651	725,651
Transfers out	(3,462,894)	(5,178,774)	(7,208,589)	(2,029,815)
Capital lease	-	-	270,750	270,750
Total other financing sources (uses)	<u>10,823,106</u>	<u>8,629,226</u>	<u>7,595,812</u>	<u>(1,033,414)</u>
Net change in fund balances	<u>37,500</u>	<u>(53,238)</u>	12,258,267	<u>12,311,505</u>
Fund balance - beginning of year			<u>33,684,725</u>	
Fund balance - end of year			<u>\$ 45,942,992</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, 2020

	Business Type Activities-Proprietary Funds							
	Airport	Water	Wastewater	Storm Sewer	Solid Waste	FargoDome	Other Proprietary Funds	Total
ASSETS								
Current assets								
Cash	\$ 32,267,667	\$ 50	\$ 50	\$ -	\$ 300	\$ 5,135,115	\$ 50	\$ 37,403,232
Equity in pooled investments	2,688,980	2,364,749	1,154,438	103,697	-	-	1,620,934	7,932,798
Receivables (net of allowance for uncollectibles):								
Special assessments	-	6,732	-	-	-	-	22,878	29,610
Taxes	12,065	-	-	-	-	-	-	12,065
Accounts	766,215	2,481,021	1,488,142	359,854	1,186,058	215,222	843,068	7,339,580
Intergovernmental	1,569,715	-	-	-	-	-	-	1,569,715
Due from other funds	-	-	1,913,228	-	-	-	-	1,913,228
Advances to other funds	-	1,928,323	2,091,500	-	53,230	-	-	4,073,053
Inventory	-	607,216	-	-	-	31,817	388,851	1,027,884
Prepaid expenses	25,803	84,370	25,857	5,557	56,032	126,786	12,862	337,267
Restricted equity in pooled investments	-	3,614,622	298,091	-	-	354,262	-	4,266,975
Total current assets	<u>37,330,445</u>	<u>11,087,083</u>	<u>6,971,306</u>	<u>469,108</u>	<u>1,295,620</u>	<u>5,863,202</u>	<u>2,888,643</u>	<u>65,905,407</u>
Noncurrent assets								
Net pension asset	4,088	10,056	4,406	26	11,340	-	2,273	32,189
Restricted assets								
Investments	-	-	-	-	-	47,772,933	-	47,772,933
Capital assets								
Land	8,516,547	5,241,608	583,744	27,331,248	2,214,530	-	-	43,887,677
Right of way	-	-	289,090	130,946	-	-	-	420,036
Construction in progress	11,914,183	3,804,266	29,329,834	21,369,274	126,519	1,062,775	-	67,606,851
Intangible	-	500,000	-	-	-	-	-	500,000
Buildings	27,307,183	217,913,062	61,021,419	-	5,699,195	59,351,015	-	371,291,874
Improvements other than buildings	2,531,888	2,125,008	2,291,924	3,714,279	29,097,560	6,064,049	-	45,824,708
Machinery and equipment	13,776,749	12,222,914	20,924,225	7,847,136	22,264,373	26,411,438	2,057,321	105,504,156
Infrastructure	122,497,481	148,998,233	165,438,838	242,610,777	6,158	-	48,560,492	728,111,979
Less accumulated depreciation	<u>(76,274,728)</u>	<u>(81,276,085)</u>	<u>(80,381,959)</u>	<u>(81,168,418)</u>	<u>(27,403,378)</u>	<u>(60,967,124)</u>	<u>(22,941,874)</u>	<u>(430,413,566)</u>
Total capital assets (net of accumulated depreciation)	<u>110,269,303</u>	<u>309,529,006</u>	<u>199,497,115</u>	<u>221,835,242</u>	<u>32,004,957</u>	<u>31,922,153</u>	<u>27,675,939</u>	<u>932,733,715</u>
Total noncurrent assets	<u>110,273,391</u>	<u>309,539,062</u>	<u>199,501,521</u>	<u>221,835,268</u>	<u>32,016,297</u>	<u>79,695,086</u>	<u>27,678,212</u>	<u>980,538,837</u>
Total assets	<u>\$ 147,603,836</u>	<u>\$ 320,626,145</u>	<u>\$ 206,472,827</u>	<u>\$ 222,304,376</u>	<u>\$ 33,311,917</u>	<u>\$ 85,558,288</u>	<u>\$ 30,566,855</u>	<u>\$ 1,046,444,244</u>
DEFERRED OUTFLOWS OF RESOURCES								
Deferred outflows of resources related to pension	2,072,585	4,455,046	2,153,663	873,924	3,454,238	2,485,862	1,662,506	17,157,824
Deferred outflows of resources related to OPEB	20,659	46,084	22,003	8,757	34,542	26,066	15,691	173,802
Total deferred outflows of resources	<u>2,093,244</u>	<u>4,501,130</u>	<u>2,175,666</u>	<u>882,681</u>	<u>3,488,780</u>	<u>2,511,928</u>	<u>1,678,197</u>	<u>17,331,626</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, 2020

	Business Type Activities-Proprietary Funds							
	Airport	Water	Wastewater	Storm Sewer	Solid Waste	FargoDome	Other Proprietary Funds	Total
LIABILITIES								
Current liabilities								
Vouchers payable	\$ 692,077	\$ 682,090	\$ 1,487,727	\$ 26,654	\$ 176,836	\$ 452,465	\$ 217,555	\$ 3,735,404
Retainage payable	802,289	9,960	2,969,144	-	2,422	46,652	-	3,830,467
Interest payable	-	34,796	46,002	163,205	206,902	78,460	-	529,365
Advances from other funds	-	-	-	-	315,415	-	-	315,415
Due to other funds	-	-	-	-	1,400,683	-	512,545	1,913,228
Accrued payroll	30,657	52,861	23,307	7,149	49,878	24,091	19,431	207,374
Current portion of special assessments	-	38,163	62,543	151,129	227,201	57,032	-	536,068
Current portion of capital lease	-	1,325	-	-	591,000	-	-	592,325
Accrued vacation payable	210,209	322,792	163,119	57,181	269,046	115,025	110,715	1,248,087
Unearned revenue	-	-	-	-	-	3,914,709	-	3,914,709
Deposits	-	(56)	-	-	-	7,474	-	7,418
Current liabilities payable from restricted assets:								
Current portion of long-term debt	-	2,965,000	86,836	-	812,363	735,000	-	4,599,199
Accrued interest and other	-	649,622	211,255	-	61,098	31,748	-	953,723
Total current liabilities	<u>1,735,232</u>	<u>4,756,553</u>	<u>5,049,933</u>	<u>405,318</u>	<u>4,112,844</u>	<u>5,462,656</u>	<u>860,246</u>	<u>22,382,782</u>
Noncurrent liabilities								
Landfill closure accruals	-	-	-	-	5,486,375	-	-	5,486,375
Long-term debt, net of current portion:								
Special assessments payable	-	821,409	886,829	2,848,075	4,177,002	1,524,996	-	10,258,311
Capital lease	-	3,474	-	-	1,451,064	-	-	1,454,538
Revenue bonds, net of deferred amount of refunding	-	-	-	-	1,852,348	-	-	1,852,348
Annual appropriation bond	-	-	-	-	-	4,900,000	-	4,900,000
Notes payable	-	95,392,199	46,587,733	-	900,000	-	-	142,879,932
Net pension liability	3,440,599	7,246,325	3,542,128	1,461,189	5,742,093	3,417,017	2,598,429	27,447,780
Net OPEB liability	82,640	182,874	88,203	35,165	139,878	103,317	56,154	688,231
Total noncurrent liabilities	<u>3,523,239</u>	<u>103,646,281</u>	<u>51,104,893</u>	<u>4,344,429</u>	<u>19,748,760</u>	<u>9,945,330</u>	<u>2,654,583</u>	<u>194,967,515</u>
Total liabilities	<u>5,258,471</u>	<u>108,402,834</u>	<u>56,154,826</u>	<u>4,749,747</u>	<u>23,861,604</u>	<u>15,407,986</u>	<u>3,514,829</u>	<u>217,350,297</u>
DEFERRED INFLOWS OF RESOURCES								
Deferred inflows of resources related to pension	733,003	1,652,565	778,305	194,454	1,508,927	591,490	550,261	6,009,005
Deferred inflows of resources related to OPEB	2,322	5,065	2,488	996	4,024	2,848	1,201	18,944
Total deferred inflows of resources	<u>735,325</u>	<u>1,657,630</u>	<u>780,793</u>	<u>195,450</u>	<u>1,512,951</u>	<u>594,338</u>	<u>551,462</u>	<u>6,027,949</u>
NET POSITION								
Net investment in capital assets	110,269,303	213,922,058	152,171,265	218,836,038	21,993,979	25,059,387	27,675,939	769,927,969
Restricted for:								
Debt service	-	3,614,622	298,091	-	873,461	766,748	-	5,552,922
Capital improvements	-	-	-	-	-	47,772,933	-	47,772,933
Unrestricted	33,433,981	(2,469,869)	(756,482)	(594,178)	(11,441,298)	(1,531,176)	502,822	17,143,800
Total net position	<u>\$ 143,703,284</u>	<u>\$ 215,066,811</u>	<u>\$ 151,712,874</u>	<u>\$ 218,241,860</u>	<u>\$ 11,426,142</u>	<u>\$ 72,067,892</u>	<u>\$ 28,178,761</u>	<u>\$ 840,397,624</u>

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, 2020

Business Type Activities-Proprietary Funds

	Airport	Water	Wastewater	Storm Sewer	Solid Waste	FargoDome	Other Proprietary Funds	Total
OPERATING REVENUES								
Charges for services	\$ 6,722,634	\$ 23,773,689	\$ 12,266,270	\$ 3,032,860	\$ 17,156,780	\$ 1,837,932	\$ 6,386,087	\$ 71,176,252
OPERATING EXPENSES								
Personnel services	3,297,817	5,884,047	2,596,089	889,010	4,874,128	3,052,600	2,207,007	22,800,698
Other services	1,404,491	3,997,996	2,934,474	185,727	2,304,874	1,734,735	1,216,610	13,778,907
Materials and supplies	873,784	5,707,500	2,213,828	174,828	1,502,306	93,822	1,681,251	12,247,319
Depreciation	4,721,103	7,601,751	5,712,917	5,573,968	2,511,992	4,277,229	2,091,599	32,490,559
Total operating expenses	10,297,195	23,191,294	13,457,308	6,823,533	11,193,300	9,158,386	7,196,467	81,317,483
Operating income (loss)	(3,574,561)	582,395	(1,191,038)	(3,790,673)	5,963,480	(7,320,454)	(810,380)	(10,141,231)
NONOPERATING REVENUES (EXPENSES)								
Gain (loss) on disposal of assets	8,630	18	4,179	(81,760)	(208,164)	69,718	17,544	(189,835)
Investment income (expense)	255,454	4,535	-	-	-	4,965,926	-	5,225,915
Interest expense and bond fees	(62,542)	(2,493,242)	(735,741)	(163,205)	(562,499)	(284,441)	-	(4,301,670)
General property tax revenue	1,159,827	-	-	-	-	-	-	1,159,827
Federal grant revenue	4,072,632	-	-	-	-	71,339	-	4,143,971
Insurance recovery	-	-	-	-	-	1,000,000	-	1,000,000
Miscellaneous revenue (expense)	177,782	4,803	-	-	88,791	577	6,973	278,926
Sale of byproducts	-	-	1,240,071	-	175,783	-	-	1,415,854
Total nonoperating revenues (expenses)	5,611,783	(2,483,886)	508,509	(244,965)	(506,089)	5,823,119	24,517	8,732,988
Income (loss) before contributions and transfers	2,037,222	(1,901,491)	(682,529)	(4,035,638)	5,457,391	(1,497,335)	(785,863)	(1,408,243)
Capital contributions	11,165,916	7,162,795	3,656,531	9,052,324	-	-	2,838,246	33,875,812
Transfers in:								
Debt Service	-	48,285	-	-	-	-	-	48,285
Enterprise	-	-	-	-	-	-	300,000	300,000
Transfers out:								
General	(90,000)	(4,758,738)	(3,075,000)	(454,000)	(3,530,913)	(50,000)	(1,125,000)	(13,083,651)
Capital projects	-	(3,361,409)	(5,536,460)	(996,508)	-	-	(876,539)	(10,770,916)
Enterprise	-	-	(300,000)	-	-	-	-	(300,000)
Change in net position	13,113,138	(2,810,558)	(5,937,458)	3,566,178	1,926,478	(1,547,335)	350,844	8,661,287
Total net position - beginning	130,590,146	217,877,369	157,650,332	214,675,682	9,499,664	73,615,227	27,827,917	831,736,337
Total net position - ending	<u>\$ 143,703,284</u>	<u>\$ 215,066,811</u>	<u>\$ 151,712,874</u>	<u>\$ 218,241,860</u>	<u>\$ 11,426,142</u>	<u>\$ 72,067,892</u>	<u>\$ 28,178,761</u>	<u>\$ 840,397,624</u>

