

City of East Grand Forks

Minnesota



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended December 31, 2015

COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year ended December 31, 2015



CITY OF EAST GRAND FORKS, MINNESOTA

Prepared by Department of Administration & Finance

DAVID MURPHY
CITY ADMINISTRATOR

KARLA ANDERSON
FINANCE DIRECTOR

INTRODUCTORY SECTION



CITY OF EAST GRAND FORKS, MINNESOTA

Comprehensive Annual Financial Report

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Administration and Finance

June 27, 2016

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, 2015.

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, 2015, 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 unqualified opinion that the City of East Grand Forks' financial statements for the fiscal year ended December 31, 2014, 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 8,651. 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 two commercial properties leased for shopping, dining, and professional service activities. The City sold one of the commercial properties, the Riverwalk Centre for \$950,000 in February of 2015.

The annual budget serves as the foundation for the City of East Grand Forks financial planning and control. All departments of the city submit requests for appropriation to the city administrator in July of each year. The city administrator uses these requests as the starting point for developing a proposed budget. The city administrator then presents this proposed budget to the council for review prior to August 31. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than December 31, the close of the City of East Grand Forks' fiscal year. Department heads may make transfers of appropriation within a department. Transfers of appropriations between funds, however, require the special approval of the city council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on page 24 as part of the basic financial statements of the governmental funds. For governmental funds, other than the general fund, with appropriated annual budgets, this comparison is present in the governmental fund subsection of this report, which starts on page 63.

FACTORS AFFECTING FINANCIAL CONDITION

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

Local economy. The City of East Grand Forks is located on the Minnesota side of the intersection of U.S. Highway 2 and I-29. The city serves as part of a regional shopping hub for northwest Minnesota and northeast North Dakota. The city's main shopping attractions are the 60,000 square-foot Cabela's retail outlet and the 65,000 square-foot Riverwalk Centre. Additionally, along the well maintained shores of the scenic Red River of the North, the city has a popular boardwalk section where several restaurants and entertainment facilities are located. Led by American Crystal Sugar and several other potato and bean companies, agribusinesses are a major portion of the city's economy. The American Crystal Sugar plant in East Grand Forks is the 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 5.3% unemployment rate (Polk County), while the state and the country have unemployment rates of 4.6% and 5.0%, respectively. The City of Grand Forks, located just across the river in North Dakota, has an unemployment rate of 2.86%.

East Grand Forks has worked hard to provide more affordable housing in the community. Record low mortgage interest rates, affordable lot prices, and deferred loan/grant programs are still in place, but lot sales have slowed within the city. Minnesota Heights, a 39 unit housing project was completed in August of 2013 and the housing section is fully occupied. The ground floor is commercial/retail space and the developer is working on filling 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 is moving forward with replacing the current Waste Water system. The decision was made June 16, 2015 to do the Interconnect project, which is sending the waste water to the City of Grand Forks, ND for treatment. The estimated construction cost of the project is \$9,422,431. Waste Water charges for customers have been increased in the past few years, so the fixed rate will not change when the interconnect system is put into operation. The usage rate has a yearly 3% inflation factored in, which is tied to the water rate. 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 is currently open. The Council approved in December of 2015, a Special Election for a 1% city sales tax to financing the project. March 7, 2016 the City Sales tax was approved by the voters. The State of Minnesota Legislature approved the city sales tax in May of 2016; however, the Governor has not signed the tax bill, so waiting for him to do so. If the sales tax does not pass, there is an agreement with the Water and Light department for an Interfund loan to fund the pool already in place. City residents organized a "Save our Pool" group that received other funding sources and contributions to help fund the project. The City sales tax at 1%, of the current taxable sales, is estimated to take approximately five years to pay off the pool project expenses.

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

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

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

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

Capital Investment. The city has reinvested significantly in capital replacement despite fiscal challenges at the state level. The city has undertaken approximately \$22 million of street replacement, water line replacement, sewer line replacement and maintenance. The city had a mill and overlay project in 2015 for approximately a third of the city's streets and will do the rest of the streets in the next two years. The Waste Water Phase II project is expected to be over \$9 million, the anticipated bid opening for construction of the Interconnect Waste Water project is set for July 7, 2016. The swimming pool opened in June of 2016, within the \$2.2 million budget.

Labor. Salaries and benefits compose over half the city's General Fund budget. Five distinct unionized bargaining groups work with the city. The city has adopted a unified compensation plan for all bargaining groups that addresses the city's compliance with state Pay Equity and Comparable Worth guidelines. Cost of living allowances for 2015 were 2%. The city negotiated a 2% increase for 2016 and 2% for 2017. The city has reduced total employment by nearly eight percent since 2008 through a combination of outsourcing services and eliminating vacant positions. The Water and Light division bargains with their employees separately and they negotiated a cost of living allowance for 2015 of 2% and 3% for 2016.

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, 2014. This is the 22nd 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

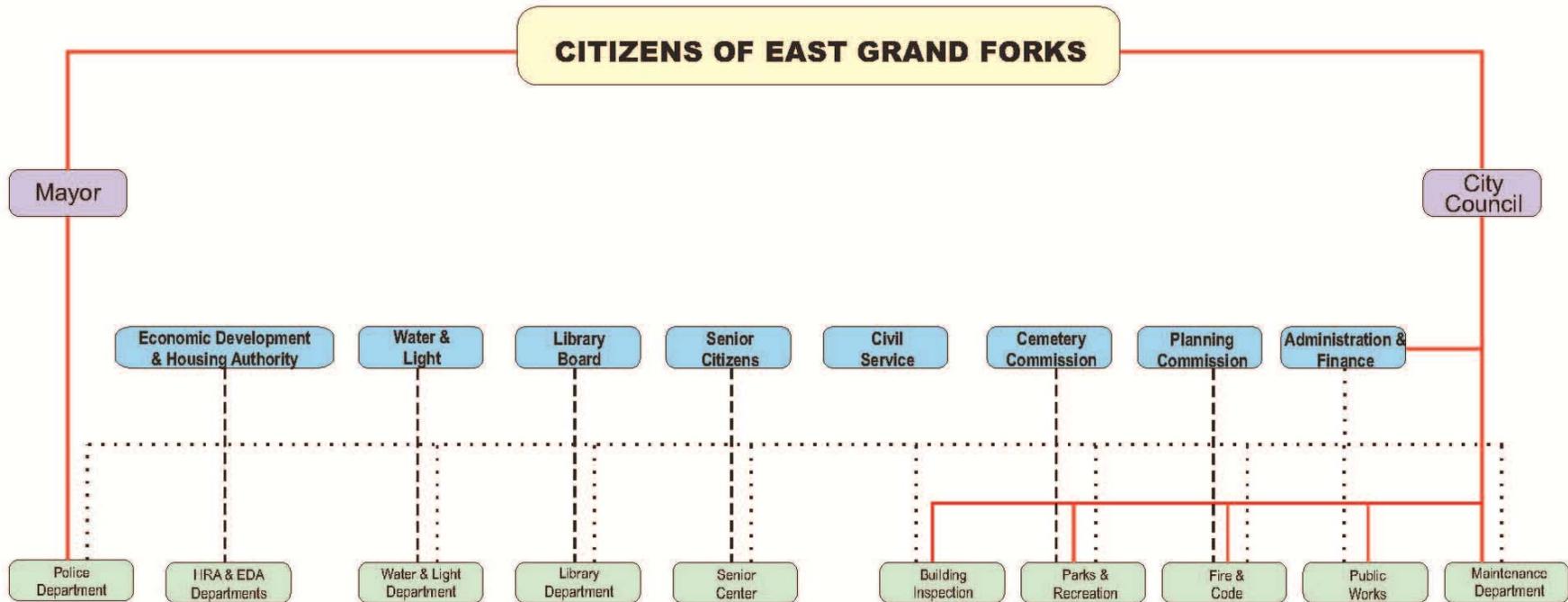
**City of East Grand Forks
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2014

Executive Director/CEO

CITY OF EAST GRAND FORKS ORGANIZATION CHART



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



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

OFFICIALS NOT ELECTED:

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

FINANCIAL SECTION



CITY OF EAST GRAND FORKS, MINNESOTA

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of East Grand Forks, Minnesota, as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of East Grand Forks, Minnesota, as of December 31, 2015, and the respective changes in financial position and the cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Adoption of New Accounting Standard

As described in Note 20 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. As discussed in Note 20 to the financial statements, the City has restated the previously reported net position in accordance with this statement. Also, as described in Note 20, the City has restated its net position to reflect the transfer of its Levee Project Fund.

Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

The prior year partial comparative information has been derived from the City's 2014 financial statements and, in our report dated June 26, 2015, we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2016, on our consideration of the City of East Grand Forks, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of East Grand Forks, Minnesota's internal control over financial reporting and compliance.



**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

June 27, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS



CITY OF EAST GRAND FORKS, MINNESOTA

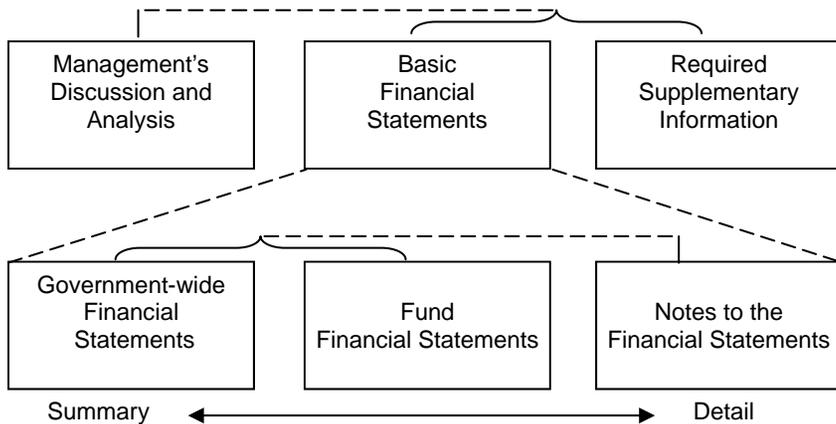
MANAGEMENT'S DISCUSSION
AND ANALYSIS

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, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-3 of this report.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

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

COMPONENTS OF THE ANNUAL FINANCIAL REPORT



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

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

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

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

The government-wide financial statements can be found on pages 17-18 of this report.

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

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

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

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

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

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

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

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of East Grand Forks' own programs.

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-50 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor funds and internal service funds can be found immediately following the footnotes. Combining and individual fund statements can be found on pages 55-62.

FINANCIAL HIGHLIGHTS

- The City's net position (assets plus deferred outflows minus liabilities and deferred inflows) decreased by 0.6% as a result of this year's operations. The net position of the City's governmental activities decreased \$205,618 (0.2%) and net position of the City's business type activities decreased \$1,012,156, (1.5%).
- Capital assets decreased \$1,460,195, (0.8%) , with most of the decrease due to the sale of the Riverwalk Center.
- The City's long-term liabilities increased \$9,172,802 (56.8%) during the fiscal year ended December 31, 2015. Governmental long-term liabilities increased \$7,591,416, (60.9%), which was due to the issuance of \$3,990,000 General Obligation Bonds, and \$4,200,080 in net pension liability.
- The City implemented GASB Statement No. 68 during the current year creating a net pension liability of \$6,009,505.
- At the close of the current fiscal year, the City's governmental funds reported total ending fund balances of \$10,380,121, an increase of \$2,798,420,(36.2%).
- The General Fund's fund balance decreased \$194,686 (6.6%) to \$2,753,874. The unassigned fund balance is 21.6% of expenditures.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS
NET POSITION**

	Governmental Activities		Business-type Activities		Total Government	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 20,612,123	\$ 17,806,350	\$ 22,585,910	\$ 19,962,635	\$ 43,198,033	\$ 37,768,985
Capital assets	128,778,662	128,103,692	50,251,484	52,386,648	179,030,146	180,490,340
Total Assets	<u>149,390,785</u>	<u>145,910,042</u>	<u>72,837,394</u>	<u>72,349,283</u>	<u>222,228,179</u>	<u>218,259,325</u>
Deferred Outflows of Resources	922,909	-	248,747	-	1,171,656	-
Other liabilities	2,204,185	1,260,712	3,254,536	1,485,574	5,458,721	2,746,286
Long-term liabilities	19,198,986	12,239,820	5,029,781	3,683,395	24,228,767	15,923,215
Total Liabilities	<u>21,403,171</u>	<u>13,500,532</u>	<u>8,284,317</u>	<u>5,168,969</u>	<u>29,687,488</u>	<u>18,669,501</u>
Deferred Inflows of Resources	596,263	-	190,004	-	786,267	-
Net position:						
Net investment in capital assets	114,210,487	116,911,181	47,340,484	49,290,648	161,550,971	166,201,829
Restricted	13,061,790	8,957,932	-	-	13,061,790	8,957,932
Unrestricted	1,041,983	6,540,397	17,271,336	17,889,666	18,313,319	24,430,063
Total Net Position	<u>\$ 128,314,260</u>	<u>\$ 132,409,510</u>	<u>\$ 64,611,820</u>	<u>\$ 67,180,314</u>	<u>\$ 192,926,080</u>	<u>\$ 199,589,824</u>

By far the largest portion of the City’s net position (83.7%) 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 (6.8%) represents resources that are subject to external restrictions on how they can be used. The remaining unrestricted net

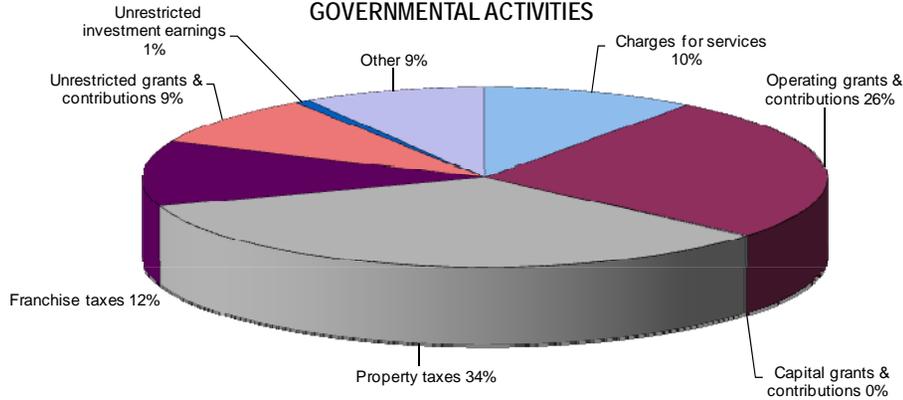
position \$18,313,319 may be used to meet the ongoing obligations to citizens and creditors. Of the unrestricted net position, \$17,271,336 is attributable to business-type activities.

Unrestricted governmental activities net position decreased \$5,498,414 (84.0%), while business-type activities unrestricted net position decreased \$618,330 (3.5%). Government-wide total unrestricted net position decreased \$6,116,744, (25.0%). A large part of the decrease in net position is due to the implementation of GASB Statement No. 68 which decreased net position in the Governmental Activities and the Business-type Activities by \$3,746,249 and \$1,699,721, respectively.

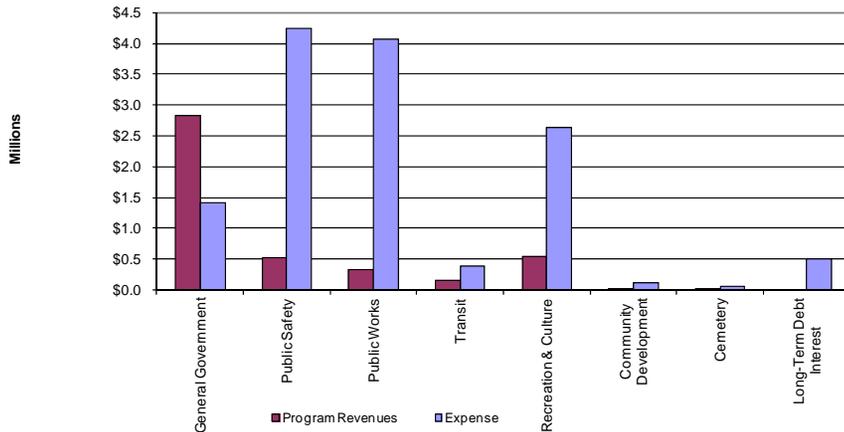
CHANGE IN NET POSITION

	Governmental		Business-type		Total	
	Activities		Activities		Government	
	2015	2014	2015	2014	2015	2014
REVENUES						
Program revenues:						
Charges for services	\$ 1,224,891	\$ 1,070,052	\$ 19,890,976	\$ 19,976,314	\$ 21,115,867	\$ 21,046,366
Operating grants and contributions	3,158,208	3,001,462	-	15,000	3,158,208	3,016,462
Capital grants and contributions	16,883	377,027	-	-	16,883	377,027
General revenues:						
Property taxes	4,071,021	4,970,612	-	-	4,071,021	4,970,612
Franchise taxes	1,431,503	1,466,924	-	-	1,431,503	1,466,924
Unrestricted grants and contributions	1,101,345	1,597,294	-	-	1,101,345	1,597,294
Unrestricted investment earnings	84,835	174,674	273,526	470,668	358,361	645,342
Other	1,045,580	888,472	-	-	1,045,580	888,472
Total revenues	12,134,266	13,546,517	20,164,502	20,461,982	32,298,768	34,008,499
EXPENSES						
Program activities:						
Governmental activities:						
General government	1,421,703	1,300,311	-	-	1,421,703	1,300,311
Public safety	4,250,080	3,919,550	-	-	4,250,080	3,919,550
Public works	4,080,295	4,896,908	-	-	4,080,295	4,896,908
Transit	387,385	385,912	-	-	387,385	385,912
Recreation and culture	2,638,367	2,748,617	-	-	2,638,367	2,748,617
Community development	109,984	132,490	-	-	109,984	132,490
Cemetery	50,317	43,389	-	-	50,317	43,389
Interest on long-term debt	504,927	458,606	-	-	504,927	458,606
Business-type activities						
Electric	-	-	13,603,441	13,796,998	13,603,441	13,796,998
Water	-	-	2,176,802	2,290,490	2,176,802	2,290,490
Sewer	-	-	885,940	868,049	885,940	868,049
Storm water	-	-	606,720	621,122	606,720	621,122
City mall	-	-	1,697,935	346,560	1,697,935	346,560
Refuse	-	-	946,497	906,560	946,497	906,560
Total expenses	13,443,058	13,885,783	19,917,335	18,829,779	33,360,393	32,715,562
Excess (deficiency) before transfers	(1,308,792)	(339,266)	247,167	1,632,203	(1,061,625)	1,292,937
Transfers in (out)	1,103,174	555,506	(1,259,323)	(555,506)	(156,149)	-
Increase (decrease) in net position	(205,618)	216,240	(1,012,156)	1,076,697	(1,217,774)	1,292,937
Net position at the beginning of the year	132,409,510	132,193,270	67,180,314	66,103,617	199,589,824	198,296,887
GASB 68 Adjustment	(3,746,249)	-	(1,699,721)	-	(5,445,970)	-
Equity Transfer	(143,383)	-	143,383	-	-	-
Net position at beginning as restated	128,519,878	132,193,270	65,623,976	66,103,617	194,143,854	198,296,887
Net position at the end of the year	\$ 128,314,260	\$ 132,409,510	\$ 64,611,820	\$ 67,180,314	\$ 192,926,080	\$ 199,589,824

REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES



EXPENSES AND PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES



Governmental Activities. A significant share of revenues of the governmental activities is operating grants and contributions, 26%, with most of that amount attributed to local share of additions to the infrastructure. Property taxes and franchise taxes accounted for 34% and 12% of total revenues, respectively. Unrestricted grants and contributions in the form of local government aid and other State aids contributed 6% to total revenues. Charges for services brought in 10%.

Public safety (31.3%) expenses are the most significant, followed by public works (31.0%), recreation and culture (19.4%), general government (10.5%) and cemetery (0.3%). Interest on long-term debt and transit expenses accounted for 3.7% and 2.9%

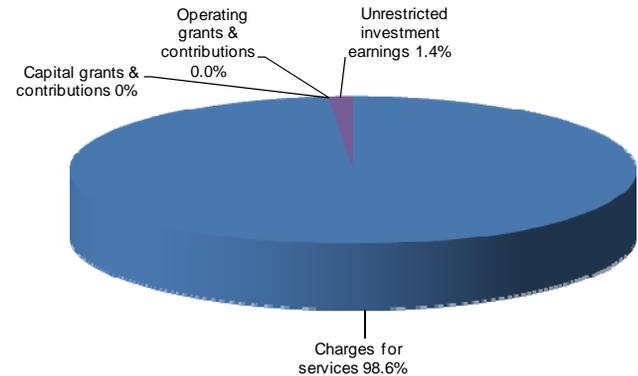
of total expenses, respectively. Included in these amounts is depreciation expense of \$3,299,369, which is 24.5% of the total expenses for governmental activities.

Governmental revenues decreased \$1,412,251 (10.4%) in the current year, with the most significant portion of the decrease attributable to capital grants, and a decrease in investment market values in 2015, leading to lower interest earnings.

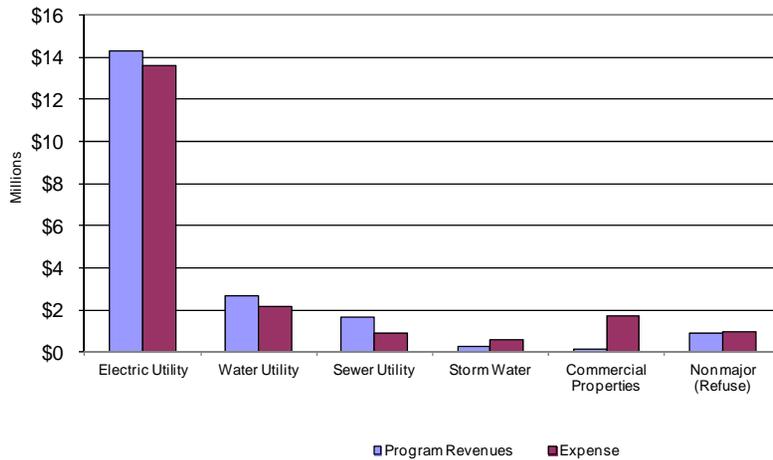
Governmental activities expenses decreased \$442,725 (3.2%) in the current year. The most significant changes in program expenses were as follows:

There were no other programs with significant or unusual changes.

REVENUES BY SOURCE - BUSINESS-TYPE ACTIVITIES



EXPENSES AND PROGRAM REVENUES - BUSINESS-TYPE EXPENSES



Business-type activities. Business-type activities decreased the City’s net position by \$1,012,156 from the prior fiscal year. Key elements of the change is due to the loss on sale of commercial properties.

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 2015, the City’s governmental funds reported total ending fund balances of \$10,380,121, an increase of \$2,798,420 in comparison with the prior year. About 14% of the total ending fund balances constituted unassigned fund balances of \$1,467,884, 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 \$2,753,874, decreasing \$194,686 from the previous year. General fund revenues were \$265,137 (3.0%) higher than in the prior fiscal year and expenditures decreased by \$15,410 (0.1%). General taxes, including property taxes and franchise fees, increased \$133,812 (2.9%). Intergovernmental revenue decreased \$37,671 (1.3%) and charges for services increased \$143,130 (14.8%).

The 12-1-07 Assessment Bond Fund (ABF) fund balance increased \$52,948 as assessment collections were more than debt payments.

The Capital Projects Fund experienced a \$289,448 fund balance increase over the prior year due to current projects in excess of current year contributions and collections of special assessments.

The Current City Projects Fund experienced a decrease of \$326,130 over the prior year fund balance due to the pool renovations expenses over transfers in from other funds.

The 12-1-04 Assessment Bond Fund (ABF) fund balance increased \$2,119,710 to \$2,353,850 as bond proceeds of \$2,095,000 and bond premiums of \$101,244 were recognized.

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 \$492,668 (1.8%). Operating revenues decreased \$24,895 (0.1%) to \$14,304,963. Wholesale purchased power costs decreased \$117,464 (1.3%). Transfers out were \$434,789. 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 \$470,003 (3.7%) in the current year. Operating income decreased \$44,839 (1.6%) and operating expenses decreased \$113,688 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 \$783,808 (7.2%) due to an increase in operating revenues.

The storm water utilities net position decreased \$319,247 primarily due to operating losses.

The Commercial Properties Fund contains the operations of two commercial properties: Riverwalk Center and Infill Building. The decrease in net position of \$2,409,073 was in large part, the result of a loss on the sale of the Riverwalk Center Building in 2015.

The Refuse Fund net position decreased \$30,315. Operating revenue increased \$46,542 from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

General Fund revenues were \$436,399 more than budget primarily due to more property taxes and charges for services than was budgeted for. General Fund expenditures overall were more than budget by \$143,720, the result of increased costs of personnel.

