

**CITY OF FARGO, NORTH DAKOTA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2017**

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash	\$ 168,114	\$ 12,594,055	\$ 12,762,169
Investments	31,939,208	-	31,939,208
Equity in pooled investments	67,203,215	53,454,483	120,657,698
Receivables (net of allowance for uncollectibles):			
Interest	588,523	-	588,523
Taxes	273,294	8,966	282,260
Accounts	5,051,417	5,678,859	10,730,276
Sales tax	9,042,056	-	9,042,056
Notes receivable	130,678	-	130,678
Special assessments	396,681,797	32,425	396,714,222
Intergovernmental	6,255,622	737,285	6,992,907
Contract	9,502	-	9,502
Loans	2,215,038	-	2,215,038
Internal balances	(53,230)	53,230	-
Inventory	1,420,039	631,404	2,051,443
Prepaid expenses	747,045	492,697	1,239,742
Property held for resale	2,673,366	-	2,673,366
Restricted assets:			
Equity in pooled investments	-	464,700	464,700
Investments	-	44,576,449	44,576,449
Unamortized debt costs	690	-	690
Capital assets not being depreciated:			
Land	76,969,056	40,680,774	117,649,830
Construction in progress	43,280,891	125,391,038	168,671,929
Intangible - Right-of-way Easements	9,215,065	420,036	9,635,101
Intangible - Water Rights	-	500,000	500,000
Capital assets (net of accumulated depreciation):			
Buildings	48,177,812	124,028,123	172,205,935
Improvements other than buildings	610,892	24,844,030	25,454,922
Machinery and equipment	15,429,181	39,093,433	54,522,614
Infrastructure	243,517,315	436,666,219	680,183,534
Flood Control	40,114,801	-	40,114,801
Total assets	<u>1,001,661,387</u>	<u>910,348,206</u>	<u>1,912,009,593</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflow of resources related to pension	23,110,186	6,135,819	29,246,005
Total deferred outflows of resources	<u>23,110,186</u>	<u>6,135,819</u>	<u>29,246,005</u>
<b>LIABILITIES</b>			
Vouchers payable	16,234,753	2,769,636	19,004,389
Retainage payable	5,847,353	34,817	5,882,170
Accrued payroll	2,486,846	612,277	3,099,123
Accrued interest payable	4,721,467	448,338	5,169,805
Accrued interest payable from restricted assets	-	105,069	105,069
Special assessments payable	502,126	582,870	1,084,996
Unearned revenue	3,385,616	2,894,022	6,279,638
Deposits	300,933	8,945	309,878
Noncurrent liabilities:			
Due within one year	33,517,909	1,583,275	35,101,184
Due within one year payable from restricted assets	-	1,561,191	1,561,191
Due in more than one year	700,560,498	30,720,112	731,280,610
Net pension liability	74,750,041	14,922,337	89,672,378
Total liabilities	<u>842,307,542</u>	<u>56,242,889</u>	<u>898,550,431</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflow of resources related to pension	6,977,054	1,364,320	8,341,374
Total deferred Inflows of resources	<u>6,977,054</u>	<u>1,364,320</u>	<u>8,341,374</u>
<b>NET POSITION</b>			
Net investment in capital assets	155,724,812	763,810,437	919,535,249
Restricted for:			
Debt service	10,617,978	1,666,260	12,284,238
Specific projects and programs	4,974,261	-	4,974,261
Capital improvements	-	44,576,449	44,576,449
Unrestricted	4,169,926	48,823,670	52,993,596
Total net position	<u>\$ 175,486,977</u>	<u>\$ 858,876,816</u>	<u>\$ 1,034,363,793</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, 2017**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental activities:</b>							
General government	\$ 18,745,925	\$ 2,960,802	\$ 423,194	\$ -	\$ (15,361,929)	\$ -	\$ (15,361,929)
Public safety	38,539,794	6,240,462	1,033,909	77,139	(31,188,284)	-	(31,188,284)
Public works	88,777,599	10,530,618	41,673	89,997,276	11,791,968	-	11,791,968
Public health & welfare	12,950,823	3,030,070	3,938,851	-	(5,981,902)	-	(5,981,902)
Recreation & culture	8,624,606	518,632	181,750	-	(7,924,224)	-	(7,924,224)
Urban redevelopment	4,673,263	183,000	994,523	595,033	(2,900,707)	-	(2,900,707)
Transportation	10,320,580	4,304,515	3,426,337	349,904	(2,239,824)	-	(2,239,824)
General support	1,151,575	-	-	-	(1,151,575)	-	(1,151,575)
Interest and fiscal charges	22,260,570	-	-	-	(22,260,570)	-	(22,260,570)
Total governmental activities	<u>206,044,735</u>	<u>27,768,099</u>	<u>10,040,237</u>	<u>91,019,352</u>	<u>(77,217,047)</u>	<u>-</u>	<u>(77,217,047)</u>
<b>Business-type activities:</b>							
Municipal airport authority	8,981,905	8,583,335	-	6,203,700	-	5,805,130	5,805,130
Water	17,416,843	23,706,110	-	-	-	6,289,267	6,289,267
Wastewater	10,796,934	10,714,193	-	-	-	(82,741)	(82,741)
Storm sewer	5,679,382	1,663,088	-	-	-	(4,016,294)	(4,016,294)
Solid waste	10,674,156	14,905,074	-	15,000	-	4,245,918	4,245,918
Fargodome	9,394,765	5,792,841	-	-	-	(3,601,924)	(3,601,924)
Southeast Cass	90,210	32,224	-	-	-	(57,986)	(57,986)
Vector control	331,429	716,353	-	-	-	384,924	384,924
Street lighting	3,349,777	1,877,197	-	-	-	(1,472,580)	(1,472,580)
Forestry	1,923,056	1,724,327	-	-	-	(198,729)	(198,729)
Total business-type activities	<u>68,638,457</u>	<u>69,714,742</u>	<u>-</u>	<u>6,218,700</u>	<u>-</u>	<u>7,294,985</u>	<u>7,294,985</u>
<b>Total</b>	<u>\$ 274,683,192</u>	<u>\$ 97,482,841</u>	<u>\$ 10,040,237</u>	<u>\$ 97,238,052</u>	<u>(77,217,047)</u>	<u>7,294,985</u>	<u>(69,922,062)</u>
<b>General revenues:</b>							
<b>Taxes:</b>							
Property taxes					28,283,311	941,291	29,224,602
Sales taxes					47,653,443	-	47,653,443
Gross business receipts taxes					5,108,969	-	5,108,969
Lodging taxes					2,286,414	-	2,286,414
Other taxes					1,737,382	-	1,737,382
Unrestricted intergovernmental					5,768,743	-	5,768,743
Unrestricted investment earnings					5,219,212	5,539,034	10,758,246
Miscellaneous revenue					2,048,000	1,113,603	3,161,603
Transfers					(57,845,373)	57,845,373	-
Total general revenues and transfers					<u>40,260,101</u>	<u>65,439,301</u>	<u>105,699,402</u>
Change in net position					<u>(36,956,946)</u>	<u>72,734,286</u>	<u>35,777,340</u>
Net position - beginning					<u>212,443,923</u>	<u>786,142,530</u>	<u>998,586,453</u>
Net position - ending					<u>\$ 175,486,977</u>	<u>\$ 858,876,816</u>	<u>\$ 1,034,363,793</u>

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

**CITY OF FARGO, NORTH DAKOTA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2017**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 168,114	\$ -	\$ -	\$ -	\$ 168,114
Investments	-	31,939,208	-	-	31,939,208
Equity in pooled investments	33,837,101	30,809,699	-	2,556,415	67,203,215
Receivables (net of allowance for uncollectibles):					
Interest	456,497	87,929	44,097	-	588,523
Taxes	225,189	43,173	-	4,932	273,294
Accounts	4,745,766	5,024	32,409	268,218	5,051,417
Sales tax	-	2,260,514	6,781,542	-	9,042,056
Special assessments	-	395,177,925	406,206	1,097,666	396,681,797
Contracts	-	9,502	-	-	9,502
Intergovernmental	3,668,971	-	2,460,372	126,279	6,255,622
Long term note receivable	-	130,678	-	-	130,678
Due from other funds	-	2,165,519	-	70,061	2,235,580
Loans	-	-	-	2,215,038	2,215,038
Advances to other funds	1,484,697	-	-	-	1,484,697
Inventory	1,420,039	-	-	-	1,420,039
Prepaid items	720,187	-	7,162	19,696	747,045
Property held for resale	15,000	-	2,500,000	158,366	2,673,366
	<u>\$ 46,741,561</u>	<u>\$ 462,629,171</u>	<u>\$ 12,231,788</u>	<u>\$ 6,516,671</u>	<u>\$ 528,119,191</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Vouchers payable	\$ 3,215,946	\$ 22,070	\$ 12,563,691	\$ 433,046	\$ 16,234,753
Contract retainage payable	-	-	5,847,353	-	5,847,353
Advances from other funds	-	-	-	1,537,927	1,537,927
Due to other funds	-	-	2,165,519	70,061	2,235,580
Accrued payroll	2,467,744	-	6,877	12,225	2,486,846
Special assessments payable	3,133	40,976	99,233	358,784	502,126
Unearned revenue	111,052	-	1,572,690	1,701,875	3,385,617
Deposits	300,933	-	-	-	300,933
Total liabilities	<u>6,098,808</u>	<u>63,046</u>	<u>22,255,363</u>	<u>4,113,918</u>	<u>32,531,135</u>
Deferred inflows of resources					
Unavailable revenue	<u>2,796,179</u>	<u>381,556,133</u>	<u>1,209,716</u>	<u>1,508,766</u>	<u>387,070,794</u>
<b>Fund balances</b>					
Nonspendable	3,639,923	-	7,162	19,696	3,666,781
Restricted	3,170,287	81,009,992	-	2,327,560	86,507,839
Committed	1,405,918	-	-	-	1,405,918
Assigned	1,531,414	-	-	-	1,531,414
Unassigned	28,099,032	-	(11,240,453)	(1,453,269)	15,405,310
Total fund balance (deficit)	<u>37,846,574</u>	<u>81,009,992</u>	<u>(11,233,291)</u>	<u>893,987</u>	<u>108,517,262</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 46,741,561</u>	<u>\$ 462,629,171</u>	<u>\$ 12,231,788</u>	<u>\$ 6,516,671</u>	<u>\$ 528,119,191</u>

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

**CITY OF FARGO, NORTH DAKOTA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**December 31, 2017**

Amounts reported for governmental activities in the statement of net position (page 14) are different because:

Total fund balance - governmental funds (page 16)	\$ 108,517,262
Capital assets used in governmental activities are not financial resources and therefore not reported in the fund financial statements	477,315,013
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	387,070,795
Net pension liability and pension related deferred outflows and inflows of resources are not due in the current period and, therefore, are not reported in the funds	(58,616,909)
Liabilities that are not due and payable in the current period and therefore not reported in the governmental funds	<u>(738,799,184)</u>
Net position of governmental activities (page 14)	<u>\$ 175,486,977</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, 2017**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$ 30,690,365	\$ 15,789,245	\$ 35,740,082	\$ 2,803,208	\$ 85,022,900
Special assessments	-	37,728,597	54,925	349,709	38,133,231
Licenses and permits	4,628,182	-	-	-	4,628,182
Intergovernmental revenues	21,434,863	756,526	7,808,535	1,049,287	31,049,211
Charges for services	17,042,076	-	-	1,884,014	18,926,090
Fines and forfeits	2,104,662	-	-	86,915	2,191,577
Investment income	3,942,045	789,262	485,518	2,387	5,219,212
Miscellaneous revenues	991,212	28,350	2,169,222	452,357	3,641,141
<b>Total revenues</b>	<b>80,833,405</b>	<b>55,091,980</b>	<b>46,258,282</b>	<b>6,627,877</b>	<b>188,811,544</b>
<b>EXPENDITURES</b>					
<b>Current:</b>					
General government	16,709,859	-	146,646	-	16,856,505
Public safety	36,823,018	-	25,888	149,121	36,998,027
Public works	10,710,691	844,980	64,412,677	349,892	76,318,240
Public health & welfare	11,533,635	-	-	45,601	11,579,236
Recreation and culture	4,896,092	-	-	2,779,331	7,675,423
Urban redevelopment	-	2,780,137	251,933	1,574,568	4,606,638
Public transportation	7,374,024	-	13,421	907,990	8,295,435
General support	1,151,575	-	-	-	1,151,575
Capital outlay	2,094,902	-	123,131,864	100,457	125,327,223
<b>Debt service:</b>					
Principal	75,831	115,846,235	-	-	115,922,066
Interest and fiscal charges	7,689	24,326,659	513,247	-	24,847,595
<b>Total expenditures</b>	<b>91,377,316</b>	<b>143,798,011</b>	<b>188,495,676</b>	<b>5,906,960</b>	<b>429,577,963</b>
Excess (deficiency) of revenues over (under) expenditures	(10,543,911)	(88,706,031)	(142,237,394)	720,917	(240,766,419)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	11,778,132	4,657,997	11,132,003	148,857	27,716,989
Transfers out	(2,826,851)	(8,406,457)	(2,381,952)	(1,519,277)	(15,134,537)
Loans issued	-	52,668,924	37,987,957	-	90,656,881
Bonds issued	-	11,340,000	38,525,000	-	49,865,000
Bond premium	-	836,085	1,893,306	-	2,729,391
Capital lease	42,700	-	-	-	42,700
<b>Total other financing sources (uses)</b>	<b>8,993,981</b>	<b>61,096,549</b>	<b>87,156,314</b>	<b>(1,370,420)</b>	<b>155,876,424</b>
Net change in fund balances	(1,549,930)	(27,609,482)	(55,081,080)	(649,503)	(84,889,995)
Fund balance - beginning of year	39,396,504	108,619,474	43,847,789	1,543,490	193,407,257
Fund balance (deficit) - end of year	<u>\$ 37,846,574</u>	<u>\$ 81,009,992</u>	<u>\$ (11,233,291)</u>	<u>\$ 893,987</u>	<u>\$ 108,517,262</u>

