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CITY OF FARGO, NORTH DAKOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 190,166	\$ 4,897,991	\$ 5,088,157
Investments	42,832,218	-	42,832,218
Equity in pooled investments	151,040,569	54,355,696	205,396,265
Receivables (net of allowance for uncollectibles):			
Interest	183,563	89,043	272,606
Taxes	237,265	7,368	244,633
Accounts	4,557,622	5,047,004	9,604,626
Sales tax	8,277,253	-	8,277,253
Notes receivable	258,149	-	258,149
Special assessments	299,662,043	24,179	299,686,222
Intergovernmental	10,728,956	345,137	11,074,093
Contract	27,127	-	27,127
Loans	2,354,925	-	2,354,925
Due from fiduciary fund	9,540,236	-	9,540,236
Internal balances	(53,230)	53,230	-
Inventory	1,268,390	620,240	1,888,630
Prepaid expenses	448,081	412,366	860,447
Property held for resale	166,950	-	166,950
Restricted assets:			
Equity in pooled investments	-	50,401	50,401
Investments	-	38,451,770	38,451,770
Prepaid expenses	-	37,768	37,768
Unamortized debt costs	82,937	-	82,937
Capital assets not being depreciated:			
Land	63,275,554	41,591,763	104,867,317
Construction in progress	11,363,698	42,456,224	53,819,922
Intangible - Right-of-way Easements	8,413,003	420,036	8,833,039
Intangible - Water Rights	-	500,000	500,000
Capital assets (net of accumulated depreciation):			
Buildings	43,388,935	130,040,757	173,429,692
Improvements other than buildings	675,499	16,540,670	17,216,169
Machinery and equipment	18,323,590	22,465,131	40,788,721
Infrastructure	214,960,677	399,181,452	614,142,129
Flood Control	39,106,031	-	39,106,031
Total capital assets	399,506,987	653,196,033	1,052,703,020
Total assets	931,310,207	757,588,226	1,688,898,433
 DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow of resources related to pension	10,355,861	1,274,794	11,630,655
Total deferred outflows of resources	10,355,861	1,274,794	11,630,655
 LIABILITIES			
Vouchers payable	9,251,563	2,804,701	12,056,264
Retainage payable	4,119,317	176,867	4,296,184
Accrued payroll	1,796,920	527,394	2,324,314
Accrued interest payable	3,683,199	408,680	4,091,879
Accrued interest payable from restricted assets	-	226,120	226,120
Special assessments payable	358,611	337,342	695,953
Unearned revenue	2,151,030	2,886,822	5,037,852
Deposits	438,243	15,335	453,578
Noncurrent liabilities:			
Due within one year	28,041,132	2,494,696	30,535,828
Due within one year payable from restricted assets	-	4,379,476	4,379,476
Due in more than one year	606,527,654	22,647,672	629,175,326
Net pension liability	62,432,409	9,577,754	72,010,163
Total liabilities	718,800,078	46,482,859	765,282,937
 DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow of resources related to pension	1,656,897	558,238	2,215,135
Total deferred Inflows of resources	1,656,897	558,238	2,215,135
 NET POSITION			
Net investment in capital assets	181,249,168	632,351,653	813,600,821
Restricted for:			
Debt service	16,996,377	4,467,645	21,464,022
Specific projects and programs	7,465,638	-	7,465,638
Capital improvements	12,113,581	38,451,770	50,565,351
Unrestricted	3,384,329	36,550,855	39,935,184
Total net position	\$ 221,209,093	\$ 711,821,923	\$ 933,031,016

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, 2015**

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	\$ 16,818,838	\$ 3,166,528	\$ 230,449	\$ -	\$ (13,421,861)	\$ -	\$ (13,421,861)
Public safety	37,826,165	6,247,357	576,866	248,919	(30,753,023)	-	(30,753,023)
Public works	103,297,687	13,399,541	101,671	84,117,842	(5,678,633)	-	(5,678,633)
Public health & welfare	11,683,089	3,026,151	3,365,251	286,099	(5,005,588)	-	(5,005,588)
Recreation & culture	8,151,402	475,257	169,260	-	(7,506,885)	-	(7,506,885)
Urban redevelopment	2,117,333	229,405	1,546,286	71,713	(269,929)	-	(269,929)
Transportation	10,045,459	4,023,455	3,671,946	1,427,814	(922,244)	-	(922,244)
General support	1,200,135	-	-	-	(1,200,135)	-	(1,200,135)
Interest and fiscal charges	19,670,971	-	-	-	(19,670,971)	-	(19,670,971)
Total governmental activities	<u>210,811,079</u>	<u>30,567,694</u>	<u>9,661,729</u>	<u>86,152,387</u>	<u>(84,429,269)</u>	<u>-</u>	<u>(84,429,269)</u>
Business-type activities:							
Municipal airport authority	8,483,692	8,546,795	-	4,217,388	-	4,280,491	4,280,491
Water	14,200,256	19,134,802	-	-	-	4,934,546	4,934,546
Wastewater	9,814,203	10,328,605	-	-	-	514,402	514,402
Storm sewer	5,082,586	1,602,497	-	-	-	(3,480,089)	(3,480,089)
Solid waste	10,798,649	11,850,605	-	-	-	1,051,956	1,051,956
Fargodome	7,893,940	6,069,576	-	-	-	(1,824,364)	(1,824,364)
Southeast Cass	54,315	28,690	-	12,709	-	(12,916)	(12,916)
Vector control	335,279	678,189	-	-	-	342,910	342,910
Street lighting	3,024,018	1,753,908	-	-	-	(1,270,110)	(1,270,110)
Forestry	1,720,593	1,462,886	-	-	-	(257,707)	(257,707)
Total business-type activities	<u>61,407,531</u>	<u>61,456,553</u>	<u>-</u>	<u>4,230,097</u>	<u>-</u>	<u>4,279,119</u>	<u>4,279,119</u>
Total	<u>\$ 272,218,610</u>	<u>\$ 92,024,247</u>	<u>\$ 9,661,729</u>	<u>\$ 90,382,484</u>	<u>(84,429,269)</u>	<u>4,279,119</u>	<u>(80,150,150)</u>
General revenues:							
Taxes:							
Property taxes					24,076,015	744,009	24,820,024
Sales taxes					50,988,474	-	50,988,474
Gross business receipts taxes					4,943,429	-	4,943,429
Lodging taxes					2,408,710	-	2,408,710
Other taxes					1,874,754	-	1,874,754
Unrestricted intergovernmental					8,778,310	-	8,778,310
Unrestricted investment earnings					2,722,190	407,886	3,130,076
Miscellaneous revenue					699,233	1,270,719	1,969,952
Transfers					(48,659,781)	48,659,781	-
Total general revenues and transfers					<u>47,831,334</u>	<u>51,082,395</u>	<u>98,913,729</u>
Change in net position					(36,597,935)	55,361,514	18,763,579
Net position - beginning - as restated					257,807,028	656,460,409	914,267,437
Net position - ending					<u>\$ 221,209,093</u>	<u>\$ 711,821,923</u>	<u>\$ 933,031,016</u>

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

CITY OF FARGO, NORTH DAKOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2015

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 190,166	\$ -	\$ -	\$ -	\$ 190,166
Investments	-	42,832,218	-	-	42,832,218
Equity in pooled investments	34,906,865	33,968,940	77,926,271	4,238,493	151,040,569
Receivables (net of allowance for uncollectibles):					
Interest	59,396	102,483	21,684	-	183,563
Taxes	200,994	32,177	-	4,094	237,265
Accounts	4,039,388	-	243,695	274,539	4,557,622
Sales tax	-	4,138,627	4,138,626	-	8,277,253
Special assessments	-	299,098,872	157,484	405,687	299,662,043
Contracts	-	27,127	-	-	27,127
Intergovernmental	4,107,623	-	6,536,103	85,230	10,728,956
Long term note receivable	-	258,149	-	-	258,149
Due from other funds	-	-	-	39,500	39,500
Due from fiduciary fund	-	-	9,540,236	-	9,540,236
Loans	-	-	-	2,354,925	2,354,925
Advances to other funds	1,739,697	-	-	-	1,739,697
Inventory	1,268,390	-	-	-	1,268,390
Prepaid items	440,087	-	-	7,994	448,081
Property held for resale	10,500	-	-	156,450	166,950
	<u>\$ 46,963,106</u>	<u>\$ 380,458,593</u>	<u>\$ 98,564,099</u>	<u>\$ 7,566,912</u>	<u>\$ 533,552,710</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES					
Liabilities					
Vouchers payable	\$ 3,095,953	\$ 173,427	\$ 5,778,782	\$ 203,401	\$ 9,251,563
Contract retainage payable	4,292	-	4,115,025	-	4,119,317
Advances from other funds	-	-	-	1,792,927	1,792,927
Due to other funds	-	-	-	39,500	39,500
Accrued payroll	1,781,271	-	4,618	11,031	1,796,920
Special assessments payable	-	49,889	70,461	238,261	358,611
Unearned revenue	174,857	-	300,000	1,676,174	2,151,031
Deposits	438,243	-	-	-	438,243
Total liabilities	<u>5,494,616</u>	<u>223,316</u>	<u>10,268,886</u>	<u>3,961,294</u>	<u>19,948,112</u>
Deferred inflows of resources					
Unavailable revenue	<u>2,292,438</u>	<u>289,564,589</u>	<u>2,356,467</u>	<u>1,066,224</u>	<u>295,279,718</u>
Fund balances					
Nonspendable	3,458,674	-	-	164,444	3,623,118
Restricted	2,724,557	90,670,688	85,938,746	3,608,245	182,942,236
Committed	3,255,360	-	-	-	3,255,360
Assigned	696,286	-	-	-	696,286
Unassigned	29,041,175	-	-	(1,233,295)	27,807,880
Total fund balance	<u>39,176,052</u>	<u>90,670,688</u>	<u>85,938,746</u>	<u>2,539,394</u>	<u>218,324,880</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 46,963,106</u>	<u>\$ 380,458,593</u>	<u>\$ 98,564,099</u>	<u>\$ 7,566,912</u>	<u>\$ 533,552,710</u>

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

CITY OF FARGO, NORTH DAKOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
December 31, 2015

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

Total fund balance - governmental funds (page 16)	\$	218,324,880
Capital assets used in governmental activities are not financial resources and therefore not reported in the fund financial statements		399,506,987
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		295,279,718
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		(53,733,445)
Liabilities that are not due and payable in the current period and therefore not reported in the governmental funds		<u>(638,169,047)</u>
Net position of governmental activities (page 14)	\$	<u><u>221,209,093</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, 2015

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 27,213,243	\$ 28,788,185	\$ 25,494,236	\$ 2,818,656	\$ 84,314,320
Special assessments	153,727	26,570,125	29,218	223,307	26,976,377
Licenses and permits	4,990,708	-	-	-	4,990,708
Intergovernmental revenues	23,737,000	-	31,668,693	1,610,460	57,016,153
Charges for services	20,609,014	-	-	1,580,219	22,189,233
Fines and forfeits	2,289,925	-	-	16,700	2,306,625
Investment income	2,143,968	454,214	122,181	1,826	2,722,189
Miscellaneous revenues	952,969	39,510	154,208	569,792	1,716,479
Total revenues	<u>82,090,554</u>	<u>55,852,034</u>	<u>57,468,536</u>	<u>6,820,960</u>	<u>202,232,084</u>
EXPENDITURES					
Current:					
General government	15,087,608	-	158,654	-	15,246,262
Public safety	33,326,475	-	5,779	119,172	33,451,426
Public works	9,716,904	531,060	82,137,076	231,271	92,616,311
Public health & welfare	10,412,765	-	480,536	101,984	10,995,285
Recreation and culture	4,390,993	-	-	2,869,047	7,260,040
Urban redevelopment	-	118,864	76,704	1,847,543	2,043,111
Public transportation	7,031,084	-	16,712	984,544	8,032,340
General support	1,200,135	-	-	-	1,200,135
Capital outlay	4,425,376	-	87,171,329	8,600	91,605,305
Debt service:					
Principal	72,886	22,816,041	-	-	22,888,927
Interest and fiscal charges	6,690	19,702,882	365,717	-	20,075,289
Total expenditures	<u>85,670,916</u>	<u>43,168,847</u>	<u>170,412,507</u>	<u>6,162,161</u>	<u>305,414,431</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,580,362)</u>	<u>12,683,187</u>	<u>(112,943,971)</u>	<u>658,799</u>	<u>(103,182,347)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	10,505,282	853,666	22,422,450	181,898	33,963,296
Transfers out	(5,143,362)	(21,955,730)	(713,127)	(122,451)	(27,934,670)
Loans issued	-	68,975	59,684,907	-	59,753,882
Bonds issued	-	33,575,000	44,905,000	-	78,480,000
Bond premium	-	4,350,737	999,570	-	5,350,307
Capital lease	164,456	-	-	-	164,456
Total other financing sources (uses)	<u>5,526,376</u>	<u>16,892,648</u>	<u>127,298,800</u>	<u>59,447</u>	<u>149,777,271</u>
Net change in fund balances	1,946,014	29,575,835	14,354,829	718,246	46,594,924
Fund balance - beginning of year	37,230,038	61,094,853	71,583,917	1,821,148	171,729,956
Fund balance - end of year	<u>\$ 39,176,052</u>	<u>\$ 90,670,688</u>	<u>\$ 85,938,746</u>	<u>\$ 2,539,394</u>	<u>\$ 218,324,880</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, 2015**

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

Net change in fund balances - total governmental funds (page 18)	\$ 46,594,924
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.	75,871,449
Capital assets transferred to enterprise funds	(54,688,405)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net position.	(2,108,645)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	20,526,216
Changes to net pension liability and pension related deferred outflows and inflows do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(2,209,423)
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.	(120,859,718)
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.	275,667
Change in net position of governmental activities (page 15)	\$ (36,597,935)