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, 2020**

	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	\$ 6,625,603	\$ 23,202,211	\$ 11,941,748	\$ 2,980,511	\$ 17,004,327	\$ (280,350)	\$ 6,264,911	\$ 67,738,961
Payments to suppliers	(2,974,095)	(10,837,354)	(3,388,461)	(324,164)	(3,956,023)	(2,035,702)	(2,867,037)	(26,382,836)
Payments to employees	(2,357,317)	(3,840,952)	(1,748,616)	(537,413)	(3,335,397)	(1,729,139)	(1,394,489)	(14,943,323)
Payments of benefits on behalf of employees	(653,479)	(1,263,360)	(498,490)	(122,519)	(1,208,142)	(741,060)	(426,099)	(4,913,149)
Net cash provided (used) by operating activities	<u>640,712</u>	<u>7,260,545</u>	<u>6,306,181</u>	<u>1,996,415</u>	<u>8,504,765</u>	<u>(4,786,251)</u>	<u>1,577,286</u>	<u>21,499,653</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Transfers to other funds	(90,000)	(8,120,147)	(8,911,460)	(1,450,508)	(3,530,913)	(50,000)	(2,001,539)	(24,154,567)
Transfers from other funds	-	48,285	-	-	-	-	300,000	348,285
Property taxes	1,165,414	-	-	-	-	-	-	1,165,414
Federal operating grants	3,446,403	-	-	-	-	71,339	-	3,517,742
Insurance recovery	-	-	-	-	-	1,000,000	-	1,000,000
Payments received on interfund borrowing	-	-	926,918	-	-	-	335,866	1,262,784
Payments made for interfund borrowing	-	-	-	(173,099)	(1,089,685)	-	-	(1,262,784)
Net cash provided (used) by noncapital financing activities	<u>4,521,817</u>	<u>(8,071,862)</u>	<u>(7,984,542)</u>	<u>(1,623,607)</u>	<u>(4,620,598)</u>	<u>1,021,339</u>	<u>(1,365,673)</u>	<u>(18,123,126)</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Proceeds from sale of assets	6,800	1,288	4,179	-	233,460	97,722	17,544	360,993
Proceeds from byproduct sales	-	-	1,240,071	-	175,783	-	-	1,415,854
Payments received on advances to other funds	-	154,523	-	-	-	-	-	154,523
Payments made for advances to other funds	-	-	-	-	-	-	-	-
Capital debt proceeds	-	2,724,150	18,949,360	-	-	-	-	21,673,510
Acquisition of capital assets	(12,023,646)	(2,257,297)	(23,879,353)	-	(1,762,264)	(1,370,096)	(357,745)	(41,650,401)
Debt service - principal	-	(2,337,850)	(133,904)	(120,484)	(1,953,988)	(766,151)	-	(5,312,377)
Debt service - interest & fees	(62,542)	(2,479,577)	(653,779)	(148,627)	(577,158)	(288,692)	-	(4,210,375)
Intergovernmental capital grants	10,383,741	-	-	-	-	-	-	10,383,741
Net cash provided (used) by capital and related financing activities	<u>(1,695,647)</u>	<u>(4,194,763)</u>	<u>(4,473,426)</u>	<u>(269,111)</u>	<u>(3,884,167)</u>	<u>(2,327,217)</u>	<u>(340,201)</u>	<u>(17,184,532)</u>
CASH FLOWS FROM INVESTING ACTIVITIES								
Investment income (expense)	289,993	1	-	-	-	105,789	-	395,783
Investments redeemed	24,280,236	10,985,450	7,604,316	-	-	3,030,125	1,749,522	47,649,649
Investments (purchased)	(2,688,980)	(5,979,371)	(1,452,529)	(103,697)	-	(354,262)	(1,620,934)	(12,199,773)
Net cash provided (used) by investing activities	<u>21,881,249</u>	<u>5,006,080</u>	<u>6,151,787</u>	<u>(103,697)</u>	<u>-</u>	<u>2,781,652</u>	<u>128,588</u>	<u>35,845,659</u>
Net change in cash and cash equivalents	25,348,131	-	-	-	-	(3,310,477)	-	22,037,654
Cash and cash equivalents, January 1	6,919,536	50	50	-	300	8,445,592	50	15,365,578
Cash and cash equivalents, December 31	<u>\$ 32,267,667</u>	<u>\$ 50</u>	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ 5,135,115</u>	<u>\$ 50</u>	<u>\$ 37,403,232</u>

Continued

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

**CITY OF FARGO, NORTH DAKOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

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)	\$ (3,574,561)	\$ 582,395	\$ (1,191,038)	\$ (3,790,673)	\$ 5,963,480	\$ (7,320,454)	\$ (810,380)	\$ (10,141,231)
Adjustments to reconcile operating income to net cash provided by operating activities								
Depreciation	4,721,103	7,601,751	5,712,917	5,573,968	2,511,992	4,277,229	2,091,599	32,490,559
Change in assets and liabilities								
Accounts receivable	(97,031)	(573,248)	(324,522)	(52,349)	(152,453)	416,250	(123,175)	(906,528)
Specials receivable	-	1,770	-	-	-	-	1,999	3,769
Inventories	-	(87,125)	-	-	-	17,540	22,143	(47,442)
Prepaid expenses	(3,938)	(696)	15,446	1,487	43,065	5,655	683	61,702
Net pension asset	(4,088)	(10,056)	(4,406)	(26)	(11,340)	-	(2,273)	(32,189)
Pension related deferred outflows	(1,376,224)	(3,224,484)	(1,461,586)	(603,257)	(2,232,511)	(1,766,740)	(1,290,864)	(11,955,666)
OPEB related deferred outflows	(3,649)	(8,533)	(3,858)	(1,560)	(5,871)	(4,700)	(3,465)	(31,636)
Accounts payable	(1,494,171)	(961,162)	101,736	34,904	(153,399)	(276,992)	7,998	(2,741,086)
Retainage payable	802,289	(82,819)	1,642,659	-	(135,722)	46,652	-	2,273,059
Landfill closure accruals	-	-	-	-	97,213	-	-	97,213
Payroll payable	(140,144)	(152,354)	(64,494)	(18,445)	(121,828)	(99,183)	(51,117)	(647,565)
Vacation payable	38,404	61,574	21,237	8,061	28,679	(23,071)	22,805	157,689
Unearned revenue	-	-	-	-	-	(2,533,505)	-	(2,533,505)
Deposits	-	(56)	-	-	-	(1,027)	-	(1,083)
Net pension liability	1,792,126	4,151,212	1,886,755	908,644	2,563,903	2,666,612	1,782,516	15,751,768
Net OPEB liability	4,992	11,674	5,278	2,134	8,032	6,429	4,740	43,279
Pension related deferred inflows	(24,084)	(48,569)	(29,613)	(66,340)	102,027	(196,545)	(75,627)	(338,751)
OPEB related deferred inflows	(312)	(729)	(330)	(133)	(502)	(401)	(296)	(2,703)
Total adjustments	4,215,273	6,678,150	7,497,219	5,787,088	2,541,285	2,534,203	2,387,666	31,640,884
Net cash provided (used) by operating activities	<u>\$ 640,712</u>	<u>\$ 7,260,545</u>	<u>\$ 6,306,181</u>	<u>\$ 1,996,415</u>	<u>\$ 8,504,765</u>	<u>\$ (4,786,251)</u>	<u>\$ 1,577,286</u>	<u>\$ 21,499,653</u>
Noncash transactions affecting financial position:								
Acquisition of / change in assets through capital contributions and donations	-	\$ 7,162,795	\$ 3,656,531	\$ 9,052,324	\$ -	\$ -	\$ 2,838,246	\$ 22,709,896
Acquisition of / change in assets through acquisition of debt	-	\$ 287,093	\$ 41,890	\$ 44,499	\$ 835,855	\$ 57,982	\$ -	\$ 1,267,319

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, 2020

	Pension Trust	Park District Special Assessments	Metro Flood Project Diversion Authority	Red River Regional Dispatch Center	Police Custodial Fund	Total
ASSETS						
Cash	\$ 1,561,689	\$ -	\$ -	\$ -	\$ -	\$ 1,561,689
Equity in pooled investments	845,081	6,701	89,918,327	1,357,322	516,559	92,643,990
Receivables:						
Accounts receivable	22,494	-	113,743	-	-	136,237
Special assessments	-	11,056,927	-	-	-	11,056,927
Intergovernmental	-	-	39,262,119	-	-	39,262,119
Interest	42,099	-	108,775	-	-	150,874
Total receivables	64,593	11,056,927	39,484,637	-	-	50,606,157
Investments, at fair value:						
Mutual funds	131,754,288	-	-	-	-	131,754,288
Exchange-traded products	6,745,296	-	-	-	-	6,745,296
Total investments	138,499,584	-	-	-	-	138,499,584
Prepaid items	-	-	273,042	-	-	273,042
Total assets	140,970,947	11,063,628	129,676,006	1,357,322	516,559	283,584,462
LIABILITIES						
Vouchers and benefits payable	27,147	6,701	15,997,713	9,721	-	16,041,282
Settlement payable	-	-	36,515,051	-	-	36,515,051
Retainage payable	-	-	485,030	-	-	485,030
Accrued Payroll	-	-	-	42,395	-	42,395
Deposits	-	-	12,800	-	-	12,800
Noncurrent settlement payable - due in more than one year	-	-	40,000,000	-	-	40,000,000
Total liabilities	27,147	6,701	93,010,594	52,116	-	93,096,558
NET POSITION						
Restricted for:						
Pension benefits	140,943,800	-	-	-	-	140,943,800
Park district special assessments	-	11,056,927	-	-	-	11,056,927
Metro Flood Project Diversion Authority	-	-	36,665,412	-	-	36,665,412
Red River Regional Dispatch Center	-	-	-	1,305,206	-	1,305,206
Police Custodial Fund	-	-	-	-	516,559	516,559
Total net position	\$ 140,943,800	\$ 11,056,927	\$ 36,665,412	\$ 1,305,206	\$ 516,559	\$ 190,487,904