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

**CITY OF FARGO, NORTH DAKOTA  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2017**

Amounts reported for governmental activities in the statement of activities (page 15) are different because:

Net change in fund balances - total governmental funds (page 18)	\$ (84,889,995)
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.	108,604,552
Capital assets transferred to enterprise funds.	(70,427,825)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.	108,566
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	37,338,136
Changes to net pension liability and pension related deferred outflows and inflows do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(2,735,173)
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.	(27,371,906)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	2,416,699
Change in net position of governmental activities (page 15)	<u><u>\$ (36,956,946)</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, 2017**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 30,923,500	\$ 30,491,500	\$ 30,690,365	\$ 198,865
Licenses & permits	4,790,000	4,900,850	4,628,182	(272,668)
Intergovernmental revenues	19,777,070	21,006,811	21,434,863	428,052
Charges for services	17,637,863	17,551,288	17,042,076	(509,212)
Fines and forfeits	2,536,500	2,536,500	2,104,662	(431,838)
Investment income	3,129,000	3,129,000	3,942,045	813,045
Miscellaneous revenues	921,067	977,467	991,212	13,745
Total revenues	<u>79,715,000</u>	<u>80,593,416</u>	<u>80,833,405</u>	<u>239,989</u>
<b>EXPENDITURES</b>				
<b>Current:</b>				
General government	16,817,825	16,795,005	16,709,859	85,146
Public safety	36,998,992	37,297,091	36,823,018	474,073
Public works	11,592,068	11,287,303	10,710,691	576,612
Public health & welfare	10,497,727	11,603,560	11,533,635	69,925
Recreation & culture	4,847,818	4,898,848	4,896,092	2,756
Public Transportation	8,326,384	7,814,299	7,374,024	440,275
General support	1,212,176	1,630,132	1,151,575	478,557
Capital outlay	3,045,300	4,296,926	2,094,902	2,202,024
<b>Debt service:</b>				
Principal	75,831	75,831	75,831	-
Interest and fiscal charges	7,689	7,689	7,689	-
Total expenditures	<u>93,421,810</u>	<u>95,706,684</u>	<u>91,377,316</u>	<u>4,329,368</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(13,706,810)</u>	<u>(15,113,268)</u>	<u>(10,543,911)</u>	<u>4,569,357</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	11,866,000	12,266,000	11,778,132	(487,868)
Transfers out	(2,284,190)	(2,906,966)	(2,826,851)	80,115
Capital lease	-	-	42,700	42,700
Total other financing sources (uses)	<u>9,581,810</u>	<u>9,359,034</u>	<u>8,993,981</u>	<u>(365,053)</u>
Net change in fund balances	<u>(4,125,000)</u>	<u>(5,754,234)</u>	<u>(1,549,930)</u>	<u>4,204,304</u>
Fund balance - beginning of year			<u>39,396,504</u>	
Fund balance - end of year			<u>\$ 37,846,574</u>	

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



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**CITY OF FARGO, NORTH DAKOTA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**December 31, 2017**

	Business Type Activities-Proprietary Funds						Other Proprietary Funds	Total
	Airport	Water	Wastewater	Storm Sewer	Solid Waste	FargoDome		
<b>ASSETS</b>								
<b>Current assets</b>								
Cash	\$ 7,996,834	\$ 50	\$ 50	\$ -	\$ 300	\$ 4,596,771	\$ 50	\$ 12,594,055
Equity in pooled investments	13,735,517	21,276,049	16,764,808	339,596	-	-	1,338,513	53,454,483
Receivables (net of allowance for uncollectibles):								
Special assessments	-	-	-	-	-	-	32,425	32,425
Taxes	8,966	-	-	-	-	-	-	8,966
Accounts	733,597	1,747,724	1,075,659	164,656	1,113,703	378,055	465,465	5,678,859
Intergovernmental	737,285	-	-	-	-	-	-	737,285
Due from other funds	-	-	305,868	-	-	-	-	305,868
Advances to other funds	-	-	518,000	-	53,230	-	-	571,230
Inventory	-	295,872	-	-	-	50,060	285,472	631,404
Prepaid expenses	21,478	77,196	46,842	6,976	90,235	237,588	12,382	492,697
Restricted equity in pooled investments	-	-	86,497	-	-	378,203	-	464,700
Total current assets	<u>23,233,677</u>	<u>23,396,891</u>	<u>18,797,724</u>	<u>511,228</u>	<u>1,257,468</u>	<u>5,640,677</u>	<u>2,134,307</u>	<u>74,971,972</u>
<b>Noncurrent assets</b>								
<b>Restricted assets</b>								
Investments	-	-	-	-	-	44,576,449	-	44,576,449
<b>Capital assets</b>								
Land	8,516,547	4,859,387	583,744	24,506,566	2,214,530	-	-	40,680,774
Right of way	-	-	289,090	130,946	-	-	-	420,036
Construction in progress	8,460,280	108,462,702	4,557,507	2,101,940	1,649,631	158,978	-	125,391,038
Intangible	-	500,000	-	-	-	-	-	500,000
Buildings	27,200,861	86,305,407	33,538,372	-	5,699,195	58,677,604	-	211,421,439
Improvements other than buildings	2,451,998	1,678,263	2,173,540	3,584,168	20,979,025	6,006,067	-	36,873,061
Machinery and equipment	10,320,638	8,159,598	19,105,818	5,865,301	21,035,464	25,370,481	1,750,350	91,607,650
Infrastructure	110,407,492	135,097,932	144,051,597	202,224,670	6,158	-	40,630,632	632,418,481
Less accumulated depreciation	<u>(62,847,652)</u>	<u>(63,495,086)</u>	<u>(65,037,674)</u>	<u>(66,893,034)</u>	<u>(21,618,829)</u>	<u>(48,570,207)</u>	<u>(19,226,344)</u>	<u>(347,688,826)</u>
Total capital assets (net of accumulated depreciation)	<u>104,510,164</u>	<u>281,568,203</u>	<u>139,261,994</u>	<u>171,520,557</u>	<u>29,965,174</u>	<u>41,642,923</u>	<u>23,154,638</u>	<u>791,623,653</u>
Total noncurrent assets	<u>104,510,164</u>	<u>281,568,203</u>	<u>139,261,994</u>	<u>171,520,557</u>	<u>29,965,174</u>	<u>86,219,372</u>	<u>23,154,638</u>	<u>836,200,102</u>
Total assets	<u>\$ 127,743,841</u>	<u>\$ 304,965,094</u>	<u>\$ 158,059,718</u>	<u>\$ 172,031,785</u>	<u>\$ 31,222,642</u>	<u>\$ 91,860,049</u>	<u>\$ 25,288,945</u>	<u>\$ 911,172,074</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>								
Deferred outflows of resources related to pension	<u>804,762</u>	<u>1,476,233</u>	<u>809,711</u>	<u>311,042</u>	<u>1,412,321</u>	<u>846,020</u>	<u>475,730</u>	<u>6,135,819</u>
Total deferred outflows of resources	<u>804,762</u>	<u>1,476,233</u>	<u>809,711</u>	<u>311,042</u>	<u>1,412,321</u>	<u>846,020</u>	<u>475,730</u>	<u>6,135,819</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, 2017**

	Business Type Activities-Proprietary Funds						Other Proprietary Funds	Total
	Airport	Water	Wastewater	Storm Sewer	Solid Waste	FargoDome		
<b>LIABILITIES</b>								
<b>Current liabilities</b>								
Vouchers payable	\$ 511,073	\$ 568,430	\$ 424,209	\$ 8,865	\$ 316,060	\$ 733,922	\$ 207,077	2,769,636
Retainage payable	34,817	-	-	-	-	-	-	34,817
Interest payable	-	26,385	47,361	155,554	134,476	84,562	-	448,338
Advances from other funds	-	-	-	-	518,000	-	-	518,000
Due to other funds	-	-	-	-	250,910	-	54,958	305,868
Accrued payroll	96,039	147,204	66,265	20,542	144,182	95,429	42,616	612,277
Current portion of special assessments	-	18,831	52,547	121,752	343,539	46,201	-	582,870
Current portion of capital lease	-	-	39,871	-	622,540	-	-	662,411
Accrued vacation payable	173,929	239,897	115,807	31,201	221,993	83,659	54,378	920,864
Unearned revenue	-	-	-	-	-	2,894,022	-	2,894,022
Deposits	-	-	-	-	-	8,945	-	8,945
<b>Current liabilities payable from restricted assets:</b>								
Current portion of long-term debt	-	-	82,880	-	793,311	685,000	-	1,561,191
Accrued interest and other	-	-	3,617	-	61,777	39,675	-	105,069
Total current liabilities	<u>815,858</u>	<u>1,000,747</u>	<u>832,557</u>	<u>337,914</u>	<u>3,406,788</u>	<u>4,671,415</u>	<u>359,029</u>	<u>11,424,308</u>
<b>Noncurrent liabilities</b>								
Landfill closure accruals	-	-	-	-	5,248,668	-	-	5,248,668
<b>Long-term debt, net of current portion:</b>								
Special assessments payable	-	521,744	880,500	3,082,320	5,997,891	1,623,808	-	12,106,263
Capital lease	-	-	26,439	-	862,048	-	-	888,487
Revenue bonds, net of deferred amount of refunding	-	-	-	-	2,712,743	-	-	2,712,743
Annual appropriation bond	-	-	-	-	-	7,050,000	-	7,050,000
Notes payable	-	-	256,511	-	2,457,440	-	-	2,713,951
Net pension liability	2,014,156	3,969,103	2,081,466	658,954	3,917,660	1,095,257	1,185,741	14,922,337
Total noncurrent liabilities	<u>2,014,156</u>	<u>4,490,847</u>	<u>3,244,916</u>	<u>3,741,274</u>	<u>21,196,450</u>	<u>9,769,065</u>	<u>1,185,741</u>	<u>45,642,449</u>
Total liabilities	<u>2,830,014</u>	<u>5,491,594</u>	<u>4,077,473</u>	<u>4,079,188</u>	<u>24,603,238</u>	<u>14,440,480</u>	<u>1,544,770</u>	<u>57,066,757</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Deferred inflows of resources related to pension	168,528	400,553	191,438	22,356	429,308	52,323	99,814	1,364,320
Total deferred inflows of resources	<u>168,528</u>	<u>400,553</u>	<u>191,438</u>	<u>22,356</u>	<u>429,308</u>	<u>52,323</u>	<u>99,814</u>	<u>1,364,320</u>
<b>NET POSITION</b>								
Net investment in capital assets	104,510,164	281,027,628	138,009,743	168,316,485	16,175,662	32,616,117	23,154,638	763,810,437
<b>Restricted for:</b>								
Debt service	-	-	86,497	-	855,088	724,675	-	1,666,260
Capital improvements	-	-	-	-	-	44,576,449	-	44,576,449
Unrestricted	21,039,897	19,521,552	16,504,278	(75,202)	(9,428,333)	296,025	965,453	48,823,670
Total net position	<u>\$ 125,550,061</u>	<u>\$ 300,549,180</u>	<u>\$ 154,600,518</u>	<u>\$ 168,241,283</u>	<u>\$ 7,602,417</u>	<u>\$ 78,213,266</u>	<u>\$ 24,120,091</u>	<u>\$ 858,876,816</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, 2017**

