



Independent Auditor's Report

The Honorable Mayor
and Members of City Commission
City of Fargo, North Dakota
Fargo, North Dakota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Fargo, North Dakota (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Restatement

As discussed in Note 4K to the financial statements, certain errors resulting in the understatement of intergovernmental revenues and receivables as of December 31, 2013 and an overstatement of long-term liabilities as of December 31, 2013, were discovered during the current year. Accordingly, an adjustment has been made to fund balance and net position as of January 1, 2014, to correct the errors. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated June 29, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Eide Sallee LLP". The signature is written in a cursive, flowing style.

Bismarck, North Dakota
June 29, 2015

City of Fargo, North Dakota

Management's Discussion and Analysis

As management of the City of Fargo, we offer readers of the City of Fargo's financial statements this narrative overview and analysis of the financial activities of the City of Fargo for the fiscal year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages III - VI of this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

FINANCIAL HIGHLIGHTS

The assets of the City of Fargo exceeded its liabilities at the close of the most recent fiscal year by \$971,333 (net position).

As of the close of the current fiscal year, the City of Fargo's governmental funds reported combined ending fund balances of \$171,730 an increase of \$43,698 in comparison with the prior year. The increase in fund balance is explained in subsequent sections of this analysis.

The City's unassigned General Fund balance of 32% of the total General Fund expenditures exceeds our management goal of 25%. Increases have been generated by stronger than anticipated economic conditions, especially building activities and demand for new housing sub-developments.

Fargo experienced a record level of building permits issued in 2014. The total value of building permits issued was \$1.012 billion which is an all time record for our community. This record total includes a new hospital valued at \$500 million constructed by Sanford Hospital near Interstate 94.

The City expended \$37.7 million on flood control projects in 2014 which is the continuation of a long term plan to protect our community from ongoing flood risk from the Red River. City Engineers reset our target date for completion of our in-town levee system in 2018. Additional funding has been requested from the State of North Dakota to help us achieve this goal on a timely basis. Subsequent to year end the Legislature appropriated \$100 million for Fargo flood control projects and continued funding for the FM Diversion project with an additional \$69 million in appropriations. Flood risk mitigation projects continue to be one of the highest priorities for our community.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements

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

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

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

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

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

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

Fund financial statements

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

Governmental funds

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

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

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

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

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

Proprietary funds

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

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

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

Fiduciary funds

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

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

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31 – 91 of this report.

Other information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Fargo's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 67 - 88 of this report.

The combining statements referred to earlier in connection with non-major governmental funds is presented immediately following the notes to the financial statements. Combining statements and schedules can be found on pages 95 - 105 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Fargo, assets exceeded liabilities by \$971,333 at the close of the most recent fiscal year.

By far the largest portion of the City of Fargo's net position (81%) reflects its net investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment); less any related outstanding debt used to acquire those assets. The City of Fargo uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Fargo's net investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following two tables present condensed financial information on the City's Net Position and Changes in Net Position for the fiscal year ending December 31, 2014 and 2013. During the year, the City made an entry to record highway tax payments applicable to the year ended December 31, 2013, which required the restatement of prior year net position. These changes are reflected in the changes in net position found later in this discussion. Further information on this restatement can also be found in Note 4.K. of this report.

	Governmental Activities		Business-type Activities		Total	
	2014	2013 (Restated)	2014	2013	2014	2013 (Restated)
Current and other assets	\$ 462,977	\$ 402,029	\$ 100,837	\$ 93,755	\$ 563,814	\$ 495,784
Capital assets	380,433	348,790	611,374	588,696	991,807	937,486
Total assets	<u>843,410</u>	<u>750,819</u>	<u>712,211</u>	<u>682,451</u>	<u>1,555,621</u>	<u>1,433,270</u>
Long-term liabilities outstanding	517,614	443,576	40,853	43,700	558,467	487,276
Other liabilities	19,236	16,357	6,586	8,127	25,822	24,484
Total liabilities	<u>536,850</u>	<u>459,933</u>	<u>47,439</u>	<u>51,827</u>	<u>584,289</u>	<u>511,760</u>
Net position:						
Net investment in capital assets	206,472	189,087	580,624	554,814	787,096	743,901
Restricted	86,386	94,565	47,453	39,793	133,839	134,358
Unrestricted	13,703	7,235	36,695	36,017	50,398	43,252
Total net position	<u>\$ 306,561</u>	<u>\$ 290,887</u>	<u>\$ 664,772</u>	<u>\$ 630,624</u>	<u>\$ 971,333</u>	<u>\$ 921,511</u>

A portion of the City of Fargo's net position (15%) represents resources that are subject to external restrictions on how they may be used.

