

CITY OF FARGO, NORTH DAKOTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 152,668	\$ 1,826,086	\$ 1,978,754
Investments	11,363,037	666,663	12,029,700
Equity in pooled investments	30,492,465	29,197,558	59,690,023
Receivables (net of allowance for uncollectibles):			
Interest	63,695	3,948	67,643
Taxes	432,613	15,306	447,919
Accounts	4,776,437	4,408,739	9,185,176
Sales tax	7,842,011	-	7,842,011
Special assessments	229,927,552	15,466	229,943,018
Intergovernmental	9,450,948	37,269	9,488,217
Contract	91,502	-	91,502
Loans	3,619,304	-	3,619,304
Internal balances	(2,489,339)	2,489,339	-
Inventory	783,748	256,144	1,039,892
Prepaid expenses	372,907	452,383	825,290
Property held for resale	1,231,705	-	1,231,705
Restricted assets:			
Equity in pooled investments	-	2,476,115	2,476,115
Investments	-	31,501,361	31,501,361
Interest receivable	-	576	576
Prepaid expenses	-	151,176	151,176
Unamortized debt costs	3,139,156	308,631	3,447,787
Net pension obligation asset	648,034	-	648,034
Capital assets (net of accumulated depreciation):			
Land	15,494,273	43,538,847	59,033,120
Construction in progress	5,553,526	18,545,261	24,098,787
Intangible - Right-of-way Easements	3,610,323	388,260	3,998,583
Intangible - Water Rights	-	500,000	500,000
Buildings	46,994,104	129,653,675	176,647,779
Improvements other than buildings	419,552	9,376,265	9,795,817
Machinery and equipment	15,560,958	19,943,171	35,504,129
Infrastructure	181,313,357	311,651,246	492,964,603
Total capital assets	<u>268,946,093</u>	<u>533,596,725</u>	<u>802,542,818</u>
Total assets	<u>570,844,536</u>	<u>607,403,485</u>	<u>1,178,248,021</u>
LIABILITIES			
Vouchers payable	7,354,620	1,410,833	8,765,453
Retainage payable	2,737,360	58,509	2,795,869
Accrued payroll	902,448	222,497	1,124,945
Accrued interest payable	2,790,567	322,704	3,113,271
Accrued interest payable from restricted assets	-	831,763	831,763
Special assessments payable	316,845	-	316,845
Unearned revenue	2,633,348	543,869	3,177,217
Deposits	304,519	12,750	317,269
Claim reserves	445,946	-	445,946
Noncurrent liabilities:			
Due within one year	25,446,527	6,018,676	31,465,203
Due within one year payable from restricted assets	-	5,560,000	5,560,000
Due in more than one year	328,287,270	47,581,308	375,868,578
Total liabilities	<u>371,219,450</u>	<u>62,562,909</u>	<u>433,782,359</u>
NET ASSETS			
Invested in capital assets, net of related debt	142,709,681	488,520,828	631,230,509
Restricted for:			
Debt service	77,099,895	1,388,034	78,487,929
Specific projects and programs	6,229,439	-	6,229,439
Capital improvements	395,188	32,741,194	33,136,382
Unrestricted	(26,809,117)	22,190,520	(4,618,597)
Total net assets	<u>\$ 199,625,086</u>	<u>\$ 544,840,576</u>	<u>\$ 744,465,662</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, 2010**

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	\$ 16,172,223	\$ 2,443,507	\$ 417,432	\$ 225,000	\$ (13,086,284)	\$ -	\$ (13,086,284)
Public safety	31,292,462	4,264,740	1,131,133	2,717,626	(23,178,962)	-	(23,178,962)
Public works	56,086,729	11,163,026	3,264,369	52,583,735	10,924,401	-	10,924,401
Public health & welfare	9,184,914	2,621,144	3,291,067	-	(3,272,703)	-	(3,272,703)
Recreation & culture	6,176,197	739,345	192,282	10,289	(5,234,282)	-	(5,234,282)
Urban redevelopment	4,986,361	1,659,901	2,869,625	-	(456,835)	-	(456,835)
Transportation	7,637,009	3,076,024	2,772,382	2,291,640	503,037	-	503,037
General support	1,576,481	-	-	-	(1,576,481)	-	(1,576,481)
Interest and fiscal charges	13,203,253	-	-	-	(13,203,253)	-	(13,203,253)
Total governmental activities	<u>146,315,629</u>	<u>25,967,687</u>	<u>13,938,290</u>	<u>57,828,290</u>	<u>(48,581,362)</u>	<u>-</u>	<u>(48,581,362)</u>
Business-type activities:							
Municipal airport authority	6,920,335	6,042,021	-	3,983,192	-	3,104,878	3,104,878
Water	13,378,237	17,307,253	-	-	-	3,929,016	3,929,016
Wastewater	8,114,318	10,321,247	-	6,885	-	2,213,814	2,213,814
Storm sewer	3,743,309	1,485,138	-	-	-	(2,258,171)	(2,258,171)
Solid waste	8,229,701	9,990,271	-	19,527	-	1,780,097	1,780,097
Fargodome	7,284,833	5,305,298	-	-	-	(1,979,535)	(1,979,535)
Southeast Cass	46,757	50,686	-	-	-	3,929	3,929
Vector control	592,516	621,293	-	-	-	28,777	28,777
Street lighting	2,237,468	1,597,768	-	146,627	-	(493,073)	(493,073)
Forestry	1,475,962	1,154,082	-	1,560	-	(320,320)	(320,320)
Total business-type activities	<u>52,023,436</u>	<u>53,875,057</u>	<u>-</u>	<u>4,157,791</u>	<u>-</u>	<u>6,009,412</u>	<u>6,009,412</u>
Total	<u>\$ 198,339,065</u>	<u>\$ 79,842,744</u>	<u>\$ 13,938,290</u>	<u>\$ 61,986,081</u>	<u>(48,581,362)</u>	<u>6,009,412</u>	<u>(42,571,950)</u>

General revenues:

Taxes:

Property taxes	19,180,738	601,556	19,782,294
Sales taxes	40,435,541	-	40,435,541
Gross business receipts taxes	4,146,643	-	4,146,643
Other taxes	5,031,204	-	5,031,204
Unrestricted intergovernmental	3,830,789	-	3,830,789
Unrestricted investment earnings	3,014,501	3,942,511	6,957,012
Miscellaneous revenue	405,694	1,408,629	1,814,323
Transfers	(35,488,049)	35,488,049	-

Total general revenues and transfers

Change in net assets

Net assets - beginning	207,649,387	497,390,419	705,039,806
Net assets - ending	<u>\$ 199,625,086</u>	<u>\$ 544,840,576</u>	<u>\$ 744,465,662</u>

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

**CITY OF FARGO, NORTH DAKOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2010**

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 71,071	\$ -	\$ 51,597	\$ -	\$ 122,668
Investments	-	11,363,037	-	-	11,363,037
Equity in pooled investments	19,190,854	1,482,550	-	5,381,008	26,054,412
Receivables (net of allowance for uncollectibles):					
Interest	54,320	8,411	5	393	63,129
Taxes	409,305	881	-	22,427	432,613
Accounts	3,361,887	-	498,480	668,581	4,528,948
Sales tax	-	7,842,011	-	-	7,842,011
Special assessments	-	229,466,881	270,426	190,244	229,927,551
Contracts	-	91,502	-	-	91,502
Intergovernmental	2,298,107	-	6,286,361	866,480	9,450,948
Due from other funds	-	40,313,123	-	83,859	40,396,982
Loans	-	-	-	3,619,304	3,619,304
Advances to other funds	1,325,590	-	-	-	1,325,590
Inventory	783,748	-	-	-	783,748
Prepaid items	350,413	-	12,890	9,606	372,909
Property held for resale	-	-	897,500	334,205	1,231,705
	<u>\$ 27,845,295</u>	<u>\$290,568,396</u>	<u>\$ 8,017,259</u>	<u>\$ 11,176,107</u>	<u>\$337,607,057</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Vouchers payable	\$ 2,150,893	\$ 12,254	\$ 4,354,724	\$ 836,749	\$ 7,354,620
Contract retainage payable	-	-	2,732,759	4,601	2,737,360
Advances from other funds	-	-	-	1,803,820	1,803,820
Due to other funds	-	-	41,478,291	428,007	41,906,298
Accrued payroll	896,649	-	-	5,799	902,448
Special assessments payable	-	49,518	50,467	216,860	316,845
Deferred revenues	2,011,711	223,355,588	6,263,528	4,013,295	235,644,122
Deposits	304,519	-	-	-	304,519
Total liabilities	<u>5,363,772</u>	<u>223,417,360</u>	<u>54,879,769</u>	<u>7,309,131</u>	<u>290,970,032</u>
Fund balances					
Reserved for encumbrances	391,956	-	-	-	391,956
Reserved for advances	1,325,590	-	-	-	1,325,590
Reserved for inventory	783,748	-	-	-	783,748
Reserved for prepaid items	350,413	-	12,890	9,606	372,909
Reserved for debt retirement	-	67,151,036	-	-	67,151,036
Reserved for property held for resale	-	-	897,500	334,205	1,231,705
Reserved for capital improvements	-	-	8,351	149,417	157,768
Unreserved-designated for capital needs, reported in:					
Special revenue funds	-	-	-	130,787	130,787
Unreserved-undesignated reported in:					
General fund	19,629,816	-	-	-	19,629,816
Special revenue funds	-	-	-	3,242,961	3,242,961
Capital projects funds	-	-	(47,781,251)	-	(47,781,251)
Total fund balance (deficit)	<u>22,481,523</u>	<u>67,151,036</u>	<u>(46,862,510)</u>	<u>3,866,976</u>	<u>46,637,025</u>
Total liabilities and fund balances	<u>\$ 27,845,295</u>	<u>\$290,568,396</u>	<u>\$ 8,017,259</u>	<u>\$ 11,176,107</u>	<u>\$337,607,057</u>

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

**CITY OF FARGO, NORTH DAKOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
December 31, 2010**

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

Total fund balance - governmental funds (page 16)	\$	46,637,025
Capital assets used in governmental activities are not financial resources and therefore not reported in the fund financial statements		268,946,093
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		233,209,262
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		3,569,880
Liabilities that are not due and payable in the current period and therefore not reported in the governmental funds		<u>(352,737,174)</u>
Net assets of governmental activities (page 14)	\$	<u>199,625,086</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, 2010

