

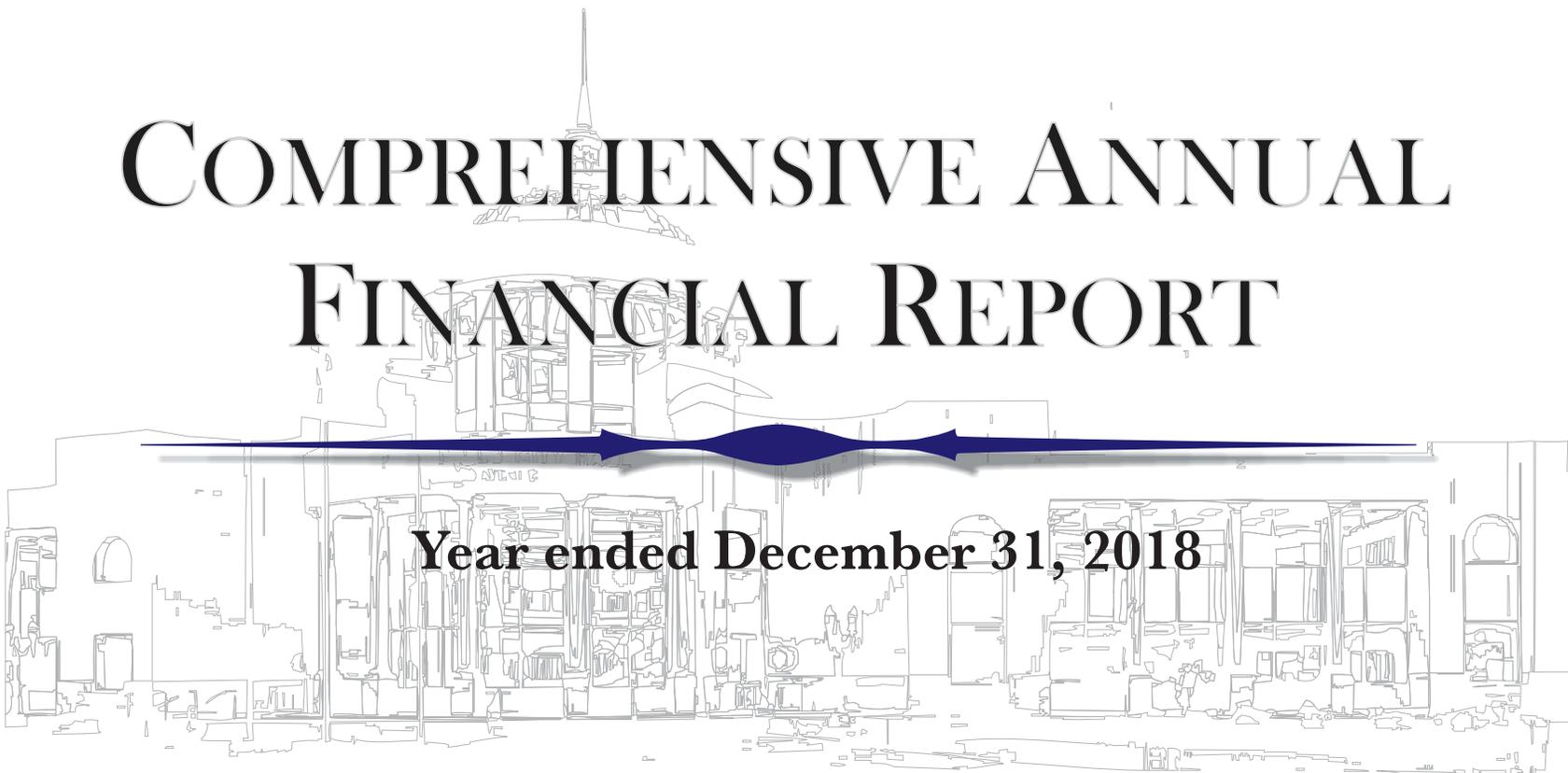
City of East Grand Forks

Minnesota



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2018



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year ended December 31, 2018



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

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Administration and Finance

June 25, 2019

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, 2018.

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, 2018, 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, 2018, 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 8,876. 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 a 65 unit housing complex, Sunshine Terrace, and one commercial property building, the Infill Building, leased for dining and professional service activities.

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

FACTORS AFFECTING FINANCIAL CONDITION

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

Local economy. The City of East Grand Forks is located on the Minnesota side of the intersection of U.S. Highway 2 and I-29. The city serves as part of a regional shopping hub for northwest Minnesota and northeast North Dakota. The city's main shopping attractions are the 60,000 square-foot Cabela's retail outlet and the 65,000 square-foot Riverwalk Centre. Additionally, along the well maintained shores of the scenic Red River of the North, the city has a popular boardwalk section where several restaurants and entertainment facilities are located. Led by American Crystal Sugar and several other potato and bean companies, agribusinesses are a major portion of the city's economy. The American Crystal Sugar plant in East Grand Forks is the 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 3.6% unemployment rate (Polk County), while the state and the country have unemployment rates of 3.2% and 4.1%, respectively. The City of Grand Forks, located just across the river in North Dakota, has an unemployment rate of 2.0%.

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. This program has been successful and is still in effect for 2019. 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 received a grant of \$5.3 million from the State of Minnesota State 2017 bonding bill. Both of these projects should be completed in 2019. 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 opened June 20, 2018. The 2019 pool season has begun and is already ahead of previous year's revenue for this early in the season. The Council approved in December of 2015, a Special Election for a 1% city sales tax to financing the project. On 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, it was estimated to take approximately five years to repay and we are now estimating that it will only take three years to pay off the pool project expenses. The City will need to upgrade the cooling system at two of our three ice arenas. The City will need to look at ways to finance this. A study will be done in 2019 on the Ice arenas.

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). Historically, LGA had composed approximately one third of the city's total general fund revenues. The City's share of LGA in 2018 and in 2019 was reduced over \$87,000 each year. In 2018 the percentage of LGA was approximately 22% and 21% in 2019 of the total general fund revenues. The city addressed the past LGA cuts through a combination of increased user fees, reduced staffing through attrition, tax levy increases and freezes in non-fixed operating expenses. The 2019 Legislature addressed the LGA formula and the City will receive the same allocation for 2020 as we did in 2019.

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 had 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 and have made many repairs to the trails through this fund. The city had already adjusted sewer utility rates in anticipation of a new \$10 million waste water project and have not raised the meter rate since. The City also increased the Storm Water-Flood Protection rates in 2015 to maintain the levee system that was built after the 1997 flood, and have used these dollars to maintain lift stations, levies and other needed items. The City has tried to hold these fees steady in the past few years.

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 \$10 million, and the project started in the fall of 2016, it should be completed in 2019. The swimming pool opened in June of 2016, within the \$2.2 million budget. The swimming pool had repairs needed

in 2017 and reopened in the summer of 2018. Most of the repairs needed were covered by construction warranty or insurance. The 2019 pool season has already seen above normal attendance. A study is being done on the City's Ice Arenas, because of the discontinuation of the R22 refrigerant that cools the system and what the future needs are for the City.

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 2018 were 2%. The city negotiated a 2% increase for 2019. The Water and Light division bargains with their employees separately and they negotiated a 2.5% cost of living allowance 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 ending December 31, 2017. This is the 25th 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**

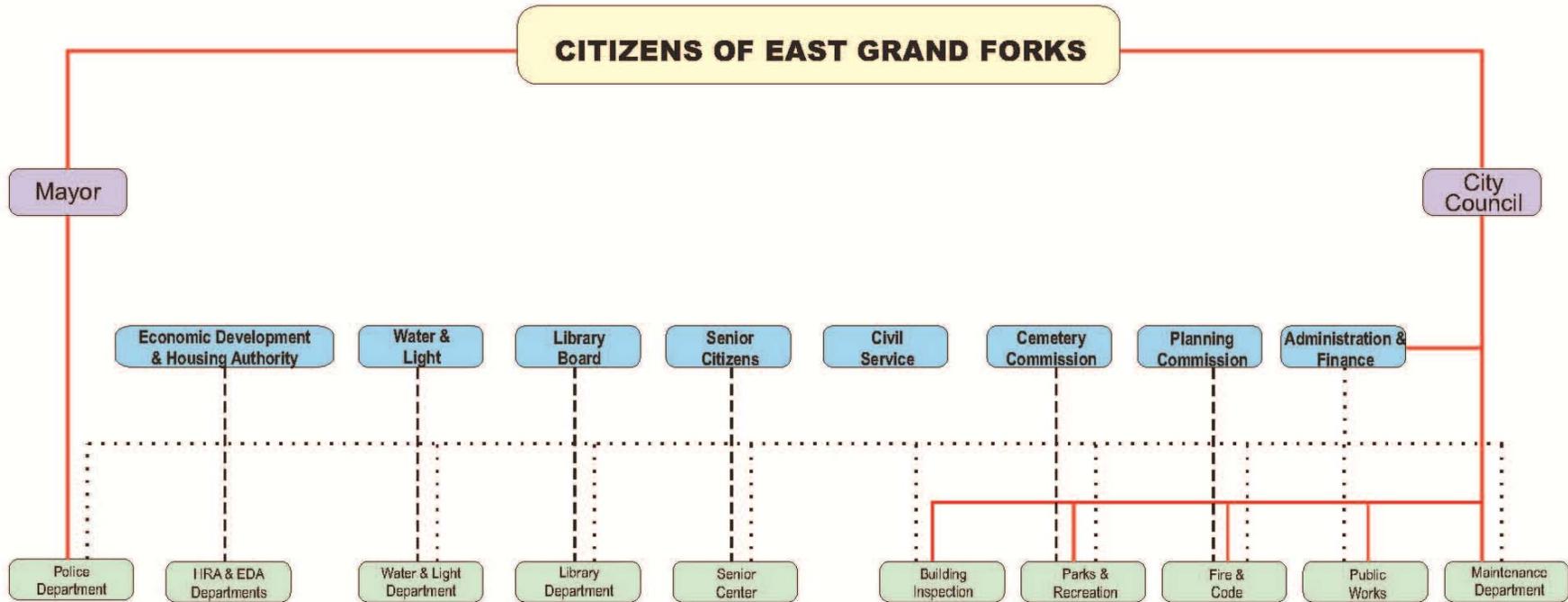
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2017

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	Judy DeValle
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, 2018, 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.

Opinion

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, 2018, 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.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* and Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* for the City's Fire Department's pension plan. As discussed in Note 2 to the financial statements, the City has retroactively restated the previously reported Net Position in accordance with this statement.

Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the City's total OPEB liability and related ratios, schedule of City's contributions to PERA retirement fund, schedule of City's and nonemployer proportionate share of net pension liability, schedule of net pension liability and related ratios – East Grand Forks Fire Department, schedule of employer contributions – East Grand Forks Fire Department, and notes to the required supplementary information 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 basic 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 2017 financial statements and, in our report dated June 27, 2018, 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 25, 2019, 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 the City's 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 25, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS



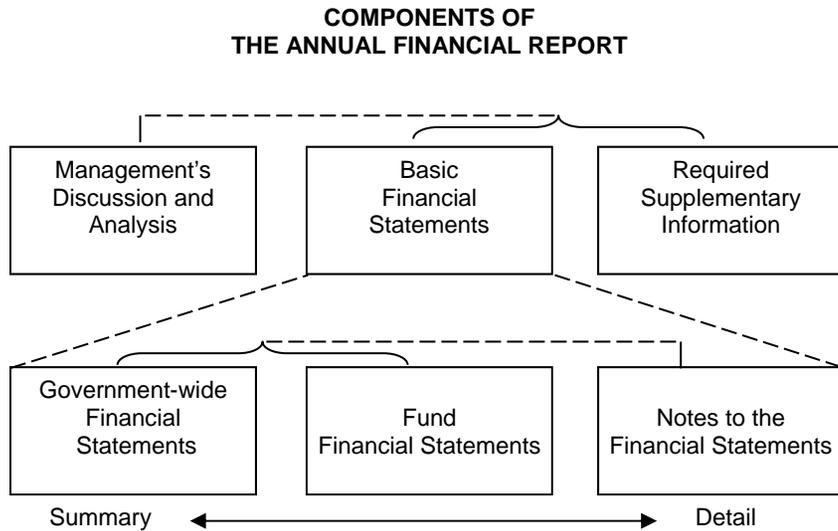
CITY OF EAST GRAND FORKS, MINNESOTA

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, 2018. 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 six major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, two capital projects funds, a special revenue fund, and two debt service funds, all of which are considered major funds. Data from the other 21 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 31-51 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 58-66.

FINANCIAL HIGHLIGHTS

- The City's net position (assets plus deferred outflows minus liabilities and deferred inflows) increased by 2.9% as a result of this year's operations. The net position of the City's governmental activities increased \$1,711,399 (1.3%) and net position of the City's business type activities increased \$3,938,413 (5.8%).
- Capital assets increased \$1,929,531 (1.0%), with most of the increase due to street improvements.
- The City's long-term liabilities decreased \$3,584,465 (12.9%) during the fiscal year ended December 31, 2018. Governmental long-term liabilities decreased \$2,819,091 (16.3%), which was due to regular debt payments and a \$962,529 decrease in net pension liability. Business type long-term liabilities decreased \$765,374 (7.3%), which was due to regular debt payments 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 \$10,624,537, an increase of \$167,951 (1.6%).
- The General Fund's fund balance increased \$588,067 (10.8%) to \$6,019,602. The unassigned fund balance is 58.0% of expenditures, and 54% of revenues.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS
NET POSITION**

	Governmental Activities		Business-type Activities		Total Government	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 20,093,599	\$ 20,327,065	\$ 24,992,391	\$ 23,653,693	\$ 45,085,990	\$ 43,980,758
Capital assets	128,342,380	128,822,640	60,017,979	57,608,188	188,360,359	186,430,828
Total Assets	<u>148,435,979</u>	<u>149,149,705</u>	<u>85,010,370</u>	<u>81,261,881</u>	<u>233,446,349</u>	<u>230,411,586</u>
Deferred Outflows of Resources	3,867,782	5,162,242	387,640	599,596	4,255,422	5,761,838
Other liabilities	3,211,365	3,882,116	3,166,699	2,745,557	6,378,064	6,627,673
Long-term liabilities	14,494,167	17,313,258	9,772,632	10,538,006	24,266,799	27,851,264
Total Liabilities	<u>17,705,532</u>	<u>21,195,374</u>	<u>12,939,331</u>	<u>13,283,563</u>	<u>30,644,863</u>	<u>34,478,937</u>
Deferred Inflows of Resources	5,393,574	5,790,980	549,801	423,598	5,943,375	6,214,578
Net position:						
Net investment in capital assets	117,249,450	116,652,177	52,177,632	49,242,841	169,427,082	165,895,018
Restricted	12,483,478	12,941,049	-	-	12,483,478	12,941,049
Unrestricted	(528,273)	(2,267,633)	19,731,246	18,911,475	19,202,973	16,643,842
Total Net Position	<u>\$ 129,204,655</u>	<u>\$ 127,325,593</u>	<u>\$ 71,908,878</u>	<u>\$ 68,154,316</u>	<u>\$ 201,113,533</u>	<u>\$ 195,479,909</u>

By far the largest portion of the City’s net position (84.2%) 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.

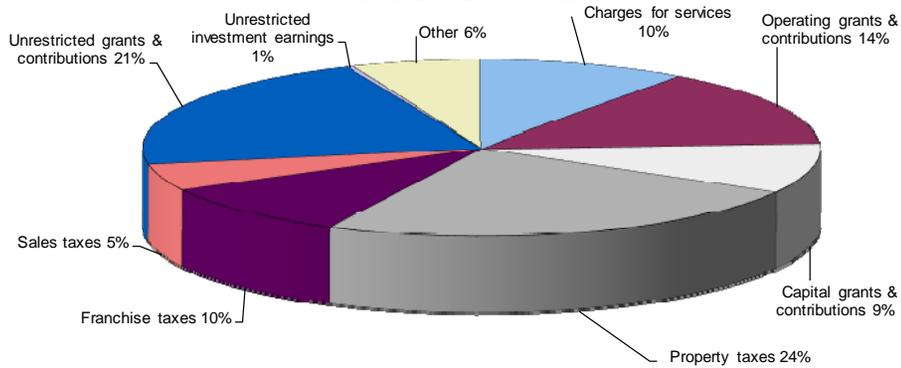
A small portion of the City’s net position (6.2%) represents resources that are subject to external restrictions on how they can be used. The remaining unrestricted net position of \$19,202,973 may be used to meet the ongoing obligations to citizens and creditors. Of the unrestricted net position, \$19,731,246 is attributable to business-type activities.

Unrestricted governmental activities net position increased \$1,739,360 (76.7%), while business-type activities unrestricted net position increased \$819,771 (4.3%). Government-wide total unrestricted net position increased \$2,559,131, (15.4%).

CHANGE IN NET POSITION

	Governmental		Business-type		Total	
	Activities		Activities		Government	
	2018	2017	2018	2017	2018	2017
REVENUES						
Program revenues:						
Charges for services	\$ 1,639,972	\$ 1,543,964	\$ 20,888,822	\$ 20,091,342	\$ 22,528,794	\$ 21,635,306
Operating grants and contributions	2,305,017	1,107,433	-	-	2,305,017	1,107,433
Capital grants and contributions	1,506,801	1,371,508	2,903,474	486,277	4,410,275	1,857,785
General revenues:						
Property taxes	3,948,855	4,494,800	-	-	3,948,855	4,494,800
Franchise taxes	1,614,958	1,531,556	-	-	1,614,958	1,531,556
Sales taxes	802,604	-	-	-	802,604	-
Unrestricted grants and contributions	3,505,420	2,629,546	-	-	3,505,420	2,629,546
Unrestricted investment earnings	56,116	494,906	169,612	194,186	225,728	689,092
Other	1,010,547	797,628	7,500	8,965	1,018,047	806,593
Total revenues	16,390,290	13,971,341	23,969,408	20,780,770	40,359,698	34,752,111
EXPENSES						
Program activities:						
Governmental activities:						
General government	1,342,550	1,509,524	-	-	1,342,550	1,509,524
Public safety	4,413,214	4,194,432	-	-	4,413,214	4,194,432
Public works	5,259,137	4,741,124	-	-	5,259,137	4,741,124
Transit	506,202	467,747	-	-	506,202	467,747
Recreation and culture	2,495,130	2,899,898	-	-	2,495,130	2,899,898
Community development	509,748	410,613	-	-	509,748	410,613
Cemetery	71,304	68,978	-	-	71,304	68,978
Interest on long-term debt	369,483	488,843	-	-	369,483	488,843
Business-type activities						
Electric	-	-	14,217,687	14,034,533	14,217,687	14,034,533
Water	-	-	2,297,615	2,257,695	2,297,615	2,257,695
Sewer	-	-	1,513,841	1,062,574	1,513,841	1,062,574
Storm water	-	-	609,428	562,484	609,428	562,484
Commercial properties	-	-	76,146	73,689	76,146	73,689
Refuse	-	-	1,028,401	944,928	1,028,401	944,928
Total expenses	14,966,768	14,781,159	19,743,118	18,935,903	34,709,886	33,717,062
Excess (deficiency) before transfers	1,423,522	(809,818)	4,226,290	1,844,867	5,649,812	1,035,049
Transfers in (out)	287,877	137,284	(287,877)	(137,284)	-	-
Increase (decrease) in net position	1,711,399	(672,534)	3,938,413	1,707,583	5,649,812	1,035,049
Net Position - January 1	127,325,593	127,998,127	68,154,316	66,446,733	195,479,909	194,444,860
Adjustment for GASB 75 - See Note 2	(19,951)	-	(183,851)	-	(203,802)	-
Adjustment for GASB 68 - See Note 2	187,614	-	-	-	187,614	-
Net Position - January 1, Restated	127,493,256	127,998,127	67,970,465	66,446,733	195,463,721	194,444,860
Net position at the end of the year	\$ 129,204,655	\$ 127,325,593	\$ 71,908,878	\$ 68,154,316	\$ 201,113,533	\$ 195,479,909

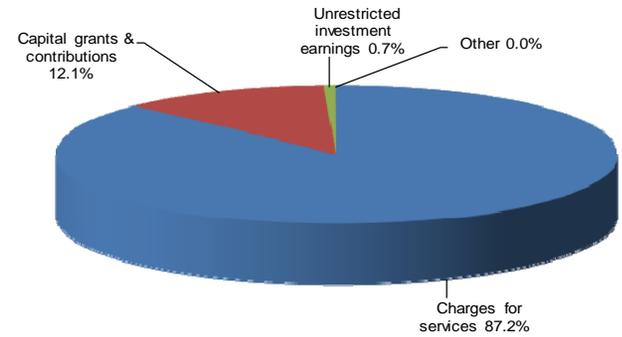
REVENUES BY SOURCE -
GOVERNMENTAL ACTIVITIES



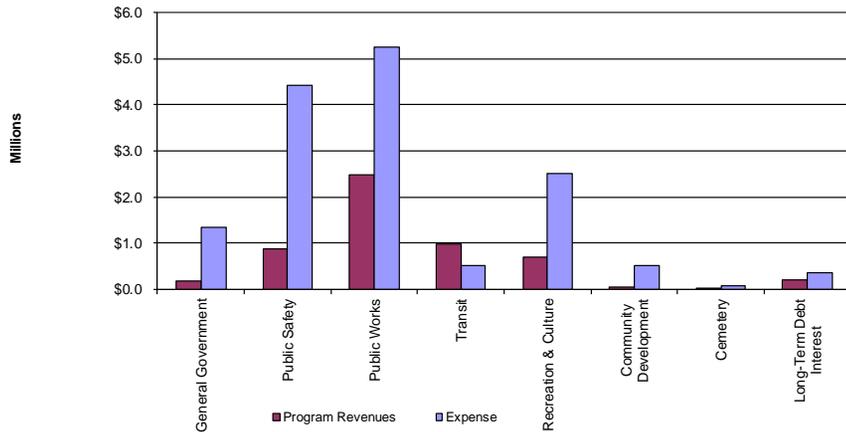
Governmental revenues increased \$2,418,949 (17.3%) in the current year, with the most significant portion of the increase attributable to operating grants and contributions.

Governmental activities expenses increased \$185,610 (1.2%) in the current year. The most significant changes in program expenses were within the public works.

REVENUES BY SOURCE -
BUSINESS-TYPE ACTIVITIES



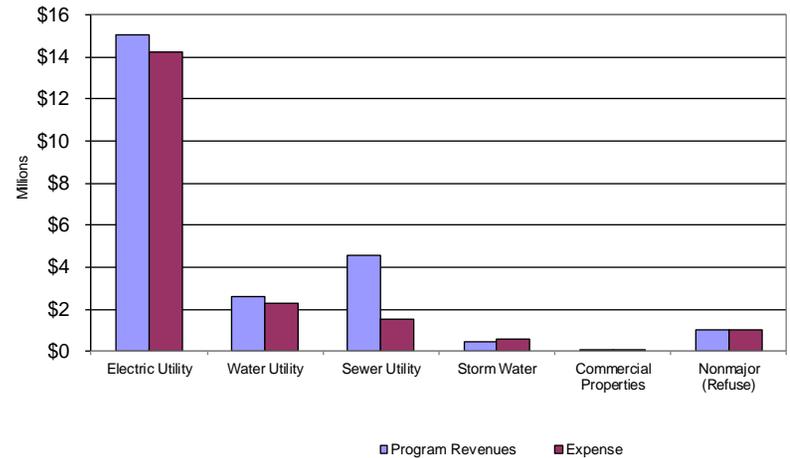
EXPENSES AND PROGRAM REVENUES -
GOVERNMENTAL ACTIVITIES



Governmental Activities. Property taxes, sales taxes, and franchise taxes accounted for 24%, 5%, and 10% of total revenues, respectively. Capital grants contributed to 9% of total revenues. Unrestricted grants and contributions in the form of local government aid and other State aids contributed 21% to total revenues. Charges for services brought in 10%.

Public works (35.1%) expenses are the most significant, followed by public safety (29.5%), recreation and culture (16.7%), general government (9%) and transit (3.4%). Interest on long-term debt and community development expenses accounted for 2.5% and 3.4% of total expenses, respectively.

EXPENSES AND PROGRAM REVENUES -
BUSINESS-TYPE EXPENSES



Business-type activities. Business-type activities increased the City's net position by \$3,938,413 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 2018, the City’s governmental funds reported total ending fund balances of \$10,624,537, an increase of \$167,951 in comparison with the prior year. About 44% of the total ending fund balances constituted unassigned fund balances of \$4,685,920, 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 \$6,019,602, increasing \$588,067 from the previous year. General fund revenues were \$535,011 (5.1%) higher than in the prior fiscal year and expenditures increased by \$390,688 (3.9%). General taxes, including property taxes and franchise fees, increased \$450,335 (7.4%). Intergovernmental revenue decreased \$30,954 (1.03%) and charges for services increased \$155,626 (13.5%).

The Capital Projects Fund experienced a \$206,953 fund balance increase over the prior year due to transfers in and current projects in excess of current year contributions and collections of special assessments.

