



Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fargo, North Dakota (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management discussion and analysis on pages 4-11, and the pension information including, significant assumptions used to measure total pension liability, schedule of change in net pension liability, schedule of contributions, schedule of net pension liability- City of Fargo's proportionate share, and schedule of employer contributions- City of Fargo's proportionate share as presented on pages 90-94, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated June 7, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Bismarck, North Dakota
June 7, 2018

City of Fargo, North Dakota

Management's Discussion and Analysis

As management of the City of Fargo, we offer readers of the City of Fargo's financial statements this narrative overview and analysis of the financial activities of the City of Fargo for the fiscal year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages III - VI of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

The assets of the City of Fargo exceeded its liabilities at the close of the most recent fiscal year by \$1,034,364 (net position).

As of the close of the current fiscal year, the City of Fargo's governmental funds reported combined ending fund balances of \$108,517 a decrease of \$84,890 in comparison with the prior year. The decrease in fund balance is explained in subsequent sections of this analysis.

The City's unassigned General Fund balance of 31 percent of the total General Fund expenditures exceeds our management goal of 25 percent.

While overall General Fund revenues met budget expectations, total revenue decreased by \$2,000 in comparison with the prior year. Charges for services revenue decreased compared to the prior year. The City's infrastructure project development decreased significantly from the prior year with capital project expenditures decreasing 14 percent.

Several large construction projects were in progress at the end of the most recent fiscal year. Work continues on a New City Hall adjacent to our current City Hall. This new facility should be completed by mid-2018 and will provide much needed space to consolidate our governmental operations. The City is in the process of remodeling a building adjacent to the City's Public Works facility that will eventually become the headquarters for the Fargo Police department. The growth in the Police department over the past several years has required the City to obtain a larger facility. The Roberts Street Parking ramp and the Water Treatment Plant expansion projects were also in progress at the end of the most recent fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements

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

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

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

Both of the government-wide financial statements distinguish functions of the City of Fargo that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and

charges (business-type activities). The governmental activities of the City of Fargo include general government, public safety, public works, public health and welfare, recreation & culture, urban redevelopment, public transportation, and general support. The business-type activities of the City of Fargo include a Municipal Airport, Water, Wastewater, Storm Sewer, Solid Waste Collection and Landfill, Southeast Cass Sewer, Urban Forestry, Vector Control, Street Lighting and the FargoDome, a multi-use facility.

The government-wide financial statements can be found on pages 14 and 15 of this report.

Fund financial statements

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

Governmental funds

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

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

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

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

The basic governmental fund financial statements can be found on pages 16 - 19 of this report.

Proprietary funds

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

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

The basic proprietary fund financial statements can be found on pages 22 - 24 of this report.

Fiduciary funds

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

The basic fiduciary fund financial statements can be found on pages 28 and 29 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31 – 92 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Fargo's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 93 - 97 of this report.

The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the notes to the financial statements. Combining statements and schedules can be found on pages 101 - 115 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Fargo, assets exceeded liabilities by \$1,034,364 at the close of the most recent fiscal year.

By far the largest portion of the City of Fargo's net position (89%) reflects its net investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related outstanding debt used to acquire those assets. The City of Fargo uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Fargo's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following two tables present condensed financial information on the City's Net Position and Changes in Net Position for the fiscal year ending December 31, 2017 and 2016.

City of Fargo's Net Position (In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 524,346	\$ 567,683	\$ 118,724	\$ 106,962	\$ 643,070	\$ 674,645
Capital assets	477,315	439,030	791,624	726,498	1,268,939	1,165,528
Total assets	1,001,661	1,006,713	910,348	833,460	1,912,009	1,840,173
Deferred outflows of resources	23,110	15,763	6,136	2,982	29,246	18,745
Long-term liabilities outstanding	808,828	777,447	48,786	39,711	857,614	817,158
Other liabilities	33,479	29,650	7,457	9,758	40,936	39,408
Total liabilities	842,307	807,097	56,243	49,469	898,550	856,566
Deferred inflows of resources	6,977	2,935	1,364	831	8,341	3,766
Net position:						
Net investment in capital assets	155,725	138,920	763,810	708,549	919,535	847,469
Restricted	15,592	71,486	46,243	38,133	61,835	109,619
Unrestricted	4,170	2,038	48,824	39,460	52,994	41,498
Total net position	\$ 175,487	\$ 212,444	\$ 858,877	\$ 786,142	\$ 1,034,364	\$ 998,586

A portion of the City of Fargo's net position (6%) represents resources that are subject to external restrictions on how they may be used.