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, 2020

	Pension Trust	Park District Special Assessments	Metro Flood Project Diversion Authority	Red River Regional Dispatch Center	Police Custodial Fund	Total
ADDITIONS						
Contributions						
Employer	\$ 5,629,974	\$ -	\$ -	\$ -	\$ -	\$ 5,629,974
Employee	1,943,935	-	-	-	-	1,943,935
Total contributions	<u>7,573,909</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,573,909</u>
Investment income						
Net increase in fair value of investments	20,173,253	-	1,832,979	-	-	22,006,232
Less investment expense	(437,940)	-	-	-	-	(437,940)
Net investment income	<u>19,735,313</u>	<u>-</u>	<u>1,832,979</u>	<u>-</u>	<u>-</u>	<u>21,568,292</u>
Special assessments collections for other governments	-	1,303,787	-	-	-	1,303,787
Aid from other governments	-	-	124,473,405	-	-	124,473,405
Miscellaneous	-	-	65,712	-	-	65,712
Member assessments	-	-	-	5,091,939	-	5,091,939
Police funds received into custody	-	-	-	-	372,386	372,386
Total additions	<u>27,309,222</u>	<u>1,303,787</u>	<u>126,372,096</u>	<u>5,091,939</u>	<u>372,386</u>	<u>160,449,430</u>
DEDUCTIONS						
Pension benefit payments	7,516,462	-	-	-	-	7,516,462
Member contribution refunds	109,360	-	-	-	-	109,360
Administrative expenses	94,006	-	-	-	-	94,006
Payments of special assessments to other governments	-	2,158,438	-	-	-	2,158,438
Payments for public protection	-	-	111,329,820	-	-	111,329,820
Payments for settlement expense	-	-	76,515,051	-	-	76,515,051
Payments for RRRDC	-	-	-	4,954,626	-	4,954,626
Police funds released from custody	-	-	-	-	36,674	36,674
Total deductions	<u>7,719,828</u>	<u>2,158,438</u>	<u>187,844,871</u>	<u>4,954,626</u>	<u>36,674</u>	<u>202,714,437</u>
Change in net position	19,589,394	(854,651)	(61,472,775)	137,313	335,712	(42,265,007)
Net position - beginning - as restated (see Note 4.L)	121,354,406	11,911,578	98,138,187	1,167,893	180,847	232,752,911
Net position - ending	<u>\$ 140,943,800</u>	<u>\$ 11,056,927</u>	<u>\$ 36,665,412</u>	<u>\$ 1,305,206</u>	<u>\$ 516,559</u>	<u>\$ 190,487,904</u>

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

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 or equity

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 DETAILED 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 obligations
- K. Fund balances
- L. Adoption of new standard

NOTE 5 OTHER NOTES

- A. Risk management
- B. Pension plans
- C. Post-Employment Health Care Benefits (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.

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

GASB statement No. 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 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. The requirements of this statement are effective for reporting periods beginning after December 15, 2020.

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

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

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

GASB statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* objective is to improve financial reporting by addressing issues

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

related to public- private and public partnership arrangements (PPPs) and require those that meet the definition of a lease apply the guidance of GASB Statement No. 87, *Leases*. The requirements of this statement are effective for fiscal years beginning after June 15, 2022.

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

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

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

B. REPORTING ENTITY

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

The accompanying financial statements present the City and its component units. Blended component units are entities which are legally separate from the City but which are so intertwined with the City that they are, in substance, the same as the City. Discretely presented component units are entities for which the City is considered to be financially accountable or for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete.

Blended Component Unit

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

C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

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

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

The government-wide, proprietary fund, and fiduciary 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. For FEMA grant funds, the City considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, special assessments (both certified and uncertified), intergovernmental revenue, permits, charges for services, pledges and investment income associated with the current fiscal period are the major revenues that are considered to be susceptible to accrual and so

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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 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 3rd party Management Company.

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

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting for fiduciary funds is much like that used for proprietary funds. The City's fiduciary funds consist of the City's two pension funds, the City Employees' Pension Plan and the Police Pension Plan, as well as Park District Special Assessments, Metro Flood Project Diversion Authority, Red River Regional Dispatch Center and Police Custodial Fund.

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

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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 10th working day following the month of collection.

3. Inventories and Prepaid Items

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

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

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

4. Restricted Assets

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

5. Capital Assets

Capital assets, which include property, plant, equipment, intangible, and infrastructure assets (e.g., roads, bridges, sidewalks, flood control, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost equal to or greater than \$10,000, except for infrastructure networks which are capitalized in their entirety. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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
Computer equipment	3 – 5

6. Compensated Absences

It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees vest in sick leave accumulated in excess of 960 hours, which is paid out at 44.4% of their normal pay in December of every year. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts (other than the vested amounts paid out annually) when employees separate from service. All vacation pay is accrued when incurred in the government-wide, 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.
- 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.

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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 \$840,139,148 difference are as follows:

Bonds payable	\$ 672,484,000
Notes payable	123,321,973
Capital leases	383,120
December 31, 2020 long-term debt outstanding	<u>\$ 796,189,093</u>
Accrued interest payable	4,533,557
Bond premium	34,292,608
Accumulated unpaid vacation	5,123,890
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ 840,139,148</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 \$47,964,911 difference are as follows:

Capital Outlay	\$ 69,742,369
Plus: assets transferred in from enterprise funds	21,545
Plus: donated /contributed assets and gain/loss on asset trades	1,849,373
Plus: prior year construction in progress added as asset in current year	16,387,591
Capital asset increases per footnote 4.D	<u>\$ 88,000,878</u>
Less: assets transferred in from enterprise funds	(21,545)
Less: donated /contributed assets and gain/loss on asset trades	(1,849,373)
Less: prior year construction in progress added as asset in current year	(16,387,591)
Depreciation expense	(21,777,458)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ 47,964,911</u></u>

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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 \$103,413,353 difference are as follows:

Bonded debt issued	\$ (132,105,000)
Premium on bonded debt issued	(5,069,001)
Bonded debt principal payments	27,112,000
Capital lease proceeds	(270,750)
Capital lease payment	113,681
Loan proceeds	(540,246)
Loan payments	7,345,963
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (103,413,353)</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 \$1,265,419 are as follows:

Compensated absences	\$ (721,450)
Accrued interest	(44,757)
Amortization of bond premium	2,031,626
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 1,265,419</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, 2020**

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 2020 year include \$1,287,986 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 \$598,370 for the year ended December 31, 2020.

B. EXCESS OF EXPENDITURES OVER BUDGET

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

Special Revenue Funds		
City Share of Specials	\$	613,223
Noxious Weeds		7,401
Downtown Business Improvement District		46,273
Neighborhood Stabilization		34,650
Parking Repair and Replacement		46,392
Community Development		166,947
HUD Home Participating Jurisdiction		64,926
NRI Loan Program		10,514
Baseball Stadium		62,204
COVID-19 Emergency		8,532,199

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, 2020**

C. NET POSITION/FUND BALANCE DEFICITS

Governmental Funds		
Capital Projects Funds		
Capital Projects Fund	\$ 6,531,635	This deficit will be eliminated by future bond financing and transfers from other funds.
Special Revenue Funds		
Noxious Weed	7,674	This deficit will be eliminated by future transfers from other funds.
Parking Authority	406,229	This deficit will be eliminated by future revenue growth from added facilities.
Parking Repair and Replacement	119,231	This deficit will be eliminated by future revenue growth from added facilities.
Baseball Stadium	1,011,786	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.
COVID-19 Emergency	126,532	This deficit will be eliminated by future transfers from other funds.
Proprietary Funds		
Southeast Cass Sewer	138,238	This deficit will be eliminated by future user fee revenue.
Forestry	745,679	This deficit will be eliminated by future user fee revenue.

D. NET POSITION RESTRICTED BY ENABLING LEGISLATION

The government-wide statement of net position reports \$224,170,356 of restricted net position, of which \$61,201,070 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, 2020, the carrying amount of the City's deposits was \$74,835,667 and the bank balance was \$87,804,840. 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,

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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, 2020, 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 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.

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

Credit Risk

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

Investment Type	Credit Rating	Fair Value	Investment Maturities (in years)				
			Not Applicable	< 1	1 - 5	> 5 - 10	> 10
Corporate Bonds	AAA	\$ 11,912,862	\$ -	\$ 1,098,060	\$ 10,814,802	\$ -	\$ -
Corporate Bonds	AA1	1,156,851	-	-	1,156,851	-	-
Corporate Bonds	AA2	2,629,155	-	-	2,629,155	-	-
Corporate Bonds	AA3	641,679	-	-	641,679	-	-
Corporate Bonds	A1	7,608,177	-	816,163	6,792,014	-	-
Corporate Bonds	A2	8,765,064	-	312,197	8,452,867	-	-
Corporate Bonds	A3	3,256,190	-	301,449	2,954,741	-	-
Money Market Funds	AAA	24,005,138	24,005,138	-	-	-	-
Money Market Funds	NA	119,607,692	119,607,692	-	-	-	-
Municipal Bond	AAA	442,367	-	-	442,367	-	-
Municipal Bond	AA1	1,125,180	-	-	1,125,180	-	-
Municipal Bond	A1	414,296	-	-	414,296	-	-
U.S. Agencies	NA	33,436,814	-	728,893	25,444,298	2,212,605	5,051,018
U.S. Treasury Bill	NA	57,055,857	-	7,511,958	49,543,899	-	-
Bond Mutual Funds	NA	45,929,991	25,047,793	-	-	20,276,452	605,746
Certificate of Deposit	NA	1,396,294	-	-	1,396,294	-	-
Equity Mutual Funds	NA	85,824,297	85,824,297	-	-	-	-
Equity Exchange Traded Fund	NA	6,745,296	6,745,296	-	-	-	-
External Investment Pool *	NA	47,772,933	47,772,933	-	-	-	-
		\$ 459,726,133	\$ 309,003,149	\$ 10,768,720	\$ 111,808,443	\$ 22,489,057	\$ 5,656,764

*The weighted average maturity of the portion of the external investment pool subject to maturity is 6.68 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 "AAA" 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, 2020.

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)

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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.

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, 2020:

	Level 1	Level 2	Level 3	Total
Investments by fair value level				
Pooled Investments				
U.S. Government and Agency Securities	\$ 90,492,671	\$ -	\$ -	\$ 90,492,671
Money Market Mutual Funds	143,612,830	-	-	143,612,830
Certificate of Deposit	1,396,294	-	-	1,396,294
Corporate Bonds	-	35,969,978	-	35,969,978
Municipal Bonds	-	1,981,843	-	1,981,843
Total Pooled Investments	<u>\$ 235,501,795</u>	<u>\$ 37,951,821</u>	<u>\$ -</u>	<u>\$ 273,453,616</u>
Pension Investments				
Bond Mutual Funds	\$ -	\$ 45,929,991	\$ -	\$ 45,929,991
Equity Mutual Funds	-	85,824,297	-	85,824,297
Equity Exchange Traded Funds	-	6,745,296	-	6,745,296
Total Pension Investments	<u>\$ -</u>	<u>\$ 138,499,584</u>	<u>\$ -</u>	<u>\$ 138,499,584</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, 2020**

B. RECEIVABLES

Loans receivable as of December 31, 2020 were:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
Community Development	0%	Non-Repayment	\$ 242,848
Neighborhood Revitalization Initiative (NRI)	0%	Due Upon Sale	10,500
HUD HOME	0%	8/26/2040	323,786
HUD HOME	0%	Non-Repayment	1,282,806
HUD HOME	0%	Due Upon Sale	335,000
Total loans receivable			<u>\$ 2,194,940</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, \$1,525,654 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, 2020, 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

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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 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 2020 Fiscal Year</u>	
Residential New Construction - School District #1	\$	120,453
Residential New Construction - School District #6		58,145
Remodeling - Residential - School District #1		36,062
Remodeling - Commercial - School District #1		15,409
New Industry Exemption & Payment In Lieu - School District #1		306,524
New Industry Exemption & Payment In Lieu - School District #6		145,690
Traditional Tax Increment Financing		351,120
Renaissance Zone - Commercial - School District #1		301,780
Renaissance Zone - Residential - School District #1		33,707
Daycare, Fire Protection - Commercial - School District #1		30,919
Daycare, Fire Protection - Commercial - School District #6		29,890
	<u>\$</u>	<u>1,429,699</u>