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, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 27,491,001	\$ 27,491,001	\$ 27,213,243	\$ (277,758)
Licenses & permits	4,801,549	3,876,549	4,990,708	1,114,159
Intergovernmental revenues	26,282,447	26,320,377	23,737,000	(2,583,377)
Charges for services	16,543,244	18,529,729	20,609,014	2,079,285
Fines and forfeits	2,657,500	2,657,500	2,443,652	(213,848)
Investment income	1,957,000	1,957,000	2,143,968	186,968
Miscellaneous revenues	894,258	1,003,196	952,969	(50,227)
Total revenues	<u>80,626,999</u>	<u>81,835,352</u>	<u>82,090,554</u>	<u>255,202</u>
EXPENDITURES				
Current:				
General government	14,711,577	16,200,429	15,087,608	1,112,821
Public safety	32,992,024	33,945,758	33,326,475	619,283
Public works	10,699,811	10,302,190	9,716,904	585,286
Public health & welfare	10,237,401	10,910,884	10,412,765	498,119
Recreation & culture	4,371,319	4,412,438	4,390,993	21,445
Public Transportation	7,386,450	7,129,369	7,031,084	98,285
General support	924,488	1,150,428	1,200,135	(49,707)
Capital outlay	7,603,000	5,883,527	4,425,376	1,458,151
Debt service:				
Principal	-	72,886	72,886	-
Interest and fiscal charges	-	6,690	6,690	-
Total expenditures	<u>88,926,070</u>	<u>90,014,599</u>	<u>85,670,916</u>	<u>4,343,683</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,299,071)</u>	<u>(8,179,247)</u>	<u>(3,580,362)</u>	<u>4,598,885</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	9,436,000	10,356,000	10,505,282	149,282
Transfers out	(931,000)	(5,068,235)	(5,143,362)	(75,127)
Capital lease	-	164,456	164,456	-
Total other financing sources (uses)	<u>8,505,000</u>	<u>5,452,221</u>	<u>5,526,376</u>	<u>74,155</u>
Net change in fund balances	<u>\$ 205,929</u>	<u>\$ (2,727,026)</u>	1,946,014	<u>\$ 4,673,040</u>
Fund balance - beginning of year			37,230,038	
Fund balance - end of year			<u>\$ 39,176,052</u>	

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



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CITY OF FARGO, NORTH DAKOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2015

	Business Type Activities-Proprietary Funds						Other Proprietary Funds	Total
	Airport	Water	Wastewater	Storm Sewer	Solid Waste	FargoDome		
ASSETS								
Current assets								
Cash	\$ -	\$ 50	\$ 50	\$ -	\$ 300	\$ 4,897,541	\$ 50	\$ 4,897,991
Equity in pooled investments	17,843,899	16,267,893	13,184,571	323,830	987,887	19,382	1,348,758	49,976,220
Receivables (net of allowance for uncollectibles):								
Interest	26,921	32,984	29,138	-	-	-	-	89,043
Special assessments	-	-	-	-	-	-	24,179	24,179
Taxes	7,368	-	-	-	-	-	-	7,368
Accounts	572,865	1,553,356	1,008,519	155,351	983,198	344,712	429,003	5,047,004
Intergovernmental	345,137	-	-	-	-	-	-	345,137
Advances to other funds	-	-	-	-	53,230	-	-	53,230
Inventory	-	237,096	-	-	-	44,933	338,211	620,240
Prepaid expenses	21,072	69,778	33,018	6,944	81,330	188,495	11,729	412,366
Restricted equity in pooled investments	-	3,846,612	-	-	532,864	-	-	4,379,476
Total current assets	18,817,262	22,007,769	14,255,296	486,125	2,638,809	5,495,063	2,151,930	65,852,254
Noncurrent assets								
Restricted assets								
Equity in pooled investments	-	50,401	-	-	-	-	-	50,401
Investments	-	-	-	-	-	38,451,770	-	38,451,770
Prepaid expenses	-	37,768	-	-	-	-	-	37,768
Capital assets								
Land	8,516,547	4,657,945	583,744	24,338,069	3,495,458	-	-	41,591,763
Right of way	-	-	289,090	130,946	-	-	-	420,036
Construction in progress	1,134,528	32,202,940	5,061,874	111,001	-	3,945,881	-	42,456,224
Intangible	-	500,000	-	-	-	-	-	500,000
Buildings	26,998,357	85,714,229	31,550,528	-	5,699,195	58,256,248	-	208,218,557
Improvements other than buildings	2,118,927	1,664,512	2,068,043	2,784,026	12,688,827	4,715,233	-	26,039,568
Machinery and equipment	9,784,781	7,017,163	11,945,483	4,838,157	17,990,074	17,884,647	1,569,962	71,030,267
Infrastructure	93,655,619	122,807,953	129,478,449	189,829,389	6,158	-	34,960,281	570,737,849
Less accumulated depreciation	(54,610,957)	(55,848,021)	(57,677,917)	(58,475,705)	(18,202,945)	(46,450,260)	(16,532,426)	(307,798,231)
Total capital assets (net of accumulated depreciation)	87,597,802	198,716,721	123,299,294	163,555,883	21,676,767	38,351,749	19,997,817	653,196,033
Total noncurrent assets	87,597,802	198,804,890	123,299,294	163,555,883	21,676,767	76,803,519	19,997,817	691,735,972
Total assets	106,415,064	220,812,659	137,554,590	164,042,008	24,315,576	82,298,582	22,149,747	757,588,226
DEFERRED OUTFLOWS OF RESOURCES								
Deferred outflows of resources related to pension	167,076	388,029	180,704	31,778	411,574	-	95,633	1,274,794
Total deferred outflows of resources	167,076	388,029	180,704	31,778	411,574	-	95,633	1,274,794

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, 2015

	Business Type Activities-Proprietary Funds						Other Proprietary Funds	Total
	Airport	Water	Wastewater	Storm Sewer	Solid Waste	FargoDome		
LIABILITIES								
Current liabilities								
Vouchers payable	\$ 226,175	\$ 427,247	\$ 405,640	\$ 19,957	\$ 372,253	\$ 1,159,004	\$ 194,425	\$ 2,804,701
Retainage payable	32,443	-	-	-	-	144,424	-	176,867
Interest payable	-	25,041	53,126	133,445	143,595	53,473	-	408,680
Accrued payroll	61,848	107,877	51,090	11,323	110,968	151,896	32,392	527,394
Current portion of special assessments	-	18,688	46,403	98,393	160,495	13,363	-	337,342
Current portion of capital lease	-	-	74,033	-	615,172	1,150,000	-	1,839,205
Accrued vacation payable	126,723	199,351	106,738	35,936	205,794	-	60,240	734,782
Unearned revenue	-	-	-	-	-	2,886,822	-	2,886,822
Deposits	-	-	-	-	-	15,335	-	15,335
Current liabilities payable from restricted assets:								
Current portion of long-term debt	-	3,650,000	-	-	503,356	-	-	4,153,356
Accrued interest and other	-	196,612	-	-	29,508	-	-	226,120
Total current liabilities	<u>447,189</u>	<u>4,624,816</u>	<u>737,030</u>	<u>299,054</u>	<u>2,141,141</u>	<u>5,574,317</u>	<u>287,057</u>	<u>14,110,604</u>
Noncurrent liabilities								
Landfill closure accruals	-	-	-	-	3,812,379	-	-	3,812,379
Long-term debt, net of current portion:								
Special assessments payable	-	488,927	917,615	2,492,698	2,068,180	423,061	-	6,390,481
Capital lease	-	-	104,846	-	1,501,492	1,180,000	-	2,786,338
Revenue bonds, net of deferred amount of refunding	-	4,133,659	-	-	3,271,644	-	-	7,405,303
Notes payable	-	-	-	-	2,400,000	-	-	2,400,000
Net pension liability	1,276,861	2,894,628	1,365,356	275,921	3,033,900	-	731,088	9,577,754
Total noncurrent liabilities	<u>1,276,861</u>	<u>7,517,214</u>	<u>2,387,817</u>	<u>2,768,619</u>	<u>16,087,595</u>	<u>1,603,061</u>	<u>731,088</u>	<u>32,372,255</u>
Total liabilities	<u>1,724,050</u>	<u>12,142,030</u>	<u>3,124,847</u>	<u>3,067,673</u>	<u>18,228,736</u>	<u>7,177,378</u>	<u>1,018,145</u>	<u>46,482,859</u>
DEFERRED INFLOWS OF RESOURCES								
Deferred Inflows of resources related to pension	82,954	160,533	82,620	30,770	153,779	-	47,582	558,238
Total deferred outflows of resources	<u>82,954</u>	<u>160,533</u>	<u>82,620</u>	<u>30,770</u>	<u>153,779</u>	<u>-</u>	<u>47,582</u>	<u>558,238</u>
NET POSITION								
Net investment in capital assets	87,597,802	194,360,228	122,156,397	160,964,792	11,689,292	35,585,325	19,997,817	632,351,653
Restricted for:								
Debt service	-	3,934,781	-	-	532,864	-	-	4,467,645
Capital improvements	-	-	-	-	-	38,451,770	-	38,451,770
Unrestricted	17,177,334	10,603,116	12,371,430	10,551	(5,877,521)	1,084,109	1,181,836	36,550,855
Total net position	<u>\$ 104,775,136</u>	<u>\$ 208,898,125</u>	<u>\$ 134,527,827</u>	<u>\$ 160,975,343</u>	<u>\$ 6,344,635</u>	<u>\$ 75,121,204</u>	<u>\$ 21,179,653</u>	<u>\$ 711,821,923</u>

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

CITY OF FARGO, NORTH DAKOTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2015

Business Type Activities-Proprietary Funds

	Airport	Water	Wastewater	Storm Sewer	Solid Waste	FargoDome	Other Proprietary Funds	Total
OPERATING REVENUES								
Charges for services	\$ 8,546,795	\$ 19,134,802	\$ 10,328,605	\$ 1,602,497	\$ 11,850,605	\$ 6,069,576	\$ 3,923,673	\$ 61,456,553
OPERATING EXPENSES								
Personnel services	2,122,052	3,737,155	1,782,424	532,107	4,016,309	2,631,502	1,229,962	16,051,511
Other services	1,952,742	2,322,527	2,107,667	141,679	2,237,033	2,694,674	853,594	12,309,916
Materials and supplies	274,720	3,544,978	1,754,092	152,722	2,254,029	78,408	1,564,694	9,623,643
Depreciation	3,910,824	4,155,446	3,909,220	4,129,293	2,009,773	2,384,564	1,485,955	21,985,075
Total operating expenses	8,260,338	13,760,106	9,553,403	4,955,801	10,517,144	7,789,148	5,134,205	59,970,145
Operating income (loss)	286,457	5,374,696	775,202	(3,353,304)	1,333,461	(1,719,572)	(1,210,532)	1,486,408
NONOPERATING REVENUES (EXPENSES)								
Gain (loss) on disposal of assets	97,614	2,748	(73,919)	(174,601)	(34,409)	-	51,660	(130,907)
Investment income (expense)	93,004	99,409	85,045	-	-	130,428	-	407,886
Interest expense and bond fees	(215,735)	(421,266)	(260,800)	(126,785)	(281,505)	(104,792)	-	(1,410,883)
Amortization expense	(7,619)	(18,884)	-	-	-	-	-	(26,503)
General property tax revenue	744,009	-	-	-	-	-	-	744,009
Miscellaneous revenue (expense)	7,146	159,716	-	-	50,790	539	390	218,581
Sale of byproducts	-	-	847,928	-	335,117	-	-	1,183,045
Total nonoperating revenues (expenses)	718,419	(178,277)	598,254	(301,386)	69,993	26,175	52,050	985,228
Income (loss) before contributions and transfers	1,004,876	5,196,419	1,373,456	(3,654,690)	1,403,454	(1,693,397)	(1,158,482)	2,471,636
Capital contributions	4,217,388	28,728,855	9,322,352	12,902,339	-	-	3,747,570	58,918,504
Transfers in:								
Debt Service	-	-	4,808,000	-	-	-	-	4,808,000
Capital projects	-	-	713,125	-	-	-	-	713,125
Enterprise	-	1,300,000	-	-	-	-	530,000	1,830,000
Transfers out:								
General	(50,000)	(3,255,000)	(2,485,000)	(315,000)	(2,421,283)	(50,000)	(546,000)	(9,122,283)
Capital projects	-	(1,303,713)	(756,055)	(442,700)	-	-	-	(2,502,468)
Enterprise	-	-	(1,565,000)	-	(190,000)	-	-	(1,755,000)
Change in net position	5,172,264	30,666,561	11,410,878	8,489,949	(1,207,829)	(1,743,397)	2,573,088	55,361,514
Total net position - beginning - as restated	99,602,872	178,231,564	123,116,949	152,485,394	7,552,464	76,864,601	18,606,565	656,460,409
Total net position - ending	<u>\$ 104,775,136</u>	<u>\$ 208,898,125</u>	<u>\$ 134,527,827</u>	<u>\$ 160,975,343</u>	<u>\$ 6,344,635</u>	<u>\$ 75,121,204</u>	<u>\$ 21,179,653</u>	<u>\$ 711,821,923</u>

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



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**CITY OF FARGO, NORTH DAKOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