The General Fund year end fund balances since 2006 are as follows:

2006	\$ 2,200,961	2009	\$ 2,727,342	2012	\$ 3,195,155
2007	2,841,939	2010	2,587,856	2013	3,178,595
2008	2,564,645	2011	2,760,003	2014	2,948,560
				2015	1,929,340

CAPITAL ASSETS AND DEBT ADMINISTRATION

CAPITAL ASSETS

(Net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total Government	
	2015	2014	2015	2014	2015	2014
Land	\$ 31,203,471	\$ 31,203,471	\$ 612,878	\$ 749,178	\$ 31,816,349	\$ 31,952,649
Construction in progress	3,612,314	288,761	1,402,372	257,448	5,014,686	546,209
Building, structures, & improvements	58,430,080	59,955,463	48,206,354	51,270,955	106,636,434	111,226,418
Machinery and equipment	3,496,532	3,798,482	29,883	109,069	3,526,413	3,907,551
Infrastructure	32,036,265	32,857,515	-	-	32,036,265	32,857,515
Total	\$ 128,778,662	\$ 128,103,692	\$ 50,251,487	\$ 52,386,650	\$ 179,030,147	\$ 180,490,342

Capital assets. The City's investment in capital assets for its governmental and business-type activities at December 31, 2015 totaled \$179,030,147 (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 5 to these financial statements.

LONG-TERM LIABILITIES

	Governmental Activities		Business-type Activities		Total Government	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$ 10,782,089	\$ 7,231,200	\$ -	\$ -	\$ 10,782,089	\$ 7,231,200
General obligation PFA Improv bonds	3,074,000	3,158,000	2,911,000	3,096,000	5,985,000	6,254,000
General obligation cert of indebtedness	712,086	803,311	-	-	712,086	803,311
Compensated absences payable	1,032,163	1,047,309	544,356	587,395	1,576,519	1,634,704
Net pension liability	4,200,080	-	1,809,425	-	6,009,505	-
OPEB	257,569	226,751	-	-	257,569	226,751
Total	\$ 20,057,987	\$ 12,466,571	\$ 5,264,781	\$ 3,683,395	\$ 25,322,768	\$ 16,149,966

Long-term liabilities. The City's outstanding long-term liabilities, including bonds, certificates of indebtedness, compensated absences, net pension liability and other post employment benefits totaled \$25,322,768 at December 31, 2015. Of this total,

\$20,057,987 (79.2%) is in governmental activities and \$5,264,781 (20.8%) is in business-type activities. The City's outstanding long-term liabilities increased \$9,172,802 (56.8%) in 2015. Majority of this increase \$6,009,505 (65.5%) is due to the

implementation of GASB Statement No. 68 which requires the City's net pension liability to be reported.

Additional information on the City's long-term liabilities can be found in note 6 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, 2015 was 5.3%, which is above the state average (4.6%) and above the national average (5.0%). The Grand Forks County unemployment rate was 2.1%. The Grand Forks-East Grand Forks metropolitan statistical area unemployment rate was 2.86%. 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 55,205.

- The state's economy is slowly recovering. Legislative action has revamped the local government aid (LGA) and it should remain steady for future years and will be favorable for the City. Other types of funding, including capital bonding will be very competitive. The City received \$2.55 million in local government aid in 2015, which is about 30% of budgeted General Fund revenues.
- The City's electric utility continues to experience increases in wholesale power costs. The costs are passed to the customer through monthly power adjustments. The Western Area Power Administration (WAPA) did not raise wholesale power costs in 2015 or 2016. The electric utility purchases approximately 45% of its wholesale power supply from WAPA. There have not been any power supply interruptions and none are expected.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS



CITY OF EAST GRAND FORKS, MINNESOTA

BASIC FINANCIAL
STATEMENTS



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Statement of Net Position
December 31, 2015

CITY OF EAST GRAND FORKS

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		EDA
ASSETS				
Cash and cash equivalents	\$ 9,805,654	\$ 7,321,093	\$ 17,126,747	\$ 3,104,230
Investments	2,920,622	10,438,456	13,359,078	-
Accrued interest receivable	21,583	22,217	43,800	-
Accounts receivable, net	1,141,641	1,521,357	2,662,998	156,563
Notes receivable, net	126,219	39,800	166,019	1,601,679
Taxes receivable - property	25,601	-	25,601	-
Taxes receivable - other	98,964	-	98,964	-
Special assessments receivable	7,110,306	-	7,110,306	-
Internal balances (net)	(1,790,774)	1,790,774	-	-
Due from other government units	778,548	6,735	785,283	190
Prepaid items	-	78,437	78,437	-
Land held for resale	355,321	-	355,321	60,777
Materials and supplies	18,438	896,612	915,050	-
Restricted cash and investments	-	118,655	118,655	22,226
Customer acquisition costs	-	351,774	351,774	-
Capital assets:				
Nondepreciable	34,815,785	2,015,250	36,831,035	50,300
Depreciable, net	93,962,877	48,236,234	142,199,111	3,628,293
TOTAL ASSETS	149,390,785	72,837,394	222,228,179	8,624,258
DEFERRED OUTFLOWS OF RESOURCES				
Cost Sharing Defined Benefit Pension Plan - PERA	204,077	248,747	452,824	17,398
Cost Sharing Defined Benefit Pension Plan - PEPFF	718,832	-	718,832	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	922,909	248,747	1,171,656	17,398
LIABILITIES				
Accounts payable	535,497	2,706,100	3,241,597	10,064
Accrued expenses	19,871	5,545	25,416	-
Retainage payable	164,917	-	164,917	-
Accrued wages payable	360,703	93,734	454,437	11,412
Due to other government units	111,951	67,233	179,184	5,195
Accrued interest payable	152,246	28,269	180,515	1,532
Customer deposits	-	118,655	118,655	22,226
Noncurrent liabilities:				
Due within one year	859,000	235,000	1,094,000	28,955
Due in more than one year	14,741,337	3,220,356	17,961,693	264,898
Net pension liability	4,200,080	1,809,425	6,009,505	126,558
Net other postemployment benefit liability	257,569	-	257,569	-
TOTAL LIABILITIES	21,403,171	8,284,317	29,687,488	470,840
DEFERRED INFLOWS OF RESOURCES				
Cost Sharing Defined Benefit Pension Plan - PERA	155,882	190,004	345,886	13,289
Cost Sharing Defined Benefit Pension Plan - PEPFF	440,381	-	440,381	-
TOTAL DEFERRED INFLOWS OF RESOURCES	596,263	190,004	786,267	13,289

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

Statement of Net Position
December 31, 2015 (Continued)

CITY OF EAST GRAND FORKS

	Primary Government		Total	Component Unit
	Governmental Activities	Business-type Activities		EDA
NET POSITION				
Net investment in capital assets	114,210,487	47,340,484	161,550,971	3,678,593
Restricted for:				
Housing	-	-	-	22,226
Community Growth	128,947	-	128,947	-
State Aid Street	495,994	-	495,994	-
Transit	28,703	-	28,703	-
New Home Incentive	767,788	-	767,788	-
Cemetery	5,809	-	5,809	-
Insect Control	259,657	-	259,657	-
Perpetual Care	206,724	-	206,724	-
Greenway Maint.	86,354	-	86,354	-
Grants	12,347	-	12,347	-
1997 Community Development	22,619	-	22,619	-
1997 Downtown Development	166,938	-	166,938	-
08 PFA Loan 23rd Street	182,684	-	182,684	-
Building Improvements	230,987	-	230,987	-
Debt service	10,385,795	-	10,385,795	-
Library - nonexpendable	80,444	-	80,444	-
Unrestricted	1,041,983	17,271,336	18,313,319	4,456,708
TOTAL NET POSITION	\$ 128,314,260	\$ 64,611,820	\$ 192,926,080	\$ 8,157,527

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, 2015

CITY OF EAST GRAND FORKS

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	
Governmental activities:								
General government	\$ 1,421,703	\$ 62,347	\$ 2,767,338	\$ -	\$ 1,407,982	\$ -	\$ 1,407,982	\$ -
Public safety	4,250,080	308,678	212,724	-	(3,728,678)	-	(3,728,678)	-
Public works	4,080,295	315,286	-	16,883	(3,748,126)	-	(3,748,126)	-
Transit	387,385	-	156,214	-	(231,171)	-	(231,171)	-
Recreation and culture	2,638,367	516,167	21,932	-	(2,100,268)	-	(2,100,268)	-
Community development	109,984	1,103	-	-	(108,881)	-	(108,881)	-
Cemetery	50,317	21,310	-	-	(29,007)	-	(29,007)	-
Interest on long-term debt	504,927	-	-	-	(504,927)	-	(504,927)	-
Total governmental activities	<u>13,443,058</u>	<u>1,224,891</u>	<u>3,158,208</u>	<u>16,883</u>	<u>(9,043,076)</u>	<u>-</u>	<u>(9,043,076)</u>	<u>-</u>
Business-type activities								
Electric Utility	13,603,441	14,304,963	-	-	-	701,522	701,522	-
Water Utility	2,176,802	2,646,805	-	-	-	470,003	470,003	-
Sewer Utility	885,940	1,629,153	-	-	-	743,213	743,213	-
Storm Water	606,720	286,021	-	-	-	(320,699)	(320,699)	-
Commercial Properties	1,697,935	109,489	-	-	-	(1,588,446)	(1,588,446)	-
Nonmajor (Refuse)	946,497	914,545	-	-	-	(31,952)	(31,952)	-
Total business-type activities	<u>19,917,335</u>	<u>19,890,976</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(26,359)</u>	<u>(26,359)</u>	<u>-</u>
Total primary government	<u>\$ 33,360,393</u>	<u>\$ 21,115,867</u>	<u>\$ 3,158,208</u>	<u>\$ 16,883</u>	<u>(9,043,076)</u>	<u>(26,359)</u>	<u>(9,069,435)</u>	<u>-</u>
Component unit:								
Community development	\$ 637,950	\$ 465,539	\$ -	\$ -				(172,411)
General Revenues:								
Property taxes					4,071,021	-	4,071,021	143,356
Franchise taxes					1,431,503	-	1,431,503	-
Unrestricted grants and contributions					1,101,345	-	1,101,345	-
Unrestricted investment income					84,835	273,526	358,361	30,277
Other					939,520	-	939,520	17,815
Gain on sale of asset					106,060	-	106,060	-
Transfers					1,103,174	(1,259,323)	(156,149)	156,149
Total general revenues					<u>8,837,458</u>	<u>(985,797)</u>	<u>7,851,661</u>	<u>347,597</u>
Change in Net Position					<u>(205,618)</u>	<u>(1,012,156)</u>	<u>(1,217,774)</u>	<u>175,186</u>
Net Position - January 1					132,409,510	67,180,314	199,589,824	8,572,745
GASB 68 Adjustment - See Note 20					(3,746,249)	(1,699,721)	(5,445,970)	(118,885)
Equity Transfer - See Note 20 and 21					(143,383)	143,383	-	(471,519)
Net Position - January 1, as Restated					<u>128,519,878</u>	<u>65,623,976</u>	<u>194,143,854</u>	<u>7,982,341</u>
Net Position - December 31					<u>\$ 128,314,260</u>	<u>\$ 64,611,820</u>	<u>\$ 192,926,080</u>	<u>\$ 8,157,527</u>

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

**Balance Sheet
Governmental Funds
As of December 31, 2015**

CITY OF EAST GRAND FORKS

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Current City Projects Fund</u>	<u>12-1-07 Assessment Bonds</u>	<u>12-1-04 Assessment Bonds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS							
Cash and cash equivalents	\$ 2,308,220	\$ 194,678	\$ -	\$ 247,624	\$ 2,233,767	\$ 3,926,568	\$ 8,910,857
Investments	771,047	273,088	-	577,788	117,567	341,562	2,081,052
Interest receivable	21,583	-	-	-	-	-	21,583
Accounts receivable	-	-	1,130,957	-	-	10,683	1,141,640
Taxes receivable - property taxes	25,601	-	-	-	-	-	25,601
Taxes receivable - other	98,964	-	-	-	-	-	98,964
Special assessments receivable	1,700	1,969,575	-	1,538,749	1,228,441	2,371,840	7,110,305
Due from other funds	1,357,804	-	-	-	-	7,897	1,365,701
Due from other government units	58,526	261,035	-	7,158	3,316	248,512	578,547
Land held for resale	-	-	-	-	-	355,321	355,321
Notes receivable	-	-	-	-	-	126,219	126,219
Materials and supplies	18,438	-	-	-	-	-	18,438
TOTAL ASSETS	\$ 4,661,883	\$ 2,698,376	\$ 1,130,957	\$ 2,371,319	\$ 3,583,091	\$ 7,388,602	\$ 21,834,228
LIABILITIES							
Accounts payable	\$ 204,196	\$ 18,149	\$ 180,979	\$ -	\$ 800	\$ 25,146	\$ 429,270
Retainage payable	-	23,968	109,517	-	-	31,433	164,918
Accrued expenses	19,871	-	-	-	-	-	19,871
Accrued wages payable	359,342	-	-	-	-	1,361	360,703
Due to other funds	1,252,539	857,816	1,111,630	-	-	826	3,222,811
Due to other government units	36,087	-	-	-	-	75,865	111,952
Total Liabilities	1,872,035	899,933	1,402,126	-	800	134,631	4,309,525
DEFERRED INFLOWS OF RESOURCES							
Unavailable Revenue -							
Property taxes and spec. assessments	35,974	1,969,575	-	1,538,752	1,228,441	2,371,840	7,144,582
Total Deferred Inflows of Resources	35,974	1,969,575	-	1,538,752	1,228,441	2,371,840	7,144,582
FUND BALANCE							
Nonspendable	18,438	-	-	-	-	202,219	220,657
Restricted	-	-	-	832,567	2,353,850	4,680,629	7,867,046
Assigned for Future Budget	824,534	-	-	-	-	-	824,534
Unassigned	1,910,902	(171,132)	(271,169)	-	-	(717)	1,467,884
Total Fund Balance	2,753,874	(171,132)	(271,169)	832,567	2,353,850	4,882,131	10,380,121
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 4,661,883	\$ 2,698,376	\$ 1,130,957	\$ 2,371,319	\$ 3,583,091	\$ 7,388,602	\$ 21,834,228

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, 2015**

CITY OF EAST GRAND FORKS

Total fund balances - governmental funds		\$ 10,380,121
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	3,612,314	
Buildings, structures and improvements	78,563,929	
Machinery and equipment	5,737,513	
Infrastructure	49,582,268	
Accumulated depreciation	<u>(41,109,003)</u>	127,590,492
Other long-term assets are not available to pay for current period expenditures and, therefore, are unavailable in the governmental funds.		
		7,144,582
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	894,801	
Investments	839,570	
Machinery and equipment	2,774,769	
Accumulated depreciation	(1,586,599)	
Due from other funds	66,337	
Due from other governments	200,000	
Accounts payable	(106,227)	
Accrued interest payable	(5,738)	
Compensated absences payable	(1,032,163)	
Revenue bonds payable	(955,000)	
Premium on revenue bond	<u>(33,963)</u>	1,055,787
Net deferred outflows/(inflows) of resources relating to the cost sharing defined benefit plans in the governmental activities are not financial resources and, therefore, are not reported as deferred outflows (inflows) of resources in the governmental funds.		
Deferred outflows of resources	922,909	
Deferred inflows of resources	<u>(596,263)</u>	326,646
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	(13,579,211)	
Accrued interest payable	(146,508)	
Net pension liability	(4,200,080)	
Other post employment benefit obligations	<u>(257,569)</u>	<u>(18,183,368)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES		<u>\$ 128,314,260</u>

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

**Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended December 31, 2015**

CITY OF EAST GRAND FORKS

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Current City Projects Fund</u>	<u>12-1-07 Assessment Bonds</u>	<u>12-1-04 Assessment Bonds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:							
General taxes	\$ 4,682,355	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,682,355
Special assessments	2,653	221,385	-	291,177	258,205	471,966	1,245,386
Licenses and permits	128,766	-	-	-	-	-	128,766
Intergovernmental	2,871,532	352,610	16,883	-	-	923,635	4,164,660
Charges for services	1,113,071	-	-	-	-	115,172	1,228,243
Fines and forfeitures	96,018	-	-	-	-	-	96,018
Interest and other revenues	161,229	4,398	-	7,173	2,675	203,087	378,562
Total revenues	<u>9,055,624</u>	<u>578,393</u>	<u>16,883</u>	<u>298,350</u>	<u>260,880</u>	<u>1,713,860</u>	<u>11,923,990</u>
Expenditures:							
Current:							
General government	996,073	-	-	-	-	-	996,073
Public safety	4,008,399	-	-	-	-	-	4,008,399
Public works	1,207,212	-	-	-	-	56,334	1,263,546
Transit	-	-	-	-	-	353,824	353,824
Recreation and culture	2,041,966	-	-	-	-	-	2,041,966
Community development	20,932	-	-	-	-	89,053	109,985
Cemetery	-	-	-	-	-	44,799	44,799
Other expenditures	261,263	-	-	-	-	-	261,263
Capital outlay	317,538	1,512,753	1,500,334	-	-	847,981	4,178,606
Debt service:							
Principal retirement	-	-	-	175,000	260,000	274,000	709,000
Interest and fiscal agent charges	-	39,728	-	94,416	119,464	196,018	449,626
Other debt expenditures	-	-	-	-	-	57,745	57,745
Total expenditures	<u>8,853,383</u>	<u>1,552,481</u>	<u>1,500,334</u>	<u>269,416</u>	<u>379,464</u>	<u>1,919,754</u>	<u>14,474,832</u>
Excess (deficiency) of revenues over expenditures	<u>202,241</u>	<u>(974,088)</u>	<u>(1,483,451)</u>	<u>28,934</u>	<u>(118,584)</u>	<u>(205,894)</u>	<u>(2,550,842)</u>
Other financing sources (uses):							
Long-term debt issued	-	-	-	-	2,095,000	1,630,000	3,725,000
Long-term debt premium	-	-	-	-	101,244	71,736	172,980
Proceeds from sale of capital assets	8,000	-	-	-	-	98,060	106,060
Contributions	-	-	-	-	42,050	-	42,050
Transfers in	1,150,868	1,383,536	1,157,321	24,014	-	823,988	4,539,727
Transfers out	(1,555,795)	(120,000)	-	-	-	(1,560,760)	(3,236,555)
Total other financing sources (uses)	<u>(396,927)</u>	<u>1,263,536</u>	<u>1,157,321</u>	<u>24,014</u>	<u>2,238,294</u>	<u>1,063,024</u>	<u>5,349,262</u>
Net change in fund balances	<u>(194,686)</u>	<u>289,448</u>	<u>(326,130)</u>	<u>52,948</u>	<u>2,119,710</u>	<u>857,130</u>	<u>2,798,420</u>
Fund balance at beginning of year	2,948,560	(460,580)	54,961	779,619	234,140	4,168,384	7,725,084
Equity Transfer - See Note 21	-	-	-	-	-	(143,383)	(143,383)
Fund Balance at beginning of year as restated	<u>2,948,560</u>	<u>(460,580)</u>	<u>54,961</u>	<u>779,619</u>	<u>234,140</u>	<u>4,025,001</u>	<u>7,581,701</u>
Fund balance at end of year	<u>\$ 2,753,874</u>	<u>\$ (171,132)</u>	<u>\$ (271,169)</u>	<u>\$ 832,567</u>	<u>\$ 2,353,850</u>	<u>\$ 4,882,131</u>	<u>\$ 10,380,121</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, 2015**

CITY OF EAST GRAND FORKS

Net change in fund balances - total governmental funds		\$ 2,798,420
Amounts reported for the governmental activities in the statement of activities are different because:		
Governmental funds reported capital outlays as expenditures. However, in the statement of activities the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlays	\$ 3,974,340	
Depreciation	<u>(3,159,609)</u>	814,731
Issuance of long-term debt is a revenue in the governmental funds, but the issuance increases long-term liabilities in the statement of net position.		(3,725,000)
Issuance of bond premiums is a revenue in the governmental funds, but the issuance creates a liability in the statement of net position.		(172,980)
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.		709,000
Change in net pension liability		(229,981)
Change in deferred outflows and inflows of resources related to net pension liability		102,796
Revenue in the statement of activities that does not provide current financial resources are not reported as revenues in the governmental funds.		
Unearned Revenue - December 31, 2014	(57,038)	
Unearned Revenue - December 31, 2015	-	
Unavailable Revenue - December 31, 2014	(7,512,763)	
Unavailable Revenue - December 31, 2015	<u>7,144,582</u>	(425,219)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Amortization of bond discounts	(3,931)	
Amortization of bond premiums	2,899	
Other postemployment benefit obligations	<u>(30,819)</u>	(31,851)
Changes in long-term debt interest payable.		10,622
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>(56,156)</u>
Change in net position of governmental activities		<u>\$ (205,618)</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, 2015**

CITY OF EAST GRAND FORKS

	<u>Original and Final Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
General taxes	\$ 4,496,261	\$ 4,685,008	\$ 188,747
Licenses and permits	104,925	128,766	23,841
Intergovernmental	2,853,074	2,871,532	18,458
Charges for services	995,730	1,113,071	117,341
Fines and forfeitures	110,200	96,018	(14,182)
Interest and other revenues	58,675	161,229	102,554
Total revenues	<u>8,618,865</u>	<u>9,055,624</u>	<u>436,759</u>
Expenditures:			
Current:			
General government	1,043,889	996,073	47,816
Public safety	3,784,596	4,008,399	(223,803)
Public works	1,321,469	1,207,212	114,257
Recreation and culture	1,928,570	2,041,966	(113,396)
Community development	60,000	20,932	39,068
Other expenditures	264,500	261,263	3,237
Capital outlay	306,639	317,538	(10,899)
Total expenditures	<u>8,709,663</u>	<u>8,853,383</u>	<u>(143,720)</u>
Excess (deficiency) of revenues over expenditures	<u>(90,798)</u>	<u>202,241</u>	<u>293,039</u>
Other financing sources (uses)			
Proceeds from sale of capital asset	-	8,000	8,000
Transfers in	246,639	1,150,868	904,229
Transfers out	(156,204)	(1,555,795)	(1,399,591)
Total other financing sources (uses)	<u>90,435</u>	<u>(396,927)</u>	<u>(487,362)</u>
Net change in fund balances	(363)	(194,686)	(194,323)
Fund balance at beginning of year	2,948,560	2,948,560	-
Fund balance at end of year	<u>\$ 2,948,197</u>	<u>\$ 2,753,874</u>	<u>\$ (194,323)</u>

