

**REVISED PRELIMINARY OFFICIAL STATEMENT DATED JULY 2, 2019 TO  
PRELIMINARY OFFICIAL STATEMENT DATED JUNE 27, 2019**

**NEW ISSUE  
NOT BANK QUALIFIED**

**Moody's Rating: Aa1**

*In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Series 2019A Bonds (i) is excluded from gross income for federal income tax purposes, (ii) is not an item of tax preference for federal alternative minimum tax purposes, and (iii) is excluded from taxable income for North Dakota income tax purposes. See "TAX CONSIDERATIONS" herein.*



**\$36,170,000\***  
**City of Fargo, North Dakota**  
**Refunding Improvement Bonds, Series 2019A**  
**(the "Series 2019A Bonds")**  
**(Book Entry Only)**

**Dated Date: Date of Delivery**

**Interest Due: Each May 1 and November 1,  
commencing May 1, 2020**

The Series 2019A Bonds will mature as shown on the inside front cover of this Official Statement.

The special improvement warrants issued against the fund of such improvement districts and the special assessments levied and to be levied for the improvements will be appropriated by the City to a special fund for the payment of the Series 2019A Bonds. The City is also required by law to levy a tax upon all taxable property within its corporate limits to restore any deficiency in the improvement district funds for the payment of all warrants and interest thereon, and the City is authorized to levy such a tax whenever such a deficiency is anticipated to occur within one year. Such tax levies are not subject to any constitutional or statutory limitation as to rate or amount. The proceeds of the Series 2019A Bonds will be used to finance the costs of 17 projects, including new development infrastructure in addition to reconstruction of existing infrastructure, within the various improvement districts of the City and to pay the costs of issuance for the Series 2019A Bonds.

The Series 2019A Bonds will be issued as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Series 2019A Bonds. Individual purchases may be made in book entry form only, in the principal amount of \$5,000 and integral multiples thereof. Investors will not receive physical certificates representing their interest in the Series 2019A Bonds purchased. (See "Book Entry System" herein.) The City Auditor of the City will serve as bond registrar and paying agent (the "Registrar" or "Paying Agent") for the Series 2019A Bonds. The Series 2019A Bonds will be available for delivery at DTC on or about August 6, 2019.

Please see "UNDERWRITING" herein for discussion regarding the Underwriters of the Series 2019A Bonds.



**DOUGHERTY & COMPANY LLC**

\* Preliminary; subject to change.

## City of Fargo, North Dakota

### **\$36,170,000<sup>(a)</sup> Refunding Improvement Bonds, Series 2019A**

The Series 2019A Bonds will mature May 1 in the years and amounts<sup>(a)</sup> as follows:

<u>Maturity (May 1)</u>	<u>Amount<sup>(a)</sup></u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>	<u>Maturity (May 1)</u>	<u>Amount<sup>(a)</sup></u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP</u>
2020	\$ 600,000	—%	—%	— —	2031	\$1,300,000	—%	—%	— —
2021	\$1,025,000	—%	—%	— —	2032	\$1,375,000	—%	—%	— —
2022	\$1,050,000	—%	—%	— —	2033	\$1,450,000	—%	—%	— —
2023	\$1,100,000	—%	—%	— —	2034	\$1,500,000	—%	—%	— —
2024	\$1,175,000	—%	—%	— —	2035	\$1,525,000	—%	—%	— —
2025	\$1,225,000	—%	—%	— —	2036	\$1,575,000	—%	—%	— —
2026	\$1,275,000	—%	—%	— —	2037	\$1,650,000	—%	—%	— —
2027	\$1,325,000	—%	—%	— —	2038	\$1,700,000	—%	—%	— —
2028	\$1,375,000	—%	—%	— —	2039	\$1,775,000	—%	—%	— —
2029	\$1,450,000	—%	—%	— —	2044 <sup>(b)</sup>	\$9,470,000	—%	—%	— —
2030	\$1,250,000	—%	—%	— —					

*(a) Preliminary; subject to change.*

*(b) Term Bonds (see “THE SERIES 2019A BONDS – Redemption Provisions – Mandatory Redemption” herein).*

The Series 2019A Bonds are subject to optional redemption as follows:

- Series 2019A Bonds maturing on May 1 in the years 2020 through 2024 will not be subject to payment in advance of their respective stated maturity dates;
- Series 2019A Bonds maturing on May 1 in the years 2025 through 2027 are subject to optional redemption on or after May 1, 2024 at a price of par plus accrued interest to the date of redemption;
- Series 2019A Bonds maturing on May 1, 2028 will not be subject to payment in advance of their respective stated maturity dates; and
- Series 2019A Bonds maturing on May 1 in the years 2029 through 2044 are subject to optional redemption on or after May 1, 2028 at a price of par plus accrued interest to the date of redemption.

# **CITY OF FARGO, NORTH DAKOTA**

## **CITY COMMISSION**

Tim Mahoney	Mayor
Tony Gehrig	Commissioner
Tony Grindberg	Commissioner
Dave Piepkorn	Commissioner
John Strand	Commissioner

## **CITY ADMINISTRATOR**

Bruce Grubb

## **FINANCE DIRECTOR**

Kent Costin

## **CITY AUDITOR**

Steve Sprague

## **MUNICIPAL ADVISOR**

Baker Tilly Municipal Advisors, LLC  
Saint Paul, Minnesota

## **BOND COUNSEL**

Dorsey & Whitney LLP  
Minneapolis, Minnesota

## **UNDERWRITERS**

Robert W. Baird & Co. Incorporated  
Saint Paul, Minnesota and  
Milwaukee, Wisconsin

Dougherty & Company LLC  
Minneapolis, Minnesota and  
Bismark, North Dakota

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations with respect to the Series 2019A Bonds, other than as contained in the Preliminary Official Statement or the Final Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City.

This Official Statement is not to be construed as a contract with the purchasers or Owners of the Series 2019A Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information

Certain information contained in the Preliminary Official Statement or the Final Official Statement may have been obtained from sources other than records of the City and, while believed to be reliable, is not guaranteed as to completeness or accuracy. THE INFORMATION AND EXPRESSIONS OF OPINION IN THE PRELIMINARY OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THE PRELIMINARY OFFICIAL STATEMENT NOR THE FINAL OFFICIAL STATEMENT NOR ANY SALE MADE UNDER EITHER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY SINCE THE RESPECTIVE DATE THEREOF.

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE SERIES 2019A BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICE MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

THE SERIES 2019A BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this official statement for purposes of, and as that term is defined in, Rule 15c2-12. The County maintains a website; however, information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Series 2019 Bonds.

References herein to laws, rules, regulations, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to the Preliminary Official Statement or the Final Official Statement, they will be furnished upon request.

Any CUSIP numbers for the Series 2019A Bonds included in the Final Official Statement are provided for convenience of the owners and prospective investors. The CUSIP numbers for the Series 2019A Bonds are assigned by an organization unaffiliated with the City. The City is not responsible for the selection of the CUSIP numbers and makes no representation as to the accuracy thereof as printed on the Series 2019A Bonds or as set forth in the Final Official Statement. No assurance can be given by the City that the CUSIP numbers for the Series 2019A Bonds will remain the same after the delivery of the Final Official Statement or the date of issuance and delivery of the Series 2019A Bonds.

## **TABLE OF CONTENTS**

	<b><u>Page</u></b>
INTRODUCTION .....	1
DESCRIPTION OF THE SERIES 2019A BONDS .....	3
Authorization .....	3
Purpose of the Series 2019A Bonds .....	3
Estimated Sources and Uses of Funds .....	3
Security and Source of Payment .....	3
Series 2019A Bond Terms .....	4
Redemption Provisions .....	4
Continuing Disclosure .....	5
Registration .....	5
Book-Entry Only System .....	6
RATING .....	7
TAX CONSIDERATIONS .....	8
Tax-Exempt Interest .....	8
Original Issue Discount .....	8
Market Discount .....	9
Bond Premium .....	9
Related Tax Considerations .....	9
Sale or Other Disposition .....	10
Information Reporting and Backup Withholding .....	10
NOT QUALIFIED TAX-EXEMPT OBLIGATIONS .....	10
LITIGATION .....	10
LEGALITY .....	10
CERTIFICATION .....	11
MUNICIPAL ADVISOR .....	11
UNDERWRITERS .....	11
MISCELLANEOUS .....	11

Appendix A – City Information

Appendix B – Excerpts from the City’s Comprehensive Annual Financial  
Report for the Fiscal Year Ended December 31, 2018

Appendix C – Proposed Form of Legal Opinion

Appendix D – Continuing Disclosure Covenants

## **OFFICIAL STATEMENT**

**\$36,170,000\***

### **REFUNDING IMPROVEMENT BONDS, SERIES 2019A**

#### **CITY OF FARGO, NORTH DAKOTA**

#### **INTRODUCTION**

*The following information is furnished solely to provide limited introductory information regarding the \$32,840,000\* Refunding Improvement Bonds, Series 2019A (the "Series 2019A Bonds") issued by the City of Fargo, North Dakota (the "City"), and does not purport to be comprehensive. All such information is qualified in its entirety by reference to the more detailed descriptions appearing in this Official Statement, including the appendices hereto.*

- Issuer:** City of Fargo, North Dakota.
- Authorization:** The Series 2019A Bonds are issued pursuant to North Dakota Century Code, Chapters 40-22 through 40-27.
- Security:** The City will pledge special assessments against benefited properties for repayment of the Series 2019A Bonds. Special assessments in the approximate principal amount of \$39,511,400 are expected to be filed in 2019 for first collection in 2020. Assessments, when filed, will be spread over terms of 10, 15, 20, and 25 years with equal payments of principal and interest. Interest on the unpaid balance will be charged at an interest rate estimated to be 3.93%. The principal and interest payments due each May 1 and the interest payments due each November 1 are expected to be paid from special assessments received in each collection year.
- The special improvement warrants issued by the City against the funds of certain improvement districts and the special assessments levied and to be levied for the improvements in each such district will be appropriated by the City to a special fund for the payment of the Series 2019A Bonds on a parity basis. The City is also required by law to levy a tax upon all taxable property within its corporate limits to restore any deficiency in the improvement district special funds for the payment of all warrants relating to each district and interest thereon. The City is authorized, and it is the City's policy, to levy such a tax whenever such a deficiency is anticipated to occur within one year. Such tax levies are not subject to any constitutional or statutory limitation as to rate or amount.
- Purpose:** The proceeds of the Series 2019A Bonds will be used to finance the cost of 17 projects, including new development infrastructure in addition to reconstruction of existing infrastructure, within the various improvement districts of the City and to pay the costs of issuance for the Series 2019A Bonds.
- Principal Payments:** Principal is payable annually on May 1 in the years 2020 through 2044.
- Interest Payments:** Interest is payable semiannually on each May 1 and November 1, commencing May 1, 2020.
- Optional Redemption:** The Series 2019A Bonds are subject to optional redemption as follows:
- Series 2019A Bonds maturing on May 1 in the years 2020 through 2024 will not be subject to payment in advance of their respective stated maturity dates;
  - Series 2019A Bonds maturing on May 1 in the years 2025 through 2027 are subject to optional redemption on or after May 1, 2024 at a price of par plus accrued interest to the date of redemption;
  - Series 2019A Bonds maturing on May 1, 2028 will not be subject to payment in advance of their respective stated maturity dates; and
  - Series 2019A Bonds maturing on May 1 in the years 2029 through 2044 are subject to optional redemption on or after May 1, 2028 at a price of par plus accrued interest to the date of redemption.
- Denominations:** Denominations will be in \$5,000 or integral multiples thereof, of a single maturity.
- Form:** The Series 2019A Bonds will be issued as book-entry only securities through DTC.

**Record Date:** The 15<sup>th</sup> day of the month preceding the payment date.

**Tax Status:** In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Series 2019A Bonds (i) is excluded from gross income for federal income tax purposes, (ii) is not an item of tax preference for federal alternative minimum tax purposes, and (iii) is excluded from taxable income for North Dakota income tax purposes. See “TAX CONSIDERATIONS” herein.

**Bank Qualified:** The Series 2019A Bonds are NOT “Qualified Tax-Exempt Obligations.”

**Delivery:** The Series 2019A Bonds will be available for delivery in New York to DTC on or about August 6, 2019.

**Professional Consultants:**

<i>Municipal Advisor:</i>	Baker Tilly Municipal Advisors, LLC, Saint Paul, Minnesota
<i>Bond Counsel:</i>	Dorsey & Whitney LLP, Minneapolis, Minnesota
<i>Registrar/Paying Agent:</i>	City Auditor, Fargo, North Dakota

Questions regarding the Series 2019A Bonds or the Official Statement can be directed to and additional copies of the Official Statement, the City’s audited financial reports and the resolution may be obtained from Baker Tilly Municipal Advisors, LLC, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101-2887, (651-223-3000), the City’s Municipal Advisor.

## **DESCRIPTION OF THE SERIES 2019A BONDS**

### ***Authorization***

The Series 2019A Bonds are issued pursuant to North Dakota Century Code, Chapters 40-22 through 40-27.

### ***Purpose of the Series 2019A Bonds***

The proceeds of the Series 2019A Bonds will be used to finance the costs of 17 projects, including new development infrastructure in addition to reconstruction of existing infrastructure, within the various improvement districts of the City and to pay the costs of issuance for the Series 2019A Bonds.

### ***Estimated Sources and Uses of Funds***

Table 1 presents the estimated sources and uses of funds for the Series 2019A Bonds.

**Table 1**  
**Estimated Sources and Uses for the Series 2019A Bonds**\*

**Sources:**

Par Amount of the Series 2019A Bonds	\$36,170,000
Estimated Reoffering Premium	<u>3,646,938</u>
Total Sources	<u><u>\$39,816,938</u></u>

**Uses:**

Deposit for Project Construction Fund	\$39,511,400
Estimated Underwriter's Compensation	188,807
Costs of Issuance	<u>116,731</u>
Total Uses	<u><u>\$39,816,938</u></u>

\* Preliminary; subject to change.

### ***Security and Source of Payment***

The City will pledge special assessments against benefited properties for repayment of the Series 2019A Bonds. Special assessments in the approximate principal amount of \$39,511,400 are expected to be filed in 2019 for first collection in 2020. Assessments, when filed, will be spread over terms of 10, 15, 20, and 25 years with equal payments of principal and interest. Interest on the unpaid balance will be charged at an interest rate estimated to be 3.93%. The principal and interest payments due each May 1 and the interest payments due each November 1 are expected to be paid from special assessments received in each collection year.

The special improvement warrants issued by the City against the funds of certain improvement districts and the special assessments levied and to be levied for the improvements in each such district will be appropriated by the City to a special fund for the payment of the Series 2019A Bonds on a parity basis. The City is also required by law to levy a tax upon all taxable property within its corporate limits to restore any deficiency in the improvement district special funds for the payment of all warrants relating to each district and interest thereon. The City is authorized, and it is the City's policy, to levy such a tax whenever such a deficiency is anticipated to occur within one year. Such tax levies are not subject to any constitutional or statutory limitation as to rate or amount.

## ***Series 2019A Bond Terms***

The Series 2019A Bonds are dated as of the date of delivery, and will be in denominations of \$5,000 or integral multiples thereof, of a single maturity. Principal is due on each May 1 as set forth on the inside front cover of this Official Statement. Interest on the Series 2019A Bonds will be payable semiannually on each May 1 and November 1, commencing May 1, 2020. Interest will be computed on a 360-day year, 30-day month basis, and paid to the owners of record as of the close of business on the fifteenth day of the immediately preceding month. Payments coming due on a non-business day will be paid on the next business day.

## ***Redemption Provisions***

### **Mandatory Redemption**

The Term Bonds maturing on May 1, 2044 (the “Term Bonds”) are subject to mandatory sinking fund redemption and shall be redeemed in part at par plus accrued interest on the mandatory dates and in the principal amounts as follows:

<u>2044 Term Bonds</u>	
<u>Year</u>	<u>Amount</u>
2040	\$1,825,000
2041	\$1,825,000
2042	\$1,875,000
2043	\$1,970,000
2044*	\$1,975,000

\* *Final Maturity.*

The principal amount of the Term Bonds may be reduced through the earlier optional redemption, with any partial optional redemptions of the Term Bonds credited against future mandatory redemption requirements for such Term Bonds in such order as the City shall determine.

### **Optional Redemption**

The Series 2019A Bonds are subject to optional redemption as follows:

- Series 2019A Bonds maturing on May 1 in the years 2020 through 2024 will not be subject to payment in advance of their respective stated maturity dates;
- Series 2019A Bonds maturing on May 1 in the years 2025 through 2027 are subject to optional redemption on or after May 1, 2024 at a price of par plus accrued interest to the date of redemption;
- Series 2019A Bonds maturing on May 1, 2028 will not be subject to payment in advance of their respective stated maturity dates; and
- Series 2019A Bonds maturing on May 1 in the years 2029 through 2044 are subject to optional redemption on or after May 1, 2028 at a price of par plus accrued interest to the date of redemption.

### **Notice of Redemption**

Mailed notice of redemption shall be given to the registered owner(s) of the Series 2019A Bonds in accordance with the requirements of DTC which currently requires no less than twenty (20) days nor more than sixty (60) days prior to the redemption date. Failure to give such written notice to any registered owner of the Series 2019A Bonds or any defect therein shall not affect the validity of any proceedings for the redemption of the Series 2019A Bonds. All Series 2019A Bonds or portions thereof called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment.

## ***Continuing Disclosure***

To assist the Underwriters in complying with paragraph (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “Rule”), the City will covenant and agree in the Resolution, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Series 2019A Bonds to provide annual reports of specified information and notice of the occurrence of certain events, if material, as hereinafter described (the “Disclosure Covenants”). The information to be provided on an annual basis, the events as to which notice is to be given, if material, and a summary of other provisions of the Disclosure Covenants, including termination, amendment and remedies, are set forth in Appendix D to this Official Statement.

The City believes it has complied for the past five years in accordance with the terms of its previous continuing disclosure undertakings entered into pursuant to the Rule, except as follows:

- The information required to be filed in the City’s annual report is contained in the City’s Comprehensive Annual Financial Report. The City has timely filed its Comprehensive Annual Financial Reports (CAFR) with EMMA; however, (i) the 2014 CAFR was not specifically linked to all of the CUSIPs of the City’s Taxable Refunding Improvement refunding Bonds, Series 2010C until August 16, 2017; and (ii) the 2015 CAFR was not specifically linked to the CUSIPs of the City’s General Obligation Development Bonds, Series 2016A and General Obligation Refunding Improvement Refunding Bonds, Series 2016B until June 29, 2017.
- The Financial Summary section is a required operating data item for the City’s general obligation bonds (CUSIPs 30747M and 30747N). The Financial Summary section includes “Debt Ratios – Percent of Market Value.” The City’s “Debt Ratios – Percent of Market Value” is not contained within the City’s CAFR and was not filed for fiscal years ended December 31, 2013, 2014, and 2015. The City timely filed its Comprehensive Annual Financial Reports (CAFR) with EMMA for fiscal years ended December 31, 2013, 2014, and 2015, which contains the remaining required operating data. The City’s Debt Ratios – Percent of Market Value for fiscal years ended December 31, 2013, 2014, and 2015 were filed with EMMA on August 16, 2017.
- The Water Utility Operating Budget is a required operating data item for the City’s Water Revenue Refunding Bonds, Series 2007 (the “Series 2007 Bonds”) (CUSIP 307531); however, the Water Utility Operating Budget for the Fiscal Years ended 2013 through 2015 were not filed with EMMA until August 15, 2017. The City timely filed its Comprehensive Annual Financial Reports with EMMA in each year (except as noted above), which contain the remaining required operating data. The Series 2007 Bonds matured on January 1, 2017 and are no longer outstanding.

A failure by the City to comply with the Certificate will not constitute an event of default on the Bonds (although holders or other beneficial owners of the Series 2019A Bonds will have the sole remedy of bringing an action for specific performance). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2019A Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2019A Bonds and their market price.

## ***Registration***

The Series 2019A Bonds shall be fully registered as to principal and interest in the names of the owners on the registration books of the City kept by the Bond Registrar, and after such registration, payment of the principal thereof and interest thereon shall be made to the registered owners, their legal representatives or assigns. The Series 2019A Bonds will be initially issued as book-entry only securities, registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. See “*Book-Entry Only System*” below. The City Auditor of the City of Fargo, North Dakota, will serve as the Registrar/Paying Agent.

## ***Book-Entry Only System***

*The information contained in the following paragraphs of this subsection “Book-Entry Only System” has been extracted from a schedule prepared by Depository Trust Company (“DTC”) entitled “SAMPLE OFFERING DOCUMENT LANGUAGE DESCRIBING BOOK-ENTRY ONLY ISSUANCE.” The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.*

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of each issue specified in the inside front cover of the official statement, in the aggregate principal amount of such maturity, and will be deposited with DTC.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC’s records. The ownership interest of each actual purchaser of each Security (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers ownership interest in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Series 2019A Bonds is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Redemption notices shall be sent to Cede & Co. If less than all of the Series 2019A Bonds within a maturity are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

6. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuers as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City, on payable date in accordance with their respective holding shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payment to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of City, disbursement of such payments to Direct Participants will be responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its service as depository with respect to the Securities at any time by giving reasonable notice to City. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor security depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

THE CITY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2019A BONDS UNDER THE RESOLUTION; (III) THE SELECTION BY DTC OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2019A BONDS OF A SERIES; (IV) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE SERIES 2019A BONDS; (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNER OF SERIES 2019A BONDS; OR (VI) ANY OTHER MATTER.