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 97,520,873	\$ 6,812,087	\$ -	\$ 104,332,960
Right of Way	10,675,894	1,903,946	-	12,579,840
Construction in progress	30,954,932	15,536,056	16,387,591	30,103,397
Total capital assets, not being depreciated	139,151,699	24,252,089	16,387,591	147,016,197
Capital assets, being depreciated				
Buildings	131,054,925	15,177,308	-	146,232,233
Improvements other than buildings	3,076,472	5,349,415	-	8,425,887
Machinery and equipment	67,968,892	4,504,574	1,693,692	70,779,774
Infrastructure	449,577,963	37,528,419	23,555,178	463,551,204
Flood control	75,107,544	1,189,073	-	76,296,617
Total capital assets being depreciated	726,785,796	63,748,789	25,248,870	765,285,715
Less accumulated depreciation for:				
Buildings	39,729,912	3,657,040	-	43,386,952
Improvements other than buildings	893,912	352,130	-	1,246,042
Machinery and equipment	47,373,047	5,266,571	1,440,358	51,199,260
Infrastructure	170,318,623	11,753,000	1,108,052	180,963,571
Flood control	3,005,071	748,717	-	3,753,788
Total accumulated depreciation	261,320,565	21,777,458	2,548,410	280,549,613
Total capital assets, being depreciated, net	465,465,231	41,971,331	22,700,460	484,736,102
Governmental activities capital assets, net	\$ 604,616,930	\$ 66,223,420	\$ 39,088,051	\$ 631,752,299

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

Governmental activities:	
General government	\$ 1,758,882
Public safety	2,064,416
Public works	14,200,370
Public health & welfare	404,489
Recreation & culture	708,736
Urban development	70,547
Transportation	2,570,018
Total depreciation expense - governmental activities	\$ 21,777,458

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 43,645,986	\$ 241,691	\$ -	\$ 43,887,677
Intangible - Right-of -way Easements	420,036	-	-	420,036
Construction in progress	60,002,716	36,664,683	29,060,548	67,606,851
Intangible - Water rights	500,000	-	-	500,000
Total capital assets, not being depreciated	104,568,738	36,906,374	29,060,548	112,414,564
Capital assets, being depreciated				
Buildings	343,787,298	27,504,576	-	371,291,874
Improvements other than buildings	42,498,081	3,326,627	-	45,824,708
Machinery and equipment	103,311,118	3,520,015	1,326,977	105,504,156
Infrastructure	706,405,583	23,273,128	1,566,732	728,111,979
Total capital assets being depreciated	1,196,002,080	57,624,346	2,893,709	1,250,732,717
Less accumulated depreciation for:				
Buildings	97,988,471	7,480,141	-	105,468,612
Improvements other than buildings	15,030,393	1,820,914	-	16,851,307
Machinery and equipment	64,648,775	7,543,981	751,662	71,441,094
Infrastructure	222,492,923	15,645,523	1,485,893	236,652,553
Total accumulated depreciation	400,160,562	32,490,559	2,237,555	430,413,566
Total capital assets, being depreciated, net	795,841,518	25,133,787	656,154	820,319,151
Business-type activities capital assets, net	\$ 900,410,256	\$ 62,040,161	\$ 29,716,702	\$ 932,733,715

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

Business-type activities:	
Airport	\$ 4,721,103
Water	7,601,751
Wastewater	5,712,917
Storm sewer	5,573,968
Street lighting	1,949,106
Solid waste	2,511,992
Forestry	142,493
Fargodome	4,277,229
Total depreciation expense - business-type activities	<u>\$32,490,559</u>

E. COMMITMENTS

Construction

As of December 31, 2020, the City had commitments on various construction contracts totaling approximately \$160,455,405.

Municipal Landfill Closure and Post-Closure Care Costs

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

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

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

Cells 1 through 14 are presently fully constructed and mostly filled. Cells 15 through 19 are fully constructed and partially filled. Based upon design capacity, the facility is 59.72% full (acres), and based upon present utilization rates; the remaining capacity is estimated at 23.24 years. The estimated liability for landfill closure and post closure care is \$5,486,375 as of December 31, 2020. Per the City's solid waste permit (SW-260), the City is allowed a maximum of 80 acres of open landfill area at any one time and is required to calculate closure cost based on having 80 acres of landfill area to close. The estimated total current cost of landfill closure and post closure care is based upon the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2020. However, actual costs may be higher due to inflation, changes in technology, or landfill regulations.

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

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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, 2020, the inter-fund advance balances are:

	Funds Advanced	Amount Repaid To-Date	Advance Balance December 31, 2020
General fund - baseball stadium advance	\$ 2,298,802	\$ 1,349,105	\$ 949,697
General fund - parking authority debt defeasance advance	765,000	660,000	105,000
Subtotal General Fund advances	<u>\$ 3,063,802</u>	<u>\$ 2,009,105</u>	<u>\$ 1,054,697</u>
Solid waste fund - baseball stadium advance	\$ 1,200,000	\$ 1,146,770	\$ 53,230
Water - Parking Authority Civic Center Ramp advance	\$ 450,000	\$ 297,761	\$ 152,239
Water - Civic Center HVAC Retrofit advance	390,000	36,440	353,560
Water - Border States Facility Acquisition Equipment advance	550,000	-	550,000
Water - Border States Facility Acquisition Building advance	872,524	-	872,524
Subtotal Water advances	<u>\$ 2,262,524</u>	<u>\$ 334,201</u>	<u>\$ 1,928,323</u>
Wastewater - Solid Waste equipment advance	\$ 518,000	\$ 202,585	\$ 315,415
Wastewater - Civic Center HVAC Retrofit advance	390,000	36,439	353,561
Wastewater - Border States Facility Acquisition Building advance	1,422,524	-	1,422,524
Subtotal Wastewater advance	<u>\$ 2,330,524</u>	<u>\$ 239,024</u>	<u>\$ 2,091,500</u>
Total advances to other funds	<u>\$ 8,856,850</u>	<u>\$ 3,729,100</u>	<u>\$ 5,127,750</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.

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

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

Interfund Transfers:

	Transfer In:						
	Major Funds				Nonmajor Funds		Total
	General	Debt Service	Capital Projects	Water	Governmental	Enterprise	
Transfer Out:							
Major Funds:							
General	\$ -	\$ 2,468,763	\$ 3,618,516	\$ -	\$ 1,121,310	\$ -	\$ 7,208,589
Debt Service	1,450,000	-	7,933,689	48,285	46,980	-	9,478,954
Capital Projects	-	272,329	-	-	-	-	272,329
Airport	90,000	-	-	-	-	-	90,000
Water	4,758,738	-	3,361,409	-	-	-	8,120,147
Wastewater	3,075,000	-	5,536,460	-	-	300,000	8,911,460
Storm Sewer	454,000	-	996,508	-	-	-	1,450,508
Solid Waste	3,530,913	-	-	-	-	-	3,530,913
FargoDome	50,000	-	-	-	-	-	50,000
Nonmajor Funds:							
Governmental	-	737,765	-	-	36,000	-	773,765
Enterprise	1,125,000	-	876,539	-	-	-	2,001,539
Total	\$ 14,533,651	\$ 3,478,857	\$ 22,323,121	\$ 48,285	\$ 1,204,290	\$ 300,000	\$ 41,888,204

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.

G. LEASES

Operating Leases

The City leases building and office facilities under noncancellable operating leases. Total costs for such leases were \$1,705,627 for the year ended December 31, 2020. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2021	\$ 1,721,337
2022	1,723,001
2023	1,682,928
2024	730,764
2025	716,113
2026 - 2030	1,947,630
2031 - 2035	1,900,000
2036 - 2040	1,900,000
2041 - 2045	1,520,000
	<u>\$ 13,841,773</u>

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

Capital Leases

The City is obligated to the following capital lease agreements:

	<u>Remaining Balance</u>
GOVERNMENTAL	
2018 Chevy Tahoe	15,586
2019 Caterpillar Motor Grader	155,242
2020 John Deere Motor Grader with Wings	212,292
	<hr/>
Total Governmental	\$ 383,120
BUSINESS-TYPE	
SOLID WASTE ENTERPRISE FUND	
2017 Wheel Loader	61,893
2018 Komatsu D65PXL-18 Crawler Tractor	211,946
2018 John Deere 644K	92,105
2018 Dual Arm Side Load	123,504
2019 International 7000 Loadmaster	102,412
2019 Crawler Dozer	451,646
2019 Excavator	249,059
2020 International Garbage Truck	95,009
2020 Bomag 772 Landfill Compactor	493,089
2020 Freightliner with Sideload	161,400
WATER ENTERPRISE FUND	
Savin IM C3000 Copier	4,800
	<hr/>
Total Business-Type	\$ 2,046,863

The assets acquired through the capital leases are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Asset:		
Machinery and equipment	\$ 568,082	\$ 3,440,707
Less: Accumulated depreciation	(71,553)	(808,403)
	<hr/>	<hr/>
Total	\$ 496,529	\$ 2,632,304

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

Future Minimum Payments under the above capital lease agreements at December 31, 2020 are shown below:

	Governmental Activities	Business-type Activities
2021	\$ 122,598	\$ 677,885
2022	122,598	677,886
2023	114,388	567,322
2024	58,458	230,973
2025	-	49,068
2026 - 2030	-	49,068
Total minimum lease payments	418,042	2,252,201
Less: amount representing interest	(34,922)	(205,338)
Present value of minimum lease payments	\$ 383,120	\$ 2,046,863

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 \$165,000 in 2020 and 2019, respectively. The lease was renewed for one additional year with the same terms through June 30, 2021.

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 \$74,676 and \$79,565 in 2020 and 2019, respectively. Future minimum lease payments excluding considering for variable costs associated with electrical usage and generator operating costs are:

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

2021	\$	60,875
2022		60,875
2023		60,875
		60,875
	\$	182,625

The asset leased to NDSU is as follows:

	Business-type Activity
Asset:	
Fargodome	\$ 59,351,015
Less: Accumulated depreciation	(37,341,645)
Total	\$ 22,009,370

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 29th 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 21st to May 29th 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, 2020**

The leased asset is as follows:

	Governmental Activity
Asset:	
Baseball stadium	\$ 5,266,692
Less: Accumulated depreciation	(2,875,684)
Total	<u>\$ 2,391,008</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:

2021	\$ 45,684
2022	45,684
2023	45,684
2024	45,684
2025	45,684
Thereafter	<u>68,526</u>
	<u>\$ 296,946</u>

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

H. LONG-TERM DEBT

The following is a summary of changes in long-term debt of the City for the year ended December 31, 2020:

	Balance 1/1/2020	Additions	Deletions	Balance 12/31/2020	Due within one year
GOVERNMENTAL ACTIVITIES					
Improvement bonds	\$ 450,485,000	\$ 120,580,000	\$ 21,865,000	\$ 549,200,000	\$ 20,635,000
General obligation bonds	33,995,000	-	1,590,000	32,405,000	1,655,000
Sales tax revenue bonds	65,696,000	-	3,657,000	62,039,000	3,813,000
Taxable annual appropriation bonds	17,315,000	11,525,000	-	28,840,000	445,000
Total Bonds Payable	567,491,000	132,105,000	27,112,000	672,484,000	26,548,000
State revolving fund notes	54,679,097	118,032	4,485,000	50,312,129	4,780,000
Direct bank loan	54,010,000	-	352,514	53,657,486	50,607,538
Mercantile Parking Ramp	2,000,000	-	-	2,000,000	-
BND Infrastructure Loan	14,283,015	384,862	2,122,894	12,544,983	416,199
Tax increment revenue notes	5,155,578	37,352	385,555	4,807,375	52,440
Total Notes Payable	130,127,690	540,246	7,345,963	123,321,973	55,856,177
Capital leases	226,051	270,750	113,681	383,120	107,401
Total Debt	697,844,741	132,915,996	34,571,644	796,189,093	82,511,578
Accumulated unpaid vacation	4,402,440	5,123,890	4,402,440	5,123,890	5,123,890
Unamortized premium on refunding	31,255,233	5,069,001	2,031,626	34,292,608	2,152,054
Net pension liability	63,669,044	37,247,618	3,868,732	97,047,930	-
Net OPEB liability	1,824,576	415,255	302,641	1,937,190	-
TOTAL	\$ 798,996,034	\$ 180,771,760	\$ 45,177,083	\$ 934,590,711	\$ 89,787,522
BUSINESS-TYPE ACTIVITIES					
Revenue bonds	\$ 2,428,931	\$ -	\$ 286,782	\$ 2,142,149	\$ 289,801
Annual appropriation bonds	6,350,000	-	715,000	5,635,000	735,000
Total Bonds Payable	8,778,931	-	1,001,782	7,777,149	1,024,801
State revolving fund notes	125,586,422	21,673,510	2,315,000	144,944,932	2,965,000
Direct bank loan	2,114,024	-	604,626	1,509,398	609,398
Total Notes Payable	127,700,446	21,673,510	2,919,626	146,454,330	3,574,398
Capital leases	2,017,877	835,855	806,869	2,046,863	592,325
Special assessments	10,849,169	461,919	516,709	10,794,379	536,068
Landfill closure/postclosure	5,389,162	97,213	-	5,486,375	-
Accumulated unpaid vacation	1,090,398	1,248,087	1,090,398	1,248,087	1,248,087
Net pension liability	11,696,012	18,113,116	2,361,348	27,447,780	-
Net OPEB liability	644,952	155,215	111,936	688,231	-
TOTAL	\$ 168,166,947	\$ 42,584,915	\$ 8,808,668	\$ 201,943,194	\$ 6,975,679

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

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

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

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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
GOVERNMENTAL ACTIVITIES			
Improvement bonds (Special assessment debt)	1.80 - 5.00%	\$ 631,435,000	\$ 549,200,000
General obligation bonds	1.00 - 5.00%	38,745,000	32,405,000
Sales tax revenue bonds	2.00 - 5.00%	83,887,000	62,039,000
Taxable annual appropriation bonds	3.30 - 4.47%	28,840,000	28,840,000
TOTAL		<u>\$ 782,907,000</u>	<u>\$ 672,484,000</u>
BUSINESS-TYPE ACTIVITIES			
Clean renewable energy bond	0.85%	\$ 1,500,000	\$ 100,000
Qualified Energy Conservation Bond	4.85%	2,875,000	2,042,149
Annual Appropriation	1.75 - 3.85%	7,810,000	5,635,000
TOTAL		<u>\$ 12,185,000</u>	<u>\$ 7,777,149</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, 2020, consist of two issues backed and serviced by sales tax and two issues backed and serviced by Solid Waste utility revenues.

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 \$6,294,515. Net sales tax revenue totaled \$7,553,418 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 \$194,138. Net general fund appropriations totaled \$194,138 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 \$101,700. Net solid waste byproduct revenue totaled \$175,783 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 \$290,356. Net landfill tipping fee revenue totaled \$10,350,021 for the year.

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

Debt service maturities for these revenue bonds at December 31, 2020, are as follows:

Sales Tax				Solid Waste			
Year	Principal	Interest	Total	Year	Principal	Interest	Total
2021	\$ 3,813,000	\$ 2,483,790	\$ 6,296,790	2021	\$ 289,801	\$ 95,292	\$ 385,093
2022	3,982,000	2,311,915	6,293,915	2022	192,868	85,162	278,030
2023	4,161,000	2,132,265	6,293,265	2023	195,985	75,732	271,717
2024	4,350,000	1,944,390	6,294,390	2024	199,152	66,150	265,302
2025	4,547,000	1,747,890	6,294,890	2025	202,370	56,413	258,783
2026-2030	25,726,000	5,747,120	31,473,120	2026-2030	1,061,973	130,415	1,192,388
2031-2035	15,460,000	841,600	16,301,600	Totals	<u>\$ 2,142,149</u>	<u>\$ 509,164</u>	<u>\$ 2,651,313</u>
Totals	<u>\$ 62,039,000</u>	<u>\$ 17,208,970</u>	<u>\$ 79,247,970</u>				

General Fund Appropriations			
Year	Principal	Interest	Total
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	1,860,000	851,778	2,711,778
2025	1,940,000	771,921	2,711,921
2026-2030	10,505,000	2,884,004	13,389,004
2031-2035	11,225,000	1,369,120	12,594,120
2036-2040	1,725,000	51,750	1,776,750
Totals	<u>\$ 32,405,000</u>	<u>\$ 8,917,469</u>	<u>\$ 41,322,469</u>

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

The City of Fargo is subject to the North Dakota Century Code, which limits the amount of general obligation indebtedness (exclusive of revenue-producing utility debt, special assessment debt, tax increment debt, and Housing Authority debt) that the City may have outstanding to 5% of assessed valuation. On December 31, 2020, the statutory limit for the City was \$326,169,799 providing a debt margin of \$275,950,090. 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, 45th street corridor interceptor project, north side sewer service facility project, transmission lines south side system project, a water tower project, clarifier improvements to the wastewater system, a wastewater stabilization pond project, and a regional stormwater pond.

The City has issued 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.

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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, the FM Diversion project, and the Mercantile Parking Ramp.

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

Details relative to the outstanding notes payable are shown below:

TYPE AND ISSUE	FINAL MATURITY DATE	INTEREST RATES	ORIGINAL ISSUE	PRINCIPAL OUTSTANDING 12/31/20
GOVERNMENTAL ACTIVITIES				
SRLF Water Tower	9/1/2027	2.50%	\$ 2,270,000	\$ 1,080,000
SRLF North Side Sewer Service Facility Plan	9/1/2028	2.50%	1,630,000	830,000
SRLF 45th Street Corridor Interceptor System	9/1/2029	2.50%	63,725,000	35,560,000
SRLF Transmission Lines South Side System	9/1/2029	2.82%	14,110,422	5,430,000
SRLF Wastewater Clarifier Improvements	9/1/2029	0.50%	699,374	375,000
SRLF Wastewater Stabilization Ponds	9/1/2030	2.50%	4,071,140	2,365,000
SRLF Regional Storm Water Pond - Construction	9/1/2052	1.50%	10,500,000	4,520,406
SRLF Regional Storm Water Pond - Engineering	9/1/2052	1.50%	500,000	151,723
TIF Revenue Notes	5/1/2038	5.00 - 6.00%	7,106,853	4,807,375
Direct Bank Loan - Fargo Cass Public Health Expansion and Relocation Project and Red River Regional Dispatch Center Project	4/8/2029	2.85%	6,000,000	3,407,486
Direct Bank Loan - FM Diversion Project	7/30/2021	1.77% *	100,000,000	50,250,000
Mercantile Parking Garage	11/22/2029	0.00%	2,000,000	2,000,000
BND Infrastructure Loan	5/1/2044	2.00%	15,000,000	12,544,983
TOTAL GOVERNMENTAL ACTIVITIES			\$ 227,612,789	\$ 123,321,973
BUSINESS-TYPE ACTIVITIES				
SRLF Wastewater Construction Loan	9/1/2052	1.50%	\$ 126,500,000	\$ 33,301,719
SRLF Wastewater Engineering Loan	9/1/2052	1.50%	20,229,000	13,286,014
SRLF Water Treatment Plant	9/1/2048	1.50%	98,000,000	94,685,000
SRLF Water Supply and Treatment	9/1/2050	1.50%	23,950,000	3,672,199
Direct Bank Loan - Baling Facility	12/1/2024	3.90% *	3,000,000	1,200,000
Direct Bank Loan - Wastewater and Solid Waste Equipment	7/15/2021	1.57%	1,500,000	309,398
TOTAL BUSINESS-TYPE ACTIVITIES			\$ 273,179,000	\$ 146,454,330
TOTAL NOTES PAYABLE			\$ 500,791,789	\$ 269,776,303
* Variable rate note. Rate reported is as of December 31, 2020.				

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, 2020, are shown in the following table:

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

GOVERNMENTAL ACTIVITIES

	Special Assessment Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2021	\$ 20,635,000	\$ 18,041,077	\$ 1,655,000	\$ 1,063,965
2022	23,205,000	17,227,562	1,715,000	997,630
2023	26,170,000	16,569,920	1,780,000	927,301
2024	29,350,000	15,607,705	1,860,000	851,778
2025	32,045,000	14,545,598	1,940,000	771,921
2026-2030	149,430,000	56,836,889	10,505,000	2,884,004
2031-2035	132,000,000	33,451,609	11,225,000	1,369,120
2036-2040	103,955,000	12,905,105	1,725,000	51,750
2041-2045	32,410,000	1,639,762	-	-
	<u>\$ 549,200,000</u>	<u>\$ 186,825,227</u>	<u>\$ 32,405,000</u>	<u>\$ 8,917,469</u>
	Sales Tax Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2021	\$ 3,813,000	\$ 2,483,790	\$ 55,856,177	\$ 1,691,966
2022	3,982,000	2,311,915	5,545,222	1,428,090
2023	4,161,000	2,132,265	6,788,948	1,290,482
2024	4,350,000	1,944,390	6,107,441	1,148,890
2025	4,547,000	1,747,890	6,032,301	1,003,179
2026-2030	25,726,000	5,747,120	28,299,714	2,704,575
2031-2035	15,460,000	841,600	6,105,647	923,298
2036-2040	-	-	4,323,253	595,091
2041-2045	-	-	3,361,411	233,998
2046-2050	-	-	901,859	41,322
2051-2052	-	-	-	-
	<u>\$ 62,039,000</u>	<u>\$ 17,208,970</u>	<u>\$ 123,321,973</u>	<u>\$ 11,060,891</u>
<u>Taxable Annual Appropriation Bond</u>				
	Principal	Interest		
2021	\$ 445,000	\$ 1,110,948		
2022	560,000	1,095,786		
2023	600,000	1,077,479		
2024	620,000	1,057,473		
2025	645,000	1,036,063		
2026-2030	4,680,000	4,763,491		
2031-2035	6,060,000	3,766,443		
2036-2040	7,380,000	2,444,734		
2041-2045	7,850,000	799,385		
	<u>\$ 28,840,000</u>	<u>\$ 17,151,802</u>		

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

BUSINESS-TYPE ACTIVITIES

	Revenue Bonds		Annual Appropriation Bonds	
	Principal	Interest	Principal	Interest
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	199,152	66,150	800,000	122,536
2025	202,370	56,413	830,000	95,255
2026-2030	1,061,973	130,415	1,740,000	99,780
	<u>\$ 2,142,149</u>	<u>\$ 509,164</u>	<u>\$ 5,635,000</u>	<u>\$ 825,295</u>
	Special Assessments		Notes Payable	
	Principal	Interest	Principal	Interest
2021	\$ 536,068	\$ 529,365	\$ 3,574,398	\$ 2,677,665
2022	497,210	487,503	4,010,080	2,611,188
2023	516,938	463,142	4,089,350	2,538,004
2024	536,169	437,774	4,171,947	2,465,294
2025	541,690	411,444	3,953,739	2,388,391
2026-2030	2,930,891	1,635,759	21,100,408	10,822,240
2031-2035	2,562,811	944,777	23,498,892	8,793,856
2036-2040	1,978,440	392,184	26,183,746	6,529,003
2041-2045	694,162	55,165	29,191,487	3,995,661
2046-2050	-	-	22,977,208	1,258,541
2051-2052	-	-	3,703,075	84,233
	<u>\$ 10,794,379</u>	<u>\$ 5,357,113</u>	<u>\$ 146,454,330</u>	<u>\$ 44,164,076</u>

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

Individual Bond Issues by Fund – The following is a summary of the individual bond issues, as of the year ended December 31, 2020.

