

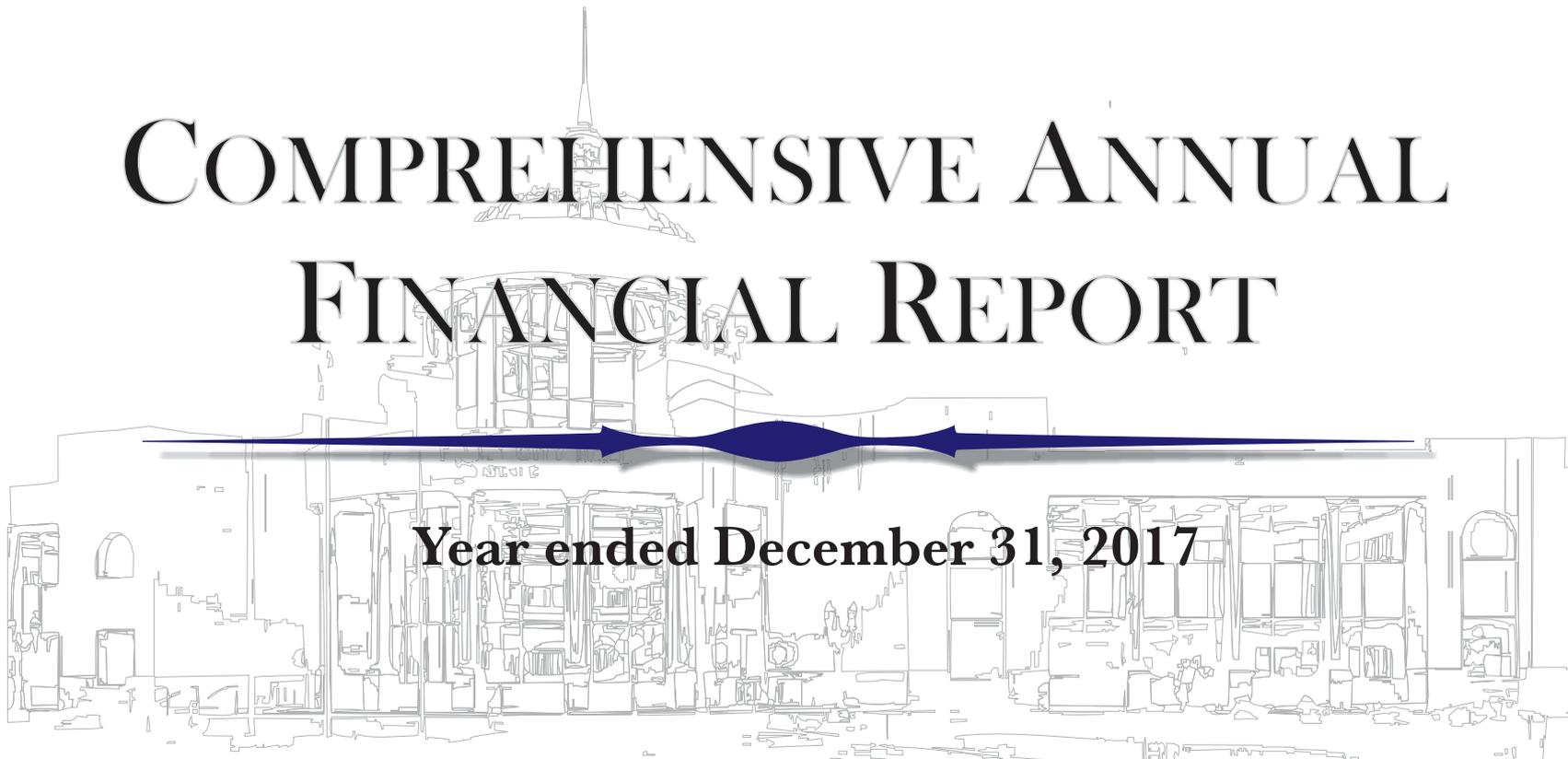
City of East Grand Forks

Minnesota



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2017



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year ended December 31, 2017



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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Administration and Finance

June 27, 2018

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, 2017.

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, 2017, 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, 2017, 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 8,843. 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 63.

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 second 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 4.1% unemployment rate (Polk County), while the state and the country have unemployment rates of 3.3% and 4.1%, respectively. The City of Grand Forks, located just across the river in North Dakota, has an unemployment rate of 2.7%.

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. The City implemented a revolving building loan for contractors to build homes on City lots to spur lot sales. Contractors submitted their house plans along with financial data and three building loans for \$100,000 were implemented. The building loan is paid off when the house and lot is sold, and another loan is awarded. 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 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 \$6,761,010. This is the first phase of the Waste Water project. There is a second phase of this project, Wastewater Pond Decommissioning. Bids were accepted in August 1, 2017 for the Pond Decommissioning. The total cost estimate for the Wastewater Pond Decommissioning is \$4,779,863. 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 Minnesota State 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. While getting ready for another season the pool had issues that needed to be repaired and so did not open in 2017. The pool is expected to open on June 20, 2018. 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 was implemented with sales starting January 1, 2018. 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. The swimming pool had repairs needed in 2017 and has reopened in the summer of 2018. These repairs should be covered by construction warranty or insurance.

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 2017 were 2%. The City negotiated a 2% increase for 2018. 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, 2016. This is the 24th 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**

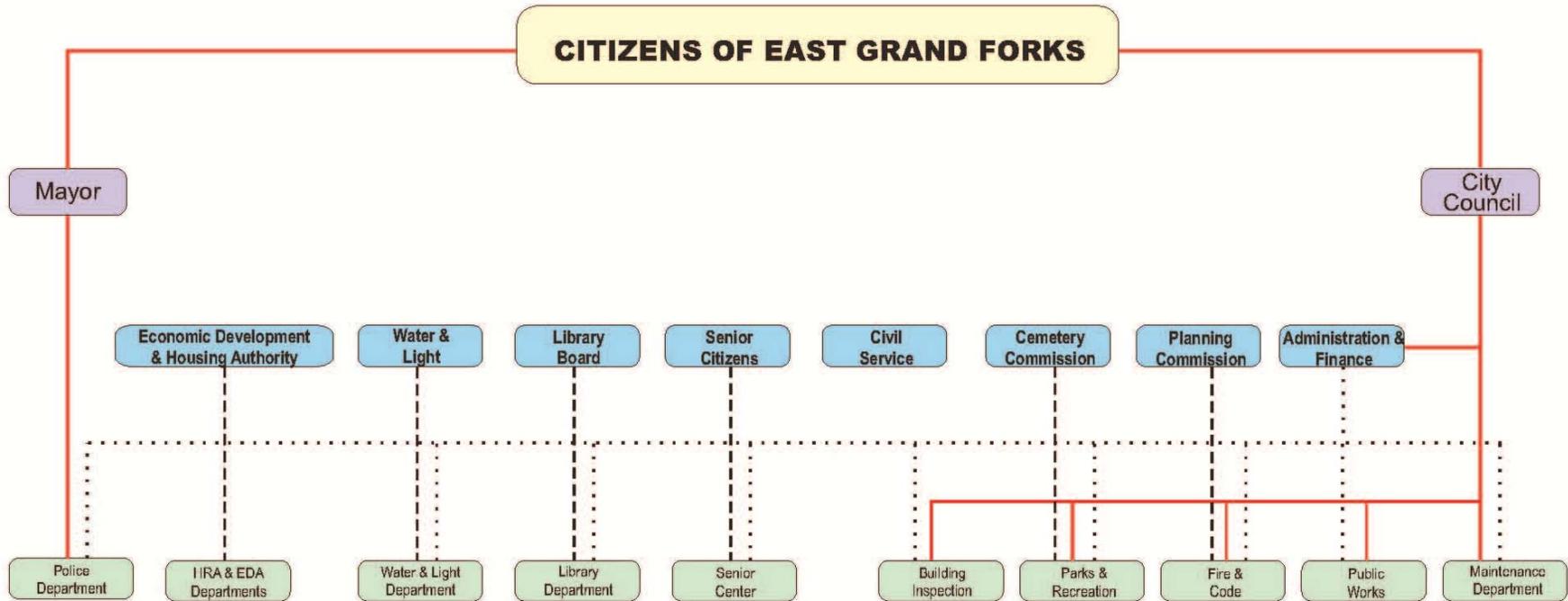
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morrill

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	Steven Gander	4 Years	12/31/20
Council member at Large	Chad Grassel	4 Years	12/31/20
Council member at Large	Marc Demers	4 Years	12/31/18
Council member - 1st Ward	Clarence Vetter	4 Years	12/31/20
Council member - 2nd Ward	Mike Pokrzywinski	4 Years	12/31/18
Council member - 3rd Ward	Tim Riopelle	4 Years	12/31/20
Council member - 4th Ward	Henry Tweten	4 Years	12/31/18
Council member - 5th Ward	Mark Olstad	4 Years	12/31/20

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	Douglas Gregoire
Commissioner	Josh Grinde
Commissioner	Mike Quirk
Commissioner	Henry Tweten
General Manager	Keith Mykleseth
Electric Distribution Superintendent	Jeff Olson
Water Plant Superintendent	Brian Johnson



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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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 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 also not a required part of the basic financial statements.

The combining and individual non-major fund financial statements, schedules, and the schedule of expenditures of federal awards 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, schedules, and schedule of expenditures of federal awards 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 2016 financial statements and, in our report dated June 29, 2017, 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 27, 2018, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 27, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS



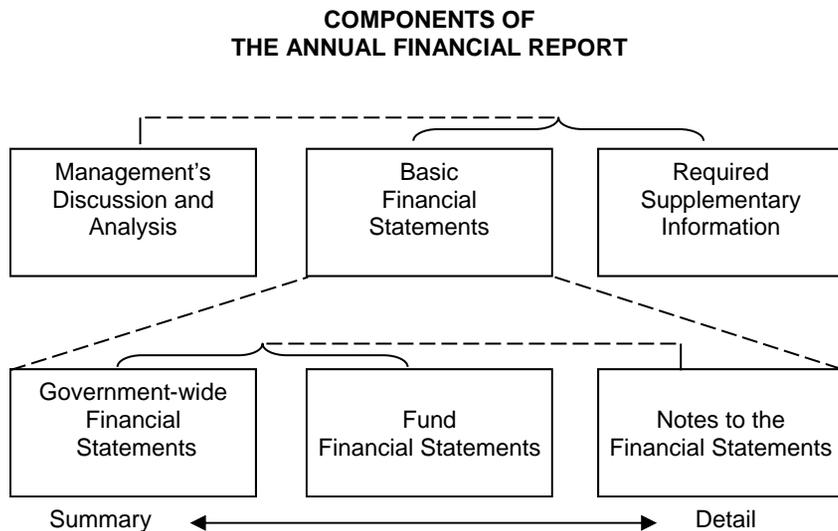
CITY OF EAST GRAND FORKS, MINNESOTA

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, 2017. 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. Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

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, storm water, 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 five 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 one debt service fund, all of which are considered major funds. Data from the other 23 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 31-50 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 55-62.

FINANCIAL HIGHLIGHTS

- The City's net position (assets plus deferred outflows minus liabilities and deferred inflows) increased by 0.5% as a result of this year's operations. The net position of the City's governmental activities decreased \$672,534 (0.5%) and net position of the City's business type activities increased \$1,707,583 (2.6%).
- Capital assets increased \$2,445,121 (1.3%), with most of the increase due to street improvements.
- The City's long-term liabilities decreased \$3,905,796 (12.2%) during the fiscal year ended December 31, 2017. Governmental long-term liabilities decreased \$5,553,293 (24.3%), which was due to regular debt payments along with the issuance of \$3,950,000 General Obligation Bonds, and a \$6,933,304 decrease in net pension liability. Business type long-term liabilities increased \$1,647,497 (18.5%), which was due to the issuance of a MN PFA loan for the water interconnect project, and decrease in net pension liability.
- At the close of the current fiscal year, the City's governmental funds reported total ending fund balances of \$10,456,586, an increase of \$3,601,374 (51.8%).
- The General Fund's fund balance increased \$835,516 (18.2%) to \$5,431,535. The unassigned fund balance is 54.3% of expenditures, and 51.1% of revenues.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS
NET POSITION**

	Governmental Activities		Business-type Activities		Total Government	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 20,327,065	\$ 17,215,489	\$ 23,653,693	\$ 22,574,017	\$ 43,980,758	\$ 39,789,506
Capital assets	128,822,640	129,188,142	57,608,188	54,797,565	186,430,828	183,985,707
Total Assets	<u>149,149,705</u>	<u>146,403,631</u>	<u>81,261,881</u>	<u>77,371,582</u>	<u>230,411,586</u>	<u>223,775,213</u>
Deferred Outflows of Resources	5,162,242	8,005,415	599,596	1,166,840	5,761,838	9,172,255
Other liabilities	3,882,116	2,180,204	2,745,557	2,886,833	6,627,673	5,067,037
Long-term liabilities	17,313,258	22,866,551	10,538,006	8,890,509	27,851,264	31,757,060
Total Liabilities	<u>21,195,374</u>	<u>25,046,755</u>	<u>13,283,563</u>	<u>11,777,342</u>	<u>34,478,937</u>	<u>36,824,097</u>
Deferred Inflows of Resources	5,790,980	1,364,164	423,598	314,347	6,214,578	1,678,511
Net position:						
Net investment in capital assets	116,652,177	118,579,744	49,242,841	49,138,750	165,895,018	167,718,494
Restricted	12,941,049	10,764,788	-	-	12,941,049	10,764,788
Unrestricted	(2,267,633)	(1,346,405)	18,911,475	17,307,983	16,643,842	15,961,578
Total Net Position	<u>\$ 127,325,593</u>	<u>\$ 127,998,127</u>	<u>\$ 68,154,316</u>	<u>\$ 66,446,733</u>	<u>\$ 195,479,909</u>	<u>\$ 194,444,860</u>

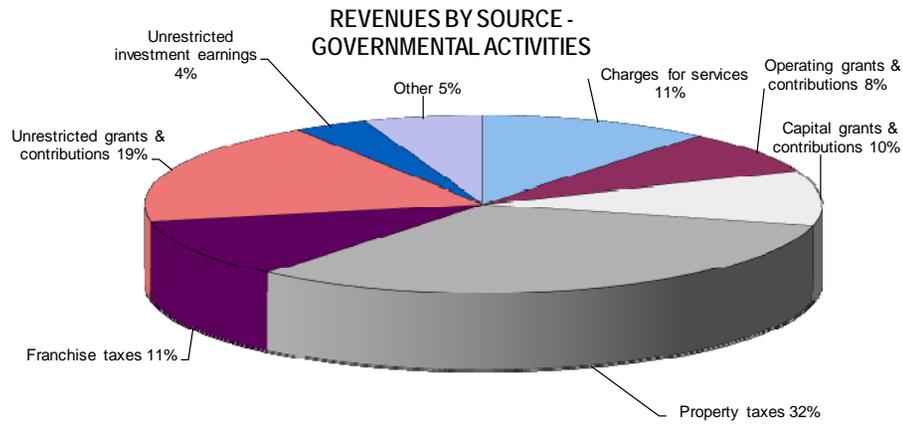
By far the largest portion of the City’s net position (84.9%) reflects investments in capital assets (e.g. land, buildings, structures, systems, machinery, equipment and infrastructure) used to acquire those assets that is still outstanding. The City uses assets to provide services to citizens; consequently, 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 (6.6%) represents resources that are subject to external restrictions on how they can be used. The remaining unrestricted net position of \$16,643,842 may be used to meet the ongoing obligations to citizens and creditors. Of the unrestricted net position, \$18,911,475 is attributable to business-type activities.

Unrestricted governmental activities net position decreased \$921,228 (68.4%), while business-type activities unrestricted net position increased \$1,603,492 (9.3%). Government-wide total unrestricted net position increased \$682,264, (4.3%).

CHANGE IN NET POSITION

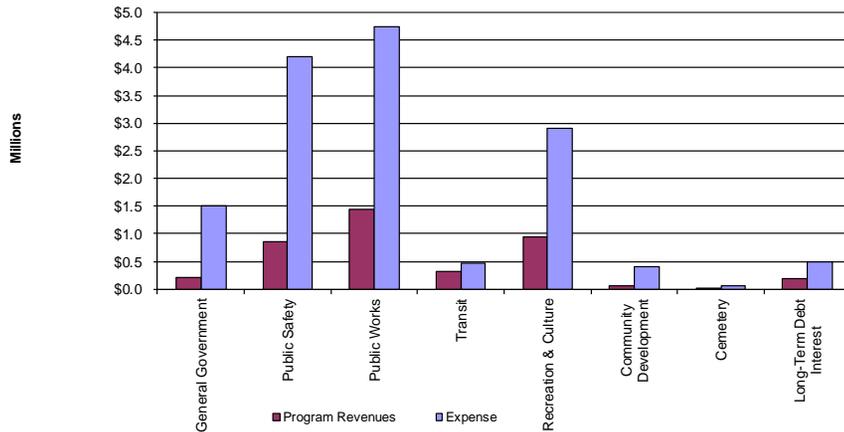
	Governmental		Business-type		Total	
	Activities		Activities		Government	
	2017	2016	2017	2016	2017	2016
REVENUES						
Program revenues:						
Charges for services	\$ 1,543,964	\$ 1,260,375	\$ 20,091,342	\$ 19,817,333	\$ 21,635,306	\$ 21,077,708
Operating grants and contributions	1,107,433	3,221,755	-	-	1,107,433	3,221,755
Capital grants and contributions	1,371,508	1,150,836	486,277	-	1,857,785	1,150,836
General revenues:						
Property taxes	4,494,800	5,384,765	-	-	4,494,800	5,384,765
Franchise taxes	1,531,556	1,411,787	-	-	1,531,556	1,411,787
Unrestricted grants and contributions	2,629,546	1,077,233	-	-	2,629,546	1,077,233
Unrestricted investment earnings	494,906	125,608	194,186	237,847	689,092	363,455
Other	797,628	1,021,419	8,965	15,749	806,593	1,037,168
Total revenues	13,971,341	14,653,778	20,780,770	20,070,929	34,752,111	34,724,707
EXPENSES						
Program activities:						
Governmental activities:						
General government	1,509,524	2,813,025	-	-	1,509,524	2,813,025
Public safety	4,194,432	4,408,879	-	-	4,194,432	4,408,879
Public works	4,741,124	3,590,869	-	-	4,741,124	3,590,869
Transit	467,747	409,700	-	-	467,747	409,700
Recreation and culture	2,899,898	2,919,265	-	-	2,899,898	2,919,265
Community development	410,613	531,305	-	-	410,613	531,305
Cemetery	68,978	68,904	-	-	68,978	68,904
Interest on long-term debt	488,843	381,875	-	-	488,843	381,875
Business-type activities						
Electric	-	-	14,034,533	13,646,481	14,034,533	13,646,481
Water	-	-	2,257,695	2,397,668	2,257,695	2,397,668
Sewer	-	-	1,062,574	951,449	1,062,574	951,449
Storm water	-	-	562,484	614,981	562,484	614,981
Commercial properties	-	-	73,689	63,549	73,689	63,549
Refuse	-	-	944,928	1,115,119	944,928	1,115,119
Total expenses	14,781,159	15,123,822	18,935,903	18,789,247	33,717,062	33,913,069
Excess (deficiency) before transfers	(809,818)	(470,044)	1,844,867	1,281,682	1,035,049	811,638
Transfers in (out)	137,284	126,861	(137,284)	(126,861)	-	-
Increase (decrease) in net position	(672,534)	(343,183)	1,707,583	1,154,821	1,035,049	811,638
Net position at beginning of the year	127,998,127	128,341,310	66,446,733	65,291,912	194,444,860	193,633,222
Net position at the end of the year	\$ 127,325,593	\$ 127,998,127	\$ 68,154,316	\$ 66,446,733	\$ 195,479,909	\$ 194,444,860



Governmental revenues decreased \$682,437 (4.7%) in the current year, with the most significant portion of the decrease attributable to capital grants and contributions.

Governmental activities expenses decreased \$342,663 (2.3%) in the current year. The most significant changes in program expenses were within the general government.

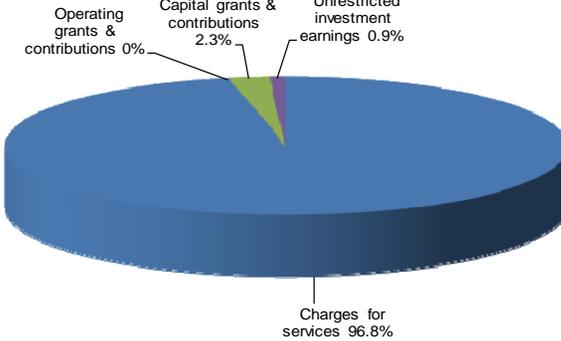
EXPENSES AND PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES



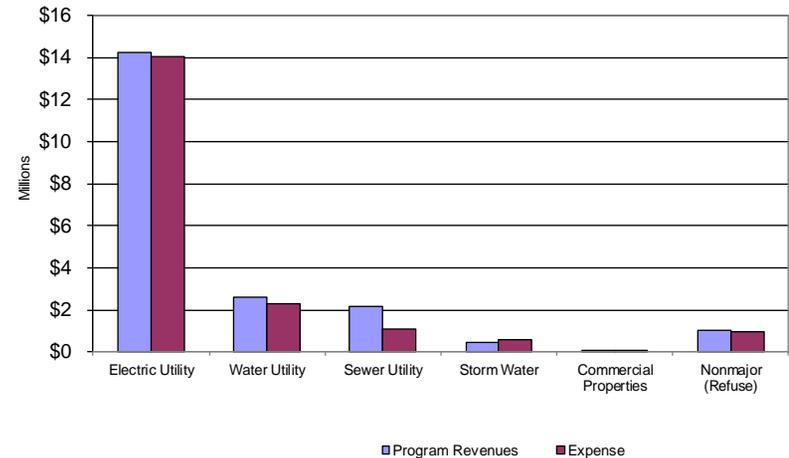
Governmental Activities. Property taxes and franchise taxes accounted for 32% and 11% of total revenues, respectively. Capital grants contributed to 10% of total revenues. Unrestricted grants and contributions in the form of local government aid and other State aids contributed 19% to total revenues. Charges for services brought in 11%.

Public works (32.1%) expenses are the most significant, followed by public safety (28.4%), recreation and culture (19.6%), general government (10.2%) and community development (2.8%). Interest on long-term debt and transit expenses accounted for 3.3% and 3.2% of total expenses, respectively. Included in these amounts is depreciation expense of .

REVENUES BY SOURCE - BUSINESS-TYPE ACTIVITIES



EXPENSES AND PROGRAM REVENUES - BUSINESS-TYPE EXPENSES



Business-type activities. Business-type activities increased the City's net position by \$1,707,583 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 2017, the City’s governmental funds reported total ending fund balances of \$10,456,586, an increase of \$3,601,374 in comparison with the prior year. About 32% of the total ending fund balances constituted unassigned fund balances of \$3,355,379, 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 \$5,431,535, increasing \$835,516 from the previous year. General fund revenues were \$559,775 (5.6%) higher than in the prior fiscal year and expenditures increased by \$423,166 (4.4%). General taxes, including property taxes and franchise fees, increased \$764,474 (14.5%). Intergovernmental revenue decreased \$138,436 (4.4%) and charges for services decreased \$13,879 (1.2%).

The Capital Projects Fund experienced a \$1,288,509 fund balance increase over the prior year due to the issuance of debt in the amount of \$2,375,000 along with current projects in excess of current year contributions and collections of special assessments.

The Current City Projects Fund decreased by \$64,875 over the prior year fund balance due to capital expenditures being greater than revenue.

The 2017 Assessment Bonds Fund (ABF) fund balance increased \$370,908 as assessment collections were more than debt payments.

The Sales Tax Pool Fund was created to account for sales tax proceeds for the renovation of the City pool. The Sales tax Pool fund did not see a change in the negative fund balance in the current year as the sales tax associated with the project will start during the 2018 year.