	General	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 21,566,152	\$ 42,172,060	\$ -	\$ 4,077,374	\$ 67,815,586
Special assessments	-	27,360,540	32,704	216,944	27,610,188
Licenses and permits	2,605,989	-	-	-	2,605,989
Intergovernmental revenues	19,836,376	-	10,052,494	3,082,271	32,971,141
Charges for services	17,325,249	-	-	1,242,506	18,567,755
Fines and forfeits	2,308,723	-	-	15,374	2,324,097
Investment income	2,662,179	352,553	337	60,530	3,075,599
Miscellaneous revenues	515,891	39,104	228,400	3,440,809	4,224,204
Total revenues	<u>66,820,559</u>	<u>69,924,257</u>	<u>10,313,935</u>	<u>12,135,808</u>	<u>159,194,559</u>
EXPENDITURES					
Current:					
General government	11,785,773	-	355,175	-	12,140,948
Public safety	26,240,556	-	247,067	1,756,898	28,244,521
Public works	9,871,641	771,914	37,588,361	316,457	48,548,373
Public health & welfare	8,974,130	-	27,532	19,698	9,021,360
Recreation and culture	3,469,957	-	19,744	1,994,736	5,484,437
Urban redevelopment	-	149,478	2,513	4,772,398	4,924,389
Public transportation	5,427,072	-	109,303	634,891	6,171,266
General support	1,580,065	-	-	-	1,580,065
Capital outlay	1,811,906	-	60,170,301	1,619,995	63,602,202
Debt service:					
Principal	-	23,950,663	-	2,767,491	26,718,154
Interest and fiscal charges	-	13,399,805	-	25,870	13,425,675
Total expenditures	<u>69,161,100</u>	<u>38,271,860</u>	<u>98,519,996</u>	<u>13,908,434</u>	<u>219,861,390</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,340,541)</u>	<u>31,652,397</u>	<u>(88,206,061)</u>	<u>(1,772,626)</u>	<u>(60,666,831)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	8,509,356	1,145,464	37,302,070	1,865,241	48,822,131
Transfers out	(4,015,397)	(32,932,705)	(162,598)	(1,264,635)	(38,375,335)
Loans issued	-	706,671	19,220,373	1,440,130	21,367,174
Bonds issued	-	8,631,166	22,438,834	-	31,070,000
Bond premium	-	439,282	-	-	439,282
Bond discount	-	(39,447)	-	-	(39,447)
Total other financing sources (uses)	<u>4,493,959</u>	<u>(22,049,569)</u>	<u>78,798,679</u>	<u>2,040,736</u>	<u>63,283,805</u>
Net change in fund balances	2,153,418	9,602,828	(9,407,382)	268,110	2,616,974
Fund balance (deficit) - beginning of year	20,328,105	57,548,208	(37,455,128)	3,598,866	44,020,051
Fund balance (deficit) - end of year	<u>\$ 22,481,523</u>	<u>\$ 67,151,036</u>	<u>\$ (46,862,510)</u>	<u>\$ 3,866,976</u>	<u>\$ 46,637,025</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, 2010**

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

Net change in fund balances - total governmental funds (page 18)	\$ 2,616,974
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.	51,636,112
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to decrease net assets.	(46,090,707)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	14,762,268
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.	(25,737,197)
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.	(4,686,694)
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.	(525,057)
Change in net assets of governmental activities (page 15)	<u><u>\$ (8,024,301)</u></u>

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, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 22,158,500	\$ 21,557,500	\$ 21,566,152	\$ 8,652
Licenses & permits	2,674,000	2,474,000	2,605,989	131,989
Intergovernmental revenues	16,026,864	19,387,274	19,836,376	449,102
Charges for services	14,241,923	15,254,261	17,325,249	2,070,988
Fines and forfeits	2,317,000	2,317,000	2,308,723	(8,277)
Investment income	1,050,000	1,450,000	2,662,179	1,212,179
Miscellaneous revenues	394,474	394,474	515,891	121,417
Total revenues	<u>58,862,761</u>	<u>62,834,509</u>	<u>66,820,559</u>	<u>3,986,050</u>
EXPENDITURES				
Current:				
General government	11,796,369	11,749,875	11,785,773	(35,898)
Public safety	25,832,347	27,459,870	26,240,556	1,219,314
Public works	7,605,443	9,593,471	9,871,641	(278,170)
Public health & welfare	8,368,826	8,838,064	8,974,130	(136,066)
Recreation & culture	3,470,528	3,578,495	3,469,957	108,538
Public Transportation	5,588,009	5,569,357	5,427,072	142,285
General support	1,534,028	1,469,736	1,580,065	(110,329)
Capital outlay	3,176,833	3,012,112	1,811,906	1,200,206
Total expenditures	<u>67,372,383</u>	<u>71,270,980</u>	<u>69,161,100</u>	<u>2,109,880</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(8,509,622)</u>	<u>(8,436,471)</u>	<u>(2,340,541)</u>	<u>6,095,930</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	10,291,110	9,463,610	8,509,356	(954,254)
Transfers out	(1,470,270)	(3,932,030)	(4,015,397)	(83,367)
Total other financing sources (uses)	<u>8,820,840</u>	<u>5,531,580</u>	<u>4,493,959</u>	<u>(1,037,621)</u>
Net change in fund balances	311,218	(2,904,891)	2,153,418	5,058,309
Fund balance - beginning of year	20,328,105	20,328,105	20,328,105	-
Fund balance - end of year	<u>\$ 20,639,323</u>	<u>\$ 17,423,214</u>	<u>\$ 22,481,523</u>	<u>\$ 5,058,309</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, 2010

	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	\$ 1,825,586	\$ 50	\$ 1,826,086	\$ 30,000
Equity in pooled investments	11,776,996	6,137,573	4,575,389	-	-	-	415,839	22,905,797	4,438,052
Receivables (net of allowance for uncollectibles):									
Interest	1,752	1,305	837	-	-	-	54	3,948	565
Special assessments	-	-	-	-	-	-	15,466	15,466	-
Taxes	15,306	-	-	-	-	-	-	15,306	-
Accounts	434,029	1,403,453	1,033,433	136,059	862,320	197,996	341,449	4,408,739	247,490
Intergovernmental	36,914	-	-	-	355	-	-	37,269	-
Due from other funds	-	4,090,885	-	-	-	-	-	4,090,885	-
Advances to other funds	-	-	-	-	478,230	-	-	478,230	-
Inventory	-	220,021	-	-	-	36,123	-	256,144	-
Prepaid expenses	28,058	100,171	24,356	5,740	48,690	238,125	7,242	452,382	-
Restricted equity in pooled investments	1,170,790	3,587,860	1,533,113	-	-	-	-	6,291,763	-
Total current assets	13,463,845	15,541,368	7,167,178	141,799	1,389,895	2,297,830	780,100	40,782,015	4,716,107
Noncurrent assets									
Investments	-	666,663	-	-	-	-	-	666,663	-
Restricted assets									
Equity in pooled investments	788,728	23,697	423,994	-	-	1,239,696	-	2,476,115	-
Investments	-	-	-	-	-	31,501,361	-	31,501,361	-
Interest receivable	-	439	-	-	-	137	-	576	-
Prepaid expenses	18,988	132,188	-	-	-	-	-	151,176	-
Unamortized debt costs	150,415	114,953	-	-	43,263	-	-	308,631	-
Capital assets									
Land	7,639,714	4,541,796	333,448	27,587,456	3,436,433	-	-	43,538,847	-
Construction in progress	4,079,068	3,273,224	10,882,553	161,803	41,606	107,007	-	18,545,261	-
Intangible - Right-of-way easements	-	-	289,090	99,170	-	-	-	388,260	-
Intangible - Water rights	-	500,000	-	-	-	-	-	500,000	-
Buildings	25,493,235	66,758,802	29,677,126	-	5,674,493	58,042,263	-	185,645,919	-
Improvements other than buildings	737,701	1,059,702	1,868,581	1,533,012	7,208,716	2,125,831	-	14,533,543	-
Machinery and equipment	6,839,434	3,662,371	9,776,408	2,723,193	14,200,812	16,301,441	1,380,502	54,884,161	-
Infrastructure	68,822,530	97,903,287	103,435,396	136,679,682	6,158	-	25,001,306	431,848,359	-
Less accumulated depreciation	(38,385,803)	(37,727,102)	(39,782,485)	(41,501,419)	(10,450,708)	(37,386,153)	(11,053,955)	(216,287,625)	-
Total capital assets (net of accumulated depreciation)	75,225,879	139,972,080	116,480,117	127,282,897	20,117,510	39,190,389	15,327,853	533,596,725	-
Total noncurrent assets	76,184,010	140,910,020	116,904,111	127,282,897	20,160,773	71,931,583	15,327,853	568,701,247	-
Total assets	\$ 89,647,855	\$ 156,451,388	\$ 124,071,289	\$ 127,424,696	\$ 21,550,668	\$ 74,229,413	\$ 16,107,953	\$ 609,483,262	\$ 4,716,107

Continued

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, 2010

	Business Type Activities-Proprietary Funds							Total	Governmental Activities - Internal Service Funds
	Airport	Water	Wastewater	Storm Sewer	Solid Waste	FargoDome	Other Proprietary Funds		
LIABILITIES									
Current liabilities									
Vouchers payable	\$ 314,367	\$ 279,756	\$ 123,438	\$ 9,901	\$ 102,308	\$ 485,404	\$ 95,659	\$ 1,410,833	\$ -
Retainage payable	46,477	-	6,628	-	1,926	3,478	-	58,509	-
Interest payable	-	2,556	53,044	80,793	153,948	32,363	-	322,704	-
Due to other funds	-	-	-	775,161	1,634,322	169,395	2,691	2,581,569	-
Accrued payroll	19,666	39,835	19,201	5,116	43,287	80,566	14,826	222,497	-
Current portion of special assessments	-	4,669	41,375	46,535	136,651	22,730	-	251,960	-
Current portion of capital lease	-	-	-	-	516,884	-	-	516,884	-
Current portion of contract payable	-	-	324,531	-	-	-	-	324,531	-
Accrued vacation payable	73,574	171,280	110,728	31,892	215,637	-	40,982	644,093	-
Deferred revenue	-	-	-	-	-	543,869	-	543,869	198,489
IBNR claim reserve	-	-	-	-	-	12,750	-	12,750	445,946
Current liabilities payable from restricted assets:									
Current portion of long-term debt	1,045,000	2,970,000	1,445,000	-	100,000	-	-	5,560,000	-
Accrued interest and other	125,790	617,860	88,113	-	-	-	-	831,763	-
Total current liabilities	1,624,874	4,085,956	2,212,058	949,398	2,904,963	1,350,555	154,158	13,281,962	644,435
Noncurrent liabilities									
Landfill closure accruals	-	-	-	-	2,935,979	-	-	2,935,979	-
Long-term debt, net of current portion:									
Special assessments payable	-	40,431	936,695	1,393,992	1,887,474	482,121	-	4,740,713	-
Capital lease	-	-	-	-	1,537,001	-	-	1,537,001	-
Contract Payable	-	-	1,117,572	-	-	-	-	1,117,572	-
Revenue bonds, net of deferred amount of refunding	8,530,678	21,387,806	-	-	1,000,000	-	-	30,918,484	-
Notes payable	-	965,429	9,647,338	-	-	-	-	10,612,767	-
Total noncurrent liabilities	8,530,678	22,393,666	11,701,605	1,393,992	7,360,454	482,121	-	51,862,516	-
Total liabilities	10,155,552	26,479,622	13,913,663	2,343,390	10,265,417	1,832,676	154,158	65,144,478	644,435
NET ASSETS									
Invested in capital assets, net of related debt	67,824,800	119,490,688	106,366,816	125,842,370	14,982,763	38,685,538	15,327,853	488,520,828	-
Restricted for:									
Debt service	807,716	156,324	423,994	-	-	-	-	1,388,034	-
Capital improvements	-	-	-	-	-	32,741,194	-	32,741,194	-
Unrestricted	10,859,787	10,324,754	3,366,816	(761,064)	(3,697,512)	970,005	625,942	21,688,728	4,071,672
Total net assets	\$ 79,492,303	\$ 129,971,766	\$ 110,157,626	\$ 125,081,306	\$ 11,285,251	\$ 72,396,737	\$ 15,953,795	\$ 544,338,784	\$ 4,071,672
								501,792	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds									
Net assets of business-type activities								<u>\$ 544,840,576</u>	

