

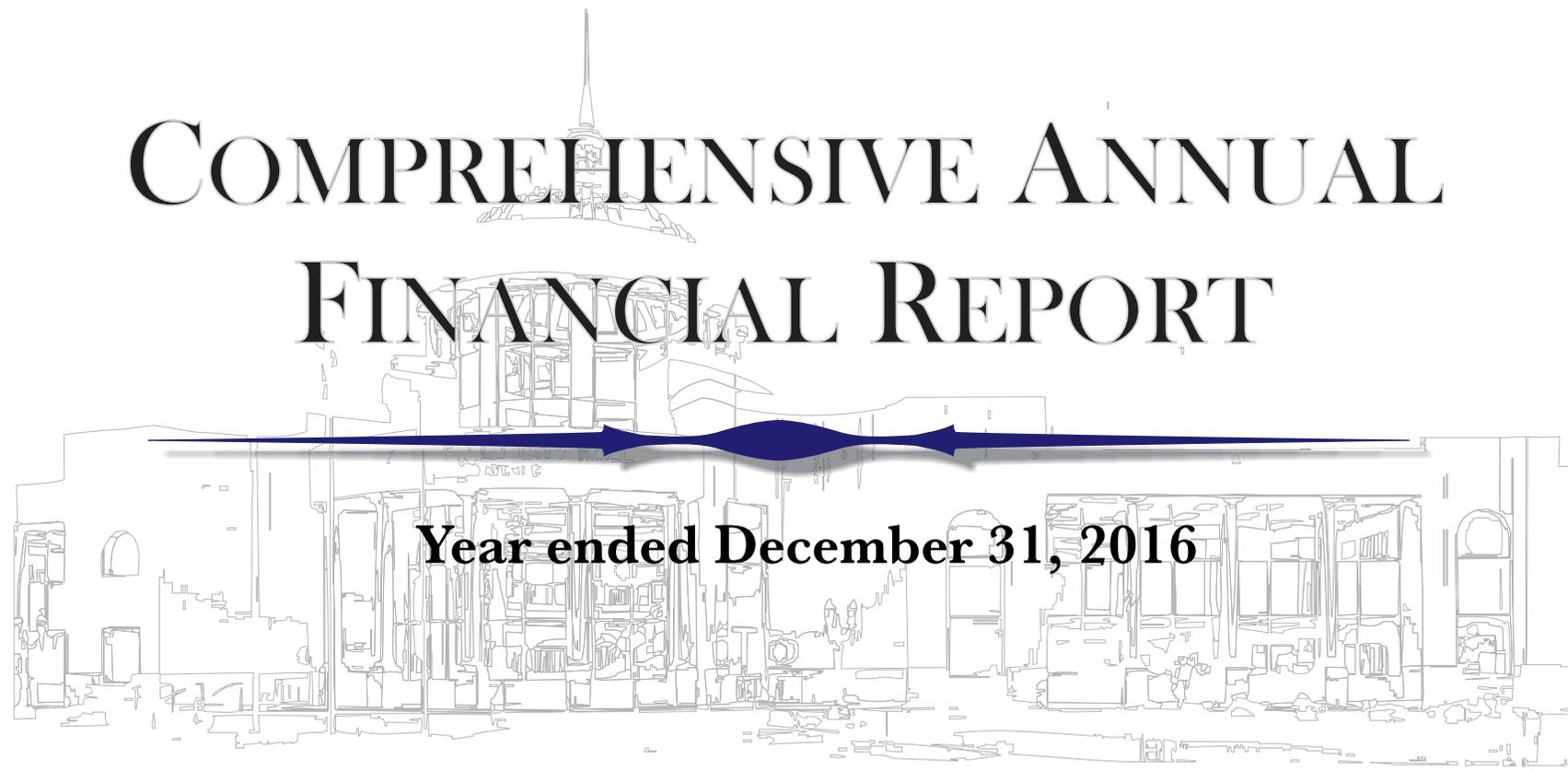
# City of East Grand Forks

## Minnesota



## COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2016



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year ended December 31, 2016



CITY OF EAST GRAND FORKS, MINNESOTA

Prepared by Department of Administration & Finance

**DAVID MURPHY**  
CITY ADMINISTRATOR

**KARLA ANDERSON**  
FINANCE DIRECTOR

# INTRODUCTORY SECTION



CITY OF EAST GRAND FORKS, MINNESOTA

# Comprehensive Annual Financial Report

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**INDEPENDENT AUDITOR’S REPORTING REQUIREMENTS REQUIRED UNDER GOVERNMENT AUDITING STANDARDS  
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## Administration and Finance

June 29, 2017

To the Honorable Mayor, Members of the City Council, and the Citizens of the City of East Grand Forks:

Minnesota statutes require all cities to issue an annual report on its financial position and activity prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants or the Office of State Auditor. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of East Grand Forks for the fiscal year ended December 31, 2016.

The report consists of management's representations concerning the finances of the City of East Grand Forks. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management of the City of East Grand Forks has established a comprehensive internal control framework that is designed both to protect the city's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of East Grand Forks' financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of East Grand Forks comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of East Grand Forks' financial statements have been audited by Brady Martz and Associates, P.C., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of East Grand Forks for the fiscal year ended December 31, 2016, are free of misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable

basis for rendering an unmodified opinion that the City of East Grand Forks' financial statements for the fiscal year ended December 31, 2016, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of East Grand Forks' MD&A can be found immediately following the report of the independent auditor.

### PROFILE OF THE GOVERNMENT

The City of East Grand Forks, incorporated on April 13, 1887, is located in Polk County on the Minnesota and North Dakota border 70 miles south of the Canadian border. The city currently has a land area of nearly six square miles and a service population of 8,774. The City of East Grand Forks is empowered to levy a property tax on both real and personal properties located within its boundaries. It is also empowered by state statute to extend its corporate limits by annexation, which is done periodically when deemed appropriate by the governing council.

The City of East Grand Forks is governed by home rule charter city under Minnesota Statutes with a council-mayor form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor, the council president and six other council members. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing commissions, authorities, and committees, and hiring both the city administrator and city attorney. The city administrator is responsible for carrying out the policies and ordinances of the governing council, for overseeing the day-to-day operations of the city government, and for appointing the heads of the various departments. The council is elected on a non-partisan basis. Two council members and the mayor are elected at large and five council members are elected to represent wards. Council members and the mayor serve staggered four year terms, with elections occurring every even year. Council members for wards 1, 3, and 5, the mayor, and one at large council member are elected in one even year. Council members for wards 2 and 4 and one at large council member are elected the next even year. The council members select a council president every two years.

The City of East Grand Forks provides a full range of services, including police and fire protection; construction and maintenance of streets and infrastructure; recreational facilities, library, and senior center; water, sewer, electric, refuse, and transit services. Additionally, the city owns one commercial property leased for dining and professional service activities.

The annual budget serves as the foundation for the City of East Grand Forks financial planning and control. All departments of the city submit requests for appropriation to

the city administrator in July of each year. The city administrator uses these requests as the starting point for developing a proposed budget. The city administrator then presents this proposed budget to the council for review prior to August 31. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than December 31, the close of the City of East Grand Forks' fiscal year. Department heads may make transfers of appropriation within a department. Transfers of appropriations between funds, however, require the special approval of the city council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 24 as part of the basic financial statements of the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is present in the governmental fund subsection of this report, which starts on page 65.

### FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of East Grand Forks operates.

**Local economy.** The City of East Grand Forks is located on the Minnesota side of the intersection of U.S. Highway 2 and I-29. The city serves as part of a regional shopping hub for northwest Minnesota and northeast North Dakota. The city's main shopping attractions are the 60,000 square-foot Cabela's retail outlet and the 65,000 square-foot Riverwalk Centre. Additionally, along the well maintained shores of the scenic Red River of the North, the city has a popular boardwalk section where several restaurants and entertainment facilities are located. Led by American Crystal Sugar and several other potato and bean companies, agribusinesses are a major portion of the city's economy. The American Crystal Sugar plant in East Grand Forks is the largest sugar processing plant in North America and it employs over 300 people.

The City of East Grand Forks employment picture is healthy with a 4.5% unemployment rate (Polk County), while the state and the country have unemployment rates of 3.9% and 4.7%, respectively. The City of Grand Forks, located just across the river in North Dakota, has an unemployment rate of 3%.

East Grand Forks has worked hard to provide more affordable housing in the community. Record low mortgage interest rates, affordable lot prices, and deferred loan/grant programs are still in place, but lot sales have slowed within the city. Minnesota Heights, a 39 unit housing project was completed in August of 2013 and the housing section is fully occupied. The ground floor is commercial/retail space and a successful restaurant/bar has filled the majority of this space. Northern Pacific Apartments, another housing project with 36 units was completed in August 2014. There is not any commercial/retail space in this building. The City is working on additional affordable housing options.

### FINANCIAL INFORMATION

Management of the city is responsible for establishing and maintaining internal control designed to ensure that the assets of the government are protected from loss, theft, or misuse, and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

This report consists of management's representations concerning the finance of the city. As a result, management assumes full responsibility for the completeness and reliability of all the information presented in this report. Management asserts that, to the best of their knowledge and belief, this financial report is complete and reliable in all material respects.

**Long-term financial planning.** The city council broke ground August 2016 to replace the current Waste Water system, the Interconnect project. This project sends the waste water to the City of Grand Forks, ND for treatment. The estimated construction cost of the Interconnect project is \$7,206,914.11. This is the first phase of the Waste Water project. There is a second phase of this project, Wastewater Pond Decommissioning. We are advertising for a bid opening on August 1, 2017. The total cost estimate for the Wastewater Pond Decommissioning is \$6,222,300. Waste Water charges for customers have been increased in the past few years, so hopefully the fixed rate will not change when the interconnect system is put into operation. The usage rate is tied to the water rate, which typically has an inflation factor built in the rate. The City has secured funding from the MN Public Facilities Authority for \$6,933,456. The City requested a grant of \$5.3 million in the bonding bill. This was approved and signed off on in May 2017. The city Swimming Pool was in need of repairs. The pool was not open in the summer of 2015, to make the needed repairs. The pool was completed in June of 2016 and reopened. The Council approved in December of 2015, a Special Election for a 1% city sales tax to financing the project. March 7, 2016 the City Sales tax was approved by the voters. The State of Minnesota Legislature approved and signed the city sales tax in May of 2017. This tax will be implemented with sales starting October 1, 2017. The City sales tax at 1%, of the current taxable sales, is estimated to take approximately five years to pay off the pool project expenses.

**State Budget.** The State of Minnesota political structures are aligned in a redistributive manner in which a large portion of the tax burden is affixed at the state level. Cities receive formulaic disbursements of state general fund appropriations known as Local Government Aid (LGA). Recent recessionary trends in the national economy have resulted in reduced state revenues; however, in 2014 we received a slight increase in the LGA. Historically, LGA has composed approximately one third of the city's total general fund revenues. The city addressed the past LGA cuts through

a combination of increased user fees, reduced staffing through attrition, and freezes in non-fixed operating expenses. Recent legislation was passed that made the City tax exempt from sales tax. The City has seen some savings and has been able to stretch their dollars because of this. Some public works trucks are not tax exempt presently, the Legislature is working on getting all purchases tax exempt.

**Revenue.** In addition to LGA cuts, the State of Minnesota in prior years limited the percentage of allowable City property tax increases to an index known as the Implicit Price Deflator (IPD). Therefore, the city has broadened its use of user fees and utility rates to compensate for the decrease in LGA funding and the corresponding cap on property tax revenues. The City increased recreation fees, street lighting fees, and storm water utility fee. The City instituted a new Greenway Maintenance Fee in 2009 to provide for the ongoing maintenance of approximately nine miles of asphalt walking and biking trails that are adjacent to the City's levee system. The City instituted a new rescue unit fee in 2011. The City has already adjusted sewer utility rates in anticipation of a new \$9 million waste water project. Disposal rates for garbage have increased, and a new commercial garbage truck was bought in 2015; consequently an increase has been passed on to the citizens in 2015. The City also increased the Storm Water-Flood Protection rates in 2015 to maintain the levee system that was built after the 1997 flood.

**Fund Balance.** Despite decreased state aid, the City's General Fund balance and its total governmental funds balance meets or exceeds the recommendations prescribed by the Office of the State Auditor. The City has positive cash flow relative to its peer cities in Minnesota as a result of proactive fiscal management and its breadth of special revenue funds.

**Capital Investment.** The City has reinvested significantly in capital replacement despite fiscal challenges at the state level. The City has undertaken approximately \$22 million of street replacement, water line replacement, sewer line replacement and maintenance. The City had a mill and overlay project split into three years, 2015, 2016 and 2017 for approximately all of the City's streets that are not concrete. The Waste Water Phase project is expected to be over \$9 million, and the project started in the fall of 2016. The swimming pool opened in June of 2016, within the \$2.2 million budget.

**Labor.** Salaries and benefits compose over half the City's General Fund budget. Five distinct unionized bargaining groups work with the City. The City has adopted a unified compensation plan for all bargaining groups that addresses the City's compliance with state Pay Equity and Comparable Worth guidelines. Cost of living allowances for 2016 were 2%. The City negotiated a 2% increase for 2017. The City has reduced total employment by nearly eight percent since 2008 through a combination of outsourcing services and eliminating vacant positions. The Water and Light division bargains with their employees separately and they negotiated a 3% cost of living allowance for 2016, 3% for 2017, 2.5% for 2018 and 2.5% for 2019.

## AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of East Grand Forks, Minnesota for its comprehensive financial report for the fiscal year ended December 31, 2015. This is the 23rd year the city has received this prestigious award. In order to be awarded the Certificate of Achievement, the government must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfies both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report could not be accomplished without the professional, efficient services of the staff in the Administration and Finance Office. We would like to express our appreciation to all members of the office who assisted and contributed to the preparation of this report. Due credit also should be given to the mayor and the council for their support in planning and conducting the operations of the government in a responsible and progressive manner.

David Murphy  
City Administrator

Karla Anderson, CPA,  
Finance Director



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

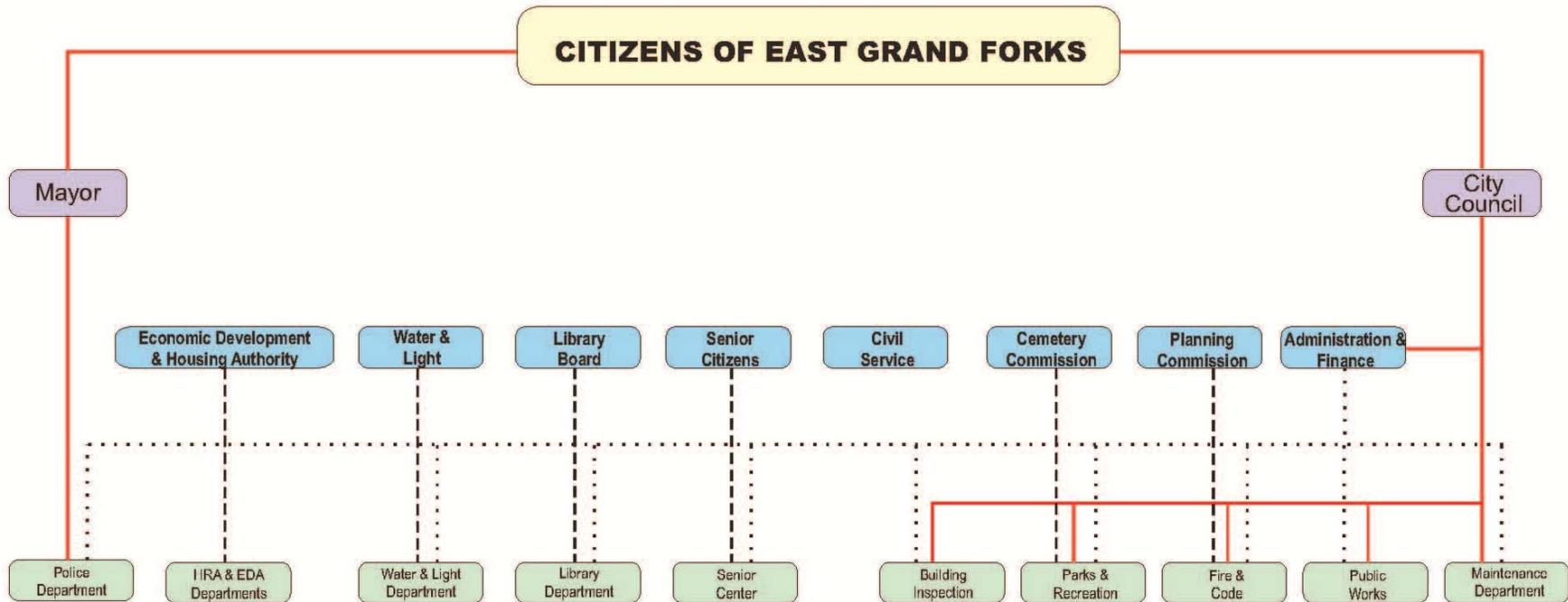
**City of East Grand Forks  
Minnesota**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2015**

Executive Director/CEO

# CITY OF EAST GRAND FORKS ORGANIZATION CHART



- Direct Responsibility
- Commissions Direct Responsibility
- ..... Communicate Council Policy, Orders, and Budget Enforcement



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<u>ELECTED OFFICIALS:</u>		<u>Term</u>	<u>Term Expires</u>
Mayor	Lynn Stauss	4 Years	12/31/16
Council member at Large	Chad Grassel	4 Years	12/31/16
Council member at Large	Marc Demers	4 Years	12/31/18
Council member - 1st Ward	Clarence Vetter	4 Years	12/31/16
Council member - 2nd Ward	Mike Pokrzywinski	4 Years	12/31/18
Council member - 3rd Ward	Craig Buckalew	4 Years	12/31/16
Council member - 4th Ward	Henry Tweten	4 Years	12/31/18
Council member - 5th Ward	Mark Olstad	4 Years	12/31/16

OFFICIALS NOT ELECTED:

City Administrator/Clerk-Treasurer	David Murphy
Finance Director	Karla Anderson
Police Chief	Michael Hedlund
Fire Chief	Gary Larson
Parks & Recreation Superintendent	Reid Huttunen
Public Works Superintendent	Jason Stordahl
City Planner	Nancy Ellis
Library Director	Charlotte Helgeson
Senior Center Director	Lynda Vanderhoof
City Attorney	Ronald Galstad
City Engineer	Widseth, Smith & Nolting
Water & Light Department	
Commissioner	Tim Loven
Commissioner	Josh Grinde
Commissioner	Mike Quirk
Commissioner	Henry Tweten
General Manager	Dan Boyce
Incoming General Manager	Keith Mykleseth
Electric Distribution Superintendent	Jeff Olson
Water Plant Superintendent	Randy Rapacz

# FINANCIAL SECTION



CITY OF EAST GRAND FORKS, MINNESOTA

FINANCIAL SECTION

## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council  
City of East Grand Forks, Minnesota

### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of East Grand Forks, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of East Grand Forks, Minnesota, as of December 31, 2016, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

### Emphasis of Matter

### Correction of Misstatement

As discussed in Note 22 to the financial statements, the 2015 financial statements have been restated to correct a misstatement. Our opinion is not modified with respect to this matter.

### Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, other post employment benefits plan schedule of funding progress, schedule of City's contributions to PERA retirement fund and schedule of City's and nonemployer proportionate share of net pension liability as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the

information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements.

We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of East Grand Forks, Minnesota's basic financial statements. The introductory section, combining and individual non-major fund financial statements, other schedules listed in the table of contents as supplementary information and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

The prior year partial comparative information has been derived from the City's 2015 financial statements and, in our report dated June 27, 2016, we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2017, on our consideration of the City of East Grand Forks, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of East Grand Forks, Minnesota's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.**  
**THIEF RIVER FALLS, MINNESOTA**

June 29, 2017

# MANAGEMENT'S DISCUSSION AND ANALYSIS



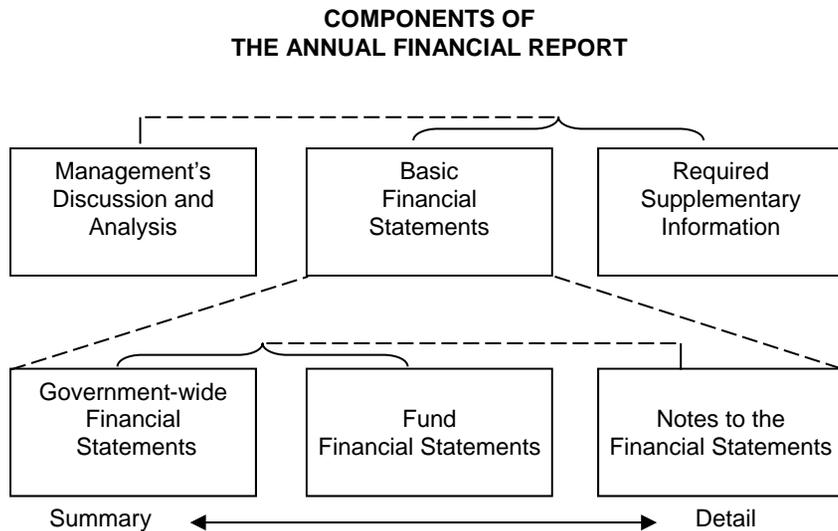
CITY OF EAST GRAND FORKS, MINNESOTA

MANAGEMENT'S DISCUSSION  
AND ANALYSIS

As management of the City of East Grand Forks (City), we offer readers of the City’s basic financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-3 of this report.

**OVERVIEW OF THE BASIC FINANCIAL STATEMENTS**

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



**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City of East Grand Forks’ finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the City’s assets, liabilities, and deferred inflows/outflows of resources with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City of East Grand Forks that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, transit, community development, cemetery and culture and recreation. The business-type activities of the City include electric, water, sewage, refuse, and commercial rental property.

The government-wide financial statements can be found on pages 17-19 of this report.

**Fund financial statements.** The fund financial statements focus on current available resources and are organized and operate on the basis of funds, each which is defined as fiscal and accounting entity with a self-balancing set of accounts established for the purpose of carrying on specific or attaining certain objectives in accordance with special regulations, restriction or limitations. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

The City maintains six major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, two capital projects funds, a special revenue fund, and two debt service funds, all of which are considered major funds. Data from the other 26 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general, special revenue, and proprietary funds. A budgetary comparison statement has been provided for the general fund and special revenue funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 20-24 of this report.

**Proprietary funds.** The City of East Grand Forks maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The City uses enterprise funds to account for its electric, water, sewer, refuse, storm water protection and commercial rental property operations. Internal service funds are accounting devices used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its central equipment and benefit accrual operations. Because both of these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for electric, water, sewage, storm water protection, commercial properties, and refuse. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found on pages 25-29 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-

wide financial statements because the resources of those funds are not available to support the City of East Grand Forks' own programs.

The fiduciary fund financial statement can be found on page 30 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-52 of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor funds and internal service funds can be found immediately following the footnotes. Combining and individual fund statements can be found on pages 57-64.

**FINANCIAL HIGHLIGHTS**

- The City's net position (assets plus deferred outflows minus liabilities and deferred inflows) increased by 0.4% as a result of this year's operations. The net position of the City's governmental activities decreased \$343,183 (0.3%) and net position of the City's business type activities increased \$1,154,821 (1.8%).
- Capital assets increased \$4,955,560 (2.8%), with most of the increase due to the remodel of the swimming pool.
- The City's long-term liabilities increased \$7,691,292 (30.4%) during the fiscal year ended December 31, 2016. Governmental long-term liabilities increased \$3,825,564 (19.1%), which was due to the issuance of \$3,990,000 General Obligation Bonds, and \$7,761,066 increase in net pension liability. Business type long-term liabilities increased \$3,865,728 (73.4%), which was due to the issuance of a MN PFA loan for the water interconnect project, and increase in net pension liability.
- At the close of the current fiscal year, the City's governmental funds reported total ending fund balances of \$6,955,212, a decrease of \$3,451,959 ( 33.3%).
- The General Fund's fund balance increased \$1,819,721 (66.1%) to \$4,596,019. The unassigned fund balance is 48.0% of expenditures, and 45.7% of revenues.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS  
NET POSITION**

	Governmental Activities		Business-type Activities		Total Government	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 17,215,489	\$ 20,612,123	\$ 22,574,017	\$ 22,585,910	\$ 39,789,506	\$ 43,198,033
Capital assets	129,188,142	128,778,662	54,797,565	50,251,484	183,985,707	179,030,146
Total Assets	<u>146,403,631</u>	<u>149,390,785</u>	<u>77,371,582</u>	<u>72,837,394</u>	<u>223,775,213</u>	<u>222,228,179</u>
Deferred Outflows of Resources	8,005,415	922,909	1,166,840	248,747	9,172,255	1,171,656
Other liabilities	2,180,204	2,204,185	2,886,833	3,254,536	5,067,037	5,458,721
Long-term liabilities	22,866,551	19,198,986	8,890,509	5,029,781	31,757,060	24,228,767
Total Liabilities	<u>25,046,755</u>	<u>21,403,171</u>	<u>11,777,342</u>	<u>8,284,317</u>	<u>36,824,097</u>	<u>29,687,488</u>
Deferred Inflows of Resources	1,364,164	596,263	314,347	190,004	1,678,511	786,267
Net position:						
Net investment in capital assets	118,579,744	114,210,487	49,138,750	47,340,484	167,718,494	161,550,971
Restricted	10,764,788	13,061,790	-	-	10,764,788	13,061,790
Unrestricted	(1,346,405)	1,041,983	17,307,983	17,271,336	15,961,578	18,313,319
Total Net Position	<u>\$ 127,998,127</u>	<u>\$ 128,314,260</u>	<u>\$ 66,446,733</u>	<u>\$ 64,611,820</u>	<u>\$ 194,444,860</u>	<u>\$ 192,926,080</u>

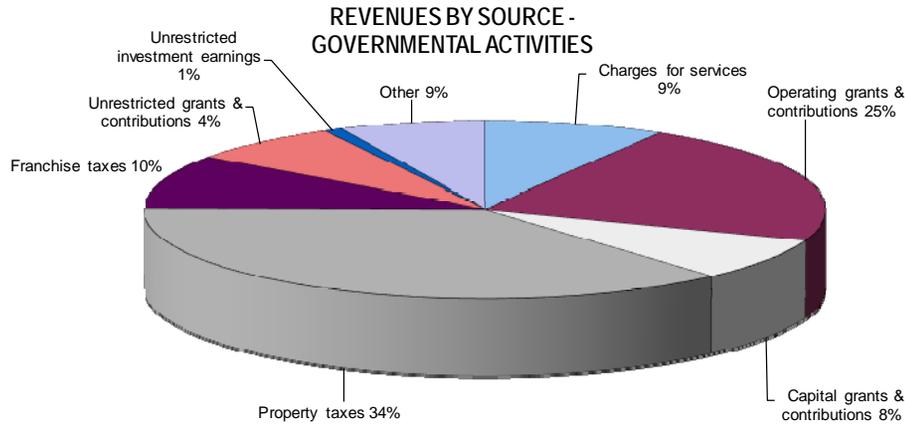
By far the largest portion of the City's net position (86.3%) reflects investments in capital assets (e.g. land, buildings, structures, systems, machinery, equipment and infrastructure) used to acquire those assets that is still outstanding. The City uses assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources, since capital assets themselves cannot be used to liquidate these liabilities.

A small portion of the City's net position (5.5%) represents resources that are subject to external restrictions on how they can be used. The remaining unrestricted net position of \$15,961,578 may be used to meet the ongoing obligations to citizens and creditors. Of the unrestricted net position, \$17,307,983 is attributable to business-type activities.

Unrestricted governmental activities net position decreased \$2,388,388 (229.2%), while business-type activities unrestricted net position increased \$36,647 (0.2%). Government-wide total unrestricted net position decreased \$2,351,741, (12.8%).

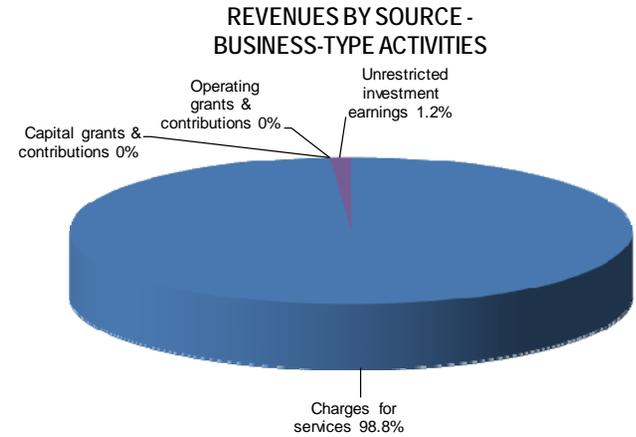
**CHANGE IN NET POSITION**

	Governmental		Business-type		Total	
	Activities		Activities		Government	
	2016	2015	2016	2015	2016	2015
<b>REVENUES</b>						
Program revenues:						
Charges for services	\$ 1,260,375	\$ 1,224,891	\$ 19,817,333	\$ 19,890,976	\$ 21,077,708	\$ 21,115,867
Operating grants and contributions	3,221,755	3,158,208	-	-	3,221,755	3,158,208
Capital grants and contributions	1,150,836	16,883	-	-	1,150,836	16,883
General revenues:						
Property taxes	5,384,765	4,071,021	-	-	5,384,765	4,071,021
Franchise taxes	1,411,787	1,431,503	-	-	1,411,787	1,431,503
Unrestricted grants and contributions	1,077,233	1,101,345	-	-	1,077,233	1,101,345
Unrestricted investment earnings	125,608	84,835	237,847	273,526	363,455	358,361
Capital contributions	-	-	258,293	-	258,293	-
Other	1,021,419	1,045,580	15,749	-	1,037,168	1,045,580
<b>Total revenues</b>	<b>14,653,778</b>	<b>12,134,266</b>	<b>20,329,222</b>	<b>20,164,502</b>	<b>34,983,000</b>	<b>32,298,768</b>
<b>EXPENSES</b>						
Program activities:						
Governmental activities:						
General government	2,813,025	1,421,703	-	-	2,813,025	1,421,703
Public safety	4,408,879	4,250,080	-	-	4,408,879	4,250,080
Public works	3,849,162	4,080,295	-	-	3,849,162	4,080,295
Transit	409,700	387,385	-	-	409,700	387,385
Recreation and culture	2,919,265	2,638,367	-	-	2,919,265	2,638,367
Community development	531,305	109,984	-	-	531,305	109,984
Cemetery	68,904	50,317	-	-	68,904	50,317
Interest on long-term debt	381,875	504,927	-	-	381,875	504,927
Business-type activities						
Electric	-	-	13,646,481	13,603,441	13,646,481	13,603,441
Water	-	-	2,397,668	2,176,802	2,397,668	2,176,802
Sewer	-	-	951,449	885,940	951,449	885,940
Storm water	-	-	614,981	606,720	614,981	606,720
Commercial properties	-	-	63,549	1,697,935	63,549	1,697,935
Refuse	-	-	1,115,119	946,497	1,115,119	946,497
<b>Total expenses</b>	<b>15,382,115</b>	<b>13,443,058</b>	<b>18,789,247</b>	<b>19,917,335</b>	<b>34,171,362</b>	<b>33,360,393</b>
Excess (deficiency) before transfers	(728,337)	(1,308,792)	1,539,975	247,167	811,638	(1,061,625)
Transfers in (out)	385,154	1,103,174	(385,154)	(1,259,323)	-	(156,149)
Increase (decrease) in net position	<u>(343,183)</u>	<u>(205,618)</u>	<u>1,154,821</u>	<u>(1,012,156)</u>	<u>811,638</u>	<u>(1,217,774)</u>
Net position at the beginning of the year	128,314,260	132,409,510	64,611,820	67,180,314	192,926,080	199,589,824
GASB 68 Adjustment	-	(3,746,249)	-	(1,699,721)	-	(5,445,970)
Prior Period Adjustment	27,050	(143,383)	680,092	143,383	707,142	-
Net position at beginning as restated	<u>128,341,310</u>	<u>128,519,878</u>	<u>65,291,912</u>	<u>65,623,976</u>	<u>193,633,222</u>	<u>194,143,854</u>
Net position at the end of the year	<u>\$ 127,998,127</u>	<u>\$ 128,314,260</u>	<u>\$ 66,446,733</u>	<u>\$ 64,611,820</u>	<u>\$ 194,444,860</u>	<u>\$ 192,926,080</u>

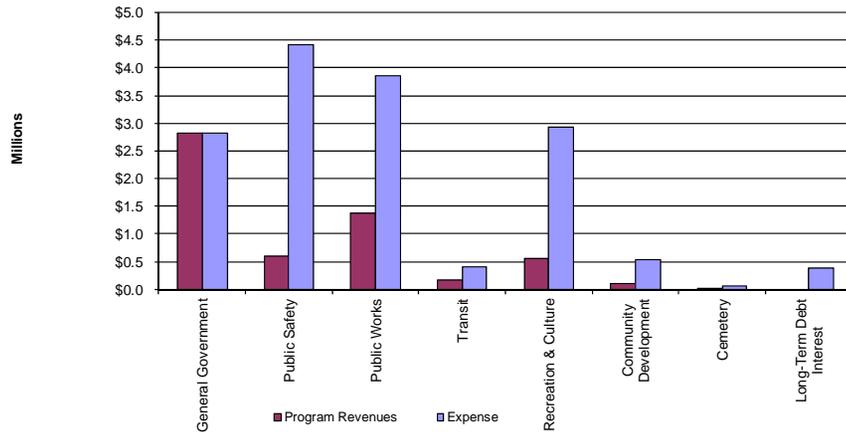


Governmental revenues increased \$2,519,512 (20.8%) in the current year, with the most significant portion of the increase attributable to capital grants.

Governmental activities expenses increased \$1,939,057 (12.6%) in the current year. The most significant changes in program expenses were within the general government.



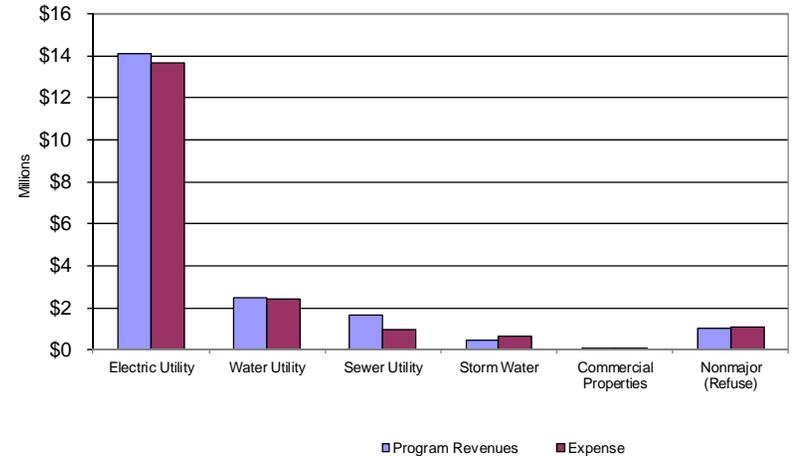
### EXPENSES AND PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES



**Governmental Activities.** Property taxes and franchise taxes accounted for 34% and 10% of total revenues, respectively. Operating grants contributed to 25% of total revenues. Unrestricted grants and contributions in the form of local government aid and other State aids contributed 4% to total revenues. Charges for services brought in 9%.

Public safety (28.6%) expenses are the most significant, followed by public works (25.0%), recreation and culture (19.0%), general government (18.2%) and cemetery (0.5%). Interest on long-term debt and transit expenses accounted for 2.5% and 2.7% of total expenses, respectively. Included in these amounts is depreciation expense of \$3,467,168, which is 22.5% of the total expenses for governmental activities.

### EXPENSES AND PROGRAM REVENUES - BUSINESS-TYPE EXPENSES



**Business-type activities.** Business-type activities increased the City’s net position by \$1,154,821 from the prior fiscal year.

**FINANCIAL ANALYSIS OF THE CITY’S FUNDS**

**Governmental funds.** The focus of the City’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City’s financing requirements. In particular, unreserved fund balances may serve as a useful measure of a government’s net resources available for spending at the end of the fiscal year.

At the end of 2016, the City’s governmental funds reported total ending fund balances of \$6,955,212, a decrease of \$3,451,959 in comparison with the prior year. About 24% of the total ending fund balances constituted unassigned fund balances of \$1,674,942, which are considered available for appropriation. The remainder of the fund balances is restricted to indicate that it is not available for new spending because it has already been restricted by legislative or outside sources or is considered nonspendable.