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 \$224,296 (0.8%). Operating revenues increased \$158,647 (1.1%) to \$14,255,245. Wholesale purchased power costs increased \$42,367 (0.5%). Transfers out were \$250,000, while the capital contributions were \$83,716. 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 \$374,151 (2.9%) in the current year. Operating income increased \$125,432 (5.0%) and operating expenses decreased \$139,973 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 \$1,102,130 (8.9%) due to grants received in the current year of \$486,277.

The storm water utilities net position decreased \$56,261 primarily due to operating losses.

The Commercial Properties Fund contains the operations of one commercial property, the Infill Building. Net position decreased \$4,973.

The Refuse Fund net position increased \$68,240. Operating revenue decreased \$27,654 from the prior year. Operating expenses decreased \$170,191 from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund revenues were \$246,626 more than budget primarily due to more intergovernmental revenue and charges for services than was budgeted for. General Fund expenditures overall were less than budget by \$121,788, the result of lower expenditures due to lower personnel costs.

The General Fund year end fund balances since 2008 are as follows:

2008	\$ 2,564,645	2012	\$3,195,155	2015	\$ 2,776,298
2009	2,727,342	2013	3,178,595	2016	4,596,019
2010	2,587,856	2014	2,948,560	2017	5,431,535
2011	2,760,003				

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

(Net of accumulated depreciation)

	Governmental		Business-type		Total	
	Activities		Activities		Government	
	2017	2016	2017	2016	2017	2016
Land	\$ 31,203,471	\$ 31,203,471	\$ 612,878	\$ 612,878	\$ 31,816,349	\$ 31,816,349
Construction in progress	2,690,476	1,275,810	7,661,776	6,561,748	10,352,252	7,837,558
Building, structures, & improvements	58,960,716	61,116,691	47,886,271	47,610,378	106,846,987	108,727,069
Machinery and equipment	3,844,925	3,611,639	1,447,263	12,561	5,292,188	3,624,200
Infrastructure	32,123,052	31,980,531	-	-	32,123,052	31,980,531
Total	\$ 128,822,640	\$ 129,188,142	\$ 57,608,188	\$ 54,797,565	\$ 186,430,828	\$ 183,985,707

Capital assets. The City’s investment in capital assets for its governmental and business-type activities at December 31, 2017 totaled \$186,430,828 (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 8 to these financial statements.

LONG-TERM DEBT

	Governmental		Business-type		Total	
	Activities		Activities		Government	
	2017	2016	2017	2016	2017	2016
General obligation bonds	\$ 10,098,675	\$ 6,737,279	\$ -	\$ -	\$ 10,098,675	\$ 6,737,279
General obligation PFA Improv bonds	2,895,000	2,986,000	8,365,346	5,658,815	11,260,346	8,644,815
General obligation cert of indebtedness	751,788	885,119	-	-	751,788	885,119
Total	\$ 13,745,463	\$ 10,608,398	\$ 8,365,346	\$ 5,658,815	\$ 22,110,809	\$ 16,267,213

Long-term debt. The City’s outstanding debt, including bonds and certificates of indebtedness, totaled \$22,110,809 at December 31, 2017. Of this total, \$13,745,463 (62.2%) is in governmental activities and \$8,365,346 (37.8%) is in business-type activities.

East Grand Forks metropolitan statistical area unemployment rate was 2.7%. 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 59,300.

Additional information on the City’s long-term liabilities can be found in note 9 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, 2017 was 4.1%, which is above the state average (3.3%) and equal to the national average (4.1%). The Grand Forks County unemployment rate was 2.17%. The Grand Forks-

- 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 2017, 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 2017 or 2018. The electric utility purchases approximately 45% of it

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



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Statement of Net Position
December 31, 2017

CITY OF EAST GRAND FORKS

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		EDA
ASSETS				
Cash and cash equivalents	\$ 6,321,724	\$ 4,849,004	\$ 11,170,728	\$ 3,227,358
Investments	5,798,699	11,796,043	17,594,742	-
Investments in escrow	1,592,010	-	1,592,010	-
Accrued interest receivable	20,590	31,362	51,952	-
Accounts receivable, net	156,925	3,049,555	3,206,480	-
Notes receivable, net	140,142	-	140,142	1,751,745
Taxes receivable - property	42,909	-	42,909	-
Taxes receivable - other	146,307	-	146,307	-
Special assessments receivable	7,248,722	-	7,248,722	-
Pledges receivable	360,000	-	360,000	-
Internal balances (net)	(2,043,154)	2,043,154	-	-
Due from other government units	183,948	493,000	676,948	-
Prepaid items	-	8,888	8,888	-
Land held for resale	333,994	-	333,994	60,777
Materials and supplies	24,249	894,763	919,012	-
Restricted cash and investments	-	136,150	136,150	-
Customer acquisition costs	-	351,774	351,774	-
Capital assets:				
Nondepreciable	33,893,947	8,274,654	42,168,601	183,231
Depreciable, net	94,928,693	49,333,534	144,262,227	3,347,484
TOTAL ASSETS	149,149,705	81,261,881	230,411,586	8,570,595
DEFERRED OUTFLOWS OF RESOURCES				
Cost Sharing Defined Benefit Pension Plan	5,162,242	599,596	5,761,838	40,405
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,162,242	599,596	5,761,838	40,405
LIABILITIES				
Accounts payable	360,469	1,501,449	1,861,918	24,177
Retainage payable	99,183	156,185	255,368	-
Accrued wages payable	450,590	121,250	571,840	8,528
Due to other government units	124,122	112,985	237,107	5,178
Accrued interest payable	164,086	24,530	188,616	-
Customer deposits	-	136,150	136,150	23,207
Noncurrent liabilities:				
Due within one year	2,683,666	693,008	3,376,674	4,416
Due in more than one year	11,988,734	8,239,063	20,227,797	15,735
Net pension liability	5,027,842	2,298,943	7,326,785	159,335
Net other postemployment benefit liability	296,682	-	296,682	-
TOTAL LIABILITIES	21,195,374	13,283,563	34,478,937	240,576
DEFERRED INFLOWS OF RESOURCES				
Cost Sharing Defined Benefit Pension Plan	5,790,980	423,598	6,214,578	29,716
TOTAL DEFERRED INFLOWS OF RESOURCES	5,790,980	423,598	6,214,578	29,716

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

**Statement of Net Position
December 31, 2017 (Continued)**

CITY OF EAST GRAND FORKS

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		EDA
NET POSITION				
Net investment in capital assets	116,652,177	49,242,841	165,895,018	3,530,715
Restricted for:				
Current City Projects	79,928	-	79,928	-
Capital Projects	1,959,893	-	1,959,893	-
Community Growth	131,148	-	131,148	-
State Aid Street	172,780	-	172,780	-
New Home Incentive	236,676	-	236,676	-
Cemetery	11,972	-	11,972	-
Insect Control	263,024	-	263,024	-
Perpetual Care	223,158	-	223,158	-
Grants	527,271	-	527,271	-
1997 Community Development	228,867	-	228,867	-
1997 Downtown Development	80,280	-	80,280	-
08 PFA Loan 23rd Street	180,913	-	180,913	-
Building Improvements	252,745	-	252,745	-
Debt Service	8,512,458	-	8,512,458	-
Library - Nonexpendable	79,936	-	79,936	-
Unrestricted	(2,267,633)	18,911,475	16,643,842	4,809,993
TOTAL NET POSITION	\$ 127,325,593	\$ 68,154,316	\$ 195,479,909	\$ 8,340,708

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, 2017

CITY OF EAST GRAND FORKS

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating	Capital	Primary Government			Component Unit
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Governmental activities:								
General government	\$ 1,509,524	\$ 200,787	\$ 2,342	\$ -	\$ (1,306,395)	\$ -	\$ (1,306,395)	\$ -
Public safety	4,194,432	459,527	393,505	-	(3,341,400)	-	(3,341,400)	-
Public works	4,741,124	313,607	159,364	959,008	(3,309,145)	-	(3,309,145)	-
Transit	467,747	-	314,287	-	(153,460)	-	(153,460)	-
Recreation and culture	2,899,898	553,589	39,754	360,000	(1,946,555)	-	(1,946,555)	-
Community development	410,613	2,143	-	52,500	(355,970)	-	(355,970)	-
Cemetery	68,978	14,311	-	-	(54,667)	-	(54,667)	-
Interest on long-term debt	488,843	-	198,181	-	(290,662)	-	(290,662)	-
Total governmental activities	<u>14,781,159</u>	<u>1,543,964</u>	<u>1,107,433</u>	<u>1,371,508</u>	<u>(10,758,254)</u>	<u>-</u>	<u>(10,758,254)</u>	<u>-</u>
Business-type activities								
Electric Utility	14,034,533	14,255,245	-	-	-	220,712	220,712	-
Water Utility	2,257,695	2,615,520	-	-	-	357,825	357,825	-
Sewer Utility	1,062,574	1,660,340	-	486,277	-	1,084,043	1,084,043	-
Storm Water	562,484	482,463	-	-	-	(80,021)	(80,021)	-
Commercial Properties	73,689	66,318	-	-	-	(7,371)	(7,371)	-
Nonmajor (Refuse)	944,928	1,011,456	-	-	-	66,528	66,528	-
Total business-type activities	<u>18,935,903</u>	<u>20,091,342</u>	<u>-</u>	<u>486,277</u>	<u>-</u>	<u>1,641,716</u>	<u>1,641,716</u>	<u>-</u>
Total primary government	<u>\$ 33,717,062</u>	<u>\$ 21,635,306</u>	<u>\$ 1,107,433</u>	<u>\$ 1,857,785</u>	<u>(10,758,254)</u>	<u>1,641,716</u>	<u>(9,116,538)</u>	<u>-</u>
Component unit:								
Community development	<u>\$ 667,077</u>	<u>\$ 487,584</u>	<u>\$ -</u>	<u>\$ -</u>				<u>(179,493)</u>
General Revenues:								
Property taxes					4,494,800	-	4,494,800	1,516
Franchise taxes					1,531,556	-	1,531,556	-
Unrestricted grants and contributions					2,629,546	-	2,629,546	-
Unrestricted investment income					494,906	194,186	689,092	18,786
Other					694,865	8,965	703,830	167,508
Gain on sale of asset					102,763	-	102,763	-
Transfers					137,284	(137,284)	-	-
Total general revenues					<u>10,085,720</u>	<u>65,867</u>	<u>10,151,587</u>	<u>187,810</u>
Change in Net Position					<u>(672,534)</u>	<u>1,707,583</u>	<u>1,035,049</u>	<u>8,317</u>
Net Position - January 1					<u>127,998,127</u>	<u>66,446,733</u>	<u>194,444,860</u>	<u>8,332,391</u>
Net Position - December 31					<u>\$ 127,325,593</u>	<u>\$ 68,154,316</u>	<u>\$ 195,479,909</u>	<u>\$ 8,340,708</u>

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

**Balance Sheet
Governmental Funds
As of December 31, 2017**

CITY OF EAST GRAND FORKS

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Current City Projects Fund</u>	<u>2017 Assessment Bonds</u>	<u>Sales Tax Pool Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and cash equivalents	\$ 1,729,635	\$ 684,111	\$ 103,034	\$ 410,587	\$ -	\$ 3,301,788	\$ 6,229,155
Investments	3,525,104	451,467	-	122,180	-	977,030	5,075,781
Investments in escrow	-	-	-	-	-	1,592,010	1,592,010
Interest receivable	20,591	-	-	-	-	-	20,591
Accounts receivable	144,099	-	-	-	-	12,826	156,925
Taxes receivable - property taxes	42,909	-	-	-	-	-	42,909
Taxes receivable - other	146,307	-	-	-	-	-	146,307
Special assessments receivable	5,545	1,615,763	-	1,535,619	-	4,091,795	7,248,722
Pledges receivable	-	-	-	-	-	360,000	360,000
Due from other funds	589,219	-	-	-	-	12,414	601,633
Due from other government units	73,831	12,287	-	3,310	-	94,517	183,945
Land held for resale	-	-	-	-	-	333,994	333,994
Notes receivable	-	-	-	-	-	140,142	140,142
Materials and supplies	24,249	-	-	-	-	-	24,249
TOTAL ASSETS	<u>\$ 6,301,489</u>	<u>\$ 2,763,628</u>	<u>\$ 103,034</u>	<u>\$ 2,071,696</u>	<u>\$ -</u>	<u>\$ 10,916,516</u>	<u>\$ 22,156,363</u>
LIABILITIES							
Accounts payable	\$ 252,375	\$ 33,467	\$ 249	\$ -	\$ -	\$ 74,376	\$ 360,467
Retainage payable	-	76,326	22,857	-	-	-	99,183
Accrued wages payable	449,043	-	-	-	-	1,547	450,590
Due to other funds	110,777	693,942	-	-	1,956,389	261,311	3,022,419
Due to other government units	17,940	-	-	-	-	106,182	124,122
Total Liabilities	<u>830,135</u>	<u>803,735</u>	<u>23,106</u>	<u>-</u>	<u>1,956,389</u>	<u>443,416</u>	<u>4,056,781</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue -							
Property taxes and spec. assessments	39,819	1,615,763	-	1,535,619	-	4,091,795	7,282,996
Pledges	-	-	-	-	-	360,000	360,000
Total Deferred Inflows of Resources	<u>39,819</u>	<u>1,615,763</u>	<u>-</u>	<u>1,535,619</u>	<u>-</u>	<u>4,451,795</u>	<u>7,642,996</u>
FUND BALANCE							
Nonspendable	24,249	-	-	-	-	76,000	100,249
Restricted	-	344,130	79,928	536,077	-	6,040,823	7,000,958
Unassigned	5,407,286	-	-	-	(1,956,389)	(95,518)	3,355,379
Total Fund Balance	<u>5,431,535</u>	<u>344,130</u>	<u>79,928</u>	<u>536,077</u>	<u>(1,956,389)</u>	<u>6,021,305</u>	<u>10,456,586</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 6,301,489</u>	<u>\$ 2,763,628</u>	<u>\$ 103,034</u>	<u>\$ 2,071,696</u>	<u>\$ -</u>	<u>\$ 10,916,516</u>	<u>\$ 22,156,363</u>

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, 2017**

CITY OF EAST GRAND FORKS

Total fund balances - governmental funds		\$ 10,456,586	
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	2,193,902		
Buildings, structures and improvements	82,472,953		
Machinery and equipment	6,138,736		
Infrastructure	52,706,948		
Accumulated depreciation	<u>(47,707,588)</u>	127,008,422	
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the governmental funds.			7,642,996
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	92,569		
Investments	722,918		
Machinery and equipment	2,980,189		
Construction in progress	496,574		
Accumulated depreciation	(1,662,545)		
Due from other funds	377,632		
Accrued interest payable	(6,403)		
Compensated absences payable	(926,937)		
Revenue bonds payable	(730,000)		
Premium on revenue bond	<u>(21,788)</u>	1,322,209	
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	5,162,242		
Deferred inflows of resources	<u>(5,790,980)</u>	(628,738)	
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	(12,993,675)		
Accrued interest payable	(157,683)		
Net pension liability	(5,027,842)		
Other post employment benefit obligations	<u>(296,682)</u>	(18,475,882)	
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 127,325,593</u></u>	

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

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2017**

CITY OF EAST GRAND FORKS

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Current City Projects Fund</u>	<u>2017 Assessment Bonds</u>	<u>Sales Tax Pool Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:							
General taxes	\$ 6,026,359	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,026,359
Special assessments	2,007	264,390	-	306,978	-	961,057	1,534,432
Licenses and permits	141,454	-	-	-	-	-	141,454
Intergovernmental	3,002,526	-	-	-	-	690,776	3,693,302
Charges for services	1,150,998	-	-	-	-	108,034	1,259,032
Fines and forfeitures	143,477	-	-	-	-	-	143,477
Interest and other revenues	107,466	4,623	767	9,151	-	265,104	387,111
Total revenues	<u>10,574,287</u>	<u>269,013</u>	<u>767</u>	<u>316,129</u>	<u>-</u>	<u>2,024,971</u>	<u>13,185,167</u>
Expenditures:							
Current:							
General government	1,074,528	-	-	-	-	-	1,074,528
Public safety	4,213,347	-	-	-	-	-	4,213,347
Public works	1,246,191	-	-	-	-	26,553	1,272,744
Transit	-	-	-	-	-	422,206	422,206
Recreation and culture	2,283,162	-	-	-	-	875	2,284,037
Community development	202,878	-	-	-	-	207,735	410,613
Cemetery	-	-	-	-	-	79,324	79,324
Other expenditures	395,249	-	-	-	-	-	395,249
Capital outlay	517,829	1,587,931	94,759	-	-	521,186	2,721,705
Debt service:							
Principal retirement	-	-	-	-	-	841,000	841,000
Interest and fiscal agent charges	19,172	33,046	-	39,772	-	317,412	409,402
Other debt expenditures	-	-	-	33,881	-	28,174	62,055
Total expenditures	<u>9,952,356</u>	<u>1,620,977</u>	<u>94,759</u>	<u>73,653</u>	<u>-</u>	<u>2,444,465</u>	<u>14,186,210</u>
Excess (deficiency) of revenues over expenditures	<u>621,931</u>	<u>(1,351,964)</u>	<u>(93,992)</u>	<u>242,476</u>	<u>-</u>	<u>(419,494)</u>	<u>(1,001,043)</u>
Other financing sources (uses):							
Long-term debt issued	-	2,375,000	-	-	-	-	2,375,000
Refunding debt issued	-	-	-	-	-	1,575,000	1,575,000
Premium on bonds issued	-	-	-	128,432	-	70,875	199,307
Proceeds from sale of capital assets	13,000	-	-	-	-	59,010	72,010
Insurance proceeds	144,099	-	-	-	-	-	144,099
Transfers in	275,154	385,473	29,117	-	-	447,526	1,137,270
Transfers out	(218,668)	(120,000)	-	-	-	(561,601)	(900,269)
Total other financing sources (uses)	<u>213,585</u>	<u>2,640,473</u>	<u>29,117</u>	<u>128,432</u>	<u>-</u>	<u>1,590,810</u>	<u>4,602,417</u>
Net change in fund balances	835,516	1,288,509	(64,875)	370,908	-	1,171,316	3,601,374
Fund balance at beginning of year	4,596,019	(944,379)	144,803	165,169	(1,956,389)	4,949,989	6,955,212
Prior period adjustment - See Note 2	-	-	-	-	-	(100,000)	(100,000)
Fund balance at beginning of year as restated	<u>4,596,019</u>	<u>(944,379)</u>	<u>144,803</u>	<u>165,169</u>	<u>(1,956,389)</u>	<u>4,849,989</u>	<u>6,855,212</u>
Fund balance at end of year	<u>\$ 5,431,535</u>	<u>\$ 344,130</u>	<u>\$ 79,928</u>	<u>\$ 536,077</u>	<u>\$ (1,956,389)</u>	<u>\$ 6,021,305</u>	<u>\$ 10,456,586</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, 2017**

CITY OF EAST GRAND FORKS

Net change in fund balances - total governmental funds		\$ 3,601,374
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	\$ 2,444,118	
Depreciation	<u>(3,370,010)</u>	(925,892)
Proceeds from long-term debt provide current financial resources to government funds, but the issuing of debt increases long-term liabilities in the statement of net position.		
		(4,149,307)
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.		
		841,000
Change in net pension liability		
		6,933,304
Change in deferred outflows and inflows of resources related to net pension liability		
		(7,269,989)
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, 2016	(7,441,037)	
Unavailable Revenue - December 31, 2017	<u>7,642,996</u>	201,959
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	(2,190)	
Amortization of bond premiums	28,225	
Other postemployment benefit obligations	<u>(20,284)</u>	5,751
Changes in long-term debt interest payable.		
		(37,999)
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>127,265</u>
Change in net position of governmental activities		<u><u>\$ (672,534)</u></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, 2017**

CITY OF EAST GRAND FORKS

	<u>Original and Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
General taxes	\$ 6,177,054	\$ 6,028,366	\$ (148,688)
Licenses and permits	116,625	141,454	24,829
Intergovernmental	2,843,035	3,002,526	159,491
Charges for services	1,025,472	1,150,998	125,526
Fines and forfeitures	105,600	143,477	37,877
Interest and other revenues	59,875	107,466	47,591
Total revenues	<u>10,327,661</u>	<u>10,574,287</u>	<u>246,626</u>
Expenditures:			
Current:			
General government	1,111,202	1,074,528	36,674
Public safety	4,121,071	4,213,347	(92,276)
Public works	1,416,413	1,246,191	170,222
Recreation and culture	2,331,567	2,283,162	48,405
Community development	226,275	202,878	23,397
Other expenditures	258,675	395,249	(136,574)
Capital outlay	587,716	517,829	69,887
Debt service:			
Interest and fiscal agent charges	21,225	19,172	2,053
Total expenditures	<u>10,074,144</u>	<u>9,952,356</u>	<u>121,788</u>
Excess of revenues over expenditures	<u>253,517</u>	<u>621,931</u>	<u>368,414</u>
Other financing sources (uses)			
Proceeds from sale of capital asset	-	13,000	13,000
Insurance proceeds	-	144,099	144,099
Transfers in	346,217	275,154	(71,063)
Transfers out	(187,643)	(218,668)	(31,025)
Total other financing sources (uses)	<u>158,574</u>	<u>213,585</u>	<u>55,011</u>
Net change in fund balances	412,091	835,516	423,425
Fund balance at beginning of year	<u>4,596,019</u>	<u>4,596,019</u>	<u>-</u>
Fund balance at end of year	<u>\$ 5,008,110</u>	<u>\$ 5,431,535</u>	<u>\$ 423,425</u>

