

CITY OF FARGO, NORTH DAKOTA

Comprehensive Annual Financial Report



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FOR THE YEAR ENDED DECEMBER 31, 2008



**CITY OF FARGO
NORTH DAKOTA**

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR THE YEAR ENDED
DECEMBER 31, 2008**

**PREPARED BY:
FINANCE DEPARTMENT**

**CITY OF FARGO, NORTH DAKOTA
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Finance Office

P.O. Box 2083
200 3rd Street North
Fargo, North Dakota 58107-2083
Phone: 701-241-1333
Fax: 701-241-1526

July 20, 2009

To the Honorable Mayor, Members of the City Commission, and the Citizens of the City of Fargo, North Dakota:

I am pleased to submit the Comprehensive Annual Financial Report (CAFR) for the City of Fargo for the fiscal year ending December 31, 2008. This report satisfies audit and financial reporting requirements pursuant to North Dakota Century Code 54-10-14 and the Single Audit Act of 1996.

This report has been prepared by the City's Finance Department in accordance with generally accepted accounting principles. The Finance Department is responsible for the accuracy, clarity, and presentation of the financial statements. We believe that this report fairly and accurately presents the financial position of the City and the results of operation of the various funds for the period covered, and that all disclosures necessary for such presentation have been included.

Eide Bailly LLP has issued an unqualified "clean" opinion on the City of Fargo's financial statements for the year ended December 31, 2008. The independent auditor's report is located at the front of the financial section of this report.

It is management's responsibility to develop a system of internal controls to safeguard the assets of the City. In developing the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute assurance regarding the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. Because the cost of internal controls should not exceed their benefits, the City's internal controls have been designed to provide reasonable basis rather than absolute assurance that the financial statements will be free from material misstatement. We assert that this financial report is complete and reliable in all material respects.

Generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements. Management's Discussion and Analysis is included in this report on page 3. This letter of transmittal has been designed to compliment the MD&A and should be read in conjunction with it. The MD&A contains a more detailed analysis of changes in financial condition.

CITY OF FARGO PROFILE

The City of Fargo was incorporated in 1875 and is located in the eastern border of North Dakota at the intersection of Interstate Highways I-29 and I-94. This regional economic center continues to expand with a trend of consistent growth over the past several years. The current population is estimated at 100,000. Health care, education and retail have a strong presence that expands the local economy into a broader regional economic center. The City is empowered to levy taxes on real property located within its boundaries and continues to expand its size with many annexations being completed in the past few years. This trend is predicted for the next several years as our population and economy expands.

The City of Fargo operates under a Home Rule Charter, established in 1986, with a Mayor-Commission form of government. Policy making and legislative authority is vested in a five member Commission. The City Commission is responsible for policy and ordinance adoption, approving budgets, committees, and serving needs of the community. All Department Heads serve on the Cabinet which is used as a forum to



communicate City and Community issues. The City Administrator is the liaison to the City Commission and is responsible for overseeing the day to day operations of the City and its eight Departments.

The Mayor and City Commissioners are elected at large and serve four year terms. Dennis Walaker is currently serving his first term as Mayor of the City of Fargo. The next municipal election will be held in June, 2010 at which time the citizen will elect two Commissioners.

The City of Fargo provides a full range of governmental services including public safety, construction and maintenance of infrastructure, public utilities including water, wastewater, solid waste and urban forestry, health and social services, public transportation, recreation and culture, and general support services necessary to serve the citizens of Fargo.

The City is required to adopt an annual operating budget by October 7 of each year. All Departments submit their requests to the Mayor during the budget development process which begins each June. Currently, the Mayor utilizes a budget team approach to discuss budget strategy with the City Administrator and the Director of Finance; however, the Mayor is responsible for the final decisions relating to the preliminary budget presentation. The City Commission is responsible for adoption of the final budget. Budget control is maintained at the fund, function (e.g. Public Safety) and Department (e.g., Police). Department Heads may make transfers of appropriations within a department. Supplemental budget appropriations require approval by the City Commission.

ECONOMIC CONDITION

Fargo is the largest city in the State of North Dakota and serves as a regional economic center. Diversity, strength and stability of the local economy are reflected in the strong presence of health care, higher education, computer software development and retail establishments. Major employers such as North Dakota State University, Meritcare, Noridian, Microsoft and other governmental units provide a solid employment base that continues to grow over time. Moorhead State University and Concordia College in Moorhead, MN create even greater employment stability as part of the FM SMA.

