

CITY OF FARGO, NORTH DAKOTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2008

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 148,190	\$ 3,802,547	\$ 3,950,737
Investments	8,217,470	836,912	9,054,382
Equity in pooled investments	22,864,335	18,032,012	40,896,347
Receivables (net of allowance for uncollectibles):			
Interest	425,522	51,882	477,404
Taxes	345,912	12,231	358,143
Accounts	4,041,628	3,000,541	7,042,169
Sales tax	1,923,864	-	1,923,864
Special assessments	192,460,859	3,701	192,464,560
Intergovernmental	7,311,495	15,436	7,326,931
Contract	117,251	-	117,251
Loans	5,370,481	-	5,370,481
Internal balances	(13,402,678)	13,402,678	-
Inventory	-	228,823	228,823
Inventory of carbon credits	-	126,107	126,107
Prepaid expenses	-	283,883	283,883
Property held for resale	310,780	-	310,780
Restricted assets:			
Cash	1,540,165	-	1,540,165
Equity in pooled investments	-	10,253,731	10,253,731
Investments	-	15,185,526	15,185,526
Interest receivable	-	8,043	8,043
Sales taxes receivable	-	1,923,864	1,923,864
Prepaid expenses	249,181	207,403	456,584
Unamortized debt costs	2,151,678	431,636	2,583,314
Net pension obligation asset	1,751,278	-	1,751,278
Capital assets (net of accumulated depreciation):			
Land	4,409,308	38,531,218	42,940,526
Construction in progress	13,809,073	19,216,514	33,025,587
Intangible	-	500,000	500,000
Buildings	33,348,788	115,380,938	148,729,726
Improvements other than buildings	385,474	7,234,428	7,619,902
Machinery and equipment	11,134,699	15,325,360	26,460,059
Infrastructure	176,803,148	263,443,512	440,246,660
Total capital assets	<u>239,890,490</u>	<u>459,631,970</u>	<u>699,522,460</u>
Total assets	<u>475,717,901</u>	<u>527,438,926</u>	<u>1,003,156,827</u>
LIABILITIES			
Vouchers payable	8,249,372	1,164,797	9,414,169
Retainage payable	1,411,290	50,126	1,461,416
Accrued payroll	1,987,930	426,026	2,413,956
Accrued interest payable	2,088,942	250,124	2,339,066
Special assessments payable	323,607	-	323,607
Unearned revenue	3,466,758	3,116,617	6,583,375
Deposits	251,023	11,810	262,833
Claim reserves	899,312	-	899,312
Claims and judgment liability	300,000	-	300,000
Net pension obligation liability	1,840,261	-	1,840,261
Other postemployment benefits liability	1,540,000	-	1,540,000
Liabilities payable from restricted assets	-	7,629,535	7,629,535
Unamortized premium on refunding	1,116,427	1,384,693	2,501,120
Noncurrent liabilities:			
Due within one year	27,451,272	1,174,620	28,625,892
Due in more than one year	212,569,194	60,207,569	272,776,763
Total liabilities	<u>263,495,388</u>	<u>75,415,917</u>	<u>338,911,305</u>
NET ASSETS			
Invested in capital assets, net of related debt	136,829,790	405,649,311	542,479,101
Restricted for:			
Debt service	95,941,316	3,504,640	99,445,956
Specific projects and programs	1,733,287	-	1,733,287
Capital improvements	2,179,641	24,073,927	26,253,568
Unrestricted	(24,461,521)	18,795,131	(5,666,390)
Total net assets	<u>\$ 212,222,513</u>	<u>\$ 452,023,009</u>	<u>\$ 664,245,522</u>

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

**CITY OF FARGO, NORTH DAKOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2008**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	\$ 12,628,766	\$ 2,238,848	\$ 273,327	\$ -	\$ (10,116,591)	\$ -	\$ (10,116,591)
Public safety	27,258,895	4,694,548	534,144	3,332,664	(18,697,539)	-	(18,697,539)
Public works	66,435,406	8,041,216	1,118,193	47,629,386	(9,646,611)	-	(9,646,611)
Public health & welfare	7,802,377	2,341,930	2,621,650	-	(2,838,797)	-	(2,838,797)
Recreation & culture	5,877,783	702,866	37,507	124,040	(5,013,370)	-	(5,013,370)
Urban redevelopment	4,901,145	2,974,370	1,714,955	43,610	(168,210)	-	(168,210)
Transportation	6,712,613	2,760,860	2,437,073	424,192	(1,090,488)	-	(1,090,488)
General support	1,252,486	-	-	-	(1,252,486)	-	(1,252,486)
Interest and fiscal charges	10,078,666	-	-	-	(10,078,666)	-	(10,078,666)
Total governmental activities	142,948,137	23,754,638	8,736,849	51,553,892	(58,902,758)	-	(58,902,758)
Business-type activities:							
Municipal airport authority	6,340,451	5,622,701	-	4,400,332	-	3,682,582	3,682,582
Water	12,739,834	17,422,765	-	9,629,149	-	14,312,080	14,312,080
Wastewater	6,810,660	9,949,467	-	3,780,540	-	6,919,347	6,919,347
Storm sewer	3,318,002	1,479,912	-	9,149,053	-	7,310,963	7,310,963
Solid waste	7,739,012	10,428,390	-	-	-	2,689,378	2,689,378
Fargodome	6,781,837	4,312,703	-	-	-	(2,469,134)	(2,469,134)
Southeast Cass	66,979	61,159	-	-	-	(5,820)	(5,820)
Vector control	589,113	602,787	-	-	-	13,674	13,674
Forestry	1,271,640	995,239	-	6,350	-	(270,051)	(270,051)
Total business-type activities	45,657,528	50,875,123	-	26,965,424	-	32,183,019	32,183,019
Total	\$ 188,605,665	\$ 74,629,761	\$ 8,736,849	\$ 78,519,316	(58,902,758)	32,183,019	(26,719,739)
General revenues:							
Taxes:							
Property taxes					17,319,289	556,329	17,875,618
Sales taxes					10,364,101	10,364,101	20,728,202
Gross business receipts taxes					4,487,665	-	4,487,665
Other taxes					4,639,532	-	4,639,532
Unrestricted intergovernmental					3,403,887	-	3,403,887
Unrestricted investment earnings (expense)					4,889,864	(3,064,009)	1,825,855
Miscellaneous					286,695	1,040,667	1,327,362
Transfers					13,721,027	(13,721,027)	-
Total general revenues and transfers					59,112,060	(4,823,939)	54,288,121
Change in net assets					209,302	27,359,080	27,568,382
Net assets - beginning					212,013,211	424,663,929	636,677,140
Net assets - ending					\$ 212,222,513	\$ 452,023,009	\$ 664,245,522

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

CITY OF FARGO, NORTH DAKOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2008

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 53,950	\$ -	\$ 51,313	\$ -	\$ 105,263
Investments	-	8,217,470	-	-	8,217,470
Equity in pooled investments	16,027,424	4,058	-	1,920,889	17,952,371
Receivables (net of allowance for uncollectibles):					
Interest	212,678	192,704	2,550	9,343	417,275
Taxes	327,810	-	-	18,102	345,912
Accounts	2,804,733	-	595,457	453,089	3,853,279
Sales tax	-	1,923,864	-	-	1,923,864
Special assessments	4,200	191,878,457	311,638	266,564	192,460,859
Contracts	-	117,251	-	-	117,251
Intergovernmental	3,058,917	-	3,995,903	256,675	7,311,495
Due from other funds	82,696	28,497,347	-	5,452,329	34,032,372
Restricted cash	-	-	1,540,165	-	1,540,165
Loans	-	-	-	5,370,481	5,370,481
Advances to other funds	1,520,497	-	-	-	1,520,497
Prepaid items	112,576	-	19,650	1,070	133,296
Property held for resale	-	-	-	310,780	310,780
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 24,205,481</u>	<u>\$ 230,831,151</u>	<u>\$ 6,516,676</u>	<u>\$ 14,059,322</u>	<u>\$ 275,612,630</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Vouchers payable	\$ 2,828,967	\$ 87,816	\$ 4,966,047	\$ 354,162	\$ 8,236,992
Contract retainage payable	-	-	1,411,290	-	1,411,290
Advances from other funds	-	-	-	2,144,927	2,144,927
Due to other funds	-	-	46,164,529	109,290	46,273,819
Accrued payroll	1,971,689	-	-	16,241	1,987,930
Special assessments payable	-	79,825	1,697	242,085	323,607
Deferred revenues	1,603,420	186,377,059	3,610,305	5,646,027	197,236,811
Deposits	251,023	-	-	-	251,023
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>6,655,099</u>	<u>186,544,700</u>	<u>56,153,868</u>	<u>8,512,732</u>	<u>257,866,399</u>
Fund balances					
Reserved for encumbrances	643,428	-	-	-	643,428
Reserved for advances	1,520,497	-	-	-	1,520,497
Reserved for prepaid items	112,576	-	19,650	1,070	133,296
Reserved for debt retirement	-	44,286,451	-	-	44,286,451
Reserved for property held for resale	-	-	-	310,780	310,780
Reserved for capital improvements	-	-	1,999,419	112,664	2,112,083
Unreserved-designated for capital needs, reported in:					
Special revenue funds	-	-	-	123,822	123,822
Unreserved-undesignated reported in:					
General fund	15,273,881	-	-	-	15,273,881
Special revenue funds	-	-	-	4,998,254	4,998,254
Capital projects funds	-	-	(51,656,261)	-	(51,656,261)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances (deficit)	<u>17,550,382</u>	<u>44,286,451</u>	<u>(49,637,192)</u>	<u>5,546,590</u>	<u>17,746,231</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$ 24,205,481</u>	<u>\$ 230,831,151</u>	<u>\$ 6,516,676</u>	<u>\$ 14,059,322</u>	<u>\$ 275,612,630</u>

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

CITY OF FARGO, NORTH DAKOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
For the Year Ended December 31, 2008

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

Total fund balance - governmental funds (page 14)	\$ 17,746,231
Capital assets used in governmental activities are not financial resources and therefore not reported in the fund financial statements	239,890,490
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	193,882,168
Internal service funds are used by management to charge the costs of liability and health insurance to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets	3,706,765
Liabilities that are not due and payable in the current period and therefore not reported in the governmental funds	<u>(243,003,141)</u>
Net assets of governmental activities (page 12)	<u>\$ 212,222,513</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, 2008

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 19,746,425	\$ 11,613,797	\$ -	\$ 3,820,834	\$ 35,181,056
Special assessments	-	18,710,674	1,161,545	253,940	20,126,159
Licenses and permits	2,973,911	-	-	1,380	2,975,291
Intergovernmental revenues	17,591,409	-	4,795,761	1,926,268	24,313,438
Charges for services	13,067,666	-	-	1,268,381	14,336,047
Fines and forfeits	2,416,759	-	-	194,328	2,611,087
Investment income	2,519,422	1,303,252	247,376	621,446	4,691,496
Miscellaneous revenues	412,640	15,875	229,845	3,353,580	4,011,940
Total revenues	<u>58,728,232</u>	<u>31,643,598</u>	<u>6,434,527</u>	<u>11,440,157</u>	<u>108,246,514</u>
EXPENDITURES					
Current:					
General government	10,470,386	-	10,964	44,688	10,526,038
Public safety	24,204,802	-	-	1,789,743	25,994,545
Public works	8,627,254	789,730	49,049,338	231,678	58,698,000
Public health and welfare	7,704,954	-	-	6,307	7,711,261
Recreation and culture	2,912,222	-	29,611	2,310,480	5,252,313
Urban redevelopment	2,392	-	-	4,801,249	4,803,641
Public transportation	4,873,736	-	137,072	609,971	5,620,779
General support	1,251,485	-	-	-	1,251,485
Capital outlay	1,284,045	-	30,547,155	2,591,048	34,422,248
Debt service:					
Principal	-	19,282,640	-	3,546,073	22,828,713
Interest and fiscal charges	-	10,159,748	27,059	124,723	10,311,530
Total expenditures	<u>61,331,276</u>	<u>30,232,118</u>	<u>79,801,199</u>	<u>16,055,960</u>	<u>187,420,553</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,603,044)</u>	<u>1,411,480</u>	<u>(73,366,672)</u>	<u>(4,615,803)</u>	<u>(79,174,039)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	7,623,435	1,055,975	16,104,104	2,452,131	27,235,645
Transfers out	(3,316,294)	(8,111,213)	(111,004)	(1,976,107)	(13,514,618)
Loans issued	-	12,381	5,925,333	2,895,000	8,832,714
Bonds issued	-	362,108	25,922,892	-	26,285,000
Bond premium	-	5,891	-	-	5,891
Other financing uses - payment to bond escrow agent	-	(8,070,000)	-	-	(8,070,000)
Total other financing sources (uses)	<u>4,307,141</u>	<u>(14,744,858)</u>	<u>47,841,325</u>	<u>3,371,024</u>	<u>40,774,632</u>
Net change in fund balances	1,704,097	(13,333,378)	(25,525,347)	(1,244,779)	(38,399,407)
Fund balance (deficit) - beginning of year	15,846,285	57,619,829	(24,111,845)	6,791,369	56,145,638
Fund balance (deficit) - end of year	<u>\$ 17,550,382</u>	<u>\$ 44,286,451</u>	<u>\$ (49,637,192)</u>	<u>\$ 5,546,590</u>	<u>\$ 17,746,231</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, 2008**