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

**Statement of Net Position
Proprietary Funds
As of December 31, 2017**

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
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 1,751,331	\$ 1,190,009	\$ 838,215	\$ 432,364	\$ 377,770	\$ 259,315	\$ 4,849,004	\$ 92,569
Investments	9,654,831	-	2,141,212	-	-	-	11,796,043	722,918
Restricted cash and investments:								
Cash in customer deposits	136,150	-	-	-	-	-	136,150	-
Interest receivable	31,362	-	-	-	-	-	31,362	-
Accounts receivable (net)	3,010,431	33,413	5,644	-	-	67	3,049,555	-
Materials and supplies	777,683	117,080	-	-	-	-	894,763	-
Prepaid items	7,142	1,746	-	-	-	-	8,888	-
Due from other funds	2,751,359	299,743	216,039	64,405	-	137,017	3,468,563	377,632
Due from other government units	6,724	-	486,276	-	-	-	493,000	-
Total current assets	<u>18,127,013</u>	<u>1,641,991</u>	<u>3,687,386</u>	<u>496,769</u>	<u>377,770</u>	<u>396,399</u>	<u>24,727,328</u>	<u>1,193,119</u>
Noncurrent assets:								
Capital assets:								
Land	305,394	44,000	257,184	-	6,300	-	612,878	-
Buildings and systems	29,054,853	26,637,517	17,892,810	16,418,578	1,472,900	-	91,476,658	-
Machinery and equipment	3,782,108	125,799	995,915	484,727	-	992,061	6,380,610	2,980,189
Construction in progress	125,992	320,955	7,214,830	-	-	-	7,661,777	496,574
Total capital assets	<u>33,268,347</u>	<u>27,128,271</u>	<u>26,360,739</u>	<u>16,903,305</u>	<u>1,479,200</u>	<u>992,061</u>	<u>106,131,923</u>	<u>3,476,763</u>
Less accumulated depreciation	<u>(19,318,226)</u>	<u>(14,770,395)</u>	<u>(7,602,905)</u>	<u>(5,456,922)</u>	<u>(613,565)</u>	<u>(761,722)</u>	<u>(48,523,735)</u>	<u>(1,662,545)</u>
Total capital assets (net)	<u>13,950,121</u>	<u>12,357,876</u>	<u>18,757,834</u>	<u>11,446,383</u>	<u>865,635</u>	<u>230,339</u>	<u>57,608,188</u>	<u>1,814,218</u>
Customer acquisition costs	268,106	83,668	-	-	-	-	351,774	-
Total noncurrent assets	<u>14,218,227</u>	<u>12,441,544</u>	<u>18,757,834</u>	<u>11,446,383</u>	<u>865,635</u>	<u>230,339</u>	<u>57,959,962</u>	<u>1,814,218</u>
TOTAL ASSETS	<u>32,345,240</u>	<u>14,083,535</u>	<u>22,445,220</u>	<u>11,943,152</u>	<u>1,243,405</u>	<u>626,738</u>	<u>82,687,290</u>	<u>3,007,337</u>
Deferred outflows of resources								
Cost sharing defined benefit pension plan	328,408	158,921	55,382	17,461	-	39,424	599,596	-
Total deferred outflows of resources	<u>328,408</u>	<u>158,921</u>	<u>55,382</u>	<u>17,461</u>	<u>-</u>	<u>39,424</u>	<u>599,596</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, 2017 (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
LIABILITIES								
Current liabilities:								
Accounts payable	1,215,821	46,097	194,245	3,136	2,233	39,917	1,501,449	-
Retainage payable	-	29,045	127,140	-	-	-	156,185	-
Due to other funds	991,720	34,130	6,164	173,238	908	219,249	1,425,409	-
Due to other government units	49,916	3,252	43,849	-	-	15,968	112,985	-
Accrued interest payable	-	-	24,530	-	-	-	24,530	6,403
Accrued wages payable	72,788	30,546	9,433	777	58	7,648	121,250	-
Customer deposits	136,150	-	-	-	-	-	136,150	-
Compensated absences payable - current	117,365	37,536	2,557	-	-	10,550	168,008	39,666
G.O. revenue bonds payable - current	-	-	525,000	-	-	-	525,000	130,000
Total current liabilities	<u>2,583,760</u>	<u>180,606</u>	<u>932,918</u>	<u>177,151</u>	<u>3,199</u>	<u>293,332</u>	<u>4,170,966</u>	<u>176,069</u>
Noncurrent liabilities:								
Compensated absences payable	302,526	37,866	26,432	-	-	31,892	398,716	887,271
Net pension liability	1,323,817	587,359	193,332	64,540	-	129,895	2,298,943	-
G.O. revenue bonds payable, net	-	-	7,840,347	-	-	-	7,840,347	621,788
Total noncurrent liabilities	<u>1,626,343</u>	<u>625,225</u>	<u>8,060,111</u>	<u>64,540</u>	<u>-</u>	<u>161,787</u>	<u>10,538,006</u>	<u>1,509,059</u>
TOTAL LIABILITIES	<u>4,210,103</u>	<u>805,831</u>	<u>8,993,029</u>	<u>241,691</u>	<u>3,199</u>	<u>455,119</u>	<u>14,708,972</u>	<u>1,685,128</u>
Deferred inflows of resources								
Cost sharing defined benefit pension plan	251,621	104,111	34,248	10,204	-	23,414	423,598	-
Total deferred inflows of resources	<u>251,621</u>	<u>104,111</u>	<u>34,248</u>	<u>10,204</u>	<u>-</u>	<u>23,414</u>	<u>423,598</u>	<u>-</u>
NET POSITION								
Net investment in capital assets	13,950,121	12,357,876	10,392,487	11,446,383	865,635	230,339	49,242,841	1,062,430
Unrestricted	14,261,803	974,638	3,080,838	262,335	374,571	(42,710)	18,911,475	259,779
TOTAL NET POSITION	<u>\$ 28,211,924</u>	<u>\$ 13,332,514</u>	<u>\$ 13,473,325</u>	<u>\$ 11,708,718</u>	<u>\$ 1,240,206</u>	<u>\$ 187,629</u>	<u>\$ 68,154,316</u>	<u>\$ 1,322,209</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, 2017**

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
Operating revenues:								
Electric charges	\$ 14,255,245	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,255,245	\$ -
Water charges	-	2,615,520	-	-	-	-	2,615,520	-
Sewer charges	-	-	1,660,340	-	-	-	1,660,340	-
Rental charges	-	-	-	-	66,318	-	66,318	-
Refuse charges	-	-	-	-	-	974,248	974,248	-
Storm water charges	-	-	-	482,463	-	-	482,463	-
Other	-	-	-	-	-	37,208	37,208	244,298
Total operating revenues	<u>14,255,245</u>	<u>2,615,520</u>	<u>1,660,340</u>	<u>482,463</u>	<u>66,318</u>	<u>1,011,456</u>	<u>20,091,342</u>	<u>244,298</u>
Operating expenses:								
Purchased power	8,832,638	-	-	-	-	-	8,832,638	-
Operations and maintenance	2,070,543	1,274,879	401,899	197,997	34,306	865,230	4,844,854	-
Administration	776,863	329,320	118,126	-	-	22,077	1,246,386	-
Compensated absences	-	-	-	-	-	-	-	86,709
Depreciation	1,049,774	653,496	444,698	364,487	39,383	57,621	2,609,459	147,178
Tax and tax equivalents	1,304,715	-	-	-	-	-	1,304,715	-
Total operating expenses	<u>14,034,533</u>	<u>2,257,695</u>	<u>964,723</u>	<u>562,484</u>	<u>73,689</u>	<u>944,928</u>	<u>18,838,052</u>	<u>233,887</u>
Operating income (loss)	<u>220,712</u>	<u>357,825</u>	<u>695,617</u>	<u>(80,021)</u>	<u>(7,371)</u>	<u>66,528</u>	<u>1,253,290</u>	<u>10,411</u>
Nonoperating revenues (expenses)								
Interest income	169,868	326	18,087	1,795	2,398	1,712	194,186	4,272
Interest expense	-	-	(97,851)	-	-	-	(97,851)	(5,422)
Gain (loss) on disposal of assets	-	-	-	-	-	-	-	30,753
Donation	-	-	-	-	-	-	-	87,251
Intergovernmental	-	-	486,277	-	-	-	486,277	-
Miscellaneous	-	-	-	8,965	-	-	8,965	-
Total nonoperating revenues (expenses)	<u>169,868</u>	<u>326</u>	<u>406,513</u>	<u>10,760</u>	<u>2,398</u>	<u>1,712</u>	<u>591,577</u>	<u>116,854</u>
Income (loss) before transfers and capital contributions	<u>390,580</u>	<u>358,151</u>	<u>1,102,130</u>	<u>(69,261)</u>	<u>(4,973)</u>	<u>68,240</u>	<u>1,844,867</u>	<u>127,265</u>
Capital contributions	83,716	16,000	-	-	-	-	99,716	-
Transfers in	-	-	-	13,000	-	-	13,000	-
Transfers out	(250,000)	-	-	-	-	-	(250,000)	-
Change in net position	<u>224,296</u>	<u>374,151</u>	<u>1,102,130</u>	<u>(56,261)</u>	<u>(4,973)</u>	<u>68,240</u>	<u>1,707,583</u>	<u>127,265</u>
Total net position - January 1	27,987,628	12,958,363	12,371,195	11,764,979	1,245,179	119,389	66,446,733	1,094,944
Prior period adjustment - see Note 2	-	-	-	-	-	-	-	100,000
Total net position - January 1, as restated	<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>1,194,944</u>
Total net position - December 31	<u>\$ 28,211,924</u>	<u>\$ 13,332,514</u>	<u>\$ 13,473,325</u>	<u>\$ 11,708,718</u>	<u>\$ 1,240,206</u>	<u>\$ 187,629</u>	<u>\$ 68,154,316</u>	<u>\$ 1,322,209</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, 2017

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)		
Cash flows from operating activities:								
Cash received from customers and users	\$ 13,146,556	\$ 2,565,074	\$ 1,603,509	\$ 482,463	\$ 66,892	\$ 1,012,483	\$ 18,876,977	\$ 587,251
Cash received from interfund activities	476,227	53,650	51,188	-	-	-	581,065	44,298
Cash paid to suppliers for goods and services	(9,643,074)	(876,047)	(245,364)	(110,196)	(27,575)	(760,740)	(11,662,996)	-
Cash paid for interfund activities	(75,449)	(125,880)	(29,528)	(45,386)	(5,947)	-	(282,190)	-
Cash paid to employees	(1,936,102)	(777,724)	(221,837)	(48,151)	(661)	(221,434)	(3,205,909)	(197,381)
Cash paid for taxes and tax equivalents	(1,304,715)	-	-	-	-	-	(1,304,715)	-
Other operating revenues (expenses)	-	-	-	8,965	-	-	8,965	-
Net cash provided (used) by operating activities	<u>663,443</u>	<u>839,073</u>	<u>1,157,968</u>	<u>287,695</u>	<u>32,709</u>	<u>30,309</u>	<u>3,011,197</u>	<u>434,168</u>
Cash flows from noncapital financing activities:								
Transfers from other funds	-	-	-	13,000	-	-	13,000	-
Transfers to other funds	(250,000)	-	-	-	-	-	(250,000)	-
Interfund receivable	91,381	4,411	(1,691)	(694)	-	567	93,974	(62,577)
Interfund payable	6,343	6,469	1,505	112,083	(128)	(45,701)	80,571	-
Net cash provided (used) by noncapital financing activities	<u>(152,276)</u>	<u>10,880</u>	<u>(186)</u>	<u>124,389</u>	<u>(128)</u>	<u>(45,134)</u>	<u>(62,455)</u>	<u>(62,577)</u>
Cash flows from capital and related financing activities:								
Acquisition of capital assets	(737,437)	(942,392)	(3,088,839)	(203,345)	(12,900)	-	(4,984,913)	(707,567)
Proceeds from sale of capital assets	-	-	-	-	-	-	-	30,753
Payment on Construction Accounts Payable	(7,360)	(22,692)	(569,339)	-	-	-	(599,391)	-
Principal payments on long-term debt	-	-	(345,456)	-	-	-	(345,456)	(135,000)
Interest and fiscal charges on bonds	-	-	(99,745)	-	-	-	(99,745)	(16,751)
Proceeds from contract for deed	-	-	-	-	33,086	-	33,086	-
Proceeds from long-term debt	-	-	3,051,988	-	-	-	3,051,988	-
Net cash provided (used) by capital and related financing activities	<u>(744,797)</u>	<u>(965,084)</u>	<u>(1,051,391)</u>	<u>(203,345)</u>	<u>20,186</u>	<u>-</u>	<u>(2,944,431)</u>	<u>(828,565)</u>
Cash flows from investing activities:								
Interest received on investments	159,779	326	18,087	1,795	2,398	1,712	184,097	4,272
Proceeds from sales and maturities of investments	578,000	-	-	-	-	-	578,000	472,469
Purchase of investments	(2,071,421)	-	-	-	-	-	(2,071,421)	(298,670)
Net cash provided (used) by investing activities	<u>(1,333,642)</u>	<u>326</u>	<u>18,087</u>	<u>1,795</u>	<u>2,398</u>	<u>1,712</u>	<u>(1,309,324)</u>	<u>178,071</u>
Net increase (decrease) in cash and cash equivalents	(1,567,272)	(114,805)	124,478	210,534	55,165	(13,113)	(1,305,013)	(278,903)
Cash and cash equivalents - January 1	3,454,753	1,304,814	713,737	221,830	322,605	272,428	6,290,167	371,472
Cash and cash equivalents - December 31	<u>\$ 1,887,481</u>	<u>\$ 1,190,009</u>	<u>\$ 838,215</u>	<u>\$ 432,364</u>	<u>\$ 377,770</u>	<u>\$ 259,315</u>	<u>\$ 4,985,154</u>	<u>\$ 92,569</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, 2017 (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
Reconciliation of operating income to net cash provided (used) by operating activities:								
Operating income (loss)	\$ 220,712	\$ 357,825	\$ 695,617	\$ (80,021)	\$ (7,371)	\$ 66,528	\$ 1,253,290	\$ 10,411
Adjustments to reconcile net income (loss) to net cash provided by operating activities:								
Depreciation and amortization	1,049,774	653,496	444,698	364,487	39,383	57,621	2,609,459	147,178
Miscellaneous revenue	-	-	-	8,965	-	-	8,965	-
Prior period donation	-	-	-	-	-	-	-	100,000
Donation	-	-	-	-	-	-	-	87,251
Changes in assets and liabilities:								
Accounts receivable	(630,480)	1,589	(5,643)	-	574	1,027	(632,933)	-
Materials and supplies	15,110	14,913	-	-	-	-	30,023	-
Prepaid items	190	(47)	-	-	-	-	143	-
Due from other government units	(1,382)	1,615	-	-	-	-	233	200,000
Accounts payable	(77,210)	(175,938)	224	(9,118)	65	(66,582)	(328,559)	-
Accrued wages payable	(297)	1,733	508	53	58	79	2,134	-
Accrued compensated absences	(23,475)	(58,590)	8,890	-	-	(38,231)	(111,406)	(110,672)
Due to other government units	(2,120)	456	(50)	-	-	288	(1,426)	-
Customer deposits	(600)	-	-	-	-	-	(600)	-
Net pension liability	(307,914)	(114,278)	(37,323)	(9,054)	-	(26,052)	(494,621)	-
Deferred pension inflows	68,011	25,242	8,244	2,000	-	5,754	109,251	-
Deferred pension outflows	353,124	131,057	42,803	10,383	-	29,877	567,244	-
Net cash provided (used) by operating activities	<u>\$ 663,443</u>	<u>\$ 839,073</u>	<u>\$ 1,157,968</u>	<u>\$ 287,695</u>	<u>\$ 32,709</u>	<u>\$ 30,309</u>	<u>\$ 3,011,197</u>	<u>\$ 434,168</u>
Schedule of noncash investing, capital and financing activities:								
Acquisition of a capital asset through accounts payable	\$ -	\$ 29,045	\$ 306,406	\$ -	\$ -	\$ -	\$ 335,451	\$ -
Contributions of capital assets from government	83,716	16,000	-	-	-	-	99,716	-
Intergovernmental revenue through due from other governments	-	-	486,276	-	-	-	486,276	-
Cash and cash equivalents are shown on the balance sheet under the following captions:								
Cash and cash equivalents	\$ 1,751,331	\$ 1,190,009	\$ 838,215	\$ 432,364	\$ 377,770	\$ 259,315	\$ 4,849,004	\$ 92,569
Restricted assets:								
Cash in customer deposits	136,150	-	-	-	-	-	136,150	-
Total cash and cash equivalents - December 31	<u>\$ 1,887,481</u>	<u>\$ 1,190,009</u>	<u>\$ 838,215</u>	<u>\$ 432,364</u>	<u>\$ 377,770</u>	<u>\$ 259,315</u>	<u>\$ 4,985,154</u>	<u>\$ 92,569</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, 2017**

CITY OF EAST GRAND FORKS

ASSETS:

Cash and cash equivalents

\$ 30,234

LIABILITIES:

Due to employees

\$ 30,234

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.

2017 Assessment Bonds Fund. This fund is 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 average cost 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, 2017, are recorded as prepaid items and are recorded as expenses/expenditures when consumed, rather than when purchased.

7. Restricted assets

The Water 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.

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 acquisition value at 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 capitalized 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	\$ 419,891	8,348	2,166
Water	75,402	1,501	726
Sewage	28,989	833	92
Refuse	42,442	1,270	310

Additionally, the EDA has accrued a liability of \$20,151 for 261 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 \$926,937 is recorded in this fund, reflecting 28,475 accumulated sick leave hours. Sick leave hours exceeding the eligible reimbursement limit of 1,280 hours totaled 295. 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. PRIOR PERIOD ADJUSTMENT

The City has recorded a prior period adjustment to correct a receivable that was recorded in an incorrect fund in the prior year. The effect on the prior year was an overstatement of the fund balance in the Building Improvement fund and an understatement of net position in the Central Equipment fund for \$100,000.

NOTE 3. 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. The City did not adopt a Sales Tax Pool fund budget in 2017.

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, 2017, expenditures were over appropriations in the Transit, Cemetery, and Greenway Maintenance funds by \$22,863, \$33,114, and \$91,977, respectively.

C. Deficit Fund Equity

At December 31, 2017, there are three governmental funds with a deficit fund balance; the \$57,499 deficit fund balance in the Transit fund, \$1,956,389 in the Sales Tax Pool fund, and \$38,019 in the Greenway Maintenance fund. In addition, the Benefit Accrual internal service fund has a deficit of \$372,395. These will be eliminated with future revenues, and transfers from governmental and enterprise funds.

NOTE 4. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash, cash equivalents, and investments at December 31, 2017 are classified in the accompanying financial statements as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
Statement of net position:		
Cash and cash equivalents	\$ 11,170,728	\$ 3,227,358
Investments	17,594,742	-
Investments in escrow	1,592,010	-
Restricted cash and cash equivalents	136,150	-
Statement of fiduciary assets and liabilities:		
Cash and cash equivalents	30,234	-
Total cash and investments	<u>\$ 30,523,864</u>	<u>\$ 3,227,358</u>

Cash and investments at December 31, 2017 consist of the following

	<u>Primary Government</u>	<u>Component Unit</u>
Cash:		
Cash on hand	\$ 400	\$ -
Deposit with financial institutions	8,226,953	3,227,358
Cash equivalents:		
4M - Local Government Investment Pool	2,924,819	-
Money Market Funds	184,940	-
Investments:		
Various	19,186,752	-
Total cash, cash equivalents, and investments	<u>\$ 30,523,864</u>	<u>\$ 3,227,358</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. The 4M Fund is administered by PMA Financial Network, with RBC Capital Markets as investment advisor and fund representative. Financial statements of the 4M Fund can be obtained by contacting the 4M Fund at 5301 Kyle Avenue NE, Second Floor, Albertville, MN 55301.

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, 2017, 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	\$ 1,482,955	5.57	1
Federal National Mortgage Assn.	1,528,754	6.81	1
Non-negotiable certificates of deposit	16,175,043	3.66	N/A
	<u>\$ 19,186,752</u>		
Portfolio weighted average maturity		5.35	

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	\$ 1,482,955	7.7%
Federal National Mortgage Assn.	1,528,754	8.0%

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, 2017.

NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At December 31, 2017, 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, 2017:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Nonmajor Fund	\$ 155,154 (1)
General Fund	Capital Projects Fund	120,000 (1)
Capital Projects Fund	General Fund	34,000 (1)
Nonmajor Fund	General Fund	171,668 (1)
Current City Projects	Nonmajor Fund	29,117 (1)
Capital Projects Fund	Nonmajor Fund	351,473 (1)
Nonmajor Fund	Nonmajor Fund	25,858 (1)
Storm Water Fund	General Fund	13,000 (1)
Nonmajor Fund	Electric Fund	250,000 (1)
		<u>\$ 1,150,270</u>

1. 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, 2017:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 261,200 (1)
General Fund	Sales Tax Pool Fund	40,236 (1)
Electric Fund	Sales Tax Pool Fund	1,916,153 (3)
Electric Fund	General Fund	110,777 (2)
Electric Fund	Nonmajor Governmental Funds	113 (2)
Electric Fund	Water Fund	8,448 (2)
Water Fund	Electric Fund	299,743 (2)
General Fund	Electric Fund	262,101 (2)
General Fund	Water Fund	25,682 (2)
Nonmajor Governmental Funds	Electric Fund	12,413 (2)
Refuse Fund	Electric Fund	137,017 (2)
Sewage Fund	Electric Fund	216,039 (2)
Storm Water Fund	Electric Fund	64,405 (2)
Central Equipment	Storm Water Fund	158,539 (2)
Central Equipment	Refuse Fund	219,093 (2)
Electric Fund	Capital Projects	693,942 (4)
Electric Fund	Commercial Properties	908 (2)
Electric Fund	Sewage Fund	6,164 (2)
Electric Fund	Storm Water Fund	14,699 (2)
Electric Fund	Refuse Fund	156 (2)
		<u>\$ 4,447,828</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 6. ACCOUNTS RECEIVABLE

On April 30, 2011, the City sold the Demers Professional Building under a contract for deed arrangement. The contract with a remaining value of \$29,626 was paid in full on June 28, 2017.

NOTE 7. 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:

Year Ending December 31,	
2018	\$ 61,953
2019	33,738
2020	33,738
2021	33,738
	<u>\$ 163,167</u>

Details for the property under lease agreements are as follows:

Commercial Properties	Historical Carrying Cost	Accumulated Depreciation	Annual Depreciation
Infill Building	\$ 1,472,900	\$ 613,565	\$ 39,383

NOTE 8. CAPITAL ASSETS

Capital asset activities for the year ended December 31, 2017, were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Nondepreciable capital assets				
Land	\$ 31,203,471	\$ -	\$ -	\$ 31,203,471
Construction in progress	1,275,810	2,311,635	(896,969)	2,690,476
Total	<u>32,479,281</u>	<u>2,311,635</u>	<u>(896,969)</u>	<u>33,893,947</u>
Depreciable capital assets:				
Buildings, structures, and improvements	82,126,800	346,151	-	82,472,951
Machinery and equipment	8,808,894	482,348	(172,316)	9,118,926
Infrastructure	51,798,428	908,520	-	52,706,948
Total	<u>142,734,122</u>	<u>1,737,019</u>	<u>(172,316)</u>	<u>144,298,825</u>
Total capital assets	<u>175,213,403</u>	<u>4,048,654</u>	<u>(1,069,285)</u>	<u>178,192,772</u>
Less accumulated depreciation for:				
Buildings, structures and improvements	(21,806,577)	(1,705,658)	-	(23,512,235)
Machinery and equipment	(5,193,272)	(253,045)	172,316	(5,274,001)
Infrastructure	(19,025,412)	(1,558,484)	-	(20,583,896)
Total accumulated depreciation	<u>(46,025,261)</u>	<u>(3,517,187)</u>	<u>172,316</u>	<u>(49,370,132)</u>
Total governmental activities capital assets, net	<u>\$ 129,188,142</u>	<u>\$ 531,467</u>	<u>\$ (896,969)</u>	<u>\$ 128,822,640</u>

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities:				
Nondepreciable capital assets				
Land	\$ 612,878	\$ -	\$ -	\$ 612,878
Construction in progress	6,561,748	3,718,677	(2,618,649)	7,661,776
Total	<u>7,174,626</u>	<u>3,718,677</u>	<u>(2,618,649)</u>	<u>8,274,654</u>
Depreciable capital assets:				
Buildings, structures, and improvements	87,451,642	4,050,140	(25,123)	91,476,659
Machinery and equipment	6,110,696	269,914	-	6,380,610
Total	<u>93,562,338</u>	<u>4,320,054</u>	<u>(25,123)</u>	<u>97,857,269</u>
Total capital assets	<u>100,736,964</u>	<u>8,038,731</u>	<u>(2,643,772)</u>	<u>106,131,923</u>
Less accumulated depreciation for:				
Buildings, structures, and improvements	(41,331,699)	(2,283,812)	25,123	(43,590,388)
Machinery and equipment	(4,607,700)	(325,647)	-	(4,933,347)
Total accumulated depreciation	<u>(45,939,399)</u>	<u>(2,609,459)</u>	<u>25,123</u>	<u>(48,523,735)</u>
Total business-type activities capital assets, net	<u>\$ 54,797,565</u>	<u>\$ 5,429,272</u>	<u>\$ (2,618,649)</u>	<u>\$ 57,608,188</u>

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

Governmental Activities:	
General Government	\$ 176,922
Public Safety	291,675
Public Works	2,319,388
Culture and Recreation	668,149
Transit	45,541
Cemetery	15,512
Total Depreciation Expenses - Governmental Activities	<u>\$ 3,517,187</u>

Business-Type Activities:	
Electric Fund	\$ 1,049,774
Water Fund	653,496
Sewer Fund	444,698
Storm Water Fund	364,487
City Mall Fund	39,383
Refuse Fund	57,621
Total Depreciation Expenses - Business-Type Activities	<u>\$ 2,609,459</u>

Governmental Activities depreciation expense includes Internal Service fund depreciation of \$147,178.