## **RATING**

Moody's Investors Service ("Moody's"), 7 World Trade Center, 250 Greenwich Street, 23rd Floor, New York, New York has assigned a rating of "Aa1" to the Series 2019A Bonds. The rating reflects only the opinion of Moody's. Any explanation of the significance of the rating may be obtained only from Moody's.

There is no assurance that a rating will continue for any given period of time, or that such rating will not be revised, suspended or withdrawn, if, in the judgment of Moody's, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Series 2019A Bonds.

## **TAX CONSIDERATIONS**

The following is a summary of certain U.S. federal income tax considerations relating to the purchase, ownership, and disposition of the Series 2019A Bonds. This summary is based on the U.S. Internal Revenue Code of 1986 (the “Code”) and the Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the Internal Revenue Service (the “IRS”), all as of the date hereof and all of which are subject to change, possibly with retroactive effect. Any such change could adversely affect the matters discussed below, including the tax exemption of interest on the Series 2019A Bonds. The City has not sought and will not seek any rulings from the IRS regarding the matters discussed below, and there can be no assurance the IRS or a court will not take a contrary position regarding these matters.

**Prospective purchasers of Series 2019A Bonds should consult their own tax advisors with respect to applicable federal, state, and local tax rules, and any pending or proposed legislation or regulatory or administrative actions, relating to the Series 2019A Bonds based on their own particular circumstances.**

This summary is for general information only and is not intended to constitute a complete analysis of all tax considerations relating to the purchase, ownership, and disposition of Series 2019A Bonds. It does not address the U.S. federal estate and gift tax or any state, local, or non-U.S. tax consequences. This summary is limited to consequences to U.S. holders that purchase the Series 2019A Bonds for cash at original issue and hold the Series 2019A Bonds as “capital assets” (generally, property held for investment).

This discussion does not address all aspects of U.S. federal income or state taxation that may be relevant to particular holders of Series 2019A Bonds in light of their specific circumstances or the tax considerations applicable to holders that may be subject to special income tax rules, such as: holders subject to special tax accounting rules under Section 451(b) of the Code; insurance companies; brokers, dealers, or traders in stocks, securities, or currencies or notional principal contracts; foreign corporations subject to the branch profits tax; and S corporations, partnerships, or other pass-through entities or investors therein.

### ***Tax-Exempt Interest***

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Series 2019A Bonds (i) is excluded from gross income for federal income tax purposes, (ii) is not an item of tax preference for federal alternative minimum tax purposes, and (iii) is excluded from taxable income for North Dakota income tax purposes.

The Code establishes certain requirements that must be met after the issuance of the Series 2019A Bonds in order that interest on the Bonds be excluded from federal gross income and from North Dakota taxable income. These requirements include, but are not limited to, provisions regarding the use of Series 2019A Bond proceeds and the facilities financed or refinanced with such proceeds and restrictions on the investment of Series 2019A Bond proceeds and other amounts. The City has made certain representations and has covenanted to comply with certain restrictions, conditions, and requirements designed to ensure interest on the Series 2019A Bonds will not be included in federal gross income. Inaccuracy of these representations or noncompliance with these covenants may cause interest on the Series 2019A Bonds to be included in federal gross income retroactively to their date of issue. Bond Counsel has not independently verified the accuracy of these representations and will not verify the continuing compliance with these covenants. No provision has been made for redemption of or for an increase in the interest rate on the Series 2019A Bonds in the event that interest on the Series 2019A Bonds is included in federal gross income.

### ***Original Issue Discount***

Series 2019A Bonds may be issued at a discount from their principal amount (any such Series 2019A Bonds being “Discount Bonds”). The excess of the principal amount payable on Series 2019A Bonds of a given maturity over their issue price constitutes “original issue discount” (“OID”). OID that accrues to a holder of a Discount Bond is excluded from federal gross income to the same extent that stated interest on such Discount Bond would be so excluded. The amount of OID that accrues on a Discount Bond is added to the holder’s federal tax basis.

OID on a Discount Bond generally accrues pursuant to a constant-yield method that reflects semiannual compounding on dates that are determined by reference to the maturity date of the Discount Bond. The amount of OID that accrues for any particular semiannual accrual period generally is equal to the excess of (1) the product of (a) one-half of the yield on such Discount Bonds (adjusted as necessary for an initial short period) and (b) the adjusted issue price of such Discount Bonds, over (2) the amount of stated interest actually payable. For this purpose, the adjusted issue price is determined by adding to the issue price for such Discount Bonds the OID that is treated as having accrued during all prior accrual periods. If a Discount Bond is sold or otherwise disposed of between compounding dates, then the original issue discount that would have accrued for that accrual period for federal income tax purposes is allocated ratably to the days in that accrual period.

If a Discount Bond is purchased for a cost that exceeds the sum of the issue price plus accrued interest and accrued OID, the amount of OID that is deemed to accrue thereafter to the purchaser is reduced by an amount that reflects amortization of such excess over the remaining term of the Discount Bond. If the excess is greater than the amount of remaining OID, the basis reduction rules for amortizable bond premium may result in taxable gain upon sale or other disposition of the Series 2019A Bonds, even if the Series 2019A Bonds are sold, redeemed, or retired for an amount equal to or less than their cost.

It is possible under certain state and local income tax laws that original issue discount on a Discount Bond may be taxable in the year of accrual and may be deemed to accrue differently than under federal law.

### ***Market Discount***

If a Series 2019A Bond is purchased for a cost that is less than the Series 2019A Bond's issue price (plus accrued OID), the purchaser will be treated as having purchased the Series 2019A Bond with market discount (unless a statutory *de minimis* rule applies). Market discount is treated as ordinary income and generally is recognized on the maturity or disposition of the Series 2019A Bond (to the extent that the gain realized does not exceed the accrued market discount on the Series 2019A Bond).

### ***Bond Premium***

A holder that acquires a Series 2019A Bond for an amount in excess of its principal amount generally must, from time to time, reduce the holder's federal tax basis for the Series 2019A Bond. Premium generally is amortized for federal income tax purposes on the basis of a bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Accordingly, holders who acquire Series 2019A Bonds at a premium may recognize taxable gain upon sale of the Series 2019A Bonds, even if such Series 2019A Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal income tax purposes.

### ***Related Tax Considerations***

Section 86 of the Code requires recipients of certain social security and railroad retirement benefits to take interest in the Series 2019A Bonds into account in determining the taxability of such benefits.

Section 265(a) of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2019A Bonds. In the case of a financial institution, no deduction is allowed under section 265(b) the Code for that portion of the holder's interest expense that is allocable to interest on tax-exempt obligations, such as the Series 2019A Bonds, unless the obligations are "qualified tax-exempt obligations." Indebtedness may be allocated to the Series 2019A Bonds for this purpose even though not directly traceable to the purchase of the Series 2019A Bonds. The Series 2019A Bonds are not "qualified tax exempt obligations" for purposes of Section 265(b)(3) of the Code.

The ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2019A Bonds may affect a holder's federal, state, or local tax liability in some additional circumstances. The nature and extent of these other tax consequences depends upon the particular tax status of the holder and the holder's other items of income or deduction.

### ***Sale or Other Disposition***

A holder will generally recognize gain or loss on the sale, exchange, redemption, retirement, or other disposition of a Series 2019A Bond equal to the difference between (i) the amount realized less amounts attributable to any accrued but unpaid stated interest and (ii) the holder's adjusted tax basis in the Series 2019A Bond. The amount realized includes the cash and the fair market value of any property received by the holder in exchange for the Series 2019A Bond. A holder's adjusted tax basis in a Series 2019A Bond generally will be equal to the amount that the holder paid for the Series 2019A Bond, increased by any accrued OID with respect to the Series 2019A Bond and reduced by the amount of any amortized bond premium on the Series 2019A Bond. Except to the extent attributable to market discount (which will be taxable as ordinary income to the extent not previously included in income), any gain or loss will be capital gain or loss and will be long-term capital gain or loss if the holder held the Series 2019A Bond for more than one year. Long-term capital gains recognized by certain non-corporate persons, including individuals, generally are taxable at a reduced rate. The deductibility of capital losses is subject to significant limitations.

### ***Information Reporting and Backup Withholding***

Payments of interest on the Series 2019A Bonds (including any allocable bond premium or accrued OID) and proceeds from the sale or other disposition of the Series 2019A Bonds generally will be reported to the IRS as required under applicable Treasury Regulations. Backup withholding will apply to these payments if the holder fails to provide an accurate taxpayer identification number and certification that it is not subject to backup withholding (generally on an IRS Form W-9) or otherwise fails to comply with the applicable backup withholding requirements. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. Certain holders are exempt from information reporting. Potential holders should consult their own tax advisors regarding qualification for an exemption and the procedures for obtaining such an exemption.

## **NOT QUALIFIED TAX-EXEMPT OBLIGATIONS**

The City will not designate the Series 2019A Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code, relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

## **LITIGATION**

The City is not aware of any threatened or pending litigation affecting the validity of the Series 2019A Bonds or the City's ability to meet its financial obligations.

## **LEGALITY**

The Series 2019A Bonds are subject to approval as to certain matters by Dorsey & Whitney LLP of Minneapolis, Minnesota, as Bond Counsel. Bond Counsel has not participated in the preparation of this Official Statement and will not pass upon its accuracy, completeness, or sufficiency. Bond Counsel has not examined nor attempted to examine or verify any of the financial or statistical statements or data contained in this Official Statement and will express no opinion with respect thereto. A legal opinion in substantially the form set out in Appendix C herein will be delivered at closing.

## **CERTIFICATION**

The City has authorized the distribution of the Preliminary Official Statement for use in connection with the initial sale of the Series 2019A Bonds and a Final Official Statement following award of the Series 2019A Bonds. The Purchaser will be furnished with a certificate signed by the appropriate officers of the City stating that the City examined each document and that, as of the respective date of each and the date of such certificate, each document did not and does not contain any untrue statement of material fact or omit to state a material fact necessary, in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

## **MUNICIPAL ADVISOR**

The City has retained Baker Tilly Municipal Advisors, LLC, of Saint Paul, Minnesota as municipal advisor in connection with certain aspects of the issuance of the Series 2019A Bonds. In preparing this Official Statement, Baker Tilly Municipal Advisors, LLC has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for this Official Statement. Baker Tilly Municipal Advisors, LLC has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. Baker Tilly Municipal Advisors, LLC is an independent advisory firm, registered as a municipal advisor, and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

## **UNDERWRITERS**

Robert W. Baird & Company, Incorporated in Saint Paul, Minnesota and Milwaukee, Wisconsin and Dougherty & Company LLC in Minneapolis, Minnesota and Bismark, North Dakota (the "Underwriters") have agreed to purchase the Series 2019A Bonds from the City for a purchase price of \$\_\_\_\_\_ (representing the principal amount of \$\_\_\_\_\_, plus a reoffering premium of \$\_\_\_\_\_ and less the underwriter's compensation of \$\_\_\_\_\_). The Series 2019A Bonds are being offered for sale by the Underwriters to the public at the prices shown on the front cover of this Official Statement.

On April 1, 2019, Baird Financial Corporation, the parent company of Robert W. Baird & Co. Incorporated ("Baird"), acquired HL Financial Services, LLC, its subsidiaries, affiliates and assigns (collectively "Hilliard Lyons"). As a result of such common control, Baird and Hilliard Lyons are now affiliated. It is expected that Hilliard Lyons will merge with and into Baird later in 2019.

## **MISCELLANEOUS**

Any statements in this Official Statement involving matters of opinion or estimates, whether or not expressly so stated, are set forth as such and are not representations of fact, and no representation is made that any of the estimates will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract or agreement with the owners of any Series 2019A Bonds.

The Official Statement is in a form deemed final by the City as of its date for purposes of Securities and Exchange Commission Rule 15c2-12(b)(1) (the "Rule"), but is subject to completion and minor revision or amendment in accordance with the Rule. Not later than seven business days following the award of the Series 2019A Bonds, the City shall provide copies of the Final Official Statement, as that term is used in the Rule, to the purchaser of the Series 2019A Bonds. The Final Official Statement will include the interest rates, reoffering yields or prices, ratings, and any other information required by law.

The execution and delivery of this Official Statement by its Finance Director has been duly authorized by the City.

**CITY OF FARGO, NORTH DAKOTA**

By: /s/ \_\_\_\_\_  
Finance Director

## **APPENDIX A**

### **City Information**

## **THE CITY**

The City of Fargo, the Cass County Seat, encompasses about 49.22 square miles (31,500 acres) on the eastern border of North Dakota adjacent to the City of Moorhead, Minnesota, at the intersection of Interstate Highways 29 and 94. The City was organized in 1875 and operates under a home rule charter governed by a Mayor and four City Commissioners, who formulate municipal policy. Elected City officials, who serve four-year overlapping terms, are as follows:

**Table A - 1**  
**City Commission**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tim Mahoney	Mayor	June 2022
Tony Gehrig	Commissioner	June 2022
Tony Grindberg	Commissioner	June 2020
Dave Piepkorn	Commissioner	June 2022
John Strand	Commissioner	June 2020

Mr. Bruce Grubb is the City Administrator and is responsible for the implementation of policy determined by the Commission. Mr. Grubb was promoted to City Administrator in February 2016. Mr. Grubb has served the City since 1989, most recently as the Director of Enterprise Funds.

Mr. Kent Costin is the Director of Finance and is responsible for the daily financial operations of the City. He is a Certified Public Accountant and is appointed by the Commission. Mr. Costin has been employed by the City since 1986. Mr. Costin served in the finance department since 1997 and as Director of Finance since 2000.

Mr. Steve Sprague is the City Auditor and is responsible for the City's financial records and legal documents. Mr. Sprague has been the City Auditor since 1999.

The City has 918 regular full-time employees, 71 part-time employees, and five contract employees.

### ***Services***

The City's protective services are provided by 177 sworn police officers. The fire department operates with a full-time force of 122 employees. The department has seven fire stations serving the City and a class 2 fire insurance rating.

Water and wastewater services are available to all City residents. The Water and Wastewater Departments consist of 72 full-time employees. The departments operate and maintain the City's 62 lift stations, 473.46 miles of sanitary sewer lines, and 495.22 miles of water mains.

Transportation is provided by local and interstate trucking lines, local bus lines, and trains (both freight and passenger). Hector Airport in the City is served by United, Delta, Allegiant Air, American, Frontier, and their affiliates, as well as fixed base operators.

### ***Employee Pensions***

The City contributes to four separate pension plans which cover substantially all full-time employees: the North Dakota Public Employee Retirement System, the Employees' Pension Plan, the Police Pension Plan, and the Fargo Firefighter's Relief Association Retirement Plan. All of these plans are defined benefit pension systems.

The City administers the Employees' Pension Plan and the Police Pension Plan. The Fargo Firefighter's Relief Association Retirement Plan and the North Dakota Public Employee Retirement System ("NDPERS") are separate funds governed by Chapter 54-52 of the North Dakota State Century. 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 are

covered by defined plans administered by the NDPERS. Voluntary enrollment in the NDPERS plan was offered to all members currently participating in the City Employee Pension Plan. The System administers NDPERS, which is a cost-sharing multiple-employer retirement plan.

City contributions for the years ended December 31, 2018, 2017, and 2016 to the Public Employees Retirement System totaled \$2,371,434, \$2,189,026, and \$2,012,946, respectively. City contributions for the years ended December 31, 2018, 2017, and 2016 to the Employees' Pension Plan totaled \$2,213,651, \$2,035,460, and \$1,955,478, respectively. City contributions for the years ended December 31, 2018, 2017, and 2016 to the Police Pension Plan totaled \$2,996,110, \$2,907,142, and \$2,599,313, respectively. For additional information related to Employee Pensions, refer to "Note 5, B, Pension Plans" of the City's Comprehensive Annual Financial Report for the fiscal year ending December 31, 2017 in Appendix B herein.

## **GASB 68**

The Government Accounting Standards Board (GASB) has issued Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) and related GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment to GASB 68, which revised existing standards for measuring and reporting pension liabilities for pension plans provided to City employees and require recognition of a liability equal to the City's proportionate share of net pension liability, which is measured as the total pension liability less the amount of the pension plan's fiduciary net position.

The City's proportionate shares of the pension costs and the City's net pension liability for NDPERS for the past four years are as follows:

	<u>Proportionate Share of Pension Costs</u>	<u>Net Pension Liability</u>
2018	3.156226%	\$53,264,757
2017	2.912473	46,812,999
2016	2.742572	26,729,038
2015	2.611792	17,759,740

For more information regarding GASB 68 with respect to the City, please reference "Note 5, B, Pension Plans" of the City's Comprehensive Annual Financial Report for fiscal year ended December 31, 2018, an excerpt of which is included as Appendix B of this Official Statement.

Sources: City's Comprehensive Annual Financial Reports.

## ***Education***

### **Public Education**

The Fargo Public School District No. 1 (the "District") operates 14 elementary schools, three middle schools, three high schools, and early childhood special education school, and an alternative community high school in the City. The District employed approximately 1,860 full-time staff for the 2018/19 school year, of which approximately 878 are teachers.

The following districts serve the residents of the City:

<u>School</u>	<u>Grades</u>	<u>2018/19 Enrollment</u>
Fargo Public School District No. 1	K-12	11,209
West Fargo Public School District No. 6	K-12	10,922

Source: North Dakota Department of Public Instruction, <http://www.insights.nd.gov>.

### **Non-Public Education**

City residents are also served by the following private schools:

<u>School</u>	<u>Grades</u>	<u>2018/19 Enrollment</u>
Grace Lutheran School	PK-8	150
Holy Spirit Elementary School	PK-5	209
Nativity Catholic School	K-5	331
Oak Grove Lutheran	PK-12	644
Shanley High School	9-12	330
Sullivan Middle School	6-8	230
Trinity Elementary School	PK-5	275

Source: Private School Review, <http://www.privateschoolreview.com> and St. John Paul II Catholic Schools Network, <http://www.jp2schools.org/>.

### **Post-Secondary Education**

North Dakota State University (the “University”), located in the City, is a four-year public state university offering degree programs in agriculture, science, technology, business, and liberal arts. As of December 2017, the University employs approximately 2,302 full-time employees and 3,708 part-time employees and has a current enrollment of approximately 13,796. Moorhead State University and Concordia College provide college programs in the neighboring City of Moorhead, Minnesota.

### ***Health Care***

The following is a summary of health care facilities located in the City:

<u>Facility</u>	<u>Type of Facility</u>	<u>No. of Beds</u>
Sanford Medical Center Fargo	Hospital	550
Bethany on University	Nursing Home	172
Essentia Hospital	Hospital	161
Villa Maria	Nursing Home	140
Rosewood on Broadway	Nursing Home	125
Elim Care Center	Nursing Home	120
Bethany on 42nd	Nursing Home	116
Prairie St. John’s	Hospital	110
The Meadows on University	Nursing Home	110
Eventide Fargo	Nursing Home	98
Vibra Hospital of Fargo	Hospital	31

Source: North Dakota Department of Health, <http://www.ndhealth.gov/>.

## **ECONOMIC AND DEMOGRAPHIC INFORMATION**

### ***Population and Area***

The total area of the City is 49.22 square miles (31,500 acres). Population statistics for the last four censuses, and most recent estimate, are outlined in Table A - 2.

**Table A - 2**  
**Population Statistics**

<u>Year</u>	<u>City of Fargo</u>	<u>Cass County</u>	<u>Fargo-Moorhead MSA</u>
2018 (Estimate)	124,844	181,516	245,471
2010 Census	105,549	149,778	208,777
2000 Census	90,599	123,138	174,367
1990 Census	74,200	102,874	153,296
1980 Census	61,383	88,247	137,574

Sources: City of Fargo, North Dakota; and the U.S. Census Bureau, <http://www.census.gov/>.

### ***Largest Employers***

Table A - 3 below, presents the top employers in the City.

**Table A - 3**  
**Principal Employers**

<u>Firm</u>	<u>Type of Business</u>	<u>Number of Employees</u>
Sanford Health	Health Services	9,349
North Dakota State University	Education-Training	4,156
Essentia Health	Hospital	2,690
Fargo Public School District No. 1	Education-Training	1,860
Noridian Healthcare Solutions	Insurance	1,511
U.S. Bank	Financial Institution	1,213
Fargo Veterans Affairs Health Care System	Hospital	1,186
Microsoft	Computer Software-Services	1,024
Integrity Windows and Doors	Manufacturer	1,000
City of Fargo	Government	994

Sources: Greater Fargo Moorhead Economic Development Corporation, Fargo Moorhead Chamber of Commerce.

### ***Labor Force and Unemployment Rate Statistics***

Table A - 4 presents annualized average labor force and unemployment statistics for the City as compared to the State of North Dakota and the United States for the past five years, and through April 2019. Figures below are not seasonally adjusted.

**Table A - 4**  
**Labor Force and Unemployment Statistics**

		Fargo	North Dakota	United States
		Labor	Average Annual	Average Annual
<u>Year</u>	<u>Force</u>	<u>Unemployment Rate</u>	<u>Unemployment Rate</u>	<u>Unemployment Rate</u>
2019	69,448	2.2%	2.5%	3.3%
2018	69,238	2.3	2.6	3.9
2017	70,289	2.1	2.6	4.4
2016	69,230	2.2	3.2	4.9
2015	65,665	2.2	2.7	5.3
2014	65,038	2.5	2.8	6.2

Source: Job Service North Dakota, [www.jobsnd.com](http://www.jobsnd.com).