Business Type Activities-Proprietary Funds

	Airport	Water	Wastewater	Storm Sewer	Solid Waste	FargoDome	Other Proprietary Funds	Total
<b>OPERATING REVENUES</b>								
Charges for services	\$ 8,583,335	\$ 23,706,110	\$ 10,714,193	\$ 1,663,088	\$ 14,905,074	\$ 5,792,841	\$ 4,350,101	\$ 69,714,742
<b>OPERATING EXPENSES</b>								
Personnel services	2,596,241	4,183,077	1,881,568	614,919	4,307,951	3,108,529	1,310,044	18,002,329
Other services	1,324,457	3,466,701	2,321,925	132,680	2,315,590	2,247,157	1,041,878	12,850,388
Materials and supplies	779,822	5,380,387	1,935,511	255,229	1,228,996	97,774	1,559,991	11,237,710
Depreciation	4,223,958	4,338,409	4,600,045	4,521,000	2,402,676	3,526,661	1,782,559	25,395,308
Total operating expenses	8,924,478	17,368,574	10,739,049	5,523,828	10,255,213	8,980,121	5,694,472	67,485,735
Operating income (loss)	(341,143)	6,337,536	(24,856)	(3,860,740)	4,649,861	(3,187,280)	(1,344,371)	2,229,007
<b>NONOPERATING REVENUES (EXPENSES)</b>								
Gain (loss) on disposal of assets	743	11,287	-	-	(471,863)	(13,596)	15,000	(458,429)
Investment income (expense)	235,120	918	-	-	277	5,302,719	-	5,539,034
Interest expense and bond fees	(57,427)	(29,385)	(57,885)	(155,554)	(418,943)	(414,644)	-	(1,133,838)
Amortization expense	-	(18,884)	-	-	-	-	-	(18,884)
General property tax revenue	941,291	-	-	-	-	-	-	941,291
Miscellaneous revenue (expense)	11,806	179,547	-	-	8,698	539	970	201,560
Sale of byproducts	-	-	1,029,002	-	341,470	-	-	1,370,472
Total nonoperating revenues (expenses)	1,131,533	143,483	971,117	(155,554)	(540,361)	4,875,018	15,970	6,441,206
Income (loss) before contributions and transfers	790,390	6,481,019	946,261	(4,016,294)	4,109,500	1,687,738	(1,328,401)	8,670,213
Capital contributions	6,203,700	50,057,761	8,833,341	8,296,491	15,000	-	3,240,232	76,646,525
Transfers in:								
General	3,000	-	-	-	-	-	-	3,000
Enterprise	-	-	-	-	-	-	330,000	330,000
Transfers out:								
General	(50,000)	(4,751,254)	(2,338,000)	(331,000)	(2,300,000)	(50,000)	(489,000)	(10,309,254)
Capital projects	-	(796,832)	(923,357)	(109,344)	-	-	(446,665)	(2,276,198)
Enterprise	-	-	(330,000)	-	-	-	-	(330,000)
Change in net position	6,947,090	50,990,694	6,188,245	3,839,853	1,824,500	1,637,738	1,306,166	72,734,286
Total net position - beginning	118,602,971	249,558,486	148,412,273	164,401,430	5,777,917	76,575,528	22,813,925	786,142,530
Total net position - ending	<u>\$ 125,550,061</u>	<u>\$ 300,549,180</u>	<u>\$ 154,600,518</u>	<u>\$ 168,241,283</u>	<u>\$ 7,602,417</u>	<u>\$ 78,213,266</u>	<u>\$ 24,120,091</u>	<u>\$ 858,876,816</u>

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



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**CITY OF FARGO, NORTH DAKOTA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017**

	Business-type activities - Enterprise Funds							
	Airport	Water	Wastewater	Storm Sewer	Solid Waste	FargoDome	Other Enterprise Funds	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Receipts from customers and users	\$ 8,476,714	\$ 23,689,303	\$ 10,674,305	\$ 1,661,300	\$ 14,898,495	\$ 5,266,450	\$ 4,343,383	\$ 69,009,950
Payments to suppliers	(3,196,644)	(8,830,768)	(4,033,925)	(397,796)	(3,850,274)	(2,939,968)	(921,164)	(24,170,539)
Payments to employees	(1,705,526)	(2,630,019)	(1,185,290)	(350,636)	(2,860,657)	(2,648,013)	(299,800)	(11,679,941)
Payments of benefits on behalf of employees	(721,058)	(1,286,378)	(558,479)	(181,098)	(1,280,139)	(218,800)	(2,583,433)	(6,829,385)
Net cash provided (used) by operating activities	<u>2,853,486</u>	<u>10,942,138</u>	<u>4,896,611</u>	<u>731,770</u>	<u>6,907,425</u>	<u>(540,331)</u>	<u>538,986</u>	<u>26,330,085</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>								
Transfers to other funds	(50,000)	(5,548,086)	(3,591,357)	(440,344)	(2,300,000)	(50,000)	(935,665)	(12,915,452)
Transfers from other funds	3,000	-	-	-	-	-	330,000	333,000
Property taxes	940,011	-	-	-	-	-	-	940,011
Payments received on interfund borrowing	-	-	-	-	250,910	-	54,958	305,868
Payments made for interfund borrowing	-	-	(305,868)	-	-	-	-	(305,868)
Net cash provided (used) by noncapital financing activities	<u>893,011</u>	<u>(5,548,086)</u>	<u>(3,897,225)</u>	<u>(440,344)</u>	<u>(2,049,090)</u>	<u>(50,000)</u>	<u>(550,707)</u>	<u>(11,642,441)</u>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>								
Proceeds from sale of assets	743	11,287	-	-	10,420	-	15,000	37,450
Proceeds from byproduct sales	-	-	1,029,002	-	341,470	-	-	1,370,472
Payments received on advances to other funds	-	-	-	-	518,000	-	-	518,000
Payments made for advances to other funds	-	-	(518,000)	-	-	-	-	(518,000)
Capital debt proceeds	-	-	-	-	-	7,810,000	-	7,810,000
Acquisition of capital assets	(8,769,636)	(299,411)	(14,640)	(71,528)	(5,368,627)	(1,052,665)	(106,865)	(15,683,372)
Debt service - principal	-	(3,855,885)	(159,086)	(99,901)	(1,695,974)	(1,328,976)	-	(7,139,822)
Debt service - interest & fees	(57,427)	(130,664)	(59,549)	(151,533)	(391,268)	(359,772)	-	(1,150,213)
Intergovernmental capital grants	6,236,949	-	-	-	-	-	-	6,236,949
Net cash provided (used) by capital and related financing activities	<u>(2,589,371)</u>	<u>(4,274,673)</u>	<u>277,727</u>	<u>(322,962)</u>	<u>(6,585,979)</u>	<u>5,068,587</u>	<u>(91,865)</u>	<u>(8,518,536)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Investment income (expense)	288,590	454	-	-	277	1,273	-	290,594
Investments redeemed	20,286,635	20,154,908	15,574,192	371,132	1,727,367	662,366	1,442,099	60,218,699
Investments (purchased)	(13,735,517)	(21,274,741)	(16,851,305)	(339,596)	-	(6,378,203)	(1,338,513)	(59,917,875)
Net cash provided (used) by investing activities	<u>6,839,708</u>	<u>(1,119,379)</u>	<u>(1,277,113)</u>	<u>31,536</u>	<u>1,727,644</u>	<u>(5,714,564)</u>	<u>103,586</u>	<u>591,418</u>
Net change in cash and cash equivalents	7,996,834	-	-	-	-	(1,236,308)	-	6,760,526
Cash and cash equivalents, January 1	-	50	50	-	300	5,833,079	50	5,833,529
Cash and cash equivalents, December 31	<u>\$ 7,996,834</u>	<u>\$ 50</u>	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ 4,596,771</u>	<u>\$ 50</u>	<u>\$ 12,594,055</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, 2017**

	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)	\$ (341,143)	\$ 6,337,536	\$ (24,856)	\$ (3,860,740)	\$ 4,649,861	\$ (3,187,280)	\$ (1,344,371)	\$ 2,229,007
Adjustments to reconcile operating income to net cash provided by operating activities								
Depreciation	4,223,958	4,338,409	4,600,045	4,521,000	2,402,676	3,526,661	1,782,559	25,395,308
Change in assets and liabilities								
Accounts receivable	(106,621)	(16,807)	(39,888)	(1,788)	(6,579)	202,713	2,538	33,568
Specials receivable	-	-	-	-	-	-	(9,256)	(9,256)
Inventories	-	(136,636)	-	-	-	(9,168)	16,793	(129,011)
Prepaid expenses	(1,337)	(10,062)	76,840	(301)	(5,093)	(45,733)	(397)	13,917
Accounts payable	(870,354)	163,018	146,671	(9,586)	(381,061)	(139,202)	2,040	(1,088,474)
Retainage payable	(220,674)	-	-	-	-	(400,934)	-	(621,608)
Landfill closure accruals	-	-	-	-	80,466	-	-	80,466
Payroll payable	14,350	19,881	9,914	2,112	11,944	(10,608)	3,266	50,859
Vacation payable	15,996	49,301	8,930	7,388	14,466	33,563	(5,694)	123,950
Unearned revenue	-	-	-	-	-	(728,059)	-	(728,059)
Deposits	-	-	-	-	-	(1,045)	-	(1,045)
Net pension liability	139,311	197,498	118,955	73,685	140,745	218,761	91,508	980,463
Total adjustments	3,194,629	4,604,602	4,921,467	4,592,510	2,257,564	2,646,949	1,883,357	24,101,078
Net cash provided (used) by operating activities	<u>\$ 2,853,486</u>	<u>\$ 10,942,138</u>	<u>\$ 4,896,611</u>	<u>\$ 731,770</u>	<u>\$ 6,907,425</u>	<u>\$ (540,331)</u>	<u>\$ 538,986</u>	<u>\$ 26,330,085</u>
	-	-	-	-	-	-	-	-
Noncash transactions affecting financial position:								
Acquisition of / change in assets through capital contributions and donations	-	\$ 50,057,761	\$ 8,833,341	\$ 8,296,491	\$ -	\$ -	\$ 3,240,232	\$ 70,427,825
Acquisition of assets through acquisition of debt	-	\$ 5,489	\$ 38,496	\$ 279,883	\$ 4,581,536	\$ -	\$ -	\$ 4,905,404
Change in fair value of investments	-	\$ 1,308	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,308

Concluded

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

**CITY OF FARGO, NORTH DAKOTA**  
**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**December 31, 2017**

	Pension Trust	Agency
<b>ASSETS</b>		
Cash	\$ 189,805	\$ -
Equity in pooled investments	192,158	64,384,169
Receivables:		
Accounts receivable	16,448	-
Special assessments	-	10,534,806
Intergovernmental	-	3,868,993
Interest	55,498	-
Total receivables	71,946	14,403,799
Investments, at fair value:		
Mutual funds	106,157,031	-
Total investments	106,157,031	-
Total assets	\$ 106,610,940	\$ 78,787,968
<b>LIABILITIES</b>		
Vouchers and benefits payable	\$ 32,320	\$ 314,792
Due to other governments	-	10,534,806
Deposits	-	67,938,370
Total liabilities	\$ 32,320	\$ 78,787,968
<b>NET POSITION</b>		
Held in trust for pension benefits	\$ 106,578,620	\$ -

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, 2017**

	Pension Trust
<b>ADDITIONS</b>	
Contributions	
Employer	\$ 4,942,602
Employee	1,690,962
Total contributions	6,633,564
Investment income	
Net appreciation in fair value of investments	15,022,680
Less investment expense	(354,969)
Net investment income (loss)	14,667,711
Total additions (deductions)	21,301,275
<b>DEDUCTIONS</b>	
Pension benefit payments	6,783,362
Member contribution refunds	312,791
Administrative expenses	94,332
Total deductions	7,190,485
Change in net position	14,110,790
Total net position - beginning	92,467,830
Total net position - ending	\$ 106,578,620

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





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**INDEX**

**NOTE 1           SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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- 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

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- C.       Tax abatements
- D.       Capital assets
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- A.       Risk management
- B.       Pension plans
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## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

### A. BASIS OF PRESENTATION

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

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

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

The third statement issued by not yet implemented that will affect the City is statement No. 85, *Omnibus*. This statement addresses several accounting issues which include blended component units, goodwill, fair value measurement and application, and postemployment benefits among other items. This statement will be implemented at the City in the year ended December 31, 2018.

The fourth statement issued by not yet implemented that will affect the City is statement No. 86, *Certain Debt Extinguishment Issues*. This statement aims to improve consistency in reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement will be implemented at the City in the year ended December 31, 2018.

The fifth statement issued by not yet implemented that will affect the City is statement No. 87, *Leases*. This statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources. This statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This statement will be implemented at the City in the year ended December 31, 2020.

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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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

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

**Capital Projects Fund** – The capital projects fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets other than those financed directly by proprietary funds. Major capital facilities include infrastructure 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.