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

**Statement of Net Position
Proprietary Funds
As of December 31, 2015**

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	\$ 4,843,496	\$ 1,019,933	\$ 929,621	\$ 73,472	\$ 269,690	\$ 184,881	\$ 7,321,093	\$ 894,801
Investments	7,649,591	-	2,788,865	-	-	-	10,438,456	839,570
Restricted cash and investments:								
Cash in customer deposits	118,655	-	-	-	-	-	118,655	-
Interest receivable	22,217	-	-	-	-	-	22,217	-
Accounts receivable (net)	1,520,936	-	-	-	-	421	1,521,357	-
Notes Receivable	-	-	-	-	39,800	-	39,800	-
Materials and supplies	783,848	112,764	-	-	-	-	896,612	-
Prepaid items	60,269	18,168	-	-	-	-	78,437	-
Due from other funds	2,123,987	199,473	136,650	40,010	-	88,287	2,588,407	66,337
Due from other government units	5,120	1,615	-	-	-	-	6,735	200,000
Total current assets	<u>17,128,119</u>	<u>1,351,953</u>	<u>3,855,136</u>	<u>113,482</u>	<u>309,490</u>	<u>273,589</u>	<u>23,031,769</u>	<u>2,000,708</u>
Noncurrent assets:								
Capital assets:								
Land	305,394	44,000	257,184	-	6,300	-	612,878	-
Buildings and systems	27,611,262	25,278,179	15,264,768	16,350,107	1,460,000	-	85,964,316	-
Machinery and equipment	3,675,529	125,799	926,548	281,383	-	727,194	5,736,453	2,774,769
Construction in progress	-	13,761	1,388,611	-	-	-	1,402,372	-
Total capital assets	<u>31,592,185</u>	<u>25,461,739</u>	<u>17,837,111</u>	<u>16,631,490</u>	<u>1,466,300</u>	<u>727,194</u>	<u>93,716,019</u>	<u>2,774,769</u>
Less accumulated depreciation	<u>(17,289,489)</u>	<u>(13,487,349)</u>	<u>(6,769,042)</u>	<u>(4,736,657)</u>	<u>(535,181)</u>	<u>(646,817)</u>	<u>(43,464,535)</u>	<u>(1,586,599)</u>
Total capital assets (net)	<u>14,302,696</u>	<u>11,974,390</u>	<u>11,068,069</u>	<u>11,894,833</u>	<u>931,119</u>	<u>80,377</u>	<u>50,251,484</u>	<u>1,188,170</u>
Customer acquisition costs	268,106	83,668	-	-	-	-	351,774	-
Total noncurrent assets	<u>14,570,802</u>	<u>12,058,058</u>	<u>11,068,069</u>	<u>11,894,833</u>	<u>931,119</u>	<u>80,377</u>	<u>50,603,258</u>	<u>1,188,170</u>
TOTAL ASSETS	<u>31,698,921</u>	<u>13,410,011</u>	<u>14,923,205</u>	<u>12,008,315</u>	<u>1,240,609</u>	<u>353,966</u>	<u>73,635,027</u>	<u>3,188,878</u>
Deferred outflows of resources								
Cost sharing defined benefit pension plan	145,299	63,010	20,219	7,053	-	13,166	248,747	-
Total deferred outflows of resources	<u>145,299</u>	<u>63,010</u>	<u>20,219</u>	<u>7,053</u>	<u>-</u>	<u>13,166</u>	<u>248,747</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, 2015 (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	2,317,570	40,435	259,299	14,591	431	73,774	2,706,100	106,227
Retainage payable	5,545	-	-	-	-	-	5,545	-
Due to other funds	690,660	27,114	5,039	73,962	606	252	797,633	-
Due to other government units	48,997	-	-	-	-	18,236	67,233	-
Accrued interest payable	-	-	28,269	-	-	-	28,269	5,738
Accrued wages payable	55,130	22,177	8,118	2,016	-	6,293	93,734	-
Customer deposits	118,655	-	-	-	-	-	118,655	-
Compensated absences payable - current	32,000	13,000	-	-	-	-	45,000	41,000
G.O. revenue bonds payable - current	-	-	190,000	-	-	-	190,000	90,000
Total current liabilities	<u>3,268,557</u>	<u>102,726</u>	<u>490,725</u>	<u>90,569</u>	<u>1,037</u>	<u>98,555</u>	<u>4,052,169</u>	<u>242,965</u>
Noncurrent liabilities:								
Compensated absences payable	373,388	101,600	2,356	-	-	22,012	499,356	991,163
Net pension liability	1,056,923	458,342	147,080	51,307	-	95,773	1,809,425	-
G.O. revenue bonds payable, net	-	-	2,721,000	-	-	-	2,721,000	898,963
Total noncurrent liabilities	<u>1,430,311</u>	<u>559,942</u>	<u>2,870,436</u>	<u>51,307</u>	<u>-</u>	<u>117,785</u>	<u>5,029,781</u>	<u>1,890,126</u>
TOTAL LIABILITIES	<u>4,698,868</u>	<u>662,668</u>	<u>3,361,161</u>	<u>141,876</u>	<u>1,037</u>	<u>216,340</u>	<u>9,081,950</u>	<u>2,133,091</u>
Deferred inflows of resources								
Cost sharing defined benefit pension plan	110,985	48,129	15,445	5,388	-	10,057	190,004	-
Total deferred inflows of resources	<u>110,985</u>	<u>48,129</u>	<u>15,445</u>	<u>5,388</u>	<u>-</u>	<u>10,057</u>	<u>190,004</u>	<u>-</u>
NET POSITION								
Net investment in capital assets	14,302,696	11,974,390	8,157,069	11,894,833	931,119	80,377	47,340,484	199,207
Unrestricted	12,731,671	787,834	3,409,749	(26,729)	308,453	60,358	17,271,336	856,580
TOTAL NET POSITION	<u>\$ 27,034,367</u>	<u>\$ 12,762,224</u>	<u>\$ 11,566,818</u>	<u>\$ 11,868,104</u>	<u>\$ 1,239,572</u>	<u>\$ 140,735</u>	<u>\$ 64,611,820</u>	<u>\$ 1,055,787</u>

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, 2015**

CITY OF EAST GRAND FORKS

	Business-Type Activities – Enterprise Funds						Totals	Governmental Activities - Internal Service Funds
	Electric	Water	Sewage	Storm Water	Commercial Properties	Nonmajor (Refuse)		
Operating revenues:								
Electric charges	\$ 14,028,076	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 14,028,076	\$ -
Water charges	-	2,646,805	-	-	-	-	2,646,805	-
Sewer charges	-	-	1,629,153	-	-	-	1,629,153	-
Rental charges	-	-	-	-	82,428	-	82,428	-
Refuse charges	-	-	-	-	-	876,516	876,516	-
Storm Water charges	-	-	-	278,511	-	-	278,511	-
Other	276,887	-	-	7,510	27,061	38,029	349,487	279,081
Total operating revenues	<u>14,304,963</u>	<u>2,646,805</u>	<u>1,629,153</u>	<u>286,021</u>	<u>109,489</u>	<u>914,545</u>	<u>19,890,976</u>	<u>279,081</u>
Operating expenses:								
Purchased power	8,665,114	-	-	-	-	-	8,665,114	-
Operations and maintenance	2,710,902	1,260,844	339,017	251,564	55,840	892,267	5,510,434	106,227
Administration	-	276,887	78,233	-	-	19,006	374,126	-
Compensated absences	-	-	-	-	-	-	-	90,422
Depreciation	1,024,057	639,071	387,297	355,156	55,409	35,224	2,496,214	139,760
Tax and tax equivalents	1,203,368	-	-	-	-	-	1,203,368	-
Total operating expenses	<u>13,603,441</u>	<u>2,176,802</u>	<u>804,547</u>	<u>606,720</u>	<u>111,249</u>	<u>946,497</u>	<u>18,249,256</u>	<u>336,409</u>
Operating income (loss)	<u>701,522</u>	<u>470,003</u>	<u>824,606</u>	<u>(320,699)</u>	<u>(1,760)</u>	<u>(31,952)</u>	<u>1,641,720</u>	<u>(57,328)</u>
Nonoperating revenues (expenses)								
Interest income	225,935	-	40,595	1,452	3,907	1,637	273,526	8,318
Interest expense	-	-	(81,393)	-	-	-	(81,393)	(5,827)
Fiscal agent fees	-	-	-	-	-	-	-	(1,319)
Gain (loss) on disposal of assets	-	-	-	-	(1,586,686)	-	(1,586,686)	-
Donation	-	-	-	-	-	-	-	200,000
Total Nonoperating revenues (expenses)	<u>225,935</u>	<u>-</u>	<u>(40,798)</u>	<u>1,452</u>	<u>(1,582,779)</u>	<u>1,637</u>	<u>(1,394,553)</u>	<u>201,172</u>
Income (loss) before transfers and contributions	<u>927,457</u>	<u>470,003</u>	<u>783,808</u>	<u>(319,247)</u>	<u>(1,584,539)</u>	<u>(30,315)</u>	<u>247,167</u>	<u>143,844</u>
Transfers out	<u>(434,789)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(824,534)</u>	<u>-</u>	<u>(1,259,323)</u>	<u>(200,000)</u>
Change in net position	<u>492,668</u>	<u>470,003</u>	<u>783,808</u>	<u>(319,247)</u>	<u>(2,409,073)</u>	<u>(30,315)</u>	<u>(1,012,156)</u>	<u>(56,156)</u>
Total net position - January 1	27,534,542	12,722,774	10,921,173	12,092,164	3,648,645	261,016	67,180,314	1,111,943
GASB 68 adjustment - see note 20	(992,843)	(430,553)	(138,163)	(48,196)	-	(89,966)	(1,699,721)	-
Equity transfer - see note 21	-	-	-	143,383	-	-	143,383	-
Total net position - January 1, as restated	<u>26,541,699</u>	<u>12,292,221</u>	<u>10,783,010</u>	<u>12,187,351</u>	<u>3,648,645</u>	<u>171,050</u>	<u>65,623,976</u>	<u>1,111,943</u>
Total net position - December 31	<u>\$ 27,034,367</u>	<u>\$ 12,762,224</u>	<u>\$ 11,566,818</u>	<u>\$ 11,868,104</u>	<u>\$ 1,239,572</u>	<u>\$ 140,735</u>	<u>\$ 64,611,820</u>	<u>\$ 1,055,787</u>

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, 2015**

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
Cash flows from operating activities:								
Cash received from customers and users	\$ 13,512,343	\$ 2,601,458	\$ 1,589,506	\$ 286,021	\$ 113,549	\$ 930,101	\$ 19,032,978	\$ -
Cash received from interfund activities	721,359	44,539	39,647	-	-	-	805,545	279,081
Cash paid to suppliers for goods and services	(9,128,833)	(813,398)	(258)	(142,034)	(52,681)	(767,291)	(10,904,495)	(74,812)
Cash received (paid) for interfund activities	53,125	(277,695)	(32,370)	(41,527)	(12,245)	(668)	(311,380)	-
Cash paid to employees	(1,147,165)	(447,862)	(159,367)	(54,710)	-	(96,018)	(1,905,122)	(105,568)
Cash paid for taxes and tax equivalents	(1,200,396)	-	(417)	(620)	170	(3,920)	(1,205,183)	-
Net cash provided (used) by operating activities	<u>2,810,433</u>	<u>1,107,042</u>	<u>1,436,741</u>	<u>47,130</u>	<u>48,793</u>	<u>62,204</u>	<u>5,512,343</u>	<u>98,701</u>
Cash flows from noncapital financing activities:								
Transfers to other funds	(434,789)	-	-	-	(824,534)	-	(1,259,323)	(200,000)
Interfund receivable	(981,627)	(32,276)	(16,537)	(20,127)	-	(16,031)	(1,066,598)	16,149
Interfund payable	83,839	1,152	(4,320)	(98,366)	(4,387)	(140)	(22,222)	-
Net cash provided (used) by noncapital financing activities	<u>(1,332,577)</u>	<u>(31,124)</u>	<u>(20,857)</u>	<u>(118,493)</u>	<u>(828,921)</u>	<u>(16,171)</u>	<u>(2,348,143)</u>	<u>(183,851)</u>
Cash flows from capital and related financing activities:								
Acquisition of capital assets	(650,714)	(810,129)	(1,305,966)	-	-	-	(2,766,809)	-
Proceeds from sale of capital assets	-	-	-	-	819,074	-	819,074	-
Principal payments on long-term debt	-	-	(185,000)	-	-	-	(185,000)	(90,000)
Interest and fiscal charges on bonds	-	-	(83,190)	-	-	-	(83,190)	2,759
Proceeds from contract for deed	-	-	-	-	6,452	-	6,452	-
Proceeds from long-term debt	-	-	-	-	-	-	-	265,000
Net cash provided (used) by capital and related financing activities	<u>(650,714)</u>	<u>(810,129)</u>	<u>(1,574,156)</u>	<u>-</u>	<u>825,526</u>	<u>-</u>	<u>(2,209,473)</u>	<u>177,759</u>
Cash flows from investing activities:								
Interest received on investments	228,695	-	40,595	1,452	3,907	1,637	276,286	8,318
Proceeds from sales and maturities of investments	1,396,000	-	663,682	-	-	-	2,059,682	630,529
Purchase of investments	(487,729)	-	-	-	-	-	(487,729)	-
Net cash provided (used) by investing activities	<u>1,136,966</u>	<u>-</u>	<u>704,277</u>	<u>1,452</u>	<u>3,907</u>	<u>1,637</u>	<u>1,848,239</u>	<u>638,847</u>
Net increase (decrease) in cash and cash equivalents	1,964,108	265,789	546,005	(69,911)	49,305	47,670	2,802,966	731,456
Cash and cash equivalents - January 1	<u>2,998,043</u>	<u>754,144</u>	<u>383,616</u>	<u>143,383</u>	<u>220,385</u>	<u>137,211</u>	<u>4,636,782</u>	<u>163,345</u>
Cash and cash equivalents - December 31	<u>\$ 4,962,151</u>	<u>\$ 1,019,933</u>	<u>\$ 929,621</u>	<u>\$ 73,472</u>	<u>\$ 269,690</u>	<u>\$ 184,881</u>	<u>\$ 7,439,748</u>	<u>\$ 894,801</u>

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, 2015 (Continued)

CITY OF EAST GRAND FORKS

	Business-Type Activities – Enterprise Funds						Totals	Governmental Activities - Internal Service Funds
	Electric	Water	Sewage	Storm Water	Commercial Properties	Nonmajor (Refuse)		
Reconciliation of operating income to net cash provided (used) by operating activities:								
Operating income (loss)	\$ 701,522	\$ 470,003	\$ 824,606	\$ (320,699)	\$ (1,760)	\$ (31,952)	\$ 1,641,720	\$ (57,328)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:								
Depreciation and amortization	1,024,057	639,071	387,297	355,156	55,409	35,224	2,496,214	139,760
Changes in assets and liabilities:								
Accounts receivable	(102,908)	-	-	-	4,060	556	(98,292)	-
Materials and supplies	906	(16,145)	-	-	-	-	(15,239)	-
Prepaid items	(53,553)	(17,321)	-	-	-	-	(70,874)	-
Due from other government units	942	(808)	-	-	-	15,000	15,134	-
Accounts payable	1,215,747	15,622	218,548	11,919	(9,086)	42,826	1,495,576	31,415
Retainage payable	2,455	(3,748)	-	-	-	-	(1,293)	-
Accrued wages payable	5,375	3,291	3,386	(72)	-	585	12,565	-
Accrued compensated absences	(47,553)	4,149	(822)	-	-	1,187	(43,039)	(15,146)
Due to other government units	2,972	-	(417)	(620)	170	(3,920)	(1,815)	-
Customer deposits	30,705	-	-	-	-	-	30,705	-
Net pension liability	21,984	9,534	3,059	1,067	-	1,992	37,636	-
Deferred pension inflows	110,985	48,129	15,445	5,388	-	10,057	190,004	-
Deferred pension outflows	(103,203)	(44,735)	(14,361)	(5,009)	-	(9,351)	(176,659)	-
Net cash provided (used) by operating activities	<u>\$ 2,810,433</u>	<u>\$ 1,107,042</u>	<u>\$ 1,436,741</u>	<u>\$ 47,130</u>	<u>\$ 48,793</u>	<u>\$ 62,204</u>	<u>\$ 5,512,343</u>	<u>\$ 98,701</u>
Cash and cash equivalents are shown on the balance sheet under the following captions:								
Cash and cash equivalents	\$ 4,843,496	\$ 1,019,933	\$ 929,621	\$ 73,472	\$ 269,690	\$ 184,881	\$ 7,321,093	\$ 894,801
Restricted assets:								
Cash in customer deposits	118,655	-	-	-	-	-	118,655	-
Total cash and cash equivalents - December 31	<u>\$ 4,962,151</u>	<u>\$ 1,019,933</u>	<u>\$ 929,621</u>	<u>\$ 73,472</u>	<u>\$ 269,690</u>	<u>\$ 184,881</u>	<u>\$ 7,439,748</u>	<u>\$ 894,801</u>

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, 2015

CITY OF EAST GRAND FORKS

ASSETS:

Cash and cash equivalents

\$ 19,974

LIABILITIES:

Due to employees

\$ 19,974

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting entity

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

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

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

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

Discretely Presented Component Unit

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

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

B. Government-wide and fund financial statements

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

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

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

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

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded when payment is due.

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

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

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

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

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

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

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

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

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

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

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

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

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. 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.

Revenues from electric energy sales are accrued to accounts receivable only at the time meters are read. Accordingly, the revenues related to energy delivered, but not metered, are not accrued. The City has three billing cycles per month: North End,

South End, and Large Commercial Electric. The North End cycle is billed at the end of each month, with meter readings taken between the 11th and 25th day of the same month. The South End cycle is billed in the middle of each month, with meter readings taken between the 26th of the previous month and the 10th day of the current billing month.

The Large Commercial Electric cycle is billed in the middle of the month, with meter readings taken on the last day of the previous month. Large Commercial Electric sales revenues are accrued to the month of the meter readings. North End and South End sales revenues are recognized in the month billed, which is consistent with current and past revenue recognition practices.

3. 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".

4. Materials & supplies inventory

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

5. Prepaid items

Payments made to vendors for services that will benefit periods beyond December 31, 2015, are recorded as prepaid items and are recorded as expenses/expenditures when consumed, rather than when purchased.

6. Restricted assets

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

7. Capital assets (property, plant and equipment)

Capital assets, including property, plant, and equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value on the date of donation.

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

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

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

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

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

8. 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.

9. 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 Water Fund and the Electric Fund are recorded as expenses and liabilities in those funds as

the benefits accrue to their employees. The Water Fund has accrued a liability of \$114,600 for 2,473 accumulated sick leave hours and 813 accumulated vacation leave hours; the Electric Fund has accrued a liability of \$405,388 for 8,483 accumulated sick leave hours and 2124 accumulated vacation leave hours. Additionally, the EDA has accrued a liability of \$5,584 for 161 accumulated sick and vacation leave hours. All other accrued sick leave expenses are charged to specific funds and departments, with the liability maintained in a Benefit Accrual Fund.

The Benefit Accrual Fund, an internal service fund, was added to pay for those benefits actually used by governmental fund employees or employees which split their time between proprietary and governmental funds. A liability for unpaid accumulated sick leave of \$1,032,163 is recorded in this fund, reflecting 35,363 accumulated sick leave hours. Sick leave hours exceeding the eligible reimbursement limit of 1,280 hours totaled 168. 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.

10. 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.

11. 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.

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.

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.

Deferred Outflows/Inflows of Resources

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

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

12. 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.

13. 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.

14. 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.

15. 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.

16. 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.

17. Pensions

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

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

B. Excess of Expenditures over Appropriations

For the year ended December 31, 2015, expenditures and other uses were over appropriations in the General fund, Insect Control Fund and Greenway Maintenance fund by \$143,720, \$7,094 and \$16,986, respectively.

C. Deficit Fund Equity

At December 31, 2015, there are three governmental funds with a deficit fund balance; the \$171,132 deficit fund balance in the Capital Projects Fund, \$271,169 in Current City Projects Fund and \$717 in 125th Anniversary Celebration funds. In addition, the Benefit Accrual internal service fund has a deficit of \$269,636. These will be eliminated with future revenues, and transfers from governmental and enterprise funds.

NOTE 3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash, cash equivalents, and investments at December 31, 2015 are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and cash equivalents	\$ 17,126,747
Investments	13,359,078
Restricted cash and cash equivalents	118,655
Statement of fiduciary assets and liabilities:	
Cash and cash equivalents	19,974
Total cash and investments	<u>\$ 30,624,454</u>

Cash and investments at December 31, 2015 consist of the following:

Cash:	
Cash on hand	\$ 600
Deposit with financial institutions	11,405,832
Cash equivalents:	
4M - Local Government Investment Pool	3,729,794
Money Market Funds	2,129,150
Investments:	
Various	13,359,078
Total cash, cash equivalents, and investments	<u>\$ 30,624,454</u>

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, 2015, 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>
Federal Agencies:		
Federal Home Loan Mortgage Corp	\$ 248,879	9.99
Federal Home Loan Bank	4,292,911	7.99
Federal National Mortgage Assn.	398,160	4.08
Negotiable certificates of deposit	7,260,988	3.58
Non-negotiable certificates of deposit	1,158,140	0.33
	<u>\$ 13,359,078</u>	

Portfolio weighted average maturity 5.19

Concentration of Credit Risk

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Percent of Investment Portfolio</u>
Federal Agencies:		
Federal Home Loan Bank	\$ 4,292,911	32.1%
Federal National Mortgage Assn.	398,160	3.0%
Federal Home Loan Mortgage Corp	248,879	1.9%

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.

NOTE 4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

At December 31, 2015, 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, 2015:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amount</u>
General Fund	Component Unit	\$ 614 (2)
General Fund	Electric Fund	184,789 (2)
General Fund	Capital Projects Fund	120,000 (2)
General Fund	Commerical Properties Fund	824,534 (2)
12-1-07 Assessment Bonds Fund	Nonmajor Fund	24,014 (2)
Current Year City Projects	General Fund	1,130,958 (1)
Capital Projects Fund	General Fund	33,000 (2)
Nonmajor Fund	General Fund	235,074 (2)
Capital Projects Fund	Nonmajor Fund	870,000 (2)
Nonmajor Fund	Electric Fund	250,000 (2)
Nonmajor Fund	Internal Service Fund	200,000 (2)
Component Unit	General Fund	156,763 (2)
Capital Projects Fund	Nonmajor Fund	480,536 (2)
General Fund	Nonmajor Fund	20,932 (2)
Current Year City Projects	Nonmajor Fund	26,363 (2)
Nonmajor Fund	Nonmajor Fund	138,914 (2)
		<u>\$ 4,696,491</u>

Due From Other Funds. The following due from other funds are reflected on the financial statements at December 31, 2015:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor Governmental Funds	General Fund	\$ 3,949 (1)
General Fund	General Fund	23,165 (1)
General Fund	Nonmajor Governmental Funds	717 (2)
General Fund	Current City Projects Fund	1,111,630 (2)
Electric Fund	General Fund	1,159,089 (2)
Electric Fund	Nonmajor Governmental Funds	109 (2)
Water Fund	Electric Fund	199,473 (2)
General Fund	Electric Fund	222,292 (2)
Nonmajor Governmental Funds	Electric Fund	3,948 (2)
Refuse Fund	Electric Fund	88,287 (2)
Sewage Fund	Electric Fund	136,650 (2)
Storm Fund	Electric Fund	40,010 (2)
Central Equipment	General Fund	66,337 (1)
Electric Fund	Capital Projects	857,816 (1)
Electric Fund	Commercial Properties	606 (2)
Electric Fund	Water Fund	27,114 (2)
Electric Fund	Sewage Fund	5,039 (2)
Electric Fund	Storm Water Fund	73,962 (2)
Electric Fund	Refuse Fund	252 (2)
		<u>\$ 4,020,445</u>

1. The purpose of this Interfund receivable is to maintain a positive cash balance at year end.
2. The purpose of this Interfund receivable is to cover year end utility billings between funds.

Accounts Receivable. On April 30, 2011, the City sold the Demers Professional Building under a contract for deed arrangement. The contract bears interest of 4 percent and expires May 1, 2021.