### ***Building Permits Issued by the City***

**Table A - 5**  
**Building Permits Issued**

Fiscal	Residential		Commercial		Multiple Dwelling		Other		Total	
<u>Year</u>	<u>No.</u>	<u>Value</u>	<u>No.</u>	<u>Value</u>	<u>No.</u>	<u>Value</u>	<u>No.</u>	<u>Value</u>	<u>No.</u>	<u>Value</u>
2019 <sup>(1)</sup>	39	\$ 10,923,251	8	\$ 14,219,014	0	\$ 0	369	\$ 41,273,863	416	\$ 66,416,128
2018	278	73,167,154	63	119,031,408	26	92,097,292	1,764	230,802,890	2,131	515,098,744
2017	318	79,983,547	61	106,436,485	14	68,378,598	2,121	220,015,776	2,514	474,814,406
2016	369	103,364,854	61	82,030,623	29	77,798,646	2,084	230,596,081	2,543	493,790,204
2015	366	90,050,759	82	60,341,584	27	76,040,603	1,985	274,312,784	2,460	500,745,730
2014	312	75,353,306	79	516,998,923	44	148,775,000	1,953	271,008,516	2,388	1,012,135,745
2013	411	82,346,838	64	76,140,336	29	84,674,999	1,887	134,605,425	2,391	377,767,598
2012	306	59,679,260	54	65,903,210	23	52,561,747	1,925	114,491,655	2,308	292,635,872
2011	231	43,473,605	31	30,081,468	16	37,660,900	1,848	122,459,205	2,126	233,675,178
2010	213	37,978,700	29	35,164,896	12	30,992,090	2,016	116,745,415	2,270	220,881,101

<sup>(1)</sup> As of April 30, 2019.

Source: City Records.

## **FINANCIAL SUMMARY**

*(This summary is subject in all respects to more complete information contained in this Official Statement.)*

Market Value (100%) 2018/19	\$ 11,719,917,647
Assessed Value (50%) 2018/19	\$ 5,859,958,823
Taxable Assessed Value 2018/19 <sup>(1)</sup>	\$ 556,125,077
General Obligation Debt	\$ 34,435,000
Special Assessment Debt (includes the Series 2019A Bonds)	\$ 438,395,000
Revenue Debt <sup>(2)</sup>	\$ 392,275,630
Flood Control Short-Term Debt <sup>(3)</sup>	\$ 100,000,000
Operating Leases <sup>(4)</sup>	\$ 4,986,354
Capital Leases <sup>(4)</sup>	\$ 1,812,916
Non-Appropriation Debt	\$ 5,410,000
Annual Appropriation Debt	\$ 24,370,000
Overlapping General Obligation Debt	\$ 217,437,175
Population (2018 Estimate)	124,844
Area	49.22 square miles

### **Debt Ratios:**

<u>Direct Debt</u>	<u>Amount</u>	<u>Per Capita (124,844)</u>	<u>Percent of Market Value</u>
General Obligation	\$ 34,435,000	\$ 276	0.29%
Special Assessment	438,395,000	3,512	3.74
Overlapping Debt	<u>217,437,175</u>	<u>1,742</u>	<u>1.86</u>
Total	<u>\$690,267,175</u>	<u>\$5,529</u>	<u>5.89%</u>

- (1) The Taxable Assessed Value is derived by multiplying the residential assessed value by 9% and the commercial assessed value by 10%.
- (2) Revenue debt includes: SRF Notes, Capital Financing Bonds, Housing Revenue Bonds, Water Revenue Bonds, Clean Renewable Energy Bonds, and TIF Notes.
- (3) See "FINANCIAL SUMMARY – Flood Control Short-Term Debt" herein. The City has only drawn down \$50,250,000 of its loan.
- (4) As of December 31, 2018.

## **CITY INDEBTEDNESS**

### ***Debt Limit***

Pursuant to North Dakota Century Code, Section 21-03-04, no municipality may incur net indebtedness which exceeds five percent (5%) of the assessed value of its taxable property. Excluded is debt payable from revenues and special assessments levied against benefited property owners. The debt limitation applying to the City as of August 6, 2019 is computed in the table below.

**Table A - 6**  
**Debt Limit Computation**

Assessed Value	\$5,859,958,823
Debt Limit Percentage	<u>5%</u>
Total Debt Limit	\$ 292,997,941
Debt Applicable to Debt Limit	
City's Share of Special Assessments	\$ 18,204,352
Debt Supported Solely by Property Taxes	34,435,000
Capital Lease Obligations	174,518
Less: Cash available in related debt service funds	<u>(1,415,387)</u>
Total Debt Applicable to Debt Limit (17.5%)	<u>51,398,483</u>
Debt Margin Remaining (82.5%)	<u>\$ 241,599,458</u>

*(The remainder of this page has been left blank intentionally.)*

## **OUTSTANDING INDEBTEDNESS**

### *General Obligation Debt*

Table A - 7 and Table A - 8 present the City's general obligation debt by issue and the annual principal and interest payments outstanding as of August 6, 2019.

**Table A - 7**  
**General Obligation Debt by Issue**

<u>Purpose</u>	<u>Date of Issuance</u>	<u>Original Amount</u>	<u>Interest Rates Outstanding</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
2009 Series B – Fire Station and Equipment	10/15/2009	\$ 2,875,000	2.250% - 3.625%	05/01/2029	\$ 1,660,000
2015E – Taxable Parking Ramp	12/17/2015	10,230,000	1.000% - 3.850%	12/01/2035	9,365,000
2016A – City Hall	07/07/2016	25,640,000	2.125% - 5.000%	07/01/2036	<u>23,410,000</u>
Total General Obligation Debt					<u>\$34,435,000</u>

**Table A - 8**  
**General Obligation Debt**  
**Annual Maturity Schedule**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2019	\$ 440,000	\$ 174,841	\$ 614,841
2020	1,590,000	1,127,090	2,717,090
2021	1,655,000	1,063,965	2,718,965
2022	1,715,000	997,630	2,712,630
2023	1,780,000	927,301	2,707,301
2024	1,860,000	851,778	2,711,778
2025	1,940,000	771,921	2,711,921
2026	2,030,000	687,528	2,717,528
2027	2,080,000	637,888	2,717,888
2028	2,145,000	573,286	2,718,286
2029	2,200,000	519,348	2,719,348
2030	2,050,000	465,955	2,515,955
2031	2,110,000	412,455	2,522,455
2032	2,170,000	346,080	2,516,080
2033	2,245,000	276,535	2,521,535
2034	2,310,000	204,565	2,514,565
2035	2,390,000	129,485	2,519,485
2036	<u>1,725,000</u>	<u>51,750</u>	<u>1,776,750</u>
Total	<u>\$34,435,000</u>	<u>\$10,219,401</u>	<u>\$44,654,401</u>

## *Special Assessment Debt*

Table A - 9 below and Table A - 10 on the next page present the City's special assessment debt by issue and the annual principal and interest payments outstanding as of August 6, 2019.

**Table A - 9**  
**Special Assessment Debt by Issue**

<u>Purpose</u>	<u>Date of Issuance</u>	<u>Original Amount</u>	<u>Interest Rates Outstanding</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
Refunding, Series 2010C	05/25/2010	\$ 8,250,000	3.000% - 5.000%	05/01/2027	\$ 3,610,000
Improvements, Series 2011A	05/15/2011	19,180,000	2.500% - 5.000%	05/01/2036	15,015,000
Improvements, Series 2011C	12/15/2011	20,965,000	2.000% - 4.000%	05/01/2037	17,195,000
Refunding, Series 2011E	12/15/2011	9,515,000	2.000% - 3.250%	05/01/2028	6,000,000
Refunding, Series 2012A	04/26/2012	34,180,000	3.000% - 4.000%	05/01/2030	22,310,000
Improvements, Series 2013C	09/12/2013	16,705,000	2.000% - 4.600%	05/01/2023	1,115,000
Improvements, Series 2014D	06/25/2014	52,400,000	2.000% - 5.000%	05/01/2039	44,170,000
Refunding, Series 2014E	09/04/2014	19,440,000	2.000% - 5.000%	05/01/2035	15,985,000
Improvements, Series 2014F	12/22/2014	40,445,000	2.000% - 5.000%	05/01/2039	35,810,000
Improvements, Series 2014G	12/22/2014	8,355,000	2.000% - 4.250%	05/01/2039	7,265,000
Refunding, Series 2015A	02/25/2015	18,250,000	2.000% - 5.000%	05/01/2032	15,675,000
Refunding, Series 2015B	09/30/2015	15,325,000	2.000% - 5.000%	05/01/2033	13,975,000
Improvements, Series 2015D	11/18/2015	34,675,000	2.000% - 5.000%	05/01/2041	31,780,000
Refunding, Series 2016B	07/07/2016	27,485,000	2.000% - 5.000%	05/01/2034	26,045,000
Improvements, Series 2016C	11/22/2016	41,745,000	2.000% - 5.000%	05/01/2042	39,685,000
Improvements, Series 2017C	08/17/2017	38,525,000	2.000% - 5.000%	05/01/2043	37,385,000
Refunding, Series 2017D	08/17/2017	11,340,000	3.000% - 5.000%	05/01/2039	11,340,000
Improvements, Series 2018D	07/24/2018	42,965,000	3.000% - 5.000%	05/01/2044	42,965,000
BND Loan, Series 2018F	12/12/2018	15,000,000	2.00%	05/01/2044	14,900,000
Improvements, Series 2019A	07/30/2019	36,170,000 <sup>(1)</sup>	Series 2019A	05/01/2044	<u>36,170,000<sup>(1)</sup></u>
Total Special Assessment Debt					<u>\$438,395,000</u>

(1) This BND Loan, Series 2018F has a total borrowing amount of \$15,000,000 of which the City has drawn \$4,363,596 as of June 26, 2019.

(2) Preliminary; subject to change.

*(The remainder of this page has been left blank intentionally.)*

**Table A - 10**  
**Special Assessment Debt**  
**Annual Maturity Schedule**

<u>Fiscal Year</u>	<u>Outstanding Debt</u>		<u>The Series 2019A Bonds<sup>(1)</sup></u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2019	(Paid)	\$ 7,272,313	-0-	-0-	\$ 7,272,313
2020	\$19,210,184	14,476,913	\$ 600,000	\$ 1,790,741	36,077,839
2021	19,434,488	13,753,346	1,025,000	1,403,225	35,616,059
2022	19,553,978	13,017,388	1,050,000	1,361,600	34,982,966
2023	21,103,658	12,256,458	1,100,000	1,307,850	35,767,966
2024	21,888,531	11,497,866	1,175,000	1,250,975	35,812,372
2025	22,068,601	10,674,008	1,225,000	1,197,100	35,164,709
2026	21,658,873	9,816,549	1,275,000	1,147,100	33,897,522
2027	20,224,351	9,036,559	1,325,000	1,095,100	31,681,010
2028	19,705,038	8,287,784	1,375,000	1,034,225	30,402,047
2029	19,945,939	7,540,387	1,450,000	963,600	29,899,926
2030	19,082,057	6,828,708	1,250,000	896,100	28,056,865
2031	18,513,398	6,157,692	1,300,000	832,350	26,803,440
2032	17,589,966	5,523,737	1,375,000	765,475	25,254,178
2033	17,961,766	4,893,900	1,450,000	702,100	25,007,766
2034	18,118,801	4,246,293	1,500,000	643,100	24,508,194
2035	16,496,077	3,613,654	1,525,000	582,600	22,217,331
2036	15,823,599	3,002,605	1,575,000	520,600	20,921,804
2037	15,166,371	2,404,114	1,650,000	456,100	19,676,585
2038	14,379,398	1,833,899	1,700,000	389,100	18,302,397
2039	14,867,686	1,269,167	1,775,000	319,600	18,231,453
2040	8,866,240	832,589	1,825,000	256,725	11,780,554
2041	9,130,065	528,607	1,825,000	201,975	11,685,647
2042	6,514,166	267,103	1,875,000	146,475	8,802,744
2043	3,833,549	97,273	1,970,000	88,800	5,989,622
2044	<u>1,088,220</u>	<u>21,127</u>	<u>1,975,000</u>	<u>29,625</u>	<u>3,113,972</u>
Total	<u>\$402,225,000</u>	<u>\$159,150,039</u>	<u>\$36,170,000</u>	<u>\$19,382,241</u>	<u>\$616,927,280</u>

(1) Based on full drawdowns on the BND Series 2018F loan.

(2) Preliminary; subject to change.

## Revenue Debt

Table A - 11 below and Table A - 12 on the next page present the City's revenue debt by issue and the annual principal and interest payments outstanding as of August 6, 2019. Revenue debt includes obligations payable solely from various sales taxes, water system revenues, wastewater treatment revenues, or a combination of any listed.

**Table A - 11**  
**Revenue Debt by Issue**

<u>Purpose</u>	<u>Date of Issuance</u>	<u>Original Amount</u>	<u>Interest Rates Outstanding</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
Clean Renewable Energy Bonds	11/02/2007	\$ 1,500,000	0.500%	12/15/2021	\$ 300,000
SRF Note (Clean Water 2008A)	09/22/2008	63,725,000	2.500%	09/01/2029	42,235,000
SRF Note (Drinking Water 2008B)	09/29/2008	14,110,422	2.820%	09/01/2029	6,435,000
SRF Note (Sewer-Harwood 2008C)	11/10/2008	1,640,000	2.500%	09/01/2028	1,035,000
SRF Note (Drinking Water 2008D)	09/15/2008	2,500,000	2.500%	09/01/2027	1,275,000
SRF Note (Wastewater Clarifier Improvements)	03/29/2010	699,374	0.500%	09/01/2029	480,000
TIF Revenue Notes	various	3,911,699	6.000%	05/01/2034	3,911,699
Capital Financing Program Bonds, Series 2013A	03/27/2013	51,375,000	3.000%–4.000%	06/01/2033	39,830,000
SRF Note (Membrane Water Treatment)	12/15/2012	98,000,000	1.500%	09/01/2048	98,000,000 <sup>(1)</sup>
Capital Financing Program Bonds, Series 2014B	04/22/2014	32,512,000	2.000%-5.000%	06/01/2032	25,866,000
Qualified Energy Conservation Bonds, Series 2015C	09/30/2015	2,875,000	4.850%	05/01/2030	2,228,931
SRF Note (Clean Water 2018A)	03/01/2018	20,229,000	1.500%	09/01/2052	20,229,000 <sup>(2)</sup>
SRF Note (Clean Water 2018B)	03/01/2018	126,500,000	1.500%	09/01/2052	126,500,000 <sup>(3)</sup>
SRF Note (Drinking Water 2018C)	05/01/2018	23,950,000	1.500%	09/01/2050	23,950,000 <sup>(4)</sup>
Total Revenue Debt					<u>\$392,275,630</u>

- (1) This State Revolving Fund Loan has a total borrowing amount of \$98,000,000 of which the City has drawn \$96,316,120 as of May 31, 2019.
- (2) This State Revolving Fund Loan has a total borrowing amount of \$20,229,000 of which the City has drawn \$4,408,175 as of May 31, 2019.
- (3) This State Revolving Fund Loan has a total borrowing amount of \$126,500,000 of which the City has drawn \$5,278,781 as of May 31, 2019.
- (4) This State Revolving Fund Loan has a total borrowing amount of \$23,950,000 of which the City has drawn \$1,045,886 as of May 31, 2019.

*(The remainder of this page has been left blank intentionally.)*

**Table A - 12**  
**Revenue Debt**  
**Annual Maturity Schedule<sup>(1)</sup>**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2019	\$ 5,248,000	\$ 4,072,760	\$ 9,320,760
2020	10,671,782	7,951,042	18,622,824
2021	11,585,801	7,643,213	19,229,014
2022	11,976,868	7,304,547	19,281,415
2023	15,809,985	6,952,823	22,762,808
2024	16,248,152	6,536,793	22,784,945
2025	16,723,370	6,107,105	22,830,475
2026	17,179,640	5,673,071	22,852,711
2027	17,653,963	5,235,443	22,889,406
2028	17,972,340	4,784,193	22,756,533
2029	18,349,772	4,323,013	22,672,785
2030	13,664,258	3,850,517	17,514,775
2031	13,830,000	3,499,900	17,329,900
2032	14,230,000	3,142,900	17,372,900
2033	12,010,000	2,826,500	14,836,500
2034	12,451,699	7,869,827	20,321,526
2035	8,705,000	2,500,050	11,205,050
2036	8,875,000	2,369,475	11,244,475
2037	9,055,000	2,236,350	11,291,350
2038	9,285,000	2,100,525	11,385,525
2039	9,425,000	1,961,250	11,386,250
2040	9,665,000	1,819,875	11,484,875
2041	9,855,000	1,674,900	11,529,900
2042	10,050,000	1,527,075	11,570,075
2043	10,255,000	1,376,325	11,631,325
2044	10,460,000	1,222,500	11,682,500
2045	10,665,000	1,065,600	11,730,600
2046	10,880,000	905,625	11,785,625
2047	11,095,000	742,425	11,837,425
2048	11,360,000	576,000	11,936,000
2049	7,075,000	405,600	7,480,600
2050	7,180,000	299,475	7,479,475
2051	6,290,000	191,775	6,481,775
2052	<u>6,495,000</u>	<u>97,425</u>	<u>6,592,425</u>
Total	<u>\$392,275,630</u>	<u>\$110,845,897</u>	<u>\$503,114,527</u>

(1) Based on full drawdowns on these loans.

*(The remainder of this page has been left blank intentionally.)*

## ***Non-Appropriation Debt***

Table A - 13 and Table A - 14 below present the City's non-appropriation debt by issue and the annual principal and interest payments outstanding as of August 6, 2019.

**Table A - 13**  
**Non-Appropriation Debt by Issue**

<u>Purpose</u>	<u>Date of Issuance</u>	<u>Original Amount</u>	<u>Interest Rates Outstanding</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
Sublease by and between Alerus Financial, N.A. – Solid Waste Bailing Facility	12/19/2014	\$3,000,000	Variable	12/01/2024	\$1,650,000
Reissuance – Fargo Cass Public Health Building Remodeling and the Lease Buyout of the Red River Regional Dispatch Center	05/01/2019	3,760,000	2.85%	04/08/2029	<u>3,760,000</u>
Total Non-Appropriation Debt					\$5,410,000

**Table A - 14**  
**Non-Appropriation Debt Annual Maturity Schedule**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest<sup>(1)</sup></u>	<u>Total Debt Service</u>
2019	\$ 150,000	\$ 46,734	\$ 196,734
2020	652,514	102,137	754,651
2021	657,538	92,018	749,556
2022	662,632	81,756	744,388
2023	667,800	71,347	739,147
2024	673,041	60,790	733,831
2025	378,357	50,083	428,440
2026	383,749	39,223	422,972
2027	389,217	28,208	417,425
2028	394,763	17,036	411,799
2029	<u>400,389</u>	<u>5,706</u>	<u>406,095</u>
Total	<u>\$5,410,000</u>	<u>\$595,038</u>	<u>\$6,005,038</u>

(1) Does not include interest payments of the 2014 issuance.

## ***Annual Appropriation Debt***

Table A - 15 and Table A - 16 below present the City's annual appropriation debt by issue and the annual principal and interest payments outstanding as of August 6, 2019. These issues are not general or revenue obligations of the City and the general credit or general taxing powers of the City are not available to pay principal of or interest on these issues.

**Table A - 15**  
**Annual Appropriation Debt by Issue**

<u>Purpose</u>	<u>Date of Issuance</u>	<u>Original Amount</u>	<u>Interest Rates Outstanding</u>	<u>Final Maturity</u>	<u>Principal Outstanding</u>
FargoDome Project (2017A)	02/09/2017	\$ 7,810,000	1.75%-3.85%	11/01/2027	\$ 7,055,000
Block Nine Project (2018E)	09/06/2018	17,315,000	3.30%-4.47%	05/01/2044	<u>17,315,000</u>
Total Annual Appropriation Debt					\$24,370,000

**Table A - 16**  
**Annual Appropriation Debt**  
**Annual Maturity Schedule**

<u>Fiscal Year</u>	<u>Outstanding Debt</u>		<u>Total Debt Service</u>
	<u>Principal</u>	<u>Interest</u>	
2019	\$ 700,000	\$ 477,088	\$ 1,177,088
2020	715,000	938,426	1,653,426
2021	1,175,000	912,493	2,087,493
2022	1,215,000	877,100	2,092,110
2023	1,250,000	837,926	2,087,926
2024	1,290,000	796,178	2,086,178
2025	1,340,000	750,542	2,090,542
2026	1,390,000	701,333	2,091,333
2027	1,440,000	648,611	2,088,611
2028	570,000	592,165	1,162,165
2029	595,000	568,598	1,163,598
2030	615,000	543,668	1,158,668
2031	645,000	517,460	1,162,460
2032	670,000	489,773	1,159,773
2033	700,000	460,592	1,160,592
2034	730,000	429,732	1,159,732
2035	765,000	397,066	1,162,066
2036	800,000	362,871	1,162,871
2037	835,000	327,146	1,162,146
2038	870,000	289,892	1,159,892
2039	900,000	250,767	1,150,767
2040	945,000	209,531	1,154,531
2041	985,000	166,396	1,151,396
2042	1,030,000	121,361	1,151,361
2043	1,075,000	74,314	1,149,314
2044	<u>1,125,000</u>	<u>25,144</u>	<u>1,150,144</u>
Total	<u>\$24,370,000</u>	<u>\$12,766,183</u>	<u>\$37,136,183</u>

## ***Flood Control Short-Term Debt***

The City and Cass County are extending the maturity of two outstanding loans with Wells Fargo Bank, National Association (“Wells Fargo”) to lower costs, simplify conditions, and extend the terms to July 31, 2021. In 2016, Cass County issued two \$50,000,000 bank loans with Wells Fargo to repay a \$50,000,000 bank loan from U.S. Bank (temporary bond with a one year term) and to fund additional interim project costs. The City also issued two \$50,000,000 bank loans with Wells Fargo to repay their \$50,000,000 loan from U.S. Bank (temporary bond with a one year term) and to fund additional interim project costs. The City and Cass County are each responsible for 50% of the debt service on each series of bonds. All such bank loans are not general obligations of the City or Cass County (the “County”), and are special limited obligations payable solely from separate County and City local sales taxes, which are dedicated to flood control purposes. In 2017, the City and the County each issued a \$100,000,000 loan to refinance the four \$50,000,000 loans. The City’s loan has only been drawn down in the amount of \$50,250,000 of outstanding principal. In July 2019, the City and the County intend to take formal action to extend the maturity of the temporary loans until July 31, 2021.