At the end of the current year, the General Fund reported a fund balance of \$4,596,019, increasing \$1,819,721 from the previous year. General fund revenues were \$969,064 (10.7%) higher than in the prior fiscal year and expenditures increased by \$543,604 (6.1%). General taxes, including property taxes and franchise fees, increased \$579,530 (12.4%). Intergovernmental revenue increased \$279,606 (9.7%) and charges for services increased \$51,806 (4.7%).

The 12-1-07 Assessment Bond Fund (ABF) fund balance increased \$28,381 as assessment collections and transfers in were more than debt payments.

The Capital Projects Fund experienced a \$773,247 fund balance decrease over the prior year due to current projects in excess of current year contributions and collections of special assessments.

The Current City Projects Fund increased by \$415,972 over the prior year fund balance due to transfers in from other funds and intergovernmental revenue being in excess of expenditures.

The 12-1-04 Assessment Bond Fund (ABF) fund balance decreased \$2,277,947 as the proceeds from prior year advanced refundings were used to pay off refunded debt.

The Sales Tax Pool Fund was created in the current year to account for sales tax proceeds for the renovation of the City pool. The Sales tax Pool fund saw a decrease in the fund balance as it has taken on an interfund loan from the Electric fund and transferred the funds to the capital projects fund which renovated the City Pool.

**Proprietary funds.** The proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The electric utility’s net position increased \$530,448 (1.9%). Operating revenues increased \$112,176 (0.8%) to \$14,096,598. Wholesale purchased power costs increased \$125,157 (1.4%). Transfers out were \$385,154, while the capital contributions were \$258,293. Other factors of the changes in income from operations have previously been discussed in the government-wide financial analysis of business-type activities.

The water utility’s net position increased \$92,420 (0.7%) in the current year. Operating income decreased \$156,717 (5.9%) and operating expenses increased \$220,866 from the prior year. Other significant factors of the changes in income from operations have been previously discussed in the government-wide financial analysis of business-type activities.

The sewer utility’s net position increased \$726,369 (6.2%) due to an increase in operating revenues.

The storm water utilities net position decreased \$126,557 primarily due to operating losses.

The Commercial Properties Fund contains the operations of one commercial property, the Infill Building. Net position increased \$5,607.

The Refuse Fund net position decreased \$73,466. Operating revenue increased \$124,565 from the prior year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

General Fund revenues were \$663,561 more than budget primarily due to more intergovernmental revenue and charges for services than was budgeted for. General Fund expenditures overall were more than budget by \$269,952, the result of increased costs of personnel.

The General Fund year end fund balances since 2007 are as follows:

2007	\$ 2,841,939	2010	\$ 2,587,856	2013	\$ 3,178,595
2008	2,564,645	2011	2,760,003	2014	2,948,560
2009	2,727,342	2012	3,195,155	2015	2,776,298
				2016	4,596,016

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**CAPITAL ASSETS**

(Net of accumulated depreciation)

	Governmental		Business-type		Total	
	Activities		Activities		Government	
	2016	2015	2016	2015	2016	2015
Land	\$ 31,203,471	\$ 31,203,471	\$ 612,878	\$ 612,878	\$ 31,816,349	\$ 31,816,349
Construction in progress	1,275,810	3,612,314	6,561,748	1,402,372	7,837,558	5,014,686
Building, structures, & improvements	61,116,691	58,430,080	47,610,378	48,206,354	108,727,069	106,636,434
Machinery and equipment	3,611,639	3,496,533	12,561	29,880	3,624,200	3,526,413
Infrastructure	31,980,531	32,036,265	-	-	31,980,531	32,036,265
Total	<u>\$ 129,188,142</u>	<u>\$ 128,778,663</u>	<u>\$ 54,797,565</u>	<u>\$ 50,251,484</u>	<u>\$ 183,985,707</u>	<u>\$ 179,030,147</u>

**Capital assets.** The City’s investment in capital assets for its governmental and business-type activities at December 31, 2016 totaled \$183,985,707 (net of accumulated depreciation). This investment in capital assets included land, construction in progress, structures, systems, machinery and equipment, and infrastructure.

Additional information on the City’s capital assets can be found in note 7 to these financial statements.

**LONG-TERM LIABILITIES**

	Governmental		Business-type		Total	
	Activities		Activities		Government	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$ 6,737,279	\$ 10,782,089	\$ -	\$ -	\$ 6,737,279	\$ 10,782,089
General obligation PFA Improv bonds	2,986,000	3,074,000	5,658,815	2,911,000	8,644,815	5,985,000
General obligation cert of indebtedness	885,119	712,086	-	-	885,119	712,086
Compensated absences payable	1,037,609	1,032,163	678,130	544,356	1,715,739	1,576,519
Net pension liability	11,961,146	4,200,080	2,793,564	1,809,425	14,754,710	6,009,505
OPEB	276,398	257,569	-	-	276,398	257,569
Total	<u>\$ 23,883,551</u>	<u>\$ 20,057,987</u>	<u>\$ 9,130,509</u>	<u>\$ 5,264,781</u>	<u>\$ 33,014,060</u>	<u>\$ 25,322,768</u>

**Long-term liabilities.** The City’s outstanding long-term liabilities, including bonds, certificates of indebtedness, compensated absences, net pension liability and other post employment benefits totaled \$33,014,060 at December 31, 2016. Of this total, \$23,883,551 (72.3%) is in governmental activities and \$9,130,509 (27.7%) is in business-type activities. The City’s outstanding long-term liabilities increased \$7,691,292 (30.4%) in 2016.

Additional information on the City’s long-term liabilities can be found in note 8 to these financial statements.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

The unemployment rate for the Polk County, Minnesota area for December 31, 2016 was 4.5%, which is above the state average (3.9%) and below the national average (4.7%). The Grand Forks County unemployment rate was 2.3%. The Grand Forks-East Grand Forks metropolitan statistical area unemployment rate was 3.0%. The City of Grand Forks, located in Grand Forks County, is located across the Red River of the North and has a population of approximately 57,739.

- The state's economy is slowly recovering. Legislative action has revamped the local government aid (LGA) and it should remain steady for future years and will be favorable for the City. Other types of funding, including capital bonding will be very competitive. The City received \$2.49 million in local government aid in 2016, which is about 30% of budgeted General Fund revenues.
- The City's electric utility continues to experience increases in wholesale power costs. The costs are passed to the customer through monthly power adjustments. The Western Area Power Administration (WAPA) did not raise wholesale power costs in 2016 or 2017. The electric utility purchases approximately 45% of its wholesale power supply from WAPA. There have not been any power supply interruptions and none are expected.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City's finances for all those interested in the government's finances. Questions concerning any information in the report or requests for additional information should be addressed to the Office of Administration and Finance, City of East Grand Forks, 600 DeMers Avenue NW, East Grand Forks, MN 56721.

# BASIC FINANCIAL STATEMENTS



CITY OF EAST GRAND FORKS, MINNESOTA

BASIC FINANCIAL  
STATEMENTS



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Statement of Net Position  
December 31, 2016

CITY OF EAST GRAND FORKS

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		EDA
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,200,704	\$ 6,153,417	\$ 9,354,121	\$ 3,034,001
Investments	7,503,512	10,302,623	17,806,135	-
Accrued interest receivable	16,110	21,273	37,383	-
Accounts receivable, net	194,745	2,416,621	2,611,366	13,549
Notes receivable, net	141,280	33,086	174,366	1,886,476
Taxes receivable - property	34,362	-	34,362	-
Taxes receivable - other	85,956	-	85,956	-
Special assessments receivable	7,406,761	-	7,406,761	-
Internal balances (net)	(2,217,699)	2,217,699	-	-
Due from other government units	480,996	6,957	487,953	756
Prepaid items	-	9,031	9,031	-
Land held for resale	349,989	-	349,989	60,777
Materials and supplies	18,773	924,786	943,559	-
Restricted cash and investments	-	136,750	136,750	-
Customer acquisition costs	-	351,774	351,774	-
Capital assets:				
Nondepreciable	32,479,280	7,174,626	39,653,906	55,043
Depreciable, net	96,708,862	47,622,939	144,331,801	3,487,888
<b>TOTAL ASSETS</b>	<b>146,403,631</b>	<b>77,371,582</b>	<b>223,775,213</b>	<b>8,538,490</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Cost Sharing Defined Benefit Pension Plan - PERA	954,979	1,166,840	2,121,819	80,983
Cost Sharing Defined Benefit Pension Plan - PEPFF	7,050,436	-	7,050,436	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>8,005,415</b>	<b>1,166,840</b>	<b>9,172,255</b>	<b>80,983</b>
<b>LIABILITIES</b>				
Accounts payable	365,398	1,973,514	2,338,912	18,261
Retainage payable	64,804	320,467	385,271	-
Accrued wages payable	459,816	119,116	578,932	7,568
Due to other government units	145,978	70,562	216,540	5,342
Accrued interest payable	127,208	26,424	153,632	-
Customer deposits	-	136,750	136,750	23,187
Noncurrent liabilities:				
Due within one year	1,017,000	240,000	1,257,000	2,203
Due in more than one year	10,629,007	6,096,945	16,725,952	13,902
Net pension liability	11,961,146	2,793,564	14,754,710	194,718
Net other postemployment benefit liability	276,398	-	276,398	-
<b>TOTAL LIABILITIES</b>	<b>25,046,755</b>	<b>11,777,342</b>	<b>36,824,097</b>	<b>265,181</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Cost Sharing Defined Benefit Pension Plan - PERA	257,580	314,347	571,927	21,901
Cost Sharing Defined Benefit Pension Plan - PEPFF	1,106,584	-	1,106,584	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>1,364,164</b>	<b>314,347</b>	<b>1,678,511</b>	<b>21,901</b>

The Notes to the Financial Statements are an Integral Part of this Statement.

**Statement of Net Position**  
**December 31, 2016 (Continued)**

**CITY OF EAST GRAND FORKS**

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		EDA
<b>NET POSITION</b>				
Net investment in capital assets	118,579,744	49,138,750	167,718,494	3,542,931
Restricted for:				
Current City Projects	144,803	-	144,803	-
Community Growth	130,370	-	130,370	-
State Aid Street	391,050	-	391,050	-
New Home Incentive	446,783	-	446,783	-
Cemetery	1,518	-	1,518	-
Insect Control	241,223	-	241,223	-
Perpetual Care	201,427	-	201,427	-
Greenway Maint.	51,699	-	51,699	-
Grants	101,172	-	101,172	-
1997 Community Development	273,841	-	273,841	-
1997 Downtown Development	89,396	-	89,396	-
08 PFA Loan 23rd Street	182,572	-	182,572	-
Building Improvements	419,929	-	419,929	-
Debt Service	8,008,673	-	8,008,673	-
Library - Nonexpendable	80,332	-	80,332	-
Unrestricted	(1,346,405)	17,307,983	15,961,578	4,789,460
<b>TOTAL NET POSITION</b>	<b>\$ 127,998,127</b>	<b>\$ 66,446,733</b>	<b>\$ 194,444,860</b>	<b>\$ 8,332,391</b>

The Notes to the Financial Statements are an Integral Part of this Statement.



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**Statement of Activities**  
**For the Year Ended December 31, 2016**

**CITY OF EAST GRAND FORKS**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Governmental activities:								
General government	\$ 2,813,025	\$ 71,145	\$ 2,746,160	\$ -	\$ 4,280	\$ -	\$ 4,280	\$ -
Public safety	4,408,879	302,641	300,874	-	(3,805,364)	-	(3,805,364)	-
Public works	3,849,162	315,553	-	1,053,336	(2,480,273)	-	(2,480,273)	-
Transit	409,700	-	163,640	-	(246,060)	-	(246,060)	-
Recreation and culture	2,919,265	554,879	11,081	-	(2,353,305)	-	(2,353,305)	-
Community development	531,305	2,212	-	97,500	(431,593)	-	(431,593)	-
Cemetery	68,904	13,945	-	-	(54,959)	-	(54,959)	-
Interest on long-term debt	381,875	-	-	-	(381,875)	-	(381,875)	-
Total governmental activities	<u>15,382,115</u>	<u>1,260,375</u>	<u>3,221,755</u>	<u>1,150,836</u>	<u>(9,749,149)</u>	<u>-</u>	<u>(9,749,149)</u>	<u>-</u>
Business-type activities								
Electric Utility	13,646,481	14,096,598	-	-	-	450,117	450,117	-
Water Utility	2,397,668	2,490,088	-	-	-	92,420	92,420	-
Sewer Utility	951,449	1,647,609	-	-	-	696,160	696,160	-
Storm Water	614,981	479,086	-	-	-	(135,895)	(135,895)	-
Commercial Properties	63,549	64,842	-	-	-	1,293	1,293	-
Nonmajor (Refuse)	1,115,119	1,039,110	-	-	-	(76,009)	(76,009)	-
Total business-type activities	<u>18,789,247</u>	<u>19,817,333</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,028,086</u>	<u>1,028,086</u>	<u>-</u>
Total primary government	<u>\$ 34,171,362</u>	<u>\$ 21,077,708</u>	<u>\$ 3,221,755</u>	<u>\$ 1,150,836</u>	<u>(9,749,149)</u>	<u>1,028,086</u>	<u>(8,721,063)</u>	<u>-</u>
Component unit:								
Community development	\$ 672,766	\$ 460,537	\$ -	\$ -				(212,229)
General Revenues:								
Property taxes					5,384,765	-	5,384,765	178,676
Franchise taxes					1,411,787	-	1,411,787	-
Unrestricted grants and contributions					1,077,233	-	1,077,233	-
Unrestricted investment income					125,608	237,847	363,455	33,690
Other					969,801	7,500	977,301	174,727
Gain on sale of asset					51,618	8,249	59,867	-
Capital contributions					-	258,293	258,293	-
Transfers					385,154	(385,154)	-	-
Total general revenues					<u>9,405,966</u>	<u>126,735</u>	<u>9,532,701</u>	<u>387,093</u>
Change in Net Position					<u>(343,183)</u>	<u>1,154,821</u>	<u>811,638</u>	<u>174,864</u>
Net Position - January 1					128,314,260	64,611,820	192,926,080	8,157,527
Prior Period Adjustment - See Note 22					27,050	680,092	707,142	-
Net Position - January 1, as Restated					<u>128,341,310</u>	<u>65,291,912</u>	<u>193,633,222</u>	<u>8,157,527</u>
Net Position - December 31					<u>\$ 127,998,127</u>	<u>\$ 66,446,733</u>	<u>\$ 194,444,860</u>	<u>\$ 8,332,391</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

**Balance Sheet  
Governmental Funds  
As of December 31, 2016**

**CITY OF EAST GRAND FORKS**

	<b>General</b>	<b>Capital Projects Fund</b>	<b>Current City Projects Fund</b>	<b>12-1-07 Assessment Bonds</b>	<b>12-1-04 Assessment Bonds</b>	<b>Sales Tax Pool Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>								
Cash and cash equivalents	\$ 24,598	\$ -	\$ 24,744	\$ 57,693	\$ 73,954	\$ 13,209	\$ 2,635,034	\$ 2,829,232
Investments	4,289,535	451,467	80,500	801,282	-	-	984,011	6,606,795
Interest receivable	16,110	-	-	-	-	-	-	16,110
Accounts receivable	309	-	86,066	-	-	-	108,370	194,745
Taxes receivable - property taxes	34,362	-	-	-	-	-	-	34,362
Taxes receivable - other	85,956	-	-	-	-	-	-	85,956
Special assessments receivable	866	1,782,863	-	1,362,329	1,057,039	-	3,203,664	7,406,761
Due from other funds	983,203	-	-	-	-	-	12,526	995,729
Due from other government units	63,968	3,414	-	3,176	1,949	-	208,490	280,997
Land held for resale	-	-	-	-	-	-	349,989	349,989
Notes receivable	61	-	-	-	-	-	141,219	141,280
Materials and supplies	18,773	-	-	-	-	-	-	18,773
<b>TOTAL ASSETS</b>	<b>\$ 5,517,741</b>	<b>\$ 2,237,744</b>	<b>\$ 191,310</b>	<b>\$ 2,224,480</b>	<b>\$ 1,132,942</b>	<b>\$ 13,209</b>	<b>\$ 7,643,303</b>	<b>\$ 18,960,729</b>
<b>LIABILITIES</b>								
Accounts payable	\$ 260,557	\$ 54,669	\$ 1,645	\$ 1,200	\$ -	\$ 13,872	\$ 33,456	\$ 365,399
Retainage payable	-	19,942	44,862	-	-	-	-	64,804
Accrued wages payable	457,910	-	-	-	-	-	1,906	459,816
Due to other funds	100,462	1,324,649	-	-	-	1,955,726	147,646	3,528,483
Due to other government units	67,654	-	-	-	-	-	78,324	145,978
<b>Total Liabilities</b>	<b>886,583</b>	<b>1,399,260</b>	<b>46,507</b>	<b>1,200</b>	<b>-</b>	<b>1,969,598</b>	<b>261,332</b>	<b>4,564,480</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable Revenue -								
Property taxes and spec. assessments	35,139	1,782,863	-	1,362,332	1,057,039	-	3,203,664	7,441,037
<b>Total Deferred Inflows of Resources</b>	<b>35,139</b>	<b>1,782,863</b>	<b>-</b>	<b>1,362,332</b>	<b>1,057,039</b>	<b>-</b>	<b>3,203,664</b>	<b>7,441,037</b>
<b>FUND BALANCE</b>								
Nonspendable	18,834	-	-	-	-	-	76,000	94,834
Restricted	-	-	144,803	860,948	75,903	-	4,103,782	5,185,436
Unassigned	4,577,185	(944,379)	-	-	-	(1,956,389)	(1,475)	1,674,942
<b>Total Fund Balance</b>	<b>4,596,019</b>	<b>(944,379)</b>	<b>144,803</b>	<b>860,948</b>	<b>75,903</b>	<b>(1,956,389)</b>	<b>4,178,307</b>	<b>6,955,212</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	<b>\$ 5,517,741</b>	<b>\$ 2,237,744</b>	<b>\$ 191,310</b>	<b>\$ 2,224,480</b>	<b>\$ 1,132,942</b>	<b>\$ 13,209</b>	<b>\$ 7,643,303</b>	<b>\$ 18,960,729</b>

The Notes to the Financial Statements are an Integral Part of this Statement.

**Reconciliation of the Governmental Funds Balance Sheet  
to the Statement of Net Position  
As of December 31, 2016**

**CITY OF EAST GRAND FORKS**

Total fund balances - governmental funds \$ 6,955,212

Amounts reported for the governmental activities in the statement of net position are different because:

Capital assets used in the governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Land	\$ 31,203,471	
Construction in progress	1,275,809	
Buildings, structures and improvements	82,126,802	
Machinery and equipment	5,910,299	
Infrastructure	51,798,428	
Accumulated depreciation	<u>(44,380,496)</u>	127,934,313

Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the governmental funds. 7,441,037

Internal service funds are used by management to charge the costs of central equipment and compensated absences to individual funds. These assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.

Cash and cash equivalents	371,472	
Investments	896,717	
Machinery and equipment	2,898,594	
Accumulated depreciation	(1,644,765)	
Due from other funds	315,055	
Due from other governments	200,000	
Accrued interest payable	(7,525)	
Compensated absences payable	(1,037,609)	
Revenue bonds payable	(865,000)	
Premium on revenue bond	<u>(31,995)</u>	1,094,944

Net deferred outflows/(inflows) of resources relating to the cost sharing defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows (inflows) of resources in the governmental funds.

Deferred outflows of resources	8,005,415	
Deferred inflows of resources	<u>(1,364,164)</u>	6,641,251

Long-term liabilities of the governmental funds, including bonds, certificates of participation, equipment certificates of indebtedness, notes and loans payable, and accrued interest payable, are not due in the current period and therefore are not reported in the funds.

Long-term liabilities	(9,711,403)	
Accrued interest payable	(119,683)	
Net pension liability	(11,961,146)	
Other post employment benefit obligations	<u>(276,398)</u>	<u>(22,068,630)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$ 127,998,127

**Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Funds  
For the Year Ended December 31, 2016**

**CITY OF EAST GRAND FORKS**

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Current City Projects Fund</u>	<u>12-1-07 Assessment Bonds</u>	<u>12-1-04 Assessment Bonds</u>	<u>Sales Tax Pool Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:								
General taxes	\$ 5,261,885	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,261,885
Special assessments	1,132	426,326	-	265,728	227,775	-	579,056	1,500,017
Licenses and permits	141,650	-	-	-	-	-	-	141,650
Intergovernmental	3,140,962	-	791,085	-	-	-	942,948	4,874,995
Charges for services	1,164,877	-	-	-	-	-	108,006	1,272,883
Fines and forfeitures	134,397	-	-	-	-	-	-	134,397
Interest and other revenues	169,609	7,238	156,376	8,134	2,255	-	447,184	790,796
Total revenues	<u>10,014,512</u>	<u>433,564</u>	<u>947,461</u>	<u>273,862</u>	<u>230,030</u>	<u>-</u>	<u>2,077,194</u>	<u>13,976,623</u>
Expenditures:								
Current:								
General government	1,082,021	-	-	-	-	-	-	1,082,021
Public safety	4,094,298	-	-	-	-	-	-	4,094,298
Public works	1,213,267	-	-	-	-	-	71,894	1,285,161
Transit	-	-	-	-	-	-	373,701	373,701
Recreation and culture	2,244,883	-	-	-	-	-	-	2,244,883
Community development	176,688	-	-	-	-	-	354,617	531,305
Cemetery	-	-	-	-	-	-	56,943	56,943
Other expenditures	241,159	-	-	-	-	-	-	241,159
Capital outlay	476,874	1,354,584	1,303,607	-	-	-	549,443	3,684,508
Debt service:								
Principal retirement	-	-	-	180,000	2,425,000	-	1,253,000	3,858,000
Interest and fiscal agent charges	-	36,457	-	87,185	82,977	13,872	181,384	401,875
Total expenditures	<u>9,529,190</u>	<u>1,391,041</u>	<u>1,303,607</u>	<u>267,185</u>	<u>2,507,977</u>	<u>13,872</u>	<u>2,840,982</u>	<u>17,853,854</u>
Excess (deficiency) of revenues over expenditures	<u>485,322</u>	<u>(957,477)</u>	<u>(356,146)</u>	<u>6,677</u>	<u>(2,277,947)</u>	<u>(13,872)</u>	<u>(763,788)</u>	<u>(3,877,231)</u>
Other financing sources (uses):								
Proceeds from sale of capital assets	-	-	-	-	-	-	40,118	40,118
Transfers in	1,444,088	304,230	772,118	21,704	-	-	370,748	2,912,888
Transfers out	(109,689)	(120,000)	-	-	-	(1,942,517)	(355,528)	(2,527,734)
Total other financing sources (uses)	<u>1,334,399</u>	<u>184,230</u>	<u>772,118</u>	<u>21,704</u>	<u>-</u>	<u>(1,942,517)</u>	<u>55,338</u>	<u>425,272</u>
Net change in fund balances	<u>1,819,721</u>	<u>(773,247)</u>	<u>415,972</u>	<u>28,381</u>	<u>(2,277,947)</u>	<u>(1,956,389)</u>	<u>(708,450)</u>	<u>(3,451,959)</u>
Fund balance at beginning of year	2,753,874	(171,132)	(271,169)	832,567	2,353,850	-	4,882,131	10,380,121
Prior period adjustment - See Note 22	22,424	-	-	-	-	-	4,626	27,050
Fund balance at beginning of year as restated	<u>2,776,298</u>	<u>(171,132)</u>	<u>(271,169)</u>	<u>832,567</u>	<u>2,353,850</u>	<u>-</u>	<u>4,886,757</u>	<u>10,407,171</u>
Fund balance at end of year	<u>\$ 4,596,019</u>	<u>\$ (944,379)</u>	<u>\$ 144,803</u>	<u>\$ 860,948</u>	<u>\$ 75,903</u>	<u>\$ (1,956,389)</u>	<u>\$ 4,178,307</u>	<u>\$ 6,955,212</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

**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, 2016**

**CITY OF EAST GRAND FORKS**

Net change in fund balances - total governmental funds		\$ (3,451,959)
Amounts reported for the governmental activities in the statement of activities are different because:		
Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays	\$ 3,678,507	
Depreciation	<u>(3,334,687)</u>	343,820
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		3,858,000
Change in net pension liability		(7,761,066)
Change in deferred outflows and inflows of resources related to net pension liability		6,314,605
Revenue in the statement of activities that does not provide current financial resources are not reported as revenues in the governmental funds.		
Unavailable Revenue - December 31, 2015	(7,144,582)	
Unavailable Revenue - December 31, 2016	<u>7,441,037</u>	296,455
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 the governmental funds.		
Amortization of bond discounts	(3,757)	
Amortization of bond premiums	13,567	
Other postemployment benefit obligations	<u>(18,829)</u>	(9,019)
Changes in long-term debt interest payable.		26,824
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of the internal service funds is reported with governmental activities on the statement of activities.		<u>39,157</u>
Change in net position of governmental activities		<u>\$ (343,183)</u>

The Notes to the Financial Statements are an Integral Part of this Statement.



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**Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget to Actual - General Fund  
For the Year Ended December 31, 2016**

**CITY OF EAST GRAND FORKS**

	<u>Original and Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
General taxes	\$ 5,261,261	\$ 5,263,017	\$ 1,756
Licenses and permits	104,925	141,650	36,725
Intergovernmental	2,806,686	3,140,962	334,276
Charges for services	1,018,380	1,164,877	146,497
Fines and forfeitures	110,200	134,397	24,197
Interest and other revenues	59,675	169,609	109,934
Total revenues	<u>9,361,127</u>	<u>10,014,512</u>	<u>653,385</u>
Expenditures:			
Current:			
General government	1,059,492	1,082,021	(22,529)
Public safety	3,960,422	4,094,298	(133,876)
Public works	1,395,319	1,213,267	182,052
Recreation and culture	2,146,500	2,244,883	(98,383)
Community development	60,000	176,688	(116,688)
Other expenditures	264,500	241,159	23,341
Capital outlay	389,739	476,874	(87,135)
Debt service:			
Interest and fiscal agent charges	16,734	-	(16,734)
Total expenditures	<u>9,292,706</u>	<u>9,529,190</u>	<u>(269,952)</u>
Excess (deficiency) of revenues over expenditures	<u>68,421</u>	<u>485,322</u>	<u>383,433</u>
Other financing sources (uses)			
Transfers in	247,639	1,444,088	1,196,449
Transfers out	(172,337)	(109,689)	62,648
Total other financing sources (uses)	<u>75,302</u>	<u>1,334,399</u>	<u>1,259,097</u>
Net change in fund balances	<u>143,723</u>	<u>1,819,721</u>	<u>1,642,530</u>
Fund balance at beginning of year	2,753,874	2,753,874	-
Prior period adjustment - See Note 22	-	22,424	22,424
Fund balance at beginning of year, as restated	<u>2,753,874</u>	<u>2,776,298</u>	<u>22,424</u>
Fund balance at end of year	<u>\$ 2,897,597</u>	<u>\$ 4,596,019</u>	<u>\$ 1,664,954</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

**Statement of Net Position  
Proprietary Funds  
As of December 31, 2016**

**CITY OF EAST GRAND FORKS**

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds	
	Electric	Water	Sewage	Storm Water	Commercial Properties	Nonmajor (Refuse)		Totals
<b>ASSETS</b>								
Current assets:								
Cash and cash equivalents	\$ 3,318,003	\$ 1,304,814	\$ 713,737	\$ 221,830	\$ 322,605	\$ 272,428	\$ 6,153,417	\$ 371,472
Investments	8,161,410	-	2,141,213	-	-	-	10,302,623	896,717
Restricted cash and investments:								
Cash in customer deposits	136,750	-	-	-	-	-	136,750	-
Interest receivable	21,273	-	-	-	-	-	21,273	-
Accounts receivable (net)	2,379,951	35,002	-	-	574	1,094	2,416,621	-
Notes Receivable	-	-	-	-	33,086	-	33,086	-
Materials and supplies	792,793	131,993	-	-	-	-	924,786	-
Prepaid items	7,332	1,699	-	-	-	-	9,031	-
Due from other funds	2,842,740	304,154	214,348	63,711	-	137,584	3,562,537	315,055
Due from other government units	5,342	1,615	-	-	-	-	6,957	200,000
Total current assets	<u>17,665,594</u>	<u>1,779,277</u>	<u>3,069,298</u>	<u>285,541</u>	<u>356,265</u>	<u>411,106</u>	<u>23,567,081</u>	<u>1,783,244</u>
Noncurrent assets:								
Capital assets:								
Land	305,394	44,000	257,184	-	6,300	-	612,878	-
Buildings and systems	28,371,841	25,936,456	15,264,768	16,418,577	1,460,000	-	87,451,642	-
Machinery and equipment	3,747,048	125,799	964,405	281,383	-	992,061	6,110,696	2,898,594
Construction in progress	48,034	34,578	6,479,136	-	-	-	6,561,748	-
Total capital assets	<u>32,472,317</u>	<u>26,140,833</u>	<u>22,965,493</u>	<u>16,699,960</u>	<u>1,466,300</u>	<u>992,061</u>	<u>100,736,964</u>	<u>2,898,594</u>
Less accumulated depreciation	<u>(18,293,575)</u>	<u>(14,116,899)</u>	<u>(7,158,207)</u>	<u>(5,092,435)</u>	<u>(574,182)</u>	<u>(704,101)</u>	<u>(45,939,399)</u>	<u>(1,644,765)</u>
Total capital assets (net)	<u>14,178,742</u>	<u>12,023,934</u>	<u>15,807,286</u>	<u>11,607,525</u>	<u>892,118</u>	<u>287,960</u>	<u>54,797,565</u>	<u>1,253,829</u>
Customer acquisition costs	268,106	83,668	-	-	-	-	351,774	-
Total noncurrent assets	<u>14,446,848</u>	<u>12,107,602</u>	<u>15,807,286</u>	<u>11,607,525</u>	<u>892,118</u>	<u>287,960</u>	<u>55,149,339</u>	<u>1,253,829</u>
<b>TOTAL ASSETS</b>	<u>32,112,442</u>	<u>13,886,879</u>	<u>18,876,584</u>	<u>11,893,066</u>	<u>1,248,383</u>	<u>699,066</u>	<u>78,716,420</u>	<u>3,037,073</u>
Deferred outflows of resources								
Cost sharing defined benefit pension plan	681,532	289,978	98,185	27,844	-	69,301	1,166,840	-
Total deferred outflows of resources	<u>681,532</u>	<u>289,978</u>	<u>98,185</u>	<u>27,844</u>	<u>-</u>	<u>69,301</u>	<u>1,166,840</u>	<u>-</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

**Statement of Net Position  
Proprietary Funds  
As of December 31, 2016 (Continued)**

**CITY OF EAST GRAND FORKS**

	Business-Type Activities - Enterprise Funds						Governmental Activities - Internal Service Funds	
	Electric	Water	Sewage	Storm Water	Commercial Properties	Nonmajor (Refuse)		Totals
<b>LIABILITIES</b>								
Current liabilities:								
Accounts payable	1,293,031	222,035	337,527	12,254	2,168	106,499	1,973,514	-
Retainage payable	7,360	22,691	290,416	-	-	-	320,467	-
Due to other funds	985,377	27,661	4,659	61,155	1,036	264,950	1,344,838	-
Due to other government units	52,036	2,796	50	-	-	15,680	70,562	-
Accrued interest payable	-	-	26,424	-	-	-	26,424	7,525
Accrued wages payable	73,085	28,813	8,925	724	-	7,569	119,116	-
Customer deposits	136,750	-	-	-	-	-	136,750	-
Compensated absences payable - current	32,000	13,000	-	-	-	-	45,000	41,000
G.O. revenue bonds payable - current	-	-	195,000	-	-	-	195,000	90,000
Total current liabilities	<u>2,579,639</u>	<u>316,996</u>	<u>863,001</u>	<u>74,133</u>	<u>3,204</u>	<u>394,698</u>	<u>4,231,671</u>	<u>138,525</u>
Noncurrent liabilities:								
Compensated absences payable	411,366	120,992	20,099	-	-	80,673	633,130	996,609
Net pension liability	1,631,731	701,637	230,655	73,594	-	155,947	2,793,564	-
G.O. revenue bonds payable, net	-	-	5,463,815	-	-	-	5,463,815	806,995
Total noncurrent liabilities	<u>2,043,097</u>	<u>822,629</u>	<u>5,714,569</u>	<u>73,594</u>	<u>-</u>	<u>236,620</u>	<u>8,890,509</u>	<u>1,803,604</u>
<b>TOTAL LIABILITIES</b>	<u>4,622,736</u>	<u>1,139,625</u>	<u>6,577,570</u>	<u>147,727</u>	<u>3,204</u>	<u>631,318</u>	<u>13,122,180</u>	<u>1,942,129</u>
Deferred inflows of resources								
Cost sharing defined benefit pension plan	183,610	78,869	26,004	8,204	-	17,660	314,347	-
Total deferred inflows of resources	<u>183,610</u>	<u>78,869</u>	<u>26,004</u>	<u>8,204</u>	<u>-</u>	<u>17,660</u>	<u>314,347</u>	<u>-</u>
<b>NET POSITION</b>								
Net investment in capital assets	14,178,742	12,023,934	10,148,471	11,607,525	892,118	287,960	49,138,750	356,834
Unrestricted	13,808,886	934,429	2,222,724	157,454	353,061	(168,571)	17,307,983	738,110
<b>TOTAL NET POSITION</b>	<u>\$ 27,987,628</u>	<u>\$ 12,958,363</u>	<u>\$ 12,371,195</u>	<u>\$ 11,764,979</u>	<u>\$ 1,245,179</u>	<u>\$ 119,389</u>	<u>\$ 66,446,733</u>	<u>\$ 1,094,944</u>

The Notes to the Financial Statements are an Integral Part of this Statement.



