



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, 2015, 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, 2015, 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.

Change in Accounting Principle

As discussed in Notes 4K and 5B to the financial statements, the City has adopted the provisions 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*, which has resulted in a restatement of the net position as of January 1, 2015. 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 on pages 4-11, and the pension information including, significant assumptions used to measure total pension liability, schedule of change in net pension liability, schedule of contributions, schedule of net pension liability- City of Fargo's proportionate share, and schedule of employer contributions- City of Fargo's proportionate share as presented on pages 93-97, 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, 2016 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 cursive script that reads "Eide Sallee LLP". The signature is written in dark ink and is positioned above the typed name and address.

Bismarck, North Dakota
June 29, 2016

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, 2015. 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 \$933,031 (net position).

As of the close of the current fiscal year, the City of Fargo's governmental funds reported combined ending fund balances of \$218,325 an increase of \$46,595 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 34% of the total General Fund expenditures exceeds our management goal of 25%.

While our overall General Fund revenues met our budget expectations at 100% of projection, State intergovernmental revenues lagged out budget projections due to the overall slowdown in the State economy which has been adversely impacted by declining oil prices. The lagging State revenues were offset by better than expected revenue generation from our local economy, most specifically building permits and other development related revenue. We experienced a very good year with strong demand for residential and commercial construction.

The City completed renovation of the Fargo Cass Public Health facility which opened in September. A former grocery store was repurposed to include the operations of Fargo Cass Public Health, a police precinct, and a County coroner facility.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements

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

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

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

Both of the government-wide financial statements distinguish functions of the City of Fargo that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Fargo include general government, public safety, public works, public health and welfare, recreation & culture, urban redevelopment, public transportation, and general support. The business-type activities of the City of

Fargo include a Municipal Airport, Water, Wastewater, Storm Sewer, Solid Waste collection and landfill, Southeast Cass Sewer, Urban Forestry, Vector Control, Street Lighting and the FargoDome, a multi-use facility.

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

Fund financial statements

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

Governmental funds

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

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

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

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

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

Proprietary funds

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

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

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

Fiduciary funds

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

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

Notes to the financial statements

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

Other information

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

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Fargo, assets exceeded liabilities by \$933,031 at the close of the most recent fiscal year.

By far the largest portion of the City of Fargo's net position (87%) 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, 2015 and 2014. During the year, the City made an entry to record net pension liability applicable to the year ended December 31, 2014, 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.

City of Fargo's Net Position (In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2015	2014 (Restated)	2015	2014 (Restated)	2015	2014 (Restated)
Current and other assets	\$ 531,803	\$ 462,977	\$ 104,392	\$ 100,837	\$ 636,195	\$ 563,814
Capital assets	399,507	380,433	653,196	611,374	1,052,703	991,807
Total assets	<u>931,310</u>	<u>843,410</u>	<u>757,588</u>	<u>712,211</u>	<u>1,688,898</u>	<u>1,555,621</u>
Deferred outflows of resources	10,356	-	1,275	-	11,631	-
Long-term liabilities outstanding	634,568	517,614	29,748	40,853	664,316	558,467
Other liabilities	84,232	67,990	16,735	14,898	100,967	82,888
Total liabilities	<u>718,800</u>	<u>585,604</u>	<u>46,483</u>	<u>55,751</u>	<u>765,283</u>	<u>641,355</u>
Deferred inflows of resources	1,657	-	558	-	2,215	-
Net position:						
Net investment in capital assets	181,249	206,472	632,352	580,624	813,601	787,096
Restricted	36,576	44,458	42,919	47,453	79,495	91,911
Unrestricted	3,384	6,877	36,551	28,383	39,935	35,260
Total net position	<u>\$ 221,209</u>	<u>\$ 257,807</u>	<u>\$ 711,822</u>	<u>\$ 656,460</u>	<u>\$ 933,031</u>	<u>\$ 914,267</u>

A portion of the City of Fargo's net position (8.5%) represents resources that are subject to external restrictions on how they may be used.