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

Net change in fund balances - total governmental funds (page 16)	\$ (38,399,407)
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.	24,959,528
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	19,564,015
The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items 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.	(3,875,397)
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.	(2,042,770)
Internal service funds are used by management to charge the costs of health and liability insurance to individual funds. The net revenue of certain activities of internal service funds are reported with governmental activities.	3,333
Change in net assets of governmental activities (page 13)	\$ 209,302

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, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 19,307,500	\$ 19,811,100	\$ 19,746,425	\$ (64,675)
Licenses and permits	2,778,500	2,778,500	2,973,911	195,411
Intergovernmental revenues	13,447,860	15,981,382	17,591,409	1,610,027
Charges for services	10,855,366	13,060,299	13,067,666	7,367
Fines and forfeits	3,397,000	2,497,000	2,416,759	(80,241)
Investment income	2,100,000	1,750,000	2,519,422	769,422
Miscellaneous revenues	193,574	208,574	412,640	204,066
Total revenues	<u>52,079,800</u>	<u>56,086,855</u>	<u>58,728,232</u>	<u>2,641,377</u>
EXPENDITURES				
Current:				
General government	9,540,152	10,123,998	10,470,386	(346,388)
Public safety	23,336,635	24,465,966	24,204,802	261,164
Public works	6,732,096	8,508,839	8,627,254	(118,415)
Public health and welfare	7,345,194	7,741,559	7,704,954	36,605
Recreation and culture	2,761,040	2,919,977	2,912,222	7,755
Urban redevelopment	-	-	2,392	(2,392)
Public transportation	4,304,935	4,297,488	4,873,736	(576,248)
General support	1,757,744	1,281,926	1,251,485	30,441
Capital outlay	2,883,209	1,339,212	1,284,045	55,167
Total expenditures	<u>58,661,005</u>	<u>60,678,965</u>	<u>61,331,276</u>	<u>(652,311)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,581,205)</u>	<u>(4,592,110)</u>	<u>(2,603,044)</u>	<u>1,989,066</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	7,820,200	8,676,360	7,623,435	(1,052,925)
Transfers out	<u>(1,138,995)</u>	<u>(3,215,690)</u>	<u>(3,316,294)</u>	<u>(100,604)</u>
Total other financing sources (uses)	<u>6,681,205</u>	<u>5,460,670</u>	<u>4,307,141</u>	<u>(1,153,529)</u>
Net change in fund balances	100,000	868,560	1,704,097	835,537
Fund balance (deficit) - beginning of year	15,846,285	15,846,285	15,846,285	-
Fund balance (deficit) - end of year	<u>\$ 15,946,285</u>	<u>\$ 16,714,845</u>	<u>\$ 17,550,382</u>	<u>\$ 835,537</u>

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

CITY OF FARGO, NORTH DAKOTA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2008

	Business Type Activities-Proprietary Funds							Governmental Activities - Internal Service Funds	
	Airport	Water	Wastewater	Storm Sewer	Solid Waste	FargoDome	Other Proprietary Funds		Total
ASSETS									
Current assets									
Cash	\$ -	\$ 100	\$ 50	\$ -	\$ 300	\$ 3,802,047	\$ 50	\$ 3,802,547	\$ 42,927
Equity in pooled investments	10,476,492	4,917	1,161	-	188	12,633	7,086	10,502,477	4,911,964
Receivables (net of allowance for uncollectibles):									
Interest	20,898	15,026	10,380	-	1,558	3,744	276	51,882	8,247
Special assessments	-	-	-	-	-	-	3,701	3,701	-
Taxes	12,231	-	-	-	-	-	-	12,231	-
Accounts	387,544	802,768	584,071	84,875	652,600	375,541	113,142	3,000,541	188,349
Intergovernmental	15,436	-	-	-	-	-	-	15,436	-
Due from other funds	-	9,090,689	4,223,962	-	920,785	-	157,181	14,392,617	-
Advances to other funds	-	-	-	-	624,430	-	-	624,430	-
Inventory	-	189,345	-	-	-	39,478	-	228,823	-
Inventory of carbon credits	-	-	-	-	126,107	-	-	126,107	-
Prepaid expenses	10,439	14,266	-	-	14,355	244,823	-	283,883	115,885
Restricted equity in pooled investments	1,124,189	3,083,335	1,469,055	-	-	1,852,956	-	7,529,535	-
Total current assets	<u>12,047,229</u>	<u>13,200,446</u>	<u>6,288,679</u>	<u>84,875</u>	<u>2,340,323</u>	<u>6,331,222</u>	<u>281,436</u>	<u>40,574,210</u>	<u>5,267,372</u>
Noncurrent assets									
Investments	-	836,912	-	-	-	-	-	836,912	-
Restricted assets									
Equity in pooled investments	847,094	29,884	488,352	-	-	8,888,401	-	10,253,731	-
Investments	-	-	-	-	-	15,185,526	-	15,185,526	-
Interest receivable	-	4,927	-	-	-	3,116	-	8,043	-
Sales tax receivable	-	-	-	-	-	1,923,864	-	1,923,864	-
Prepaid expenses	24,797	169,956	-	-	-	12,650	-	207,403	-
Unamortized debt costs	199,248	147,797	-	-	51,129	33,462	-	431,636	-
Capital assets									
Land	7,639,714	4,338,576	321,372	22,931,106	3,300,450	-	-	38,531,218	-
Construction in progress	14,135,026	2,102,051	1,854,725	538,133	586,579	-	-	19,216,514	-
Intangible	-	500,000	-	-	-	-	-	500,000	-
Buildings	11,293,969	64,180,690	24,354,781	-	5,667,980	57,781,207	-	163,278,627	-
Improvements other than buildings	724,483	1,059,702	1,727,550	1,067,015	4,556,199	2,125,831	-	11,260,780	-
Machinery and equipment	6,257,701	3,503,375	6,923,715	2,521,900	10,498,736	15,742,189	1,036,356	46,483,972	-
Infrastructure	66,969,481	90,001,565	74,309,026	127,326,628	6,158	-	-	358,612,858	-
Less accumulated depreciation	(32,909,608)	(32,158,937)	(35,420,553)	(35,905,703)	(8,346,291)	(32,729,350)	(781,557)	(178,251,999)	-
Total capital assets (net of accumulated depreciation)	<u>74,110,766</u>	<u>133,527,022</u>	<u>74,070,616</u>	<u>118,479,079</u>	<u>16,269,811</u>	<u>42,919,877</u>	<u>254,799</u>	<u>459,631,970</u>	<u>-</u>
Total noncurrent assets	<u>75,181,905</u>	<u>134,716,498</u>	<u>74,558,968</u>	<u>118,479,079</u>	<u>16,320,940</u>	<u>68,966,896</u>	<u>254,799</u>	<u>488,479,085</u>	<u>-</u>
Total assets	<u>\$ 87,229,134</u>	<u>\$ 147,916,944</u>	<u>\$ 80,847,647</u>	<u>\$ 118,563,954</u>	<u>\$ 18,661,263</u>	<u>\$ 75,298,118</u>	<u>\$ 536,235</u>	<u>\$ 529,053,295</u>	<u>\$ 5,267,372</u>

Continued

CITY OF FARGO, NORTH DAKOTA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
December 31, 2008

	Business Type Activities-Proprietary Funds							Governmental Activities - Internal Service Funds	
	Airport	Water	Wastewater	Storm Sewer	Solid Waste	FargoDome	Other Proprietary Funds		Total
LIABILITIES									
Current liabilities									
Vouchers payable	\$ 200,736	\$ 311,548	\$ 147,571	\$ 7,926	\$ 222,732	\$ 270,995	\$ 3,289	\$ 1,164,797	\$ 12,380
Retainage payable	44,554	-	5,572	-	-	-	-	50,126	-
Interest payable	-	2,660	50,336	60,405	109,930	26,793	-	250,124	-
Due to other funds	-	-	-	2,143,954	-	-	7,215	2,151,169	-
Accrued payroll	45,903	107,432	59,308	10,510	136,487	50,099	16,287	426,026	-
Current portion of special assessments	-	5,032	36,417	37,173	123,260	23,377	-	225,259	-
Current portion of capital lease	-	-	-	-	77,643	-	-	77,643	-
Current portion of contract payable	-	-	281,160	-	-	-	-	281,160	-
Accrued vacation payable	66,502	162,756	104,003	20,054	207,063	-	30,180	590,558	-
Deferred revenue	-	-	-	-	-	3,116,617	-	3,116,617	112,115
Deposits	-	-	-	-	-	11,810	-	11,810	-
IBNR claim reserve	-	-	-	-	-	-	-	-	899,312
Current liabilities payable from restricted assets:									
Current portion of long-term debt	975,000	2,335,000	1,360,000	-	100,000	1,810,000	-	6,580,000	-
Accrued interest and other	149,189	748,335	109,055	-	-	42,956	-	1,049,535	-
Total current liabilities	1,481,884	3,672,763	2,153,422	2,280,022	977,115	5,352,647	56,971	15,974,824	1,023,807
Noncurrent liabilities									
Landfill closure accruals	-	-	-	-	3,478,913	-	-	3,478,913	-
Unamortized premium on refunding	63,229	1,321,464	-	-	-	-	-	1,384,693	-
Long-term debt, net of current portion:									
Special assessments payable	-	42,787	877,731	1,000,898	1,558,944	500,955	-	3,981,315	-
Capital lease	-	-	-	-	254,311	-	-	254,311	-
Contract Payable	-	-	1,415,136	-	-	-	-	1,415,136	-
Revenue bonds, net of deferred amount of refunding	10,540,000	25,585,127	-	-	1,200,000	-	-	37,325,127	-
Notes payable	-	1,255,429	12,497,338	-	-	-	-	13,752,767	-
Total noncurrent liabilities	10,603,229	28,204,807	14,790,205	1,000,898	6,492,168	500,955	-	61,592,262	-
Total liabilities	12,085,113	31,877,570	16,943,627	3,280,920	7,469,283	5,853,602	56,971	77,567,086	1,023,807
NET ASSETS									
Invested in capital assets, net of related debt	64,791,094	107,739,546	61,256,537	117,441,008	13,006,782	41,159,545	254,799	405,649,311	-
Restricted for:									
Debt service	871,891	204,767	488,352	-	-	1,939,630	-	3,504,640	-
Capital improvements	-	-	-	-	-	24,073,927	-	24,073,927	-
Unrestricted	9,481,036	8,095,061	2,159,131	(2,157,974)	(1,814,802)	2,271,414	224,465	18,258,331	4,243,565
Total net assets	\$ 75,144,021	\$ 116,039,374	\$ 63,904,020	\$ 115,283,034	\$ 11,191,980	\$ 69,444,516	\$ 479,264	451,486,209	\$ 4,243,565
								536,800	
								<u>\$ 452,023,009</u>	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds								536,800	
Net assets of business-type activities								<u>\$ 452,023,009</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, 2008