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

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

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

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

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

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

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

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

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

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

Proprietary funds report operating revenues and expenses separately from nonoperating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the City’s enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the costs of sales and services,

administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

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

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

### **2. Receivables and Payables**

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

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

The City is permitted under provisions of the Home Rule Charter to levy taxes as needed for general governmental services and payment of principal and interest on long-term debt. The current Home Rule Charter maximum mill levy is sixty-four mills. Total mills levied for 2017 were fifty-three.

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

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

### **3. Inventories and Prepaid Items**

Depending upon the nature of the item, inventories for both governmental and business-type funds are valued at the lower of cost or market 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.

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

**4. Restricted Assets**

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

**5. Capital Assets**

Capital assets, which include property, plant, equipment, intangible, and infrastructure assets (e.g., roads, bridges, sidewalks, flood control, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost equal to or greater than \$5,000, except for infrastructure networks which are capitalized in their entirety. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. Intangible assets consist of water rights and right-of-way easements. The water rights were purchased from Cass Rural Water Users. Both the water rights and right-of-way easement assets are considered to have an indefinite useful life as there are no legal, contractual, regulatory, technological, or other factors that limit the useful life of the assets and therefore the assets are not amortized.

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

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

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

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

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

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

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

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

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

**A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government – wide statement of net position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$738,799,184 difference are as follows:

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Bonds payable	\$ 518,924,000
Notes payable	179,727,693
Capital leases	221,267
December 31, 2017 long-term debt outstanding	<u>\$ 698,872,960</u>
Accrued interest payable	4,721,467
Bond premium	31,341,672
Accumulated unpaid vacation	3,863,775
Bond discount and bond insurance	(690)
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ 738,799,184</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 \$108,604,552 difference are as follows:

Capital Outlay	\$ 125,327,223
Plus: assets transferred in from enterprise funds	464,539
Plus: donated /contributed assets and gain/loss on asset trades	343,805
Plus: prior year construction in progress added as asset in current year	118,743
Capital asset increases per footnote 4.D	<u>\$ 126,254,310</u>
Less: assets transferred in from enterprise funds	(464,539)
Less: donated /contributed assets and gain/loss on asset trades	(343,805)
Less: prior year construction in progress added as asset in current year	(118,743)
Depreciation expense	<u>(16,722,671)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ 108,604,552</u></u>

Another element of that reconciliation states that “The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and deferred amounts on refundings when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$27,371,906 difference are as follows:

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Bonded debt issued	\$ (49,865,000)
Premium on bonded debt issued	(2,729,391)
Bonded debt principal payments	60,455,000
Capital lease proceeds	(42,700)
Capital lease payment	75,831
Loan proceeds	(90,656,881)
Loan payments	55,391,235
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (27,371,906)</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$2,416,699 are as follows:

Compensated absences	\$ (170,327)
Accrued interest	418,828
Amortization of bond discounts and bond insurance	(33,572)
Amortization of bond premium	2,201,770
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 2,416,699</u>

**STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. BUDGETARY INFORMATION**

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

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

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

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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 2017 year include \$730,040 for the General Fund.
8. Appropriations lapse at year-end.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration of all funds. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Authority to complete year-end encumbrances for the general fund may be granted by amending the subsequent year's budget. General Fund Budget revisions approved for open encumbrances totaled \$1,744,397 for the year ended December 31, 2017.

**B. EXCESS OF EXPENDITURES OVER BUDGET**

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

<b>Special Revenue Funds</b>		
City Share of Specials	\$	47,892
Downtown Business Improvement District		30,199
Parking Authority		50,404
Community Development		23,901
NRI Loan Program		32,451

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

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

<b>Governmental Funds</b>		
<b>Special Revenue Funds</b>		
Parking Authority	317,076	This deficit will be eliminated by future revenue growth from added facilities.
Baseball Stadium	1,124,272	This deficit is due to a capital projects fund being closed out and set up as special revenue fund. The deficit will be recovered by future suite lease fees over the next several years.
<b>Capital Projects Funds</b>		
Capital Projects Fund	11,233,291	This deficit will be eliminated by future bond financing and transfers from other funds.

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

The government-wide statement of net position reports \$73,154,714 of restricted net position, of which \$52,583,436 is restricted by enabling legislation.

**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, 2017, the carrying amount of the City's deposits was \$23,698,206 and the bank balance was \$32,848,146. As noted above, the bank balance is covered by Federal Depository Insurance or Securities Investor Protection.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Per the City's investment policy, custodial credit risk will be minimized by using the following techniques; limiting investments to the safest type of securities, pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the City will do business; and diversifying the investment portfolio so that potential losses on individual securities will be minimized. As of December 31, 2017, 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.

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

Allowable deposits and investment include:

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

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

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

Interest Rate Risk

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

Credit Risk

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

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Investment Type	Credit Rating	Fair Value	Investment Maturities (in years)				
			Not Applicable	< 1	1 - 5	> 5 - 10	> 10
Corporate Bonds	AAA	\$ 15,638,723	\$ -	\$ 2,207,721	\$ 13,431,002	\$ -	\$ -
Corporate Bonds	AA1	1,495,831	-	-	1,495,831	-	-
Corporate Bonds	AA2	2,045,022	-	1,048,352	996,670	-	-
Corporate Bonds	AA3	1,980,357	-	1,242,119	738,238	-	-
Corporate Bonds	A1	7,585,468	-	1,124,573	6,460,895	-	-
Corporate Bonds	A2	9,033,716	-	1,299,912	7,733,804	-	-
Corporate Bonds	A3	3,473,168	-	-	3,473,168	-	-
Money Market Funds	AAAm	17,486,524	17,486,524	-	-	-	-
Money Market Funds	N/A	32,041,489	32,041,489	-	-	-	-
Municipal Bond	AA2	623,350	-	489,211	134,139	-	-
Municipal Bond	A1	354,453	-	-	354,453	-	-
U.S. Agencies	AAA	11,182,098	-	1,058,309	10,123,789	-	-
U.S. Agencies	NA	3,158,036	-	116,963	909,346	737,665	1,394,061
U.S. Treasury Note	AAA	55,582,870	-	6,456,975	49,125,895	-	-
U.S. Treasury Bill	N/A	16,964,140	-	16,964,140	-	-	-
Bond Mutual Funds	N/A	30,153,111	1,389,974	-	1,270,514	27,492,623	-
Certificate of Deposit	N/A	8,373,507	-	-	8,373,507	-	-
Corporate Commercial Paper	N/A	19,872,950	-	19,872,950	-	-	-
Equity Mutual Funds	N/A	76,003,920	76,003,920	-	-	-	-
External Investment Pool *	N/A	44,576,449	44,576,449	-	-	-	-
		<u>\$ 357,625,181</u>	<u>\$ 171,498,356</u>	<u>\$ 51,881,225</u>	<u>\$ 104,621,251</u>	<u>\$ 28,230,288</u>	<u>\$ 1,394,061</u>

\* - The weighted average maturity of the portion of the external investment pool subject to maturity is 7.88 years.

**Concentration of Credit Risk**

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

The City's investment policy also has limits on the following allowable deposits and investment; direct obligations of the state of North Dakota shall not exceed 5 percent of the City's portfolio, investments in money market funds rated "AAAm" by Standard & Poor's shall not exceed 25 percent of the City's portfolio, repurchase agreements shall not exceed 25 percent of the City's portfolio, and aggregate Asset-backed securities may not exceed 25% of the portfolio at the time of purchase. None of the established limits were exceeded as of December 31, 2017.

**Fair Value**

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

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

Level 2 – Inputs to the valuation methodology include:



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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, 2017:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<b>Investments by fair value level</b>				
<b>Pooled Investments</b>				
U.S. Government and Agency Securities	\$ 86,887,144	\$ -	\$ -	\$ 86,887,144
Money Market Mutual Funds	49,528,013	-	-	49,528,013
Certificate of Deposit	8,373,507	-	-	8,373,507
Corporate Bonds	-	41,252,284	-	41,252,284
Municipal Bonds	-	977,803	-	977,803
Corporate Commercial Paper	-	19,872,950	-	19,872,950
Total Pooled Investments	<u>\$ 144,788,663</u>	<u>\$ 62,103,037</u>	<u>\$ -</u>	<u>\$ 206,891,700</u>
<b>Pension Investments</b>				
Bond Mutual Funds	\$ -	\$ 30,153,111	\$ -	\$ 30,153,111
Equity Mutual Funds	-	76,003,920	-	76,003,920
Total Pension Investments	<u>\$ -</u>	<u>\$ 106,157,031</u>	<u>\$ -</u>	<u>\$ 106,157,031</u>

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

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**B. RECEIVABLES**

Loans receivable as of December 31, 2017 were:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
Community Development	0%	Due Upon Sale	\$ 128,219
Neighborhood Revitalization Initiative (NRI)	3%	8/1/21	8,267
Neighborhood Revitalization Initiative (NRI)	0%	Due Upon Sale	10,500
HUD HOME	0%	Non-Repayment	1,578,052
HUD HOME	0%	Due Upon Sale	490,000
Total loans receivable			<u>\$ 2,215,038</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, \$1,701,875 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, 2017, the City of Fargo provided tax abatements in the form of property tax exemptions for certain new residential properties, improvements made to existing commercial and residential buildings, new and expanding businesses, tax increment financing, properties in the Renaissance Zone, and daycare facilities.

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

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

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

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

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

The property tax exemption for daycare facilities, N.D.C.C. § 57-02-08(36) may exempt buildings used to provide early childhood services by a corporation, limited liability company, or organization licensed under chapter 50-11.1 or used primarily as an adult day care

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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 2017 Fiscal Year</u>
Residential New Construction - School District #1	\$ 99,030
Residential New Construction - School District #6	113,668
Remodeling - Residential - School District #1	19,149
Remodeling - Commercial - School District #1	1,030
New Industry Exemption & Payment In Lieu - School District #1	356,126
New Industry Exemption & Payment In Lieu - School District #6	101,062
Tax Increment Financing - Commercial - School District #1	63,431
Traditional Tax Increment Financing	4,022,000
Renaissance Zone - Commercial - School District #1	52,816
Renaissance Zone - Residential - School District #1	11,550
Daycare, Fire Protection - Commercial - School District #1	17,343
Daycare, Fire Protection - Commercial - School District #6	19,759
	<u>\$ 4,876,964</u>

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**D. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 68,782,805	\$ 8,279,038	\$ 92,787	\$ 76,969,056
Right of Way	8,821,274	393,791	-	9,215,065
Construction in progress	19,068,021	24,331,613	118,743	43,280,891
Total capital assets, not being depreciated	96,672,100	33,004,442	211,530	129,465,012
Capital assets, being depreciated				
Buildings	83,079,189	266,832	708,742	82,637,279
Improvements other than buildings	1,179,842	15,442	-	1,195,284
Machinery and equipment	57,146,350	2,907,117	2,297,138	57,756,329
Infrastructure	379,559,964	89,523,374	72,595,708	396,487,630
Flood control	41,492,191	537,103	-	42,029,294
Total capital assets being depreciated	562,457,536	93,249,868	75,601,588	580,105,816
Less accumulated depreciation for:				
Buildings	32,984,616	1,998,909	524,058	34,459,467
Improvements other than buildings	525,608	58,784	-	584,392
Machinery and equipment	39,778,938	4,461,769	1,913,559	42,327,148
Infrastructure	145,305,891	9,818,442	2,154,018	152,970,315
Flood control	1,504,863	409,630	-	1,914,493
Total accumulated depreciation	220,099,916	16,747,534	4,591,635	232,255,815
Total capital assets, being depreciated, net	342,357,620	76,502,334	71,009,953	347,850,001
Governmental activities capital assets, net	\$ 439,029,720	\$ 109,506,776	\$ 71,221,483	\$ 477,315,013

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

Governmental activities:	
General government	\$ 701,319
Public safety	1,655,948
Public works	11,345,427
Public health & welfare	390,082
Recreation & culture	767,561
Urban development	70,546
Transportation	1,791,788
Total depreciation expense - governmental activities	\$ 16,722,671
Accumulated depreciation recorded through asset transfers from business-type activities	24,863
	\$ 16,747,534

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	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 41,017,386	\$ 103,064	\$ 439,676	\$ 40,680,774
Intangible - Right-of -way Easements	420,036	-	-	420,036
Construction in progress	107,286,647	60,082,267	41,977,876	125,391,038
Intangible - Water rights	500,000	-	-	500,000
Total capital assets, not being depreciated	149,224,069	60,185,331	42,417,552	166,991,848
Capital assets, being depreciated				
Buildings	208,842,416	2,579,022	-	211,421,438
Improvements other than buildings	30,331,447	6,605,965	64,351	36,873,061
Machinery and equipment	76,148,035	20,218,584	4,758,969	91,607,650
Infrastructure	589,753,233	43,470,132	804,889	632,418,476
Total capital assets being depreciated	905,075,131	72,873,703	5,628,209	972,320,625
Less accumulated depreciation for:				
Buildings	82,778,712	4,614,603	-	87,393,315
Improvements other than buildings	10,632,311	1,461,071	64,351	12,029,031
Machinery and equipment	50,997,798	6,154,630	4,638,211	52,514,217
Infrastructure	183,392,142	13,165,004	804,889	195,752,257
Total accumulated depreciation	327,800,963	25,395,308	5,507,451	347,688,820
Total capital assets, being depreciated, net	577,274,168	47,478,395	120,758	624,631,805
Business-type activities capital assets, net	\$ 726,498,237	\$ 107,663,726	\$ 42,538,310	\$ 791,623,653

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

Business-type activities:	
Airport	\$ 4,223,958
Water	4,338,409
Wastewater	4,600,045
Storm sewer	4,521,000
Vector control	5,310
Street lighting	1,651,999
Solid waste	2,402,676
Forestry	125,250
Fargodome	3,526,661
Total depreciation expense - business-type activities	<u>\$ 25,395,308</u>

## E. COMMITMENTS

### Construction

As of December 31, 2017, the City had commitments on various construction contracts totaling approximately \$48,386,305.