The City's net position increased by \$49,822 during the current fiscal year.

City of Fargo's Changes in Net Position (In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2014	2013 (Restated)	2014	2013	2014	2013 (Restated)
Revenues:						
Program revenues:						
Charges for services	\$ 31,194	\$ 25,752	\$ 61,289	\$ 59,572	\$ 92,483	\$ 85,324
Operating grants and contributions	10,524	11,957	-	-	10,524	11,957
Capital grants and contributions	76,383	69,444	3,775	3,976	80,158	73,420
General Revenues:						
Taxes	81,643	79,104	693	664	82,336	79,768
Unrestricted intergovernmental	9,447	8,404	-	-	9,447	8,404
Unrestricted investment earnings	3,142	2,677	2,716	5,598	5,858	8,275
Miscellaneous	206	856	1,197	1,582	1,403	2,438
Total revenues	<u>212,539</u>	<u>198,194</u>	<u>69,670</u>	<u>71,392</u>	<u>282,209</u>	<u>269,586</u>
Expenses:						
General government	15,658	12,980	-	-	15,658	12,980
Public safety	34,416	33,862	-	-	34,416	33,862
Public works	73,316	69,083	-	-	73,316	69,083
Public health and welfare	9,937	9,682	-	-	9,937	9,682
Recreation and culture	8,222	7,497	-	-	8,222	7,497
Urban redevelopment	2,534	1,294	-	-	2,534	1,294
Transportation	9,671	9,449	-	-	9,671	9,449
General support	1,003	1,214	-	-	1,003	1,214
Interest and fiscal charges	18,545	17,091	-	-	18,545	17,091
Municipal airport authority	-	-	8,300	7,908	8,300	7,908
Water	-	-	14,112	14,475	14,112	14,475
Wastewater	-	-	8,956	9,279	8,956	9,279
Storm sewer	-	-	4,738	4,526	4,738	4,526
Solid waste	-	-	9,890	9,856	9,890	9,856
Fargodome	-	-	8,236	7,869	8,236	7,869
Southeast cass	-	-	74	68	74	68
Vector control	-	-	397	446	397	446
Street lighting	-	-	2,779	2,644	2,779	2,644
Forestry	-	-	1,603	1,631	1,603	1,631
Total expenses	<u>173,302</u>	<u>162,152</u>	<u>59,085</u>	<u>58,702</u>	<u>232,387</u>	<u>220,854</u>
Excess before Transfers	39,237	36,042	10,585	12,690	49,822	48,732
Transfers	<u>(23,563)</u>	<u>(16,295)</u>	<u>23,563</u>	<u>16,295</u>	-	-
Change in net position	15,674	19,747	34,148	28,985	49,822	48,732
Net position - beginning - as restated	290,887	271,140	630,624	601,639	921,511	872,779
Net position - ending	<u>\$ 306,561</u>	<u>\$ 290,887</u>	<u>\$ 664,772</u>	<u>\$ 630,624</u>	<u>\$ 971,333</u>	<u>\$ 921,511</u>

Governmental activities

The governmental activities' net position increased by \$15,674 during the current fiscal year.

We experienced increases in charges for services of \$5,442 and capital grants and contributions of \$6,939. The charges for services increase is the result of an increase in capital project administrative revenue, which was due to a large volume and demand for infrastructure in new developments. Prepayment of special assessments is the factor that lead to the increase in the capital grants and contributions revenue.

Overall, expenses in the governmental activities remained constant, noting only a slight increase in spending.

Business type activities.