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**Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended December 31, 2016**

**CITY OF EAST GRAND FORKS**

	Business-Type Activities – Enterprise Funds						Totals	Governmental Activities - Internal Service Funds
	Electric	Water	Sewage	Storm Water	Commercial Properties	Nonmajor (Refuse)		
Operating revenues:								
Electric charges	\$ 14,096,598	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,096,598	\$ -
Water charges	-	2,490,088	-	-	-	-	2,490,088	-
Sewer charges	-	-	1,647,609	-	-	-	1,647,609	-
Rental charges	-	-	-	-	64,842	-	64,842	-
Refuse charges	-	-	-	-	-	1,000,544	1,000,544	-
Storm Water charges	-	-	-	479,086	-	-	479,086	-
Other	-	-	-	-	-	38,566	38,566	272,185
Total operating revenues	<u>14,096,598</u>	<u>2,490,088</u>	<u>1,647,609</u>	<u>479,086</u>	<u>64,842</u>	<u>1,039,110</u>	<u>19,817,333</u>	<u>272,185</u>
Operating expenses:								
Purchased power	8,790,271	-	-	-	-	-	8,790,271	-
Operations and maintenance	1,943,274	1,430,827	356,469	258,248	24,548	963,557	4,976,923	81,531
Administration	677,514	320,541	115,046	-	-	94,278	1,207,379	-
Compensated absences	-	-	-	-	-	-	-	28,525
Flood related costs	-	-	-	16	-	-	16	-
Depreciation	1,040,835	646,300	403,561	355,778	39,001	57,284	2,542,759	132,481
Tax and tax equivalents	1,194,587	-	-	-	-	-	1,194,587	-
Miscellaneous	-	-	-	939	-	-	939	-
Total operating expenses	<u>13,646,481</u>	<u>2,397,668</u>	<u>875,076</u>	<u>614,981</u>	<u>63,549</u>	<u>1,115,119</u>	<u>18,712,874</u>	<u>242,537</u>
Operating income (loss)	<u>450,117</u>	<u>92,420</u>	<u>772,533</u>	<u>(135,895)</u>	<u>1,293</u>	<u>(76,009)</u>	<u>1,104,459</u>	<u>29,648</u>
Nonoperating revenues (expenses)								
Interest income	195,192	-	33,994	1,838	4,314	2,509	237,847	14,643
Interest expense	-	-	(76,373)	-	-	-	(76,373)	(16,634)
Gain (loss) on disposal of assets	12,000	-	(3,785)	-	-	34	8,249	11,500
Miscellaneous	-	-	-	7,500	-	-	7,500	-
Total Nonoperating revenues (expenses)	<u>207,192</u>	<u>-</u>	<u>(46,164)</u>	<u>9,338</u>	<u>4,314</u>	<u>2,543</u>	<u>177,223</u>	<u>9,509</u>
Income (loss) before transfers and contributions	<u>657,309</u>	<u>92,420</u>	<u>726,369</u>	<u>(126,557)</u>	<u>5,607</u>	<u>(73,466)</u>	<u>1,281,682</u>	<u>39,157</u>
Capital contributions	258,293	-	-	-	-	-	258,293	-
Transfers out	(385,154)	-	-	-	-	-	(385,154)	-
Change in net position	<u>530,448</u>	<u>92,420</u>	<u>726,369</u>	<u>(126,557)</u>	<u>5,607</u>	<u>(73,466)</u>	<u>1,154,821</u>	<u>39,157</u>
Total net position - January 1	<u>27,034,367</u>	<u>12,762,224</u>	<u>11,566,818</u>	<u>11,868,104</u>	<u>1,239,572</u>	<u>140,735</u>	<u>64,611,820</u>	<u>1,055,787</u>
Prior period adjustment - see Note 22	422,813	103,719	78,008	23,432	-	52,120	680,092	-
Total net position - January 1, as restated	<u>27,457,180</u>	<u>12,865,943</u>	<u>11,644,826</u>	<u>11,891,536</u>	<u>1,239,572</u>	<u>192,855</u>	<u>65,291,912</u>	<u>1,055,787</u>
Total net position - December 31	<u>\$ 27,987,628</u>	<u>\$ 12,958,363</u>	<u>\$ 12,371,195</u>	<u>\$ 11,764,979</u>	<u>\$ 1,245,179</u>	<u>\$ 119,389</u>	<u>\$ 66,446,733</u>	<u>\$ 1,094,944</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

**Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2016**

**CITY OF EAST GRAND FORKS**

	Business-Type Activities – Enterprise Funds						Totals	Governmental Activities - Internal Service Funds
	Electric	Water	Sewage	Storm Water	Commercial Properties	Nonmajor (Refuse)		
<b>Cash flows from operating activities:</b>								
Cash received from customers and users	\$ 13,027,150	\$ 2,396,542	\$ 1,672,756	\$ 502,518	\$ 64,268	\$ 1,090,557	\$ 18,753,791	\$ -
Cash received from interfund activities	564,455	55,164	52,861	-	-	-	672,480	272,185
Cash paid to suppliers for goods and services	(10,330,915)	(469,784)	97,411	(166,904)	(10,373)	(833,099)	(11,713,664)	(187,758)
Cash received (paid) for interfund activities	96,442	(317,746)	(34,208)	(48,177)	(12,438)	-	(316,127)	-
Cash paid to employees	(1,669,459)	(709,109)	(131,356)	(43,439)	-	(120,398)	(2,673,761)	(23,079)
Cash paid for taxes and tax equivalents	(1,191,548)	3,383	50	-	-	(2,556)	(1,190,671)	-
Other operating revenues (expenses)	50,778	-	-	-	-	-	50,778	-
Net cash provided (used) by operating activities	<u>546,903</u>	<u>958,450</u>	<u>1,657,514</u>	<u>243,998</u>	<u>41,457</u>	<u>134,504</u>	<u>3,582,826</u>	<u>61,348</u>
<b>Cash flows from noncapital financing activities:</b>								
Transfers to other funds	(385,154)	-	-	-	-	-	(385,154)	-
Interfund receivable	(718,975)	(963)	(77,698)	(23,701)	-	(49,297)	(870,634)	(248,718)
Interfund payable	10,283	548	(380)	(12,807)	430	264,698	262,772	-
Net cash provided (used) by noncapital financing activities	<u>(1,093,846)</u>	<u>(415)</u>	<u>(78,078)</u>	<u>(36,508)</u>	<u>430</u>	<u>215,401</u>	<u>(993,016)</u>	<u>(248,718)</u>
<b>Cash flows from capital and related financing activities:</b>								
Acquisition of capital assets	(656,772)	(673,154)	(5,149,102)	(68,470)	-	(264,867)	(6,812,365)	(198,140)
Proceeds from sale of capital assets	12,000	-	2,539	7,500	-	-	22,039	11,500
Principal payments on long-term debt	-	-	(190,000)	-	-	-	(190,000)	(90,000)
Interest and fiscal charges on bonds	-	-	(78,218)	-	-	-	(78,218)	(16,815)
Proceeds from contract for deed	-	-	-	-	6,714	-	6,714	-
Proceeds from long-term debt	-	-	2,937,815	-	-	-	2,937,815	-
Net cash provided (used) by capital and related financing activities	<u>(644,772)</u>	<u>(673,154)</u>	<u>(2,476,966)</u>	<u>(60,970)</u>	<u>6,714</u>	<u>(264,867)</u>	<u>(4,114,015)</u>	<u>(293,455)</u>
<b>Cash flows from investing activities:</b>								
Interest received on investments	196,136	-	33,994	1,838	4,314	2,509	238,791	14,643
Proceeds from sales and maturities of investments	4,616,000	-	647,652	-	-	-	5,263,652	-
Purchase of investments	(5,127,819)	-	-	-	-	-	(5,127,819)	(57,147)
Net cash provided (used) by investing activities	<u>(315,683)</u>	<u>-</u>	<u>681,646</u>	<u>1,838</u>	<u>4,314</u>	<u>2,509</u>	<u>374,624</u>	<u>(42,504)</u>
Net increase (decrease) in cash and cash equivalents	(1,507,398)	284,881	(215,884)	148,358	52,915	87,547	(1,149,581)	(523,329)
Cash and cash equivalents - January 1	<u>4,962,151</u>	<u>1,019,933</u>	<u>929,621</u>	<u>73,472</u>	<u>269,690</u>	<u>184,881</u>	<u>7,439,748</u>	<u>894,801</u>
Cash and cash equivalents - December 31	<u>\$ 3,454,753</u>	<u>\$ 1,304,814</u>	<u>\$ 713,737</u>	<u>\$ 221,830</u>	<u>\$ 322,605</u>	<u>\$ 272,428</u>	<u>\$ 6,290,167</u>	<u>\$ 371,472</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

**Statement of Cash Flows  
Proprietary Funds  
For the Year Ended December 31, 2016 (Continued)**

**CITY OF EAST GRAND FORKS**

	Business-Type Activities – Enterprise Funds						Totals	Governmental Activities - Internal Service Funds
	Electric	Water	Sewage	Storm Water	Commercial Properties	Nonmajor (Refuse)		
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>								
Operating income (loss)	\$ 450,117	\$ 92,421	\$ 772,533	\$ (135,895)	\$ 1,293	\$ (76,009)	\$ 1,104,460	\$ 29,648
Adjustments to reconcile net income (loss) to net cash provided by operating activities:								
Depreciation and amortization	1,040,835	646,300	403,561	355,778	39,001	57,284	2,542,759	132,481
Changes in assets and liabilities:								
Accounts receivable	(151,768)	(35,002)	78,008	23,432	(574)	51,447	(34,457)	-
Materials and supplies	(8,945)	(19,229)	-	-	-	-	(28,174)	-
Prepaid items	52,936	16,468	-	-	-	-	69,404	-
Accounts payable	(1,024,539)	181,601	78,228	(2,337)	1,737	32,759	(732,551)	(106,227)
Retainage payable	-	-	290,416	-	-	-	290,416	-
Accrued wages payable	17,955	6,636	807	(1,292)	-	1,276	25,382	-
Accrued compensated absences	37,978	19,392	17,743	-	-	58,661	133,774	5,446
Due to other government units	3,039	2,796	50	-	-	(2,556)	3,329	-
Customer deposits	18,095	-	-	-	-	-	18,095	-
Net pension liability	574,808	243,295	83,575	22,287	-	60,174	984,139	-
Deferred pension inflows	72,625	30,740	10,559	2,816	-	7,603	124,343	-
Deferred pension outflows	(536,233)	(226,968)	(77,966)	(20,791)	-	(56,135)	(918,093)	-
Net cash provided (used) by operating activities	<u>\$ 546,903</u>	<u>\$ 958,450</u>	<u>\$ 1,657,514</u>	<u>\$ 243,998</u>	<u>\$ 41,457</u>	<u>\$ 134,504</u>	<u>\$ 3,582,826</u>	<u>\$ 61,348</u>
<b>Schedule of noncash investing, capital and financing activities:</b>								
Value on trade of capital asset	\$ -	\$ -	\$ 2,539	\$ -	\$ -	\$ -	\$ 2,539	\$ -
Contributed Capital	258,293	-	-	-	-	-	258,293	-
<b>Cash and cash equivalents are shown on the balance sheet under the following captions:</b>								
Cash and cash equivalents	\$ 3,318,003	\$ 1,304,814	\$ 713,737	\$ 221,830	\$ 322,605	\$ 272,428	\$ 6,153,417	\$ 371,472
Restricted assets:								
Cash in customer deposits	136,750	-	-	-	-	-	136,750	-
Total cash and cash equivalents - December 31	<u>\$ 3,454,753</u>	<u>\$ 1,304,814</u>	<u>\$ 713,737</u>	<u>\$ 221,830</u>	<u>\$ 322,605</u>	<u>\$ 272,428</u>	<u>\$ 6,290,167</u>	<u>\$ 371,472</u>

The Notes to the Financial Statements are an Integral Part of this Statement.

**Statement of Fiduciary Net Position**  
**Agency Fund – Flexible Benefits**  
**As of December 31, 2016**

**CITY OF EAST GRAND FORKS**

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**ASSETS:**

Cash and cash equivalents

\$ 25,625

**LIABILITIES:**

Due to employees

\$ 25,625

The Notes to the Financial Statements are an Integral Part of this Statement.

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The basic financial statements of the City of East Grand Forks, Minnesota (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units, as applied by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**A. Reporting entity**

The City of East Grand Forks was incorporated April 13, 1887, and is a home rule charter city under Minnesota Statutes with a Council-Mayor form of government. The seven-member council and mayor are elected on staggered, four year terms in each even-numbered year. The council consists of two at-large members and five ward members.

In accordance with GASB Statement No. 61, *The Financial Reporting Entity Omnibus*, the financial statements present the City and its component units. The City includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from it. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the basic statements because of the significance of their operational or financial relationships to the City.

The City is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and the City is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific burdens on the City.

As a result of applying the component unit definition criteria above, one organization has been defined in accordance with GASB Statement No. 61 and is presented in this report as follows:

***Discretely Presented Component Unit***

Economic Development Authority (EDA). The EDA promotes economic development through the use of various city, state and federal programs. The entire governing board of the authority was appointed by the City Council. Although it is legally separate from the City, the EDA is reported as if it were part of the City because its sole purpose is to provide services for the City's businesses and residents.

The majority of operating funds for economic development programs is provided through tax increment financing and local government aid. Any bonded debt issued by the EDA would be general obligation debt.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component unit. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered 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 revenue 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 claims and judgments, are recorded when payment is due.

Sick leave payable, except for the Electric and Water Funds, are recorded as liabilities in an Internal Service Fund.

Agency funds statements use neither the economic resources nor the current financial resources measurement focuses.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current period is considered susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Since governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statements' governmental column, a reconciliation is presented that briefly explains the adjustments necessary to reconcile ending net position and the change in net position.

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

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 needed.

Major Governmental Funds – The major governmental funds reported by the City are as follows:

*General Fund.* The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

*Capital Projects Fund.* This capital projects fund accounts for construction of infrastructure projects financed by special assessments, state grants and city funds.

*Current City Projects Fund.* This capital projects fund is used to account for locally funded projects with multiple year construction periods.

*12-1-07, and 12-1-04 Assessment Bonds Funds.* These funds are used to account for the accumulation of resources for, and payment of, general long-

term debt principal, interest, and related costs. Debt issued for and serviced by enterprise funds is not included in this fund.

*Sales Tax Pool Fund.* This special revenue fund accounts for the collection of sales tax to fund the repairs made to the City's swimming pool.

Major Proprietary Funds – The City reports the following major proprietary funds:

*Electric Fund.* This enterprise fund accounts for the operations of the city-owned electric distribution system.

*Water Fund.* This enterprise fund accounts for the operations of the city-owned water treatment and distribution system.

*Sewage Fund.* This enterprise fund accounts for the operations of the city-owned sewage collection and treatment system.

*Storm Water Fund.* This enterprise fund accounts for the operations of the city-owned storm water system

*Commercial Properties Fund.* This enterprise fund accounts for the operations of two city-owned commercial rental properties.

Additionally, the City reports the following fund types:

*Internal Service Funds.* The operations of the Benefit Accrual Fund and the Central Equipment Fund are reported in internal service funds because they provide services to other departments of the City on a cost reimbursement basis.

*Agency Fund.* The City is the paying agent for the employees' voluntary flexible benefit program, funded solely by employee contributions. The Flexible Benefit Agency Fund has been established to account for receipts and disbursements for the program.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of (franchise) taxes, which are reported as taxes and tax equivalents, and other charges between the City's enterprise funds and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues of the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expense from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses include cost of sales and services, administrative expenses, depreciation, and taxes and tax equivalents. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

**D. Assets, deferred outflows, liabilities, deferred inflows and net position or equity**

1. Cash (including cash equivalents) and investments

Cash balances from all funds, except the Electric and Water Fund, are combined to the extent available for investments authorized by state statutes. Earnings from such investments are allocated to respective funds on the basis of applicable cash balance participation by each fund. Likewise, the Electric and Water Fund are combined for investment purposes.

Investments for the City, as well as for its component units, are reported at fair value. The Minnesota Municipal Investment Pool is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under Rule 2.a.7. The fair value of the City's position in this pool is the same value as the pool shares.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and investments with original maturities of three months or less.

2. Fair Value Measurements

The City accounts for all assets and liabilities that are being measured and reported on a fair value basis in accordance with GAAP. GAAP defines fair value, established a framework for measuring fair value and expands disclosure about fair value measurements.

When fair value measurements are required, various data is used in determining those values. This statement requires that assets and liabilities that are arrived at fair value must be classified and disclosed in the following levels based on the nature of the data used.

- Level 1: Quoted market prices in active markets for identical assets or liabilities
- Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

3. Receivables

Account (trade) receivables are carried at original billing amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a regular basis. Management determines the allowance for doubtful accounts by identifying troubled accounts and by using historical experience applied to an aging of accounts. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received.

A receivable is considered past due if any portion of the receivable balance is outstanding for more than 30 days. Interest is charged on receivables that are outstanding for more than 30 days. Accrual of interest is not suspended until a receivable is determined to be uncollectible.

Interest receivable is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

Revenue is recorded when it is measurable and available.

4. Short-term inter-fund receivables/payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term inter-fund loans are classified as "inter-fund receivables/ payables".

5. Materials & supplies inventory

Materials and supplies are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The consumption method is used to account for inventories. Inventory costs are recorded as expenditures when individual inventory items are consumed. Reported inventories are equally offset by a fund balance reserve which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. The net change in restricted fund balances is not presented because the combined statements of revenues, expenditures, and changes in fund balances reflects the changes in total fund balances rather than just the unrestricted fund balances.

6. Prepaid items

Payments made to vendors for services that will benefit periods beyond December 31, 2016, are recorded as prepaid items and are recorded as expenses/expenditures when consumed, rather than when purchased.

7. Restricted assets

The Water and Light Fund and the Economic Development Authority Fund maintain customer deposit accounts that are restricted assets. These deposits are applied against the customer's account when services to them are discontinued. The Water and Light Fund and Economic Development Housing Authority Fund, based on certain bond covenants, are required to establish and maintain prescribed amounts of resources (consisting of cash and cash equivalents) that can be used only to service outstanding debt.

8. Capital assets (property, plant and equipment)

Capital assets, including property, plant, and equipment, 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 government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value on the date of donation.

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

Major outlays for capital assets and improvements are as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested debt proceeds over the same period.

Property, plant and equipment are capitalized when acquired, and depreciation is provided using the straight-line method applied over the following estimated useful lives of the assets:

Buildings, Structures & Improvements	10-50 Years
Infrastructure	20-50 Years
Machinery and Equipment	5-15 Years

GASB Statement No. 34 requires the City to report and depreciate new infrastructure assets effective with the beginning of the current year. Infrastructure assets include roads, bridges, underground pipes (other than related to utilities), traffic signals, etc. These infrastructure assets are likely to be the largest asset class of the City. Neither their historical cost nor related depreciation has historically been reported in the financial statements.

9. Customer acquisition costs

The Water and Light Department purchases electric and water service territories. Accordingly, under GAAP, as codified by FASB, *Goodwill and Other Intangible Assets*, the Department will periodically reassess the useful life of these costs (and all other capital asset costs) to determine if any impairment losses should be recognized.

10. Compensated absences

The City compensates all employees upon termination for unused vacation pay and for unused sick pay, up to a limit of 1,280 hours. Vacation is accrued as an expenditure or expense as earned in all funds. Accumulated sick leave in the proprietary funds are recorded as expenses and liabilities in those funds as the benefits accrue to their employees.

Fund	Liability	Accumulated Hours	
		Sick	Vacation
Electric	\$ 443,366	8,656	2,124
Water	133,992	2,739	1,013
Sewage	3,923	454	131
Refuse	17,588	2,680	732

Additionally, the EDA has accrued a liability of \$6,888 for 290 accumulated sick and vacation leave hours. All other accrued sick leave expenses are charged to specific funds and departments, with the liability maintained in a Benefit Accrual Fund.

The Benefit Accrual Fund, an internal service fund, was added to pay for those benefits actually used by governmental fund employees or employees which split their time between proprietary and governmental funds. A liability for unpaid accumulated sick leave of \$1,037,609 is recorded in this fund, reflecting 32,083 accumulated sick leave hours. Sick leave hours exceeding the eligible reimbursement limit of 1,280 hours totaled 241. Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of governmental activities. The general fund is generally used to liquidate compensated absences in the governmental activities.

11. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of applicable bond premium or discount.

In the governmental fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the 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 actual debt proceeds received, are reported as debt service expenditures.

#### 12. Fund balance

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources.

Below are the classifications:

*Nonspendable* – consists of amounts that are not in spendable form, such as inventory and prepaid items.

*Restricted* – consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by law through constitutional provisions or enabling legislation.

*Committed* – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken to remove or revise the limitation.

*Assigned* – consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the City's intended use. These constraints are established by the City Council. Pursuant to Council resolution, the City's Clerk-Treasurer is authorized to establish assignments of fund balance.

*Unassigned* – is the residual classification for the general fund and also reflects negative residual amounts in other funds.

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

When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order; 1) committed, 2) assigned and 3) unassigned.

#### 13. Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources in the City's financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any long-term debt attributable to the acquisition, construction, or improvement of those assets. Restricted Net Position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted Net Position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted component of net position.

#### 14. Net Position Flow Assumption

Sometimes the government will fund outlays for particular purposes for both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

#### 15. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resource (expense/expenditure) until then. The City has one item reported on the Statement of Net Position as *Cost sharing defined benefit pension plan*, which represents actuarial differences within the PERA pension plan as well as amounts paid to the plan after the measurement date.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has one item which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue – property taxes and special assessments, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and special assessments. These amounts are deferred

and recognized as an inflow of resources in the period that the amounts become available. The City also has one item reported on the Statement of Net Position as *cost sharing defined benefit pension plan*, which represents actuarial differences within the PERA pension plan.

16. Comparative data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the government's financial position and operations. However, comparative data has not been presented in all statements because their inclusion would make certain statements unduly complex and difficult to understand.

17. Property taxes

Property tax levies are set by the City Council in October each year and are certified to the county for collection the following year. In Minnesota, counties act as collection agents for all property taxes.

The county spreads the levies over all taxable property in the City. Such taxes become receivables of the City as of January 1.

Property taxes are payable in equal installments by property owners to the county as follows: Personal Property - February 28 and June 30; and Real Property - May 15 and October 15.

The county remits the collections to the City and other taxing districts three times a year, in January, July and December.

Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable. The receivable is fully offset by deferred revenue as it is not available to finance current expenditures.

Taxes payable on homestead property (as defined by Minnesota Statutes) are partially reduced by a homestead credit. This credit is paid to the City by the state in lieu of taxes levied against homestead property. The state remits this credit in two equal installments in July and December each year.

18. Special assessments receivables

Special assessments are levied against the benefited properties for the assessable costs of special assessment improvement projects in accordance with Minnesota Statutes. The City usually adopts the assessment rolls when the individual projects are complete or substantially complete. The assessments are collectible over a term of years generally consistent with the term of years of the related bond issue.

Collection of annual installments (including interest) is handled by the county in the same manner as property taxes. Property owners are allowed to prepay total future installments without interest or prepayment penalties.

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City Council or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeited sale and the first proceeds of that sale (after costs, penalties, and expenses of sale) are remitted to the City in payment of delinquent special assessments. Generally, the City will collect the full amount of its special assessments not adjusted by City Council or court action. Pursuant to state statutes, a property shall be subject to tax forfeit sale after three years of delinquency except for homestead, agricultural or seasonal recreational property, which is subject to sale after five years.

Special assessments receivable includes the following components:

Delinquent - amounts billed to property owners but not paid.

Deferred - assessment installments which will be billed to property owners in future years.

Unremitted special assessment amounts collected by Polk County are recorded in due from other government units.

19. Power cost

The wholesale power suppliers bill monthly on meter readings taken at the end of each month. The expense related to power delivered is the accrued amount billed by the supplier.

20. Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Ultimate results could differ from those estimates.

21. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments

and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. Budgetary Information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are legally adopted by Council resolution for the General and Special Revenue Funds with the exception of the Sales Tax Pool fund and the Economic and Community Development Fund, which adopts project length budgets.

Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. Formal budgetary integration is not employed for the Debt Service Fund because effective budgetary control is alternately achieved through general obligation bond indenture provisions. Budgetary control for Capital Project Funds is based on a project completion time cycle rather than an annual basis; therefore, budgetary comparisons on an annual basis would not present meaningful information.

The City follows these legal compliance procedures in establishing the budgetary data reflected in the financial statements:

1. The city administrator submits a proposed operating budget to the City Council prior to the end of the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to December 30, the budget is legally enacted through the passage of a budget resolution.
4. Management may not legally exceed budgeted expenditures at the department level. Monitoring of budgets is maintained at the sub-department level (i.e., police administration, police investigations, police patrols, etc.) and the category level (i.e., personal services; supplies; other services and charges; capital outlay) within each department. Management can alter the budget at the category or activity level within their department but cannot exceed the total budgeted expenditures for the department that was approved by the City Council. Management cannot amend the budget at the department level. During the year, no formal supplementary appropriations were made. However, the City Council approves all payments of vouchers and payroll at its regular meetings held twice a month, even though budgets may have been exceeded.

5. All budgeted appropriations lapse at the end of the fiscal year. The legal level of budgetary control (i.e. the level at which expenditures may not legally exceed appropriations) is at the department level.

**B. Excess of Expenditures over Appropriations**

For the year ended December 31, 2016, expenditures were over appropriations in the General, Transit, New Home Incentive, Insect Control and Greenway Maintenance funds by \$269,952, \$55,246, \$224,617, \$30,360, and \$40,075, respectively.

**C. Deficit Fund Equity**

At December 31, 2016, there are four governmental funds with a deficit fund balance; the \$758 deficit fund balance in the Transit fund, \$1,942,517 in the Sales Tax Pool fund, \$944,379 in the Capital Projects fund, and \$717 in the 125<sup>th</sup> Anniversary Celebration fund. In addition, the Benefit Accrual internal service fund has a deficit of \$289,958. These will be eliminated with future revenues, and transfers from governmental and enterprise funds.

**NOTE 3. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

Cash, cash equivalents, and investments at December 31, 2016 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and cash equivalents	\$ 9,354,121
Investments	17,806,135
Restricted cash and cash equivalents	136,750
Statement of fiduciary assets and liabilities:	
Cash and cash equivalents	25,625
Total cash and investments	<u>\$ 27,322,631</u>

Cash and investments at December 31, 2016 consist of the following:

Cash:	
Cash on hand	\$ 600
Deposit with financial institutions	5,769,057
Cash equivalents:	
4M - Local Government Investment Pool	2,782,233
Money Market Funds	964,606
Investments:	
Various	17,806,135
Total cash, cash equivalents, and investments	<u>\$ 27,322,631</u>

The 4M Fund is regulated by Minnesota statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under rule 2a7. The reported value of the pool is the same as the fair value of the pool share. Financial statements of the 4M Fund can be obtained by contracting RBC Global Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

**Investments Authorized by Minnesota Statutes and the City’s Investment Policy**

The table below identifies the investment types that are authorized for the City by Minnesota state statute. The City’s investment policy does not restrict investment types beyond the limits set forth by state statute. The table also identifies any provisions in state statutes that address interest rate risk, credit risk, and concentration risk. This table also applies to investments of debt proceeds held by bond trustee that are governed by provisions of debt agreements and similarly restricted by state statute.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Investment in One Issuer</u>
U.S. treasury obligations	None	None	None
U.S. agency securities	None	None	None
Banker’s acceptances	None	None	None
Commercial paper	270 days	None	None
Negotiable certificates of deposit	None	None	\$250,000
Non-negotiable certificates of deposit	None	None	None
MN state or municipal obligations	None	None	None
Repurchase agreements	None	None	None

**Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. As of December 31, 2016, the City’s investments in U.S. Agencies are rated AAA by Standard & Poor’s and AAA by Moody’s Investors Service. The City’s investments in negotiable certificates of deposit are below the F.D.I.C. \$250,000 insurance limit per institution. Non-negotiable certificates of deposits exceeding \$250,000 per institution must be collateralized by the limits defined in the custodial credit risk section of this footnote. The City’s investment in the 4M – Local Government Investment Pool is a common law trust organized and existing under the laws of the State of Minnesota, in accordance with the provisions of the Minnesota Joint Powers Act. This requires it

meets all of the requirements of Rule 2a-7 of the Securities and Exchange Commission. The general objective of the Fund is to provide a high yield for the participants while maintaining liquidity and preserving capital investing only in instruments authorized by Minnesota Statutes, which govern the temporary investment of municipality monies. In addition, the fixed rate/fixed term portion of the program is also structured with safety of principal as the major objective. Subject to the power of the participants to amend the Declaration of Trust, the Board of Directors of the League of Minnesota Cities serves as the Board of Trustees of the Trust. The City has recently adopted an investment policy.

**Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rate will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. One way the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments.

The City also manages this risk by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide cash flow and liquidity for operations. Further, the City purchases some securities that have interest rates that step-up over time. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (in years)</u>	<u>Fair Value Level</u>
Federal Agencies:			
Federal Home Loan Bank	\$ 487,625	6.00	1
Federal National Mortgage Assn.	1,524,282	8.02	1
Non-negotiable certificates of deposit	15,794,228	4.56	N/A
	<u>\$ 17,806,135</u>		

Portfolio weighted average maturity 6.19

**Concentration of Credit Risk**

State statutes contain no limitations on the amount that can be invested in any one issuer. Investments in any one issuer representing 5% or more of the City's total investments are as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Investment Portfolio</u>
Federal Agencies:		
Federal Home Loan Bank	\$ 487,625	2.7%
Federal National Mortgage Assn.	1,524,282	8.6%

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to cover the value of its investment or collateral securities that are in possession of another party. Minnesota statutes do not contain legal requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: Minnesota statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of the collateral must be a minimum of 110% of deposits not covered by insurance or bonds (140% in the case of mortgage backed collateral). Authorized collateral includes the legal investment described earlier, as well as certain first mortgage notes, and certain other state or local obligations. Minnesota statutes require that securities pledged as collateral be held in safekeeping by the clerk-treasurer or in a financial institution. The City has no formal policy relating to custodial credit risk. The City was not exposed to custodial credit risk as of December 31, 2016.

**NOTE 4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**

At December 31, 2016, there are interfund balances that are generally short-term loans used to cover temporary cash deficits in various funds. The interfund transfers generally are made for the purposes of debt service payments made from a debt service fund but funded from an operating fund or subsidy transfers. There were no significant transfers during the fiscal year that were either non-routine in nature or inconsistent with the activities of the fund making the transfer.

**Transfers.** The following interfund transfers are reflected in the fund financial statements at December 31, 2016:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Nonmajor Fund	\$ 17,534 (2)
General Fund	Electric Fund	135,154 (2)
General Fund	Capital Projects Fund	120,000 (2)
General Fund	Nonmajor Fund	1,000 (2)
General Fund	Sales Tax Fund	1,170,399 (1)
12-1-07 Assessment Bonds Fund	General Fund	21,704 (2)
Nonmajor Fund	General Fund	87,986 (2)
Current Year City Projects	Sales Tax Fund	772,118 (1)
Nonmajor Fund	Electric Fund	250,000 (2)
Capital Projects Fund	Nonmajor Fund	304,230 (2)
Nonmajor Fund	Nonmajor Fund	32,762 (2)
		<u>\$ 2,912,887</u>

1. Transfer to cover pool repair expenditures
2. Transfer share of debt service payments, capital and project expenses, wage reimbursements

**Due From Other Funds.** The following due from other funds are reflected on the financial statements at December 31, 2016:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 147,534 (1)
General Fund	Capital Projects	547,065 (1)
Electric Fund	Sales Tax Fund	1,955,726 (3)
Electric Fund	General Fund	92,574 (2)
Electric Fund	Nonmajor Governmental Funds	112 (2)
Water Fund	Electric Fund	296,266 (2)
Water Fund	General Fund	7,888 (2)
General Fund	Electric Fund	260,943 (2)
General Fund	Water Fund	27,661 (2)
Nonmajor Governmental Funds	Electric Fund	12,526 (2)
Refuse Fund	Electric Fund	137,583 (2)
Sewage Fund	Electric Fund	214,348 (2)
Storm Fund	Electric Fund	63,711 (2)
Central Equipment	Storm Water Fund	50,188 (2)
Central Equipment	Refuse Fund	264,867 (2)
Electric Fund	Capital Projects	777,584 (4)
Electric Fund	Commercial Properties	1,036 (2)
Electric Fund	Sewage Fund	4,659 (2)
Electric Fund	Storm Water Fund	10,967 (2)
Electric Fund	Refuse Fund	83 (2)
		<u>\$ 4,873,321</u>

1. The purpose of this Interfund receivable is to maintain a positive cash balance at year end.
2. The purpose of this Interfund receivable is to cover year end utility billings between funds.
3. The purpose of this Interfund receivable is to finance the pool renovation.
4. The purpose of this Interfund receivable is to finance the 2008-09 special assessment project.  
The payment due in 2017 is \$116,689.

**NOTE 5. ACCOUNTS RECEIVABLE**

On April 30, 2011, the City sold the Demers Professional Building under a contract for deed arrangement. The contract bears interest of 4 percent and expires May 1, 2021. Required minimum payments are as follows:

<u>Year Ending</u>	
<u>December 31</u>	
2017	\$ 6,988
2018	7,272
2019	7,569
2020	7,877
2021	3,380
Total	<u>\$ 33,086</u>

**NOTE 6. LEASE COMMITMENTS**

The City has entered into lease agreements with various tenants in the City owned Infill Building. Tenant payments are based on square foot annually. Lease terms are from one to six years. The remaining annual lease payments are as follows:

<u>Year Ending December</u>	
<u>31,</u>	
2017	\$ 64,518
2018	61,953
2019	33,738
2020	33,738
2021	33,738
	<u>\$ 227,685</u>

Details for the property under lease agreements are as follows:

<u>Commercial Properties</u>	<u>Historical</u>	<u>Accumulated</u>	<u>Annual</u>
	<u>Carrying Cost</u>	<u>Depreciation</u>	<u>Depreciation</u>
Infill Building	\$ 1,466,300	\$ 574,182	\$ 39,001

**NOTE 7. CAPITAL ASSETS**

Capital asset activities for the year ended December 31, 2016, were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Internal Service Fund Assets	Governmental Funds Total	Internal Service Fund Additions	Governmental Fund Additions
<b>Governmental activities:</b>								
Nondepreciable capital assets								
Land	\$ 31,203,471	\$ -	\$ -	\$ 31,203,471	\$ -	\$ 31,203,471	\$ -	\$ -
Construction in progress	3,612,314	1,046,630	(3,383,134)	1,275,810	-	1,275,810	-	1,046,630
Total	<u>34,815,785</u>	<u>1,046,630</u>	<u>(3,383,134)</u>	<u>32,479,281</u>	<u>-</u>	<u>32,479,281</u>	<u>-</u>	<u>1,046,630</u>
Depreciable capital assets:								
Buildings, structures, and improvements	78,563,929	3,562,871	-	82,126,800	-	82,126,800	-	3,562,871
Machinery and equipment	8,512,282	434,120	(137,508)	8,808,894	2,898,594	5,910,300	198,140	235,980
Infrastructure	49,582,268	2,216,160	-	51,798,428	-	51,798,428	-	2,216,160
Total	<u>136,658,479</u>	<u>6,213,151</u>	<u>(137,508)</u>	<u>142,734,122</u>	<u>2,898,594</u>	<u>139,835,528</u>	<u>198,140</u>	<u>6,015,011</u>
Total capital assets	<u>171,474,264</u>	<u>7,259,781</u>	<u>(3,520,642)</u>	<u>175,213,403</u>	<u>2,898,594</u>	<u>172,314,809</u>	<u>198,140</u>	<u>7,061,641</u>
Less accumulated depreciation for:								
Buildings, structures and improvements	(20,133,849)	(876,260)	-	(21,010,109)	-	(21,010,109)	-	(876,260)
Machinery and equipment	(5,015,749)	(319,014)	137,508	(5,197,255)	(1,644,765)	(3,552,490)	(132,481)	(186,533)
Infrastructure	(17,546,003)	(2,271,894)	-	(19,817,897)	-	(19,817,897)	-	(2,271,894)
Total accumulated depreciation	<u>(42,695,601)</u>	<u>(3,467,168)</u>	<u>137,508</u>	<u>(46,025,261)</u>	<u>(1,644,765)</u>	<u>(44,380,496)</u>	<u>(132,481)</u>	<u>(3,334,687)</u>
Total governmental activities capital assets, net	<u>\$ 128,778,663</u>	<u>\$ 3,792,613</u>	<u>\$ (3,383,134)</u>	<u>\$ 129,188,142</u>	<u>\$ 1,253,829</u>	<u>\$ 127,934,313</u>	<u>\$ 65,659</u>	<u>\$ 3,726,954</u>
<b>Business-type activities:</b>								
Nondepreciable capital assets								
Land	\$ 612,878	\$ -	\$ -	\$ 612,878				
Construction in progress	1,402,372	6,561,748	(1,402,372)	6,561,748				
Total	<u>2,015,250</u>	<u>6,561,748</u>	<u>(1,402,372)</u>	<u>7,174,626</u>				
Depreciable capital assets:								
Buildings, structures, and improvements	86,090,115	1,398,997	(37,470)	87,451,642				
Machinery and equipment	5,610,655	536,791	(36,750)	6,110,696				
Total	<u>91,700,770</u>	<u>1,935,788</u>	<u>(74,220)</u>	<u>93,562,338</u>				
Total capital assets	<u>93,716,020</u>	<u>8,497,536</u>	<u>(1,476,592)</u>	<u>100,736,964</u>				
Less accumulated depreciation for:								
Buildings, structures, and improvements	(37,757,963)	(2,114,447)	31,146	(39,841,264)				
Machinery and equipment	(5,706,573)	(428,312)	36,750	(6,098,135)				
Total accumulated depreciation	<u>(43,464,536)</u>	<u>(2,542,759)</u>	<u>67,896</u>	<u>(45,939,399)</u>				
Total business-type activities capital assets, net	<u>\$ 50,251,484</u>	<u>\$ 5,954,777</u>	<u>\$ (1,408,696)</u>	<u>\$ 54,797,565</u>				

Depreciation was charged to function/programs of the City as follows:

Governmental Activities:	
General Government	\$ 177,248
Public Safety	264,758
Public Works	2,329,477
Culture and Recreation	647,724
Transit	35,999
Cemetery	<u>11,962</u>
Total Depreciation Expenses - Governmental Activities	3,467,168
Internal Service Fund Depreciation on Capital Assets	<u>(132,481)</u>
Depreciation Expense Excluding Internal Service Fund	<u>\$ 3,334,687</u>

Business-Type Activities:	
Electric Fund	\$ 1,040,835
Water Fund	646,300
Sewer Fund	403,561
Storm Water Fund	355,778
City Mall Fund	39,001
Refuse Fund	<u>57,284</u>
Total Depreciation Expenses - Business-Type Activities:	<u>\$ 2,542,759</u>

**Discretely presented component units**

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Nondepreciable capital assets				
Land	\$ 50,300	\$ -	\$ -	\$ 50,300
Construction in progress	-	4,743	-	4,743
Total	<u>50,300</u>	<u>4,743</u>	<u>-</u>	<u>55,043</u>
Depreciable capital assets:				
Buildings, structures, and improvements	5,503,577	-	-	5,503,577
Machinery and equipment	146,858	-	-	146,858
Total	<u>5,650,435</u>	<u>-</u>	<u>-</u>	<u>5,650,435</u>
Total capital assets	<u>5,700,735</u>	<u>4,743</u>	<u>-</u>	<u>5,705,478</u>
Less accumulated depreciation for:				
Buildings, structures and improvements	(1,903,199)	(136,686)	-	(2,039,885)
Machinery and equipment	(118,943)	(3,719)	-	(122,662)
Total accumulated depreciation	<u>(2,022,142)</u>	<u>(140,405)</u>	<u>-</u>	<u>(2,162,547)</u>
Total governmental activities capital assets, net	<u>\$ 3,678,593</u>	<u>\$ (135,662)</u>	<u>\$ -</u>	<u>\$ 3,542,931</u>

**NOTE 8. LONG-TERM LIABILITIES.**

GENERAL OBLIGATION BONDS. The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. In addition, general obligation bonds have been issued to refund general obligation bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds generally are issued as 20-year serial bonds, except for refunding issues. General obligation bonds currently outstanding are as follows:

**Governmental activities**

General Obligation Improvement Bonds:	Final Maturity	Interest Rates	Issue Amount	Outstanding 12/31/16
12/1/12 Refunding	02/01/20	2.0%	\$ 440,000	\$ 260,000
12/01/12	02/01/34	2.0%-2.75%	660,000	605,000
12/01/07	02/01/28	3.4%-4.25%	3,560,000	1,985,000
12/01/15	02/01/31	2.0%-2.75%	870,000	870,000
12/1/15 Refunding	02/01/25	2.0%-4.0%	2,095,000	2,095,000
12/1/15 Refunding	02/01/27	2.0%-4.0%	760,000	<u>760,000</u>
				<u>6,575,000</u>
Mn PFA-Transportation	08/20/38	3.645%	3,466,567	2,986,000
GO Certificate of Indebtedness	02/01/22	2.0%	875,000	600,000
GO Certificate of Indebtedness	02/01/23	2.0%	265,000	265,000
Total governmental activities				<u>\$ 10,426,000</u>

**Business-type activities**

Revenue bonds:	Final Maturity	Interest Rates	Issue Amount	Outstanding 12/31/16
Mn PFA - Clean Water	08/20/28	2.687%	\$ 4,012,598	\$ 2,721,000
Mn PFA - Clean Water	08/20/36	1.039%	2,937,815	2,937,815
Total business-type activities				<u>\$ 5,658,815</u>

The \$4,012,598 was originally received and expended in the 2008 PFA Loan Sewer Project Fund. Subsequently, the capital assets and related debt were transferred to the Sewage Enterprise Fund. \$2,937,815 has currently been drawn down for the interconnect project with the City of Grand Forks. The project is expected to draw down the entire \$6,933,456 available balance with payments expected to begin in 2017.