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

The City of Fargo operates a municipal solid waste landfill to service the waste disposal needs of the community. The Environmental Protection Agency and the State of North Dakota regulations and guidelines (NDCC 23-29.04) impact the operation of the landfill.

The City of Fargo recently submitted and was granted approval on a permit modification through the North Dakota Department of Health. This modification allows a vertical expansion of Cells 1-17 and development of Cells 18-25. Cells 1-17 are in an area referred to as the West Landfill, Cells 18-25 are in on adjacent land that was a former landfill and is referred to as the East Landfill. The East Landfill will be reclaimed as it is developed, with existing waste being removed and placed within permit approved and constructed cells. The volume of existing waste in place has been included in the volume of waste in place.

The current landfill site design consists of Cells 1-25 on approximately 174 acres of land. The City has constructed all or portions of 18 cells to date, which vary in surface area from 4 to 10 acres. The cell depths range up to 35' below existing grade, varying based on their footprint location. Final elevations of cells range from 40' to 80' above existing grade. The cells have been designed with a leachate collection system and each cell is constructed with a composite liner system consisting of a compacted clay subgrade overlain by a 60-mil high-density polyethelene synthetic liner. Once cells have been filled to design capacity, final closure can be performed, which involves placement of 4' un-compacted clay-rich soils, in which 4" of yard waste compost is incorporated into the top 12" and 6" of topsoil.

Cells 1 through 14 are presently fully constructed and mostly filled. Cells 15 through 18 are fully constructed and partially filled. Based upon design capacity, the facility is 53.97% full (acres), and based upon present utilization rates; the remaining capacity is estimated at 20.49 years. The estimated liability for landfill closure and post closure care is \$5,248,668 as of December 31, 2017. Per the City's solid waste permit (SW-260), the City is allowed a maximum of 80 acres of open landfill area at any one time and is required to calculate closure cost based on having 80 acres of landfill to close. The estimated total current cost of landfill closure and post closure care is based upon the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2017. However, actual costs may be higher due to inflation, changes in technology, or landfill regulations.

The City is meeting closure and post closure obligations by applying a financial test as specified in North Dakota Administrative Code sections 33-20-14-02 through 33-20-14-07. Because the City is able to meet the financial test, the restriction of cash in a landfill assurance fund is not required.

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

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

At December 31, 2017, the inter-fund advance balances are:

	Funds Advanced	Amount Repaid To-Date	Advance Balance December 31, 2017
General fund	\$ 2,298,802	\$ 1,204,105	\$ 1,094,697
Solid waste fund	1,200,000	1,146,770	53,230
Subtotal baseball advances	<u>\$ 3,498,802</u>	<u>\$ 2,350,875</u>	<u>\$ 1,147,927</u>
General fund - parking authority debt defeasance advance	<u>\$ 765,000</u>	<u>\$ 375,000</u>	<u>\$ 390,000</u>
Wastewater - Solid Waste equipment advance	<u>\$ 518,000</u>	<u>\$ -</u>	<u>\$ 518,000</u>
Total advances	<u><u>\$ 4,781,802</u></u>	<u><u>\$ 2,725,875</u></u>	<u><u>\$ 2,055,927</u></u>

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

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

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



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Interfund Transfers:

	Transfer In:							Total
	Major Funds				Nonmajor Funds			
	General	Debt Service	Capital Projects	Water	Airport	Governmental	Enterprise	
Transfer Out:								
Major Funds:								
General	\$ -	\$ 1,559,288	\$ 1,185,818	\$ -	\$ 3,000	\$ 78,745	\$ -	\$ 2,826,851
Debt Service	1,450,000	-	6,922,388	-	-	34,069	-	8,406,457
Capital Projects	18,878	2,363,074	-	-	-	-	-	2,381,952
Airport	50,000	-	-	-	-	-	-	50,000
Water	4,751,254	-	796,832	-	-	-	-	5,548,086
Wastewater	2,338,000	-	923,357	-	-	-	330,000	3,591,357
Storm Sewer	331,000	-	109,344	-	-	-	-	440,344
Solid Waste	2,300,000	-	-	-	-	-	-	2,300,000
FargoDome	50,000	-	-	-	-	-	-	50,000
Nonmajor Funds:								
Governmental	-	735,635	747,599	-	-	36,043	-	1,519,277
Enterprise	489,000	-	446,665	-	-	-	-	935,665
Total	\$ 11,778,132	\$ 4,657,997	\$ 11,132,003	\$ -	\$ 3,000	\$ 148,857	\$ 330,000	\$ 28,049,989

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 \$1,086,953 for the year ended December 31, 2017. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2018	\$ 1,154,392
2019	1,109,212
2020	626,880
2021	595,611
2022	568,873
2023 - 2027	1,777,910
	<u>\$ 5,832,878</u>

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**Capital Leases**

The City is obligated to the following capital lease agreements:

BUSINESS-TYPE	Remaining Balance
<b>SOLID WASTE ENTERPRISE FUND</b>	
Peterbilt with Sideloader	\$ 46,153
Peterbilt with Sidewinder	46,198
Curbside Recycling Truck	32,527
Peterbilt 320 Chassis	90,156
Peterbilt 320 Chassis	90,156
International Refuse Box (2)	128,493
Wildcat Compost Turner	85,855
Caterpillar D8 Dozer	345,944
Caterpillar 826K	467,608
2017 Wheel Loader	151,500
<b>WASTEWATER ENTERPRISE FUND</b>	
Ford F450 Cab/Chassis	\$ 14,323
Rolloff Truck	51,987
<b>Total Business-Type</b>	<b>\$ 1,550,899</b>
<b>GOVERNMENTAL</b>	
Motor Grader	129,365
JD Motor Grader	63,862
2011 Volvo Grader	28,040
<b>Total Governmental</b>	<b>\$ 221,267</b>

The assets acquired through the capital leases are as follows:

	Governmental Activities	Business-type Activities
Asset:		
Machinery and equipment	\$ 563,091	\$ 3,518,818
Less: Accumulated depreciation	(144,613)	(1,358,304)
<b>Total</b>	<b>\$ 418,478</b>	<b>\$ 2,160,514</b>

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Future Minimum Payments under the above capital lease agreements at December 31, 2017 are shown below:

	Governmental Activities	Business-type Activities
2018	\$ 83,520	\$ 710,557
2019	148,678	622,615
2020	-	242,252
2021	-	32,253
2022	-	32,253
Total minimum lease payments	232,198	1,639,930
Less: amount representing interest	(10,930)	(89,032)
Present value of minimum lease payments	\$ 221,267	\$ 1,550,899

**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 has executed a lease with North Dakota State University for use of its facility. The terms of the 2012 lease expired on June 30, 2017. The FargoDome executed a three-year lease with North Dakota State University as of July 1, 2017. The new 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 amounted to \$165,126 in 2017.

*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.

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The asset leased to NDSU is as follows:

	<u>Business-type Activity</u>
Asset:	
Fargodome	\$ 58,677,604
Less: Accumulated depreciation	(32,902,628)
Total	<u>\$ 25,774,976</u>

**Baseball Stadium Lease**

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

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

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

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The leased asset is as follows:

	Governmental Activity
Asset:	
Baseball stadium	\$ 5,266,692
Less: Accumulated depreciation	(2,462,471)
Total	<u>\$ 2,804,221</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:

2018	\$ 45,684
2019	45,684
2020	45,684
2021	45,684
2020	45,684
Thereafter	<u>205,578</u>
	<u>\$ 433,998</u>

**CITY OF FARGO, NORTH DAKOTA  
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**H. LONG-TERM DEBT**

The following is a summary of changes in long-term debt of the City for the year ended December 31, 2017:

	Balance 1/1/2017	Additions	Deletions	Balance 12/31/2017	Due within one year
<b>GOVERNMENTAL ACTIVITIES</b>					
Improvement bonds	\$ 415,715,000	\$ 49,865,000	\$ 56,245,000	\$ 409,335,000	\$ 15,335,000
General obligation bonds	37,910,000	-	930,000	36,980,000	1,465,000
Sales tax revenue bonds	75,889,000	-	3,280,000	72,609,000	3,394,000
Total Bonds Payable	529,514,000	49,865,000	60,455,000	518,924,000	20,194,000
State revolving fund notes	86,154,462	37,987,957	4,225,422	119,916,997	6,995,000
Direct bank loan	55,150,000	50,250,000	50,815,000	54,585,000	575,000
Tax increment revenue notes	3,157,582	2,418,926	350,812	5,225,696	-
Total Notes Payable	144,462,044	90,656,883	55,391,234	179,727,693	7,570,000
Capital leases	254,398	42,700	75,831	221,267	76,871
Total Debt	674,230,442	140,564,583	115,922,065	698,872,960	27,840,871
Accumulated unpaid vacation	3,693,448	3,863,775	3,693,448	3,863,775	3,863,775
Unamortized premium on refunding	30,814,050	2,729,392	2,201,770	31,341,672	1,813,263
Net pension liability	68,709,183	12,837,609	6,796,751	74,750,041	-
<b>TOTAL</b>	<b>\$ 777,447,123</b>	<b>\$ 159,995,359</b>	<b>\$ 128,614,034</b>	<b>\$ 808,828,448</b>	<b>\$ 33,517,909</b>
<b>BUSINESS-TYPE ACTIVITIES</b>					
Revenue bonds	\$ 7,111,644	\$ -	\$ 4,118,012	\$ 2,993,632	\$ 280,889
Annual appropriation bonds	-	7,810,000	75,000	7,735,000	685,000
Unamortized premium on refunding	146,829	-	146,829	-	-
Total Bonds Payable	7,258,473	7,810,000	4,339,841	10,728,632	965,889
Notes Payable - Direct bank loans	3,900,000	-	590,747	3,309,253	595,302
Capital leases	3,379,814	151,500	1,980,416	1,550,898	662,411
Special assessments	8,269,708	4,766,107	346,682	12,689,133	582,870
Landfill closure/postclosure	5,168,202	80,466	-	5,248,668	-
Accumulated unpaid vacation	796,914	920,864	796,914	920,864	920,864
Net pension liability	11,322,058	6,199,941	2,599,662	14,922,337	-
<b>TOTAL</b>	<b>\$ 40,095,169</b>	<b>\$ 19,928,878</b>	<b>\$ 10,654,262</b>	<b>\$ 49,369,785</b>	<b>\$ 3,727,336</b>

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

Net pension liability was recorded at December 31, 2017 due to the implementation of *GASB Statement No. 68 Accounting and Financial Reporting for Pensions* and *GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date*. The General Fund has typically been used in prior years to liquidate the bulk of the net pension liability.

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

**CITY OF FARGO, NORTH DAKOTA  
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**BONDS PAYABLE**

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

	Original Interest Rates	Original Issue Amounts	Balance Remaining
<b>GOVERNMENTAL ACTIVITIES</b>			
Improvement bonds			
(Special assessment debt)	0.80 - 6.00%	\$ 466,840,000	\$ 409,335,000
General obligation bonds	1.00 - 5.00%	38,745,000	36,980,000
Sales tax revenue bonds	2.00 - 5.00%	83,887,000	72,609,000
<b>TOTAL</b>		<u>\$ 589,472,000</u>	<u>\$ 518,924,000</u>
<b>BUSINESS-TYPE ACTIVITIES</b>			
Clean renewable energy bond	0.85%	\$ 1,500,000	\$ 400,000
Qualified Energy Conservation Bond	4.65%	2,875,000	2,593,632
Annual Appropriation	1.75 - 3.85%	7,810,000	7,735,000
<b>TOTAL</b>		<u>\$ 12,185,000</u>	<u>\$ 10,728,632</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, 2017, consist of two issues backed and serviced by sales tax and three issues backed and serviced by utility revenues, which include the Water Fund and Solid Waste Fund.