	Business-type activities - Enterprise Funds							
	Airport	Water	Wastewater	Storm Sewer	Solid Waste	FargoDome	Other Enterprise Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from customers and users	\$ 8,564,948	\$ 19,065,933	\$ 10,314,606	\$ 1,599,223	\$ 11,799,295	\$ 6,627,658	\$ 3,946,031	\$ 61,917,694
Payments to suppliers	(2,588,964)	(5,770,275)	(3,735,521)	(290,708)	(3,858,482)	(2,624,157)	(2,296,338)	(21,164,445)
Payments to employees	(1,551,313)	(2,646,560)	(1,243,477)	(401,651)	(2,812,022)	(2,595,149)	(894,547)	(12,144,719)
Payments of benefits on behalf of employees	(456,734)	(926,364)	(439,701)	(94,533)	(1,021,083)	-	(285,249)	(3,223,664)
Net cash provided (used) by operating activities	<u>3,967,937</u>	<u>9,722,734</u>	<u>4,895,907</u>	<u>812,331</u>	<u>4,107,708</u>	<u>1,408,352</u>	<u>469,897</u>	<u>25,384,866</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Transfers to other funds	(50,000)	(4,558,713)	(4,806,055)	(757,700)	(2,611,283)	(50,000)	(546,000)	(13,379,751)
Transfers from other funds	-	1,300,000	5,521,125	-	-	-	530,000	7,351,125
Property taxes	746,078	-	-	-	-	-	-	746,078
Payments received on interfund borrowing	-	1,198,496	-	-	-	-	-	1,198,496
Payments made for interfund borrowing	-	-	-	-	(834,281)	-	-	(834,281)
Net cash provided (used) by noncapital financing activities	<u>696,078</u>	<u>(2,060,217)</u>	<u>715,070</u>	<u>(757,700)</u>	<u>(3,445,564)</u>	<u>(50,000)</u>	<u>(16,000)</u>	<u>(4,918,333)</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Proceeds from sale of assets	1,215,363	2,749	-	-	7,473	-	51,660	1,277,245
Proceeds from byproduct sales	-	-	847,928	-	335,117	-	-	1,183,045
Proceeds from notes payable	-	-	-	-	2,875,000	-	-	2,875,000
Acquisition of capital assets	(5,253,119)	(298,030)	(59,577)	-	(755,027)	(2,024,396)	(304,482)	(8,694,631)
Debt service - principal	(5,125,000)	(3,482,527)	(5,133,230)	(83,908)	(1,352,316)	(1,132,538)	-	(16,309,519)
Debt service - interest & fees	(288,339)	(511,288)	(303,958)	(129,308)	(251,640)	(117,517)	-	(1,602,050)
Intergovernmental capital grants	4,245,061	-	-	-	-	-	12,709	4,257,770
Net cash provided (used) by capital and related financing activities	<u>(5,206,034)</u>	<u>(4,289,096)</u>	<u>(4,648,837)</u>	<u>(213,216)</u>	<u>858,607</u>	<u>(3,274,451)</u>	<u>(240,113)</u>	<u>(17,013,140)</u>
CASH FLOWS FROM INVESTING ACTIVITIES								
Investment income (expense)	85,295	30,925	65,389	-	-	1,100	-	182,709
Investments redeemed	18,300,623	16,701,110	12,145,367	482,415	-	2,896,744	1,134,974	51,661,233
Investments (purchased)	(17,843,899)	(20,105,456)	(13,172,896)	(323,830)	(1,520,751)	(19,382)	(1,348,758)	(54,334,972)
Net cash provided (used) by investing activities	<u>542,019</u>	<u>(3,373,421)</u>	<u>(962,140)</u>	<u>158,585</u>	<u>(1,520,751)</u>	<u>2,878,462</u>	<u>(213,784)</u>	<u>(2,491,030)</u>
Net change in cash and cash equivalents	-	-	-	-	-	962,363	-	962,363
Cash and cash equivalents, January 1	-	50	50	-	300	3,935,178	50	3,935,628
Cash and cash equivalents, December 31	<u>\$ -</u>	<u>\$ 50</u>	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ 4,897,541</u>	<u>\$ 50</u>	<u>\$ 4,897,991</u>

Continued

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

**CITY OF FARGO, NORTH DAKOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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)	\$ 286,457	\$ 5,374,696	\$ 775,202	\$ (3,353,304)	\$ 1,333,461	\$ (1,719,572)	\$ (1,210,532)	\$ 1,486,408
Adjustments to reconcile operating income to net cash provided by operating activities								
Depreciation	3,910,824	4,155,446	3,909,220	4,129,293	2,009,773	2,384,564	1,485,955	21,985,075
Change in assets and liabilities								
Accounts receivable	29,694	(68,869)	(13,999)	(3,274)	(51,310)	(27,640)	21,273	(114,125)
Specials receivable	-	-	-	-	-	-	1,085	1,085
Inventories	-	(7,619)	-	-	-	4,388	44,279	41,048
Prepaid expenses	(14,611)	(26,538)	(11,541)	(3,439)	(7,144)	21,437	(129)	(41,965)
Accounts payable	(85,091)	131,387	137,779	7,132	(64,562)	108,100	77,800	312,545
Retainage payable	(261,800)	-	-	-	-	15,000	-	(246,800)
Landfill closure accruals	-	-	-	-	704,286	-	-	704,286
Payroll payable	8,868	15,100	6,371	(1,832)	15,338	36,353	5,681	85,879
Vacation payable	36,749	(15,742)	8,348	2,852	9,476	-	6,029	47,712
Unearned revenue	(11,541)	-	-	-	-	600,857	-	589,316
Deposits	-	-	-	-	-	(15,135)	-	(15,135)
Net pension liability	68,388	164,873	84,527	34,903	158,390	-	38,456	549,537
Total adjustments	<u>3,681,480</u>	<u>4,348,038</u>	<u>4,120,705</u>	<u>4,165,635</u>	<u>2,774,247</u>	<u>3,127,924</u>	<u>1,680,429</u>	<u>23,898,458</u>
Net cash provided (used) by operating activities	<u>\$ 3,967,937</u>	<u>\$ 9,722,734</u>	<u>\$ 4,895,907</u>	<u>\$ 812,331</u>	<u>\$ 4,107,708</u>	<u>\$ 1,408,352</u>	<u>\$ 469,897</u>	<u>\$ 25,384,866</u>
Noncash transactions affecting financial position:								
Acquisition of / change in assets through capital contributions and donations	\$ -	\$ 28,728,885	\$ 9,322,352	\$ 12,902,339	\$ -	\$ -	\$ 3,734,861	\$ 54,688,437
Acquisition of assets through acquisition of debt	\$ -	\$ 37,027	\$ 14,088	\$ 38,583	\$ 1,742,762	\$ -	\$ -	\$ 1,832,460
Change in fair value of investments	\$ -	\$ 59,450	\$ 11,675	\$ -	\$ -	\$ -	\$ -	\$ 71,125

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, 2015

	<u>Pension Trust</u>	<u>Agency</u>
ASSETS		
Cash	\$ 288,998	\$ 13,820
Equity in pooled investments	<u>122,675</u>	<u>785,408</u>
Receivables:		
Accounts receivable	32,067	7,448,325
Special assessments	-	6,864,680
Intergovernmental	-	60,588,413
Interest	<u>29,851</u>	<u>-</u>
Total receivables	<u>61,918</u>	<u>74,901,418</u>
Investments, at fair value:		
Mutual funds	<u>86,674,526</u>	<u>-</u>
Total investments	<u>86,674,526</u>	<u>-</u>
Total assets	<u>\$ 87,148,117</u>	<u>\$ 75,700,646</u>
LIABILITIES		
Vouchers and benefits payable	\$ 29,058	\$ 187,516
Due to other governments	-	65,173,668
Due to primary government	-	9,540,236
Deposits	-	256,275
Total liabilities	<u>\$ 29,058</u>	<u>\$ 75,157,695</u>
NET POSITION		
Held in trust for pension benefits	<u>\$ 87,119,059</u>	<u>\$ 542,951</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, 2015

	Pension Trust
ADDITIONS	
Contributions	
Employer	\$ 4,289,363
Employee	1,652,712
Total contributions	5,942,075
Investment income	
Net depreciation in fair value of investments	386,804
Less investment expense	(317,885)
Net investment income (loss)	68,919
Total additions (deductions)	6,010,994
DEDUCTIONS	
Pension benefit payments	5,669,300
Member contribution refunds	160,564
Administrative expenses	79,631
Total deductions	5,909,495
Change in net position	101,499
Total net position - beginning	87,017,560
Total net position - ending	\$ 87,119,059

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



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INDEX

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- 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. Capital assets
- D. Commitments
- E. Interfund receivables, payables, and transfers
- F. Leases
- G. Long-term debt
- H. Deferred inflows of resources/unearned revenues
- I. Conduit debt obligation
- J. Fund balances
- K. Change in accounting principle

NOTE 5 OTHER NOTES

- A. Risk management
- B. Pension plans
- C. Joint powers agreement
- D. Contingencies
- E. 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 board for governmental accounting and financial reporting.

For the year ended December 31, 2015, the City of Fargo adopted 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 implementation of these standards requires governments to calculate and report the costs and obligations associated with pension in their basic financial statements. Employers are required to recognize pension amounts for all benefits provided through the plan which include the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense. The effect of the implementation of these standards on beginning net position is disclosed in Note 4.K. and the additional disclosures required by these standards are included in Note 5.B. and the required supplementary information.

The Governmental Accounting Standards Board (GASB) has issued the following statements not yet implemented by the City.

GASB Statement No. 72, *Fair Value Measurement and Application*, will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This statement will also enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. This statement will be implemented by the City in the year ended December 31, 2016.

Management has not yet determined the effect this statement will have on the entity'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.

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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.

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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.

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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 and is currently operated under a management contract with Global Spectrum, Inc.

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

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

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

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

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

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

E. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

1. Equity in Pooled Investments, Cash and Investments

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

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Investments are reported at fair value. Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties. Cash and cash equivalents, for the purposes of GASB Statement No. 9 include cash, demand deposits, and certificates of deposit with a maturity of less than three months at the time of purchase.

2. Receivables and Payables

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

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

The City is permitted under provisions of the Home Rule Charter to levy taxes as needed for general governmental services and payment of principal and interest on long-term debt. The current Home Rule Charter maximum mill levy is sixty-four mills. Total mills levied for 2015 were fifty-seven and one-quarter.

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

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

3. Inventories and Prepaid Items

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

Certain payments to vendors reflect costs applicable to future accounting periods 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 are recorded at estimated fair market value at the date of donation. 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.

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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. EXPLANANATION 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 \$638,169,047 difference are as follows:

Bonds payable	\$ 478,213,000
Notes payable	126,954,821
Capital leases	322,749
December 31, 2015 long-term debt outstanding	<u>\$ 605,490,570</u>
Accrued interest payable	3,683,198
Bond premium	25,609,116
Accumulated unpaid vacation	3,469,100
Bond discount and bond insurance	<u>(82,937)</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities	<u><u>\$ 638,169,047</u></u>

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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 \$75,871,449 difference are as follows:

Capital Outlay	\$ 91,605,305
Plus: assets transferred in from enterprise funds	111,318
Plus: prior year construction in progress added as asset in current year	1,380,936
Capital asset increases per footnote 4.C	<u>\$ 93,097,559</u>
Less: assets transferred in from enterprise funds	(111,318)
Less: prior year construction in progress added as asset in current year	(1,380,936)
Depreciation expense	<u>(15,733,856)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ 75,871,449</u></u>

Another element of that reconciliation states that “The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and deferred amounts on refundings when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.” The details of this \$120,859,718 difference are as follows:

Bonded debt issued	\$ (78,480,000)
Premium on bonded debt issued	(5,350,307)
Bonded debt principal payments	17,054,000
Capital lease proceeds	(164,456)
Capital lease payment	72,886
Loan proceeds	(59,753,882)
Loan payments	5,762,041
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u><u>\$ (120,859,718)</u></u>

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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 \$275,667 are as follows:

Compensated absences	\$ (128,651)
Accrued interest	(852,413)
Amortization of bond discounts and bond insurance	(6,950)
Amortization of bond premium	1,263,681
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities	<u>\$ 275,667</u>

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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

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

1. According to City charter, the Mayor submits a proposed budget each August 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 September 10.
3. Public hearings are conducted to obtain taxpayer comments prior to the final budget adoption. .
4. The budget is legally enacted through the passage of a budget ordinance no later than October 7.
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 current year's budget must be approved by the Finance Committee and the City Commission. Supplemental appropriations granted for the 2015 year include \$1,196,828 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 \$2,063,907 for the year ended December 31, 2015.

**CITY OF FARGO, NORTH DAKOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2015**

B. EXCESS OF EXPENDITURES OVER BUDGET

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

Special Revenue Funds		
Downtown Business Improvement District	\$	83,531
Regional Training Center		11,885
Parking Authority		130,110
Community Development		364,682
Skyway Maintenance		477
Baseball Stadium		49,092
Debt Service Fund	\$	268,953

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

C. NET POSITION/FUND BALANCE DEFICITS

Governmental Funds		
Special Revenue Funds		
Baseball Stadium	1,233,295	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.

D. NET POSITION RESTRICTED BY ENABLING LEGISLATION

The government-wide statement of net position reports \$79,495,011 of restricted net position, of which \$45,515,383 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, 2015, the carrying amount of the City's deposits was \$91,875,276 and the bank balance was \$96,191,313. 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, 2015, the City's deposits were either fully insured or properly collateralized, were held in the City's name, and have no custodial credit risk.

Investments – The City maintains pooled cash portfolios used by substantially all City funds, excluding the investment of employees' retirement funds, using the pooled deposit and investment concept. These pools are governed by an investment policy established by the City Commission.

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

Allowable deposits and investment include:

- a. Direct obligations of the United States of America
- b. Debt securities issued by government sponsored enterprises (GSE's), federal agencies, and federal financing banks.
- c. Direct obligations of the state of North Dakota
- d. Commercial paper
- e. Bankers' acceptances
- f. Negotiable certificates of deposit
- g. Certificate of deposit and time deposits
- h. Obligations or notes issued by corporations organized and operating within the United States or by depository institutions licensed by the United States
- i. Investments in money-market funds
- j. Repurchase agreements that are collateralized only by direct obligation of the U.S. government, GNMA, Fannie Mae, Freddie Mac, FFCB, and FHLB.

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

- k. Asset-backed securities (ABS) rated a minimum of AA long-term or A-1 short-term, or its equivalent, from any nationally recognized statistical rating organization (NRSRO). Pension funds may purchase any investments authorized by the Pension Boards.

The North Dakota Retirement and Investment Office (NDRIO) manages the FargoDome capital escrow investments and a portion of the City Employees' Pension Fund, 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 market 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.