The Current City Projects Fund increased by \$52,141 over the prior year fund balance due to transfers in and insurance proceeds.

The 2017 Assessment Bonds Fund (ABF) fund balance increased \$148,758 as assessment collections were more than debt payments.

The 2007 Assessment Bonds Fund (ABF) fund balance decreased \$1,584,878 due to the planned pay down of debt from advanced refunded dollars of \$1,775,000.

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 increased \$784,551 due to sales tax collections in the current 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 \$674,097 (2.4%). Operating revenues increased \$769,630 (5.4%) to \$15,024,875. Wholesale purchased power costs increased \$463,785 (5.3%). Transfers out were \$289,377, while the capital contributions were \$1,500. 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 \$303,392 (2.3%) in the current year. Operating income decreased \$14,884 (0.5%) and operating expenses increased \$39,920 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 \$3,070,664 (22.8%) due to capital contributions received in the current year of \$2,903,474.

The storm water utilities net position decreased \$116,580 primarily due to operating losses.

The Commercial Properties Fund contains the operations of one commercial property, the Infill Building. Net position decreased \$8,790.

The Refuse Fund net position increased \$15,630. Operating revenue increased \$31,540 from the prior year. Operating expenses increased \$83,473 from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund revenues were \$478,595 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 \$139,872, the result of lower expenditures due to lower personnel costs.

The General Fund year end fund balances since 2009 are as follows:

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	2015	2,776,298	2018	6,019,602
2012	3,195,155				

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

(Net of accumulated depreciation)

	Governmental		Business-type		Total	
	Activities		Activities		Government	
	2018	2017	2018	2017	2018	2017
Land	\$ 31,203,471	\$ 31,203,471	\$ 612,878	\$ 612,878	\$ 31,816,349	\$ 31,816,349
Construction in progress	2,032,853	2,690,476	11,096,658	7,661,776	13,129,511	10,352,252
Building, structures, & improvements	58,362,908	58,960,716	47,101,690	47,886,271	105,464,598	106,846,987
Machinery and equipment	4,381,320	3,844,925	1,206,753	1,447,263	5,588,073	5,292,188
Infrastructure	32,361,828	32,123,052	-	-	32,361,828	32,123,052
Total	\$ 128,342,380	\$ 128,822,640	\$ 60,017,979	\$ 57,608,188	\$ 188,360,359	\$ 186,430,828

Capital assets. The City’s investment in capital assets for its governmental and business-type activities at December 31, 2018 totaled \$188,360,359 (net of accumulated depreciation). This investment in capital assets included land, construction in progress, structures, systems, machinery and equipment, and infrastructure.

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

LONG-TERM DEBT

	Governmental		Business-type		Total	
	Activities		Activities		Government	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 7,669,203	\$ 10,098,675	\$ -	\$ -	\$ 7,669,203	\$ 10,098,675
General obligation PFA Improv bonds	2,801,000	2,895,000	7,840,347	8,365,346	10,641,347	11,260,346
General obligation cert of indebtedness	622,727	751,788	-	-	622,727	751,788
Total	\$ 11,092,930	\$ 13,745,463	\$ 7,840,347	\$ 8,365,346	\$ 18,933,277	\$ 22,110,809

Long-term debt. The City’s outstanding debt, including bonds and certificates of indebtedness, totaled \$18,933,277 at December 31, 2018. Of this total, \$11,092,930 (58.6%) is in governmental activities and \$7,840,347 (41.4%) is in business-type activities.

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

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The unemployment rate for the Polk County, Minnesota area for December 31, 2018 was 3.6%, which is slightly above the state average (3.2%) and less than the national average (4.1%). The Grand Forks County unemployment rate was 2.0%. The Grand

Forks-East Grand Forks metropolitan statistical area unemployment rate was 2.5%. The City of Grand Forks, located in Grand Forks County, is located across the Red River of the North and has a population of approximately 57,339.

- The state’s economy is slowly recovering. Legislative action is trying to revamp the local government aid (LGA) and it will be favorable for the City if it passes. The City received \$2.40 million in local government aid in 2018, which is about 22% 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 2018 or 2019. The electric utility purchases approximately 42% of its

wholesale power supply from WAPA. There have not been any power supply interruptions and none are expected.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS



CITY OF EAST GRAND FORKS, MINNESOTA

BASIC FINANCIAL
STATEMENTS



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Statement of Net Position
December 31, 2018

CITY OF EAST GRAND FORKS

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		EDA
ASSETS				
Cash and cash equivalents	\$ 4,489,755	\$ 6,063,056	\$ 10,552,811	\$ 2,674,655
Investments	8,795,213	12,919,806	21,715,019	827,597
Accrued interest receivable	30,334	36,169	66,503	-
Accounts receivable, net	426,486	2,388,474	2,814,960	132,931
Notes receivable, net	127,539	-	127,539	1,681,640
Taxes receivable - property	46,574	-	46,574	-
Taxes receivable - other	103,820	-	103,820	-
Special assessments receivable	6,380,842	-	6,380,842	-
Pledges receivable	315,000	-	315,000	-
Internal balances (net)	(1,473,500)	1,473,500	-	-
Due from other government units	222,162	556,388	778,550	-
Prepaid items	-	11,436	11,436	-
Land held for resale	307,335	-	307,335	60,777
Materials and supplies	18,546	1,054,988	1,073,534	-
Restricted cash and investments	-	136,800	136,800	-
Net pension asset - VFD	303,493	-	303,493	-
Customer acquisition costs	-	351,774	351,774	-
Capital assets:				
Nondepreciable	33,236,323	11,709,536	44,945,859	50,300
Depreciable, net	95,106,057	48,308,443	143,414,500	3,337,796
TOTAL ASSETS	148,435,979	85,010,370	233,446,349	8,765,696
DEFERRED OUTFLOWS OF RESOURCES				
Cost Sharing Defined Benefit - PERA	3,839,791	371,386	4,211,177	28,296
Deferred Outflows of Resources - OPEB	27,991	16,254	44,245	904
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,867,782	387,640	4,255,422	29,200
LIABILITIES				
Accounts payable	635,417	1,601,894	2,237,311	14,424
Retainage payable	64,119	257,262	321,381	-
Accrued wages payable	486,254	130,603	616,857	8,587
Due to other government units	38,793	297,613	336,406	5,430
Accrued interest payable	125,985	43,295	169,280	-
Customer deposits	-	136,800	136,800	26,001
Noncurrent liabilities:				
Due within one year	1,860,797	699,232	2,560,029	4,143
Due in more than one year	10,076,092	7,648,476	17,724,568	15,727
Net pension liability	4,065,313	1,919,327	5,984,640	146,234
Total other postemployment benefit liability	352,762	204,829	557,591	11,380
TOTAL LIABILITIES	17,705,532	12,939,331	30,644,863	231,926
DEFERRED INFLOWS OF RESOURCES				
Cost Sharing Defined Benefit - PERA	5,393,574	549,801	5,943,375	41,890
TOTAL DEFERRED INFLOWS OF RESOURCES	5,393,574	549,801	5,943,375	41,890

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

Statement of Net Position
December 31, 2018 (Continued)

CITY OF EAST GRAND FORKS

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		EDA
NET POSITION				
Net investment in capital assets	117,249,450	52,177,632	169,427,082	3,388,096
Restricted for:				
Current City Projects	132,069	-	132,069	-
Capital Projects	2,003,568	-	2,003,568	-
Community Growth	131,626	-	131,626	-
State Aid Street	345,184	-	345,184	-
New Home Incentive	274,382	-	274,382	-
Cemetary	10,309	-	10,309	-
Insect Control	246,540	-	246,540	-
Perpetual Care	236,776	-	236,776	-
Grants	439,121	-	439,121	-
1997 Downtown Development	63,876	-	63,876	-
08 PFA Loan 23rd Street	179,200	-	179,200	-
Building Improvements	281,258	-	281,258	-
Debt Service	8,060,360	-	8,060,360	-
Library - Nonexpendable	79,209	-	79,209	-
Unrestricted	(528,273)	19,731,246	19,202,973	5,132,984
TOTAL NET POSITION	\$ 129,204,655	\$ 71,908,878	\$ 201,113,533	\$ 8,521,080

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, 2018

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	\$ 1,342,550	\$ 160,092	\$ 6,422	\$ -	\$ (1,176,036)	\$ -	\$ (1,176,036)	\$ -
Public safety	4,413,214	462,094	421,641	-	(3,529,479)	-	(3,529,479)	-
Public works	5,259,137	317,059	693,255	1,459,301	(2,789,522)	-	(2,789,522)	-
Transit	506,202	-	971,911	-	465,709	-	465,709	-
Recreation and culture	2,495,130	691,104	13,978	-	(1,790,048)	-	(1,790,048)	-
Community development	509,748	2,029	-	47,500	(460,219)	-	(460,219)	-
Cemetery	71,304	7,594	-	-	(63,710)	-	(63,710)	-
Interest on long-term debt	369,483	-	197,810	-	(171,673)	-	(171,673)	-
Total governmental activities	<u>14,966,768</u>	<u>1,639,972</u>	<u>2,305,017</u>	<u>1,506,801</u>	<u>(9,514,978)</u>	<u>-</u>	<u>(9,514,978)</u>	<u>-</u>
Business-type activities								
Electric Utility	14,217,687	15,024,875	-	-	-	807,188	807,188	-
Water Utility	2,297,615	2,600,636	-	-	-	303,021	303,021	-
Sewer Utility	1,513,841	1,668,778	-	2,903,474	-	3,058,411	3,058,411	-
Storm Water	609,428	485,348	-	-	-	(124,080)	(124,080)	-
Commercial Properties	76,146	66,189	-	-	-	(9,957)	(9,957)	-
Nonmajor (Refuse)	1,028,401	1,042,996	-	-	-	14,595	14,595	-
Total business-type activities	<u>19,743,118</u>	<u>20,888,822</u>	<u>-</u>	<u>2,903,474</u>	<u>-</u>	<u>4,049,178</u>	<u>4,049,178</u>	<u>-</u>
Total primary government	<u>\$ 34,709,886</u>	<u>\$ 22,528,794</u>	<u>\$ 2,305,017</u>	<u>\$ 4,410,275</u>	<u>(9,514,978)</u>	<u>4,049,178</u>	<u>(5,465,800)</u>	<u>-</u>
Component unit:								
Community development	<u>\$ 673,146</u>	<u>\$ 514,736</u>	<u>\$ -</u>	<u>\$ -</u>				<u>(158,410)</u>
General Revenues:								
Property taxes					3,948,855	-	3,948,855	-
Franchise taxes					1,614,958	-	1,614,958	-
Sales taxes					802,604	-	802,604	-
Unrestricted grants and contributions					3,505,420	-	3,505,420	-
Unrestricted investment income					56,116	169,612	225,728	13,261
Other					889,504	7,500	897,004	335,735
Gain on sale of asset					121,043	-	121,043	-
Transfers					287,877	(287,877)	-	-
Total general revenues and transfers					<u>11,226,377</u>	<u>(110,765)</u>	<u>11,115,612</u>	<u>348,996</u>
Change in Net Position					1,711,399	3,938,413	5,649,812	190,586
Net Position - January 1					127,325,593	68,154,316	195,479,909	8,340,708
Adjustment for GASB 75 - See Note 2					(19,951)	(183,851)	(203,802)	(10,214)
Adjustment for GASB 68 - See Note 2					187,614	-	187,614	-
Net Position - January 1, as restated					<u>127,493,256</u>	<u>67,970,465</u>	<u>195,463,721</u>	<u>8,330,494</u>
Net Position - December 31					<u>\$ 129,204,655</u>	<u>\$ 71,908,878</u>	<u>\$ 201,113,533</u>	<u>\$ 8,521,080</u>

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

**Balance Sheet
Governmental Funds
As of December 31, 2018**

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>2007 Assessment Bonds</u>	<u>Sales Tax Pool Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS								
Cash and cash equivalents	\$ 902,443	\$ 556,449	\$ 76,915	\$ 136,510	\$ 314,193	\$ 111,338	\$ 2,094,210	\$ 4,192,058
Investments	5,059,615	619,154	-	546,041	601,282	-	1,246,202	8,072,294
Interest receivable	30,334	-	-	-	-	-	-	30,334
Accounts receivable	71,300	51,296	55,628	-	-	82,977	165,286	426,487
Taxes receivable - property taxes	46,574	-	-	-	-	-	-	46,574
Taxes receivable - other	103,820	-	-	-	-	-	-	103,820
Special assessments receivable	6,450	1,452,485	-	1,321,423	1,013,240	-	2,587,244	6,380,842
Pledges receivable	-	-	-	-	-	-	315,000	315,000
Due from other funds	505,063	-	-	-	-	-	12,602	517,665
Due from other government units	193,569	6,850	-	2,284	23	-	19,435	222,161
Land held for resale	-	-	-	-	-	-	307,335	307,335
Notes receivable	-	-	-	-	-	-	127,539	127,539
Materials and supplies	18,546	-	-	-	-	-	-	18,546
TOTAL ASSETS	<u>\$ 6,937,714</u>	<u>\$ 2,686,234</u>	<u>\$ 132,543</u>	<u>\$ 2,006,258</u>	<u>\$ 1,928,738</u>	<u>\$ 194,315</u>	<u>\$ 6,874,853</u>	<u>\$ 20,760,655</u>
LIABILITIES								
Accounts payable	\$ 257,939	\$ 10,787	\$ 474	\$ -	\$ -	\$ -	\$ 256,756	\$ 525,956
Retainage payable	-	64,119	-	-	-	-	-	64,119
Accrued wages payable	484,350	-	-	-	-	-	1,904	486,254
Due to other funds	108,667	606,746	-	-	-	1,366,153	209,315	2,290,881
Due to other government units	26,432	1,014	-	-	-	-	11,346	38,792
Total Liabilities	<u>877,388</u>	<u>682,666</u>	<u>474</u>	<u>-</u>	<u>-</u>	<u>1,366,153</u>	<u>479,321</u>	<u>3,406,002</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable Revenue -								
Property taxes and spec. assessments	40,724	1,452,485	-	1,321,423	1,013,240	-	2,587,244	6,415,116
Pledges	-	-	-	-	-	-	315,000	315,000
Total Deferred Inflows of Resources	<u>40,724</u>	<u>1,452,485</u>	<u>-</u>	<u>1,321,423</u>	<u>1,013,240</u>	<u>-</u>	<u>2,902,244</u>	<u>6,730,116</u>
FUND BALANCE								
Nonspendable	18,546	-	-	-	-	-	76,000	94,546
Restricted	-	551,083	132,069	684,835	915,498	-	3,560,586	5,844,071
Unassigned	6,001,056	-	-	-	-	(1,171,838)	(143,298)	4,685,920
Total Fund Balance	<u>6,019,602</u>	<u>551,083</u>	<u>132,069</u>	<u>684,835</u>	<u>915,498</u>	<u>(1,171,838)</u>	<u>3,493,288</u>	<u>10,624,537</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 6,937,714</u>	<u>\$ 2,686,234</u>	<u>\$ 132,543</u>	<u>\$ 2,006,258</u>	<u>\$ 1,928,738</u>	<u>\$ 194,315</u>	<u>\$ 6,874,853</u>	<u>\$ 20,760,655</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, 2018**

CITY OF EAST GRAND FORKS

Total fund balances - governmental funds \$ 10,624,537

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

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

Land	\$ 31,203,471	
Construction in progress	1,536,278	
Buildings, structures and improvements	83,430,608	
Machinery and equipment	7,032,116	
Infrastructure	54,771,241	
Accumulated depreciation	<u>(51,413,045)</u>	126,560,669

Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the governmental funds. 6,730,116

Volunteer Fire Department Net Pension Asset 303,493

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	297,698	
Investments	722,919	
Machinery and equipment	3,082,902	
Construction in progress	496,574	
Accumulated depreciation	(1,797,765)	
Due from other funds	299,716	
Accounts payable	(109,463)	
Accrued interest payable	(5,363)	
Compensated absences payable	(843,958)	
Revenue bonds payable	(605,000)	
Premium on revenue bond	<u>(17,728)</u>	1,520,532

Net deferred outflows/(inflows) of resources relating to the cost sharing defined benefit plans and other postemployment benefits 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	3,867,782	
Deferred inflows of resources	<u>(5,393,574)</u>	(1,525,792)

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	(10,470,203)	
Accrued interest payable	(120,622)	
Net pension liability	(4,065,313)	
Other post employment benefit obligations	<u>(352,762)</u>	(15,008,900)

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 129,204,655

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, 2018**

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>2007 Assessment Bonds</u>	<u>Sales Tax Pool Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:								
General taxes	\$ 6,476,694	\$ -	\$ -	\$ -	\$ -	\$ 802,604	\$ -	\$ 7,279,298
Special assessments	1,854	262,564	-	281,719	258,536	-	644,150	1,448,823
Licenses and permits	110,687	-	-	-	-	-	-	110,687
Intergovernmental	2,971,572	906,653	10,480	-	-	-	1,862,976	5,751,681
Charges for services	1,306,624	-	-	-	-	-	102,031	1,408,655
Fines and forfeitures	120,626	-	-	-	-	-	-	120,626
Interest and other revenues	121,241	2,519	-	1,994	14,715	-	370,853	511,322
Total revenues	<u>11,109,298</u>	<u>1,171,736</u>	<u>10,480</u>	<u>283,713</u>	<u>273,251</u>	<u>802,604</u>	<u>2,980,010</u>	<u>16,631,092</u>
Expenditures:								
Current:								
General government	1,191,847	-	-	-	-	-	-	1,191,847
Public safety	4,323,543	-	-	-	-	-	-	4,323,543
Public works	1,343,962	-	743	-	-	-	64,630	1,409,335
Transit	-	-	-	-	-	-	435,960	435,960
Recreation and culture	2,389,754	-	-	-	-	-	5,318	2,395,072
Community development	254,705	-	-	-	-	-	255,044	509,749
Cemetery	-	-	-	-	-	-	53,398	53,398
Other expenditures	260,466	-	-	-	-	-	-	260,466
Capital outlay	578,767	1,484,880	264,970	-	-	-	1,198,667	3,527,284
Debt service:								
Principal retirement	-	-	-	65,000	1,775,000	-	679,000	2,519,000
Interest and fiscal agent charges	-	29,492	-	69,955	83,129	18,053	198,237	398,866
Other debt expenditures	-	-	-	-	-	-	3,100	3,100
Total expenditures	<u>10,343,044</u>	<u>1,514,372</u>	<u>265,713</u>	<u>134,955</u>	<u>1,858,129</u>	<u>18,053</u>	<u>2,893,354</u>	<u>17,027,620</u>
Excess (deficiency) of revenues over expenditures	<u>766,254</u>	<u>(342,636)</u>	<u>(255,233)</u>	<u>148,758</u>	<u>(1,584,878)</u>	<u>784,551</u>	<u>86,656</u>	<u>(396,528)</u>
Other financing sources (uses):								
Proceeds from sale of capital assets	7,223	-	-	-	-	-	113,821	121,044
Insurance proceeds	-	-	181,558	-	-	-	5,000	186,558
Transfers in	111,392	549,589	125,816	-	-	-	393,894	1,180,691
Transfers out	(296,802)	-	-	-	-	-	(627,012)	(923,814)
Total other financing sources (uses)	<u>(178,187)</u>	<u>549,589</u>	<u>307,374</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(114,297)</u>	<u>564,479</u>
Net change in fund balances	588,067	206,953	52,141	148,758	(1,584,878)	784,551	(27,641)	167,951
Fund balance at beginning of year	5,431,535	344,130	79,928	536,077	2,500,376	(1,956,389)	3,520,929	10,456,586
Fund balance at end of year	<u>\$ 6,019,602</u>	<u>\$ 551,083</u>	<u>\$ 132,069</u>	<u>\$ 684,835</u>	<u>\$ 915,498</u>	<u>\$ (1,171,838)</u>	<u>\$ 3,493,288</u>	<u>\$ 10,624,537</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, 2018**

CITY OF EAST GRAND FORKS

Net change in fund balances - total governmental funds		\$ 167,951
<p>Amounts reported for the governmental activities in the statement of activities are different because:</p> <p>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.</p>		
Capital outlays	\$ 3,335,079	
Depreciation	<u>(3,782,832)</u>	(447,753)
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.		2,519,000
Change in net pension asset.		115,879
Change in net pension liability.		962,529
Change in deferred outflows and inflows of resources related to net pension liability.		(925,045)
Change in deferred outflows and inflows of resources related to other postemployment benefits.		(505)
<p>Revenue in the statement of activities that does not provide current financial resources are not reported as revenues in the governmental funds.</p>		
Unavailable Revenue - December 31, 2017	(7,642,996)	
Unavailable Revenue - December 31, 2018	<u>6,730,116</u>	(912,880)
<p>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.</p>		
Amortization of bond discounts	(23,753)	
Amortization of bond premiums	28,225	
Other postemployment benefit obligations	<u>(7,633)</u>	(3,161)
Changes in long-term debt interest payable.		37,061
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>198,323</u>
Change in net position of governmental activities		<u>\$ 1,711,399</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, 2018**

CITY OF EAST GRAND FORKS

	<u>Original and Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
General taxes	\$ 6,561,934	\$ 6,478,548	\$ (83,386)
Licenses and permits	115,125	110,687	(4,438)
Intergovernmental	2,755,298	2,971,572	216,274
Charges for services	1,031,671	1,306,624	274,953
Fines and forfeitures	105,600	120,626	15,026
Interest and other revenues	61,075	121,241	60,166
Total revenues	<u>10,630,703</u>	<u>11,109,298</u>	<u>478,595</u>
Expenditures:			
Current:			
General government	1,170,547	1,191,847	(21,300)
Public safety	4,290,244	4,323,543	(33,299)
Public works	1,508,665	1,343,962	164,703
Recreation and culture	2,450,117	2,389,754	60,363
Community development	226,376	254,705	(28,329)
Other expenditures	258,675	260,466	(1,791)
Capital outlay	578,292	578,767	(475)
Total expenditures	<u>10,482,916</u>	<u>10,343,044</u>	<u>139,872</u>
Excess of revenues over expenditures	<u>147,787</u>	<u>766,254</u>	<u>618,467</u>
Other financing sources (uses)			
Proceeds from sale of capital asset	-	7,223	7,223
Transfers in	142,225	111,392	(30,833)
Transfers out	<u>(372,919)</u>	<u>(296,802)</u>	<u>76,117</u>
Total other financing sources (uses)	<u>(230,694)</u>	<u>(178,187)</u>	<u>52,507</u>
Net change in fund balances	(82,907)	588,067	670,974
Fund balance at beginning of year	<u>5,431,535</u>	<u>5,431,535</u>	<u>-</u>
Fund balance at end of year	<u>\$ 5,348,628</u>	<u>\$ 6,019,602</u>	<u>\$ 670,974</u>