Concluded

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, 2010

	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	\$ 6,042,021	\$ 17,307,253	\$ 10,321,247	\$ 1,485,138	\$ 9,990,271	\$ 5,305,298	\$ 3,423,829	\$ 53,875,057	\$ 6,141,524
OPERATING EXPENSES									
Personnel services	1,025,315	2,530,828	1,415,157	371,145	3,273,955	2,263,057	1,004,557	11,884,014	-
Claims and benefits	-	-	-	-	-	-	-	-	6,357,757
Other services	1,869,827	2,436,859	1,609,288	93,347	1,632,913	2,613,893	1,075,165	11,331,292	737,224
Materials and supplies	593,463	3,989,956	1,509,148	215,850	1,304,296	-	1,132,128	8,744,841	-
Depreciation	2,955,985	3,098,040	3,119,319	2,970,348	1,738,711	2,375,133	1,137,895	17,395,431	-
Total operating expenses	<u>6,444,590</u>	<u>12,055,683</u>	<u>7,652,912</u>	<u>3,650,690</u>	<u>7,949,875</u>	<u>7,252,083</u>	<u>4,349,745</u>	<u>49,355,578</u>	<u>7,094,981</u>
Operating income (loss)	<u>(402,569)</u>	<u>5,251,570</u>	<u>2,668,335</u>	<u>(2,165,552)</u>	<u>2,040,396</u>	<u>(1,946,785)</u>	<u>(925,916)</u>	<u>4,519,479</u>	<u>(953,457)</u>
NONOPERATING REVENUES (EXPENSES)									
Gain (loss) on disposal of assets	14,682	(36,498)	(36,987)	-	(34,762)	(2,200)	-	(95,765)	-
Investment income	64,338	63,598	28,190	1,615	3,306	3,778,995	2,469	3,942,511	16,792
Interest expense and bond fees	(440,090)	(1,256,328)	(443,571)	(86,077)	(230,097)	(32,750)	-	(2,488,913)	-
Amortization expense	(27,321)	(35,306)	-	-	(3,933)	-	-	(66,560)	-
General property tax revenue	601,556	-	-	-	-	-	-	601,556	-
Miscellaneous revenue	-	162,247	-	-	-	-	-	162,247	-
Sale of byproducts	-	-	915,354	-	426,793	-	-	1,342,147	-
Total nonoperating revenues (expenses)	<u>213,165</u>	<u>(1,102,287)</u>	<u>462,986</u>	<u>(84,462)</u>	<u>161,307</u>	<u>3,744,045</u>	<u>2,469</u>	<u>3,397,223</u>	<u>16,792</u>
Income (loss) before contributions and transfers	(189,404)	4,149,283	3,131,321	(2,250,014)	2,201,703	1,797,260	(923,447)	7,916,702	(936,665)
Capital contributions	3,983,192	8,436,258	13,686,153	8,065,613	56,423	-	16,164,219	50,391,858	-
Transfers in:									
General	-	-	-	-	-	-	-	-	299,223
Capital projects	-	-	-	134,787	-	-	-	134,787	-
Enterprise	-	1,600,000	-	-	-	-	480,012	2,080,012	-
Transfers out:									
General	(50,000)	(2,983,910)	(1,430,000)	(290,000)	(2,000,000)	(50,000)	(442,836)	(7,246,746)	-
Special revenue	-	(12,000)	(12,000)	-	(12,000)	-	(4,000)	(40,000)	-
Capital projects	-	(2,443,157)	(840,235)	(310,667)	-	-	-	(3,594,059)	-
Enterprise	-	-	(1,700,000)	-	(380,012)	-	-	(2,080,012)	-
Change in net assets	3,743,788	8,746,474	12,835,239	5,349,719	(133,886)	1,747,260	15,273,948	47,562,542	(637,442)
Total net assets - beginning	<u>75,748,515</u>	<u>121,225,292</u>	<u>97,322,387</u>	<u>119,731,587</u>	<u>11,419,137</u>	<u>70,649,477</u>	<u>679,847</u>	<u>496,776,242</u>	<u>4,709,114</u>
Total net assets - ending	<u>\$ 79,492,303</u>	<u>\$ 129,971,766</u>	<u>\$ 110,157,626</u>	<u>\$ 125,081,306</u>	<u>\$ 11,285,251</u>	<u>\$ 72,396,737</u>	<u>\$ 15,953,795</u>	<u>\$ 544,338,784</u>	<u>\$ 4,071,672</u>
								(112,385)	
								<u>\$ 47,450,157</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, 2010**

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	\$ 6,023,586	\$ 17,237,184	\$ 10,217,097	\$ 1,486,053	\$ 9,886,618	\$ 3,666,818	\$ 3,249,049	\$ 51,766,405	\$ 6,103,049
Payments to suppliers	(2,315,554)	(6,062,982)	(3,126,524)	(316,223)	(2,986,786)	(2,415,190)	(788,694)	(18,011,953)	(1,985,673)
Payments to employees	(832,434)	(1,974,426)	(1,109,405)	(297,042)	(2,595,387)	(2,242,036)	(197,188)	(9,247,919)	-
Payments of benefits on behalf of employees	(178,768)	(541,839)	(295,361)	(67,091)	(683,057)	-	(2,118,737)	(3,884,852)	(6,472,965)
Net cash provided (used) by operating activities	<u>2,696,830</u>	<u>8,657,937</u>	<u>5,685,807</u>	<u>805,697</u>	<u>3,621,388</u>	<u>(990,408)</u>	<u>144,430</u>	<u>20,621,681</u>	<u>(2,355,589)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES									
Transfers to other funds	(50,000)	(5,439,067)	(3,982,235)	(600,667)	(2,392,012)	(50,000)	(446,836)	(12,960,817)	-
Transfers from other funds	-	1,600,000	-	134,787	-	-	480,012	2,214,799	299,223
Property taxes	604,256	-	-	-	-	-	-	604,256	-
Payments received on advances to other funds	-	-	-	-	100,000	-	-	100,000	-
Payments received on interfund borrowing	-	2,444,277	-	775,161	1,634,322	169,395	2,691	5,025,846	-
Payments made for interfund borrowing	-	(4,090,886)	-	(890,488)	(1,538,201)	-	(15,588)	(6,535,163)	-
Net cash provided (used) by noncapital financing activities	<u>554,256</u>	<u>(5,485,676)</u>	<u>(3,982,235)</u>	<u>(581,207)</u>	<u>(2,195,891)</u>	<u>119,395</u>	<u>20,279</u>	<u>(11,551,079)</u>	<u>299,223</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES									
Proceeds from sale of assets	14,684	10,000	-	-	32,375	17,000	-	74,059	-
Proceeds from byproduct sales	-	-	915,354	-	433,798	-	-	1,349,152	-
Acquisition of capital assets	(4,270,832)	(573,898)	(218,398)	(102,892)	(890,157)	(536,087)	(66,158)	(6,658,422)	-
Debt service - principal	(1,010,000)	(2,831,369)	(1,535,165)	(39,702)	(800,777)	(9,117)	-	(6,226,130)	-
Debt service - interest & fees	(452,051)	(1,328,070)	(446,323)	(82,564)	(224,027)	(33,350)	-	(2,566,385)	-
Intergovernmental capital grants	3,998,919	140,000	-	-	21,773	-	-	4,160,692	-
Net cash provided (used) by capital and related financing activities	<u>(1,719,280)</u>	<u>(4,583,337)</u>	<u>(1,284,532)</u>	<u>(225,158)</u>	<u>(1,427,015)</u>	<u>(561,554)</u>	<u>(66,158)</u>	<u>(9,867,034)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES									
Investment income (expense)	88,575	89,565	40,392	668	1,518	23,940	3,079	247,737	29,830
Investments redeemed	12,127,886	11,083,199	6,078,970	-	-	6,153,720	314,522	35,758,297	6,470,704
Investments (purchased)	(13,748,267)	(9,761,688)	(6,538,402)	-	-	(6,040,951)	(416,152)	(36,505,460)	(4,444,168)
Net cash provided (used) by investing activities	<u>(1,531,806)</u>	<u>1,411,076</u>	<u>(419,040)</u>	<u>668</u>	<u>1,518</u>	<u>136,709</u>	<u>(98,551)</u>	<u>(499,426)</u>	<u>2,056,366</u>
Net change in cash and cash equivalents	-	-	-	-	-	(1,295,858)	-	(1,295,858)	-
Cash and cash equivalents, January 1	-	100	50	-	300	3,121,444	50	3,121,944	30,000
Cash and cash equivalents, December 31	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ 50</u>	<u>\$ -</u>	<u>\$ 300</u>	<u>\$ 1,825,586</u>	<u>\$ 50</u>	<u>\$ 1,826,086</u>	<u>\$ 30,000</u>

Continued

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

**CITY OF FARGO, NORTH DAKOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010**

	Business-type activities - Enterprise Funds							Governmental Activities - Internal Service Funds	
	Airport	Water	Wastewater	Storm Sewer	Solid Waste	FargoDome	Other Enterprise Funds		Total
Reconciliation of operating income to net cash provided (used) by operating activities:									
Operating income (loss)	\$ (402,569)	\$ 5,251,570	\$ 2,668,335	\$ (2,165,552)	\$ 2,040,396	\$ (1,946,785)	\$ (925,916)	\$ 4,519,479	\$ (953,457)
Adjustments to reconcile operating income to net cash provided by operating activities									
Depreciation	2,955,985	3,098,040	3,119,319	2,970,348	1,738,711	2,375,133	1,137,895	17,395,431	-
Claims reserve adjustment	-	-	-	-	-	-	-	-	(115,208)
Change in assets and liabilities									
Accounts receivable	(18,435)	(70,069)	(104,150)	915	(103,653)	72,525	(168,428)	(391,295)	(112,866)
Specials receivable	-	-	-	-	-	-	(6,352)	(6,352)	-
Inventories	-	7,501	-	-	-	6,897	-	14,398	-
Prepaid expenses	(16,521)	(62,888)	(5,532)	(1,162)	(5,843)	42,972	(1,076)	(50,050)	162,521
Accounts payable	158,463	419,220	(9,184)	(5,864)	(3,373)	145,356	89,633	794,251	(1,410,970)
Retainage payable	5,794	-	6,628	-	(40,361)	3,478	-	(24,461)	-
Payroll payable	7,609	11,871	4,333	1,473	5,873	21,021	7,133	59,313	-
Vacation payable	6,504	2,692	6,058	5,539	(10,362)	-	11,541	21,972	-
Deferred revenues	-	-	-	-	-	(1,715,775)	-	(1,715,775)	74,391
Deposits	-	-	-	-	-	4,770	-	4,770	-
Total adjustments	3,099,399	3,406,367	3,017,472	2,971,249	1,580,992	956,377	1,070,346	16,102,202	(1,402,132)
Net cash provided (used) by operating activities	<u>\$ 2,696,830</u>	<u>\$ 8,657,937</u>	<u>\$ 5,685,807</u>	<u>\$ 805,697</u>	<u>\$ 3,621,388</u>	<u>\$ (990,408)</u>	<u>\$ 144,430</u>	<u>\$ 20,621,681</u>	<u>\$ (2,355,589)</u>
Noncash transactions affecting financial position:									
Acquisition of / change in assets through capital contributions and donations	<u>\$ -</u>	<u>\$ 8,436,258</u>	<u>\$ 13,686,153</u>	<u>\$ 8,065,613</u>	<u>\$ 36,895</u>	<u>\$ -</u>	<u>\$ 16,162,659</u>	<u>\$ 46,387,578</u>	<u>\$ -</u>
Acquisition of assets through acquisition of debt	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 114,720</u>	<u>\$ 110,962</u>	<u>\$ 834,544</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,060,226</u>	<u>\$ -</u>
Change in fair value of investments	<u>\$ (11,753)</u>	<u>\$ (12,559)</u>	<u>\$ (5,906)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,255)</u>	<u>\$ (302)</u>	<u>\$ (31,775)</u>	<u>\$ (6,116)</u>