**Notes to the Financial Statements**  
**December 31, 2016**

**CITY OF EAST GRAND FORKS**

Special assessment bonds are backed by the full faith and credit of the City. Currently all governmental activities general obligation bonds are supported by special assessments.

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 976,000	\$ 303,288	\$ 195,000	\$ 73,113
2018	999,000	278,221	314,201	118,282
2019	1,037,000	252,244	341,131	91,977
2020	1,031,000	226,814	347,542	85,031
2021	830,000	203,348	354,968	77,936
2022-2026	2,975,000	690,348	1,887,746	277,087
2027-2031	1,244,000	339,083	1,265,681	94,242
2032-2036	955,000	164,767	789,639	33,406
2037-2038	379,000	20,849	162,907	1,699
Total	<u>\$ 10,426,000</u>	<u>\$ 2,478,962</u>	<u>\$ 5,658,815</u>	<u>\$ 852,773</u>

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended December 31, 2016:

	Beginning Balance	Additions/ Proceeds	Reductions/ Payments	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Bonds payable:					
General obligation	\$ 10,345,000	\$ -	\$ (3,770,000)	\$ 6,575,000	\$ 750,000
Unamortized premium	219,200	-	(13,567)	205,633	-
Unamortized discount	(47,111)	-	3,757	(43,354)	-
Total	<u>10,517,089</u>	<u>-</u>	<u>(3,779,810)</u>	<u>6,737,279</u>	<u>750,000</u>
PFA bonds payable:					
MN PFA Transportation bond	3,074,000	-	(88,000)	2,986,000	91,000
G. O. certificates of indebtedness	955,000	-	(90,000)	865,000	135,000
Unamortized premium	22,086	-	(1,967)	20,119	-
Compensated absences	1,032,163	224,503	(219,057)	1,037,609	41,000
Governmental Activities Total:	<u>15,600,338</u>	<u>224,503</u>	<u>(4,178,834)</u>	<u>11,646,007</u>	<u>1,017,000</u>
<b>Business-type activities:</b>					
Bonds payable:					
MN PFA Clean Water Bond	2,911,000	-	(190,000)	2,721,000	195,000
MN PFA Clean Interconnect Loan	-	2,937,815	-	2,937,815	-
Compensated absences	544,356	289,280	(155,506)	678,130	45,000
Business-type activities total	<u>3,455,356</u>	<u>3,227,095</u>	<u>(345,506)</u>	<u>6,336,945</u>	<u>240,000</u>
Government-wide Total	<u>\$ 19,055,694</u>	<u>\$ 3,451,598</u>	<u>\$ (4,524,340)</u>	<u>\$ 17,982,952</u>	<u>\$ 1,257,000</u>

Governmental activities net pension liabilities, net other postemployment benefit obligation and compensated absences are generally liquidated by the general fund.

**Discretely presented component unit – Economic Development and Housing Authority (EDA)**

INTERMEDIARY RELENDING NOTES. These notes are a liability of the U.S. government as of the EDA's Intermediary Relending Program. The notes are payable with loan repayments from businesses. Further, loan repayments are restricted to either building a revolving loan fund or making payments to the U.S. government for borrowed funds. The EDA is charged a one percent interest rate on the notes.

CHANGES IN LONG-TERM LIABILITIES. Long-term liability activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Additions/ Proceeds	Reductions/ Payments	Ending Balance	Due Within One Year
Component Unit activities:					
Intermediary relending notes	\$ 288,269	\$ -	\$ (288,269)	\$ -	\$ -
Compensated absences	5,584	47,921	(37,400)	16,105	2,203
Component Unit activities total	<u>\$ 293,853</u>	<u>\$ 47,921</u>	<u>\$ (325,669)</u>	<u>\$ 16,105</u>	<u>\$ 2,203</u>

**NOTE 9. RISK MANAGEMENT AND LITIGATION**

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the past several years, the City obtained coverage from commercial insurance companies and has effectively managed risk through various employee education and prevention programs.

Additionally, the City self-insures the electric distribution assets in the Electric Fund because the deductible for such coverage is \$50,000 per loss for maximum coverage of \$500,000 per loss.

All risk management activities are accounted for in the appropriate fund. Expenditures and claims are recognized when it is probable that a loss has occurred, the amount of the loss can be reasonably estimated, and the loss amount exceeds insurance coverage. In determining claims, events that might create claims, but for which none have been reported, are considered.

The city attorney estimates that the amount of actual or potential claims against the City as of December 31, 2016 will not materially affect the financial condition of the City.

Workers compensation coverage is provided through a pooled self-insurance program through the League of Minnesota Cities Insurance Trust (LMCIT). The City pays an annual premium to LMCIT. If deemed necessary, LMCIT may require the City to pay supplemental assessments. The LMCIT reinsures through Workers Compensation Reinsurance Association (WCRA) as required by law. The City's coverage is retrospectively rated, where final premiums are determined after loss

experience is known. Property, casualty, and liability insurances are provided by LMCIT through a pooled self-insurance program.

An analysis of claims activities for the last three fiscal periods ended December 31 is presented below:

	2014	2015	2016
Paid Losses	\$ 5,775	\$ 14,215	\$ 11,343
Paid Expenses	53,315	-	11,702
Reserve Losses	112,000	20,000	29,500
Reserve Expenses	173,629	-	-
Total Incurred	344,719	34,215	52,546
Deductible Recovery	(5,155)	(3,923)	(4,000)

The City's commercial insurance carrier has no set reserve losses or reserve expenses for claims filed after December 31, 2016, for incidents occurring prior to that date.

There were no significant reductions in insurance from the previous year and there were no settlements in excess of insurance coverage in each of the past three years.

**NOTE 10. CLAIMS AND CONTINGENCIES**

**Grant Awards**

The City participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government.

As of December 31, 2016, significant amounts of grant expenditures have not been audited, but the City believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

Additionally, unearned revenues are recognized in those funds that have received grant monies in advance of future, reimbursable expenditures.

**Litigation**

There are various claims and lawsuits pending against the City. It is the opinion of the City's management that the potential loss on all claims and lawsuits will not be significant to the City's financial statements.

**NOTE 11. DEFINED BENEFIT PENSION PLANS - STATEWIDE**

Substantially, all employees of the City are required by state law to belong to the pension plan administered by the Public Employees Retirement Association (PERA) which is administered on a statewide basis.

Disclosures relating to these plans follow:

**A. Plan Description**

The City participates in the following cost-sharing multi-employer defined benefit pension plans administered by the Public Employees Retirement Association (PERA). PERA's defined benefit pension plans are established and administered in accordance with *Minnesota Statutes*, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401 (a) of the Internal Revenue Code.

**1. General Employees Retirement Plan**

All full-time and certain part-time employees of the City are covered by the General Employees Retirement Plan. General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

**2. Public Employees Police & Fire Plan**

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

**B. Benefits Provided**

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following paragraphs of this section are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

**1. General Employees Plan Benefits**

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at

termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

**2. Police and Fire Plan Benefits**

Benefits for the Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For PEPFF who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

**C. Contributions**

*Minnesota Statutes* Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

**1. General Employees Fund Contributions**

Basic plan members and Coordinated plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2016. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members. In 2016. The City's contributions to the General Employees Fund for the year ended December 31, 2016, were \$318,174. The City's contributions were equal to the required contributions for each year as set by state statute.

**2. Police and Fire Fund Contributions**

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2016. The City was required to contribute 16.20% of pay for Police and Fire Fund members in calendar year 2016. The City's contributions to the Police and Fire Fund for the year ended December 31, 2016, were \$376,199. The City's contributions were equal to the required contributions as set by state statute.

**D. Pension Costs**

**1. General Employees Fund Pension Costs**

At December 31, 2016, the City reported a liability of \$5,277,678 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$68,982. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportion was 0.0650% which was a decrease of 0.0010% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$718,549 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$20,569 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

At December 31, 2016, the City reported its proportionate share of General Employees Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 430,475
Changes in actuarial assumptions	1,033,374	-
Difference between projected and actual investment earnings	1,005,405	-
Changes in proportion	-	163,353
Contributions paid to PERA subsequent to the measurement date	164,023	-
Total	<u>\$ 2,202,802</u>	<u>\$ 593,828</u>

\$164,023 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31:	Pension Expense Amount
2017	\$ 378,196
2018	378,196
2019	497,921
2020	190,638

Year ending December 31:	Pension Expense Amount
2017	\$ 1,238,037
2018	1,238,037
2019	1,238,037
2020	1,119,750
2021	917,487

2. Police and Fire Fund Pension Costs

At December 31, 2016, the City reported a liability of \$9,671,750 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers.

For the year ended December 31, 2016, the City recognized pension expense of \$1,648,367 for its proportionate share of Police and Fire Fund's pension expense. At June 30, 2016, the City's proportion was 0.2410% which was an increase of 0.0020% from its proportion measured as of June 30, 2015. The City also recognized \$21,690 for the year ended December 31, 2016, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

At December 31, 2016, the City reported its proportionate share of Police and Fire Fund's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 1,106,584
Changes in actuarial assumptions	5,322,786	-
Difference between projected and actual investment earnings	1,473,007	-
Changes in proportion	62,139	-
Contributions paid to PERA subsequent to the measurement date	192,504	-
Total	\$ 7,050,436	\$ 1,106,584

\$192,504 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

E. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabled persons were based on RP-2014 tables for the General Employees Plan and RP-2000 tables for the Police and Fire Plan for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1% per year for all future years.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015. The experience study for Police and Fire was for the period July 1, 2004 through June 30, 2009.

The following changes in actuarial assumptions occurred in 2016:

General Employees Fund

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

Police and Fire Fund

- The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.

- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 7.5%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth at 2.50% for inflation.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	45.00%	5.50%
International Stocks	15.00%	6.00%
Bonds	18.00%	1.45%
Alternative Assets	20.00%	6.40%
Cash	2.00%	0.50%

**F. Discount Rate**

The discount rate used to measure the total pension liability in 2016 was 7.5%, a reduction from 7.9% used in 2015. The projection of cash flows used to determine the discount rate assumed that the employee and employer contributions will be made at the rate specified in statute. Based on that assumption fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056. Beginning in fiscal years ended June 30, 2057 for the Police and Fire Fund, when projected benefit payments exceed the funds' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85% based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date, an equivalent single discount rate of 5.60% for the Police and Fire Fund was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50% applied to all years of projected benefits through the point of asset depletion and 2.85% after.

**G. Pension Liability Sensitivity**

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease (6.5%)	Current (7.5%)	1% Increase (8.5%)
General Employees Fund	\$ 7,495,866	\$ 5,277,678	\$ 3,450,494
Police and Fire Fund	\$ 13,539,166	\$ 9,671,750	\$ 6,511,777

**H. Pension Plan Fiduciary Net Position**

Detailed information about each pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [www.mnpera.org](http://www.mnpera.org).

**NOTE 12. DEFINED CONTRIBUTION PLAN - STATEWIDE**

Six City Council members and the mayor are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The defined contribution plan is a tax qualified plan under section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and twenty-five hundredths of one percent (0.0025) of the assets in each member's account annually.

Total contributions made by the City during the fiscal year 2016 were:

Amount		Percentage of Covered Payroll		Required Rates
Employees	Employer	Employees	Employer	
\$ 1,980	\$ 1,980	5.00%	5.00%	5.00%

**NOTE 13. CONCENTRATION OF SALES AND REVENUES**

American Crystal Sugar Company is the largest customer of the Water and Electric Fund. The company's power purchases account for approximately 43% of the Electric Fund's operating revenue; the company's water purchases account for approximately 32% of the Water Fund's operating revenue. The City collected \$523,345 in franchise fees from the Electric Fund for sales to American Crystal. The fee, calculated at \$.0075 per KWH sold, is classified as general tax revenue in the General Fund and is classified as tax and tax equivalent expense in the Electric Fund.

**NOTE 14. RESTRICTED FUNDS**

Bond covenants and resolutions in both the Electric Fund and Water Fund require the City to deposit specific amounts into designated accounts for specified purposes. At December 31, all funds were in compliance with the requirements of the respective bond resolutions. The funds are invested in cash and cash equivalents and restricted for the following purpose:

Debt service funds - These funds include (1) debt service accounts, which are restricted for payment of the current portion of bond principal and interest and (2) debt service reserve accounts, which are to include sufficient funds to cover the maximum annual principal and interest requirements of the respective related issues.

**NOTE 15. FUND BALANCE**

	General Fund	Capital Projects Fund	Current City Projects Fund	12/1/2007 Assessment Bond	12/1/2004 Assessment Bond	Sales Tax Fund	Nonmajor Governmental Funds
<b>Fund Balances:</b>							
<b>Nonspendable:</b>							
Materials and Supplies	\$ 18,773	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Notes Receivable	61	-	-	-	-	-	141,219
Campbell Library	-	-	-	-	-	-	76,000
<b>Restricted:</b>							
Debt Service	-	-	-	860,948	75,903	-	1,568,470
Current City Projects	-	-	144,803	-	-	-	-
Community Growth	-	-	-	-	-	-	130,370
State Aid Street	-	-	-	-	-	-	391,050
New Home Incentive	-	-	-	-	-	-	446,783
Cemetery	-	-	-	-	-	-	1,518
Insect Control	-	-	-	-	-	-	241,223
Perpetual Care	-	-	-	-	-	-	201,427
Greenway Maint.	-	-	-	-	-	-	51,699
Grants	-	-	-	-	-	-	101,172
1997 Community Development	-	-	-	-	-	-	273,841
1997 Downtown Development	-	-	-	-	-	-	89,396
08 PFA Loan 23rd Street	-	-	-	-	-	-	182,572
Building Improvements	-	-	-	-	-	-	419,929
Campbell Olson	-	-	-	-	-	-	4,332
<b>Unassigned:</b>	<u>4,577,185</u>	<u>(944,379)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,956,389)</u>	<u>(1,475)</u>
<b>TOTAL FUND BALANCE</b>	<u>\$4,596,019</u>	<u>\$ (944,379)</u>	<u>\$ 144,803</u>	<u>\$ 860,948</u>	<u>\$ 75,903</u>	<u>\$(1,956,389)</u>	<u>\$ 4,319,526</u>

**NOTE 16. COMMITTED CONTRACTS**

The City entered into a joint membership agreement, through the Minnesota Municipal Utility Association (MMUA), with the Midcontinent Area Power Pool (MAPP). The agreement will provide the Department with useful information regarding transmission assets and schedules. The Department would be liable for four annual installments of \$8,000 if it decides to discontinue participation in the joint membership.

The City entered into an agreement in 2004 with PKM to acquire electric service territory. The Department will pay PKM .006 cent per kilowatt hour sold on every meter in the newly acquired area for 10 years. The Department paid to PKM \$2,913 for electricity sold to the customers in the annexed service territory during 2016.

The City entered into a joint membership agreement with the Minnesota Municipal Power Agency (MMPA) in 2004. The agreement is in effect until December 31, 2040 and requires the Department to purchase all required power above the Western Area Power Association (WAPA) allocation from the MMPA.

The City has entered into a contract for the interconnect project. The total contract is \$5,469,157, of this \$2,521,270 has been completed with \$2,947,887 remaining.

The City has entered into an agreement to acquire electric service territory from Red River Valley Power Coop (RRVPC). The agreement, entered into January 2003, will be in effect as long as agreed upon by both parties. The City paid to RRVPC the following amounts for electricity sold to the customers in the annexed service territory:

2016	\$ 3,046
2015	5,585
2014	7,990
2013	10,398
2012	12,357
2011	13,203
2010	14,146
2009	38,788
2008	24,803
2007	25,768
2006	22,999
2005	20,478
2004	19,591

**NOTE 17. CONDUIT DEBT OBLIGATION**

The City has issued Industrial Development Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of commercial and industrial facilities which are deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments 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 issue. The City is not obligated in any manner for the payment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2016, two series of Industrial Revenue Bonds were outstanding with remaining principal balances of \$730,000 and \$28,600,000.

**NOTE 18. ARBITRAGE REBATE**

In accordance with the provisions of Section 148(f) of the Internal Revenue Code of 1986, as amended, bonds must satisfy certain arbitrage rebate requirements. Positive arbitrage is the excess of (1) the amount earned on investments purchased with bond proceeds over (2) the amount that such investments would have earned had such investments been invested at a rate equal to the yield on the bond issue. In order to comply with the arbitrage rebate requirements, positive arbitrage must be paid to the U.S. Treasury at the end of each five-year anniversary date of the bond issue. As of December 31, 2016, there are no amounts for arbitrage rebates.

**NOTE 19. NEW PRONOUNCEMENTS**

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 80, *Blending Requirements for Certain Component Units and Amendment of GASB Statement No. 14*, amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criteria require blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, provides recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Earlier application is encouraged.

GASB Statement No. 82, *Pension Issues – an Amendment of GASB Statements No. 67 and No. 73*, provides further guidance regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. This Statement amends GASB Statements No. 67 and No. 68 to require the presentation of covered payroll to be defined as the payroll on which contributions to a pension plan are based, rather than the payroll of employees that are provided with pensions through the pension plan. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). This Statement establishes criteria for determining the timing and pattern of recognition of a liability and corresponding deferred outflow of resources for AROs. It also establishes disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 84, *Fiduciary Activities*, provides guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, provides guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. This Statement requires that any remaining prepaid insurance related to the extinguished debt be included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt. In addition, this Statement will enhance the decision-usefulness of information in notes to financial statements regarding debt that has been defeased in substance. This Statement is effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

Management has not yet determined the effect these statements will have on its financial statements.

## **NOTE 20. OTHER POSTEMPLOYMENT BENEFITS**

### **Plan Description:**

Other postemployment benefits provided by the City include allowing retirees to continue their health insurance coverage through the City group plan at their own cost. This plan was established under the authority of the City Council and is of the single-employer defined benefit variety. Any amendments to the plan must be approved by the City Council. There is not a separate audited plan financial report.

### **Summary of Significant Accounting Policies:**

Postemployment healthcare expenditures are paid as they come due.

### **Funding Policy:**

The City Council establishes employer contribution rates for plan participants and determines how the plan will be funded as part of the budgetary process each year. Retirees pay the full budgeted rates for coverage under the medical plan. The City Council has chosen to fund the healthcare benefits on a pay as you go basis.

### **Annual OPEB Cost and Net OPEB Obligation:**

The annual cost of other post employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is \$81,333 for fiscal year 2016. The City made no contributions and continued funding on a pay-as-you go basis, which amounted to \$62,655 (implicit subsidy).

The City Council has elected not to pre-fund OPEB liabilities. The City Council is required to contribute 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 amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the City's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 86,208
Interest on net OPEB obligation	11,591
Adjustment to annual required contribution	<u>(16,315)</u>
Annual OPEB cost (expense)	81,484
Estimated contributions made	<u>(62,655)</u>
Increase (decrease) in net OPEB obligation	18,829
Net OPEB obligation, beginning of year	<u>257,569</u>
Net OPEB obligation, end of year	<u><u>\$ 276,398</u></u>

**Trend Information:**

The City's annual OPEB cost, the percentage of OPEB cost contributed to the plan and the net OPEB obligation for the years ended December 31, 2016, 2015, 2014, 2013 and 2012 were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2016	\$ 81,484	77.04%	\$ 276,398
12/31/2015	82,027	62.50%	257,569
12/31/2014	82,845	49.90%	226,046
12/31/2013	78,047	75.10%	186,855
12/31/2012	78,722	55.20%	167,458

**Funded Status and Funding Progress:**

As of January 1, 2014, the most recent actuarial date, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$716,547, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$716,547. For the fiscal year ended December 31, 2014, the covered payroll (annual payroll of active employees covered by the plan) was \$5,289,542, and the ratio of the UAAL to the covered payroll was 13.5%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required

supplementary information following the notes to the financial statements presents trend information that shows the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**Actuarial Methods and Assumptions:**

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members at that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value assets, consistent with the long-term perspective of the calculations.

In the January 1, 2014 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions include a 4.50% investment rate of return (net of administrative expenses), which is the expected long-term investment returns on the employers' own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare trend rate of 7.5% initially, reduced by decrements to an ultimate rate of 5.00% over 10 years. Both rates include a 2.5% inflation assumption.

The actuarial value of assets, if any, was determined using techniques that spread the effects of the short-term volatility in the market value of investments over a 5 year period. The UAAL is being amortized as a percentage of projected payroll of 13.5% based on a zero population growth assumption. The open amortization method and a 30 year amortization period are being used. The remaining amortization period at January 1, 2014 was 30 years.

A schedule of employer contributions for the Retiree Health Insurance Premium Contribution Plan is provided below:

Fiscal Year	Annual Required Contribution	Percentage Contributed
12/31/16	\$ 86,208	77.0%
12/31/15	86,208	62.5%
12/31/14	86,208	49.9%
12/31/13	78,047	75.1%
12/31/12	78,722	55.2%

**NOTE 21. SUBSEQUENT EVENTS**

On February 27, 2017, the City approved the sale of General obligation Improvement and Refunding Bonds, Series 2017A of \$3,950,000. The Bond carries an interest rate of 3% with a 10 year term.

**NOTE 22. PRIOR PERIOD ADJUSTMENT**

The City restated net position for unbilled utility revenue increasing receivables and net position as of January 1, 2016 as follows:

	<u>General</u>	<u>Nonmajor</u>	<u>Electric</u>
Net Position January 1, 2016, as previously reported	\$ 2,753,874	\$ 343,011	\$ 27,034,367
Restatement for Unbilled Revenue	<u>22,424</u>	<u>4,626</u>	<u>422,813</u>
Net Position January 1, 2016, as restated	<u>\$ 2,776,298</u>	<u>\$ 347,637</u>	<u>\$ 27,457,180</u>
	<u>Water</u>	<u>Sewage</u>	<u>Storm Water</u>
Net Position January 1, 2016, as previously reported	\$ 12,762,224	\$ 11,566,818	\$ 11,868,104
Restatement for Unbilled Revenue	<u>103,719</u>	<u>78,008</u>	<u>23,432</u>
Net Position January 1, 2016, as restated	<u>\$ 12,865,943</u>	<u>\$ 11,644,826</u>	<u>\$ 11,891,536</u>
	<u>Refuse</u>	<u>Total</u>	
Net Position January 1, 2016, as previously reported	\$ 140,735	\$ 66,469,133	
Restatement for Unbilled Revenue	<u>52,120</u>	<u>707,142</u>	
Net Position January 1, 2016, as restated	<u>\$ 192,855</u>	<u>\$ 67,176,275</u>	

**NOTE 23. TAX ABATEMENTS**

In accordance with Minnesota Statutes 469.1812 through 469.1815, the statute authorizes Property Tax Abatement for Community Development purposes. The City of East Grand Forks authorized a two year Tax Rebate for New Home Construction through the year 2021. The program applies to owner occupied single family dwellings, including town homes and twin homes. The abatement is for the first two years where payment of taxes are based upon the full value of the new dwelling. The City's amount for 2016 is \$30,613.

**Other Postemployment Benefits Plan  
Schedule of Funding Progress  
As of December 31, 2016**

**CITY OF EAST GRAND FORKS**

Actual 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 ]
1/1/2014	\$ -	\$ 716,547	\$ 716,547	-	\$ 5,289,542	13.55%
1/1/2011	-	723,000	723,000	-	4,810,832	15.03%
1/1/2008	-	562,881	562,881	-	4,142,858	13.59%

Schedule of Employer Contributions:

Fiscal Year	Actual Annual Contribution	Actual Required Contribution	Percentage Contribution
2011	\$ 49,253	\$ 79,826	61.7%
2012	43,478	78,722	55.2%
2013	58,650	78,047	75.1%
2014	42,979	86,208	49.9%
2015	53,853	86,208	62.5%
2016	62,655	86,208	77.0%

The City implemented GASB No. 45 for the year ended December 31, 2011. Information for prior years is not available.

**Schedule of City's Contributions to PERA Retirement Fund  
As of December 31, 2016**

**CITY OF EAST GRAND FORKS**

Year Ended	Pension Plan	Statutorily Required Contributions	Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	PERA - GERP	\$ 296,341	\$ 296,341	\$ -	\$ 3,951,212	7.50%
2016	PERA - GERP	\$ 318,174	\$ 318,174	\$ -	\$ 4,240,440	7.50%
2015	PERA - PEPFF	\$ 372,285	\$ 372,285	\$ -	\$ 2,298,054	16.20%
2016	PERA - PEPFF	\$ 376,199	\$ 376,199	\$ -	\$ 2,321,891	16.20%

The amounts presented for each fiscal year were determined as of the City's year end which is December 31.

The City implemented GASB Statement No. 68 for its year ended December 31, 2015. Information for the prior years is not available.

**Schedule of City's and Non-Employer Proportionate Share of the Net Pension Liability  
As of December 31, 2016**

**CITY OF EAST GRAND FORKS**

Year Ended	Pension Plan	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered-Employee Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015	PERA - GERF	0.0660%	\$ 3,420,463	\$ -	\$ 3,812,160	89.7%	78.20%
2016	PERA - GERF	0.0650%	\$ 5,277,678	\$ 68,982	\$ 4,007,733	131.7%	68.90%
2015	PERA - PEPFF	0.2390%	\$ 2,715,599	\$ -	\$ 2,131,642	127.4%	86.61%
2016	PERA - PEPFF	0.2410%	\$ 9,671,749	\$ -	\$ 2,317,136	417.4%	63.90%

The amounts presented for each fiscal year were determined as of the measurement date of the City's net pension liability which is June 30, of the previous year for PERA.

The City implemented GASB Statement No. 68 for its year ended December 31, 2015. Information for the prior years is not available.



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# NONMAJOR GOVERNMENTAL FUNDS



CITY OF EAST GRAND FORKS, MINNESOTA

**SPECIAL REVENUE FUNDS** are used to account for revenues derived from specific taxes or other earmarked revenue sources. They are usually required by statute, charter provisions, or local ordinance to finance particular functions or activities of government.

Community and Economic Growth Fund This fund is used to account for various programs that promote community and economic growth. These programs often have external revenue sources with spending restrictions.

State Aid Street This fund is used to account for the receipt and disbursement of Minnesota State Aid for streets.

Transit This fund is used to account for providing contracted transportation services to the community. The services are contracted from the City of Grand Forks, which are funded mostly by state and federal grants.

New Home Incentive This fund is used to account for the disbursement of deferred loans for new home construction to residents that meet certain income limits. The fund is supported with proceeds from the sale of city owned residential lots.

Cemetery Fund This fund is used to account for the activities of the Cemetery Fund, which is funded by revenue from plot sales.

Insect Control This fund is used to account for the activities of the Insect Control Fund, supported by \$1.00 per month from each utility customer.

Perpetual Care Fund This fund is used to accumulate resources to maintain the cemetery operations after all the plots are sold. A portion of the revenue from each plot sold is attributed to this fund.

Greenway Maintenance Fund This fund is used to accumulate fee revenue to pay for improvements to the Cities greenway areas.

125<sup>th</sup> Anniversary Celebration Fund This fund is used to account for the revenues and costs of the Cities 125<sup>th</sup> anniversary programs.

**DEBT SERVICE FUNDS** are used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest and related costs. Debt issued for and serviced by an enterprise fund is not included in this category.

General obligation bond debt service funds presently established are as follows: 12-1-01, 12-1-03, 4-1-04, 3-1-06, 2015, 2017 Special Assessment Bonds. *2012 Improvement & Refunding Bonds*.

**CAPITAL PROJECTS FUNDS** are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.

Grants This fund is used to better track grant revenue and expenses for budgeting purposes.

1997 Community Development Projects This fund is used to account for the activities involved with improving single family, rental, and commercial properties through small cities development program grants.

1997 Downtown Development Projects This fund is used to account for the construction of new and public facilities, which is primarily funded with a United States Housing and Urban Development grant.

08 PFA Loan 23<sup>rd</sup> Street Project This fund is used to account for street improvements financed by a PFA bond issue.

Building Improvement Projects This fund is used to account for City building improvements.

**PERMANENT FUNDS** are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

Campbell – Olson Fund This fund is used to account for the principal and interest on endowments for the benefit of the library.