TYPE AND ISSUE	PURPOSE	ISSUE DATE	FINAL MATURITY DATE	INTEREST RATES	ORIGINAL ISSUE	PRINCIPAL OUTSTANDING 12/31/20
GOVERNMENTAL ACTIVITIES						
SPECIAL ASSESSMENT BONDS						
2014 Series D Refunding	Advance refunding of 2005 Series A	6/25/2014	5/1/2030	2.00 - 5.00	\$ 12,640,000	\$ 9,180,000
2014 Series E Refunding	Current refunding of 2010 Series B	9/4/2014	5/1/2035	2.00 - 5.00	19,440,000	15,225,000
2010 Series C Refunding	Crossover refunding of 2002 Series A	5/25/2010	5/1/2027	3.00 - 5.00	8,250,000	3,055,000
2011 Series A	Infrastructure system construction	5/15/2011	5/1/2036	2.00 - 5.00	19,180,000	14,320,000
2011 Series C	Infrastructure system construction	12/15/2011	5/1/2037	2.00 - 4.00	20,965,000	16,615,000
2011 Series E Refunding	Crossover refunding of 2003 Series A	12/15/2011	5/1/2028	2.00 - 3.25	9,515,000	5,355,000
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	19,810,000
2013 Series C	Infrastructure system construction	9/12/2013	5/1/2039	2.00 - 4.60	16,705,000	12,540,000
2014 Series D	Infrastructure system construction	6/25/2014	5/1/2039	2.00 - 5.00	39,760,000	32,990,000
2014 Series F	Infrastructure system construction	12/22/2014	5/1/2039	2.00 - 5.00	40,445,000	34,575,000
2014 Series G	Infrastructure system construction	12/22/2014	5/1/2039	2.00 - 4.25	8,355,000	7,000,000
2015 Series A Refunding	Crossover refunding of Series 2006B and 2007B	2/25/2015	5/1/2031	2.00 - 5.00	18,250,000	14,370,000
2015 Series B Refunding	Crossover refunding of Series 2008E	9/30/2015	5/1/2033	2.50 - 5.00	15,235,000	12,575,000
2015 Series D	Infrastructure system construction	11/18/2015	5/1/2041	3.00 - 5.00	34,675,000	28,235,000
2016 Series B Refunding	Crossover refunding of Series 2009C	6/6/2016	5/1/2034	2.00 - 5.00	27,485,000	24,540,000
2016 Series C	Infrastructure system construction	11/7/2016	5/1/2042	2.00 - 5.00	41,745,000	38,450,000
2017 Series C	Infrastructure system construction	8/17/2017	5/1/2043	2.00 - 5.00	38,525,000	36,190,000
2017 Series D Refunding	Crossover refunding of Series 2013C	8/17/2017	5/1/2039	3.00 - 5.00	11,340,000	11,340,000
2018 Series D	Infrastructure system construction	7/24/2018	5/1/2044	2.70 - 5.00	42,965,000	41,765,000
2019 Series A	Infrastructure system construction	8/6/2019	5/1/2042	3.00 - 5.00	37,260,000	36,550,000
2019 Series B Refunding	Crossover refunding of Series 2011A	11/21/2019	5/1/2036	1.80 - 2.90	13,940,000	13,940,000
2020 Series B	Infrastructure system construction	11/5/2020	5/1/2045	2.00 - 5.00	29,565,000	29,565,000
2020 Series C Refunding	Crossover refunding of Series 2011C, 2012A, 2014D, and 2014F	11/5/2020	5/1/2023	1.50 - 2.30	91,015,000	91,015,000
					<u>\$ 631,435,000</u>	<u>\$ 549,200,000</u>
GENERAL OBLIGATION BONDS						
2009 Series B	Fire station and fire truck	10/15/2009	5/1/2029	2.00 - 4.00	\$ 2,875,000	\$ 1,520,000
2015 Series E	Roberts Commons Parking Ramp	12/7/2015	12/1/2035	1.00 - 3.85	10,230,000	8,475,000
2016 Series A	City Hall building	6/14/2016	7/1/2036	2.00 - 5.00	25,640,000	22,410,000
					<u>\$ 38,745,000</u>	<u>\$ 32,405,000</u>
SALES TAX INFRASTRUCTURE BONDS						
2013 Series A	Flood mitigation projects	3/27/2013	6/1/2033	3.00 - 4.00	\$ 51,375,000	\$ 37,655,000
2014 Series B	Flood mitigation projects	4/22/2014	6/1/2032	2.00 - 5.00	32,512,000	24,384,000
					<u>\$ 83,887,000</u>	<u>\$ 62,039,000</u>
TAXABLE ANNUAL APPROPRIATION BONDS						
2018 Series E	Block Nine project	9/6/2018	5/1/2044	3.30 - 4.47	\$ 17,315,000	\$ 17,315,000
2020 Series A	Mercantile Parking Ramp	1/30/2020	12/1/2045	2.15 - 3.69	11,525,000	11,525,000
					<u>\$ 28,840,000</u>	<u>\$ 28,840,000</u>
TOTAL GOVERNMENTAL ACTIVITIES					<u>\$ 782,907,000</u>	<u>\$ 672,484,000</u>
BUSINESS-TYPE ACTIVITIES						
SOLID WASTE FUND						
Clean Renewable Energy Bond	Improvements to Landfill Gas Collection System	11/5/2007	12/15/2021	0.85	\$ 1,500,000	\$ 100,000
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	2,042,149
					<u>\$ 4,375,000</u>	<u>\$ 2,142,149</u>
FARGODOME BUILDING FUND						
Annual Appropriation Bonds of 2017	Fargodome video board upgrade	2/9/2017	11/1/2027	1.75 - 3.85	\$ 7,810,000	\$ 5,635,000
TOTAL BUSINESS-TYPE ACTIVITIES					<u>\$ 12,185,000</u>	<u>\$ 7,777,149</u>
TOTAL BONDED INDEBTEDNESS					<u>\$ 795,092,000</u>	<u>\$ 680,261,149</u>

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:

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

	Deferred Inflows of Resources Unavailable	Liabilities Unearned	Total
Delinquent property taxes receivable	\$ 302,076	\$ -	\$ 302,076
Special assessments receivable	443,507,672	-	443,507,672
Grant resources held and grant items receivable	1,264,674	269,621	1,534,295
Loans/contracts/accounts receivable	3,777,143	1,525,654	5,302,797
Total unavailable revenue for governmental funds	<u>\$ 448,851,565</u>	<u>\$ 1,795,275</u>	<u>\$ 450,646,840</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, 2020, 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, 2020**

K. FUND BALANCES

The City classified fund balances within the governmental funds as follows at December 31, 2020:

	General Fund	Debt Service	Capital Projects	Other Governmental Funds	Total
Fund balances:					
Nonspendable:					
Advances to other funds	\$ 1,054,697	\$ -	\$ -	\$ -	\$ 1,054,697
Inventory	1,796,971	-	-	-	1,796,971
Prepaid Items	1,711,079	-	746,707	20,755	2,478,541
Total Nonspendable	<u>4,562,747</u>	<u>-</u>	<u>746,707</u>	<u>20,755</u>	<u>5,330,209</u>
Restricted for:					
City Share of Specials	-	-	-	450,183	450,183
Community Development	-	-	-	5,306	5,306
Convention & Visitors Bureau	-	-	-	7,234	7,234
Court Forfeits	-	-	-	54,886	54,886
Debt Service	-	193,930,144	-	-	193,930,144
Downtown Business Improvement District	-	-	-	173,709	173,709
Fire	285,459	-	-	-	285,459
Health	1,505,913	-	-	-	1,505,913
Highway and streets	1,223,880	-	-	-	1,223,880
HUD Home Participating Jurisdiction	-	-	-	55,295	55,295
HUD Home Program	-	-	-	28,782	28,782
NRI Loan Program	-	-	-	170,448	170,448
Planning and Development	61,909	-	-	-	61,909
Police	336,064	-	-	-	336,064
Regional Training Center	-	-	-	329,966	329,966
Skyway Maintenance	-	-	-	133,872	133,872
Transit	2,102,627	-	-	-	2,102,627
Total Restricted	<u>5,515,852</u>	<u>193,930,144</u>	<u>-</u>	<u>1,409,681</u>	<u>200,855,677</u>
Committed to:					
Revenue Stabilization	1,000,015	-	-	-	1,000,015
Assigned to:					
2021 Budget	234,832	-	-	-	234,832
Unassigned:	<u>34,629,546</u>	<u>-</u>	<u>(7,278,342)</u>	<u>(1,690,431)</u>	<u>25,660,773</u>
Total Fund Balances	<u>\$ 45,942,992</u>	<u>\$ 193,930,144</u>	<u>\$ (6,531,635)</u>	<u>\$ (259,995)</u>	<u>\$ 233,081,506</u>

L. ADOPTION OF NEW STANDARD

As of January 1, 2020, the City adopted GASB Statement No. 84, Fiduciary Activities. Due to the new standard the Park District Special Assessments, Metro Flood Project Diversion Authority and Red River Regional Dispatch Center funds were reclassified from Agency funds to Fiduciary funds. The funds held as police custodial funds were reclassified from the General fund to a Fiduciary Fund. Funds held as performance deposit funds were reclassified from Agency funds to the General fund and Capital Project fund. There is no current year impact on the Performance Deposit Fund and Police Custodial Fund as a result of implementation of this Standards, so no restatement is needed for these funds and the change. The following table describes the effects of the implementation of GASB 84 on beginning net position:

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

	<u>Park District Special Assessment Fund</u>	<u>Metro Flood Project Diversion Authority</u>	<u>Red River Regional Dispatch Center</u>	<u>Police Custodial Fund</u>
Net Position at December 31, 2019, as previously reported	\$ -	\$ -	\$ -	\$ -
Adjustment of park district special assessments, metro flood project diversion authority, and red river regional dispatch center funds from an Agency Fund to a Fiduciary Fund	11,911,578	98,138,187	1,167,896	
Adjustment of performance deposit fund from an Agency Fund to the General Fund and Capital Project Fund				
Adjustment of police custodial funds from the General Fund to a Fiduciary Fund	-			180,847
Net Position at December 31, 2019, as restated	<u>\$ 11,911,578</u>	<u>\$ 98,138,187</u>	<u>\$ 1,167,896</u>	<u>\$ 180,847</u>

5. OTHER NOTES

A. RISK MANAGEMENT

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

INSURED RISKS

The City purchases commercial insurance for the risk of damage to or destruction of buildings and equipment. Present coverage is provided by the State Fire and Tornado Fund as the primary property insurance carrier. The City's general liability coverage is provided by the North Dakota Insurance Reserve Fund. Other commercial insurance is also purchased for boiler, specialty equipment floaters, aircraft liability coverage and flood coverage for certain locations required by FEMA. 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

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of each plan.

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

Plan Description, Contribution and Reserves Information

Employees' Pension Plan

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

Membership in the plan on December 31, 2019 (date of most recent actuarial study) is as follows:

Retirees and beneficiaries	243
Terminated vested and deferred beneficiaries	54
City active plan members	96
NDPERS active plan members	163

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.

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

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

Actuarial Methods and Assumptions

The City's net pension liability was measured as of December 31, 2019, 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	PubG-2010 General mortality tables with generational projection using scale MP-2020.