Concluded

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

CITY OF FARGO, NORTH DAKOTA
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
December 31, 2010

	Pension Trust	Agency
ASSETS		
Cash	\$ 416,252	\$ 80,132
Equity in pooled investments	562,633	344,470
Receivables:		
Accounts receivable	51,465	-
Special assessments	-	643,612
Interest	70	-
Total receivables	51,535	643,612
Investments, at fair value:		
Domestic equities	11,542,408	-
International equities	4,302,230	-
Domestic fixed income	7,818,067	-
International fixed income	1,374,287	-
Real estate	1,443,501	-
Alternative investments	4,255,600	-
Corporate stocks	3,892,018	-
Mutual funds	25,974,552	-
Total investments	60,602,663	-
Invested securities lending collateral	637,446	-
Total assets	\$ 62,270,529	\$ 1,068,214
LIABILITIES		
Vouchers and benefits payable	\$ 32,916	\$ -
Securities lending collateral	637,446	-
Interest payable	19,932	-
Due to other governments	-	643,612
Deposits	-	424,602
Total liabilities	690,294	1,068,214
NET ASSETS		
Held in trust for pension benefits	\$ 61,580,235	\$ -

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

CITY OF FARGO, NORTH DAKOTA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
For the Year Ended December 31, 2010

	Pension Trust
ADDITIONS	
Contributions	
Employer	\$ 1,799,730
Employee	1,208,544
Total contributions	3,008,274
Investment income	
Net appreciation in fair value of investments	6,544,193
Less investment expense	(407,961)
Net investment income	6,136,232
Total additions	9,144,506
DEDUCTIONS	
Pension benefit payments	4,313,696
Member contribution refunds	53,444
Administrative expenses	82,959
Total deductions	4,450,099
Change in net assets	4,694,407
Total net assets - beginning	56,885,828
Total net assets - ending	\$ 61,580,235

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

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Fargo operates under a "mayor-commission" form of government under the Home Rule Charter. The accounting policies of the City, as reflected in the accompanying financial statements, conform to generally accepted accounting principles for local government units.

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

A. 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.

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.

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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.

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.

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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 three agency funds, the Performance Deposits fund, the Park District Special Assessments fund, and the Red River Regional Dispatch Center fund.

The City has prepared its government-wide and proprietary fund financial statements in accordance with all applicable GASB pronouncements, as well as private-standard pronouncements, issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. The City has elected not to apply private-standard pronouncements after November 30, 1989.

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.

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.

**CITY OF FARGO, NORTH DAKOTA
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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 2009 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 for both governmental and business-type funds are valued at the lower of cost or market using either first-in-first-out or weighted average. The cost of inventory is recognized as an expense in both the fund and the government-wide financial statements when used (consumption method). Reported inventories of governmental funds are equally offset by a fund balance reservation to indicate that portion of fund balance not available for future appropriation.

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.

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

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to a local electricity cooperative. Methane gas is also transported in a pipeline to a business near the landfill site.

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. Intangible assets consist of water rights and right-of-way easements. The water rights were purchased from Cass Rural Water Users. Both the water rights and right-of-way easement assets are considered to have an indefinite useful life as there are no legal, contractual, regulatory, technological, or other factors that limit the useful life of the assets and therefore the assets are not amortized.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized.

Property, plant and equipment of the government is depreciated using the straight line method over the following estimated useful lives:

<u>Asset</u>	<u>Years</u>
Buildings	10 – 50
Improvements other than buildings	10 – 20
Infrastructure	20 – 100
Vehicles	3 – 10
Equipment	5 – 10
Office equipment	5 – 10
Computer equipment	3 – 5

6. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees vest in sick leave accumulated in excess of 960 hours, which is paid out at 44.4% of their normal pay in December of every year. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts (other than the vested amounts paid out annually) when employees separate from service. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. In the governmental funds, a liability would be reported only if they have matured, for example, as a result of employee retirements or resignations. The entire portion of accumulated unpaid vacation is considered short term for the reason that historically, unpaid vacation is utilized within one year either through vacation payouts when employees terminate their service with the City or with the use of annual leave throughout the year.

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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 Balance

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 balance which has been legally segregated for specific purposes.

Unreserved – undesignated – indicates the portion of fund balance 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.

GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions will be effective for the City for periods beginning after June 15, 2010. This Statement establishes accounting and financial reporting standards for all governments that report governmental funds. It establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions for governmental fund types. Management has not yet determined the effect this statement will have on its financial statements.

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 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 \$352,737,174 difference are as follows:

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Bonds payable	\$ 279,639,054
Notes payable	58,200,987
Capital leases	119,871
December 31, 2010 long-term debt outstanding	<u>\$ 337,959,912</u>
Accrued interest payable	2,790,567
Bond premium	2,442,576
Compensated absences payable	2,833,985
Other postemployment benefits liability	4,225,866
Bond costs	(3,139,156)
Net pension obligation asset	(648,034)
Net pension obligation liability	6,271,458
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u><u>\$ 352,737,174</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 \$51,636,112 difference are as follows:

Capital Outlay	\$ 63,602,202
Plus: assets transferred in from enterprise funds	741,946
Plus: prior year construction in progress added as asset in current year	12,318,664
Capital asset increases per footnote 4.C	<u>\$ 76,662,812</u>
Less: assets transferred in from enterprise funds	(741,946)
Less: prior year construction in progress added as asset in current year	(12,318,664)
Depreciation expense	(11,966,090)
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ 51,636,112</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 \$25,737,197 difference are as follows:

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Bonded debt issued	\$ (31,070,000)
Premium on bonded debt issued	(439,282)
Discount on bonded debt issued	39,447
Bonded debt principal payments	23,609,459
Capital lease payment	56,361
Unamortized debt costs	381,658
Loan proceeds	(21,367,174)
Loan payments	3,052,334
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (25,737,197)</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 \$4,686,694 are as follows:

Compensated absences	\$ (210,406)
Accrued interest	(349,159)
Amortization of bond costs and discounts	(239,111)
Amortization of bond premium	429,032
Net pension obligation adjustment	(2,940,692)
Other post employment benefits liability adjustment	(1,376,358)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (4,686,694)</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

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the City Commission. Supplemental appropriations granted for the 2010 year include \$393,037 for the General Fund.

8. Appropriations lapse at year-end.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration of all funds. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. Authority to complete year-end encumbrances for the general fund may be granted by amending the subsequent years budget. General Fund Budget revisions approved for open encumbrances totaled \$391,956 for the year ended December 31, 2010.

B. EXCESS OF EXPENDITURES OVER BUDGET

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

Special Revenue Funds		
City Share of Specials	\$	21,295
Emergency 911		1,676
Neighborhood Stabilization		74,776
Parking Repair and Replacement		59,840
Parking Surplus Fund		9,577
HUD Home Program		55,814
Other Projects		30,551
Baseball Stadium		8,373

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

C. DEFICIT FUND BALANCE/NET ASSETS

Governmental Funds		
Special Revenue Funds		
City Share of Specials	\$ 88,709	This deficit will be eliminated by future property taxes.
Outdoor Warning System	11,272	This deficit will be eliminated by transfers from operating divisions.
Regional Training Center	97,963	This deficit will be eliminated by future intergovernmental revenues.
Parking Surplus Fund	9,577	This deficit will be eliminated by transfers from operating divisions.
City Vehicle Reserve	25,643	This deficit will be eliminated by transfers from operating divisions.
Baseball Stadium	1,646,236	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	\$ 46,862,510	This deficit will be eliminated by future bond financing and transfers from other funds.

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D. NET ASSETS RESTRICTED BY ENABLING LEGISLATION

The government-wide statement of net assets reports \$117,853,750 of restricted net assets, of which \$58,747,150 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, 2010, the carrying amount of the City's deposits was \$67,513,408 and the bank balance was \$70,498,271. 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, 2010, the City's deposits were either fully insured or properly collateralized, were held in the City's name, and have no custodial credit risk.

Investments – The City 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>.

As of December 31, 2010, the City has the following investments and maturities:

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Investment Type	Fair Value	Investment Maturities (in years)				
		Not Applicable	< 1	1 - 5	> 5 - 10	> 10
U.S. Agencies	\$ 9,111,657		\$ 399,918	\$ 8,711,739	\$ -	\$ -
Local Government Bond	666,663		88,330	375,961	202,372	-
Corporate Stocks	3,892,018	3,892,018	-	-	-	-
Alternative Investments	3,032,298	3,032,298	-	-	-	-
Bond Mutal Funds	9,805,688		2,742,026		7,063,662	
External Investment Pool *	60,128,954	34,575,250			25,553,704	
Mutual Funds	16,168,863	16,168,863	-	-	-	-
	<u>\$ 102,806,141</u>	<u>\$ 57,668,429</u>	<u>\$ 3,230,274</u>	<u>\$ 9,087,700</u>	<u>\$ 32,819,738</u>	<u>\$ -</u>

* - The weighted average maturity of the portion of the external investment pool subject to maturity is 6.96 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, 2010, the City had no investments in U.S. Instrumentalities. 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, 2010, 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	\$ (96)	\$ 73	\$ 59	\$ 36
Brazilian real	-	41	68	109
British pound sterling	(28)	43	238	253
Canadian dollar	(19)	33	58	72
Chinese yuan renminbi	16	-	-	16
Israeli shekel	-	-	7	7
Danish krone	(2)	-	7	5
Euro	(180)	-	408	228
Hong Kong dollar	(15)	-	30	15
Hungarian forint	(5)	5	-	-
Iceland krona	-	-	-	-
Indonesian rupiah	-	34	-	34
Japanese yen	(127)	-	236	109
Malaysian ringgit	-	39	-	39
Mexican peso	(6)	52	-	46
New Zealand dollar	8	32	-	40
Norwegian krone	12	20	12	44
Polish zloty	(2)	49	-	47
Singapore dollar	(3)	-	10	7
South African rand	-	10	-	10
South Korean won	-	42	-	42
Swedish krona	(34)	40	22	28
Swiss franc	(42)	-	129	87
Thai baht	-	-	-	-
Turkish lira	28	-	-	28
International comingled funds	-	521	2,194	2,715
	<u>\$ (495)</u>	<u>\$ 1,034</u>	<u>\$ 3,478</u>	<u>\$ 4,017</u>

**CITY OF FARGO, NORTH DAKOTA
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B. RECEIVABLES

Loans receivable as of December 31, 2010 were:

	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
Community Development	3%	07/01/15 to 08/02/21	\$ 351,884
Neighborhood Revitalization Initiative (NRI)	2 - 4%	07/01/13 to 08/01/21	222,758
Neighborhood Revitalization Initiative (NRI)	0%	Due Upon Sale	29,000
HUD HOME	0 – 3%	06/01/11 to 02/01/17	<u>3,015,662</u>
Total loans receivable			<u>\$ 3,619,304</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, \$2,478,923 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.

C. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 9,057,677	\$ 6,436,596	\$ -	\$ 15,494,273
Right of Way	3,154,103	456,220	-	3,610,323
Construction in progress	13,891,313	3,980,877	12,318,664	5,553,526
Total capital assets, not being depreciated	<u>26,103,093</u>	<u>10,873,693</u>	<u>12,318,664</u>	<u>24,658,122</u>
Capital assets, being depreciated:				
Buildings	58,312,053	12,744,290	6,294	71,050,049
Improvements other than buildings	621,169	25,366	-	646,535
Machinery and equipment	34,683,414	5,839,194	1,377,580	39,145,028
Infrastructure	292,173,678	47,180,270	56,150,112	283,203,836
Total capital assets being depreciated	<u>385,790,314</u>	<u>65,789,120</u>	<u>57,533,986</u>	<u>394,045,448</u>
Less accumulated depreciation for:				
Buildings	22,387,365	1,672,356	3,776	24,055,945
Improvements other than buildings	196,577	30,406	-	226,983
Machinery and equipment	20,820,887	3,619,492	856,309	23,584,070
Infrastructure	105,087,890	6,859,544	10,056,956	101,890,479
Total accumulated depreciation	<u>148,492,719</u>	<u>12,181,798</u>	<u>10,917,041</u>	<u>149,757,477</u>
Total capital assets, being depreciated, net	<u>237,297,595</u>	<u>53,607,322</u>	<u>46,616,945</u>	<u>244,287,971</u>
Governmental activities capital assets, net	<u>\$ 263,400,688</u>	<u>\$ 64,481,015</u>	<u>\$ 58,935,609</u>	<u>\$ 268,946,093</u>

**CITY OF FARGO, NORTH DAKOTA
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Depreciation expense was charged to functions/programs of the government as follows:

Governmental activities:	
General government	\$ 491,499
Public safety	1,444,857
Public works	7,786,759
Public health & welfare	68,020
Recreation & culture	641,826
Urban redevelopment	51,629
Transportation	1,481,501
Total depreciation expense - governmental activities	<u>\$ 11,966,090</u>
Accumulated Depreciation recorded through asset transfers from Business-type Activities	215,708
Total Additions to Accumulated Depreciation - governmental activities	<u><u>\$ 12,181,798</u></u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 39,995,254	\$ 3,889,646	\$ 346,053	\$ 43,538,847
Right of way	-	388,260	-	388,260
Construction in progress	18,322,939	12,522,782	12,300,460	18,545,261
Water rights	500,000	-	-	500,000
Total capital assets, not being depreciated	<u>58,818,193</u>	<u>16,800,688</u>	<u>12,646,513</u>	<u>62,972,368</u>
Capital assets, being depreciated				
Buildings	182,955,240	2,710,679	20,000	185,645,919
Improvements other than buildings	13,145,485	1,396,074	8,016	14,533,543
Machinery and equipment	54,128,542	3,768,093	3,012,474	54,884,161
Infrastructure	380,690,896	51,733,795	576,332	431,848,359
Total capital assets being depreciated	<u>630,920,163</u>	<u>59,608,641</u>	<u>3,616,822</u>	<u>686,911,982</u>
Less accumulated depreciation for:				
Buildings	51,852,883	4,159,361	20,000	55,992,244
Improvements other than buildings	4,571,260	593,753	7,735	5,157,278
Machinery and equipment	33,353,310	3,916,442	2,328,762	34,940,990
Infrastructure	102,381,309	18,352,929	537,125	120,197,113
Total accumulated depreciation	<u>192,158,762</u>	<u>27,022,485</u>	<u>2,893,622</u>	<u>216,287,625</u>
Total capital assets, being depreciated, net	<u>438,761,401</u>	<u>32,586,156</u>	<u>723,200</u>	<u>470,624,357</u>
Business-type activities capital assets, net	<u><u>\$ 497,579,594</u></u>	<u><u>\$ 49,386,844</u></u>	<u><u>\$13,369,713</u></u>	<u><u>\$ 533,596,725</u></u>

**CITY OF FARGO, NORTH DAKOTA
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Depreciation expense was charged to functions/programs of the government as follows:

Business-type activities:	
Airport	\$ 2,955,985
Water	3,098,040
Wastewater	3,119,319
Storm sewer	2,970,348
Vector control	21,191
Street lighting	1,055,012
Solid waste	1,738,711
Forestry	61,692
Fargodome	2,375,133
Total depreciation expense - business-type activities	<u>\$ 17,395,431</u>
Accumulated depreciation recorded through asset transfers from governmental-type activities	9,627,054
	<u>\$ 27,022,485</u>

D. COMMITMENTS

Construction

As of December 31, 2010, the City had commitments on various construction contracts totaling approximately \$38,181,269.

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 13 cells to date, which vary in surface area from 4 to 6 acres. The cell depths range up to 30' below existing grade, varying based on their footprint location. Final elevations of cells range from 40' to 80' above existing grade. The cells have been designed with a leachate collection system and each cell is constructed with a composite liner system consisting of a compacted clay subgrade overlain by a 60-mil high-density polyethylene synthetic liner. Once cells have been filled to capacity, final closure can be performed, which involves placement of 4' un-compacted clay soils, in which 4" of yard waste compost is incorporated into the top 12", and 6" of topsoil.

Cells 1 through 12 and 17 are presently constructed and partially filled. Based upon design capacity, the landfill is 54.03% full, and based upon present utilization rates; the remaining capacity of the landfill is estimated at 14.74 years. The estimated liability for landfill closure and post closure care is \$2,935,979 as of December 31, 2010. This reflects the same liability as calculated in 2009. The same liability is based on new cell construction completed in 2010; therefore no more acreage was included in the percent of the landfill that is filled or the amount that needs to be closed. The City will recognize the remaining estimated cost of closure and post closure care of \$1,838,996 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, 2010. 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.

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
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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, 2010, is as follows:

	Receivable	Payable
Debt service	\$ 40,313,123	\$ -
Capital projects	-	41,478,291
Nonmajor governmental	83,859	-
Nonmajor governmental	-	428,007
Water	4,090,885	-
Solid waste	-	1,634,322
Storm sewer	-	775,161
FargoDome	-	169,395
Nonmajor enterprise	-	2,691
	<u> </u>	<u> </u>
Interfund totals	<u>\$ 44,487,867</u>	<u>\$ 44,487,867</u>

At December 31, 2010, the inter-fund advance balances are:

	Funds Advanced	Amount Repaid To-Date	Advance Balance December 31, 2010
General fund	\$ 2,298,802	\$ 1,114,105	\$ 1,184,697
Solid waste fund	1,200,000	721,770	478,230
Subtotal baseball advances	<u>\$ 3,498,802</u>	<u>\$ 1,835,875</u>	<u>\$ 1,662,927</u>
General fund - shooting range advance	<u>\$ 225,000</u>	<u>\$ 84,107</u>	<u>\$ 140,893</u>
Total advances	<u>\$ 3,723,802</u>	<u>\$ 1,919,982</u>	<u>\$ 1,803,820</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.

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

**CITY OF FARGO, NORTH DAKOTA
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Interfund Transfers:

	Transfer in:								
	Major funds					Nonmajor funds		Internal Service	Total
	General	Debt Service	Capital Projects	Water	Storm Sewer	Governmental	Enterprise		
Transfer out:									
Major funds:									
General	\$ -	\$ 721,542	\$ 1,326,872	\$ -	\$ -	\$ 1,667,760	\$ -	\$ 299,223	\$ 4,015,397
Debt service	1,229,689	-	31,588,944	-	-	114,072	-	-	32,932,705
Capital projects	-	27,811	-	-	134,787	-	-	-	162,598
Airport	50,000	-	-	-	-	-	-	-	50,000
Water	2,983,910	-	2,443,157	-	-	12,000	-	-	5,439,067
Wastewater	1,430,000	-	840,235	1,600,000	-	12,000	100,000	-	3,982,235
Storm sewer	290,000	-	310,667	-	-	-	-	-	600,667
Solid waste	2,000,000	-	-	-	-	12,000	380,012	-	2,392,012
Fargodome	50,000	-	-	-	-	-	-	-	50,000
Nonmajor funds:									
Governmental	32,921	396,110	792,195	-	-	43,409	-	-	1,264,635
Enterprise	442,836	-	-	-	-	4,000	-	-	446,836
Total	\$ 8,509,356	\$ 1,145,464	\$ 37,302,070	\$ 1,600,000	\$ 134,787	\$ 1,865,241	\$ 480,012	\$ 299,223	\$ 51,336,153

Transfers are made for funding various projects, meeting debt service requirements, and for capital infrastructure. Interest earned on Debt fund residuals and reported as revenue in the Debt fund is periodically transferred to the General Fund.

F. LEASES

Operating Leases

The City leases building and office facilities under noncancellable operating leases. Total costs for such leases were \$278,540 for the year ended December 31, 2010. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
2011	\$ 240,255
2012	214,682
2013	121,700
2014	106,314
	<u>\$ 682,951</u>

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

Capital Leases

The City is obligated to the following capital lease agreements:

BUSINESS-TYPE	Remaining Balance
SOLID WASTE ENTERPRISE FUND	
CAT Track Loader	100,431
Intl 4300 Kann Recycle Body	51,549
Kann Trough Loader	89,948
CAT D7 Dozer	271,582
CAT D6 Dozer	236,250
Wheel Loaders (2)	168,622
Peterbilt 320 Chassis (2)	233,766
Peterbilt 320 Chassis (2)	230,610
Peterbilt 320 Chassis	160,351
Peterbilt 320 Chassis w/Heil Rapid Rail	155,773
Bomag Refuse Compactor	355,001
Total Business-Type	\$ 2,053,885
GOVERNMENTAL	
John Deere Graders	\$ 119,871

The assets acquired through the capital leases are as follows:

	Governmental Activities	Business-type Activities
Asset:		
Machinery and equipment	\$ 381,350	\$ 3,722,948
Less: Accumulated depreciation	(209,742)	(820,395)
Total	\$ 171,608	\$ 2,902,553

Future Minimum Payments under the above capital lease agreements at December 31, 2010 are shown below:

	Governmental Activities	Business-type Activities
2011	\$ 63,710	\$ 613,424
2012	63,710	638,047
2013	-	543,729
2014	-	391,893
2015	-	107,097
Total minimum lease payments	127,420	2,294,189
Less: amount representing interest	(7,549)	(240,305)
Present value of minimum lease payments	\$ 119,871	\$ 2,053,885

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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 changed July 2008 and again in July 2009 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.