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**Combining Balance Sheet  
Nonmajor Governmental Funds by Fund Type  
As of December 31, 2016**

**CITY OF EAST GRAND FORKS**

	<u>Nonmajor Special Revenue Funds</u>	<u>Nonmajor Debt Service Funds</u>	<u>Nonmajor Capital Projects Funds</u>	<u>Nonmajor Permanent Campbell- Olson Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 482,655	\$ 1,172,368	\$ 899,679	\$ 80,332	\$ 2,635,034
Investments	520,637	378,498	84,876	-	984,011
Accounts receivable	3,850	-	104,520	-	108,370
Due from other funds	12,526	-	-	-	12,526
Due from other government units	190,886	17,604	-	-	208,490
Special assessments receivable:					
Delinquent	-	3,203,664	-	-	3,203,664
Notes receivable	141,219	-	-	-	141,219
Land held for resale	349,989	-	-	-	349,989
Total Assets	<u>\$ 1,701,762</u>	<u>\$ 4,772,134</u>	<u>\$ 1,089,075</u>	<u>\$ 80,332</u>	<u>\$ 7,643,303</u>
<b>LIABILITIES</b>					
Accounts payable	\$ 15,850	\$ -	\$ 17,606	\$ -	\$ 33,456
Accrued wages payable	1,906	-	-	-	1,906
Due to other funds	147,646	-	-	-	147,646
Due to other government units	73,765	-	4,559	-	78,324
Total Liabilities	<u>239,167</u>	<u>-</u>	<u>22,165</u>	<u>-</u>	<u>261,332</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue - Property Taxes and Spec. Assessments	-	3,203,664	-	-	3,203,664
Total Deferred Inflows of Resources	<u>-</u>	<u>3,203,664</u>	<u>-</u>	<u>-</u>	<u>3,203,664</u>
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	76,000	76,000
Restricted	1,464,070	1,568,470	1,066,910	4,332	4,103,782
Unassigned	(1,475)	-	-	-	(1,475)
Total Fund Balances	<u>1,462,595</u>	<u>1,568,470</u>	<u>1,066,910</u>	<u>80,332</u>	<u>4,178,307</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,701,762</u>	<u>\$ 4,772,134</u>	<u>\$ 1,089,075</u>	<u>\$ 80,332</u>	<u>\$ 7,643,303</u>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Governmental Funds by Fund Type  
 For the Year Ended December 31, 2016**

**CITY OF EAST GRAND FORKS**

	<b>Nonmajor Special Revenue Funds</b>	<b>Nonmajor Debt Service Funds</b>	<b>Nonmajor Capital Projects Funds</b>	<b>Nonmajor Permanent Campbell- Olson Fund</b>	<b>Total Nonmajor Governmental Funds</b>
Revenues:					
Intergovernmental	\$ 594,001	\$ -	\$ 348,947	\$ -	\$ 942,948
Special assessments	-	579,056	-	-	579,056
Charges for services	108,006	-	-	-	108,006
Interest and other revenues	70,631	16,898	358,767	888	447,184
Total revenues	<u>772,638</u>	<u>595,954</u>	<u>707,714</u>	<u>888</u>	<u>2,077,194</u>
Expenditures:					
Current:					
Public works	71,894	-	-	-	71,894
Transit	373,701	-	-	-	373,701
Community development	354,617	-	-	-	354,617
Cemetery	56,943	-	-	-	56,943
Capital outlay	227,518	-	321,925	-	549,443
Debt service:					
Principal retirement	-	1,165,000	88,000	-	1,253,000
Interest and fiscal agent fees	-	69,337	112,047	-	181,384
Total expenditures	<u>1,084,673</u>	<u>1,234,337</u>	<u>521,972</u>	<u>-</u>	<u>2,840,982</u>
Excess (deficiency) of revenues over expenditures	<u>(312,035)</u>	<u>(638,383)</u>	<u>185,742</u>	<u>888</u>	<u>(763,788)</u>
Other financing sources (uses)					
Proceeds from sale of capital asset	40,118	-	-	-	40,118
Transfers in	105,155	-	265,593	-	370,748
Transfers out	(354,528)	-	-	(1,000)	(355,528)
Total other financing sources (uses)	<u>(209,255)</u>	<u>-</u>	<u>265,593</u>	<u>(1,000)</u>	<u>55,338</u>
Net change in fund balances	<u>(521,290)</u>	<u>(638,383)</u>	<u>451,335</u>	<u>(112)</u>	<u>(708,450)</u>
Fund balance at beginning of year	1,979,259	2,206,853	615,575	80,444	4,882,131
Prior period adjustment - see Note 22	4,626	-	-	-	4,626
Fund balance at beginning of year, as restated	<u>1,983,885</u>	<u>2,206,853</u>	<u>615,575</u>	<u>80,444</u>	<u>4,886,757</u>
Fund balance at end of year	<u>\$ 1,462,595</u>	<u>\$ 1,568,470</u>	<u>\$ 1,066,910</u>	<u>\$ 80,332</u>	<u>\$ 4,178,307</u>

**Combining Balance Sheet  
Nonmajor Special Revenue Funds  
As of December 31, 2016**

**CITY OF EAST GRAND FORKS**

	<u>Community and Economic Growth</u>	<u>State Aid Street</u>	<u>Transit</u>	<u>New Home Incentive</u>	<u>Cemetery</u>	<u>Insect Control</u>	<u>Perpetual Care</u>	<u>Greenway Maintenance</u>	<u>125th Anniversary Celebration</u>	<u>Total</u>
<b>ASSETS</b>										
Cash and cash equivalents	\$ 130,370	\$ 105,374	\$ -	\$ -	\$ 49	\$ -	\$ 201,427	\$ 45,435	\$ -	\$ 482,655
Investments	-	285,676	-	-	-	234,961	-	-	-	520,637
Accounts receivable	-	-	860	-	2,990	-	-	-	-	3,850
Due from other funds	-	-	-	-	-	6,262	-	6,264	-	12,526
Due from other governments	-	-	190,886	-	-	-	-	-	-	190,886
Notes receivable (net)	-	-	-	141,219	-	-	-	-	-	141,219
Land held for resale	-	-	-	349,989	-	-	-	-	-	349,989
Total Assets	<u>\$ 130,370</u>	<u>\$ 391,050</u>	<u>\$ 191,746</u>	<u>\$ 491,208</u>	<u>\$ 3,039</u>	<u>\$ 241,223</u>	<u>\$ 201,427</u>	<u>\$ 51,699</u>	<u>\$ -</u>	<u>\$ 1,701,762</u>
<b>LIABILITIES</b>										
Accounts payable	\$ -	\$ -	\$ -	\$ 15,588	\$ 262	\$ -	\$ -	\$ -	\$ -	\$ 15,850
Accrued wages payable	-	-	759	-	1,147	-	-	-	-	1,906
Due to other funds	-	-	117,980	28,837	112	-	-	-	717	147,646
Due to other government units	-	-	73,765	-	-	-	-	-	-	73,765
Total Liabilities	<u>-</u>	<u>-</u>	<u>192,504</u>	<u>44,425</u>	<u>1,521</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>717</u>	<u>239,167</u>
<b>FUND BALANCES</b>										
Restricted	130,370	391,050	-	446,783	1,518	241,223	201,427	51,699	-	1,464,070
Unassigned	-	-	(758)	-	-	-	-	-	(717)	(1,475)
Total fund balances	<u>130,370</u>	<u>391,050</u>	<u>(758)</u>	<u>446,783</u>	<u>1,518</u>	<u>241,223</u>	<u>201,427</u>	<u>51,699</u>	<u>(717)</u>	<u>1,462,595</u>
Total liabilities and fund balances	<u>\$ 130,370</u>	<u>\$ 391,050</u>	<u>\$ 191,746</u>	<u>\$ 491,208</u>	<u>\$ 3,039</u>	<u>\$ 241,223</u>	<u>\$ 201,427</u>	<u>\$ 51,699</u>	<u>\$ -</u>	<u>\$ 1,701,762</u>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2016**

**CITY OF EAST GRAND FORKS**

	<u>Community and Economic Growth</u>	<u>State Aid Street</u>	<u>Transit</u>	<u>New Home Incentive</u>	<u>Cemetery</u>	<u>Insect Control</u>	<u>Perpetual Care</u>	<u>Greenway Maintenance</u>	<u>125th Anniversary Celebration</u>	<u>Total</u>
Revenues:										
Intergovernmental	\$ -	\$ 163,640	\$ 430,361	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 594,001
Charges for services	-	-	-	-	13,945	47,045	-	47,016	-	108,006
Other revenue:										
Interest revenue	1,423	6,450	-	2,273	49	2,813	2,258	1,091	-	16,357
Other	-	-	3,105	39,039	-	-	12,130	-	-	54,274
Total revenues	<u>1,423</u>	<u>170,090</u>	<u>433,466</u>	<u>41,312</u>	<u>13,994</u>	<u>49,858</u>	<u>14,388</u>	<u>48,107</u>	<u>-</u>	<u>772,638</u>
Expenditures:										
Current:										
Public works	-	1,289	-	-	-	70,605	-	-	-	71,894
Community development	-	-	-	354,617	-	-	-	-	-	354,617
Transit	-	-	373,701	-	-	-	-	-	-	373,701
Cemetery	-	-	-	-	56,943	-	-	-	-	56,943
Capital outlay	-	-	142,443	-	-	-	-	85,075	-	227,518
Total expenditures	<u>-</u>	<u>1,289</u>	<u>516,144</u>	<u>354,617</u>	<u>56,943</u>	<u>70,605</u>	<u>-</u>	<u>85,075</u>	<u>-</u>	<u>1,084,673</u>
Excess (deficiency) of revenues over expenditures	<u>1,423</u>	<u>168,801</u>	<u>(82,678)</u>	<u>(313,305)</u>	<u>(42,949)</u>	<u>(20,747)</u>	<u>14,388</u>	<u>(36,968)</u>	<u>-</u>	<u>(312,035)</u>
Other financing sources (uses):										
Proceeds from sale of capital asset	-	-	-	22,913	17,205	-	-	-	-	40,118
Transfers in	-	30,485	53,217	-	21,453	-	-	-	-	105,155
Transfers out	-	(304,230)	-	(30,613)	-	-	(19,685)	-	-	(354,528)
Total other financing sources (uses)	<u>-</u>	<u>(273,745)</u>	<u>53,217</u>	<u>(7,700)</u>	<u>38,658</u>	<u>-</u>	<u>(19,685)</u>	<u>-</u>	<u>-</u>	<u>(209,255)</u>
Net change in fund balances	<u>1,423</u>	<u>(104,944)</u>	<u>(29,461)</u>	<u>(321,005)</u>	<u>(4,291)</u>	<u>(20,747)</u>	<u>(5,297)</u>	<u>(36,968)</u>	<u>-</u>	<u>(521,290)</u>
Fund balance at beginning of year	128,947	495,994	28,703	767,788	5,809	259,657	206,724	86,354	(717)	1,979,259
Prior period adjustment - see Note 22	-	-	-	-	-	2,313	-	2,313	-	4,626
Fund balance at beginning of year, as restated	<u>128,947</u>	<u>495,994</u>	<u>28,703</u>	<u>767,788</u>	<u>5,809</u>	<u>261,970</u>	<u>206,724</u>	<u>88,667</u>	<u>(717)</u>	<u>1,983,885</u>
Fund balance at end of year	<u>\$ 130,370</u>	<u>\$ 391,050</u>	<u>\$ (758)</u>	<u>\$ 446,783</u>	<u>\$ 1,518</u>	<u>\$ 241,223</u>	<u>\$ 201,427</u>	<u>\$ 51,699</u>	<u>\$ (717)</u>	<u>\$ 1,462,595</u>

**Combining Balance Sheet  
Nonmajor Debt Service Funds  
As of December 31, 2016**

**CITY OF EAST GRAND FORKS**

	<b>2012 Improvement &amp; Refunding Bonds</b>	<b>12-1-01 Assessment Bonds</b>	<b>04-1-04 Assessment Bonds</b>	<b>12-1-03 Assessment Bonds</b>	<b>3-1-06 Assessment Bonds</b>	<b>2015 Assessment Bonds</b>	<b>2017 Assessment Bonds</b>	<b>Total</b>
<b>ASSETS</b>								
Cash and cash equivalents	\$ 228,127	\$ 129,217	\$ 235,872	\$ 116,341	\$ 166,305	\$ 131,337	\$ 165,169	\$ 1,172,368
Investments	-	164,458	-	103,170	110,870	-	-	378,498
Due from other government units	1,018	11,347	-	382	363	4,494	-	17,604
Special assessments receivable:								
Delinquent	597,377	179,097	-	362,169	512,802	725,247	826,972	3,203,664
Total assets	<u>\$ 826,522</u>	<u>\$ 484,119</u>	<u>\$ 235,872</u>	<u>\$ 582,062</u>	<u>\$ 790,340</u>	<u>\$ 861,078</u>	<u>\$ 992,141</u>	<u>\$ 4,772,134</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Unavailable revenue-special assessments	\$ 597,377	\$ 179,097	\$ -	\$ 362,169	\$ 512,802	\$ 725,247	\$ 826,972	\$ 3,203,664
Total deferred inflows of resources	<u>597,377</u>	<u>179,097</u>	<u>-</u>	<u>362,169</u>	<u>512,802</u>	<u>725,247</u>	<u>826,972</u>	<u>3,203,664</u>
<b>FUND BALANCES</b>								
Restricted	229,145	305,022	235,872	219,893	277,538	135,831	165,169	1,568,470
Total fund balances	<u>229,145</u>	<u>305,022</u>	<u>235,872</u>	<u>219,893</u>	<u>277,538</u>	<u>135,831</u>	<u>165,169</u>	<u>1,568,470</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 826,522</u>	<u>\$ 484,119</u>	<u>\$ 235,872</u>	<u>\$ 582,062</u>	<u>\$ 790,340</u>	<u>\$ 861,078</u>	<u>\$ 992,141</u>	<u>\$ 4,772,134</u>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Debt Service Funds  
 For the Year Ended December 31, 2016**

**CITY OF EAST GRAND FORKS**

	<u>2012 Improvement &amp; Refunding Bonds</u>	<u>12-1-01 Special Assessment Bonds</u>	<u>04-1-04 Special Assessment Bonds</u>	<u>12-1-03 Assessment Bonds</u>	<u>3-1-06 Assessment Bonds</u>	<u>2015 Assessment Bonds</u>	<u>2017 Assessment Bonds</u>	<u>Total</u>
Revenues:								
Special assessments	\$ 54,984	\$ 39,968	\$ 2,313	\$ 89,686	\$ 119,433	\$ 107,681	\$ 164,991	\$ 579,056
Interest on investments	2,136	4,205	3,723	2,175	3,433	1,048	178	16,898
Total revenues	<u>57,120</u>	<u>44,173</u>	<u>6,036</u>	<u>91,861</u>	<u>122,866</u>	<u>108,729</u>	<u>165,169</u>	<u>595,954</u>
Expenditures:								
Debt service:								
Principal retirement	25,000	-	10,000	60,000	1,070,000	-	-	1,165,000
Interest and fiscal agent fees	15,338	-	663	5,800	33,804	13,732	-	69,337
Total expenditures	<u>40,338</u>	<u>-</u>	<u>10,663</u>	<u>65,800</u>	<u>1,103,804</u>	<u>13,732</u>	<u>-</u>	<u>1,234,337</u>
Net change in fund balances	16,782	44,173	(4,627)	26,061	(980,938)	94,997	165,169	(638,383)
Fund balance at beginning of year	212,363	260,849	240,499	193,832	1,258,476	40,834	-	2,206,853
Fund balance at end of year	<u>\$ 229,145</u>	<u>\$ 305,022</u>	<u>\$ 235,872</u>	<u>\$ 219,893</u>	<u>\$ 277,538</u>	<u>\$ 135,831</u>	<u>\$ 165,169</u>	<u>\$ 1,568,470</u>

Combining Balance Sheet  
 Nonmajor Capital Projects Funds  
 As of December 31, 2016

CITY OF EAST GRAND FORKS

	<u>Grants</u>	<u>1997 Community Development</u>	<u>1997 Downtown Development</u>	<u>08 PFA Loan 23rd Street Project</u>	<u>Building Improvements</u>	<u>Total</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 108,421	\$ 273,841	\$ -	\$ 182,572	\$ 334,845	\$ 899,679
Investments	-	-	84,876	-	-	84,876
Total assets	<u>\$ 108,421</u>	<u>\$ 273,841</u>	<u>\$ 89,396</u>	<u>\$ 182,572</u>	<u>\$ 434,845</u>	<u>\$ 1,089,075</u>
<b>LIABILITIES</b>						
Accounts payable	\$ 2,690	\$ -	\$ -	\$ -	\$ 14,916	\$ 17,606
Due to other governmental units	4,559	-	-	-	-	4,559
Total liabilities	<u>7,249</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,916</u>	<u>22,165</u>
<b>FUND BALANCES</b>						
Restricted	101,172	273,841	89,396	182,572	419,929	1,066,910
Total fund balances	<u>101,172</u>	<u>273,841</u>	<u>89,396</u>	<u>182,572</u>	<u>419,929</u>	<u>1,066,910</u>
Total liabilities and fund balances	<u>\$ 108,421</u>	<u>\$ 273,841</u>	<u>\$ 89,396</u>	<u>\$ 182,572</u>	<u>\$ 434,845</u>	<u>\$ 1,089,075</u>

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Capital Projects Funds  
 For the Year Ended December 31, 2016

CITY OF EAST GRAND FORKS

	Grants	1997 Community Development	1997 Downtown Development	08 PFA Loan 23rd Street Project	Building Improvements	Total
Revenues:						
Intergovernmental	\$ 150,503	\$ -	\$ -	\$ 198,444	\$ -	\$ 348,947
Other income	452	251,733	1,268	1,491	103,823	358,767
Total revenues	<u>150,955</u>	<u>251,733</u>	<u>1,268</u>	<u>199,935</u>	<u>103,823</u>	<u>707,714</u>
Expenditures:						
Capital outlay:	62,130	511	78,810	-	180,474	321,925
Debt service:						
Principal retirement	-	-	-	88,000	-	88,000
Interest and fiscal agent charges	-	-	-	112,047	-	112,047
Total expenditures	<u>62,130</u>	<u>511</u>	<u>78,810</u>	<u>200,047</u>	<u>180,474</u>	<u>521,972</u>
Excess (deficiency) of revenues over expenditures	<u>88,825</u>	<u>251,222</u>	<u>(77,542)</u>	<u>(112)</u>	<u>(76,651)</u>	<u>185,742</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	265,593	265,593
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>265,593</u>	<u>265,593</u>
Net change in fund balances	88,825	251,222	(77,542)	(112)	188,942	451,335
Fund balance at beginning of year	<u>12,347</u>	<u>22,619</u>	<u>166,938</u>	<u>182,684</u>	<u>230,987</u>	<u>615,575</u>
Fund balance at end of year	<u>\$ 101,172</u>	<u>\$ 273,841</u>	<u>\$ 89,396</u>	<u>\$ 182,572</u>	<u>\$ 419,929</u>	<u>\$ 1,066,910</u>

**Community Growth Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended December 31, 2016**

**CITY OF EAST GRAND FORKS**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Other revenues:			
Interest revenue	\$ 1,500	\$ 1,423	\$ (77)
Total revenues	<u>1,500</u>	<u>1,423</u>	<u>(77)</u>
Expenditures:			
Community development:			
Contractual services	10,000	-	10,000
Other expenditures	100,000	-	100,000
Total expenditures	<u>110,000</u>	<u>-</u>	<u>110,000</u>
Net changes in fund balances	<u>(108,500)</u>	<u>1,423</u>	<u>(109,923)</u>
Fund balance at beginning of year	128,947	128,947	-
Fund balance at end of year	<u>\$ 20,447</u>	<u>\$ 130,370</u>	<u>\$ (109,923)</u>

State Aid Street Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Budget to Actual  
 For the Year Ended December 31, 2016

CITY OF EAST GRAND FORKS

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Intergovernmental	\$ 309,304	\$ 163,640	\$ (145,664)
Other revenues:			
Interest revenue	2,200	6,450	4,250
Total revenue	<u>311,504</u>	<u>170,090</u>	<u>(141,414)</u>
Expenditures:			
Public works:			
Contractual services	329,109	1,289	327,820
Total expenditures	<u>329,109</u>	<u>1,289</u>	<u>327,820</u>
Excess (deficiency) of revenues over expenditures	<u>(17,605)</u>	<u>168,801</u>	<u>186,406</u>
Other financing sources (uses):			
Transfers In	-	30,485	30,485
Transfers out	-	(304,230)	(304,230)
Total other financing sources (uses)	<u>-</u>	<u>(273,745)</u>	<u>(273,745)</u>
Net changes in fund balances	(17,605)	(104,944)	(87,339)
Fund balance at beginning of year	495,994	495,994	-
Fund balance at end of year	<u>\$ 478,389</u>	<u>\$ 391,050</u>	<u>\$ (87,339)</u>

**Transit Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended December 31, 2016**

**CITY OF EAST GRAND FORKS**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Intergovernmental	\$ 394,961	\$ 430,361	\$ 35,400
Other revenues:			
Other	12,800	3,105	(9,695)
Total revenues	<u>407,761</u>	<u>433,466</u>	<u>25,705</u>
Expenditures:			
Transit:			
Contractual services	383,968	373,701	10,267
Capital outlay	-	142,443	(142,443)
Other expenditures	76,930	-	76,930
Total expenditures	<u>460,898</u>	<u>516,144</u>	<u>(55,246)</u>
Excess (deficiency) of revenues over expenditures	<u>(53,137)</u>	<u>(82,678)</u>	<u>(29,541)</u>
Other financing sources (uses):			
Transfers in	53,137	53,217	80
Total other financing sources (uses)	<u>53,137</u>	<u>53,217</u>	<u>80</u>
Net changes in fund balances	-	(29,461)	(29,461)
Fund balance at beginning of year	28,703	28,703	-
Fund balance at end of year	<u>\$ 28,703</u>	<u>\$ (758)</u>	<u>\$ (29,461)</u>

**New Home Incentive Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget to Actual  
For the Year Ended December 31, 2016**

**CITY OF EAST GRAND FORKS**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Other revenues:			
Interest revenue	\$ 4,500	\$ 2,273	\$ (2,227)
Other	30,000	39,039	9,039
Total revenues	<u>34,500</u>	<u>41,312</u>	<u>6,812</u>
Expenditures:			
Community development:			
Contractual services	8,500	4,519	3,981
Other expenditures	121,500	350,098	(228,598)
Total expenditures	<u>130,000</u>	<u>354,617</u>	<u>(224,617)</u>
Excess (deficiency) of revenues over expenditures	(95,500)	(313,305)	(217,805)
Other financing sources (uses):			
Proceeds from sale of capital asset	90,000	22,913	(67,087)
Transfers out	(180,000)	(30,613)	149,387
Total other financing sources (uses)	<u>(90,000)</u>	<u>(7,700)</u>	<u>82,300</u>
Net changes in fund balances	(185,500)	(321,005)	(135,505)
Fund balance at beginning of year	767,788	767,788	-
Fund balance at end of year	<u>\$ 582,288</u>	<u>\$ 446,783</u>	<u>\$ (135,505)</u>

**Cemetery Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended December 31, 2016**

**CITY OF EAST GRAND FORKS**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Charges for services	\$ 17,500	\$ 13,945	\$ (3,555)
Interest revenue	-	49	49
Total revenues	<u>17,500</u>	<u>13,994</u>	<u>(3,506)</u>
Expenditures:			
Other:			
Personal services	20,881	25,113	(4,232)
Supplies	2,700	1,193	1,507
Contractual services	6,000	5,440	560
Capital outlay	30,622	-	30,622
Other expenditures	23,350	25,197	(1,847)
Total expenditures	<u>83,553</u>	<u>56,943</u>	<u>26,610</u>
Excess (deficiency) of revenues over expenditures	<u>(66,053)</u>	<u>(42,949)</u>	<u>23,104</u>
Other financing sources (uses):			
Proceeds from sale of capital asset	20,000	17,205	(2,795)
Transfers in	46,053	21,453	(24,600)
Transfers out	-	-	-
Total other financing sources (uses)	<u>66,053</u>	<u>38,658</u>	<u>(27,395)</u>
Net changes in fund balances	-	(4,291)	(4,291)
Fund balance at beginning of year	5,809	5,809	-
Fund balance at end of year	<u>\$ 5,809</u>	<u>\$ 1,518</u>	<u>\$ (4,291)</u>

**Insect Control Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended December 31, 2016**

**CITY OF EAST GRAND FORKS**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Charges for services	\$ 45,000	\$ 47,045	\$ 2,045
Other revenue:			
Interest revenue	1,500	2,813	2,813
Total revenues	<u>46,500</u>	<u>49,858</u>	<u>4,858</u>
Expenditures:			
Public Works:			
Personal services	5,745	16,885	(11,140)
Supplies	20,000	35,056	(15,056)
Capital outlay	10,000	-	10,000
Other expenditures	4,500	18,664	(14,164)
Total expenditures	<u>40,245</u>	<u>70,605</u>	<u>(30,360)</u>
Net changes in fund balances	<u>6,255</u>	<u>(20,747)</u>	<u>(25,502)</u>
Fund balance at beginning of year	259,657	259,657	-
Prior period adjustment - see Note 22	-	2,313	2,313
Fund balance at beginning of year, as restated	<u>259,657</u>	<u>261,970</u>	<u>2,313</u>
Fund balance at end of year	<u>\$ 265,912</u>	<u>\$ 241,223</u>	<u>\$ (23,189)</u>

**Perpetual Care Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended December 31, 2016**

**CITY OF EAST GRAND FORKS**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Other revenue:			
Interest revenue	\$ 1,000	\$ 2,258	\$ 1,258
Other	10,000	12,130	2,130
Total revenues	<u>11,000</u>	<u>14,388</u>	<u>3,388</u>
Other financing sources			
Transfers out	-	(19,685)	(19,685)
Total other financing sources	<u>-</u>	<u>(19,685)</u>	<u>(19,685)</u>
Net change in fund balances	11,000	(5,297)	(16,297)
Fund balance at beginning of year	206,724	206,724	-
Fund balance at end of year	<u>\$ 217,724</u>	<u>\$ 201,427</u>	<u>\$ (16,297)</u>

**Greenway Maintenance Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended December 31, 2016**

**CITY OF EAST GRAND FORKS**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Charges for services	\$ 45,000	\$ 47,016	\$ 2,016
Other revenue:			
Interest revenue	-	1,091	1,091
Total revenues	<u>45,000</u>	<u>48,107</u>	<u>3,107</u>
Expenditures:			
Public Works:			
Capital outlay	45,000	85,075	(40,075)
Total expenditures	<u>45,000</u>	<u>85,075</u>	<u>(40,075)</u>
Net change in fund balances	<u>-</u>	<u>(36,968)</u>	<u>(36,968)</u>
Fund balance at beginning of year	86,354	86,354	-
Prior period adjustment - see Note 22	-	2,313	2,313
Fund balance at beginning of year, as restated	<u>86,354</u>	<u>88,667</u>	<u>2,313</u>
Fund balance at end of year	<u>\$ 86,354</u>	<u>\$ 51,699</u>	<u>\$ (34,655)</u>

125<sup>th</sup> Anniversary Celebration Fund  
 Schedule of Revenues, Expenditures and Changes in Fund Balances  
 Budget to Actual  
 For the Year Ended December 31, 2016

CITY OF EAST GRAND FORKS

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Other revenue:			
Donations	\$ -	\$ -	\$ -
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>
 Net change in fund balances	 -	 -	 -
 Fund balance at beginning of year	 (717)	 (717)	 -
Fund balance at end of year	<u>\$ (717)</u>	<u>\$ (717)</u>	<u>\$ -</u>



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# INTERNAL SERVICE FUNDS



CITY OF EAST GRAND FORKS, MINNESOTA

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 government and to other government units, on a cost reimbursement basis.

Benefit Accrual Fund This fund is used to account for the expenses associated with accrual of fringe benefits, primarily sick leave accumulations.

Central Equipment Fund This fund is used to account for purchases of capital equipment and the subsequent rental of that equipment to various city departments.



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**Combining Statement of Net Position  
Internal Service Funds  
As of December 31, 2016**

**CITY OF EAST GRAND FORKS**

	<u>Benefit Accrual</u>	<u>Central Equipment</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 547,234	\$ (175,762)	\$ 371,472
Investments	200,417	696,300	896,717
Due from other governments	-	200,000	200,000
Due from other funds	-	315,055	315,055
Total current assets	<u>747,651</u>	<u>1,035,593</u>	<u>1,783,244</u>
Noncurrent assets:			
Capital assets:			
Machinery and equipment	-	2,898,594	2,898,594
Less accumulated depreciation	<u>-</u>	<u>(1,644,765)</u>	<u>(1,644,765)</u>
Capital assets (net)	<u>-</u>	<u>1,253,829</u>	<u>1,253,829</u>
<b>TOTAL ASSETS</b>	<u>747,651</u>	<u>2,289,422</u>	<u>3,037,073</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Compensated absences payable	41,000	-	41,000
Accrued interest payable	-	7,525	7,525
G.O. revenue bonds payable - current	<u>-</u>	<u>90,000</u>	<u>90,000</u>
Total current liabilities	<u>41,000</u>	<u>97,525</u>	<u>138,525</u>
Noncurrent liabilities:			
Compensated absences payable - net current portion	996,609	-	996,609
Notes payable - net current portion	<u>-</u>	<u>806,995</u>	<u>806,995</u>
Total noncurrent liabilities	<u>996,609</u>	<u>806,995</u>	<u>1,803,604</u>
<b>TOTAL LIABILITIES</b>	<u>1,037,609</u>	<u>904,520</u>	<u>1,942,129</u>
<b>NET POSITION</b>			
Net investment in capital assets	-	356,834	356,834
Unrestricted	<u>(289,958)</u>	<u>1,028,068</u>	<u>738,110</u>
<b>TOTAL NET POSITION</b>	<u>\$ (289,958)</u>	<u>\$ 1,384,902</u>	<u>\$ 1,094,944</u>

**Combining Statement of Revenues, Expenses and Changes in Fund Net Position  
Internal Service Funds  
For the Year Ended December 31, 2016**

**CITY OF EAST GRAND FORKS**

	<u>Benefit Accrual</u>	<u>Central Equipment</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ -	\$ 272,185	\$ 272,185
Total operating revenues	<u>-</u>	<u>272,185</u>	<u>272,185</u>
Operating expenses:			
Compensated absences	28,525	-	28,525
Supplies	-	81,531	81,531
Depreciation	-	132,481	132,481
Total operating expenses	<u>28,525</u>	<u>214,012</u>	<u>242,537</u>
Operating income (loss)	<u>(28,525)</u>	<u>58,173</u>	<u>29,648</u>
Nonoperating revenues (expenses)			
Interest revenue	8,203	6,440	14,643
Interest expense	-	(16,634)	(16,634)
Gain (loss) on disposal of assets	-	11,500	11,500
Total nonoperating revenues (expenses)	<u>8,203</u>	<u>1,306</u>	<u>9,509</u>
Change in net position	(20,322)	59,479	39,157
Net position at beginning of year	(269,636)	1,325,423	1,055,787
Net position at end of year	<u>\$ (289,958)</u>	<u>\$ 1,384,902</u>	<u>\$ 1,094,944</u>

Combining Statement of Cash Flows  
Internal Service Funds  
For the Year Ended December 31, 2016

CITY OF EAST GRAND FORKS

	<u>Benefit Accrual</u>	<u>Central Equipment</u>	<u>Total</u>
<b>Cash flow from operating activities:</b>			
Receipts from interfund service provided	\$ -	\$ 272,185	\$ 272,185
Payments for supplies	-	(187,758)	(187,758)
Payments for compensated absences	(23,079)	-	(23,079)
Net cash provided by operating activities	<u>(23,079)</u>	<u>84,427</u>	<u>61,348</u>
<b>Cash flows from capital financing activities:</b>			
Acquisition of capital assets	-	(198,140)	(198,140)
Cash proceeds from sale of capital asset	-	11,500	11,500
Change in interfund receivable	-	(248,718)	(248,718)
Principal payments on long-term debt	-	(90,000)	(90,000)
Interest payments on long-term debt	-	(16,815)	(16,815)
Net cash provided by capital financing activities	<u>-</u>	<u>(542,173)</u>	<u>(542,173)</u>
<b>Cash flows from investing activities</b>			
Interest on investments	8,203	6,440	14,643
Purchase of investments	(57,147)	-	(57,147)
Net cash provided by investing activities	<u>(48,944)</u>	<u>6,440</u>	<u>(42,504)</u>
Increase (decrease) in cash and cash equivalents	(72,023)	(451,306)	(523,329)
Cash and cash equivalents - January 1	619,257	275,544	894,801
Cash and cash equivalents - December 31	<u>\$ 547,234</u>	<u>\$ (175,762)</u>	<u>\$ 371,472</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ (28,525)	\$ 58,173	\$ 29,648
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	-	132,481	132,481
Changes in assets and liabilities:			
Accounts payable	-	(106,227)	(106,227)
Compensated absences	5,446	-	5,446
Net cash provided by operating activities	<u>\$ (23,079)</u>	<u>\$ 84,427</u>	<u>\$ 61,348</u>



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# OTHER SUPPLEMENTARY SCHEDULES



CITY OF EAST GRAND FORKS, MINNESOTA

OTHER SUPPLEMENTARY  
SCHEDULES

**Schedule of Revenues and Other Sources  
Budget to Actual – General Fund  
For the Year Ended December 31, 2016**

**CITY OF EAST GRAND FORKS**

	<u>Original and Final Budget</u>	<u>Current Year Actual</u>	<u>Variance with Final Budget</u>	<u>Prior Year Actual</u>
Taxes:				
Property taxes	\$ 3,837,287	\$ 3,803,949	\$ (33,338)	\$ 3,219,544
Mobile home taxes	14	5,649	5,635	4,695
Tax increment taxes	200	-	(200)	-
Hotel/Motel taxes	17,260	40,500	23,240	26,613
Franchise taxes	1,394,500	1,411,787	17,287	1,431,503
Special assessments	12,000	1,132	(10,868)	2,653
Total Taxes	<u>5,261,261</u>	<u>5,263,017</u>	<u>1,756</u>	<u>4,685,008</u>
Licenses and permits:				
Liquor and malt licenses	49,425	54,350	4,925	50,681
Tobacco licenses	500	450	(50)	300
Plumbing licenses	2,000	3,150	1,150	2,425
Amusement center licenses	-	20	20	20
Pet licenses	1,000	975	(25)	934
Other licenses	6,000	4,816	(1,184)	5,243
Building permits	40,000	67,855	27,855	61,353
Excavation permits	2,000	3,240	1,240	2,565
Plumbing permits	1,000	3,384	2,384	2,220
Other permits	3,000	3,410	410	3,025
Total Licenses & Permits	<u>104,925</u>	<u>141,650</u>	<u>36,725</u>	<u>128,766</u>
Intergovernmental:				
Federal grants	10,000	51,997	41,997	59,227
Local government aid	2,546,148	2,492,055	(54,093)	2,505,347
Market value credit	-	56	56	784
PERA aid	15,688	15,688	-	15,688
Police state aid	150,000	179,157	29,157	144,226
Fire state aid	58,850	68,281	9,431	65,147
Ambulance subsidy	21,000	21,939	939	23,767
Other	5,000	42,763	37,763	57,346
Total Intergovernmental	<u>2,806,686</u>	<u>3,140,962</u>	<u>334,276</u>	<u>2,871,532</u>
Charges for services:				
General government	22,900	27,534	4,634	23,254
Accounting other funds	18,000	13,100	(4,900)	18,000
Rescue unit	235,000	230,939	(4,061)	240,299

**Schedule of Revenues and Other Sources  
Budget to Actual – General Fund  
For the Year Ended December 31, 2016 (Continued)**

**CITY OF EAST GRAND FORKS**

	<u>Original and Final Budget</u>	<u>Current Year Actual</u>	<u>Variance with Final Budget</u>	<u>Prior Year Actual</u>
Charges for services (continued):				
Police services	-	12,732	12,732	5,387
Protective inspection services	16,000	17,070	1,070	15,360
Rural fire service	49,140	51,904	2,764	50,194
Public safety - other	2,000	2,503	503	790
Streets and highways	1,500	756	(744)	1,400
Street lights	206,400	212,308	5,908	211,842
Swimming pool	16,000	33,835	17,835	-
Summer recreation programs	43,800	56,979	13,179	49,360
Winter recreation programs	84,500	99,179	14,679	88,841
Recreation - other	115,750	211,205	95,455	217,025
Senior Center	7,040	2,975	(4,065)	6,904
City hall rent	33,450	39,116	5,666	29,809
Blue Line Arena rent	17,000	13,857	(3,143)	13,732
VFW arena rent	23,500	25,427	1,927	30,991
Civic center rent	120,000	104,028	(15,972)	102,277
Zoning	-	825	825	745
Library	6,400	8,605	2,205	6,861
Total charges for services	<u>1,018,380</u>	<u>1,164,877</u>	<u>146,497</u>	<u>1,113,071</u>
Fines and forfeits:				
Court fines	90,000	104,292	14,292	79,233
Parking fines	5,000	1,925	(3,075)	1,140
Other fees and fines	1,000	-	(1,000)	102
Impound fees	4,200	6,169	1,969	4,177
Sale of seized property	10,000	22,011	12,011	11,366
Total fines and forfeits	<u>110,200</u>	<u>134,397</u>	<u>24,197</u>	<u>96,018</u>
Miscellaneous revenues:				
Interest revenue	18,075	52,406	34,331	23,453
Donations	9,000	9,906	906	8,132
Insurance dividends and proceeds	30,000	102,749	72,749	67,929
Other	2,600	4,548	1,948	61,715
Total miscellaneous	<u>59,675</u>	<u>169,609</u>	<u>109,934</u>	<u>161,229</u>
Total revenues	<u>9,361,127</u>	<u>10,014,512</u>	<u>653,385</u>	<u>9,055,624</u>
Other financing sources:				
Proceeds from sale of capital asset	-	-	-	8,000
Transfers in	247,639	1,444,088	1,196,449	1,150,868
Total other financing sources	<u>247,639</u>	<u>1,444,088</u>	<u>1,196,449</u>	<u>1,158,868</u>
Total revenues and other financing sources	<u>\$ 9,608,766</u>	<u>\$ 11,458,600</u>	<u>\$ 1,849,834</u>	<u>\$ 10,214,492</u>

**Schedule of Expenditures and Other Uses  
Budget to Actual – General Fund  
For the Year Ended December 31, 2016**

**CITY OF EAST GRAND FORKS**

	<b>Original and Final Budget</b>	<b>Current Year Actual</b>	<b>Variance with Final Budget</b>	<b>Prior Year Actual</b>
General government:				
Council:				
Personal services	\$ 47,313	\$ 46,714	\$ 599	\$ 46,713
Other expenditures	6,931	2,571	4,360	2,770
Total	<u>54,244</u>	<u>49,285</u>	<u>4,959</u>	<u>49,483</u>
Ordinances and proceedings:				
Contractual services	3,000	487	2,513	549
Total	<u>3,000</u>	<u>487</u>	<u>2,513</u>	<u>549</u>
Mayor:				
Personal services	10,834	11,175	(341)	10,761
Supplies	186	-	186	-
Contractual services	773	202	571	178
Other expenditures	2,431	1,200	1,231	770
Total	<u>14,224</u>	<u>12,577</u>	<u>1,647</u>	<u>11,709</u>
Elections:				
Personal services	-	12,042	(12,042)	204
Other expenditures	25,000	12,114	12,886	-
Total	<u>25,000</u>	<u>24,156</u>	<u>844</u>	<u>204</u>
City administration:				
Personal services	334,762	352,098	(17,336)	301,374
Supplies	7,450	5,049	2,401	3,736
Contractual services	29,657	13,196	16,461	18,635
Other expenditures	19,707	17,883	1,824	16,459
Total	<u>391,576</u>	<u>388,226</u>	<u>3,350</u>	<u>340,204</u>
Accounting and auditing:				
Contractual services	35,000	41,885	(6,885)	41,178
Total	<u>35,000</u>	<u>41,885</u>	<u>(6,885)</u>	<u>41,178</u>
City assessor:				
Contractual services	29,000	29,326	(326)	29,296
Total	<u>29,000</u>	<u>29,326</u>	<u>(326)</u>	<u>29,296</u>
City attorney:				
Contractual services	150,000	145,906	4,094	152,756
Other expenditures	2,500	8,528	(6,028)	1,057
Total	<u>152,500</u>	<u>154,434</u>	<u>(1,934)</u>	<u>153,813</u>
Planning and zoning:				
Personal services	34,328	40,430	(6,102)	37,147
Contractual services	61,000	73,160	(12,160)	83,132
Other expenditures	2,437	2,231	206	2,282
Total	<u>97,765</u>	<u>115,821</u>	<u>(18,056)</u>	<u>122,561</u>

**Schedule of Expenditures and Other Uses  
Budget to Actual – General Fund  
For the Year Ended December 31, 2016 (Continued)**