Discretely presented component unit

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Nondepreciable capital assets				
Land	\$ 50,300	\$ -	\$ -	\$ 50,300
Construction in progress	4,743	128,188	-	132,931
Total	55,043	128,188	-	183,231
Depreciable capital assets:				
Buildings, structures, and improvements	5,503,577	-	-	5,503,577
Machinery and equipment	146,858	-	-	146,858
Total	5,650,435	-	-	5,650,435
Total capital assets	5,705,478	128,188	-	5,833,666
Less accumulated depreciation for:				
Buildings, structures and improvements	(2,039,885)	(130,526)	-	(2,170,411)
Machinery and equipment	(122,662)	(9,878)	-	(132,540)
Total accumulated depreciation	(2,162,547)	(140,404)	-	(2,302,951)
Total governmental activities capital assets, net	\$ 3,542,931	\$ (12,216)	\$ -	\$ 3,530,715

NOTE 9. 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 12/31/17
12/1/12 Refunding	02/01/20	2.0%	\$ 440,000	\$ 195,000
12/01/12	02/01/34	2.0%-2.75%	660,000	575,000
12/01/07	02/01/28	3.4%-4.25%	3,560,000	1,800,000
12/01/15	02/01/31	2.0%-2.75%	870,000	780,000
12/1/15 Refunding	02/01/25	2.0%-4.0%	2,095,000	1,810,000
12/1/15 Refunding	02/01/27	2.0%-4.0%	760,000	665,000
2017A Improvement and Refunding	02/01/28	2.3%-3.0%	3,950,000	3,950,000
				<u>9,775,000</u>
MN PFA-Transportation	08/20/38	3.645%	3,466,567	2,895,000
GO Certificate of Indebtedness	02/01/22	2.0%	875,000	500,000
GO Certificate of Indebtedness	02/01/23	2.0%	265,000	230,000
Total governmental activities				<u>\$ 13,400,000</u>

Business-type activities

Revenue bonds:	Final Maturity	Interest Rates	Issue Amount	Outstanding 12/31/17
MN PFA - Clean Water	08/20/28	2.687%	\$ 4,012,598	\$ 2,526,000
MN PFA - Clean Water	08/20/36	1.039%	5,989,803	5,839,346
Total business-type activities				<u>\$ 8,365,346</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. In 2016, MN PFA Clean Water State Revolving Fund issued \$6,933,456 for the Wastewater Interconnect Project. \$5,989,803 has currently been drawn down for the Interconnect Project with the City of Grand Forks, ND.

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
2018	\$ 2,644,000	\$ 392,631	\$ 525,000	\$ 106,731
2019	1,347,000	296,731	487,375	120,201
2020	1,346,000	263,284	495,306	111,734
2021	1,155,000	232,227	504,268	103,103
2022	1,129,000	203,495	513,260	94,280
2023-2027	3,546,000	603,779	2,705,291	332,278
2028-2032	1,094,000	299,512	1,837,919	125,474
2033-2037	946,000	132,681	1,296,927	34,598
2038	193,000	7,035	-	-
Total	<u>\$ 13,400,000</u>	<u>\$ 2,431,376</u>	<u>\$ 8,365,346</u>	<u>\$ 1,028,398</u>

CROSSOVER REFUNDING. During 2017, the City issued \$1,575,000 in general obligation refunding bonds with an interest rate of 2.3-3.0%. The City issued the bonds to refund the following outstanding general obligations:

General Obligation	Refunding Date	Interest Rate	Amount
G.O. Improvement and Refunding, Series 2007A	2/1/2018	4.0-4.25%	\$ 1,580,000

The City will realize a savings of \$32,945 with a present value of \$114,738.

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended December 31, 2017:

	Beginning Balance	Additions/ Proceeds	Reductions/ Payments	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation	\$ 6,575,000	\$ 3,950,000	\$ (750,000)	\$ 9,775,000	\$ 2,425,000
Unamortized premium	176,681	199,307	(28,225)	347,763	-
Unamortized discount	(26,278)	-	2,190	(24,088)	-
Total	<u>6,725,403</u>	<u>4,149,307</u>	<u>(776,035)</u>	<u>10,098,675</u>	<u>2,425,000</u>
PFA bonds payable:					
G.O. Transportation Improvement Bonds	2,986,000	-	(91,000)	2,895,000	94,000
Certificates of indebtedness	865,000	-	(135,000)	730,000	125,000
Unamortized premium	31,995	-	(10,207)	21,788	-
Compensated absences	1,037,609	184,237	(294,909)	926,937	39,666
Governmental Activities Total:	<u>11,646,007</u>	<u>4,333,544</u>	<u>(1,307,151)</u>	<u>14,672,400</u>	<u>2,683,666</u>
Business-type activities:					
Bonds payable:					
G.O. Clean Water Improvement Bonds	2,721,000	-	(195,000)	2,526,000	200,000
G.O. Wastewater Improvement Bonds	2,937,815	3,051,987	(150,456)	5,839,346	325,000
Compensated absences	678,130	290,938	(402,343)	566,725	168,008
Business-type activities total	<u>6,336,945</u>	<u>3,342,925</u>	<u>(747,799)</u>	<u>8,932,071</u>	<u>693,008</u>
Government-wide Total	<u>\$ 17,982,952</u>	<u>\$ 7,676,469</u>	<u>\$ (2,054,950)</u>	<u>\$ 23,604,471</u>	<u>\$ 3,376,674</u>

Compensated absences are generally liquidated by the fund in which it was earned.

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

CHANGES IN LONG-TERM LIABILITIES. Long-term liability activity for the year ended December 31, 2017, was as follows:

	Beginning Balance	Additions/ Proceeds	Reductions/ Payments	Ending Balance	Due Within One Year
Component Unit activities:					
Compensated absences	\$ 16,105	\$ 19,502	\$ (15,456)	\$ 20,151	\$ 4,416
Component Unit activities total	<u>\$ 16,105</u>	<u>\$ 19,502</u>	<u>\$ (15,456)</u>	<u>\$ 20,151</u>	<u>\$ 4,416</u>

NOTE 10. 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, 2017 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:

	2015	2016	2017
Paid Losses	\$ 14,215	\$ 11,343	\$ 26,386
Paid Expenses		11,702	393
Reserve Losses	20,000	29,500	315,883
Reserve Expenses			14,607
Total Incurred	34,215	52,546	357,269
Deductible Recovery	(3,923)	(4,000)	(3,732)

The City's commercial insurance carrier has no set reserve losses or reserve expenses for claims filed after December 31, 2017, 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 11. 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, 2017, 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.

NOTE 12. 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.

The Primary Government's share of the General Employees Retirement Plan is approximately 96.4% and the Component Unit's share is approximately 3.6%. The Primary Government's share of the Public Employees Police and Fire Plan is 100%.

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 the Police and Fire Plan 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 Police and Fire Plan members 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 2017. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2017. The City's contributions to the General Employees Fund for the year ended December 31, 2017, were

Notes to the Financial Statements
December 31, 2017

CITY OF EAST GRAND FORKS

\$329,665. 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 2017. The City was required to contribute 16.20% of pay for Police and Fire Fund members in calendar year 2017. The City's contributions to the Police and Fire Fund for the year ended December 31, 2017, were \$392,706. 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, 2017, the City reported a liability of \$4,353,844 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 2017. 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 \$54,725. The net pension liability was measured as of June 30, 2017, 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, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportionate share was 0.0682% which was an increase of 0.0032% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$605,561 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$1,581 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, 2017, 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	\$ 143,488	\$ 267,821
Difference between projected and actual investment earnings	-	5,433
Changes in actuarial assumptions	688,916	436,473
Changes in proportion	146,338	88,155
Contributions paid to PERA subsequent to the measurement date	164,583	-
Total	\$ 1,143,325	\$ 797,882

\$164,583 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, 2018. 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
2018	\$ 144,502
2019	264,227
2020	(43,057)
2021	(184,812)

2. Police and Fire Fund Pension Costs

At December 31, 2017, the City reported a liability of \$3,132,276 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016 through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportion was 0.2320% which was a decrease of 0.0090% from its proportion measured as of June 30, 2016. The City also recognized \$20,880 for the year ended December 31, 2017, as revenue and an offsetting reduction of net pension liability 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 Police and Fire Fund each year, starting in fiscal year 2014.

For the year ended December 31, 2017, the City recognized pension expense of \$809,044 for its proportionate share of Police and Fire Fund's pension expense.

At December 31, 2017, 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	\$ 72,097	\$ 867,651
Difference between projected and actual investment earnings	81,266	-
Changes in actuarial assumptions	4,258,229	4,447,055
Changes in proportion	47,551	131,706
Contributions paid to PERA subsequent to the measurement date	199,775	-
Total	\$ 4,658,918	\$ 5,446,412

\$199,775 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, 2018. 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
2018	\$ 88,224
2019	88,224
2020	(30,061)
2021	(232,322)
2022	(901,334)

Total Pension Expense – The total pension expense for all plans recognized by the City for the year ended December 31, 2017, was \$1,414,605.

E. Actuarial Assumptions

The total pension liability in the June 30, 2017, 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 members were based on RP-2014 tables for all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be one

percent per year for the General Employees Plan through 2044 and Police and Fire plan through 2064 and then 2.5 percent thereafter for both plans.

Actuarial assumptions used in the June 30, 2017 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 most recent five-year experience study for Police and Fire Plan was completed in 2016.

The following changes in actuarial assumptions occurred in 2017:

General Employees Fund

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

Police and Fire Fund

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65 percent to 60 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.

- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.

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	39%	5.10%
International Stocks	19%	5.30%
Bonds	20%	0.75%
Alternative Assets	20%	5.90%
Cash	2%	0.00%

F. Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.5%. The projection of cash flows used to determine the discount rate assumed that the contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire 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.

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	\$ 6,753,134	\$ 4,353,844	\$ 2,389,588
Police and Fire Fund	\$ 5,898,990	\$ 3,132,276	\$ 848,201

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.

NOTE 13. 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 2017 were:

Amount		Percentage of Covered Payroll		Required Rates
Employees	Employer	Employees	Employer	
\$ 1,758	\$ 1,758	5.00%	5.00%	5.00%

NOTE 14. 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 26% of the Water Fund's operating revenue. The City collected \$600,019 in franchise fees from the Electric Fund for sales to American Crystal. The fee, calculated at \$.0085 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 15. FUND BALANCE

	General Fund	Capital Projects Fund	Current City Projects Fund	2017 Assessment Bond	Sales Tax Pool Fund	Nonmajor Governmental Funds
Fund Balances:						
Nonspendable:						
Materials and Supplies	\$ 24,249	\$ -	\$ -	\$ -	\$ -	\$ -
Campbell Library	-	-	-	-	-	76,000
Total	24,249	-	-	-	-	76,000
Restricted:						
Debt Service	-	-	-	536,077	-	4,088,053
Capital Projects	-	344,130	-	-	-	-
Current City Projects	-	-	79,928	-	-	-
Community Growth	-	-	-	-	-	131,148
State Aid Street	-	-	-	-	-	172,780
New Home Incentive	-	-	-	-	-	236,676
Cemetery	-	-	-	-	-	11,972
Insect Control	-	-	-	-	-	263,024
Perpetual Care	-	-	-	-	-	223,158
Grants	-	-	-	-	-	167,271
1997 Community Development	-	-	-	-	-	228,867
1997 Downtown Development	-	-	-	-	-	80,280
08 PFA Loan 23rd Street	-	-	-	-	-	180,913
Building Improvements	-	-	-	-	-	252,745
Campbell Olson	-	-	-	-	-	3,936
Total	-	344,130	79,928	536,077	-	6,040,823
Unassigned:	5,407,286	-	-	-	(1,956,389)	(95,518)
TOTAL FUND BALANCE	\$ 5,431,535	\$ 344,130	\$ 79,928	\$ 536,077	\$ (1,956,389)	\$ 6,021,305

NOTE 16. COMMITTED CONTRACTS

The City entered into an agreement in 2017 with PKM to acquire electric service territory. The City 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 \$2,117 for electricity sold to the customers in the annexed service territory during 2017.

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 City to purchase all required power above the Western Area Power Association (WAPA) allocation from the MMPA.

In 2017, the City of East Grand Forks received a grant from the State of Minnesota of \$5,300,000 for the Wastewater Interconnect and the Decommissioning of the Ponds. The estimated remaining cost of these projects is \$4,982,274.

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:

2017	\$ 2,005
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, 2017, two series of Industrial Revenue Bonds were outstanding with remaining principal balances of \$375,000 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, 2017, there are no amounts for arbitrage rebates.

NOTE 19. NEW PRONOUNCEMENTS

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. 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.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an

underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement is effective for reporting periods beginning after June 15, 2018. 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 \$66,246 for fiscal year 2017. The City made no contributions and continued funding on a pay-as-you go basis, which amounted to \$45,962 (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	\$ 71,344
Interest on net OPEB obligation	9,674
Adjustment to annual required contribution	<u>(14,772)</u>
Annual OPEB cost (expense)	66,246
Estimated contributions made	<u>(45,962)</u>
Increase (decrease) in net OPEB obligation	20,284
Net OPEB obligation, beginning of year	<u>276,398</u>
Net OPEB obligation, end of year	<u>\$ 296,682</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, 2017, 2016, 2015, 2014 and 2013 were as follows:

Fiscal Year	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2017	\$ 66,246	69.40%	\$ 296,682
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

Funded Status and Funding Progress:

As of January 1, 2017, the most recent actuarial date, the plan was 0 percent funded. The actuarial accrued liability for benefits was \$549,196, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$549,196. For the fiscal year ended December 31, 2017, the covered payroll (annual payroll of active employees covered by the plan) was \$6,190,349, and the ratio of the UAAL to the covered payroll was 8.9%.

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, 2017 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions include a 3.50% 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 6.5% initially, reduced by decrements to an ultimate rate of 5.00% over 6 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 8.9% 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, 2017 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
12/31/17	\$ 71,344	69.4%
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%

NOTE 21. 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 2017 is \$49,937.

**Other Postemployment Benefits Plan
Schedule of Funding Progress
As of December 31, 2017**

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]
1/1/2017	\$ -	\$ 549,196	\$ 549,196	-	\$ 6,190,349	8.87%
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	72.7%
2017	45,962	71,344	64.4%

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, 2017**

CITY OF EAST GRAND FORKS

	Fiscal Year Ended December 31	Statutorily Required Contributions	Contributions in Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
General Employees Fund	2015	\$ 296,341	\$ 296,341	\$ -	\$ 3,951,212	7.50%
	2016	318,174	318,174	-	4,240,440	7.50%
	2017	329,665	329,665	-	4,395,536	7.50%
Police and Fire Fund	2015	\$ 372,285	\$ 372,285	\$ -	\$ 2,298,054	16.20%
	2016	376,199	376,199	-	2,321,891	16.20%
	2017	392,706	392,706	-	2,424,109	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, 2017**

CITY OF EAST GRAND FORKS

	Fiscal Year Ended December 31	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	Total	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
General Employees Fund	2015	0.0660%	\$ 3,420,463	\$ -	\$ 3,420,463	\$ 3,812,160	89.7%	78.20%
	2016	0.0650%	5,277,678	68,982	5,346,660	4,007,733	131.7%	68.90%
	2017	0.0682%	4,353,844	54,725	4,408,569	4,201,635	103.6%	75.90%
Police and Fire Fund	2015	0.2390%	\$ 2,715,599	\$ -	\$ 2,715,599	\$ 2,131,642	127.4%	86.61%
	2016	0.2410%	9,671,749	-	9,671,749	2,317,136	417.4%	63.90%
	2017	0.2320%	3,132,276	-	3,132,276	2,370,623	132.1%	85.40%

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.

125th Anniversary Celebration Fund This fund is used to account for the revenues and costs of the Cities 125th 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: 2012 Improvement & Refunding, 12-1-01, 4-1-04, 12-1-03, 3-1-06, 2015, 12-1-04 and 12-1-07.

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 23rd 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.

**Combining Balance Sheet
Nonmajor Governmental Funds by Fund Type
As of December 31, 2017**

CITY OF EAST GRAND FORKS

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Funds	Nonmajor Capital Projects Funds	Nonmajor Permanent Campbell- Olson Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 602,618	\$ 1,686,167	\$ 932,192	\$ 80,811	\$ 3,301,788
Investments	181,284	795,746	-	-	977,030
Investments in escrow	-	1,592,010	-	-	1,592,010
Accounts receivable	12,826	-	-	-	12,826
Due from other funds	12,414	-	-	-	12,414
Due from other government units	80,387	14,130	-	-	94,517
Special assessments receivable:					
Deferred	-	4,091,795	-	-	4,091,795
Notes receivable	140,142	-	-	-	140,142
Pledges receivable	-	-	360,000	-	360,000
Land held for resale	333,994	-	-	-	333,994
Total Assets	<u>\$ 1,363,665</u>	<u>\$ 8,179,848</u>	<u>\$ 1,292,192</u>	<u>\$ 80,811</u>	<u>\$ 10,916,516</u>
LIABILITIES					
Accounts payable	\$ 51,385	\$ -	\$ 22,116	\$ 875	\$ 74,376
Accrued wages payable	1,547	-	-	-	1,547
Due to other funds	261,311	-	-	-	261,311
Due to other government units	106,182	-	-	-	106,182
Total Liabilities	<u>420,425</u>	<u>-</u>	<u>22,116</u>	<u>875</u>	<u>443,416</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes and Spec. Assessments	-	4,091,795	-	-	4,091,795
Unavailable Revenue - Pledges	-	-	360,000	-	360,000
Total Deferred Inflows of Resources	<u>-</u>	<u>4,091,795</u>	<u>360,000</u>	<u>-</u>	<u>4,451,795</u>
FUND BALANCES					
Nonspendable	-	-	-	76,000	76,000
Restricted	1,038,758	4,088,053	910,076	3,936	6,040,823
Unassigned	(95,518)	-	-	-	(95,518)
Total Fund Balances	<u>943,240</u>	<u>4,088,053</u>	<u>910,076</u>	<u>79,936</u>	<u>6,021,305</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,363,665</u>	<u>\$ 8,179,848</u>	<u>\$ 1,292,192</u>	<u>\$ 80,811</u>	<u>\$ 10,916,516</u>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds by Fund Type
For the Year Ended December 31, 2017**

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>
Revenues:					
Intergovernmental	\$ 473,651	\$ -	\$ 217,125	\$ -	\$ 690,776
Special assessments	-	961,057	-	-	961,057
Charges for services	108,034	-	-	-	108,034
Interest and other revenues	156,179	22,498	85,948	479	265,104
Total revenues	<u>737,864</u>	<u>983,555</u>	<u>303,073</u>	<u>479</u>	<u>2,024,971</u>
Expenditures:					
Current:					
Public works	26,553	-	-	-	26,553
Recreation and culture	-	-	-	875	875
Transit	422,206	-	-	-	422,206
Community development	207,735	-	-	-	207,735
Cemetery	79,324	-	-	-	79,324
Capital outlay	136,977	-	384,209	-	521,186
Debt service:					
Principal retirement	-	750,000	91,000	-	841,000
Interest and fiscal agent fees	-	208,572	108,840	-	317,412
Other debt expenditures	-	28,174	-	-	28,174
Total expenditures	<u>872,795</u>	<u>986,746</u>	<u>584,049</u>	<u>875</u>	<u>2,444,465</u>
Excess (deficiency) of revenues over expenditures	<u>(134,931)</u>	<u>(3,191)</u>	<u>(280,976)</u>	<u>(396)</u>	<u>(419,494)</u>
Other financing sources (uses)					
Proceeds from sale of capital asset	59,010	-	-	-	59,010
Refunding debt issued	-	1,575,000	-	-	1,575,000
Premium on bond issuance	-	70,875	-	-	70,875
Transfers in	92,309	105,217	250,000	-	447,526
Transfers out	(535,743)	-	(25,858)	-	(561,601)
Total other financing sources (uses)	<u>(384,424)</u>	<u>1,751,092</u>	<u>224,142</u>	<u>-</u>	<u>1,590,810</u>
Net change in fund balances	(519,355)	1,747,901	(56,834)	(396)	1,171,316
Fund balance at beginning of year	1,462,595	2,340,152	1,066,910	80,332	4,949,989
Prior period adjustment - see Note 2	-	-	(100,000)	-	(100,000)
Fund balance at beginning of year, as restated	<u>1,462,595</u>	<u>2,340,152</u>	<u>966,910</u>	<u>80,332</u>	<u>4,849,989</u>
Fund balance at end of year	<u>\$ 943,240</u>	<u>\$ 4,088,053</u>	<u>\$ 910,076</u>	<u>\$ 79,936</u>	<u>\$ 6,021,305</u>

**Combining Balance Sheet
Nonmajor Special Revenue Funds
As of December 31, 2017**

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>Total</u>
ASSETS									
Cash and cash equivalents	\$ 131,148	\$ 172,780	\$ -	\$ -	\$ -	\$ 256,816	\$ 41,874	\$ -	\$ 602,618
Investments	-	-	-	-	-	-	181,284	-	181,284
Accounts receivable	-	-	-	-	12,826	-	-	-	12,826
Due from other funds	-	-	-	-	-	6,208	-	6,206	12,414
Due from other governments	-	-	80,387	-	-	-	-	-	80,387
Notes receivable (net)	-	-	-	140,142	-	-	-	-	140,142
Land held for resale	-	-	-	333,994	-	-	-	-	333,994
Total Assets	<u>\$ 131,148</u>	<u>\$ 172,780</u>	<u>\$ 80,387</u>	<u>\$ 474,136</u>	<u>\$ 12,826</u>	<u>\$ 263,024</u>	<u>\$ 223,158</u>	<u>\$ 6,206</u>	<u>\$ 1,363,665</u>
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ 413	\$ 50,972	\$ -	\$ -	\$ -	\$ -	\$ 51,385
Accrued wages payable	-	-	806	-	741	-	-	-	1,547
Due to other funds	-	-	30,485	186,488	113	-	-	44,225	261,311
Due to other government units	-	-	106,182	-	-	-	-	-	106,182
Total Liabilities	<u>-</u>	<u>-</u>	<u>137,886</u>	<u>237,460</u>	<u>854</u>	<u>-</u>	<u>-</u>	<u>44,225</u>	<u>420,425</u>
FUND BALANCES									
Restricted	131,148	172,780	-	236,676	11,972	263,024	223,158	-	1,038,758
Unassigned	-	-	(57,499)	-	-	-	-	(38,019)	(95,518)
Total fund balances	<u>131,148</u>	<u>172,780</u>	<u>(57,499)</u>	<u>236,676</u>	<u>11,972</u>	<u>263,024</u>	<u>223,158</u>	<u>(38,019)</u>	<u>943,240</u>
Total liabilities and fund balances	<u>\$ 131,148</u>	<u>\$ 172,780</u>	<u>\$ 80,387</u>	<u>\$ 474,136</u>	<u>\$ 12,826</u>	<u>\$ 263,024</u>	<u>\$ 223,158</u>	<u>\$ 6,206</u>	<u>\$ 1,363,665</u>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2017**

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	\$ -	\$ 159,364	\$ 314,287	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 473,651
Charges for services	-	-	-	-	14,312	46,867	-	46,855	-	108,034
Other revenue:										
Interest revenue	778	2,955	-	-	-	1,487	1,212	404	-	6,836
Other	-	-	3,575	124,532	-	-	20,519	-	717	149,343
Total revenues	<u>778</u>	<u>162,319</u>	<u>317,862</u>	<u>124,532</u>	<u>14,312</u>	<u>48,354</u>	<u>21,731</u>	<u>47,259</u>	<u>717</u>	<u>737,864</u>
Expenditures:										
Current:										
Public works	-	-	-	-	-	26,553	-	-	-	26,553
Community development	-	-	-	207,735	-	-	-	-	-	207,735
Transit	-	-	422,206	-	-	-	-	-	-	422,206
Cemetery	-	-	-	-	79,324	-	-	-	-	79,324
Capital outlay	-	-	-	-	-	-	-	136,977	-	136,977
Total expenditures	<u>-</u>	<u>-</u>	<u>422,206</u>	<u>207,735</u>	<u>79,324</u>	<u>26,553</u>	<u>-</u>	<u>136,977</u>	<u>-</u>	<u>872,795</u>
Excess (deficiency) of revenues over expenditures	<u>778</u>	<u>162,319</u>	<u>(104,344)</u>	<u>(83,203)</u>	<u>(65,012)</u>	<u>21,801</u>	<u>21,731</u>	<u>(89,718)</u>	<u>717</u>	<u>(134,931)</u>
Other financing sources (uses):										
Proceeds from sale of capital asset	-	-	-	28,250	30,760	-	-	-	-	59,010
Transfers in	-	-	47,603	-	44,706	-	-	-	-	92,309
Transfers out	-	(380,589)	-	(155,154)	-	-	-	-	-	(535,743)
Total other financing sources (uses)	<u>-</u>	<u>(380,589)</u>	<u>47,603</u>	<u>(126,904)</u>	<u>75,466</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(384,424)</u>
Net change in fund balances	778	(218,270)	(56,741)	(210,107)	10,454	21,801	21,731	(89,718)	717	(519,355)
Fund balance at beginning 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>
Fund balance at end of year	<u>\$ 131,148</u>	<u>\$ 172,780</u>	<u>\$ (57,499)</u>	<u>\$ 236,676</u>	<u>\$ 11,972</u>	<u>\$ 263,024</u>	<u>\$ 223,158</u>	<u>\$ (38,019)</u>	<u>\$ -</u>	<u>\$ 943,240</u>