The asset leased to NDSU is as follows:

	<u>Business-type Activity</u>
Asset:	
Fargodome	\$ 58,042,263
Less: Accumulated depreciation	(22,686,119)
Total	<u>\$ 35,356,144</u>

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

2011	\$ 204,500
2012	204,500
2013	204,500
2014	204,500
2015	57,500
Thereafter	57,500
	<u>\$ 933,000</u>

**CITY OF FARGO, NORTH DAKOTA
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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	(1,506,443)
Total	<u>\$ 3,630,070</u>

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
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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:

2011	\$ 45,684
2012	45,684
2013	45,684
2014	45,684
2015	45,684
Thereafter	<u>525,366</u>
	<u>\$ 753,786</u>

G. LONG-TERM DEBT

The following is a summary of changes in long-term debt of the City for the year ended December 31, 2010

	Balance 1/1/2010	Additions	Deletions	Balance 12/31/2010	Due within one year
GOVERNMENTAL ACTIVITIES					
Improvement bonds	\$ 219,828,561	\$ 31,070,000	\$ 12,765,280	\$ 238,133,281	\$ 10,638,281
Gross revenue bonds	6,624,952	-	424,179	6,200,773	444,751
General obligation bonds	2,875,000	-	145,000	2,730,000	105,000
Sales tax revenue bonds	42,850,000	-	10,275,000	32,575,000	10,530,000
Total Bonds Payable	<u>272,178,513</u>	<u>31,070,000</u>	<u>23,609,459</u>	<u>279,639,054</u>	<u>21,718,032</u>
Notes payable	39,886,147	21,367,174	3,052,334	58,200,987	396,000
Capital leases	176,232	-	56,361	119,871	58,711
Total Debt	<u>312,240,892</u>	<u>52,437,174</u>	<u>26,718,154</u>	<u>337,959,912</u>	<u>22,172,743</u>
Accumulated unpaid vacation	2,623,578	2,833,985	2,623,578	2,833,985	2,833,985
Unamortized premium on refunding	2,432,326	439,282	429,032	2,442,576	439,799
Net pension obligations	3,201,297	5,369,430	2,299,269	6,271,458	-
Other postemployment benefits	2,849,508	1,819,133	442,775	4,225,866	-
TOTAL	<u>\$ 323,347,601</u>	<u>\$ 62,899,004</u>	<u>\$ 32,512,808</u>	<u>\$ 353,733,797</u>	<u>\$ 25,446,527</u>
BUSINESS-TYPE ACTIVITIES					
Revenue bonds	\$ 37,610,000	\$ -	\$ 3,795,000	\$ 33,815,000	\$ 3,970,000
Unamortized premium on refunding	1,229,088	-	155,604	1,073,484	155,604
Total Bonds Payable	<u>38,839,088</u>	<u>-</u>	<u>3,950,604</u>	<u>34,888,484</u>	<u>4,125,604</u>
Notes payable	13,752,767	-	1,550,000	12,202,767	1,590,000
Capital leases	1,794,497	834,544	575,156	2,053,885	516,884
Special assessments	5,001,351	191,966	200,644	4,992,673	251,960
Contract payable	1,541,497	6,885	106,279	1,442,103	324,531
Landfill closure/postclosure	2,935,979	-	-	2,935,979	-
Accumulated unpaid vacation	622,121	644,093	622,121	644,093	644,093
TOTAL	<u>\$ 64,487,300</u>	<u>\$ 1,677,488</u>	<u>\$ 7,004,804</u>	<u>\$ 59,159,984</u>	<u>\$ 11,578,676</u>

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

**CITY OF FARGO, NORTH DAKOTA
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Development, HUD HOME, HUD HOME Participating Jurisdiction, and Parking Authority Special Revenue Funds.

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)	2.00 - 6.00 %	\$ 273,592,810	\$ 238,133,281
Gross revenue bonds	2.50 - 6.625%	8,920,000	6,200,773
General obligation bonds	2.00 - 4.00%	2,875,000	2,730,000
Sales tax revenue bonds	2.00 - 6.00%	63,055,000	32,575,000
TOTAL		<u><u>\$ 348,442,810</u></u>	<u><u>\$ 279,639,054</u></u>
BUSINESS-TYPE ACTIVITIES			
Water revenue bond	5.25%	\$ 28,065,000	\$ 23,185,000
Clean renewable energy bond	0.50%	1,500,000	1,100,000
Airport revenue bonds (2 issues)	2.00 - 4.25%	14,225,000	9,530,000
TOTAL		<u><u>\$ 43,790,000</u></u>	<u><u>\$ 33,815,000</u></u>

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

Revenue bonds payable at December 31, 2010, consist of three issues backed and serviced by sales tax, two issues backed and serviced by annual general fund revenue appropriations, one issue backed and serviced by NRI program revenues, one issue backed and serviced by Parking Authority revenues, and four issues backed and serviced by utility revenues, which include the Water Fund, Solid Waste Fund and Airport Authority.

**CITY OF FARGO, NORTH DAKOTA
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Debt service requirements for these revenue bonds at December 31, 2010, are as follows:

Sales Tax			
Year	Principal	Interest	Total
2011	\$ 10,530,000	\$ 1,093,503	\$ 11,623,503
2012	10,800,000	672,462	11,472,462
2013	5,580,000	239,063	5,819,063
2014	5,665,000	127,462	5,792,462
Totals	<u>\$ 32,575,000</u>	<u>\$ 2,132,490</u>	<u>\$ 34,707,490</u>

Water			
Year	Principal	Interest	Total
2011	\$ 2,825,000	\$ 1,143,056	\$ 3,968,056
2012	2,975,000	990,806	3,965,806
2013	3,130,000	830,550	3,960,550
2014	3,295,000	661,894	3,956,894
2015	3,470,000	484,312	3,954,312
2016-2020	7,490,000	398,313	7,888,313
Totals	<u>\$ 23,185,000</u>	<u>\$ 4,508,931</u>	<u>\$ 27,693,931</u>

General Fund Appropriations			
Year	Principal	Interest	Total
2011	\$ 296,421	\$ 217,064	\$ 513,485
2012	309,998	203,923	513,921
2013	323,741	189,954	513,695
2014	337,661	175,130	512,791
2015	356,763	159,241	516,004
2016-2020	2,052,396	516,787	2,569,183
2021-2025	972,130	54,838	1,026,968
Totals	<u>\$ 4,649,110</u>	<u>\$ 1,516,937</u>	<u>\$ 6,166,047</u>

Solid Waste			
Year	Principal	Interest	Total
2011	\$ 100,000	\$ 9,350	\$ 109,350
2012	100,000	8,500	108,500
2013	100,000	7,650	107,650
2014	100,000	6,800	106,800
2015	100,000	5,950	105,950
2016-2020	500,000	17,000	517,000
2021-2025	100,000	850	100,850
Totals	<u>\$ 1,100,000</u>	<u>\$ 56,100</u>	<u>\$ 1,156,100</u>

NRI Program			
Year	Principal	Interest	Total
2011	\$ 88,330	\$ 16,667	\$ 104,997
2012	90,538	14,458	104,996
2013	92,801	12,195	104,996
2014	95,121	9,875	104,996
2015	97,500	7,497	104,997
2016-2020	202,373	7,620	209,993
Totals	<u>\$ 666,663</u>	<u>\$ 68,312</u>	<u>\$ 734,975</u>

Airport Authority			
Year	Principal	Interest	Total
2011	\$ 1,045,000	\$ 377,369	\$ 1,422,369
2012	1,080,000	340,259	1,420,259
2013	1,120,000	301,889	1,421,889
2014	1,160,000	261,379	1,421,379
2015	1,205,000	217,812	1,422,812
2016-2020	3,920,000	337,662	4,257,662
Totals	<u>\$ 9,530,000</u>	<u>\$ 1,836,370</u>	<u>\$ 11,366,370</u>

Parking Authority			
Year	Principal	Interest	Total
2011	\$ 60,000	\$ 55,891	\$ 115,891
2012	60,000	52,531	112,531
2013	65,000	49,081	114,081
2014	70,000	45,262	115,262
2015	75,000	41,062	116,062
2016-2020	450,000	127,231	577,231
2021-2025	105,000	6,956	111,956
Totals	<u>\$ 885,000</u>	<u>\$ 378,014</u>	<u>\$ 1,263,014</u>

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, 2010, the statutory limit for the City was \$170,987,981 providing a debt margin of \$164,084,232. This calculation can be found on page 143 of the statistical section.

**CITY OF FARGO, NORTH DAKOTA
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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, 2010, \$93,220,000 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 \$1,703,181 which will be repaid to the CRWU over a five year period. As of December 31, 2010, the balance of this contract payable is \$1,442,103.

NOTES PAYABLE

The City has obtained financing from the State of North Dakota's State Revolving Loan Fund (SRLF) to finance expansion of the wastewater treatment facility, a portion of the new water treatment plant, sewer hook-up for Reile's Acres and Oxbow, storm sewer system, 45th street corridor interceptor project, north side sewer service facility project, transmission lines south side system project and a water tower project. In 2010, the City obtained additional financing from the State of North Dakota's State Revolving Loan Fund (SRLF) to finance the following projects; Wastewater System - Clarifier Improvements and Wastewater Stabilization Ponds.

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

**CITY OF FARGO, NORTH DAKOTA
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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 12/31/10
GOVERNMENTAL ACTIVITIES				
SRLF Storm Sewer Project	9/1/2020	2.50%	\$ 1,816,295	\$ 1,020,000
SRLF Water Tower	9/1/2027	2.50%	2,500,000	2,156,356
SRLF North Side Sewer Service Facility Plan	9/1/2028	2.50%	1,640,000	1,487,105
SRLF 45th Street Corridor Interceptor System	9/1/2029	2.50%	63,725,000	40,703,478
SRLF Transmission Lines South Side System	9/1/2029	2.82%	29,240,000	8,263,731
SRLF Wastewater Clarifier Improvements	9/1/2029	0.05%	853,974	303,606
SRLF Wastewater Stabilization Ponds	9/1/2009	2.50%	3,149,575	2,590,835
TIF Revenue Notes	5/1/2034	6.00%	1,015,930	1,675,876
TOTAL GOVERNMENTAL ACTIVITIES			\$ 103,940,774	\$ 58,200,987
BUSINESS-TYPE ACTIVITIES				
SRLF Sewer Plan Expansion Phase I	10/1/2013	3.00%	\$ 3,561,559	\$ 675,000
SRLF Sewer Plan Expansion Phase II	10/1/2014	2.50%	7,770,000	1,805,000
SRLF Sewer Plan Expansion Phase III	9/1/2017	2.50%	2,850,429	1,110,429
SRLF Sewer Plan Expansion Phase IV	9/1/2018	2.50%	1,482,337	682,338
SRLF Sewer Plan Expansion Phase VI	9/1/2019	2.50%	10,266,793	5,700,000
SRLF Reile's Acres Sewer Project	9/1/2019	2.50%	210,000	100,000
SRLF Oxbow Sewer Extension	9/1/2025	2.50%	2,470,739	2,130,000
TOTAL BUSINESS-TYPE ACTIVITIES			\$ 28,611,857	\$ 12,202,767
TOTAL NOTES PAYABLE			\$ 132,552,631	\$ 70,403,754

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, 2010, are shown in the following table:

**CITY OF FARGO, NORTH DAKOTA
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GOVERNMENTAL ACTIVITIES

	Special Assessment Bonds		Gross Revenue Bonds		General Obligation Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 10,638,281	\$ 10,626,319	\$ 444,751	\$ 289,622	105,000	81,275
2012	11,125,000	9,659,754	460,535	270,913	110,000	79,125
2013	11,655,000	9,273,054	481,543	251,230	115,000	76,875
2014	11,630,000	8,865,743	502,782	230,267	115,000	74,431
2015	11,445,000	8,448,019	529,263	207,800	125,000	71,731
2016-2020	50,145,000	36,016,722	2,704,769	651,638	640,000	308,769
2021-2025	53,610,000	24,876,529	1,077,130	61,795	770,000	200,712
2026-2030	54,100,000	11,728,177	-	-	750,000	55,369
2031-2035	23,785,000	2,303,517	-	-	-	-
	<u>\$ 238,133,281</u>	<u>\$ 121,797,834</u>	<u>\$ 6,200,773</u>	<u>\$ 1,963,265</u>	<u>\$ 2,730,000</u>	<u>\$ 948,287</u>

	Sales Tax Bonds		Notes Payable	
	Principal	Interest	Principal	Interest
2011	\$ 10,530,000	\$ 1,093,503	\$ 396,000	\$ 1,148,684
2012	10,800,000	672,462	2,647,638	1,419,104
2013	5,580,000	239,063	2,715,834	1,348,533
2014	5,665,000	127,462	2,786,893	1,280,098
2015	-	-	2,854,623	1,209,868
2016-2020	-	-	15,384,820	4,938,515
2021-2025	-	-	16,817,866	2,924,594
2026-2030	-	-	12,921,437	773,102
2031-2035	-	-	1,675,876	-
	<u>\$ 32,575,000</u>	<u>\$ 2,132,490</u>	<u>\$ 58,200,987</u>	<u>\$ 15,042,498</u>

BUSINESS-TYPE ACTIVITIES

	Revenue Bonds		Notes Payable		Special Assessments	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 3,970,000	\$ 1,520,425	\$ 1,590,000	\$ 308,444	\$ 251,960	\$ 280,453
2012	4,155,000	1,331,065	1,625,000	267,594	217,423	268,217
2013	4,350,000	1,132,439	1,661,000	225,844	221,195	255,744
2014	4,555,000	923,272	1,476,000	183,169	227,861	242,996
2015	4,775,000	702,125	1,021,000	146,269	229,733	229,875
2016-2020	11,910,000	735,875	4,064,767	349,547	1,099,392	951,377
2021-2025	100,000	-	765,000	57,750	1,041,507	656,848
2026-2030	-	-	-	-	1,216,230	331,988
2031-2035	-	-	-	-	487,372	58,566
	<u>\$ 33,815,000</u>	<u>\$ 6,345,201</u>	<u>\$ 12,202,767</u>	<u>\$ 1,538,617</u>	<u>\$ 4,992,673</u>	<u>\$ 3,276,064</u>

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TYPE AND ISSUE	ISSUE DATE	FINAL MATURITY DATE	INTEREST RATES	ORIGINAL ISSUE	PRINCIPAL OUTSTANDING 12/31/10
GOVERNMENTAL ACTIVITIES					
SPECIAL ASSESSMENT BONDS					
2002 Series A	6/1/2002	5/1/2027	3.00-5.125	\$ 11,190,000	\$ 8,800,000
2003 Series A	3/1/2003	5/1/2028	2.375-4.70	15,250,000	12,205,000
2003 Series D	9/1/2003	5/1/2028	3.00-5.00	12,525,000	10,185,000
2004 Series B	4/1/2004	6/1/2015	2.25-3.375	9,300,000	4,615,000
2004 Series C	5/1/2004	5/1/2029	3.00-4.75	22,280,000	18,830,000
2004 Series E	11/1/2004	5/1/2029	3.00-4.50	23,185,000	18,425,000
2005 Series A	12/15/2005	5/1/2030	4.00-4.70	21,310,000	18,145,000
2005 Series B	12/15/2005	5/1/2018	4.00-4.25	10,675,000	7,020,000
2006 Series B	12/15/2006	5/1/2031	3.75-4.375	19,810,000	17,420,000
2006 Series C	12/15/2006	5/1/2018	3.75	6,465,000	5,575,000
2007 Series B	12/15/2007	5/1/2032	4.00-4.70	13,045,000	11,895,000
2008 Series E	12/19/2008	5/1/2033	4.00-6.00	26,285,000	24,850,000
2009 Series A	4/30/2009	5/1/2019	2.50-4.00	13,190,000	11,735,000
2009 Series C	10/15/2009	5/1/2034	2.00-4.125	37,680,000	37,330,000
2010 Series B	5/25/2010	5/1/2035	0.80 - 5.70	22,820,000	22,820,000
2010 Series C	5/25/2010	5/1/2027	3.00-5.00	8,250,000	8,250,000
				<u>\$ 273,260,000</u>	<u>\$ 238,100,000</u>
SIDEWALK CONSTRUCTION					
2001	6/15/2001	1/1/2011	5.48	332,810	33,281
				<u>\$ 332,810</u>	<u>\$ 33,281</u>
GENERAL OBLIGATION BONDS					
2009 Series B	10/15/2009	5/1/2029	2.00-4.00	\$ 2,875,000	\$ 2,730,000
GROSS REVENUE DEBT					
2001 Parking Revenue	5/15/2001	11/1/2021	4.00-6.625	\$ 1,290,000	\$ 885,000
2002 Lease Revenue	5/1/2002	5/1/2022	3.50-5.10	4,930,000	3,455,000
2002 Housing Revenue	4/15/2002	4/15/2017	2.50	1,300,000	666,663
2007 Lease Revenue	6/1/2007	6/1/2022	4.67	1,400,000	1,194,110
				<u>\$ 8,920,000</u>	<u>\$ 6,200,773</u>
SALES TAX INFRASTRUCTURE BONDS					
1999	11/15/1999	7/1/2012	5.00-6.00	\$ 15,260,000	\$ 3,220,000
2005	7/18/2005	7/1/2012	5.00	20,260,000	7,185,000
2009 Series D	10/15/2009	11/1/2014	2.00-3.00	27,535,000	22,170,000
				<u>\$ 63,055,000</u>	<u>\$ 32,575,000</u>
TOTAL GOVERNMENTAL ACTIVITIES				<u>\$ 348,442,810</u>	<u>\$ 279,639,054</u>

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TYPE AND ISSUE	ISSUE DATE	FINAL MATURITY DATE	INTEREST RATES	ORIGINAL ISSUE	PRINCIPAL OUTSTANDING 12/31/10
BUSINESS-TYPE ACTIVITIES					
WATER FUND					
Revenue Bonds of 2007	10/11/2007	1/1/2017	5.25	\$ 28,065,000	\$ 23,185,000
AIRPORT FUND					
Revenue Bonds of 2004	10/1/2004	9/1/2014	2.00-3.55	\$ 6,470,000	\$ 2,820,000
Revenue Bonds of 2007	2/15/2007	9/1/2018	2.25-4.00	7,755,000	6,710,000
				<u>\$ 14,225,000</u>	<u>\$ 9,530,000</u>
SOLID WASTE FUND					
Clean Renewable Energy Bond	11/5/2007	12/15/2021	0.50	\$ 1,500,000	\$ 1,100,000
TOTAL BUSINESS-TYPE ACTIVITIES				<u>\$ 43,790,000</u>	<u>\$ 33,815,000</u>
TOTAL BONDED INDEBTEDNESS				<u>\$ 392,232,810</u>	<u>\$ 313,454,054</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	\$ 361,643	\$ -	\$ 361,643
Special assessments receivable	223,674,849	-	223,674,849
Interest receivable	50,742	-	50,742
Grant resources held and grant items receivable	4,354,487	46,376	4,400,863
Loans/contracts/accounts receivable	4,569,052	2,586,972	7,156,024
Total deferred/unearned revenue for governmental funds	233,010,773	<u>\$ 2,633,348</u>	<u>\$ 235,644,122</u>
Internal Service fund - deferred revenue	198,489		
Total per reconciliation of the governmental funds balance sheet to the statement of net assets	<u>\$ 233,209,262</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, 2010, 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
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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 \$445,946 as of December 31, 2010. 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
2010	\$ 511,154	\$ 6,406,673	\$ 6,471,881	\$ 445,946
2009	558,000	5,082,834	5,129,680	511,154
2008	858,000	4,627,957	4,927,957	558,000

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 legal counsel in the amount of \$0. Effective, October 29, 2009 the City Commission approved the City's general liability coverage to be placed with the North Dakota Insurance Reserve Fund. Management believes the City's overall long term risk profile and related cost of risk will be mitigated by switching to this program. With the switch to NDIRF the City's general liability self insurance reserve fund will eventually be discontinued upon

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settlement of the outstanding claims. A summary of 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
2010	\$ 50,000	\$ (48,916)	\$ 1,084	\$ -
2009	341,312	1,747,386	2,038,698	50,000
2008	305,375	267,186	231,249	341,312

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 single 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, 2011 (date of most recent actuarial study) is as follows:

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Retirees and beneficiaries	181
Terminated vested and deferred beneficiaries	19
Active plan members	449

Number of participating employers: 2

Employees may be eligible for early, normal or disability retirement. The plan permits early retirement at age 55. Normal retirement age for full benefits is age 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, 2010 are \$27,993,517 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.

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

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 2010. The City of Fargo's required contribution is 5.26% of covered compensation.

The City's contribution to the Public Employees Retirement System for the years ending December 31, 2010, 2009 and 2008 was \$858,937, \$784,259 and \$669,513, respectively. The City's contribution was equal to the contractually required contribution for the year as set by state statute, or 100% of the required contributions for each year.

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

Police Pension Plan

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

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

Membership on January 1, 2010, (date of most recent actuarial study) in the plan is as follows:

Retirees and beneficiaries currently receiving pension payments	94
Fully vested members contributing	64
Non vested members contributing	89
Terminated vested employees	6

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.

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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.