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

**Statement of Net Position
Proprietary Funds
As of December 31, 2018**

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)		
ASSETS								
Current assets:								
Cash and cash equivalents	\$ 3,459,403	\$ 1,494,196	\$ 300,799	\$ 130,523	\$ 407,993	\$ 270,142	\$ 6,063,056	\$ 297,698
Investments	9,693,847	-	2,706,603	519,356	-	-	12,919,806	722,919
Restricted cash and investments:								
Cash in customer deposits	136,800	-	-	-	-	-	136,800	-
Interest receivable	36,169	-	-	-	-	-	36,169	-
Accounts receivable (net)	2,355,407	31,203	-	-	1,443	421	2,388,474	-
Materials and supplies	942,439	112,549	-	-	-	-	1,054,988	-
Prepaid items	9,644	1,792	-	-	-	-	11,436	-
Due from other funds	2,106,350	306,029	220,648	64,586	-	135,783	2,833,396	299,716
Due from other government units	6,977	-	549,411	-	-	-	556,388	-
Total current assets	<u>18,747,036</u>	<u>1,945,769</u>	<u>3,777,461</u>	<u>714,465</u>	<u>409,436</u>	<u>406,346</u>	<u>26,000,513</u>	<u>1,320,333</u>
Noncurrent assets:								
Capital assets:								
Land	305,394	44,000	257,184	-	6,300	-	612,878	-
Buildings and systems	29,439,898	27,498,851	18,204,742	16,431,163	1,472,900	-	93,047,554	-
Machinery and equipment	3,792,644	125,799	995,915	484,727	-	992,061	6,391,146	3,082,902
Construction in progress	766,435	1,538	10,328,685	-	-	-	11,096,658	496,574
Total capital assets	<u>34,304,371</u>	<u>27,670,188</u>	<u>29,786,526</u>	<u>16,915,890</u>	<u>1,479,200</u>	<u>992,061</u>	<u>111,148,236</u>	<u>3,579,476</u>
Less accumulated depreciation	<u>(20,390,357)</u>	<u>(15,394,991)</u>	<u>(8,061,418)</u>	<u>(5,830,724)</u>	<u>(653,855)</u>	<u>(798,912)</u>	<u>(51,130,257)</u>	<u>(1,797,765)</u>
Total capital assets (net)	<u>13,914,014</u>	<u>12,275,197</u>	<u>21,725,108</u>	<u>11,085,166</u>	<u>825,345</u>	<u>193,149</u>	<u>60,017,979</u>	<u>1,781,711</u>
Customer acquisition costs	268,106	83,668	-	-	-	-	351,774	-
Total noncurrent assets	<u>14,182,120</u>	<u>12,358,865</u>	<u>21,725,108</u>	<u>11,085,166</u>	<u>825,345</u>	<u>193,149</u>	<u>60,369,753</u>	<u>1,781,711</u>
TOTAL ASSETS	<u>32,929,156</u>	<u>14,304,634</u>	<u>25,502,569</u>	<u>11,799,631</u>	<u>1,234,781</u>	<u>599,495</u>	<u>86,370,266</u>	<u>3,102,044</u>
Deferred outflows of resources								
Cost sharing defined benefit - PERA	219,295	91,962	28,296	10,611	-	21,222	371,386	-
Deferred outflows of resources - OPEB	9,481	4,515	903	-	-	1,355	16,254	-
Total deferred outflows of resources	<u>228,776</u>	<u>96,477</u>	<u>29,199</u>	<u>10,611</u>	<u>-</u>	<u>22,577</u>	<u>387,640</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, 2018 (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	1,144,817	22,947	385,057	11,090	2,194	35,789	1,601,894	109,463
Retainage payable	4,297	-	252,965	-	-	-	257,262	-
Due to other funds	1,007,461	38,279	3,909	135,691	1,150	173,406	1,359,896	-
Due to other government units	57,182	-	223,977	-	-	16,454	297,613	-
Accrued interest payable	-	-	43,295	-	-	-	43,295	5,363
Accrued wages payable	75,624	33,593	12,016	776	21	8,573	130,603	-
Customer deposits	136,800	-	-	-	-	-	136,800	-
Compensated absences payable - current	118,892	31,359	10,313	-	-	13,668	174,232	513,797
G.O. revenue bonds payable - current	-	-	525,000	-	-	-	525,000	140,000
Total current liabilities	<u>2,545,073</u>	<u>126,178</u>	<u>1,456,532</u>	<u>147,557</u>	<u>3,365</u>	<u>247,890</u>	<u>4,526,595</u>	<u>768,623</u>
Noncurrent liabilities:								
Compensated absences payable	256,639	21,797	26,611	-	-	28,082	333,129	330,161
Net pension liability	1,133,317	475,262	146,234	54,838	-	109,676	1,919,327	-
Total other postemployment benefit liability	119,484	56,897	11,379	-	-	17,069	204,829	-
G.O. revenue bonds payable, net	-	-	7,315,347	-	-	-	7,315,347	482,728
Total noncurrent liabilities	<u>1,509,440</u>	<u>553,956</u>	<u>7,499,571</u>	<u>54,838</u>	<u>-</u>	<u>154,827</u>	<u>9,772,632</u>	<u>812,889</u>
TOTAL LIABILITIES	<u>4,054,513</u>	<u>680,134</u>	<u>8,956,103</u>	<u>202,395</u>	<u>3,365</u>	<u>402,717</u>	<u>14,299,227</u>	<u>1,581,512</u>
Deferred inflows of resources								
Cost sharing defined benefit - PERA	324,644	136,141	41,890	15,709	-	31,417	549,801	-
Total deferred inflows of resources	<u>324,644</u>	<u>136,141</u>	<u>41,890</u>	<u>15,709</u>	<u>-</u>	<u>31,417</u>	<u>549,801</u>	<u>-</u>
NET POSITION								
Net investment in capital assets	13,914,014	12,275,197	13,884,761	11,085,166	825,345	193,149	52,177,632	1,158,983
Unrestricted	14,864,761	1,309,639	2,649,014	506,972	406,071	(5,211)	19,731,246	361,549
TOTAL NET POSITION	<u>\$ 28,778,775</u>	<u>\$ 13,584,836</u>	<u>\$ 16,533,775</u>	<u>\$ 11,592,138</u>	<u>\$ 1,231,416</u>	<u>\$ 187,938</u>	<u>\$ 71,908,878</u>	<u>\$ 1,520,532</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, 2018**

CITY OF EAST GRAND FORKS

	Business-Type Activities – Enterprise Funds						Governmental Activities - Internal Service Funds
	Electric	Water	Sewage	Storm Water	Commercial Properties	Nonmajor (Refuse)	
Operating revenues:							
Electric charges	\$ 15,024,875	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 15,024,875
Water charges	-	2,600,636	-	-	-	-	2,600,636
Sewer charges	-	-	1,668,778	-	-	-	1,668,778
Rental charges	-	-	-	-	66,189	-	66,189
Refuse charges	-	-	-	-	-	1,005,507	1,005,507
Storm water charges	-	-	-	485,348	-	-	485,348
Other	-	-	-	-	-	37,489	37,489
Total operating revenues	<u>15,024,875</u>	<u>2,600,636</u>	<u>1,668,778</u>	<u>485,348</u>	<u>66,189</u>	<u>1,042,996</u>	<u>20,888,822</u>
Operating expenses:							
Purchased power	9,296,423	-	-	-	-	-	9,296,423
Operations and maintenance	1,865,286	1,312,240	806,846	235,625	35,855	965,786	5,221,638
Administration	595,765	309,728	103,233	-	-	25,425	1,034,151
Compensated absences	-	-	-	-	-	-	-
Depreciation	1,072,132	675,647	458,513	373,803	40,291	37,190	2,657,576
Tax and tax equivalents	1,388,081	-	-	-	-	-	1,388,081
Total operating expenses	<u>14,217,687</u>	<u>2,297,615</u>	<u>1,368,592</u>	<u>609,428</u>	<u>76,146</u>	<u>1,028,401</u>	<u>19,597,869</u>
Operating income (loss)	<u>807,188</u>	<u>303,021</u>	<u>300,186</u>	<u>(124,080)</u>	<u>(9,957)</u>	<u>14,595</u>	<u>1,290,953</u>
Nonoperating revenues (expenses)							
Interest income	154,786	371	12,253	-	1,167	1,035	169,612
Interest expense	-	-	(145,249)	-	-	-	(145,249)
Miscellaneous	-	-	-	7,500	-	-	7,500
Total nonoperating revenues (expenses)	<u>154,786</u>	<u>371</u>	<u>(132,996)</u>	<u>7,500</u>	<u>1,167</u>	<u>1,035</u>	<u>31,863</u>
Income (loss) before transfers and capital contributions	<u>961,974</u>	<u>303,392</u>	<u>167,190</u>	<u>(116,580)</u>	<u>(8,790)</u>	<u>15,630</u>	<u>1,322,816</u>
Capital contributions	1,500	-	2,903,474	-	-	-	2,904,974
Transfers in	-	-	-	-	-	-	-
Transfers out	<u>(289,377)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(289,377)</u>
Change in net position	<u>674,097</u>	<u>303,392</u>	<u>3,070,664</u>	<u>(116,580)</u>	<u>(8,790)</u>	<u>15,630</u>	<u>3,938,413</u>
Total net position - January 1	28,211,924	13,332,514	13,473,325	11,708,718	1,240,206	187,629	68,154,316
Adjustment for GASB 75 - See Note 2	<u>(107,246)</u>	<u>(51,070)</u>	<u>(10,214)</u>	<u>-</u>	<u>-</u>	<u>(15,321)</u>	<u>(183,851)</u>
Total net position - January 1, as restated	<u>28,104,678</u>	<u>13,281,444</u>	<u>13,463,111</u>	<u>11,708,718</u>	<u>1,240,206</u>	<u>172,308</u>	<u>67,970,465</u>
Total net position - December 31	<u>\$ 28,778,775</u>	<u>\$ 13,584,836</u>	<u>\$ 16,533,775</u>	<u>\$ 11,592,138</u>	<u>\$ 1,231,416</u>	<u>\$ 187,938</u>	<u>\$ 71,908,878</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, 2018**

CITY OF EAST GRAND FORKS

	Business-Type Activities – Enterprise Funds						Governmental	
	Electric	Water	Sewage	Storm Water	Commercial Properties	Nonmajor (Refuse)	Activities - Internal Service Funds	
Cash flows from operating activities:								
Cash received from customers and users	\$ 14,953,156	\$ 2,549,196	\$ 1,674,423	\$ 485,348	\$ 64,745	\$ 1,042,642	\$ 20,769,510	\$ 242,518
Cash received from interfund activities	727,139	53,650	-	-	-	-	780,789	77,916
Cash paid to suppliers for goods and services	(9,929,602)	(751,842)	(686,032)	(109,046)	(28,607)	(804,218)	(12,309,347)	-
Cash paid for interfund activities	(264,949)	(125,880)	(33,182)	(59,055)	(5,823)	-	(488,889)	-
Cash paid to employees	(1,841,050)	(797,158)	(243,006)	(56,918)	(1,501)	(184,023)	(3,123,656)	(88,529)
Cash paid for taxes and tax equivalents	(1,388,081)	-	-	-	-	-	(1,388,081)	-
Other operating revenues (expenses)	-	-	-	7,500	-	-	7,500	-
Net cash provided (used) by operating activities	<u>2,256,613</u>	<u>927,966</u>	<u>712,203</u>	<u>267,829</u>	<u>28,814</u>	<u>54,401</u>	<u>4,247,826</u>	<u>231,905</u>
Cash flows from noncapital financing activities:								
Transfers from other funds	-	-	-	-	-	-	-	32,500
Transfers to other funds	(289,377)	-	-	-	-	-	(289,377)	-
Interfund receivable	645,009	(6,286)	(4,609)	(181)	-	1,234	635,167	77,916
Interfund payable	15,741	4,149	(2,255)	(37,547)	242	(45,843)	(65,513)	-
Net cash provided (used) by noncapital financing activities	<u>371,373</u>	<u>(2,137)</u>	<u>(6,864)</u>	<u>(37,728)</u>	<u>242</u>	<u>(44,609)</u>	<u>280,277</u>	<u>110,416</u>
Cash flows from capital and related financing activities:								
Capital Grants	-	-	2,840,339	-	-	-	2,840,339	-
Acquisition of capital assets	(1,030,227)	(622,013)	(2,878,472)	(12,586)	-	-	(4,543,298)	-
Principal payments on long-term debt	-	-	(525,000)	-	-	-	(525,000)	(125,000)
Interest and fiscal charges on bonds	-	-	(126,484)	-	-	-	(126,484)	(14,150)
Net cash provided (used) by capital and related financing activities	<u>(1,030,227)</u>	<u>(622,013)</u>	<u>(689,617)</u>	<u>(12,586)</u>	<u>-</u>	<u>-</u>	<u>(2,354,443)</u>	<u>(139,150)</u>
Cash flows from investing activities:								
Interest received on investments	149,979	371	12,253	-	1,167	1,035	164,805	1,959
Proceeds from sales and maturities of investments	881,699	-	-	-	-	-	881,699	39,999
Purchase of investments	(920,715)	-	(565,391)	(519,356)	-	-	(2,005,462)	(40,000)
Net cash provided (used) by investing activities	<u>110,963</u>	<u>371</u>	<u>(553,138)</u>	<u>(519,356)</u>	<u>1,167</u>	<u>1,035</u>	<u>(958,958)</u>	<u>1,958</u>
Net increase (decrease) in cash and cash equivalents	1,708,722	304,187	(537,416)	(301,841)	30,223	10,827	1,214,702	205,129
Cash and cash equivalents - January 1	<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>
Cash and cash equivalents - December 31	<u>\$ 3,596,203</u>	<u>\$ 1,494,196</u>	<u>\$ 300,799</u>	<u>\$ 130,523</u>	<u>\$ 407,993</u>	<u>\$ 270,142</u>	<u>\$ 6,199,856</u>	<u>\$ 297,698</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, 2018 (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)	\$ 807,188	\$ 303,021	\$ 300,186	\$ (124,080)	\$ (9,957)	\$ 14,595	\$ 1,290,953	\$ 172,914
Adjustments to reconcile net income (loss) to net cash provided by operating activities:								
Depreciation and amortization	1,072,132	675,647	458,513	373,803	40,291	37,190	2,657,576	135,220
Miscellaneous revenue	-	-	-	7,500	-	-	7,500	6,750
Changes in assets and liabilities:								
Accounts receivable	655,023	2,210	5,645	-	(1,444)	(354)	661,080	-
Materials and supplies	(164,756)	4,531	-	-	-	-	(160,225)	-
Prepaid items	(2,502)	(46)	-	-	-	-	(2,548)	-
Due from other government units	(253)	-	-	-	-	-	(253)	-
Accounts payable	(71,004)	(23,150)	(50,551)	7,954	(39)	(4,128)	(140,918)	-
Accrued wages payable	2,836	3,047	2,583	(1)	(37)	925	9,353	-
Accrued compensated absences	(44,360)	(22,246)	7,935	-	-	(692)	(59,363)	(82,979)
Due to other government units	7,266	(3,252)	-	-	-	486	4,500	-
Customer deposits	650	-	-	-	-	-	650	-
Net pension liability	(190,500)	(112,097)	(47,098)	(9,702)	-	(20,219)	(379,616)	-
Total other postemployment benefit liability	2,586	1,231	246	-	-	369	4,432	-
Deferred pension inflows	73,023	32,030	7,642	5,505	-	8,003	126,203	-
Deferred pension outflows	109,113	66,959	27,086	6,850	-	18,202	228,210	-
Deferred OPEB outflows	171	81	16	-	-	24	292	-
Net cash provided (used) by operating activities	<u>\$ 2,256,613</u>	<u>\$ 927,966</u>	<u>\$ 712,203</u>	<u>\$ 267,829</u>	<u>\$ 28,814</u>	<u>\$ 54,401</u>	<u>\$ 4,247,826</u>	<u>\$ 231,905</u>
Schedule of noncash investing, capital and financing activities:								
Acquisition of a capital asset through accounts payable	\$ -	\$ -	\$ 323,339	\$ -	\$ -	\$ -	\$ 323,339	\$ 102,713
Contributions of capital assets from government	1,500	-	-	-	-	-	1,500	-
Intergovernmental revenue through due from other governments	-	-	549,411	-	-	-	549,411	-
Cash and cash equivalents are shown on the balance sheet under the following captions:								
Cash and cash equivalents	\$ 3,459,403	\$ 1,494,196	\$ 300,799	\$ 130,523	\$ 407,993	\$ 270,142	\$ 6,063,056	\$ 297,698
Restricted assets:								
Cash in customer deposits	136,800	-	-	-	-	-	136,800	-
Total cash and cash equivalents - December 31	<u>\$ 3,596,203</u>	<u>\$ 1,494,196</u>	<u>\$ 300,799</u>	<u>\$ 130,523</u>	<u>\$ 407,993</u>	<u>\$ 270,142</u>	<u>\$ 6,199,856</u>	<u>\$ 297,698</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, 2018**

CITY OF EAST GRAND FORKS

ASSETS:

Cash and cash equivalents

\$ 31,726

LIABILITIES:

Due to employees

\$ 31,726

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.

Complete financial statements of the component unit may be obtained at the Office of Administration and Finance, City of East Grand Forks, 600 DeMers Avenue NW, East Grand Forks, MN 56721.

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.

2007 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, 2018, are recorded as prepaid items and are recorded as expenses/expenditures when consumed, rather than when purchased.

7. Restricted assets

The Water Fund maintains 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	\$ 375,531	7,408	2,144
Water	53,156	1,195	546
Sewage	36,924	965	351
Refuse	41,750	1,163	510

Additionally, the EDA has accrued a liability of \$19,870 for 562 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 \$843,958 is recorded in this fund, reflecting 27,543 accumulated sick leave hours. Sick leave hours exceeding the eligible reimbursement limit of 1,280 hours totaled 262. 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 two items that qualify for reporting in this category named *Cost sharing defined benefit pension plan* and *Other Postemployment Benefits* 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. ACCOUNTING CHANGES

The City implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The statement requires the City to record their total OPEB liability on the Statement of Net Position. Liabilities are based on the Entry Age Normal level percent on pay cost method.

The City also implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions for the City's Fire Department's Pension Plan. The effect on beginning net position of the government funds for this change was an increase of \$187,614.

As a result of both accounting changes, beginning net position has been restated as of January 1, 2018 as follows:

	<u>Governmental</u>	<u>Business-type</u>	<u>Component Unit</u>
Net Position, January 1, 2018, as previously reported	\$ 127,325,593	\$ 68,154,316	\$ 8,340,708
Restatement for GASB 75:			
Other Postemployment Benefit Liability	(48,447)	(200,397)	(11,134)
Deferred Outflow Resources, Contribution After Measurement Date	28,496	16,546	920
Total Adjustment GASB 75	<u>(19,951)</u>	<u>(183,851)</u>	<u>(10,214)</u>
Adjustment for GASB 68	187,614	-	-
Total Adjustment	<u>167,663</u>	<u>(183,851)</u>	<u>(10,214)</u>
Net Position January 1, 2018, as restated	<u>\$ 127,493,256</u>	<u>\$ 67,970,465</u>	<u>\$ 8,330,494</u>

Business-type Activities

	<u>OPEB Liability</u>	<u>Deferred Outflow</u>	<u>Total</u>
Electric	\$ (116,898)	\$ 9,652	\$ (107,246)
Water	(55,666)	4,596	(51,070)
Sewage	(11,133)	919	(10,214)
Refuse	(16,700)	1,379	(15,321)
Total GASB 75 Adjustment	<u>\$ (200,397)</u>	<u>\$ 16,546</u>	<u>\$ (183,851)</u>

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 2018.

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, 2018, expenditures were over appropriations in the Transit, Cemetery, Insect Control, Perpetual Care, and Greenway Maintenance funds by \$591,573, \$40,531, \$18,263, \$4,300, and \$17,524, respectively.

C. Deficit Fund Equity

At December 31, 2018, there are three governmental funds with a deficit fund balance; the \$134,971 deficit fund balance in the Transit fund, \$1,171,838 in the Sales Tax Pool fund, and \$8,327 in the Greenway Maintenance fund. In addition, the

Benefit Accrual internal service fund has a deficit of \$375,986. 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, 2018 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	\$ 10,552,811	\$ 2,674,655
Investments	21,715,019	827,597
Restricted cash and cash equivalents	136,800	-
Statement of fiduciary assets and liabilities:		
Cash and cash equivalents	31,726	-
Total cash and investments	<u>\$ 32,436,356</u>	<u>\$ 3,502,252</u>

Cash and investments at December 31, 2018 consist of the following

Cash:		
Cash on hand	\$ 1,050	\$ -
Deposit with financial institutions	7,115,058	2,674,655
Cash equivalents:		
4M - Local Government Investment Pool	3,479,114	-
Money Market Funds	126,115	-
Investments:		
Various	21,715,019	827,597
Total cash, cash equivalents, and investments	<u>\$ 32,436,356</u>	<u>\$ 3,502,252</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 Kyler 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, 2018, 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	\$ 1,485,235	4.08	1
Federal National Mortgage Assn.	1,531,527	5.81	1
Federal Farm Credit Bank	496,210	6.20	1
Non-negotiable certificates of deposit	19,029,644	2.55	N/A
	<u>\$ 22,542,616</u>		
Portfolio weighted average maturity		4.66	

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>Investment Portfolio</u>
Federal Agencies:		
Federal Home Loan Bank	\$ 1,485,235	6.6%
Federal National Mortgage Assn.	1,531,527	6.8%

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, 2018.

NOTE 5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At December 31, 2018, 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, 2018:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Nonmajor Fund	\$ 111,392 (1)
Capital Projects Fund	General Fund	27,092 (1)
Nonmajor Fund	General Fund	143,894 (1)
Current City Projects	General Fund	125,816 (1)
Capital Projects Fund	Nonmajor Fund	522,497 (1)
Nonmajor Fund	Electric Fund	289,377 (1)
		<u>\$ 1,220,068</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, 2018:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 209,199 (1)
Electric Fund	Sales Tax Pool Fund	1,366,153 (3)
Electric Fund	General Fund	108,668 (2)
Electric Fund	Nonmajor Governmental Funds	116 (2)
Electric Fund	Water Fund	10,228 (2)
Water Fund	Electric Fund	306,029 (2)
General Fund	Electric Fund	267,814 (2)
General Fund	Water Fund	28,051 (2)
Nonmajor Governmental Funds	Electric Fund	12,602 (2)
Refuse Fund	Electric Fund	135,783 (2)
Sewage Fund	Electric Fund	220,648 (2)
Storm Water Fund	Electric Fund	64,586 (2)
Central Equipment	Storm Water Fund	126,399 (2)
Central Equipment	Refuse Fund	173,317 (2)
Electric Fund	Capital Projects	606,746 (4)
Electric Fund	Commercial Properties	1,150 (2)
Electric Fund	Sewage Fund	3,909 (2)
Electric Fund	Storm Water Fund	9,293 (2)
Electric Fund	Refuse Fund	89 (2)
		<u>\$ 3,650,780</u>

- The purpose of this Interfund receivable is to maintain a positive cash balance at year end.
- The purpose of this Interfund receivable is to cover year end utility billings between funds.
- The purpose of this Interfund receivable is to finance the pool renovation.
- The purpose of this Interfund receivable is to finance the 2008-09 special assessment project. The payment due in 2018 is \$116,689.

NOTE 6. LEASE COMMITMENTS

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

<u>Year Ending December 31,</u>	
2019	\$ 65,444
2020	66,299
2021	67,154
2022	34,271
2023	32,134
	<u>\$ 265,302</u>

Details for the property under lease agreements are as follows:

<u>Commercial Properties</u>	<u>Historical Carrying Cost</u>	<u>Accumulated Depreciation</u>	<u>Annual Depreciation</u>
Infill Building	\$ 1,472,900	\$ 653,855	\$ 40,291

NOTE 7. CAPITAL ASSETS

Capital asset activities for the year ended December 31, 2018, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities:				
Nondepreciable capital assets				
Land	\$ 31,203,471	\$ -	\$ -	\$ 31,203,471
Construction in progress	2,690,476	1,600,398	(2,258,021)	2,032,853
Total	<u>33,893,947</u>	<u>1,600,398</u>	<u>(2,258,021)</u>	<u>33,236,324</u>
Depreciable capital assets:				
Buildings, structures, and improvements	82,472,951	957,656	-	83,430,607
Machinery and equipment	9,118,926	1,073,466	(77,376)	10,115,016
Infrastructure	52,706,948	2,064,293	-	54,771,241
Total	<u>144,298,825</u>	<u>4,095,415</u>	<u>(77,376)</u>	<u>148,316,864</u>
Total capital assets	<u>178,192,772</u>	<u>5,695,813</u>	<u>(2,335,397)</u>	<u>181,553,188</u>
Less accumulated depreciation for:				
Buildings, structures and improvements	(23,512,235)	(1,555,464)	-	(25,067,699)
Machinery and equipment	(5,274,001)	(537,071)	77,376	(5,733,696)
Infrastructure	(20,583,896)	(1,825,517)	-	(22,409,413)
Total accumulated depreciation	<u>(49,370,132)</u>	<u>(3,918,052)</u>	<u>77,376</u>	<u>(53,210,808)</u>
Total governmental activities capital assets, net	<u>\$ 128,822,640</u>	<u>\$ 1,777,761</u>	<u>\$ (2,258,021)</u>	<u>\$ 128,342,380</u>
Business-type activities:				
Nondepreciable capital assets				
Land	\$ 612,878	\$ -	\$ -	\$ 612,878
Construction in progress	7,661,776	4,008,968	(574,086)	11,096,658
Total	<u>8,274,654</u>	<u>4,008,968</u>	<u>(574,086)</u>	<u>11,709,536</u>
Depreciable capital assets:				
Buildings, structures, and improvements	91,476,659	1,621,949	(51,054)	93,047,554
Machinery and equipment	6,380,610	10,536	-	6,391,146
Total	<u>97,857,269</u>	<u>1,632,485</u>	<u>(51,054)</u>	<u>99,438,700</u>
Total capital assets	<u>106,131,923</u>	<u>5,641,453</u>	<u>(625,140)</u>	<u>111,148,236</u>
Less accumulated depreciation for:				
Buildings, structures, and improvements	(43,590,388)	(2,406,530)	51,054	(45,945,864)
Machinery and equipment	(4,933,347)	(251,046)	-	(5,184,393)
Total accumulated depreciation	<u>(48,523,735)</u>	<u>(2,657,576)</u>	<u>51,054</u>	<u>(51,130,257)</u>
Total business-type activities capital assets, net	<u>\$ 57,608,188</u>	<u>\$ 2,983,877</u>	<u>\$ (574,086)</u>	<u>\$ 60,017,979</u>

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

Governmental Activities:	
General Government	\$ 178,609
Public Safety	261,928
Public Works	2,712,527
Culture and Recreation	676,840
Transit	70,242
Cemetery	17,906
Total Depreciation Expenses - Governmental Activities	<u>\$ 3,918,052</u>
Business-Type Activities:	
Electric Fund	\$ 1,072,132
Water Fund	675,647
Sewer Fund	458,513
Storm Water Fund	373,803
City Mall Fund	40,291
Refuse Fund	37,190
Total Depreciation Expenses - Business-Type Activities	<u>\$ 2,657,576</u>

Governmental Activities depreciation expense includes Internal Service fund depreciation of \$135,220.