**CITY OF FARGO, NORTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
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**PLEGGED REVENUES**

The City has pledged future sales tax revenues, net of specified operating expenses, to repay \$83.887 million in sales tax revenue bonds issued in 2013 and 2014. Proceeds from the bonds were used to finance the construction and installation of flood mitigation projects. Principal and interest paid for the current year was \$6,295,560. Net sales tax revenue totaled \$13,303,870 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 \$190,606. Net general fund appropriations totaled \$190,606 for the year.

The City has pledged future water revenues to repay \$28.065 million in revenue bonds issued in 1997. Proceeds from the bond were used to finance construction of a water treatment plant. Principal and interest paid for the current year was \$3,940,800. Net water revenue totaled \$10,675,951 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 \$104,250. Net solid waste byproduct revenue totaled \$341,470 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 \$308,120. Net landfill tipping fee revenue totaled \$9,218,332 for the year.

Debt service maturities for these revenue bonds at December 31, 2017, are as follows:

Sales Tax			
Year	Principal	Interest	Total
2018	\$ 3,394,000	\$ 2,902,050	\$ 6,296,050
2019	3,519,000	2,774,065	6,293,065
2020	3,657,000	2,637,515	6,294,515
2021	3,813,000	2,483,790	6,296,790
2022	3,982,000	2,311,915	6,293,915
2023-2027	22,734,000	8,736,305	31,470,305
2028-2032	27,870,000	3,604,160	31,474,160
2033-2037	3,640,000	72,800	3,712,800
Totals	<u>\$ 72,609,000</u>	<u>\$ 25,522,600</u>	<u>\$ 98,131,600</u>

Solid Waste			
Year	Principal	Interest	Total
2018	\$ 280,889	\$ 124,804	\$ 405,693
2019	283,812	115,111	398,923
2020	286,782	105,274	392,056
2021	289,801	95,291	385,092
2022	192,868	85,162	278,030
2023-2027	1,012,110	281,279	1,293,389
2028-2032	647,370	47,432	694,802
Totals	<u>\$ 2,993,632</u>	<u>\$ 854,353</u>	<u>\$ 3,847,985</u>

General Fund Appropriations			
Year	Principal	Interest	Total
2018	\$ 1,465,000	\$ 1,241,285	\$ 2,706,285
2019	1,520,000	1,186,120	2,706,120
2020	1,590,000	1,127,090	2,717,090
2021	1,655,000	1,063,965	2,718,965
2022	1,715,000	997,630	2,712,630
2023-2027	9,690,000	3,876,415	13,566,415
2028-2032	10,675,000	2,416,424	13,091,424
2033-2037	8,670,000	563,035	9,233,035
Totals	<u>\$ 36,980,000</u>	<u>\$ 12,471,964</u>	<u>\$ 49,451,964</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



**CITY OF FARGO, NORTH DAKOTA  
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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, 2017, the statutory limit for the City was \$277,934,676 providing a debt margin of \$224,093,942. 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, a portion of the new water treatment plant, sewer hook-up for Reile's Acres and Oxbow, storm sewer system, 45<sup>th</sup> street corridor interceptor project, north side sewer service facility project, transmission lines south side system project, a water tower project, clarifier improvements to the wastewater system, a wastewater stabilization pond project and a water treatment plant. Future sales tax revenue has been pledged to repay these SRLF notes.

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

The City has obtained financing through direct bank loans to finance the Fargo Cass Public Health Expansion and Relocation project, the Red River Regional Dispatch Center project, the Solid Waste Baling Facility, the US Bank Lease Financing, and the FM Diversion Financing.

**CITY OF FARGO, NORTH DAKOTA  
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Details relative to the outstanding notes payable are shown below:

TYPE AND ISSUE	FINAL MATURITY DATE	INTEREST RATES	ORIGINAL ISSUE	PRINCIPAL OUTSTANDING 12/31/17
<b>GOVERNMENTAL ACTIVITIES</b>				
SRLF Storm Sewer Project	9/1/2020	2.50%	\$ 1,816,295	\$ 330,000
SRLF Water Tower	9/1/2027	2.50%	2,270,000	1,475,000
SRLF North Side Sewer Service Facility Plan	9/1/2028	2.50%	1,630,000	1,095,000
SRLF 45th Street Corridor Interceptor System	9/1/2029	2.50%	63,725,000	44,712,109
SRLF Transmission Lines South Side System	9/1/2029	2.82%	14,110,422	6,915,000
SRLF Wastewater Clarifier Improvements	9/1/2029	0.50%	699,374	495,000
SRLF Wastewater Stabilization Ponds	9/1/2030	2.50%	4,071,140	2,950,000
SRLF Water Treatment Plant	9/1/2036	2.00%	98,000,000	61,944,888
TIF Revenue Notes	5/1/2038	5.00 - 6.00%	6,575,721	5,225,696
Direct Bank Loan - Fargo Cass Public Health Expansion and Relocation Project and Red River Regional Dispatch Center Project	5/1/2019	1.63% *	6,000,000	4,335,000
Direct Bank Loan - FM Diversion Financing	7/31/2019	1.40% *	100,000,000	50,250,000
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>			<u>\$ 298,897,952</u>	<u>\$ 179,727,693</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Direct Bank Loan - Baling Facility	12/1/2024	2.83% *	3,000,000	2,100,000
Direct Bank Loan - US Bank Lease Financing	7/15/2021	1.57%	1,500,000	1,209,253
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>			<u>\$ 4,500,000</u>	<u>\$ 3,309,253</u>
<b>TOTAL NOTES PAYABLE</b>			<u>\$ 303,397,952</u>	<u>\$ 183,036,946</u>
* Variable rate note. Rate reported is as of December 31, 2017.				

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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, 2017, are shown in the following table:

**GOVERNMENTAL ACTIVITIES**

	Special Assessment Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2018	\$ 15,335,000	\$ 15,959,299	1,465,000	1,241,285
2019	18,315,000	14,986,499	1,520,000	1,186,120
2020	18,465,000	14,288,605	1,590,000	1,127,090
2021	18,675,000	13,266,118	1,655,000	1,063,965
2022	18,805,000	12,528,750	1,715,000	997,630
2023-2027	106,850,000	52,002,731	9,690,000	3,876,415
2028-2032	94,270,000	32,025,754	10,675,000	2,416,424
2033-2037	76,665,000	15,201,119	8,670,000	563,035
2038-2042	41,255,000	2,985,369	-	-
2043	700,000	11,813	-	-
	<u>\$ 409,335,000</u>	<u>\$ 173,256,057</u>	<u>\$ 36,980,000</u>	<u>\$ 12,471,964</u>
	Sales Tax Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2018	\$ 3,394,000	\$ 2,902,050	\$ 7,570,000	\$ 3,495,617
2019	3,519,000	2,774,065	61,146,816	2,976,604
2020	3,657,000	2,637,515	7,295,676	2,401,891
2021	3,813,000	2,483,790	7,369,325	2,225,285
2022	3,982,000	2,311,915	7,540,595	2,052,869
2023-2027	22,734,000	8,736,305	42,838,954	7,531,820
2028-2032	27,870,000	3,604,160	30,310,951	3,005,453
2033-2037	3,640,000	72,800	15,078,384	769,312
2038-2042	-	-	576,992	-
	<u>\$ 72,609,000</u>	<u>\$ 25,522,600</u>	<u>\$ 179,727,693</u>	<u>\$ 24,458,851</u>

**CITY OF FARGO, NORTH DAKOTA  
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**BUSINESS-TYPE ACTIVITIES**

	Revenue Bonds		Annual Appropriation Bonds	
	Principal	Interest	Principal	Interest
2018	\$ 280,889	\$ 124,804	685,000	238,050
2019	283,812	115,111	700,000	224,830
2020	286,782	105,274	715,000	209,080
2021	289,801	95,291	735,000	190,490
2022	192,868	85,162	755,000	170,131
2023-2027	1,012,110	281,279	4,145,000	464,674
2028-2032	647,370	47,432	-	-
2033-2037	-	-	-	-
2038-2042	-	-	-	-
	<u>\$ 2,993,632</u>	<u>\$ 854,353</u>	<u>\$ 7,735,000</u>	<u>\$ 1,497,255</u>
	Special Assessments		Notes Payable	
	Principal	Interest	Principal	Interest
2018	\$ 582,870	\$ 448,338	\$ 595,302	\$ 66,611
2019	535,630	584,303	599,927	54,924
2020	517,930	557,793	604,626	43,163
2021	520,192	532,460	609,398	31,329
2022	537,664	506,890	300,000	19,421
2023-2027	2,926,218	2,120,005	600,000	17,655
2028-2032	2,989,306	1,368,277	-	-
2033-2037	2,493,708	698,534	-	-
2038-2042	1,585,615	190,532	-	-
	<u>\$ 12,689,133</u>	<u>\$ 7,007,132</u>	<u>\$ 3,309,253</u>	<u>\$ 233,103</u>

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Individual Bond Issues by Fund – The following is a summary of the individual bond issues, as of the year ended December 31, 2017.

TYPE AND ISSUE	PURPOSE	ISSUE DATE	FINAL MATURITY DATE	INTEREST RATES	ORIGINAL ISSUE	PRINCIPAL OUTSTANDING 12/31/17
<b>GOVERNMENTAL ACTIVITIES</b>						
<b>SPECIAL ASSESSMENT BONDS</b>						
2014 Series D Refunding	Advance refunding of 2005 Series A	6/25/2014	5/1/2030	2.00 - 5.00	\$ 12,640,000	\$ 11,330,000
2005 Series B Refunding	Crossover refunding of 1997 Series A	12/15/2005	5/1/2018	4.00-4.25	10,675,000	360,000
2008 Series E	Infrastructure system construction	12/19/2008	5/1/2033	4.00-6.00	26,285,000	19,755,000
2009 Series A Refunding	Current refunding of 2001 Series A and B	4/30/2009	5/1/2019	2.50-4.00	13,190,000	2,650,000
2014 Series E Refunding	Current refunding of 2010 Series B	9/4/2014	5/1/2035	2.00 - 5.00	19,440,000	17,445,000
2010 Series C Refunding	Crossover refunding of 2002 Series A	5/25/2010	5/1/2027	3.00-5.00	8,250,000	6,005,000
2011 Series A	Infrastructure system construction	5/15/2011	5/1/2036	2.00-5.00	19,180,000	16,325,000
2011 Series C	Infrastructure system construction	12/15/2011	5/1/2037	2.00-4.00	20,965,000	18,320,000
2011 Series E Refunding	Crossover refunding of 2003 Series A	12/15/2011	5/1/2028	2.00-3.25	9,515,000	7,210,000
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	27,150,000
2013 Series C	Infrastructure system construction	9/12/2013	5/1/2039	2.00 - 4.60	16,705,000	14,110,000
2014 Series D	Infrastructure system construction	6/25/2014	5/1/2039	2.00 - 5.00	39,760,000	36,670,000
2014 Series F	Infrastructure system construction	12/22/2014	5/1/2039	2.00 - 5.00	40,445,000	38,110,000
2014 Series G	Infrastructure system construction	12/22/2014	5/1/2039	2.00 - 4.25	8,355,000	7,770,000
2015 Series A Refunding	Crossover refunding of Series 2006B and 2007B	2/25/2015	5/1/2031	2.00 - 5.00	18,250,000	17,780,000
2015 Series B Refunding	Crossover refunding of Series 2008E	9/30/2015	5/1/2033	2.50 - 5.00	15,235,000	15,325,000
2015 Series D	Infrastructure system construction	11/18/2015	5/1/2041	3.00 - 5.00	34,675,000	33,925,000
2016 Series B Refunding	Crossover refunding of Series 2009C	6/6/2016	5/1/2034	2.00 - 5.00	27,485,000	27,485,000
2016 Series C	Infrastructure system construction	11/7/2016	5/1/2042	2.00 - 5.00	41,745,000	41,745,000
2017 Series C	Infrastructure system construction	8/17/2017	5/1/2043	2.00 - 5.00	38,525,000	38,525,000
2017 Series D	Crossover refunding of Series 2013C	8/17/2017	5/1/2039	3.00 - 5.00	11,340,000	11,340,000
					<u>\$ 466,840,000</u>	<u>\$ 409,335,000</u>
<b>GENERAL OBLIGATION BONDS</b>						
2009 Series B	Fire station and fire truck	10/15/2009	5/1/2029	2.00 - 4.00	\$ 2,875,000	\$ 1,915,000
2015 Series E	Parking Ramp	12/7/2015	12/1/2035	1.00 - 3.85	10,230,000	9,800,000
2016 Series A	City Hall building	6/14/2016	7/1/2036	2.00 - 5.00	25,640,000	25,265,000
					<u>\$ 38,745,000</u>	<u>\$ 36,980,000</u>
<b>SALES TAX INFRASTRUCTURE BONDS</b>						
2013 Series A	Flood mitigation projects	3/27/2013	6/1/2033	3.00 - 4.00	\$ 51,375,000	\$ 43,980,000
2014 Series B	Flood mitigation projects	4/22/2014	6/1/2032	2.00 - 5.00	32,512,000	28,629,000
					<u>\$ 83,887,000</u>	<u>\$ 72,609,000</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>					<u>\$ 589,472,000</u>	<u>\$ 518,924,000</u>

TYPE AND ISSUE	PURPOSE	ISSUE DATE	FINAL MATURITY DATE	INTEREST RATES	ORIGINAL ISSUE	PRINCIPAL OUTSTANDING 12/31/17
<b>BUSINESS-TYPE ACTIVITIES</b>						
<b>SOLID WASTE FUND</b>						
Clean Renewable Energy Bond	Improvements to Landfill Gas Collection System	11/5/2007	12/15/2021	0.85	\$ 1,500,000	\$ 400,000
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	2,593,632
					<u>\$ 4,375,000</u>	<u>\$ 2,993,632</u>
<b>FARGODOME BUILDING FUND</b>						
Annual Appropriation Bonds of 2017	Fargodome video board upgrade	2/9/2017	11/1/2027	1.75 - 3.85	\$ 7,810,000	\$ 7,735,000
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>					<u>\$ 12,185,000</u>	<u>\$ 10,728,632</u>
<b>TOTAL BONDED INDEBTEDNESS</b>					<u>\$ 601,657,000</u>	<u>\$ 529,652,632</u>

In August 2017, the City of Fargo issued Refunding Improvement Refunding Bonds, Series 2017D to be used for crossover refunding the 2013C Refunding Improvement Bonds. The net proceeds and the City's equity contribution of \$800,000 were used to purchase securities of the U.S. Government. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunding issues until the call date of the refunded issue at which time the bonds will be called and paid by the escrow agent. After the call date the bonds will no longer be shown on the financial statements of the City and the City will assume the debt service payments for the refunding issues.