Required minimum payments are as follows:

<u>Year Ending</u>	<u>December 31</u>	
2016		\$ 6,715
2017		6,989
2018		7,273
2019		7,570
2020		7,878
2021		3,375
Total		<u>\$ 39,800</u>

NOTE 5. CAPITAL ASSETS

Capital asset activities for the year ended December 31, 2015, were as follows:

	Beginning Balance	Additions	Deletions	Ending Balance	Internal Service Fund Assets	Governmental Funds Total	Internal Service Fund Additions	Governmental Fund Additions
Governmental activities:								
Nondepreciable capital assets								
Land	\$ 31,203,471	\$ -	\$ -	\$ 31,203,471	\$ -	\$ 31,203,471	\$ -	\$ -
Construction in progress	288,761	3,901,075	(577,522)	3,612,314	-	3,612,314	-	3,901,075
Total	<u>31,492,232</u>	<u>3,901,075</u>	<u>(577,522)</u>	<u>34,815,785</u>	<u>-</u>	<u>34,815,785</u>	<u>-</u>	<u>3,901,075</u>
Depreciable capital assets:								
Buildings, structures, and improvements	78,489,691	74,238	-	78,563,929	-	78,563,929	-	74,238
Machinery and equipment	8,617,537	23,884	(129,139)	8,512,282	2,774,769	5,737,513	-	23,884
Infrastructure	49,029,603	552,665	-	49,582,268	-	49,582,268	-	552,665
Total	<u>136,136,831</u>	<u>650,787</u>	<u>(129,139)</u>	<u>136,658,479</u>	<u>2,774,769</u>	<u>133,883,710</u>	<u>-</u>	<u>650,787</u>
Total capital assets	<u>167,629,063</u>	<u>4,551,862</u>	<u>(706,661)</u>	<u>171,474,264</u>	<u>2,774,769</u>	<u>168,699,495</u>	<u>-</u>	<u>4,551,862</u>
Less accumulated depreciation for:								
Buildings, structures and improvements	(18,534,228)	(1,599,621)	-	(20,133,849)	-	(20,133,849)	-	(1,599,621)
Machinery and equipment	(4,819,055)	(325,833)	129,139	(5,015,749)	(1,586,599)	(3,429,150)	(139,760)	(186,073)
Infrastructure	(16,172,088)	(1,373,915)	-	(17,546,003)	-	(17,546,003)	-	(1,373,915)
Total accumulated depreciation	<u>(39,525,371)</u>	<u>(3,299,369)</u>	<u>129,139</u>	<u>(42,695,601)</u>	<u>(1,586,599)</u>	<u>(41,109,002)</u>	<u>(139,760)</u>	<u>(3,159,609)</u>
Total governmental activities capital assets, net	<u>\$ 128,103,692</u>	<u>\$ 1,252,493</u>	<u>\$ (577,522)</u>	<u>\$ 128,778,663</u>	<u>\$ 1,188,170</u>	<u>\$ 127,590,493</u>	<u>\$ (139,760)</u>	<u>\$ 1,392,253</u>
Business-type activities:								
Nondepreciable capital assets								
Land	\$ 749,178	\$ -	\$ (136,300)	\$ 612,878				
Construction in progress	257,448	1,144,924	-	1,402,372				
Total	<u>1,006,626</u>	<u>1,144,924</u>	<u>(136,300)</u>	<u>2,015,250</u>				
Depreciable capital assets:								
Buildings, structures, and improvements	88,841,813	1,392,211	(4,269,707)	85,964,317				
Machinery and equipment	5,588,546	229,673	(81,766)	5,736,453				
Total	<u>94,430,359</u>	<u>1,621,884</u>	<u>(4,351,473)</u>	<u>91,700,770</u>				
Total capital assets	<u>95,436,985</u>	<u>2,766,808</u>	<u>(4,487,773)</u>	<u>93,716,020</u>				
Less accumulated depreciation for:								
Buildings, structures, and improvements	(37,570,858)	(2,187,352)	2,000,247	(37,757,963)				
Machinery and equipment	(5,479,477)	(308,862)	81,766	(5,706,573)				
Total accumulated depreciation	<u>(43,050,335)</u>	<u>(2,496,214)</u>	<u>2,082,013</u>	<u>(43,464,536)</u>				
Total business-type activities capital assets, net	<u>\$ 52,386,650</u>	<u>\$ 270,594</u>	<u>\$ (2,405,760)</u>	<u>\$ 50,251,484</u>				

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

Governmental Activities:	
General Government	\$ 177,248
Public Safety	234,728
Public Works	2,255,009
Culture and Recreation	593,305
Transit	33,561
Cemetery	<u>5,518</u>
Total Depreciation Expenses - Governmental Activities	3,299,369
Internal Service Fund Depreciation on Capital Assets	<u>(139,760)</u>
Depreciation Expense Excluding Internal Service Fund	<u>\$ 3,159,609</u>

Business-Type Activities:	
Electric Fund	\$ 1,024,057
Water Fund	639,071
Sewer Fund	387,297
Storm Water Fund	355,156
City Mall Fund	55,409
Refuse Fund	<u>35,224</u>
Total Depreciation Expenses - Business-Type Activities:	<u>\$ 2,496,214</u>

Discretely presented component units

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities:				
Nondepreciable capital assets				
Land	\$ 50,300	\$ -	\$ -	\$ 50,300
Total	<u>50,300</u>	<u>-</u>	<u>-</u>	<u>50,300</u>
Depreciable capital assets:				
Buildings, structures, and improvements	5,503,577	-	-	5,503,577
Machinery and equipment	196,016	-	(49,158)	146,858
Total	<u>5,699,593</u>	<u>-</u>	<u>(49,158)</u>	<u>5,650,435</u>
Total capital assets	<u>5,749,893</u>	<u>-</u>	<u>(49,158)</u>	<u>5,700,735</u>
Less accumulated depreciation for:				
Buildings, structures and improvements	(1,766,513)	(136,686)	-	(1,903,199)
Machinery and equipment	(164,472)	(3,719)	49,248	(118,943)
Total accumulated depreciation	<u>(1,930,985)</u>	<u>(140,405)</u>	<u>49,248</u>	<u>(2,022,142)</u>
Total governmental activities capital assets, net	<u>\$ 3,818,908</u>	<u>\$ (140,405)</u>	<u>\$ 90</u>	<u>\$ 3,678,593</u>

NOTE 6. 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 12/31/15
12/01/15	02/01/31	2.0%-2.75%	\$ 3,999,000	\$ 3,990,000
12/1/12 Refunding	02/01/20	2.0%-4.0%	440,000	320,000
12/01/12	02/01/34	2.0%-2.75%	660,000	630,000
04/01/04 Refunding	02/01/16	2.8%-4.3%	260,000	10,000
12/01/04	02/01/25	3.0%-4.4%	4,655,000	2,425,000
03/01/06	02/01/27	3.3%-4.3%	4,075,000	1,070,000
12/01/07	02/01/28	3.4%-4.25%	3,560,000	2,165,000
				<u>\$ 10,610,000</u>

Mn PFA-Transportation				
Loan Total \$ 3,466,567				
advanced \$ 3,466,567	08/20/38	3.645%	3,466,567	\$ 3,074,000
GO Certificate of Indebtedness	02/01/22	2.0%	875,000	690,000
Total governmental activities				<u>\$ 14,374,000</u>

Business-type activities

Revenue bonds:	Final Maturity	Interest Rates	Issue Amount	Outstanding 12/31/15
Mn PFA-Clean Water				
Loan Total \$ 4,012,598				
advanced \$ 4,012,598	08/20/28	2.687%	\$ 4,012,598	\$ 2,911,000

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.

Notes to the Financial Statements
December 31, 2015

CITY OF EAST GRAND FORKS

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

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

Year Ending December 31	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2016	\$ 818,000	\$ 425,628	\$ 190,000	\$ 78,219
2017	1,361,000	425,323	195,000	73,113
2018	1,394,000	384,656	200,000	67,874
2019	1,457,000	342,227	206,000	62,500
2020	1,461,000	299,486	211,000	56,964
2021-2025	4,780,000	970,306	1,145,000	196,554
2026-2030	1,559,000	392,163	764,000	41,407
2031-2035	986,000	197,271	-	-
2036-2038	558,000	41,189	-	-
Total	\$ 14,374,000	\$ 3,478,247	\$ 2,911,000	\$ 576,630

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended December 31, 2015:

	Beginning Balance	Additions/ Proceeds	Reductions/ Payments	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation	\$ 7,245,000	\$ 3,990,000	\$ (625,000)	\$ 10,610,000	\$ 640,000
Unamortized premium	37,242	184,857	(2,899)	219,200	-
Unamortized discount	(51,042)	-	3,931	(47,111)	-
Total	<u>7,231,200</u>	<u>4,174,857</u>	<u>(623,968)</u>	<u>10,782,089</u>	<u>640,000</u>
PFA bonds payable:					
MN PFA Transportation bond	3,158,000	-	(84,000)	3,074,000	88,000
G. O. certificates of indebtedness	780,000	-	(90,000)	690,000	90,000
Unamortized premium	23,311	-	(1,225)	22,086	-
Compensated absences	1,047,309	203,911	(219,057)	1,032,163	41,000
OPEB	226,751	84,671	(53,853)	257,569	-
Governmental Activities Total:	<u>12,466,571</u>	<u>4,463,439</u>	<u>(1,072,103)</u>	<u>15,857,907</u>	<u>859,000</u>
Business-type activities:					
Bonds payable:					
MN PFA Clean Water Bond	3,096,000	-	(185,000)	2,911,000	190,000
Compensated absences	587,395	112,467	(155,506)	544,356	45,000
Business-type activities total	<u>3,683,395</u>	<u>112,467</u>	<u>(340,506)</u>	<u>3,455,356</u>	<u>235,000</u>
Government-wide Total	<u>\$ 16,149,966</u>	<u>\$ 4,575,906</u>	<u>\$ (1,412,609)</u>	<u>\$ 19,313,263</u>	<u>\$ 1,094,000</u>

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

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

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

CHANGES IN LONG-TERM LIABILITIES. Long-term liability activity for the year ended December 31, 2015, was as follows:

	Beginning Balance	Additions/ Proceeds	Reductions/ Payments	Ending Balance	Due Within One Year
Component Unit activities:					
Intermediary relending notes	\$ 315,891	\$ -	\$ (27,622)	\$ 288,269	\$ 27,986
Compensated absences	36,925	6,059	(37,400)	5,584	969
Component Unit activities total	<u>\$ 352,816</u>	<u>\$ 6,059</u>	<u>\$ (65,022)</u>	<u>\$ 293,853</u>	<u>\$ 28,955</u>

Presented below is a summary of debt service requirements to maturity by years:

Year Ending December 31	Intermediary Relending	
	Principal	Interest
2016	\$ 27,986	\$ 2,857
2017	28,265	30,843
2018	28,548	30,843
2019	28,834	30,843
2020	29,122	1,721
2021-2025	145,514	4,180
	<u>\$ 288,269</u>	<u>\$ 101,287</u>

NOTE 7. 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, 2015 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:

	2013	2014	2015
Paid Losses	\$ 9,619	\$ 5,775	\$ 14,215
Paid Expenses	-	53,315	-
Reserve Losses	-	112,000	20,000
Reserve Expenses	-	173,629	-
Total Incurred	9,619	344,719	34,215
Deductible Recovery	(3,763)	(5,155)	(3,923)

The City's commercial insurance carrier has no set reserve losses or reserve expenses for claims filed after December 31, 2015, 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 8. 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, 2015, significant amounts of grant expenditures have not been audited, but the City believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

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

Litigation

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

NOTE 9. DEFINED BENEFIT PENSION PLANS - STATEWIDE

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

Disclosures relating to these plans follow:

A. Plan Description

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

1. General Employees Retirement Fund

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

2. Public Employees Police & Fire Fund (PEPFF)

The PEPFF, 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 PEPFF also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

B. Benefits Provided

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

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

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

1. GERF Benefits

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

2. PEPFF Benefits

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

C. Contributions

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

1. GERF Contributions

Basic plan members and Coordinated plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2015. The City was required to contribute 11.78% of pay for Basic Plan members and 7.25% for Coordinated Plan members. In 2015. The City's contributions to the GERF

for the year ended December 31, 2015, were \$296,341. The City's contributions were equal to the required contributions for each year as set by state statute.

2. PEPFF Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2015. The City was required to contribute 16.20% of pay for PEPFF members in calendar year 2015. The City's contributions to the PEPFF for the year ended December 31, 2015, were \$372,285. The City's contributions were equal to the required contributions as set by state statute.

D. GERF Pension Costs

At December 31, 2015, the City reported a liability of \$3,420,463 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportion was 0.0660%.

For the year ended December 31, 2015, the City recognized pension expense of \$393,697 for its proportionate share of GERF's pension expense.

At December 31, 2015, the City reported its proportionate share of GERF'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	\$ -	\$ 172,449
Changes in actuarial assumptions	-	186,726
Difference between projected and actual investment earnings	323,799	-
Changes in proportion	-	-
Contributions paid to PERA subsequent to the measurement date	146,423	-
Total	\$ 470,222	\$ 359,175

\$146,423 reported as deferred outflows of resources related to pensions resulting from City contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Year ending June 30:	Pension Expense Amount
2016	\$ (38,775)
2017	(38,775)
2018	(38,775)
2019	80,949

2. PEPFF Pension Costs

At December 31, 2015, the City reported a liability of \$2,715,599 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportion was 0.2390%.

For the year ended December 31, 2015, the City recognized pension expense of \$478,762 for its proportionate share of PEPFF's pension expense. The City also recognized \$52,351 for the year ended December 31, 2015, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

At December 31, 2015, the City reported its proportionate share of PEPFF'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	\$ -	\$ 440,381
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	527,150	-
Changes in proportion	-	-
Contributions paid to PERA subsequent to the measurement date	191,682	-
Total	\$ 718,832	\$ 440,381

\$191,682 reported as deferred outflows of resources related to pensions resulting from City contributions to PEPFF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending June 30:	Pension Expense Amount
2016	\$ 41,011
2017	41,011
2018	41,011
2019	41,011
2020	(77,275)

E. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Active Member Payroll Growth	3.50% per year
Investment Rate of Return	7.90%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be 1% effective every January 1 through 2034 and 2.5% thereafter for GERF and PEPFF.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the GERF was for the period July 1, 2004, through June 20, 2008, with an update of economic assumptions in 2014. The experience study for PEPFF was for the period July 1, 2004, through June 30, 2009.

The long-term expected rate of return on pension plan investments is 7.9%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis 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 arithmetic real rates of return for each major asset class are summarized in the following table:

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

F. Discount Rate

The discount rate used to measure the total pension liability was 7.9%. The projection of cash flows used to determine the discount rate assumed that the employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees.

Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.9%)	Discount Rate (7.9%)	1% Increase in Discount Rate (8.9%)
City's proportionate share of the GERF net pension liability:	\$ 5,378,183	\$ 3,420,463	\$ 1,803,686
City's proportionate share of the PEPFF net pension liability:	\$ 5,292,731	\$ 2,715,599	\$ 586,439

H. Pension Plan Fiduciary Net Position

Detailed information about each defined benefit 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; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

NOTE 10. DEFINED CONTRIBUTION PLAN - STATEWIDE

Six City Council members and the mayor are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP 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 of the assets in each member's account annually.

Total contributions made by the City during the fiscal year 2015 were:

Amount		Percentage of Covered Payroll		Required Rates
Employees	Employer	Employees	Employer	
\$ 1,955	\$ 1,955	5.00%	5.00%	5.00%

NOTE 11. 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 50% of the Electric Fund's operating revenue; the company's water purchases account for approximately 25% of the Water Fund's operating revenue. The City collected \$532,410 in franchise fees from the Electric Fund for sales to American Crystal. The fee, calculated at \$.0075 per KWH sold, is classified as general tax revenue in the General Fund and is classified as tax and tax equivalent expense in the Electric Fund.

NOTE 12. LEASE COMMITMENTS

The City has entered into lease agreements with various tenants in the City- owned Infill Building. Details for properties under lease agreements are as follows:

Commercial Properties	Historical Carrying Cost	Accumulated Depreciation	Annual Depreciation
Infill Building	\$ 1,466,300	\$ 535,181	\$ 39,001

NOTE 13. RESTRICTED FUNDS

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

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

NOTE 14. FUND BALANCE

	General Fund	Capital Projects Fund	Current City Projects Fund	12/1/2007 Assessment Bond	12/1/2004 Assessment Bond	Nonmajor Governmental Funds
Fund Balances:						
Nonspendable:						
Materials and Supplies	\$ 18,438	\$ -	\$ -	\$ -	\$ -	\$ -
Notes Receivable	-	-	-	-	-	126,219
Campbell Library	-	-	-	-	-	76,000
Restricted:						
Debt Service	-	-	-	832,567	2,353,850	2,206,853
Community Growth	-	-	-	-	-	128,947
State Aid Street	-	-	-	-	-	495,994
Transit	-	-	-	-	-	28,703
New Home Incentive	-	-	-	-	-	641,569
Cemetery	-	-	-	-	-	5,809
Insect Control	-	-	-	-	-	259,657
Perpetual Care	-	-	-	-	-	206,724
Greenway Maint.	-	-	-	-	-	86,354
Grants	-	-	-	-	-	12,347
1997 Community Development	-	-	-	-	-	22,619
1997 Downtown Development	-	-	-	-	-	166,938
08 PFA Loan 23rd Street	-	-	-	-	-	182,684
Building Improvements	-	-	-	-	-	230,987
Campbell Olson	-	-	-	-	-	4,444
Unassigned:	<u>1,910,902</u>	<u>(171,132)</u>	<u>(271,169)</u>	<u>-</u>	<u>-</u>	<u>(717)</u>
TOTAL FUND BALANCE	\$ 1,929,340	\$ (171,132)	\$ (271,169)	\$ 832,567	\$ 2,353,850	\$ 4,882,131

NOTE 15. COMMITTED CONTRACTS

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

The City entered into an agreement in 2004 with PKM to acquire electric service territory. The Department will pay PKM ½ cent per kilowatt hour sold on every meter in the newly acquired area for 10 years. The Department paid to PKM \$4,378 for electricity sold to the customers in the annexed service territory during 2015.

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

The City has entered into an agreement to acquire electric service territory from Red River Valley Power Coop (RRVPC). The agreement, entered into January 2003, will be in effect for 5 years. The City paid to RRVPC the following amounts for electricity sold to the customers in the annexed service territory:

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 16. 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, 2015, two series of Industrial Revenue Bonds were outstanding with remaining principal balances of \$1,680,000 and \$34,350,000.

NOTE 17. 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, 2015, there are no amounts for arbitrage rebates.

NOTE 18. NEW PRONOUNCEMENTS

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. The Statement provides guidance for determining fair value measurement for reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement are effective for financial statement periods beginning after June 15, 2015. Earlier application is encouraged.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. Earlier application is encouraged.

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

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

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement is effective for reporting periods beginning after June 15, 2015. Earlier application is permitted.

GASB Statement No. 77, *Tax Abatement Disclosures*, Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. This Statement is effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. This Statement is effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged.

GASB Statement No. 80, *Blending Requirements for Certain Component Units and amendment of GASB Statement No. 14*, amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criteria require blending of a component unit

incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organization Are Component Units*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged.

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

NOTE 19. OTHER POSTEMPLOYMENT BENEFITS

Plan Description:

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

Summary of Significant Accounting Policies:

Postemployment healthcare expenditures are paid as they come due.

Funding Policy:

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

Annual OPEB Cost and Net OPEB Obligation:

The annual cost of other post employment benefits (OPEB) under GASB 45 is called the annual required contribution or ARC. The estimated pay as you go cost for OPEB benefits is \$82,027 for fiscal year 2015. The annual employer contributions for fiscal year 2015 were \$53,853.

The City Council has elected not to pre-fund OPEB liabilities. The City Council is required to contribute the annual required contribution of the employer (ARC) an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the City's net OPEB obligation for the healthcare benefits:

Annual required contribution	\$ 86,208
Interest on net OPEB obligation	10,172
Adjustment to annual required contribution	<u>(14,353)</u>
Annual OPEB cost (expense)	82,027
Estimated contributions made	<u>(53,853)</u>
Increase (decrease) in net OPEB obligation	28,174
Net OPEB obligation, beginning of year	<u>226,046</u>
Net OPEB obligation, end of year	<u><u>\$ 254,220</u></u>

Trend Information:

The City's annual OPEB cost, the percentage of OPEB cost contributed to the plan and the net OPEB obligation for the years ended December 31, 2015, 2014, 2013, 2012 and 2011 were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2015	\$ 82,027	62.50%	\$ 254,220
12/31/2014	82,845	49.90%	226,046
12/31/2013	78,047	75.10%	186,855
12/31/2012	78,722	55.20%	167,458
12/31/2011	79,286	61.70%	132,214

Funded Status and Funding Progress:

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

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements presents trend information that shows the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions:

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

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

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

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

<u>Fiscal Year</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
12/31/15	\$ 86,208	62.5%
12/31/14	86,208	49.9%
12/31/13	78,047	75.1%
12/31/12	78,722	55.2%
12/31/11	79,826	61.7%
12/31/10	51,515	57.5%

NOTE 20. CHANGES IN ACCOUNTING PRINCIPLES & RESTATEMENT OF NET POSITION

GASB 68 and 71:

The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. As a result, beginning net position has been restated to reflect the related net pension liability and deferred outflows of resources as of January 1, 2015 as follows:

	Government			
	<u>Wide</u>	<u>Electric</u>	<u>Water</u>	<u>Sewer</u>
Net Position January 1, 2015, as previously reported	\$ 132,409,510	\$ 27,534,542	\$ 12,722,774	\$ 10,921,173
Restatement for pension accounting:				
Net Pension Liability	(3,970,099)	(1,034,939)	(448,808)	(144,021)
Pension related Deferred Outflows of Resources	223,850	42,096	18,255	5,858
Net Position January 1, 2015, as restated	<u>\$ 128,663,261</u>	<u>\$ 26,541,699</u>	<u>\$ 12,292,221</u>	<u>\$ 10,783,010</u>
	<u>Storm Water</u>	<u>Refuse</u>	<u>General EDA</u>	<u>Sunshine</u>
Net Position January 1, 2015, as previously reported	\$ 12,092,164	\$ 261,016	\$ (19,864)	\$ 4,469,667
Restatement for pension accounting:				
Net Pension Liability	(50,240)	(93,781)	(63,637)	(60,288)
Pension related Deferred Outflows of Resources	2,044	3,815	2,588	2,452
Net Position January 1, 2015, as restated	<u>\$ 12,043,968</u>	<u>\$ 171,050</u>	<u>\$ (80,913)</u>	<u>\$ 4,411,831</u>

Levee Project Fund:

The levee project fund has been combined with the storm sewer fund as the levee project has been completed and future rental payments for land in the levee area will be accounted for. This resulted in a transfer of the following assets and liabilities:

Current Assets: \$143,383

NOTE 21. TRANSFER OF OPERATIONS

Section 8 Vouchers:

Effective January 1, 2015, East Grand Forks Economic Development and Housing Authority (EDHA) dissolved. EDHA's Section 8 Vouchers were transferred to Northwest Minnesota Multi-County Housing & Redevelopment Authority, an entity that is not a part of the City's reporting entity. There was no consideration provided as a result of the transfer of the Section 8 Vouchers Program. The dissolution resulted in the transfer of the following assets and liabilities:

Current Assets: \$523,339
Current Liabilities: \$ 51,820
Net Position: \$471,519

NOTE 22. SUBSEQUENT EVENTS

On May 23, 2016, Boardwalk Enterprises, LLP, and Boardwalk Bar and Grill, LLC, commenced litigation against the City of East Grand Forks and East Grand Forks Economic Development Housing Authority. The complaint asserts eleven claims for damages in excess of \$50,000.

Subsequent events have been evaluated through June 27, 2016, which is the date these financial statements were available to be issued.

**Other Postemployment Benefits Plan
Schedule of Funding Progress
As of December 31, 2015**

CITY OF EAST GRAND FORKS

Actual Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b - a) / c]
1/1/2014	\$ -	\$ 716,547	\$ 716,547	-	\$ 5,289,542	13.55%
1/1/2011	-	723,000	723,000	-	4,810,832	15.03%
1/1/2008	-	562,881	562,881	-	4,142,858	13.59%

Schedule of Employer Contributions:

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

**Schedule of City's Contributions to PERA Retirement Fund
As of December 31, 2015**

CITY OF EAST GRAND FORKS

Year Ended	Pension Plan	Statutorily Required Contributions	Relation to the Statutorily Required Contributions	Contribution Deficiency (Excess)	City's Covered Employee Payroll	Contributions as a % of Covered Employee Payroll
2015	PERA - GERP	\$ 296,341	\$ 296,341	\$ -	\$ 3,951,212	7.50%
2015	PERA - PEPFF	\$ 372,285	\$ 372,285	\$ -	\$ 2,298,054	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, 2015**

CITY OF EAST GRAND FORKS

<u>Year Ended</u>	<u>Pension Plan</u>	<u>City's Proportion of the Net Pension Liability (Asset)</u>	<u>City's Proportionate Share of the Net Pension Liability (Asset)</u>	<u>City's Covered-Employee Payroll</u>	<u>City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
2015	PERA - GERF	0.0660%	\$ 3,420,463	\$ 3,812,160	89.7%	78.20%
2015	PERA - PEPFF	0.2390%	\$ 2,715,599	\$ 2,131,642	127.4%	86.61%

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

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



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NONMAJOR GOVERNMENTAL FUNDS



CITY OF EAST GRAND FORKS, MINNESOTA

NONMAJOR GOVERNMENTAL
FUNDS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Levee City Projects This fund has been used to account for the construction of the flood control infrastructure which is winding down but is still uncompleted.

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.

2005 City Projects This fund is used to account for locally funded projects with multiple year construction periods.

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

08 PFA Loan Sewer Project This fund is used to account for sewer system improvements financed with a MN PFA loan.

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

SCDP Industrial Park Road Project This fund is used to account for an industrial park road financed with Federal and State grants.

