



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fargo, North Dakota (the City), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 4 to the financial statements, the City has adopted the provisions of GASB Statement No. 84, *Fiduciary Activities*, which has resulted in a restatement of the fiduciary fund net position as of January 1, 2020. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis, the pension information including, significant assumptions used to measure total pension liability, schedule of change in net pension liability, schedule of employer contributions, schedule of net pension liability- City of Fargo's proportionate share, and schedule of employer contributions- City of Fargo's proportionate share as presented, and the OPEB information including, significant assumptions used to measure the OPEB liability, schedule of employer's share of net OPEB liability, schedule of employer contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements. The introductory section, combining and individual fund statements, capital assets used in the operation of governmental funds, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, capital assets used in the operation of governmental funds, and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated June 30, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Mankato, Minnesota
June 30, 2021

City of Fargo, North Dakota

Management's Discussion and Analysis

As management of the City of Fargo, we offer readers of the City of Fargo's financial statements this narrative overview and analysis of the financial activities of the City of Fargo for the fiscal year ended December 31, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages III - IX of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

Government-wide Statements

The assets and deferred outflows of resources of the City of Fargo exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$1,240,140 (net position). Of this amount, \$94,429 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.

Fund Financial Statements

As of the close of the current fiscal year, the City of Fargo's governmental funds reported combined ending fund balances of \$233,081 an increase of \$103,443 in comparison with the prior year balance. Of this balance, \$25,661 constitutes unassigned fund balance, \$235 assigned fund balance, \$1,000 committed fund balance, \$200,856 restricted fund balance and \$5,330 nonspendable fund balance.

The City's ten enterprise funds ended the year with net position of \$840,398. An increase of \$8,662 from the prior year balance. Net cash flows from operations were \$21,500 while net cash used by capital and financing activities was \$17,185.

At the end of the 2020 fiscal year, the General Fund assigned and unassigned fund balance was \$34,864, an increase of \$8,734 from the prior year. This balance represents 32.9 percent of the final 2020 General Fund expenditures and transfers out (financial uses) budget of \$106,054. After removing the net impact of one-time CARE Act grant revenue, the City subtracted \$3,665 from reserves, and ended the year around 28.3 percent of the 2020 final budget.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements

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

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Fargo that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Fargo include general government, public safety, public works, public health and welfare, recreation & culture, urban redevelopment, public transportation, and general support. The business-type activities of the City of Fargo include a Municipal Airport, Water, Wastewater, Storm Sewer, Solid Waste Collection and Landfill, Southeast Cass Sewer, Urban Forestry, Vector Control, Street Lighting and the FargoDome, a multi-use facility.

The government-wide financial statements can be found on pages 12 and 13 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Fargo, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Fargo can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

The City of Fargo adopts an annual appropriated budget for its governmental funds, except for capital projects funds. A budgetary comparison statement has been provided for all of these funds to demonstrate compliance with the approved budget.

The basic governmental fund financial statements can be found on pages 14 - 17 of this report.

Proprietary funds

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

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

The basic proprietary fund financial statements can be found on pages 19 - 23 of this report.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Fargo's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 24 and 25 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 – 86 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Fargo's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees. Required supplementary information can be found on pages 87 - 91 of this report.

The combining statements referred to earlier in connection with non-major governmental and proprietary funds is presented immediately following the notes to the financial statements. Combining statements and schedules can be found on pages 92 - 113 of this report.

Government-wide Financial Analysis

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Fargo, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,240,140 at the close of the most recent fiscal year.

By far the largest portion of the City of Fargo's net position (74%) reflects its net investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related outstanding debt used to acquire those assets. The City of Fargo uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Fargo's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following two tables present condensed financial information on the City's Net Position and Changes in Net Position for the fiscal year ending December 31, 2020 and 2019.