Reserves. The net assets at December 31, 2010 are \$33,586,718 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 January 1, 2010, (date of most recent actuarial study) in the plan is as follows:

Active plan members	113
Terminated vested members	1
Retirees, disabilitants, and beneficiaries	80

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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SCHEDULES OF FUNDING PROGRESS (GASB's 25 & 27)

EMPLOYEES' PENSION PLAN						
Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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%
1/1/2010	25,543,875	44,753,634	19,209,759	57.1%	23,560,008	81.5%
1/1/2011	27,993,517	45,628,332	17,634,815	61.4%	23,020,572	76.6%

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, 2010, 2009 and 2008 were \$1,210,629, \$1,518,491, and \$1,317,858, respectively, which were 39%, 51%, and 50%, respectively, of the required contributions for each year. The annual pension cost for the years ended December 31, 2010, 2009, and 2008 were \$2,942,307, \$2,879,527, and \$2,633,461, respectively. The percentage funded was 41%, 51%, and 50% for the years 2010, 2009, and 2008, respectively. The Net Pension Obligation (NPO) at the end of 2010, 2009, and 2008 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
2009	2,970,801	138,020	229,294	1,361,036	3,201,297
2010	3,133,463	240,097	431,253	1,731,678	4,932,975

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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, 2010, 2009 and 2008 were \$1,088,640, \$1,427,831, and \$973,471, respectively, which were 44%, 60%, and 84%, respectively, of the required contributions for each year. The annual pension cost for the years ended December 31, 2010, 2009 and 2008 was \$2,453,940, \$2,404,781, and \$1,172,365, respectively. The percentage funded was 44%, 59%, and 83% for the years 2010, 2009, and 2008, respectively. The Net Pension Obligation (NPO) at the end of each year 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	\$ 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	(67,682)	(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)	
2008	1,159,155	(90,200)	(103,410)	198,894	(1,003,767)	
2009	2,393,756	(75,283)	(86,308)	976,950	(26,817)	
2010	2,453,645	(2,011)	(2,306)	1,365,300	1,338,483	

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%
1/1/2010	31,341,953	48,435,926	17,093,973	64.7%	8,646,552	197.7%

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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 (3)	12,981,409	15,936,307	2,954,898	81.5%	3,093,696	95.5%
1/1/2000 (4)	13,981,204	16,705,751	2,724,547	83.7%	3,217,444	84.7%
5/1/2000 (4)	14,455,282	16,947,114	2,491,832	85.3%	3,209,112	77.6%
6/1/2002 (5)	15,468,405	20,753,134	5,284,729	74.5%	3,467,994	152.4%
6/1/2004 (5)	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%
1/1/2010	19,639,494	28,865,604	9,226,110	68.0%	6,016,656	153.3%

- (1) Revised to reflect audited financial statements.
- (2) Revised investment return assumption.
- (3) Revised plan provisions.
- (4) Changed asset method
- (5) Revised plan provisions and changed actuarial assumptions.

For the Fargo Firefighters' Relief Association Retirement Plan, employer contributions for the years ended December 31, 2010, 2009 and June 30, 2009 were \$728,778, \$667,472 and \$710,046, respectively, which were 85%, 155%, and 96%, respectively, of the required contributions for each year. The annual pension cost for the years ended December 31, 2010, 2009, and June 30, 2008 were \$848,565, \$425,951 and \$732,363, respectively. The percentage funded was 86%, 157% and 97%, for the years ended December 31, 2010, 2009, and June 30, 2009, 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 (1)	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)
6/30/2009	742,754	(42,518)	(29,740)	22,317	(526,300)
12/31/2009 (2)	430,761	(20,394)	(15,584)	(241,521)	(767,821)
12/31/2010	861,521	(59,506)	(46,550)	119,787	(648,034)

**CITY OF FARGO, NORTH DAKOTA
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- (1) Prorated for short (five month) plan year
(2) Adjusted for 6 month period ending 12/31/2009

<u>SCHEDULES OF EMPLOYER CONTRIBUTIONS (GASB 25)</u>						
	<u>CITY EMPLOYEES' PENSION</u>		<u>POLICE PENSION</u>		<u>FIREFIGHTERS' RELIEF ASSOCIATION</u>	
Year Ended	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%	1,159,155	84%	742,754	85%
2009	2,970,801	51%	2,393,756	60%	742,754	96%
2010	3,133,463	39%	2,453,645	44%	861,521	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:

	<u>City Employees'</u>	<u>Police</u>	<u>Firefighters'</u>
Valuation Date	1/1/2011	1/1/2010	1/1/2010
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	9,6,11,8,15,10,12,19,14,15	N/A*	26
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	RP-2000 Combined

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

** The Entry Age Normal Cost Method is used for City employees who are accruing benefits under the City's plan. The Unit Credit Method is used for all participants no longer accruing benefits under the City plan (including employees who have switched to NDPERS).

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

	<u>CITY EMPLOYEES' PENSION</u>	<u>POLICE PENSION</u>	<u>TOTAL</u>
ASSETS			
Cash	\$ 286,352	\$ 129,900	\$ 416,252
Equity in pooled investments	<u>11,733</u>	<u>550,900</u>	<u>562,633</u>
Receivables:			
Accounts receivable	29,607	21,858	51,465
Interest	<u>-</u>	<u>70</u>	<u>70</u>
Total receivables	<u>29,607</u>	<u>21,928</u>	<u>51,535</u>
Investments, at fair value:			
Domestic equities	11,542,408	-	11,542,408
International equities	4,302,230	-	4,302,230
Domestic fixed income	7,818,067	-	7,818,067
International fixed income	1,374,287	-	1,374,287
Real estate	1,443,501	-	1,443,501
Alternative investments	1,223,302	3,032,298	4,255,600
Corporate stocks	13,482	3,878,536	3,892,018
Mutual funds	<u>-</u>	<u>25,974,552</u>	<u>25,974,552</u>
Total investments	<u>27,717,277</u>	<u>32,885,386</u>	<u>60,602,663</u>
Invested securities lending collateral	<u>637,446</u>	<u>-</u>	<u>637,446</u>
Total assets	<u><u>\$ 28,682,415</u></u>	<u><u>\$ 33,588,114</u></u>	<u><u>\$ 62,270,529</u></u>
LIABILITIES			
Vouchers and benefits payable	\$ 31,520	\$ 1,396	\$ 32,916
Securities lending collateral	637,446	-	637,446
Interest payable	<u>19,932</u>	<u>-</u>	<u>19,932</u>
Total liabilities	<u>\$ 688,898</u>	<u>\$ 1,396</u>	<u>\$ 690,294</u>
NET ASSETS			
Held in trust for pension benefits	<u><u>\$ 27,993,517</u></u>	<u><u>\$ 33,586,718</u></u>	<u><u>\$ 61,580,235</u></u>

**CITY OF FARGO, NORTH DAKOTA
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**PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN NET ASSETS**

	<u>CITY EMPLOYEES' PENSION</u>	<u>POLICE PENSION</u>	<u>TOTAL</u>
ADDITIONS			
Contributions			
Employer	\$ 711,090	\$ 1,088,640	\$ 1,799,730
Employee	<u>499,539</u>	<u>709,005</u>	<u>1,208,544</u>
Total contributions	<u>1,210,629</u>	<u>1,797,645</u>	<u>3,008,274</u>
Investment income			
Net appreciation in fair value of investments, and interest and dividends	3,295,171	3,249,022	6,544,193
Less investment expense	<u>(109,365)</u>	<u>(298,596)</u>	<u>(407,961)</u>
Net investment income (loss)	<u>3,185,806</u>	<u>2,950,426</u>	<u>6,136,232</u>
Total additions (deductions)	<u>4,396,435</u>	<u>4,748,071</u>	<u>9,144,506</u>
DEDUCTIONS			
Pension benefit payments	1,850,491	2,463,205	4,313,696
Member contribution refunds	46,534	6,910	53,444
Administrative expenses	<u>49,768</u>	<u>33,191</u>	<u>82,959</u>
Total deductions	<u>1,946,793</u>	<u>2,503,306</u>	<u>4,450,099</u>
Change in net assets	2,449,642	2,244,765	4,694,407
Total net assets - beginning	<u>25,543,875</u>	<u>31,341,953</u>	<u>56,885,828</u>
Total net assets - ending	<u>\$ 27,993,517</u>	<u>\$ 33,586,718</u>	<u>\$ 61,580,235</u>

Related Party Investments

During 2010 and as of December 31, 2010 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

**CITY OF FARGO, NORTH DAKOTA
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to exceed thirty years. The City's annual OPEB cost for 2010 and the related information for each plan are as follows:

	Municipal Retiree Medical Benefits	Police Retiree Medical Benefits	Fire Retiree Medical Benefits	Total
Contribution Rates: City	Actuarially determined 3.0%	Actuarially determined 3.0%	Actuarially determined 3.0%	
Net OPEB obligation - beginning of year	\$ 1,200,536	\$ 994,102	\$ 654,870	\$ 2,849,508
ARC	914,825	565,814	398,389	1,879,028
Interest on NOO	41,619	25,742	18,124	85,485
ARC Adjustment	(70,780)	(43,777)	(30,823)	(145,380)
Annual OPEB Cost	885,664	547,779	385,690	1,819,133
Contributions	215,570	133,328	93,877	442,775
Net OPEB obligation - end of year	<u>\$ 1,870,630</u>	<u>\$ 1,408,553</u>	<u>\$ 946,683</u>	<u>\$ 4,225,866</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 for each of the plans were as follows:

Municipal Retiree Medical Benefits				
Fiscal Year Ended	Annual OPEB Cost	Annual Plan Sponsor Contribution *	Percentage of OPEB Cost Contributed	Net OPEB Obligation
12/31/2008	-	-	0.00%	686,000
12/31/2009	725,449	210,913	29.07%	1,200,536
12/31/2010	885,664	215,570	24.34%	1,870,630
* Contribution is a reduction of the implicit subsidy				
Police Retiree Medical Benefits				
Fiscal Year Ended	Annual OPEB Cost	Annual Plan Sponsor Contribution *	Percentage of OPEB Cost Contributed	Net OPEB Obligation
12/31/2008	-	-	0.00%	533,000
12/31/2009	561,501	100,399	17.88%	994,102
12/31/2010	547,779	133,328	24.34%	1,408,553
* Contribution is a reduction of the implicit subsidy				
Fire Retiree Medical Benefits				
Fiscal Year Ended	Annual OPEB Cost	Annual Plan Sponsor Contribution *	Percentage of OPEB Cost Contributed	Net OPEB Obligation
12/31/2008	-	-	0.00%	321,000
12/31/2009	414,328	80,458	19.42%	654,870
12/31/2010	385,690	93,877	24.34%	946,683
* Contribution is a reduction of the implicit subsidy				

**CITY OF FARGO, NORTH DAKOTA
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Funded Status and Funding Progress. The funded status of the plans as of December 31, 2009, was as follows:

	Municipal Retiree Medical Benefits	Police Retiree Medical Benefits	Fire Retiree Medical Benefits	Total
Actuarial accrued liability (a)	\$ 9,607,305	\$ 5,942,058	\$ 4,183,798	\$ 19,733,161
Actuarial value of plan assets (b)	-	-	-	-
Unfunded actuarial accrued liability (a) - (b)	\$ 9,607,305	\$ 5,942,058	\$ 4,183,798	\$ 19,733,161
Funded ratio (b) / (a)	0%	0%	0%	0%
Covered payroll (c)	\$ 9,580,196	\$ 8,667,572	\$ 6,186,210	\$ 24,433,978
Unfunded actuarial accrued liability as a percentage of covered payroll ((a)-(b))/(c)	100.28%	68.56%	67.63%	80.76%

The Funded Status and Funding Progress data disclosed above were last measured as of December 31, 2009 when the valuation was completed.

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.

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	12/31/2009	12/31/2009	12/31/2009
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Amortization method	Level -dollar method	Level -dollar method	Level -dollar method
Remaining amortization period	30 years	30 years	30 years
Actuarial assumptions:			
Projected salary increases	4%	4%	4%
Health Trend Rates			
2011	8.00%	8.00%	8.00%
2012	7.00%	7.00%	7.00%
2013	6.00%	6.00%	6.00%
2014 & later	5.00%	5.00%	5.00%

**CITY OF FARGO, NORTH DAKOTA
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2010**

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.

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.

F. SUBSEQUENT EVENTS

On May 2, 2011, the Board of City Commissioners voted to approve resolutions relating to the issuance of Refunding Improvement Bonds, Series 2011A and Refunding Improvement Bonds, Series 2011B. Both issues are new money issues whose proceeds will be used for infrastructure projects.