The difference in cash flows required to service the old debt and the new debt is \$2,257,309. The economic benefit, as measured by the present value savings of the refunding, is \$1,558,766.

A schedule of the refunding bonds and bonds to be called are as follows:

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<u>Bond Issue</u>	<u>Amount</u>	<u>Average Coupon</u>	<u>Proceeds</u>	<u>Bonds to be Called</u>			
				<u>Bond Issue</u>	<u>Average Coupon</u>	<u>Call Date</u>	<u>Balance to be Called</u>
Refunding Improvement Refunding Bond, Series 2016B	\$ 27,485,000	3.25%	\$ 30,148,315	Refunding Improvement Bonds, Series 2009C	3.99%	5/1/2018	\$ 31,805,000
Refunding Improvement Refunding Bond, Series 2017D	\$ 11,340,000	3.52%	\$ 11,938,087	Refunding Improvement Bonds, Series 2013C	4.23%	5/1/2021	\$ 11,960,000

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

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

	Deferred Inflows of		Total
	Resources Unavailable	Liabilities Unearned	
Delinquent property taxes receivable	\$ 213,749	\$ -	\$ 213,749
Special assessments receivable	382,894,370	-	382,894,370
Grant resources held and grant items receivable	412,173	280,688	692,861
Loans/contracts/accounts receivable	3,550,502	3,104,929	6,655,431
Total unavailable revenue for governmental funds	<u>\$ 387,070,794</u>	<u>\$ 3,385,617</u>	<u>\$ 390,456,411</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, 2017, the number of Industrial Revenue Bonds outstanding and the aggregate principal amount payable is unknown. Neither the State of North Dakota nor the City of Fargo has a central repository. The only requirement for this type of issue is to request the amount needed for City approval, most times this amount is in excess of the actual amount issued. When completely paid or called they must notify the City of this event.

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**K. FUND BALANCES**

The City classified fund balances within the governmental funds as follows at December 31, 2017:

	General Fund	Debt Service	Capital Projects	Other Governmental Funds	Total
<b>Fund balances:</b>					
<b>Nonspendable:</b>					
Advances to other funds	\$ 1,484,697	\$ -	\$ -	\$ -	\$ 1,484,697
Inventory	1,420,039	-	-	-	1,420,039
Prepaid Items	720,187	-	7,162	19,696	747,045
Property held for resale	15,000	-	-	-	15,000
<b>Total Nonspendable</b>	<b>3,639,923</b>	<b>-</b>	<b>7,162</b>	<b>19,696</b>	<b>3,666,781</b>
<b>Restricted for:</b>					
City Share of Specials	-	-	-	864,743	864,743
Community Development	-	-	-	75,730	75,730
Convention & Visitors Bureau	-	-	-	20,205	20,205
Court Forfeits	-	-	-	137,581	137,581
Debt Service	-	81,009,992	-	-	81,009,992
Downtown Business Improvement District	-	-	-	111,955	111,955
Fire	280,996	-	-	-	280,996
Health	929,807	-	-	-	929,807
Highway and streets	1,252,682	-	-	-	1,252,682
HUD Home Participating Jurisdiction	-	-	-	192,163	192,163
HUD Home Program	-	-	-	60,102	60,102
Neighborhood Stabilization	-	-	-	71,100	71,100
Noxious Weeds	-	-	-	49,346	49,346
NRI Loan Program	-	-	-	170,852	170,852
Parking Repair and Replacement	-	-	-	229,376	229,376
Planning and Development	333,292	-	-	-	333,292
Police	373,510	-	-	-	373,510
Regional Training Center	-	-	-	228,385	228,385
Skyway Maintenance	-	-	-	116,022	116,022
<b>Total Restricted</b>	<b>3,170,287</b>	<b>81,009,992</b>	<b>-</b>	<b>2,327,560</b>	<b>86,507,839</b>
<b>Committed to:</b>					
Revenue Stabilization	1,405,918	-	-	-	1,405,918
<b>Assigned to:</b>					
2018 Budget	1,531,414	-	-	-	1,531,414
<b>Unassigned:</b>	<b>28,099,032</b>	<b>-</b>	<b>(11,240,453)</b>	<b>(1,453,269)</b>	<b>15,405,310</b>
<b>Total Fund Balances</b>	<b>\$ 37,846,574</b>	<b>\$ 81,009,992</b>	<b>\$ (11,233,291)</b>	<b>\$ 893,987</b>	<b>\$ 108,517,262</b>

**5. OTHER NOTES**

**A. RISK MANAGEMENT**

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

The City maintains one self-insurance internal service fund that is used to administer the risks of losses associated with the various exposures.

**INSURED RISKS**

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

**B. PENSION PLANS**

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

**Summary of Significant Accounting Policies**

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

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



## Plan Description, Contribution and Reserves Information

### Employees' Pension Plan

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

Membership in the plan on December 31, 2017 (date of most recent actuarial study) is as follows:

Retirees and beneficiaries	232
Terminated vested and deferred beneficiaries	47
City active plan members	114
NDPERS active plan members	160

Number of participating employers: 2

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

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

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

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

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

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

Contributions. Participating employees contribute to the plan at a rate of 6.5% of salary and the employers contribute at a rate of 8.0% of regular salary for all employees. The contribution rates are established by local ordinance, and the employer's contribution rate is

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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, 2017, 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	2.75%
Actuarial cost method	Entry age normal in accordance with the requirements of GASB 67/68
Asset valuation method	Market value of assets
Mortality	Base RP-2014 no-collar table adjusted to 2006. Generational projection using scale MP-2017 was applied to these base rates after 2006.

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

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

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

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

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

**Schedule of Changes in Net Pension Liability**

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

	Changes in Net Pension Liability		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at 1/1/2017	\$ 56,574,375	\$ 41,946,923	\$ 14,627,452
Changes for the year:			
Service cost	469,907	-	469,907
Interest	4,019,115	-	4,019,115
Differences between expected and actual experience	409,699	-	409,699
Changes of assumptions	(280,032)	-	(280,032)
Contributions - City and Park District	-	2,035,460	(2,035,460)
Contributions - pension benefit repayment	-	6,149	(6,149)
Contributions - member	-	503,548	(503,548)
Net investment income	-	6,769,009	(6,769,009)
Benefit payments, including refund of member contributions	(3,216,427)	(3,216,427)	-
Administrative expense	-	(55,719)	55,719
Net changes	1,402,262	6,042,020	(4,639,758)
Balance at 12/31/2017 Measurement Date	\$ 57,976,637	\$ 47,988,943	\$ 9,987,694

The following presents the net pension liability of the City calculated using a discount rate of 7.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	City of Fargo Proportionate Share of the Net Pension Liability
1% Decrease in Discount Rate (6.25%)	\$ 64,135,725	\$ 47,988,943	\$ 16,146,782	\$ 14,414,232
Current Discount Rate (7.25%)	57,979,637	47,988,943	9,990,694	8,916,014
1% Increase in Discount Rate (8.25%)	52,739,253	47,988,943	4,750,310	4,240,602

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

For the year ended December 31, 2017, the City recognized pension expense of \$581,253. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Outflows</u>	<u>Inflows</u>
<b>Summary of Deferred Outflows (Inflows)</b>		
Difference between expected and actual experience	\$ 409,701	\$ 124,238
Change of assumptions and methods	72,821	961,587
Net difference between projected and actual investment earnings	-	1,514,510
Changes in proportion and differences between Employer contributions and proportionate share of contributions	<u>65,258</u>	<u>94,515</u>
Total	\$ 547,780	\$ 2,694,850

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
2018	\$ (327,022)
2019	(327,023)
2020	(824,849)
2021	(668,176)
2022	-
Thereafter	-
	<u>\$ (2,147,070)</u>

Reserves The net position at December 31, 2017 is \$47,988,942 and the entire amount is reserved for employee pension benefits.

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

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

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

### **Summary of Significant Accounting Policies**

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

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

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

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

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

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

#### ***Pension Benefits***

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

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.

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For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

***Death and Disability Benefits***

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

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

***Refunds of Member Account Balance***

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

***Member and Employer Contributions***

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

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

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

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

At December 31, 2017, the City reported a liability of \$46,812,999 for its proportionate share of the net pension liability. The net pension liability was measured as of 6/30/2017, 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 6/30/2017, the Employer's proportion was 2.912473 percent.

For the year ended 12/31/2017, the Employer recognized pension expense of \$5,368,054. At 12/31/2017, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 278,254	\$ 228,082
Changes of assumptions	19,196,488	1,055,849
Net difference between projected and actual earnings on pension plan investments	629,596	0
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,856,208	(1)
Employer contributions subsequent to the measurement date (see below)	<u>*1,295,346</u>	<u>0-</u>
Total	<u>*\$23,255,892</u>	<u>\$1,283,930</u>

\$1,295,346 reported as deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended 12/31/2018.

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

**Year ended June 30:**

2018	\$ 4,551,094
2019	5,414,978
2020	4,758,514
2021	3,896,357
2022	2,055,673
Thereafter	0

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

<b>Inflation</b>	2.50%	
<b>Salary increase (Payroll Growth)</b>	For June, 30, 2017:	
	Service at Beginning of Year:	Increase Rate:
	0	15.00%
	1	10.00%
	2	8.00%
	Age*	
	Under 36	8.00%
	36-40	7.50%
	41-49	6.00%
	50+	5.00%
	*Age-based salary increase rates apply for employees with three or more years of service	
<b>Investment Rate of Return</b>	7.75%, net of investment expense, including inflation.	

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

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

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>Domestic Equity</b>	<b>31%</b>	<b>6.05%</b>
<b>International Equity</b>	<b>21%</b>	<b>6.70%</b>
<b>Private Equity</b>	<b>5%</b>	<b>10.20%</b>
<b>Domestic Fixed Income</b>	<b>17%</b>	<b>1.43%</b>
<b>International Fixed Income</b>	<b>5%</b>	<b>(.45)%</b>
<b>Global Real Assets</b>	<b>20%</b>	<b>5.16%</b>
<b>Cash Equivalents</b>	<b>1%</b>	<b>0.00%</b>

**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



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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).

The pension plan's fiduciary net position was projected to be sufficient to make all projected future benefit payments through the year of 2061. Therefore, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2061, and the municipal bond rate was applied to all benefit payments after that date. For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.56%; and the resulting Single Discount Rate is 6.44%.

***Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.*** The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 6.44 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.44 percent) or 1-percentage-point higher (7.44 percent) than the current rate:

	<b>1% Decrease (5.44%)</b>	<b>Current Discount Rate (6.44%)</b>	<b>1% Increase (7.44%)</b>
Employer's proportionate share of the net pension liability	\$63,550,079	\$46,812,999	\$32,888,447

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

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

### **Police Pension Plan**

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

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

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Membership on December 31, 2017, (date of most recent actuarial study) in the plan is as follows:

Retirees and beneficiaries currently receiving pension payments	117
Fully vested members contributing	83
Non vested members contributing	107
Terminated vested employees	11

Number of participating employers: 1

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

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

Participants are fully vested in plan benefits after 10 years of service. Upon termination of employment prior to retirement age, participants may elect a deferred vested benefit to begin at the early retirement date, or may elect a refund of all employee contributions plus interest at 6% per annum, in lieu of a deferred vested benefit.