City of Fargo's Net Position (In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 703,913	\$ 589,409	\$ 111,482	\$ 117,632	\$ 815,395	\$ 707,041
Capital assets	631,752	604,617	932,734	900,410	1,564,486	1,505,027
Total assets	1,335,665	1,194,026	1,044,216	1,018,042	2,379,881	2,212,068
Deferred outflows of resources	52,481	20,599	17,332	5,344	69,813	25,943
Long-term liabilities outstanding	934,591	798,996	201,407	167,594	1,135,998	966,590
Other liabilities	26,458	31,274	13,715	17,687	40,173	48,961
Total liabilities	961,049	830,270	215,122	185,281	1,176,171	1,015,551
Deferred inflows of resources	27,355	23,493	6,028	6,369	33,383	29,862
Net position:						
Net investment in capital assets	152,409	182,947	769,928	754,736	922,337	937,683
Restricted	170,048	121,145	53,326	50,570	223,374	171,715
Unrestricted	77,285	56,770	17,144	26,430	94,429	83,200
Total net position	\$ 399,742	\$ 360,862	\$ 840,398	\$ 831,736	\$ 1,240,140	\$ 1,192,598

A portion of the City of Fargo's net position (18%) represents resources that are subject to external restrictions on how they may be used.

The unrestricted net position of \$94,429 may be used to meet the government's ongoing obligations to citizens and creditors.

Changes in net position

The City's net position increased by \$47,541 as revenues exceeded expenses during the current fiscal year for both governmental and enterprise funds. Much of this is committed to current and future capital infrastructure.

City of Fargo's Changes in Net Position (In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	\$ 25,278	\$ 26,112	\$ 71,176	\$ 75,241	\$ 96,454	\$ 101,353
Operating grants and contributions	38,966	11,563	4,144	-	43,110	11,563
Capital grants and contributions	96,585	152,987	11,429	41,057	108,014	194,044
General Revenues:						
Taxes	88,621	92,294	1,160	1,066	89,781	93,360
Unrestricted intergovernmental	6,366	7,259	-	-	6,366	7,259
Unrestricted investment earnings	6,139	7,852	5,226	8,140	11,365	15,992
Miscellaneous	1,483	463	2,505	1,250	3,988	1,713
Total revenues	263,438	298,530	95,640	126,754	359,078	425,284
Expenses:						
General government	24,328	22,172	-	-	24,328	22,172
Public safety	39,367	40,099	-	-	39,367	40,099
Public works	90,683	83,187	-	-	90,683	83,187
Public health and welfare	21,647	12,967	-	-	21,647	12,967
Recreation and culture	8,869	9,448	-	-	8,869	9,448
Urban redevelopment	1,741	1,380	-	-	1,741	1,380
Transportation	13,541	13,178	-	-	13,541	13,178
Economic development	100	-	-	-	100	-
General support	1,229	1,070	-	-	1,229	1,070
Interest and fiscal charges	24,413	23,184	-	-	24,413	23,184
Municipal airport authority	-	-	10,360	10,601	10,360	10,601
Water	-	-	25,684	23,385	25,684	23,385
Wastewater	-	-	14,193	14,760	14,193	14,760
Storm sewer	-	-	6,987	6,326	6,987	6,326
Solid waste	-	-	11,756	10,948	11,756	10,948
Fargodome	-	-	9,443	11,311	9,443	11,311
Southeast cass	-	-	99	80	99	80
Vector control	-	-	390	453	390	453
Street lighting	-	-	4,528	4,284	4,528	4,284
Forestry	-	-	2,179	2,085	2,179	2,085
Total expenses	225,918	206,685	85,619	84,233	311,537	290,918
Excess before Transfers	37,520	91,845	10,021	42,521	47,541	134,366
Transfers	1,359	3,835	(1,359)	(3,835)	-	-
Change in net position	38,879	95,680	8,662	38,686	47,541	134,366
Net position - beginning	360,863	265,182	831,736	793,050	1,192,599	1,058,232
Net position - ending	\$ 399,742	\$ 360,862	\$ 840,398	\$ 831,736	\$ 1,240,140	\$ 1,192,598

Governmental activities

Governmental activities increased the City's net position increased by \$38,880 during the current fiscal year, thereby accounting for 81.7 percent of the total growth in the net position of the City.