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, 2020**

Asset Class	Allocation at Measurement Date	Long-Term Expected Real Rate of Return	Long-Term Expected Real Rate of Return ¹
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 ²	100.00%		7.81%
Reduced for assumed investment expense ³			-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			
	Increase (Decrease)		Net Pension Liability (c) = (a) - (b)	City of Fargo Proportionate Share
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)		
Balance at 1/1/2020	\$ 59,957,873	\$ 52,862,520	\$ 7,095,353	\$ 6,309,897
Changes for the year:				
Service cost	365,929	-	365,929	324,835
Interest	4,245,644	-	4,245,644	3,768,858
Changes of assumptions	(307,341)	-	(307,341)	(272,827)
Contributions - City and Park District	-	2,355,393	(2,355,393)	(2,090,882)
Contributions - member	-	452,023	(452,023)	(401,261)
Net investment income	-	8,741,227	(8,741,227)	(7,770,938)
Other additions (e.g. receivables)	-	1,055	(1,055)	(937)
Benefit payments, including refund of member contributions	(3,526,401)	(3,526,401)	-	-
Administrative expense	-	(52,226)	52,226	46,361
Net changes	777,831	7,971,071	(7,193,240)	(6,396,791)
Balance at 12/31/2020 Measurement Date	\$ 60,735,704	\$ 60,833,591	\$ (97,887)	\$ (86,894)

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 (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

Sensitivity of the Net Pension Liability 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%)	\$ 66,744,468	\$ 60,833,591	\$ 5,910,877	\$ 5,247,086
Current Discount Rate (7.25%)	60,735,704	60,833,591	(97,887)	(86,894)
1% Increase in Discount Rate (8.25%)	55,568,001	60,833,591	(5,265,590)	(4,674,264)

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

For the year ended December 31, 2020, the City recognized pension expense of (\$1,384,854). At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflows	Inflows
Summary of Deferred Outflows (Inflows)		
Difference between expected and actual experience	\$ 63,898	\$ 145,900
Change of assumptions and methods	-	271,876
Net difference between projected and actual investment earnings	-	5,142,917
Changes in proportion and differences between Employer contributions and proportionate share of contributions	168,593	44,182
Total	\$ 232,491	\$ 5,604,875

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

Year ended:	Future recognition
2021	\$ (1,601,567)
2022	(908,387)
2023	(1,971,645)
2024	(890,785)
2025	-
Thereafter	-
	\$ (5,372,384)

Reserves The net position at December 31, 2020 is \$60,833,590 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

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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. For members hired on or after January 1, 2020 the 2.00% multiplier was replaced with a 1.75% multiplier. The plan permits early retirement at ages 55-64 with three or more years of service.

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

Death and Disability Benefits

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

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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. For members hired on or after January 1, 2020 member contribution rates are 7% and employer contribution rates are 8.26% of covered compensation

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

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

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

At December 31, 2020, the City reported a liability of \$103,648,318 for its proportionate share of the net pension liability. The net pension liability was measured as of 6/30/2020, 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 6/30/2020, the Employer's proportion was 3.294584 percent.

For the year ended 12/31/2020, the Employer recognized pension expense of \$17,154,292. At 12/31/2020, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 403,360	\$ 5,251,958
Changes of assumptions	55,562,041	9,185,778
Net difference between projected and actual earnings on pension plan investments	3,345,243	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,416,248	162,257
Employer contributions subsequent to the measurement date (see below)	1,535,487 *	-
Total	\$ 63,262,379 *	\$ 14,599,993

\$1,553,194 reported as deferred outflows of resources related to pensions resulting from employer contributions made after the measurement date of the net pension liability but before the end of the employer's reporting period will be recognized as a reduction of the net pension liability in the subsequent fiscal period rather than in the current fiscal period.

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

Year Ended June 30:	
2021	\$ 14,379,084
2022	12,327,602
2023	9,805,613
2024	10,614,600
2025	-
Thereafter	-
Total	\$ 47,126,899

Actuarial assumptions. The total pension liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increase	3.50% to 17.75% including inflation
Investment Rate of Return	7.00%, 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%.

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30%	6.30%
International Equity	21%	6.85%
Private Equity	7%	9.75%
Domestic Fixed Income	23%	1.25%
International Fixed Income	0%	0.00%
Global Real Assets	19%	5.01%
Cash Equivalents	0%	0.00%

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.00%; the municipal bond rate is 2.45%; and the resulting Single Discount Rate is 4.64%.

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 4.64 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 (3.64 percent) or 1-percentage-point higher (5.64 percent) than the current rate:

	1% Decrease (3.64%)	Current Discount Rate (4.64%)	1% Increase (5.64%)
Employer's proportionate share of the net pension liability	\$134,475,912	\$103,648,318	\$78,423,836

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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 , or by writing to NDPERS at PO Box 1657, Bismarck, ND 58502.

Police Pension Plan

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

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

Membership on December 31, 2019, (date of most recent actuarial study) in the plan is as follows:

Retirees and beneficiaries currently receiving pension payments	115
Fully vested members contributing	86
Non vested members contributing	116
Terminated vested employees	14

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.

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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, 2019, 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	PubS-2010 Safety mortality tables with generational projection using scale MP-2020.

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, 2020**

Asset Class	Allocation at Measurement Date	Long-Term Expected Real Rate of Return	Long-Term Expected Real Rate of Return ¹
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 ²			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 w eighted average of arithmetic asset class returns, w ith adjustment to reflect geometric averages. It is not equal to the w eighted average of the asset class geometric returns show n above.

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 (a)	Increase (Decrease)	
		Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at 1/1/2020	\$ 83,089,860	\$ 68,491,886	\$ 14,597,974
Changes for the year:			
Service cost	2,469,074	-	2,469,074
Interest	6,054,419	-	6,054,419
Changes of assumptions	726,402	-	726,402
Contributions - City and Pension Stability Fund	-	3,274,581	(3,274,581)
Contributions - member	-	1,490,856	(1,490,856)
Net investment income	-	10,994,087	(10,994,087)
Benefit payments, including refund of member contributions	(4,099,421)	(4,099,421)	-
Administrative expense	-	(41,779)	41,779
Net changes	5,150,474	11,618,324	(6,467,850)
Balance at 12/31/2020 Measurement Date	\$ 88,240,334	\$ 80,110,210	\$ 8,130,124

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%)	\$ 99,884,238	\$ 80,110,210	\$ 19,774,028
Current Discount Rate (7.25%)	88,240,334	80,110,210	8,130,124
1% Increase in Discount Rate (8.25%)	78,608,310	80,110,210	(1,501,900)

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

For the year ended December 31, 2020, the City recognized pension expense of \$323,782. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

	<u>Outflows</u>	<u>Inflows</u>
Summary of Deferred Outflows (Inflows)		
Difference between expected and actual liability	\$ 1,115,964	\$ 248,644
Change of assumptions and methods	1,021,253	472,671
Net difference between projected and actual investment earnings	-	7,596,413
Total	<u>\$ 2,137,217</u>	<u>\$ 8,317,728</u>

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

Year ended:	Future recognition
2021	\$ (1,796,302)
2022	(954,128)
2023	(2,693,057)
2024	(1,089,826)
2025	136,370
Thereafter	216,432
	<u>\$ (6,180,511)</u>

Reserves The net position at December 31, 2020 is \$80,110,210 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, 2019, (date of most recent actuarial study) in the plan is as follows:

Active plan members	119
Deferred vested	7
Retirees, disabled, and beneficiaries	90

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.

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

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

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

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

Actuarial Methods and Assumptions

The City's net pension liability was measured as of December 31, 2020, 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	PubS-2010 Safety mortality tables with generational projection using scale MP-2020.

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.

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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 ¹
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 ²			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 w eighted average of arithmetic asset class returns, w ith adjustment to reflect geometric averages. It is not equal to the w eighted average of the asset class geometric returns show n 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				
	Increase (Decrease)			
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)	
Balance at 1/1/2020	\$ 54,074,875	\$ 38,226,703	\$ 15,848,172	
Changes for the year:				
Service cost	1,226,111	-	1,226,111	
Interest	3,911,808	-	3,911,808	
Changes of assumptions	1,458,532	-	1,458,532	
Contributions - City and Pension Stability Fund	-	2,625,101	(2,625,101)	
Contributions - member	-	949,539	(949,539)	
Net investment income	-	6,208,207	(6,208,207)	
Benefit payments, including refund of member contributions	(2,690,035)	(2,690,035)	-	
Administrative expense	-	(55,492)	55,492	
Net changes	3,906,416	7,037,320	(3,130,904)	
Balance at 12/31/2020 Measurement Date	\$ 57,981,291	\$ 45,264,023	\$ 12,717,268	

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%)	\$ 65,662,184	\$ 45,264,023	\$ 20,398,161
Current Discount Rate (7.25%)	57,981,291	45,264,023	12,717,268
1% Increase in Discount Rate (8.25%)	51,612,826	45,264,023	6,348,803

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

For the year ended December 31, 2020, the City recognized pension expense of \$898,971. At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflows	Inflows
Summary of Deferred Outflows (Inflows)		
Difference between expected and actual liability	\$ 2,062,319	\$ -
Change of assumptions and methods	1,464,681	293,688
Net difference between projected and actual investment earnings	-	4,491,948
Total	<u>\$ 3,527,000</u>	<u>\$ 4,785,636</u>

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

Year ended:	Future recognition
2021	\$ (592,685)
2022	(50,817)
2023	(925,882)
2024	(170,917)
2025	294,321
Thereafter	187,344
	<u>\$ (1,258,636)</u>

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

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

**CITY OF FARGO, NORTH DAKOTA
PENSION TRUST FUNDS
COMBINING STATEMENT OF NET POSITION
December 31, 2020**

	CITY EMPLOYEES' PENSION	POLICE PENSION	TOTAL
ASSETS			
Cash	\$ 214,435	\$ 1,347,254	\$ 1,561,689
Equity in pooled investments	353,401	491,680	845,081
Receivables:			
Accounts receivable	13,715	8,779	22,494
Interest	7	42,092	42,099
Total receivables	13,722	50,871	64,593
Investments, at fair value:			
Mutual funds	60,278,910	71,475,378	131,754,288
Exchange-traded products	-	6,745,296	6,745,296
Total investments	60,278,910	78,220,674	138,499,584
Total assets	<u>\$ 60,860,468</u>	<u>\$ 80,110,479</u>	<u>\$ 140,970,947</u>
LIABILITIES			
Vouchers and benefits payable	\$ 26,878	\$ 269	\$ 27,147
NET POSITION			
Restricted for pension benefits	<u>\$ 60,833,590</u>	<u>\$ 80,110,210</u>	<u>\$ 140,943,800</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, 2020**

**COMBINING STATEMENT OF CHANGES IN NET POSITION
For the Year Ended December 31, 2020**

	<u>CITY EMPLOYEES' PENSION</u>	<u>POLICE PENSION</u>	<u>TOTAL</u>
ADDITIONS			
Contributions			
Employer	\$ 2,274,111	\$ 3,274,581	\$ 5,548,692
Employer (Fargo Park District)	81,282	-	81,282
Employee	383,006	1,490,856	1,873,862
Employee (Fargo Park District)	70,073	-	70,073
Total contributions	<u>2,808,472</u>	<u>4,765,437</u>	<u>7,573,909</u>
Investment income			
Net appreciation in fair value of investments, and interest and dividends	8,914,902	11,258,351	20,173,253
Less investment expense	(173,675)	(264,265)	(437,940)
Net investment income (loss)	<u>8,741,227</u>	<u>10,994,086</u>	<u>19,735,313</u>
Total additions (deductions)	<u>11,549,699</u>	<u>15,759,523</u>	<u>27,309,222</u>
DEDUCTIONS			
Pension benefit payments	3,526,401	3,990,061	7,516,462
Member contribution refunds	-	109,360	109,360
Administrative expenses	52,228	41,778	94,006
Total deductions	<u>3,578,629</u>	<u>4,141,199</u>	<u>7,719,828</u>
Change in net position	7,971,070	11,618,324	19,589,394
Total net position - beginning	<u>52,862,520</u>	<u>68,491,886</u>	<u>121,354,406</u>
Total net position - ending	<u>\$ 60,833,590</u>	<u>\$ 80,110,210</u>	<u>\$ 140,943,800</u>

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

Related Party Investments

During 2020 and as of December 31, 2020 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. . Effective August 1, 2019 the benefit may be used for any eligible health, prescription drug plan, dental, vision, or long term care plan premium expense. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

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

OPEB Benefits

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

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

OPEB trust funds. Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There were no other benefit changes during the year.