City of Fargo's Changes in Net Position (In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 27,769	\$ 32,595	\$ 69,715	\$ 65,340	\$ 97,484	\$ 97,935
Operating grants and contributions	10,040	11,035	-	-	10,040	11,035
Capital grants and contributions	91,019	138,364	6,219	13,367	97,238	151,731
General Revenues:						
Taxes	85,068	86,116	941	840	86,009	86,956
Unrestricted intergovernmental	5,769	6,112	-	-	5,769	6,112
Unrestricted investment earnings	5,219	3,786	5,539	3,843	10,758	7,629
Miscellaneous	2,048	245	1,114	2,093	3,162	2,338
Total revenues	<u>226,932</u>	<u>278,253</u>	<u>83,528</u>	<u>85,483</u>	<u>310,460</u>	<u>363,736</u>
Expenses:						
General government	18,746	17,776	-	-	18,746	17,776
Public safety	38,540	39,029	-	-	38,540	39,029
Public works	88,777	122,801	-	-	88,777	122,801
Public health and welfare	12,951	11,443	-	-	12,951	11,443
Recreation and culture	8,625	8,425	-	-	8,625	8,425
Urban redevelopment	4,673	1,849	-	-	4,673	1,849
Transportation	10,320	9,942	-	-	10,320	9,942
General support	1,151	1,057	-	-	1,151	1,057
Interest and fiscal charges	22,261	21,918	-	-	22,261	21,918
Municipal airport authority	-	-	8,982	8,824	8,982	8,824
Water	-	-	17,417	15,000	17,417	15,000
Wastewater	-	-	10,797	9,907	10,797	9,907
Storm sewer	-	-	5,679	5,283	5,679	5,283
Solid waste	-	-	10,674	11,111	10,674	11,111
Fargodome	-	-	9,395	8,400	9,395	8,400
Southeast cass	-	-	90	49	90	49
Vector control	-	-	331	380	331	380
Street lighting	-	-	3,350	3,217	3,350	3,217
Forestry	-	-	1,923	1,770	1,923	1,770
Total expenses	<u>206,044</u>	<u>234,240</u>	<u>68,638</u>	<u>63,941</u>	<u>274,682</u>	<u>298,181</u>
Excess before Transfers	20,888	44,013	14,890	21,542	35,778	65,555
Transfers	(57,845)	(52,778)	57,845	52,778	-	-
Change in net position	(36,957)	(8,765)	72,735	74,320	35,778	65,555
Net position - beginning	212,444	221,209	786,142	711,822	998,586	933,031
Net position - ending	<u>\$ 175,487</u>	<u>\$ 212,444</u>	<u>\$ 858,877</u>	<u>\$ 786,142</u>	<u>\$ 1,034,364</u>	<u>\$ 998,586</u>

The City's net position increased by \$35,778 during the current fiscal year.

Governmental activities

The governmental activities' net position decreased by \$36,957 during the current fiscal year.

Charges for services decreased due to a smaller city infrastructure project list compared to the prior year.

Business type activities

Business-type activities increased the City of Fargo's net position by \$72,735.

The City of Fargo began providing water services to the City of West Fargo in June of 2016. This project created a new revenue stream for the Water Fund and resulted in revenue of \$2.6 million for 2016 and \$4.1 million for 2017.

Financial Analysis of the Government's Funds

As noted earlier, the City of Fargo uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the City of Fargo's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Fargo's financing requirements. In particular, unassigned fund balance serves as a useful measure of a government's net resources available for spending during the fiscal year.

As of the end of the current fiscal year, the City of Fargo's governmental funds reported combined ending fund balances of \$108,517, a decrease of \$84,890 in comparison with the prior year.