	Business Type Activities-Proprietary Funds							Total	Governmental Activities - Internal Service Funds
	Airport	Water	Wastewater	Storm Sewer	Solid Waste	FargoDome	Other Proprietary Funds		
OPERATING REVENUES									
Charges for services	\$ 5,622,701	\$ 17,422,765	\$ 9,949,467	\$ 1,479,912	\$ 10,428,390	\$ 4,312,703	\$ 1,659,185	\$ 50,875,123	\$ 5,718,379
OPERATING EXPENSES									
Personnel services	942,964	2,366,037	1,251,919	235,055	3,112,872	1,883,694	664,857	10,457,398	-
Claims and benefits	-	-	-	-	-	-	-	-	4,895,143
Other services	1,830,879	2,302,684	1,621,990	92,467	1,620,760	2,186,079	873,842	10,528,701	827,718
Materials and supplies	549,753	3,271,503	945,790	123,136	1,765,298	28,235	290,228	6,973,943	-
Depreciation	2,475,223	2,914,302	2,473,727	2,732,598	1,109,771	2,334,001	97,443	14,137,065	-
Total operating expenses	5,798,819	10,854,526	6,293,426	3,183,256	7,608,701	6,432,009	1,926,370	42,097,107	5,722,861
Operating income (loss)	(176,118)	6,568,239	3,656,041	(1,703,344)	2,819,689	(2,119,306)	(267,185)	8,778,016	(4,482)
NONOPERATING REVENUES (EXPENSES)									
Gain (loss) on disposal of assets	(35,545)	-	-	-	20,000	-	24,819	9,274	-
Investment income (expense)	265,722	228,910	137,277	(4,707)	22,290	(3,718,675)	5,174	(3,064,009)	94,632
Interest expense and bond fees	(512,264)	(1,563,859)	(515,597)	(134,245)	(125,064)	(152,310)	(316)	(3,003,655)	-
Amortization expense	(27,321)	(320,179)	-	-	(3,933)	(197,518)	-	(548,951)	-
General property tax revenue	556,329	-	-	-	-	-	-	556,329	-
Miscellaneous revenue	-	146,829	-	-	-	-	-	146,829	-
Sale of byproducts	-	-	28,632	-	855,932	-	-	884,564	-
Sales tax revenue	-	-	-	-	-	10,364,101	-	10,364,101	-
Total nonoperating revenues (expenses)	246,921	(1,508,299)	(349,688)	(138,952)	769,225	6,295,598	29,677	5,344,482	94,632
Income (loss) before contributions and transfers	70,803	5,059,940	3,306,353	(1,842,296)	3,588,914	4,176,292	(237,508)	14,122,498	90,150
Capital contributions	4,400,332	9,629,149	3,780,540	9,149,053	-	-	6,350	26,965,424	-
Transfers in:									
General	-	100,000	-	-	-	-	-	100,000	-
Enterprise	-	-	-	-	-	-	380,004	380,004	-
Transfers out:									
General	(50,000)	(2,897,000)	(827,000)	(290,000)	(2,265,322)	(50,000)	(206,200)	(6,585,522)	-
Special revenue	-	(29,304)	(112,000)	(100,000)	(12,000)	-	(4,000)	(257,304)	-
Capital projects	-	(2,746,406)	(3,478,706)	(753,089)	-	-	-	(6,978,201)	-
Enterprise	-	-	-	-	(380,004)	-	-	(380,004)	-
Change in net assets	4,421,135	9,116,379	2,669,187	6,163,668	931,588	4,126,292	(61,354)	27,366,895	90,150
Total net assets - beginning	70,722,886	106,922,995	61,234,833	109,119,366	10,260,392	65,318,224	540,618	415,341,415	4,153,415
Total net assets - ending	<u>\$ 75,144,021</u>	<u>\$ 116,039,374</u>	<u>\$ 63,904,020</u>	<u>\$ 115,283,034</u>	<u>\$ 11,191,980</u>	<u>\$ 69,444,516</u>	<u>\$ 479,264</u>	<u>\$ 424,356,565</u>	<u>\$ 4,243,565</u>
								(7,815)	
								<u>\$ 27,359,080</u>	

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds

Change in net assets of business-type activities

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, 2008**

Business-type activities - Enterprise Funds

	Airport	Water	Wastewater	Storm Sewer	Solid Waste	FargoDome	Other Enterprise Funds	Total	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES									
Receipts from customers and users	\$ 5,541,826	\$ 17,297,850	\$ 9,853,288	\$ 1,476,425	\$ 10,527,231	\$ 5,144,058	\$ 1,654,495	\$ 51,495,173	\$ 5,675,649
Payments to suppliers	(3,154,392)	(5,720,647)	(2,685,038)	(213,818)	(3,056,693)	(2,323,155)	(1,192,815)	(18,346,558)	(855,512)
Payments to employees	(735,319)	(1,844,193)	(970,970)	(193,501)	(2,454,522)	(1,938,890)	(545,546)	(8,682,940)	-
Payments of benefits on behalf of employees	(179,299)	(488,161)	(248,949)	(35,817)	(616,885)	-	(123,045)	(1,692,157)	(5,159,206)
Net cash provided (used) by operating activities	<u>1,472,816</u>	<u>9,244,849</u>	<u>5,948,331</u>	<u>1,033,289</u>	<u>4,399,131</u>	<u>882,013</u>	<u>(206,911)</u>	<u>22,773,518</u>	<u>(339,069)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES									
Transfers to other funds	(50,000)	(5,672,710)	(4,417,706)	(1,143,089)	(2,657,326)	(50,000)	(210,200)	(14,201,031)	-
Transfers from other funds	-	100,000	-	-	-	-	380,004	480,004	-
Property taxes	554,454	-	-	-	-	-	-	554,454	-
Payments received on advances to other funds	-	-	-	-	40,000	-	-	40,000	-
Payments received on interfund borrowing	-	2,341,106	-	280,962	-	-	7,215	2,629,283	-
Payments made for interfund borrowing	-	(9,090,689)	(4,223,962)	-	(920,785)	-	(225,900)	(14,461,336)	-
Net cash provided (used) by noncapital financing activities	<u>504,454</u>	<u>(12,322,293)</u>	<u>(8,641,668)</u>	<u>(862,127)</u>	<u>(3,538,111)</u>	<u>(50,000)</u>	<u>(48,881)</u>	<u>(24,958,626)</u>	<u>-</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES									
Proceeds from sale of assets	460	-	(121)	-	-	-	-	339	-
Proceeds from borrowing	-	-	122,411	-	-	-	-	122,411	-
Proceeds from bond escrow closing	-	-	-	-	-	-	-	-	-
Proceeds from byproduct sales	-	-	28,632	-	1,041,351	-	-	1,069,983	-
Sales tax restricted for capital-related debt	-	-	-	-	-	10,414,567	-	10,414,567	-
Acquisition of capital assets	(5,426,816)	(317,859)	(278,213)	(481)	(1,587,632)	(155,874)	18,757	(7,748,118)	-
Debt service - principal	(940,000)	(136,196)	(1,348,797)	(31,124)	(291,633)	(4,595,000)	-	(7,342,750)	-
Debt service - interest & fees	(522,763)	(1,153,265)	(525,937)	(134,850)	(130,285)	(239,173)	(316)	(2,706,589)	-
Intergovernmental capital grants	5,098,422	-	-	-	-	-	-	5,098,422	-
Net cash provided (used) by capital and related financing activities	<u>(1,790,697)</u>	<u>(1,607,320)</u>	<u>(2,002,025)</u>	<u>(166,455)</u>	<u>(968,199)</u>	<u>5,424,520</u>	<u>18,441</u>	<u>(1,091,735)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES									
Investment income (expense)	323,842	268,343	177,622	(4,707)	22,663	184,585	6,838	979,186	123,717
Investments redeemed	11,943,125	7,538,708	6,479,618	-	84,582	7,126,426	237,729	33,410,188	-
Investments (purchased)	(12,453,540)	(3,122,287)	(1,961,878)	-	(66)	(12,756,784)	(7,216)	(30,301,771)	235,520
Net cash provided (used) by investing activities	<u>(186,573)</u>	<u>4,684,764</u>	<u>4,695,362</u>	<u>(4,707)</u>	<u>107,179</u>	<u>(5,445,773)</u>	<u>237,351</u>	<u>4,087,603</u>	<u>359,237</u>
Net change in cash and cash equivalents	-	-	-	-	-	810,760	-	810,760	20,168
Cash and cash equivalents, January 1	-	100	50	-	300	2,991,287	50	2,991,787	22,759
Cash and cash equivalents, December 31	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ 3,802,047</u>	<u>\$ 50</u>	<u>\$ 3,802,547</u>	<u>\$ 42,927</u>

Reconciliation of operating income to net cash provided (used) by operating activities:									
Operating income (loss)	\$ (176,118)	\$ 6,568,239	\$ 3,656,041	\$ (1,703,344)	\$ 2,819,689	\$ (2,119,306)	\$ (267,185)	\$ 8,778,016	\$ (4,482)
Adjustments to reconcile operating income to net cash provided by operating activities									
Depreciation	2,475,223	2,914,302	2,473,727	2,732,598	1,109,771	2,334,001	97,443	14,137,065	-
Claims reserve adjustment	-	-	-	-	-	-	-	-	(264,063)
Change in assets and liabilities									
Accounts receivable	(80,875)	(124,915)	(96,179)	(3,487)	98,841	(162,888)	(10,612)	(380,115)	(4,845)
Specials receivable	-	-	-	-	-	-	5,922	5,922	-
Inventories	-	5,276	-	-	-	(8,427)	-	(3,151)	-
Prepaid expenses	(9,528)	(13,066)	-	-	(755)	36,672	-	13,323	(25,037)
Accounts payable	(175,142)	(99,920)	(122,830)	1,785	106,452	(137,086)	(28,745)	(455,486)	(2,757)
Retainage payable	(589,090)	(38,750)	5,572	-	(14,037)	-	-	(636,305)	-
Landfill closure accruals	-	-	-	-	237,705	-	-	237,705	-
Payroll payable	10,467	14,737	14,199	2,322	25,946	(55,196)	(4,721)	7,754	-
Vacation payable	17,879	18,946	17,801	3,415	15,519	-	987	74,547	-
Deferred revenues	-	-	-	-	-	998,095	-	998,095	(37,885)
Deposits	-	-	-	-	-	(3,852)	-	(3,852)	-
Total adjustments	1,648,934	2,676,610	2,292,290	2,736,633	1,579,442	3,001,319	60,274	13,995,502	(334,587)
Net cash provided (used) by operating activities	\$ 1,472,816	\$ 9,244,849	\$ 5,948,331	\$ 1,033,289	\$ 4,399,131	\$ 882,013	\$ (206,911)	\$ 22,773,518	\$ (339,069)
Noncash transactions affecting financial position:									
Acquisition of / change in assets through capital contributions and donations	\$ -	\$ 9,241,649	\$ 3,780,540	\$ 9,149,053	\$ -	\$ -	\$ 6,350	\$ 22,177,592	\$ -
Acquisition of assets through acquisition of debt	\$ -	\$ -	\$ 1,702,305	\$ 17,398	\$ 126,333	\$ -	\$ -	\$ 1,846,036	\$ -
Change in fair value of investments	\$ (5,765)	\$ (4,151)	\$ (3,310)	\$ -	\$ 122	\$ (2,794)	\$ (130)	\$ (16,028)	\$ (2,562)

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

CITY OF FARGO, NORTH DAKOTA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
December 31, 2008

	Pension Trust	Agency
ASSETS		
Cash	\$ 505,167	\$ 60,265
Equity in pooled investments	348,439	47,160
Receivables:		
Accounts receivable	36,878	-
Special assessments	-	1,291,785
Total receivables	36,878	1,291,785
Investments, at fair value:		
Domestic equities	7,514,488	-
International equities	2,929,055	-
Domestic fixed income	7,253,060	-
International fixed income	1,268,334	-
Real estate	1,464,406	-
Alternative investments	3,993,019	-
Corporate stocks	2,963,403	-
Mutual funds	19,012,111	-
Cash savings value of life insurance	498,697	-
Total investements	46,896,573	-
Invested securities lending collateral	204,796	-
Total assets	\$ 47,991,853	\$ 1,399,210
LIABILITIES		
Vouchers and benefits payable	\$ 43,060	\$ -
Securities lending collateral	204,796	-
Interest payable	16,429	
Due to other governments	-	1,291,785
Deposits	-	107,425
Total liabilities	264,285	1,399,210
NET ASSETS		
Held in trust for pension benefits	\$ 47,727,568	\$ -

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

CITY OF FARGO, NORTH DAKOTA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended December 31, 2008

	Pension Trust
ADDITIONS	
Contributions	
Employer	\$ 1,737,140
Employee	1,186,538
Total contributions	2,923,678
Investment income (loss)	
Net depreciation in fair value of investments, and interest and dividends	(17,984,361)
Less investment expense	(537,715)
Net investment income (loss)	(18,522,076)
Total additions (deductions)	(15,598,398)
DEDUCTIONS	
Pension benefit payments	3,877,841
Member contribution refunds	380,705
Administrative expenses	103,521
Total deductions	4,362,067
Change in net assets	(19,960,465)
Total net assets - beginning	67,688,033
Total net assets - ending	\$ 47,727,568

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

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

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 City implemented GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations. The objective of this statement is to enhance comparability of financial statements among governments by requiring all governments to account for pollution remediation obligations in the same manner, including required reporting of pollution remediation obligations that previously may not have been reported. This Statement also will enhance users' ability to assess governments' obligations by requiring more timely and complete reporting of obligations as their components become reasonably estimable. Implementation had no effect on the City's financial statements.