Revenues decreased by \$35,092 or 11.7 percent. This decrease was primarily the result of the City being conveyed various flood control and infrastructure assets in the amount of \$91 million from the Metro Flood Diversion Authority in the prior year. This transaction resulted in an increase of \$51 million to the overall net position of governmental activities in 2019. Expenses increased by \$19,233 or 9.3 percent in comparison to the previous year. This increase was mostly the result of an increase in public health and welfare expense due to the COVID-19 pandemic.

Business type activities

Business-type activities increased the City of Fargo's net position by \$8,661 during the current fiscal year, accounting for 18.3 percent of the total growth in the government's net position. This growth is due to increased revenue over expenses as the City continues to plan for both current and future infrastructure investment.

Financial Analysis of the City's Funds

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

Governmental funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$233,082.

Approximately 11 percent, or \$25,661, of this combined ending fund balance constitutes unassigned fund balance. The remainder of fund balance is assigned (\$235, 0.1 percent), committed (\$1,000, 0.4 percent), restricted (\$200,856, 86.2 percent), or nonspendable (\$5,330, 2.3 percent).

The General Fund is the primary operating fund of the City of Fargo. At the end of the 2020 fiscal year, the General Fund assigned and unassigned fund balance was \$34,864, an increase of \$8,734 from the prior year. This balance represents 32.9 percent of the final 2020 General Fund expenditures and transfers out (financial uses) budget of \$106,054. After removing the net impact of one-time CARES Act grant revenue, the City subtracted \$3,665 from reserves, and ended the year around 28.3 percent of the 2020 final budget against a reserve target of 25 percent (assigned an unassigned fund balance).

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

Overall General Fund revenues of this fund group increased by 23 percent compared to the prior year, while total expenditures increased by 4 percent.

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

The debt service fund has a total fund balance of \$193,930, all of which is restricted for the payment of future debt service. The net increase in fund balance during the current year was \$98,718 and was the result of refunding debt issued during 2020.

The capital projects fund had a net decrease in fund balance of \$6,994. Capital project expenditures decreased by 5.1 percent in 2020.

Proprietary (business-type) Funds

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

Unrestricted net position of the proprietary funds at the end of the year amounted to \$17,144. The Water, Wastewater and FargoDome funds were the three major proprietary funds that reported decreases in net position. The Water fund decrease is the result of an increase in depreciation expense due to various infrastructure projects being completed as well as significant transfers out of the fund, \$8,120, to fund various capital projects and capital asset purchases. The Wastewater fund decrease is the result of significant transfers out of the fund, \$8,911, to fund various capital project and capital asset purchases. The FargoDome decrease was the direct result of the COVID-19 pandemic. The pandemic ceased all operations at the FargoDome as very few events were held at the facility during 2020.

Operating revenues of this fund group decreased by \$4,065, or 5.4 percent. This decrease was the result of the COVID-19 pandemic impact on services. COVID-19 shut down airline travel as well as concerts and events typically held at the FargoDome.

Operating expenses increased by \$857, or 1.1 percent. The minimal increase in expense can be attributed to an increase in depreciation expense due to the completion of various Water infrastructure projects.

General Fund Budgetary Highlights

The City's low annual average unemployment rate of 3.2 percent and continued positive construction activity of \$720.2 million in valuations both point to a growing economy.

The General fund has two primary revenue sources, property tax and intergovernmental revenues, which count for around 70% of the budgeted revenues. Intergovernmental revenue, which was 78.3% above the prior year amount, and total revenues and other financing sources exceeded the budget projections by \$13.6 million due to grant funding received via the CARES Act, as part of the COVID-19 pandemic response.

The City expenditures ended the year at \$100.2 million or 0.7% below final budget. This minor budgetary expense savings was a result of the COVID-19 pandemic impact on services. COVID-19 limited operations in City service areas such as public transportation and recreation and culture resulting in budget savings.

Capital Asset and Debt Administration

Capital Assets. The City of Fargo's investment in capital assets for its governmental and business type activities as of December 31, 2020 amounts to \$1,564 (net of accumulated depreciation). This investment in capital assets includes land, intangibles, construction in progress, buildings, improvements, machinery and equipment, infrastructure, and flood control projects.