City of Fargo's Changes in Net Position (In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2015	2014 (Restated)	2015	2014 (Restated)	2015	2014 (Restated)
Revenues:						
Program revenues:						
Charges for services	\$ 30,568	\$ 31,194	\$ 61,457	\$ 61,289	\$ 92,025	\$ 92,483
Operating grants and contributions	9,662	10,524	-	-	9,662	10,524
Capital grants and contributions	86,152	76,383	4,230	3,775	90,382	80,158
General Revenues:						
Taxes	84,292	81,643	744	693	85,036	82,336
Unrestricted intergovernmental	8,778	9,447	-	-	8,778	9,447
Unrestricted investment earnings	2,722	3,142	408	2,716	3,130	5,858
Miscellaneous	699	206	1,271	1,197	1,970	1,403
Total revenues	<u>222,873</u>	<u>212,539</u>	<u>68,110</u>	<u>69,670</u>	<u>290,983</u>	<u>282,209</u>
Expenses:						
General government	16,819	15,658	-	-	16,819	15,658
Public safety	37,826	34,416	-	-	37,826	34,416
Public works	103,298	73,316	-	-	103,298	73,316
Public health and welfare	11,683	9,937	-	-	11,683	9,937
Recreation and culture	8,152	8,222	-	-	8,152	8,222
Urban redevelopment	2,117	2,534	-	-	2,117	2,534
Transportation	10,045	9,671	-	-	10,045	9,671
General support	1,200	1,003	-	-	1,200	1,003
Interest and fiscal charges	19,671	18,545	-	-	19,671	18,545
Municipal airport authority	-	-	8,484	8,300	8,484	8,300
Water	-	-	14,200	14,112	14,200	14,112
Wastewater	-	-	9,814	8,956	9,814	8,956
Storm sewer	-	-	5,083	4,738	5,083	4,738
Solid waste	-	-	10,799	9,890	10,799	9,890
Fargodome	-	-	7,894	8,236	7,894	8,236
Southeast cass	-	-	54	74	54	74
Vector control	-	-	335	397	335	397
Street lighting	-	-	3,024	2,779	3,024	2,779
Forestry	-	-	1,721	1,603	1,721	1,603
Total expenses	<u>210,811</u>	<u>173,302</u>	<u>61,408</u>	<u>59,085</u>	<u>272,219</u>	<u>232,387</u>
Excess before Transfers	12,062	39,237	6,702	10,585	18,764	49,822
Transfers	(48,660)	(23,563)	48,660	23,563	-	-
Change in net position	(36,598)	15,674	55,362	34,148	18,764	49,822
Net position - beginning	257,807	290,887	656,460	630,624	914,267	921,511
Change in accounting principle	-	(48,754)	-	(8,312)	-	(57,066)
Net position - ending	<u>\$ 221,209</u>	<u>\$ 257,807</u>	<u>\$ 711,822</u>	<u>\$ 656,460</u>	<u>\$ 933,031</u>	<u>\$ 914,267</u>

The City's net position decreased by \$38,302 during 2015. There was a decrease to net position in the amount of \$57,066 due to a restatement of the beginning net position to record the City's net pension liability in accordance with GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*.

Governmental activities

The governmental activities' net position decreased by \$36,598 during the current fiscal year.

There was a decrease to net position in the amount of \$57,066 due to a restatement of the beginning net position to record the City's net pension liability in accordance with GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*.

Intergovernmental revenues decreased by about 7% in 2015 as compared to the prior year. The statewide economic conditions have declined in North Dakota resulting primarily from the impact of declining oil prices and the impact on exploration in the western part of the State.

Business type activities.

Business-type activities increased the City of Fargo's net position by \$55,362. There were no notable changes in our business activities in 2015. Rates remained stable for all utility funds.

The FargoDome permanent capital escrow fund decreased by \$2 million. In large part due to declining investment earnings. This restricted resource totals \$38.4 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 \$218,325, an increase of \$46,594 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 \$29,041 while total fund balance reached \$39,176. 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 34% 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 \$1,946 during the year. The remainder of fund balance is assigned (\$696, 2 percent), committed (\$3,255, 8 percent), restricted (\$2,725, 7 percent) or nonspendable (\$3,459, 9 percent).

Overall General Fund revenues decreased by 1%. As mentioned in the transmittal letter, in 2015 we experienced a decline of the statewide economic conditions in North Dakota which resulted primarily from the impact of declining oil prices in the western part of the state.

Total General Fund expenditures increased by 6%. All functional categories of spending were below budget with the exception of general support. The most significant budget savings are related to the timing of capital outlay funding which lagged budget levels by \$1,458. Capital funds will be carried forward into the 2016 budget.

The debt service fund has a total fund balance of \$90,671, all of which is restricted for the payment of future debt service. The net increase in fund balance during the current year was \$29,576. The capital

projects fund had a net increase in fund balance of \$14,355. These increases are due to the issuance of debt proceeds to finance upcoming flood control projects and infrastructure.

Capital project expenditures increased by 30% in 2015 due continued work on flood control projects and continued expansion of our new housing sub developments.

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 \$36,551. All individual proprietary funds, with the exception of Solid Waste and the FARGODOME, reported increases in net position.

Operating revenues of this fund group remained constant, with minimal change from the prior year, while the operating expenses increased by 4%. The increase in expense is primarily due to the change in accounting principle related to 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*. This implementation of this statement resulted in a net pension liability of \$9,577 being recorded in the proprietary funds.