**CITY OF EAST GRAND FORKS**

	<u>Original and Final Budget</u>	<u>Current Year Actual</u>	<u>Variance with Final Budget</u>	<u>Prior Year Actual</u>
General government (continued)				
Civil service commission:				
Personal Services	3,230	3,230	-	2,691
Other expenditures	233	24	209	-
Total	<u>3,463</u>	<u>3,254</u>	<u>209</u>	<u>2,691</u>
Finance and accounting:				
Personal services	124,514	123,132	1,382	117,499
Other expenditures	5,956	2,173	3,783	3,989
Total	<u>130,470</u>	<u>125,305</u>	<u>5,165</u>	<u>121,488</u>
Building:				
Personal services	-	5,177	(5,177)	-
Supplies	2,500	2,217	283	2,639
Contractual services	18,500	18,479	21	18,924
Other expenditures	102,250	111,392	(9,142)	101,334
Capital outlay	600	995	(395)	-
Total	<u>123,850</u>	<u>138,260</u>	<u>(14,410)</u>	<u>122,897</u>
Summary:				
Current	1,059,492	1,082,021	(22,529)	996,073
Capital outlay	600	995	(395)	-
Total general government	<u>\$ 1,060,092</u>	<u>\$ 1,083,016</u>	<u>\$ (22,924)</u>	<u>\$ 996,073</u>
Public safety:				
Police:				
Personal services	\$ 2,201,916	\$ 2,336,198	\$ (134,282)	\$ 2,270,307
Supplies	98,450	83,098	15,352	75,684
Contractual services	129,690	166,289	(36,599)	133,369
Other expenditures	20,210	18,372	1,838	18,331
Capital outlay	61,000	34,706	26,294	4,284
Total	<u>2,511,266</u>	<u>2,638,663</u>	<u>(127,397)</u>	<u>2,501,975</u>
Fire:				
Personal services	1,070,310	1,083,350	(13,040)	1,071,098
Supplies	2,794	1,997	797	906
Contractual services	237,549	218,009	19,540	213,126
Other expenditures	6,563	2,627	3,936	3,117
Total	<u>1,317,216</u>	<u>1,321,101</u>	<u>(3,885)</u>	<u>1,288,247</u>

**Schedule of Expenditures and Other Uses  
Budget to Actual – General Fund  
For the Year Ended December 31, 2016 (Continued)**

**CITY OF EAST GRAND FORKS**

	<u>Original and Final Budget</u>	<u>Current Year Actual</u>	<u>Variance with Final Budget</u>	<u>Prior Year Actual</u>
Public safety (continued)				
Building inspection:				
Personal services	51,952	65,398	(13,446)	70,321
Supplies	750	611	139	886
Contractual services	76,000	46,281	29,719	77,864
Other expenditures	5,850	3,779	2,071	880
Capital outlay	-	-	-	2,670
Total	<u>134,552</u>	<u>116,069</u>	<u>18,483</u>	<u>152,621</u>
Traffic engineering:				
Personal services	20,108	37,356	(17,248)	28,497
Supplies	10,400	9,381	1,019	8,728
Contractual services	19,500	15,051	4,449	29,145
Other expenditures	1,380	136	1,244	619
Total	<u>51,388</u>	<u>61,924</u>	<u>(10,536)</u>	<u>66,989</u>
Animal control:				
Contractual services	7,000	6,365	635	5,521
Total	<u>7,000</u>	<u>6,365</u>	<u>635</u>	<u>5,521</u>
Summary:				
Current	3,960,422	4,094,298	(133,876)	4,008,399
Capital outlay	61,000	49,824	11,176	6,954
Total public safety	<u>\$ 4,021,422</u>	<u>\$ 4,144,122</u>	<u>\$ (122,700)</u>	<u>\$ 4,015,353</u>
Public works:				
Administration:				
Personal services	\$ 103,992	\$ 140,746	\$ (36,754)	\$ 105,196
Supplies	1,400	1,092	308	1,346
Contractual services	2,700	2,836	(136)	1,757
Other expenditures	5,400	4,639	761	3,271
Total	<u>113,492</u>	<u>149,313</u>	<u>(35,821)</u>	<u>111,570</u>
Streets:				
Personal services	310,982	212,825	98,157	249,299
Supplies	500	1,907	(1,407)	2,821
Contractual services	500	335	165	104
Other expenditures	18,200	17,696	504	30,129
Capital outlay	250,000	249,459	541	119,797
Total	<u>580,182</u>	<u>482,222</u>	<u>97,960</u>	<u>402,150</u>

**Schedule of Expenditures and Other Uses  
Budget to Actual – General Fund  
For the Year Ended December 31, 2016 (Continued)**

**CITY OF EAST GRAND FORKS**

	<u>Original and Final Budget</u>	<u>Current Year Actual</u>	<u>Variance with Final Budget</u>	<u>Prior Year Actual</u>
Public works (continued)				
Engineering Services:				
Other professional services	35,000	64,297	(29,297)	42,926
Total	<u>35,000</u>	<u>64,297</u>	<u>(29,297)</u>	<u>42,926</u>
Downtown parking lots:				
Personal services	9,043	2,321	6,722	3,693
Contractual services	900	-	900	-
Total	<u>9,943</u>	<u>2,321</u>	<u>7,622</u>	<u>3,693</u>
Ice and snow removal:				
Personal services	115,336	77,090	38,246	63,044
Supplies	450	260	190	164
Contractual services	102,000	83,479	18,521	77,832
Other expenditures	1,000	2,652	(1,652)	235
Total	<u>218,786</u>	<u>163,481</u>	<u>55,305</u>	<u>141,275</u>
Equipment:				
Supplies	74,500	43,179	31,321	42,508
Contractual services	187,816	216,434	(28,618)	186,983
Other expenditures	500	-	500	-
Total	<u>262,816</u>	<u>259,613</u>	<u>3,203</u>	<u>229,491</u>
Equipment building:				
Supplies	16,500	7,776	8,724	11,291
Contractual services	70,800	68,639	2,161	45,956
Other expenditures	850	1,040	(190)	1,186
Total	<u>88,150</u>	<u>77,455</u>	<u>10,695</u>	<u>58,433</u>
City shop:				
Personal services	152,730	177,375	(24,645)	161,651
Charged back	(90,000)	(74,199)	(15,801)	(67,459)
Supplies	180,000	258,400	(78,400)	238,515
Charged back	(180,000)	(316,448)	136,448	(218,625)
Other expenditures	1,500	720	780	-
Total	<u>64,230</u>	<u>45,848</u>	<u>18,382</u>	<u>114,082</u>

**Schedule of Expenditures and Other Uses  
Budget to Actual – General Fund  
For the Year Ended December 31, 2016 (Continued)**

**CITY OF EAST GRAND FORKS**

	<u>Original and Final Budget</u>	<u>Current Year Actual</u>	<u>Variance with Final Budget</u>	<u>Prior Year Actual</u>
Public works (continued)				
Street lighting:				
Contractual services	185,000	151,885	33,115	162,054
Total	<u>185,000</u>	<u>151,885</u>	<u>33,115</u>	<u>162,054</u>
Street cleaning:				
Personal services	28,331	31,147	(2,816)	25,372
Total	<u>28,331</u>	<u>31,147</u>	<u>(2,816)</u>	<u>25,372</u>
Weed control:				
Personal services	47,389	23,329	24,060	35,631
Supplies	1,000	266	734	11
Other expenditures	11,000	11,549	(549)	321
Capital outlay	-	153	(153)	-
Total	<u>59,389</u>	<u>35,297</u>	<u>24,092</u>	<u>35,963</u>
Summary:				
Current	1,395,319	1,213,267	181,899	1,207,212
Capital outlay	250,000	249,612	541	119,797
Total public works	<u><u>\$ 1,645,319</u></u>	<u><u>\$ 1,462,879</u></u>	<u><u>\$ 182,440</u></u>	<u><u>\$ 1,327,009</u></u>
Recreation and culture:				
Parks and recreation administration				
Personal services	\$ 193,491	\$ 205,632	\$ (12,141)	\$ 226,938
Supplies	3,300	2,136	1,164	3,273
Contractual services	5,863	4,941	922	8,055
Other expenditures	4,000	2,397	1,603	2,738
Total	<u>206,654</u>	<u>215,106</u>	<u>(8,452)</u>	<u>241,004</u>
Playgrounds:				
Personal services	6,459	7,078	(619)	7,195
Supplies	500	330	170	442
Other expenditures	300	95	205	350
Capital outlay	5,000	1,859	3,141	-
Total	<u>12,259</u>	<u>9,362</u>	<u>2,897</u>	<u>7,987</u>

**Schedule of Expenditures and Other Uses  
Budget to Actual – General Fund  
For the Year Ended December 31, 2016 (Continued)**

**CITY OF EAST GRAND FORKS**

	<u>Original and Final Budget</u>	<u>Current Year Actual</u>	<u>Variance with Final Budget</u>	<u>Prior Year Actual</u>
Recreation and culture (continued)				
Swimming pool:				
Personal services	57,264	68,254	(10,990)	-
Supplies	11,500	13,300	(1,800)	-
Contractual services	560	5,957	(5,397)	549
Other expenditures	45,000	23,124	21,876	3,882
Total	<u>114,324</u>	<u>110,635</u>	<u>3,689</u>	<u>4,431</u>
Tennis:				
Personal services	3,337	3,466	(129)	3,466
Supplies	500	774	(274)	449
Other expenditures	300	-	300	-
Total	<u>4,137</u>	<u>4,240</u>	<u>(103)</u>	<u>3,915</u>
Skating rinks:				
Personal services	6,997	7,623	(626)	4,921
Supplies	1,000	861	139	760
Other expenditures	500	-	500	23
Total	<u>8,497</u>	<u>8,484</u>	<u>13</u>	<u>5,704</u>
Hockey:				
Personal services	37,678	46,702	(9,024)	40,345
Supplies	2,000	581	1,419	1,503
Other expenditures	7,000	7,243	(243)	4,463
Total	<u>46,678</u>	<u>54,526</u>	<u>(7,848)</u>	<u>46,311</u>
Figure skating:				
Personal services	32,295	41,073	(8,778)	37,324
Supplies	3,200	108	3,092	1,091
Other expenditures	10,500	5,631	4,869	5,947
Total	<u>45,995</u>	<u>46,812</u>	<u>(817)</u>	<u>44,362</u>
Baseball:				
Personal services	34,448	48,099	(13,651)	26,695
Supplies	13,300	10,346	2,954	14,124
Other expenditures	5,000	4,956	44	5,203
Total	<u>52,748</u>	<u>63,401</u>	<u>(10,653)</u>	<u>46,022</u>
Softball:				
Personal services	17,224	18,330	(1,106)	16,526
Supplies	2,500	2,556	(56)	2,902
Other expenditures	1,500	455	1,045	250
Total	<u>21,224</u>	<u>21,341</u>	<u>(117)</u>	<u>19,678</u>

**Schedule of Expenditures and Other Uses  
Budget to Actual – General Fund  
For the Year Ended December 31, 2016 (Continued)**

**CITY OF EAST GRAND FORKS**

	<u>Original and Final Budget</u>	<u>Current Year Actual</u>	<u>Variance with Final Budget</u>	<u>Prior Year Actual</u>
Recreation and culture (continued)				
Civic center:				
Personal services	116,687	122,263	(5,576)	113,074
Supplies	18,000	11,670	6,330	18,978
Contractual services	140,792	154,786	(13,994)	161,159
Other expenditures	1,850	1,983	(133)	1,589
Capital outlay	6,500	8,400	(1,900)	-
Total	<u>283,829</u>	<u>299,102</u>	<u>(15,273)</u>	<u>294,800</u>
VFW arena:				
Personal services	123,270	99,906	23,364	96,686
Supplies	15,700	8,555	7,145	12,709
Contractual services	102,200	98,154	4,046	98,997
Other expenditures	1,750	2,047	(297)	1,062
Capital outlay	-	7,773	(7,773)	-
Total	<u>242,920</u>	<u>216,435</u>	<u>26,485</u>	<u>209,454</u>
Library:				
Personal services	410,127	397,782	12,345	371,034
Supplies	8,150	6,785	1,365	6,911
Other expenditures	110,850	149,626	(38,776)	123,325
Capital outlay	7,000	8,623	(1,623)	-
Total	<u>536,127</u>	<u>562,816</u>	<u>(26,689)</u>	<u>501,270</u>
Senior Center:				
Personal services	90,603	81,831	8,772	84,582
Supplies	5,000	2,144	2,856	10,648
Other expenditures	23,800	37,695	(13,895)	22,728
Total	<u>119,403</u>	<u>121,670</u>	<u>(2,267)</u>	<u>117,958</u>
Blue Line Arena:				
Personal services	10,765	9,681	1,084	12,607
Supplies	4,000	1,054	2,946	2,152
Contractual services	37,000	34,530	2,470	40,924
Total	<u>51,765</u>	<u>45,265</u>	<u>6,500</u>	<u>55,683</u>
Park areas:				
Personal services	156,044	190,975	(34,931)	190,320
Supplies	50,500	37,136	13,364	35,880
Contractual services	75,700	98,185	(22,485)	97,174
Other expenditures	7,000	2,429	4,571	2,860
Capital outlay	-	-	-	3,098
Total	<u>289,244</u>	<u>328,725</u>	<u>(39,481)</u>	<u>329,332</u>
Campground-Recreation Area:				
Personal services	94,666	92,214	2,452	101,345
Supplies	12,000	5,336	6,664	8,938
Contractual services	9,000	60,334	(51,334)	6,151
Other expenditures	6,530	5,734	796	719
Capital outlay	-	-	-	-
Total	<u>122,196</u>	<u>163,618</u>	<u>(41,422)</u>	<u>117,153</u>
Summary:				
Current	2,146,500	2,244,883	(103,865)	2,041,966
Capital outlay	11,500	26,655	(9,673)	3,098
Total Recreation and culture	<u>\$ 2,158,000</u>	<u>\$ 2,271,538</u>	<u>\$ (113,538)</u>	<u>\$ 2,045,064</u>

**Schedule of Expenditures and Other Uses  
Budget to Actual – General Fund  
For the Year Ended December 31, 2016 (Continued)**

**CITY OF EAST GRAND FORKS**

	<u>Original and Final Budget</u>	<u>Current Year Actual</u>	<u>Variance with Final Budget</u>	<u>Prior Year Actual</u>
Community Development:				
Residential tax abatement	\$ 60,000	\$ 30,613	\$ 29,387	\$ 20,932
General Community Development	186,613	146,075	40,538	156,763
Total	<u>246,613</u>	<u>176,688</u>	<u>69,925</u>	<u>177,695</u>
Summary:				
Current	60,000	176,688	29,387	177,695
Total Community Development	<u>\$ 60,000</u>	<u>\$ 176,688</u>	<u>\$ 29,387</u>	<u>\$ 177,695</u>
Other expenditures:				
Workers compensation	\$ 10,000	\$ (9,591)	\$ 19,591	\$ 19,524
General liability and other insurance	162,240	166,393	(4,153)	165,269
Promotional (Lodging)	17,260	38,475	(21,215)	25,283
Memberships and dues	20,000	22,967	(2,967)	23,179
Miscellaneous	25,000	22,915	2,085	28,008
Contributed services	30,000	-	30,000	-
Contributed capital outlay	36,639	135,154	(98,515)	184,789
Capital outlay	30,000	14,634	15,366	2,900
Total	<u>331,139</u>	<u>390,947</u>	<u>(59,808)</u>	<u>448,952</u>
Summary:				
Current	264,500	241,159	23,341	261,263
Capital outlay	66,639	149,788	(83,149)	187,689
Total other expenditures	<u>\$ 331,139</u>	<u>\$ 390,947</u>	<u>\$ (59,808)</u>	<u>\$ 448,952</u>
Debt Service				
Interest and fiscal agent fees	\$ 16,734	\$ -	\$ 16,734	\$ -
Summary:				
Current	16,734	-	16,734	-
Total Debt Service	<u>\$ 16,734</u>	<u>\$ -</u>	<u>\$ 16,734</u>	<u>\$ -</u>
Total expenditures	<u>\$ 9,292,706</u>	<u>\$ 9,529,190</u>	<u>\$ (90,409)</u>	<u>\$ 9,010,146</u>
Other financing uses:				
Transfers	\$ 172,337	\$ 109,689	\$ 62,648	\$ 1,399,032
Total other financing uses	<u>172,337</u>	<u>109,689</u>	<u>62,648</u>	<u>1,399,032</u>
Total expenditures and other financing uses	<u>\$ 189,071</u>	<u>\$ 9,638,879</u>	<u>\$ 79,382</u>	<u>\$ 10,409,178</u>

**Capital Assets Used in the Operation of Governmental Funds  
Schedule by Sources  
As of December 31, 2016**

**CITY OF EAST GRAND FORKS**

	<u>2016</u>	<u>2015</u>
Governmental funds capital assets		
Land and land improvements	\$ 31,203,471	\$ 31,203,471
Building, systems, and structures	82,126,800	78,563,929
Machinery and equipment	8,808,894	8,512,282
Street network/infrastructure	51,798,428	49,582,268
Construction in progress	1,275,810	3,612,314
Total governmental funds capital assets	<u>\$ 175,213,403</u>	<u>\$ 171,474,264</u>
Investments in governmental funds capital assets by source:		
General fund	\$ 119,231,956	\$ 118,755,082
Special revenue funds	1,932,961	1,705,443
Internal service funds	2,898,594	2,774,769
Capital project funds	51,149,892	48,238,970
Total investments in governmental funds capital assets by source	<u>\$ 175,213,403</u>	<u>\$ 171,474,264</u>

**Capital Assets Used in the Operation of Governmental Funds  
Schedule by Function and Activity  
As of December 31, 2016**

**CITY OF EAST GRAND FORKS**

	<u>Land and Land Improvements</u>	<u>Buildings, Systems, and Structures</u>	<u>Machinery and Equipment</u>	<u>Street Network/ Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
General government:						
Government center	\$ 453,500	\$ 7,069,131	\$ -	\$ -	\$ -	\$ 7,522,631
Other	-	-	161,911	-	-	161,911
Total general government	<u>453,500</u>	<u>7,069,131</u>	<u>161,911</u>	<u>-</u>	<u>-</u>	<u>7,684,542</u>
Public safety:						
Police	94,000	1,895,400	632,415	-	-	2,621,815
Fire	45,500	1,773,051	1,640,182	-	-	3,458,733
Total public safety	<u>139,500</u>	<u>3,668,451</u>	<u>2,272,597</u>	<u>-</u>	<u>-</u>	<u>6,080,548</u>
Public works:						
Infrastructure (street network)	-	-	-	51,798,428	-	51,798,428
Storm protection network	28,441,616	50,773,446	934,341	-	-	80,149,403
Other	1,527,610	1,912,185	2,492,544	-	1,275,810	7,208,149
Total public works	<u>29,969,226</u>	<u>52,685,631</u>	<u>3,426,885</u>	<u>51,798,428</u>	<u>1,275,810</u>	<u>139,155,980</u>
Recreation and culture:						
Parks	539,840	14,963,450	1,651,292	-	-	17,154,582
Library	32,000	3,204,915	654,447	-	-	3,891,362
Senior center	5,700	215,535	-	-	-	221,235
Total recreation	<u>577,540</u>	<u>18,383,900</u>	<u>2,305,739</u>	<u>-</u>	<u>-</u>	<u>21,267,179</u>
Transit	-	24,077	585,400	-	-	609,477
Cemetery	63,705	295,607	56,365	-	-	415,677
Total governmental fund capital assets	<u>\$ 31,203,471</u>	<u>\$ 82,126,797</u>	<u>\$ 8,808,897</u>	<u>\$ 51,798,428</u>	<u>\$ 1,275,810</u>	<u>\$ 175,213,403</u>

**Capital Assets Used in the Operation of Governmental Funds  
Schedule of Changes by Function and Activity  
As of December 31, 2016**

**CITY OF EAST GRAND FORKS**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements and Transfers, Net</u>	<u>Ending Balance</u>
General government				
Government center	\$ 7,522,631	\$ -	\$ -	\$ 7,522,631
Other	161,911	-	-	161,911
Total general government	<u>7,684,542</u>	<u>-</u>	<u>-</u>	<u>7,684,542</u>
Public safety:				
Police	2,642,009	27,999	48,193	2,621,815
Fire	3,560,947	26,924	129,138	3,458,733
Total public safety	<u>6,202,956</u>	<u>54,923</u>	<u>177,331</u>	<u>6,080,548</u>
Public works:				
Infrastructure (street network)	49,582,268	2,423,659	207,499	51,798,428
Storm protection network	80,149,403	-	-	80,149,403
Other	9,411,470	254,118	2,457,439	7,208,149
Total public works	<u>139,143,141</u>	<u>2,677,777</u>	<u>2,664,938</u>	<u>139,155,980</u>
Recreation or culture				
Parks	13,769,270	3,596,497	211,185	17,154,582
Library	3,891,362	-	-	3,891,362
Senior center	221,235	-	-	221,235
Total recreation and culture	<u>17,881,867</u>	<u>3,596,497</u>	<u>211,185</u>	<u>21,267,179</u>
Transit	<u>470,371</u>	<u>139,106</u>	<u>-</u>	<u>609,477</u>
Cemetery	<u>220,524</u>	<u>195,153</u>	<u>-</u>	<u>415,677</u>
Total governmental funds capital assets	<u>\$ 171,603,401</u>	<u>\$ 6,663,456</u>	<u>\$ 3,053,454</u>	<u>\$ 175,213,403</u>

Statement of Changes in Fiduciary Net Position  
 Agency Fund – Flexible Benefits  
 As of December 31, 2016

CITY OF EAST GRAND FORKS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
ASSETS:				
Restricted cash and cash equivalents	<u>\$ 19,974</u>	<u>\$ 199,464</u>	<u>\$ (193,813)</u>	<u>\$ 25,625</u>
LIABILITIES:				
Due to employees	<u>\$ 19,974</u>	<u>\$ 199,464</u>	<u>\$ (193,813)</u>	<u>\$ 25,625</u>

**Combining Statement of Net Position  
Discretely Presented Component Unit – by Focus  
As of December 31, 2016**

**CITY OF EAST GRAND FORKS**

	<u>Housing</u>	<u>Economic Development</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,240,262	\$ 1,793,739	\$ 3,034,001
Accounts receivable	13,549	-	13,549
Due from other government units	-	756	756
Notes receivable (current portion)	10,948	348,705	359,653
Total current assets	<u>1,264,759</u>	<u>2,143,200</u>	<u>3,407,959</u>
Noncurrent assets:			
Capital assets:			
Land	50,300	-	50,300
Construction in progress	4,743	-	4,743
Buildings and systems	5,503,577	-	5,503,577
Machinery and equipment	137,109	9,749	146,858
Total capital assets	5,695,729	9,749	5,705,478
Less accumulated depreciation	(2,152,798)	(9,749)	(2,162,547)
Total capital assets (net)	<u>3,542,931</u>	<u>-</u>	<u>3,542,931</u>
Land held for resale	-	60,777	60,777
Notes receivable (net current portion)	-	1,594,685	1,594,685
Allowance for uncollectible	-	(67,862)	(67,862)
Total noncurrent assets	<u>-</u>	<u>1,587,600</u>	<u>1,587,600</u>
<b>TOTAL ASSETS</b>	<u>4,807,690</u>	<u>3,730,800</u>	<u>8,538,490</u>
Deferred outflows of resources			
Cost sharing defined benefit pension plan	35,665	45,318	80,983
Total deferred outflows of resources	<u>35,665</u>	<u>45,318</u>	<u>80,983</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	16,193	2,068	18,261
Accrued wages payable	3,699	3,869	7,568
Due to other funds	-	141	141
Due to other government units	5,201	-	5,201
Compensated absences payable - current	2,203	-	2,203
Total current liabilities	<u>27,296</u>	<u>6,078</u>	<u>33,374</u>
Noncurrent liabilities:			
Customer deposits	23,187	-	23,187
Net pension liability	90,727	103,991	194,718
Compensated absences payable (net current portion)	-	13,902	13,902
Total noncurrent liabilities	<u>113,914</u>	<u>117,893</u>	<u>231,807</u>
Deferred inflows of resources			
Cost sharing defined benefit pension plan	10,149	11,752	21,901
Total deferred inflows of resources	<u>10,149</u>	<u>11,752</u>	<u>21,901</u>
<b>NET POSITION</b>			
Net investment in capital assets	3,542,931	-	3,542,931
Unrestricted	1,149,065	3,640,395	4,789,460
<b>TOTAL NET POSITION</b>	<u>\$ 4,691,996</u>	<u>\$ 3,640,395</u>	<u>\$ 8,332,391</u>

**Statement of Revenues, Expenses and Changes in Fund Net Position  
Discretely Presented Component Unit – by Focus  
For the Year Ended December 31, 2016**

**CITY OF EAST GRAND FORKS**

	<u>Housing</u>	<u>Economic Development</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 417,596	\$ 42,941	\$ 460,537
Other	9,387	151,791	161,178
Total operating revenues	<u>426,983</u>	<u>194,732</u>	<u>621,715</u>
Operating expenses:			
Community development:			
Administration	371,349	116,769	488,118
Depreciation	140,405	-	140,405
Other:			
Business development	-	40,949	40,949
Total operating expenses	<u>511,754</u>	<u>157,718</u>	<u>669,472</u>
Operating income (loss)	<u>(84,771)</u>	<u>37,014</u>	<u>(47,757)</u>
Nonoperating revenues (expenses):			
Interest revenue	12,915	20,775	33,690
Tax increment revenue	-	178,676	178,676
Interest expense	-	(3,294)	(3,294)
Insurance dividends and proceeds	13,549	-	13,549
Total nonoperating revenues (expenses)	<u>26,464</u>	<u>196,157</u>	<u>222,621</u>
Change in net position	(58,307)	233,171	174,864
Net position at beginning of year	4,750,303	3,407,224	8,157,527
Net position at end of year	<u>\$ 4,691,996</u>	<u>\$ 3,640,395</u>	<u>\$ 8,332,391</u>

**Combining Schedule of Net Position  
Discretely Presented Component Unit – Economic Development Focus  
As of December 31, 2016**

**CITY OF EAST GRAND FORKS**

	<u>General</u>	<u>TIF #1-1 Triangle</u>	<u>TIF #1-2 E. DeMers</u>	<u>IRP Loan</u>	<u>DRLF Loan</u>	<u>Total</u>
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$ 789	\$ 632,364	\$ 213,860	\$ 466,924	\$ 479,802	\$ 1,793,739
Due from other government units	-	-	756	-	-	756
Notes receivable (current portion)	-	-	-	-	348,705	348,705
Total current assets	<u>789</u>	<u>632,364</u>	<u>214,616</u>	<u>466,924</u>	<u>828,507</u>	<u>2,143,200</u>
Noncurrent assets:						
Capital assets:						
Machinery and equipment	9,749	-	-	-	-	9,749
Total capital assets	9,749	-	-	-	-	9,749
Less accumulated depreciation	(9,749)	-	-	-	-	(9,749)
Total capital assets (net)	-	-	-	-	-	-
Land held for resale	-	18,777	42,000	-	-	60,777
Notes receivable (net current portion)	-	-	171,438	-	1,423,247	1,594,685
Allowance for uncollectible	-	-	-	-	(67,862)	(67,862)
Total noncurrent assets	-	<u>18,777</u>	<u>213,438</u>	-	<u>1,355,385</u>	<u>1,587,600</u>
<b>TOTAL ASSETS</b>	<u>789</u>	<u>651,141</u>	<u>428,054</u>	<u>466,924</u>	<u>2,183,892</u>	<u>3,730,800</u>
Deferred outflows of resources						
Cost sharing defined benefit pension plan	45,318	-	-	-	-	45,318
Total deferred outflows of resources	<u>45,318</u>	-	-	-	-	<u>45,318</u>
<b>LIABILITIES</b>						
Current liabilities:						
Accounts payable	2,068	-	-	-	-	2,068
Accrued wages payable	3,869	-	-	-	-	3,869
Due to other funds	141	-	-	-	-	141
Total current liabilities	<u>6,078</u>	-	-	-	-	<u>6,078</u>
Noncurrent liabilities:						
Compensated absences payable (net current)	13,902	-	-	-	-	13,902
Net pension liability	103,991	-	-	-	-	103,991
Total noncurrent liabilities	<u>117,893</u>	-	-	-	-	<u>117,893</u>
Total liabilities	<u>123,971</u>	-	-	-	-	<u>123,971</u>
Deferred inflows of resources						
Cost sharing defined benefit pension plan	11,752	-	-	-	-	11,752
Total deferred inflows of resources	<u>11,752</u>	-	-	-	-	<u>11,752</u>
<b>NET POSITION</b>						
Unrestricted	(89,616)	651,141	428,054	466,924	2,183,892	3,640,395
<b>TOTAL NET POSITION</b>	<u>\$ (89,616)</u>	<u>\$ 651,141</u>	<u>\$ 428,054</u>	<u>\$ 466,924</u>	<u>\$ 2,183,892</u>	<u>\$ 3,640,395</u>

**Combining Schedule of Revenues, Expenses and Changes in Fund Net Position  
Discretely Presented Component Unit – Economic Development Focus  
For the Year Ended December 31, 2016**

**CITY OF EAST GRAND FORKS**

	<u>General</u>	<u>TIF #1-1 Triangle</u>	<u>TIF #1-2 E. DeMers</u>	<u>IRP Loan</u>	<u>DRLF Loan</u>	<u>Total</u>
Operating revenues:						
Charges for services:						
Interest on loans	\$ -	\$ -	\$ -	\$ -	\$ 42,941	\$ 42,941
Other revenues:						
Business development	-	-	5,715	-	-	5,715
Other	146,076	-	-	-	-	146,076
Total operating revenues	<u>146,076</u>	<u>-</u>	<u>5,715</u>	<u>-</u>	<u>42,941</u>	<u>194,732</u>
Operating expenses:						
Administration	116,769	-	-	-	-	116,769
Business development	39,372	534	1,043	-	-	40,949
Total operating expenses	<u>156,141</u>	<u>534</u>	<u>1,043</u>	<u>-</u>	<u>-</u>	<u>157,718</u>
Operating income (loss)	<u>(10,065)</u>	<u>(534)</u>	<u>4,672</u>	<u>-</u>	<u>42,941</u>	<u>37,014</u>
Nonoperating revenues (expenses):						
Interest revenue	-	6,237	1,572	6,111	6,855	20,775
Tax increment revenue	-	98,475	80,201	-	-	178,676
Interest expense	-	-	-	(3,294)	-	(3,294)
Total nonoperating revenues (expenses)	<u>-</u>	<u>104,712</u>	<u>81,773</u>	<u>2,817</u>	<u>6,855</u>	<u>196,157</u>
Change in net position	(10,065)	104,178	86,445	2,817	49,796	233,171
Net position at beginning of year	(79,551)	546,963	341,609	464,107	2,134,096	3,407,224
Net position at end of year	<u>\$ (89,616)</u>	<u>\$ 651,141</u>	<u>\$ 428,054</u>	<u>\$ 466,924</u>	<u>\$ 2,183,892</u>	<u>\$ 3,640,395</u>

**Combining Schedule of Net Position  
Discretely Presented Component Unit – Housing Focus  
As of December 31, 2016**

**CITY OF EAST GRAND FORKS**

	<u>Sunshine Terrace</u>	<u>Housing Loan</u>	<u>Town Square</u>	<u>Totals</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 868,957	\$ 205,840	\$ 165,465	\$ 1,240,262
Accounts receivable	13,549	-	-	13,549
Notes receivable	-	10,948	-	10,948
Total Current Assets	<u>882,506</u>	<u>216,788</u>	<u>165,465</u>	<u>1,264,759</u>
Noncurrent Assets:				
Capital assets:				
Land	50,300	-	-	50,300
Construction in progress	4,743	-	-	4,743
Buildings and systems	5,503,577	-	-	5,503,577
Machinery and equipment	137,109	-	-	137,109
Total capital assets	<u>5,695,729</u>	<u>-</u>	<u>-</u>	<u>5,695,729</u>
Less accumulated depreciation	<u>(2,152,798)</u>	<u>-</u>	<u>-</u>	<u>(2,152,798)</u>
Total capital assets (net)	<u>3,542,931</u>	<u>-</u>	<u>-</u>	<u>3,542,931</u>
Total noncurrent assets	<u>3,542,931</u>	<u>-</u>	<u>-</u>	<u>3,542,931</u>
<b>TOTAL ASSETS</b>	<u>4,425,437</u>	<u>216,788</u>	<u>165,465</u>	<u>4,807,690</u>
Deferred outflows of resources				
Cost sharing defined benefit pension plan	35,665	-	-	35,665
Total deferred outflows of resources	<u>35,665</u>	<u>-</u>	<u>-</u>	<u>35,665</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	16,193	-	-	16,193
Accrued wages payable	3,699	-	-	3,699
Due to other government units	5,201	-	-	5,201
Customer deposits	23,187	-	-	23,187
Net pension liability	90,727	-	-	90,727
Compensated absences payable - current	2,203	-	-	2,203
Total Liabilities	<u>141,210</u>	<u>-</u>	<u>-</u>	<u>141,210</u>
Deferred inflows of resources				
Cost sharing defined benefit pension plan	10,149	-	-	10,149
Total Deferred Inflows of Resources	<u>10,149</u>	<u>-</u>	<u>-</u>	<u>10,149</u>
<b>NET POSITION</b>				
Net investment in capital assets	3,542,931	-	-	3,542,931
Unrestricted	766,812	216,788	165,465	1,149,065
<b>TOTAL NET POSITION</b>	<u>\$ 4,309,743</u>	<u>\$ 216,788</u>	<u>\$ 165,465</u>	<u>\$ 4,691,996</u>

**Combining Schedule of Revenues, Expenses and Changes in Fund Net Position  
Discretely Presented Component Unit – Housing Focus  
For the Year Ended December 31, 2016**

**CITY OF EAST GRAND FORKS**

	<u>Sunshine Terrace</u>	<u>Housing Loan</u>	<u>Town Square</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 417,596	\$ -	\$ -	\$ 417,596
Other	9,387	-	-	9,387
Total operating revenues	<u>426,983</u>	<u>-</u>	<u>-</u>	<u>426,983</u>
Operating expenses:				
Community development:				
Personal services	76,269	-	-	76,269
Supplies	8,426	-	-	8,426
Contractual services	119,211	-	-	119,211
Depreciation	140,405	-	-	140,405
Other expenditures	163,392	4,051	-	167,443
Total operating expenses	<u>507,703</u>	<u>4,051</u>	<u>-</u>	<u>511,754</u>
Operating income (loss)	<u>(80,720)</u>	<u>(4,051)</u>	<u>-</u>	<u>(84,771)</u>
Nonoperating revenues (expenses):				
Interest revenue	8,247	2,464	2,204	12,915
Insurance dividends and proceeds	13,549	-	-	13,549
Total nonoperating revenues (expenses)	<u>21,796</u>	<u>2,464</u>	<u>2,204</u>	<u>26,464</u>
Change in net position	(58,924)	(1,587)	2,204	(58,307)
Net position at beginning of year	<u>4,368,667</u>	<u>218,375</u>	<u>163,261</u>	<u>4,750,303</u>
Net position at end of year	<u>\$ 4,309,743</u>	<u>\$ 216,788</u>	<u>\$ 165,465</u>	<u>\$ 4,691,996</u>

# STATISTICAL SECTION



CITY OF EAST GRAND FORKS, MINNESOTA

STATISTICAL SECTION

## Statistical Information

(Unaudited)

CITY OF EAST GRAND FORKS

The Statistical Section is included to provide financial statement users with additional historical perspective, context, and detail for them to use in evaluating the information contained within the financial statements, notes to the financial statements, and required supplementary information with the goal of providing the user a better understanding of the City's economic condition.

### Contents

#### **Financial Trends**

These schedules contain information to help the reader understand how the City's financial performance and well-being have changed over time.

- Net Position by Component
- Changes in Net Position
- Fund Balances of Governmental Funds
- Changes in Fund Balances of Governmental Funds

#### **Revenue Capacity**

These schedules contain information to help the reader assess the City's most significant local revenue sources.

- Tax Revenues by Source
- State Intergovernmental Revenues by Program
- Tax Capacity and Estimated Market Value of all Taxable Property
- Property Tax Rates - All Direct and Overlapping Governments
- Principal Property Tax Payers
- Property Tax Levies and Collections
- Special Assessment Levies and Collections

#### **Debt Capacity**

These schedules contain information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

- Ratio of Net Bonded Debt to Tax Capacity and Estimated Values, and Net Bonded Debt per Capita
- Direct and Overlapping Debt
- Legal Debt Margin Information
- Schedule of Revenue Bond Coverage

#### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

- Construction
- Demographic & Economic Statistics
- Principal Employers
- Demographic Statistics U.S. Census Data

#### **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and activities it performs.

- Full-time Equivalent City Government Employees by Function/Program
- Operating Indicators by Function
- Schedule of Insurance in Force
- Miscellaneous Statistical Information
- Significant Minnesota Tax Policies

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.