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

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



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**Combining Balance Sheet
Nonmajor Governmental Funds by Fund Type
As of December 31, 2015**

CITY OF EAST GRAND FORKS

	<u>Nonmajor Special Revenue Funds</u>	<u>Nonmajor Debt Service Funds</u>	<u>Nonmajor Capital Projects Funds</u>	<u>Nonmajor Permanent Campbell- Olson Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 1,488,115	\$ 1,852,779	\$ 505,230	\$ 80,444	\$ 3,926,568
Investments	-	341,562	-	-	341,562
Accounts receivable	8,423	-	2,260	-	10,683
Due from other funds	7,897	-	-	-	7,897
Due from other government units	79,825	20,312	148,375	-	248,512
Special assessments receivable:					
Delinquent	-	2,371,840	-	-	2,371,840
Notes Receivable	126,219	-	-	-	126,219
Land held for resale	355,321	-	-	-	355,321
Total Assets	<u>\$ 2,065,800</u>	<u>\$ 4,586,493</u>	<u>\$ 655,865</u>	<u>\$ 80,444</u>	<u>\$ 7,388,602</u>
LIABILITIES					
Accounts payable	\$ 12,308	\$ 7,800	\$ 5,038	\$ -	\$ 25,146
Accrued wages payable	1,361	-	-	-	1,361
Retainage payable	-	-	31,433	-	31,433
Due to other funds	826	-	-	-	826
Due to other government units	72,046	-	3,819	-	75,865
Total Liabilities	<u>86,541</u>	<u>7,800</u>	<u>40,290</u>	<u>-</u>	<u>134,631</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes and Spec. Assessments	-	2,371,840	-	-	2,371,840
Total Deferred Inflows of Resources	<u>-</u>	<u>2,371,840</u>	<u>-</u>	<u>-</u>	<u>2,371,840</u>
FUND BALANCES					
Nonspendable	126,219	-	-	76,000	202,219
Restricted	1,853,757	2,206,853	615,575	4,444	4,680,629
Unassigned	(717)	-	-	-	(717)
Total Fund Balances	<u>1,979,259</u>	<u>2,206,853</u>	<u>615,575</u>	<u>80,444</u>	<u>4,882,131</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,065,800</u>	<u>\$ 4,586,493</u>	<u>\$ 655,865</u>	<u>\$ 80,444</u>	<u>\$ 7,388,602</u>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds by Fund Type
For the Year Ended December 31, 2015**

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	\$ 554,330	\$ -	\$ 369,305	\$ -	\$ 923,635
Special assessments	-	471,966	-	-	471,966
Charges for services	115,172	-	-	-	115,172
Interest and other revenues	81,513	18,353	102,426	795	203,087
Total revenues	<u>751,015</u>	<u>490,319</u>	<u>471,731</u>	<u>795</u>	<u>1,713,860</u>
Expenditures:					
Current:					
Public works	56,334	-	-	-	56,334
Transit	353,824	-	-	-	353,824
Community development	89,053	-	-	-	89,053
Cemetery	44,799	-	-	-	44,799
Capital outlay	78,677	-	769,304	-	847,981
Debt service:					
Principal retirement	-	190,000	84,000	-	274,000
Interest and fiscal agent fees	-	80,909	115,109	-	196,018
Other debt expenditures	-	57,745	-	-	57,745
Total expenditures	<u>622,687</u>	<u>328,654</u>	<u>968,413</u>	<u>-</u>	<u>1,919,754</u>
Excess (deficiency) of revenues over expenditures	<u>128,328</u>	<u>161,665</u>	<u>(496,682)</u>	<u>795</u>	<u>(205,894)</u>
Other financing sources (uses)					
Proceeds from sale of capital asset	98,060	-	-	-	98,060
Long-term debt issued	-	1,630,000	-	-	1,630,000
Long-term debt premium	-	71,736	-	-	71,736
Transfers in	373,988	-	450,000	-	823,988
Transfers out	(690,760)	(870,000)	-	-	(1,560,760)
Total other financing sources (uses)	<u>(218,712)</u>	<u>831,736</u>	<u>450,000</u>	<u>-</u>	<u>1,063,024</u>
Net change in fund balances	<u>(90,384)</u>	<u>993,401</u>	<u>(46,682)</u>	<u>795</u>	<u>857,130</u>
Fund balance at beginning of year	2,069,643	1,213,452	805,640	79,649	4,168,384
Equity transfer - see note 21	-	-	(143,383)	-	(143,383)
Fund balance at end of year	<u>\$ 1,979,259</u>	<u>\$ 2,206,853</u>	<u>\$ 615,575</u>	<u>\$ 80,444</u>	<u>\$ 4,882,131</u>

**Combining Balance Sheet
Nonmajor Special Revenue Funds
As of December 31, 2015**

CITY OF EAST GRAND FORKS

	<u>Community Growth</u>	<u>State Aid Street</u>	<u>Transit</u>	<u>New Home Incentive</u>	<u>Cemetery</u>	<u>Insect Control</u>	<u>Perpetual Care</u>	<u>Greenway Maintenance</u>	<u>125th Anniversary Celebration</u>	<u>Total</u>
ASSETS										
Cash and cash equivalents	\$ 128,947	\$ 495,994	\$ 25,336	\$ 293,000	\$ -	\$ 255,709	\$ 206,724	\$ 82,405	\$ -	\$ 1,488,115
Accounts receivable	-	-	1,123	-	7,300	-	-	-	-	8,423
Due from other funds	-	-	-	-	-	3,948	-	3,949	-	7,897
Due from other governments	-	-	79,825	-	-	-	-	-	-	79,825
Notes receivable	-	-	-	126,219	-	-	-	-	-	126,219
Land held for resale	-	-	-	355,321	-	-	-	-	-	355,321
Total Assets	<u>\$ 128,947</u>	<u>\$ 495,994</u>	<u>\$ 106,284</u>	<u>\$ 774,540</u>	<u>\$ 7,300</u>	<u>\$ 259,657</u>	<u>\$ 206,724</u>	<u>\$ 86,354</u>	<u>\$ -</u>	<u>\$ 2,065,800</u>
LIABILITIES										
Accounts payable	\$ -	\$ -	\$ 4,893	\$ 6,752	\$ 663	\$ -	\$ -	\$ -	\$ -	\$ 12,308
Accrued wages payable	-	-	642	-	719	-	-	-	-	1,361
Due to other funds	-	-	-	-	109	-	-	-	717	826
Due to other government units	-	-	72,046	-	-	-	-	-	-	72,046
Total Liabilities	<u>-</u>	<u>-</u>	<u>77,581</u>	<u>6,752</u>	<u>1,491</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>717</u>	<u>86,541</u>
FUND BALANCES										
Nonspendable	-	-	-	126,219	-	-	-	-	-	126,219
Restricted	128,947	495,994	28,703	641,569	5,809	259,657	206,724	86,354	-	1,853,757
Unassigned	-	-	-	-	-	-	-	-	(717)	(717)
Total fund balances	<u>128,947</u>	<u>495,994</u>	<u>28,703</u>	<u>767,788</u>	<u>5,809</u>	<u>259,657</u>	<u>206,724</u>	<u>86,354</u>	<u>(717)</u>	<u>1,979,259</u>
Total liabilities and fund balances	<u>\$ 128,947</u>	<u>\$ 495,994</u>	<u>\$ 106,284</u>	<u>\$ 774,540</u>	<u>\$ 7,300</u>	<u>\$ 259,657</u>	<u>\$ 206,724</u>	<u>\$ 86,354</u>	<u>\$ -</u>	<u>\$ 2,065,800</u>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2015**

CITY OF EAST GRAND FORKS

	<u>Community Growth</u>	<u>State Aid Street</u>	<u>Transit</u>	<u>New Home Incentive</u>	<u>Cemetery</u>	<u>Insect Control</u>	<u>Perpetual Care</u>	<u>Greenway Maintenance</u>	<u>125th Anniversary Celebration</u>	<u>Total</u>
Revenues:										
Intergovernmental	\$ -	\$ 156,214	\$ 398,116	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 554,330
Charges for services	-	-	-	-	21,310	46,928	-	46,934	-	115,172
Other revenue:										
Donations	-	-	-	-	-	-	-	-	30	30
Interest revenue	1,276	8,024	-	2,643	-	2,569	1,893	1,102	-	17,507
Other	-	-	4,290	44,466	-	-	15,220	-	-	63,976
Total revenues	<u>1,276</u>	<u>164,238</u>	<u>402,406</u>	<u>47,109</u>	<u>21,310</u>	<u>49,497</u>	<u>17,113</u>	<u>48,036</u>	<u>30</u>	<u>751,015</u>
Expenditures:										
Current:										
Public works	-	8,995	-	-	-	47,339	-	-	-	56,334
Community development	-	-	-	89,053	-	-	-	-	-	89,053
Transit	-	-	353,824	-	-	-	-	-	-	353,824
Cemetery	-	-	-	-	44,799	-	-	-	-	44,799
Capital outlay	-	-	-	-	16,691	-	-	61,986	-	78,677
Total expenditures	<u>-</u>	<u>8,995</u>	<u>353,824</u>	<u>89,053</u>	<u>61,490</u>	<u>47,339</u>	<u>-</u>	<u>61,986</u>	<u>-</u>	<u>622,687</u>
Excess (deficiency) of revenues over expenditures	<u>1,276</u>	<u>155,243</u>	<u>48,582</u>	<u>(41,944)</u>	<u>(40,180)</u>	<u>2,158</u>	<u>17,113</u>	<u>(13,950)</u>	<u>30</u>	<u>128,328</u>
Other financing sources (uses):										
Proceeds from sale of capital asset	-	-	-	75,230	22,830	-	-	-	-	98,060
Transfers in	-	130,000	53,137	-	190,851	-	-	-	-	373,988
Transfers out	-	(494,360)	-	(20,932)	(175,468)	-	-	-	-	(690,760)
Total other financing sources (uses)	<u>-</u>	<u>(364,360)</u>	<u>53,137</u>	<u>54,298</u>	<u>38,213</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(218,712)</u>
Net change in fund balances	1,276	(209,117)	101,719	12,354	(1,967)	2,158	17,113	(13,950)	30	(90,384)
Fund balance at beginning of year	127,671	705,111	(73,016)	755,434	7,776	257,499	189,611	100,304	(747)	2,069,643
Fund balance at end of year	<u>\$ 128,947</u>	<u>\$ 495,994</u>	<u>\$ 28,703</u>	<u>\$ 767,788</u>	<u>\$ 5,809</u>	<u>\$ 259,657</u>	<u>\$ 206,724</u>	<u>\$ 86,354</u>	<u>\$ (717)</u>	<u>\$ 1,979,259</u>

**Combining Balance Sheet
Nonmajor Debt Service Funds
As of December 31, 2015**

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	Total
ASSETS							
Cash and cash equivalents	\$ 212,363	\$ 245,635	\$ 238,694	\$ 101,601	\$ 1,005,852	\$ 48,634	\$ 1,852,779
Investments	-	-	-	90,099	251,463	-	341,562
Due from other government units	-	15,214	1,805	2,132	1,161	-	20,312
Special assessments receivable:							
Delinquent	623,797	204,728	2,313	423,016	608,091	509,895	2,371,840
Total assets	<u>\$ 836,160</u>	<u>\$ 465,577</u>	<u>\$ 242,812</u>	<u>\$ 616,848</u>	<u>\$ 1,866,567</u>	<u>\$ 558,529</u>	<u>\$ 4,586,493</u>
LIABILITIES							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,800	\$ 7,800
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,800</u>	<u>7,800</u>
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue-special assessments	623,797	204,728	2,313	423,016	608,091	509,895	2,371,840
Total deferred inflows of resources	<u>623,797</u>	<u>204,728</u>	<u>2,313</u>	<u>423,016</u>	<u>608,091</u>	<u>509,895</u>	<u>2,371,840</u>
FUND BALANCES							
Restricted	212,363	260,849	240,499	193,832	1,258,476	40,834	2,206,853
Total fund balances	<u>212,363</u>	<u>260,849</u>	<u>240,499</u>	<u>193,832</u>	<u>1,258,476</u>	<u>40,834</u>	<u>2,206,853</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 836,160</u>	<u>\$ 465,577</u>	<u>\$ 242,812</u>	<u>\$ 616,848</u>	<u>\$ 1,866,567</u>	<u>\$ 558,529</u>	<u>\$ 4,586,493</u>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Debt Service Funds
For the Year Ended December 31, 2015**

CITY OF EAST GRAND FORKS

	2012 Improvement & Refunding Bonds	12-1-01 Special Assessment Bonds	04-1-04 Special Assessment Bonds	12-1-03 Assessment Bonds	3-1-06 Assessment Bonds	2015 Assessment Bonds	Total
Revenues:							
Special assessments	\$ 57,321	\$ 67,034	\$ 38,855	\$ 81,203	\$ 169,489	\$ 58,064	\$ 471,966
Interest on investments	1,818	4,248	2,812	1,782	6,956	737	18,353
Total revenues	<u>59,139</u>	<u>71,282</u>	<u>41,667</u>	<u>82,985</u>	<u>176,445</u>	<u>58,801</u>	<u>490,319</u>
Expenditures:							
Debt service:							
Principal retirement	25,000	-	10,000	60,000	95,000	-	190,000
Interest and fiscal agent fees	25,038	-	875	3,800	51,196	-	80,909
Other debt expenditures	-	-	-	-	-	57,745	57,745
Total expenditures	<u>50,038</u>	<u>-</u>	<u>10,875</u>	<u>63,800</u>	<u>146,196</u>	<u>57,745</u>	<u>328,654</u>
Excess (deficiency) of revenues over expenditures	<u>9,101</u>	<u>71,282</u>	<u>30,792</u>	<u>19,185</u>	<u>30,249</u>	<u>1,056</u>	<u>161,665</u>
Other financing sources (uses):							
Long-term debt issued	-	-	-	-	760,000	870,000	1,630,000
Premium on bond issuance	-	-	-	-	31,958	39,778	71,736
Transfers out	-	-	-	-	-	(870,000)	(870,000)
Total other financing sources and (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>791,958</u>	<u>39,778</u>	<u>831,736</u>
Net change in net position	9,101	71,282	30,792	19,185	822,207	40,834	993,401
Fund balance at beginning of year	203,262	189,567	209,707	174,647	436,269	-	1,213,452
Total net position - end of year	<u>\$ 212,363</u>	<u>\$ 260,849</u>	<u>\$ 240,499</u>	<u>\$ 193,832</u>	<u>\$ 1,258,476</u>	<u>\$ 40,834</u>	<u>\$ 2,206,853</u>

**Combining Balance Sheet
Nonmajor Capital Projects Funds
As of December 31, 2015**

CITY OF EAST GRAND FORKS

	<u>Grants</u>	<u>Levee Projects</u>	<u>1997 Community Development</u>	<u>1997 Downtown Development</u>	<u>2005 City Projects</u>	<u>08 PFA Loan 23rd Street Project</u>	<u>08 PFA Loan Sewer Project</u>	<u>Building Improvements</u>	<u>SCDP Industrial Park Road</u>	<u>Total</u>
ASSETS										
Cash and cash equivalents	\$ 16,375	\$ -	\$ 22,619	\$ 169,507	\$ -	\$ 182,684	\$ -	\$ 114,045	\$ -	\$ 505,230
Accounts receivable	-	-	-	2,260	-	-	-	-	-	2,260
Due from other governmental units	-	-	-	-	-	-	-	148,375	-	148,375
Total assets	<u>\$ 16,375</u>	<u>\$ -</u>	<u>\$ 22,619</u>	<u>\$ 171,767</u>	<u>\$ -</u>	<u>\$ 182,684</u>	<u>\$ -</u>	<u>\$ 262,420</u>	<u>\$ -</u>	<u>\$ 655,865</u>
LIABILITIES										
Accounts payable	\$ 209	\$ -	\$ -	\$ 4,829	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,038
Retainage payable	-	-	-	-	-	-	-	31,433	-	31,433
Due to other governmental units	3,819	-	-	-	-	-	-	-	-	3,819
Total liabilities	<u>4,028</u>	<u>-</u>	<u>-</u>	<u>4,829</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,433</u>	<u>-</u>	<u>40,290</u>
FUND BALANCES										
Restricted	12,347	-	22,619	166,938	-	182,684	-	230,987	-	615,575
Total fund balances	<u>12,347</u>	<u>-</u>	<u>22,619</u>	<u>166,938</u>	<u>-</u>	<u>182,684</u>	<u>-</u>	<u>230,987</u>	<u>-</u>	<u>615,575</u>
Total liabilities and fund balances	<u>\$ 16,375</u>	<u>\$ -</u>	<u>\$ 22,619</u>	<u>\$ 171,767</u>	<u>\$ -</u>	<u>\$ 182,684</u>	<u>\$ -</u>	<u>\$ 262,420</u>	<u>\$ -</u>	<u>\$ 655,865</u>

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2015**

CITY OF EAST GRAND FORKS

	<u>Grants</u>	<u>Levee Projects</u>	<u>1997 Community Development</u>	<u>1997 Downtown Development</u>	<u>2005 City Projects</u>	<u>08 PFA Loan 23rd Street Project</u>	<u>08 PFA Loan Sewer Project</u>	<u>Building Improvements</u>	<u>SCDP Industrial Park Road</u>	<u>Total</u>
Revenues:										
Intergovernmental	\$ 23,352	\$ -	\$ -	\$ -	\$ -	\$ 197,578	\$ -	\$ 148,375	\$ -	\$ 369,305
Other income	262	-	353	1,811	-	-	-	100,000	-	102,426
Total revenues	<u>23,614</u>	<u>-</u>	<u>353</u>	<u>1,811</u>	<u>-</u>	<u>197,578</u>	<u>-</u>	<u>248,375</u>	<u>-</u>	<u>471,731</u>
Expenditures:										
Capital outlay:	11,119	-	33,466	25,675	-	-	-	699,044	-	769,304
Debt service:										
Principal retirement	-	-	-	-	-	84,000	-	-	-	84,000
Interest and fiscal agent charges	-	-	-	-	-	115,109	-	-	-	115,109
Total expenditures	<u>11,119</u>	<u>-</u>	<u>33,466</u>	<u>25,675</u>	<u>-</u>	<u>199,109</u>	<u>-</u>	<u>699,044</u>	<u>-</u>	<u>968,413</u>
Excess (deficiency) of revenues over expenditures	<u>12,495</u>	<u>-</u>	<u>(33,113)</u>	<u>(23,864)</u>	<u>-</u>	<u>(1,531)</u>	<u>-</u>	<u>(450,669)</u>	<u>-</u>	<u>(496,682)</u>
Transfers in	-	-	-	-	-	-	-	450,000	-	450,000
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>450,000</u>	<u>-</u>	<u>450,000</u>
Net change in Fund balances	12,495	-	(33,113)	(23,864)	-	(1,531)	-	(669)	-	(46,682)
Fund balance at beginning of year	(148)	143,383	55,732	190,802	-	184,215	-	231,656	-	805,640
Equity transfer - see note 21	-	(143,383)	-	-	-	-	-	-	-	(143,383)
Fund balance at end of year	<u>\$ 12,347</u>	<u>\$ -</u>	<u>\$ 22,619</u>	<u>\$ 166,938</u>	<u>\$ -</u>	<u>\$ 182,684</u>	<u>\$ -</u>	<u>\$ 230,987</u>	<u>\$ -</u>	<u>\$ 615,575</u>

Community Growth Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget to Actual
 For the Year Ended December 31, 2015

CITY OF EAST GRAND FORKS

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Other revenues:			
Interest revenue	\$ 1,500	\$ 1,276	\$ (224)
Total revenues	<u>1,500</u>	<u>1,276</u>	<u>(224)</u>
Expenditures:			
Community development:			
Contractual services	10,000	-	10,000
Other expenditures	100,000	-	100,000
Total expenditures	<u>110,000</u>	<u>-</u>	<u>110,000</u>
Net changes in fund balances	<u>(108,500)</u>	<u>1,276</u>	<u>(109,776)</u>
Fund balance at beginning of year	127,671	127,671	-
Fund balance at end of year	<u>\$ 19,171</u>	<u>\$ 128,947</u>	<u>\$ (109,776)</u>

State Aid Street Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
For the Year Ended December 31, 2015

CITY OF EAST GRAND FORKS

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Intergovernmental	\$ 309,304	\$ 156,214	\$ (153,090)
Other revenues:			
Interest revenue	2,200	8,024	5,824
Total revenue	<u>311,504</u>	<u>164,238</u>	<u>(147,266)</u>
Expenditures:			
Public works:			
Contractual services	329,109	8,995	320,114
Total expenditures	<u>329,109</u>	<u>8,995</u>	<u>320,114</u>
Excess (deficiency) of revenues over expenditures	<u>(17,605)</u>	<u>155,243</u>	<u>172,848</u>
Other financing sources (uses):			
Transfers In	-	130,000	130,000
Transfers out	-	(494,360)	(494,360)
Total other financing sources (uses)	<u>-</u>	<u>(364,360)</u>	<u>(364,360)</u>
Net changes in fund balances	(17,605)	(209,117)	(191,512)
Fund balance at beginning of year	705,111	705,111	-
Fund balance at end of year	<u>\$ 687,506</u>	<u>\$ 495,994</u>	<u>\$ (191,512)</u>

Transit Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
For the Year Ended December 31, 2015

CITY OF EAST GRAND FORKS

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Intergovernmental	\$ 394,961	\$ 398,116	\$ 3,155
Other revenues:			
Other	12,800	4,290	(8,510)
Total revenues	<u>407,761</u>	<u>402,406</u>	<u>(5,355)</u>
Expenditures:			
Transit:			
Contractual services	383,968	353,824	30,144
Other expenditures	76,930	-	76,930
Total expenditures	<u>460,898</u>	<u>353,824</u>	<u>107,074</u>
Excess (deficiency) of revenues over expenditures	<u>(53,137)</u>	<u>48,582</u>	<u>101,719</u>
Other financing sources (uses):			
Transfers in	53,137	53,137	-
Total other financing sources (uses)	<u>53,137</u>	<u>53,137</u>	<u>-</u>
Net changes in fund balances	-	101,719	101,719
Fund balance at beginning of year	(73,016)	(73,016)	-
Fund balance at end of year	<u>\$ (73,016)</u>	<u>\$ 28,703</u>	<u>\$ 101,719</u>

**New Home Incentive Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
For the Year Ended December 31, 2015**

CITY OF EAST GRAND FORKS

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Other revenues:			
Interest revenue	\$ 4,500	\$ 2,643	\$ (1,857)
Other	30,000	44,466	14,466
Total revenues	<u>34,500</u>	<u>47,109</u>	<u>12,609</u>
Expenditures:			
Community development:			
Contractual services	8,500	2,440	6,060
Other expenditures	121,500	86,613	34,887
Total expenditures	<u>130,000</u>	<u>89,053</u>	<u>40,947</u>
Excess (deficiency) of revenues over expenditures	(95,500)	(41,944)	53,556
Other financing sources (uses):			
Proceeds from sale of capital asset	90,000	75,230	(14,770)
Transfers out	(180,000)	(20,932)	159,068
Total other financing sources (uses)	<u>(90,000)</u>	<u>54,298</u>	<u>144,298</u>
Net changes in fund balances	(185,500)	12,354	197,854
Fund balance at beginning of year	755,434	755,434	-
Fund balance at end of year	<u>\$ 569,934</u>	<u>\$ 767,788</u>	<u>\$ 197,854</u>

Cemetery Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
For the Year Ended December 31, 2015

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	\$ 21,310	\$ 3,810
Total revenues	<u>17,500</u>	<u>21,310</u>	<u>3,810</u>
Expenditures:			
Other:			
Personal services	20,881	22,840	(1,959)
Supplies	2,700	2,062	638
Contractual services	6,000	7,991	(1,991)
Capital outlay	30,622	16,691	13,931
Other expenditures	23,350	11,906	11,444
Total expenditures	<u>83,553</u>	<u>61,490</u>	<u>22,063</u>
Excess (deficiency) of revenues over expenditures	<u>(66,053)</u>	<u>(40,180)</u>	<u>25,873</u>
Other financing sources (uses):			
Proceeds from sale of capital asset	20,000	22,830	2,830
Transfers in	46,053	190,851	144,798
Transfers out	-	(175,468)	(175,468)
Total other financing sources (uses)	<u>66,053</u>	<u>38,213</u>	<u>(27,840)</u>
Net changes in fund balances	-	(1,967)	(1,967)
Fund balance at beginning of year	7,776	7,776	-
Fund balance at end of year	<u>\$ 7,776</u>	<u>\$ 5,809</u>	<u>\$ (1,967)</u>

Insect Control Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
For the Year Ended December 31, 2015

CITY OF EAST GRAND FORKS

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Charges for services	\$ 45,000	\$ 46,928	\$ 1,928
Other revenue:			
Interest revenue	1,500	2,569	2,569
Total revenues	<u>46,500</u>	<u>49,497</u>	<u>4,497</u>
Expenditures:			
Public Works:			
Personal services	5,745	9,191	(3,446)
Supplies	20,000	25,037	(5,037)
Capital outlay	10,000	-	10,000
Other expenditures	4,500	13,111	(8,611)
Total expenditures	<u>40,245</u>	<u>47,339</u>	<u>(7,094)</u>
Net changes in fund balances	6,255	2,158	(2,597)
Fund balance at beginning of year	257,499	257,499	-
Fund balance at end of year	<u>\$ 263,754</u>	<u>\$ 259,657</u>	<u>\$ (2,597)</u>

Perpetual Care Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
For the Year Ended December 31, 2015