**Combining Balance Sheet
Nonmajor Debt Service Funds
As of December 31, 2017**

CITY OF EAST GRAND FORKS

	2012 Improvement & Refunding Bonds	12-1-01 Assessment Bonds	04-1-04 Assessment Bonds	12-1-03 Assessment Bonds	3-1-06 Assessment Bonds	2015 Assessment Bonds	12-1-04 Assessment Bonds	12-1-07 Assessment Bonds	Total
ASSETS									
Cash and cash equivalents	\$ 234,866	\$ 173,518	\$ 237,280	\$ 219,569	\$ 160,381	\$ 134,969	\$ 126,965	\$ 398,619	\$ 1,686,167
Investments	-	164,458	-	11,146	110,870	-	-	509,272	795,746
Investments in escrow	-	-	-	-	-	-	-	1,592,010	1,592,010
Due from other government units	751	5,711	-	4,642	361	912	1,278	475	14,130
Special assessments receivable:									
Deferred	569,597	153,902	-	303,891	433,023	647,954	841,486	1,141,942	4,091,795
Total assets	<u>\$ 805,214</u>	<u>\$ 497,589</u>	<u>\$ 237,280</u>	<u>\$ 539,248</u>	<u>\$ 704,635</u>	<u>\$ 783,835</u>	<u>\$ 969,729</u>	<u>\$ 3,642,318</u>	<u>\$ 8,179,848</u>
DEFERRED INFLOWS OF RESOURCES									
Unavailable revenue-special assessments	\$ 569,597	\$ 153,902	\$ -	\$ 303,891	\$ 433,023	\$ 647,954	\$ 841,486	\$ 1,141,942	\$ 4,091,795
Total deferred inflows of resources	<u>569,597</u>	<u>153,902</u>	<u>-</u>	<u>303,891</u>	<u>433,023</u>	<u>647,954</u>	<u>841,486</u>	<u>1,141,942</u>	<u>4,091,795</u>
FUND BALANCES									
Restricted	<u>235,617</u>	<u>343,687</u>	<u>237,280</u>	<u>235,357</u>	<u>271,612</u>	<u>135,881</u>	<u>128,243</u>	<u>2,500,376</u>	<u>4,088,053</u>
Total fund balances	<u>235,617</u>	<u>343,687</u>	<u>237,280</u>	<u>235,357</u>	<u>271,612</u>	<u>135,881</u>	<u>128,243</u>	<u>2,500,376</u>	<u>4,088,053</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 805,214</u>	<u>\$ 497,589</u>	<u>\$ 237,280</u>	<u>\$ 539,248</u>	<u>\$ 704,635</u>	<u>\$ 783,835</u>	<u>\$ 969,729</u>	<u>\$ 3,642,318</u>	<u>\$ 8,179,848</u>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended December 31, 2017**

CITY OF EAST GRAND FORKS

	<u>2012 Improvement & Refunding Bonds</u>	<u>12-1-01 Assessment Bonds</u>	<u>04-1-04 Assessment Bonds</u>	<u>12-1-03 Assessment Bonds</u>	<u>3-1-06 Assessment Bonds</u>	<u>2015 Assessment Bonds</u>	<u>12-1-04 Assessment Bonds</u>	<u>12-1-07 Assessment Bonds</u>	<u>Total</u>
Revenues:									
Special assessments	\$ 49,229	\$ 35,800	\$ -	\$ 83,131	\$ 104,746	\$ 110,225	\$ 279,083	\$ 298,843	\$ 961,057
Other revenue:									
Interest on investments	1,581	2,865	1,408	1,883	1,453	775	241	12,292	22,498
Total revenues	<u>50,810</u>	<u>38,665</u>	<u>1,408</u>	<u>85,014</u>	<u>106,199</u>	<u>111,000</u>	<u>279,324</u>	<u>311,135</u>	<u>983,555</u>
Expenditures:									
Debt service:									
Principal retirement	30,000	-	-	65,000	95,000	90,000	285,000	185,000	750,000
Interest and fiscal agent fees	14,338	-	-	4,550	17,125	20,950	47,201	104,408	208,572
Other debt expenditures	-	-	-	-	-	-	-	28,174	28,174
Total expenditures	<u>44,338</u>	<u>-</u>	<u>-</u>	<u>69,550</u>	<u>112,125</u>	<u>110,950</u>	<u>332,201</u>	<u>317,582</u>	<u>986,746</u>
Excess (deficiency) of revenues over expenditures	<u>6,472</u>	<u>38,665</u>	<u>1,408</u>	<u>15,464</u>	<u>(5,926)</u>	<u>50</u>	<u>(52,877)</u>	<u>(6,447)</u>	<u>(3,191)</u>
Other financing sources:									
Refunding debt issued	-	-	-	-	-	-	-	1,575,000	1,575,000
Premium on bond issuance	-	-	-	-	-	-	-	70,875	70,875
Transfer in	-	-	-	-	-	-	105,217	-	105,217
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,217</u>	<u>1,645,875</u>	<u>1,751,092</u>
Net change in fund balances	6,472	38,665	1,408	15,464	(5,926)	50	52,340	1,639,428	1,747,901
Fund balance at beginning 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>75,903</u>	<u>860,948</u>	<u>2,340,152</u>
Fund balance at end of year	<u>\$ 235,617</u>	<u>\$ 343,687</u>	<u>\$ 237,280</u>	<u>\$ 235,357</u>	<u>\$ 271,612</u>	<u>\$ 135,881</u>	<u>\$ 128,243</u>	<u>\$2,500,376</u>	<u>\$ 4,088,053</u>

Combining Balance Sheet
 Nonmajor Capital Projects Funds
 As of December 31, 2017

CITY OF EAST GRAND FORKS

	Grants	1997 Community Development	1997 Downtown Development	08 PFA Loan 23rd Street Project	Building Improvements	Total
ASSETS						
Cash and cash equivalents	\$ 172,408	\$ 228,867	\$ 80,280	\$ 180,913	\$ 269,724	\$ 932,192
Pledges receivable	360,000	-	-	-	-	360,000
Total assets	<u>\$ 532,408</u>	<u>\$ 228,867</u>	<u>\$ 80,280</u>	<u>\$ 180,913</u>	<u>\$ 269,724</u>	<u>\$ 1,292,192</u>
LIABILITIES						
Accounts payable	\$ 5,137	\$ -	\$ -	\$ -	\$ 16,979	\$ 22,116
Total liabilities	<u>5,137</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,979</u>	<u>22,116</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable revenue - Pledges	360,000	-	-	-	-	360,000
Total deferred inflows of resources	<u>360,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>360,000</u>
FUND BALANCES						
Restricted	167,271	228,867	80,280	180,913	252,745	910,076
Total fund balances	<u>167,271</u>	<u>228,867</u>	<u>80,280</u>	<u>180,913</u>	<u>252,745</u>	<u>910,076</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 532,408</u>	<u>\$ 228,867</u>	<u>\$ 80,280</u>	<u>\$ 180,913</u>	<u>\$ 269,724</u>	<u>\$ 1,292,192</u>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2017**

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>
Revenues:						
Intergovernmental	\$ 18,944	\$ -	\$ -	\$ 198,181	\$ -	\$ 217,125
Other income	83,920	1,518	510	-	-	85,948
Total revenues	<u>102,864</u>	<u>1,518</u>	<u>510</u>	<u>198,181</u>	<u>-</u>	<u>303,073</u>
Expenditures:						
Capital outlay:	36,765	46,492	9,626	-	291,326	384,209
Debt service:						
Principal retirement	-	-	-	91,000	-	91,000
Interest and fiscal agent charges	-	-	-	108,840	-	108,840
Total expenditures	<u>36,765</u>	<u>46,492</u>	<u>9,626</u>	<u>199,840</u>	<u>291,326</u>	<u>584,049</u>
Excess (deficiency) of revenues over expenditures	<u>66,099</u>	<u>(44,974)</u>	<u>(9,116)</u>	<u>(1,659)</u>	<u>(291,326)</u>	<u>(280,976)</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	250,000	250,000
Transfers out	-	-	-	-	(25,858)	(25,858)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>224,142</u>	<u>224,142</u>
Net change in fund balances	66,099	(44,974)	(9,116)	(1,659)	(67,184)	(56,834)
Fund balance at beginning of year	101,172	273,841	89,396	182,572	419,929	1,066,910
Prior period adjustment - See note 2	-	-	-	-	(100,000)	(100,000)
Fund balance at beginning of year as restated	<u>101,172</u>	<u>273,841</u>	<u>89,396</u>	<u>182,572</u>	<u>319,929</u>	<u>966,910</u>
Fund balance at end of year	<u>\$ 167,271</u>	<u>\$ 228,867</u>	<u>\$ 80,280</u>	<u>\$ 180,913</u>	<u>\$ 252,745</u>	<u>\$ 910,076</u>

Community and Growth Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget to Actual
 For the Year Ended December 31, 2017

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	\$ 778	\$ (722)
Total revenues	<u>1,500</u>	<u>778</u>	<u>(722)</u>
Expenditures:			
Community development:			
Contractual services	10,000	-	10,000
Other expenditures	<u>100,000</u>	<u>-</u>	<u>100,000</u>
Total expenditures	<u>110,000</u>	<u>-</u>	<u>110,000</u>
Net changes in fund balances	(108,500)	778	109,278
Fund balance at beginning of year	<u>130,370</u>	<u>130,370</u>	<u>-</u>
Fund balance at end of year	<u>\$ 21,870</u>	<u>\$ 131,148</u>	<u>\$ 109,278</u>

State Aid Street Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget to Actual
 For the Year Ended December 31, 2017

CITY OF EAST GRAND FORKS

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Intergovernmental	\$ 362,452	\$ 159,364	\$ (203,088)
Other revenues:			
Interest revenue	2,200	2,955	755
Total revenue	<u>364,652</u>	<u>162,319</u>	<u>(202,333)</u>
Expenditures:			
Public works:			
Contractual services	160,000	-	160,000
Total expenditures	<u>160,000</u>	<u>-</u>	<u>160,000</u>
Excess (deficiency) of revenues over expenditures	<u>204,652</u>	<u>162,319</u>	<u>(42,333)</u>
Other financing uses:			
Transfers out	-	(380,589)	(380,589)
Total other financing uses	<u>-</u>	<u>(380,589)</u>	<u>(380,589)</u>
Net changes in fund balances	204,652	(218,270)	(422,922)
Fund balance at beginning of year	391,050	391,050	-
Fund balance at end of year	<u>\$ 595,702</u>	<u>\$ 172,780</u>	<u>\$ (422,922)</u>

Transit Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
For the Year Ended December 31, 2017

CITY OF EAST GRAND FORKS

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Intergovernmental	\$ 381,200	\$ 314,287	\$ (66,913)
Other revenues:			
Other	4,500	3,575	(925)
Total revenues	<u>385,700</u>	<u>317,862</u>	<u>(67,838)</u>
Expenditures:			
Transit:			
Contractual services	399,343	422,206	(22,863)
Total expenditures	<u>399,343</u>	<u>422,206</u>	<u>(22,863)</u>
Deficiency of revenues over expenditures	<u>(13,643)</u>	<u>(104,344)</u>	<u>(90,701)</u>
Other financing sources:			
Transfers in	13,643	47,603	33,960
Total other financing sources	<u>13,643</u>	<u>47,603</u>	<u>33,960</u>
Net changes in fund balances	-	(56,741)	(56,741)
Fund balance at beginning of year	(758)	(758)	-
Fund balance at end of year	<u>\$ (758)</u>	<u>\$ (57,499)</u>	<u>\$ (56,741)</u>

**New Home Incentive Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
For the Year Ended December 31, 2017**

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	\$ 2,500	\$ -	\$ (2,500)
Other	<u>330,000</u>	<u>124,532</u>	<u>(205,468)</u>
Total revenues	<u>332,500</u>	<u>124,532</u>	<u>(207,968)</u>
Expenditures:			
Community development:			
Contractual services	10,000	9,403	597
Other expenditures	<u>415,200</u>	<u>198,332</u>	<u>216,868</u>
Total expenditures	<u>425,200</u>	<u>207,735</u>	<u>217,465</u>
Excess (deficiency) of revenues over expenditures	<u>(92,700)</u>	<u>(83,203)</u>	<u>9,497</u>
Other financing sources (uses):			
Proceeds from sale of capital asset	72,000	28,250	(43,750)
Transfers out	<u>(150,217)</u>	<u>(155,154)</u>	<u>(4,937)</u>
Total other financing sources (uses)	<u>(78,217)</u>	<u>(126,904)</u>	<u>(48,687)</u>
Net changes in fund balances	(170,917)	(210,107)	(39,190)
Fund balance at beginning of year	446,783	446,783	-
Fund balance at end of year	<u>\$ 275,866</u>	<u>\$ 236,676</u>	<u>\$ (39,190)</u>

Cemetery Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
For the Year Ended December 31, 2017

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	\$ 14,312	\$ (3,188)
Total revenues	<u>17,500</u>	<u>14,312</u>	<u>(3,188)</u>
Expenditures:			
Other:			
Personal services	21,860	26,536	(4,676)
Supplies	2,000	802	1,198
Contractual services	8,000	10,394	(2,394)
Other expenditures	<u>14,350</u>	<u>41,592</u>	<u>(27,242)</u>
Total expenditures	<u>46,210</u>	<u>79,324</u>	<u>(33,114)</u>
Deficiency of revenues over expenditures	<u>(28,710)</u>	<u>(65,012)</u>	<u>(36,302)</u>
Other financing sources:			
Proceeds from sale of capital asset	22,000	30,760	8,760
Transfers in	<u>6,710</u>	<u>44,706</u>	<u>37,996</u>
Total other financing sources	<u>28,710</u>	<u>75,466</u>	<u>46,756</u>
Net changes in fund balances	-	10,454	10,454
Fund balance at beginning of year	1,518	1,518	-
Fund balance at end of year	<u>\$ 1,518</u>	<u>\$ 11,972</u>	<u>\$ 10,454</u>

Insect Control Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
For the Year Ended December 31, 2017

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	\$ 46,867	\$ 1,867
Other revenue:			
Interest revenue	1,500	1,487	(13)
Total revenues	<u>46,500</u>	<u>48,354</u>	<u>1,854</u>
Expenditures:			
Public Works:			
Personal services	12,639	4,680	7,959
Supplies	28,000	20,370	7,630
Other expenditures	6,970	1,503	5,467
Total expenditures	<u>47,609</u>	<u>26,553</u>	<u>21,056</u>
Net changes in fund balances	(1,109)	21,801	22,910
Fund balance at beginning of year	241,223	241,223	-
Fund balance at end of year	<u>\$ 240,114</u>	<u>\$ 263,024</u>	<u>\$ 22,910</u>

Perpetual Care Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
For the Year Ended December 31, 2017

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	\$ 1,212	\$ 212
Other	10,000	20,519	10,519
Total revenues	<u>11,000</u>	<u>21,731</u>	<u>10,731</u>
Net change in fund balances	11,000	21,731	10,731
Fund balance at beginning of year	<u>201,427</u>	<u>201,427</u>	-
Fund balance at end of year	<u>\$ 212,427</u>	<u>\$ 223,158</u>	<u>\$ 10,731</u>

Greenway Maintenance Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
For the Year Ended December 31, 2017

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	\$ 46,855	\$ 1,855
Other revenue:			
Interest revenue	-	404	404
Total revenues	<u>45,000</u>	<u>47,259</u>	<u>2,259</u>
Expenditures:			
Public Works:			
Capital outlay	45,000	136,977	(91,977)
Total expenditures	<u>45,000</u>	<u>136,977</u>	<u>(91,977)</u>
Net change in fund balances	-	(89,718)	(89,718)
Fund balance at beginning of year	51,699	51,699	-
Fund balance at end of year	<u>\$ 51,699</u>	<u>\$ (38,019)</u>	<u>\$ (89,718)</u>

125th Anniversary Celebration Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget to Actual
 For the Year Ended December 31, 2017

CITY OF EAST GRAND FORKS

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

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, 2017**

CITY OF EAST GRAND FORKS

	<u>Benefit Accrual</u>	<u>Central Equipment</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 55,455	\$ 37,114	\$ 92,569
Investments	499,087	223,831	722,918
Due from other funds	-	377,632	377,632
Total current assets	<u>554,542</u>	<u>638,577</u>	<u>1,193,119</u>
Noncurrent assets:			
Capital assets:			
Machinery and equipment	-	2,980,189	2,980,189
Construction in progress	-	496,574	496,574
Less accumulated depreciation	-	(1,662,545)	(1,662,545)
Capital assets (net)	<u>-</u>	<u>1,814,218</u>	<u>1,814,218</u>
TOTAL ASSETS	<u>554,542</u>	<u>2,452,795</u>	<u>3,007,337</u>
LIABILITIES			
Current Liabilities:			
Compensated absences payable	39,666	-	39,666
Accrued interest payable	-	6,403	6,403
G.O. revenue bonds payable - current	-	130,000	130,000
Total current liabilities	<u>39,666</u>	<u>136,403</u>	<u>176,069</u>
Noncurrent liabilities:			
Compensated absences payable - net current portion	887,271	-	887,271
Notes payable - net current portion	-	621,788	621,788
Total noncurrent liabilities	<u>887,271</u>	<u>621,788</u>	<u>1,509,059</u>
TOTAL LIABILITIES	<u>926,937</u>	<u>758,191</u>	<u>1,685,128</u>
NET POSITION			
Net investment in capital assets	-	1,062,430	1,062,430
Unrestricted	(372,395)	632,174	259,779
TOTAL NET POSITION	<u>\$ (372,395)</u>	<u>\$ 1,694,604</u>	<u>\$ 1,322,209</u>

**Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
For the Year Ended December 31, 2017**

CITY OF EAST GRAND FORKS

	<u>Benefit Accrual</u>	<u>Central Equipment</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ -	\$ 244,298	\$ 244,298
Total operating revenues	<u>-</u>	<u>244,298</u>	<u>244,298</u>
Operating expenses:			
Compensated absences	86,709	-	86,709
Depreciation	-	147,178	147,178
Total operating expenses	<u>86,709</u>	<u>147,178</u>	<u>233,887</u>
Operating income (loss)	<u>(86,709)</u>	<u>97,120</u>	<u>10,411</u>
Nonoperating revenues (expenses)			
Interest revenue	4,272	-	4,272
Interest expense	-	(5,422)	(5,422)
Donation	-	87,251	87,251
Gain (loss) on disposal of assets	-	30,753	30,753
Total nonoperating revenues (expenses)	<u>4,272</u>	<u>112,582</u>	<u>116,854</u>
Change in net position	(82,437)	209,702	127,265
Net Position - January 1	(289,958)	1,384,902	1,094,944
Prior Period Adjustment - See Note 2		100,000	100,000
Net Position - January 1, as Restated	<u>(289,958)</u>	<u>1,484,902</u>	<u>1,194,944</u>
Net Position - December 31	<u>\$ (372,395)</u>	<u>\$ 1,694,604</u>	<u>\$ 1,322,209</u>

**Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2017**

CITY OF EAST GRAND FORKS

	<u>Benefit Accrual</u>	<u>Central Equipment</u>	<u>Total</u>
Cash flow from operating activities:			
Receipts from customers	\$ -	\$ 400,000	\$ 400,000
Receipts from interfund service provided	-	44,298	44,298
Receipts from donor	-	187,251	187,251
Payments for compensated absences	(197,381)	-	(197,381)
Net cash provided by operating activities	<u>(197,381)</u>	<u>631,549</u>	<u>434,168</u>
Cash flows from capital financing activities:			
Acquisition of capital assets	-	(707,567)	(707,567)
Cash proceeds from sale of capital asset	-	30,753	30,753
Change in interfund receivable	-	(62,577)	(62,577)
Principal payments on long-term debt	-	(135,000)	(135,000)
Interest payments on long-term debt	-	(16,751)	(16,751)
Net cash provided by capital financing activities	<u>-</u>	<u>(891,142)</u>	<u>(891,142)</u>
Cash flows from investing activities			
Interest on investments	4,272	-	4,272
Proceeds from sales and maturities of investments	-	472,469	472,469
Purchase of investments	(298,670)	-	(298,670)
Net cash provided by investing activities	<u>(294,398)</u>	<u>472,469</u>	<u>178,071</u>
Increase (decrease) in cash and cash equivalents	(491,779)	212,876	(278,903)
Cash and cash equivalents - January 1	547,234	(175,762)	371,472
Cash and cash equivalents - December 31	<u>\$ 55,455</u>	<u>\$ 37,114</u>	<u>\$ 92,569</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (86,709)	\$ 97,120	\$ 10,411
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	-	147,178	147,178
Prior period donation	-	100,000	100,000
Donation	-	87,251	87,251
Changes in assets and liabilities:			
Due from other governments	-	200,000	200,000
Compensated absences	(110,672)	-	(110,672)
Net cash provided by operating activities	<u>\$ (197,381)</u>	<u>\$ 631,549</u>	<u>\$ 434,168</u>



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OTHER SUPPLEMENTARY SCHEDULES



CITY OF EAST GRAND FORKS, MINNESOTA

OTHER SUPPLEMENTARY
SCHEDULES



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**Schedule of Revenues and Other Sources
Budget to Actual – General Fund
For the Year Ended December 31, 2017**

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	\$ 4,527,998	\$ 4,453,551	\$ (74,447)	\$ 3,803,949
Mobile home taxes	14	4,241	4,227	5,649
Tax increment taxes	200	-	(200)	-
Hotel/Motel taxes	41,435	37,011	(4,424)	40,500
Franchise taxes	1,605,407	1,531,556	(73,851)	1,411,787
Special assessments	2,000	2,007	7	1,132
Total Taxes	<u>6,177,054</u>	<u>6,028,366</u>	<u>(148,688)</u>	<u>5,263,017</u>
Licenses and permits:				
Liquor and malt licenses	49,425	54,675	5,250	54,350
Tobacco licenses	500	550	50	450
Plumbing licenses	2,200	3,250	1,050	3,150
Amusement center licenses	-	-	-	20
Pet licenses	1,000	931	(69)	975
Other licenses	6,000	6,843	843	4,816
Building permits	50,000	64,308	14,308	67,855
Excavation permits	2,500	2,070	(430)	3,240
Plumbing permits	2,000	2,524	524	3,384
Other permits	3,000	6,303	3,303	3,410
Total Licenses & Permits	<u>116,625</u>	<u>141,454</u>	<u>24,829</u>	<u>141,650</u>
Intergovernmental:				
Federal grants	35,000	75,140	40,140	51,997
Local government aid	2,491,974	2,491,273	(701)	2,492,055
Disparity reduction credit	-	108,009	108,009	269,026
Market value credit	-	-	-	56
PERA aid	15,688	15,688	-	15,688
Police state aid	178,226	183,341	5,115	179,157
Fire state aid	65,147	71,476	6,329	68,281
Ambulance subsidy	22,000	21,939	(61)	21,939
Other	35,000	35,660	660	42,763
Total Intergovernmental	<u>2,843,035</u>	<u>3,002,526</u>	<u>159,491</u>	<u>3,140,962</u>
Charges for services:				
General government	21,427	26,939	5,512	27,534
Accounting other funds	-	-	-	13,100
Rescue unit	235,000	246,178	11,178	230,939