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**Net Position by Component**  
**Last Ten Years**  
*(Accrual basis of accounting)*

**CITY OF EAST GRAND FORKS**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Governmental activities</b>										
Net investment in capital assets	\$ 127,824,706	\$ 115,326,956	\$ 116,078,462	\$ 116,301,106	\$ 115,332,239	\$ 115,434,404	\$ 117,234,890	\$ 116,911,181	\$ 114,210,487	\$ 118,579,744
Restricted	11,517,373	12,556,179	11,634,601	10,977,442	9,888,840	9,445,754	7,660,112	8,957,932	13,061,790	10,764,788
Unrestricted	11,397,087	7,598,523	7,595,720	7,913,136	8,665,636	7,802,752	7,298,268	6,540,397	1,041,983	(1,346,405)
Total governmental activities net position	<u>\$ 150,739,166</u>	<u>\$ 135,481,658</u>	<u>\$ 135,308,783</u>	<u>\$ 135,191,684</u>	<u>\$ 133,886,715</u>	<u>\$ 132,682,910</u>	<u>\$ 132,193,270</u>	<u>\$ 132,409,510</u>	<u>\$ 128,314,260</u>	<u>\$ 127,998,127</u>
<b>Business-type activities</b>										
Net investment in capital assets	\$ 33,346,440	\$ 47,333,593	\$ 47,020,536	\$ 48,311,193	\$ 47,366,532	\$ 48,462,989	\$ 49,494,333	\$ 49,290,648	\$ 47,340,484	\$ 49,138,750
Restricted	67,710	72,029	72,233	-	-	-	-	-	-	-
Unrestricted	15,554,463	15,863,528	16,836,765	16,278,737	16,991,186	17,207,851	16,609,284	17,889,666	17,271,336	17,307,983
Total business-type activities net position	<u>\$ 48,968,613</u>	<u>\$ 63,269,150</u>	<u>\$ 63,929,534</u>	<u>\$ 64,589,930</u>	<u>\$ 64,357,718</u>	<u>\$ 65,670,840</u>	<u>\$ 66,103,617</u>	<u>\$ 67,180,314</u>	<u>\$ 64,611,820</u>	<u>\$ 66,446,733</u>
<b>Primary government</b>										
Net investment in capital assets	\$ 161,171,146	\$ 162,660,549	\$ 163,098,998	\$ 164,612,299	\$ 162,698,771	\$ 163,897,393	\$ 166,729,223	\$ 166,201,829	\$ 161,550,971	\$ 167,718,494
Restricted	11,585,083	12,628,208	11,706,834	10,977,442	9,888,840	9,445,754	7,660,112	8,957,932	13,061,790	10,764,788
Unrestricted	26,951,550	23,462,051	24,432,485	24,191,873	25,656,822	25,010,603	23,907,552	24,430,063	18,313,319	15,961,578
Total primary government net position	<u>\$ 199,707,779</u>	<u>\$ 198,750,808</u>	<u>\$ 199,238,317</u>	<u>\$ 199,781,614</u>	<u>\$ 198,244,433</u>	<u>\$ 198,353,750</u>	<u>\$ 198,296,887</u>	<u>\$ 199,589,824</u>	<u>\$ 192,926,080</u>	<u>\$ 194,444,860</u>

**Changes in Net Position**  
**Last Ten Years**  
*(Accrual basis of accounting)*

**CITY OF EAST GRAND FORKS**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Expenses</b>										
Governmental activities:										
General government	\$ 1,155,532	\$ 1,195,452	\$ 1,091,832	\$ 1,033,325	\$ 1,014,122	\$ 1,186,560	\$ 1,000,841	\$ 1,300,311	\$ 1,421,703	\$ 2,813,025
Public safety	3,273,535	3,932,137	3,638,645	3,508,407	3,453,879	3,530,624	3,841,070	3,919,550	4,250,080	4,408,879
Public works	3,958,548	3,218,356	3,646,371	3,728,496	3,528,021	4,711,832	2,759,795	4,896,908	4,080,295	3,849,162
Transit	359,459	276,189	283,898	278,476	365,385	401,470	343,947	385,912	387,385	409,700
Recreation and culture	2,125,732	2,337,123	2,213,181	2,346,805	2,398,640	2,447,389	2,636,031	2,748,617	2,638,367	2,919,265
Community development	286,303	254,056	181,624	166,045	173,235	227,832	122,563	132,490	109,984	531,305
Cemetery	35,256	50,467	47,105	52,476	57,228	60,463	299,909	43,389	50,317	68,904
Interest on long-term debt	472,223	513,782	505,820	566,395	612,504	533,736	502,385	458,606	504,927	381,875
Total governmental activities expenses	<u>11,666,588</u>	<u>11,777,562</u>	<u>11,608,476</u>	<u>11,680,425</u>	<u>11,603,014</u>	<u>13,099,906</u>	<u>11,506,541</u>	<u>13,885,783</u>	<u>13,443,058</u>	<u>15,382,115</u>
Business-type activities										
Electric utility	10,450,476	11,589,832	11,271,252	11,749,099	12,268,180	13,206,748	13,182,980	13,796,998	13,603,441	13,646,481
Water utility	1,961,418	2,164,353	2,009,061	2,114,845	2,096,118	2,343,208	2,152,305	2,290,490	2,176,802	2,397,668
Sewer utility	629,832	665,582	703,260	785,645	964,063	901,603	918,483	868,049	885,940	951,449
City mall	428,359	358,227	350,600	365,121	631,066	324,547	335,128	346,560	1,697,935	63,549
Storm water	-	477,935	907,291	956,736	804,162	499,046	561,522	621,122	606,720	614,981
Refuse collection	788,955	919,920	812,010	838,236	854,222	866,266	912,945	906,560	946,497	1,115,119
Total business-type activities expenses	<u>14,259,041</u>	<u>16,175,849</u>	<u>16,053,474</u>	<u>16,809,682</u>	<u>17,617,811</u>	<u>18,141,418</u>	<u>18,063,363</u>	<u>18,829,779</u>	<u>19,917,335</u>	<u>18,789,247</u>
Total primary government expenses	<u>\$ 25,925,629</u>	<u>\$ 27,953,411</u>	<u>\$ 27,661,950</u>	<u>\$ 28,490,107</u>	<u>\$ 29,220,825</u>	<u>\$ 31,241,324</u>	<u>\$ 29,569,904</u>	<u>\$ 32,715,562</u>	<u>\$ 33,360,393</u>	<u>\$ 34,171,362</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 111,003	\$ 117,172	\$ 102,704	\$ 125,833	\$ 118,710	\$ 301,653	\$ 77,324	\$ 64,999	\$ 62,347	\$ 71,145
Public safety	296,028	316,428	314,829	246,507	459,160	306,445	301,040	308,152	308,678	302,641
Public works	214,208	218,778	219,704	266,398	273,836	-	298,163	305,410	315,286	315,553
Transit	4,000	19,398	2,446	4,500	-	214,771	-	-	-	-
Recreation and culture	331,153	340,909	406,660	386,664	319,877	411,311	514,163	382,199	516,167	554,879
Community development	197,578	98,500	93,745	137,975	36,000	-	106,024	1,417	1,103	2,212
Cemetery	34,410	65,265	46,352	41,793	55,832	-	39,295	7,875	21,310	13,945
Operating grants and contributions	632,310	625,375	654,364	611,611	742,997	3,380,925	3,753,816	3,001,462	3,158,208	3,221,755
Capital grants and contributions	4,181,757	1,638,591	2,310,356	2,864,343	713,176	-	532,698	377,027	16,883	1,150,836
Total governmental activities program revenues	<u>6,002,447</u>	<u>3,440,416</u>	<u>4,151,159</u>	<u>4,685,624</u>	<u>2,719,588</u>	<u>4,615,105</u>	<u>5,622,523</u>	<u>4,448,541</u>	<u>4,399,982</u>	<u>5,632,966</u>

**Changes in Net Position**  
**Last Ten Years (Continued)**  
*(Accrual basis of accounting)*

**CITY OF EAST GRAND FORKS**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Business-type activities:										
Charges for services:										
Electric utility	11,240,822	11,957,089	11,850,730	12,986,102	13,075,789	14,064,360	13,587,455	14,329,858	14,304,963	14,096,598
Water utility	1,987,471	2,019,667	1,883,487	1,843,840	1,917,793	2,338,132	2,700,640	2,691,644	2,646,805	2,490,088
Sewer utility	566,828	627,070	968,208	988,491	976,454	1,279,097	1,428,483	1,659,431	1,629,153	1,647,609
Commercial Properties	147,836	160,238	178,530	189,072	197,095	190,915	176,714	192,156	109,489	64,842
Storm Water	-	176,337	178,686	179,305	213,691	233,899	233,105	235,222	268,021	479,086
Refuse collection	885,621	776,659	752,588	872,984	829,018	840,565	850,212	868,003	914,545	1,039,110
Operating grants and contributions	15,000	15,000	442,829	129,937	303,931	20,215	15,427	15,000	-	-
Capital grants and contributions	279,612	-	215,248	96,704	-	-	-	-	-	-
Total business-type activities program revenues	<u>15,123,190</u>	<u>15,732,060</u>	<u>16,470,307</u>	<u>17,286,435</u>	<u>17,513,771</u>	<u>18,967,183</u>	<u>18,992,036</u>	<u>19,991,314</u>	<u>19,890,976</u>	<u>19,817,333</u>
Total primary government program revenues	<u>\$ 21,125,637</u>	<u>\$ 19,172,476</u>	<u>\$ 20,621,466</u>	<u>\$ 21,972,060</u>	<u>\$ 20,233,359</u>	<u>\$ 23,582,288</u>	<u>\$ 24,614,559</u>	<u>\$ 24,439,855</u>	<u>\$ 24,290,958</u>	<u>\$ 25,450,299</u>
Net (expense)/revenue										
Governmental activities	\$ (5,664,142)	\$ (8,337,147)	\$ (7,457,316)	\$ (6,994,801)	\$ (8,883,426)	\$ (8,484,801)	\$ (5,884,018)	\$ (9,437,242)	\$ (9,043,076)	\$ (9,749,149)
Business-type activities	864,148	(443,790)	416,833	431,752	(104,040)	825,765	928,673	1,161,535	(26,359)	1,028,086
Total primary government net expense	<u>\$ (4,799,994)</u>	<u>\$ (8,780,937)</u>	<u>\$ (7,040,484)</u>	<u>\$ (6,563,048)</u>	<u>\$ (8,987,466)</u>	<u>\$ (7,659,036)</u>	<u>\$ (4,955,345)</u>	<u>\$ (8,275,707)</u>	<u>\$ -</u>	<u>\$ (8,721,063)</u>

**General Revenues and Other Changes in Net Position**

Governmental activities:										
Taxes										
Property taxes	\$ 1,954,979	\$ 2,163,693	\$ 2,116,388	\$ 2,201,420	\$ 2,364,973	\$ 2,526,924	\$ 2,982,817	\$ 4,970,612	\$ 4,071,021	\$ 5,384,765
Franchise taxes	1,309,050	1,309,050	1,361,673	1,359,302	1,392,521	1,416,140	1,430,795	1,466,924	1,431,503	1,411,787
Unrestricted grants and contributions	3,517,772	3,063,221	3,239,503	2,867,240	2,895,270	3,032,526	361,744	1,597,294	1,101,345	1,077,233
Investment earnings	530,674	406,526	272,807	160,728	361,923	288,304	229,366	174,674	84,835	125,608
Other	196,165	323,082	105,452	180,527	106,954	267,103	140,017	888,472	1,045,580	1,021,419
Transfers	53,856	(14,185,931)	188,618	108,484	456,816	(250,000)	249,639	555,506	1,103,174	385,154
Total governmental activities	<u>7,562,496</u>	<u>(6,920,359)</u>	<u>7,284,440</u>	<u>6,877,700</u>	<u>7,578,457</u>	<u>7,280,997</u>	<u>5,394,378</u>	<u>9,653,482</u>	<u>8,837,458</u>	<u>9,405,966</u>
Business-type activities										
Investment earnings	777,218	558,394	432,172	333,528	328,644	237,356	(246,259)	470,668	273,526	237,847
Gain on sale	-	-	-	-	-	-	-	-	-	8,249
Capital contributions	-	-	-	-	-	-	-	-	-	258,293
Other	2,795	-	-	3,600	-	-	-	-	-	7,500
Transfers	(53,856)	14,185,931	(188,618)	(108,484)	(456,816)	250,000	(249,639)	(555,506)	(1,259,323)	(385,154)
Total business-type activities	<u>726,157</u>	<u>14,744,325</u>	<u>243,554</u>	<u>228,644</u>	<u>(128,172)</u>	<u>487,356</u>	<u>(495,898)</u>	<u>(84,838)</u>	<u>(985,797)</u>	<u>126,735</u>
Total primary government	<u>\$ 8,288,653</u>	<u>\$ 7,823,966</u>	<u>\$ 7,527,994</u>	<u>\$ 7,106,344</u>	<u>\$ 7,450,285</u>	<u>\$ 7,768,353</u>	<u>\$ 4,898,480</u>	<u>\$ 9,568,644</u>	<u>\$ 7,851,661</u>	<u>\$ 9,532,701</u>

**Changes in Net Position**

Governmental activities	\$ 1,898,354	\$ (15,257,506)	\$ (172,876)	\$ (117,100)	\$ (1,304,969)	\$ (1,203,804)	\$ (489,640)	\$ 216,240	\$ (205,618)	\$ (343,183)
Business-type activities	1,590,305	14,300,535	660,387	660,396	(232,212)	1,313,121	432,775	1,076,697	(1,012,156)	1,154,821
Total primary government	<u>\$ 3,488,659</u>	<u>\$ (956,971)</u>	<u>\$ 487,511</u>	<u>\$ 543,296</u>	<u>\$ (1,537,181)</u>	<u>\$ 109,317</u>	<u>\$ (56,865)</u>	<u>\$ 1,292,937</u>	<u>\$ (1,217,774)</u>	<u>\$ 811,638</u>

**Fund Balances of Governmental Funds  
Last Ten Years**

*(Modified accrual basis of accounting)*

**CITY OF EAST GRAND FORKS**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund										
Nonspendable	\$ 21,708	\$ 5,854	\$ 22,738	\$ 33,224	\$ 35,397	\$ 39,005	\$ 33,820	\$ 90,799	\$ 18,438	\$ 18,834
Assigned	-	-	-	-	-	-	-	-	824,534	-
Unassigned	<u>2,820,231</u>	<u>2,558,791</u>	<u>2,704,602</u>	<u>2,554,632</u>	<u>2,724,606</u>	<u>3,156,150</u>	<u>3,144,775</u>	<u>2,857,761</u>	<u>1,910,902</u>	<u>4,577,185</u>
Total general fund	<u>\$ 2,841,939</u>	<u>\$ 2,564,645</u>	<u>\$ 2,727,340</u>	<u>\$ 2,587,856</u>	<u>\$ 2,760,003</u>	<u>\$ 3,195,155</u>	<u>\$ 3,178,595</u>	<u>\$ 2,948,560</u>	<u>\$ 2,753,874</u>	<u>\$ 4,596,019</u>
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 244,951	\$ 233,684	\$ 221,958	\$ 209,754	\$ 202,219	\$ 76,000
Restricted	4,526,721	3,372,325	3,315,092	3,605,129	4,889,303	5,651,656	5,937,406	5,101,261	7,867,046	5,185,436
Unassigned	<u>3,829,081</u>	<u>3,335,127</u>	<u>2,187,869</u>	<u>2,101,377</u>	<u>339,842</u>	<u>(1,093,334)</u>	<u>(1,594,585)</u>	<u>(534,491)</u>	<u>(443,018)</u>	<u>(2,902,243)</u>
Total all other governmental funds	<u>\$ 8,355,802</u>	<u>\$ 6,707,452</u>	<u>\$ 5,502,961</u>	<u>\$ 5,706,506</u>	<u>\$ 5,474,096</u>	<u>\$ 4,792,006</u>	<u>\$ 4,564,779</u>	<u>\$ 4,776,524</u>	<u>\$ 7,626,247</u>	<u>\$ 2,359,193</u>

**Changes in Fund Balances of Governmental Funds  
Last Ten Years**

*(Modified accrual basis of accounting)*

**CITY OF EAST GRAND FORKS**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Revenues</b>										
General Taxes	\$ 3,264,030	\$ 3,472,742	\$ 3,478,061	\$ 3,560,721	\$ 3,757,494	\$ 3,943,064	\$ 3,925,470	\$ 4,548,543	\$ 4,682,355	\$ 5,261,885
Special Assessments	1,443,814	1,570,234	1,676,805	1,693,440	1,637,346	1,978,829	1,603,911	1,284,961	1,245,386	1,500,017
Licenses and Permits	117,951	138,252	113,350	122,642	105,201	125,530	131,642	119,602	128,766	141,650
Intergovernmental	6,580,465	4,379,731	4,698,290	4,902,529	3,915,779	5,573,174	4,648,258	4,909,773	4,164,660	4,874,995
Charges for Services	927,973	910,654	873,350	966,506	1,051,260	1,234,180	1,336,009	1,070,052	1,228,243	1,272,883
Fines and Forfeitures	141,044	127,544	151,845	119,522	106,954	123,841	107,304	110,954	96,018	134,397
Investment Earnings & Other Revenues	637,201	554,041	397,743	238,902	361,923	288,304	226,369	350,201	378,562	790,796
<b>Total Revenues</b>	<u>13,112,477</u>	<u>11,153,198</u>	<u>11,389,444</u>	<u>11,604,264</u>	<u>11,978,963</u>	<u>12,394,086</u>	<u>11,923,990</u>	<u>12,394,086</u>	<u>11,923,990</u>	<u>13,976,623</u>
<b>Expenditures</b>										
General Government	912,481	959,898	877,116	839,360	833,241	896,494	989,127	960,902	996,073	1,082,021
Public Safety	2,999,380	3,621,972	3,313,255	3,249,167	3,323,503	3,381,290	3,635,336	3,681,664	4,008,399	4,094,298
Public Works	1,178,059	1,298,076	1,222,589	1,415,962	1,289,353	1,180,621	1,417,606	1,563,762	1,263,546	1,285,161
Transit	268,674	252,780	261,246	262,526	344,381	371,403	311,685	350,484	353,824	373,701
Culture and Recreation	1,593,285	1,805,030	1,706,580	1,783,518	1,833,113	1,950,756	2,065,514	2,084,534	2,041,966	2,244,883
Community Development	284,137	254,056	181,624	166,045	171,953	227,832	122,563	132,491	109,985	531,305
Cemetery	31,363	46,574	43,434	49,139	54,721	57,956	53,936	43,389	44,799	56,943
Other	308,366	277,249	251,187	287,772	216,905	180,205	243,466	240,002	261,263	241,159
Capital Outlay	5,750,739	4,426,691	6,120,134	4,634,989	1,778,446	3,836,009	2,126,674	2,493,270	4,178,606	3,684,508
Debt Service										
Principal	440,000	1,785,000	885,000	940,000	1,593,000	1,695,577	999,000	1,096,000	709,000	3,858,000
Interest	530,829	513,802	504,413	525,259	587,668	561,487	495,591	459,405	449,626	401,875
Other Charges						41,962	11,891	-	57,745	-
<b>Total All Other Governmental Funds</b>	<u>14,297,312</u>	<u>15,241,128</u>	<u>15,366,578</u>	<u>14,153,737</u>	<u>12,026,284</u>	<u>14,381,592</u>	<u>12,472,389</u>	<u>13,105,903</u>	<u>14,474,832</u>	<u>17,853,854</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(1,184,835)</u>	<u>(4,087,930)</u>	<u>(3,977,134)</u>	<u>(2,549,473)</u>	<u>(47,321)</u>	<u>(1,987,506)</u>	<u>(548,399)</u>	<u>(711,817)</u>	<u>(2,550,842)</u>	<u>(3,877,231)</u>
<b>Other Financing Sources (Uses)</b>										
Transfers In	1,610,482	2,430,180	2,640,830	1,604,455	1,098,012	659,925	1,333,855	1,634,691	4,539,727	2,912,888
Transfers Out	(1,556,626)	(2,309,428)	(2,452,212)	(1,495,971)	(641,196)	(909,925)	(1,084,216)	(1,079,187)	(3,236,555)	(2,527,734)
Long-term Debt Issued	3,561,541	1,923,788	2,936,902	2,267,159	573,246	1,100,000	-	-	3,725,000	-
Premium on Long-term Debt	-	-	-	-	-	17,732	-	-	172,980	-
Discount on Long-term Debt	(45,986)	-	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	42,050	-
Sale of Capital Assets	8,040	117,746	-	47,709	-	-	-	138,023	106,060	40,118
<b>Total Other Financing Sources (Uses)</b>	<u>3,577,451</u>	<u>2,162,286</u>	<u>3,125,520</u>	<u>2,423,352</u>	<u>1,030,062</u>	<u>867,732</u>	<u>249,639</u>	<u>693,527</u>	<u>5,349,262</u>	<u>425,272</u>
<b>Net Change in Fund Balances</b>	<u>\$ 2,392,616</u>	<u>\$ (1,925,646)</u>	<u>\$ (851,616)</u>	<u>\$ (126,123)</u>	<u>\$ 982,741</u>	<u>\$ (1,119,774)</u>	<u>\$ (298,760)</u>	<u>\$ (18,290)</u>	<u>\$ 2,798,420</u>	<u>\$ (3,451,959)</u>
Debt Service as % of Noncapital Expenditures	10.4%	17.9%	12.1%	14.4%	20.6%	18.8%	15.6%	13.5%	11.0%	30.1%

**Tax Revenues by Source  
Last Ten Years**

*(Modified accrual basis of accounting)*

**CITY OF EAST GRAND FORKS**

<u>Year</u>	<u>Property Taxes</u>	<u>Electric Franchise (1)</u>	<u>Gas Franchise(2)</u>	<u>Cable TV Franchise(3)</u>	<u>Other</u>	<u>Total</u>
2007	\$ 1,929,978	\$ 1,085,474	\$ 120,895	\$ 89,768	\$ 37,915	\$ 3,264,030
2008	2,122,114	1,099,474	127,349	103,447	20,358	3,472,742
2009	2,092,423	1,151,321	97,010	113,343	23,964	3,478,061
2010	2,182,799	1,159,138	81,904	118,259	18,621	3,560,721
2011	2,323,055	1,183,030	85,419	124,072	41,919	3,757,495
2012	2,501,605	1,219,013	68,772	128,355	25,319	3,943,064
2013	2,486,461	1,190,744	87,544	135,245	25,476	3,925,470
2014	3,062,285	1,216,484	110,593	139,847	19,334	4,548,543
2015	3,219,544	1,203,368	84,168	143,967	31,308	4,682,355
2016	3,803,949	1,194,587	68,520	148,679	46,149	5,261,884
Change 2007-2016	97.1%	10.1%	-43.3%	65.6%	21.7%	61.2%

- Notes: General Fund only.  
 (1) The electric franchise fee is \$.0075 per kwh sold by the city-owned utility.  
 (2) The gas franchise fee is 3% of gross revenues generated by NSP/Xcel Energy.  
 (3) The cable franchise fee is 5% of gross revenues.

Source: Administration and Finance

**State Intergovernmental Revenues by Program  
Last Ten Years**

*(Modified accrual basis of accounting)*

**CITY OF EAST GRAND FORKS**

<u>Year</u>	<u>Local Government Aid</u>	<u>Market Value Credit (1)</u>	<u>Disparity Reduction Credit</u>	<u>Police State Aid</u>	<u>PERA and Fire Aid</u>	<u>Total</u>
2007	\$ 2,701,018	\$ 374,053	\$ 427,013	\$ 155,224	\$ 60,352	\$ 3,717,660
2008	2,458,788	192,742	396,003	154,113	52,905	3,254,551
2009	2,658,631	189,295	375,889	147,593	47,752	3,419,160
2010	2,471,550	10,971	369,031	140,088	52,503	3,044,143
2011	2,492,120	11,933	375,529	143,575	51,891	3,075,048
2012	2,471,550	423	529,611	130,529	53,580	3,185,693
2013	2,471,550	61	514,600	150,801	74,518	3,211,530
2014	2,514,149	-	620,651	145,338	74,482	3,354,620
2015	2,520,671	784	686,780	144,226	80,835	3,433,296
2016	2,492,055	56	682,499	179,157	83,969	3,437,736
Change 2007-2016	-7.7%	-100.0%	59.8%	15.4%	39.1%	-7.5%

Notes: General Fund only.

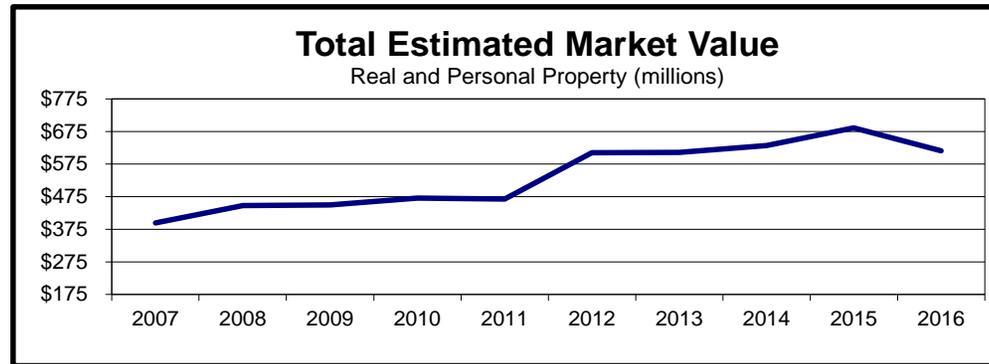
Source: Administration and Finance

**Tax Capacity and Estimated Market Value of all Taxable Property  
Last Ten Years**  
(Unaudited)

**CITY OF EAST GRAND FORKS**

Year	Real Property		Personal Property		Total		Direct Tax Rate	Tax Cap % of Mkt Value
	Tax Capacity	Estimated Market Value	Tax Capacity	Estimated Market Value	Tax Capacity	Estimated Market Value		
2007	\$ 4,649,507	\$ 392,040,400	\$ 53,460	\$ 2,723,900	\$ 4,702,967	\$ 394,764,300	57.09	1.2%
2008	5,151,146	444,605,200	53,064	2,704,100	5,204,210	447,309,300	53.84	1.2%
2009	5,219,626	449,130,700	2,697	175,900	5,222,323	449,306,600	52.78	1.2%
2010	5,422,190	467,564,800	52,371	2,670,000	5,474,561	470,234,800	52.24	1.2%
2011	5,332,421	464,750,400	54,666	2,786,000	5,387,087	467,536,400	56.16	1.2%
2012	4,888,351	606,700,400	60,482	3,076,800	4,948,833	609,777,200	59.73	0.8%
2013	4,898,069	607,213,600	63,080	3,239,100	4,961,149	610,452,700	58.98	0.8%
2014	5,085,984	628,323,900	64,158	3,293,000	5,150,142	631,616,900	57.53	0.8%
2015	5,504,832	682,547,100	70,198	3,600,700	5,575,030	686,147,800	55.81	0.8%
2016	6,522,297	612,179,400	70,198	3,600,700	6,592,495	615,780,100	61.28	1.1%

Source: County Assessor



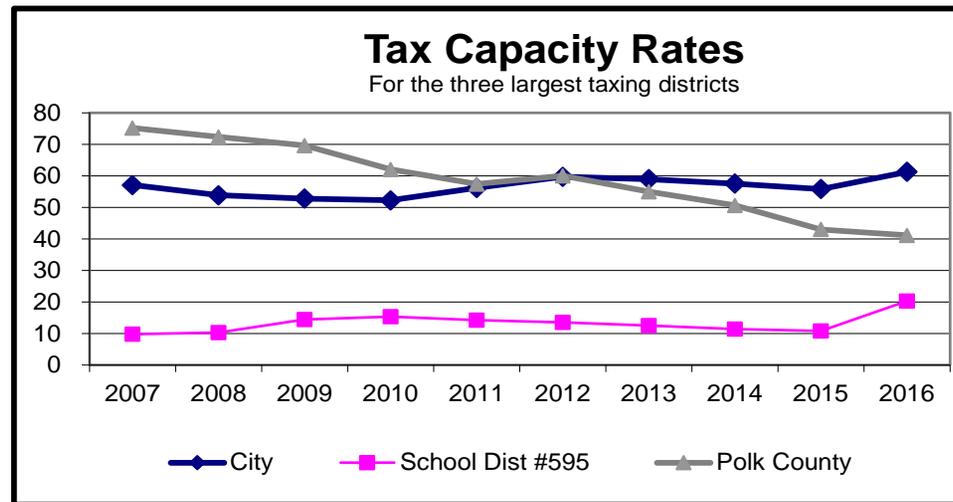
Note: The county assessor is occasionally required to make city wide adjustments to estimated market values. The State of Minnesota will instruct the county assessor to make these type of adjustments when data comparing actual sales to assessed values warrant such actions.

**Property Tax Rates – All Direct and Overlapping Governments  
Last Ten Years**  
(Unaudited)

**CITY OF EAST GRAND FORKS**

Year	General	Debt	Tax Rates per \$1,000 of Tax Capacity						Total
			Total City	School Dist #595	Polk County	Watershed Value	NWRDC	Ambulance District	
2007	52.86	4.23	57.09	9.77	75.17	4.61	0.34	0.97	147.95
2008	50.10	3.74	53.84	10.26	72.37	4.89	0.33	0.87	142.56
2009	49.02	3.76	52.78	14.46	69.65	5.05	0.32	0.87	143.13
2010	50.38	1.86	52.24	15.28	62.04	4.80	0.28	0.83	135.47
2011	54.08	2.08	56.16	14.24	57.39	5.31	0.27	0.84	134.21
2012	57.49	2.24	59.73	13.49	60.01	5.78	0.28	0.94	140.23
2013	55.70	3.28	58.98	12.52	54.99	5.38	0.25	0.93	133.05
2014	55.04	2.49	57.53	11.37	50.61	5.28	0.24	0.90	125.93
2015	53.39	2.42	55.81	10.80	42.99	3.68	0.19	0.83	114.31
2016	59.05	2.23	61.28	20.27	41.11	3.98	0.19	0.74	127.57

Source: County Auditor



Notes: State paid tax credits comprise the difference between the city's gross and net tax levies.

**Principal Property Taxpayers**  
**Current Year and Nine Years Ago**  
*(Unaudited)*

**CITY OF EAST GRAND FORKS**

<u>Taxpayer</u>	<b>2016</b>			<b>2007</b>		
	<u>Tax Capacity</u>	<u>Rank</u>	<u>% of Total Tax Capacity of \$6,592,495</u>	<u>Tax Capacity</u>	<u>Rank</u>	<u>% of Total Tax Capacity of \$4,702,967</u>
American Crystal	\$ 375,714	1	5.70%	\$ 685,466	1	14.6%
Burlington Northern	83,590	2	1.27%	28,514	10	0.6%
Pierce Investments LLC	80,877	3	1.23%			
Cabela's	80,806	4	1.23%	58,060	2	
Valley Markets	75,836	5	1.15%	53,432	4	1.1%
Xcel-Northern States Power	68,268	6	1.04%	53,200	5	1.1%
Riverview Terrace LLC	60,184	7	0.91%	47,775	6	1.0%
Green Acres	58,882	8	0.89%	57,297	3	1.2%
Proll LLC	33,656	9	0.5%			
RJ Zavoral & Sons Inc	32,264	10	0.5%			
City-Commercial & Residential				30,607	9	0.7%
EGF Economic Dev Authority				38,504	7	0.8%
Sterling Development				33,962	8	0.7%
	<u>\$ 950,077</u>		<u>14.4%</u>	<u>\$ 1,086,817</u>		<u>21.9%</u>

Note: Tax capacity is calculated by multiplying the estimated market value by property classification rates prescribed by Minnesota state law.  
 Total includes rounding errors.

Source: County Auditor

**Property Tax Levies and Tax Collections  
Last Ten Years**  
(Unaudited)

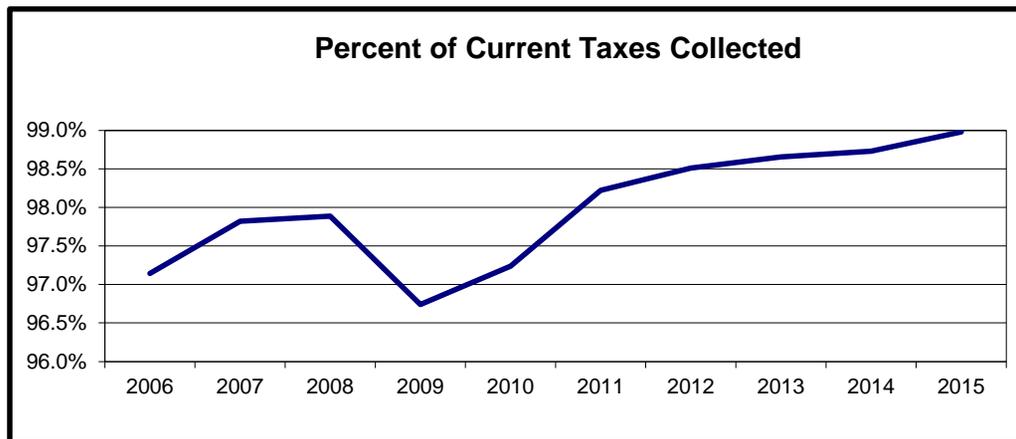
**CITY OF EAST GRAND FORKS**

Levy Year (1)	Collected Within the Year of Levy		Percent of Levy	Collections in Subsequent Years	Total Tax Collection	Total as % of Current Levy	Outstanding Delinquent Taxes (2)	Outstanding Delinquent Taxes as a % of Levy
	Net Tax Levy	Current Tax Collection						
2006	\$1,953,185	\$1,897,420	97.1%	\$ 32,146	\$1,929,566	98.8%	\$ -	0.0%
2007	2,120,415	2,074,229	97.8%	48,892	2,123,121	100.1%	99,716	4.7%
2008	2,097,718	2,053,418	97.9%	39,005	2,092,423	99.7%	99,401	4.7%
2009	2,214,089	2,141,845	96.7%	40,954	2,182,799	98.6%	136,487	6.2%
2010	2,332,839	2,268,370	97.2%	41,993	2,310,363	99.0%	125,699	5.4%
2011	2,490,328	2,446,018	98.2%	56,303	2,502,321	100.5%	104,926	4.2%
2012	2,476,976	2,440,098	98.5%	46,363	2,486,461	100.4%	96,723	3.9%
2013	2,424,552	2,391,898	98.7%	49,735	2,441,633	100.7%	111,449	4.6%
2014	2,515,399	2,483,433	98.7%	35,907	2,519,341	100.2%	97,795	3.9%
2015	3,121,752	3,089,866	99.0%	22,896	3,112,762	99.7%	70,068	2.2%

(1) Collection year is on year later (i.e., Levy Year 2013 Collection Year 2014)

(2) Information was not readily available for Levy year 2006 therefore information has been omitted. Delinquent taxes for levy year 2014 date from 1993 to 2014 levy years.