CITY OF EAST GRAND FORKS

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Other revenue:			
Interest revenue	\$ 1,000	\$ 1,893	\$ 893
Other	<u>10,000</u>	<u>15,220</u>	<u>5,220</u>
Total revenues	<u>11,000</u>	<u>17,113</u>	<u>6,113</u>
 Net change in fund balances	 11,000	 17,113	 6,113
 Fund balance at beginning of year	 <u>189,611</u>	 <u>189,611</u>	 <u>-</u>
Fund balance at end of year	<u>\$ 200,611</u>	<u>\$ 206,724</u>	<u>\$ 6,113</u>

Greenway Maintenance Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget to Actual
For the Year Ended December 31, 2015

CITY OF EAST GRAND FORKS

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Charges for services	\$ 45,000	\$ 46,934	\$ 1,934
Other revenue:			
Interest revenue	-	1,102	1,102
Total revenues	<u>45,000</u>	<u>48,036</u>	<u>3,036</u>
Expenditures:			
Public Works:			
Capital outlay	45,000	61,986	(16,986)
Total expenditures	<u>45,000</u>	<u>61,986</u>	<u>(16,986)</u>
Net change in fund balances	-	(13,950)	(13,950)
Fund balance at beginning of year	100,304	100,304	-
Fund balance at end of year	<u>\$ 100,304</u>	<u>\$ 86,354</u>	<u>\$ (13,950)</u>

125th Anniversary Celebration Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances
 Budget to Actual
 For the Year Ended December 31, 2015

CITY OF EAST GRAND FORKS

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues:			
Other revenue:			
Donations	\$ -	\$ 30	\$ 30
Total revenues	<u>-</u>	<u>30</u>	<u>30</u>
Net change in fund balances	-	30	30
Fund balance at beginning of year	(747)	(747)	-
Fund balance at end of year	<u>\$ (747)</u>	<u>\$ (717)</u>	<u>\$ 30</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, 2015**

CITY OF EAST GRAND FORKS

	<u>Benefit Accrual</u>	<u>Central Equipment</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 619,257	\$ 275,544	\$ 894,801
Investments	143,270	696,300	839,570
Due from other governments	-	200,000	200,000
Interfund receivable	-	66,337	66,337
Total current assets	<u>762,527</u>	<u>1,238,181</u>	<u>2,000,708</u>
Noncurrent assets:			
Capital assets:			
Machinery and equipment	-	2,774,769	2,774,769
Less accumulated depreciation	-	<u>(1,586,599)</u>	<u>(1,586,599)</u>
Capital assets (net)	<u>-</u>	<u>1,188,170</u>	<u>1,188,170</u>
TOTAL ASSETS	<u>762,527</u>	<u>2,426,351</u>	<u>3,188,878</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	-	106,227	106,227
Compensated absences payable	41,000	-	41,000
Accrued interest payable	-	5,738	5,738
G.O. revenue bonds payable - current	-	90,000	90,000
Total current liabilities	<u>41,000</u>	<u>201,965</u>	<u>242,965</u>
Noncurrent liabilities:			
Compensated absences payable - net current portion	991,163	-	991,163
Notes payable - net current portion	-	898,963	898,963
Total noncurrent liabilities	<u>991,163</u>	<u>898,963</u>	<u>1,890,126</u>
TOTAL LIABILITIES	<u>1,032,163</u>	<u>1,100,928</u>	<u>2,133,091</u>
NET POSITION			
Net investment in capital assets	-	199,207	199,207
Unrestricted	<u>(269,636)</u>	<u>1,126,216</u>	<u>856,580</u>
TOTAL NET POSITION	<u>\$ (269,636)</u>	<u>\$ 1,325,423</u>	<u>\$ 1,055,787</u>

**Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
For the Year Ended December 31, 2015**

CITY OF EAST GRAND FORKS

	<u>Benefit Accrual</u>	<u>Central Equipment</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ -	\$ 279,081	\$ 279,081
Total operating revenues	<u>-</u>	<u>279,081</u>	<u>279,081</u>
Operating expenses:			
Compensated absences	90,422	-	90,422
Supplies	-	106,227	106,227
Depreciation	-	139,760	139,760
Total operating expenses	<u>90,422</u>	<u>245,987</u>	<u>336,409</u>
Operating income (loss)	<u>(90,422)</u>	<u>33,094</u>	<u>(57,328)</u>
Nonoperating revenues (expenses)			
Interest revenue	8,318	-	8,318
Interest expense	-	(5,827)	(5,827)
Fiscal agent fees	-	(1,319)	(1,319)
Donation	-	200,000	200,000
Total nonoperating revenues (expenses)	<u>8,318</u>	<u>192,854</u>	<u>201,172</u>
Income (Loss) before transfers	(82,104)	225,948	143,844
Transfers out	<u>-</u>	<u>(200,000)</u>	<u>(200,000)</u>
Change in net position	(82,104)	25,948	(56,156)
Net position at beginning of year	(187,532)	1,299,475	1,111,943
Net position at end of year	<u>\$ (269,636)</u>	<u>\$ 1,325,423</u>	<u>\$ 1,055,787</u>

Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2015

CITY OF EAST GRAND FORKS

	<u>Benefit Accrual</u>	<u>Central Equipment</u>	<u>Total</u>
Cash flow from operating activities:			
Receipts from interfund service provided	\$ -	\$ 279,081	\$ 279,081
Payments for supplies	-	(74,812)	(74,812)
Payments for compensated absences	(105,568)	-	(105,568)
Net cash provided by operating activities	<u>(105,568)</u>	<u>204,269</u>	<u>98,701</u>
Cash flows from noncapital financing activities:			
Transfers to other funds	-	(200,000)	(200,000)
Net cash provided by noncapital financing activities	<u>-</u>	<u>(200,000)</u>	<u>(200,000)</u>
Cash flows from capital financing activities:			
Change in interfund receivable	-	16,149	16,149
Proceeds from long term debt	-	265,000	265,000
Principal payments on long-term debt	-	(90,000)	(90,000)
Interest payments on long-term debt	-	2,759	2,759
Net cash provided by capital financing activities	<u>-</u>	<u>193,908</u>	<u>193,908</u>
Cash flows from investing activities			
Interest on investments	8,318	-	8,318
Sale of investments	630,529	-	630,529
Net cash provided by investing activities	<u>638,847</u>	<u>-</u>	<u>638,847</u>
Increase (decrease) in cash and cash equivalents	533,279	198,177	731,456
Cash and cash equivalents - January 1	85,978	77,367	163,345
Cash and cash equivalents - December 31	<u>\$ 619,257</u>	<u>\$ 275,544</u>	<u>\$ 894,801</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (90,422)	\$ 33,094	\$ (57,328)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	-	139,760	139,760
Changes in assets and liabilities:			
Accounts payable	-	31,415	31,415
Compensated absences	(15,146)	-	(15,146)
Net cash provided by operating activities	<u>\$ (105,568)</u>	<u>\$ 204,269</u>	<u>\$ 98,701</u>



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OTHER SUPPLEMENTARY SCHEDULES



CITY OF EAST GRAND FORKS, MINNESOTA

OTHER SUPPLEMENTARY
SCHEDULES

**Schedule of Revenues and Other Sources
Budget to Actual – General Fund
For the Year Ended December 31, 2015**

CITY OF EAST GRAND FORKS

	<u>Original and Final Budget</u>	<u>Current Year Actual</u>	<u>Variance with Final Budget</u>	<u>Prior Year Actual</u>
Taxes:				
Property taxes	\$ 3,072,287	\$ 3,219,544	\$ 147,257	\$ 3,062,285
Mobile home taxes	14	4,695	4,681	4,159
Tax increment taxes	200	-	(200)	-
Hotel/Motel taxes	17,260	26,613	9,353	15,175
Franchise taxes	1,394,500	1,431,503	37,003	1,466,924
Special assessments	12,000	2,653	(9,347)	5,367
Total Taxes	<u>4,496,261</u>	<u>4,685,008</u>	<u>188,747</u>	<u>4,553,910</u>
Licenses and permits:				
Liquor and malt licenses	49,425	50,681	1,256	49,713
Tobacco licenses	500	300	(200)	450
Plumbing licenses	2,000	2,425	425	2,100
Amusement center licenses	-	20	20	20
Pet licenses	1,000	934	(66)	814
Other licenses	6,000	5,243	(757)	6,614
Building permits	40,000	61,353	21,353	51,208
Excavation permits	2,000	2,565	565	2,160
Plumbing permits	1,000	2,220	1,220	3,008
Other permits	3,000	3,025	25	3,515
Total Licenses & Permits	<u>104,925</u>	<u>128,766</u>	<u>23,841</u>	<u>119,602</u>
Intergovernmental:				
Federal grants	55,388	59,227	3,839	97,755
Local government aid	2,546,148	2,505,347	(40,801)	2,554,616
Market value credit	-	784	784	-
PERA aid	15,688	15,688	-	15,688
Police state aid	150,000	144,226	(5,774)	145,338
Fire state aid	58,850	65,147	6,297	58,794
Ambulance subsidy	22,000	23,767	1,767	20,111
Other	5,000	57,346	52,346	16,901
Total Intergovernmental	<u>2,853,074</u>	<u>2,871,532</u>	<u>18,458</u>	<u>2,909,203</u>
Charges for services:				
General government	22,900	23,254	354	26,523
Accounting other funds	18,000	18,000	-	18,034
Rescue unit	235,000	240,299	5,299	239,998

**Schedule of Revenues and Other Sources
Budget to Actual – General Fund
For the Year Ended December 31, 2015 (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	-	5,387	5,387	1,000
Protective inspection services	16,000	15,360	(640)	16,305
Rural fire service	49,140	50,194	1,054	49,758
Public safety - other	2,000	790	(1,210)	1,091
Streets and highways	1,500	1,400	(100)	-
Street lights	206,400	211,842	5,442	205,231
Swimming pool	-	-	-	15,818
Summer recreation programs	43,800	49,360	5,560	47,860
Winter recreation programs	84,500	88,841	4,341	85,245
Recreation - other	115,750	217,025	101,275	84,913
Senior Center	7,040	6,904	(136)	4,754
City hall rent	26,250	29,809	3,559	28,725
Blue Line Arena rent	17,000	13,732	(3,268)	9,260
VFW arena rent	23,500	30,991	7,491	25,570
Civic center rent	120,000	102,277	(17,723)	101,305
Zoning	-	745	745	920
Library	6,950	6,861	(89)	7,631
Total charges for services	<u>995,730</u>	<u>1,113,071</u>	<u>117,341</u>	<u>969,941</u>
Fines and forfeits:				
Court fines	90,000	79,233	(10,767)	80,228
Parking fines	5,000	1,140	(3,860)	2,974
Other fees and fines	1,000	102	(898)	18,654
Impound fees	4,200	4,177	(23)	3,671
Sale of seized property	10,000	11,366	1,366	5,427
Total fines and forfeits	<u>110,200</u>	<u>96,018</u>	<u>(14,182)</u>	<u>110,954</u>
Miscellaneous revenues:				
Interest revenue	18,075	23,453	5,378	56,579
Donations	8,000	8,132	132	24,329
Insurance dividends and proceeds	30,000	67,929	37,929	37,474
Other	2,600	61,715	59,115	8,495
Total miscellaneous	<u>58,675</u>	<u>161,229</u>	<u>102,554</u>	<u>126,877</u>
Total revenues	<u>8,618,865</u>	<u>9,055,624</u>	<u>436,759</u>	<u>8,790,487</u>
Other financing sources:				
Proceeds from sale of capital asset	-	8,000	8,000	48,948
Transfers in	246,639	1,150,868	904,229	303,266
Total other financing sources	<u>246,639</u>	<u>1,158,868</u>	<u>912,229</u>	<u>352,214</u>
Total revenues and other financing sources	<u>\$ 8,865,504</u>	<u>\$ 10,214,492</u>	<u>\$ 1,348,988</u>	<u>\$ 9,142,701</u>

**Schedule of Expenditures and Other Uses
Budget to Actual – General Fund
For the Year Ended December 31, 2015**

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	\$ 47,300	\$ 46,713	\$ 587	\$ 45,606
Other expenditures	6,931	2,770	4,161	3,062
Total	<u>54,231</u>	<u>49,483</u>	<u>4,748</u>	<u>48,668</u>
Ordinances and proceedings:				
Contractual services	3,000	549	2,451	1,195
Total	<u>3,000</u>	<u>549</u>	<u>2,451</u>	<u>1,195</u>
Mayor:				
Personal services	10,800	10,761	39	10,761
Supplies	186	-	186	-
Contractual services	773	178	595	241
Other expenditures	2,431	770	1,661	1,105
Total	<u>14,190</u>	<u>11,709</u>	<u>2,481</u>	<u>12,107</u>
Elections:				
Personal services	-	204	(204)	9,188
Other expenditures	-	-	-	(10)
Total	<u>-</u>	<u>204</u>	<u>(204)</u>	<u>9,178</u>
City administration:				
Personal services	317,655	301,374	16,281	302,096
Supplies	7,450	3,736	3,714	5,168
Contractual services	34,657	18,635	16,022	21,994
Other expenditures	19,707	16,459	3,248	18,082
Total	<u>379,469</u>	<u>340,204</u>	<u>39,265</u>	<u>347,340</u>
Accounting and auditing:				
Contractual services	35,000	41,178	(6,178)	35,097
Total	<u>35,000</u>	<u>41,178</u>	<u>(6,178)</u>	<u>35,097</u>
City assessor:				
Contractual services	29,000	29,296	(296)	29,200
Total	<u>29,000</u>	<u>29,296</u>	<u>(296)</u>	<u>29,200</u>
City attorney:				
Contractual services	150,000	152,756	(2,756)	146,612
Other expenditures	2,500	1,057	1,443	-
Total	<u>152,500</u>	<u>153,813</u>	<u>(1,313)</u>	<u>146,612</u>
Planning and zoning:				
Personal services	63,678	37,147	26,531	34,559
Contractual services	60,466	83,132	(22,666)	45,974
Other expenditures	4,953	2,282	2,671	994
Total	<u>129,097</u>	<u>122,561</u>	<u>6,536</u>	<u>81,527</u>

**Schedule of Expenditures and Other Uses
Budget to Actual – General Fund
For the Year Ended December 31, 2015 (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	2,691	539	3,230
Other expenditures	233	-	233	-
Total	<u>3,463</u>	<u>2,691</u>	<u>772</u>	<u>3,095</u>
Finance and accounting:				
Personal services	117,250	117,499	(249)	108,382
Other expenditures	5,956	3,989	1,967	4,806
Total	<u>123,206</u>	<u>121,488</u>	<u>1,718</u>	<u>110,029</u>
Building:				
Personal services	-	-	-	89
Supplies	2,500	2,639	(139)	2,983
Contractual services	17,500	18,924	(1,424)	17,882
Other expenditures	100,733	101,334	(601)	112,606
Total	<u>120,733</u>	<u>122,897</u>	<u>(2,164)</u>	<u>133,560</u>
Summary:				
Current	1,043,889	996,073	47,816	960,902
Total general government	<u>\$ 1,043,889</u>	<u>\$ 996,073</u>	<u>\$ 47,816</u>	<u>\$ 960,902</u>
Public safety:				
Police:				
Personal services	\$ 2,107,587	\$ 2,270,307	\$ (162,720)	\$ 2,077,867
Supplies	85,390	75,684	9,706	84,712
Contractual services	113,107	133,369	(20,262)	130,752
Other expenditures	19,630	18,331	1,299	14,737
Capital outlay	-	4,284	(4,284)	60,459
Total	<u>2,325,714</u>	<u>2,501,975</u>	<u>(176,261)</u>	<u>2,284,967</u>
Fire:				
Personal services	1,020,471	1,071,098	(50,627)	999,987
Supplies	2,794	906	1,888	1,586
Contractual services	223,519	213,126	10,393	134,873
Other expenditures	6,563	3,117	3,446	3,383
Total	<u>1,253,347</u>	<u>1,288,247</u>	<u>(34,900)</u>	<u>1,139,829</u>

**Schedule of Expenditures and Other Uses
Budget to Actual – General Fund
For the Year Ended December 31, 2015 (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	83,991	70,321	13,670	92,264
Supplies	1,000	886	114	1,190
Contractual services	55,558	77,864	(22,306)	88,807
Other expenditures	6,598	880	5,718	3,745
Capital outlay	-	2,670	(2,670)	1,709
Total	<u>147,147</u>	<u>152,621</u>	<u>(5,474)</u>	<u>187,715</u>
Traffic engineering:				
Personal services	20,108	28,497	(8,389)	16,168
Supplies	10,400	8,728	1,672	10,866
Contractual services	19,500	29,145	(9,645)	13,444
Other expenditures	1,380	619	761	2,081
Total	<u>51,388</u>	<u>66,989</u>	<u>(15,601)</u>	<u>42,559</u>
Animal control:				
Contractual services	7,000	5,521	1,479	5,202
Total	<u>7,000</u>	<u>5,521</u>	<u>1,479</u>	<u>5,202</u>
Summary:				
Current	3,784,596	4,008,399	(223,803)	3,681,664
Capital outlay	-	6,954	(6,954)	62,168
Total public safety	<u>\$ 3,784,596</u>	<u>\$ 4,015,353</u>	<u>\$ (230,757)</u>	<u>\$ 3,743,832</u>
Public works:				
Administration:				
Personal services	\$ 99,391	\$ 105,196	\$ (5,805)	\$ 93,246
Supplies	1,397	1,346	51	1,700
Contractual services	2,676	1,757	919	1,274
Other expenditures	5,294	3,271	2,023	4,655
Total	<u>108,758</u>	<u>111,570</u>	<u>(2,812)</u>	<u>100,875</u>
Streets:				
Personal services	245,007	249,299	(4,292)	270,329
Supplies	5,122	2,821	2,301	4,365
Contractual services	500	104	396	-
Other expenditures	19,967	30,129	(10,162)	22,557
Capital outlay	250,000	119,797	130,203	49,797
Total	<u>520,596</u>	<u>402,150</u>	<u>118,446</u>	<u>347,048</u>

**Schedule of Expenditures and Other Uses
Budget to Actual – General Fund
For the Year Ended December 31, 2015 (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	30,000	42,926	(12,926)	62,790
Total	<u>30,000</u>	<u>42,926</u>	<u>(12,926)</u>	<u>62,790</u>
Downtown parking lots:				
Personal services	8,911	3,693	5,218	6,407
Contractual services	932	-	932	-
Total	<u>9,843</u>	<u>3,693</u>	<u>6,150</u>	<u>6,407</u>
Ice and snow removal:				
Personal services	113,689	63,044	50,645	86,931
Supplies	466	164	302	-
Contractual services	100,000	77,832	22,168	118,532
Other expenditures	931	235	696	945
Total	<u>215,086</u>	<u>141,275</u>	<u>73,811</u>	<u>206,408</u>
Equipment:				
Supplies	74,725	42,508	32,217	83,474
Contractual services	197,816	186,983	10,833	240,849
Other expenditures	466	-	466	128
Total	<u>273,007</u>	<u>229,491</u>	<u>43,516</u>	<u>324,451</u>
Equipment building:				
Supplies	15,970	11,291	4,679	13,543
Contractual services	67,568	45,956	21,612	59,224
Other expenditures	325	1,186	(861)	9,929
Total	<u>83,863</u>	<u>58,433</u>	<u>25,430</u>	<u>82,696</u>
City shop:				
Personal services	146,918	161,651	(14,733)	168,019
Charged back	(90,000)	(67,459)	(22,541)	(83,442)
Supplies	180,000	238,515	(58,515)	235,763
Charged back	(180,000)	(218,625)	38,625	(235,158)
Other expenditures	1,500	-	1,500	500
Total	<u>58,418</u>	<u>114,082</u>	<u>(55,664)</u>	<u>85,682</u>

**Schedule of Expenditures and Other Uses
Budget to Actual – General Fund
For the Year Ended December 31, 2015 (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	196,000	162,054	33,946	182,861
Total	<u>196,000</u>	<u>162,054</u>	<u>33,946</u>	<u>182,861</u>
Street cleaning:				
Personal services	27,881	25,372	2,509	25,485
Contractual services	-	-	-	95,223
Total	<u>27,881</u>	<u>25,372</u>	<u>2,509</u>	<u>120,708</u>
Weed control:				
Personal services	46,621	35,631	10,990	42,645
Supplies	465	11	454	359
Other expenditures	931	321	610	1,411
Total	<u>48,017</u>	<u>35,963</u>	<u>12,054</u>	<u>44,415</u>
Summary:				
Current	1,321,469	1,207,212	114,257	1,514,544
Capital outlay	250,000	119,797	130,203	49,797
Total public works	<u>\$ 1,571,469</u>	<u>\$ 1,327,009</u>	<u>\$ 244,460</u>	<u>\$ 1,564,341</u>
Recreation and culture:				
Parks and recreation administration				
Personal services	\$ 236,649	\$ 226,938	\$ 9,711	\$ 236,256
Supplies	3,259	3,273	(14)	2,910
Contractual services	9,426	8,055	1,371	5,315
Other expenditures	3,931	2,738	1,193	4,882
Total	<u>253,265</u>	<u>241,004</u>	<u>12,261</u>	<u>249,363</u>
Playgrounds:				
Personal services	6,166	7,195	(1,029)	5,587
Supplies	559	442	117	534
Other expenditures	326	350	(24)	168
Capital outlay	-	-	-	12,913
Total	<u>7,051</u>	<u>7,987</u>	<u>(936)</u>	<u>19,202</u>

**Schedule of Expenditures and Other Uses
Budget to Actual – General Fund
For the Year Ended December 31, 2015 (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	-	-	-	58,019
Supplies	-	-	-	11,052
Contractual services	-	549	(549)	6,246
Other expenditures	6,559	3,882	2,677	44,875
Total	<u>6,559</u>	<u>4,431</u>	<u>2,128</u>	<u>120,192</u>
Tennis:				
Personal services	3,358	3,466	(108)	3,044
Supplies	400	449	(49)	270
Other expenditures	279	-	279	275
Total	<u>4,037</u>	<u>3,915</u>	<u>122</u>	<u>3,589</u>
Skating rinks:				
Personal services	6,997	4,921	2,076	7,024
Supplies	1,118	760	358	1,042
Other expenditures	465	23	442	-
Total	<u>8,580</u>	<u>5,704</u>	<u>2,876</u>	<u>8,066</u>
Hockey:				
Personal services	41,576	40,345	1,231	36,837
Supplies	1,863	1,503	360	2,494
Other expenditures	6,793	4,463	2,330	5,448
Total	<u>50,232</u>	<u>46,311</u>	<u>3,921</u>	<u>44,779</u>
Figure skating:				
Personal services	35,525	37,324	(1,799)	27,327
Supplies	3,400	1,091	2,309	2,082
Other expenditures	9,500	5,947	3,553	7,278
Total	<u>48,425</u>	<u>44,362</u>	<u>4,063</u>	<u>36,687</u>
Baseball:				
Personal services	36,601	26,695	9,906	28,710
Supplies	12,280	14,124	(1,844)	13,825
Other expenditures	4,760	5,203	(443)	3,585
Total	<u>53,641</u>	<u>46,022</u>	<u>7,619</u>	<u>46,120</u>
Softball:				
Personal services	14,205	16,526	(2,321)	12,873
Supplies	2,500	2,902	(402)	3,044
Other expenditures	942	250	692	163
Total	<u>17,647</u>	<u>19,678</u>	<u>(2,031)</u>	<u>16,080</u>

**Schedule of Expenditures and Other Uses
Budget to Actual – General Fund
For the Year Ended December 31, 2015 (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	110,618	113,074	(2,456)	105,313
Supplies	17,431	18,978	(1,547)	14,062
Contractual services	109,079	161,159	(52,080)	145,823
Other expenditures	1,466	1,589	(123)	1,761
Capital outlay	-	-	-	24,538
Total	<u>238,594</u>	<u>294,800</u>	<u>(56,206)</u>	<u>291,497</u>
VFW arena:				
Personal services	117,066	96,686	20,380	91,702
Supplies	15,607	12,709	2,898	12,682
Contractual services	76,828	98,997	(22,169)	102,278
Other expenditures	1,368	1,062	306	1,695
Total	<u>210,869</u>	<u>209,454</u>	<u>1,415</u>	<u>208,357</u>
Library:				
Personal services	395,166	371,034	24,132	359,434
Supplies	7,300	6,911	389	7,450
Other expenditures	105,100	123,325	(18,225)	125,193
Total	<u>507,566</u>	<u>501,270</u>	<u>6,296</u>	<u>492,077</u>
Senior Center:				
Personal services	83,498	84,582	(1,084)	77,706
Supplies	9,225	10,648	(1,423)	4,910
Other expenditures	21,379	22,728	(1,349)	25,715
Total	<u>114,102</u>	<u>117,958</u>	<u>(3,856)</u>	<u>108,331</u>
Blue Line Arena:				
Personal services	10,765	12,607	(1,842)	9,195
Supplies	3,000	2,152	848	3,814
Contractual services	27,000	40,924	(13,924)	36,533
Total	<u>40,765</u>	<u>55,683</u>	<u>(14,918)</u>	<u>49,542</u>
Park areas:				
Personal services	125,498	190,320	(64,822)	161,463
Supplies	41,298	35,880	5,418	53,258
Contractual services	77,427	97,174	(19,747)	106,875
Other expenditures	4,725	2,860	1,865	2,009
Capital outlay	-	3,098	(3,098)	46,512
Total	<u>248,948</u>	<u>329,332</u>	<u>(80,384)</u>	<u>370,117</u>
Campground-Recreation Area:				
Personal services	88,159	101,345	(13,186)	82,727
Supplies	12,000	8,938	3,062	14,204
Contractual services	11,800	6,151	5,649	4,317
Other expenditures	6,330	719	5,611	3,250
Capital outlay	-	-	-	5,825
Total	<u>118,289</u>	<u>117,153</u>	<u>1,136</u>	<u>110,323</u>
Summary:				
Current	1,928,570	2,041,966	(113,396)	2,084,534
Capital outlay	-	3,098	(3,098)	89,788
Total Recreation and culture	<u>\$ 1,928,570</u>	<u>\$ 2,045,064</u>	<u>\$ (116,494)</u>	<u>\$ 2,174,322</u>