Discretely presented component unit

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Nondepreciable capital assets				
Land	\$ 50,300	-	-	\$ 50,300
Construction in progress	132,931	-	(132,931)	-
Total	183,231	-	(132,931)	50,300
Depreciable capital assets:				
Buildings, structures, and improvements	5,503,578	132,931	-	5,636,509
Machinery and equipment	146,858	-	-	146,858
Total	5,650,436	132,931	-	5,783,367
Total capital assets	5,833,667	132,931	(132,931)	5,833,667
Less accumulated depreciation for:				
Buildings, structures and improvements	(2,170,411)	(140,000)	-	(2,310,411)
Machinery and equipment	(132,540)	(2,620)	-	(135,160)
Total accumulated depreciation	(2,302,951)	(142,620)	-	(2,445,571)
Total governmental activities capital assets, net	<u>\$ 3,530,716</u>	<u>\$ (9,689)</u>	<u>\$ (132,931)</u>	<u>\$ 3,388,096</u>

NOTE 8. LONG-TERM LIABILITIES.

GENERAL OBLIGATION BONDS. The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities.

General obligation bonds have been issued for both governmental and business-type activities. In addition, general obligation bonds have been issued to refund general obligation bonds.

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

Governmental activities

General Obligation Improvement Bonds:	Final Maturity	Interest Rates	Issue Amount	Outstanding 12/31/18
12/1/12 Refunding	02/01/20	2.0%	\$ 440,000	\$ 130,000
12/01/12	02/01/34	2.0%-2.75%	660,000	545,000
12/01/07	02/01/28	3.4%-4.25%	3,560,000	25,000
12/01/15	02/01/31	2.0%-2.75%	870,000	685,000
12/1/15 Refunding	02/01/25	2.0%-4.0%	2,095,000	1,510,000
12/1/15 Refunding	02/01/27	2.0%-4.0%	760,000	570,000
2017A Improvement and Refunding	02/01/28	2.3%-3.0%	3,950,000	3,885,000
				<u>7,350,000</u>
MN PFA-Transportation	08/20/38	3.645%	3,466,567	2,801,000
GO Certificate of Indebtedness	02/01/22	2.0%	875,000	410,000
GO Certificate of Indebtedness	02/01/23	2.0%	265,000	195,000
Total governmental activities				<u>\$ 10,756,000</u>

Business-type activities

Revenue bonds:	Final Maturity	Interest Rates	Issue Amount	Outstanding 12/31/18
MN PFA - Clean Water	08/20/28	2.687%	\$ 4,012,598	\$ 2,326,000
MN PFA - Clean Water	08/20/36	1.039%	5,989,803	5,514,347
Total business-type activities				<u>\$ 7,840,347</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
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	1,038,000	172,137	522,284	85,264
2024-2028	2,798,000	505,889	2,752,888	284,222
2029-2033	1,005,000	264,416	1,593,346	102,034
2034-2038	938,000	100,566	971,620	20,830
Total	<u>\$ 10,756,000</u>	<u>\$ 2,038,745</u>	<u>\$ 7,840,347</u>	<u>\$ 921,668</u>

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended December 31, 2018:

	Beginning Balance	Additions/ Proceeds	Reductions/ Payments	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation	\$ 9,775,000	\$ -	\$ (2,425,000)	\$ 7,350,000	\$ 1,110,000
Unamortized premium	347,763	-	(28,225)	319,538	-
Unamortized discount	(24,088)	-	23,753	(335)	-
Total	<u>10,098,675</u>	<u>-</u>	<u>(2,429,472)</u>	<u>7,669,203</u>	<u>1,110,000</u>
PFA bonds payable:					
G.O. Transportation Improvement Bonds	2,895,000	-	(94,000)	2,801,000	97,000
Certificates of indebtedness	730,000	-	(125,000)	605,000	140,000
Unamortized premium	21,788	-	(4,061)	17,727	-
Compensated absences	926,937	430,819	(513,797)	843,959	513,797
Governmental Activities Total:	<u>14,672,400</u>	<u>430,819</u>	<u>(3,166,330)</u>	<u>11,936,889</u>	<u>1,860,797</u>
Business-type activities:					
Bonds payable:					
G.O. Clean Water Improvement Bonds	2,526,000	-	(200,000)	2,326,000	206,000
G.O. Wastewater Improvement Bonds	5,839,347	-	(325,000)	5,514,347	328,000
Compensated absences	566,725	175,876	(235,240)	507,361	235,240
Business-type activities total	<u>8,932,072</u>	<u>175,876</u>	<u>(760,240)</u>	<u>8,347,708</u>	<u>769,240</u>
Government-wide Total	<u>\$ 23,604,472</u>	<u>\$ 606,695</u>	<u>\$ (3,926,570)</u>	<u>\$ 20,284,597</u>	<u>\$ 2,630,037</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, 2018, was as follows:

	Beginning Balance	Additions/ Proceeds	Reductions/ Payments	Ending Balance	Due Within One Year
Component Unit activities:					
Compensated absences	\$ 20,151	\$ 23,963	\$ (24,244)	\$ 19,870	\$ 4,143
Component Unit activities total	<u>\$ 20,151</u>	<u>\$ 23,963</u>	<u>\$ (24,244)</u>	<u>\$ 19,870</u>	<u>\$ 4,143</u>

NOTE 9. RISK MANAGEMENT AND LITIGATION

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

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

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

The city attorney estimates that the amount of actual or potential claims against the City as of December 31, 2018 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:

	<u>2016</u>	<u>2017</u>	<u>2018</u>
Paid Losses	\$ 11,343	\$ 26,386	\$ 62,325
Paid Expenses	11,702	393	-
Reserve Losses	29,500	315,883	91,466
Reserve Expenses	-	14,607	-
Total Incurred	52,546	357,269	153,792
Deductible Recovery	(4,000)	(3,732)	(8,748)

The City's commercial insurance carrier has no set reserve losses or reserve expenses for claims filed after December 31, 2018, for incidents occurring prior to that date.

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

NOTE 10. CLAIMS AND CONTINGENCIES

Grant Awards

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

As of December 31, 2018, 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 11. DEFINED BENEFIT PENSION PLANS - STATEWIDE

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

The Primary Government's share of the General Employees Retirement Plan is approximately 96% and the Component Unit's share is approximately 4%. 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 the Coordinated Plan. Coordinated Plan members are covered by Social Security.

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. 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 Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% of average salary for each of the first ten years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years 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.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90 percent funded for two consecutive years, benefit recipients are given 2.5 percent increase. If the plan has not exceeded 90 percent funded, or have fallen below 80 percent, benefit recipients are given a one percent increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a

full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

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.

Benefit increases are provided to benefit recipients each January. Police and Fire Plan benefit recipients receive a future annual 1.0 percent increase. An annual adjustment will equal 2.5 percent any time the plan exceeds a 90 percent funded ratio for two consecutive years. If the adjustment is increased to 2.5 percent and the funded ratio falls below 80 percent for one year or 85 percent for two consecutive years, the post-retirement benefit increase will be lowered to one percent. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase. For retirements after May 31, 2014, the first increase will be delayed two years.

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

Coordinated plan members were required to contribute 6.50% of their annual covered salary in calendar year 2018 and the City was required to contribute 7.50% for Coordinated Plan members. The City's contributions to the General Employees Fund for the year ended December 31, 2018 was \$330,577. 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 and the City was required to contribute 16.20% of pay for members in fiscal year 2018. The City's contributions to the Police and Fire Fund for the year ended December 31, 2018, were \$399,268. 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, 2018, the City reported a liability of \$3,655,862 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 \$16 million to the fund in 2018. 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 \$119,810. The net pension liability was measured as of June 30, 2018, 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, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportionate share was 0.0659% which was a decrease of 0.0023% from its proportion measured as of June 30, 2017.

City's proportionate share of the net pension liability	\$ 3,655,862
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>119,810</u>
Total	<u>\$ 3,775,672</u>

For the year ended December 31, 2018, the City recognized pension expense of \$319,486 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$27,939 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2018, 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	\$ 99,990	\$ 105,170
Difference between projected and actual investment earnings	-	397,426
Changes in actuarial assumptions	344,458	420,588
Changes in proportion	97,559	124,054
Contributions paid to PERA subsequent to the measurement date	<u>165,397</u>	-
Total	<u>\$ 707,404</u>	<u>\$ 1,047,238</u>

\$165,397 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, 2019. 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
2019	\$ 109,132
2020	(198,151)
2021	(339,909)
2022	(76,303)

2. Police and Fire Fund Pension Costs

At December 31, 2018, the City reported a liability of \$2,475,013 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017 through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportion was 0.2322% which was an increase of 0.0002% from its proportion measured as of June 30, 2017. The City also recognized \$20,898 for the year ended December 31, 2018, 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, 2018, the City recognized pension expense of \$313,023 for its proportionate share of Police and Fire Fund's pension expense.

At December 31, 2018, 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	\$ 99,707	\$ 628,720
Difference between projected and actual investment earnings	-	493,976
Changes in actuarial assumptions	3,193,672	3,640,476
Changes in proportion	36,023	105,365
Contributions paid to PERA subsequent to the measurement date	202,669	-
Total	\$ 3,532,071	\$ 4,868,537

\$202,669 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, 2019. 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
2019	\$ (25,799)
2020	(144,084)
2021	(346,345)
2022	(1,015,355)
2023	(7,552)

Total Pension Expense – The total pension expense for all plans recognized by the City for the year ended December 31, 2018, was \$632,509.

E. Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using an individual entry-age normal actuarial cost method and 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 disabilitants were based on RP-2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan and 1.0 percent per year for the police and fire plan.

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the General Employees Plan was completed in 2015. The most recent four-year experience study for Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2018:

General Employees Fund

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

Police and Fire Fund

- The mortality projection scale was changed from MP-2016 to MP-2017.
- As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year thereafter, to 1.0 percent for all years, with no trigger.

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	36%	5.10%
International Stocks	17%	5.30%
Bonds	20%	0.75%
Alternative Assets	25%	5.90%
Cash	2%	0.00%

F. Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.50%. 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 as of December 31, 2018:

	1% Decrease (6.5%)	Current (7.5%)	1% Increase (8.5%)
General Employees Fund	\$ 5,941,243	\$ 3,655,862	\$ 1,769,344
Police and Fire Fund	\$ 5,306,583	\$ 2,475,013	\$ 133,422

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 12. DEFINED CONTRIBUTION PLAN - STATEWIDE

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

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

Total contributions made by the City during the fiscal year 2018 were:

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

NOTE 13. EAST GRAND FORKS FIRE DEPARTMENT PENSION PLAN

Plan Description

The East Grand Forks Fire Department Pension Plan is the administrator of a single employer lump-sum defined benefit pension plan available to firefighters, retired and active, of the City of East Grand Forks. The plan operates under the provisions of Minn. Stat. §§ 69.051 and 69.80. The assets of the fund are dedicated to providing pension benefits to the plan members.

Plan Membership

At January 1, 2018, the membership of the Department consisted of:

Active Members	34
Vested Terminated and Transfer Members	<u>2</u>
Total Members	36

Benefit Provisions

Twenty Year Service Pension

Each member who is at least 50 years of age; has retired from the East Grand Forks Fire Department, has served at least twenty (20) years of active service with such department before retirement; shall be entitled to a lump sum service pension in the amount of \$3,175 for each completed full year of service (including each year over 20) but not exceeding the maximum amount per year of service allowed by law for the minimum average amount of available financing per firefighter as prescribed by law.

Disability Benefits

If a member of this Association shall become totally and permanently disabled to the extent that a physician or surgeon acceptable to the board of trustees shall certify that such disability will permanently prevent said member from performing their duties in the East Grand Forks Fire Department, the Department shall pay to such member the sum of \$3,175 for each year that they have served as an active member of said fire department. If a member who has received such disability pension should subsequently recover and return to active duty in the East Grand Forks Fire Department, any amount paid to them as a disability pension shall be deducted from their retirement pension.

Death Benefits

Upon the death of any member of the Department who is in good standing at the time of their death, the Department shall pay to the surviving spouse, if any, and if no surviving spouse, to surviving child or children, if any, and if no child or children survive, to the estate of such deceased member the sum of \$3,175 for each year that they served as an active member of the East Grand Forks Fire Department.

Pension Costs

At December 31, 2018, the City reported a net pension asset of \$303,493 for the plan. The net pension asset was measured as of December 31, 2017. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by applying an actuarial formula to specific census data certified by the fire department as of December 31, 2017. The following table presents the changes in net pension liability during the year.

Changes in Net Position Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(c) = (a) - (b)
Balance at previous Measurement Date 12/31/16	\$ 953,293	\$ 1,140,907	\$ (187,614)
Changes for the year:			
Service cost	44,689	-	44,689
Interest	46,800	-	46,800
Assumption changes	-	-	-
Plan changes	-	-	-
Municipal contributions	-	-	-
Nonemployer contributions	-	69,476	(69,476)
Projected investment return	-	55,569	(55,569)
Gain or Loss	-	86,866	(86,866)
Benefit payments	(123,980)	(123,980)	-
Administrative expense	-	(4,543)	4,543
Other changes	-	-	-
Net changes	<u>(32,491)</u>	<u>83,388</u>	<u>(115,879)</u>
Balance at current Measurement Date 12/31/17	\$ <u>920,802</u>	\$ <u>1,224,295</u>	\$ <u>(303,493)</u>

For the year ended December 31, 2018, the City recognized pension expense of \$46,387.

At December 31, 2018, the City reported deferred outflows and inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual liability	\$ -	\$ -
Net difference between projected and actual investment earnings	-	69,492
Changes in assumptions	-	-
Total	\$ <u>-</u>	\$ <u>69,492</u>

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending Decemeber 31	Pension Expense Amount
2019	\$ (17,373)
2020	(17,373)
2021	(17,373)
2022	(17,373)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2018, based on the measurement date of December 31, 2017, and using the following actuarial assumptions.

- Investment rate of return is 5.0%;
- Inflation rate is 2.5%;
- Entry age normal in accordance with the requirements of GASB 67;

Long-Term Expected Rate of Return

The best-estimate range for the long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions are per the actuary's investment consulting practice as of December 31, 2018.

<u>Asset Class</u>	<u>Portfolio Weight</u>	<u>Expected Class Return</u>
Cash	5.00%	2.25%
Fixed Income	55.00%	3.80%
Equities	40.00%	7.00%

Discount Rate

The discount rate used to measure the total pension liability was 5.0 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at the actual statutory contribution rate. Based on those assumptions, the Association's net position was projected to be available to make all projected future benefit payments of the 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.

Sensitivity Analysis

The following presents the net pension liability calculated using the discount rate of 5.0 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (4.0 percent) or one-percentage-point higher (6.0 percent) than the current rate:

<u>1% Decrease (4.0%)</u>	<u>Current (5.0%)</u>	<u>1% Increase (6.0%)</u>
\$ (282,613) \$	(303,493) \$	(323,308)

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 \$624,166 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

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Current City Projects Fund</u>	<u>2017 Assessment Bond</u>	<u>2007 Assessment Bond</u>	<u>Sales Tax Pool Fund</u>	<u>Nonmajor Governmental Funds</u>
Fund Balances:							
Nonspendable:							
Materials and Supplies	\$ 18,546	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Campbell Library	-	-	-	-	-	-	76,000
Total	18,546	-	-	-	-	-	76,000
Restricted:							
Debt Service	-	-	-	684,835	915,498	-	1,664,105
Capital Projects	-	551,083	-	-	-	-	-
Current City Projects	-	-	132,069	-	-	-	-
Community Growth	-	-	-	-	-	-	131,626
State Aid Street	-	-	-	-	-	-	345,184
New Home Incentive	-	-	-	-	-	-	274,382
Cemetery	-	-	-	-	-	-	10,309
Insect Control	-	-	-	-	-	-	246,540
Perpetual Care	-	-	-	-	-	-	236,776
Grants	-	-	-	-	-	-	124,121
1997 Downtown Development	-	-	-	-	-	-	63,876
08 PFA Loan 23rd Street	-	-	-	-	-	-	179,200
Building Improvements	-	-	-	-	-	-	281,258
Campbell Olson	-	-	-	-	-	-	3,209
Total	-	551,083	132,069	684,835	915,498	-	3,560,586
Unassigned:	6,001,056	-	-	-	-	(1,171,838)	(143,298)
TOTAL FUND BALANCE	\$ 6,019,602	\$ 551,083	\$ 132,069	\$ 684,835	\$ 915,498	\$ (1,171,838)	\$ 3,493,288

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 \$2,208 for electricity sold to the customers in the annexed service territory during 2018.

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.

As of December 31, 2018, the City had construction commitments of about \$1,833,000.

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:

2018	\$1,514
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, 2018, two series of Industrial Revenue Bonds were outstanding with remaining principal balances of \$10,350,000 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, 2018, there are no amounts for arbitrage rebates.

NOTE 19. NEW PRONOUNCEMENTS

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. 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.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 90, *Majority Equity Interests*, provides guidance for reporting when a government has majority equity interest in legally separate organizations. An equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. If government's holding of that equity interest meets the definition of an investment, as defined by GASB No. 72, the equity interest should be reported as an investment and measured using the equity method and not as a component unit of the government. If a government's holding of a majority interest in a legally separate organization does not meet the definition of an investment, the holding of the majority equity interest results in the government being financially accountable for the organization and therefore, the government should report the legally separate organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 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.

Benefits Provided:

The City provides healthcare benefits for retirees and their dependents. Benefits are provided through a third-party insurer, and the full cost of the benefits is covered by the plan.

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.

Employees Covered by Benefit Term:

At December 31, 2018, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	10
Active plan members	<u>96</u>
Total Members	<u><u>106</u></u>

Total OPEB Liability:

The District's total OPEB liability of \$568,971 was measured as of January 1, 2017 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

The total OPEB liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5 percent
Salary increases	3.0 percent, average, including inflation
Healthcare cost trend rates	6.25 percent decreasing to 5.0 percent over 5 years

Mortality rates were based on the RP-2014 White Collar Mortality Tables (de-trended to 2006) and projected beyond the valuation date using scale MP-2016.

The discount rate is based on the estimated yield of 20-year AA-rated municipal bonds. The overall single discount rate is 3.30%.

In January 1, 2017 actuarial valuation, the entry age, level percentage of pay actuarial cost method was used.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2017	\$ 556,659
Changes for the year:	
Service Cost	39,358
Interest Cost	18,916
Benefit Payments	(45,962)
Net Changes	12,312
Balance at 12/31/2018	<u>\$ 568,971</u>

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 2018 is \$72,015.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.3 percent) or one percentage point higher (4.3 percent) than the current rate:

Department Total OPEB Liability		
1% Decrease (2.3%)	Current (3.3%)	1% Increase (4.3%)
<u>\$ 610,722</u>	<u>\$ 568,971</u>	<u>\$ 530,430</u>

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the year ended December 31, 2018, the City recognized OPEB expense of \$58,274. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Employer contributions paid subsequent to the measurement date	<u>\$ 45,148</u>	<u>\$ -</u>
Total	<u>\$ 45,148</u>	<u>\$ -</u>

\$45,148 reported as deferred outflows of resources related to OPEB resulting from City contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the total pension liability in the year ending December 31, 2019.



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**Schedule of Changes in the City's
Total OPEB Liability and Related Ratios
Last 10 Years**

CITY OF EAST GRAND FORKS

	<u>2018</u>
Total OPEB Liability	
Service Cost	\$ 39,358
Interest	18,916
Benefit Payments	<u>(45,962)</u>
Net Change in Total OPEB Liability	12,312
Total OPEB Liability - Beginning	<u>556,659</u>
Total OPEB Liability - Ending	<u><u>\$ 568,971</u></u>
Covered Payroll	\$ 6,376,059
City's Total OPEB Liability as a Percentage of a Covered Payroll	8.92%

The City implemented GASB No 75 for the fiscal year ended December 31, 2018. Information from prior years is not available.

**Schedule of City's Contributions to PERA Retirement Fund
As of December 31, 2018**

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 Payroll	Contributions as a % of Covered 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%
	2018	330,577	330,577	-	4,407,691	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%
	2018	399,268	399,268	-	2,464,617	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, 2018**

CITY OF EAST GRAND FORKS

	Fiscal Year Ended December 31	City's Proportionate Share 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 Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered 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%
	2018	0.0659%	3,655,862	119,810	3,775,672	4,428,547	82.6%	79.53%
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%
	2018	0.2322%	2,475,013	-	2,475,013	2,446,747	101.2%	88.84%

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.

**Schedule of Net Pension Liability and Related Ratios – East Grand Forks Fire Department
Last 10 Years**

CITY OF EAST GRAND FORKS

Fiscal Year	<u>2018</u>
Total Pension Liability	
Service Cost	\$ 44,689
Interest Cost	46,800
Benefit Payments	<u>(123,980)</u>
Net Change in Total Pension Liability	(32,491)
Total Pension Liability - Beginning	<u>953,293</u>
Total Pension Liability - Ending	<u>\$ 920,802</u>
Plan Fiduciary Net Position	
Nonemployer Contributions	\$ 69,476
Net Investment Income	55,569
Gain or Loss	86,866
Benefit Payments	(123,980)
Pension Plan Administrative Expense	<u>(4,543)</u>
Net Change in Plan Fiduciary Net Position	83,388
Plan Fiduciary Net Position - Beginning	<u>1,140,907</u>
Plan Fiduciary Net Position - Ending	<u>\$ 1,224,295</u>
Net Pension Liability - Ending	\$ (303,493)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	132.96%
Covered Payroll *	\$ -

Notes:

The City implemented GASB No. 68 for the year ended December 31, 2018.
Information for prior years is not available.

* Because all active plan members are volunteers, there is no actual payroll.

See Notes to the Required Supplementary Information

**Schedule of Employer Contributions – East Grand Forks Fire Department
Last 10 Years**

CITY OF EAST GRAND FORKS

<u>Fiscal Year Ended December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Employer Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll*</u>
2009	\$ 31,220	\$ 31,220	-	
2010	33,815	33,815	-	
2011	36,203	36,203	-	
2012	37,892	37,892	-	
2013	56,850	56,850	-	
2014	58,794	58,794	-	
2015	65,147	65,147	-	
2016	68,281	68,281	-	
2017	67,476	67,476	-	
2018	68,691	68,691	-	

*Because all active plan members are volunteers, there is no actual payroll.

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

Valuation date	12/31/2018
Actuarial cost method	Entry Age Normal
Amortization method	Level Dollar
	Closed
Remaining amortization period:	
Normal cost	20 Years
Prior service cost	10 Years
Asset valuation method	Market
Actuarial assumptions:	
Investment rate of return	5.00%
Projected salary increases	N/A
Includes inflation	N/A
Cost-of-living adjustments	None

See Notes to the Required Supplementary Information

NOTE 1. DEFINED BENEFIT PLANS

PERA

General Employees Fund

2018 Changes - Changes in Actuarial Assumptions: The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 Changes - Changes in Plan Provisions: The State's special funding contribution increased from \$6 million to \$16 million. *Changes in Actuarial Assumptions:* 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.

2016 Changes - Changes in Actuarial Assumptions: The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years. The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes - Changes in Plan Provisions: On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised. *Changes in Actuarial Assumptions:* The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2030 and 2.5% per year thereafter to 1.0% per year through 2035 and 2.5% per year thereafter.

Police and Fire Fund

2018 Changes - Changes in Actuarial Assumptions: The mortality projection scale was changed from MP-2016 to MP-2017.

2017 Changes - Changes in Actuarial Assumptions: 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.

2016 Changes - Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2037 and 2.50 percent thereafter to 1.00 percent per year for all future years.
- The assumed investment return was changed from 7.90 percent to 7.50 percent. The single discount rate changed from 7.90 percent to 5.60 percent.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 Changes - Changes in Plan Provisions: The post-retirement benefit increases to be paid after attainment of the 90 percent funding threshold was changed, from inflation up to 2.50 percent, to a fixed rate of 2.50 percent. *Changes in Actuarial Assumptions:* The assumed post-retirement benefit increase rate was changed from 1.00 percent per year through 2030 and 2.50 percent per year thereafter to 1.00 percent per year through 2037 and 2.50 percent per year thereafter.

NOTE 2. OTHER POSTEMPLOYMENT BENEFITS

Plan Changes: None

Assumption Changes: The discount rate was changed from 3.50% to 3.30%.

Method Changes: The actuarial cost method was changed from projected unit credit to entry age as prescribed by GASB 75.

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.

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, and 12-1-04.