### Additional Background

In order to reduce the flood risk to the metropolitan and surrounding areas of the City, together with Cass County, the Cass County Joint Water Resource District, Clay County, MN and the City of Moorhead, MN, formed the Metro Flood Diversion Authority, a North Dakota Joint Powers Entity (the “Diversion Authority”). The Diversion Authority and its member entities, including the City have undertaken a flood control project with the United States Army Corps of Engineers (the “USACE”), known as the Fargo-Moorhead (FM) Area Diversion Project (the “Diversion Project”). The Diversion Project will include the construction of a 36-mile diversion channel and associated bridges and structures an earthen embankment and tie-back levees, gated control and aqueduct structures and melt water staging areas, as well as the interstate highway and railroad crossings and bridges. The current estimated cost of the Diversion Project is \$2.75 billion. The State of North Dakota has committed to fund \$750 million and the Federal Government has committed to fund \$750 million (in 2015 dollars), with the remaining approximately \$1.2 billion to be financed from local political subdivisions and a request to the Minnesota Legislature to fund 86 million. It is anticipated that the local share will be funded with flood control assessments (if needed) along with sales and use tax revenues that may be used to make debt service payments on Assessments Bonds, Sales Tax Revenue Bonds, federal loans and a P3 (Public-Private-Partnership) contract. The referenced special assessments, and Assessment Bonds, if needed, would be levied by the Cass County Joint Water Resource District not by the City. There can be no assurance that any of the above described financing can be obtained or obtained in a timely fashion.

In November, 2016 the citizens of the City and Cass County voted to extend the City and Cass County flood control sales tax authorizations until 2084. The City has dedicated a full cent of sales tax for flood control and Cass County as dedicated a ½ cent sales tax for flood control.

The Diversion Project was authorized for construction by federal legislation in 2014 and received partial funding in 2016. A project participation agreement (PPA) was signed in June 2016 signifying the terms of the project between the local sponsors and the Army Corps of Engineers. The Army Corps of Engineers issued a construction contract for the initial portion of the Diversion Project in December 2016. Federal funding for a portion of the Diversion Project was approved in 2016 and a long-term funding commitment was approved with the signing of the PPA. In March of 2019, the PPA was amended to increase the total amount of the federal contribution to the Diversion Project.

During the State of North Dakota’s Legislative session for the 2019-2021 biennium, \$66.5 million was appropriated for a portion of the State of North Dakota’s \$750 million funding commitment. Since 2013 over 280 million dollars has been appropriated by the State of North Dakota for the Diversion Project.

USACE construction on the southern embankment began in April 2017, but these construction efforts were temporarily placed on hold due to a federal court’s temporary injunction. In the fall of 2017, a federal judge (the “Judge”) issued a temporary injunction halting USACE construction efforts citing the need for USACE to obtain a permit from Minnesota DNR in order to complete construction of the southern embankment. Following the Judge’s decision, the Governors of Minnesota and North Dakota personally formed and participated in a task force to recommend changes to the project that would result in a permissible project under Minnesota DNR’s rules and regulations. The Governor’s task force met for five full days with each governor attending all five full day

meetings. The level of cooperation and engagement between the two Governors was unprecedented. The Governor's task force completed its work in December 2017 and published its recommendations in January 2018. The Diversion Authority then made revisions to the project based upon the Governor's task force recommendations and subsequently submitted a new permit application for the Project to Minnesota DNR on March 16, 2018. In December of 2018, the Minnesota DNR issued a dam safety and public waters permit for the Diversion Project. In April of 2019, the federal judge modified the temporary injunction and authorized the USACE and Diversion Authority to recommence construction of Diversion Project Elements, including the gated inlet, western tie-back levee, Wild Rice Control Structure and to proceed with the P3 procurement for the Diversion Channel and associated infrastructure, construction. USACE's contractors have remobilized to begin construction of various elements of the southern embankment.

The costs mentioned above are only estimates and the construction start and completion dates have not been determined. There can be no assurance as to the cost, timing or completion of the Diversion Project or the refinancing of the short-term interim loans or the ability to obtain future financing.

### ***Capital Leases***

Table A - 17 shows the Future Minimum Payments under the below capital lease agreements at December 31, 2018 are shown below:

**Table A - 17**  
**Capital Leases**

	<u>Governmental</u>	<u>Business-type</u>
2019	\$156,888	\$ 809,026
2020	8,210	428,661
2021	8,210	218,661
2022	8,210	218,661
2023	<u>0</u>	<u>85,000</u>
Total minimum lease payments	\$181,518	\$1,760,009
Less: amount representing interest	<u>(7,000)</u>	<u>(121,611)</u>
Present value of minimum lease payments	<u>\$174,518</u>	<u>\$1,638,398</u>

### ***Operating Leases***

The City leases building and office facilities under noncancellable operating leases. Total costs for such leases were \$1,203,713 for the year ended December 31, 2018. Table A - 18 shows the future minimum lease payments for these leases are as follows:

**Table A - 18**  
**Operating Leases**

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

### ***Future Financing***

The City may undertake other financings not currently anticipated. The size of the future financings will be based on the scope of the projects.

### ***Overlapping Debt***

There are five taxing jurisdictions which overlap the City and which had debt outstanding as of August 6, 2019. Table A - 19 presents the general obligation debt outstanding for those jurisdictions and the amount of that debt allocable to the City.

**Table A - 19**  
**Overlapping Debt**

	<u>G.O. Debt</u> <u>Outstanding</u>	<u>% of Debt Allocable</u> <u>to the City</u>	<u>Portion Allocable</u> <u>to the City</u>
Cass County	\$ 2,725,000	64.3%	\$ 1,752,175
Fargo School District #1	102,660,000	97.0	99,580,200
West Fargo School District #6	194,340,500	47.0	91,339,800
Fargo Park District	24,765,000	100.0	<u>24,765,000</u>
Total			<u><u>\$217,437,175</u></u>

## **FINANCIAL INFORMATION**

### ***Financial Reports***

The City's financial reports are audited by Eide Bailly, LLP. Copies of the City's Audit Report for the years ended December 31, 2014 through 2018 are available upon request from the City or the City's Municipal Advisor, Baker Tilly Municipal Advisors, LLC. See "Appendix B – Excerpts from the City's Comprehensive Annual Financial Report for the fiscal year ended December 31, 2018" for excerpts of the City's 2018 Comprehensive Annual Financial Report.

*(The remainder of this page has been left blank intentionally.)*

## General Fund Operations

Statement of revenues and expenditures of the General Fund of the City have been compiled from the City's Audit Report and presented in a format to facilitate year-to-year comparison. Table A – 20 below presents a statement of revenues, expenditures and changes in fund balance for the fiscal years ended December 31, 2015 through 2018.

**Table A - 20**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**(Fiscal Year Ending December 31)**

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Revenues</b>				
Taxes	\$27,213,243	\$28,702,567	\$30,690,365	\$31,529,144
Licenses and Permits	4,990,708	4,832,453	4,628,182	5,198,720
Intergovernmental	23,737,000	21,543,645	21,434,863	22,029,382
Charges for Service	20,609,014	22,161,433	17,042,076	17,214,422
Fines and Forfeits	2,443,652	2,121,582	2,104,662	2,095,543
Investment Income	2,143,968	2,525,865	3,942,045	4,444,435
Miscellaneous	<u>952,969</u>	<u>1,030,903</u>	<u>991,212</u>	<u>939,676</u>
Total Revenues	<u>\$82,090,554</u>	<u>\$82,918,448</u>	<u>\$80,833,405</u>	<u>\$83,451,322</u>
<b>Expenditures</b>				
Current:				
General Government	\$15,087,608	\$15,850,432	\$16,709,859	\$17,159,027
Public Safety	33,326,475	35,804,818	36,823,018	37,462,432
Public Works	9,716,904	10,662,455	10,710,691	11,285,970
Public Health & Welfare	10,412,765	10,762,458	11,533,635	11,380,244
Recreation and Culture	4,390,993	4,770,797	4,896,092	5,297,412
Public Transportation	7,031,084	7,092,990	7,374,024	7,892,018
General Support	1,200,135	1,057,122	1,151,575	1,192,789
Capital Outlay	4,425,376	2,611,766	2,094,902	1,411,304
Debt Service:				
Principal	72,886	68,352	75,831	85,081
Interest and fiscal charges	<u>6,690</u>	<u>9,705</u>	<u>7,689</u>	<u>6,649</u>
Total Expenditures	<u>\$85,670,916</u>	<u>\$88,690,895</u>	<u>\$91,377,316</u>	<u>\$93,172,926</u>
Excess (Deficiency) of Revenues over Expenditures	<u>\$ (3,580,362)</u>	<u>\$ (5,772,447)</u>	<u>\$(10,543,911)</u>	<u>\$(9,721,604)</u>
Other Financing Sources (Uses)				
Transfers in	\$10,505,282	\$11,515,029	\$11,778,132	\$13,440,600
Transfers out	(5,143,362)	(5,522,130)	(2,826,851)	(6,064,881)
Capital lease	<u>164,456</u>	<u>--</u>	<u>42,700</u>	<u>38,332</u>
Total other financing sources (Uses)	<u>\$ 5,526,376</u>	<u>\$ 5,992,899</u>	<u>\$ 8,993,981</u>	<u>\$ 7,414,051</u>
<b>Net Change in Fund Balances</b>	<u>\$ 1,946,014</u>	<u>\$ 220,452</u>	<u>\$(1,549,930)</u>	<u>\$(2,307,553)</u>
 <b>Fund Balance, Beginning</b>	 <u>\$37,230,038</u>	 <u>\$39,176,052</u>	 <u>\$39,396,504</u>	 <u>\$37,846,574</u>
<b>Fund Balance, Ending</b>	<u>\$39,176,052</u>	<u>\$39,396,504</u>	<u>\$37,846,574</u>	<u>\$35,539,021</u>

Sources: City of Fargo Comprehensive Annual Financial Reports.

Table A - 21 below provides a summary of the City's approved 2017, 2018, and 2019 General Fund Budgets.

**Table A - 21**  
**General Fund Budgets**  
**(in thousands)**

	<u>2017 Approved</u>	<u>2018 Approved</u>	<u>2019 Approved</u>
<b>Projected Revenues</b>			
Taxes	\$23,668	\$24,498	\$25,792
Franchise Fees	5,391	5,391	5,431
Licenses & Permits	4,790	4,790	5,559
Intergovernmental	21,641	22,777	23,936
Charges for Services	17,638	16,838	15,838
Fines & Forfeits	2,537	2,536	2,143
Investment Income	3,129	3,366	3,595
Miscellaneous	<u>921</u>	<u>938</u>	<u>1,755</u>
Total Revenues	\$79,715	\$81,134	\$84,049
Operating Transfers In	<u>13,066</u>	<u>15,249</u>	<u>14,494</u>
Total Revenues & Transfers	<u>\$92,781</u>	<u>\$96,383</u>	<u>\$98,543</u>
<b>Budgeted Expenditures</b>			
General Government	\$16,902	\$17,171	\$18,617
Public Safety	36,999	39,391	39,443
Public Works	11,676	11,924	11,958
Public Health & Welfare	11,225	11,755	11,754
Recreation & Culture	4,602	4,909	5,143
Unallocated	(520)	(2,214)	(1,790)
Public Transportation	8,326	8,443	8,313
General Support	1,167	1,283	1,238
Capital Outlay	<u>3,045</u>	<u>630</u>	<u>637</u>
Total Expenditures	\$93,422	\$93,292	\$95,313
Transfers Out	<u>2,284</u>	<u>3,076</u>	<u>2,925</u>
Total Expenditures & Transfers	<u>\$95,706</u>	<u>\$96,368</u>	<u>\$98,238</u>

*(The remainder of this page has been left blank intentionally.)*

## **PROPERTY VALUATIONS AND TAXES**

### ***Valuations***

The City Assessor's office establishes an estimated market value on all properties. The assessed value is computed at 50% of estimated market value. The taxable value is then computed in the following manner: on residential property the taxable value is 9% of the assessed value; on commercial property the taxable value is 10% of the assessed value. Table A - 22 shows the market, assessed and taxable values of taxable property in the City for assessment year 2018/collection year 2019. Table A - 23 shows the trend in property valuations over the last five years.

**Table A - 22**  
**Property Values**  
**(Assessment 2018/Collection 2019)**

	<u>Market Value</u>	<u>Assessed Value</u>	<u>Taxable Value</u>
<b><u>Real Property:</u></b>			
Residential	\$ 5,974,161,067	\$2,987,060,533	\$268,837,248
Agricultural	2,330,740	1,165,370	116,537
Commercial	5,984,366,720	2,992,183,360	299,218,336
<b><u>Utilities:</u></b>			
Railroad	7,126,140	3,563,070	356,307
Other Utilities	<u>107,394,840</u>	<u>53,697,420</u>	<u>5,369,742</u>
Sub-Total	\$12,075,379,507	\$6,037,689,753	\$573,898,170
Less: Incremental Value	<u>(355,461,860)</u>	<u>(177,730,930)</u>	<u>(17,773,093)</u>
Total	<u>\$11,719,917,647</u>	<u>\$5,859,958,823</u>	<u>\$556,125,077</u>

**Table A - 23**  
**Trend in Valuations**

<u>Assessment/ Collection Year</u>	<u>Market Value<sup>(1)</sup></u>	<u>Assessed Value<sup>(1)</sup></u>	<u>Taxable Value<sup>(1)</sup></u>
2018/19	\$12,075,379,507	\$6,037,689,753	\$573,898,170
2017/18	11,455,367,551	5,727,683,776	544,586,171
2016/17	10,592,832,404	5,296,416,202	489,481,255
2015/16	9,449,428,676	4,724,714,338	449,268,380
2014/15	8,396,434,015	4,080,365,741	387,008,093

(1) Does not include the subtraction of incremental value.

Source: Cass County Auditor.

### ***Tax Levies and Collections***

After final equalization by assessing authorities in September of each year, the County Auditor calculates mill rates and spreads taxes. The resulting taxes are payable on the following January 1.

Taxes are collected by the County and the receipts are distributed by the County to the local government entities. A discount of 5% is given on the tax bill if the entire payment is made by February 15. Discounts given are subtracted

from the levy amount by the County Auditor. If taxes are not paid by March 1, a 2% penalty is charged with the penalty being raised on June 1 to 4%, on July 1 to 6% and on October 15 to 8%.

North Dakota residents over 65 years of age whose income is less than \$22,000 receive a homestead property tax credit. The credit is subtracted from their tax bill. North Dakota residents who are disabled veterans of the United States armed forces that have a disability of 50% or greater are eligible for a property tax credit on the first \$6,750 of their taxable value based on the amount of their disability. A qualifying veteran with 70% for example would qualify for a 70% discount on the first \$5,400 in taxable credit of the structure they occupy. The land assessment of a disabled veteran is not included in the discount. Local political subdivisions are reimbursed for this credit by the state as is done for homestead credits so no loss in tax revenue is incurred by the city or other local entities.

Table A - 24 outlines property tax levies in the City for the current year, and property tax levies and collections for the previous five years.

**Table A - 24**  
**Tax Levies and Collections**

<u>Levy Year</u>	<u>Collection Year</u>	<u>Amount of Levy</u>	<u>Collected First Year</u>		<u>Collected as of 4/30/19</u>	
			<u>Amount</u>	<u>% of Net Levy</u>	<u>Amount</u>	<u>% of Levy</u>
2018	2019 <sup>(1)</sup>	\$33,409,897	\$29,768,666	89.10%	\$29,768,666	89.10%
2017	2018	31,347,657	29,818,895	95.12	29,939,614	95.51
2016	2017	30,267,785	25,238,317	83.38	28,844,767	95.30
2015	2016	28,012,985	26,711,561	95.35	26,765,470	95.55
2014	2015	26,036,427	24,827,881	95.36	24,939,179	95.79

(1) Partial year collections.

Source: Cass County Auditor.

### ***Top Ten Taxpayers***

Table A - 25 lists the top ten taxpayers in the City and the assessed valuation for taxes payable in 2019.

**Table A - 25**  
**Top Ten Taxpayers**

<u>Taxpayer</u>	<u>Assessed Valuation</u>	<u>Percent of Total Assessed Valuation</u>
Sterling Properties (formerly INREIT)	\$ 97,143,500	1.66%
West Acres Development Co.	64,726,950	1.11
Sanford/Meritcare	56,213,200	0.96
Dakota UPREIT	35,832,500	0.61
Matrix Properties	33,303,500	0.57
Comstock Land Company	29,484,850	0.50
Osgood Investments	26,661,150	0.45
Innovis Health	26,582,900	0.45
R&B Development	25,811,800	0.44
Wal-Mart Real Estate	<u>24,530,150</u>	<u>0.42</u>
Total	<u>\$420,290,500</u>	<u>7.15%</u>

Source: City of Fargo Assessor's Office.

## *Sales Tax Receipts*

**Table A - 26**  
**Net Sales Tax Receipts**

<u>Fiscal Year</u>	<u>Total Recipients<sup>(2)</sup></u>	<u>Distribution</u>			
		<u>Infrastructure<sup>(3)</sup></u>	<u>Flood Control<sup>(3)</sup></u>	<u>Public Utility<sup>(4)</sup></u>	<u>Fargodome</u>
2019 <sup>(1)</sup>	\$15,069,307	\$ 1,883,664	\$ 9,418,315	\$ 3,767,328	--
2018	48,038,202	6,004,775	30,023,876	12,009,551	--
2017	48,070,709	6,008,839	30,044,193	12,017,677	--
2016	49,927,219	12,481,805	24,963,610	12,481,805	--
2015	52,075,891	13,018,973	26,037,946	13,018,972	--
2014	48,493,572	13,313,638	23,651,663	11,528,271	--
2013	44,111,937	13,102,714	20,202,834	10,806,389	--
2012	41,462,364	15,047,541	11,368,486	15,046,337	--
2011	41,373,683	15,515,131	10,343,421	15,515,131	--
2010	37,496,303	13,856,832	8,965,511	14,673,960	--
2009	28,188,089	12,170,181	--	14,094,045	1,923,863

(1) As of April 30, 2019.

(2) Total sales tax rate of 2%, net of administrative fees.

(3) One and one-half cent allocated sales tax.

(4) One cent allocated sales tax from 2009 – 2013 with rate reduction on June 30, 2013 to one half cent allocated.

Source: City Auditors Office and Office of the North Dakota State Tax Commissioner.

## **APPENDIX B**

**Excerpts From the City's Comprehensive Annual Financial Report  
For the Fiscal Year Ended December 31, 2018**

*(This page has been left blank intentionally.)*

## 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, 2018, 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, 2018, 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, the pension information including, significant assumptions used to measure total pension liability, schedule of change in net pension liability, schedule of employer contributions, schedule of net pension liability- City of Fargo's proportionate share, and schedule of employer contributions- City of Fargo's proportionate share as presented on pages 88-91, and the OPEB information including, significant assumptions used to measure the OPEB liability, schedule of employer's share of net OPEB liability, schedule of employer contributions, as presented on page 92 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### Other Information

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

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

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

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated June 18, 2019 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.



Bismarck, North Dakota  
June 18, 2019

**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, 2018. 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 \$1,058,232 (net position).

As of the close of the current fiscal year, the City of Fargo's governmental funds reported combined ending fund balances of \$109,933 an increase of \$1,416 in comparison with the prior year. The increase in fund balance is explained in subsequent sections of this analysis.

The City's unassigned General Fund balance of 29 percent of the total General Fund expenditures exceeds our management goal of 25 percent.

Overall, General Fund revenues met budget expectations and total revenue increased by \$2,618 in comparison with the prior year. License and permits revenue increased 12 percent primarily due to increased business beverage licenses and commercial building permits. Intergovernmental revenue increased 3 percent from the prior year as a result of an increased state aid distribution. This can be attributed to rising economic conditions.

Municipal building projects have been a priority for the City over the past couple of years. A new City Hall was completed in September 2018. This new facility provides significantly more functional space for municipal services. Work continues on the remodeling of 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 Block Nine Parking ramp and the Wastewater Treatment Plant expansion projects were initiated during 2018 and were 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 12 and 13 of this report.

**Fund financial statements**

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

**Governmental funds**

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

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

The City of Fargo maintains eighteen 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 fifteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

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

**Proprietary funds**

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

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

The basic proprietary fund financial statements can be found on pages 19 - 21 of this report.

### Fiduciary funds

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

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

### Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 – 88 of this report.

### Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Fargo's progress in funding its obligation to provide pension benefits and other post-employment benefits to its employees. Required supplementary information can be found on pages 89 - 93 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 94 - 107 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 \$1,058,232 at the close of the most recent fiscal year.

By far the largest portion of the City of Fargo's net position (79%) 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, 2018 and 2017.