Investment Type	Credit Rating	Fair Value	Investment Maturities (in years)				
			Not Applicable	< 1	1 - 5	> 5 - 10	> 10
Corporate Bonds	AAA	\$ 6,585,254	\$ -	\$ 80,174	\$ 6,505,080	\$ -	\$ -
Corporate Bonds	AA1	2,542,739	-	-	2,542,739	-	-
Corporate Bonds	AA3	3,732,424	-	-	3,732,424	-	-
Corporate Bonds	A1	7,906,579	-	-	7,906,579	-	-
Corporate Bonds	A2	6,293,942	-	-	6,293,942	-	-
Corporate Bonds	A3	1,296,954	-	-	1,296,954	-	-
Corporate Bonds	BAA1	733,477	-	-	733,477	-	-
Money Market Funds	AAA	16,119,871	16,119,871	-	-	-	-
Money Market Funds	N/A	42,958,455	42,958,455	-	-	-	-
Municipal Bond	AA2	624,543	-	-	624,543	-	-
Municipal Bond	AA3	1,289,021	-	933,776	355,245	-	-
U.S. Agencies	AAA	6,335,680	-	2,039,996	4,295,684	-	-
U.S. Agencies	NA	5,373,337	-	-	3,444,316	678,334	1,250,687
U.S. Treasuries	AAA	36,848,589	-	13,808,525	23,040,064	-	-
Bond Mutal Funds	N/A	24,336,666	-	1,206,668	2,320,261	20,809,737	-
CDs	N/A	16,569,112	-	3,997,238	12,571,874	-	-
Corporate Commercial Paper	N/A	7,489,900	-	7,489,900	-	-	-
Equity Mutual Funds	N/A	62,337,860	62,337,860	-	-	-	-
External Investment Pool *	N/A	38,454,560	38,454,560	-	-	-	-
		\$ 287,828,962	\$ 159,870,746	\$ 29,556,277	\$ 75,663,181	\$ 21,488,071	\$ 1,250,687

* - The weighted average maturity of the portion of the external investment pool subject to maturity is 7.76 years.

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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% of the City's portfolio for any of the following security types in total: commercial paper, corporate obligations or notes, bankers' acceptances, and negotiable CD's. No single issuer exceeded these established limits as of December 31, 2015.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The City has investments in foreign currency in the external investment pool with the State Investment Board. Although the State Investment Board does not have a formal investment policy governing foreign currency risk, the board does manage its exposure to fair value loss by requiring their international securities investment managers to maintain diversified portfolios to limit foreign currency and security risk. As of June 30, 2015, the City has the following foreign currency risk exposure on investments.

Currency	All values in \$000			
	Short term	Debt	Equity	Total
Australian dollar	\$ -	\$ -	\$ 172	\$ 172
Brazilian real	1	-	6	7
British pound sterling	3	-	873	876
Canadian dollar	-	-	77	77
Israeli shekel	-	-	33	33
Danish krone	-	-	103	103
Euro	(14)	16	1,343	1,345
Hong Kong dollar	3	-	265	268
Japanese yen	12	2	1,014	1,028
New Zealand dollar	-	-	9	9
Norwegian krone	2	-	84	86
Singapore dollar	-	-	47	47
South African rand	(1)	-	9	8
South Korean won	-	-	3	3
Swedish krona	-	-	147	147
Swiss franc	-	-	399	399
International comingled funds	-	-	1,261	1,261
	<u>\$ 6</u>	<u>\$ 18</u>	<u>\$ 5,845</u>	<u>\$ 5,869</u>

**CITY OF FARGO, NORTH DAKOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2015**

B. RECEIVABLES

Loans receivable as of December 31, 2015 were:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
Community Development	3%	8/2/2021	\$ 216,411
Neighborhood Revitalization Initiative (NRI)	2 - 4 %	6/1/16 - 8/1/21	32,843
Neighborhood Revitalization Initiative (NRI)	0%	Due Upon Sale	15,500
HUD HOME	3%	6/1/16 - 2/1/17	1,470,171
HUD HOME	0%	Due Upon Sale	620,000
Total loans receivable			<u>\$ 2,354,925</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, \$1,676,174 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 is not met, payment is required.

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 59,243,761	\$ 4,031,793	\$ -	\$ 63,275,554
Right of Way	7,874,570	538,433	-	8,413,003
Construction in progress	9,143,393	5,409,016	3,188,711	11,363,698
Total capital assets, not being depreciated	76,261,724	9,979,242	3,188,711	83,052,255
Capital assets, being depreciated				
Buildings	76,252,454	464,340	8,750	76,708,044
Improvements other than buildings	1,101,349	20,750	-	1,122,099
Machinery and equipment	50,617,345	6,523,004	2,173,270	54,967,079
Infrastructure	339,162,422	68,412,298	55,327,571	352,247,149
Flood control	32,523,958	7,697,925	-	40,221,883
Total capital assets being depreciated	499,657,528	83,118,317	57,509,591	525,266,254
Less accumulated depreciation for:				
Buildings	31,449,424	1,878,435	8,750	33,319,109
Improvements other than buildings	392,181	54,419	-	446,600
Machinery and equipment	33,757,772	4,758,117	1,872,400	36,643,489
Infrastructure	129,144,284	8,781,354	639,166	137,286,472
Flood control	743,003	372,849	-	1,115,852
Total accumulated depreciation	195,486,664	15,845,174	2,520,316	208,811,522
Total capital assets, being depreciated, net	304,170,864	67,273,143	54,989,275	316,454,732
Governmental activities capital assets, net	\$ 380,432,588	\$ 77,252,385	\$ 58,177,986	\$ 399,506,987

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

Governmental activities:	
General government	\$ 993,683
Public safety	1,546,063
Public works	10,243,425
Public health & welfare	172,177
Recreation & culture	760,953
Urban development	70,546
Transportation	1,947,009
Total depreciation expense - governmental activities	\$ 15,733,856
Accumulated depreciation recorded through asset transfers from business-type activities	111,318
	\$ 15,845,174

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 40,568,220	\$ 1,023,543	\$ -	\$ 41,591,763
Intangible - Right-of -way Easements	420,036	-	-	420,036
Construction in progress	20,460,433	29,833,580	7,837,789	42,456,224
Intangible - Water rights	500,000	-	-	500,000
Total capital assets, not being depreciated	61,948,689	30,857,123	7,837,789	84,968,023
Capital assets, being depreciated				
Buildings	209,232,007	196,550	1,210,000	208,218,557
Improvements other than buildings	25,428,870	610,698	-	26,039,568
Machinery and equipment	67,030,977	5,304,823	1,305,533	71,030,267
Infrastructure	535,239,815	36,137,526	639,492	570,737,849
Total capital assets being depreciated	836,931,669	42,249,597	3,155,025	876,026,241
Less accumulated depreciation for:				
Buildings	73,694,685	4,575,364	92,250	78,177,799
Improvements other than buildings	8,379,028	1,119,871	-	9,498,899
Machinery and equipment	45,312,451	4,388,979	1,136,297	48,565,133
Infrastructure	160,120,431	11,900,861	464,892	171,556,400
Total accumulated depreciation	287,506,595	21,985,075	1,693,439	307,798,231
Total capital assets, being depreciated, net	549,425,074	20,264,522	1,461,586	568,228,010
Business-type activities capital assets, net	\$ 611,373,763	\$ 51,121,645	\$ 9,299,375	\$ 653,196,033

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

Business-type activities:	
Airport	\$ 3,910,824
Water	4,155,447
Wastewater	3,909,219
Storm sewer	4,129,293
Vector control	5,309
Street lighting	1,420,132
Solid waste	2,009,773
Forestry	60,514
Fargodome	2,384,564
Total depreciation expense - business-type activities	<u>\$ 21,985,075</u>

D. COMMITMENTS

Construction

As of December 31, 2015, the City had commitments on various construction contracts totaling approximately \$145,188,207.

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 landfill site design has a total of 17 cells on approximately 116 acres of land. The City has constructed all or portions of 17 cells to date, which vary in surface area from 4 to 6 acres. The cell depths range up to 30' 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 capacity, final closure can be performed, which involves placement of 4' un-compacted clay soils, in which 4" of yard waste compost is incorporated into the top 12", and 6" of topsoil.

Cells 1 through 12, are presently fully constructed and partially filled. Cells 13 through 17 are partially constructed and partially filled. Based upon design capacity, the landfill is 69.33% full (acres), and based upon present utilization rates; the remaining capacity of the landfill is estimated at 5.57 years. The estimated liability for landfill closure and post closure care is \$3,812,379 as of December 31, 2015. The City will recognize the remaining estimated cost of closure and post closure care as the remaining estimated capacity is filled. 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, 2015. However, actual costs may be higher due to inflation, changes in technology, or landfill regulations. The City owns land held for future expansion adjacent to the existing landfill that can provide 25 years of future capacity.

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.

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

E. 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. The composition of interfund balances as of December 31, 2015, is as follows:

	Receivable	Payable
Nonmajor governmental - City Share of Specials	\$ 39,500	\$ -
Nonmajor governmental - Community Development	-	25,712
Nonmajor governmental - Convention & Visitors Bureau	-	13,788
Interfund totals	<u>\$ 39,500</u>	<u>\$ 39,500</u>

At December 31, 2015, the inter-fund advance balances are:

	Funds Advanced	Amount Repaid To-Date	Advance Balance December 31, 2015
General fund	\$ 2,298,802	\$ 1,114,105	\$ 1,184,697
Solid waste fund	1,200,000	1,146,770	53,230
Subtotal baseball advances	<u>\$ 3,498,802</u>	<u>\$ 2,260,875</u>	<u>\$ 1,237,927</u>
General fund - parking authority debt defeasance advance	<u>\$ 765,000</u>	<u>\$ 210,000</u>	<u>\$ 555,000</u>
Total advances	<u>\$ 4,263,802</u>	<u>\$ 2,470,875</u>	<u>\$ 1,792,927</u>

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

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

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Interfund Transfers:

	Transfer In:							Total
	Major Funds				Nonmajor Funds			
	General	Debt Service	Capital Projects	Water	Wastewater	Governmental	Enterprise	
Transfer Out:								
Major Funds:								
General	\$ -	\$ 793,401	\$ 4,237,235	\$ -	\$ -	\$ 112,726	\$ -	\$ 5,143,362
Debt Service	1,457,999	-	15,656,559	-	4,808,000	33,172	-	21,955,730
Capital Projects	-	2	-	-	713,125	-	-	713,127
Airport	50,000	-	-	-	-	-	-	50,000
Water	3,255,000	-	1,303,713	-	-	-	-	4,558,713
Wastewater	2,485,000	-	756,055	1,300,000	-	-	265,000	4,806,055
Storm Sewer	315,000	-	442,700	-	-	-	-	757,700
Solid Waste	2,421,283	-	-	-	-	-	190,000	2,611,283
FargoDome	50,000	-	-	-	-	-	-	50,000
Nonmajor Funds:								
Governmental	-	60,263	26,188	-	-	36,000	-	122,451
Enterprise	471,000	-	-	-	-	-	75,000	546,000
Total	\$ 10,505,282	\$ 853,666	\$ 22,422,450	\$ 1,300,000	\$ 5,521,125	\$ 181,898	\$ 530,000	\$ 41,314,421

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.

F. LEASES

Operating Leases

The City leases building and office facilities under noncancellable operating leases. Total costs for such leases were \$379,902 for the year ended December 31, 2015. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2016	\$ 304,594
2017	281,651
2018	259,992
2019	197,802
2020	46,514
	\$ 1,090,553

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Capital Leases

The City is obligated to the following capital lease agreements:

BUSINESS-TYPE	Remaining Balance
SOLID WASTE ENTERPRISE FUND	
Duratech Tub Grinder	\$ 191,929
Labrie Expert Automated Packer	120,521
Loadmaster Excel Rear Loader	60,600
Peterbilt with Sideloaders	133,968
Peterbilt with Sidewinder	134,229
Curbside Recycling Truck	94,277
Peterbilt 320 Chassis	174,412
Peterbilt 320 Chassis	174,412
International Refuse Box (2)	248,573
Wildcat Compost Turner	166,017
Caterpillar D8 Dozer	617,726
WASTEWATER ENTERPRISE FUND	
CAT Wheel Loader	\$ 36,786
Ford F450 Cab/Chassis	41,564
Rolloff Truck	100,528
FARGODOME ENTERPRISE FUND	
Turf and Parking Lot	\$ 2,330,000
Total Business-Type	\$ 4,625,543
GOVERNMENTAL	
Ford Explorer	6,259
Motor Grader	185,278
Canon Copier	2,756
JD Motor Grader	128,456
Total Governmental	\$ 322,749

The assets acquired through the capital leases are as follows:

	Governmental Activities	Business-type Activities
Asset:		
Machinery and equipment	\$ 516,778	\$ 9,799,257
Less: Accumulated depreciation	(78,733)	(1,694,268)
Total	\$ 438,045	\$ 8,104,990

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Future Minimum Payments under the above capital lease agreements at December 31, 2015 are shown below:

	Governmental Activities	Business-type Activities
2016	\$ 78,057	\$ 1,976,392
2017	68,860	1,939,067
2018	68,860	532,911
2019	134,018	444,969
Total minimum lease payments	349,795	4,893,339
Less: amount representing interest	(27,045)	(267,796)
Present value of minimum lease payments	\$ 322,749	\$ 4,625,543

Site and Facility Lease

Site Lease

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

Facility Lease

The FargoDome has executed a lease with North Dakota State University for use of its facility. The terms of the 2012 lease are set to expire on June 30, 2017 with the terms of NDSU having a maximum of fifty days per lease year to rent the FargoDome. Annual rental fees under the new terms are \$165,246. The lease payment terms change annually on July 1, with the rate based off the prior year annual payment, adjusted for the Midwest Urban Consumer Price Index.

Locker Room Rental Agreement

During 2005, an additional lease agreement was entered into with the NDSU Development Foundation. The agreement is for 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 lease expires in 2016, however it will automatically renew for up to two additional periods of 10 years each unless North Dakota State University gives the FargoDome six months in advance of 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. They also share a percentage of the concession and novelty sales proceeds for NDSU events.