Source: County Auditor



**Special Assessment Levies and Collections  
Last Ten Years**  
(Unaudited)

CITY OF EAST GRAND FORKS

<u>Year</u>	<u>Special Assessment Billings</u>	<u>Special Assessment Collections</u>		<u>Uncertified (2) Special Assessments</u>	<u>Prepayment of Special Assessments</u>	<u>Prepayment Ratio (3) as a % of Uncertified</u>	<u>Total Special Assessments Collected</u>
		<u>Amount(1)</u>	<u>% of Billings</u>				
2007	\$ 1,410,342	\$ 1,323,689	93.9%	\$ 10,963,152	\$ 129,986	1.2%	\$ 1,453,675
2008	1,461,352	1,322,012	90.5%	10,514,965	109,880	1.0%	1,431,892
2009	1,486,917	1,444,914	97.2%	10,305,749	237,680	2.3%	1,682,594
2010	1,500,916	1,537,669	102.4%	10,082,307	126,891	1.2%	1,664,560
2011	1,505,227	1,525,126	101.3%	8,912,124	99,666	1.1%	1,624,792
2012	1,467,787	1,472,402	100.3%	7,840,748	415,770	5.0%	1,888,172
2013	1,432,775	1,413,281	98.6%	6,803,225	156,586	2.2%	1,569,867
2014	1,150,497	1,133,817	98.6%	6,739,704	161,588	2.3%	1,295,405
2015	1,080,944	1,081,464	100.0%	6,184,225	164,769	2.6%	1,246,233
2016	1,112,629	1,118,284	100.5%	6,570,326	381,734	5.5%	1,500,018

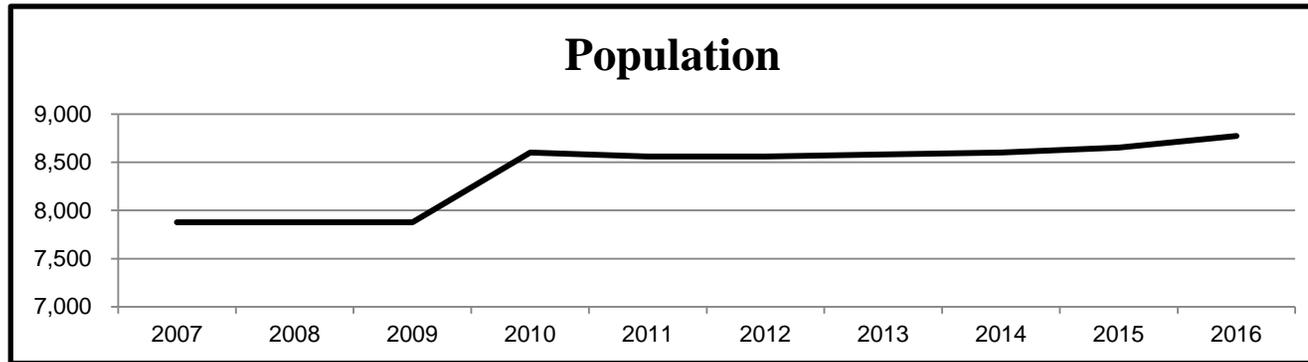
Source: Administration and Finance

- Notes:
- (1) Includes current and delinquent assessments, and assessments collected by the general fund after debt service obligations have been satisfied (miscellaneous revenues - other).
  - (2) In 1999, the city deferred \$730,732 in uncertified special assessments on city-owned residentially zoned property. These assessments will be added back to the assessment rolls as the lots are sold. In 2004, the city deferred \$3,197,276 on city-owned residentially zoned property, which will be assessed as the lots are sold.
  - (3) Prepayment ratio is calculated by dividing the prepayments by the sum of uncertified special assessments and prepayments.

**Ratio of Net Bonded Debt to Tax Capacity and Estimated Values, and Net Bonded Debt per Capita  
Last Ten Years**  
*(Unaudited)*

**CITY OF EAST GRAND FORKS**

Year	Popu- lation(1)	Tax Capacity	Bonded Debt Type		Total Gross Bonded Debt	Less Amount for Retirement	Net Bonded Debt	As a % of Tax Capacity	Estimated Market Values	Bonded Debt Per Capita
			Governmental	Business						
2007	7,879	4,702,967	\$ 14,830,000	\$ 1,345,000	\$ 16,175,000	\$ 4,212,406	\$ 11,962,594	343.9%	3.0%	2,053
2008	7,879	5,204,210	13,045,000	3,198,788	16,243,788	3,001,252	13,242,536	312.1%	3.0%	2,057
2009	7,879	5,222,323	13,397,881	4,762,211	18,160,092	2,978,660	15,181,432	347.7%	3.4%	2,305
2010	8,601	5,474,561	14,335,251	3,790,000	18,125,251	2,894,632	15,230,620	331.1%	3.4%	2,305
2011	8,560	5,387,087	13,093,577	3,623,000	16,716,577	2,202,313	14,514,264	310.3%	2.9%	1,953
2012	8,560	4,948,833	13,382,730	3,452,000	16,834,730	1,963,735	14,870,995	340.2%	2.4%	1,967
2013	8,581	4,961,149	12,383,707	3,276,000	15,659,707	2,450,443	13,209,264	315.6%	2.2%	1,825
2014	8,601	5,150,142	11,192,511	3,096,000	14,288,511	2,227,211	12,061,300	277.4%	1.9%	1,661
2015	8,651	5,575,030	14,568,175	2,911,000	17,479,175	5,393,270	12,085,905	313.5%	1.8%	2,020
2016	8,774	6,592,495	10,426,000	5,658,815	16,084,815	2,505,321	13,579,494	244.0%	2.0%	1,833



Notes: (1) The annual population estimates are obtained from the state demographer. When current year populations are not available, previous year estimates are carried forward.

Source: Administration and Finance and Polk County Auditor

**Computation of Direct and Overlapping Debt**  
**As of December 31, 2016**  
*(Unaudited)*

**CITY OF EAST GRAND FORKS**

<u>Jurisdiction</u>	<u>Net General Obligation Bonded Debt Outstanding</u>	<u>Percentage Applicable to City (1)</u>	<u>Overlapping Debt</u>	<u>Amount Applicable to City</u>
DIRECT DEBT:				
City of East Grand Forks	<u>\$ 10,426,000</u>	<u>100.0%</u>		<u>\$ 10,426,000</u>
OVERLAPPING DEBT:				
I.S.D. 595	4,395,000	44.2%	\$ 1,942,590	
Polk County	<u>13,515,000</u>	<u>9.7%</u>	<u>1,310,955</u>	
Total Overlapping Debt				<u>3,253,545</u>
Total direct and overlapping debt				<u><u>\$ 13,679,545</u></u>

Source: Taxable value data used to estimate applicable percentages provided by Polk County.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of East Grand Forks. This process recognizes that, when considering the government's ability to repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident and is therefore responsible for repaying the debt of each overlapping government.

(1) The percentage overlapping debt applicable is estimated using taxable property values. Applicable percentages are estimated by determining the portion of the county's taxable value that is within the City's boundaries and dividing it by the county's total taxable valuation.

**Legal Debt Margin Information**  
**Last Ten Years**  
*(Unaudited)*

**CITY OF EAST GRAND FORKS**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Estimated market value	\$ 394,764,300	\$ 447,309,300	\$ 451,767,600	\$ 494,264,800	\$ 467,536,400	\$ 609,777,200	\$ 610,452,700	\$ 631,616,900	\$ 686,147,800	\$ 615,780,100
Total debt	\$ 16,870,000	\$ 16,813,883	\$ 18,597,195	\$ 18,423,201	\$ 16,868,936	\$ 16,825,000	\$ 15,650,000	\$ 14,279,000	\$ 17,285,000	\$ 16,084,815
Deductions:										
Bonds:										
G.O. improvement bonds	14,830,000	13,045,000	12,160,000	11,220,000	9,700,000	9,180,000	8,260,000	7,245,000	10,610,000	6,575,000
Certificates of indebtedness	695,000	507,096	443,214	297,955	72,241	875,000	875,000	780,000	690,000	865,000
G.O. water revenue bonds	1,345,000	1,275,000	1,200,000							
Electric revenue bonds										
MN PFA GO Clean Water Improv Bonds		1,923,788	3,562,211	3,790,000	3,623,000	3,452,000	3,276,000	3,096,000	2,911,000	2,721,000
MN PFA GO Transportation Improv Bonds			1,237,881	3,115,251	3,393,577	3,318,000	3,239,000	3,158,000	3,074,000	2,986,000
MN PFA GO Wastewater Improv Bonds										2,937,815
Debt service funds:										
Cash, securities, and restricted cash	4,093,507	2,874,751	2,755,615	2,857,144	2,147,233	1,938,527	2,414,922	2,202,530	5,371,084	2,483,795
Less amount applicable to excluded bonds	(4,093,507)	(2,874,751)	(2,755,615)	(2,857,144)	(2,147,233)	(1,938,527)	(2,414,922)	(2,202,530)	(5,371,084)	(2,483,795)
Total net debt applicable to debt limit	\$ 695,000	\$ 570,095	\$ 437,103	\$ 297,949	\$ 152,359	\$ 875,000	\$ -	\$ -	\$ -	\$ -
Debt limit is 2% of estimated market value	\$ 7,895,286	\$ 8,856,998	\$ 9,035,352	\$ 9,885,296	\$ 9,350,728	\$ 12,195,544	\$ 12,209,054	\$ 12,632,338	\$ 13,722,956	\$ 12,315,602
Legal Debt Margin	\$ 7,200,286	\$ 8,286,903	\$ 8,598,249	\$ 9,587,347	\$ 9,198,369	\$ 11,320,544	\$ 12,209,054	\$ 12,632,338	\$ 13,722,956	\$ 12,315,602
Total net debt applicable to limit as a percentage of debt limit	8.8%	6.4%	4.8%	3.0%	1.6%	7.2%	0.0%	0.0%	0.0%	0.0%

COMPUTATION OF LEGAL DEBT MARGIN

**Note (A): Minnesota Statutes 475.53 et seq.**

Limit on Net Debt

"Subdivision 1. Generally, except as otherwise provided in sections 475.51 to 475.75, no municipality, except a school district or a city of the first class, shall incur or be subject to a net debt in excess of 2% of the market value of taxable property in the municipality"

**Note (B): Minnesota Statutes 475.51**

"Subdivision 4. 'Net Debt' means the amount remaining after deducting from its gross debt the amount of current revenues which are applicable within the current fiscal year to the payment of any debt, and the aggregate of the principal of the following:

- (1) Obligations issued for improvements which are payable wholly or partly from the proceeds of special assessments levied upon property specially benefited thereby, including those which are general obligations of the municipality issuing them, if the municipality is entitled to reimbursements in whole or in part from the proceeds of the special assessments.
- (2) Warrants or orders having no definite or fixed maturity.
- (3) Obligations payable wholly from the income from revenue-producing conveniences.
- (4) Obligations to create or maintain a permanent improvement revolving fund.
- (5) Obligations issued for the acquisition and betterment of public water-works systems and public lighting, heating, or power systems, and of any combination thereof or for any other public convenience from which revenue is or may be derived.

**Schedule of Revenue Bond Coverage**  
**Water Fund**  
*(Unaudited)*

**CITY OF EAST GRAND FORKS**

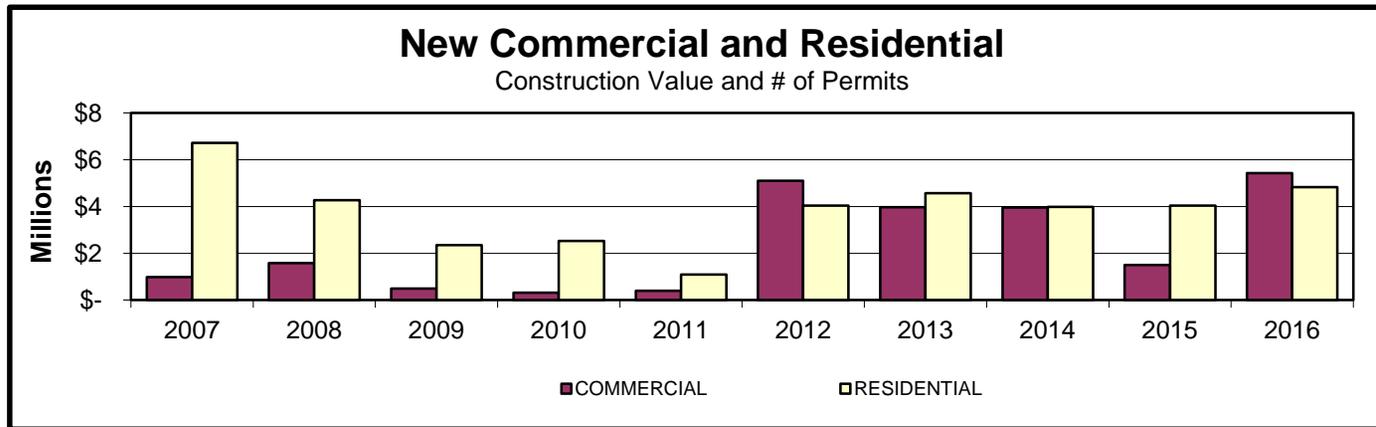
<u>Year</u>	<u>Gross Revenues (1)</u>	<u>Operating Expenses (2)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service Requirements (3)</u>			<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2007	\$ 2,094,122	\$ 1,392,146	\$ 701,976	\$ 70,000	\$ 68,500	\$ 138,500	5
2008	2,095,935	1,583,565	512,370	70,000	65,642	135,642	4
2009	1,940,848	1,433,218	507,631	75,000	61,742	136,742	4
2010	1,851,855	1,566,196	285,659	75,000 (4)	21,541	96,541	3
2011	1,917,793	1,561,996	355,797	-	-	-	N/A
2012	2,338,132	1,789,517	548,615	-	-	-	N/A
2013	2,700,640	1,601,488	1,099,152	-	-	-	N/A
2014	2,691,644	1,660,633	1,031,011	-	-	-	N/A
2015	2,646,807	1,537,737	1,109,070	-	-	-	N/A
2016	2,490,088	1,751,368	738,720	-	-	-	N/A

- Notes: (1) Total revenues including interest.  
(2) Total operating expenses excluding depreciation.  
(3) The first year of bonds payments was 2002.  
(4) Bonds totaling \$1,200,000 were called and prepaid in 2010.

Source: Administration and Finance

Year	CONSTRUCTION (1)				Total
	COMMERCIAL		RESIDENTIAL		
	Permits	Value	Permits	Value	
2007	1	\$ 980,000	51	\$ 6,719,000	\$ 7,699,000
2008	4	1,583,000	27	4,278,000	5,861,000
2009	4	489,000	12	2,350,000	2,839,000
2010	1	320,000	12	2,533,000	2,853,000
2011	2	398,000	4	1,085,000	1,483,000
2012	1	5,100,000	21	4,044,000	9,144,000
2013	2	3,974,000	22	4,568,000	8,542,000
2014	2	3,965,000	17	3,993,700	7,958,700
2015	5	1,493,000	16	4,046,951	5,539,951
2016	3	5,430,459	18	4,832,228	10,262,687

Source: City Planner



Notes: (1) Only new construction permits.

**Demographic and Economic Statistics**  
**Last Ten Years**  
*(Unaudited)*

**CITY OF EAST GRAND FORKS**

<b>Calendar Year</b>	<b>Population (1)</b>	<b>Personal Income (thousands of dollars)</b>	<b>Per Capita Personal Income (1)</b>	<b>Median Age (2)</b>	<b>Population 25 yrs &amp; over-Bachelor's degree or higher (1)</b>	<b>School Enrollment (3)</b>	<b>Unemployment Rate (1)</b>
2007	7,897	na	na	na	na	2,165	3.3%
2008	7,879	na	na	na	na	2,092	5.0%
2009	7,879	na	na	na	na	2,072	5.2%
2010	8,601	na	na	na	na	1,935	3.3%
2011	8,560	na	na	35	1,193	2,302	6.2%
2012	8,560	na	na	na	na	2,162	5.2%
2013	*8581	na	na	na	na	2,212	3.0%
2014	*8601	na	25,885	35	2,098	2,239	3.1%
2015	*8651	na	24,764	35	2,111	2,281	2.8%
2016	*8774	na	26,658	35	2,509	2,340	2.5%

Data Sources: (1) State of Minnesota Demographic Center.  
 (2) U.S. Census Data.  
 (3) East Grand Forks Public School District, East Grand Forks private schools.  
 \*Estimated Projection

**Principal Employers**  
**Current Year and Nine Years Ago**  
*(Unaudited)*

**CITY OF EAST GRAND FORKS**

<u>Taxpayer</u>	<u>2016</u>			<u>Taxpayer</u>	<u>2007</u>		
	<u>Employees</u>	<u>Rank</u>	<u>% of Total City Employment 2,550</u>		<u>Employees</u>	<u>Rank</u>	<u>% of Total City Employment 2,700</u>
American Crystal	349	1	13.69%	American Crystal	400	1	14.8%
ISD 595	320	2	12.55%	ISD 595	320	2	11.9%
R. J. Zavoral and Sons, Inc.	101	3	3.96%	Northland College-NTC-EGF	150	3	5.6%
Northland College-NTC-EGF	84	4	3.29%	City of East Grand Forks	140	4	5.2%
Blue Moose	74	5	2.90%	Valley Markets	130	5	4.8%
City of East Grand Forks	73	6	2.86%	Cabela's	95	6	3.5%
Northern Valley	61	7	2.39%	R.J. Zavoral and Sons, Inc.	90	7	3.3%
Valley Markets	57	8	2.24%	Whitney's Café	65	8	2.4%
Sacred Heart	53	9	2.08%	Lumber Mart	30	9	1.1%
Cabela's	35	10	1.37%	Mayo Manufacturing	25	10	0.9%
	<u>1,207</u>		<u>47.3%</u>		<u>1,445</u>		<u>53.5%</u>

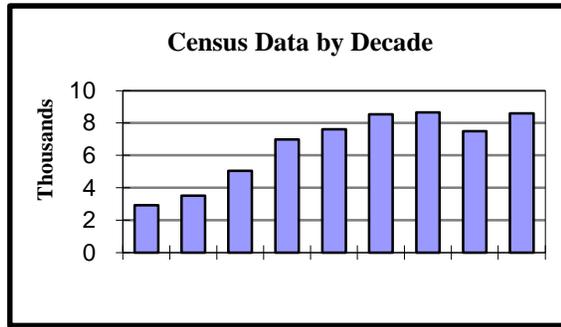
Source: Telephone survey of individual employers, February 2017

**Demographic Statistics**  
**U.S. Census Data**  
*(Unaudited)*

**CITY OF EAST GRAND FORKS**

Population Changes:

1930	2,922
1940	3,511
1950	5,049
1960	6,988
1970	7,607
1980	8,537
1990	8,658
2000	7,501
2010	8,601



Population Characteristic:	2000	% Total	2010	% Total
Under 20	5,053	67%	2,490	29%
20 and Over	2,448	33%	6,111	71%
	<b>7,501</b>	<b>100%</b>	<b>8,601</b>	<b>100%</b>

Age Characteristics:

	2000		2010	
	Total	% Total	Total	% Total
Under 5 Years	516	7%	691	8%
5-9 Years	580	8%	578	7%
10-14 Years	646	9%	595	7%
15-19 Years	706	9%	626	7%
20-24 Years	526	7%	633	7%
25-34 Years	865	12%	1,182	14%
35-44 Years	1,219	16%	1,028	12%
45-54 Years	971	13%	1,250	15%
55-59 Years	324	4%	507	6%
60-64 Years	269	4%	371	4%
65-74 Years	456	6%	533	6%
75-84 Years	321	4%	421	5%
85 Years and Older	102	1%	186	2%
<b>Total</b>	<b>7,501</b>	<b>100%</b>	<b>8,601</b>	<b>100%</b>

Miscellaneous:	2000	2010
Median Age:	34.10 Years	35.00 Years
Household Size:	2.54 People	2.33 People
Number of Households:	2,929.00 Units	3,488.00 Units

**Full-time Employees by Function/Program  
Last Ten Years**  
(Unaudited)

CITY OF EAST GRAND FORKS

Function	Full-time Employees as of December 31,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General Government:										
Administration and Finance	5	4	5	5	5	4	5	5	5	5
EDA-Community Develop	1	1	-	-	-	-	-	2	3	4
Public Safety:										
Building Official	3	3	2	2	2	1	2	-	-	-
Fire	10	10	10	10	10	9	10	10	9	10
Police	24	24	23	24	26	23	22	23	25	25
Public Works:										
Administration	-	-	-	-	-	-	-	-	-	3
Refuse	6	6	6	6	6	5	5	5	5	5
Sewage	2	2	2	2	2	2	2	2	2	2
Streets	7	7	7	7	6	6	6	6	6	5
Culture and Recreation:										
Administration	2	3	3	3	3	3	3	3	2	3
Parks	2	2	2	2	1	1	1	2	2	2
Arenas	2	2	2	2	2	2	3	3	3	3
Library	3	3	3	3	3	3	3	3	3	3
Senior center	1	1	1	1	1	1	1	1	1	1
Water and Light										
Administration	5	5	6	6	6	5	5	5	4	7
Electric	10	10	10	10	11	12	12	12	12	13
Water	8	8	8	8	8	8	8	8	8	8
Total	<u>91</u>	<u>91</u>	<u>90</u>	<u>91</u>	<u>92</u>	<u>85</u>	<u>88</u>	<u>90</u>	<u>90</u>	<u>99</u>

Note: Excludes seasonal and part-time positions.

Source: Administration and Finance

**Operating Indicators by Function**  
**Last Ten Years**  
*(Unaudited)*

**CITY OF EAST GRAND FORKS**

<u>Function</u>	<u>Year Ended December 31</u>									
	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Government										
On Sale Liquor license by entity	10	11	10	11	14	13	13	13	12	13
Off Sale Liquor license by entity	3	4	4	4	4	3	3	3	2	3
Number of AP checks written	3,075	3,224	3,184	3,321	3,491	3,063	2,980	2,980	2,476	2,547
Police										
DUI arrests	124	93	126	125	121	109	67	98	105	87
Traffic violations	1,044	918	1,041	1,274	1,001	686	716	600	802	667
No. of dog/cat licenses	106	123	132	160	111	103	38	99	113	129
Fire										
No. of rescue & EMS incidents	435	454	539	529	512	751	887	736	798	826
No. of fire calls	44	33	22	21	87	92	136	99	102	105
Building Official										
Building permits issued	379	117	343	454	315	300	253	285	287	425
Other permits issued	266	335	302	253	247	283	288	189	1,106	195
Refuse collection										
Refuse collected annually (tons)	3,905	3,482	3,713	3,983	3,995	4,107	4,232	4,265	4,365	4,280
Recyclables collected annually (tons)	449	521	604	698	676	687	667	530	399	443
Recreation and culture										
Number of summer registrants	748	601	601	473	501	583	475	620	545	556
Number of winter registrants	285	380	426	422	434	439	576	480	490	475
Attendance for general swim	11,278	8,963	7,142	10,450	9,866	10,217	9,853	9,853	-	10,531
Library										
Volumes in collection	49,972	49,341	45,259	50,719	52,498	52,364	54,496	55,071	50,422	49,230
Total volumes borrowed	74,045	80,830	76,329	83,777	89,692	67,692	37,423	34,929	30,051	29,388
Water										
Annual tap water billed (millions)	377	358	348	318	324	329	360	337	322	300
Average number of monthly meters	2,734	2,763	2,793	2,810	2,816	2,820	2,843	2,867	2,888	2,906
Electric										
Annual Kwhs billed (millions)	146	154	156	157	157	165	159	161	157	157
Maximum Demand Kwhs (millions)	29.21	30.79	32.33	32.01	30.53	31.40	33.12	33.10	32.30	34
Cemetery										
No. of Lots Sold	26	52	43	33	27	13	40	40	57	45
No. of Interments	21	52	43	37	44	22	41	24	26	40
Transit										
Total route miles	16	16	16	16	16	16	16	16	16	16
Passengers	16,772	20,840	23,616	24,809	28,789	37,758	36,453	37,426	31,586	27,563

Source: Various city departments

**Schedule of Insurance in Force  
As of December 31, 2016  
(Unaudited)**

**CITY OF EAST GRAND FORKS**

<u>Name of Company</u>	<u>Policy Number</u>	<u>Policy Period</u>	<u>Type of Coverage</u>	<u>Liability Limits</u>
<b>PROPERTY</b>				
League of Minnesota Cities (C&H Insurance)	CMC32589	1/1/16-1/1/17	General Limit of Coverage excluding flood.	\$105,137,664 \$50,000,000 Terrorism Activity \$500,000 Valuable Papers
League of Minnesota Cities (C&H Insurance)	CMC32589	1/1/16-1/1/17	Boiler and Machinery (Equipment Breakdown)	\$100,000
<b>BONDS</b>				
League of Minnesota Cities (C&H Insurance)	CMC32589	1/1/16-1/1/17	Public Officials	\$100,000 Clerk-Treasurer \$100,000 Public Employees
League of Minnesota Cities (C&H Insurance)	CMC32589	1/1/16-1/1/17	Commercial Blanket Bond Commercial Crime (Inside/Outside Forgery)	\$100,000 \$250,000 Per Occurrence
<b>LIABILITY</b>				
League of Minnesota Cities (C&H Insurance)	CMC32589	1/1/16-1/1/17	Comprehensive General/ Public Officials Liability	\$2,000,000 Public Officials
League of Minnesota Cities (C&H Insurance)	CMC32589	1/1/16-1/1/17	Comprehensive General/ Auto Liability	\$2,000,000 Per Occurrence
League of Minnesota Cities (C&H Insurance)	CMC32589	1/1/16-1/1/17	General Liability (Bodily injury, employee benefits, host liquor liability)	\$2,000,000 Per Occurrence
League of Minnesota Cities (C&H Insurance)	VL00011407	1/1/16-1/1/17	Accident Plan for Volunteers	\$500,000 Per Accident
<b>OPEN MEETING LAW</b>				
League of Minnesota Cities (C&H Insurance)	OML8095	1/1/16-1/1/17	Open Meeting Law Defense Cost Reimbursement	\$50,000 Per City Official
<b>WORKERS COMPENSATION</b>				
League of Minnesota Cities (Berkley Risk Administrators)	200011431	1/1/16-1/1/17	Workers Compensation Comprehensive Managed Care Retro-rated 40% to 130%	\$1,500,000 Bodily Injury Each Occurrence \$1,500,000 Bodily Injury by Disease

Source: League of Minnesota Cities Insurance Trust.

**Miscellaneous Statistical Information**

*(Unaudited)*

**CITY OF EAST GRAND FORKS**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Number of employees	95	91	90	91	92	85	83	81	90	99
Area in square miles	6	6	6	6	6	6	6	6	6	6
Developed	5	5	5	5	5	5	5	5	5	5
Undeveloped	1	1	1	1	1	1	1	1	1	1
Miles of streets	59	70	70	70	70	70	70	70	70	70
Culture and Recreation:										
Senior Center	1	1	1	1	1	1	1	1	1	1
Library	1	1	1	1	1	1	1	1	1	1
Arenas	2	2	2	3	3	3	3	3	3	3
Parks	11	11	12	12	12	12	12	14	14	14
Park acreage owned	278	278	278	278	278	278	278	278	278	278
Park acreage developed	18	18	218	218	218	218	218	218	218	218
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Tennis Courts	2	2	2	2	2	2	2	3	3	3
Pickle Ball Courts	-	-	-	-	-	-	-	2	2	2
Fire Protection:										
Number of stations	2	2	2	2	2	2	2	2	2	2
Number of vehicles	7	10	10	11	11	11	11	14	14	14
Number of full-time Firefighters	10	10	10	9	9	9	10	10	10	10
Number of volunteer Firefighters	20	25	25	14	14	14	14	24	24	24
Fire Insurance Rating	4	4	4	4	4	4	4	4	4	4
Police Protection:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of police officers	24	21	21	21	21	21	20	22	22	22
Number of patrol units	6	5	5	5	5	5	5	5	5	5
Sewage System:										
Miles of force mains	8	8	8	8	8	8	8	9	9	9
Miles of sewer mains	45	45	45	45	45	45	45	40	40	40
Miles of storm sewers	30	42	42	53	53	53	53	54	54	54
Number of lift stations	12	12	12	12	12	12	12	12	12	12
Number of storm sewer lift stations	13	14	14	14	14	14	14	14	14	14
Water System:										
Miles of water mains	52	52	52	52	52	52	52	52	52	52
Number of fire hydrants	342	342	342	461	461	461	461	461	461	461
Gallons of storage capacity	4,100,000	4,100,000	4,100,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Daily treatment capacity	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Towers and reservoirs	5	5	5	4	4	4	4	4	4	4
Electric System:										
Number of substations	4	4	4	4	4	4	4	3	3	3
Miles of distribution lines	60.3	60.3	60.3	60.3	60.3	60.3	60.3	60.3	60.3	60.3
Peak Demand in MW	26.49	30.79	30.79	31.61	31.61	31.61	31.61	33.10	33.10	33.10
Public Education Facilities/Services Not Included In Reporting Entity:										
Number of elementary schools	2	2	2	2	2	2	2	2	2	2
Number of middle schools	1	1	1	1	1	1	1	1	1	1
Number of senior high schools	1	1	1	1	1	1	1	1	1	1
Northwest Technical College	1	1	1	1	1	1	1	1	1	1
Bond rating	A3	A3	A3	A3	A1	A1	A1	A1	A1	A1

**SIGNIFICANT MINNESOTA TAX POLICIES  
DECEMBER 31, 2016**

**GENERAL**

All non-exempt property in Minnesota is subject to taxation by local taxing districts. The tax levied on a property is determined by computing its tax capacity, which is the property's market value multiplied by the appropriate class rates. The taxes on a property are computed by multiplying the tax rate by the property's tax capacity. The tax rate is determined by the County Auditor, dividing each tax levy by the taxing jurisdiction adjusted net tax capacity.

Properties are physically reviewed by assessors at least once every four years.

The Minnesota Department of Revenue analyzes sales of properties annually, comparing sales prices with the local assessor's market value. This establishes a sales ratio. The sales ratio is also used in determining municipal and school district state aids.

The assessor's market value is multiplied by the appropriate class rates to arrive at the Adjusted Net Tax Capacity (taxable value). The class rates vary by class of property. The schedule below shows some of the major classes of property and their applicable class rate:

TYPE OF PROPERTY	2016 TAXES <u>PAYABLE</u>
<u>Residential Homestead</u>	
First \$500,000	1.00%
Over \$500,000	1.25%
<u>Commercial/Industrial</u>	
First \$150,000	1.50%
Over \$150,000	2.00%
<u>Rentals</u>	
Regular (4 or more units)	1.25%
Low income:	
First \$100,000	0.75%
Over \$100,000	0.25%

**Property Tax Refund.** Residential property tax credits are gauged by percentages of the net property tax to household income: homeowners may receive up to a \$2,660 refund.

**Special Refund.** Residential property taxpayers may be entitled to a special property tax refund if the net property tax on their homestead increased by more than 12% from 2016-2017, and the increase was \$100 or more. The refund is 60% of the amount of tax paid that exceeds the 12% increase up to \$1,000.

Source: 2016 Property Tax Refund Booklet And Minnesota Department of Revenue website.

**TAX RATES AND LEVIES**

**Tax Limitation by Statute:**

The City Tax Levy is pursuant to the limitations instituted by Minnesota Statute 275.51.

Debt Service, certain special levies and special assessments for local improvements are not included in the above limitation.

**Taxes Due Date:**

January 2<sup>nd</sup> of the following year

**Taxes Delinquent Date:**

Personal Property, amounts less than \$50.00 - May 1; Amounts over \$50.00 First Half, May 15; Second Half, October 15.

Real Estate - First Half, May 15; Second Half, October 15.

No Discount Allowed

**Penalties for Late Payments:**

If the tax is not paid by the due date of the installment, a late penalty will be assessed at the percentage rate provided by law. The following table shows the rate of penalty if the tax installment remains unpaid on the 16th of each month:

Penalty Month of:	May	June	July	Aug	Sep	Oct	Nov	Dec
<b>On Homestead Property:</b>								
1st half installment	2%	4%	5%	6%	7%	8%	8%	8%
2nd half installment						2%	6%	8%
Both unpaid						5%	7%	8%
<b>On Non-Homestead Property</b>								
1st half installment	4%	8%	9%	10%	11%	12%	12%	12%
2nd half installment						4%	8%	12%
Both unpaid						8%	10%	12%

On the first Monday in January, following the year in which taxes were due, the penalty will increase to a maximum of:

Homestead	10%	Non-Homestead	14%
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Tax Sale can take place anytime after Judgment has been in effect for 5 years on Homestead Properties and 3 years on Non-Homestead Properties; with a handful of exceptions.

Taxes are certified to Polk County and collected by the county treasurer and remitted to the city.

Source: County Auditor, Polk County.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and  
Members of the City Council  
City of East Grand Forks, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of East Grand Forks, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of East Grand Forks' basic financial statements and have issued our report thereon dated June 29, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of East Grand Forks' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that we have not identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of East Grand Forks' financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Minnesota Legal Compliance**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information as of and for the year ended December 31, 2016, and the related notes to the financial statements, and have issued our report thereon dated June 29, 2017.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the City of East Grand Forks failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.



### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Brady Martz".

**BRADY, MARTZ & ASSOCIATES, P.C.**  
**THIEF RIVER FALLS, MINNESOTA**

June 29, 2017

# SINGLE AUDIT SECTION



CITY OF EAST GRAND FORKS, MINNESOTA

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

To the Honorable Mayor and  
Members of the City Council  
City of East Grand Forks, Minnesota

**Report on Compliance for Each Major Federal Program**

We have audited the City of East Grand Forks' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2016. The City of East Grand Forks' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City of East Grand Forks' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the City of East Grand Forks, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

**Report on Internal Control Over Compliance**

Management of the City of East Grand Forks is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.



Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that were not identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of East Grand Forks as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 29, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The

accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "Brady Martz". The signature is written in a cursive, flowing style.

**BRADY, MARTZ & ASSOCIATES, P.C.  
THIEF RIVER FALLS, MINNESOTA**

June 29, 2017

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2016**

**CITY OF EAST GRAND FORKS**

**CITY OF EAST GRAND FORKS, MINNESOTA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER, 31, 2016**

	CFDA Number	Pass-Through Number	Expenditures
<b>Department of Transportation</b>			
Direct Programs:			
Federal Transit Cluster			
Federal Transit Formula Grants	20.507		\$ 139,908
Passed Through State of Minnesota:			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated Highway Safety Cluster	20.608	EGFRKSPD-2081	3,661
State and Community Highway Safety	20.600	EGFRKSPD-1487	6,188
National Priority Safety Programs	20.616	EGFRKSPD-1810	7,358
Total Highway Safety Cluster			13,546
Total Department of Transportation			157,115
<b>Department of Homeland Security</b>			
Direct Programs:			
Disaster Grants - Public Assistance (FEMA)	97.044		40,929
Total Department of Homeland Security			40,929
<b>Department of Justice</b>			
Direct Programs:			
Bulletproof Vest Partnership Program	16.607		1,143
Public Safety Partnership and Community Policing Grants	16.710		40,906
Total Department of Justice			42,049
<b>Department of Education</b>			
Passed Through the State of Minnesota:			
Rehabilitation Services Vocational Rehabilitation Grants	84.126	B22VRBASICY16	200
Total Department of Education			200
<b>Department of the Interior</b>			
Passed Through the State of Minnesota:			
Outdoor Recreation, Acquisition, Development and Planning	15.916	LW27-01402	50,000
Total Department of the Interior			50,000
<b>United States Environmental Protection Agency</b>			
Passed Through the State of Minnesota:			
Clean Water State Revolving Fund Cluster			
Capitalization Grants for Clean Water State Revolving Funds	66.458	MPFA-CWRF-L-028-FY17	2,937,815
Total Department of Education			2,937,815
Total Expenditures of Federal Awards			\$ 3,228,108

**NOTE 1 Basis of Presentation**

The accompanying schedule of expenditures of federal awards included the federal grant activity of the City of East Grand Forks under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of operations of the City of East Grand Forks it is not intended to and does not present the financial position, change in net position, or cash flows of the City of East Grand Forks.

**NOTE 2 Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, wither the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Government*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to requirement. The City of East Grand Forks has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 3 Loans Outstanding**

The City of East Grand Forks had the following loan balances outstanding at December 31, 2016. Current year loan expenditures were \$2,937,815.

Program Title	CFDA	Amount Outstanding
Capitalization Grants for Clean Water SRF	66.458	\$ 2,721,000
Capitalization Grants for Clean Water SRF	66.458	2,937,815

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:  
Material weakness(es) identified? \_\_\_ yes x no  
Significant deficiency(ies) identified that are  
not considered to be material weaknesses? \_\_\_ yes x none reported

Noncompliance material to financial  
statements noted? \_\_\_ yes x no

Federal Awards

Internal control over major programs:  
Material weakness(es) identified? \_\_\_ yes x no  
Significant deficiency(ies) identified that are  
not considered to be material weaknesses? \_\_\_ yes x none reported

Type of auditor's report issued on compliance  
for major programs: Unmodified

Any audit findings disclosed that are  
required to be reported in accordance with  
2 CFR 200.516(a)? \_\_\_ yes x no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
66.458	Capitalization Grants for Clean Water SRF

Dollar threshold used to distinguish  
between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? \_\_\_ yes x no

**Section II - Financial Statement Findings**

There are no findings that are required to be reported under this section.

**Section III - Federal Award Findings and Questioned Costs**

There are no findings that are required to be reported under this section.

**2015-001 Finding**

**Criteria**

Segregation of Duties

**Condition**

The City has one employee who is responsible for performing the bank reconciliation and also makes most of the journal entries.

**Cause**

Cross-training of finance personnel to perform these tasks has not been done.

**Effect**

Internal controls are not as effective with one person performing these duties.

**Corrective Action Taken**

Corrective actions taken. There is no current year finding.



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