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 546,008	\$ 524,346	\$ 118,513	\$ 118,724	\$ 664,521	\$ 643,070
Capital assets	509,121	477,315	832,728	791,824	1,340,847	1,268,939
Total assets	1,054,129	1,001,661	951,239	910,348	2,005,368	1,912,009
Deferred outflows of resources	31,075	23,110	7,509	6,136	38,584	29,246
Long-term liabilities outstanding	785,976	808,828	150,005	48,786	935,981	857,614
Other liabilities	29,775	33,479	14,539	7,457	44,314	40,936
Total liabilities	815,751	842,307	164,544	56,243	980,295	898,550
Deferred inflows of resources	4,271	6,977	1,154	1,364	5,425	8,341
Net position:						
Net investment in capital assets	133,482	155,725	707,758	763,810	841,220	919,535
Restricted	82,858	15,592	44,230	46,243	107,088	81,835
Unrestricted	68,862	4,170	41,062	48,624	109,824	52,994
Total net position	\$ 285,182	\$ 175,487	\$ 793,050	\$ 858,677	\$ 1,058,232	\$ 1,034,364

A portion of the City of Fargo's net position (10%) represents resources that are subject to external restrictions on how they may be used.

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program revenues:						
Charges for services	\$ 29,553	\$ 27,789	\$ 71,123	\$ 69,715	\$ 100,676	\$ 97,484
Operating grants and contributions	9,673	10,040	-	-	9,673	10,040
Capital grants and contributions	94,795	91,019	2,319	6,219	97,114	97,238
General Revenues:						
Taxes	86,900	85,068	1,009	941	87,909	86,009
Unrestricted intergovernmental	6,742	5,769	-	-	6,742	5,769
Unrestricted investment earnings	5,943	5,219	(1,875)	5,539	4,068	10,758
Miscellaneous	416	2,048	1,731	1,114	2,147	3,182
Total revenues	234,022	226,932	74,307	83,528	308,329	310,460
Expenses:						
General government	21,122	18,746	-	-	21,122	18,746
Public safety	40,387	38,540	-	-	40,387	38,540
Public works	85,923	88,777	-	-	85,923	88,777
Public health and welfare	13,636	12,951	-	-	13,636	12,951
Recreation and culture	9,393	8,625	-	-	9,393	8,625
Urban redevelopment	1,531	4,673	-	-	1,531	4,673
Transportation	12,157	10,320	-	-	12,157	10,320
General support	1,193	1,151	-	-	1,193	1,151
Interest and fiscal charges	22,968	22,281	-	-	22,968	22,281
Municipal airport authority	-	-	10,309	8,982	10,309	8,982
Water	-	-	20,414	17,417	20,414	17,417
Wastewater	-	-	11,062	10,797	11,062	10,797
Storm sewer	-	-	6,030	5,679	6,030	5,679
Solid waste	-	-	11,606	10,674	11,606	10,674
Fargodome	-	-	10,680	9,395	10,680	9,395
Southeast case	-	-	59	90	59	90
Vector control	-	-	429	331	429	331
Street lighting	-	-	3,502	3,350	3,502	3,350
Forestry	-	-	2,080	1,923	2,080	1,923
Total expenses	208,310	206,044	76,151	88,638	284,461	274,682
Excess before Transfers	25,712	20,888	(1,844)	14,890	23,868	35,778
Transfers	83,983	(57,945)	(83,983)	57,945	-	-
Change in net position	89,695	(36,957)	(85,827)	72,735	23,868	35,778
Net position - beginning	175,487	212,444	858,877	786,142	1,034,364	998,586
Net position - ending	\$ 285,182	\$ 175,487	\$ 793,050	\$ 858,877	\$ 1,058,232	\$ 1,034,364

The City's net position increased by \$23,868 during the current fiscal year.

### Governmental activities

The governmental activities' net position increased by \$89,695 during the current fiscal year.

In 2018, the City amended the pledged revenue source of an existing State Revolving Fund loan. The revenue pledge was changed from sales tax to water utility revenue. This amendment resulted in the transfer of \$73 million of existing debt from a governmental fund to a proprietary fund and an increase of the overall net position of governmental activities.

### Business type activities

Business-type activities decreased the City of Fargo's net position by \$65,827.

As noted above, in 2018, the City amended the pledged revenue source of an existing State Revolving Fund loan. The revenue pledge was changed from sales tax to water utility revenue. This amendment resulted in the transfer of \$73 million of existing debt from a governmental fund to a proprietary fund and the decrease of the overall net position of business type activities.

## 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 \$109,933, an increase of \$1,416 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 \$26,862 while total fund balance was \$35,539. 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 29 percent of total general fund expenditures, while total fund balance represents 38 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 \$2,308 during the year. The remainder of fund balance is assigned (\$542, 2 percent), committed (\$1,000, 3 percent), restricted (\$3,054, 9 percent) or nonspendable (\$4,080, 11 percent).

Overall General Fund revenues of this fund group increased by 3 percent compared to the prior year, while total expenditures increased by 2 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 2018 budget. The 2018 budget also included the approval of one new position for Buildings and Grounds as well as the Library. Additional operating budget was also approved for the police department attributed to relocating the department to a new campus. The most significant budget savings are related to the timing of capital outlay funding which lagged budget levels by \$650. Capital funds will be carried forward into the 2019 budget.

The debt service fund has a total fund balance of \$74,646, all of which is restricted for the payment of future debt service. The net decrease in fund balance during the current year was \$6,364.

The capital projects fund had a net increase in fund balance of \$10,529. Capital project expenditures decreased by 25 percent in 2018 due to the revenue pledge on the existing Water Treatment Plant project being amended. This amendment resulted in the capital outlay expenditures for the project being moved from the capital project fund to the water utility fund.

### 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 \$41,062. The Water and Fargodome funds were the two major proprietary funds that reported decreases in net position. The Water fund decrease is the result of debt transferred to the utility from a governmental fund. An existing State Revolving Fund Loan for the Water Treatment plant expansion was amended to remove the sales tax revenue pledge and pledge Water Utility fund revenues instead. The result of this amendment was a transfer of the existing \$73 million debt to the utility. The decrease in the Fargodome fund is attributed to the net investment depreciation of its State Investment Board Permanent Fund.

Operating revenues of this fund group increased by approximately two percent. This increase is attributed to rate increases approved for both the Water and Wastewater utilities. As well as increased passenger facilities fees at the Airport.

Operating expenses increased by 9 percent. The increase in expense can be attributed to increased personnel expense and depreciation expense.

## General Fund Budgetary Highlights

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

General Fund revenue projections exceeded the revised budget by 2.29%. State shared revenues exceeded budget projections. This is a very good indicator of rising economic conditions.

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 99% of final budget.

Capital outlay expenditures lagged budget by \$650 due to the project timelines for various capital projects. Unexpended funds will be carried forward into the 2019 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, 2018 amounts to \$1,341 (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:

Construction of a New City Hall building was completed in September 2018.

Major projects in progress in 2018 include, \$21.3 million expended on the water treatment plant expansion which is expected to be completed in 2019. An expansion of the wastewater treatment facility began in 2018 and \$5.4 million was expended on this project during the year. \$5.1 million expended on the construction of the Block Nine parking ramp in downtown Fargo.

Other notable events include \$9 million expended on various infrastructure projects at the Airport.

City of Fargo's Capital Assets (net of depreciation) (In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 82,353	\$ 76,969	\$ 43,285	\$ 40,681	\$ 125,638	\$ 117,650
Construction in progress	6,572	43,281	152,460	125,391	159,032	168,672
Intangible	9,974	9,215	920	920	10,894	10,135
Buildings	91,219	48,178	121,066	124,028	212,285	172,206
Improvements other than buildings	1,968	611	27,201	24,844	29,170	25,455
Machinery and equipment	18,475	15,429	36,813	39,094	55,288	54,523
Infrastructure	256,177	243,517	450,961	436,666	707,158	690,183
Flood Control	41,382	40,115	-	-	41,382	40,115
Total	\$ 508,121	\$ 477,315	\$ 832,726	\$ 791,624	\$ 1,340,847	\$ 1,268,939

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 \$881,507. Of this amount, \$418,055 is special assessment debt (improvement bonds) for which the government is liable in the event of default by the property owners subject to the assessment. The remainder of the City of Fargo's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds) and annual appropriation bonds.

The City of Fargo's total outstanding debt increased by \$77,373 during the current fiscal year.

City of Fargo's Outstanding Debt (In Thousands)					
	Governmental Activities		Business-type Activities		Total
	2018	2017	2018	2017	
Improvement bonds	\$ 418,055	\$ 409,335	\$ -	\$ -	\$ 418,055
Gross revenue bonds	-	-	2,713	2,994	2,713
Annual appropriation bonds	17,315	-	7,050	7,735	24,365
General obligation bonds	35,515	36,980	-	-	35,515
Sales tax bonds	69,215	72,609	-	-	69,215
Notes payable	118,260	179,728	100,102	3,309	218,362
Capital leases	174	221	1,638	1,551	1,812
Net pension liability	91,050	74,750	18,083	14,922	109,133
Net OPEB liability	1,728	-	609	-	2,337
Total	\$ 751,312	\$ 773,623	\$ 130,195	\$ 30,511	\$ 881,507

## Requests for information

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

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

The City issued a \$126,500 North Dakota State Revolving Fund loan with an interest rate of 2.0%. This loan was issued to finance project costs for the expansion of the Wastewater Treatment Facility.

The City issued a \$20,229 North Dakota State Revolving Fund loan with an interest rate of 2.0%. This loan was issued to finance project costs for the expansion of the Wastewater Treatment Facility.

The City issued \$42,965 Refunding Improvement Bonds, Series 2018D at a true interest cost of 3.37%. 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 \$17,315 Taxable Annual Appropriation Bonds, Series 2018E at a true interest cost of 4.39%. These bonds were issued to finance the construction of a parking ramp, multi-use public plaza and pedestrian skyway connection located in the City's central downtown area that will be part of a major redevelopment of surface parking lots currently occupying three fourths of the full city block known as "Block Nine."

The City issued \$15,000 Bank of North Dakota Infrastructure Revolving fund loan with an interest rate of 2.0%. This loan was issued to reimburse the capital project fund for project costs previously incurred for the expansion of the City's utility infrastructure.

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 potential changes in revenues.

Modest fee adjustments in the Storm Sewer, Street Light and Forestry utilities were included in the 2019 budget.

The City constrained the 2019 General Fund budget. The budget increase overall was approved at 1.9 percent.

The Board of Equalization's preliminary assessment of our tax base for 2019 projected an increase of 4.7%. This healthy growth in our tax base will provide produce additional resources.

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

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

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

**CITY OF FARGO, NORTH DAKOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

**CITY OF FARGO, NORTH DAKOTA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**December 31, 2018**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 162,486	\$ -	\$ -	\$ -	\$ 162,486
Investments	-	13,699,395	-	-	13,699,395
Equity in pooled investments	30,699,346	44,752,792	149,603	2,337,703	77,939,444
Receivables (net of allowance for uncollectibles):					
Interest	324,283	92,475	26,930	-	443,688
Taxes	341,045	98,942	-	7,786	447,773
Accounts	5,689,391	36,635	4,379,018	278,939	10,383,983
Sales tax	-	2,297,456	6,892,366	-	9,189,822
Special assessments	20,916	419,330,217	368,241	771,083	420,490,457
Contracts	-	4,751	-	-	4,751
Intergovernmental	4,219,321	-	2,518,792	3,663	6,741,776
Long term note receivable	-	65,745	-	-	65,745
Due from other funds	-	-	-	495,479	495,479
Loans	-	-	-	2,188,337	2,188,337
Advances to other funds	1,334,697	-	-	-	1,334,697
Inventory	1,517,674	-	-	-	1,517,674
Prepaid items	1,157,778	-	2,386	23,540	1,183,704
Property held for resale	70,000	-	2,500,000	262,646	2,832,646
<b>Total assets</b>	<b>\$ 45,536,937</b>	<b>\$ 480,378,408</b>	<b>\$ 16,837,336</b>	<b>\$ 6,369,176</b>	<b>\$ 549,121,857</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Vouchers payable	\$ 3,735,393	\$ 34,493	\$ 12,373,574	\$ 224,119	\$ 16,367,579
Contract retainage payable	-	-	3,200,173	27,373	3,227,546
Advances from other funds	-	-	780,000	1,837,927	2,617,927
Due to other funds	-	-	-	495,479	495,479
Accrued payroll	2,717,672	-	6,998	8,931	2,733,601
Special assessments payable	3,133	1,758	94,974	473,871	573,736
Unearned revenue	69,871	-	176,992	1,713,185	1,960,048
Deposits	342,953	-	-	-	342,953
<b>Total liabilities</b>	<b>6,869,022</b>	<b>36,251</b>	<b>16,632,711</b>	<b>4,780,865</b>	<b>28,318,869</b>
<b>Deferred inflows of resources</b>					
Unavailable revenue	3,128,894	405,695,953	908,643	1,136,257	410,869,747
<b>Fund balances</b>					
Nonspendable	4,080,149	-	2,386	23,540	4,106,075
Restricted	3,054,111	74,646,204	-	2,289,648	79,989,963
Committed	1,000,016	-	-	-	1,000,016
Assigned	542,423	-	-	-	542,423
Unassigned	26,862,322	-	(706,404)	(1,861,154)	24,294,764
<b>Total fund balance (deficit)</b>	<b>35,539,021</b>	<b>74,646,204</b>	<b>(704,018)</b>	<b>452,034</b>	<b>109,933,241</b>
<b>Total liabilities, deferred inflows of resources and fund balances</b>	<b>\$ 45,536,937</b>	<b>\$ 480,378,408</b>	<b>\$ 16,837,336</b>	<b>\$ 6,369,176</b>	<b>\$ 549,121,857</b>

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

**CITY OF FARGO, NORTH DAKOTA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**December 31, 2018**

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

Total fund balance - governmental funds (page 14)	\$ 109,933,241
Capital assets used in governmental activities are not financial resources and therefore not reported in the fund financial statements	508,120,749
Other assets are not available to pay for current period expenditures and , therefore, are either not recognized as a receivable or are deferred in the funds	410,869,747
Net pension liability and pension related deferred outflows and inflows of resources are not due in the current period and ,therefore, are not reported in the funds	(64,465,482)
Net OPEB liability and OPEB related deferred outflows and inflows of resources are not due in the current period and ,therefore, are not reported in the funds	(1,508,105)
Liabilities that are not due and payable in the current period and therefore not reported in the governmental funds	<u>(697,768,286)</u>
Net position of governmental activities (page 12)	<u><u>\$ 265,181,864</u></u>

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

**CITY OF FARGO, NORTH DAKOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2018**

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

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

**CITY OF FARGO, NORTH DAKOTA  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL  
FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

Net change in fund balances - total governmental funds (page 16)	\$ 1,415,979
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	63,383,231
Capital assets transferred to enterprise funds.	(32,363,266)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.	(214,229)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	23,798,952
Changes to net pension liability and pension related deferred outflows and inflows do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	(5,848,573)
Changes to net OPEB liability and OPEB related deferred outflows and inflows do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds	(1,508,105)
The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums, discounts, and deferred amounts on refundings when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	39,252,540
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	1,778,358
Change in net position of governmental activities (page 13)	\$ <u>89,694,887</u>

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

**CITY OF FARGO, NORTH DAKOTA**  
**GENERAL FUND**  
**STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended December 31, 2018**

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

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

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

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

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

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

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

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

**CITY OF FARGO, NORTH DAKOTA**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2018**

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

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

**CITY OF FARGO, NORTH DAKOTA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

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

Continued

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

**CITY OF FARGO, NORTH DAKOTA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

Concluded

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

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

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

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

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

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

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

**INDEX**

**NOTE 1        SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

- A.        Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position
- B.        Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

**NOTE 3        STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

**NOTE 4        DETAIL NOTES ON ALL FUNDS**

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

**NOTE 5        OTHER NOTES**

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

## 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

### A. BASIS OF PRESENTATION

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

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

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

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

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

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

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

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

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

### B. REPORTING ENTITY

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

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

#### Blended Component Unit

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

### C. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The statement of activities reports gross direct expenses by function reduced by program revenues. This results in a measurement of net revenue or expense for each of the government's activities. Direct expenses are those that are clearly identifiable with a specific

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.

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

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

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

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

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

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

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

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

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

Amounts reported as program revenues include the following: amounts received from those who purchase, use or directly benefit from a program; amounts received from parties outside the City that are restricted to one or more specific programs; and earnings on investments

that are legally restricted for a specific program. Revenues that do not meet the previous criteria are reported as general revenues, including all taxes.

Proprietary funds report operating revenues and expenses separately from nonoperating items. Operating revenues and expenses generally result from providing services or producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the costs of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

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

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

### 2. Receivables and Payables

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

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

The City is permitted under provisions of the Home Rule Charter to levy taxes as needed for general governmental services and payment of principal and interest on long-term debt. The current Home Rule Charter maximum mill levy is sixty-four mills, excluding City share of special assessments. Total mills levied for 2018 were fifty-one.

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

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

### 3. Inventories and Prepaid Items

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

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

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

### 4. Restricted Assets

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

### 5. Capital Assets

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

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

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

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

Computer equipment

3 – 5

## 6. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees vest in sick leave accumulated in excess of 960 hours, which is paid out at 44.4% of their normal pay in December of every year. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts (other than the vested amounts paid out annually) when employees separate from service. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. In the governmental funds, a liability would be reported only if they have matured, for example, as a result of employee retirements or resignations. The entire portion of accumulated unpaid vacation is considered short term for the reason that historically, unpaid vacation is utilized within one year either through vacation payouts when employees terminate their service with the City or with the use of annual leave throughout the year.

## 7. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds on a straight-line basis over the term of the related issue. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

## 8. Net Position/Fund Balance

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the City's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted net position consists of restricted assets reduced by liabilities related to those assets. Unrestricted net position is the net amount of assets and liabilities that are not included in the determination of net investment in capital assets or the restricted component of net position.

Fund balances are classified based on the spending constraints placed upon them. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance – amounts that are not in spendable form (such as inventory) or are required to be maintained intact.
- Restricted fund balance – amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

- Committed fund balance – amounts constrained to specific purposes by the City itself, using its highest level of decision-making authority (i.e. City Commission). To be reported as committed, amounts cannot be used for any other purpose unless the City takes the same, or higher, level action to remove or change the constraint.
- Assigned fund balance – amounts the City intends to use for a specific purpose. Intent can be expressed by the City Commission or by an official or body to which the City Commission delegates the authority.
- Unassigned fund balance – amounts that are available for any purpose. Positive amounts are reported only in the general fund.

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

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

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

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

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

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

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

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government – wide statement of net position. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$697,768,286 difference are as follows:

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

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

**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$63,382,231 difference are as follows:

Capital Outlay	\$ 81,234,761
Plus: assets transferred in from enterprise funds	126,333
Plus: donated /contributed assets and gain/loss on asset trades	337,094
Plus: prior year construction in progress added as asset in current year	42,114,486
Capital asset increases per footnote 4.D	\$ 123,812,674
Less: assets transferred in from enterprise funds	(126,333)
Less: donated /contributed assets and gain/loss on asset trades	(337,094)
Less: prior year construction in progress added as asset in current year	(42,114,486)
Depreciation expense	(17,851,530)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	\$ 63,383,231

Another element of that reconciliation states that "The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and deferred amounts on refundings when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items." The details of this \$39,252,540 difference are as follows:

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

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

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this \$1,778,358 are as follows:

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

**3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. BUDGETARY INFORMATION**

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

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

1. According to City charter, the Mayor submits a proposed budget each July to the City Commission. At that time, the City Commission makes any changes they deem necessary to this proposed budget.
2. The preliminary budget must be adopted by August 10.
3. Public hearings are conducted to obtain taxpayer comments prior to the final budget adoption.

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

4. The budget is legally enacted through the passage of a budget ordinance no later than October 7.
5. Budgets are adopted for the general, special revenue, and debt service.
6. The legal level of budgetary control is at the fund level. The Finance Director may approve transfers of budgeted amounts between departments within a given fund. Any transfers of budgeted amounts and any revisions that alter the total expenditures of any fund must be approved by the City Commission.
7. Formal budgetary integration is employed as a management control device during the period for the general fund, special revenue funds and the debt service fund at the fund level. Any expenditures in excess of the current year's budget must be approved by the Finance Committee and the City Commission. Supplemental appropriations granted for the 2018 year include \$1,266,746 for the General Fund.
8. Appropriations lapse at year-end.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration of all funds. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Authority to complete year-end encumbrances for the general fund may be granted by amending the subsequent year's budget. General Fund Budget revisions approved for open encumbrances totaled \$1,740,081 for the year ended December 31, 2018.

#### B. EXCESS OF EXPENDITURES OVER BUDGET

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

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

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

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

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

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

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

The government-wide statement of net position reports \$107,087,811 of restricted net position, of which \$52,178,178 is restricted by enabling legislation.

#### 4. DETAILED NOTES ON ALL FUNDS

##### A. DEPOSITS AND INVESTMENTS

Deposits - In accordance with North Dakota Century Code, the City maintains deposits at those depository banks and brokerages authorized by the City Commission, all of which are covered by Federal Depository Insurance or Securities Investor Protection. Century Code requires that all City deposits be protected by insurance, collateral or surety bond. The market value of the collateral pledged must be equal to or greater than 110% of the deposits not covered by insurance or bonds. As of December 31, 2018, the carrying amount of the City's deposits was \$42,651,328 and the bank balance was \$46,285,899. As noted above, the bank balance is covered by Federal Depository Insurance or Securities Investor Protection.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. Per the City's investment policy, custodial credit risk will be minimized by using the following techniques; limiting investments to the safest type of securities, pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisors with which the City will do business; and diversifying the investment portfolio so that potential losses on individual securities will be minimized. As of December 31, 2018, the City's deposits were either fully insured or properly collateralized, were held in the City's name, and have no custodial credit risk.