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

The asset leased to NDSU is as follows:

	Business-type Activity
Asset:	
Fargodome	\$ 58,256,248
Less: Accumulated depreciation	(29,969,670)
Total	<u>\$ 28,286,578</u>

The future minimum lease payments for these leases are as follows:

2016	\$ 218,844
2017	80,672
	<u>\$ 299,516</u>

Baseball Stadium Lease

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

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

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

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

The leased asset is as follows:

	<u>Governmental Activity</u>
Asset:	
Baseball stadium	\$ 5,266,692
Less: Accumulated depreciation	<u>(2,186,995)</u>
Total	<u>\$ 3,079,697</u>

Lease of Rights to Sewer System

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

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

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

2016	\$ 45,684
2017	45,684
2018	45,684
2019	45,684
2020	45,684
Thereafter	<u>296,946</u>
	<u>\$ 525,366</u>

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

G. LONG-TERM DEBT

The following is a summary of changes in long-term debt of the City for the year ended December 31, 2015:

	Balance 1/1/2015	Additions	Deletions	Balance 12/31/2015	Due within one year
GOVERNMENTAL ACTIVITIES					
Improvement bonds	\$ 332,360,000	\$ 68,250,000	\$ 13,850,000	\$ 386,760,000	\$ 14,455,000
General obligation bonds	2,285,000	10,230,000	125,000	12,390,000	120,000
Sales tax revenue bonds	82,142,000	-	3,079,000	79,063,000	3,174,000
Total Bonds Payable	416,787,000	78,480,000	17,054,000	478,213,000	17,749,000
State revolving fund notes	63,409,403	9,684,907	4,951,075	68,143,235	5,085,000
Direct bank loan	6,000,000	50,000,000	545,000	55,455,000	555,000
Tax increment revenue notes	3,553,575	68,977	265,966	3,356,586	-
Total Notes Payable	72,962,978	59,753,884	5,762,041	126,954,821	5,640,000
Capital leases	231,179	164,456	72,886	322,749	68,352
Total Debt	489,981,157	138,398,340	22,888,927	605,490,570	23,457,352
Accumulated unpaid vacation	3,340,449	3,469,100	3,340,449	3,469,100	3,469,100
Unamortized premium on refunding	21,522,490	5,350,307	1,263,681	25,609,116	1,114,680
Net pension liability	51,524,022	12,565,284	1,656,897	62,432,409	-
TOTAL	\$ 566,368,118	\$ 159,783,031	\$ 29,149,954	\$ 697,001,195	\$ 28,041,132
	Balance 1/1/2015	Additions	Deletions	Balance 12/31/2015	Due within one year
BUSINESS-TYPE ACTIVITIES					
Revenue bonds	\$ 16,785,000	\$ 2,875,000	\$ 8,695,000	\$ 10,965,000	\$ 3,853,356
Unamortized premium on refunding	452,028	-	158,369	293,659	146,829
Total Bonds Payable	17,237,028	2,875,000	8,853,369	11,258,659	4,000,185
State revolving fund notes payable	4,993,000	-	4,993,000	-	-
Direct bank loan	3,000,000	-	300,000	2,700,000	300,000
Total Notes Payable	7,993,000	-	5,293,000	2,700,000	300,000
Capital leases	4,848,864	1,742,762	1,966,083	4,625,543	1,839,205
Special assessments	6,916,821	107,181	296,179	6,727,823	337,342
Contract payable	62,472	-	62,472	-	-
Landfill closure/postclosure	3,108,093	704,286	-	3,812,379	-
Accumulated unpaid vacation	687,070	734,782	687,070	734,782	734,782
Net pension liability	8,311,661	1,901,929	635,836	9,577,754	-
TOTAL	\$ 49,165,009	\$ 8,065,940	\$ 17,794,009	\$ 39,436,940	\$ 7,211,514

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, 2015 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 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, 2015**

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 G.

	Original Interest Rates	Original Issue Amounts	Balance Remaining
GOVERNMENTAL ACTIVITIES			
Improvement bonds (Special assessment debt)	0.80 - 6.00 %	\$ 440,260,000	\$ 386,760,000
General obligation bonds	2.00 - 4.00%	2,875,000	12,390,000
Sales tax revenue bonds	2.00 - 6.00%	83,887,000	79,063,000
TOTAL		<u>\$ 527,022,000</u>	<u>\$ 478,213,000</u>
BUSINESS-TYPE ACTIVITIES			
Water revenue bond	5.25%	\$ 28,065,000	\$ 7,490,000
Clean renewable energy bond	0.85%	1,500,000	600,000
Qualified Energy Conservation Bond	4.65%	2,875,000	2,875,000
TOTAL		<u>\$ 32,440,000</u>	<u>\$ 10,965,000</u>

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

Revenue bonds payable at December 31, 2015, consist of two issues backed and serviced by sales tax, one issue backed and serviced by annual general fund revenue appropriations, and three issues backed and serviced by utility revenues, which include the Water Fund and Solid Waste Fund.

PLEGGED REVENUES

The City has pledged future sales tax revenues, net of specified operating expenses, to repay \$83.887 million in sales tax revenue bonds issued in 2013 and 2014. Proceeds from the bonds were used to finance the construction and installation of flood mitigation projects. Principal and interest paid for the current year was \$6,296,930. Net sales tax revenue totaled \$12,747,118 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 \$196,731. Net general fund appropriations totaled \$196,731 for the year.

The City has pledged future water revenues to repay \$28.065 million in revenue bonds issued in 1997. Proceeds from the bond were used to finance construction of a water treatment plant. Principal and interest paid for the current year was \$3,863,225. Net water revenue totaled \$9,695,015 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 finance improvements to the landfill gas collection system. Principal and interest paid for the current year was \$105,950. Net solid waste byproduct revenue totaled \$335,117 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 payments for this issue will begin in 2016.

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Debt service maturities for these revenue bonds at December 31, 2015, are as follows:

Sales Tax			
Year	Principal	Interest	Total
2016	\$ 3,174,000	\$ 3,118,500	\$ 6,292,500
2017	3,280,000	3,015,560	6,295,560
2018	3,394,000	2,902,050	6,296,050
2019	3,519,000	2,774,065	6,293,065
2020	3,657,000	2,637,515	6,294,515
2021-2025	20,853,000	10,620,250	31,473,250
2026-2030	25,726,000	5,747,120	31,473,120
2031-2035	15,460,000	841,600	16,301,600
Totals	\$ 79,063,000	\$ 31,656,660	\$ 110,719,660

Water			
Year	Principal	Interest	Total
2016	\$ 3,650,000	\$ 297,413	\$ 3,947,413
2017	3,840,000	100,800	3,940,800
Totals	\$ 7,490,000	\$ 398,213	\$ 7,888,213

General Fund Appropriations			
Year	Principal	Interest	Total
2016	\$ 120,000	\$ 359,156	\$ 479,156
2017	555,000	369,441	924,441
2018	560,000	361,548	921,548
2019	570,000	351,633	921,633
2020	590,000	340,102	930,102
2021-2025	3,175,000	1,477,157	4,652,157
2026-2030	3,520,000	958,404	4,478,404
2031-2035	3,300,000	383,170	3,683,170
Totals	\$ 12,390,000	\$ 4,600,611	\$ 16,990,611

Solid Waste			
Year	Principal	Interest	Total
2016	\$ 203,356	\$ 154,038	\$ 357,394
2017	278,012	134,358	412,370
2018	280,889	124,805	405,694
2019	283,812	115,111	398,923
2020	286,782	105,274	392,056
2021-2025	1,080,176	378,749	1,458,925
2026-2030	1,061,973	130,415	1,192,388
Totals	\$ 3,475,000	\$ 1,142,750	\$ 4,617,750

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

The City of Fargo is subject to the North Dakota Century Code, which limits the amount of general obligation indebtedness (exclusive of revenue-producing utility debt, special assessment debt, tax increment debt, and Housing Authority debt) that the City may have outstanding to 5% of assessed valuation. On December 31, 2015, the statutory limit for the City was \$229,925,362 providing a debt margin of \$207,751,138. This calculation can be found in the statistical section of this report.

PREVIOUS YEARS DEFEASANCE OF DEBT

In prior years, the City defeased certain general obligation and other bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust assets and liabilities for the defeased bonds are not included in the City's financial statements. As of December 31, 2015, \$199,800,000 of bonds outstanding are considered to be defeased.

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

CONTRACT PAYABLE

The City has agreed to sell treated wastewater to Cass Rural Water Users District, and Cass Rural Water Users District has, in turn, agreed to sell treated wastewater to the Tharaldson Ethanol Plant, LLC for use at its ethanol plant. On July 9, 2007, the LLC, CRWU, and the City entered into a Memorandum of Understanding under which the parties each agreed to perform certain obligations, including the financing, construction, and maintenance of the infrastructure necessary for delivery of treated wastewater and for the return of plant wastewater to and from the ethanol plant. Cass Rural Water Users District financed the project through issuance of bonds, which are payable by both the LLC and the City for its corresponding obligations under the Memorandum of Understanding. Per the agreement, the City's obligation for this contract is \$1,703,181 which will be repaid to the CRWU over a five year period. The balance of this contract payable was paid in full as of December 31, 2015.

NOTES PAYABLE

The City has obtained financing from the State of North Dakota's State Revolving Loan Fund (SRLF) to finance expansion of the wastewater treatment facility, a portion of the new water treatment plant, sewer hook-up for Reile's Acres and Oxbow, storm sewer system, 45th street corridor interceptor project, north side sewer service facility project, transmission lines south side system project, a water tower project, clarifier improvements to the wastewater system, a wastewater stabilization pond project and a water treatment plant. Future sales tax revenue has been pledged to repay these SRLF notes.

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

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

Details relative to the outstanding notes payable are shown below:

TYPE AND ISSUE	FINAL MATURITY DATE	INTEREST RATES	ORIGINAL ISSUE	PRINCIPAL OUTSTANDING 12/31/15
GOVERNMENTAL ACTIVITIES				
SRLF Storm Sewer Project	9/1/2020	2.50%	\$ 1,816,295	\$ 540,000
SRLF Water Tower	9/1/2027	2.50%	2,270,000	1,720,000
SRLF North Side Sewer Service Facility Plan	9/1/2028	2.50%	1,630,000	1,260,000
SRLF 45th Street Corridor Interceptor System	9/1/2029	2.50%	63,725,000	40,717,633
SRLF Transmission Lines South Side System	9/1/2029	2.82%	29,240,000	8,800,422
SRLF Wastewater Clarifier Improvements	9/1/2029	0.50%	699,374	575,000
SRLF Wastewater Stabilization Ponds	9/1/2030	2.50%	4,071,140	3,315,000
SRLF Water Treatment Plant	9/1/2036	2.00%	66,352,000	11,215,180
TIF Revenue Notes	5/1/2038	6.00%	4,227,545	3,356,586
Direct Bank Loan - Fargo Cass Public Health Expansion and Relocation Project and Red River Regional Dispatch Center Project	5/1/2019	0.83% *	6,000,000	5,455,000
Direct Bank Loan - FM Diversion Financing	7/31/2017	0.69% *	50,000,000	50,000,000
TOTAL GOVERNMENTAL ACTIVITIES			\$ 230,031,354	\$ 126,954,821
BUSINESS-TYPE ACTIVITIES				
Direct Bank Loan - Baling Facility	12/1/2024	1.743% *	3,000,000	2,700,000
TOTAL BUSINESS-TYPE ACTIVITIES			\$ 3,000,000	\$ 2,700,000
TOTAL NOTES PAYABLE			\$ 233,031,354	\$ 129,654,821
* Variable rate note. Rate reported is as of December 31, 2015.				

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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, 2015, are shown in the following table:

GOVERNMENTAL ACTIVITIES

	Special Assessment Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest
2016	\$ 14,455,000	\$ 15,246,538	120,000	359,156
2017	15,755,000	14,709,720	555,000	369,441
2018	16,390,000	14,111,870	560,000	361,548
2019	17,860,000	13,491,120	570,000	351,633
2020	17,995,000	12,838,914	590,000	340,102
2021-2025	98,365,000	53,244,551	3,175,000	1,477,157
2026-2030	95,395,000	33,504,398	3,520,000	958,404
2031-2035	71,120,000	15,562,717	3,300,000	383,170
2036-2040	37,580,000	3,668,743	-	-
2041	1,845,000	34,594	-	-
	<u>\$ 386,760,000</u>	<u>\$ 176,413,165</u>	<u>\$ 12,390,000</u>	<u>\$ 4,600,611</u>

	Sales Tax Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2016	\$ 3,174,000	\$ 3,118,500	\$ 5,640,000	\$ 2,071,796
2017	3,280,000	3,015,560	54,519,920	1,762,887
2018	3,394,000	2,902,050	4,630,577	1,487,962
2019	3,519,000	2,774,065	7,913,399	1,382,289
2020	3,657,000	2,637,515	4,250,321	1,250,811
2021-2025	20,853,000	10,620,250	25,205,170	4,625,429
2026-2030	25,726,000	5,747,120	20,434,910	1,706,658
2031-2035	15,460,000	841,600	3,173,357	263,102
2036-2039	-	-	1,187,167	13,646
	<u>\$ 79,063,000</u>	<u>\$ 31,656,660</u>	<u>\$ 126,954,821</u>	<u>\$ 14,564,580</u>

BUSINESS-TYPE ACTIVITIES

	Revenue Bonds		Notes Payable		Special Assessments	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 3,853,356	\$ 451,451	\$ 300,000	\$ 47,906	\$ 337,342	\$ 353,281
2017	4,118,012	235,158	300,000	42,431	303,268	337,361
2018	280,889	124,805	300,000	36,956	315,934	320,386
2019	283,812	115,111	300,000	31,481	303,397	303,132
2020	286,782	105,274	300,000	26,006	283,909	286,887
2021-2025	1,080,176	378,749	1,200,000	49,275	1,556,348	1,200,447
2026-2030	1,061,973	130,415	-	-	1,803,689	750,748
2031-2035	-	-	-	-	1,277,900	316,401
2036-2039	-	-	-	-	546,036	55,975
	<u>\$ 10,965,000</u>	<u>\$ 1,540,963</u>	<u>\$ 2,700,000</u>	<u>\$ 234,055</u>	<u>\$ 6,727,823</u>	<u>\$ 3,924,618</u>

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Individual Bond Issues by Fund – The following is a summary of the individual bond issues, as of the year ended December 31, 2015.