(continued)

**Schedule of Revenues and Other Sources
Budget to Actual – General Fund
For the Year Ended December 31, 2017 (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	-	14,008	14,008	12,732
Protective inspection services	16,000	15	(15,985)	17,070
Rural fire service	51,904	53,915	2,011	51,904
Public safety - other	4,000	1,934	(2,066)	2,503
Streets and highways	4,500	975	(3,525)	756
Street lights	212,000	210,230	(1,770)	212,308
Swimming pool	27,000	151	(26,849)	33,835
Summer recreation programs	55,201	54,246	(955)	56,979
Winter recreation programs	86,500	99,963	13,463	99,179
Recreation - other	115,750	229,028	113,278	211,205
Senior Center	7,040	4,414	(2,626)	2,975
City hall rent	33,450	40,186	6,736	39,116
Blue Line Arena rent	17,000	11,696	(5,304)	13,857
VFW arena rent	28,000	37,983	9,983	25,427
Civic center rent	103,000	106,129	3,129	104,028
Zoning	-	1,835	1,835	825
Library	7,700	11,173	3,473	8,605
Total charges for services	<u>1,025,472</u>	<u>1,150,998</u>	<u>125,526</u>	<u>1,164,877</u>
Fines and forfeits:				
Court fines	90,000	80,117	(9,883)	104,292
Parking fines	1,500	2,565	1,065	1,925
Other fees and fines	100	385	285	-
Impound fees	4,000	6,207	2,207	6,169
Sale of seized property	10,000	54,203	44,203	22,011
Total fines and forfeits	<u>105,600</u>	<u>143,477</u>	<u>37,877</u>	<u>134,397</u>
Miscellaneous revenues:				
Interest revenue	18,075	26,868	8,793	52,406
Donations	9,200	33,379	24,179	9,906
Insurance dividends and proceeds	30,000	37,423	7,423	102,749
Other	2,600	9,796	7,196	4,548
Total miscellaneous	<u>59,875</u>	<u>107,466</u>	<u>47,591</u>	<u>169,609</u>
Total revenues	<u>10,327,661</u>	<u>10,574,287</u>	<u>246,626</u>	<u>10,014,512</u>
Other financing sources:				
Proceeds from sale of capital asset	-	13,000	13,000	-
Transfers in	346,217	275,154	(71,063)	1,444,088
Insurance proceeds	-	144,099	144,099	-
Total other financing sources	<u>346,217</u>	<u>432,253</u>	<u>86,036</u>	<u>1,444,088</u>
Total revenues and other financing sources	<u>\$ 10,673,878</u>	<u>\$ 11,006,540</u>	<u>\$ 332,662</u>	<u>\$ 11,458,600</u>

**Schedule of Expenditures and Other Uses
Budget to Actual – General Fund
For the Year Ended December 31, 2017**

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:				
Council:				
Personal services	\$ 47,313	\$ 46,513	\$ 800	\$ 46,714
Other expenditures	6,931	2,435	4,496	2,571
Total	<u>54,244</u>	<u>48,948</u>	<u>5,296</u>	<u>49,285</u>
Ordinances and proceedings:				
Contractual services	3,000	983	2,017	487
Total	<u>3,000</u>	<u>983</u>	<u>2,017</u>	<u>487</u>
Mayor:				
Personal services	10,834	10,814	20	11,175
Supplies	186	30	156	-
Contractual services	773	221	552	202
Other expenditures	2,431	1,415	1,016	1,200
Total	<u>14,224</u>	<u>12,480</u>	<u>1,744</u>	<u>12,577</u>
Elections:				
Personal services	-	-	-	12,042
Other expenditures	300	-	300	12,114
Total	<u>300</u>	<u>-</u>	<u>300</u>	<u>24,156</u>
City administration:				
Personal services	373,101	367,335	5,766	352,098
Supplies	7,450	6,371	1,079	5,049
Contractual services	20,100	19,379	721	13,196
Other expenditures	20,894	19,549	1,345	17,883
Total	<u>421,545</u>	<u>412,634</u>	<u>8,911</u>	<u>388,226</u>
Accounting and auditing:				
Contractual services	45,000	45,690	(690)	41,885
Total	<u>45,000</u>	<u>45,690</u>	<u>(690)</u>	<u>41,885</u>
City assessor:				
Contractual services	29,000	29,280	(280)	29,326
Total	<u>29,000</u>	<u>29,280</u>	<u>(280)</u>	<u>29,326</u>
City attorney:				
Contractual services	150,000	137,183	12,817	145,906
Other expenditures	2,500	-	2,500	8,528
Total	<u>152,500</u>	<u>137,183</u>	<u>15,317</u>	<u>154,434</u>
Planning and zoning:				
Personal services	40,941	40,891	50	40,430
Contractual services	72,300	68,149	4,151	73,160
Other expenditures	2,442	3,391	(949)	2,231
Total	<u>115,683</u>	<u>112,431</u>	<u>3,252</u>	<u>115,821</u>

**Schedule of Expenditures and Other Uses
Budget to Actual – General Fund
For the Year Ended December 31, 2017 (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	3,368	(138)	3,230
Other expenditures	233	22	211	24
Total	<u>3,463</u>	<u>3,390</u>	<u>73</u>	<u>3,254</u>
Finance and accounting:				
Personal services	131,788	130,342	1,446	123,132
Other expenditures	5,956	3,752	2,204	2,173
Total	<u>137,744</u>	<u>134,094</u>	<u>3,650</u>	<u>125,305</u>
Building:				
Personal services	10,249	8,689	1,560	5,177
Supplies	2,500	2,133	367	2,217
Contractual services	19,500	17,076	2,424	18,479
Other expenditures	102,250	109,517	(7,267)	111,392
Capital outlay	600	75	525	995
Total	<u>135,099</u>	<u>137,490</u>	<u>(2,391)</u>	<u>138,260</u>
Summary:				
Current	1,111,202	1,074,528	36,674	1,082,021
Capital outlay	600	75	525	995
Total general government	<u>\$ 1,111,802</u>	<u>\$ 1,074,603</u>	<u>\$ 37,199</u>	<u>\$ 1,083,016</u>
Public safety:				
Police:				
Personal services	\$ 2,282,353	\$ 2,339,844	\$ (57,491)	\$ 2,336,198
Supplies	88,000	75,711	12,289	83,098
Contractual services	168,195	180,424	(12,229)	166,289
Other expenditures	17,298	22,548	(5,250)	18,372
Capital outlay	153,083	155,512	(2,429)	34,706
Total	<u>2,708,929</u>	<u>2,774,039</u>	<u>(65,110)</u>	<u>2,638,663</u>
Fire:				
Personal services	1,095,127	1,181,639	(86,512)	1,083,350
Supplies	2,794	2,437	357	1,997
Contractual services	240,185	201,980	38,205	218,009
Other expenditures	6,563	5,197	1,366	2,627
Capital outlay	-	21,949	(21,949)	15,118
Total	<u>1,344,669</u>	<u>1,413,202</u>	<u>(68,533)</u>	<u>1,321,101</u>

**Schedule of Expenditures and Other Uses
Budget to Actual – General Fund
For the Year Ended December 31, 2017 (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	69,498	58,748	10,750	65,398
Supplies	750	525	225	611
Contractual services	76,000	74,429	1,571	46,281
Other expenditures	5,850	2,705	3,145	3,779
Total	<u>152,098</u>	<u>136,407</u>	<u>15,691</u>	<u>116,069</u>
Traffic engineering:				
Personal services	20,108	30,177	(10,069)	37,356
Supplies	10,900	9,261	1,639	9,381
Contractual services	29,100	20,826	8,274	15,051
Other expenditures	1,350	1,549	(199)	136
Total	<u>61,458</u>	<u>61,813</u>	<u>(355)</u>	<u>61,924</u>
Animal control:				
Contractual services	7,000	5,347	1,653	6,365
Total	<u>7,000</u>	<u>5,347</u>	<u>1,653</u>	<u>6,365</u>
Summary:				
Current	4,121,071	4,213,347	(92,276)	4,094,298
Capital outlay	153,083	177,461	(24,378)	49,824
Total public safety	<u>\$ 4,274,154</u>	<u>\$ 4,390,808</u>	<u>\$ (116,654)</u>	<u>\$ 4,144,122</u>
Public works:				
Administration:				
Personal services	\$ 132,119	\$ 132,386	\$ (267)	\$ 140,746
Supplies	1,400	1,281	119	1,092
Contractual services	2,700	3,553	(853)	2,836
Other expenditures	5,400	4,131	1,269	4,639
Total	<u>141,619</u>	<u>141,351</u>	<u>268</u>	<u>149,313</u>
Streets:				
Personal services	271,736	205,218	66,518	212,825
Supplies	5,000	3,406	1,594	1,907
Contractual services	1,000	-	1,000	335
Other expenditures	18,200	16,781	1,419	17,696
Capital outlay	250,000	250,000	-	249,459
Total	<u>545,936</u>	<u>475,405</u>	<u>70,531</u>	<u>482,222</u>

**Schedule of Expenditures and Other Uses
Budget to Actual – General Fund
For the Year Ended December 31, 2017 (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	40,000	56,391	(16,391)	64,297
Total	<u>40,000</u>	<u>56,391</u>	<u>(16,391)</u>	<u>64,297</u>
Downtown parking lots:				
Personal services	9,111	3,295	5,816	2,321
Total	<u>9,111</u>	<u>3,295</u>	<u>5,816</u>	<u>2,321</u>
Ice and snow removal:				
Personal services	116,182	112,586	3,596	77,090
Supplies	450	6	444	260
Contractual services	88,000	90,069	(2,069)	83,479
Other expenditures	1,000	678	322	2,652
Total	<u>205,632</u>	<u>203,339</u>	<u>2,293</u>	<u>163,481</u>
Equipment:				
Supplies	74,000	45,268	28,732	43,179
Contractual services	155,988	190,968	(34,980)	216,434
Other expenditures	500	39	461	-
Total	<u>230,488</u>	<u>236,275</u>	<u>(5,787)</u>	<u>259,613</u>
Equipment building:				
Supplies	13,000	13,661	(661)	7,776
Contractual services	65,500	47,700	17,800	68,639
Other expenditures	1,000	1,263	(263)	1,040
Total	<u>79,500</u>	<u>62,624</u>	<u>16,876</u>	<u>77,455</u>
City shop:				
Personal services	159,205	169,655	(10,450)	177,375
Charged back	(90,000)	(68,422)	(21,578)	(74,199)
Supplies	180,000	215,682	(35,682)	258,400
Charged back	(180,000)	(278,625)	98,625	(316,448)
Other expenditures	1,500	161	1,339	720
Total	<u>70,705</u>	<u>38,451</u>	<u>32,254</u>	<u>45,848</u>

**Schedule of Expenditures and Other Uses
Budget to Actual – General Fund
For the Year Ended December 31, 2017 (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	163,200	124,654	38,546	151,885
Total	<u>163,200</u>	<u>124,654</u>	<u>38,546</u>	<u>151,885</u>
Street cleaning:				
Personal services	28,562	26,742	1,820	31,147
Contractual services	27,876	25,448	2,428	-
Total	<u>56,438</u>	<u>52,190</u>	<u>4,248</u>	<u>31,147</u>
Weed control:				
Personal services	47,784	35,559	12,225	23,329
Supplies	1,000	831	169	266
Other expenditures	75,000	65,826	9,174	11,549
Capital outlay	500	438	62	153
Total	<u>124,284</u>	<u>102,654</u>	<u>21,630</u>	<u>35,297</u>
Summary:				
Current	1,416,413	1,246,191	170,222	1,213,267
Capital outlay	250,500	250,438	62	249,612
Total public works	<u>\$ 1,666,913</u>	<u>\$ 1,496,629</u>	<u>\$ 170,284</u>	<u>\$ 1,462,879</u>
Recreation and culture:				
Parks and recreation administration				
Personal services	\$ 201,974	\$ 187,410	\$ 14,564	\$ 205,632
Supplies	3,300	1,072	2,228	2,136
Contractual services	5,600	6,483	(883)	4,941
Other expenditures	2,800	1,413	1,387	2,397
Total	<u>213,674</u>	<u>196,378</u>	<u>17,296</u>	<u>215,106</u>
Playgrounds:				
Personal services	7,320	9,289	(1,969)	7,078
Supplies	500	-	500	330
Other expenditures	300	649	(349)	95
Capital outlay	14,000	10,296	3,704	1,859
Total	<u>22,120</u>	<u>20,234</u>	<u>1,886</u>	<u>9,362</u>

**Schedule of Expenditures and Other Uses
Budget to Actual – General Fund
For the Year Ended December 31, 2017 (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	85,253	18,231	67,022	68,254
Supplies	13,000	3,658	9,342	13,300
Contractual services	3,560	2,375	1,185	5,957
Other expenditures	31,200	15,909	15,291	23,124
Total	<u>133,013</u>	<u>40,173</u>	<u>92,840</u>	<u>110,635</u>
Tennis:				
Personal services	3,768	4,468	(700)	3,466
Supplies	500	35	465	774
Other expenditures	300	98	202	-
Total	<u>4,568</u>	<u>4,601</u>	<u>(33)</u>	<u>4,240</u>
Skating rinks:				
Personal services	6,997	5,173	1,824	7,623
Supplies	1,000	987	13	861
Other expenditures	-	75	(75)	-
Total	<u>7,997</u>	<u>6,235</u>	<u>1,762</u>	<u>8,484</u>
Hockey:				
Personal services	43,598	45,005	(1,407)	46,702
Supplies	3,000	1,042	1,958	581
Other expenditures	7,000	6,640	360	7,243
Total	<u>53,598</u>	<u>52,687</u>	<u>911</u>	<u>54,526</u>
Figure skating:				
Personal services	36,601	49,470	(12,869)	41,073
Supplies	3,000	367	2,633	108
Other expenditures	7,000	5,563	1,437	5,631
Total	<u>46,601</u>	<u>55,400</u>	<u>(8,799)</u>	<u>46,812</u>
Baseball:				
Personal services	34,448	51,310	(16,862)	48,099
Supplies	14,800	10,731	4,069	10,346
Other expenditures	5,425	4,327	1,098	4,956
Total	<u>54,673</u>	<u>66,368</u>	<u>(11,695)</u>	<u>63,401</u>
Softball:				
Personal services	18,839	19,508	(669)	18,330
Supplies	2,500	2,232	268	2,556
Other expenditures	1,000	584	416	455
Total	<u>22,339</u>	<u>22,324</u>	<u>15</u>	<u>21,341</u>

**Schedule of Expenditures and Other Uses
Budget to Actual – General Fund
For the Year Ended December 31, 2017 (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	123,565	124,118	(553)	122,263
Supplies	20,000	11,408	8,592	11,670
Contractual services	145,792	135,449	10,343	154,786
Other expenditures	2,200	175	2,025	1,983
Capital outlay	-	-	-	8,400
Total	<u>291,557</u>	<u>271,150</u>	<u>20,407</u>	<u>299,102</u>
VFW arena:				
Personal services	123,383	98,262	25,121	99,906
Supplies	15,700	9,569	6,131	8,555
Contractual services	94,900	118,820	(23,920)	98,154
Other expenditures	1,700	175	1,525	2,047
Capital outlay	-	481	(481)	7,773
Total	<u>235,683</u>	<u>227,307</u>	<u>8,376</u>	<u>216,435</u>
Library:				
Personal services	479,415	436,858	42,557	397,782
Supplies	8,550	10,957	(2,407)	6,785
Other expenditures	156,150	123,739	32,411	149,626
Capital outlay	6,295	4,923	1,372	8,623
Total	<u>650,410</u>	<u>576,477</u>	<u>73,933</u>	<u>562,816</u>
Senior Center:				
Personal services	90,893	86,783	4,110	81,831
Supplies	5,200	1,689	3,511	2,144
Other expenditures	26,900	36,344	(9,444)	37,695
Total	<u>122,993</u>	<u>124,816</u>	<u>(1,823)</u>	<u>121,670</u>
Blue Line Arena:				
Personal services	10,765	10,742	23	9,681
Supplies	4,000	2,462	1,538	1,054
Contractual services	39,000	31,704	7,296	34,530
Total	<u>53,765</u>	<u>44,908</u>	<u>8,857</u>	<u>45,265</u>
Park areas:				
Personal services	177,448	273,564	(96,116)	190,975
Supplies	47,500	42,088	5,412	37,136
Contractual services	75,000	110,074	(35,074)	98,185
Other expenditures	7,000	5,108	1,892	2,429
Capital outlay	18,238	17,134	1,104	-
Total	<u>325,186</u>	<u>447,968</u>	<u>(122,782)</u>	<u>328,725</u>
Campground-Recreation Area:				
Personal services	104,773	85,515	19,258	92,214
Supplies	12,000	4,470	7,530	5,336
Contractual services	11,000	64,460	(53,460)	60,334
Other expenditures	4,150	4,525	(375)	5,734
Total	<u>131,923</u>	<u>158,970</u>	<u>(27,047)</u>	<u>163,618</u>
Summary:				
Current	2,331,567	2,283,162	48,405	2,244,883
Capital outlay	38,533	32,834	5,699	26,655
Total Recreation and culture	<u>\$ 2,370,100</u>	<u>\$ 2,315,996</u>	<u>\$ 54,104</u>	<u>\$ 2,271,538</u>

**Schedule of Expenditures and Other Uses
Budget to Actual – General Fund
For the Year Ended December 31, 2017 (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	\$ 45,000	\$ 49,937	\$ (4,937)	\$ 30,613
General community development	181,275	152,941	28,334	146,075
Total	<u>226,275</u>	<u>202,878</u>	<u>23,397</u>	<u>176,688</u>
Summary:				
Current	226,275	202,878	23,397	176,688
Total community development	<u>\$ 226,275</u>	<u>\$ 202,878</u>	<u>\$ 23,397</u>	<u>\$ 176,688</u>
Other expenditures:				
Workers compensation	\$ 10,000	\$ 4,046	\$ 5,954	\$ (9,591)
General liability and other insurance	162,240	175,637	(13,397)	166,393
Storm damage	-	144,099	(144,099)	-
Promotional (Lodging)	41,435	35,160	6,275	38,475
Memberships and dues	20,000	9,207	10,793	22,967
Miscellaneous	25,000	27,100	(2,100)	22,915
Contributed capital outlay	75,000	-	75,000	135,154
Capital outlay	70,000	57,021	12,979	14,634
Total	<u>403,675</u>	<u>452,270</u>	<u>(48,595)</u>	<u>390,947</u>
Summary:				
Current	258,675	395,249	(136,574)	241,159
Capital outlay	145,000	57,021	87,979	149,788
Total other expenditures	<u>\$ 403,675</u>	<u>\$ 452,270</u>	<u>\$ (48,595)</u>	<u>\$ 390,947</u>
Debt Service				
Interest and fiscal agent fees	\$ 21,225	\$ 19,172	\$ 2,053	\$ -
Summary:				
Current	21,225	19,172	2,053	-
Total debt service	<u>\$ 21,225</u>	<u>\$ 19,172</u>	<u>\$ 2,053</u>	<u>\$ -</u>
Total expenditures	<u>\$10,074,144</u>	<u>\$ 9,952,356</u>	<u>\$ 121,788</u>	<u>\$ 9,529,190</u>
Other financing uses:				
Transfers	\$ 187,643	\$ 218,668	\$ (31,025)	\$ 109,689
Total other financing uses	<u>187,643</u>	<u>218,668</u>	<u>(31,025)</u>	<u>109,689</u>
Total expenditures and other financing uses	<u>\$10,261,787</u>	<u>\$ 10,171,024</u>	<u>\$ 90,763</u>	<u>\$ 9,638,879</u>

Statement of Changes in Fiduciary Net Position
 Agency Fund – Flexible Benefits
 As of December 31, 2017

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>\$ 25,625</u>	<u>\$ 254,400</u>	<u>\$ (249,791)</u>	<u>\$ 30,234</u>
LIABILITIES:				
Due to employees	<u>\$ 25,625</u>	<u>\$ 254,400</u>	<u>\$ (249,791)</u>	<u>\$ 30,234</u>

**Combining Statement of Net Position
Discretely Presented Component Unit – by Focus
As of December 31, 2017**

CITY OF EAST GRAND FORKS

	<u>Housing</u>	<u>Economic Development</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,235,907	\$ 1,991,451	\$ 3,227,358
Notes receivable (current portion)	9,063	264,877	273,940
Total current assets	<u>1,244,970</u>	<u>2,256,328</u>	<u>3,501,298</u>
Noncurrent assets:			
Capital assets:			
Land	50,300	-	50,300
Construction in progress	132,931	-	132,931
Buildings and systems	5,503,577	-	5,503,577
Machinery and equipment	137,109	9,749	146,858
Total capital assets	<u>5,823,917</u>	<u>9,749</u>	<u>5,833,666</u>
Less accumulated depreciation	<u>(2,293,202)</u>	<u>(9,749)</u>	<u>(2,302,951)</u>
Total capital assets (net)	<u>3,530,715</u>	<u>-</u>	<u>3,530,715</u>
Land held for resale	-	60,777	60,777
Notes receivable (net current portion)	-	1,545,667	1,545,667
Allowance for uncollectible	-	(67,862)	(67,862)
Total noncurrent assets	<u>-</u>	<u>1,538,582</u>	<u>1,538,582</u>
TOTAL ASSETS	<u>4,775,685</u>	<u>3,794,910</u>	<u>8,570,595</u>
Deferred outflows of resources			
Cost sharing defined benefit pension plan	16,382	24,023	40,405
Total deferred outflows of resources	<u>16,382</u>	<u>24,023</u>	<u>40,405</u>
LIABILITIES			
Current liabilities:			
Accounts payable	13,664	10,513	24,177
Accrued wages payable	4,332	4,196	8,528
Due to other government units	4,937	241	5,178
Compensated absences payable - current	4,416	-	4,416
Total current liabilities	<u>27,349</u>	<u>14,950</u>	<u>42,299</u>
Noncurrent liabilities:			
Customer deposits	23,207	-	23,207
Compensated absences payable (net current)	-	15,735	15,735
Net pension liability	73,913	85,422	159,335
Total noncurrent liabilities	<u>97,120</u>	<u>101,157</u>	<u>198,277</u>
Deferred inflows of resources			
Cost sharing defined benefit pension plan	13,863	15,853	29,716
Total deferred inflows of resources	<u>13,863</u>	<u>15,853</u>	<u>29,716</u>
NET POSITION			
Net investment in capital assets	3,530,715	-	3,530,715
Unrestricted	1,123,020	3,686,973	4,809,993
TOTAL NET POSITION	<u>\$ 4,653,735</u>	<u>\$ 3,686,973</u>	<u>\$ 8,340,708</u>

**Statement of Revenues, Expenses and Changes in Fund Net Position
Discretely Presented Component Unit – by Focus
For the Year Ended December 31, 2017**

CITY OF EAST GRAND FORKS

	<u>Housing</u>	<u>Economic Development</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 441,705	\$ 45,879	\$ 487,584
Other	8,108	157,919	166,027
Total operating revenues	<u>449,813</u>	<u>203,798</u>	<u>653,611</u>
Operating expenses:			
Community development:			
Administration	355,400	124,565	479,965
Depreciation	140,405	-	140,405
Other:			
Business development	-	46,707	46,707
Total operating expenses	<u>495,805</u>	<u>171,272</u>	<u>667,077</u>
Operating income (loss)	<u>(45,992)</u>	<u>32,526</u>	<u>(13,466)</u>
Nonoperating revenues:			
Interest revenue	7,731	11,055	18,786
Tax increment revenue	-	1,516	1,516
Miscellaneous revenue	-	1,481	1,481
Total nonoperating revenues	<u>7,731</u>	<u>14,052</u>	<u>21,783</u>
Change in net position	(38,261)	46,578	8,317
Net position at beginning of year	<u>4,691,996</u>	<u>3,640,395</u>	<u>8,332,391</u>
Net position at end of year	<u>\$ 4,653,735</u>	<u>\$ 3,686,973</u>	<u>\$ 8,340,708</u>