General Fund Budgetary Highlights

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

General Fund revenue projections exceeded the originally adopted by 2% and 0.3% of the revised budget. Changes were made to our revenue projections mid-year to increase charges for services due to a strong city project schedule and to decrease the state aid and highway funds due to lagging budget projects as a result of the state wide economic conditions.

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 \$1,458 due to the project timelines for various capital projects. Unexpended funds will be carried forward into the 2016 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, 2015 amounts to \$1,053 (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 \$8 million was expended on flood control projects infrastructure.

There were also a number of municipal building projects in progress during 2015. \$3.8 million was expended on the acquisition and remodeling of the new facility for the Fargo Cass Public Health department. \$.6 million was expended on the new City Hall project and \$22 million was expended on the expansion of the water treatment plant.

City of Fargo's Capital Assets (net of depreciation) (In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 63,276	\$ 59,244	\$ 41,592	\$ 40,568	\$ 104,868	\$ 99,812
Construction in progress	11,364	9,143	42,456	20,460	53,820	29,603
Intangible	8,413	7,875	920	920	9,333	8,795
Buildings	43,389	44,803	130,041	135,537	173,430	180,340
Improvements other than buildings	675	709	16,541	17,050	17,216	17,759
Machinery and equipment	18,323	16,860	22,465	21,719	40,788	38,579
Infrastructure	214,961	210,018	399,181	375,119	614,142	585,137
Flood Control	39,106	31,781	-	-	39,106	31,781
Total	\$ 399,507	\$ 380,433	\$ 653,196	\$ 611,373	\$ 1,052,703	\$ 991,806

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 \$667,923. Of this amount, \$386,760 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 \$116,348 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. In addition, net pension liability of \$72,010 was recorded due to the implementation of GASB Statement No. 68.

City of Fargo's Outstanding Debt (In Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Improvement bonds	\$ 386,760	\$ 332,360	\$ -	\$ -	\$ 386,760	\$ 332,360
Gross revenue bonds	-	-	10,965	16,785	10,965	16,785
General obligation bonds	12,390	2,285	-	-	12,390	2,285
Sales tax bonds	79,063	82,142	-	-	79,063	82,142
Notes payable	126,955	72,963	2,700	7,993	129,655	80,956
Capital leases	323	231	4,626	4,849	4,949	5,080
Net pension liability	62,432	51,524	9,578	8,312	72,010	59,836
Total	\$ 667,923	\$ 541,505	\$ 27,869	\$ 37,939	\$ 695,792	\$ 579,444

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

The City issued \$18,250 Refunding Improvement Bonds, Series 2015A at a true interest cost of 2.23%. These bonds were issued as a crossover refunding of the Series 2006B and 2007B Refunding Improvement Bonds.

The City issued \$15,325 Refunding Improvement Bonds, Series 2015B at a true interest cost of 2.44%. These bonds were issued as a crossover refunding of the Series 2008E Refunding Improvement Bonds.

The City issued \$2,875 Taxable Qualified Energy Conservation Bond, Series 2015C to finance a landfill gas to compressed natural gas conversion project. These bonds were sold with a true interest cost of 1.62%

The City issued \$34,675 Refunding Improvement Bonds, Series 2015D at a true interest cost of 3.34%. These bonds were issued to reimburse the capital project fund for project costs previously incurred.

The City issued \$10,230 Taxable Refunding Improvement Bonds, Series 2015E at a true interest cost of 3.88%. These bonds were issued to finance acquisition, construction and equipping of public parking facilities in the downtown area of the City. These bonds were sold with a true interest cost of 3.42%

The City issued a \$50,000 loan to finance the flood control project.

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

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

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

Economic Factors and Next Year's Budgets and Rates

The 2016 budget was established and approved in September, 2015, prior to the rapid decline in oil prices that is currently impacting the State of North Dakota economy. Budgeted revenues from State sources will decline much more than expected due to the sudden and unforeseen change in oil prices. Changes in budgets will be made at mid-year. Management is assessing various budget management strategies that will be considered to continue to manage our finances. Part of the solution will include use of existing fund balances which have grown to very strong levels over the past several years.

There were no utility rate increases included in the 2016 budget. Fargo will become a regional water provider in June of 2016 by servicing the City of West Fargo (population 30,000). This will greatly improve their water quality and will provide additional revenue for our water utility fund.

During the 2016 budget the City Commission approved a reduction in the tax mill rate by 2.25 mills due to property valuation increases of approximately 12%. Housing prices continue to rise in light of our strong local economic conditions. The Board of Equalization's preliminary assessment of our tax base for 2016 projected an increase of 12.3%.

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.



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