TYPE AND ISSUE	PURPOSE	ISSUE DATE	FINAL MATURITY DATE	INTEREST RATES	ORIGINAL ISSUE	PRINCIPAL OUTSTANDING 12/31/15
GOVERNMENTAL ACTIVITIES						
SPECIAL ASSESSMENT BONDS						
2014 Series D Refunding	Advance refunding of 2005 Series A	6/25/2014	5/1/2030	2.00 - 5.00	\$ 12,640,000	\$ 12,615,000
2005 Series B Refunding	Crossover refunding of 1997 Series A	12/15/2005	5/1/2018	4.00-4.25	10,675,000	1,345,000
2006 Series B	Infrastructure system construction	12/15/2006	5/1/2031	3.75-4.375	19,810,000	14,070,000
2006 Series C Refunding	Crossover refunding of Series 1999A, 2000B, and 2001B	12/15/2006	5/1/2018	3.75	6,465,000	1,580,000
2007 Series B	Infrastructure system construction	12/15/2007	5/1/2032	4.00-4.70	13,045,000	9,855,000
2008 Series E	Infrastructure system construction	12/19/2008	5/1/2033	4.00-6.00	26,285,000	21,345,000
2009 Series A Refunding	Current refunding of 2001 Series A and B	4/30/2009	5/1/2019	2.50-4.00	13,190,000	5,250,000
2009 Series C	Infrastructure system construction	10/15/2009	5/1/2034	2.00-4.125	37,680,000	33,475,000
2014 Series E Refunding	Current refunding of 2010 Series B	9/4/2014	5/1/2035	2.00 - 5.00	19,440,000	18,825,000
2010 Series C Refunding	Crossover refunding of 2002 Series A	5/25/2010	5/1/2027	3.00-5.00	8,250,000	3,395,000
2011 Series A	Infrastructure system construction	5/15/2011	5/1/2036	2.00-5.00	19,180,000	17,485,000
2011 Series B	Infrastructure system construction	5/15/2011	5/1/2036	2.50-4.625	5,430,000	3,395,000
2011 Series C	Infrastructure system construction	12/15/2011	5/1/2037	2.00-4.00	20,965,000	19,400,000
2011 Series D	Infrastructure system construction	12/15/2011	5/1/2037	2.00-4.00	10,085,000	9,200,000
2011 Series E Refunding	Crossover refunding of 2003 Series A	12/15/2011	5/1/2028	2.00-3.25	9,515,000	8,385,000
2012 Series A Refunding	Crossover refunding of Series 2003D, 2004C, and 2004E	4/26/2012	5/1/2029	3.00-4.00	34,180,000	31,815,000
2013 Series C	Infrastructure system construction	9/12/2013	5/1/2039	2.00 - 4.60	16,705,000	16,220,000
2014 Series D	Infrastructure system construction	6/25/2014	5/1/2039	2.00 - 5.00	39,760,000	38,865,000
2014 Series F	Infrastructure system construction	12/22/2014	5/1/2039	2.00 - 5.00	40,445,000	40,195,000
2014 Series G	Infrastructure system construction	12/22/2014	5/1/2039	2.00 - 4.25	8,355,000	8,255,000
2015 Series A Refunding	Crossover refunding of Series 2006B and 2007B	2/25/2015	5/1/2031	2.00 - 5.00	18,250,000	18,250,000
2015 Series B Refunding	Crossover refunding of Series 2008E	9/30/2015	5/1/2033	2.50 - 5.00	15,235,000	15,325,000
2015 Series D	Infrastructure system construction	11/18/2015	5/1/2041	3.00 - 5.00	34,675,000	34,675,000
					<u>\$ 440,260,000</u>	<u>\$ 386,760,000</u>
GENERAL OBLIGATION BONDS						
2009 Series B	Fire station and fire truck	10/15/2009	5/1/2029	2.00 - 4.00	\$ 2,875,000	\$ 2,160,000
2015 Series E	Parking Ramp	12/7/2015	12/1/2035	1.00 - 3.85	10,230,000	10,230,000
					<u>\$ 13,105,000</u>	<u>\$ 12,390,000</u>
SALES TAX INFRASTRUCTURE BONDS						
2013 Series A	Flood mitigation projects	3/27/2013	6/1/2033	3.00 - 4.00	\$ 51,375,000	\$ 47,820,000
2014 Series B	Flood mitigation projects	4/22/2014	6/1/2032	2.00 - 5.00	32,512,000	31,243,000
					<u>\$ 83,887,000</u>	<u>\$ 79,063,000</u>
TOTAL GOVERNMENTAL ACTIVITIES					<u>\$ 527,022,000</u>	<u>\$ 478,213,000</u>

TYPE AND ISSUE	PURPOSE	ISSUE DATE	FINAL MATURITY DATE	INTEREST RATES	ORIGINAL ISSUE	PRINCIPAL OUTSTANDING 12/31/15
BUSINESS-TYPE ACTIVITIES						
WATER FUND						
Revenue Bonds of 2007	Refund water revenue bonds of 1997 (construction of water treatment plant)	10/11/2007	1/1/2017	5.25	\$ 28,065,000	\$ 7,490,000
SOLID WASTE FUND						
Clean Renewable Energy Bond	Improvements to Landfill Gas Collection System	11/5/2007	12/15/2021	0.85	\$ 1,500,000	\$ 600,000
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	2,875,000
					<u>\$ 4,375,000</u>	<u>\$ 3,475,000</u>
TOTAL BUSINESS-TYPE ACTIVITIES					<u>\$ 32,440,000</u>	<u>\$ 10,965,000</u>
TOTAL BONDED INDEBTEDNESS					<u>\$ 559,462,000</u>	<u>\$ 489,178,000</u>

In February 2015 the City of Fargo issued Refunding Improvement Refunding Bonds, Series 2015A to be used for crossover refunding the 2006B Refunding Improvement Bonds and 2007B Refunding Improvement Bonds. The net proceeds and the City's equity contribution of \$2,750,000 were used to purchase securities of the U.S. Government. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunding issues until the call date of the refunded issue at which time the bonds will be called and paid by the escrow agent. After the call date the bonds will no longer be shown on the financial statements of the City and the City will assume the debt service payments for the refunding issues.

The difference in cash flows required to service the old debt and the new debt is \$7,089,801. The economic benefit, as measured by the present value savings of the refunding, is \$5,645,274. A schedule of the refunding bonds and bonds to be called are as follows:

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

<u>Bond Issue</u>	<u>Amount</u>	<u>Average Coupon</u>	<u>Proceeds</u>	<u>Bonds to be Called</u>			
				<u>Bond Issue</u>	<u>Average Coupon</u>	<u>Call Date</u>	<u>Balance to be Called</u>
Refunding Improvement Refunding Bond, Series 2015A	\$ 18,250,000	3.75%	\$ 20,548,607	Refunding Improvement Bonds, Series 2006B	4.23%	5/1/2016	\$ 13,325,000
				Refunding Improvement Bonds, Series 2007B	4.49%	5/1/2017	\$ 8,930,000

In September 2015 the City of Fargo issued Refunding Improvement Refunding Bonds, Series 2015B to be used for crossover refunding the 2008E Refunding Improvement Bonds. The net proceeds and the City's equity contribution of \$3,000,000 were used to purchase securities of the U.S. Government. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunding issues until the call date of the refunded issue at which time the bonds will be called and paid by the escrow agent. After the call date the bonds will no longer be shown on the financial statements of the City and the City will assume the debt service payments for the refunding issues.

The difference in cash flows required to service the old debt and the new debt is \$9,628,752. The economic benefit, as measured by the present value savings of the refunding, is \$6,801,321. A schedule of the refunding bonds and bonds to be called are as follows:

<u>Bond Issue</u>	<u>Amount</u>	<u>Average Coupon</u>	<u>Proceeds</u>	<u>Bonds to be Called</u>			
				<u>Bond Issue</u>	<u>Average Coupon</u>	<u>Call Date</u>	<u>Balance to be Called</u>
Refunding Improvement Refunding Bond, Series 2015B	\$ 15,325,000	3.92%	\$ 16,957,937	Refunding Improvement Bonds, Series 2008E	5.70%	5/1/2018	\$ 18,910,000

H. DEFERRED INFLOW OF RESOURCES/UNEARNED REVENUES

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

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

	Deferred Inflows of		Total
	Resources Unavailable	Liabilities Unearned	
Delinquent property taxes receivable	\$ 175,600	\$ -	\$ 175,600
Special assessments receivable	290,033,087	-	290,033,087
Grant resources held and grant items receivable	1,417,057	474,857	1,891,914
Loans/contracts/accounts receivable	3,653,974	1,676,174	5,330,147
Total unavailable revenue for governmental funds	<u>\$ 295,279,718</u>	<u>\$ 2,151,031</u>	<u>\$ 297,430,750</u>

I. 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, 2015, 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, 2015**

J. FUND BALANCES

The City classified fund balances within the governmental funds as follows at December 31, 2015:

	General Fund	Debt Service	Capital Projects	Other Governmental Funds	Total
Fund balances:					
Nonspendable:					
Advances to other funds	\$ 1,739,697	\$ -	\$ -	\$ -	\$ 1,739,697
Inventory	1,268,390	-	-	-	1,268,390
Prepaid Items	440,087	-	-	7,994	448,081
Property held for resale	10,500	-	-	156,450	166,950
Total Nonspendable	<u>3,458,674</u>	<u>-</u>	<u>-</u>	<u>164,444</u>	<u>3,623,118</u>
Restricted for:					
Auditors	5,594	-	-	-	5,594
Capital Projects	-	-	85,938,746	-	85,938,746
City Share of Specials	-	-	-	531,694	531,694
Community Development	-	-	-	8,337	8,337
Convention & Visitors Bureau	-	-	-	319	319
Court Forfeits	-	-	-	129,221	129,221
Debt Service	-	90,670,688	-	-	90,670,688
Downtown Business Improvement District	-	-	-	129,790	129,790
Fire	248,425	-	-	-	248,425
Health	831,335	-	-	-	831,335
Highway and streets	1,281,415	-	-	-	1,281,415
HUD Home Participating Jurisdiction	-	-	-	119,659	119,659
HUD Home Program	-	-	-	47,458	47,458
Neighborhood Stabilization	-	-	-	141,702	141,702
Noxious Weeds	-	-	-	127,658	127,658
NRI Loan Program	-	-	-	61,343	61,343
Parking Authority	-	-	-	687,591	687,591
Parking Repair and Replacement	-	-	-	387,331	387,331
Parking Surplus Fund	-	-	-	935,592	935,592
Planning and Development	30,195	-	-	-	30,195
Police	327,593	-	-	-	327,593
Regional Training Center	-	-	-	143,484	143,484
Skyway Maintenance	-	-	-	157,066	157,066
Transit	-	-	-	-	-
Total Restricted	<u>2,724,557</u>	<u>90,670,688</u>	<u>85,938,746</u>	<u>3,608,245</u>	<u>182,942,236</u>
Committed to:					
Revenue Stabilization	3,255,360	-	-	-	3,255,360
Assigned to:					
2016 Budget	696,286	-	-	-	696,286
Unassigned:	29,041,175	-	-	(1,233,295)	27,807,880
Total Fund Balances	<u>\$ 39,176,052</u>	<u>\$ 90,670,688</u>	<u>\$ 85,938,746</u>	<u>\$ 2,539,394</u>	<u>\$ 218,324,880</u>

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

K. CHANGE IN ACCOUNTING PRINCIPLE

The City implemented GASB 68 *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date* in 2015 which addresses the accounting and financial reporting requirements for pensions. The provisions of GASB Statement 68 and 71 separate accounting and financial reporting from how pensions are funded and require changes in the notes to the financial statements and required supplementary information. Significant changes include an actuarial calculation of the total net pension liability. It also includes comprehensive footnote disclosure regarding the pension liability, the sensitivity of the net pension liability to the discount rate and the pension expense and related deferred outflows/inflows of resources. The City restated the beginning net position to record the beginning deferred pension contributions and net pension liability as follows:

	Governmental	Proprietary Funds					
	Activities	Airport	Water	Wastewater	Storm Sewer	Solid Waste	Non-major
Net position - January 1, beginning as previously reported	\$ 306,560,951	\$ 100,727,223	\$ 180,733,823	\$ 124,299,694	\$ 152,725,404	\$ 10,170,179	\$ 18,468,865
Change in accounting principle:							
Net pension liability	(48,012,600)	(1,088,350)	(2,436,147)	(1,147,675)	(224,996)	(2,556,577)	(623,920)
Deferred outflow	(741,323)	(36,001)	(66,112)	(35,070)	(15,014)	(61,138)	(20,661)
Total	(48,753,923)	(1,124,351)	(2,502,259)	(1,182,745)	(240,010)	(2,617,715)	(644,581)
Net position - January 1, beginning as restated	\$ 258,548,351	\$ 99,602,872	\$ 178,231,564	\$ 123,116,949	\$ 152,485,394	\$ 7,552,464	\$ 17,824,284

5. OTHER NOTES

A. RISK MANAGEMENT

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

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

INSURED RISKS

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

B. PENSION PLANS

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

Summary of Significant Accounting Policies

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

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

Plan Description, Contribution and Reserves Information

Employees' Pension Plan

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

Membership in the plan on January 1, 2016 (date of most recent actuarial study) is as follows:

Retirees and beneficiaries	215
Terminated vested and deferred beneficiaries	44
City active plan members	139
NDPERS active plan members	194

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.

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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 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.

Long-term Expected Investment Return The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected nominal returns, net of inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return. This is accomplished by weighting the expected future real arithmetic rates of return by the current asset allocation percentage (or target allocation, if available); adjusting for the difference between arithmetic and geometric average returns; and 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 2015 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, 2015**

Asset Class	Allocation at Measurement Date	Long-Term Expected Real Rate of Return	Long-Term Expected Real Rate of Return ¹
Domestic equity	42.00%	5.52%	8.27%
International equity	16.00%	5.78%	8.53%
Emerging markets equity	7.00%	6.71%	9.46%
Core fixed income	26.00%	2.12%	4.87%
Investment grade corporate	2.25%	2.26%	5.01%
High yield	2.25%	4.04%	6.79%
Emerging markets debt	2.25%	3.84%	6.59%
Bank loans	2.25%	1.14%	3.89%
Total ²			7.68%
Reduced for assumed investment expense			-0.40%
Net assumed investment return (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.