**Combining Schedule of Net Position
Discretely Presented Component Unit – Economic Development Focus
As of December 31, 2017**

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>
ASSETS						
Current assets:						
Cash and cash equivalents	\$ -	\$ 636,423	\$ 246,718	\$ 469,321	\$ 638,989	\$ 1,991,451
Notes receivable (current portion)	-	-	-	-	264,877	264,877
Total current assets	<u>-</u>	<u>636,423</u>	<u>246,718</u>	<u>469,321</u>	<u>903,866</u>	<u>2,256,328</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)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Land held for resale	-	18,777	42,000	-	-	60,777
Notes receivable (net current portion)	-	-	146,909	-	1,398,758	1,545,667
Allowance for uncollectible	-	-	-	-	(67,862)	(67,862)
Total noncurrent assets	<u>-</u>	<u>18,777</u>	<u>188,909</u>	<u>-</u>	<u>1,330,896</u>	<u>1,538,582</u>
TOTAL ASSETS	<u>-</u>	<u>655,200</u>	<u>435,627</u>	<u>469,321</u>	<u>2,234,762</u>	<u>3,794,910</u>
Deferred outflows of resources						
Cost sharing defined benefit pension plan	24,023	-	-	-	-	24,023
Total deferred outflows of resources	<u>24,023</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,023</u>
LIABILITIES						
Current liabilities:						
Accounts payable	10,513	-	-	-	-	10,513
Accrued wages payable	4,196	-	-	-	-	4,196
Due to other governments	241	-	-	-	-	241
Total current liabilities	<u>14,950</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,950</u>
Noncurrent liabilities:						
Compensated absences payable (net current)	15,735	-	-	-	-	15,735
Net pension liability	85,422	-	-	-	-	85,422
Total noncurrent liabilities	<u>101,157</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>101,157</u>
Total liabilities	<u>116,107</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>116,107</u>
Deferred inflows of resources						
Cost sharing defined benefit pension plan	15,853	-	-	-	-	15,853
Total deferred inflows of resources	<u>15,853</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,853</u>
NET POSITION						
Unrestricted	(107,937)	655,200	435,627	469,321	2,234,762	3,686,973
TOTAL NET POSITION	<u>\$ (107,937)</u>	<u>\$ 655,200</u>	<u>\$ 435,627</u>	<u>\$ 469,321</u>	<u>\$ 2,234,762</u>	<u>\$ 3,686,973</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, 2017**

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	\$ -	\$ -	\$ -	\$ -	\$ 45,879	\$ 45,879
Other revenues:						
Business development	-	-	4,968	-	-	4,968
Other	152,951	-	-	-	-	152,951
Total operating revenues	<u>152,951</u>	<u>-</u>	<u>4,968</u>	<u>-</u>	<u>45,879</u>	<u>203,798</u>
Operating expenses:						
Administration	124,565	-	-	-	-	124,565
Business development	46,707	-	-	-	-	46,707
Total operating expenses	<u>171,272</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>171,272</u>
Operating income (loss)	<u>(18,321)</u>	<u>-</u>	<u>4,968</u>	<u>-</u>	<u>45,879</u>	<u>32,526</u>
Nonoperating revenues:						
Interest revenue	-	3,775	1,373	2,397	3,510	11,055
Tax increment revenue	-	284	1,232	-	-	1,516
Miscellaneous revenue	-	-	-	-	1,481	1,481
Total nonoperating revenues	<u>-</u>	<u>4,059</u>	<u>2,605</u>	<u>2,397</u>	<u>4,991</u>	<u>14,052</u>
Change in net position	(18,321)	4,059	7,573	2,397	50,870	46,578
Net position at beginning 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>
Net position at end of year	<u><u>\$ (107,937)</u></u>	<u><u>\$ 655,200</u></u>	<u><u>\$ 435,627</u></u>	<u><u>\$ 469,321</u></u>	<u><u>\$ 2,234,762</u></u>	<u><u>\$ 3,686,973</u></u>

**Combining Schedule of Net Position
Discretely Presented Component Unit – Housing Focus
As of December 31, 2017**

CITY OF EAST GRAND FORKS

	<u>Sunshine Terrace</u>	<u>Housing Loan</u>	<u>Town Square</u>	<u>Totals</u>
ASSETS				
Current assets:				
Cash and cash equivalents	\$ 860,163	\$ 209,291	\$ 166,453	\$ 1,235,907
Notes receivable	-	9,063	-	9,063
Total current assets	<u>860,163</u>	<u>218,354</u>	<u>166,453</u>	<u>1,244,970</u>
Noncurrent Assets:				
Capital assets:				
Land	50,300	-	-	50,300
Construction in progress	132,931	-	-	132,931
Buildings and systems	5,503,577	-	-	5,503,577
Machinery and equipment	137,109	-	-	137,109
Total capital assets	<u>5,823,917</u>	<u>-</u>	<u>-</u>	<u>5,823,917</u>
Less accumulated depreciation	<u>(2,293,202)</u>	<u>-</u>	<u>-</u>	<u>(2,293,202)</u>
Total capital assets (net)	<u>3,530,715</u>	<u>-</u>	<u>-</u>	<u>3,530,715</u>
Total noncurrent assets	<u>3,530,715</u>	<u>-</u>	<u>-</u>	<u>3,530,715</u>
TOTAL ASSETS	<u>4,390,878</u>	<u>218,354</u>	<u>166,453</u>	<u>4,775,685</u>
Deferred outflows of resources				
Cost sharing defined benefit pension plan	16,382	-	-	16,382
Total deferred outflows of resources	<u>16,382</u>	<u>-</u>	<u>-</u>	<u>16,382</u>
LIABILITIES				
Current liabilities:				
Accounts payable	13,664	-	-	13,664
Accrued wages payable	4,332	-	-	4,332
Due to other government units	4,937	-	-	4,937
Customer deposits	23,207	-	-	23,207
Net pension liability	73,913	-	-	73,913
Compensated absences payable - current	4,416	-	-	4,416
Total liabilities	<u>124,469</u>	<u>-</u>	<u>-</u>	<u>124,469</u>
Deferred inflows of resources				
Cost sharing defined benefit pension plan	13,863	-	-	13,863
Total deferred inflows of resources	<u>13,863</u>	<u>-</u>	<u>-</u>	<u>13,863</u>
NET POSITION				
Net investment in capital assets	3,530,715	-	-	3,530,715
Unrestricted	738,213	218,354	166,453	1,123,020
TOTAL NET POSITION	<u>\$ 4,268,928</u>	<u>\$ 218,354</u>	<u>\$ 166,453</u>	<u>\$ 4,653,735</u>

**Combining Schedule of Revenues, Expenses and Changes in Fund Net Position
Discretely Presented Component Unit – Housing Focus
For the Year Ended December 31, 2017**

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	\$ 441,705	\$ -	\$ -	\$ 441,705
Other	8,108	-	-	8,108
Total operating revenues	<u>449,813</u>	<u>-</u>	<u>-</u>	<u>449,813</u>
Operating expenses:				
Community development:				
Personal services	91,440	-	-	91,440
Supplies	3,049	-	-	3,049
Contractual services	114,972	-	-	114,972
Depreciation	140,405	-	-	140,405
Other expenditures	145,939	-	-	145,939
Total operating expenses	<u>495,805</u>	<u>-</u>	<u>-</u>	<u>495,805</u>
Operating income (loss)	<u>(45,992)</u>	<u>-</u>	<u>-</u>	<u>(45,992)</u>
Nonoperating revenues:				
Interest revenue	5,177	1,566	988	7,731
Total nonoperating revenues	<u>5,177</u>	<u>1,566</u>	<u>988</u>	<u>7,731</u>
Change in net position	(40,815)	1,566	988	(38,261)
Net position at beginning of year	<u>4,309,743</u>	<u>216,788</u>	<u>165,465</u>	<u>4,691,996</u>
Net position at end of year	<u>\$ 4,268,928</u>	<u>\$ 218,354</u>	<u>\$ 166,453</u>	<u>\$ 4,653,735</u>

STATISTICAL SECTION



CITY OF EAST GRAND FORKS, MINNESOTA

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 Tax 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
- Computation of Direct and Overlapping Debt
- Legal Debt Margin Information
- Computation of Legal Debt Margin
- 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 Employees by Function/Program
- Operating Indicators by Function
- Schedule of Insurance in Force
- Miscellaneous Statistical Information
- Significant 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>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>	<u>2017</u>
Governmental activities										
Net investment in capital assets	\$ 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	\$ 116,652,177
Restricted	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	12,941,049
Unrestricted	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)	(2,267,633)
Total governmental activities net position	<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>	<u>\$ 127,325,593</u>
Business-type activities										
Net investment in capital assets	\$ 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	\$ 49,242,841
Restricted	72,029	72,233	-	-	-	-	-	-	-	-
Unrestricted	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	18,911,475
Total business-type activities net position	<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>	<u>\$ 68,154,316</u>
Primary government										
Net investment in capital assets	\$ 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	\$ 165,895,018
Restricted	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	12,941,049
Unrestricted	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	16,643,842
Total primary government net position	<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>	<u>\$ 195,479,909</u>

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

CITY OF EAST GRAND FORKS

	<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>	<u>2017</u>
Expenses										
Governmental activities:										
General government	\$ 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	\$ 1,509,524
Public safety	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	4,194,432
Public works	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	4,741,124
Transit	276,189	283,898	278,476	365,385	401,470	343,947	385,912	387,385	409,700	467,747
Recreation and culture	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	2,899,898
Community development	254,056	181,624	166,045	173,235	227,832	122,563	132,490	109,984	531,305	410,613
Cemetery	50,467	47,105	52,476	57,228	60,463	299,909	43,389	50,317	68,904	68,978
Interest on long-term debt	513,782	505,820	566,395	612,504	533,736	502,385	458,606	504,927	381,875	488,843
Total governmental activities expenses	<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>	<u>14,781,159</u>
Business-type activities										
Electric utility	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	14,034,533
Water utility	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	2,257,695
Sewer utility	665,582	703,260	785,645	964,063	901,603	918,483	868,049	885,940	951,449	1,062,574
Commercial properties	358,227	350,600	365,121	631,066	324,547	335,128	346,560	1,697,935	63,549	73,689
Storm water	477,935	907,291	956,736	804,162	499,046	561,522	621,122	606,720	614,981	562,484
Refuse collection	919,920	812,010	838,236	854,222	866,266	912,945	906,560	946,497	1,115,119	944,928
Total business-type activities expenses	<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>	<u>18,935,903</u>
Total primary government expenses	<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>	<u>\$ 33,717,062</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 117,172	\$ 102,704	\$ 125,833	\$ 118,710	\$ 301,653	\$ 77,324	\$ 64,999	\$ 62,347	\$ 71,145	\$ 200,787
Public safety	316,428	314,829	246,507	459,160	306,445	301,040	308,152	308,678	302,641	459,527
Public works	218,778	219,704	266,398	273,836	-	298,163	305,410	315,286	315,553	313,607
Transit	19,398	2,446	4,500	-	214,771	-	-	-	-	-
Recreation and culture	340,909	406,660	386,664	319,877	411,311	514,163	382,199	516,167	554,879	553,589
Community development	98,500	93,745	137,975	36,000	-	106,024	1,417	1,103	2,212	2,143
Cemetery	65,265	46,352	41,793	55,832	-	39,295	7,875	21,310	13,945	14,311
Operating grants and contributions	625,375	654,364	611,611	742,997	3,380,925	3,753,816	3,001,462	3,158,208	3,221,755	1,107,433
Capital grants and contributions	1,638,591	2,310,356	2,864,343	713,176	-	532,698	377,027	16,883	1,150,836	1,371,508
Total governmental activities program revenues	<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>	<u>4,022,905</u>

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

CITY OF EAST GRAND FORKS

	<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>	<u>2017</u>
Business-type activities:										
Charges for services:										
Electric utility	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	14,255,245
Water utility	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	2,615,520
Sewer utility	627,070	968,208	988,491	976,454	1,279,097	1,428,483	1,659,431	1,629,153	1,647,609	1,660,340
Commercial properties	160,238	178,530	189,072	197,095	190,915	176,714	192,156	109,489	64,842	66,318
Storm water	176,337	178,686	179,305	213,691	233,899	233,105	235,222	268,021	479,086	482,463
Refuse collection	776,659	752,588	872,984	829,018	840,565	850,212	868,003	914,545	1,039,110	1,011,456
Operating grants and contributions	15,000	442,829	129,937	303,931	20,215	15,427	15,000	-	-	-
Capital grants and contributions	-	215,248	96,704	-	-	-	-	-	-	486,277
Total business-type activities program revenues	<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>19,872,976</u>	<u>19,817,333</u>	<u>20,577,619</u>
Total primary government program revenues	<u>\$ 19,172,476</u>	<u>\$ 20,621,466</u>	<u>\$ 21,972,059</u>	<u>\$ 20,233,359</u>	<u>\$ 23,582,288</u>	<u>\$ 24,614,559</u>	<u>\$ 24,439,855</u>	<u>\$ 24,272,958</u>	<u>\$ 25,450,299</u>	<u>\$ 24,600,524</u>
Net (expense)/revenue										
Governmental activities	\$ (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)	\$ (10,758,254)
Business-type activities	(443,790)	416,833	431,752	(104,040)	825,765	928,673	1,161,535	(26,359)	1,028,086	1,641,716
Total primary government net expense	<u>\$ (8,780,937)</u>	<u>\$ (7,040,484)</u>	<u>\$ (6,563,049)</u>	<u>\$ (8,987,466)</u>	<u>\$ (7,659,036)</u>	<u>\$ (4,955,345)</u>	<u>\$ (8,275,707)</u>	<u>\$ (9,069,435)</u>	<u>\$ (8,721,063)</u>	<u>\$ (9,116,538)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 4,494,800
Franchise taxes	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	1,531,556
Unrestricted grants and contributions	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	2,629,546
Investment earnings	406,526	272,807	160,728	361,923	288,304	229,366	174,674	84,835	125,608	494,906
Other	323,082	105,452	180,527	106,954	267,103	140,017	888,472	1,045,580	1,021,419	797,628
Transfers	(14,185,931)	188,618	108,484	456,816	(250,000)	249,639	555,506	1,103,174	385,154	137,284
Total governmental activities	<u>(6,920,359)</u>	<u>7,284,440</u>	<u>6,877,701</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>	<u>10,085,720</u>
Business-type activities										
Unrestricted grants and contributions	-	-	-	-	-	-	-	-	-	0
Investment earnings	558,394	432,172	333,528	328,644	237,356	(246,259)	470,668	273,526	237,847	194,186
Gain on sale	-	-	-	-	-	-	-	-	8,249	-
Capital contributions	-	-	-	-	-	-	-	-	258,293	-
Other	-	-	3,600	-	-	-	-	-	7,500	8,965
Transfers	14,185,931	(188,618)	(108,484)	(456,816)	250,000	(249,639)	(555,506)	(1,259,323)	(385,154)	(137,284)
Total business-type activities	<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>	<u>65,867</u>
Total primary government	<u>\$ 7,823,966</u>	<u>\$ 7,527,994</u>	<u>\$ 7,106,345</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>	<u>\$ 10,151,587</u>
Changes in Net Position										
Governmental activities	\$ (15,257,506)	\$ (172,876)	\$ (117,100)	\$ (1,304,969)	\$ (1,203,804)	\$ (489,640)	\$ 216,240	\$ (205,618)	\$ (343,183)	\$ (672,534)
Business-type activities	14,300,535	660,387	660,396	(232,212)	1,313,121	432,775	1,076,697	(1,012,156)	1,154,821	1,707,583
Total primary government	<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>	<u>\$ 1,035,049</u>

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

(Modified accrual basis of accounting)

CITY OF EAST GRAND FORKS

	<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>	<u>2017</u>
General Fund										
Nonspendable	\$ 5,854	\$ 22,738	\$ 33,224	\$ 35,397	\$ 39,005	\$ 33,820	\$ 90,799	\$ 18,438	\$ 18,834	\$ 24,249
Assigned	-	-	-	-	-	-	-	824,534	-	-
Unassigned	2,558,791	2,704,602	2,554,632	2,724,606	3,156,150	3,144,775	2,857,761	1,910,902	4,577,185	5,407,286
Total general fund	<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>	<u>\$ 5,431,535</u>
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ 244,951	\$ 233,684	\$ 221,958	\$ 209,754	\$ 202,219	\$ 76,000	\$ 76,000
Restricted	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	7,000,958
Unassigned	3,335,127	2,187,869	2,101,377	339,842	(1,093,334)	(1,594,585)	(534,491)	(443,018)	(2,902,243)	(2,051,907)
Total all other governmental funds	<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>	<u>\$ 5,025,051</u>

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

(Modified accrual basis of accounting)

CITY OF EAST GRAND FORKS

	<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>	<u>2017</u>
Revenues										
General Taxes	\$ 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	\$ 6,026,359
Special Assessments	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	1,534,432
Licenses and Permits	138,252	113,350	122,642	105,201	125,530	131,642	119,602	128,766	141,650	141,454
Intergovernmental	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	3,693,302
Charges for Services	910,654	873,350	966,506	1,051,260	1,234,180	1,336,009	1,070,052	1,228,243	1,272,883	1,259,032
Fines and Forfeitures	127,544	151,845	119,522	106,954	123,841	107,304	110,954	96,018	134,397	143,477
Investment Earnings & Other Revenues	554,041	397,743	238,902	361,923	288,304	226,369	350,201	378,562	790,796	387,111
Total Revenues	11,153,198	11,389,444	11,604,262	10,935,957	13,266,922	11,978,963	12,394,086	11,923,990	13,976,623	13,185,167
Expenditures										
General Government	959,898	877,116	839,360	833,241	896,494	989,127	960,902	996,073	1,082,021	1,074,528
Public Safety	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	4,213,347
Public Works	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	1,272,744
Transit	252,780	261,246	262,526	344,381	371,403	311,685	350,484	353,824	373,701	422,206
Culture and Recreation	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	2,284,037
Community Development	254,056	181,624	166,045	171,953	227,832	122,563	132,491	109,985	531,305	410,613
Cemetery	46,574	43,434	49,139	54,721	57,956	53,936	43,389	44,799	56,943	79,324
Other	277,249	251,187	287,772	216,905	180,205	243,466	240,002	261,263	241,159	395,249
Capital Outlay	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	2,721,705
Debt Service										
Principal	1,785,000	885,000	940,000	1,593,000	1,695,577	999,000	1,096,000	709,000	3,858,000	841,000
Interest	513,802	504,413	525,259	587,668	561,487	495,591	459,405	449,626	401,875	409,402
Other Charges	-	-	-	-	41,962	11,891	-	57,745	-	62,055
Total All Other Governmental Funds	15,241,128	15,366,578	14,153,737	12,026,284	14,381,592	12,472,389	13,105,903	14,474,832	17,853,854	14,186,210
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,087,930)	(3,977,134)	(2,549,475)	(1,090,327)	(1,114,670)	(493,426)	(711,817)	(2,550,842)	(3,877,231)	(1,001,043)
Other Financing Sources (Uses)										
Transfers In	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	1,137,270
Transfers Out	(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)	(900,269)
Long-term Debt Issued	1,923,788	2,936,902	2,267,159	573,246	1,100,000	-	-	3,725,000	-	2,375,000
Refunding Debt Issued	-	-	-	-	-	-	-	-	-	1,575,000
Premium on Long-term Debt	-	-	-	-	17,732	-	-	172,980	-	199,307
Contributions	-	-	-	-	-	-	-	42,050	-	-
Insurance Proceeds	-	-	-	-	-	-	-	-	-	144,099
Sale of Capital Assets	117,746	-	47,709	-	-	-	138,023	106,060	40,118	72,010
Total Other Financing Sources (Uses)	2,162,286	3,125,520	2,423,352	1,030,062	867,732	249,639	693,527	5,349,262	425,272	4,602,417
Net Change in Fund Balances	\$ (1,925,644)	\$ (851,614)	\$ (126,123)	\$ (60,265)	\$ (246,938)	\$ (243,787)	\$ (18,290)	\$ 2,798,420	\$ (3,451,959)	\$ 3,601,374
Debt Service as % of Noncapital Expenditures	17.9%	12.1%	14.4%	20.6%	18.8%	15.6%	13.5%	11.0%	30.1%	10.6%

**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>
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
2017	4,453,551	1,304,715	77,863	148,978	41,252	6,026,359
Change 2008-2017	109.9%	18.7%	-38.9%	44.0%	102.6%	73.5%

- 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</u>	<u>Disparity Reduction Credit</u>	<u>Police State Aid</u>	<u>PERA and Fire Aid</u>	<u>Total</u>
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
2017	2,491,273	-	862,776	183,341	87,164	3,624,554
Change 2008-2017	1.3%	-100.0%	117.9%	19.0%	64.8%	11.4%

Notes: General Fund only.

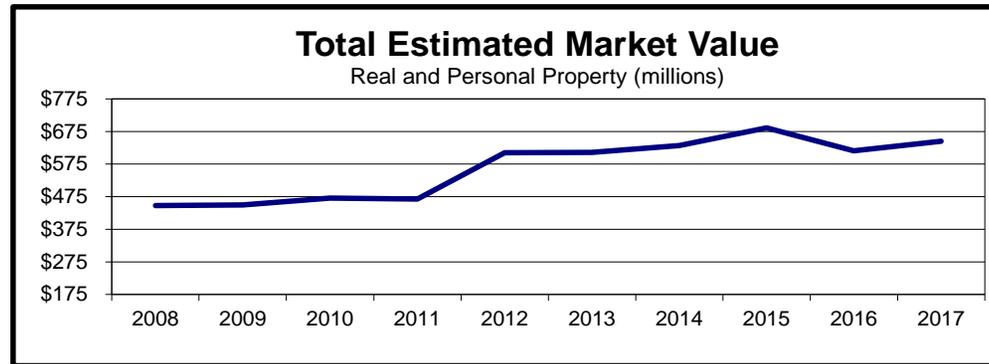
Source: Administration and Finance

**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		
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%
2017	6,894,302	640,767,200	77,183	3,951,600	6,971,485	644,718,800	64.48	1.1%

Source: County Assessor



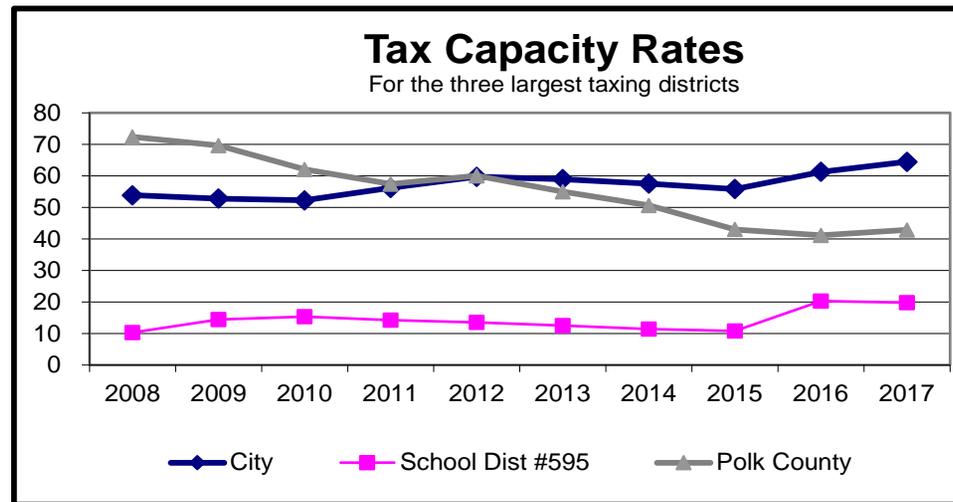
Note: The county assessor is occasionally required to make city wide adjustments to estimated market values. The State of Minnesota will instruct the county assessor to make these type of adjustments when data comparing actual sales to assessed values warrant such actions.