Unemployment levels continue to trend below the national and state averages and our labor force continues to grow as new businesses locate or expand in Fargo.

The state economy is growing, especially in the area of energy production. The State is in a very positive financial condition following conservative fiscal management and continues to project budget surpluses. The 2009 legislative session focused on tax reform and reduction and bills were passed to lower property and income taxes. Funding was also approved for water control projects in Fargo a major initiative locally.

Most notable has been the resilience of the local housing markets. Fargo has not experienced significant declines in property values as headlined in other markets. Preliminary total taxable property values indicate about a 3.6% growth for FY 2009 payable in 2010. While past fiscal year growth has consistently exceeded 7%, city officials feel fortunate that the overall real estate markets are solid and that construction growth continued during the past year.

Several economic indicators are discussed below. A more comprehensive review of these statistics is contained in the statistical section of this report which begins on page 110.

Major Initiatives for the Year

Going Green Initiatives Are Maturing

Several "Going Green" initiatives completed in previous years continue to provide positive cash flow and allow us to be good stewards of our environment. The following projects have been completed that demonstrate our commitment to this ongoing effort and help to reduce our carbon emissions.

- A methane gas capture project at the Municipal landfill, selling excess methane gas produced naturally from the landfill to a local cooperative.
- A methane gas capture and conversion to electricity project for sale to a local electric cooperative.
- Sale of verified carbon credits on the Carbon Credit Exchange.
- Construction of a wastewater effluent re-use facility and sale of clean effluent to a newly constructed ethanol plant.
- Building designs that include LEED standards.
- Pilot project to purchase hybrid vehicles as part of the City's automobile fleet.

Ethanol Plant Water Production Begins

The City became partners with Cass Rural Water Users and Tharaldson Ethanol in 2007. Fargo will support this venture by providing one million gallons of clean wastewater per day to be used in the production of ethanol at a plant located in Casselton, a nearby community. As part of the overall plan a significant wastewater reuse facility was constructed as part of the Fargo wastewater treatment plant. The ethanol plant and the reuse facility were completed in September and began the production processes at that time. The City of Fargo is the sole provider of clean wastewater to this facility and therefore has successfully created a new revenue stream that will help to keep our utility rates stabilized.

Public Library System Construction

The Downtown Public Library was completed in April 2009. This building will serve the needs of our community for years to come. This facility was funded by an eighteen month sales tax authorized by votes and local donations.

Long Term Financial Planning

The City of Fargo continues to construct utility infrastructure in accordance with its long term utility master plan. This document diagrams water and wastewater capital project needs over a twenty year planning horizon. Voter approved sales tax resources are being used as a major component of overall resources. This plan is fiscally sound over the life of the planning horizon and provides for ongoing growth and expansion of our utility systems.

The City Commission approved a long term permanent flood levee system plan in 2008. This was the culmination of a multi-year study of flooding issues in our community and in nearby communities. This plan is a critical element to the risk of major flooding from the Red River. A special election is planned in June 2009 to have voters decide on a new one half cent sales tax authorization dedicated for twenty years to fund the local share of flood control projects. Significant work has been completed on obtaining State

and Federal resources, however, this task is ongoing and will not be completed until a basin wide alternative is recommended.

Fargo has taken a proactive role in long term planning and capital needs analysis in these key areas related to ongoing capital asset funding.

AWARDS AND ACKNOWLEDGEMENTS

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Fargo for its comprehensive annual financial report for the fiscal year ended December 31, 2007. This will be the ninth consecutive award received since submission to this voluntary quality review program. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgements

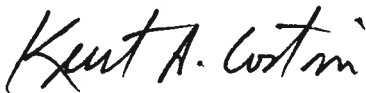
The preparation of this Comprehensive Annual Financial Report could not have been accomplished without the dedicated services of our entire staff. We successfully completed the CAFR within the GFOA program requirements this year while continuing to deal with a record flood event during the months of March and April.

The staff members who were responsible for the achievement of this goal include:

Jenica Flanagan, Senior Accountant
Jason Galonski, Financial Analyst
Jamie Meidinger, Accountant
Sheree Calkins, Accountant
Ben Dow, Engineering Technician

Finally, I would like to express my appreciation to the members of the City Commission, the Mayor, City Administrator, Cabinet members and City staff for operating the City in a professional and progressive manner.