The General Fund is the chief operating fund of the City of Fargo. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$28,099 while total fund balance was \$37,847. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 31 percent of total general fund expenditures, while total fund balance represents 41 percent of that same amount. Managements fund balance goal of 25 percent has been achieved for this fiscal year. This fund balance level represents a decrease of \$1,550 during the year. The remainder of fund balance is assigned (\$1,531, 4 percent), committed (\$1,406, 4 percent), restricted (\$3,170, 8 percent) or nonspendable (\$3,640, 10 percent).

Overall General Fund revenues of this fund group decreased by 2.5 percent compared to the prior year, while total expenditures increased by 3 percent.

The increase in General Fund expenditures is attributed to expanding public safety personnel to handle increased needs and protection throughout the City. Five new police department positions were approved in the 2017 budget. The 2017 budget also included the approval of three new positions for the Public health department. The most significant budget savings are related to the timing of capital outlay funding which lagged budget levels by \$2,202. Capital funds will be carried forward into the 2018 budget.

The debt service fund has a total fund balance of \$81,010, all of which is restricted for the payment of future debt service. The net decrease in fund balance during the current year was \$27,609. Amended sales tax resolutions dedicating a larger percentage of the sales tax to flood projects lead to decreased tax revenue and the increase in overall debt also lead to an increase in debt service expenditures for the year.

The capital projects fund had a net decrease in fund balance of \$55,081. Capital project expenditures decreased by 14 percent in 2017 due to fewer City utility infrastructure projects.

Proprietary funds

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

Unrestricted net position of the proprietary funds at the end of the year amounted to \$48,824. All major proprietary funds reported increases in net position.

Operating revenues of this fund group increased by approximately seven percent. This increase is attributed to the City of Fargo providing water services to the City of West Fargo for a full year. This increased the revenue of the Water fund by \$1.6 million. The Solid Waste fund also attributed to the increase in operating revenues. In late 2016, the City Commission approved a resolution to increase landfill tipping fees from \$38/ton to \$43/ton. The result of this change increased revenues in the Solid Waste fund by approximately \$1.7 million for 2017. The City also began a residential single sort recycling program in July of 2017. This new revenue source brought in approximately \$400 for the 2017 year.

Operating expenses increased by 8 percent. The increase in expense can also be attributed to increased chemical costs incurred due to providing water services to the City of West Fargo as well as increased personnel services.

General Fund Budgetary Highlights

Significant variances between original and final budget are noted as follows:

General Fund revenue projections fell short of the originally adopted budget by 0.75% and exceeded the revised budget by 0.65%. State shared revenues were very close to budget projections.

Noted variances between final budget and actual are as follows:

Charges for services revenue lagged the budgeted figure by 3%. This is attributed to a reduced infrastructure demand and a smaller construction project list compared to the prior year.

Overall General Fund expenditures were incurred at 96% of final budget, a variance similar to the prior years.

Capital outlay expenditures lagged budget by \$2,202 due to the project timelines for various capital projects. Unexpended funds will be carried forward into the 2018 budget.

Capital Asset and Debt Administration

Capital Assets. The City of Fargo's investment in capital assets for its governmental and business type activities as of December 31, 2017 amounts to \$1,269 (net of accumulated depreciation). This investment in capital assets includes land, intangibles, construction in progress, buildings, improvements, machinery and equipment, infrastructure, and flood control projects.

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

There were a number of municipal building projects in progress during 2017. \$16.7 million was expended on the New City Hall project, \$4.8 million was expended on the construction of a parking ramp, \$1.1 million was expended on the Border States Electric remodel project where the Police department will be relocating to, and \$44.4 million was expended on the expansion of the water treatment plant.

Other notable events include \$13.1 million expended on a wastewater treatment plant improvement project, \$8.5 million expended on various infrastructure projects at the Airport and \$1.2 million expended on the single stream recycling program.