**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	
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
2017	60.56	3.92	64.48	19.76	42.86	4.14	0.20	0.66	132.10

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>	2017			2008		
	<u>Tax Capacity</u>	<u>Rank</u>	<u>% of Total Tax Capacity of \$6,971,485</u>	<u>Tax Capacity</u>	<u>Rank</u>	<u>% of Total Tax Capacity of \$5,204,210</u>
American Crystal	\$ 355,580	1	5.10%	\$ 679,166	1	13.05%
Burlington Northern	103,002	2	1.48%			
Pierce Investments LLC	84,839	3	1.22%	34,586	8	0.66%
Cabela's	77,624	4	1.11%	58,060	3	1.12%
Valley Markets	73,088	5	1.05%	53,432	4	1.03%
Xcel-Northern States Power	70,998	6	1.02%	52,734	5	1.01%
Riverview Terrace LLC	61,441	7	0.88%	52,485	6	1.01%
EVI Northern Pacific LLC	59,698	8	0.86%			
EVI Mn Heights LLC	59,156	9	0.85%			
Sterling Develop Group Three	40,956	10	0.59%			
Green Acres				61,042	2	1.17%
EGF Economic Dev Authority				39,644	7	0.76%
Sterling Development				33,962	9	0.65%
Town Square				33,846	10	0.65%
	<u>\$ 986,382</u>		<u>14.15%</u>	<u>\$ 1,098,957</u>		<u>21.12%</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

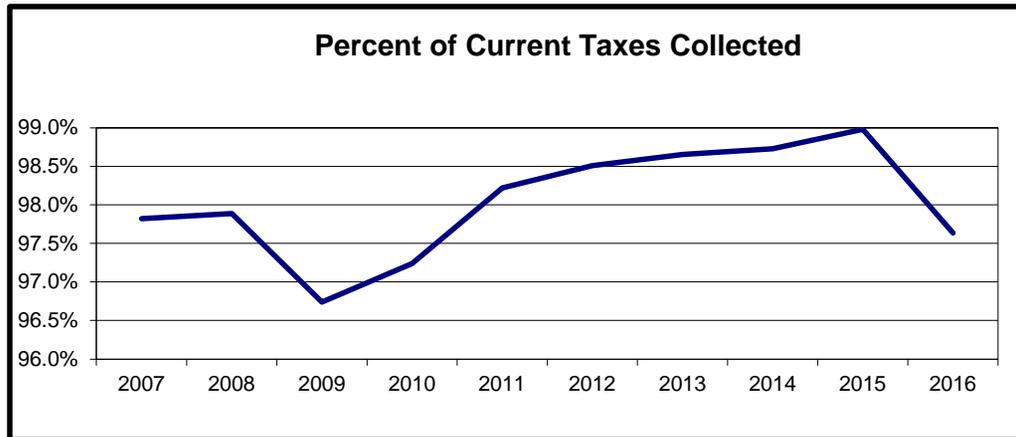
**Property Tax Levies and Tax Collections
Last Ten Years**
(Unaudited)

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	Outstanding Delinquent Taxes as a % of Levy
	Net Tax Levy	Current Tax Collection						
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%
2016	4,527,998	4,420,906	97.6%	30,561	4,451,467	98.3%	76,531	1.7%

(1) Collection year is on year later (i.e., Levy Year 2016 Collection Year 2017)

Source: County Auditor



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

CITY OF EAST GRAND FORKS

Year	Special Assessment Billings	Special Assessment Collections		Uncertified (2) Special Assessments	Prepayment of Special Assessments	Prepayment Ratio (3) as a % of Uncertified	Total Special Assessments Collected
		Special Assessment Collections Amount(1)	% of Billings				
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
2017	1,186,246	1,176,146	99.1%	6,555,362	361,292	5.2%	1,537,438

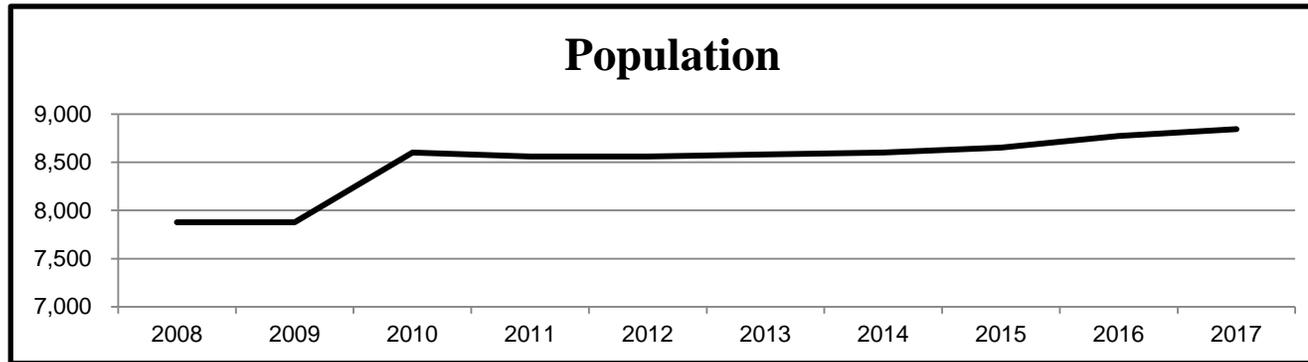
Source: Administration and Finance

- 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						
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%	2.2%	1,833
2017	8,843	6,971,485	13,745,463	8,365,346	22,110,809	4,624,130	17,486,679	317.2%	2.7%	2,500



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, 2017
(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>\$ 13,745,463</u>	<u>100.0%</u>		<u>\$ 13,745,463</u>
OVERLAPPING DEBT:				
I.S.D. 595	26,325,000	49.4%	\$ 13,004,550	
Polk County	<u>12,300,000</u>	<u>11.3%</u>	<u>1,389,900</u>	
Total Overlapping Debt				<u>14,394,450</u>
Total direct and overlapping debt				<u><u>\$ 28,139,913</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>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>	<u>2017</u>
Estimated market value	<u>\$ 447,309,300</u>	<u>\$ 451,767,600</u>	<u>\$ 494,264,800</u>	<u>\$ 467,536,400</u>	<u>\$ 609,777,200</u>	<u>\$ 610,452,700</u>	<u>\$ 631,616,900</u>	<u>\$ 686,147,800</u>	<u>\$ 615,780,100</u>	<u>\$ 644,718,800</u>
Total debt	\$ 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	\$ 21,765,346
Deductions:										
Bonds:										
G.O. Improvement Bonds	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	9,775,000
Certificates of indebtedness	507,096	443,214	297,955	72,241	875,000	875,000	780,000	690,000	865,000	730,000
G.O. Water Revenue Bonds	1,275,000	1,200,000								
Electric revenue bonds										
G.O. Clean Water Improvement 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	2,526,000
G.O. Transportation Improvement 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	2,895,000
G.O. Wastewater Improvement Bonds									2,937,815	5,839,346
Debt service funds:										
Cash, securities, and restricted cash	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	3,014,680
Less amount applicable to excluded bonds	<u>(2,874,751)</u>	<u>(2,755,615)</u>	<u>(2,857,144)</u>	<u>(2,147,233)</u>	<u>(1,938,527)</u>	<u>(2,414,922)</u>	<u>(2,202,530)</u>	<u>(5,371,084)</u>	<u>(2,483,795)</u>	<u>(3,014,680)</u>
Total net debt applicable to debt limit	<u>\$ 570,095</u>	<u>\$ 437,103</u>	<u>\$ 297,949</u>	<u>\$ 152,359</u>	<u>\$ 875,000</u>	<u>\$ -</u>				
Debt limit is 2% of estimated market value	\$ 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	\$ 12,894,376
Legal Debt Margin	\$ 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	\$ 12,894,376
Total net debt applicable to limit as a percentage of debt limit	6.4%	4.8%	3.0%	1.6%	7.2%	0.0%	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 3% 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

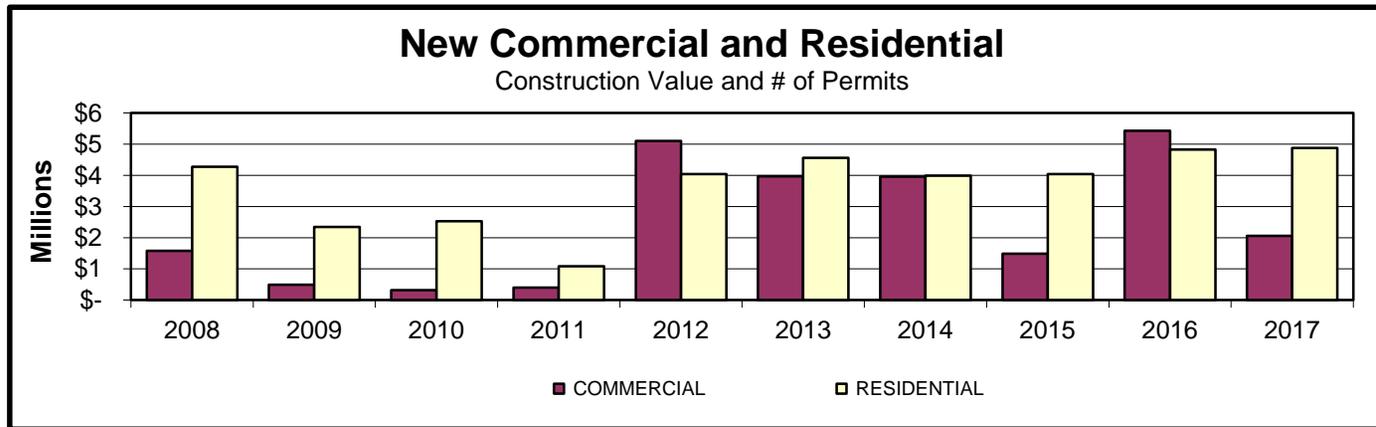
<u>Year</u>	<u>Gross Revenues (1)</u>	<u>Operating Expenses (2)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service Requirements (3)</u>			<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2008	\$ 2,095,935	\$ 1,583,565	\$ 512,370	\$ 70,000	\$ 65,642	\$ 135,642	4
2009	1,940,848	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
2017	2,615,846	1,604,199	1,011,647	-	-	-	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	
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
2017	4	2,059,021	19	4,876,287	6,935,308

Source: City Planner



Notes: (1) Only new construction permits.

Demographic and Economic Statistics
Last Ten Years
(Unaudited)

CITY OF EAST GRAND FORKS

Calendar Year	Population (1)	Personal Income (thousands of dollars)	Per Capita Personal Income (1)	Median Age (2)	Population 25 yrs & over-Bachelor's degree or higher (1)	School Enrollment (3)	Unemployment Rate (1)
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%
2017	*8843	na	27,315	35	2,595	2,393	2.7%

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>2017</u>			<u>Taxpayer</u>	<u>2008</u>		
	<u>Employees</u>	<u>Rank</u>	<u>% of Total City Employment 2,650</u>		<u>Employees</u>	<u>Rank</u>	<u>% of Total City Employment 2,700</u>
ISD 595	419	1	15.81%	American Crystal	400	1	14.8%
American Crystal	338	2	12.75%	ISD 595	320	2	11.9%
Cabela's	110	3	4.15%	Northland College-NTC-EGF	150	3	5.6%
R.J. Zavoral and Sons, Inc.	105	4	3.96%	City of East Grand Forks	140	4	5.2%
City of East Grand Forks	100	5	3.77%	Valley Markets	130	5	4.8%
Northland College-NTC-EGF	86	6	3.25%	Cabela's	95	6	3.5%
Sanford	72	7	2.72%	R.J. Zavoral and Sons, Inc.	90	7	3.3%
Sacred Heart	61	8	2.30%	Whitey's Café	65	8	2.4%
Northern Valley	60	9	2.26%	Lumber Mart	30	9	1.1%
Valley Markets	51	10	1.92%	Mayo Manufacturing	25	10	0.9%
	<u>1,402</u>		<u>52.91%</u>		<u>1,445</u>		<u>53.5%</u>

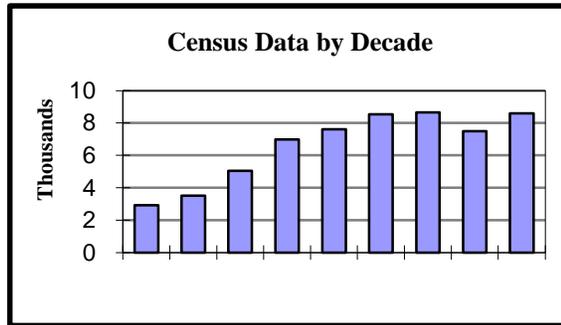
Source: Telephone survey of individual employers, May 2018

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%
	<u>7,501</u>	<u>100%</u>	<u>8,601</u>	<u>100%</u>

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%
Total	<u>7,501</u>	<u>100%</u>	<u>8,601</u>	<u>100%</u>

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,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government:										
Administration and Finance	4	5	5	5	4	5	5	5	5	5
EDA-Community Develop	1	-	-	-	-	-	2	3	4	4
Public Safety:										
Building Official	3	2	2	2	1	2	-	-	-	-
Fire	10	10	10	10	9	10	10	9	10	11
Police	24	23	24	26	23	22	23	25	25	25
Public Works:										
Administration	-	-	-	-	-	-	-	-	3	3
Refuse	6	6	6	6	5	5	5	5	5	4
Sewage	2	2	2	2	2	2	2	2	2	3
Streets	7	7	7	6	6	6	6	6	5	6
Culture and Recreation:										
Administration	3	3	3	3	3	3	3	2	3	2
Parks	2	2	2	1	1	1	2	2	2	2
Arenas	2	2	2	2	2	3	3	3	3	2
Library	3	3	3	3	3	3	3	3	3	4
Senior center	1	1	1	1	1	1	1	1	1	1
Water and Light										
Administration	5	6	6	6	5	5	5	4	7	6
Electric	10	10	10	11	12	12	12	12	13	13
Water	8	8	8	8	8	8	8	8	8	9
Total	<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>	<u>100</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

Function	Year Ended December 31,									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
On Sale Liquor license by entity	11	10	11	14	13	13	13	12	13	14
Off Sale Liquor license by entity	4	4	4	4	3	3	3	2	3	5
Number of AP checks written	3,224	3,184	3,321	3,491	3,063	2,980	2,980	2,476	2,547	2,538
Police										
DUI arrests	93	126	125	121	109	67	98	105	87	182
Traffic violations	918	1,041	1,274	1,001	686	716	600	802	667	721
No. of dog/cat licenses	123	132	160	111	103	38	99	113	129	108
Fire										
No. of rescue & EMS incidents	454	539	529	512	751	887	736	798	826	906
No. of fire calls	33	22	21	87	92	136	99	102	105	90
Building Official										
Building permits issued	117	343	454	315	300	253	285	287	425	460
Other permits issued	335	302	253	247	283	288	189	1,106	195	1
Refuse collection										
Refuse collected annually (tons)	3,482	3,713	3,983	3,995	4,107	4,232	4,265	4,365	4,280	4,297
Recyclables collected annually (tons)	521	604	698	676	687	667	530	399	443	448
Recreation and culture										
Number of summer registrants	601	601	473	501	583	475	620	545	556	537
Number of winter registrants	380	426	422	434	439	576	480	490	475	475
Attendance for general swim	8,963	7,142	10,450	9,866	10,217	9,853	9,853	-	10,531	0
Library										
Volumes in collection	49,341	45,259	50,719	52,498	52,364	54,496	55,071	50,422	49,230	50,936
Total volumes borrowed	80,830	76,329	83,777	89,692	67,692	37,423	34,929	30,051	29,388	26,842
Water										
Annual tap water billed (millions)	358	348	318	324	329	360	337	322	300	312
Average number of monthly meters	2,763	2,793	2,810	2,816	2,820	2,843	2,867	2,888	2,906	2,924
Electric										
Annual Kwhs billed (millions)	154	156	157	157	165	159	161	157	157	156
Maximum Demand Kwhs (millions)	30.79	32.33	32.01	30.53	31.40	33.12	33.10	32.30	34	36
Cemetery										
No. of Lots Sold	52	43	33	27	13	40	40	57	45	47
No. of Interments	52	43	37	44	22	41	24	26	40	42
Transit										
Total route miles	16	16	16	16	16	16	16	16	16	16
Passengers	20,840	23,616	24,809	28,789	37,758	36,453	37,426	31,586	27,563	22,883

Source: Various city departments

**Schedule of Insurance in Force
As of December 31, 2017
(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>
PROPERTY				
League of Minnesota Cities (C&H Insurance)	CMC32845	1/1/17-1/1/18	General Limit of Coverage excluding flood.	\$109,764,869 \$50,000,000 Terrorism Activity \$500,000 Valuable Papers
League of Minnesota Cities (C&H Insurance)	CMC32845	1/1/17-1/1/18	Boiler and Machinery (Equipment Breakdown)	\$100,000
BONDS				
League of Minnesota Cities (C&H Insurance)	CMC32845	1/1/17-1/1/18	Public Officials	\$100,000 Clerk-Treasurer \$100,000 Public Employees
League of Minnesota Cities (C&H Insurance)	CMC32845	1/1/17-1/1/18	Commercial Blanket Bond Commercial Crime (Inside/Outside Forgery)	\$100,000 \$250,000 Per Occurrence
LIABILITY				
League of Minnesota Cities (C&H Insurance)	CMC32845	1/1/17-1/1/18	Comprehensive General/ Public Officials Liability	\$2,000,000 Public Officials
League of Minnesota Cities (C&H Insurance)	CMC32845	1/1/17-1/1/18	Comprehensive General/ Auto Liability	\$2,000,000 Per Occurrence
League of Minnesota Cities (C&H Insurance)	CMC32845	1/1/17-1/1/18	General Liability (Bodily injury, employee benefits, host liquor liability)	\$2,000,000 Per Occurrence
League of Minnesota Cities (C&H Insurance)	VL00011411	1/1/17-1/1/18	Accident Plan for Volunteers	\$500,000 Per Accident
OPEN MEETING LAW				
League of Minnesota Cities (C&H Insurance)	OML12951	1/1/17-1/1/18	Open Meeting Law Defense Cost Reimbursement	\$50,000 Per City Official \$250,000 aggregate
WORKERS COMPENSATION				
League of Minnesota Cities (Berkley Risk Administrators)	200011435	1/1/17-1/1/18	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>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>	<u>2017</u>
Number of employees	91	90	91	92	85	83	81	90	99	100
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	70	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	3	3	3	3	3	3	3	3
Parks	11	12	12	12	12	12	14	14	14	17
Park acreage owned	278	278	278	278	278	278	278	278	278	157
Park acreage developed	18	218	218	218	218	218	218	218	218	146
Red River State Recreation Area Campground Acreage	103	103	103	103	103	103	103	103	103	103
Red River State Recreation Area Campground Sites	76	98	113	113	113	113	113	113	113	113
Greenway Acres in East Grand Forks	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300	1,300
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Tennis Courts	2	2	2	2	2	2	3	3	3	3
Pickle Ball Courts	-	-	-	-	-	-	2	2	2	2
Fire Protection:										
Number of stations	2	2	2	2	2	2	2	2	2	2
Number of vehicles	10	10	11	11	11	11	14	14	14	13
Number of full-time Firefighters	10	10	9	9	9	10	10	10	10	11
Number of volunteer Firefighters	25	25	14	14	14	14	24	24	24	19
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	21	21	21	21	21	20	22	22	22	22
Number of patrol units	5	5	5	5	5	5	5	5	5	5
Sewage System:										
Miles of force mains	8	8	8	8	8	8	9	9	9	10
Miles of sewer mains	45	45	45	45	45	45	40	40	40	46
Miles of storm sewers	42	42	53	53	53	53	54	54	54	55
Number of lift stations	12	12	12	12	12	12	12	12	12	13
Number of storm sewer lift stations	14	14	14	14	14	14	14	14	14	13
Water System:										
Miles of water mains	52	52	52	52	52	52	52	52	52	58
Number of fire hydrants	342	342	461	461	461	461	461	461	461	494
Gallons of storage capacity	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	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	4	4	4	4	4	4	4	4
Electric System:										
Number of substations	4	4	4	4	4	4	3	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	104.0
Peak Demand in MW	30.79	30.79	31.61	31.61	31.61	31.61	33.10	33.10	33.10	36.11
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
Northland Community & Technical College	1	1	1	1	1	1	1	1	1	1
Bond rating	A3	A3	A3	A1						

**SIGNIFICANT MINNESOTA TAX POLICIES
DECEMBER 31, 2017**

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	2017 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 \$2,710 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 2017-2018, 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: 2017 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 275.70.

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

Taxes Due Date:

January 2nd 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
On Homestead Property:								
1st half installment	2%	4%	5%	6%	7%	8%	8%	8%
2nd half installment						2%	6%	8%
Both unpaid						5%	7%	8%
On Non-Homestead Property								
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%
-----------	-----	---------------	-----

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.



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**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, 2017, 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 27, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of East Grand Forks, Minnesota's 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. 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 or other matters that are required to be reported under *Government Auditing Standards*.

Minnesota Legal Compliance

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, Minnesota 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Brady Martz

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

June 27, 2018

SINGLE AUDIT SECTION



CITY OF EAST GRAND FORKS, MINNESOTA



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE 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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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, 2017.

Report on Internal Control Over Compliance

Management of the City of East Grand Forks, Minnesota 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.

Purpose of the Report

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.

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

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

June 27, 2018

**Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017**

CITY OF EAST GRAND FORKS

	CFDA Number	Pass-Through Number	Expenditures
Department of Transportation			
Direct Programs:			
Federal Transit Cluster			
Federal Transit Formula Grants	20.507		\$ 80,387
Passed Through State of Minnesota:			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	EGFRKSPD-2619	6,157
Interagency Hazardous Materials Public Sector Training and Planning	20.703	EGRFKSFD-2115	5,950
Highway Safety Cluster			
State and Community Highway Safety	20.600	EGFRKSPD-2458	\$ 5,037
National Priority Safety Programs	20.616	EGFRKSPD-2202	4,457
Total Highway Safety Cluster			<u>9,494</u>
Total Department of Transportation			<u>101,988</u>
Department of Homeland Security			
Direct Programs:			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		<u>37,366</u>
Total Department of Homeland Security			<u>37,366</u>
Department of Justice			
Direct Programs:			
Bulletproof Vest Partnership Program	16.607		13,281
Public Safety Partnership and Community Policing Grants	16.710		<u>9,807</u>
Total Department of Justice			<u>23,088</u>
Department of Agriculture			
Passed Through the State of Minnesota:			
Cooperative Forestry Assistance	10.664	VFG-113418	<u>2,500</u>
Total Department of the Agriculture			<u>2,500</u>
United States Environmental Protection Agency			
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	<u>3,051,987</u>
Total United States Environmental Protection Agency			<u>3,051,987</u>
Total Expenditures of Federal Awards			<u>\$ 3,216,929</u>
Reconciliation of the Schedule of Expenditures of Federal Awards to Intergovernmental Revenue.			
Schedule of Expenditures of Federal Awards - Total Federal Awards			
Less: Loan Proceeds			<u>(3,051,987)</u>
			<u>\$ 164,942</u>
Schedule of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds			
Intergovernmental Revenue - Federal			\$ 164,942
Intergovernmental Revenue - State			3,492,376
Intergovernmental Revenue - Local			<u>35,984</u>
			<u>\$ 3,693,302</u>
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds			
Intergovernmental Revenue - State			<u>\$ 486,277</u>

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, 2017. 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 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.

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 no
Significant deficiency(ies) identified that are
not considered to be material weaknesses? ___ yes none reported

Noncompliance material to financial
statements noted? ___ yes no

Federal Awards

Internal control over major programs:
Material weakness(es) identified? ___ yes no
Significant deficiency(ies) identified that are
not considered to be material weaknesses? ___ yes 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 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 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.

No prior year findings.



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