Reserves. The net position at December 31, 2015 is \$39,696,749 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 (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 (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 seven 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; and one member elected by the retired public employees. Effective July 1, 2015, the board was expanded to include 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 will be replaced with the Rule of 90 with a minimum age of 60. The annual 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

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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, 2015**

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

At 12/31/2015 the Employer reported a liability of \$17,759,740 for its proportionate share of the net pension liability. The net pension liability was measured as of 6/30/2015, 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 6/30/2015, the Employer's proportion was 2.611792 percent.

For the year ended 12/31/2015, the Employer recognized pension expense of \$1,782,357. At 12/31/2015, 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	\$ 515,233	\$ 0
Changes of assumptions	0	1,582,309
Net difference between projected and actual earnings on pension plan investments	0	374,906
Changes in proportion and differences between employer contributions and proportionate share of contributions	484,348	39,144
Employer contributions subsequent to the measurement date (see below)	<u>*1,040,478</u>	<u>0-</u>
Total	<u>*\$ 2,040,059</u>	<u>\$1,996,359</u>

\$1,040,478 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 12/31/2016.

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

Year ended June 30:

2016	\$ -391,458
2017	-391,458
2018	-391,458
2019	383,239
2020	-205,643
Thereafter	0

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Actuarial assumptions. The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	4.50% per annum
Investment rate of return	8.00%, net of investment expenses
Cost-of-living adjustments	None

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

The actuarial assumptions used were based on the results of an actuarial experience study completed in 2015. They are the same as the assumptions used in the July 1, 2015, funding actuarial valuation for NDPERS.

As a result of the 2015 actuarial experience study, the NDPERS Board adopted several changes to the actuarial assumptions effective July 1, 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

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	31%	6.90%
International Equity	21%	7.55%
Private Equity	5%	11.30%
Domestic Fixed Income	17%	1.52%
International Fixed Income	5%	0.45%
Global Real Assets	20%	5.38%
Cash Equivalents	1%	0.00%

Discount rate. The discount rate used to measure the total pension liability was 8 percent as of June 30, 2015. The projection of cash flows used to determine the discount rate assumes that member and employer contributions will be made at rates equal to those based on the July 1, 2015, Actuarial Valuation Report. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members,

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

are not included. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015

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 8 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 (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Employer's proportionate share of the net pension liability	\$27,233,672	\$17,759,740	\$10,008,351

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

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

Police Pension Plan

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

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

Membership on January 1, 2016, (date of most recent actuarial study) in the plan is as follows:

Retirees and beneficiaries currently receiving pension payments	111
Fully vested members contributing	82
Non vested members contributing	92
Terminated vested employees	8

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.

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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 14.65% of salary for members employed prior to April 1, 1986, and a rate of 13.20% 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.

Long-term Expected Investment Return The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected nominal returns, net of inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return. This is accomplished by weighting the expected future real arithmetic rates of return by the current asset allocation percentage (or target allocation, if available); adjusting for the difference between arithmetic and geometric average returns; and 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 2015 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, 2015**

Asset Class	Allocation at Measurement Date	Long-Term Expected Real Rate of Return	Long-Term Expected Real Rate of Return ¹
Domestic large cap equity	54.00%	5.52%	8.27%
International equity	16.00%	5.78%	8.53%
US aggregate fixed income	25.00%	2.12%	4.87%
Global fixed income	5.00%	1.10%	3.85%
Total ²			7.54%
Reduced for assumed investment expense			-0.40%
Net assumed investment return (rounded to 1/4%)			7.25%
<p><small>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.</small></p>			

Reserves. The net position at December 31, 2015 is \$47,433,426 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 January 1, 2016, (date of most recent actuarial study) in the plan is as follows:

Active plan members	119
Deferred vested	2
Retirees, disabled, and beneficiaries	93

Number of participating employers: 1

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

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

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

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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

Contributions. Participating employees contribute to the plan at a rate of 10.4% of salary and the City contributes at a rate of 14.65% for pre-1986 employees and 13.20% 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.

Long-term Expected Investment Return The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected nominal returns, net of inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return. This is accomplished by weighting the expected future real arithmetic rates of return by the current asset allocation percentage (or target allocation, if available); adjusting for the difference between arithmetic and geometric average returns; and 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 2015 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 ¹
Domestic large cap equity	54.00%	5.52%	8.27%
International equity	16.00%	5.78%	8.53%
US aggregate fixed income	25.00%	2.12%	4.87%
Global fixed income	5.00%	1.10%	3.85%
Total ²			7.54%
Reduced for assumed investment expense			-0.40%
Net assumed investment return (rounded to 1/4%)			7.25%

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

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

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

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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, 2015**

PENSION FOOTNOTE DISCLOSURES

CITY EMPLOYEES' PENSION PLAN

Changes in Net Pension Liability				
	Increase (Decrease)			
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)	
Balance at 1/1/2015	\$ 54,316,214	\$ 39,709,008		\$ 14,607,206
Changes for the year:				
Service cost	529,173	-		529,173
Interest	4,014,233	-		4,014,233
Differences between expected and actual experience	(297,322)	-		(297,322)
Changes of assumptions	174,274	-		174,274
Contributions - City and Park District	-	1,946,591		(1,946,591)
Contributions - member	-	596,282		(596,282)
Net investment income	-	122,865		(122,865)
Benefit payments, including refund of member contributions	(2,644,555)	(2,644,555)		-
Administrative expense	-	(43,830)		43,830
Net changes	1,775,803	(22,647)		1,798,450
Balance at 12/31/2015 Measurement Date	\$ 56,092,017	\$ 39,686,361		\$ 16,405,656

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 (6.5%)	\$ 62,475,900	\$ 39,686,361	\$ 22,789,539	\$ 20,382,964
Current Discount Rate (7.5%)	56,092,017	39,686,361	16,405,656	14,673,219
1% Increase in Discount Rate (8.5%)	50,701,343	39,676,361	11,024,982	9,860,744

	Outflows	Inflows
Summary of Deferred Outflows (Inflows)		
Difference between expected and actual liability	\$ -	\$ 244,605
Change of assumptions and methods	143,374	-
Net difference between projected and actual investment earnings	2,279,883	-
Total	\$ 2,423,257	\$ 244,605

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Significant Assumptions and Methods Used to Measure the Total Pension Liability

Discount rate	7.25%
Expected return on plan assets	7.25%
Inflation rate	2.75%
Actuarial cost method	Entry age normal in accordance with the requirements of GASB 67/68
Asset valuation method	Market value of assets
Mortality	Base RP-2014 no-collar table adjusted to 2006. Generational projection using scale MP-2015 was applied to these base rates after 2006.

City of Fargo Employees' Pension Plan Schedule of Change in Net Pension Liability	
	2015
Total Pension Liability	
Service Cost	\$ 529,173
Interest	4,014,233
Differences between expected and actual experience	(297,322)
Changes in assumptions and methods	174,274
Benefit payments, including refunds of member contributions	(2,644,555)
Net change in total pension liability	<u>1,775,803</u>
Total Pension Liability - beginning of year	54,316,214
Total Pension Liability - end of year (a)	<u><u>\$ 56,092,017</u></u>
Plan fiduciary net position	
Contributions - employer	\$ 1,946,591
Contributions - member	596,282
Net investment income	122,865
Benefit payments, including member contribution refunds	(2,644,555)
Administrative expense	(43,830)
Net change in plan fiduciary net position	<u>(22,647)</u>
Plan fiduciary net position - beginning of year	39,709,008
Plan fiduciary net position - end of year (b)	<u><u>\$ 39,686,361</u></u>
Net Pension Liability - end of year (a) - (b)	\$ 16,405,656

City of Fargo Employees' Pension Plan Schedule of Contributions	
	2015
Actuarially determined contribution (ADC)	\$ 1,980,838
Contributions in relation to the ADC	1,946,591
Contribution deficiency (excess)	<u><u>\$ 34,247</u></u>

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

City of Fargo Employees' Pension Plan Schedule of Investment Returns	
	2015
Annual money-weighted rate of return, net of investment expense	0.3%

City of Fargo Employees' Pension Plan Contributions and Net Pension Liability as a Percent of Payroll	
	2015
Payroll	\$ 22,786,760
Contributions as a percent of payroll	11.2%
Net pension liability as a percent of payroll	72.0%

City of Fargo Employees' Pension Plan Summary of Deferred Outflows (Inflows)- City of Fargo's Proportionate Share		
	<u>Outflows</u>	<u>Inflows</u>
<u>Summary of Deferred Outflows (Inflows)</u>		
Difference between expected and actual liability	\$ -	\$ 218,776
Change of assumptions and methods	128,234	-
Net difference between projected and actual investment earnings	<u>2,039,126</u>	<u>-</u>
Total	\$ 2,167,360	\$ 218,776

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

POLICE PENSION PLAN

Changes in Net Pension Liability			
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at 1/1/2015	\$ 63,273,844	\$ 47,308,553	\$ 15,965,291
Changes for the year:			
Service cost	1,655,230	-	1,655,230
Interest	4,750,232	-	4,750,232
Differences between expected and actual experience	838,127	-	838,127
Changes of assumptions	1,610,242	-	1,610,242
Contributions - City	-	2,338,069	(2,338,069)
Contributions - member	-	1,052,344	(1,052,344)
Net investment income	-	(75,555)	75,555
Benefit payments, including refund of member contributions	(3,185,308)	(3,185,308)	-
Administrative expense	-	(35,797)	35,797
Net changes	5,668,523	93,753	5,574,770
Balance at 12/31/2015 Measurement Date	\$ 68,942,367	\$ 47,402,306	\$ 21,540,061

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 (6.5%)	\$ 77,886,516	\$ 47,402,306	\$ 30,484,210
Current Discount Rate (7.5%)	68,942,367	47,402,306	21,540,061
1% Increase in Discount Rate (8.5%)	61,527,071	47,402,306	14,124,765

	Outflows	Inflows
Summary of Deferred Outflows (Inflows)		
Difference between expected and actual liability	\$ 733,230	\$ -
Change of assumptions and methods	1,408,710	-
Net difference between projected and actual investment earnings	2,904,037	-
Total	\$ 5,045,977	\$ -

Significant Assumptions and Methods Used to Measure the Total Pension Liability

Discount rate	7.25%
Expected return on plan assets	7.25%
Inflation rate	2.75%
Actuarial cost method	Entry age normal in accordance with the requirements of GASB 67/68
Asset valuation method	Market value of assets
Mortality	Base RP-2014 no-collar table adjusted to 2006. Generational projection using scale MP-2015 was applied to these base rates after 2006.

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

City of Fargo Police Pension Plan Schedule of Change in Net Pension Liability	
	2015
Total Pension Liability	
Service Cost	\$ 1,655,230
Interest	4,750,232
Differences between expected and actual experience	838,127
Changes in assumptions and methods	1,610,242
Benefit payments, including refunds of member contributions	(3,185,308)
Net change in total pension liability	<u>5,668,523</u>
Total Pension Liability - beginning of year	63,273,844
Total Pension Liability - end of year (a)	<u>\$ 68,942,367</u>
Plan fiduciary net position	
Contributions - employer	\$ 2,338,069
Contributions - member	1,052,344
Net investment income	(75,555)
Benefit payments, including member contribution refunds	(3,185,308)
Administrative expense	(35,797)
Net change in plan fiduciary net position	<u>93,753</u>
Plan fiduciary net position - beginning of year	47,308,553
Plan fiduciary net position - end of year (b)	<u>\$ 47,402,306</u>
Net Pension Liability - end of year (a) - (b)	<u>\$ 21,540,061</u>

City of Fargo Police Pension Plan Schedule of Contributions	
	2015
Actuarially determined contribution (ADC)	\$ 2,422,703
Contributions in relation to the ADC	2,338,069
Contribution deficiency (excess)	<u>\$ 84,634</u>

**CITY OF FARGO, NORTH DAKOTA
 NOTES TO FINANCIAL STATEMENTS
 DECEMBER 31, 2015**

City of Fargo Police Pension Plan Schedule of Investment Returns	
	2015
Annual money-weighted rate of return, net of investment expense	<u>-0.2%</u>

City of Fargo Police Pension Plan Contributions and Net Pension Liability as a Percent of Payroll	
	2015
Payroll	<u>\$ 10,312,350</u>
Contributions as a percent of payroll	22.7%
Net pension liability as a percent of payroll	208.9%

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

FARGO FIREFIGHTERS' RELIEF ASSOCIATION RETIREMENT PLAN

Changes in Net Pension Liability			
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at 1/1/2015	\$ 40,526,308	\$ 24,874,001	\$ 15,652,307
Changes for the year:			
Service cost	942,970	-	942,970
Interest	3,020,513	-	3,020,513
Differences between expected and actual experience	164,724	-	164,724
Changes of assumptions	783,502	-	783,502
Contributions - City	-	1,889,722	(1,889,722)
Contributions - member	-	744,739	(744,739)
Net investment income	-	(54,881)	54,881
Benefit payments, including refund of member contributions	(2,391,530)	(2,391,530)	-
Administrative expense	-	(52,707)	52,707
Net changes	2,520,179	135,343	2,384,836
Balance at 12/31/2015 Measurement Date	\$ 43,046,487	\$ 25,009,344	\$ 18,037,143

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 (6.5%)	\$ 48,734,423	\$ 25,009,344	\$ 23,725,079
Current Discount Rate (7.5%)	43,046,487	25,009,344	18,037,143
1% Increase in Discount Rate (8.5%)	38,325,127	25,009,344	13,315,783

	Outflows	Inflows
Summary of Deferred Outflows (Inflows)		
Difference between expected and actual liability	\$ 145,091	\$ -
Change of assumptions and methods	690,117	-
Net difference between projected and actual investment earnings	1,542,051	-
Total	\$ 2,377,259	\$ -

Significant Assumptions and Methods Used to Measure the Total Pension Liability

Discount rate	7.25%
Expected return on plan assets	7.25%
Inflation rate	2.75%
Actuarial cost method	Entry age normal in accordance with the requirements of GASB 67/68
Asset valuation method	Market value of assets
Mortality	Base RP-2014 no-collar table adjusted to 2006. Generational projection using scale MP-2015 was applied to these base rates after 2006.