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, 2018**

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	\$ 564,480	\$ 787,813	\$ 662,708	\$ 79,209	\$ 2,094,210
Investments	389,345	856,857	-	-	1,246,202
Accounts receivable	165,286	-	-	-	165,286
Due from other funds	12,602	-	-	-	12,602
Due from other government units	-	19,435	-	-	19,435
Special assessments receivable:					
Deferred	-	2,587,244	-	-	2,587,244
Notes receivable	127,539	-	-	-	127,539
Pledges receivable	-	-	315,000	-	315,000
Land held for resale	307,335	-	-	-	307,335
Total Assets	<u>\$ 1,566,587</u>	<u>\$ 4,251,349</u>	<u>\$ 977,708</u>	<u>\$ 79,209</u>	<u>\$ 6,874,853</u>
LIABILITIES					
Accounts payable	\$ 242,503	\$ -	\$ 14,253	\$ -	\$ 256,756
Accrued wages payable	1,904	-	-	-	1,904
Due to other funds	209,315	-	-	-	209,315
Due to other government units	11,346	-	-	-	11,346
Total Liabilities	<u>465,068</u>	<u>-</u>	<u>14,253</u>	<u>-</u>	<u>479,321</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes and Spec. Assessments	-	2,587,244	-	-	2,587,244
Unavailable Revenue - Pledges	-	-	315,000	-	315,000
Total Deferred Inflows of Resources	<u>-</u>	<u>2,587,244</u>	<u>315,000</u>	<u>-</u>	<u>2,902,244</u>
FUND BALANCES					
Nonspendable	-	-	-	76,000	76,000
Restricted	1,244,817	1,664,105	648,455	3,209	3,560,586
Unassigned	(143,298)	-	-	-	(143,298)
Total Fund Balances	<u>1,101,519</u>	<u>1,664,105</u>	<u>648,455</u>	<u>79,209</u>	<u>3,493,288</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,566,587</u>	<u>\$ 4,251,349</u>	<u>\$ 977,708</u>	<u>\$ 79,209</u>	<u>\$ 6,874,853</u>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds by Fund Type
For the Year Ended December 31, 2018**

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
Revenues:					
Intergovernmental	\$ 1,665,166	\$ -	\$ 197,810	\$ -	\$ 1,862,976
Special assessments	-	644,150	-	-	644,150
Charges for services	102,031	-	-	-	102,031
Interest and other revenues	304,053	7,875	58,634	291	370,853
Total revenues	<u>2,071,250</u>	<u>652,025</u>	<u>256,444</u>	<u>291</u>	<u>2,980,010</u>
Expenditures:					
Current:					
Public works	64,630	-	-	-	64,630
Recreation and culture	4,300	-	-	1,018	5,318
Transit	435,960	-	-	-	435,960
Community development	255,044	-	-	-	255,044
Cemetery	53,398	-	-	-	53,398
Capital outlay	662,625	-	536,042	-	1,198,667
Debt service:					
Principal retirement	-	585,000	94,000	-	679,000
Interest and fiscal agent fees	-	92,714	105,523	-	198,237
Other debt expenditures	-	3,100	-	-	3,100
Total expenditures	<u>1,475,957</u>	<u>680,814</u>	<u>735,565</u>	<u>1,018</u>	<u>2,893,354</u>
Excess (deficiency) of revenues over expenditures	<u>595,293</u>	<u>(28,789)</u>	<u>(479,121)</u>	<u>(727)</u>	<u>86,656</u>
Other financing sources (uses)					
Proceeds from sale of capital asset	113,821	-	-	-	113,821
Insurance Proceeds	5,000	-	-	-	5,000
Transfers in	38,677	105,217	250,000	-	393,894
Transfers out	(594,512)	-	(32,500)	-	(627,012)
Total other financing sources (uses)	<u>(437,014)</u>	<u>105,217</u>	<u>217,500</u>	<u>-</u>	<u>(114,297)</u>
Net change in fund balances	158,279	76,428	(261,621)	(727)	(27,641)
Fund balance at beginning of year	<u>943,240</u>	<u>1,587,677</u>	<u>910,076</u>	<u>79,936</u>	<u>3,520,929</u>
Fund balance at end of year	<u>\$ 1,101,519</u>	<u>\$ 1,664,105</u>	<u>\$ 648,455</u>	<u>\$ 79,209</u>	<u>\$ 3,493,288</u>

**Combining Balance Sheet
Nonmajor Special Revenue Funds
As of December 31, 2018**

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	\$ 131,626	\$ 345,184	\$ -	\$ -	\$ -	\$ 72,178	\$ 15,492	\$ -	\$ 564,480
Investments	-	-	-	-	-	168,061	221,284	-	389,345
Accounts receivable	-	-	153,861	-	11,425	-	-	-	165,286
Due from other funds	-	-	-	-	-	6,301	-	6,301	12,602
Notes receivable (net)	-	-	-	127,539	-	-	-	-	127,539
Land held for resale	-	-	-	307,335	-	-	-	-	307,335
Total Assets	<u>\$ 131,626</u>	<u>\$ 345,184</u>	<u>\$ 153,861</u>	<u>\$ 434,874</u>	<u>\$ 11,425</u>	<u>\$ 246,540</u>	<u>\$ 236,776</u>	<u>\$ 6,301</u>	<u>\$ 1,566,587</u>
LIABILITIES									
Accounts payable	\$ -	\$ -	\$ 235,903	\$ 6,600	\$ -	\$ -	\$ -	\$ -	\$ 242,503
Accrued wages payable	-	-	904	-	1,000	-	-	-	1,904
Due to other funds	-	-	40,679	153,892	116	-	-	14,628	209,315
Due to other government units	-	-	11,346	-	-	-	-	-	11,346
Total Liabilities	<u>-</u>	<u>-</u>	<u>288,832</u>	<u>160,492</u>	<u>1,116</u>	<u>-</u>	<u>-</u>	<u>14,628</u>	<u>465,068</u>
FUND BALANCES									
Restricted	131,626	345,184	-	274,382	10,309	246,540	236,776	-	1,244,817
Unassigned	-	-	(134,971)	-	-	-	-	(8,327)	(143,298)
Total fund balances	<u>131,626</u>	<u>345,184</u>	<u>(134,971)</u>	<u>274,382</u>	<u>10,309</u>	<u>246,540</u>	<u>236,776</u>	<u>(8,327)</u>	<u>1,101,519</u>
Total liabilities and fund balances	<u>\$ 131,626</u>	<u>\$ 345,184</u>	<u>\$ 153,861</u>	<u>\$ 434,874</u>	<u>\$ 11,425</u>	<u>\$ 246,540</u>	<u>\$ 236,776</u>	<u>\$ 6,301</u>	<u>\$ 1,566,587</u>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2018**

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>
Revenues:									
Intergovernmental	\$ -	\$ 693,255	\$ 971,911	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,665,166
Charges for services	-	-	-	-	7,594	47,221	-	47,216	102,031
Other revenue:									
Interest revenue	478	1,646	-	5,397	-	925	818	-	9,264
Other	-	-	2,250	292,539	-	-	-	-	294,789
Total revenues	<u>478</u>	<u>694,901</u>	<u>974,161</u>	<u>297,936</u>	<u>7,594</u>	<u>48,146</u>	<u>818</u>	<u>47,216</u>	<u>2,071,250</u>
Expenditures:									
Current:									
Public works	-	-	-	-	-	64,630	-	-	64,630
Recreation and culture	-	-	-	-	-	-	4,300	-	4,300
Community development	-	-	-	255,044	-	-	-	-	255,044
Transit	-	-	435,960	-	-	-	-	-	435,960
Cemetery	-	-	-	-	53,398	-	-	-	53,398
Capital outlay	-	-	615,673	-	29,428	-	-	17,524	662,625
Total expenditures	<u>-</u>	<u>-</u>	<u>1,051,633</u>	<u>255,044</u>	<u>82,826</u>	<u>64,630</u>	<u>4,300</u>	<u>17,524</u>	<u>1,475,957</u>
Excess (deficiency) of revenues over expenditures	<u>478</u>	<u>694,901</u>	<u>(77,472)</u>	<u>42,892</u>	<u>(75,232)</u>	<u>(16,484)</u>	<u>(3,482)</u>	<u>29,692</u>	<u>595,293</u>
Other financing sources (uses):									
Proceeds from sale of capital asset	-	-	-	66,829	29,892	-	17,100	-	113,821
Insurance proceeds	-	-	-	-	5,000	-	-	-	5,000
Transfers in	-	-	-	-	38,677	-	-	-	38,677
Transfers out	-	(522,497)	-	(72,015)	-	-	-	-	(594,512)
Total other financing sources (uses)	<u>-</u>	<u>(522,497)</u>	<u>-</u>	<u>(5,186)</u>	<u>73,569</u>	<u>-</u>	<u>17,100</u>	<u>-</u>	<u>(437,014)</u>
Net change in fund balances	478	172,404	(77,472)	37,706	(1,663)	(16,484)	13,618	29,692	158,279
Fund balance at beginning 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>943,240</u>
Fund balance at end of year	<u>\$ 131,626</u>	<u>\$ 345,184</u>	<u>\$ (134,971)</u>	<u>\$ 274,382</u>	<u>\$ 10,309</u>	<u>\$ 246,540</u>	<u>\$ 236,776</u>	<u>\$ (8,327)</u>	<u>\$ 1,101,519</u>

**Combining Balance Sheet
Nonmajor Debt Service Funds
As of December 31, 2018**

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	Total
ASSETS								
Cash and cash equivalents	\$ 47,633	\$ 75,067	\$ 238,144	\$ 131,641	\$ 151,531	\$ 51,102	\$ 92,695	\$ 787,813
Investments	190,533	300,266	-	116,738	110,870	76,653	61,797	856,857
Due from other government units	341	16,052	-	42	3	2,445	552	19,435
Special assessments receivable:								
Deferred	545,004	119,790	-	244,433	364,638	569,328	744,051	2,587,244
Total assets	<u>\$ 783,511</u>	<u>\$ 511,175</u>	<u>\$ 238,144</u>	<u>\$ 492,854</u>	<u>\$ 627,042</u>	<u>\$ 699,528</u>	<u>\$ 899,095</u>	<u>\$ 4,251,349</u>
DEFERRED INFLOWS OF RESOURCES								
Unavailable revenue-special assessments	\$ 545,004	\$ 119,790	\$ -	\$ 244,433	\$ 364,638	\$ 569,328	\$ 744,051	\$ 2,587,244
Total deferred inflows of resources	<u>545,004</u>	<u>119,790</u>	<u>-</u>	<u>244,433</u>	<u>364,638</u>	<u>569,328</u>	<u>744,051</u>	<u>2,587,244</u>
FUND BALANCES								
Restricted	238,507	391,385	238,144	248,421	262,404	130,200	155,044	1,664,105
Total fund balances	<u>238,507</u>	<u>391,385</u>	<u>238,144</u>	<u>248,421</u>	<u>262,404</u>	<u>130,200</u>	<u>155,044</u>	<u>1,664,105</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 783,511</u>	<u>\$ 511,175</u>	<u>\$ 238,144</u>	<u>\$ 492,854</u>	<u>\$ 627,042</u>	<u>\$ 699,528</u>	<u>\$ 899,095</u>	<u>\$ 4,251,349</u>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended December 31, 2018**

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>Total</u>
Revenues:								
Special assessments	\$ 48,914	\$ 44,633	\$ -	\$ 80,405	\$ 100,163	\$ 107,711	\$ 262,324	\$ 644,150
Other revenue:								
Interest on investments	864	3,065	864	909	854	708	611	7,875
Total revenues	<u>49,778</u>	<u>47,698</u>	<u>864</u>	<u>81,314</u>	<u>101,017</u>	<u>108,419</u>	<u>262,935</u>	<u>652,025</u>
Expenditures:								
Debt service:								
Principal retirement	30,000	-	-	65,000	95,000	95,000	300,000	585,000
Interest and fiscal agent fees	13,788	-	-	3,250	15,225	19,100	41,351	92,714
Other debt expenditures	3,100	-	-	-	-	-	-	3,100
Total expenditures	<u>46,888</u>	<u>-</u>	<u>-</u>	<u>68,250</u>	<u>110,225</u>	<u>114,100</u>	<u>341,351</u>	<u>680,814</u>
Excess (deficiency) of revenues over expenditures	<u>2,890</u>	<u>47,698</u>	<u>864</u>	<u>13,064</u>	<u>(9,208)</u>	<u>(5,681)</u>	<u>(78,416)</u>	<u>(28,789)</u>
Other financing sources:								
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>105,217</u>
Net change in fund balances	2,890	47,698	864	13,064	(9,208)	(5,681)	26,801	76,428
Fund balance at beginning 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>1,587,677</u>
Fund balance at end of year	<u>\$ 238,507</u>	<u>\$ 391,385</u>	<u>\$ 238,144</u>	<u>\$ 248,421</u>	<u>\$ 262,404</u>	<u>\$ 130,200</u>	<u>\$ 155,044</u>	<u>\$ 1,664,105</u>

Combining Balance Sheet
 Nonmajor Capital Projects Funds
 As of December 31, 2018

CITY OF EAST GRAND FORKS

	Grants	1997 Downtown Development	08 PFA Loan 23rd Street Project	Building Improvements	Total
ASSETS					
Cash and cash equivalents	\$ 125,220	\$ 63,876	\$ 179,200	\$ 294,412	\$ 662,708
Pledges receivable	315,000	-	-	-	315,000
Total assets	<u>\$ 440,220</u>	<u>\$ 63,876</u>	<u>\$ 179,200</u>	<u>\$ 294,412</u>	<u>\$ 977,708</u>
LIABILITIES					
Accounts payable	\$ 1,099	\$ -	\$ -	\$ 13,154	\$ 14,253
Total liabilities	<u>1,099</u>	<u>-</u>	<u>-</u>	<u>13,154</u>	<u>14,253</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - Pledges	315,000	-	-	-	315,000
Total deferred inflows of resources	<u>315,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>315,000</u>
FUND BALANCES					
Restricted	124,121	63,876	179,200	281,258	648,455
Total fund balances	<u>124,121</u>	<u>63,876</u>	<u>179,200</u>	<u>281,258</u>	<u>648,455</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 440,220</u>	<u>\$ 63,876</u>	<u>\$ 179,200</u>	<u>\$ 294,412</u>	<u>\$ 977,708</u>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Capital Projects Funds
 For the Year Ended December 31, 2018**

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	\$ -	\$ -	\$ -	\$ 197,810	\$ -	\$ 197,810
Other income	57,753	602	279	-	-	58,634
Total revenues	<u>57,753</u>	<u>602</u>	<u>279</u>	<u>197,810</u>	<u>-</u>	<u>256,444</u>
Expenditures:						
Capital outlay:	68,403	229,469	16,683	-	221,487	536,042
Debt service:						
Principal retirement	-	-	-	94,000	-	94,000
Interest and fiscal agent charges	-	-	-	105,523	-	105,523
Total expenditures	<u>68,403</u>	<u>229,469</u>	<u>16,683</u>	<u>199,523</u>	<u>221,487</u>	<u>735,565</u>
Excess (deficiency) of revenues over expenditures	<u>(10,650)</u>	<u>(228,867)</u>	<u>(16,404)</u>	<u>(1,713)</u>	<u>(221,487)</u>	<u>(479,121)</u>
Other financing sources (uses):						
Transfers in	-	-	-	-	250,000	250,000
Transfers out	(32,500)	-	-	-	-	(32,500)
Total other financing sources (uses)	<u>(32,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>250,000</u>	<u>217,500</u>
Net change in fund balances	(43,150)	(228,867)	(16,404)	(1,713)	28,513	(261,621)
Fund balance at beginning 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>
Fund balance at end of year	<u>\$ 124,121</u>	<u>\$ -</u>	<u>\$ 63,876</u>	<u>\$ 179,200</u>	<u>\$ 281,258</u>	<u>\$ 648,455</u>

Community and Growth Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget to Actual
 For the Year Ended December 31, 2018

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	\$ 478	\$ (1,022)
Total revenues	<u>1,500</u>	<u>478</u>	<u>(1,022)</u>
Net changes in fund balances	1,500	478	(1,022)
Fund balance at beginning of year	131,148	131,148	-
Fund balance at end of year	<u>\$ 132,648</u>	<u>\$ 131,626</u>	<u>\$ (1,022)</u>

State Aid Street Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget to Actual
 For the Year Ended December 31, 2018

CITY OF EAST GRAND FORKS

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Intergovernmental	\$ 362,452	\$ 693,255	\$ 330,803
Other revenues:			
Interest revenue	2,200	1,646	(554)
Total revenue	<u>364,652</u>	<u>694,901</u>	<u>330,249</u>
Expenditures:			
Public works:			
Contractual services	198,369	-	198,369
Total expenditures	<u>198,369</u>	<u>-</u>	<u>198,369</u>
Excess of revenues over expenditures	<u>166,283</u>	<u>694,901</u>	<u>528,618</u>
Other financing uses:			
Transfers out	-	(522,497)	(522,497)
Total other financing uses	<u>-</u>	<u>(522,497)</u>	<u>(522,497)</u>
Net changes in fund balances	166,283	172,404	6,121
Fund balance at beginning of year	172,780	172,780	-
Fund balance at end of year	<u>\$ 339,063</u>	<u>\$ 345,184</u>	<u>\$ 6,121</u>

Transit Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
For the Year Ended December 31, 2018

CITY OF EAST GRAND FORKS

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Intergovernmental	\$ 815,500	\$ 971,911	\$ 156,411
Other revenues:			
Other	24,100	2,250	(21,850)
Total revenues	<u>839,600</u>	<u>974,161</u>	<u>134,561</u>
Expenditures:			
Transit:			
Contractual services	460,060	435,960	24,100
Capital Outlay	-	615,673	(615,673)
Total expenditures	<u>460,060</u>	<u>1,051,633</u>	<u>(591,573)</u>
Excess (deficiency) of revenues over expenditures	<u>379,540</u>	<u>(77,472)</u>	<u>(457,012)</u>
Other financing sources:			
Transfers in	80,960	-	(80,960)
Total other financing sources	<u>80,960</u>	<u>-</u>	<u>(80,960)</u>
Net changes in fund balances	460,500	(77,472)	(537,972)
Fund balance at beginning of year	(57,499)	(57,499)	-
Fund balance at end of year	<u>\$ 403,001</u>	<u>\$ (134,971)</u>	<u>\$ (537,972)</u>

**New Home Incentive Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
For the Year Ended December 31, 2018**

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	\$ -	\$ 5,397	\$ 5,397
Other	118,000	292,539	174,539
Total revenues	<u>118,000</u>	<u>297,936</u>	<u>179,936</u>
Expenditures:			
Community development:			
Contractual services	12,000	10,798	1,202
Other expenditures	393,200	244,246	148,954
Total expenditures	<u>405,200</u>	<u>255,044</u>	<u>150,156</u>
Excess (deficiency) of revenues over expenditures	<u>(287,200)</u>	<u>42,892</u>	<u>330,092</u>
Other financing sources (uses):			
Proceeds from sale of capital asset	35,000	66,829	31,829
Transfers out	(80,600)	(72,015)	8,585
Total other financing sources (uses)	<u>(45,600)</u>	<u>(5,186)</u>	<u>40,414</u>
Net changes in fund balances	(332,800)	37,706	370,506
Fund balance at beginning of year	236,676	236,676	-
Fund balance at end of year	<u>\$ (96,124)</u>	<u>\$ 274,382</u>	<u>\$ 370,506</u>

Cemetery Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
For the Year Ended December 31, 2018

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	\$ 7,594	\$ (9,906)
Total revenues	<u>17,500</u>	<u>7,594</u>	<u>(9,906)</u>
Expenditures:			
Cemetery:			
Personal services	19,945	28,337	(8,392)
Supplies	2,000	2,047	(47)
Contractual services	8,000	9,454	(1,454)
Other expenditures	12,350	13,560	(1,210)
Capital Outlay	-	29,428	(29,428)
Total expenditures	<u>42,295</u>	<u>82,826</u>	<u>(40,531)</u>
Deficiency of revenues over expenditures	<u>(24,795)</u>	<u>(75,232)</u>	<u>(50,437)</u>
Other financing sources:			
Proceeds from sale of capital asset	22,000	29,892	7,892
Insurance proceeds	-	5,000	5,000
Transfers in	27,795	38,677	10,882
Total other financing sources	<u>49,795</u>	<u>73,569</u>	<u>23,774</u>
Net changes in fund balances	25,000	(1,663)	(26,663)
Fund balance at beginning of year	11,972	11,972	-
Fund balance at end of year	<u>\$ 36,972</u>	<u>\$ 10,309</u>	<u>\$ (26,663)</u>

Insect Control Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
For the Year Ended December 31, 2018

CITY OF EAST GRAND FORKS

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Charges for services	\$ 45,000	\$ 47,221	\$ 2,221
Other revenue:			
Interest revenue	1,500	925	(575)
Total revenues	<u>46,500</u>	<u>48,146</u>	<u>1,646</u>
Expenditures:			
Public Works:			
Personal services	12,667	8,735	3,932
Supplies	28,000	19,932	8,068
Other expenditures	5,700	35,963	(30,263)
Total expenditures	<u>46,367</u>	<u>64,630</u>	<u>(18,263)</u>
Net changes in fund balances	133	(16,484)	(16,617)
Fund balance at beginning of year	263,024	263,024	-
Fund balance at end of year	<u>\$ 263,157</u>	<u>\$ 246,540</u>	<u>\$ (16,617)</u>

Perpetual Care Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
For the Year Ended December 31, 2018

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	\$ 818	\$ (182)
Total revenues	<u>1,000</u>	<u>818</u>	<u>(182)</u>
Expenditures:			
Recreation and culture:			
Repairs and maintenance	-	4,300	(4,300)
Total expenditures	<u>-</u>	<u>4,300</u>	<u>(4,300)</u>
Deficiency of revenues over expenditures	<u>1,000</u>	<u>(3,482)</u>	<u>(4,482)</u>
Other financing sources:			
Proceeds from sale of capital asset	<u>12,000</u>	<u>17,100</u>	<u>5,100</u>
Total other financing sources	<u>12,000</u>	<u>17,100</u>	<u>5,100</u>
Net change in fund balances	13,000	13,618	618
Fund balance at beginning of year	<u>223,158</u>	<u>223,158</u>	<u>-</u>
Fund balance at end of year	<u>\$ 236,158</u>	<u>\$ 236,776</u>	<u>\$ 618</u>

Greenway Maintenance Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
For the Year Ended December 31, 2018

CITY OF EAST GRAND FORKS

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Charges for services	\$ 45,000	\$ 47,216	\$ 2,216
Total revenues	<u>45,000</u>	<u>47,216</u>	<u>2,216</u>
Expenditures:			
Public Works:			
Capital outlay	-	17,524	(17,524)
Total expenditures	<u>-</u>	<u>17,524</u>	<u>(17,524)</u>
Net change in fund balances	45,000	29,692	(15,308)
Fund balance at beginning of year	(38,019)	(38,019)	-
Fund balance at end of year	<u>\$ 6,981</u>	<u>\$ (8,327)</u>	<u>\$ (15,308)</u>



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INTERNAL SERVICE FUNDS



CITY OF EAST GRAND FORKS, MINNESOTA

INTERNAL SERVICE
FUNDS

INTERNAL SERVICE FUNDS are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

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

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



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**Combining Statement of Net Position
Internal Service Funds
As of December 31, 2018**

CITY OF EAST GRAND FORKS

	<u>Benefit Accrual</u>	<u>Central Equipment</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 8,884	\$ 288,814	\$ 297,698
Investments	459,088	263,831	722,919
Due from other funds	-	299,716	299,716
Total current assets	<u>467,972</u>	<u>852,361</u>	<u>1,320,333</u>
Noncurrent assets:			
Capital assets:			
Machinery and equipment	-	3,082,902	3,082,902
Construction in progress	-	496,574	496,574
Less accumulated depreciation	-	(1,797,765)	(1,797,765)
Capital assets (net)	<u>-</u>	<u>1,781,711</u>	<u>1,781,711</u>
TOTAL ASSETS	<u>467,972</u>	<u>2,634,072</u>	<u>3,102,044</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	-	109,463	109,463
Compensated absences payable	513,797	-	513,797
Accrued interest payable	-	5,363	5,363
G.O. revenue bonds payable - current	-	140,000	140,000
Total current liabilities	<u>513,797</u>	<u>254,826</u>	<u>768,623</u>
Noncurrent liabilities:			
Compensated absences payable - net current portion	330,161	-	330,161
Notes payable - net current portion	-	482,728	482,728
Total noncurrent liabilities	<u>330,161</u>	<u>482,728</u>	<u>812,889</u>
TOTAL LIABILITIES	<u>843,958</u>	<u>737,554</u>	<u>1,581,512</u>
NET POSITION			
Net investment in capital assets	-	1,158,983	1,158,983
Unrestricted	(375,986)	737,535	361,549
TOTAL NET POSITION	<u>\$ (375,986)</u>	<u>\$ 1,896,518</u>	<u>\$ 1,520,532</u>

**Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
For the Year Ended December 31, 2018**

CITY OF EAST GRAND FORKS

	<u>Benefit Accrual</u>	<u>Central Equipment</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ -	\$ 313,684	\$ 313,684
Total operating revenues	<u>-</u>	<u>313,684</u>	<u>313,684</u>
Operating expenses:			
Compensated absences	5,550	-	5,550
Depreciation	-	135,220	135,220
Total operating expenses	<u>5,550</u>	<u>135,220</u>	<u>140,770</u>
Operating income (loss)	<u>(5,550)</u>	<u>178,464</u>	<u>172,914</u>
Nonoperating revenues (expenses)			
Interest revenue	1,959	-	1,959
Interest expense	-	(9,050)	(9,050)
Transfers in	-	32,500	32,500
Total nonoperating revenues (expenses)	<u>1,959</u>	<u>23,450</u>	<u>25,409</u>
Change in net position	(3,591)	201,914	198,323
Net position at beginning of year	(372,395)	1,694,604	1,322,209
Net Position at end of year	<u>\$ (375,986)</u>	<u>\$ 1,896,518</u>	<u>\$ 1,520,532</u>

**Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2018**

CITY OF EAST GRAND FORKS

	<u>Benefit Accrual</u>	<u>Central Equipment</u>	<u>Total</u>
Cash flow from operating activities:			
Receipts from customers	\$ -	\$ 242,518	\$ 242,518
Receipts from interfund service provided	-	77,916	77,916
Payments for compensated absences	<u>(88,529)</u>	<u>-</u>	<u>(88,529)</u>
Net cash provided (used) by operating activities	<u>(88,529)</u>	<u>320,434</u>	<u>231,905</u>
Cash flow from noncapital financing activities:			
Transfers from other funds	-	32,500	32,500
Net cash provided by operating activities	<u>-</u>	<u>32,500</u>	<u>32,500</u>
Cash flows from capital financing activities:			
Change in interfund receivable	-	77,916	77,916
Principal payments on long-term debt	-	(125,000)	(125,000)
Interest payments on long-term debt	-	<u>(14,150)</u>	<u>(14,150)</u>
Net cash provided (used) by capital financing activities	<u>-</u>	<u>(61,234)</u>	<u>(61,234)</u>
Cash flows from investing activities			
Interest on investments	1,959	-	1,959
Proceeds from sales and maturities of investments	39,999	-	39,999
Purchase of investments	-	<u>(40,000)</u>	<u>(40,000)</u>
Net cash provided (used) by investing activities	<u>41,958</u>	<u>(40,000)</u>	<u>1,958</u>
Increase (decrease) in cash and cash equivalents	(46,571)	251,700	205,129
Cash and cash equivalents - January 1	55,455	37,114	92,569
Cash and cash equivalents - December 31	<u>\$ 8,884</u>	<u>\$ 288,814</u>	<u>\$ 297,698</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (5,550)	\$ 178,464	\$ 172,914
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Miscellaneous revenue	-	6,750	6,750
Depreciation and amortization	-	135,220	135,220
Changes in assets and liabilities:			
Compensated absences	<u>(82,979)</u>	<u>-</u>	<u>(82,979)</u>
Net cash provided (used) by operating activities	<u>\$ (88,529)</u>	<u>\$ 320,434</u>	<u>\$ 231,905</u>
Schedule of noncash investing, capital and financing activities:			
Acquisition of a capital asset through accounts payable	\$ -	\$ 102,713	\$ 102,713



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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, 2018**

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	\$ 4,912,878	\$ 4,815,813	\$ (97,065)	\$ 4,453,551
Mobile home taxes	14	6,336	6,322	4,241
Tax increment taxes	200	-	(200)	-
Hotel/Motel taxes	41,435	39,587	(1,848)	37,011
Franchise taxes	1,605,407	1,614,958	9,551	1,531,556
Special assessments	2,000	1,854	(146)	2,007
Total Taxes	<u>6,561,934</u>	<u>6,478,548</u>	<u>(83,386)</u>	<u>6,028,366</u>
Licenses and permits:				
Liquor and malt licenses	49,425	50,550	1,125	54,675
Tobacco licenses	500	350	(150)	550
Plumbing licenses	2,200	1,575	(625)	3,250
Amusement center licenses	-	40	40	-
Pet licenses	1,000	866	(134)	931
Other licenses	5,000	5,252	252	6,843
Building permits	50,000	43,891	(6,109)	64,308
Excavation permits	2,000	2,790	790	2,070
Plumbing permits	2,000	1,908	(92)	2,524
Other permits	3,000	3,465	465	6,303
Total Licenses & Permits	<u>115,125</u>	<u>110,687</u>	<u>(4,438)</u>	<u>141,454</u>
Intergovernmental:				
Federal grants	35,000	105,550	70,550	75,140
Local government aid	2,399,237	2,399,237	-	2,491,273
Disparity reduction credit	-	-	-	108,009
PERA aid	15,688	15,688	-	15,688
Police state aid	178,226	169,652	(8,574)	183,341
Fire state aid	65,147	68,691	3,544	71,476
Ambulance subsidy	22,000	21,939	(61)	21,939
Other	40,000	190,815	150,815	35,660
Total Intergovernmental	<u>2,755,298</u>	<u>2,971,572</u>	<u>216,274</u>	<u>3,002,526</u>
Charges for services:				
General government	21,427	21,834	407	26,939
Rescue unit	235,000	255,078	20,078	246,178

**Schedule of Revenues and Other Sources
Budget to Actual – General Fund
For the Year Ended December 31, 2018 (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	-	30,649	30,649	14,008
Protective inspection services	16,000	-	(16,000)	15
Rural fire service	51,904	53,494	1,590	53,915
Public safety - other	4,000	2,248	(1,752)	1,934
Streets and highways	4,500	1,973	(2,527)	975
Street lights	212,000	211,708	(292)	210,230
Swimming pool	27,000	28,365	1,365	151
Summer recreation programs	52,900	61,542	8,642	54,246
Winter recreation programs	98,000	94,027	(3,973)	99,963
Recreation - other	115,750	346,771	231,021	229,028
Senior Center	7,040	4,345	(2,695)	4,414
City hall rent	33,450	38,419	4,969	40,186
Blue Line Arena rent	13,000	10,964	(2,036)	11,696
VFW arena rent	27,000	29,732	2,732	37,983
Civic center rent	105,000	104,726	(274)	106,129
Zoning	-	415	415	1,835
Library	7,700	10,334	2,634	11,173
Total charges for services	<u>1,031,671</u>	<u>1,306,624</u>	<u>274,953</u>	<u>1,150,998</u>
Fines and forfeits:				
Court fines	90,000	88,064	(1,936)	80,117
Parking fines	1,500	2,870	1,370	2,565
Other fees and fines	100	-	(100)	385
Impound fees	4,000	7,974	3,974	6,207
Sale of seized property	10,000	21,718	11,718	54,203
Total fines and forfeits	<u>105,600</u>	<u>120,626</u>	<u>15,026</u>	<u>143,477</u>
Miscellaneous revenues:				
Interest revenue	18,075	16,622	(1,453)	26,868
Donations	10,400	29,433	19,033	33,379
Insurance dividends and proceeds	30,000	55,586	25,586	37,423
Other	2,600	19,600	17,000	9,796
Total miscellaneous	<u>61,075</u>	<u>121,241</u>	<u>60,166</u>	<u>107,466</u>
Total revenues	<u>10,630,703</u>	<u>11,109,298</u>	<u>478,595</u>	<u>10,574,287</u>
Other financing sources:				
Proceeds from sale of capital asset	-	7,223	7,223	13,000
Transfers in	142,225	111,392	(30,833)	275,154
Insurance proceeds	-	-	-	144,099
Total other financing sources	<u>142,225</u>	<u>118,615</u>	<u>(23,610)</u>	<u>432,253</u>
Total revenues and other financing sources	<u>\$ 10,772,928</u>	<u>\$ 11,227,913</u>	<u>\$ 454,985</u>	<u>\$ 11,006,540</u>

**Schedule of Expenditures and Other Uses
Budget to Actual – General Fund
For the Year Ended December 31, 2018**

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	\$ 46,713	\$ 600	\$ 46,513
Other expenditures	6,931	1,342	5,589	2,435
Total	<u>54,244</u>	<u>48,055</u>	<u>6,189</u>	<u>48,948</u>
Ordinances and proceedings:				
Contractual services	3,000	631	2,369	983
Total	<u>3,000</u>	<u>631</u>	<u>2,369</u>	<u>983</u>
Mayor:				
Personal services	10,834	10,814	20	10,814
Supplies	186	-	186	30
Contractual services	773	251	522	221
Other expenditures	2,431	4,100	(1,669)	1,415
Total	<u>14,224</u>	<u>15,165</u>	<u>(941)</u>	<u>12,480</u>
Elections:				
Personal services	14,252	13,545	707	-
Other expenditures	5,248	706	4,542	-
Total	<u>19,500</u>	<u>14,251</u>	<u>5,249</u>	<u>-</u>
City administration:				
Personal services	400,064	397,624	2,440	367,335
Supplies	7,450	5,453	1,997	6,371
Contractual services	29,600	28,612	988	19,379
Other expenditures	26,100	22,577	3,523	19,549
Total	<u>463,214</u>	<u>454,266</u>	<u>8,948</u>	<u>412,634</u>
Accounting and auditing:				
Contractual services	45,000	45,550	(550)	45,690
Total	<u>45,000</u>	<u>45,550</u>	<u>(550)</u>	<u>45,690</u>
City assessor:				
Contractual services	29,000	29,288	(288)	29,280
Total	<u>29,000</u>	<u>29,288</u>	<u>(288)</u>	<u>29,280</u>
City attorney:				
Contractual services	150,000	147,856	2,144	137,183
Other expenditures	2,500	-	2,500	-
Total	<u>152,500</u>	<u>147,856</u>	<u>4,644</u>	<u>137,183</u>
Planning and zoning:				
Personal services	42,062	42,338	(276)	40,891
Contractual services	72,300	80,310	(8,010)	68,149
Other expenditures	2,548	3,324	(776)	3,391
Total	<u>116,910</u>	<u>125,972</u>	<u>(9,062)</u>	<u>112,431</u>

**Schedule of Expenditures and Other Uses
Budget to Actual – General Fund
For the Year Ended December 31, 2018 (Continued)**

CITY OF EAST GRAND FORKS

	<u>Original and Final Budget</u>	<u>Current Year Actual</u>	<u>Variance with Final Budget</u>	<u>Prior Year Actual</u>
General government (continued)				
Civil service commission:				
Personal Services	3,230	3,230	-	3,368
Other expenditures	233	-	233	22
Total	<u>3,463</u>	<u>3,230</u>	<u>233</u>	<u>3,390</u>
Finance and accounting:				
Personal services	131,642	135,550	(3,908)	130,342
Other expenditures	9,100	7,763	1,337	3,752
Total	<u>140,742</u>	<u>143,313</u>	<u>(2,571)</u>	<u>134,094</u>
Building:				
Personal services	-	11,434	(11,434)	8,689
Supplies	2,500	3,009	(509)	2,133
Contractual services	19,500	18,762	738	17,076
Other expenditures	106,750	131,065	(24,315)	109,517
Capital outlay	500	284	216	75
Total	<u>129,250</u>	<u>164,554</u>	<u>(35,304)</u>	<u>137,490</u>
Summary:				
Current	1,170,547	1,191,847	(21,300)	1,074,528
Capital outlay	500	284	216	75
Total general government	<u>\$ 1,171,047</u>	<u>\$ 1,192,131</u>	<u>\$ (21,084)</u>	<u>\$ 1,074,603</u>
Public safety:				
Police:				
Personal services	\$ 2,386,020	\$ 2,373,557	\$ 12,463	\$ 2,339,844
Supplies	97,873	100,047	(2,174)	75,711
Contractual services	185,195	196,772	(11,577)	180,424
Other expenditures	27,330	36,485	(9,155)	22,548
Capital outlay	113,000	154,694	(41,694)	155,512
Total	<u>2,809,418</u>	<u>2,861,555</u>	<u>(52,137)</u>	<u>2,774,039</u>
Fire:				
Personal services	1,124,556	1,168,768	(44,212)	1,181,639
Supplies	2,794	2,128	666	2,437
Contractual services	248,559	229,083	19,476	201,980
Other expenditures	9,200	3,952	5,248	5,197
Capital outlay	-	-	-	21,949
Total	<u>1,385,109</u>	<u>1,403,931</u>	<u>(18,822)</u>	<u>1,413,202</u>

**Schedule of Expenditures and Other Uses
Budget to Actual – General Fund
For the Year Ended December 31, 2018 (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	64,859	61,652	3,207	58,748
Supplies	700	668	32	525
Contractual services	71,000	68,059	2,941	74,429
Other expenditures	4,200	5,893	(1,693)	2,705
Total	<u>140,759</u>	<u>136,272</u>	<u>4,487</u>	<u>136,407</u>
Traffic engineering:				
Personal services	20,108	32,718	(12,610)	30,177
Supplies	10,400	8,342	2,058	9,261
Contractual services	13,600	9,640	3,960	20,826
Other expenditures	16,850	17,037	(187)	1,549
Total	<u>60,958</u>	<u>67,737</u>	<u>(6,779)</u>	<u>61,813</u>
Animal control:				
Contractual services	7,000	8,742	(1,742)	5,347
Total	<u>7,000</u>	<u>8,742</u>	<u>(1,742)</u>	<u>5,347</u>
Summary:				
Current	4,290,244	4,323,543	(33,299)	4,213,347
Capital outlay	113,000	154,694	(41,694)	177,461
Total public safety	<u>\$ 4,403,244</u>	<u>\$ 4,478,237</u>	<u>\$ (74,993)</u>	<u>\$ 4,390,808</u>
Public works:				
Administration:				
Personal services	\$ 170,534	\$ 169,313	\$ 1,221	\$ 132,386
Supplies	1,400	1,815	(415)	1,281
Contractual services	3,850	5,419	(1,569)	3,553
Other expenditures	5,400	4,231	1,169	4,131
Total	<u>181,184</u>	<u>180,778</u>	<u>406</u>	<u>141,351</u>
Streets:				
Personal services	265,048	195,778	69,270	205,218
Supplies	5,000	3,808	1,192	3,406
Contractual services	1,000	190	810	-
Other expenditures	21,200	13,836	7,364	16,781
Capital outlay	252,000	252,001	(1)	250,000
Total	<u>544,248</u>	<u>465,613</u>	<u>78,635</u>	<u>475,405</u>

**Schedule of Expenditures and Other Uses
Budget to Actual – General Fund
For the Year Ended December 31, 2018 (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	50,000	74,313	(24,313)	56,391
Total	<u>50,000</u>	<u>74,313</u>	<u>(24,313)</u>	<u>56,391</u>
Downtown parking lots:				
Personal services	9,165	5,074	4,091	3,295
Total	<u>9,165</u>	<u>5,074</u>	<u>4,091</u>	<u>3,295</u>
Ice and snow removal:				
Personal services	116,861	111,615	5,246	112,586
Supplies	450	-	450	6
Contractual services	88,000	77,778	10,222	90,069
Other expenditures	1,000	577	423	678
Total	<u>206,311</u>	<u>189,970</u>	<u>16,341</u>	<u>203,339</u>
Equipment:				
Supplies	74,100	58,823	15,277	45,268
Contractual services	193,216	195,510	(2,294)	190,968
Other expenditures	500	262	238	39
Total	<u>267,816</u>	<u>254,595</u>	<u>13,221</u>	<u>236,275</u>
Equipment building:				
Supplies	15,200	11,725	3,475	13,661
Contractual services	60,500	59,155	1,345	47,700
Other expenditures	1,000	2,218	(1,218)	1,263
Total	<u>76,700</u>	<u>73,098</u>	<u>3,602</u>	<u>62,624</u>
City shop:				
Personal services	169,965	171,549	(1,584)	169,655
Charged back	(90,000)	(100,515)	10,515	(68,422)
Supplies	180,000	293,206	(113,206)	215,682
Charged back	(180,000)	(287,568)	107,568	(278,625)
Other expenditures	1,500	-	1,500	161
Total	<u>81,465</u>	<u>76,672</u>	<u>4,793</u>	<u>38,451</u>

**Schedule of Expenditures and Other Uses
Budget to Actual – General Fund
For the Year Ended December 31, 2018 (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	128,330	34,870	124,654
Total	<u>163,200</u>	<u>128,330</u>	<u>34,870</u>	<u>124,654</u>
Street cleaning:				
Personal services	28,248	24,815	3,433	26,742
Contractual services	27,227	27,876	(649)	25,448
Total	<u>55,475</u>	<u>52,691</u>	<u>2,784</u>	<u>52,190</u>
Weed control:				
Personal services	48,101	25,105	22,996	35,559
Supplies	1,000	561	439	831
Other expenditures	76,000	69,163	6,837	65,826
Capital outlay	500	450	50	438
Total	<u>125,601</u>	<u>95,279</u>	<u>30,322</u>	<u>102,654</u>
Summary:				
Current	1,508,665	1,343,962	164,703	1,246,191
Capital outlay	252,500	252,451	49	250,438
Total public works	<u>\$ 1,761,165</u>	<u>\$ 1,596,413</u>	<u>\$ 164,752</u>	<u>\$ 1,496,629</u>
Recreation and culture:				
Parks and recreation administration				
Personal services	\$ 168,901	\$ 168,727	\$ 174	\$ 187,410
Supplies	3,300	1,508	1,792	1,072
Contractual services	5,600	12,737	(7,137)	6,483
Other expenditures	2,800	2,503	297	1,413
Total	<u>180,601</u>	<u>185,475</u>	<u>(4,874)</u>	<u>196,378</u>
Playgrounds:				
Personal services	9,258	9,824	(566)	9,289
Supplies	500	-	500	-
Other expenditures	1,050	863	187	649
Capital outlay	30,000	31,139	(1,139)	10,296
Total	<u>40,808</u>	<u>41,826</u>	<u>(1,018)</u>	<u>20,234</u>

**Schedule of Expenditures and Other Uses
Budget to Actual – General Fund
For the Year Ended December 31, 2018 (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	73,412	86,131	(12,719)	18,231
Supplies	15,500	13,900	1,600	3,658
Contractual services	7,560	6,962	598	2,375
Other expenditures	32,500	28,156	4,344	15,909
Capital Outlay	7,690	7,684	6	-
Total	<u>136,662</u>	<u>142,833</u>	<u>(6,171)</u>	<u>40,173</u>
Tennis:				
Personal services	4,521	3,765	756	4,468
Supplies	1,000	374	626	35
Other expenditures	300	-	300	98
Total	<u>5,821</u>	<u>4,139</u>	<u>1,682</u>	<u>4,601</u>
Skating rinks:				
Personal services	6,997	11,111	(4,114)	5,173
Supplies	1,000	43	957	987
Other expenditures	-	-	-	75
Total	<u>7,997</u>	<u>11,154</u>	<u>(3,157)</u>	<u>6,235</u>
Hockey:				
Personal services	45,751	50,269	(4,518)	45,005
Supplies	3,500	2,185	1,315	1,042
Other expenditures	16,000	10,847	5,153	6,640
Total	<u>65,251</u>	<u>63,301</u>	<u>1,950</u>	<u>52,687</u>
Figure skating:				
Personal services	39,831	52,575	(12,744)	49,470
Supplies	3,000	2,556	444	367
Other expenditures	7,000	7,128	(128)	5,563
Total	<u>49,831</u>	<u>62,259</u>	<u>(12,428)</u>	<u>55,400</u>
Baseball:				
Personal services	40,907	46,953	(6,046)	51,310
Supplies	16,800	14,479	2,321	10,731
Other expenditures	10,559	15,264	(4,705)	4,327
Total	<u>68,266</u>	<u>76,696</u>	<u>(8,430)</u>	<u>66,368</u>
Softball:				
Personal services	18,839	23,852	(5,013)	19,508
Supplies	2,500	1,989	511	2,232
Other expenditures	1,000	688	312	584
Total	<u>22,339</u>	<u>26,529</u>	<u>(4,190)</u>	<u>22,324</u>

**Schedule of Expenditures and Other Uses
Budget to Actual – General Fund
For the Year Ended December 31, 2018 (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	125,087	138,351	(13,264)	124,118
Supplies	21,395	14,839	6,556	11,408
Contractual services	144,892	122,796	22,096	135,449
Other expenditures	2,200	615	1,585	175
Capital outlay	6,750	6,750	-	-
Total	<u>300,324</u>	<u>283,351</u>	<u>16,973</u>	<u>271,150</u>
VFW arena:				
Personal services	136,533	91,211	45,322	98,262
Supplies	16,562	21,842	(5,280)	9,569
Contractual services	100,300	131,422	(31,122)	118,820
Other expenditures	1,700	3,663	(1,963)	175
Capital outlay	-	-	-	481
Total	<u>255,095</u>	<u>248,138</u>	<u>6,957</u>	<u>227,307</u>
Library:				
Personal services	451,257	464,859	(13,602)	436,858
Supplies	8,550	11,553	(3,003)	10,957
Other expenditures	160,150	157,759	2,391	123,739
Capital outlay	7,402	2,379	5,023	4,923
Total	<u>627,359</u>	<u>636,550</u>	<u>(9,191)</u>	<u>576,477</u>
Senior Center:				
Personal services	99,833	76,364	23,469	86,783
Supplies	5,200	4,161	1,039	1,689
Other expenditures	34,150	32,337	1,813	36,344
Total	<u>139,183</u>	<u>112,862</u>	<u>26,321</u>	<u>124,816</u>
Blue Line Arena:				
Personal services	11,965	11,763	202	10,742
Supplies	4,000	3,180	820	2,462
Contractual services	37,800	45,895	(8,095)	31,704
Total	<u>53,765</u>	<u>60,838</u>	<u>(7,073)</u>	<u>44,908</u>
Park areas:				
Personal services	227,234	178,786	48,448	273,564
Supplies	42,500	35,476	7,024	42,088
Contractual services	84,000	103,223	(19,223)	110,074
Other expenditures	6,000	4,210	1,790	5,108
Capital outlay	55,450	55,674	(224)	17,134
Total	<u>415,184</u>	<u>377,369</u>	<u>37,815</u>	<u>447,968</u>
Campground-Recreation Area:				
Personal services	104,773	92,627	12,146	85,515
Supplies	12,000	5,098	6,902	4,470
Contractual services	68,000	59,863	8,137	64,460
Other expenditures	4,150	2,472	1,678	4,525
Total	<u>188,923</u>	<u>160,060</u>	<u>28,863</u>	<u>158,970</u>
Summary:				
Current	2,450,117	2,389,754	60,363	2,283,162
Capital outlay	107,292	103,626	3,666	32,834
Total Recreation and culture	<u>\$ 2,557,409</u>	<u>\$ 2,493,380</u>	<u>\$ 64,029</u>	<u>\$ 2,315,996</u>

**Schedule of Expenditures and Other Uses
Budget to Actual – General Fund
For the Year Ended December 31, 2018 (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	\$ 72,015	\$ (27,015)	\$ 49,937
General community development	181,376	182,690	(1,314)	152,941
Total	<u>226,376</u>	<u>254,705</u>	<u>(28,329)</u>	<u>202,878</u>
Summary:				
Current	226,376	254,705	(28,329)	202,878
Total community development	<u>\$ 226,376</u>	<u>\$ 254,705</u>	<u>\$ (28,329)</u>	<u>\$ 202,878</u>
Other expenditures:				
Workers compensation	\$ 10,000	\$ 2,828	\$ 7,172	\$ 4,046
General liability and other insurance	162,240	172,557	(10,317)	175,637
Storm damage	-	-	-	144,099
Promotional (Lodging)	41,435	37,607	3,828	35,160
Memberships and dues	20,000	24,411	(4,411)	9,207
Miscellaneous	25,000	23,063	1,937	27,100
Contributed capital outlay	75,000	39,377	35,623	-
Capital outlay	30,000	28,335	1,665	57,021
Total	<u>363,675</u>	<u>328,178</u>	<u>35,497</u>	<u>452,270</u>
Summary:				
Current	258,675	260,466	(1,791)	395,249
Capital outlay	105,000	67,712	37,288	57,021
Total other expenditures	<u>\$ 363,675</u>	<u>\$ 328,178</u>	<u>\$ 35,497</u>	<u>\$ 452,270</u>
Debt Service				
Interest and fiscal agent fees	\$ -	\$ -	\$ -	\$ 19,172
Summary:				
Current	-	-	-	19,172
Total debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,172</u>
Total expenditures	<u>\$10,482,916</u>	<u>\$ 10,343,044</u>	<u>\$ 139,872</u>	<u>\$ 9,952,356</u>
Other financing uses:				
Transfers	\$ 372,919	\$ 296,802	\$ 76,117	\$ 218,668
Total other financing uses	<u>372,919</u>	<u>296,802</u>	<u>76,117</u>	<u>218,668</u>
Total expenditures and other financing uses	<u>\$10,855,835</u>	<u>\$ 10,639,846</u>	<u>\$ 215,989</u>	<u>\$ 10,171,024</u>

Statement of Changes in Fiduciary Net Position
 Agency Fund – Flexible Benefits
 As of December 31, 2018