Business-type activities increased the City of Fargo's net position by \$34,148. There were no notable changes in our business activities in 2014. Rates remained stable for all utility funds with the exception of the Wastewater Utility where rates were decreased and also Solid Waste where an increase in tipping fees was approved.

The FargoDome permanent capital escrow fund grew by \$2 million. This restricted resource now totals \$40.6 million.

Financial Analysis of the Government's Funds

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

Governmental funds.

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

As of the end of the current fiscal year, the City of Fargo's governmental funds reported combined ending fund balances of \$171,730, an increase of \$43,698 in comparison with the prior year.

The General Fund is the chief operating fund of the City of Fargo. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$25,881 while total fund balance reached \$37,230. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 32% percent of total general fund expenditures, while total fund balance represents 46% percent of that same amount. Managements fund balance goal of 25% has been achieved for this fiscal year. This fund balance level represents an increase of \$3,452 during the year due an increase in capital project administrative revenue for infrastructure demand in new developments and also a record year in building permit revenue. The remainder of fund balance is assigned (\$2,064, 6 percent), committed (\$3,274, 9 percent), restricted (\$2,933, 8 percent) or nonspendable (\$3,078, 8 percent).

Overall General Fund revenues increased by 4%. As mentioned in the transmittal letter, 2014 was a record setting year for building permits. Licenses and permits revenue increased by \$3,552, or 97%. Charges for services increased by 13% in conjunction with capital project levels of spending with an increased demand for infrastructure in new developments.

Total General Fund expenditures increased by 5%. All functional categories of spending were below budget with the exception of general government, general support, and recreation and culture. The most significant budget savings are related to the timing of capital outlay funding which lagged budget levels by \$2,543. Capital funds will be carried forward into the 2015 budget.

The debt service fund has a total fund balance of \$61,095, all of which is restricted for the payment of future debt service. The net decrease in fund balance during the current year was \$41,780. The capital projects fund had a net increase in fund balance of \$80,088. This increase is due to the issuance of debt proceeds to finance upcoming flood control projects and infrastructure for new developments. In 2014, there was a record level of special assessment prepayments received that totaled approximately \$9 million.

Capital project expenditures increased by 22% in 2014 due to a continuing aggressive housing acquisition program for flood control projects and continued expansion of our new housing sub developments. The City has been experiencing strong demand for housing with many new projects slated for 2015.

Proprietary funds

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

Unrestricted net position of the proprietary funds at the end of the year amounted to \$36,695. All individual proprietary funds reported increases in net position.

Operating revenues of this fund group increased by 3%, while the operating expenses increased by 2%. Solid Waste revenues increased by 10% due to an approved increase in tipping fees. The Fargodome also experienced an 18% increase in revenue due to a strong concert year with record attendance.

General Fund Budgetary Highlights

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

General Fund revenue projections exceeded the originally adopted by 10% and 6% of the revised budget. Changes were made to our revenue projections mid-year due to stronger than anticipated building and construction demand which impacted licenses and permits revenue. State intergovernmental revenues continue to grow as a result of the State's robust economy. The City has been following a budget strategy to appropriate surplus revenues to fund municipal building projects over the past two years from the growth in State resources shared with political subdivisions.

Noted variances between final budget and actual are as follows:

Overall General Fund expenditures were incurred at 95% of final budget, a variance similar to the prior year.

Capital outlay expenditures lagged budget by \$2,543 resulting due to the project timelines for various capital projects. Unexpended funds will be carried forward into the 2015 budget.

Capital Asset and Debt Administration

Capital Assets. The City of Fargo's investment in capital assets for its governmental and business type activities as of December 31, 2014 amounts to \$991,806 (net of accumulated depreciation). This investment in capital assets includes land, intangibles, construction in progress, buildings, improvements, machinery and equipment, infrastructure, and flood control projects.

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

Approximately \$38 million was expended on flood control projects infrastructure.

As mentioned in the transmittal letter, there were also a number of municipal building projects in progress during 2014. \$4.3 million was expended on the acquisition and remodeling of the new facility for the Fargo Cass Public Health department. \$1.2 million was expended on the new City Hall project and \$3.3 was expended on the expansion of the water treatment plant.