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

A. 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.

Component units are legally separate organizations for which elected officials of the primary government are financially accountable. The City is financially accountable if it appoints a voting majority of the organization's governing body and is either:

1. able to impose its will on that organization or
2. there is potential for the organization to provide specific financial benefits to, or impose financial burdens on the City. The City may be financially accountable if an organization is fiscally dependent on the City.

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.

B. 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 assets 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.

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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.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The government-wide, proprietary fund, and fiduciary pension trust fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Although agency funds have no measurement focus, they also use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Taxes, special assessments, 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 financial resources used in the construction of major capital facilities which includes infrastructure such as streets, sidewalks, street lighting, paving, sanitary storm sewers, water mains, sewer lines and other projects. Two capital project funds reported as non-major in the prior year have been included as major for the current year as directed by management. These capital project funds are used to account for financial resources used for the acquisition or construction of major capital facilities other than those financed directly by proprietary funds.

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.

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

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

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

FargoDome – This fund accounts for the operation of the FargoDome which is a multi-purpose regional event center that was constructed in 1989 and is used for conventions, sporting events, trade shows, concerts and other programs. The FargoDome has a maximum seating capacity of 28,000 and is currently operated under a management contract with Global Spectrum, Inc.

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

Internal Service Funds – Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City or to other governmental units on a cost reimbursement basis. The City has two internal service funds, the Liability Self Insurance fund and the Health Self Insurance fund.

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 two agency funds, the Performance Deposits fund and the Park District Special Assessments fund.

The City has prepared its government-wide and proprietary fund financial statements in accordance with all applicable GASB pronouncements, as well as pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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.

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When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

1. Equity in Pooled Investments, Cash and Investments

The City maintains an investment pool that is used by all 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.

Investments are reported at fair value. 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 a fund reserve account in applicable governmental funds to indicate that 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 2008 were fifty-eight 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 are valued at the lower of cost or market using either first-in-first-out or specific identification. Also, and depending upon the nature of the item or the fund in which the inventory is recorded, the costs of inventories are recorded as expenses/expenditures when purchased, or when consumed rather than when purchased. The purchase method of accounting is used for reporting purposes in most governmental funds, whereby the cost of inventory items are recognized as expenditures when purchased. However, the NRI Loan Program governmental fund uses the consumption method under which an expenditure is recognized as the inventory is consumed. Reported inventories of governmental funds are equally offset by a fund balance reservation to indicate that portion of fund balance not available for future appropriation. Inventory recorded in proprietary funds is expensed as the supplies and materials are consumed.

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.

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Byproduct revenues are reported in the enterprise fund that generates the byproduct. Presently, the Solid Waste utility operates two alternative energy projects that generate byproducts revenue derived from the City landfill. Methane gas is produced naturally by the landfill and is captured and sold to a business customer. During 2007, the City of Fargo applied for Clean Renewable Energy Bonds (CREB) from the IRS and was awarded funding to expand this facility. The methane gas capture expansion project was completed which included converting methane gas into electricity that is sold to a local electricity cooperative. Methane gas is also transported in a pipeline to a business near the landfill site.

The aggressive efforts to curb methane release also produce carbon credits that can be traded as a commodity on the carbon credit exchange. Carbon credits have been valued at year end and are recorded as an asset (inventory of carbon credits) and revenue of the Solid Waste Utility.

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, 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. The intangible asset is water rights purchased from Cass Rural Water Users. The asset is 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 asset and therefore the asset is 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	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

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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 assets. Bond premiums, discounts and issuance costs 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, 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. Issuance costs, whether or not withheld from the actual debt proceeds are reported as debt service expenditures.

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose.

Reserved - indicates the portion of fund equity which has been legally segregated for specific purposes.

Unreserved – undesignated – indicates the portion of fund equity which is available for appropriation in future periods.

E. ISSUED BUT NOT-EFFECTIVE ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) has issued statements not yet implemented by the City. The statements issued but not implemented that might affect the City are *Statement No. 51*, Accounting and Reporting for Intangible Assets and *Statement No. 52*, Land and Other Real Estate Held as Investments by Endowments. Statement No. 51 establishes accounting and financial reporting requirements for intangible assets, and will be effective for the City for the fiscal year ending December 31, 2010. Statement No. 52 establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities, and will be effective for the City for fiscal year ending December 31, 2009.

The City is in the process of reviewing and evaluating the above statements. Therefore, the potential effects of these new accounting pronouncements on the financial statements cannot be determined at this time.

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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 ASSETS

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government – wide statement of net assets. 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 \$243,003,141 difference are as follows:

Bonds payable	\$ 228,734,818
Notes payable	8,594,451
Compensated absences payable	2,460,861
Capital leases	<u>230,337</u>
December 31, 2008 long-term debt outstanding	\$ 240,020,467
Accrued interest payable	2,088,942
Bond premium	1,116,427
Other postemployment benefits liability	1,540,000
Bond costs	(2,151,678)
Net pension obligation	88,983
Claims and judgment liability	<u>300,000</u>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u><u>\$ 243,003,141</u></u>

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 assets 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 \$24,959,528 difference are as follows:

Capital outlay	\$ 35,974,186
Depreciation expense	<u>(11,014,658)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ 24,959,528</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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items 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 \$3,875,397 difference are as follows:

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Bonded debt issued	\$ (26,285,000)
Premium on bonded debt issued	(5,891)
Bonded debt principal payments	27,267,640
Capital lease payment	191,073
Unamortized debt costs	349,495
Loan proceeds	(8,832,714)
Loan payments	3,440,000
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (3,875,397)</u>

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 \$2,042,770 are as follows:

Compensated absences	\$ (209,221)
Accrued interest	4,741
Amortization of bond costs and discounts	(133,753)
Net pension obligation adjustment	(1,404,537)
Claims and judgments liability adjustment	(300,000)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (2,042,770)</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.
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 2008 year include \$1,915,478 for the General Fund.
8. Appropriations lapse at year-end.

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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 years budget. General Fund Budget revisions approved for open encumbrances totaled \$643,428 for the year ended December 31, 2008.

B. EXCESS OF EXPENDITURES OVER BUDGET

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

Special Revenue Funds		
City Share of Specials	\$	26,678
Noxious Weeds		3,713
Emergency 911		485
Convention and Visitors Bureau		354,745
Court Forfeits		1,372
Winter Lights Maintenance		10,550
Parking Surplus Fund		37,017
HUD Home Program		5,399
NRI Loan Program		7,976
Other Projects		6,025
Library Start-Up Fund		9,088
Debt Service Fund	\$	739,224
General Fund	\$	652,311

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

C. DEFICIT FUND EQUITY/NET ASSETS

Governmental Funds

Special Revenue Funds

Regional Training Center	\$ 204,986	This deficit will be eliminated by future intergovernmental revenues.
Skyway Maintenance	33,917	This deficit will be eliminated by future special assessments.
Winter Lights Maintenance	3,807	This deficit will be eliminated by future special assessments.
Library Start-Up	207	This deficit will be eliminated by transfers from operating divisions.
Baseball Stadium	1,917,692	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.

Capital Projects Funds

Capital Projects Fund	\$ 49,637,192	This deficit will be eliminated by future bond financing and transfers from other funds.
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Internal Service Funds

Liability Self Insurance	\$ 136,119	This deficit will be eliminated by transfers from operating divisions.
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**CITY OF FARGO, NORTH DAKOTA
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D. NET ASSETS RESTRICTED BY ENABLING LEGISLATION

The government-wide statement of net assets reports \$127,432,811 of restricted net assets, of which \$44,897,756 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, 2008, the carrying amount of the City's deposits was \$55,583,938 and the bank balance was \$56,979,443. 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. Beyond what is stated in the Century Code, the City does not have a formal policy to further limit exposure to custodial credit risk. As of December 31, 2008, the City's deposits were either fully insured or properly collateralized, and have no custodial credit risk.

Investments - The City is authorized by North Dakota Century Code to invest in: a) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress, b) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above, c) Certificates of deposit fully insured by the federal deposit insurance corporation or the state, d) Obligations of the state.

Under the Home Rule Charter, City Ordinance also allows contracts for interest rate swaps or exchanges as investments for, and 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>.

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As of December 31, 2008, the City has the following investments and maturities:

Investment Type	Fair Value	Investment Maturities (in years)				
		Not Applicable	< 1	1 - 5	> 5 - 10	> 10
U.S. Instrumentalities	\$ 1,774,653	\$ -	\$ 250,470	\$ 1,029,552	\$ 494,631	\$ -
U.S. Treasuries	8,079,470	-	8,079,470	-	-	-
U.S. Agencies	5,917	-	-	-	-	5,917
Local Government Bond	836,912	-	84,073	357,845	394,994	-
Corporate Bond	-	-	-	-	-	-
Corporate Stocks	2,963,403	2,963,403	-	-	-	-
Alternative Investments	2,659,105	2,659,105	-	-	-	-
Bond Mutual Funds	7,747,633	-	-	5,120,145	2,627,488	-
External Investment Pool	37,529,081	21,293,627	-	-	16,235,454	-
Mutual Funds	11,264,479	11,264,479	-	-	-	-
Cash Value Life Insurance	498,697	498,697	-	-	-	-
	\$ 73,359,350	\$ 38,679,311	\$ 8,414,013	\$ 6,507,542	\$ 19,752,567	\$ 5,917

* - The weighted average maturity of the portion of the external investment pool subject to maturity is 6.86 years.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investments in U.S. Agencies are mortgage-backed securities. Due to interest rate changes, how quickly homeowners pay off their mortgages can fluctuate, resulting in varying repayment streams and uncertain final maturities.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Although the City does not have a formal policy to limit exposure to credit risk, North Dakota Century Code limits the types of investments which are authorized (see Investments, above). As of December 31, 2008, \$1,774,653 of the City's investments in U.S. Instrumentalities were rated AAA by Standard and Poor's. The City's investments in the local government bond, external investment pool, and bond mutual funds are not rated.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a formal policy to limit exposure to investment custodial credit risk.

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 places no limit on the amount which may be invested with a single issuer. There is no investment in any one issuer that is in excess of 5% of total investments at year-end. On a fund level the Water Enterprise Fund's investment in the City of Fargo Housing Revenue Bonds represents 100% of its non-pooled investments.

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, 2008, the City has the following foreign currency risk exposure on investments.

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Currency	All values in \$000			
	Short term	Debt	Equity	Total
Australian dollar	\$ (22)	\$ 82	\$ 74	\$ 134
Brazilian real	-	51	36	87
British pound sterling	(171)	47	291	167
Canadian dollar	(101)	31	109	39
Danish krone	(6)	-	17	11
Euro	(251)	2	592	343
Hong Kong dollar	(5)	-	25	20
Hungarian forint	(2)	3	-	1
Iceland krona	-	24	-	24
Indonesian rupiah	-	29	-	29
Japanese yen	(248)	-	469	221
Malaysian ringgit	-	55	-	55
Mexican peso	(3)	63	-	60
New Zealand dollar	(2)	32	-	30
Norwegian krone	(6)	10	30	34
Polish zloty	(5)	48	-	43
Singapore dollar	(4)	71	16	83
South African rand	-	28	-	28
South Korean won	-	6	-	6
Swedish krona	(11)	28	33	50
Swiss franc	(96)	-	177	81
Turkish lira	12	-	-	12
International comingled funds	-	737	2,339	3,076
	<u>\$ (921)</u>	<u>\$ 1,347</u>	<u>\$ 4,208</u>	<u>\$ 4,634</u>

B. RECEIVABLES

Loans receivable as of December 31, 2008 were:

	Interest Rate	Maturity Date	Amount
Community Development	2 - 3%	12/01/10 to 08/02/21	\$ 307,860
Neighborhood Revitalization Initiative (NRI)	2 - 4%	08/01/11 to 08/01/21	1,542,464
Neighborhood Revitalization Initiative (NRI)	0%	Due Upon Sale	29,000
HUD HOME	0 - 3%	01/01/09 to 02/01/17	3,491,157
Total loans receivable			<u>\$ 5,370,481</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 and a Fannie Mae letter of credit.