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>\$ 30,234</u>	<u>\$ 269,781</u>	<u>\$ (268,289)</u>	<u>\$ 31,726</u>
LIABILITIES:				
Due to employees	<u>\$ 30,234</u>	<u>\$ 269,781</u>	<u>\$ (268,289)</u>	<u>\$ 31,726</u>

**Combining Statement of Net Position
Discretely Presented Component Unit – by Focus
As of December 31, 2018**

CITY OF EAST GRAND FORKS

	<u>Housing</u>	<u>Economic Development</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 563,447	\$ 2,111,208	\$ 2,674,655
Investments	827,597	-	827,597
Accounts receivable	132,931	-	132,931
Notes receivable (current portion)	6,169	277,505	283,674
Total current assets	<u>1,530,144</u>	<u>2,388,713</u>	<u>3,918,857</u>
Noncurrent assets:			
Capital assets:			
Land	50,300	-	50,300
Buildings and systems	5,636,509	-	5,636,509
Machinery and equipment	137,109	9,749	146,858
Total capital assets	5,823,918	9,749	5,833,667
Less accumulated depreciation	(2,435,822)	(9,749)	(2,445,571)
Total capital assets (net)	<u>3,388,096</u>	<u>-</u>	<u>3,388,096</u>
Land held for resale	-	60,777	60,777
Notes receivable (net current portion)	-	1,465,828	1,465,828
Allowance for uncollectible	-	(67,862)	(67,862)
Total noncurrent assets	<u>-</u>	<u>1,458,743</u>	<u>1,458,743</u>
TOTAL ASSETS	<u>4,918,240</u>	<u>3,847,456</u>	<u>8,765,696</u>
Deferred outflows of resources			
Cost sharing defined benefit - PERA	14,148	14,148	28,296
Deferred outflows of resources - OPEB	452	452	904
Total deferred outflows of resources	<u>14,600</u>	<u>14,600</u>	<u>29,200</u>
LIABILITIES			
Current liabilities:			
Accounts payable	12,591	1,833	14,424
Accrued wages payable	2,672	5,915	8,587
Due to other government units	5,024	406	5,430
Compensated absences payable - current	4,143	-	4,143
Total current liabilities	<u>24,430</u>	<u>8,154</u>	<u>32,584</u>
Noncurrent liabilities:			
Customer deposits	26,001	-	26,001
Compensated absences payable (net current)	-	15,727	15,727
Net pension liability	73,117	73,117	146,234
Total other postemployment benefit liability	5,690	5,690	11,380
Total noncurrent liabilities	<u>104,808</u>	<u>94,534</u>	<u>199,342</u>
Deferred inflows of resources			
Cost sharing defined benefit - PERA	20,945	20,945	41,890
Total deferred inflows of resources	<u>20,945</u>	<u>20,945</u>	<u>41,890</u>
NET POSITION			
Net investment in capital assets	3,388,096	-	3,388,096
Unrestricted	1,394,561	3,738,423	5,132,984
TOTAL NET POSITION	<u>\$ 4,782,657</u>	<u>\$ 3,738,423</u>	<u>\$ 8,521,080</u>

**Statement of Revenues, Expenses and Changes in Fund Net Position
Discretely Presented Component Unit – by Focus
For the Year Ended December 31, 2018**

CITY OF EAST GRAND FORKS

	<u>Housing</u>	<u>Economic Development</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 469,784	\$ 44,952	\$ 514,736
Other	140,177	187,097	327,274
Total operating revenues	<u>609,961</u>	<u>232,049</u>	<u>842,010</u>
Operating expenses:			
Community development:			
Administration	345,132	140,778	485,910
Depreciation	142,620	-	142,620
Other:			
Business development	-	44,616	44,616
Total operating expenses	<u>487,752</u>	<u>185,394</u>	<u>673,146</u>
Operating income (loss)	<u>122,209</u>	<u>46,655</u>	<u>168,864</u>
Nonoperating revenues:			
Interest revenue	5,992	7,269	13,261
Insurance proceeds	5,828	-	5,828
Miscellaneous revenue	-	2,633	2,633
Total nonoperating revenues	<u>11,820</u>	<u>9,902</u>	<u>21,722</u>
Change in net position	134,029	56,557	190,586
Net position at beginning of year	4,653,735	3,686,973	8,340,708
Adjustment for GASB 75 - See Note 2	(5,107)	(5,107)	(10,214)
Net position at beginning of year, as restated	<u>4,648,628</u>	<u>3,681,866</u>	<u>8,330,494</u>
Net position at end of year	<u>\$ 4,782,657</u>	<u>\$ 3,738,423</u>	<u>\$ 8,521,080</u>

**Combining Schedule of Net Position
Discretely Presented Component Unit – Economic Development Focus
As of December 31, 2018**

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	\$ -	\$ 638,741	\$ 270,660	\$ 465,680	\$ 736,127	\$ 2,111,208
Notes receivable (current portion)	-	-	26,096	1,128	250,281	277,505
Total current assets	<u>-</u>	<u>638,741</u>	<u>296,756</u>	<u>466,808</u>	<u>986,408</u>	<u>2,388,713</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)	-	-	95,512	4,324	1,365,992	1,465,828
Allowance for uncollectible	-	-	-	-	(67,862)	(67,862)
Total noncurrent assets	<u>-</u>	<u>18,777</u>	<u>137,512</u>	<u>4,324</u>	<u>1,298,130</u>	<u>1,458,743</u>
TOTAL ASSETS	<u>-</u>	<u>657,518</u>	<u>434,268</u>	<u>471,132</u>	<u>2,284,538</u>	<u>3,847,456</u>
Deferred outflows of resources						
Cost sharing defined benefit - PERA	14,148	-	-	-	-	14,148
Deferred outflows of resources - OPEB	452	-	-	-	-	452
Total deferred outflows of resources	<u>14,600</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,600</u>
LIABILITIES						
Current liabilities:						
Accounts payable	1,833	-	-	-	-	1,833
Accrued wages payable	5,915	-	-	-	-	5,915
Due to other governments	406	-	-	-	-	406
Total current liabilities	<u>8,154</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,154</u>
Noncurrent liabilities:						
Compensated absences payable (net current)	15,727	-	-	-	-	15,727
Net pension liability	73,117	-	-	-	-	73,117
Total other postemployment liability	5,690	-	-	-	-	5,690
Total noncurrent liabilities	<u>94,534</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>94,534</u>
Total liabilities	<u>102,688</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>102,688</u>
Deferred inflows of resources						
Cost sharing defined benefit - PERA	20,945	-	-	-	-	20,945
Total deferred inflows of resources	<u>20,945</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>20,945</u>
NET POSITION						
Unrestricted	(109,033)	657,518	434,268	471,132	2,284,538	3,738,423
TOTAL NET POSITION	<u>\$ (109,033)</u>	<u>\$ 657,518</u>	<u>\$ 434,268</u>	<u>\$ 471,132</u>	<u>\$ 2,284,538</u>	<u>\$ 3,738,423</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, 2018**

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	\$ -	\$ -	\$ -	\$ 115	\$ 44,837	\$ 44,952
Other revenues:						
Business development	-	-	4,197	-	-	4,197
Other	182,900	-	-	-	-	182,900
Total operating revenues	<u>182,900</u>	<u>-</u>	<u>4,197</u>	<u>115</u>	<u>44,837</u>	<u>232,049</u>
Operating expenses:						
Administration	140,778	-	-	-	-	140,778
Business development	38,111	-	6,500	-	5	44,616
Total operating expenses	<u>178,889</u>	<u>-</u>	<u>6,500</u>	<u>-</u>	<u>5</u>	<u>185,394</u>
Operating income (loss)	<u>4,011</u>	<u>-</u>	<u>(2,303)</u>	<u>115</u>	<u>44,832</u>	<u>46,655</u>
Nonoperating revenues:						
Interest revenue	-	2,318	944	1,696	2,311	7,269
Miscellaneous revenue	-	-	-	-	2,633	2,633
Total nonoperating revenues	<u>-</u>	<u>2,318</u>	<u>944</u>	<u>1,696</u>	<u>4,944</u>	<u>9,902</u>
Change in net position	4,011	2,318	(1,359)	1,811	49,776	56,557
Net position at beginning of year	(107,937)	655,200	435,627	469,321	2,234,762	3,686,973
Adjustment for GASB 75 - See Note 2	(5,107)	-	-	-	-	(5,107)
Net position at beginning of year, as restated	<u>(113,044)</u>	<u>655,200</u>	<u>435,627</u>	<u>469,321</u>	<u>2,234,762</u>	<u>3,681,866</u>
Net position at end of year	<u>\$ (109,033)</u>	<u>\$ 657,518</u>	<u>\$ 434,268</u>	<u>\$ 471,132</u>	<u>\$ 2,284,538</u>	<u>\$ 3,738,423</u>

**Combining Schedule of Net Position
Discretely Presented Component Unit – Housing Focus
As of December 31, 2018**

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	\$ 181,768	\$ 214,354	\$ 167,325	\$ 563,447
Investments	827,597	-	-	827,597
Accounts receivable	132,931	-	-	132,931
Notes receivable	-	6,169	-	6,169
Total current assets	<u>1,142,296</u>	<u>220,523</u>	<u>167,325</u>	<u>1,530,144</u>
Noncurrent Assets:				
Capital assets:				
Land	50,300	-	-	50,300
Buildings and systems	5,636,509	-	-	5,636,509
Machinery and equipment	137,109	-	-	137,109
Total capital assets	<u>5,823,918</u>	<u>-</u>	<u>-</u>	<u>5,823,918</u>
Less accumulated depreciation	<u>(2,435,822)</u>	<u>-</u>	<u>-</u>	<u>(2,435,822)</u>
Total capital assets (net)	<u>3,388,096</u>	<u>-</u>	<u>-</u>	<u>3,388,096</u>
Total noncurrent assets	<u>3,388,096</u>	<u>-</u>	<u>-</u>	<u>3,388,096</u>
TOTAL ASSETS	<u>4,530,392</u>	<u>220,523</u>	<u>167,325</u>	<u>4,918,240</u>
Deferred outflows of resources				
Cost sharing defined benefit - PERA	14,148	-	-	14,148
Deferred outflows of resources - OPEB	452	-	-	452
Total deferred outflows of resources	<u>14,600</u>	<u>-</u>	<u>-</u>	<u>14,600</u>
LIABILITIES				
Current liabilities:				
Accounts payable	12,591	-	-	12,591
Accrued wages payable	2,672	-	-	2,672
Due to other government units	5,024	-	-	5,024
Compensated absences payable - current	4,143	-	-	4,143
Total current liabilities	<u>24,430</u>	<u>-</u>	<u>-</u>	<u>24,430</u>
Noncurrent liabilities:				
Customer deposits	26,001	-	-	26,001
Net pension liability	73,117	-	-	73,117
Total other postemployment benefit liability	5,690	-	-	5,690
Total noncurrent liabilities	<u>104,808</u>	<u>-</u>	<u>-</u>	<u>104,808</u>
TOTAL LIABILITIES	<u>129,238</u>	<u>-</u>	<u>-</u>	<u>129,238</u>
Deferred inflows of resources				
Cost sharing defined benefit - PERA	20,945	-	-	20,945
Total deferred inflows of resources	<u>20,945</u>	<u>-</u>	<u>-</u>	<u>20,945</u>
NET POSITION				
Net investment in capital assets	3,388,096	-	-	3,388,096
Unrestricted	1,006,713	220,523	167,325	1,394,561
TOTAL NET POSITION	<u>\$ 4,394,809</u>	<u>\$ 220,523</u>	<u>\$ 167,325</u>	<u>\$ 4,782,657</u>

**Combining Schedule of Revenues, Expenses and Changes in Fund Net Position
Discretely Presented Component Unit – Housing Focus
For the Year Ended December 31, 2018**

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	\$ 469,784	\$ -	\$ -	\$ 469,784
Other	140,177	-	-	140,177
Total operating revenues	<u>609,961</u>	<u>-</u>	<u>-</u>	<u>609,961</u>
Operating expenses:				
Community development:				
Personal services	72,750	-	-	72,750
Supplies	4,905	-	-	4,905
Contractual services	125,430	-	-	125,430
Depreciation	142,620	-	-	142,620
Other expenditures	142,047	-	-	142,047
Total operating expenses	<u>487,752</u>	<u>-</u>	<u>-</u>	<u>487,752</u>
Operating income (loss)	<u>122,209</u>	<u>-</u>	<u>-</u>	<u>122,209</u>
Nonoperating revenues:				
Interest revenue	2,951	2,169	872	5,992
Insurance proceeds	5,828	-	-	5,828
Total nonoperating revenues	<u>8,779</u>	<u>2,169</u>	<u>872</u>	<u>11,820</u>
Change in net position	130,988	2,169	872	134,029
Net position at beginning of year	4,268,928	218,354	166,453	4,653,735
Adjustment for GASB 75 - See Note 2	(5,107)	-	-	(5,107)
Net position at beginning of year, as restated	<u>4,263,821</u>	<u>218,354</u>	<u>166,453</u>	<u>4,648,628</u>
Net position at end of year	<u>\$ 4,394,809</u>	<u>\$ 220,523</u>	<u>\$ 167,325</u>	<u>\$ 4,782,657</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>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>	<u>2018</u>
Governmental activities										
Net investment in capital assets	\$ 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	\$ 117,249,450
Restricted	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	12,483,478
Unrestricted	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)	(528,273)
Total governmental activities net position	<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>	<u>\$ 129,204,655</u>
Business-type activities										
Net investment in capital assets	\$ 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	\$ 52,177,632
Restricted	72,233	-	-	-	-	-	-	-	-	-
Unrestricted	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	19,731,246
Total business-type activities net position	<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>	<u>\$ 71,908,878</u>
Primary government										
Net investment in capital assets	\$ 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	\$ 169,427,082
Restricted	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	12,483,478
Unrestricted	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	19,202,973
Total primary government net position	<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>	<u>\$ 201,113,533</u>

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

CITY OF EAST GRAND FORKS

	<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>	<u>2018</u>
Expenses										
Governmental activities:										
General government	\$ 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	\$ 1,342,550
Public safety	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	4,413,214
Public works	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	5,259,137
Transit	283,898	278,476	365,385	401,470	343,947	385,912	387,385	409,700	467,747	506,202
Recreation and culture	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	2,495,130
Community development	181,624	166,045	173,235	227,832	122,563	132,490	109,984	531,305	410,613	509,748
Cemetery	47,105	52,476	57,228	60,463	299,909	43,389	50,317	68,904	68,978	71,304
Interest on long-term debt	505,820	566,395	612,504	533,736	502,385	458,606	504,927	381,875	488,843	369,483
Total governmental activities expenses	<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>	<u>14,966,768</u>
Business-type activities										
Electric utility	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	14,217,687
Water utility	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	2,297,615
Sewer utility	703,260	785,645	964,063	901,603	918,483	868,049	885,940	951,449	1,062,574	1,513,841
Commercial properties	350,600	365,121	631,066	324,547	335,128	346,560	1,697,935	63,549	73,689	76,146
Storm water	907,291	956,736	804,162	499,046	561,522	621,122	606,720	614,981	562,484	609,428
Refuse collection	812,010	838,236	854,222	866,266	912,945	906,560	946,497	1,115,119	944,928	1,028,401
Total business-type activities expenses	<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>	<u>19,743,118</u>
Total primary government expenses	<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>	<u>\$ 34,709,886</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 102,704	\$ 125,833	\$ 118,710	\$ 301,653	\$ 77,324	\$ 64,999	\$ 62,347	\$ 71,145	\$ 200,787	\$ 160,092
Public safety	314,829	246,507	459,160	306,445	301,040	308,152	308,678	302,641	459,527	462,094
Public works	219,704	266,398	273,836	-	298,163	305,410	315,286	315,553	313,607	317,059
Transit	2,446	4,500	-	214,771	-	-	-	-	-	-
Recreation and culture	406,660	386,664	319,877	411,311	514,163	382,199	516,167	554,879	553,589	691,104
Community development	93,745	137,975	36,000	-	106,024	1,417	1,103	2,212	2,143	2,029
Cemetery	46,352	41,793	55,832	-	39,295	7,875	21,310	13,945	14,311	7,594
Operating grants and contributions	654,364	611,611	742,997	3,380,925	3,753,816	3,001,462	3,158,208	3,221,755	1,107,433	2,305,017
Capital grants and contributions	2,310,356	2,864,343	713,176	-	532,698	377,027	16,883	1,150,836	1,371,508	1,506,801
Total governmental activities program revenues	<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>	<u>5,451,790</u>

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

CITY OF EAST GRAND FORKS

	<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>	<u>2018</u>
Business-type activities:										
Charges for services:										
Electric utility	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	15,024,875
Water utility	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	2,600,636
Sewer utility	968,208	988,491	976,454	1,279,097	1,428,483	1,659,431	1,629,153	1,647,609	1,660,340	1,668,778
Commercial properties	178,530	189,072	197,095	190,915	176,714	192,156	109,489	64,842	66,318	66,189
Storm water	178,686	179,305	213,691	233,899	233,105	235,222	268,021	479,086	482,463	485,348
Refuse collection	752,588	872,984	829,018	840,565	850,212	868,003	914,545	1,039,110	1,011,456	1,042,996
Operating grants and contributions	442,829	129,937	303,931	20,215	15,427	15,000	-	-	-	-
Capital grants and contributions	215,248	96,704	-	-	-	-	-	-	486,277	2,903,474
Total business-type activities program revenues	<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>	<u>23,792,296</u>
Total primary government program revenues	<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>	<u>\$ 29,244,086</u>
Net (expense)/revenue										
Governmental activities	\$ (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)	\$ (9,514,978)
Business-type activities	416,833	431,752	(104,040)	825,765	928,673	1,161,535	(26,359)	1,028,086	1,641,716	4,049,178
Total primary government net expense	<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>	<u>\$ (5,465,800)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 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	\$ 3,948,855
Franchise taxes	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	1,614,958
Sales taxes	-	-	-	-	-	-	-	-	-	802,604
Unrestricted grants and contributions	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	3,505,420
Investment earnings	272,807	160,728	361,923	288,304	229,366	174,674	84,835	125,608	494,906	56,116
Other	105,452	180,527	106,954	267,103	140,017	888,472	1,045,580	1,021,419	797,628	1,010,547
Transfers	188,618	108,484	456,816	(250,000)	249,639	555,506	1,103,174	385,154	137,284	287,877
Total governmental activities	<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>	<u>11,226,377</u>
Business-type activities										
Investment earnings	432,172	333,528	328,644	237,356	(246,259)	470,668	273,526	237,847	194,186	169,612
Gain on sale	-	-	-	-	-	-	-	8,249	-	-
Capital contributions	-	-	-	-	-	-	-	258,293	-	-
Other	-	3,600	-	-	-	-	-	7,500	8,965	7,500
Transfers	(188,618)	(108,484)	(456,816)	250,000	(249,639)	(555,506)	(1,259,323)	(385,154)	(137,284)	(287,877)
Total business-type activities	<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>	<u>(110,765)</u>
Total primary government	<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>	<u>\$ 11,115,612</u>
Changes in Net Position										
Governmental activities	\$ (172,876)	\$ (117,100)	\$ (1,304,969)	\$ (1,203,804)	\$ (489,640)	\$ 216,240	\$ (205,618)	\$ (343,183)	\$ (672,534)	\$ 1,711,399
Business-type activities	660,387	660,396	(232,212)	1,313,121	432,775	1,076,697	(1,012,156)	1,154,821	1,707,583	3,938,413
Total primary government	<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>	<u>\$ 5,649,812</u>

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

(Modified accrual basis of accounting)

CITY OF EAST GRAND FORKS

	<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>	<u>2018</u>
General Fund										
Nonspendable	\$ 22,738	\$ 33,224	\$ 35,397	\$ 39,005	\$ 33,820	\$ 90,799	\$ 18,438	\$ 18,834	\$ 24,249	\$ 18,546
Assigned	-	-	-	-	-	-	824,534	-	-	-
Unassigned	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	6,001,056
Total general fund	<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>	<u>\$ 6,019,602</u>
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ 244,951	\$ 233,684	\$ 221,958	\$ 209,754	\$ 202,219	\$ 76,000	\$ 76,000	\$ 76,000
Restricted	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	5,844,071
Unassigned	2,187,869	2,101,377	339,842	(1,093,334)	(1,594,585)	(534,491)	(443,018)	(2,902,243)	(2,051,907)	(1,315,136)
Total all other governmental funds	<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>	<u>\$ 4,604,935</u>

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

(Modified accrual basis of accounting)

CITY OF EAST GRAND FORKS

	<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>	<u>2018</u>
Revenues										
General Taxes	\$ 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	\$ 7,279,298
Special Assessments	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	1,448,823
Licenses and Permits	113,350	122,642	105,201	125,530	131,642	119,602	128,766	141,650	141,454	110,687
Intergovernmental	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	5,751,681
Charges for Services	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	1,408,655
Fines and Forfeitures	151,845	119,522	106,954	123,841	107,304	110,954	96,018	134,397	143,477	120,626
Investment Earnings & Other Revenues	397,743	238,902	361,923	288,304	226,369	350,201	378,562	790,796	387,111	511,322
Total Revenues	<u>11,389,444</u>	<u>11,604,262</u>	<u>10,935,957</u>	<u>13,266,922</u>	<u>11,978,963</u>	<u>12,394,086</u>	<u>11,923,990</u>	<u>13,976,623</u>	<u>13,185,167</u>	<u>16,631,092</u>
Expenditures										
General Government	877,116	839,360	833,241	896,494	989,127	960,902	996,073	1,082,021	1,074,528	1,191,847
Public Safety	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	4,323,543
Public Works	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	1,409,335
Transit	261,246	262,526	344,381	371,403	311,685	350,484	353,824	373,701	422,206	435,960
Culture and Recreation	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	2,395,072
Community Development	181,624	166,045	171,953	227,832	122,563	132,491	109,985	531,305	410,613	509,749
Cemetery	43,434	49,139	54,721	57,956	53,936	43,389	44,799	56,943	79,324	53,398
Other	251,187	287,772	216,905	180,205	243,466	240,002	261,263	241,159	395,249	260,466
Capital Outlay	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	3,527,284
Debt Service										
Principal	885,000	940,000	1,593,000	1,695,577	999,000	1,096,000	709,000	3,858,000	841,000	2,519,000
Interest	504,413	525,259	587,668	561,487	495,591	459,405	449,626	401,875	409,402	398,866
Other Charges	-	-	-	41,962	11,891	-	57,745	-	62,055	3,100
Total All Other Governmental Funds	<u>15,366,578</u>	<u>14,153,737</u>	<u>12,026,284</u>	<u>14,381,592</u>	<u>12,472,389</u>	<u>13,105,903</u>	<u>14,474,832</u>	<u>17,853,854</u>	<u>14,186,210</u>	<u>17,027,620</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,977,134)</u>	<u>(2,549,475)</u>	<u>(1,090,327)</u>	<u>(1,114,670)</u>	<u>(493,426)</u>	<u>(711,817)</u>	<u>(2,550,842)</u>	<u>(3,877,231)</u>	<u>(1,001,043)</u>	<u>(396,528)</u>
Other Financing Sources (Uses)										
Transfers In	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	1,180,691
Transfers Out	(2,452,212)	(1,495,971)	(641,196)	(909,925)	(1,084,216)	(1,079,187)	(3,236,555)	(2,527,734)	(900,269)	(923,814)
Long-term Debt Issued	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	186,558
Sale of Capital Assets	-	47,709	-	-	-	138,023	106,060	40,118	72,010	121,044
Total Other Financing Sources (Uses)	<u>3,125,520</u>	<u>2,423,352</u>	<u>1,030,062</u>	<u>867,732</u>	<u>249,639</u>	<u>693,527</u>	<u>5,349,262</u>	<u>425,272</u>	<u>4,602,417</u>	<u>564,479</u>
Net Change in Fund Balances	<u>\$ (851,614)</u>	<u>\$ (126,123)</u>	<u>\$ (60,265)</u>	<u>\$ (246,938)</u>	<u>\$ (243,787)</u>	<u>\$ (18,290)</u>	<u>\$ 2,798,420</u>	<u>\$ (3,451,959)</u>	<u>\$ 3,601,374</u>	<u>\$ 167,951</u>
Debt Service as % of Noncapital Expenditures	12.1%	14.4%	20.6%	18.8%	15.6%	13.5%	11.0%	30.1%	10.6%	21.3%

**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>
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
2018	4,815,813	1,383,262	87,882	143,814	45,924	6,476,695
Change 2009-2018	130.2%	20.1%	-9.4%	26.9%	91.6%	86.2%

Notes:

General Fund only.

(1) The electric franchise fee is \$.0075 per kwh sold by the city-owned utility.

(2) The gas franchise fee is 3% of gross revenues generated by NSP/Xcel Energy.

(3) The cable franchise fee is 5% of gross revenues.