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 59,244	\$ 50,863	\$ 40,568	\$ 39,772	\$ 99,812	\$ 90,635
Construction in progress	9,143	3,835	20,460	12,661	29,603	16,496
Intangible	7,875	7,003	920	915	8,795	7,918
Buildings	44,803	46,291	135,537	140,191	180,340	186,482
Improvements other than buildings	709	758	17,050	16,259	17,759	17,017
Machinery and equipment	16,860	17,592	21,719	20,817	38,579	38,409
Infrastructure	210,018	196,244	375,119	358,081	585,137	554,325
Flood Control	31,781	26,204	-	-	31,781	26,204
Total	\$ 380,433	\$ 348,790	\$ 611,373	\$ 588,696	\$ 991,806	\$ 937,486

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

Long Term Debt.

At the end of the current fiscal year, the City of Fargo had total bonded debt and notes outstanding of \$519,608. Of this amount, \$332,360 is special assessment debt (improvement bonds) for which the government is liable in the event of default by the property owners subject to the assessment. The remainder of the City of Fargo's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

The City of Fargo's total outstanding debt increased by \$60 million during the current fiscal year. This increase can be associated with the need to finance ongoing capital project funding and expansion of the City's utility infrastructure.

City of Fargo's Outstanding Debt (In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Improvement bonds	\$ 332,360	\$ 299,160	\$ -	\$ -	\$ 332,360	\$ 299,160
Gross revenue bonds	-	100	16,785	20,595	16,785	20,695
General obligation bonds	2,285	2,400	-	-	2,285	2,400
Sales tax bonds	82,142	57,040	-	-	82,142	57,040
Notes payable	72,963	68,709	7,993	5,754	80,956	74,463
Capital leases	231	166	4,849	5,944	5,080	6,110
Total	<u>\$ 489,981</u>	<u>\$ 427,575</u>	<u>\$ 29,627</u>	<u>\$ 32,293</u>	<u>\$ 519,608</u>	<u>\$ 459,868</u>

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

The City issued a \$6,000 direct bank loan, Series 2014A to finance the expansion and relocation of the Fargo Cass Public Health department and the Red River Regional Dispatch Center project. The interest rate on this loan was 1.74% as of December 31, 2014.

The City issued \$32,512 Capital Financing Program Bonds, Series 2014B to finance the construction and installation of flood mitigation projects. These bonds were sold with a true interest cost of 3.23%

The City issued a \$3,000 direct bank loan, Series 2014C to finance the solid waste baling facility project. The interest rate on this loan was 0.83% as of December 31, 2014.

The City issued \$52,400 Refunding Improvement Bonds, Series 2014D at a true interest cost of 3.52%. These bonds were issued to reimburse the capital project fund for project costs previously incurred and to advance refunding the Series 2005A Refunding Improvement Bonds.

The City issued \$19,440 Refunding Improvement Bonds, Series 2014E at a true interest cost of 3%. These bonds were issued as a current refunding of the Series 2010B Refunding Improvement Bonds.

The City issued \$40,445 Refunding Improvement Bonds, Series 2014F at a true interest cost of 3.58%. These bonds were issued to reimburse the capital project fund for project costs previously incurred.

The City issued \$8,355 Taxable Refunding Improvement Bonds, Series 2014G at a true interest cost of 3.88%. These bonds were issued to reimburse the capital project fund for project costs previously incurred.

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

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

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

Economic Factors and Next Year's Budgets and Rates

Falling oil prices have impacted our State-wide economic conditions. During the 2015-2017 Legislative Session it was noted that this impact could be as much as a 10% decline. Subsequent reports from the Office of the State Tax Commissioner for the most recent quarter are still showing growth, however, the growth in sales tax collections is slowed considerably. This may have a negative impact our State aid revenues to be received in 2015 and 2016.

The 2015 approved budget contained an increase of 5.8% in our General Fund. Budgets were increased for capital outlay spending by 10.7% which contributed to the overall General Fund increase. Funds appropriated for operational costs increased by 4.9%.

Fuel prices have declined significantly since our 2015 budget was approved. Budgets have been revised to reflect lower prices which resulted in a General Fund savings of approximately \$700k.

There were no utility fund rate increases approved in the 2015 budget.

Requests for information

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