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

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

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

At 12/31/2020 the Employer reported a liability of \$2,625,421 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of 06/30/2020, 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 06/30/2020, the Employer's proportion was 3.121050 percent.

For the year ended 12/31/2020, the Employer recognized OPEB expense of \$410,817. At 12/31/2020, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Outflows	Inflows
<u>Summary of Deferred Outflows (Inflows)</u>		
Differences between expected and actual experience	\$ 58,302	\$ 62,944
Changes of assumptions and methods	352,018	-
Net difference between projected and actual earnings on OPEB plan investments	90,285	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	135,798	11,278
Employer contributions subsequent to the measurement date	17,706	-
Total	\$ 654,109	\$ 74,222

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

\$16,739 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 12/31/2020.

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
2021	\$ 117,476
2022	140,812
2023	136,529
2024	111,187
2025	50,606
Thereafter	5,571
	\$ 562,181

Actuarial assumptions. The total OPEB liability in the July 1, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.25%
Salary increases	Not applicable
Investment rate of return	6.50%, net of investment expenses
Cost-of-living adjustments	None

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of June 30, 2020 are summarized in the following table:

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	33.00%	6.10%
Small Cap Domestic Equities	6.00%	7.00%
International Equities	40.00%	6.45%
Core-Plus Fixed Income	21.00%	1.15%

Discount rate. The discount rate used to measure the total OPEB liability was 6.50%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2020, 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, 2020, calculated using the discount rate of 6.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate:

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Employer's proportionate share of the net OPEB liability	\$ 3,443,298	\$ 2,625,421	\$ 1,933,795

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.

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

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

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

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

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

Metro Flood Diversion Authority

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

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

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

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

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

Metro Flood Diversion Project

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

F. SUBSEQUENT EVENTS

On February 25, 2021, the Metro Flood Diversion Authority approved a Settlement Agreement with the Richland-Wilkin Joint Powers Authority, Buffalo-Red River Watershed District, City of Wolverton, MN and the City of Comstock, MN. The express intent of the Parties per the Settlement Agreement is to acknowledge the Diversion Authority's need, ability, and Authority to design, finance, develop, construct, operate, and maintain the Comprehensive Project; to acknowledge and fairly protect and compensate the Non-Diversion Authority Parties and their constituencies and minimize, protect, and compensate upstream individuals, landowners, entities, and political subdivisions from the impacts of the Comprehensive Project; and, to ensure that the Non-Diversion Authority Parties do not engage in Interference Actions. As approved in the Settlement Agreement, payments of Seventy-five Million Dollars (\$75,000,000) will be provided by the Diversion Authority to the Economic Impact Relief Fund held by the Richland County Auditor in its capacity as fiscal agent for the RWJPA, with an initial payment of Thirty-five Million Dollars (\$35,000,000) to be made not later than ten (10) days after the latter of the following events: (1) issuance of a permit by BRRWD for the Plan B project as provided for above, (2) entry of Judgment of Dismissal with Prejudice (or the reasonable equivalent thereof if such a judgment is not available in a Minnesota administrative matter) in the MN CCH and the issuance of the MDNR Permit, (3) entry of Judgment of Dismissal with Prejudice in the Federal Case, and (4) entry of judgment of dismissal with prejudice in the pending appeal to the Eighth Circuit Court of Appeals. The balance of Forty Million Dollars (\$40,000,000) will be paid as follows: (a) interest at the rate of two percent (2%) per annum shall accrue from December 31, 2020; (b) no actual payments shall be made until the first payment as set forth in subsection (c) is due, but in that interim between December 31, 2020, and the first payment date, interest does accrue at the 2% rate; and (c) thirty-three (33) equal annual payments sufficient to pay past accrued interest and all remaining principal and interest as it accrues shall be made with the first payment being made on the date of Substantial Completion of the Comprehensive Project or December 31, 2031, whichever event occurs first. Also, as approved in the Settlement Agreement was \$250,000 payable to Buffalo Red River Watershed District.

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020**

On April 2, 2021, the Metro Flood Diversion Authority entered into a Settlement Agreement with ICS, Inc. regarding a dispute arising out of a project to perform flood control work in the City of Fargo, North Dakota. In exchange for the release and dismissal of the claims, the Diversion Authority agreed to pay ICS the sum of \$1.2 million, along with costs accrued to date by ICS of \$65,051, for a total payment of \$1,265,051.

On April 19, 2021, the Board of City Commissioners approved a resolution authorizing the issuance of \$37,310,000, Refunding Improvement Bonds, Series 2021A to finance the construction of infrastructure improvements within various improvement districts. The bonds closed on May 20, 2021.

**CITY OF FARGO, NORTH DAKOTA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020**

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

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

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

City of Fargo Employees' Pension Plan Schedule of Investment Returns							
	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	16.7%	20.9%	-5.9%	16.3%	6.6%	0.3%	5.9%

City of Fargo Employees' Pension Plan Contributions and Net Pension Liability as a Percent of Payroll							
	2020	2019	2018	2017	2016	2015	2014
Payroll	\$ 19,752,588	\$ 20,322,191	\$ 20,993,347	\$ 21,459,747	\$ 21,788,871	\$ 22,786,760	\$ 23,051,797
Contributions as a percent of payroll	11.92%	10.99%	10.54%	9.49%	8.97%	8.54%	7.73%
Net pension liability as a percent of payroll	-0.5%	34.9%	69.9%	46.5%	67.10%	72.0%	63.4%

**CITY OF FARGO, NORTH DAKOTA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020**

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>
2020	88.77%	\$ (86,894)	\$ 17,601,166	-0.49%	100.16%
2019	88.93%	\$ 6,309,897	\$ 17,964,987	35.12%	88.17%
2018	87.85%	\$ 12,907,155	\$ 18,565,983	69.52%	75.15%
2017	89.27%	\$ 8,916,014	\$ 19,132,995	46.60%	82.77%
2016	89.96%	\$ 13,158,856	\$ 19,189,598	68.57%	74.14%
2015	89.44%	\$ 14,673,219	\$ 20,056,043	73.16%	70.75%

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>
2020	\$ 1,956,638	\$ (2,274,111)	\$ (317,473)	\$ 17,601,166	12.92%
2019	\$ 2,346,966	\$ (1,938,175)	\$ 408,791	\$ 17,964,987	10.79%
2018	\$ 1,533,328	\$ (2,012,265)	\$ (478,937)	\$ 18,565,983	10.84%
2017	\$ 2,019,399	\$ (1,809,129)	\$ 210,270	\$ 19,132,995	9.46%
2016	\$ 2,091,436	\$ (1,770,290)	\$ 321,146	\$ 19,189,598	9.23%
2015	\$ 1,771,591	\$ (1,792,333)	\$ (20,742)	\$ 20,056,043	8.94%

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

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

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

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, 2020**

POLICE PENSION PLAN

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

City of Fargo Police Pension Plan Schedule of Employer Contributions							
	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution (ADC)	\$ 3,481,047	\$ 3,743,822	\$ 2,987,966	\$ 3,331,157	\$ 3,205,550	\$ 2,422,703	\$ 2,059,933
Contributions in relation to the ADC	3,274,581	3,107,627	2,996,110	2,907,142	2,599,313	2,338,069	2,516,258
Contribution deficiency (excess)	<u>\$ 206,466</u>	<u>\$ 636,195</u>	<u>\$ (6,144)</u>	<u>\$ 424,015</u>	<u>\$ 606,237</u>	<u>\$ 84,634</u>	<u>\$ (456,325)</u>

City of Fargo Police Pension Plan Schedule of Investment Returns							
	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	16.0%	21.5%	-4.9%	15.6%	6.9%	-0.2%	5.9%

City of Fargo Police Pension Plan Contributions and Net Pension Liability as a Percent of Payroll							
	2020	2019	2018	2017	2016	2015	2014
Payroll	\$ 14,564,739	\$ 13,305,433	\$ 12,669,718	\$ 11,604,167	\$ 10,882,568	\$ 10,312,350	\$ 10,050,543
Contributions as a percent of payroll	22.5%	23.4%	23.7%	25.1%	23.89%	22.67%	25.04%
Net pension liability as a percent of payroll	55.8%	109.7%	175.5%	142.2%	197.33%	208.90%	158.85%

**CITY OF FARGO, NORTH DAKOTA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020**

FARGO FIREFIGHTERS' RELIEF ASSOCIATION RETIREMENT PLAN

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

Fargo Firefighters Pension Association Pension Plan Schedule of Employer Contributions							
	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution (ADC)	\$ 3,004,925	\$ 2,934,543	\$ 2,484,690	\$ 2,466,528	\$ 2,312,759	\$ 1,995,062	\$ 1,542,399
Contributions in relation to the ADC	2,625,101	2,465,168	2,486,861	2,139,153	1,916,012	1,889,722	1,661,219
Contribution deficiency (excess)	\$ 379,824	\$ 469,375	\$ (2,171)	\$ 327,375	\$ 396,747	\$ 105,340	\$ (118,820)

Fargo Firefighters Pension Association Pension Plan Schedule of Investment Returns							
	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	16.2%	22.3%	-5.1%	17.3%	6.8%	-0.2%	6.0%

Fargo Firefighters Pension Association Pension Plan Contributions and Net Pension Liability as a Percent of Payroll							
	2020	2019	2018	2017	2016	2015	2014
Payroll	\$ 8,658,216	\$ 8,118,061	\$ 7,966,082	\$ 7,487,808	\$ 7,362,577	\$ 7,129,995	\$ 6,813,000
Contributions as a percent of payroll	30.3%	30.4%	31.2%	28.6%	26.0%	26.5%	24.4%
Net pension liability as a percent of payroll	146.88%	195.22%	260.13%	232.88%	253.56%	252.98%	229.74%

**CITY OF FARGO, NORTH DAKOTA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2020**

NORTH DAKOTA PUBLIC EMPLOYEE RETIREMENT SYSTEM OPEB PLAN

	As of measurement date of	
	6/30/2020	6/30/2019
Schedule of Employer's Share of Net OPEB Liability ND Public Employees Retirement System OPEB Plan		
Employer's proportion of the net OPEB Liability	3.121050%	3.074660%
Employer's proportionate share of the net OPEB liability	\$ 2,625,420	\$ 2,469,528
Employer's covered payroll	\$ 35,579,046	\$ 34,308,827
Employer's proportionate share of the net OPEB liability as a percentage of its covered payroll	7.38%	7.20%
Plan fiduciary net position as a percentage of the total OPEB liability	63.38%	63.13%

	12/31/2020	12/31/2019
Schedule of Employer Contributions ND Public Employees Retirement System OPEB Plan		
Statutorily required contribution	\$ 417,979	\$ 399,013
Contributions in relation to the statutorily required contribution	\$ (377,645)	\$ (388,634)
Contribution deficiency (excess)	\$ 40,334	\$ 10,379
Employer's covered payroll	\$ 35,579,046	\$ 34,308,827
Contributions as a percentage of covered payroll	1.06%	1.13%

Changes of benefit terms.

Beginning January 1, 2020, members first enrolled in the NDPERS Main System and the Defined Contribution Plan on or after that date will not be eligible to participate in RHIC. Therefore, RHIC will become for the most part a closed plan. There have been no other changes in plan provisions since the previous actuarial valuation as of July 1, 2019.

Changes of assumptions.

The Board approved the following changes to the actuarial assumptions beginning with the July 1, 2019 valuation:

- The investment return assumption was lowered from 7.25% to 6.50%

All other actuarial assumptions and the actuarial cost method are unchanged from the last actuarial valuation as of July 1, 2019.