Of the above loans, \$3,144,575 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
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C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 1,785,251	\$ 2,624,057	\$ -	\$ 4,409,308
Construction in progress	6,588,436	7,466,008	245,371	13,809,073
Total capital assets, not being depreciated	<u>8,373,687</u>	<u>10,090,065</u>	<u>245,371</u>	<u>18,218,381</u>
Capital assets, being depreciated:				
Buildings	52,999,661	1,019,089	75,062	53,943,688
Improvements other than buildings	550,770	-	-	550,770
Machinery and equipment	27,229,114	4,776,784	1,595,468	30,410,430
Infrastructure	257,730,619	20,088,248	1,563,676	276,255,191
Total capital assets being depreciated	<u>338,510,164</u>	<u>25,884,121</u>	<u>3,234,206</u>	<u>361,160,079</u>
Less accumulated depreciation for:				
Buildings	19,308,859	1,315,657	29,616	20,594,900
Improvements other than buildings	136,339	28,957	-	165,296
Machinery and equipment	18,028,201	2,669,212	1,421,682	19,275,731
Infrastructure	94,014,887	7,000,832	1,563,676	99,452,043
Total accumulated depreciation	<u>131,488,286</u>	<u>11,014,658</u>	<u>3,014,974</u>	<u>139,487,970</u>
Total capital assets, being depreciated, net	<u>207,021,878</u>	<u>14,869,463</u>	<u>219,232</u>	<u>221,672,109</u>
Governmental activities capital assets, net	<u>\$ 215,395,565</u>	<u>\$ 24,959,528</u>	<u>\$ 464,603</u>	<u>\$ 239,890,490</u>

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

Governmental activities:	
General government	\$ 471,559
Public safety	1,072,225
Public works	7,803,107
Public health & welfare	73,393
Recreation & culture	569,180
Urban redevelopment	38,483
Transportation	986,711
Total depreciation expense - governmental activities	<u>\$ 11,014,658</u>

**CITY OF FARGO, NORTH DAKOTA
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	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 36,674,283	\$ 1,856,935	\$ -	\$ 38,531,218
Construction in progress	16,074,984	7,437,678	4,296,148	19,216,514
Water rights	500,000	-	-	500,000
Total capital assets, not being depreciated	<u>53,249,267</u>	<u>9,294,613</u>	<u>4,296,148</u>	<u>58,247,732</u>
Capital assets, being depreciated				
Buildings	159,255,011	4,050,760	27,144	163,278,627
Improvements other than buildings	10,314,011	985,412	38,643	11,260,780
Machinery and equipment	44,054,422	2,985,270	555,720	46,483,972
Infrastructure	339,456,098	19,381,328	224,568	358,612,858
Total capital assets being depreciated	<u>553,079,542</u>	<u>27,402,770</u>	<u>846,075</u>	<u>579,636,237</u>
Less accumulated depreciation for:				
Buildings	44,169,558	3,746,320	18,189	47,897,689
Improvements other than buildings	3,544,574	493,371	11,593	4,026,352
Machinery and equipment	28,833,215	2,843,135	517,738	31,158,612
Infrastructure	88,282,531	7,111,383	224,568	95,169,346
Total accumulated depreciation	<u>164,829,878</u>	<u>14,194,209</u>	<u>772,088</u>	<u>178,251,999</u>
Total capital assets, being depreciated, net	<u>388,249,664</u>	<u>13,208,561</u>	<u>73,987</u>	<u>401,384,238</u>
Business-type activities capital assets, net	<u>\$ 441,498,931</u>	<u>\$ 22,503,174</u>	<u>\$ 4,370,135</u>	<u>\$ 459,631,970</u>

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

Business-type activities:	
Airport	\$ 2,475,223
Water	2,914,302
Wastewater	2,473,727
Storm sewer	2,732,598
Vector control	24,676
Solid waste	1,109,771
Forestry	129,911
Fargodome	2,334,001
Total depreciation expense - business-type activities	<u>\$ 14,194,209</u>

D. COMMITMENTS

Construction

As of December 31, 2008, the City had commitments on various construction contracts totaling approximately \$29,943,543.

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 12 cells to date, which vary in surface area from 4 to 6 acres. The cell depths range up to 30', varying based on their footprint location. Final elevations of cells range from 40' to 80'. The

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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 18" of intermediate clay cover, 6" of compacted clay, 18" of clay cover soils (plant root zone), and 6" of topsoil.

Cells 1 through 12 are presently constructed and partially filled. Based upon design capacity, the landfill is 49.57% full, and based upon present utilization rates, the remaining capacity of the landfill is estimated at 13.89 years. The estimated liability for landfill closure and post closure care is \$3,478,913 as of December 31, 2008. This represents an increase of \$237,705 from the prior year liability. The City will recognize the remaining estimated cost of closure and post closure care of \$2,911,801 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, 2008. However, actual costs may be higher due to inflation, changes in technology, or landfill regulations.

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

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, 2008, is as follows:

	Receivable	Payable
General Fund	\$ 82,696	\$ -
Debt service	28,497,347	-
Nonmajor governmental	5,452,329	-
Nonmajor governmental	-	109,290
Capital projects	-	46,164,530
Water	9,090,689	-
Wastewater	4,223,962	-
Solid waste	920,785	-
Nonmajor enterprise	157,181	-
Storm sewer	-	2,143,954
Nonmajor enterprise	-	7,215
	<u>\$ 48,424,989</u>	<u>\$ 48,424,989</u>
Interfund totals	<u>\$ 48,424,989</u>	<u>\$ 48,424,989</u>

**CITY OF FARGO, NORTH DAKOTA
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At December 31, 2008, the inter-fund advance balances are:

	Funds Advanced	Amount Repaid To-Date	Advance Balance December 31, 2008
General fund	\$ 2,298,802	\$ 1,003,305	\$ 1,295,497
Solid waste fund	1,200,000	575,570	624,430
Subtotal baseball advances	<u>\$ 3,498,802</u>	<u>\$ 1,578,875</u>	<u>\$ 1,919,927</u>
General fund - shooting range advance	<u>\$ 225,000</u>	<u>\$ -</u>	<u>\$ 225,000</u>
Total advances	<u><u>\$ 3,723,802</u></u>	<u><u>\$ 1,578,875</u></u>	<u><u>\$ 2,144,927</u></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. Private suite revenues will generate maximum annual revenue of \$204,000.

Shooting range advance will be repaid by future intergovernmental grants over the next five years.

Interfund Transfers:

	Transfer in:								Total
	Major funds					Nonmajor funds			
	General	Debt Service	Capital Projects	Water	Wastewater	Storm Sewer	Governmental		
Transfer out:									
Major funds:									
General	\$ -	\$ 515,541	\$ 1,300,086	\$ 100,000	\$ -	\$ -	\$ 1,400,667	\$ -	\$ 3,316,294
Debt service	926,909	-	7,037,190	-	-	-	147,114	-	8,111,213
Capital projects	111,004	-	-	-	-	-	-	-	111,004
Airport	50,000	-	-	-	-	-	-	-	50,000
Water	2,897,000	-	2,746,406	-	-	-	29,304	-	5,672,710
Wastewater	827,000	-	3,478,706	-	-	-	112,000	-	4,417,706
Storm sewer	290,000	-	753,089	-	-	-	100,000	-	1,143,089
Solid waste	2,265,322	-	-	-	-	-	12,000	380,004	2,657,326
Fargodome	50,000	-	-	-	-	-	-	-	50,000
Nonmajor funds:									
Governmental	-	540,434	788,627	-	-	-	647,046	-	1,976,107
Enterprise	206,200	-	-	-	-	-	4,000	-	210,200
Total	<u><u>\$ 7,623,435</u></u>	<u><u>\$ 1,055,975</u></u>	<u><u>\$ 16,104,104</u></u>	<u><u>\$ 100,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,452,131</u></u>	<u><u>\$ 380,004</u></u>	<u><u>\$ 27,715,649</u></u>

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.

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
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F. LEASES

Operating Leases

The City leases building and office facilities under noncancellable operating leases. Total costs for such leases were \$246,571 for the year ended December 31, 2008. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2009	\$ 221,185
2010	41,493
2011	17,220
	\$ 279,898

Capital Leases

The City is obligated to the following capital lease agreements:

	Remaining Balance
BUSINESS-TYPE	
SOLID WASTE ENTERPRISE FUND	
John Deere Wheel Loader	\$ 64,245
CAT Track Loader	168,864
Intl 4300 Kann Recycle Body	98,845
Total Business-Type	\$ 331,954
 GOVERNMENTAL	
John Deere Graders	\$ 230,336

The assets acquired through the capital leases are as follows:

	Governmental Activities	Business-type Activities
Asset:		
Machinery and equipment	\$ 381,350	\$ 716,537
Less: Accumulated depreciation	(133,472)	(99,835)
Total	\$ 247,878	\$ 616,702

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Future Minimum Payments under the above capital lease agreements at December 31, 2008 are shown below:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
2009	\$ 63,710	\$ 94,145
2010	63,710	114,981
2011	63,710	69,695
2012	<u>63,710</u>	<u>94,318</u>
Total minimum lease payments	254,840	373,139
Less: amount representing interest	<u>(24,504)</u>	<u>(41,185)</u>
Present value of minimum lease payments	<u>\$ 230,336</u>	<u>\$ 331,954</u>

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 40 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

NDSU paid annual lease rental fees of \$193,400 for 1999 – 2003. During 2002 this lease was renegotiated, and NDSU paid annual lease rental fees of \$120,000 for 2003 – 2006. The lease payments terms changed on July 1, 2007 as the 2006 lease expired June 30, 2007 with the terms of NDSU having a maximum of forty days per lease year to rent the FargoDome. Annual rental fees under the new terms are \$147,000. The terms of the 2007 lease are set to expire on June 30, 2012 with the terms of NDSU having a maximum of fifty days per lease year to rent the FargoDome. The lease payment terms change July 2008 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.

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The asset leased to NDSU is as follows:

	<u>Business-type Activity</u>
Asset:	
Fargodome	\$ 57,781,207
Less: Accumulated depreciation	(19,790,535)
Total	\$ 37,990,672

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

2009	\$	204,500
2010		204,500
2011		204,500
2012		204,500
Thereafter		230,000
	\$	1,048,000

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 15% 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.

The leased asset is as follows:

	<u>Governmental Activity</u>
Asset:	
Baseball stadium	\$ 5,136,513
Less: Accumulated depreciation	(1,237,477)
Total	\$ 3,899,036

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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:

2009	\$	45,684
2010		45,684
2011		45,684
2012		45,684
2013		45,684
Thereafter		616,734
	\$	845,154

G. LONG-TERM DEBT

The following is a summary of changes in long-term debt of the City for the year ended December 31, 2008

	Balance 1/1/2008	Additions	Deletions	Balance 12/31/2008	Due within one year
GOVERNMENTAL ACTIVITIES					
Improvement bonds	\$ 197,423,524	\$ 26,285,000	\$ 22,057,473	\$ 201,651,051	\$ 18,882,491
Gross revenue bonds	7,673,935	-	640,168	7,033,767	408,815
Sales tax revenue bonds	24,620,000	-	4,570,000	20,050,000	4,735,000
Notes payable	3,201,737	8,832,714	3,440,000	8,594,451	910,000
Capital leases	421,408	-	191,072	230,336	54,105
Accumulated unpaid vacation	2,251,641	2,460,861	2,251,641	2,460,861	2,460,861
	\$ 235,592,245	\$ 37,578,575	\$ 33,150,354	\$ 240,020,466	\$ 27,451,272

	Balance 1/1/2008	Additions	Deletions	Balance 12/31/2008	Due within one year
BUSINESS-TYPE ACTIVITIES					
Revenue bonds	\$ 48,325,000	\$ -	\$ 5,635,000	\$ 42,690,000	\$ 5,080,000
Notes payable	16,591,094	122,411	1,460,738	15,252,767	1,500,000
Capital leases	286,443	126,333	80,822	331,954	77,643
Special assessments	3,811,371	561,995	166,792	4,206,574	225,259
Contract payable	-	1,696,296	-	1,696,296	281,160
Landfill closure/postclosure	3,241,208	237,705	-	3,478,913	-
Accumulated unpaid vacation	516,011	590,558	516,011	590,558	590,558
	\$ 72,771,127	\$ 3,335,298	\$ 7,859,363	\$ 68,247,062	\$ 7,754,620

The unamortized economic loss resulting from bond refinancing in previous years is \$284,873.

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.

**CITY OF FARGO, NORTH DAKOTA
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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)	1.50 - 6.00 %	\$ 242,379,719	\$ 201,651,051
Gross revenue bonds	2.50 - 6.625%	8,920,000	7,033,767
Sales tax revenue bonds	5.00 - 6.00%	35,520,000	20,050,000
TOTAL		<u>\$ 286,819,719</u>	<u>\$ 228,734,818</u>
BUSINESS-TYPE ACTIVITIES			
Water revenue bond	5.25%	\$ 28,065,000	\$ 28,065,000
Clean renewable energy bond	0.50%	1,500,000	1,300,000
Fargodome authority sales tax			
Revenue bonds (2 issues)	2.55 - 5.20%	36,795,000	1,810,000
Airport revenue bonds (2 issues)	2.00 - 4.25%	14,225,000	11,515,000
TOTAL		<u>\$ 80,585,000</u>	<u>\$ 42,690,000</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.