**Schedule of Expenditures and Other Uses
Budget to Actual – General Fund
For the Year Ended December 31, 2015 (Continued)**

CITY OF EAST GRAND FORKS

	<u>Original and Final Budget</u>	<u>Current Year Actual</u>	<u>Variance with Final Budget</u>	<u>Prior Year Actual</u>
Community Development:				
Residential tax abatement	\$ 60,000	\$ 20,932	\$ 39,068	\$ 11,864
Total	<u>60,000</u>	<u>20,932</u>	<u>39,068</u>	<u>11,864</u>
Summary:				
Current	60,000	20,932	39,068	11,864
Total Community Development	<u>\$ 60,000</u>	<u>\$ 20,932</u>	<u>\$ 39,068</u>	<u>\$ 11,864</u>
Other expenditures:				
Workers compensation	\$ 10,000	\$ 19,524	\$ (9,524)	\$ 3,222
General liability and other insurance	162,240	165,269	(3,029)	171,376
Promotional (Lodging)	17,260	25,283	(8,023)	14,625
Memberships and dues	20,000	23,179	(3,179)	21,892
Miscellaneous	25,000	28,008	(3,008)	28,887
Contributed services	30,000	-	30,000	-
Contributed capital outlay	36,639	184,789	(148,150)	171,402
Capital outlay	20,000	2,900	17,100	2,128
Total	<u>321,139</u>	<u>448,952</u>	<u>(127,813)</u>	<u>413,532</u>
Summary:				
Current	264,500	261,263	3,237	240,002
Capital outlay	56,639	187,689	(131,050)	173,530
Total other expenditures	<u>\$ 321,139</u>	<u>\$ 448,952</u>	<u>\$ (127,813)</u>	<u>\$ 413,532</u>
Total expenditures	<u>\$ 8,709,663</u>	<u>\$ 8,853,383</u>	<u>\$ (143,720)</u>	<u>\$ 8,868,793</u>
Other financing uses:				
Operating transfer out:				
Special revenue funds	\$ 156,204	\$ 1,555,795	\$ (1,399,591)	\$ 503,943
Total other financing uses	<u>156,204</u>	<u>1,555,795</u>	<u>(1,399,591)</u>	<u>503,943</u>
Total expenditures and other financing uses	<u>\$ 8,865,867</u>	<u>\$ 10,409,178</u>	<u>\$ (1,543,311)</u>	<u>\$ 9,372,736</u>

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Sources
As of December 31, 2015**

CITY OF EAST GRAND FORKS

	<u>2015</u>	<u>2014</u>
Governmental funds capital assets		
Land and land improvements	\$ 31,203,471	\$ 31,203,471
Building, systems, and structures	78,563,929	78,489,691
Machinery and equipment	8,512,282	8,617,537
Street network/infrastructure	49,582,268	49,029,603
Construction in progress	3,612,314	288,761
Total governmental funds capital assets	<u>\$ 171,474,264</u>	<u>\$ 167,629,063</u>
 Investments in governmental funds capital assets by source:		
General fund	\$ 118,755,082	\$ 118,437,544
Special revenue funds	1,705,443	1,626,766
Internal service funds	2,774,769	2,903,908
Capital project funds	48,238,970	44,660,845
Total investments in governmental funds capital assets by source	<u>\$ 171,474,264</u>	<u>\$ 167,629,063</u>

**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
As of December 31, 2015**

CITY OF EAST GRAND FORKS

	<u>Land and Land Improvements</u>	<u>Buildings, Systems, and Structures</u>	<u>Machinery and Equipment</u>	<u>Street Network/ Infrastructure</u>	<u>Construction in Progress</u>	<u>Total</u>
General government:						
Government center	\$ 453,500	\$ 7,069,133	\$ -	\$ -	\$ -	\$ 7,522,633
Other	-	-	161,911	-	-	161,911
Total general government	<u>453,500</u>	<u>7,069,133</u>	<u>161,911</u>	<u>-</u>	<u>-</u>	<u>7,684,544</u>
Public safety:						
Police	94,000	1,895,400	652,609	-	-	2,642,009
Fire	<u>45,500</u>	<u>1,773,051</u>	<u>1,613,257</u>	<u>-</u>	<u>-</u>	<u>3,431,808</u>
Total public safety	<u>139,500</u>	<u>3,668,451</u>	<u>2,265,866</u>	<u>-</u>	<u>-</u>	<u>6,073,817</u>
Public works:						
Infrastructure (street network)	-	-	-	49,582,268	-	49,582,268
Storm protection network	28,441,616	50,773,446	934,341	-	-	80,149,403
Other	<u>1,527,610</u>	<u>1,912,185</u>	<u>2,359,361</u>	<u>-</u>	<u>3,612,314</u>	<u>9,411,470</u>
Total public works	<u>29,969,226</u>	<u>52,685,631</u>	<u>3,293,702</u>	<u>49,582,268</u>	<u>3,612,314</u>	<u>139,143,141</u>
Recreation and culture:						
Parks	539,840	11,595,733	1,633,697	-	-	13,769,270
Library	32,000	3,204,915	654,447	-	-	3,891,362
Senior center	<u>5,700</u>	<u>215,535</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>221,235</u>
Total recreation	<u>577,540</u>	<u>15,016,183</u>	<u>2,288,144</u>	<u>-</u>	<u>-</u>	<u>17,881,867</u>
Transit	<u>-</u>	<u>24,077</u>	<u>446,294</u>	<u>-</u>	<u>-</u>	<u>470,371</u>
Cemetery	<u>63,705</u>	<u>100,454</u>	<u>56,365</u>	<u>-</u>	<u>-</u>	<u>220,524</u>
Total governmental fund capital assets	<u>\$ 31,203,471</u>	<u>\$ 78,563,929</u>	<u>\$ 8,512,282</u>	<u>\$ 49,582,268</u>	<u>\$ 3,612,314</u>	<u>\$ 171,474,264</u>

**Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
As of December 31, 2015**

CITY OF EAST GRAND FORKS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements and Transfers, Net</u>	<u>Ending Balance</u>
General government				
Government center	\$ 7,522,633	\$ -	\$ -	\$ 7,522,633
Other	161,911	-	-	161,911
Total general government	<u>7,684,544</u>	<u>-</u>	<u>-</u>	<u>7,684,544</u>
Public safety:				
Police	2,642,009	-	-	2,642,009
Fire	<u>3,560,947</u>	<u>-</u>	<u>129,139</u>	<u>3,431,808</u>
Total public safety	<u>6,202,956</u>	<u>-</u>	<u>129,139</u>	<u>6,073,817</u>
Public works:				
Infrastructure (street network)	49,029,603	552,665	-	49,582,268
Storm protection network	80,149,403	-	-	80,149,403
Other	<u>6,084,417</u>	<u>3,327,053</u>	<u>-</u>	<u>9,411,470</u>
Total public works	<u>135,263,423</u>	<u>3,879,718</u>	<u>-</u>	<u>139,143,141</u>
Recreation or culture				
Parks	13,691,337	77,933	-	13,769,270
Library	3,891,362	-	-	3,891,362
Senior center	<u>221,235</u>	<u>-</u>	<u>-</u>	<u>221,235</u>
Total recreation and culture	<u>17,803,934</u>	<u>77,933</u>	<u>-</u>	<u>17,881,867</u>
Transit	<u>343,538</u>	<u>126,833</u>	<u>-</u>	<u>470,371</u>
Cemetery	<u>203,834</u>	<u>16,690</u>	<u>-</u>	<u>220,524</u>
Total governmental funds capital assets	<u>\$ 167,502,229</u>	<u>\$ 4,101,174</u>	<u>\$ 129,139</u>	<u>\$ 171,474,264</u>

Statement of Changes in Fiduciary Net Position
 Agency Fund – Flexible Benefits
 As of December 31, 2015

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>\$ 17,747</u>	<u>\$ 316,335</u>	<u>\$ (314,108)</u>	<u>\$ 19,974</u>
LIABILITIES:				
Due to employees	<u>\$ 17,747</u>	<u>\$ 316,335</u>	<u>\$ (314,108)</u>	<u>\$ 19,974</u>

**Combining Statement of Net Position
Discretely Presented Component Unit – by Focus
As of December 31, 2015**

CITY OF EAST GRAND FORKS

	<u>Housing</u>	<u>Economic Development</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,137,996	\$ 1,966,234	\$ 3,104,230
Due from other funds	-	156,563	156,563
Due from other government units	-	190	190
Notes receivable (current portion)	8,867	-	8,867
Total current assets	<u>1,169,089</u>	<u>2,122,987</u>	<u>3,292,076</u>
Noncurrent assets:			
Capital assets:			
Land	50,300	-	50,300
Buildings and systems	5,503,577	-	5,503,577
Machinery and equipment	137,109	9,749	146,858
Total capital assets	5,690,986	9,749	5,700,735
Less accumulated depreciation	(2,012,393)	(9,749)	(2,022,142)
Total capital assets (net)	<u>3,678,593</u>	<u>-</u>	<u>3,678,593</u>
Land held for resale	-	60,777	60,777
Notes receivable (net current portion)	-	2,170,674	2,170,674
Allowance for uncollectible	-	(577,862)	(577,862)
Total noncurrent assets	<u>-</u>	<u>1,653,589</u>	<u>1,653,589</u>
TOTAL ASSETS	<u>4,847,682</u>	<u>3,776,576</u>	<u>8,624,258</u>
Deferred outflows of resources			
Cost sharing defined benefit pension plan	8,464	8,934	17,398
Total deferred outflows of resources	<u>8,464</u>	<u>8,934</u>	<u>17,398</u>
LIABILITIES			
Current liabilities:			
Accounts payable	7,675	2,389	10,064
Accrued wages payable	1,916	9,496	11,412
Due to other funds	-	-	-
Due to other government units	5,023	172	5,195
Notes payable - current	-	27,986	27,986
Compensated absences payable - current	969	-	969
Accrued interest payable	-	1,532	1,532
Total current liabilities	<u>15,583</u>	<u>41,575</u>	<u>57,158</u>
Noncurrent liabilities:			
Customer deposits	22,226	-	22,226
Net pension liability	61,569	64,989	126,558
Compensated absences payable (net current portion)	-	4,615	4,615
Notes payable (net current portion)	-	260,283	260,283
Total noncurrent liabilities	<u>83,795</u>	<u>329,887</u>	<u>413,682</u>
Deferred inflows of resources			
Cost sharing defined benefit pension plan	6,465	6,824	13,289
Total deferred inflows of resources	<u>6,465</u>	<u>6,824</u>	<u>13,289</u>
NET POSITION			
Net investment in capital assets	3,678,593	-	3,678,593
Restricted	22,226	-	22,226
Unrestricted	1,049,484	3,407,224	4,456,708
TOTAL NET POSITION	<u>\$ 4,750,303</u>	<u>\$ 3,407,224</u>	<u>\$ 8,157,527</u>

**Statement of Revenues, Expenses and Changes in Fund Net Position
Discretely Presented Component Unit – by Focus
For the Year Ended December 31, 2015**

CITY OF EAST GRAND FORKS

	<u>Housing</u>	<u>Economic Development</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 416,472	\$ 49,067	\$ 465,539
Intergovernmental	-	-	-
Other	11,354	6,461	17,815
Total operating revenues	<u>427,826</u>	<u>55,528</u>	<u>483,354</u>
Operating expenses:			
Community development:			
Administration	336,396	105,859	442,255
Depreciation	140,405	-	140,405
Other:			
Business development	-	51,977	51,977
Housing programs	(812)	-	(812)
Supplies	-	1,060	1,060
Total operating expenses	<u>475,989</u>	<u>158,896</u>	<u>634,885</u>
Operating income (loss)	<u>(48,163)</u>	<u>(103,368)</u>	<u>(151,531)</u>
Nonoperating revenues (expenses):			
Interest revenue	16,754	13,523	30,277
Tax increment revenue	-	143,356	143,356
Interest expense	-	(3,065)	(3,065)
Total nonoperating revenues (expenses)	<u>16,754</u>	<u>153,814</u>	<u>170,568</u>
Income (loss) before transfers in (out)	(31,409)	50,446	19,037
Transfers in	-	-	-
Transfers out	<u>(614)</u>	<u>156,763</u>	<u>156,149</u>
Change in net position	<u>(32,023)</u>	<u>207,209</u>	<u>175,186</u>
Net position at beginning of year	5,311,681	3,261,064	8,572,745
GASB 68 adjustment - see note 20	(57,836)	(61,049)	(118,885)
Equity transfer - see note 21	(471,519)	-	(471,519)
Net position at beginning of year, as restated	<u>4,782,326</u>	<u>3,200,015</u>	<u>7,982,341</u>
Net position at end of year	<u>\$ 4,750,303</u>	<u>\$ 3,407,224</u>	<u>\$ 8,157,527</u>

**Combining Schedule of Net Position
Discretely Presented Component Unit – Economic Development Focus
As of December 31, 2015**

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	\$ -	\$ 371,623	\$ 104,199	\$ 753,908	\$ 736,504	\$ 1,966,234
Due from other funds	-	156,563	-	-	-	156,563
Due from other government units	-	-	190	-	-	190
Total current assets	-	528,186	104,389	753,908	736,504	2,122,987
Noncurrent assets:						
Capital assets:						
Machinery and equipment	9,749	-	-	-	-	9,749
Total capital assets	9,749	-	-	-	-	9,749
Less accumulated depreciation	(9,749)	-	-	-	-	(9,749)
Total capital assets (net)	-	-	-	-	-	-
Land held for resale	-	18,777	42,000	-	-	60,777
Notes receivable (net current portion)	510,000	-	195,220	-	1,465,454	2,170,674
Allowance for uncollectible	(510,000)	-	-	-	(67,862)	(577,862)
Total noncurrent assets	-	18,777	237,220	-	1,397,592	1,653,589
TOTAL ASSETS	-	546,963	341,609	753,908	2,134,096	3,776,576
Deferred outflows of resources						
Cost sharing defined benefit pension plan	8,934	-	-	-	-	8,934
Total deferred outflows of resources	8,934	-	-	-	-	8,934
LIABILITIES						
Current liabilities:						
Accounts payable	2,389	-	-	-	-	2,389
Accrued wages payable	9,496	-	-	-	-	9,496
Due to other funds	-	-	-	-	-	-
Due to other governments	172	-	-	-	-	172
Notes payable - current	-	-	-	27,986	-	27,986
Accrued interest payable	-	-	-	1,532	-	1,532
Total current liabilities	12,057	-	-	29,518	-	41,575
Noncurrent liabilities:						
Compensated absences payable (net current)	4,615	-	-	-	-	4,615
Net pension liability	64,989	-	-	-	-	64,989
Notes payable (net current portion)	-	-	-	260,283	-	260,283
Total noncurrent liabilities	69,604	-	-	260,283	-	329,887
Total liabilities	81,661	-	-	289,801	-	371,462
Deferred inflows of resources						
Cost sharing defined benefit pension plan	6,824	-	-	-	-	6,824
Total deferred inflows of resources	6,824	-	-	-	-	6,824
NET POSITION						
Unrestricted	(79,551)	546,963	341,609	464,107	2,134,096	3,407,224
TOTAL NET POSITION	\$ (79,551)	\$ 546,963	\$ 341,609	\$ 464,107	\$ 2,134,096	\$ 3,407,224

**Combining Schedule of Revenues, Expenses and Changes in Fund Net Position
Discretely Presented Component Unit – Economic Development Focus
For the Year Ended December 31, 2015**

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	\$ -	\$ -	\$ -	\$ -	\$ 49,067	\$ 49,067
Other revenues:						
Business development	-	-	6,441	-	-	6,441
Other	20	-	-	-	-	20
Total operating revenues	<u>20</u>	<u>-</u>	<u>6,441</u>	<u>-</u>	<u>49,067</u>	<u>55,528</u>
Operating expenses:						
Administration	105,859	-	-	-	-	105,859
Business development	48,836	2,031	1,110	-	-	51,977
Supplies	1,060	-	-	-	-	1,060
Total operating expenses	<u>155,755</u>	<u>2,031</u>	<u>1,110</u>	<u>-</u>	<u>-</u>	<u>158,896</u>
Operating income (loss)	<u>(155,735)</u>	<u>(2,031)</u>	<u>5,331</u>	<u>-</u>	<u>49,067</u>	<u>(103,368)</u>
Nonoperating revenues (expenses):						
Interest revenue	334	4,837	405	3,008	4,939	13,523
Tax increment revenue	-	72,382	70,974	-	-	143,356
Interest expense	-	-	-	(3,065)	-	(3,065)
Total nonoperating revenues (expenses)	<u>334</u>	<u>77,219</u>	<u>71,379</u>	<u>(57)</u>	<u>4,939</u>	<u>153,814</u>
Income (loss) before transfers	(155,401)	75,188	76,710	(57)	54,006	50,446
Transfers in (out)	<u>156,763</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>156,763</u>
Change in net position	<u>1,362</u>	<u>75,188</u>	<u>76,710</u>	<u>(57)</u>	<u>54,006</u>	<u>207,209</u>
Net position at beginning of year	(19,864)	471,775	264,899	464,164	2,080,090	3,261,064
GASB 68 adjustment - see note 20	(61,049)	-	-	-	-	(61,049)
Net position at beginning of year, as restated	<u>(80,913)</u>	<u>471,775</u>	<u>264,899</u>	<u>464,164</u>	<u>2,080,090</u>	<u>3,200,015</u>
Net position at end of year	<u>\$ (79,551)</u>	<u>\$ 546,963</u>	<u>\$ 341,609</u>	<u>\$ 464,107</u>	<u>\$ 2,134,096</u>	<u>\$ 3,407,224</u>

**Combining Schedule of Net Position
Discretely Presented Component Unit – Housing Focus
As of December 31, 2015**

CITY OF EAST GRAND FORKS

	<u>Sunshine Terrace</u>	<u>Program C4043V</u>	<u>Housing Loan</u>	<u>Town Square</u>	<u>Totals</u>
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 765,139	\$ -	\$ 209,596	\$ 163,261	\$ 1,137,996
Notes receivable	-	-	8,867	-	8,867
Restricted cash and cash equivalents	22,226	-	-	-	22,226
Total Current Assets	<u>787,365</u>	<u>-</u>	<u>218,463</u>	<u>163,261</u>	<u>1,169,089</u>
Noncurrent Assets:					
Capital assets:					
Land	50,300	-	-	-	50,300
Buildings and systems	5,503,577	-	-	-	5,503,577
Machinery and equipment	137,109	-	-	-	137,109
Total capital assets	5,690,986	-	-	-	5,690,986
Less accumulated depreciation	(2,012,393)	-	-	-	(2,012,393)
Total capital assets (net)	<u>3,678,593</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,678,593</u>
Total noncurrent assets	<u>3,678,593</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,678,593</u>
TOTAL ASSETS	<u>4,465,958</u>	<u>-</u>	<u>218,463</u>	<u>163,261</u>	<u>4,847,682</u>
Deferred outflows of resources					
Cost sharing defined benefit pension plan	8,464	-	-	-	8,464
Total deferred outflows of resources	<u>8,464</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,464</u>
LIABILITIES					
Current liabilities:					
Accounts payable	7,587	-	88	-	7,675
Accrued wages payable	1,916	-	-	-	1,916
Due to other government units	5,023	-	-	-	5,023
Customer deposits	22,226	-	-	-	22,226
Note payable	-	-	-	-	-
Net pension liability	61,569	-	-	-	61,569
Compensated absences payable - current	969	-	-	-	969
Total Liabilities	<u>99,290</u>	<u>-</u>	<u>88</u>	<u>-</u>	<u>99,378</u>
Deferred inflows of resources					
Cost sharing defined benefit pension plan	6,465	-	-	-	6,465
Total Deferred Inflows of Resources	<u>6,465</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,465</u>
NET POSITION					
Net investment in capital assets	3,678,593	-	-	-	3,678,593
Restricted	22,226	-	-	-	22,226
Unrestricted	667,848	-	218,375	163,261	1,049,484
TOTAL NET POSITION	<u>\$ 4,368,667</u>	<u>\$ -</u>	<u>\$ 218,375</u>	<u>\$ 163,261</u>	<u>\$ 4,750,303</u>

**Combining Schedule of Revenues, Expenses and Change in Fund Net Position
Discretely Presented Component Unit – Housing Focus
For the Year Ended December 31, 2015**

CITY OF EAST GRAND FORKS

	<u>Sunshine Terrace</u>	<u>Program C4043V</u>	<u>Housing Loan</u>	<u>Town Square</u>	<u>Total</u>
Operating revenues:					
Charges for services	\$ 416,472	\$ -	\$ -	\$ -	\$ 416,472
Other	11,354	-	-	-	11,354
Total operating revenues	<u>427,826</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>427,826</u>
Operating expenses:					
Community development:					
Personal services	76,416	-	-	-	76,416
Supplies	5,585	-	-	-	5,585
Contractual services	105,822	-	-	-	105,822
Depreciation	140,405	-	-	-	140,405
Housing payments	-	(812)	-	-	(812)
Other expenditures	148,375	198	-	-	148,573
Total operating expenses	<u>476,603</u>	<u>(614)</u>	<u>-</u>	<u>-</u>	<u>475,989</u>
Operating income (loss)	<u>(48,777)</u>	<u>614</u>	<u>-</u>	<u>-</u>	<u>(48,163)</u>
Nonoperating revenues (expenses):					
Interest revenue	5,613	-	2,390	8,751	16,754
Total nonoperating revenues (expenses)	<u>5,613</u>	<u>-</u>	<u>2,390</u>	<u>8,751</u>	<u>16,754</u>
Income (loss) before transfers	(43,164)	614	2,390	8,751	(31,409)
Transfers out	<u>-</u>	<u>(614)</u>	<u>-</u>	<u>-</u>	<u>(614)</u>
Change in net position	<u>(43,164)</u>	<u>-</u>	<u>2,390</u>	<u>8,751</u>	<u>(32,023)</u>
Net position at beginning of year	4,469,667	471,519	215,985	154,510	5,311,681
GASB 68 adjustment - see note 20	(57,836)	-	-	-	(57,836)
Equity transfer - see note 21	-	(471,519)	-	-	(471,519)
Net position at beginning of year, as restated	<u>4,411,831</u>	<u>-</u>	<u>215,985</u>	<u>154,510</u>	<u>4,782,326</u>
Net position at end of year	<u>\$ 4,368,667</u>	<u>\$ -</u>	<u>\$ 218,375</u>	<u>\$ 163,261</u>	<u>\$ 4,750,303</u>

STATISTICAL SECTION



CITY OF EAST GRAND FORKS, MINNESOTA

STATISTICAL SECTION

Statistical Information

(Unaudited)