Source:

Administration and Finance

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

(Modified accrual basis of accounting)

CITY OF EAST GRAND FORKS

<u>Year</u>	<u>Local Government Aid</u>	<u>Market Value Credit</u>	<u>Disparity Reduction Credit</u>	<u>Police State Aid</u>	<u>PERA and Fire Aid</u>	<u>Total</u>
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
2018	2,399,237	-	829,698	169,652	84,379	3,482,966
Change 2009-2018	-9.8%	-100.0%	120.7%	14.9%	76.7%	1.9%

Notes: General Fund only.

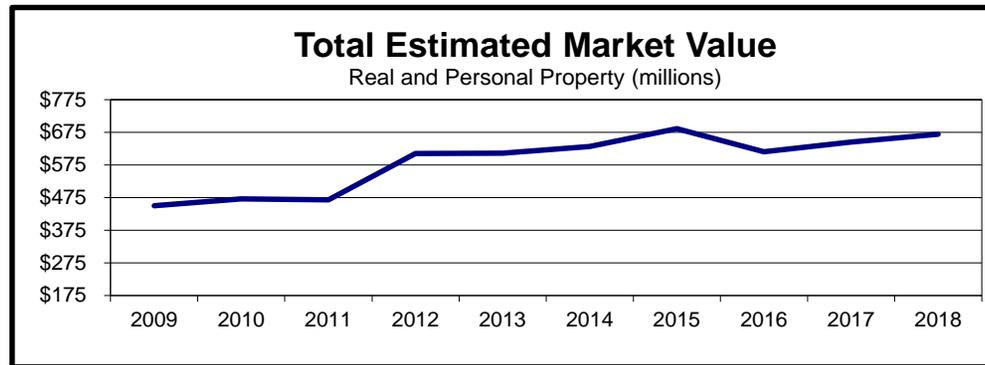
Source: Administration and Finance

**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		
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%
2018	7,192,028	664,363,600	77,455	3,967,800	7,269,483	668,331,400	68.53	1.1%

Source: County Assessor



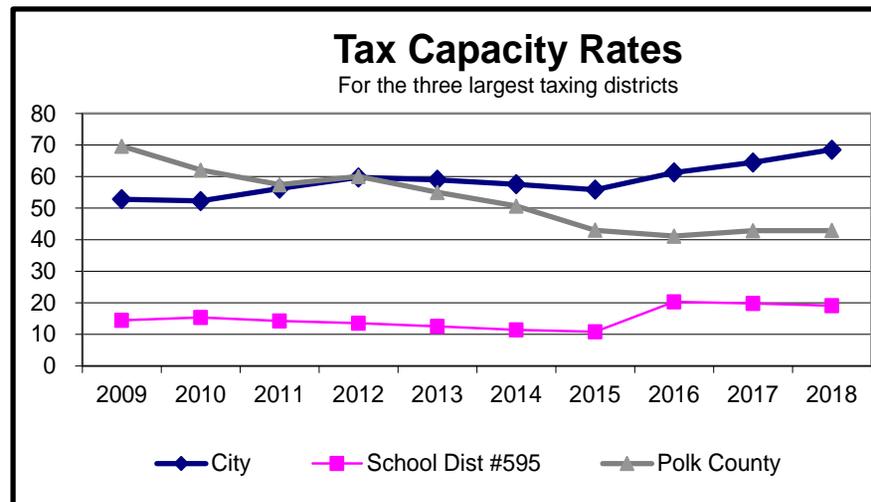
Note: The county assessor is occasionally required to make city wide adjustments to estimated market values. The State of Minnesota will instruct the county assessor to make these type of adjustments when data comparing actual sales to assessed values warrant such actions.

**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	
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
2018	64.08	4.45	68.53	19.10	42.90	5.11	0.20	0.65	136.48

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>	2018			2009		
	<u>Tax Capacity</u>	<u>Rank</u>	<u>% of Total Tax Capacity of \$7,269,483</u>	<u>Tax Capacity</u>	<u>Rank</u>	<u>% of Total Tax Capacity of \$5,067,378</u>
American Crystal	\$ 351,202	1	4.83%	\$ 593,734	1	11.72%
Pierce Investments LLC	92,761	2	1.28%	52,534	5	1.04%
Burlington Northern	91,884	3	1.26%	34,844	10	0.69%
SPT Prairie 210 Demers Avenue LLC	87,136	4	1.20%			
Valley Markets	83,730	5	1.15%	53,298	4	1.05%
Xcel-Northern States Power	72,800	6	1.00%	52,020	7	1.03%
Riverview Terrace LLC	69,613	7	0.96%	52,485	6	1.04%
EVI Mn Heights LLC	66,581	8	0.92%			
Green Acres	53,428	9	0.73%	51,471	8	1.0%
Sterling Develop Group Three	45,950	10	0.63%			
EGF Economic Dev Authority				38,705	9	0.76%
Sterling Development				56,910	3	1.12%
Cabela's				57,706	2	1.14%
	<u>\$ 1,015,085</u>		<u>13.96%</u>	<u>\$ 1,043,707</u>		<u>20.60%</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

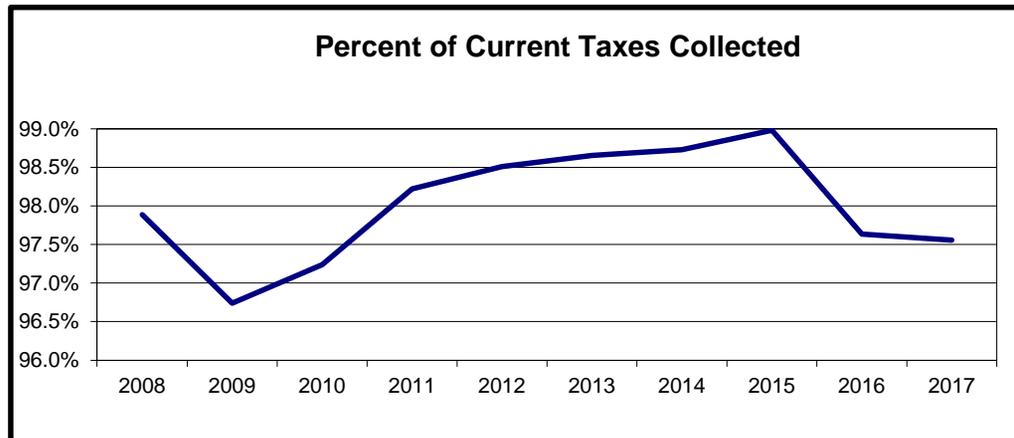
**Property Tax Levies and Tax Collections
Last Ten Years**
(Unaudited)

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						
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%
2017	4,912,878	4,792,886	97.6%	31,361	4,824,247	98.2%	88,631	1.8%

(1) Collection year is one year later (i.e., Levy Year 2017 Collection Year 2018)

Source: County Auditor



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

CITY OF EAST GRAND FORKS

<u>Year</u>	<u>Special Assessment Billings</u>	<u>Special Assessment Collections</u>		<u>Uncertified (2) Special Assessments</u>	<u>Prepayment of Special Assessments</u>	<u>Prepayment Ratio (3) as a % of Uncertified</u>	<u>Total Special Assessments Collected</u>
		<u>Amount(1)</u>	<u>% of Billings</u>				
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
2018	1,292,363	1,284,441	99.4%	6,365,898	167,892	2.6%	1,452,333

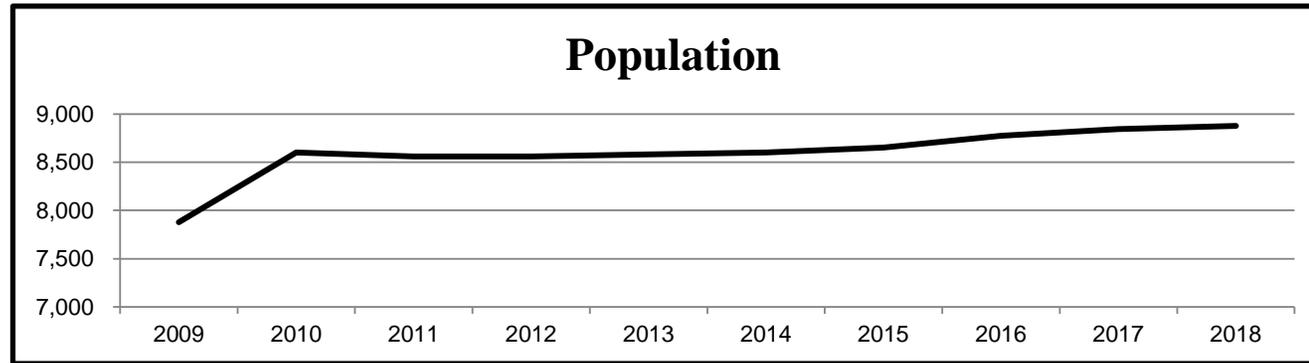
Source: Administration and Finance

- 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 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						
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
2018	8,876	7,269,483	11,092,930	7,840,347	18,933,277	3,264,438	15,668,839	260.4%	2.3%	2,133



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, 2018
(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>\$ 11,092,930</u>	<u>100.0%</u>		<u>\$ 11,092,930</u>
OVERLAPPING DEBT:				
I.S.D. 595	21,865,200	49.4%	\$ 10,801,409	
Polk County	<u>11,040,000</u>	<u>11.3%</u>	<u>1,247,520</u>	
Total Overlapping Debt				<u>12,048,929</u>
Total direct and overlapping debt				<u><u>\$ 23,141,859</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>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>	<u>2018</u>
Estimated market value	<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>	<u>\$ 668,331,400</u>
Total debt	\$ 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	\$ 18,596,347
Deductions:										
Bonds:										
G.O. Improvement Bonds	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	7,350,000
Certificates of indebtedness	443,214	297,955	72,241	875,000	875,000	780,000	690,000	865,000	730,000	605,000
G.O. Water Revenue Bonds	1,200,000									
Electric revenue bonds										
G.O. Clean Water Improvement Bonds	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	2,326,000
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	2,801,000
G.O. Wastewater Improvement Bonds							2,937,815	5,839,346	5,514,347	
Debt service funds:										
Cash, securities, and restricted cash	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	3,242,696
Less amount applicable to excluded bonds	(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)	(3,242,696)
Total net debt applicable to debt limit	<u>\$ 437,103</u>	<u>\$ 297,949</u>	<u>\$ 152,359</u>	<u>\$ 875,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Debt limit is 2% of estimated market value	\$ 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	\$ 13,366,628
Legal Debt Margin	\$ 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	\$ 13,366,628
Total net debt applicable to limit as a percentage of debt limit	4.8%	3.0%	1.6%	7.2%	0.0%	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

Water Fund:

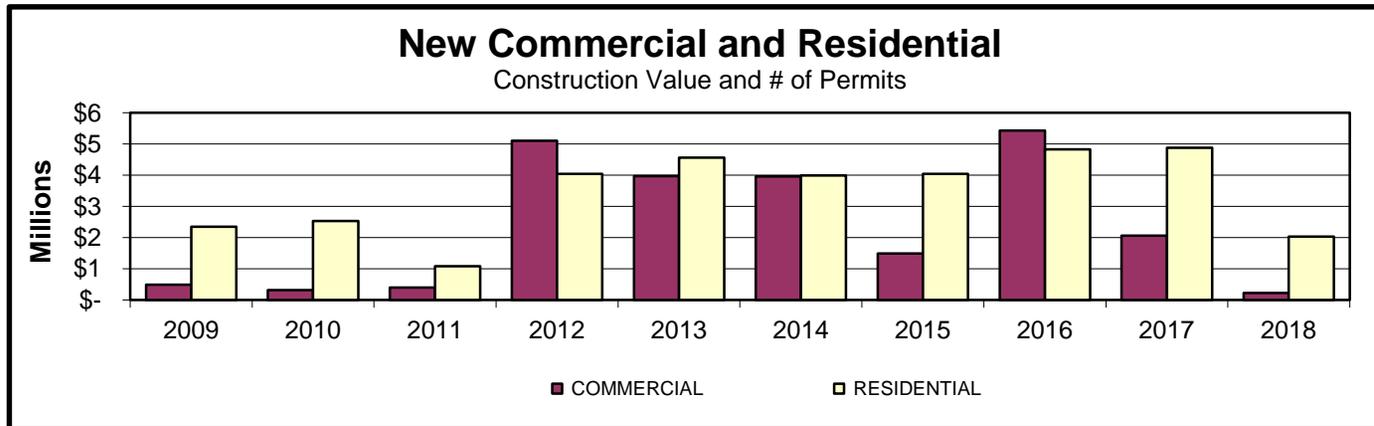
<u>Year</u>	<u>Gross Revenues (1)</u>	<u>Operating Expenses (2)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service Requirements (3)</u>			<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2009	\$ 1,940,848	\$ 1,433,218	\$ 507,631	\$ 75,000	\$ 61,742	\$ 136,742	4
2010	1,851,855	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
2018	2,600,636	1,621,968	978,668	-	-	-	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	
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
2018	1	222,419	11	2,028,460	2,250,879

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)
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%
2018	*8876	na	27,940	34	2,698	2,535	2.5%

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

Principal Employers
Current Year and Nine Years Ago
(Unaudited)

CITY OF EAST GRAND FORKS

Taxpayer	2018			Taxpayer	2009		
	Employees	Rank	% of Total City Employment 2,511		Employees	Rank	% of Total City Employment 2,700
American Crystal	429	1	17.08%	American Crystal	303	1	11.2%
ISD 595	311	2	12.39%	ISD 595	315	2	11.7%
City of East Grand Forks	174	3	6.93%	Northland College-NTC-EGF	295	3	10.9%
Cabela's	111	4	4.42%	Vigen Construction	157	4	5.8%
R. J. Zavoral and Sons, Inc.	100	5	3.98%	Valley Markets	130	5	4.8%
Northland College-NTC-EGF	85	6	3.39%	City of East Grand Forks	91	6	3.4%
Northern Valley	70	7	2.79%	R.J. Zavoral and Sons, Inc.	90	7	3.3%
Valley Markets	65	8	2.59%	Blue Moose	62	8	2.3%
Sanford	63	9	2.51%	Northern Valley	55	9	2.0%
Sacred Heart	58	10	2.31%	Mayo Manufacturing	30	10	1.1%
	<u>1,466</u>		<u>58.38%</u>		<u>1,528</u>		<u>56.6%</u>

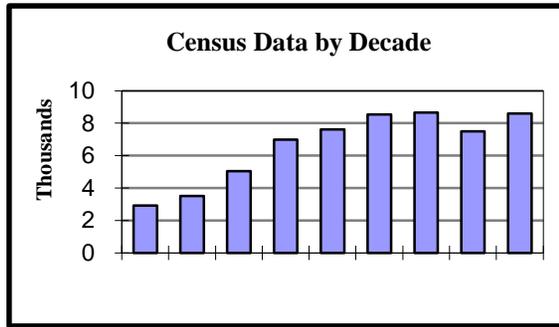
Source: MN Department of Employment and Economic Development, May 2019.

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>

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

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>

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

CITY OF EAST GRAND FORKS

<u>Function</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>	<u>2018</u>
General Government:										
Administration and Finance	5	5	5	4	5	5	5	5	5	5
EDA-Community Develop	-	-	-	-	-	2	3	4	4	4
Public Safety:										
Building Official	2	2	2	1	2	-	-	-	-	-
Fire	10	10	10	9	10	10	9	10	11	11
Police	23	24	26	23	22	23	25	25	25	25
Public Works:										
Administration	-	-	-	-	-	-	-	3	3	3
Refuse	6	6	6	5	5	5	5	5	4	4
Sewage	2	2	2	2	2	2	2	2	3	3
Streets	7	7	6	6	6	6	6	5	6	6
Culture and Recreation:										
Administration	3	3	3	3	3	3	2	3	2	2
Parks	2	2	1	1	1	2	2	2	2	2
Arenas	2	2	2	2	3	3	3	3	2	3
Library	3	3	3	3	3	3	3	3	4	4
Senior center	1	1	1	1	1	1	1	1	1	1
Water and Light										
Administration	6	6	6	5	5	5	4	7	6	6
Electric	10	10	11	12	12	12	12	13	13	12
Water	8	8	8	8	8	8	8	8	9	9
Total	<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>	<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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Government										
On Sale Liquor license by entity	10	11	14	13	13	13	12	13	14	14
Off Sale Liquor license by entity	4	4	4	3	3	3	2	3	5	5
Number of AP checks written	3,184	3,321	3,491	3,063	2,980	2,980	2,476	2,547	2,538	2,513
Police										
DUI arrests	126	125	121	109	67	98	105	87	182	147
Traffic violations	1,041	1,274	1,001	686	716	600	802	667	721	840
No. of dog/cat licenses	132	160	111	103	38	99	113	129	108	70
Fire										
No. of rescue & EMS incidents	539	529	512	751	887	736	798	826	906	907
No. of fire calls	22	21	87	92	136	99	102	105	90	104
Building Official										
Building permits issued	343	454	315	300	253	285	287	425	460	377
Other permits issued	302	253	247	283	288	189	1,106	195	1	0
Refuse collection										
Refuse collected annually (tons)	3,713	3,983	3,995	4,107	4,232	4,265	4,365	4,280	4,297	4,350
Recyclables collected annually (tons)	604	698	676	687	667	530	399	443	448	509
Recreation and culture										
Number of summer registrants	601	473	501	583	475	620	545	556	537	583
Number of winter registrants	426	422	434	439	576	480	490	475	475	469
Attendance for general swim	7,142	10,450	9,866	10,217	9,853	9,853	-	10,531	0	14,452
Library										
Volumes in collection	45,259	50,719	52,498	52,364	54,496	55,071	50,422	49,230	50,936	50,243
Total volumes borrowed	76,329	83,777	89,692	67,692	37,423	34,929	30,051	29,388	26,842	33,446
Water										
Annual tap water billed (millions)	348	318	324	329	360	337	322	300	312	304
Average number of monthly meters	2,793	2,810	2,816	2,820	2,843	2,867	2,888	2,906	2,924	2,940
Electric										
Annual Kwhs billed (millions)	156	157	157	165	159	161	157	157	156	165
Maximum Demand Kwhs (millions)	32.33	32.01	30.53	31.40	33.12	33.10	32.30	34	36	34
Cemetery										
No. of Lots Sold	43	33	27	13	40	40	57	45	47	49
No. of Interments	43	37	44	22	41	24	26	40	42	37
Transit										
Total route miles	16	16	16	16	16	16	16	16	16	26
Passengers	23,616	24,809	28,789	37,758	36,453	37,426	31,586	27,563	22,883	28,665

Source: Various city departments

**Schedule of Insurance in Force
As of December 31, 2018
(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)	CMC 1000404-2	1/1/18-1/1/19	General Limit of Coverage excluding flood.	\$113,675,194 \$50,000,000 Terrorism Activity \$500,000 Valuable Papers
League of Minnesota Cities (C&H Insurance)	CMC 1000404-2	1/1/18-1/1/19	Boiler and Machinery (Equipment Breakdown)	\$100,000,000
BONDS				
League of Minnesota Cities (C&H Insurance)	CMC 1000404-2	1/1/18-1/1/19	Public Officials	\$100,000
League of Minnesota Cities (C&H Insurance)	CMC 1000404-2	1/1/18-1/1/19	Commercial Bond/Crime	\$250,000
LIABILITY				
League of Minnesota Cities (C&H Insurance)	CMC 1000404-2	1/1/18-1/1/19	General/Public Officials Liability	\$2,000,000 Per Occurrence
League of Minnesota Cities (C&H Insurance)	CMC 1000404-2	1/1/18-1/1/19	General Auto Liability	\$2,000,000 Per Occurrence
League of Minnesota Cities (C&H Insurance)	CMC 1000404-2	1/1/18-1/1/19	General Liability	\$2,000,000 Per Occurrence
League of Minnesota Cities (C&H Insurance)	VA 1000922-2	1/1/18-1/1/19	Accident Plan for Volunteers	\$500,000 Per Accident
OPEN MEETING LAW				
League of Minnesota Cities (C&H Insurance)	OML1000405-2	1/1/18-1/1/19	Open Meeting Law Defense Cost Reimbursement	\$50,000 Per City Official \$250,000 aggregate
WORKERS COMPENSATION				
League of Minnesota Cities (Berkley Risk Administrators)	WC1000923-2	1/1/18-1/1/19	Workers Compensation	\$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>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>	<u>2018</u>
Number of employees	90	91	92	85	83	81	90	99	100	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	3	3	3	3	3	3	3	3	3
Parks	12	12	12	12	12	14	14	14	17	17
Park acreage owned	278	278	278	278	278	278	278	278	157	157
Park acreage developed	218	218	218	218	218	218	218	218	146	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	98	113	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	3	3	3	3	1
Pickle Ball Courts	-	-	-	-	-	2	2	2	2	5
Fire Protection:										
Number of stations	2	2	2	2	2	2	2	2	2	2
Number of vehicles	10	11	11	11	11	14	14	14	13	14
Number of full-time Firefighters	10	9	9	9	10	10	10	10	11	10
Number of volunteer Firefighters	25	14	14	14	14	24	24	24	19	21
Fire Insurance Rating	4	4	4	4	4	4	4	4	4	3
Police Protection:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of police officers	21	21	21	21	20	22	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	9	9	9	10	10
Miles of sewer mains	45	45	45	45	45	40	40	40	46	46
Miles of storm sewers	42	53	53	53	53	54	54	54	55	55
Number of lift stations	12	12	12	12	12	12	12	12	13	13
Number of storm sewer lift stations	14	14	14	14	14	14	14	14	13	13
Water System:										
Miles of water mains	52	52	52	52	52	52	52	52	58	60
Number of fire hydrants	342	461	461	461	461	461	461	461	494	494
Gallons of storage capacity	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	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	4	4	4	4	4	4	4	4	4
Electric System:										
Number of substations	4	4	4	4	4	3	3	3	3	3
Miles of distribution lines	60.3	60.3	60.3	60.3	60.3	60.3	60.3	60.3	104.0	105.0
Peak Demand in MW	30.79	31.61	31.61	31.61	31.61	33.10	33.10	33.10	36.11	34.30
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	A1	Aa3						

**SIGNIFICANT MINNESOTA TAX POLICIES
DECEMBER 31, 2018**

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	2018 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 \$2,770 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 2018-2019, 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: 2018 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%	4%	5%
Both unpaid						5%	6%	7%
On Non-Homestead Property								
1st half installment	4%	8%	9%	10%	11%	12%	12%	12%
2nd half installment						4%	8%	9%
Both unpaid						8%	10%	12%

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

Homestead	10%	Non-Homestead	14%
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Tax Sale can take place any time 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, 2018, 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 25, 2019.

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 from 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 & ASSOCIATES, P.C.
THIEF RIVER FALLS, MINNESOTA

June 25, 2019

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, 2018. 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, 2018.

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.



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

June 25, 2019

**Schedule of Expenditures of Federal Awards and Related Notes
For the Year Ended December 31, 2018**

CITY OF EAST GRAND FORKS

	CFDA Number	Pass-Through Number	Expenditures
<u>Department of Transportation</u>			
Direct Programs:			
Federal Transit Cluster			
Federal Transit Formula Grants	20.507		\$ 153,861
Passed Through State of Minnesota:			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608		3,179
Interagency Hazardous Materials Public Sector Training and Planning	20.703	EGRFKSFD-3182	3,285
Highway Planning and Construction Cluster			
Highway Planning and Construction	20.205	119-129-002	900,871
Total Highway Planning and Construction Cluster			900,871
Highway Safety Cluster			
State and Community Highway Safety	20.600		1,132
National Priority Safety Programs	20.616		6,009
Total Highway Safety Cluster			7,141
Total Department of Transportation			<u>1,068,337</u>
<u>Department of Homeland Security</u>			
Direct Programs:			
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		63,494
Total Department of Homeland Security			<u>63,494</u>
<u>Department of Justice</u>			
Direct Programs:			
Bulletproof Vest Partnership Program	16.607		28,130
Total Department of Justice			<u>28,130</u>
<u>Department of Health and Human Services</u>			
Direct Programs:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959		320
Total Department of Health and Human Services			<u>320</u>
Total Expenditures of Federal Awards			<u>\$ 1,160,281</u>
Reconciliation of the Schedule of Expenditures of Federal Awards to Intergovernmental Revenue.			
Schedule of Expenditures of Federal Awards - Total Federal Awards			\$ 1,160,281
Schedule of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds			
Intergovernmental Revenue - Federal			\$ 1,160,281
Intergovernmental Revenue - State			4,547,902
Intergovernmental Revenue - Local			43,498
			<u>\$ 5,751,681</u>
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds			
Capital Contributions - (Intergovernmental Revenue - State)			<u>\$ 2,903,474</u>

NOTE 1 Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) included the federal grant activity of the City of East Grand Forks, Minnesota under programs of the federal government for the year ended December 31, 2018. 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, Minnesota 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, Minnesota.

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 has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 3 Subrecipients

During 2018, the City did not pass any federal money to subrecipients.

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

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

Noncompliance material to financial
statements noted? ___ yes _x_ no

Federal Awards

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

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

Auditee qualified as low-risk auditee? _x_ 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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