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, 2008, the statutory limit for the City was \$160,074,897 providing a debt margin of \$153,856,513. This calculation can be found on page 139 of the statistical section.

ADVANCE REFUNDING OF DEBT

On May 1, 2008, the City called the remaining maturities of the Series 2000A improvement bonds in the amount of \$7,750,000, which were prepaid with funds held by the escrow agent that were generated from the Series 2005B refunding improvement bonds. The 2005B refunding improvement bonds were issued and the refunding of debt was undertaken to reduce total debt service payments by \$1,908,305 and resulted in an economic gain of \$642,670.

On May 1, 2008, the City called the remaining maturities of the Series 2000B improvement bonds in the amount of \$2,305,000, which were prepaid with funds held by the escrow agent that were generated from the Series 2006C refunding improvement bonds. The 2006C refunding improvement bonds were issued and the refunding of debt was undertaken to reduce total debt service payments by \$1,609,710 and resulted in an economic gain of \$581,049.

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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, 2008, \$72,765,000 of bonds outstanding are considered to be defeased.

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 \$1,696,296 which will be repaid to the CRWU over a five year period.

NOTES PAYABLE

In prior years the City 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, and a storm sewer system. During the current year the City obtained additional financing from the State of North Dakota's State Revolving Loan Fund (SRLF) to finance the following projects; 45th street corridor interceptor project, north side sewer service facility project, transmission lines south side system project, and a water tower project.

In September 2002 the City of Fargo established a Fannie Mae General Obligation Loan Product \$2.7 million revolving line of credit. That line was renewed and increased to \$4 million in September 2005. In July 2006, the City Commission approved a request to increase the line of credit from \$4 million to \$7 million. The purpose of this line of credit is to provide construction and/or bridge financing for City-initiated housing projects and redevelopment of deteriorated areas. This line of credit has a five-year maximum repayment term, and is backed with a pledge of the City's general obligation authority. The funds are available at a rate of 85 basis points over the 1 month LIBOR rate, and will be adjusted quarterly over the term of the loan.

The City issued a tax increment revenue note on June 19, 2006 subject to a development agreement for a downtown housing redevelopment project. The note is payable from the future taxes generated by the redevelopment project and will be paid to the developer annually as property taxes are collected from this tax increment project. The City updated its tax increment financing policies during this past year and future assistance for TIF eligible projects will be funded using tax increment revenue notes, in lieu of traditional bond financing.

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Details relative to the outstanding notes payable are shown below:

TYPE AND ISSUE	FINAL MATURITY DATE	INTEREST RATES	ORIGINAL ISSUE	PRINCIPAL OUTSTANDING 12/31/08
GOVERNMENTAL ACTIVITIES				
SRLF Storm Sewer Project	9/1/2020	2.50%	\$ 1,816,295	\$ 1,195,000
SRLF Water Tower	9/1/2027	2.50%	2,500,000	1,819,029
SRLF North Side Sewer Service Facility Plan	9/1/2028	2.50%	1,640,000	77,700
SRLF 45th Street Corridor Interceptor System	9/1/2029	2.50%	63,725,000	1,139,418
SRLF Transmission Lines South Side System	9/1/2029	2.82%	29,240,000	2,889,186
TIF Revenue Notes	5/1/2038	6.00%	324,118	324,118
Fannie Mae Notes	Variable	Variable	2,700,000	1,150,000
TOTAL GOVERNMENTAL ACTIVITIES			\$ 101,945,413	\$ 8,594,451
BUSINESS-TYPE ACTIVITIES				
SRLF Sewer Plan Expansion Phase I	10/1/2013	3.00%	\$ 3,561,559	\$ 1,095,000
SRLF Sewer Plan Expansion Phase II	10/1/2014	2.50%	7,770,000	2,645,000
SRLF Sewer Plan Expansion Phase III	9/1/2017	2.50%	2,850,429	1,395,429
SRLF Sewer Plan Expansion Phase IV	9/1/2018	2.50%	1,482,337	832,338
SRLF Sewer Plan Expansion Phase VI	9/1/2019	2.50%	10,266,793	6,805,000
SRLF Reile's Acres Sewer Project	9/1/2019	2.50%	210,000	120,000
SRLF Oxbow Sewer Extension	9/1/2025	2.50%	2,470,739	2,360,000
TOTAL BUSINESS-TYPE ACTIVITIES			\$ 28,611,857	\$ 15,252,767
TOTAL NOTES PAYABLE			\$ 130,557,270	\$ 23,847,218

The annual requirements to amortize long-term debt for the next five years (excluding accumulated unpaid vacation pay, capital leases, and contract payable) as of December 31, 2008, are shown in the following table:

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

GOVERNMENTAL ACTIVITIES

	Special Assessment Bonds		Gross Revenue Bonds	
	Principal	Interest	Principal	Interest
2009	\$ 10,732,491	\$ 8,457,758	\$ 408,815	\$ 323,536
2010	10,880,280	8,304,930	424,180	307,116
2011	11,048,280	7,880,513	444,751	289,622
2012	11,180,000	7,439,791	460,536	270,912
2013	11,330,000	6,985,591	481,543	251,230
2014-2018	48,940,000	28,271,891	2,661,287	910,091
2019-2023	36,095,000	19,131,294	2,152,655	241,410
2022-2028	42,005,000	10,010,957	-	-
2029-2033	19,440,000	1,894,784	-	-
	<u>\$ 201,651,051</u>	<u>\$ 98,377,509</u>	<u>\$ 7,033,767</u>	<u>\$ 2,593,917</u>

	Sales Tax Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2009	\$ 4,735,000	\$ 1,010,430	\$ 910,000	\$ 185,002
2010	4,910,000	773,680	656,533	186,463
2011	5,100,000	526,690	337,647	169,381
2012	5,305,000	268,550	348,534	161,244
2013	-	-	355,334	152,069
2014-2018	-	-	1,923,599	621,166
2019-2023	-	-	1,810,559	375,331
2024-2028	-	-	1,675,296	155,250
2029-2033	-	-	576,949	6,400
	<u>\$ 20,050,000</u>	<u>\$ 2,579,350</u>	<u>\$ 8,594,451</u>	<u>\$ 2,012,306</u>

BUSINESS-TYPE ACTIVITIES

	Revenue Bonds		Notes Payable		Special Assessments	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 5,080,000	\$ 1,917,366	\$ 1,500,000	\$ 386,794	\$ 225,257	\$ 237,105
2010	3,795,000	1,711,148	1,550,000	348,269	184,532	233,561
2011	3,970,000	1,529,775	1,590,000	308,444	185,403	222,770
2012	4,155,000	1,339,565	1,625,000	267,594	188,383	211,841
2013	4,350,000	1,140,089	1,661,000	225,844	192,360	200,741
2014-2018	21,040,000	2,386,772	5,559,767	612,060	983,446	831,251
2019-2023	300,000	5,100	1,457,000	113,050	789,482	563,366
2022-2028	-	-	310,000	11,625	942,131	321,576
2029-2033	-	-	-	-	515,579	69,544
	<u>\$ 42,690,000</u>	<u>\$ 10,029,815</u>	<u>\$ 15,252,767</u>	<u>\$ 2,273,680</u>	<u>\$ 4,206,573</u>	<u>\$ 2,891,755</u>

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

TYPE AND ISSUE	ISSUE DATE	FINAL MATURITY DATE	INTEREST RATES	ORIGINAL ISSUE	PRINCIPAL OUTSTANDING 12/31/08
GOVERNMENTAL ACTIVITIES					
SPECIAL ASSESSMENT BONDS					
1998 Series C	12/1/1998	5/1/2016	3.80-4.80	\$ 3,675,000	\$ 1,530,000
1999 Series A	9/1/1999	5/1/2022	4.30-5.50	17,520,000	9,155,000
2001 Series A	9/1/2001	5/1/2019	3.875-4.90	15,535,000	9,305,000
2001 Series B	12/1/2001	5/1/2019	4.25-5.25	8,240,000	5,815,000
2002 Series A	6/1/2002	5/1/2027	3.00-5.125	11,190,000	9,460,000
2003 Series A	3/1/2003	5/1/2028	2.375-4.70	15,250,000	13,130,000
2003 Series C	3/1/2003	5/1/2014	2.00-4.00	3,500,000	1,925,000
2003 Series D	9/1/2003	5/1/2028	3.00-5.00	12,525,000	10,915,000
2004 Series A	4/1/2004	5/1/2009	1.50-2.20	1,165,000	220,000
2004 Series B	4/1/2004	6/1/2015	2.25-3.375	9,300,000	6,680,000
2004 Series C	5/1/2004	5/1/2029	3.00-4.75	22,280,000	20,155,000
2004 Series E	11/1/2004	5/1/2029	3.00-4.50	23,185,000	20,075,000
2005 Series A	12/15/2005	5/1/1930	4.00-4.70	21,310,000	19,460,000
2005 Series B	12/15/2005	5/1/2018	4.00-4.25	10,675,000	9,600,000
2006 Series B	12/15/2006	5/1/2031	3.75-4.375	19,810,000	18,610,000
2006 Series C	12/15/2006	5/1/2018	3.75	6,465,000	6,465,000
2007 Series B	12/15/2007	5/1/2032	4.00-4.70	13,045,000	12,625,000
2008 Series E	12/19/2008	5/1/2033	4.00-6.00	26,285,000	26,285,000
				<u>\$ 240,955,000</u>	<u>\$ 201,410,000</u>
SIDEWALK CONSTRUCTION					
1999	5/18/1999	1/1/2009	5.19	\$ 771,919	\$ 77,210
2000	9/19/2000	1/1/2010	5.89	319,990	63,998
2001	6/15/2001	1/1/2011	5.48	332,810	99,843
				<u>\$ 1,424,719</u>	<u>\$ 241,051</u>
GROSS REVENUE DEBT					
2001 Parking Revenue	5/15/2001	11/1/2021	4.00-6.625	\$ 1,290,000	\$ 990,000
2002 Lease Revenue	5/1/2002	5/1/2022	3.50-5.10	4,930,000	3,870,000
2002 Housing Revenue	4/15/2002	4/15/2017	2.50	1,300,000	836,912
2007 Lease Revenue	6/1/2007	6/1/2022	4.67	1,400,000	1,336,855
				<u>\$ 8,920,000</u>	<u>\$ 7,033,767</u>
SALES TAX INFRASTRUCTURE BONDS					
1999	11/15/1999	7/1/2012	5.00-6.00	\$ 15,260,000	\$ 6,130,000
2005	7/18/2005	7/1/2012	5.00	20,260,000	13,920,000
				<u>\$ 35,520,000</u>	<u>\$ 20,050,000</u>
TOTAL GOVERNMENTAL ACTIVITIES				<u>\$ 286,819,719</u>	<u>\$ 228,734,818</u>

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

TYPE AND ISSUE	ISSUE DATE	FINAL MATURITY DATE	INTEREST RATES	ORIGINAL ISSUE	PRINCIPAL OUTSTANDING 12/31/08
BUSINESS-TYPE ACTIVITIES					
WATER FUND					
Revenue Bonds of 2007	10/11/2007	1/1/2017	5.25	\$ 28,065,000	\$ 28,065,000
AIRPORT FUND					
Revenue Bonds of 2004	10/1/2004	9/1/2014	2.00-3.55	\$ 6,470,000	\$ 4,090,000
Revenue Bonds of 2007	2/15/2007	9/1/2018	2.25-4.00	7,755,000	7,425,000
				<u>\$ 14,225,000</u>	<u>\$ 11,515,000</u>
SOLID WASTE FUND					
Clean Renewable Energy Bond	11/5/2007	12/15/2021	0.50	\$ 1,500,000	\$ 1,300,000
FARGODOME					
1995 Sales Tax Revenue	7/15/1995	1/1/2009	5.00-5.20	\$ 31,055,000	\$ 100,000
2002 Sales Tax Revenue	7/1/2002	1/1/2009	2.55-4.72	5,740,000	1,710,000
				<u>\$ 36,795,000</u>	<u>\$ 1,810,000</u>
TOTAL BUSINESS-TYPE ACTIVITIES				<u>\$ 80,585,000</u>	<u>\$ 42,690,000</u>
TOTAL BONDED INDEBTEDNESS				<u>\$ 367,404,719</u>	<u>\$ 271,424,818</u>

H. DEFERRED REVENUE

Governmental funds report deferred 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 deferred relates to special assessments receivable which will be used to pay off refunding improvement and sidewalk bonds. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue in the governmental funds were as follows:

	Unavailable	Unearned	Total
Delinquent property taxes receivable	\$ 293,742	\$ -	\$ 293,742
Special assessments receivable	186,634,272	-	186,634,272
Interest receivable	343,639	-	343,639
Grant resources held and grant items receivable	1,519,090	7,932	1,527,022
Loans/contracts/accounts receivable	<u>4,979,310</u>	<u>3,458,826</u>	<u>8,438,136</u>
Total deferred/unearned revenue for governmental funds	<u>\$ 193,770,053</u>	<u>\$ 3,466,758</u>	<u>\$ 197,236,811</u>

I. INDUSTRIAL REVENUE BONDS

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, 2008, 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 have 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, 2008**

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 two self-insurance internal service funds that are used to administer the risks of losses associated with the various exposures.