City of Fargo's Capital Assets (net of depreciation) (In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Land	\$ 76,969	\$ 68,783	\$ 40,681	\$ 41,017	\$ 117,650	\$ 109,800
Construction in progress	43,281	19,068	125,391	107,287	168,672	126,355
Intangible	9,215	8,821	920	920	10,135	9,741
Buildings	48,178	50,095	124,028	126,064	172,206	176,159
Improvements other than buildings	611	654	24,844	19,699	25,455	20,353
Machinery and equipment	15,429	17,368	39,094	25,150	54,523	42,518
Infrastructure	243,517	234,254	436,666	406,361	680,183	640,615
Flood Control	40,115	39,987	-	-	40,115	39,987
Total	<u>\$ 477,315</u>	<u>\$ 439,030</u>	<u>\$ 791,624</u>	<u>\$ 726,498</u>	<u>\$ 1,268,939</u>	<u>\$ 1,165,528</u>

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

Long Term Debt

At the end of the current fiscal year, the City of Fargo had total bonded debt and notes outstanding of \$804,134. Of this amount, \$409,335 is special assessment debt (improvement bonds) for which the government is liable in the event of default by the property owners subject to the assessment. The remainder of the City of Fargo's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The City of Fargo's total outstanding debt increased by \$35,481 during the current fiscal year. This increase can be associated with the need to finance the video boards and related technology at the FARGODOME and expansion of the City's utility infrastructure.

City of Fargo's Outstanding Debt (In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Improvement bonds	\$ 409,335	\$ 415,715	\$ -	\$ -	\$ 409,335	\$ 415,715
Gross revenue bonds	-	-	2,994	7,112	2,994	7,112
Annual appropriation bonds	-	-	7,735	-	7,735	-
General obligation bonds	36,980	37,910	-	-	36,980	37,910
Sales tax bonds	72,609	75,889	-	-	72,609	75,889
Notes payable	179,728	144,462	3,309	3,900	183,037	148,362
Capital leases	221	254	1,551	3,380	1,772	3,634
Net pension liability	74,750	68,709	14,922	11,322	89,672	80,031
Total	<u>\$ 773,623</u>	<u>\$ 742,939</u>	<u>\$ 30,511</u>	<u>\$ 25,714</u>	<u>\$ 804,134</u>	<u>\$ 768,653</u>

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

The City issued \$7,810 Annual Appropriation Bonds, Series 2017A at a true interest cost of 3.43%. These bonds were issued to finance project costs for the acquisition and installation of video boards and technology at the FARGODOME.

The City issued \$38,525 Refunding Improvement Bonds, Series 2017C at a true interest cost of 3.06%. These bonds were issued to reimburse the capital project fund for project costs previously incurred for the expansion of the City's utility infrastructure.

The City issued \$11,340 Refunding Improvement Refunding Bonds, Series 2017D at a true interest cost of 3.01%. These bonds were issued as a crossover refunding of the Series 2013C Refunding Improvement Bonds.

The City issued one \$100,000 loan to refund the obligations outstanding to Wells Fargo Bank that were used to finance the flood control project.

The City continues to use the North Dakota State Revolving Loan funds to finance some of its water and wastewater projects.

The City of Fargo maintained an "Aa1" rating from Moody's Investors Service for general obligation debt.

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

Economic Factors and Next Year's Budgets and Rates

Management continues to monitor the revenue base very closely and has introduced budget management strategies to overcome changes in our revenues.

Water and Wastewater utility rates were increased 3% in the 2018 budget. In 2018, Fargo will become a wastewater service provider to the City of West Fargo and the City of Horace. We anticipate Wastewater Fund revenues to increase by an additional \$2.4 million due to the change in our customer base.

The City constrained our 2018 General Fund budget due to a reduction in aid from the State of North Dakota. The budget increase overall was approved at a 0.7%, with a 5.6% decrease in operating expenses.

The Board of Equalization's preliminary assessment of our tax base for 2018 projected an increase of 5.6%. This healthy growth in our tax base will provide produce additional resources.

Requests for information

This financial report is designed to provide a general overview of the City of Fargo's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, 200 3rd Street North, City of Fargo, ND, 58102 or visit the City's web site at www.fargond.gov. The entire report is presented in the Finance department section.08