Investments - The City maintains pooled cash portfolios used by substantially all City funds, excluding the investment of employees' retirement funds, using the pooled deposit and

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

investment concept. These pools are governed by an investment policy established by the City Commission.

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

Allowable deposits and investment include:

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

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

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

**Interest Rate Risk**

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

**Credit Risk**

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

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

Investment Type	Credit Rating	Fair Value	Investment Maturities (in years)				
			Not Applicable	< 1	1 - 5	> 5 - 10	> 10
Corporate Bonds	AAA	\$ 18,484,447	-	\$ 506,904	\$ 15,987,542	-	-
Corporate Bonds	AA1	1,477,171	-	254,533	1,222,638	-	-
Corporate Bonds	AA2	2,966,840	-	-	2,966,840	-	-
Corporate Bonds	AA3	1,351,081	-	444,177	906,904	-	-
Corporate Bonds	A1	7,994,780	-	248,943	7,745,838	-	-
Corporate Bonds	A2	8,582,172	-	886,113	7,686,059	-	-
Corporate Bonds	A3	1,889,122	-	379,571	1,509,551	-	-
Corporate Bonds	BAA1	1,405,498	-	449,825	955,641	-	-
Money Market Funds	AAAm	39,914,307	\$ 39,914,307	-	-	-	-
Money Market Funds	N/A	13,814,829	13,814,829	-	-	-	-
Municipal Bond	AA2	133,931	-	133,931	-	-	-
Municipal Bond	A1	350,428	-	-	350,428	-	-
U.S. Agencies	AAA	10,016,762	-	2,951,638	7,065,114	-	-
U.S. Agencies	NA	2,077,893	-	58,544	282,894	\$ 740,317	\$ 996,168
U.S. Treasury Note	AAA	61,343,584	-	11,255,650	50,087,934	-	-
U.S. Treasury Bill	N/A	14,944,700	-	14,944,700	-	-	-
Bond Mutual Funds	N/A	29,841,694	2,872,343	-	-	26,969,350	-
Certificate of Deposit	N/A	9,112,752	-	3,490,083	5,622,669	-	-
CDs	AA1	-	-	-	-	-	-
Corporate Commercial Paper	N/A	10,896,940	-	10,896,940	-	-	-
Corporate Stocks	N/A	-	-	-	-	-	-
Equity Mutual Funds	N/A	69,771,372	69,771,372	-	-	-	-
External Investment Pool *	N/A	40,948,840	40,948,840	-	-	-	-
Local Government Bond	N/A	-	-	-	-	-	-
		\$ 345,328,999	\$ 167,321,591	\$ 48,911,551	\$ 102,380,022	\$ 27,709,887	\$ 996,168

\* - The weighted average maturity of the portion of the external investment pool subject to maturity is 6.03 years.

**Concentration of Credit Risk**

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

The City's investment policy also has limits on the following allowable deposits and investment; direct obligations of the state of North Dakota shall not exceed 5 percent of the City's portfolio, investments in money market funds rated "AAAm" by Standard & Poor's shall not exceed 25 percent of the City's portfolio, repurchase agreements shall not exceed 25 percent of the City's portfolio, and aggregate Asset-backed securities may not exceed 25% of the portfolio at the time of purchase. None of the established limits were exceeded as of December 31, 2018.

**Fair Value**

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

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

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

Level 2 – Inputs to the valuation methodology include:

1. Quoted prices for similar assets or liabilities in active markets;
2. Quoted prices for identical or similar assets or liabilities in active markets;
3. Inputs other than quoted prices that are observable for the asset or liability;
4. Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology that are unobservable and significant to the fair value measurement.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The following table presents the assets measure at fair value on a recurring basis, except those measured at cost as identified below, at December 31, 2018:

	Level 1	Level 2	Level 3	Total
<b>Investments by fair value level</b>				
<b>Pooled Investments</b>				
U.S. Government and Agency Securities	\$ 88,382,929	\$ -	\$ -	\$ 88,382,929
Money Market Mutual Funds	53,729,238	-	-	53,729,238
Certificate of Deposit	9,112,752	-	-	9,112,752
Corporate Bonds	-	42,161,079	-	42,161,079
Municipal Bonds	-	484,358	-	484,358
Corporate Commercial Paper	-	10,896,940	-	10,896,940
Total Pooled Investments	<u>\$ 151,224,917</u>	<u>\$ 53,542,377</u>	<u>\$ -</u>	<u>\$ 204,767,294</u>
<b>Pension Investments</b>				
Bond Mutual Funds	\$ -	\$ 29,841,694	\$ -	\$ 29,841,694
Equity Mutual Funds	-	89,771,372	-	89,771,372
Total Pension Investments	<u>\$ -</u>	<u>\$ 99,613,065</u>	<u>\$ -</u>	<u>\$ 99,613,065</u>

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

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

**B. RECEIVABLES**

Loans receivable as of December 31, 2018 were:

	Interest Rate	Maturity Date	Amount
Community Development	0%	Non-Repayment	\$ 81,461
Neighborhood Revitalization Initiative (NRI)	3%	2/1/2020	2,565
Neighborhood Revitalization Initiative (NRI)	0%	Due Upon Sale	10,500
HUD HOME	3%	11/1/2019	2,088
HUD HOME	0%	Non-Repayment	1,831,724
HUD HOME	0%	Due Upon Sale	460,000
Total loans receivable			<u>\$ 2,188,337</u>

The NRI loans and HUD HOME (Home Investment Partnership Program) loans are made to encourage investment in housing as a way to stabilize and strengthen Fargo's neighborhoods. Loans are made for renovation of homes already owned, for assistance with buying and renovating a home, and for assistance with low-income housing and other housing-related issues. The HOME loans are funded by the Department of Housing and Urban Development, while the NRI loans are funded by the City.

Of the above loans, \$1,713,185 is considered in non-repayment status. These loans are forgiven upon certain criteria being met, usually relating to maintaining ownership for a certain number of years. However, if the given criteria are not met, payment is required.

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

**C. TAX ABATEMENTS**

Per GASB Statement No. 77, a tax abatement is defined as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to tax a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

As of December 31, 2018, the City of Fargo provided tax abatements in the form of property tax exemptions for certain new residential properties, improvements made to existing commercial and residential buildings, new and expanding businesses, tax increment financing, properties in the Renaissance Zone, and daycare facilities.

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

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

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

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

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

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

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

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

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

**D. CAPITAL ASSETS**

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 76,969,056	\$ 5,383,493	\$ -	\$ 82,352,549
Right of Way	9,215,065	759,262	-	9,974,327
Construction in progress	43,280,891	6,572,440	43,280,891	6,572,440
Total capital assets, not being depreciated	129,465,012	12,715,195	43,280,891	98,899,316
Capital assets, being depreciated				
Buildings	82,637,279	45,785,124	823,353	127,599,050
Improvements other than buildings	1,195,284	1,505,142	70,399	2,630,027
Machinery and equipment	57,758,329	7,926,022	2,492,307	63,190,044
Infrastructure	396,487,630	54,187,226	33,562,248	417,112,608
Flood control	42,029,294	1,693,965	-	43,723,259
Total capital assets being depreciated	580,105,816	111,097,479	36,948,307	654,254,988
Less accumulated depreciation for:				
Buildings	34,518,820	2,632,162	771,034	36,379,948
Improvements other than buildings	584,392	108,089	31,679	660,802
Machinery and equipment	42,327,148	4,437,110	2,049,136	44,715,122
Infrastructure	152,910,962	10,373,640	2,348,274	160,936,328
Flood control	1,914,493	426,862	-	2,341,355
Total accumulated depreciation	232,255,815	17,977,863	5,200,123	245,033,555
Total capital assets, being depreciated, net	347,850,001	93,119,616	31,748,184	409,221,433
Governmental activities capital assets, net	<u>\$ 477,315,013</u>	<u>\$ 105,834,811</u>	<u>\$ 75,029,075</u>	<u>\$ 508,120,749</u>

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

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

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

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

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

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

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

## E. COMMITMENTS

### Construction

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

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

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

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

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

Cells 1 through 14 are presently fully constructed and mostly filled. Cells 15 through 18 are fully constructed and partially filled. Based upon design capacity, the facility is 53.96% full (acres), and based upon present utilization rates; the remaining capacity is estimated at 21.93 years. The estimated liability for landfill closure and post closure care is \$5,273,153 as of December 31, 2018. Per the City's solid waste permit (SW-260), the City is allowed a maximum of 80 acres of open landfill area at any one time and is required to calculate closure cost based on having 80 acres of landfill to close. The estimated total current cost of landfill closure and post closure care is based upon the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of December 31, 2018. However, actual costs may be higher due to inflation, changes in technology, or landfill regulations.

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

## F. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

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

At December 31, 2018, the inter-fund advance balances are:

	Funds Advanced	Amount Repaid To-Date	Advance Balance December 31, 2018
General fund	\$ 2,298,802	\$ 1,264,105	\$ 1,034,697
Solid waste fund	1,200,000	1,148,770	53,230
Subtotal baseball advances	\$ 3,498,802	\$ 2,410,875	\$ 1,087,927
General fund - parking authority debt defeasance advance	\$ 765,000	\$ 465,000	\$ 300,000
Water - Parking Authority Civic Center Ramp advance	\$ 450,000	\$ -	\$ 450,000
Water - Civic Center HVAC Retrofit advance	390,000	-	390,000
Subtotal Water advances	\$ 840,000	\$ -	\$ 840,000
Wastewater - Solid Waste equipment advance	\$ 518,000	\$ 100,538	\$ 417,462
Wastewater - Civic Center HVAC Retrofit advance	390,000	-	390,000
Subtotal Wastewater advance	\$ 908,000	\$ 100,538	\$ 807,462
Total advances	\$ 6,011,802	\$ 2,976,413	\$ 3,035,389

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

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

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

The Civic Center HVAC retrofit advance will be repaid to the Water and Wastewater funds over a five year period with future general fund budget appropriations transfers.

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

**Interfund Transfers:**

	Transfer In:							
	Major Funds				Nonmajor Funds			Total
	General	Debt Service	Capital Projects	WasteWater	Airport	Governmental	Enterprise	
Transfer Out:								
Major Funds:								
General	\$ -	\$ 2,368,043	\$ 3,809,838	\$ -	\$ -	\$ 69,000	\$ -	\$ 6,064,881
Debt Service	1,450,000	-	6,226,694	-	-	-	-	7,676,694
Capital Projects	29,872	1,434,301	-	15,000	-	-	-	1,479,173
Airport	50,000	-	-	-	-	-	-	50,000
Water	4,760,616	-	79,777,913	-	-	-	-	84,538,529
Wastewater	2,436,300	-	3,468,945	-	-	-	300,000	6,225,245
Storm Sewer	992,000	-	446,718	877,986	-	-	-	2,016,704
Solid Waste	3,033,812	-	661,100	-	-	-	-	3,694,912
FargoDome	50,000	-	-	-	-	-	-	50,000
Nonmajor Funds:								
Governmental	-	738,812	524,000	-	-	39,091	-	1,299,903
Enterprise	921,000	-	23,289	-	-	-	-	944,289
Total	\$ 13,440,600	\$ 4,557,156	\$ 94,760,495	\$ 892,986	\$ -	\$ 108,091	\$ 300,000	\$ 114,059,330

Transfers are made for funding various projects, meeting debt service requirements, and for capital infrastructure. Interest earned on Debt fund residuals and reported as revenue in the Debt fund is periodically transferred to the General Fund.

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

**G. LEASES**

**Operating Leases**

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

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

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

**Capital Leases**

The City is obligated to the following capital lease agreements:

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

The assets acquired through the capital leases are as follows:

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

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

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

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

**Site and Facility Lease**

*Site Lease*

The City of Fargo executed a long-term lease agreement with North Dakota State University (NDSU) for the FargoDome site. NDSU is leasing the FargoDome site to the City, and is in turn leasing forty days use of the facility from the City. The site lease agreement, which runs from January 1990 to December 2089, requires payments of base rent of \$1 per year.

*Facility Lease*

The FargoDome executed a three-year lease with North Dakota State University as of July 1, 2017. The lease addresses use of its facility and advertising revenue sharing. The lease allows NDSU a maximum of fifty days per lease year to rent the FargoDome at an annual rental rate paid over ten months. Rental income amounts to \$165,000 and \$165,126 in 2018 and 2017, respectively.

*Locker Room Rental Agreement*

An additional lease agreement was entered into with North Dakota State University for the use of approximately 23,461 square feet of its upstairs mezzanine level and lower level locker rooms. The agreement provides for annual rent of \$57,500 due August 1 of each year. In addition to the rent, North Dakota State University will pay annual fixed expenses of \$3,000 for the generator and building depreciation, as well as the variable costs associated with electrical usage and generator operating costs. The original lease expired in 2016, however it was renewed via an auto-renew clause for an additional 10 year period. The lease may be renewed for an additional period of another 10 years unless North Dakota State University gives the FargoDome Authority six months in advance at the end of any 10-year term their intent to not renew the lease. The annual rent will be increased 5% every ten years during the term of the lease. Rental income amounted to \$77,092 and \$76,272 in 2018 and 2017, respectively.

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

The asset leased to NDSU is as follows:

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

**Baseball Stadium Lease**

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

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

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

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

The leased asset is as follows:

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

**Lease of Rights to Sewer System**

The City of Fargo completed installation of a sewer line to a point of connection with the corporate city limits of the City of Oxbow, and as lessor, has leased the rights of the sewer system to the City of Oxbow.

The City of Oxbow, as lessee, has leased the sewer system until 2027 with the lease agreement expiring at this time.

The future minimum lease payments for this lease are as follows:

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

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

**H. LONG-TERM DEBT**

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

	Balance 1/1/2018	Additions	Deletions	Transfers	Balance 12/31/2018	Due within one year
<b>GOVERNMENTAL ACTIVITIES</b>						
Improvement bonds	\$ 409,335,000	\$ 42,965,000	\$ 34,245,000	\$ -	\$ 418,055,000	\$ 17,435,000
General obligation bonds	36,980,000	-	1,465,000	-	35,515,000	1,520,000
Sales tax revenue bonds	72,609,000	-	3,394,000	-	69,215,000	3,519,000
Taxable annual appropriation bonds	-	17,315,000	-	-	17,315,000	-
Total Bonds Payable	518,924,000	60,280,000	39,104,000	-	540,100,000	22,474,000
State revolving fund notes	119,916,997	11,964,865	4,242,409	(73,154,453)	54,485,000	4,445,000
Direct bank loan	54,585,000	-	575,000	-	54,010,000	54,010,000
BND Infrastructure Loan	-	4,363,596	-	-	4,363,596	100,000
Tax increment revenue notes	5,225,896	588,799	412,691	-	5,401,804	-
Total Notes Payable	179,727,693	16,917,260	5,230,100	(73,154,453)	118,260,400	58,555,000
Capital leases	221,267	39,332	85,081	-	174,518	151,537
Total Debt	698,872,990	77,235,592	44,419,181	(73,154,453)	658,534,918	81,180,537
Accumulated unpaid vacation	3,863,775	4,074,211	3,863,775	-	4,074,211	4,074,211
Unamortized premium on refunding	31,341,672	1,085,502	1,837,667	-	30,589,507	1,851,934
Net pension liability	74,750,041	24,896,996	6,397,409	-	91,049,630	-
Net OPEB liability	-	2,008,643	280,975	-	1,727,668	-
<b>TOTAL</b>	<b>\$ 808,828,448</b>	<b>\$ 109,100,946</b>	<b>\$ 58,799,007</b>	<b>\$ (73,154,453)</b>	<b>\$ 785,975,934</b>	<b>\$ 87,106,682</b>
<b>BUSINESS-TYPE ACTIVITIES</b>						
Revenue bonds	\$ 2,993,632	\$ -	\$ 280,889	\$ -	\$ 2,712,743	\$ 283,812
Annual appropriation bonds	7,735,000	-	885,000	-	7,050,000	700,000
Total Bonds Payable	10,728,632	-	965,889	-	9,762,743	983,812
State revolving fund notes	-	24,233,367	595,302	73,154,453	97,387,820	1,000,000
Direct bank loan	3,309,253	-	595,302	-	2,713,951	599,928
Total Notes Payable	3,309,253	24,233,367	595,302	73,154,453	100,101,771	1,599,928
Capital leases	1,550,898	935,755	848,255	-	1,638,398	751,892
Special assessments	12,889,133	1,991,039	484,227	-	14,215,945	707,151
Landfill closure/postclosure	5,248,668	24,485	-	-	5,273,153	-
Accumulated unpaid vacation	920,884	1,028,268	920,864	-	1,028,288	1,028,288
Net pension liability	14,922,337	4,829,503	1,489,261	-	18,082,579	-
Net OPEB liability	-	707,880	98,721	-	608,959	-
<b>TOTAL</b>	<b>\$ 49,369,785</b>	<b>\$ 33,550,097</b>	<b>\$ 5,362,519</b>	<b>\$ 73,154,453</b>	<b>\$ 150,711,816</b>	<b>\$ 5,071,051</b>

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

Net pension liability was recorded at December 31, 2018 due to the implementation of GASB Statement No. 68 Accounting and Financial Reporting for Pensions and GASB Statement No. 71 Pension Transition for Contributions Made Subsequent to the Measurement Date. The General Fund has typically been used in prior years to liquidate the bulk of the net pension liability.

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

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

**BONDS PAYABLE**

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

	Original Interest Rates	Original Issue Amounts	Balance Remaining
<b>GOVERNMENTAL ACTIVITIES</b>			
Improvement bonds			
(Special assessment debt)	2.00 - 5.00%	\$ 509,805,000	\$ 418,055,000
General obligation bonds	1.00 - 5.00%	38,745,000	35,515,000
Sales tax revenue bonds	2.00 - 5.00%	83,887,000	69,215,000
Taxable annual appropriation bonds	3.30 - 4.47%	17,315,000	17,315,000
<b>TOTAL</b>		<b>\$ 649,752,000</b>	<b>\$ 540,100,000</b>
<b>BUSINESS-TYPE ACTIVITIES</b>			
Clean renewable energy bond	0.85%	\$ 1,500,000	\$ 300,000
Qualified Energy Conservation Bond	4.85%	2,875,000	2,412,743
Annual Appropriation	1.75 - 3.85%	7,810,000	7,050,000
<b>TOTAL</b>		<b>\$ 12,185,000</b>	<b>\$ 9,762,743</b>

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

Revenue bonds payable at December 31, 2018, consist of two issues backed and serviced by sales tax and two issues backed and serviced by Solid Waste utility revenues.

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

**PLEDGED REVENUES**

The City has pledged future sales tax revenues, net of specified operating expenses, to repay \$83.887 million in sales tax revenue bonds issued in 2013 and 2014. Proceeds from the bonds were used to finance the construction and installation of flood mitigation projects. Principal and interest paid for the current year was \$6,296,050. Net sales tax revenue totaled \$7,555,260 for the year.

The City has pledged future general fund appropriations to repay \$2.875 million in development bonds issued in 2009. Proceeds from the bond were used to finance the capital and equipment costs related to the construction of a new fire station in southwest Fargo. Principal and interest paid for the current year was \$187,013. Net general fund appropriations totaled \$187,013 for the year.

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

The City has pledged future landfill tipping fee revenue to repay \$2.875 million in qualified energy conservation taxable revenue bonds. Proceeds from the bond were used to finance the acquisition, installation and construction of equipment and facilities for the conversion of landfill gas to compressed natural gas. Principal and interest paid for the current year was \$302,294. Net landfill tipping fee revenue totaled \$8,781,299 for the year.

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

Sales Tax			
Year	Principal	Interest	Total
2019	\$ 3,519,000	\$ 2,774,065	\$ 6,293,065
2020	3,657,000	2,637,515	6,294,515
2021	3,813,000	2,483,790	6,296,790
2022	3,982,000	2,311,915	6,293,915
2023	4,161,000	2,132,265	6,293,265
2024-2028	23,709,000	7,761,720	31,470,720
2029-2033	26,374,000	2,519,280	28,893,280
<b>Totals</b>	<b>\$ 69,215,000</b>	<b>\$ 22,820,550</b>	<b>\$ 91,835,550</b>

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

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

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

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

The City of Fargo is subject to the North Dakota Century Code, which limits the amount of general obligation indebtedness (exclusive of revenue-producing utility debt, special assessment debt, tax increment debt, and Housing Authority debt) that the City may have outstanding to 5% of assessed valuation. On December 31, 2018, the statutory limit for the City was \$292,873,748 providing a debt margin of \$237,564,491. This calculation can be found in the statistical section of this report.

**NOTES PAYABLE**

The City has obtained financing from the State of North Dakota's State Revolving Loan Fund (SRLF) to finance expansion of the wastewater treatment facility, water treatment plant, sewer hook-up for Reile's Acres and Oxbow, storm sewer system, 45<sup>th</sup> street corridor interceptor project, north side sewer service facility project, transmission lines south side system project, a water tower project, clarifier improvements to the wastewater system, and a wastewater stabilization pond project.