HEALTH SELF INSURANCE

The City maintains a self-insured health plan which offers medical benefits to employees and retirees. Benefits associated with this plan are funded by employer, employee and retiree contributions. Retirees and COBRA employees pay their own premiums; the City does not fund a benefit for this group. An outside third party administrator is used for claims processing, employee education and assistance with plan design. Stop loss insurance is purchased to limit catastrophic losses. The stop loss deductible is currently \$140,000 specific per participant with an aggregate specific deductible of \$140,000 and a plan reimbursement maximum of \$860,000. 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 stop loss insurance in the past three years.

An incurred but not reported (IBNR) liability accrual is estimated by the third party administrator and is recorded in the financial statements. The estimated IBNR amount is \$558,000 as of December 31, 2008. A summary of the claim reserve liabilities and related claim payments is shown below:

	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2008	\$ 858,000	\$ 4,627,957	\$ 4,927,957	558,000
2007	275,000	3,939,073	3,356,073	858,000
2006	394,000	2,874,075	2,993,075	275,000

LIABILITY SELF INSURANCE

The City is fully insured for automobile liability insurance through the North Dakota State Insurance Reserve Fund. The City maintains a self-insured liability plan to account for general liabilities incurred by the City. The City retains the risk for this category up to the statutory limits established by the North Dakota State Century Code Section 32.12.1-3. Under these provisions the City retains the first \$250,000 claim per person and \$500,000 maximum exposure. The City Attorney's Office and third party claims administrator is responsible for the settlement and final determination for the payment of claims. The City implemented an actuarial approach to projecting claims for budget purposes effective 1/1/2000. All operating units of the City are charged a standard self-insured risk amount based upon their own loss development factors. This will provide adequate resources to cover anticipated losses for general liabilities. 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 vehicle coverage in the past three years.

A claims reserve for general liability has been calculated by our risk consultant in the amount of \$341,312. The City is using a discounted claims projection approach. A discount rate of 4% was used, and the undiscounted amount is \$380,034. A summary of claim reserve liabilities and related claim payments is shown below:

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
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	Beginning Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2008	\$ 305,375	\$ 267,186	\$ 231,249	341,312
2007	382,918	373,544	451,087	305,375
2006	654,857	25,275	297,214	382,918

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. 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.

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. Life insurance is reported at cash savings value.

Plan Description, Contribution and Reserves Information

Employees' Pension Plan

Plan Description. The City of Fargo Employees' Pension plan is a cost-sharing 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 will 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, 2009 (date of most recent actuarial study) is as follows:

Retirees and beneficiaries	183
Terminated vested and deferred beneficiaries	16
Active plan members	476

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NOTES TO FINANCIAL STATEMENTS
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Number of participating employers: 2

Employees may be eligible for early, normal or disability retirement. The plan permits early retirements at age 55 with at least 5 years of service. Normal retirement age for full benefits is age 62 or when an employee's age plus their years of service as a full time city employee reaches a sum of 90.

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

All participants are eligible for a full refund of their contributions plus interest at 5%. Upon termination of employment prior to retirement age, participants may elect a deferred vested benefit to begin between ages 55-62 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.

Contributions. Participating employees contribute to the plan at a rate of 4.5% of salary and the employers contribute at a rate of 6.0% of regular salary for all employees. The contribution rates are established by local ordinance, and the employers 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.

Reserves. The net assets at December 31, 2008 are \$22,218,939 and the entire amount is reserved for employee pension benefits.

The 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. The System administers PERS, which is a cost-sharing multiple-employer retirement plan. The PERS was established July 1, 1966 as a defined contribution plan and was changed to a defined benefit plan by the 1977 North Dakota Legislature. The PERS is administered in accordance with Chapter 54-52 of the North Dakota Century Code.

NDPERS provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statute. Plan participants 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). The annual pension benefit is equal to 2% of their average monthly salary, using the highest 36 months out of the last 120 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, level social security, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

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.

Contributions. North Dakota Chapter 54-52 sets the rates for employer and employee contributions. These statutes are established and amended by the state legislature. PERS members were required to contribute 4% of their regular compensation in 2008. The City of Fargo was required to contribute 5.12% of covered compensation in 2008.

The City's contribution to the Public Employees Retirement System for the year ending December 31, 2008 was \$669,513. The City's contribution was equal to the contractually required contribution for the year as set by state statute.

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, 2008, (date of most recent actuarial study) in the plan is as follows:

Retirees and beneficiaries currently receiving pension payments	90
Fully vested members contributing	65
Non vested members contributing	79
Terminated vested employees	7

Number of participating employers: 1

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

The Plan purchases life insurance for active employees, the proceeds of which are paid to a designated beneficiary in the amount of \$65,000. The designated beneficiary will also receive the participant's employee contribution plus interest earned on contributions at 6% per annum. Interest is accrued on contributions starting January 1, 1970. Non-active participants 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.

Contributions. Employees contribute at a rate of 8.0% of salary. The City contributes at a rate of 13.65% of salary for members employed prior to April 1, 1986, and a rate of 12.20% 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.

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
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Reserves. The net assets at December 31, 2008 are \$25,508,629 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 eligible members, however participation is voluntary.

Membership on July 1, 2008, (date of most recent actuarial study) in the plan is as follows:

Active plan members	96
Retirees, disabilitants, and beneficiaries	79

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.

Contributions. Participating employees contribute to the plan at a rate of 8.4% of salary and the City contributes at a rate of 13.65% for pre-1986 employees and 12.20% 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.

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 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.

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NOTES TO FINANCIAL STATEMENTS
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SCHEDULES OF FUNDING PROGRESS (GASB's 25 & 27)

EMPLOYEES' PENSION PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
4/1/1997	\$ 16,580,254	\$ 19,809,285	\$ 3,229,031	83.7%	\$ 10,716,136	30.1%
1/1/1999	20,627,311	22,786,324	2,159,013	90.5%	12,173,649	17.7%
1/1/2001	22,431,456	27,817,109	5,385,653	80.6%	13,704,295	39.3%
1/1/2003	19,948,931	32,403,936	12,455,005	61.6%	15,508,120	80.3%
1/1/2005	25,817,436	35,828,009	10,010,573	72.1%	18,727,768	53.5%
1/1/2007	30,259,793	40,993,634	10,733,841	73.8%	20,329,420	52.8%
1/1/2009	22,218,940	43,169,721	20,950,781	51.5%	22,146,947	94.6%

Prior to the actuarial valuation dated 04/01/97, the Employees' Pension Plan used the aggregate actuarial cost method which does not identify or separately amortize unfunded liabilities. Therefore, no prior years are presented in the above Schedule of Funding Progress.

For the Employees' Pension Plan, contributions for the years ended December 31, 2008, 2007 and 2006 were \$1,317,858, \$2,223,206, and \$2,118,303, respectively, which were 50%, 84%, and 90%, respectively, of the required contributions for each year. The annual pension cost for the years ended December 31, 2008, 2007, and 2006 were \$2,633,461, \$2,651,712, and \$2,355,878, respectively. The percentage funded was 50%, 84%, and 90% for the years 2008, 2007, and 2006, respectively. The Net Pension Obligation (NPO) at the end of 2008, 2007, and 2006 was positive (a liability).

Annual Pension Cost Components

Year Ended December 31	Annual Required Contribution (ARC)	Interest on NPO	ARC Adjustment	Change In NPO	NPO Balance
1999	\$ 874,579	\$ (85,606)	\$ (130,366)	\$ (95,167)	\$ (1,236,583)
2000	874,579	(92,744)	(141,235)	(315,683)	(1,552,266)
2001	1,337,830	(116,420)	(177,866)	10,588	(1,541,678)
2002	1,337,830	(115,626)	(176,652)	(99,902)	(1,641,580)
2003	2,262,592	(123,119)	(193,229)	737,961	(903,619)
2004	2,262,592	(67,771)	(106,364)	416,768	(486,851)
2005	2,349,879	(36,514)	(57,165)	345,429	(141,422)
2006	2,349,879	(10,607)	(16,606)	237,575	96,153
2007	2,655,808	7,211	11,307	428,506	524,659
2008	2,655,808	39,349	61,696	1,315,603	1,840,261

POLICE PENSION PLAN

The Police Pension Plan uses the aggregate actuarial cost method which does not identify or separately amortize unfunded liabilities. The Schedule of Funding Progress is shown below in accordance with Government Accounting Standards Board Statement No. 50 as noted below.

For the Police Pension Plan, employer contributions for the years ended December 31, 2008, 2007 and 2006 were \$973,471, \$918,620, and \$911,199 respectively, which were 87%, 82%, and 127%, respectively, of the required contributions for each year. The annual pension cost for the years ended December 31, 2008, 2007 and 2006 was \$1,135,884, \$1,135,884, and \$728,592, respectively. The percentage funded was 86%, 81%, and 125% for the years 2008, 2007, and 2006, respectively.

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
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The Net Pension Obligation (NPO) at the end of each year was negative (an asset).

Annual Pension Cost Components						
Year Ended December 31	Annual Required Contribution (ARC)	Interest on NPO	ARC Adjustment	Change In NPO	NPO Balance	
1999	\$ 589,656	\$ (6,012)	\$ (6,893)	\$ (9,388)	\$ (89,549)	
2000	347,853	(6,716)	(7,700)	(292,210)	(381,759)	
2001	419,300	(28,632)	(32,825)	(251,327)	(633,086)	
2002	415,746	(47,481)	(54,436)	(269,343)	(902,429)	
2003	592,591	(7,682)	(77,595)	(78,300)	(980,729)	
2004	612,665	(73,555)	(84,328)	(147,422)	(1,128,151)	
2005	717,971	(84,611)	(97,004)	(109,167)	(1,237,318)	
2006	715,001	(92,799)	(106,390)	(182,607)	(1,419,925)	
2007	1,120,286	(106,494)	(122,092)	217,264	(1,202,661)	

Government Accounting Standards Board Statement No. 50 (GASB 50 – Pension Disclosures) requires a supplemental disclosure for plans that use the Aggregate funding method as this method does not directly produce an accrued liability. The purpose of this disclosure under the Entry Age Normal (EAN) funding method is to provide information that serves as a surrogate for the funding progress of the plan. We have not shown any prior years EAN information in this Funded Status and Funding Progress footnote below, since disclosure using EAN as a surrogate was not required before this time.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
1/1/2008	\$ 35,941,865	\$ 42,089,277	\$ 6,147,412	85.4%	\$ 7,750,892	79.3%

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
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FARGO FIREFIGHTERS' RELIEF ASSOCIATION RETIREMENT PLAN

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
1/1/1997 (1)	\$ 9,628,455	\$ 12,720,395	\$ 3,091,940	75.7%	\$ 2,799,480	110.4%
1/1/1998 (2)	11,188,822	13,977,102	2,788,280	80.1%	3,012,024	92.6%
1/1/1999 (2)	12,981,409	15,936,307	2,954,898	81.5%	3,093,696	95.5%
5/1/2000 (2)	13,981,204	16,705,751	2,724,547	83.7%	3,217,444	84.7%
5/1/00 (2)	14,455,282	16,947,114	2,491,832	85.3%	3,209,112	77.6%
6/1/02 (2)	15,468,405	20,753,134	5,284,729	74.5%	3,467,994	152.4%
6/1/04 (2)	15,770,496	22,296,992	6,526,496	70.7%	4,103,457	159.0%
7/1/2006	16,372,163	23,556,227	7,184,064	69.5%	4,359,485	164.8%
7/1/2008	18,415,293	27,376,868	8,961,575	67.3%	5,244,943	170.9%

- (1) Revised to reflect audited financial statements.
(2) Revised plan provisions and/or changed actuarial assumptions.