Respectfully submitted,

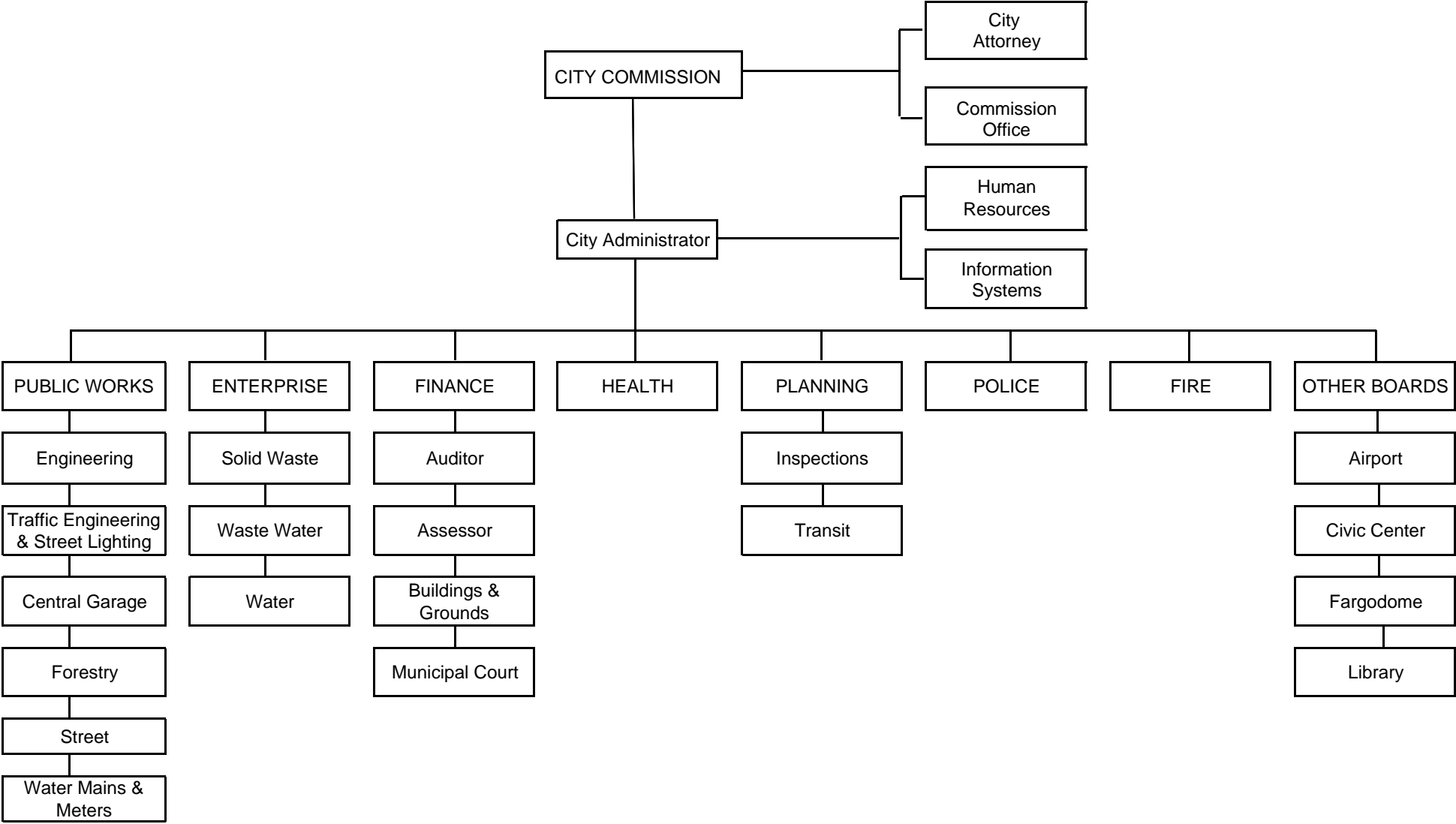


Kent A. Costin
Director of Finance

**CITY OF FARGO, NORTH DAKOTA
LISTING OF CITY OFFICIALS
AS OF DECEMBER 31, 2008**

NAME	OFFICE	TERM EXPIRES
Dennis Walaker	Mayor	June 2010
Tim Mahoney	Deputy Mayor	June 2010
Brad Wimmer	Commissioner	June 2010
Dave Piepkorn	Commissioner	June 2012
Michael Williams	Commissioner	June 2012
Pat Zavoral	City Administrator	
Kent Costin	Finance Director	
Steven Sprague	City Auditor	
Sharon Odegaard	City Commission Executive Assistant	

CITY OF FARGO, NORTH DAKOTA ORGANIZATIONAL CHART



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Fargo
North Dakota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director