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

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

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

Actuarial Methods and Assumptions

The City's net pension liability was measured as of December 31, 2017, 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.

**CITY OF FARGO, NORTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

Significant Assumptions and Methods Used to Measure the Total Pension Liability

Discount rate	7.25%
Expected return on plan assets	7.25%
Inflation rate	2.75%
Actuarial cost method	Entry age normal in accordance with the requirements of GASB 67/68
Asset valuation method	Market value of assets
Mortality	Base RP-2014 no-collar table adjusted to 2006. Generational projection using scale MP-2017 was applied to these base rates after 2006.

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

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

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

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

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

**CITY OF FARGO, NORTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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 1/1/2017	\$ 71,995,676	\$ 50,520,906	\$ 21,474,770
Changes for the year:			
Service cost	2,014,929	-	2,014,929
Interest	5,225,129	-	5,225,129
Differences between expected and actual experience	23,450	-	23,450
Changes of assumptions	(284,113)	-	(284,113)
Contributions - City and Pension Stability Fund	-	2,907,142	(2,907,142)
Contributions - member	-	1,181,265	(1,181,265)
Net investment income	-	7,898,700	(7,898,700)
Benefit payments, including refund of member contributions	(3,879,726)	(3,879,726)	-
Administrative expense	-	(38,609)	38,609
Net changes	3,099,669	8,068,772	(4,969,103)
Balance at 12/31/2017 Measurement Date	\$ 75,095,345	\$ 58,589,678	\$ 16,505,667

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%)	\$ 84,726,921	\$ 58,589,678	\$ 26,137,243
Current Discount Rate (7.25%)	75,095,345	58,589,678	16,505,667
1% Increase in Discount Rate (8.25%)	67,091,750	58,589,678	8,502,072

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

For the year ended December 31, 2017, the City recognized pension expense of \$2,615,098. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflows	Inflows
<b>Summary of Deferred Outflows (Inflows)</b>		
Difference between expected and actual liability	\$ 983,656	\$ -
Change of assumptions and methods	1,005,646	675,608
Net difference between projected and actual investment earnings	-	1,831,562
Total	\$ 1,989,302	\$ 2,507,170

**CITY OF FARGO, NORTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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
2018	\$ 190,211
2019	190,212
2020	(535,799)
2021	(568,254)
2022	273,920
Thereafter	(68,158)
	\$ (517,868)

Reserves The net position at December 31, 2017 is \$58,589,678 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, 2017, (date of most recent actuarial study) in the plan is as follows:

Active plan members	120
Deferred vested	3
Retirees, disabled, and beneficiaries	96

Number of participating employers: 1

Plan participants are eligible for normal retirement at age 55 with 10 years of eligible service. Effective August 1, 2001, the benefit formula was improved to provide 2.50% of earnings times years of service. The result is taken times the salary of a first class firefighter to determine the monthly pension benefit amount. A monthly disability service pension benefit is also provided under an alternative formula along with family death benefits.

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

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

**CITY OF FARGO, NORTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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, 2017, 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	2.75%
Actuarial cost method	Entry age normal in accordance with the requirements of GASB 67/68
Asset valuation method	Market value of assets
Mortality	Base RP-2014 no-collar table adjusted to 2006. Generational projection using scale MP-2017 was applied to these base rates after 2006.

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

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

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

**CITY OF FARGO, NORTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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

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

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

Schedule of Changes in Net Pension Liability

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

Changes in Net Pension Liability			
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at 1/1/2017	\$ 45,581,627	\$ 26,913,051	\$ 18,668,576
Changes for the year:			
Service cost	1,065,668	-	1,065,668
Interest	3,285,670	-	3,285,670
Differences between expected and actual experience	2,074,434	-	2,074,434
Changes of assumptions	(133,772)	-	(133,772)
Contributions - City and Pension Stability Fund	-	2,139,153	(2,139,153)
Contributions - member	-	779,473	(779,473)
Net investment income	-	4,665,107	(4,665,107)
Benefit payments, including refund of member contributions	(2,655,413)	(2,655,413)	-
Administrative expense	-	(60,855)	60,855
Net changes	3,636,587	4,867,465	(1,230,878)
Balance at 12/31/2017 Measurement Date	\$ 49,218,214	\$ 31,780,516	\$ 17,437,698

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:

**CITY OF FARGO, NORTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

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%)	\$ 55,629,888	\$ 31,780,516	\$ 23,849,372
Current Discount Rate (7.25%)	49,218,214	31,780,516	17,437,698
1% Increase in Discount Rate (8.25%)	43,885,246	31,780,516	12,104,730

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

For the year ended December 31, 2017, the City recognized pension expense of \$2,006,658. At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflows	Inflows
<b>Summary of Deferred Outflows (Inflows)</b>		
Difference between expected and actual liability	\$ 2,949,684	\$ -
Change of assumptions and methods	503,347	519,268
Net difference between projected and actual investment earnings	-	1,336,156
Total	\$ 3,453,031	\$ 1,855,424

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
2018	\$ 329,687
2019	329,686
2020	(55,827)
2021	(75,926)
2022	465,944
Thereafter	604,043
	\$ 1,597,607

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, 2017**

**CITY OF FARGO, NORTH DAKOTA  
PENSION TRUST FUNDS  
COMBINING STATEMENT OF NET POSITION  
December 31, 2017**

	<u>CITY EMPLOYEES' PENSION</u>	<u>POLICE PENSION</u>	<u>TOTAL</u>
<b>ASSETS</b>			
Cash	\$ 102,283	\$ 87,522	\$ 189,805
Equity in pooled investments	179,620	12,538	192,158
Receivables:			
Accounts receivable	11,464	4,984	16,448
Interest	102	55,396	55,498
Total receivables	<u>11,566</u>	<u>60,380</u>	<u>71,946</u>
Investments, at fair value:			
Mutual funds	<u>47,724,743</u>	<u>58,432,288</u>	<u>106,157,031</u>
Total investements	<u>47,724,743</u>	<u>58,432,288</u>	<u>106,157,031</u>
Total assets	<u>\$ 48,018,212</u>	<u>\$ 58,592,728</u>	<u>\$ 106,610,940</u>
<b>LIABILITIES</b>			
Vouchers and benefits payable	<u>\$ 29,270</u>	<u>\$ 3,050</u>	<u>\$ 32,320</u>
<b>NET POSITION</b>			
Held in trust for pension benefits	<u>\$ 47,988,942</u>	<u>\$ 58,589,678</u>	<u>\$ 106,578,620</u>

**CITY OF FARGO, NORTH DAKOTA  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2017**

**CITY OF FARGO, NORTH DAKOTA  
PENSION TRUST FUNDS  
COMBINING STATEMENT OF CHANGES IN NET POSITION  
For the Year Ended December 31, 2017**

	<u>CITY EMPLOYEES' PENSION</u>	<u>POLICE PENSION</u>	<u>TOTAL</u>
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 1,809,129	\$ 2,907,142	\$ 4,716,271
Employer (Fargo Park District)	226,331	-	226,331
Employee	426,315	1,181,265	1,607,580
Employee (Fargo Park District)	83,382	-	83,382
Total contributions	<u>2,545,157</u>	<u>4,088,407</u>	<u>6,633,564</u>
Investment income			
Net appreciation in fair value of investments, and interest and dividends	6,922,556	8,100,124	15,022,680
Less investment expense	<u>(153,546)</u>	<u>(201,423)</u>	<u>(354,969)</u>
Net investment income (loss)	<u>6,769,010</u>	<u>7,898,701</u>	<u>14,667,711</u>
Total additions (deductions)	<u>9,314,167</u>	<u>11,987,108</u>	<u>21,301,275</u>
<b>DEDUCTIONS</b>			
Pension benefit payments	3,094,911	3,688,451	6,783,362
Member contribution refunds	121,516	191,275	312,791
Administrative expenses	55,722	38,610	94,332
Total deductions	<u>3,272,149</u>	<u>3,918,336</u>	<u>7,190,485</u>
Change in net position	6,042,018	8,068,772	14,110,790
Total net position - beginning	<u>41,946,924</u>	<u>50,520,906</u>	<u>92,467,830</u>
Total net position - ending	<u>\$ 47,988,942</u>	<u>\$ 58,589,678</u>	<u>\$ 106,578,620</u>

**Related Party Investments**

During 2017 and as of December 31, 2017 the pension plans (City Employees', Police or Firefighters Relief Association) held no securities issued by the City of Fargo or other related parties.

**C. JOINT POWERS AGREEMENT**

**Regional Dispatch Center**

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

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

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

- City of Fargo – 50%
- City of 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.

## **D. CONTINGENT LIABILITIES**

Amounts received or receivables from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time.

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

### **Metro Flood Diversion Project**

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

**CITY OF FARGO, NORTH DAKOTA  
REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2017**

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**CITY EMPLOYEES' PENSION PLAN**

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

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

<b>City of Fargo Employees' Pension Plan Schedule of Investment Returns</b>				
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Annual money-weighted rate of return, net of investment expense	16.3%	6.6%	0.3%	5.9%

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

**CITY OF FARGO, NORTH DAKOTA  
REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2017**

<b>City of Fargo Employees' Pension Plan Schedule of Net Pension Liability - City of Fargo's Proportionate Share</b>					
<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>
2017	89.27%	\$ 8,916,014	\$ 19,132,995	46.60%	82.77%
2016	89.96%	\$ 13,158,856	\$ 19,189,598	68.57%	74.14%
2015	89.44%	\$ 14,673,219	\$ 20,056,043	73.16%	70.75%

<b>City of Fargo Employees' Pension Plan Schedule of Employer Contributions - City of Fargo's Proportionate Share</b>					
<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>
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**

<b>Schedule of Employer's Share of Net Pension Liability ND Public Employees Retirement System</b>	As of measurement date of		
	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Employer's proportion of the net pension liability	2.912473%	2.742572%	2.611792%
Employer's proportionate share of the net pension liability	\$ 46,812,999	\$ 26,729,038	\$ 17,759,740
Employer's covered-employee payroll	\$ 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-employee payroll	157.45%	96.71%	76.33%
Plan fiduciary net position as a percentage of the total pension liability	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.

<b>Schedule of Employer Contributions ND Public Employees Retirement System</b>			
	<u>12/31/2017</u>	<u>12/31/2016</u>	<u>12/31/2015</u>
Statutorily required contribution	\$ 2,189,026	\$ 2,012,946	\$ 1,776,751
Contributions in relation to the statutorily required contribution	\$ (2,189,026)	\$ (2,012,946)	\$ (1,776,751)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Employer's covered-employee payroll	\$ 30,744,747	\$ 28,271,713	\$ 24,954,368
Contributions as a percentage of covered-employee payroll	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  
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**POLICE PENSION PLAN**

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

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

<b>City of Fargo Police Pension Plan Schedule of Investment Returns</b>				
	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Annual money-weighted rate of return, net of investment expense	15.6%	6.9%	-0.2%	5.9%

**CITY OF FARGO, NORTH DAKOTA  
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**City of Fargo Police Pension Plan  
Contributions and Net Pension Liability as a Percent of Payroll**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Payroll	\$ 11,604,167	\$ 10,882,568	\$ 10,312,350	\$ 10,050,543
Contributions as a percent of payroll	25.1%	23.89%	22.67%	25.04%
Net pension liability as a percent of payroll	142.2%	197.33%	208.90%	158.85%

**FARGO FIREFIGHTERS' RELIEF ASSOCIATION RETIREMENT PLAN**

**Fargo Firefighters Pension Association Pension Plan  
Schedule of Change in Net Pension Liability**

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

**Fargo Firefighters Pension Association Pension Plan  
Schedule of Employer Contributions**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution (ADC)	\$ 2,466,528	\$ 2,312,759	\$ 1,995,062	\$ 1,542,399
Contributions in relation to the ADC	2,139,153	1,916,012	1,889,722	1,661,219
Contribution deficiency (excess)	<u>\$ 327,375</u>	<u>\$ 396,747</u>	<u>\$ 105,340</u>	<u>\$ (118,820)</u>



**CITY OF FARGO, NORTH DAKOTA  
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**Fargo Firefighters Pension Association Pension Plan  
 Schedule of Investment Returns**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	17.3%	6.8%	-0.2%	6.0%

**Fargo Firefighters Pension Association Pension Plan  
 Contributions and Net Pension Liability as a Percent of Payroll**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Payroll	\$ 7,487,808	\$ 7,362,577	\$ 7,129,995	\$ 6,813,000
Contributions as a percent of payroll	28.6%	26.0%	26.5%	24.4%
Net pension liability as a percent of payroll	232.88%	253.56%	252.98%	229.74%