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

\$48.6 million was expended on the expansion of the City's Wastewater Treatment facility. This is a major expansion allowing an increase in treatment capacity from 26 MGD to 50 MGD per day. The completion of the expansion is expected to occur in 2023.

Parking in the City's downtown area has been a priority over the last few years. \$12.2 million was expended on completion of the Block 9 Parking garage and \$10.5 million was expended on the construction of the Mercantile Parking garage.

City of Fargo's Capital Assets (net of depreciation) (In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 104,333	\$ 97,521	\$ 43,888	\$ 43,646	\$ 148,221	\$ 141,167
Construction in progress	30,103	30,955	67,607	60,003	97,710	90,958
Intangible	12,580	10,676	920	920	13,500	11,596
Buildings	102,845	91,325	265,823	245,799	368,668	337,124
Improvements other than buildings	7,180	2,182	28,973	27,468	36,153	29,650
Machinery and equipment	19,580	20,596	34,063	38,662	53,643	59,258
Infrastructure	282,588	279,259	491,460	483,912	774,048	763,171
Flood Control	72,543	72,103	-	-	72,543	72,103
Total	<u>\$ 631,752</u>	<u>\$ 604,617</u>	<u>\$ 932,734</u>	<u>\$ 900,410</u>	<u>\$ 1,564,486</u>	<u>\$ 1,505,027</u>

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

Long Term Debt

At the end of the current fiscal year, the City of Fargo had total bonded debt and notes outstanding of \$1,079,501. Of this amount, \$549,200 is special assessment debt (improvement bonds) for which the government is liable in the event of default by the property owners subject to the assessment. The remainder of the City of Fargo's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds) and annual appropriation bonds.

The City of Fargo's total outstanding debt increased by \$165,324 during the current fiscal year.

City of Fargo's Outstanding Debt (In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Improvement bonds	\$ 549,200	\$ 450,485	\$ -	\$ -	\$ 549,200	\$ 450,485
Gross revenue bonds	-	-	2,142	2,429	2,142	2,429
Annual appropriation bonds	28,840	17,315	5,635	6,350	34,475	23,665
General obligation bonds	32,405	33,995	-	-	32,405	33,995
Sales tax bonds	62,039	65,696	-	-	62,039	65,696
Notes payable	123,322	130,128	146,454	127,700	269,776	257,828
Capital leases	383	226	2,047	2,018	2,430	2,244
Net pension liability	97,048	63,669	27,448	11,696	124,496	75,365
Net OPEB liability	1,937	1,825	688	645	2,625	2,470
Total	<u>\$ 895,174</u>	<u>\$ 763,339</u>	<u>\$ 184,414</u>	<u>\$ 150,838</u>	<u>\$ 1,079,588</u>	<u>\$ 914,177</u>

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

The City issued \$11,525 Taxable Annual Appropriation Bonds, Series 2020A at a true interest cost of 3.54%. Proceeds of this bond will be used to construct the Mercantile parking garage located in the City's central downtown area.

The City issued \$29,565 Refunding Improvement Bonds, Series 2020B at a true interest cost of 1.88%. These bonds were issued to reimburse the capital project fund for project costs previously incurred for the expansion of the City's utility infrastructure.

The City issued \$91,015 Taxable Refunding Improvement Refunding Bonds, Series 2020C at a true interest cost of 1.83%. These bonds were issued as a crossover refunding of the Series 2011C, 2012A, 2014D, and 2014F refunding maturities.

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

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

Economic Factors and Next Year's Budgets and Rates

The 2021 budget recognizes the impact to our community stemming from the COVID-19 pandemic. While we have been more insulated than many cities in the nation, we are not entirely immune, and the proposed 2021 budget reflects expected reductions in municipal highway funds and state aid distribution. The 2021 budget also includes minimal addition of staff and no competitive wage adjustment was approved for employees. The budget does not include any increase in tax mills for 2021. The City has had a stable City mill levy history for the past several years; in fact, mills have been reduced by 5.25 since 2013.

The budget team embraced the themes of proactive, practical and prudent for the 2021 budget. Focus was placed on the five overarching themes; focus on critical needs, maintain high service levels, continue infrastructure investments, maintain replacement and repair schedules, and nurture community relationships.

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

Requests for information

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