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

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

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

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

Details relative to the outstanding notes payable are shown below:

TYPE AND ISSUE	FINAL MATURITY DATE	INTEREST RATES	ORIGINAL ISSUE	PRINCIPAL OUTSTANDING 12/31/18
<b>GOVERNMENTAL ACTIVITIES</b>				
SRLF Storm Sewer Project	9/1/2020	2.50%	\$ 1,816,295	\$ 220,000
SRLF Water Tower	9/1/2027	2.50%	2,270,000	1,345,000
SRLF North Side Sewer Service Facility Plan	9/1/2028	2.50%	1,630,000	1,010,000
SRLF 45th Street Corridor Interceptor System	9/1/2029	2.50%	63,725,000	42,260,000
SRLF Transmission Lines South Side System	9/1/2029	2.82%	14,110,422	6,435,000
SRLF Wastewater Clarifier Improvements	9/1/2029	0.50%	698,374	455,000
SRLF Wastewater Stabilization Ponds	9/1/2030	2.50%	4,071,140	2,760,000
TIF Revenue Notes	5/1/2038	5.00 - 6.00%	7,106,853	5,401,804
Direct Bank Loan - Fargo Cass Public Health Expansion and Relocation	5/1/2019	2.42% *	6,000,000	3,760,000
Project and Red River Regional Dispatch Center Project	7/31/2019	2.55% *	100,000,000	50,250,000
Direct Bank Loan - FM Diversion Project	5/1/2044	2.00%	15,000,000	4,363,596
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>			<b>\$ 216,429,084</b>	<b>\$ 118,260,400</b>
<b>BUSINESS-TYPE ACTIVITIES</b>				
SRLF Wastewater Construction Loan	9/1/2052	1.50%	\$ 126,500,000	\$ 1,545,675
SRLF Wastewater Engineering Loan	9/1/2052	1.50%	20,228,000	2,992,305
SRLF Water Treatment Plant	9/1/2048	1.50%	98,000,000	82,849,840
Direct Bank Loan - Baling Facility	12/1/2024	3.90% *	3,000,000	1,800,000
Direct Bank Loan - Wastewater and Solid Waste Equipment	7/15/2021	1.57%	1,500,000	913,951
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>			<b>\$ 249,228,000</b>	<b>\$ 100,101,771</b>
<b>TOTAL NOTES PAYABLE</b>			<b>\$ 465,658,084</b>	<b>\$ 218,362,171</b>

\* Variable rate note. Rate reported is as of December 31, 2018.

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

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

**GOVERNMENTAL ACTIVITIES**

	Special Assessment Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2019	\$ 17,435,000	\$ 15,864,846	\$ 1,520,000	\$ 1,186,120
2020	18,745,000	14,789,286	1,590,000	1,127,090
2021	18,960,000	13,779,587	1,655,000	1,063,965
2022	19,070,000	13,044,643	1,715,000	997,630
2023	20,610,000	12,563,855	1,780,000	927,301
2024-2028	107,505,000	50,579,510	10,055,000	3,522,400
2029-2033	93,710,000	31,596,533	10,775,000	2,020,373
2034-2038	81,030,000	15,201,973	6,425,000	385,800
2039-2043	40,650,000	2,727,717	-	-
2044	340,000	6,163	-	-
	<u>\$ 418,055,000</u>	<u>\$ 170,154,113</u>	<u>\$ 35,515,000</u>	<u>\$ 11,230,679</u>
	Sales Tax Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2019	\$ 3,519,000	\$ 2,774,065	\$ 58,555,000	\$ 2,148,267
2020	3,657,000	2,637,515	4,680,310	1,363,020
2021	3,813,000	2,483,790	4,698,613	1,241,760
2022	3,982,000	2,311,915	4,816,294	1,122,933
2023	4,161,000	2,132,265	6,020,524	1,001,100
2024-2028	23,709,000	7,761,720	27,438,892	3,062,733
2029-2033	26,374,000	2,519,280	9,298,684	416,717
2034-2038	-	-	1,526,609	180,046
2039-2043	-	-	1,010,883	83,812
2044	-	-	214,591	4,347
	<u>\$ 69,215,000</u>	<u>\$ 22,620,550</u>	<u>\$ 118,260,400</u>	<u>\$ 10,624,735</u>
	Taxable Annual Appropriation Bond			
	Principal	Interest		
2019	\$ -	\$ 840,498		
2020	-	729,107		
2021	445,000	721,764		
2022	460,000	706,602		
2023	475,000	690,445		
2024-2028	2,650,000	3,169,931		
2029-2033	3,225,000	2,580,091		
2034-2038	4,000,000	1,806,705		
2039-2043	4,935,000	822,368		
2044	1,125,000	25,143		
	<u>\$ 17,315,000</u>	<u>\$ 12,092,654</u>		

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

**BUSINESS-TYPE ACTIVITIES**

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

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

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

TYPE AND ISSUE	PURPOSE	ISSUE DATE	FINAL MATURITY DATE	INTEREST RATES	ORIGINAL ISSUE	PRINCIPAL OUTSTANDING 12/31/18
<b>GOVERNMENTAL ACTIVITIES</b>						
<b>SPECIAL ASSESSMENT BONDS</b>						
2014 Series D Refunding	Advance refunding of 2005 Series A	6/25/2014	5/1/2030	2.00 - 5.00	\$ 12,840,000	\$ 10,840,000
2009 Series A Refunding	Current refunding of 2001 Series A and B	4/30/2009	5/1/2019	2.50-4.00	13,180,000	1,325,000
2014 Series E Refunding	Current refunding of 2010 Series B	8/4/2014	5/1/2035	2.00 - 5.00	19,440,000	16,725,000
2010 Series C Refunding	Crossover refunding of 2002 Series A	5/25/2010	5/1/2027	3.00-5.00	8,250,000	5,485,000
2011 Series A	Infrastructure system construction	5/15/2011	5/1/2036	2.00-5.00	16,180,000	15,675,000
2011 Series C	Infrastructure system construction	12/15/2011	5/1/2037	2.00-4.00	20,865,000	17,765,000
2011 Series E Refunding	Crossover refunding of 2003 Series A	12/15/2011	5/1/2028	2.00-3.25	9,515,000	8,510,000
2012 Series A Refunding	Crossover refunding of Series 2003D, 2004C, and 2004E	4/26/2012	5/1/2029	3.00-4.30	34,180,000	24,785,000
2013 Series C	Infrastructure system construction	6/12/2013	5/1/2039	2.00 - 4.80	15,705,000	13,585,000
2014 Series D	Infrastructure system construction	6/25/2014	5/1/2039	2.00 - 6.00	39,790,000	35,485,000
2014 Series F	Infrastructure system construction	12/22/2014	5/1/2039	2.00 - 5.00	40,445,000	36,990,000
2014 Series G	Infrastructure system construction	12/22/2014	5/1/2039	2.00 - 4.25	8,355,000	7,525,000
2015 Series A Refunding	Crossover refunding of Series 2008B and 2007B	2/25/2015	5/1/2031	2.00 - 5.00	16,250,000	16,780,000
2015 Series B Refunding	Crossover refunding of Series 2008E	9/30/2015	5/1/2033	2.50 - 3.30	15,325,000	15,325,000
2015 Series D	Infrastructure system construction	11/18/2015	5/1/2041	3.00 - 5.00	34,675,000	32,865,000
2016 Series B Refunding	Crossover refunding of Series 2009C	6/6/2016	5/1/2034	2.00 - 5.00	27,485,000	26,785,000
2016 Series C	Infrastructure system construction	11/7/2016	5/1/2042	2.00 - 5.00	41,745,000	40,865,000
2017 Series C	Infrastructure system construction	6/17/2017	5/1/2043	2.00 - 5.00	36,525,000	36,525,000
2017 Series D	Crossover refunding of Series 2013C	6/17/2017	5/1/2039	3.00 - 5.00	11,340,000	11,340,000
2018 Series D	Infrastructure system construction	7/24/2018	5/1/2044	2.70 - 5.00	42,965,000	42,965,000
					<u>\$ 509,805,000</u>	<u>\$ 418,055,000</u>
<b>GENERAL OBLIGATION BONDS</b>						
2009 Series B	Fire station and fire truck	10/15/2009	5/1/2029	2.00 - 4.00	\$ 2,875,000	\$ 1,785,000
2015 Series E	Roberts Commons Parking Ramp	12/7/2015	12/1/2035	1.00 - 3.85	10,230,000	6,365,000
2016 Series A	City Hall building	6/14/2016	7/1/2036	2.00 - 5.00	25,840,000	24,360,000
					<u>\$ 38,745,000</u>	<u>\$ 35,510,000</u>
<b>SALES TAX INFRASTRUCTURE BONDS</b>						
2013 Series A	Flood mitigation projects	3/27/2013	6/1/2033	3.00 - 4.00	\$ 51,375,000	\$ 41,940,000
2014 Series B	Flood mitigation projects	4/22/2014	6/1/2032	2.00 - 5.00	32,212,000	27,275,000
					<u>\$ 83,687,000</u>	<u>\$ 69,215,000</u>
<b>TAXABLE ANNUAL APPROPRIATION BONDS</b>						
2018 Series E	Block Nine project	8/6/2018	5/1/2044	3.30 - 4.47	\$ 17,315,000	\$ 17,315,000
					<u>\$ 17,315,000</u>	<u>\$ 17,315,000</u>
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>					<u>\$ 649,752,000</u>	<u>\$ 540,100,000</u>

TYPE AND ISSUE	PURPOSE	ISSUE DATE	FINAL MATURITY DATE	INTEREST RATES	ORIGINAL ISSUE	PRINCIPAL OUTSTANDING 12/31/18
<b>BUSINESS-TYPE ACTIVITIES</b>						
<b>SOLID WASTE FUND</b>						
Clean Renewable Energy Bond	Improvements to Landfill Gas Collection System	11/5/2007	12/1/2021	0.85	\$ 1,500,000	\$ 300,000
Qualified Energy Conservation Bond	Conversion of landfill gas to compressed natural gas for use in landfill generator	9/30/2015	5/1/2030	4.85	2,875,000	2,412,743
					<u>\$ 4,375,000</u>	<u>\$ 2,712,743</u>
<b>FARGODOME BUILDING FUND</b>						
Annual Appropriation Bonds of 2017	Fargodome video board upgrade	2/9/2017	11/1/2027	1.75 - 3.85	\$ 7,810,000	\$ 7,050,000
<b>TOTAL BUSINESS-TYPE ACTIVITIES</b>					<u>\$ 12,185,000</u>	<u>\$ 9,762,743</u>
<b>TOTAL BONDED INDEBTEDNESS</b>					<u>\$ 661,937,000</u>	<u>\$ 549,862,743</u>

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

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

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

	Deferred Inflows of Resources Unavailable	Liabilities Unearned	Total
Delinquent property taxes receivable	\$ 364,709	\$ -	\$ 364,709
Special assessments receivable	406,627,738	-	406,627,738
Grant resources held and grant items receivable	340,401	215,569	555,970
Loans/contracts/accounts receivable	3,536,699	1,744,479	5,281,378
Total unavailable revenue for governmental funds	<u>\$ 410,869,747</u>	<u>\$ 1,960,048</u>	<u>\$ 412,829,795</u>

**J. CONDUIT DEBT OBLIGATIONS**

From time to time, the City has approved issuance of Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2018, the number of Industrial Revenue Bonds outstanding and the aggregate principal amount payable is unknown. Neither the State of North Dakota nor the City of Fargo has a central repository. The only requirement for this type of issue is to request the amount needed for City approval, most times this amount is in excess of the actual amount issued. When completely paid or called they must notify the City of this event.

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

**K. FUND BALANCES**

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

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

**5. OTHER NOTES**

**A. RISK MANAGEMENT**

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

**INSURED RISKS**

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

**B. PENSION PLANS**

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

**Summary of Significant Accounting Policies**

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

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

## Plan Description, Contribution and Reserves Information

### Employees' Pension Plan

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

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

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

Number of participating employers: 2

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

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

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

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

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

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

**Contributions.** Participating employees contribute to the plan at a rate of 6.5% of salary and the employers contribute at a rate of 8.0% of regular salary for all employees. The

contribution rates are established by local ordinance, and the employer's contribution rate is set by the City Commission. Costs of administering the plan are financed by the employer and employee contributions, and by the Plan's investment earnings.

### Actuarial Methods and Assumptions

The City's net pension liability was measured as of December 31, 2018, and the total pension liability was used to calculate the net pension liability was determined by an actuarial valuation.

The total pension liability in the actuarial valuation was determined using the following actuarial assumptions.

Significant Assumptions and Methods Used to Measure the Total Pension Liability

Discount rate	7.25%
Expected return on plan assets	7.25%
Inflation rate	2.50%
Actuarial cost method	Entry age normal in accordance with the requirements of GASB 67/68
Asset valuation method	Market value of assets
Mortality	Base RP-2014 no-collar table adjusted to 2006. Generational projection using scale MP-2017 was applied to these base rates after 2006.

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

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

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

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

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

1 Nominal rates of return are equal to real rates of return plus the assumed inflation rate.

2 Portfolio total expected return is weighted average of arithmetic asset class returns, with adjustment to reflect geometric averages. It is not equal to the weighted average of the asset class geometric returns shown above.

3 Investment expense reduction assumes 0.4% investment expense and 0.1% margin for adverse deviation.

**Schedule of Changes in Net Pension Liability**

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

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

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate				
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability	City of Fargo Proportionate Share of the Net Pension Liability
1% Decrease in Discount Rate (6.25%)	\$ 65,314,849	\$ 44,439,112	\$ 20,875,737	\$ 18,339,335
Current Discount Rate (7.25%)	59,131,377	44,439,112	14,692,265	12,907,155
1% Increase in Discount Rate (8.25%)	53,864,038	44,439,112	9,424,926	8,278,797

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

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

For the year ended December 31, 2018, the City recognized pension expense of \$1,308,962. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflows	Inflows
<b>Summary of Deferred Outflows (Inflows)</b>		
Difference between expected and actual experience	\$ 332,980	\$ 75,950
Change of assumptions and methods	44,517	714,276
Net difference between projected and actual investment earnings	3,066,408	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	43,361	149,666
Total	\$ 3,487,266	\$ 939,892

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

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

**Reserves** The net position at December 31, 2018 is \$44,439,112 and the entire amount is reserved for employee pension benefits.

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

### North Dakota Public Employee Retirement System Pension Plan

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

#### Summary of Significant Accounting Policies

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

#### General Information about the Pension Plan

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

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

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

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

#### Pension Benefits

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

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

#### Death and Disability Benefits

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

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

#### Refunds of Member Account Balance

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

#### Member and Employer Contributions

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

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

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

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

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

At December 31, 2018, the City reported a liability of \$53,264,757 for its proportionate share of the net pension liability. The net pension liability was measured as of 6/30/2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At 6/30/2018, the Employer's proportion was 3.156226 percent.

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

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

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

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

<b>Year ended June 30:</b>	
2019	\$ 6,350,294
2020	5,639,038
2021	4,713,471
2022	2,738,587
2023	307,567
Thereafter	0
Total	\$19,748,957

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

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

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

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

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

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

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

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.62%; and the resulting Single Discount Rate is 6.32%.

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

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

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

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

#### **Police Pension Plan**

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

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

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

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

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

Number of participating employers: 1

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

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

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

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

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

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

#### **Actuarial Methods and Assumptions**

The City's net pension liability was measured as of December 31, 2018, and the total pension liability was used to calculate the net pension liability was determined by an actuarial valuation.

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

The total pension liability in the actuarial valuation was determined using the following actuarial assumptions.

Significant Assumptions and Methods Used to Measure the Total Pension Liability

Discount rate	7.25%
Expected return on plan assets	7.25%
Inflation rate	2.50%
Actuarial cost method	Entry age normal in accordance with the requirements of GASB 67/68
Asset valuation method	Market value of assets
Mortality	Base RP-2014 no-collar table adjusted to 2006. Generational projection using scale MP-2017 was applied to these base rates after 2006.

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

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

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

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

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

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

Schedule of Changes in Net Pension Liability

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

Changes in Net Pension Liability			
	Total Pension Liability (a)	Increase (Decrease) Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at 1/1/2018	\$ 75,095,345	\$ 58,589,678	\$ 16,505,667
Changes for the year:			
Service cost	2,188,283	-	2,188,283
Interest	5,454,684	-	5,454,684
Differences between expected and actual experience	(390,727)	-	(390,727)
Changes of assumptions	(179,362)	-	(179,362)
Contributions - City and Pension Stability Fund	-	2,996,110	(2,996,110)
Contributions - member	-	1,264,771	(1,264,771)
Net investment income	-	(2,881,346)	2,881,346
Benefit payments, including refund of member contributions	(4,093,222)	(4,093,222)	-
Administrative expense	-	(39,278)	39,278
Net changes	2,979,656	(2,752,963)	5,732,619
Balance at 12/31/2018 Measurement Date	\$ 78,075,001	\$ 55,836,715	\$ 22,238,286

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
1% Decrease in Discount Rate (6.25%)	\$ 88,084,960	\$ 55,836,715	\$ 32,248,245
Current Discount Rate (7.25%)	78,075,001	55,836,715	22,238,286
1% Increase in Discount Rate (8.25%)	69,751,378	55,836,715	13,914,663

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

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

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

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

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

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

**Reserves** The net position at December 31, 2018 is \$55,836,715 and the entire amount is reserved for employee pension benefits.

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

**Fargo Firefighters' Relief Association Retirement Plan**

**Plan Description** The Fargo Firefighters' Relief Association Retirement Plan is a single employer public employee retirement system governed by Section 18-11 of the North Dakota State Century Code. The Association is organized, operated, and maintained in accordance with its own articles of incorporation and by-laws. The plan is not integrated with social security and has elected to make employee contributions on a pre-tax basis as of January 1, 1996

All full time firefighters are required to enroll in the plan.

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

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

Number of participating employers: 1

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

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

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

**Plan Administration** Management of the plan consists of a 7 member Board of Trustees, with a President, Vice-President, Secretary-Treasurer, and four (4) Trustees-at-large. One of the Trustees can be the Chief of the Fargo Fire Department. At each annual meeting of

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

the Association, Trustees shall be elected by the voting membership for a term of two (2) years each to succeed those Trustees whose terms are expiring.

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

**Actuarial Methods and Assumptions**

The City's net pension liability was measured as of December 31, 2018, and the total pension liability was used to calculate the net pension liability was determined by an actuarial valuation.

The total pension liability in the actuarial valuation was determined using the following actuarial assumptions.

**Significant Assumptions and Methods Used to Measure the Total Pension Liability**

Discount rate	7.25%
Expected return on plan assets	7.25%
Inflation rate	2.50%
Actuarial cost method	Entry age normal in accordance with the requirements of GASB 67/68
Asset valuation method	Market value of assets
Mortality	Base RP-2014 no-collar table adjusted to 2006. Generational projection using scale MP-2017 was applied to these base rates after 2006.

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

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

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

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

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

<sup>1</sup> Nominal rates of return are equal to real rates of return plus the assumed inflation rate.

<sup>2</sup> Portfolio total expected return is weighted average of arithmetic asset class returns, with adjustment to reflect geometric averages. It is not equal to the weighted average of the asset class geometric returns shown above.

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

Schedule of Changes in Net Pension Liability

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

Changes in Net Pension Liability			
	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at 1/1/2018	\$ 49,218,214	\$ 31,780,516	\$ 17,437,698
Changes for the year:			
Service cost	1,139,344	-	1,139,344
Interest	3,552,233	-	3,552,233
Differences between expected and actual experience	244,951	-	244,951
Changes of assumptions	(46,847)	-	(46,847)
Contributions - City and Pension Stability Fund	-	2,486,861	(2,486,861)
Contributions - member	-	625,550	(625,550)
Net investment income	-	(1,646,760)	1,646,760
Benefit payments, including refund of member contributions	(2,722,482)	(2,722,482)	-
Administrative expense	-	(60,285)	60,285
Net changes	2,167,199	(1,117,118)	3,284,315
Balance at 12/31/2018 Measurement Date	\$ 51,385,413	\$ 30,663,400	\$ 20,722,013

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
1% Decrease in Discount Rate (6.25%)	\$ 58,076,428	\$ 30,663,400	\$ 27,413,028
Current Discount Rate (7.25%)	51,385,413	30,663,400	20,722,013
1% Increase in Discount Rate (8.25%)	45,818,312	30,663,400	15,154,912

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

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

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

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

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

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

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

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

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

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

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

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

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

### Related Party Investments

During 2018 and as of December 31, 2018 the pension plans (City Employees', Police and Firefighters Relief Association) held no securities issued by the City of Fargo or other related parties.

## C. POST-EMPLOYMENT HEALTH CARE BENEFITS (OPEB)

### Summary of Significant Accounting Policies

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

### General Information about the OPEB Plan

#### North Dakota Public Employees Retirement System

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

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

### OPEB Benefits

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

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

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

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

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

At 12/31/2018 the Employer reported a liability of \$2,336,627 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of 06/30/2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At 06/30/2018, the Employer's proportion was 2.966889 percent.

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

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

\$15,838 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended 12/31/2019.

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

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

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

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

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

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2017 are summarized in the following table:

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

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

**Discount rate.** The discount rate used to measure the total OPEB liability was 7.5%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate.** The following presents the net OPEB liability of the Plans as of June 30, 2018, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net OPEB liability	\$ 2,958,392	\$ 2,336,627	\$ 1,805,327

**D. JOINT POWERS AGREEMENT**

**Regional Dispatch Center**

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

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

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

City of Fargo – 50%

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

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

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

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

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

**Metro Flood Diversion Authority**

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

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

This joint powers agreement will continue to be in full force and effect until it is terminated upon unanimous approval of the members to this Agreement. Additional information regarding the authority may be obtained by contacting: Flood Diversion Board of Authority, Box 2806, 211 Ninth Street South, Fargo, ND 58108.