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

Fargo Firefighters Pension Association Pension Plan	
Schedule of Change in Net Pension Liability	
	2015
Total Pension Liability	
Service Cost	\$ 942,970
Interest	3,020,513
Differences between expected and actual experience	164,724
Changes in assumptions and methods	783,502
Benefit payments, including refunds of member contributions	(2,391,530)
Net change in total pension liability	<u>2,520,179</u>
Total Pension Liability - beginning of year	40,526,308
Total Pension Liability - end of year (a)	<u>\$ 43,046,487</u>
Plan fiduciary net position	
Contributions - employer	\$ 1,889,722
Contributions - member	744,739
Net investment income	(54,881)
Benefit payments, including member contribution refunds	(2,391,530)
Administrative expense	<u>(52,707)</u>
Net change in plan fiduciary net position	135,343
Plan fiduciary net position - beginning of year	24,874,001
Plan fiduciary net position - end of year (b)	<u>\$ 25,009,344</u>
Net Pension Liability - end of year (a) - (b)	<u>\$ 18,037,143</u>

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

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

	<u>2015</u>
Actuarially determined contribution (ADC)	\$ 1,995,062
Contributions in relation to the ADC	1,889,722
Contribution deficiency (excess)	<u>\$ 105,340</u>

**Fargo Firefighters Pension Association Pension Plan
Schedule of Investment Returns**

	<u>2015</u>
Annual money-weighted rate of return, net of investment expense	-0.2%

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

	<u>2015</u>
Payroll	\$ 7,129,995
Contributions as a percent of payroll	26.5%
Net pension liability as a percent of payroll	253.0%

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

**CITY OF FARGO, NORTH DAKOTA
PENSION TRUST FUNDS
COMBINING STATEMENT OF NET POSITION
December 31, 2015**

	CITY EMPLOYEES' PENSION	POLICE PENSION	TOTAL
ASSETS			
Cash	\$ 129,028	\$ 159,970	\$ 288,998
Equity in pooled investments	26,125	96,550	122,675
Receivables:			
Accounts receivable	10,389	21,678	32,067
Interest	(1,269)	31,120	29,851
Total receivables	9,120	52,798	61,918
Investments, at fair value:			
Mutual funds	39,553,404	47,121,122	86,674,526
Total investements	39,553,404	47,121,122	86,674,526
Total assets	<u>\$ 39,717,677</u>	<u>\$ 47,430,440</u>	<u>\$ 87,148,117</u>
LIABILITIES			
Vouchers and benefits payable	<u>\$ 27,108</u>	<u>\$ 1,950</u>	<u>\$ 29,058</u>
NET POSITION			
Held in trust for pension benefits	<u>\$ 39,690,569</u>	<u>\$ 47,428,490</u>	<u>\$ 87,119,059</u>

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

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015**

**CITY OF FARGO, NORTH DAKOTA
PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET POSITION
For the Year Ended December 31, 2015**

	CITY EMPLOYEES' PENSION	POLICE PENSION	TOTAL
ADDITIONS			
Contributions			
Employer	\$ 1,792,333	\$ 2,338,069	\$ 4,130,402
Employer (Fargo Park District)	158,961	-	158,961
Employee	497,040	1,052,344	1,549,384
Employee (Fargo Park District)	103,328	-	103,328
Total contributions	<u>2,551,662</u>	<u>3,390,413</u>	<u>5,942,075</u>
Investment income			
Net appreciation in fair value of investments, and interest and dividends	260,642	126,162	386,804
Less investment expense	<u>(142,352)</u>	<u>(175,533)</u>	<u>(317,885)</u>
Net investment income (loss)	<u>118,290</u>	<u>(49,371)</u>	<u>68,919</u>
Total additions (deductions)	<u>2,669,952</u>	<u>3,341,042</u>	<u>6,010,994</u>
DEDUCTIONS			
Pension benefit payments	2,530,431	3,138,869	5,669,300
Member contribution refunds	114,125	46,439	160,564
Administrative expenses	<u>43,833</u>	<u>35,798</u>	<u>79,631</u>
Total deductions	<u>2,688,389</u>	<u>3,221,106</u>	<u>5,909,495</u>
Change in net position	(18,437)	119,936	101,499
Total net position - beginning	<u>39,709,006</u>	<u>47,308,554</u>	<u>87,017,560</u>
Total net position - ending	<u>\$ 39,690,569</u>	<u>\$ 47,428,490</u>	<u>\$ 87,119,059</u>

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

Related Party Investments

During 2015 and as of December 31, 2015 the pension plans (City Employees', Police or Firefighters Relief Association) held no securities issued by the City of Fargo or other related parties.

C. JOINT POWERS AGREEMENT

Regional Dispatch Center

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

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

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

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

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

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

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

Metro Flood Diversion Authority

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

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

D. CONTINGENCIES

Grants

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.

E. SUBSEQUENT EVENTS

General Obligation Development Bonds for City Hall Project

On March 28, 2016 the Board of City Commissioners approved an initial resolution authorizing the issuance of general obligation development bonds for the City Hall project in an amount not to exceed \$25.9 million and a resolution authorizing the sale of bonds subject to parameters related to the sale.

Metro Flood Project Diversion Authority

In February, 2016 the Army Corp of Engineers approved the FM Diversion flood control project as a Federal new start to be deployed as a P3 pilot project. Funds have been appropriated by the Army Corp of Engineers to begin construction of a portion of the project in late 2016. The selection as a Federal new start project is a significant accomplishment and the project will provide significant benefits to our Community. We anticipate the final execution of a project participation agreement between the Army Corp of Engineers and the FM Diversion local sponsors in June, 2016. Work will continue on solicitation of a P3 vendor in 2016 and 2017.

**CITY OF FARGO, NORTH DAKOTA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2015**

REQUIRED SUPPLEMENTARY INFORMATION

CITY EMPLOYEES' PENSION PLAN

Significant Assumptions and Methods Used to Measure the Total Pension Liability

Discount rate	7.25%
Expected return on plan assets	7.25%
Inflation rate	2.75%
Actuarial cost method	Entry age normal in accordance with the requirements of GASB 67/68
Asset valuation method	Market value of assets
Mortality	Base RP-2014 no-collar table adjusted to 2006. Generational projection using scale MP-2015 was applied to these base rates after 2006.

City of Fargo Employees' Pension Plan Schedule of Change in Net Pension Liability		
	2015	2014
Total Pension Liability		
Service Cost	\$ 529,173	\$ 557,997
Interest	4,014,233	3,646,552
Differences between expected and actual experience	(297,322)	138,298
Changes in assumptions and methods	174,274	3,112,904
Benefit payments, including refunds of member contributions	(2,644,555)	(2,404,469)
Net change in total pension liability	1,775,803	5,051,282
Total Pension Liability - beginning of year	54,316,214	49,264,932
Total Pension Liability - end of year (a)	<u>\$ 56,092,017</u>	<u>\$ 54,316,214</u>
Plan fiduciary net position		
Contributions - employer	\$ 1,946,591	\$ 1,782,708
Contributions - member	596,282	626,300
Net investment income	122,865	2,220,334
Benefit payments, including member contribution refunds	(2,644,555)	(2,404,469)
Administrative expense	(43,830)	(48,178)
Net change in plan fiduciary net position	(22,647)	2,176,695
Plan fiduciary net position - beginning of year	39,709,008	37,532,313
Plan fiduciary net position - end of year (b)	<u>\$ 39,686,361</u>	<u>\$ 39,709,008</u>
Net Pension Liability - end of year (a) - (b)	\$ 16,405,656	\$ 14,607,206

**CITY OF FARGO, NORTH DAKOTA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2015**

**City of Fargo Employees' Pension Plan
Schedule of Contributions**

	2015	2014
Actuarially determined contribution (ADC)	\$ 1,980,838	\$ 1,569,560
Contributions in relation to the ADC	1,946,591	1,782,708
Contribution deficiency (excess)	\$ 34,247	\$ (213,148)

**City of Fargo Employees' Pension Plan
Schedule of Net Pension Liability - City of Fargo's Proportionate Share**

<u>Fiscal Year Ending</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2015	89.44%	\$ 14,673,219	\$ 20,056,043	73.16%	70.75%

**City of Fargo Employees' Pension Plan
Schedule of Employer Contributions - City of Fargo's Proportionate Share**

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in relation to the required contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
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
 Last 10 Fiscal Years***

	2015
Employer's proportion of the net pension liability (asset)	2.611792%
Employer's proportionate share of the net pension liability (asset)	\$17,759,740
Employer's covered-employee payroll	\$23,267,898
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	7.63%
Plan fiduciary net position as a percentage of the total pension liability	77.15%

*Complete data for this schedule is not available prior to 2015.

**Schedule of Employer Contributions
 ND Public Employees Retirement System
 Last 10 Fiscal Years***

	2015
Statutorily required contribution	\$1,767,383
Contributions in relation to the statutorily required contribution	(\$1,720,379)
Contribution deficiency (excess)	\$47,004
Employer's covered-employee payroll	\$23,267,898
Contributions as a percentage of covered-employee payroll	7.60%

*Complete data for this schedule is not available prior to 2015.

**CITY OF FARGO, NORTH DAKOTA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2015**

POLICE PENSION PLAN

Significant Assumptions and Methods Used to Measure the Total Pension Liability

Discount rate	7.25%
Expected return on plan assets	7.25%
Inflation rate	2.75%
Actuarial cost method	Entry age normal in accordance with the requirements of GASB 67/68
Asset valuation method	Market value of assets
Mortality	Base RP-2014 no-collar table adjusted to 2006. Generational projection using scale MP-2015 was applied to these base rates after 2006.

City of Fargo Police Pension Plan Schedule of Change in Net Pension Liability		
	2015	2014
Total Pension Liability		
Service Cost	\$ 1,655,230	\$ 1,463,698
Interest	4,750,232	4,417,408
Differences between expected and actual experience	838,127	519,099
Changes in assumptions and methods	1,610,242	986,369
Benefit payments, including refunds of member contributions	<u>(3,185,308)</u>	<u>(3,095,609)</u>
Net change in total pension liability	5,668,523	4,290,965
Total Pension Liability - beginning of year	<u>63,273,844</u>	<u>58,982,879</u>
Total Pension Liability - end of year (a)	<u><u>\$ 68,942,367</u></u>	<u><u>\$ 63,273,844</u></u>
Plan fiduciary net position		
Contributions - employer	\$ 2,338,069	\$ 2,516,258
Contributions - member	1,052,344	997,513
Net investment income	(75,555)	2,636,103
Benefit payments, including member contribution refunds	(3,185,308)	(3,095,609)
Administrative expense	<u>(35,797)</u>	<u>(38,021)</u>
Net change in plan fiduciary net position	93,753	3,016,244
Plan fiduciary net position - beginning of year	<u>47,308,553</u>	<u>44,292,309</u>
Plan fiduciary net position - end of year (b)	<u><u>\$ 47,402,306</u></u>	<u><u>\$ 47,308,553</u></u>
Net Pension Liability - end of year (a) - (b)	\$ 21,540,061	\$ 15,965,291

City of Fargo Police Pension Plan Schedule of Contributions		
	2015	2014
Actuarially determined contribution (ADC)	\$ 2,422,703	\$ 2,059,933
Contributions in relation to the ADC	2,338,069	2,516,258
Contribution deficiency (excess)	<u>\$ 84,634</u>	<u>\$ (456,325)</u>

**CITY OF FARGO, NORTH DAKOTA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2015**

FARGO FIREFIGHTERS' RELIEF ASSOCIATION RETIREMENT PLAN

Significant Assumptions and Methods Used to Measure the Total Pension Liability

Discount rate	7.25%
Expected return on plan assets	7.25%
Inflation rate	2.75%
Actuarial cost method	Entry age normal in accordance with the requirements of GASB 67/68
Asset valuation method	Market value of assets
Mortality	Base RP-2014 no-collar table adjusted to 2006. Generational projection using scale MP-2015 was applied to these base rates after 2006.

Fargo Firefighters Pension Association Pension Plan Schedule of Change in Net Pension Liability		
	2015	2014
Total Pension Liability		
Service Cost	\$ 942,970	\$ 882,740
Interest	3,020,513	2,656,719
Differences between expected and actual experience	164,724	(114,152)
Changes in assumptions and methods	783,502	3,642,866
Benefit payments, including refunds of member contributions	(2,391,530)	(2,164,096)
Net change in total pension liability	<u>2,520,179</u>	<u>4,904,077</u>
Total Pension Liability - beginning of year	40,526,308	35,622,231
Total Pension Liability - end of year (a)	<u>\$ 43,046,487</u>	<u>\$ 40,526,308</u>
Plan fiduciary net position		
Contributions - employer	\$ 1,889,722	\$ 1,661,219
Contributions - member	744,739	723,023
Net investment income	(54,881)	1,417,654
Benefit payments, including member contribution refunds	(2,391,530)	(2,164,096)
Administrative expense	(52,707)	(64,290)
Net change in plan fiduciary net position	<u>135,343</u>	<u>1,573,510</u>
Plan fiduciary net position - beginning of year	24,874,001	23,300,491
Plan fiduciary net position - end of year (b)	<u>\$ 25,009,344</u>	<u>\$ 24,874,001</u>
Net Pension Liability - end of year (a) - (b)	<u>\$ 18,037,143</u>	<u>\$ 15,652,307</u>

Fargo Firefighters Pension Association Pension Plan Schedule of Contributions		
	2015	2014
Actuarially determined contribution (ADC)	\$ 1,995,062	\$ 1,542,399
Contributions in relation to the ADC	1,889,722	1,661,219
Contribution deficiency (excess)	<u>\$ 105,340</u>	<u>\$ (118,820)</u>



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