For the Fargo Firefighters' Relief Association Retirement Plan, employer contributions for the years ended June 30, 2008, 2007 and 2006 were \$629,889, \$600,811, and \$570,591, respectively, which were 85%, 99%, and 94%, respectively, of the required contributions for each year. The annual pension cost for the years ended June 30, 2008, 2007, and 2006 were \$727,698, \$591,936, and \$590,813, respectively. The percentage funded was 87%, 101%, and 97%, for the years 2008, 2007, and 2006, respectively. The Net Pension Obligation (NPO) at the end of each year was negative (an asset).

Annual Pension Cost Components					
Year Ended	Annual Required Contribution (ARC)	Interest on NPO	ARC Adjustment	Change In NPO	NPO Balance
12/31/1997	\$ 244,384	\$ -	\$ -	\$ (124,248)	\$ (124,248)
12/31/1998	224,361	(9,629)	(6,012)	(167,831)	(292,079)
12/31/1999	286,651	(22,636)	(14,305)	(121,610)	(413,689)
5/31/2000*	115,478	(13,359)	(8,551)	(58,622)	(472,311)
5/31/2001	280,982	(36,604)	(22,810)	(147,700)	(620,011)
5/31/2002	312,340	(48,051)	(30,368)	(132,604)	(752,615)
5/31/2003	312,340	(58,328)	(37,412)	(103,950)	(856,565)
5/31/2004	609,144	(66,384)	(43,247)	(137,104)	(719,461)
5/31/2005	609,144	(55,758)	(36,925)	61,687	(657,774)
6/30/2006	607,443	(50,978)	(34,347)	20,222	(637,552)
6/30/2007	607,443	(49,410)	(33,903)	(8,875)	(646,427)
6/30/2008	742,754	(50,098)	(35,042)	97,810	(548,617)

* Prorated for short (five month) plan year

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
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SCHEDULES OF EMPLOYER CONTRIBUTIONS (GASB 25)

Year Ended	CITY EMPLOYEES' PENSION		POLICE PENSION		FIREFIGHTERS' RELIEF ASSOCIATION	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
2001	\$ 1,337,830	104%	\$ 419,300	161%	\$ 280,982	148%
2002	1,337,830	112%	415,746	166%	312,340	136%
2003	2,262,592	70%	592,591	115%	312,340	126%
2004	2,262,592	83%	612,665	126%	609,144	74%
2005	2,349,879	86%	717,971	117%	609,144	87%
2006	2,349,879	90%	715,001	127%	607,443	94%
2007	2,655,808	84%	1,120,286	82%	607,443	99%
2008	2,655,808	50%	1,120,286	87%	742,754	85%

SIGNIFICANT ACTUARIAL ASSUMPTIONS

The information presented in the above schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	City Employees'	Police	Firefighters'
Valuation Date	01/01/09	1/01/08	07/01/08
Actuarial Cost Method	Entry Age Normal Method Unit Credit Method	Aggregate Method	Entry Age Normal Method
Amortization Method	Level Percent	N/A*	Level Percent
Amortization Period	Closed	N/A*	Closed
Remaining Amortization Period	10, 7, 12, 9, 16, 11, 13, 20, 15	N/A*	28
Asset Valuation Method	Market Value plus contributions receivable less benefits payable	Market Value	Five Year Smoothed Market Value
Assumed rate of return on investments	7.5%	7.5%	7.75%
Inflation Rate	3.0%	3.0%	4.0%
Projected salary increases	4.0%	4.0%	3.0%
Mortality table	1983 GAM	RP 2000 Blue Collar	1983 GAM

* The aggregate actuarial cost method does not identify or separately amortize unfunded liabilities.

Separate, GAAP financial reports have not been issued for the individual City and Police Pension plans; therefore, the financial statements for those plans are presented here:

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

**PENSION TRUST FUNDS
COMBINING STATEMENT OF NET ASSETS**

	<u>CITY EMPLOYEES' PENSION</u>	<u>POLICE PENSION</u>	<u>TOTAL</u>
ASSETS			
Cash	\$ 375,611	\$ 129,556	\$ 505,167
Equity in pooled investments	<u>68,807</u>	<u>279,632</u>	<u>348,439</u>
Receivables:			
Employer	11,849	12,756	24,605
Employee	9,373	2,900	12,273
Interest	<u>(16,898)</u>	<u>469</u>	<u>(16,429)</u>
Total receivables	<u>4,324</u>	<u>16,125</u>	<u>20,449</u>
Investments, at fair value:			
Domestic equities	7,514,488	-	7,514,488
International equities	2,929,055	-	2,929,055
Domestic fixed income	7,253,060	-	7,253,060
International fixed income	1,268,334	-	1,268,334
Real estate	1,464,406	-	1,464,406
Alternative investments	1,333,914	2,659,105	3,993,019
Corporate stocks	50,000	2,913,403	2,963,403
Mutual funds	-	19,012,111	19,012,111
Cash savings value of life insurance	<u>-</u>	<u>498,697</u>	<u>498,697</u>
Total investments	<u>21,813,257</u>	<u>25,083,316</u>	<u>46,896,573</u>
Invested securities lending collateral	<u>204,796</u>	<u>-</u>	<u>204,796</u>
Total assets	<u>\$ 22,466,795</u>	<u>\$ 25,508,629</u>	<u>\$ 47,975,424</u>
LIABILITIES			
Vouchers and benefits payable	\$ 43,060	\$ -	\$ 43,060
Securities lending collateral	<u>204,796</u>	<u>-</u>	<u>204,796</u>
Total liabilities	<u>\$ 247,856</u>	<u>\$ -</u>	<u>\$ 247,856</u>
NET ASSETS			
Held in trust for pension benefits	<u>\$ 22,218,939</u>	<u>\$ 25,508,629</u>	<u>\$ 47,727,568</u>

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2008**

**PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET ASSETS**

	CITY EMPLOYEES' PENSION	POLICE PENSION	TOTAL
ADDITIONS			
Contributions			
Employer	\$ 763,669	\$ 973,471	\$ 1,737,140
Employee	554,189	632,349	1,186,538
Total contributions	<u>1,317,858</u>	<u>1,605,820</u>	<u>2,923,678</u>
Investment income			
Net depreciation in fair value of investments, and interest and dividends	(8,535,639)	(9,448,722)	(17,984,361)
Less investment expense	<u>(249,052)</u>	<u>(288,663)</u>	<u>(537,715)</u>
Net investment income (loss)	<u>(8,784,691)</u>	<u>(9,737,385)</u>	<u>(18,522,076)</u>
Total additions (deductions)	<u>(7,466,833)</u>	<u>(8,131,565)</u>	<u>(15,598,398)</u>
DEDUCTIONS			
Pension benefit payments	1,756,917	2,120,924	3,877,841
Member contribution refunds	276,290	104,415	380,705
Administrative expenses	<u>27,189</u>	<u>76,332</u>	<u>103,521</u>
Total deductions	<u>2,060,396</u>	<u>2,301,671</u>	<u>4,362,067</u>
Change in net assets	(9,527,229)	(10,433,236)	(19,960,465)
Net assets - beginning of year	<u>31,746,168</u>	<u>35,941,865</u>	<u>67,688,033</u>
Net assets - end of year	<u>\$ 22,218,939</u>	<u>\$ 25,508,629</u>	<u>\$ 47,727,568</u>

Related Party Investments

During 2008 and as of December 31, 2008 the pension plans (City Employees', Police or Firefighters Relief Association) held no securities issued by the City of Fargo or other related parties.

C. OTHER POSTEMPLOYMENT BENEFITS LIABILITY

Plan Descriptions. The City of Fargo provides healthcare benefits to participating retirees, spouses, and survivors. There are three classes of participants for plan purposes – municipal employees, police, and fire. The City pays a portion of the coverage while the retirees and disabled participants pay a contribution for their coverage.

Funding Policy and Annual OPEB Cost. The city's annual other postemployment benefit (OPEB) cost (expense) for each plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The City's annual OPEB cost for 2007 and the related information for each plan are as follows:

**CITY OF FARGO, NORTH DAKOTA
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	Municipal Retiree Medical Benefits	Police Retiree Medical Benefits	Fire Retiree Medical Benefits
Contribution Rates: City	Actuarially determined 3.0%	Actuarially determined 3.0%	Actuarially determined 3.0%
Annual OPEB cost	\$ 686,000	\$ 533,000	\$ 321,000
Contributions made	-	-	-
Increase in net OPEB obligation	686,000	533,000	321,000
Net OPEB obligation - beginning of year	-	-	-
Net OPEB obligation - end of year	<u>\$ 686,000</u>	<u>\$ 533,000</u>	<u>\$ 321,000</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2007 for each of the plans were as follows:

	Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
Municipal Retiree Medical Benefits	12/31/2007	\$ 686,000	0%	\$ 686,000
Police Retiree Medical Benefits	12/31/2007	533,000	0%	533,000
Fire Retiree Medical Benefits	12/31/2007	321,000	0%	321,000

Funded Status and Funding Progress. The funded status of the plans as of December 31, 2007, was as follows:

	Municipal Retiree Medical Benefits	Police Retiree Medical Benefits	Fire Retiree Medical Benefits
Actuarial accrued liability (a)	\$ 8,954,000	\$ 5,755,000	\$ 4,080,000
Actuarial value of plan assets (b)	-	-	-
Unfunded actuarial accrued liability (a) - (b)	<u>\$ 8,954,000</u>	<u>\$ 5,755,000</u>	<u>\$ 4,080,000</u>
Funded ratio (b) / (a)	0%	0%	0%
Covered payroll (c)	\$ 9,906,000	\$ 7,630,000	\$ 4,976,000
Unfunded actuarial accrued liability as a percentage of covered payroll ((a)-(b))/(c))	90.4%	75.4%	82.0%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

**CITY OF FARGO, NORTH DAKOTA
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Actuarial Methods and Assumptions. Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

	Municipal Retiree Medical Benefits	Police Retiree Medical Benefits	Fire Retiree Medical Benefits
Actuarial valuation date	12/31/2007	12/31/2007	12/31/2007
Actuarial cost method	Entry Age	Entry Age	Entry Age
Amortization method	Level percent closed	Level percent closed	Level percent closed
Remaining amortization period	30 years	30 years	30 years
Actuarial assumptions:			
Projected salary increases	4%	4%	4%
Medical inflation rate	11% graded down to 5% in 2014	11% graded down to 5% in 2014	11% graded down to 5% in 2014

D. JOINT POWERS AGREEMENT

Regional Dispatch Center

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

Each governmental entity will contribute 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%

The joint powers agreement will be in effect until terminated by action of all of its members during the first five years. Thereafter, any governmental entity may elect to withdraw from participation upon giving a 6-month written notice. Additional financial information may be obtained by contacting: Attn: Director, Red River Regional Dispatch Center, 915 9th Ave. N., Moorhead, MN 56560.

**CITY OF FARGO, NORTH DAKOTA
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E. 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.

Litigation

The City has reached a tentative settlement with Plaintiffs and the class that they represent, which remains subject to the approval by the federal district court, regarding the Supreme Court ruling that Home Rule Charter cities may not impose fines that exceed the amounts listed in the North Dakota Century Code. Under the proposed settlement, the City's liability for refunds to members of the class of plaintiffs would be capped at \$1.5 million. Data was evaluated by management in connection with the probable liability to the City, taking into consideration the many contingencies in existence that could affect the ultimate liability of the City, as well as the fact that the City has no history with claims of this nature. Based on the evaluation performed a claim and judgment liability of \$300,000 has been accrued for in the Government-wide statements.

F. SUBSEQUENT EVENTS

The Red River of the North experienced a major flooding event in March and April of 2009. This flood event exceeded all previous record flooding events. During the flood fighting efforts much of the City was shut down for a period of time and medically fragile individuals were relocated to other Communities. Efforts to fight the flood were successful throughout the City because of the tremendous effort by the entire community, and our Federal and State officials. The City expended about \$7 million on flood fighting costs which are eligible for reimbursement at a 97% cost reimbursement rate. The Army Corp of Engineers was granted a mission assignment to remove the miles of temporary levees placed during this event. All of this work was completed by June 2009. This event escalated the need to find permanent flood control solutions for the Red River basin in North Dakota and Minnesota.

On July 1, 2009 the residents of Fargo voted in favor of a half cent sales tax for flood protection in a special election held Tuesday, June 30. The half cent municipal sales, gross receipts, and use tax will begin January 1, 2010 and last for a period of 20 years to expire on December 31, 2029. The funds will be used for flood risk protection, mitigation, and reduction as the governing body of the City may select.