**E. CONTINGENT LIABILITIES**

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

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

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

**Metro Flood Diversion Project**

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

**F. SUBSEQUENT EVENTS**

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

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

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**CITY EMPLOYEES' PENSION PLAN**

City of Fargo Employees' Pension Plan Schedule of Change in Net Pension Liability					
	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>					
Service Cost	\$ 632,671	\$ 489,907	\$ 487,483	\$ 529,173	\$ 557,997
Interest	4,113,116	4,019,115	4,000,397	4,014,233	3,946,552
Differences between expected and actual experience	74,079	409,699	232,443	(297,322)	138,298
Changes in assumptions and methods	(111,771)	(280,032)	(1,434,752)	174,274	3,112,904
Benefit payments, including refunds of member contributions	(3,353,355)	(3,216,427)	(2,803,193)	(2,644,555)	(2,404,469)
Net change in total pension liability	1,354,740	1,402,262	482,358	1,775,803	5,051,282
Total Pension Liability - beginning of year	57,976,637	56,574,375	56,092,017	54,318,214	49,264,932
Total Pension Liability - end of year (a)	\$ 59,331,377	\$ 57,976,637	\$ 56,574,375	\$ 56,092,017	\$ 54,318,214
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 2,213,651	\$ 2,035,480	\$ 1,955,478	\$ 1,946,591	\$ 1,782,708
Contributions - member	481,258	503,548	564,107	596,282	628,300
Net investment income	(2,841,329)	6,769,009	2,590,225	122,865	2,220,334
Benefit payments, including member contribution refunds	(3,353,355)	(3,216,427)	(2,803,193)	(2,644,555)	(2,404,469)
Administrative expense	(50,056)	(55,719)	(50,264)	(43,830)	(48,178)
Other changes	-	6,149	4,209	-	-
Net change in plan fiduciary net position	(3,549,831)	6,042,020	2,260,582	(22,647)	2,176,695
Plan fiduciary net position - beginning of year	47,988,943	41,946,923	39,686,361	39,709,008	37,532,313
Plan fiduciary net position - end of year (b)	\$ 44,439,112	\$ 47,988,943	\$ 41,946,923	\$ 39,686,361	\$ 39,709,008
Net Pension Liability - end of year (a) - (b)	\$ 14,892,265	\$ 9,987,694	\$ 14,627,452	\$ 16,405,656	\$ 14,609,206

City of Fargo Employees' Pension Plan Schedule of Employer Contributions					
	2018	2017	2016	2015	2014
Actuarially determined contribution (ADC)	\$ 1,745,336	\$ 2,282,115	\$ 2,324,774	\$ 1,980,838	\$ 1,569,560
Contributions in relation to the ADC	2,213,651	2,035,480	1,955,478	1,946,591	1,782,708
Contribution deficiency (excess)	\$ (468,313)	\$ 226,635	\$ 369,296	\$ 34,247	\$ (213,148)

City of Fargo Employees' Pension Plan Schedule of Investment Returns					
	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	-5.5%	16.3%	6.5%	0.3%	5.9%

City of Fargo Employees' Pension Plan Contributions and Net Pension Liability as a Percent of Payroll					
	2018	2017	2016	2015	2014
Payroll	\$ 20,993,347	\$ 21,459,747	\$ 21,788,871	\$ 22,786,780	\$ 23,051,787
Contributions as a percent of payroll	10.54%	9.49%	8.97%	8.54%	7.73%
Net pension liability as a percent of payroll	69.9%	46.5%	67.10%	72.0%	63.4%

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

City of Fargo Employees' Pension Plan Schedule of Net Pension Liability - City of Fargo's Proportionate Share					
Fiscal Year Ending	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2018	87.85%	\$ 12,907,155	\$ 18,565,983	69.52%	75.15%
2017	89.27%	\$ 8,916,014	\$ 19,132,995	46.60%	82.77%
2016	88.96%	\$ 13,158,856	\$ 19,189,598	68.57%	74.14%
2015	89.44%	\$ 14,673,219	\$ 20,056,043	73.16%	70.75%

City of Fargo Employees' Pension Plan Schedule of Employer Contributions - City of Fargo's Proportionate Share					
Fiscal Year Ending	Contractually Required Contributions	Contributions in relation to the required contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2018	\$ 1,533,328	\$ (2,012,265)	\$ (478,937)	\$ 18,565,983	10.84%
2017	\$ 2,019,399	\$ (1,809,129)	\$ 210,270	\$ 19,132,995	9.46%
2016	\$ 2,091,436	\$ (1,770,290)	\$ 321,146	\$ 19,189,598	9.23%
2015	\$ 1,771,591	\$ (1,792,333)	\$ (20,742)	\$ 20,056,043	8.94%

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

Schedule of Employer's Share of Net Pension Liability ND Public Employees Retirement System				
	As of measurement date of			
	6/30/2018	6/30/2017	6/30/2016	6/30/2015
Employer's proportion of the net pension liability	3.156226%	2.912473%	2.742572%	2.611792%
Employer's proportionate share of the net pension liability	\$ 53,264,757	\$ 46,812,999	\$ 26,729,038	\$ 17,759,740
Employer's covered payroll	\$ 32,424,454	\$ 29,731,782	\$ 27,638,652	\$ 23,267,898
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	164.27%	157.45%	96.71%	76.33%
Plan fiduciary net position as a percentage of the total pension liability	63.53%	61.98%	70.46%	77.15%

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

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

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

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

**POLICE PENSION PLAN**

City of Fargo Police Pension Plan Schedule of Change in Net Pension Liability					
	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>					
Service Cost	\$ 2,188,283	\$ 2,014,929	\$ 1,894,349	\$ 1,655,230	\$ 1,463,698
Interest	5,454,884	5,225,129	4,995,916	4,750,232	4,417,408
Differences between expected and actual experience	(390,727)	23,450	596,409	838,127	519,099
Changes in assumptions and methods	(179,362)	(284,113)	(589,315)	1,810,242	998,369
Benefit payments, including refunds of member contributions	(4,093,222)	(3,879,726)	(3,855,050)	(3,185,308)	(3,095,609)
Net change in total pension liability	2,978,656	3,099,669	3,053,309	5,668,523	4,290,965
Total Pension Liability - beginning of year	75,095,345	71,995,878	68,942,367	63,273,844	58,982,879
Total Pension Liability - end of year (a)	\$ 78,075,001	\$ 75,095,345	\$ 71,995,676	\$ 68,942,367	\$ 63,273,844
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 2,996,110	\$ 2,907,142	\$ 2,599,313	\$ 2,338,069	\$ 2,516,258
Contributions - member	1,294,771	1,181,285	1,118,749	1,052,344	997,513
Net investment income	(2,881,346)	7,898,700	3,264,282	(75,555)	2,836,103
Benefit payments, including member contribution refunds	(4,093,222)	(3,879,726)	(3,855,050)	(3,185,308)	(3,095,609)
Administrative expense	(39,274)	(36,609)	(36,889)	(35,797)	(38,021)
Other changes	-	-	28,185	-	-
Net change in plan fiduciary net position	(2,752,961)	8,068,772	3,118,600	93,753	3,016,244
Plan fiduciary net position - beginning of year	58,589,678	50,520,906	47,402,306	47,308,553	44,292,309
Plan fiduciary net position - end of year (b)	\$ 55,836,717	\$ 58,589,678	\$ 50,520,906	\$ 47,402,306	\$ 47,308,553
Net Pension Liability - end of year (a) - (b)	\$ 22,238,284	\$ 16,505,667	\$ 21,474,770	\$ 21,540,061	\$ 15,965,291
FNP as a percentage of the TPL	71.52%	78.02%	70.17%	69.76%	74.77%
Covered Payroll	\$ 12,669,718	\$ 11,604,167	\$ 10,882,568	\$ 10,312,350	\$ 10,050,543
Net Pension Liability as a Percentage of Covered Payroll	175.52%	142.24%	197.33%	208.88%	158.85%

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

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

City of Fargo Police Pension Plan Contributions and Net Pension Liability as a Percent of Payroll					
	2018	2017	2016	2015	2014
Payroll	\$ 12,669,718	\$ 11,604,167	\$ 10,882,568	\$ 10,312,350	\$ 10,050,543
Contributions as a percent of payroll	23.7%	25.1%	23.69%	22.67%	25.04%
Net pension liability as a percent of payroll	175.5%	142.2%	197.33%	208.90%	158.85%

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

**FARGO FIREFIGHTERS' RELIEF ASSOCIATION RETIREMENT PLAN**

Fargo Firefighters Pension Association Pension Plan Schedule of Change in Net Pension Liability					
	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>					
Service Cost	\$ 1,139,344	\$ 1,065,668	\$ 1,033,817	\$ 942,970	\$ 882,740
Interest	3,552,233	3,265,670	3,107,060	3,020,513	2,656,719
Differences between expected and actual experience	244,951	2,074,434	1,380,692	184,724	(114,152)
Changes in assumptions and methods	(48,647)	(133,772)	(537,615)	783,502	3,842,866
Benefit payments, including refunds of member contributions	(2,722,482)	(2,655,413)	(2,448,614)	(2,391,530)	(2,164,096)
Net change in total pension liability	2,167,199	3,636,587	2,535,140	2,520,179	4,904,077
Total Pension Liability - beginning of year	49,218,214	45,581,627	43,046,487	40,526,308	35,622,231
Total Pension Liability - end of year (a)	\$ 51,385,413	\$ 49,218,214	\$ 45,581,627	\$ 43,046,487	\$ 40,526,308
<b>Plan fiduciary net position</b>					
Contributions - employer	\$ 2,486,861	\$ 2,139,153	\$ 1,918,012	\$ 1,889,722	\$ 1,661,219
Contributions - member	825,550	779,473	789,780	744,739	723,023
Net investment income	(1,646,760)	4,865,107	1,711,824	(54,881)	1,417,654
Benefit payments, including member contribution refunds	(2,722,482)	(2,655,413)	(2,448,614)	(2,391,530)	(2,164,096)
Administrative expense	(60,285)	(60,855)	(45,295)	(52,707)	(64,280)
Net change in plan fiduciary net position	(1,117,118)	4,867,465	1,903,707	135,343	1,573,510
Plan fiduciary net position - beginning of year	31,780,516	26,913,051	25,009,344	24,874,001	23,300,491
Plan fiduciary net position - end of year (b)	\$ 30,663,400	\$ 31,780,516	\$ 26,913,051	\$ 25,009,344	\$ 24,874,001
Net Pension Liability - end of year (a) - (b)	\$ 20,722,013	\$ 17,437,698	\$ 18,668,576	\$ 18,037,143	\$ 15,652,307
FNP as a percentage of the TPL	59.67%	84.57%	59.04%	58.10%	61.38%
Covered Payroll	\$ 7,966,082	\$ 7,487,808	\$ 7,362,577	\$ 7,129,995	\$ 6,813,000
Net Pension Liability as a Percentage of Covered Payroll	260.13%	232.88%	253.56%	252.96%	229.74%

Fargo Firefighters Pension Association Pension Plan Schedule of Employer Contributions					
	2018	2017	2016	2015	2014
Actuarially determined contribution (ADC)	\$ 2,484,690	\$ 2,466,528	\$ 2,312,759	\$ 1,965,062	\$ 1,642,399
Contributions in relation to the ADC	2,486,861	2,139,153	1,918,012	1,889,722	1,661,219
Contribution deficiency (excess)	\$ (2,171)	\$ 327,375	\$ 396,747	\$ 105,340	\$ (118,820)

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

Fargo Firefighters Pension Association Pension Plan Contributions and Net Pension Liability as a Percent of Payroll					
	2018	2017	2016	2015	2014
Payroll	\$ 7,966,082	\$ 7,487,808	\$ 7,362,577	\$ 7,129,995	\$ 6,813,000
Contributions as a percent of payroll	31.2%	28.6%	26.0%	26.5%	24.4%
Net pension liability as a percent of payroll	260.13%	232.88%	253.56%	252.96%	229.74%

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

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

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

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

**Changes of assumptions**

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

**APPENDIX C**

**Proposed Form of Legal Opinion**

*(This page has been left blank intentionally.)*

PROPOSED FORM OF LEGAL OPINION



City of Fargo  
Fargo, North Dakota

Robert W. Baird & Co., Incorporated  
Dougherty & Company LLC

Re:     \$\_\_\_\_\_ Refunding Improvement Bonds, Series 2019A  
          City of Fargo, North Dakota

Ladies and Gentlemen:

As Bond Counsel in connection with the authorization, issuance and sale by the City of Fargo, North Dakota (the “City”), of the obligations described above, dated, as originally issued, as of August [\_\_\_], 2019 (the “Bonds”), we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished, by the City in the authorization, sale and issuance of the Bonds, including the form of the Bonds. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates and on the basis of existing law, it is our opinion that:

1. The Bonds are valid and binding obligations of the City, enforceable in accordance with their terms. The Bonds are issued for the purpose of refunding improvement warrants of the City (the “Warrants”) drawn on the funds of various improvement districts of the City (the “Improvement Districts”) for the purpose of paying the costs of the improvements in the improvement districts.

2. The principal of and interest on the Bonds are payable from the Refunding Improvement Bonds, Series 2019A Bond Fund (the “Bond Fund”) of the City, in which the City now holds, in trust for the holders of the Bonds, a like principal amount of Warrants. All payments made on the Warrants are to be credited to the Bond Fund and applied in payment of the principal and interest on the Bonds. The Warrants have been duly authorized, executed and delivered in anticipation of the collection of the special assessments to pay for the improvements in the Improvement Districts. Whenever all special assessments theretofore collected and appropriated to the funds for the Improvement District are insufficient to pay all principal or interest then due on the Warrants drawn thereon, the governing body of the City is required to levy an ad valorem tax upon all taxable property in the City for the payment of such deficiency,

and may levy such a tax whenever a deficiency is likely to occur within one year, which deficiency tax levies are not subject to any limitation as to rate or amount.

3. Interest on the Bonds (a) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Code.

4. Interest on the Bonds is excluded from taxable income for North Dakota income tax purposes.

The opinions expressed in paragraphs 1 and 2 are subject, as to enforceability, to the effect of any state or federal laws relating to bankruptcy, insolvency, reorganization, moratorium, or creditors' rights and the application of equitable principles, whether considered at law or in equity.

The opinions expressed in paragraphs 3 and 4 above are subject to the compliance by the City with certain requirements of the Code that must be satisfied subsequent to the issuance of the Bonds. Noncompliance with these requirements could result in the inclusion of interest on the Bonds in gross income for federal income tax purposes and taxable income for North Dakota income tax purposes, retroactive to the date of issuance of the Bonds.

Except as stated herein, we express no opinion regarding federal, state, or other tax consequences to the owner of the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may occur after the date hereof and which may be retroactive

Dated: \_\_\_\_\_, 2019.

Very truly yours,

## **APPENDIX D**

### **Continuing Disclosure Covenants**

*(This page has been left blank intentionally.)*

CONTINUING DISCLOSURE COVENANTS

August \_\_, 2019

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Fargo, North Dakota (the “Issuer”) in connection with the Issuer’s \$[PAR] REFUNDING IMPROVEMENT BONDS, SERIES 2019A (the “Bonds”). The Bonds are being issued pursuant to a resolution adopted by the governing body of the Issuer on July 1, 2019 (the “Resolution”), and delivered to the respective Purchasers on the date hereof. The Issuer hereby covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the Owners of the Bonds in order to assist the Participating Underwriters within the meaning of SEC Rule 15c2-12(b)(5) (the “Rule”) in complying with the Rule. This Disclosure Certificate constitutes the written undertaking and agreement of the Issuer for the benefit of the Owners of the Bonds as required by the Rule.

Section 2. Definitions. In addition to the defined terms set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Annual Report” means the annual financial information (as defined in the Rule), including audited financial statements, to be provided to the MSRB in an electronic format prescribed by the MSRB pursuant to paragraph 5(i)(A) and (B) of the Rule, as described in Section 3 and 4 of this Disclosure Certificate.

“EMMA” means the Electronic Municipal Market Access system established by the MSRB with the support of the SEC, or any successor system, which can be accessed on the date hereof at [www.emma.msrb.org](http://www.emma.msrb.org).

“Financial Obligation” shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). This term shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Financial Statements” means audited or, if unavailable, unaudited general purpose financial statements of the Issuer prepared in accordance with generally accepted accounting principles, as in effect from time to time or as required to be modified as a matter of law. If unaudited financial statements are provided, audited financial statements will be provided when and if available.

“Fiscal Year” means the fiscal year of the Issuer.

“Final Official Statement” means the final official statement relating to the Bonds dated July [\_\_], 2019, which constitutes the final official statement delivered in connection with the Bonds, which is available from the MSRB.

“Issuer” means the City of Fargo, North Dakota, which is the obligated person (as defined in the Rule) with respect to the Bonds.

“Material Event” means any of the events listed in paragraph 5(i)(C) and paragraph 5(i)(D) of the Rule, which are set forth in Section 5(a) and (d) of this Disclosure Certificate.

“MSRB” means the Municipal Securities Rulemaking Board on the date hereof located at 1300 I Street, Suite 1000, Washington, DC 20005.

“Owner” means the person in whose name a Bond is registered or a beneficial owner of such a Bond.

“Participating Underwriter” means any of the original underwriter(s) of the Bonds (including the Purchaser) required to comply with the Rule in connection with the offering of the Bonds.

“Rule” means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and including written interpretations thereof by the SEC.

“SEC” means the Securities and Exchange Commission.

### Section 3. Provision of Annual Financial Information and Financial Statements.

(a) The Issuer shall, not later than 12 months after the end of each Fiscal Year, commencing with the year ending December 31, 2019, provide to the MSRB in an electronic format as prescribed by the MSRB an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Certificate and which shall include the CUSIP numbers for the all outstanding Bonds and such other identifying information as may be required from time to time by the Rule. The Annual Report shall be submitted to the MSRB at EMMA or as otherwise directed by the MSRB and may be submitted as a single document or as separate documents comprising a package, and may incorporate by specific reference information in documents available to the public on the MSRB’s internet website or filed with the SEC; provided that the Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report.

(b) If the Issuer is unable or fails to provide an Annual Report by the date required in subsection (a) to the MSRB, the Issuer shall provide a notice of such failure to the MSRB as set forth in Section 5(b) hereof.

Section 4. Content of Annual Reports. The Issuer’s Annual Report shall contain or incorporate by reference the annual Financial Statements and annual financial information similar to that set forth in the following sections of the Final Official Statement:

- (1) Economic and Demographic Information.
- (2) Financial Summary.
- (3) City Indebtedness.
- (4) Outstanding Indebtedness.

- (5) Financial Information.
- (6) Property Valuation and Taxes.

Section 5. Reporting of Material Events.

(a) The Issuer shall provide to the MSRB in an electronic format prescribed by the MSRB notice of any of the following events with respect to the Bonds in a timely manner not in excess of ten (10) business days after the occurrence of the event, which notice shall be submitted to the MSRB at EMMA, or as otherwise directed by the MSRB:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (7) Modification to rights of security holders, if material;
- (8) Bond Calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the securities, if material;
- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership, or similar event of the obligated person;
- (13) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;

(15) Incurrence of a Financial Obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders, if material; and

(16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person, any of which reflect financial difficulties.

For purposes of the events identified in paragraphs (15) and (16) above, the term “Financial Obligation” means (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

(b) If the Issuer determines that it has failed to give notice of a Material Event as set forth above or to file the Annual Report in a timely fashion as required herein, the Issuer shall promptly file a notice of such occurrence to the MSRB in an electronic format prescribed by the MSRB, which notice shall be submitted to the MSRB at EMMA or as otherwise directed by the MSRB.

Section 6. Reporting Generally. The Issuer shall file its Annual Report, each notice of a Material Event, and each notice required by subsection (b) of Sections 3 and 5 of this Disclosure Certificate with the CUSIP numbers for all outstanding Bonds specified and such other identifying information as may be required from time to time by the Rule or by the MSRB. Each such item shall be submitted to the MSRB at EMMA, or as otherwise directed by the Rule or the MSRB, in an electronic format prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The Issuer’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption, or payment in full of all the Bonds.

Section 8. Agent. The Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 9. Amendment: Waiver. Notwithstanding any other provision of this Disclosure Certificate and without consent of the Owners of the Bonds, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver (i) is required by an amendment of the Rule by the SEC or procedures relating to the Rule by the MSRB, (ii) is to clarify an ambiguity or error, or (iii) does not provide for undertakings which violate the Rule or procedures of the MSRB then in effect or eliminates undertakings then required by the Rule or otherwise required by the SEC or the MSRB with respect to the Rule, which may be evidenced by a written opinion of legal counsel selected by the Issuer to the effect that such amendment or waiver would not, in and of itself, violate the Rule, requires undertakings which would violate the Rule or eliminates undertakings required by the Rule. If the Issuer determines that any such amendment or waiver materially changes the information provided to the MSRB or the timing of the information to be provided and that such information has not otherwise been provided to the MSRB in an Annual Report or

Material Event filing, it shall provide the MSRB notice of such amendments as additional information pursuant to Section 9 hereof.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from providing any other information to the public, using the means of filing with the MSRB as set forth in this Disclosure Certificate or any other means of communication. Such information may include any other information in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information and may state in the disclosure that it does not intend to update such information.

Section 11. Default. In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate, any Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Bonds and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriters and Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, I have executed this Disclosure Certificate in my official capacity on behalf of the City of Fargo, North Dakota as of the date first written above.

CITY OF FARGO, NORTH DAKOTA

By: \_\_\_\_\_  
Steven Sprague  
City Auditor