CITY OF EAST GRAND FORKS

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

Contents

Financial Trends

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

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

Revenue Capacity

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

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

Debt Capacity

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

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

Demographic and Economic Information

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

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

Operating Information

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

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

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



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

CITY OF EAST GRAND FORKS

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental activities										
Net investment in capital assets	\$ 129,002,253	\$ 127,824,706	\$ 115,326,956	\$ 116,078,462	\$ 116,301,106	\$ 115,332,239	\$ 115,434,404	\$ 117,234,890	\$ 116,911,181	\$ 114,210,487
Restricted	11,451,573	11,517,373	12,556,179	11,634,601	10,977,442	9,888,840	9,445,754	7,660,112	8,957,932	13,061,790
Unrestricted	8,386,984	11,397,087	7,598,523	7,595,720	7,913,136	8,665,636	7,802,752	7,298,268	6,540,397	1,041,983
Total governmental activities net position	<u>\$ 148,840,810</u>	<u>\$ 150,739,166</u>	<u>\$ 135,481,658</u>	<u>\$ 135,308,783</u>	<u>\$ 135,191,684</u>	<u>\$ 133,886,715</u>	<u>\$ 132,682,910</u>	<u>\$ 132,193,270</u>	<u>\$ 132,409,510</u>	<u>\$ 128,314,260</u>
Business-type activities										
Net investment in capital assets	\$ 32,109,908	\$ 33,346,440	\$ 47,333,593	\$ 47,020,536	\$ 48,311,193	\$ 47,366,532	\$ 48,462,989	\$ 49,494,333	\$ 49,290,648	\$ 47,340,484
Restricted	67,713	67,710	72,029	72,233	-	-	-	-	-	-
Unrestricted	15,200,685	15,554,463	15,863,528	16,836,765	16,278,737	16,991,186	17,207,851	16,609,284	17,889,666	17,271,336
Total business-type activities net position	<u>\$ 47,378,306</u>	<u>\$ 48,968,613</u>	<u>\$ 63,269,150</u>	<u>\$ 63,929,534</u>	<u>\$ 64,589,930</u>	<u>\$ 64,357,718</u>	<u>\$ 65,670,840</u>	<u>\$ 66,103,617</u>	<u>\$ 67,180,314</u>	<u>\$ 64,611,820</u>
Primary government										
Net investment in capital assets	\$ 161,112,161	\$ 161,171,146	\$ 162,660,549	\$ 163,098,998	\$ 164,612,299	\$ 162,698,771	\$ 163,897,393	\$ 166,729,223	\$ 166,201,829	\$ 161,550,971
Restricted	11,519,286	11,585,083	12,628,208	11,706,834	10,977,442	9,888,840	9,445,754	7,660,112	8,957,932	13,061,790
Unrestricted	23,587,669	26,951,550	23,462,051	24,432,485	24,191,873	25,656,822	25,010,603	23,907,552	24,430,063	18,313,319
Total primary government net position	<u>\$ 196,219,116</u>	<u>\$ 199,707,779</u>	<u>\$ 198,750,808</u>	<u>\$ 199,238,317</u>	<u>\$ 199,781,614</u>	<u>\$ 198,244,433</u>	<u>\$ 198,353,750</u>	<u>\$ 198,296,887</u>	<u>\$ 199,589,824</u>	<u>\$ 192,926,080</u>

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

CITY OF EAST GRAND FORKS

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Expenses										
Governmental activities:										
General government	\$ 1,050,378	\$ 1,155,532	\$ 1,195,452	\$ 1,091,832	\$ 1,033,325	\$ 1,014,122	\$ 1,186,560	\$ 1,000,841	\$ 1,300,311	\$ 1,421,703
Public safety	3,232,573	3,273,535	3,932,137	3,638,645	3,508,407	3,453,879	3,530,624	3,841,070	3,919,550	4,250,080
Public works	2,851,905	3,958,548	3,218,356	3,646,371	3,728,496	3,528,021	4,711,832	2,759,795	4,896,908	4,080,295
Transit	243,157	359,459	276,189	283,898	278,476	365,385	401,470	343,947	385,912	387,385
Recreation and culture	2,016,899	2,125,732	2,337,123	2,213,181	2,346,805	2,398,640	2,447,389	2,636,031	2,748,617	2,638,367
Community development	284,342	286,303	254,056	181,624	166,045	173,235	227,832	122,563	132,490	109,984
Cemetery	61,136	35,256	50,467	47,105	52,476	57,228	60,463	299,909	43,389	50,317
Interest on long-term debt	473,946	472,223	513,782	505,820	566,395	612,504	533,736	502,385	458,606	504,927
Total governmental activities expenses	<u>10,214,336</u>	<u>11,666,588</u>	<u>11,777,562</u>	<u>11,608,476</u>	<u>11,680,425</u>	<u>11,603,014</u>	<u>13,099,906</u>	<u>11,506,541</u>	<u>13,885,783</u>	<u>13,443,058</u>
Business-type activities										
Electric utility	9,193,839	10,450,476	11,589,832	11,271,252	11,749,099	12,268,180	13,206,748	13,182,980	13,796,998	13,603,441
Water utility	1,979,044	1,961,418	2,164,353	2,009,061	2,114,845	2,096,118	2,343,208	2,152,305	2,290,490	2,176,802
Sewer utility	587,568	629,832	665,582	703,260	785,645	964,063	901,603	918,483	868,049	885,940
City mall	412,999	428,359	358,227	350,600	365,121	631,066	324,547	335,128	346,560	1,697,935
Storm water	-	-	477,935	907,291	956,736	804,162	499,046	561,522	621,122	606,720
Refuse collection	651,538	788,955	919,920	812,010	838,236	854,222	866,266	912,945	906,560	946,497
Total business-type activities expenses	<u>12,824,988</u>	<u>14,259,041</u>	<u>16,175,849</u>	<u>16,053,474</u>	<u>16,809,682</u>	<u>17,617,811</u>	<u>18,141,418</u>	<u>18,063,363</u>	<u>18,829,779</u>	<u>19,917,335</u>
Total primary government expenses	<u>\$ 23,039,324</u>	<u>\$ 25,925,629</u>	<u>\$ 27,953,411</u>	<u>\$ 27,661,950</u>	<u>\$ 28,490,107</u>	<u>\$ 29,220,825</u>	<u>\$ 31,241,324</u>	<u>\$ 29,569,904</u>	<u>\$ 32,715,562</u>	<u>\$ 33,360,393</u>
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 130,597	\$ 111,003	\$ 117,172	\$ 102,704	\$ 125,833	\$ 118,710	\$ 301,653	\$ 77,324	\$ 64,999	\$ 62,347
Public safety	252,713	296,028	316,428	314,829	246,507	459,160	306,445	301,040	308,152	308,678
Public works	321,362	214,208	218,778	219,704	266,398	273,836	-	298,163	305,410	315,286
Transit	4,000	4,000	19,398	2,446	4,500	-	214,771	-	-	-
Recreation and culture	330,258	331,153	340,909	406,660	386,664	319,877	411,311	514,163	382,199	516,167
Community development	306,409	197,578	98,500	93,745	137,975	36,000	-	106,024	1,417	1,103
Cemetery	47,690	34,410	65,265	46,352	41,793	55,832	-	39,295	7,875	21,310
Operating grants and contributions	581,575	632,310	625,375	654,364	611,611	742,997	3,380,925	3,753,816	3,001,462	3,158,208
Capital grants and contributions	26,308,072	4,181,757	1,638,591	2,310,356	2,864,343	713,176	-	532,698	377,027	16,883
Total governmental activities program revenues	<u>28,282,676</u>	<u>6,002,447</u>	<u>3,440,416</u>	<u>4,151,159</u>	<u>4,685,624</u>	<u>2,719,588</u>	<u>4,615,105</u>	<u>5,622,523</u>	<u>4,448,541</u>	<u>4,399,982</u>

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

CITY OF EAST GRAND FORKS

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Business-type activities:										
Charges for services:										
Electric utility	10,556,891	11,240,822	11,957,089	11,850,730	12,986,102	13,075,789	14,064,360	13,587,455	14,329,858	14,304,963
Water utility	2,093,211	1,987,471	2,019,667	1,883,487	1,843,840	1,917,793	2,338,132	2,700,640	2,691,644	2,646,805
Sewer utility	564,768	566,828	627,070	968,208	988,491	976,454	1,279,097	1,428,483	1,659,431	1,629,153
Commercial Properties	163,496	147,836	160,238	178,530	189,072	197,095	190,915	176,714	192,156	109,489
Storm Water	-	-	176,337	178,686	179,305	213,691	233,899	233,105	235,222	286,021
Refuse collection	622,841	885,621	776,659	752,588	872,984	829,018	840,565	850,212	868,003	914,545
Operating grants and contributions	475,612	15,000	15,000	442,829	129,937	303,931	20,215	15,427	15,000	-
Capital grants and contributions	639,846	279,612	-	215,248	96,704	-	-	-	-	-
Total business-type activities program revenues	<u>15,116,665</u>	<u>15,123,190</u>	<u>15,732,060</u>	<u>16,470,307</u>	<u>17,286,435</u>	<u>17,513,771</u>	<u>18,967,183</u>	<u>18,992,036</u>	<u>19,991,314</u>	<u>19,890,976</u>
Total primary government program revenues	<u>\$ 43,399,341</u>	<u>\$ 21,125,637</u>	<u>\$ 19,172,476</u>	<u>\$ 20,621,466</u>	<u>\$ 21,972,060</u>	<u>\$ 20,233,359</u>	<u>\$ 23,582,288</u>	<u>\$ 24,614,559</u>	<u>\$ 24,439,855</u>	<u>\$ 24,290,958</u>
Net (expense)/revenue										
Governmental activities	\$ 18,068,340	\$ (5,664,142)	\$ (8,337,147)	\$ (7,457,316)	\$ (6,994,801)	\$ (8,883,426)	\$ (8,484,801)	\$ (5,884,018)	\$ (9,437,242)	\$ (9,043,076)
Business-type activities	2,291,677	864,148	(443,790)	416,833	431,752	(104,040)	825,765	928,673	1,161,535	(26,359)
Total primary government net expense	<u>\$ 20,360,017</u>	<u>\$ (4,799,994)</u>	<u>\$ (8,780,937)</u>	<u>\$ (7,040,484)</u>	<u>\$ (6,563,048)</u>	<u>\$ (8,987,466)</u>	<u>\$ (7,659,036)</u>	<u>\$ (4,955,345)</u>	<u>\$ (8,275,707)</u>	<u>\$ (9,069,435)</u>
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Property taxes	\$ 1,889,815	\$ 1,954,979	\$ 2,163,693	\$ 2,116,388	\$ 2,201,420	\$ 2,364,973	\$ 2,526,924	\$ 2,982,817	\$ 4,970,612	\$ 4,071,021
Franchise taxes	1,237,084	1,309,050	1,309,050	1,361,673	1,359,302	1,392,521	1,416,140	1,430,795	1,466,924	1,431,503
Unrestricted grants and contributions	3,050,626	3,517,772	3,063,221	3,239,503	2,867,240	2,895,270	3,032,526	361,744	1,597,294	1,101,345
Investment earnings	508,965	530,674	406,526	272,807	160,728	361,923	288,304	229,366	174,674	84,835
Other	441,320	196,165	323,082	105,452	180,527	106,954	267,103	140,017	888,472	1,045,580
Transfers	253,438	53,856	(14,185,931)	188,618	108,484	456,816	(250,000)	249,639	555,506	1,103,174
Total governmental activities	<u>7,381,248</u>	<u>7,562,496</u>	<u>(6,920,359)</u>	<u>7,284,440</u>	<u>6,877,700</u>	<u>7,578,457</u>	<u>7,280,997</u>	<u>5,394,378</u>	<u>9,653,482</u>	<u>8,837,458</u>
Business-type activities										
Investment earnings	624,051	777,218	558,394	432,172	333,528	328,644	237,356	(246,259)	470,668	273,526
Other	(114,740)	2,795	-	-	3,600	-	-	-	-	-
Transfers	(253,438)	(53,856)	14,185,931	(188,618)	(108,484)	(456,816)	250,000	(249,639)	(555,506)	(1,259,323)
Total business-type activities	<u>255,873</u>	<u>726,157</u>	<u>14,744,325</u>	<u>243,554</u>	<u>228,644</u>	<u>(128,172)</u>	<u>487,356</u>	<u>(495,898)</u>	<u>(84,838)</u>	<u>(985,797)</u>
Total primary government	<u>\$ 7,637,121</u>	<u>\$ 8,288,653</u>	<u>\$ 7,823,966</u>	<u>\$ 7,527,994</u>	<u>\$ 7,106,344</u>	<u>\$ 7,450,285</u>	<u>\$ 7,768,353</u>	<u>\$ 4,898,480</u>	<u>\$ 9,568,644</u>	<u>\$ 7,851,661</u>
Changes in Net Position										
Governmental activities	\$ 25,449,588	\$ 1,898,354	\$ (15,257,506)	\$ (172,876)	\$ (117,100)	\$ (1,304,969)	\$ (1,203,804)	\$ (489,640)	\$ 216,240	\$ (205,618)
Business-type activities	2,547,550	1,590,305	14,300,535	660,387	660,396	(232,212)	1,313,121	432,775	1,076,697	(1,012,156)
Total primary government	<u>\$ 27,997,138</u>	<u>\$ 3,488,659</u>	<u>\$ (956,971)</u>	<u>\$ 487,511</u>	<u>\$ 543,296</u>	<u>\$ (1,537,181)</u>	<u>\$ 109,317</u>	<u>\$ (56,865)</u>	<u>\$ 1,292,937</u>	<u>\$ (1,217,774)</u>

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

(Modified accrual basis of accounting)

CITY OF EAST GRAND FORKS

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Fund										
Nonspendable	\$ 14,562	\$ 21,708	\$ 5,854	\$ 22,738	\$ 33,224	\$ 35,397	\$ 39,005	\$ 33,820	\$ 90,799	\$ 18,438
Assigned for Future Budget	-	-	-	-	-	-	-	-	-	824,534
Unassigned	2,186,399	2,820,231	2,558,791	2,704,602	2,554,632	2,724,606	3,156,150	3,144,775	2,857,761	1,910,902
Total general fund	<u>\$ 2,200,961</u>	<u>\$ 2,841,939</u>	<u>\$ 2,564,645</u>	<u>\$ 2,727,340</u>	<u>\$ 2,587,856</u>	<u>\$ 2,760,003</u>	<u>\$ 3,195,155</u>	<u>\$ 3,178,595</u>	<u>\$ 2,948,560</u>	<u>\$ 2,753,874</u>
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 244,951	\$ 233,684	\$ 221,958	\$ 209,754	\$ 202,219
Restricted	2,329,387	4,526,721	3,372,325	3,315,092	3,605,129	4,889,303	5,651,656	5,937,406	5,101,261	7,867,046
Unassigned	4,274,777	3,829,081	3,335,127	2,187,869	2,101,377	339,842	(1,093,334)	(1,594,585)	(534,491)	(443,018)
Total all other governmental funds	<u>\$ 6,604,164</u>	<u>\$ 8,355,802</u>	<u>\$ 6,707,452</u>	<u>\$ 5,502,961</u>	<u>\$ 5,706,506</u>	<u>\$ 5,474,096</u>	<u>\$ 4,792,006</u>	<u>\$ 4,564,779</u>	<u>\$ 4,776,524</u>	<u>\$ 7,626,247</u>

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

(Modified accrual basis of accounting)

CITY OF EAST GRAND FORKS

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues										
General Taxes	\$ 3,126,899	\$ 3,264,030	\$ 3,472,742	\$ 3,478,061	\$ 3,560,721	\$ 3,757,494	\$ 3,943,064	\$ 3,925,470	\$ 4,548,543	\$ 4,682,355
Special Assessments	1,210,207	1,443,814	1,570,234	1,676,805	1,693,440	1,637,346	1,978,829	1,603,911	1,284,961	1,245,386
Licenses and Permits	119,220	117,951	138,252	113,350	122,642	105,201	125,530	131,642	119,602	128,766
Intergovernmental	7,518,281	6,580,465	4,379,731	4,698,290	4,902,529	3,915,779	5,573,174	4,648,258	4,909,773	4,164,660
Charges for Services	1,161,857	927,973	910,654	873,350	966,506	1,051,260	1,234,180	1,336,009	1,070,052	1,228,243
Fines and Forfeitures	97,340	141,044	127,544	151,845	119,522	106,954	123,841	107,304	110,954	96,018
Investment Earnings & Other Revenues	833,116	637,201	554,041	397,743	238,902	361,923	288,304	226,369	350,201	378,562
Total Revenues	<u>14,066,920</u>	<u>13,112,477</u>	<u>11,153,198</u>	<u>11,389,444</u>	<u>11,604,264</u>	<u>13,266,922</u>	<u>11,978,963</u>	<u>12,394,086</u>	<u>12,394,086</u>	<u>11,923,990</u>
Expenditures										
General Government	822,532	912,481	959,898	877,116	839,360	833,241	896,494	989,127	960,902	996,073
Public Safety	2,978,326	2,999,380	3,621,972	3,313,255	3,249,167	3,323,503	3,381,290	3,635,336	3,681,664	4,008,399
Public Works	1,159,593	1,178,059	1,298,076	1,222,589	1,415,962	1,289,353	1,180,621	1,417,606	1,563,762	1,263,546
Transit	233,959	268,674	252,780	261,246	262,526	344,381	371,403	311,685	350,484	353,824
Culture and Recreation	1,566,894	1,593,285	1,805,030	1,706,580	1,783,518	1,833,113	1,950,756	2,065,514	2,084,534	2,041,966
Community Development	283,554	284,137	254,056	181,624	166,045	171,953	227,832	122,563	132,491	109,985
Cemetery	57,243	31,363	46,574	43,434	49,139	54,721	57,956	53,936	43,389	44,799
Other	215,799	308,366	277,249	251,187	287,772	216,905	180,205	243,466	240,002	261,263
Capital Outlay	9,329,950	5,750,739	4,426,691	6,120,134	4,634,989	1,778,446	3,836,009	2,126,674	2,493,270	4,178,606
Debt Service										
Principal	1,245,000	440,000	1,785,000	885,000	940,000	1,593,000	1,695,577	999,000	1,096,000	709,000
Interest	380,455	530,829	513,802	504,413	525,259	587,668	561,487	495,591	459,405	449,626
Other Charges							41,962	11,891	-	57,745
Total All Other Governmental Funds	<u>18,273,305</u>	<u>14,297,312</u>	<u>15,241,128</u>	<u>15,366,578</u>	<u>14,153,737</u>	<u>12,026,284</u>	<u>14,381,592</u>	<u>12,472,389</u>	<u>13,105,903</u>	<u>14,474,832</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(4,206,385)</u>	<u>(1,184,835)</u>	<u>(4,087,930)</u>	<u>(3,977,134)</u>	<u>(2,549,473)</u>	<u>1,240,638</u>	<u>(2,402,629)</u>	<u>(78,303)</u>	<u>(711,817)</u>	<u>(2,550,842)</u>
Other Financing Sources (Uses)										
Transfers In	2,332,296	1,610,482	2,430,180	2,640,830	1,604,455	1,098,012	659,925	1,333,855	1,634,691	4,539,727
Transfers Out	(2,078,858)	(1,556,626)	(2,309,428)	(2,452,212)	(1,495,971)	(641,196)	(909,925)	(1,084,216)	(1,079,187)	(3,236,555)
Long-term Debt Issued	4,075,000	3,561,541	1,923,788	2,936,902	2,267,159	573,246	1,100,000	-	-	3,725,000
Premium on Long-term Debt	-	-	-	-	-	-	17,732	-	-	172,980
Discount on Long-term Debt	(32,600)	(45,986)	-	-	-	-	-	-	-	-
Contributions	-	-	-	-	-	-	-	-	-	42,050
Sale of Capital Assets	52,924	8,040	117,746	-	47,709	-	-	-	138,023	106,060
Total Other Financing Sources (Uses)	<u>4,348,762</u>	<u>3,577,451</u>	<u>2,162,286</u>	<u>3,125,520</u>	<u>2,423,352</u>	<u>1,030,062</u>	<u>867,732</u>	<u>249,639</u>	<u>693,527</u>	<u>5,349,262</u>
Net Change in Fund Balances	<u>\$ 142,377</u>	<u>\$ 2,392,616</u>	<u>\$(1,925,646)</u>	<u>\$ (851,616)</u>	<u>\$ (126,123)</u>	<u>\$ 2,270,700</u>	<u>\$(1,534,897)</u>	<u>\$ 171,336</u>	<u>\$ (18,290)</u>	<u>\$ 2,798,420</u>
Debt Service as % of Noncapital Expenditures	18.2%	10.4%	17.9%	12.1%	14.4%	20.6%	18.8%	15.6%	13.5%	11.0%

**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>
2006	\$ 1,858,143	\$ 1,040,895	\$ 116,443	\$ 79,746	\$ 31,672	\$ 3,126,899
2007	1,929,978	1,085,474	120,895	89,768	37,915	3,264,030
2008	2,122,114	1,099,474	127,349	103,447	20,358	3,472,742
2009	2,092,423	1,151,321	97,010	113,343	23,964	3,478,061
2010	2,182,799	1,159,138	81,904	118,259	18,621	3,560,721
2011	2,323,055	1,183,030	85,419	124,072	41,919	3,757,495
2012	2,501,605	1,219,013	68,772	128,355	25,319	3,943,064
2013	2,486,461	1,190,744	87,544	135,245	25,476	3,925,470
2014	3,062,285	1,216,484	110,593	139,847	19,334	4,548,543
2015	3,219,544	1,203,368	84,168	143,967	31,308	4,682,355
Change 2006-2015	73.3%	15.6%	-27.7%	80.5%	-1.1%	49.7%

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

Source: Administration and Finance

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

(Modified accrual basis of accounting)

CITY OF EAST GRAND FORKS

<u>Year</u>	<u>Local Government Aid</u>	<u>Market Value Credit (1)</u>	<u>Disparity Reduction Credit</u>	<u>Police State Aid</u>	<u>PERA and Fire Aid</u>	<u>Total</u>
2006	\$ 2,456,818	\$ 212,727	\$ 365,393	\$ 152,950	\$ 63,112	\$ 3,251,000
2007	2,701,018	374,053	427,013	155,224	60,352	3,717,660
2008	2,458,788	192,742	396,003	154,113	52,905	3,254,551
2009	2,658,631	189,295	375,889	147,593	47,752	3,419,160
2010	2,471,550	10,971	369,031	140,088	52,503	3,044,143
2011	2,492,120	11,933	375,529	143,575	51,891	3,075,048
2012	2,471,550	423	529,611	130,529	53,580	3,185,693
2013	2,471,550	61	514,600	150,801	74,518	3,211,530
2014	2,514,149	-	620,651	145,338	74,482	3,354,620
2015	2,520,671	784	686,780	144,226	80,835	3,433,296
Change 2006-2015	2.6%	-99.6%	88.0%	-5.7%	28.1%	5.6%

Notes: General Fund only.

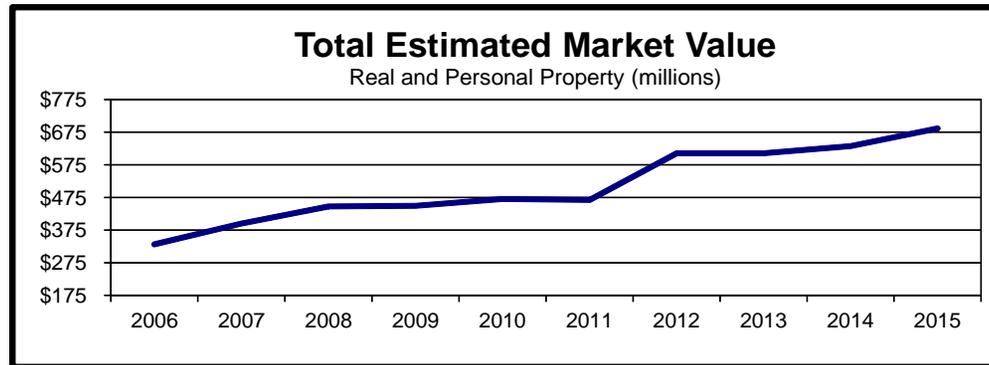
Source: Administration and Finance

**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		
2006	\$ 3,749,080	\$ 328,061,200	\$ 52,587	\$ 2,678,500	\$ 3,801,667	\$ 330,739,700	66.43	1.1%
2007	4,649,507	392,040,400	53,460	2,723,900	4,702,967	394,764,300	57.09	1.2%
2008	5,151,146	444,605,200	53,064	2,704,100	5,204,210	447,309,300	53.84	1.2%
2009	5,219,626	449,130,700	2,697	175,900	5,222,323	449,306,600	52.78	1.2%
2010	5,422,190	467,564,800	52,371	2,670,000	5,474,561	470,234,800	52.24	1.2%
2011	5,332,421	464,750,400	54,666	2,786,000	5,387,087	467,536,400	56.16	1.2%
2012	4,888,351	606,700,400	60,482	3,076,800	4,948,833	609,777,200	59.73	0.8%
2013	4,898,069	607,213,600	63,080	3,239,100	4,961,149	610,452,700	58.98	0.8%
2014	5,085,984	628,323,900	64,158	3,293,000	5,150,142	631,616,900	57.53	0.8%
2015	5,504,832	682,547,100	70,198	3,600,700	5,575,030	686,147,800	55.81	0.8%

Source: County Assessor



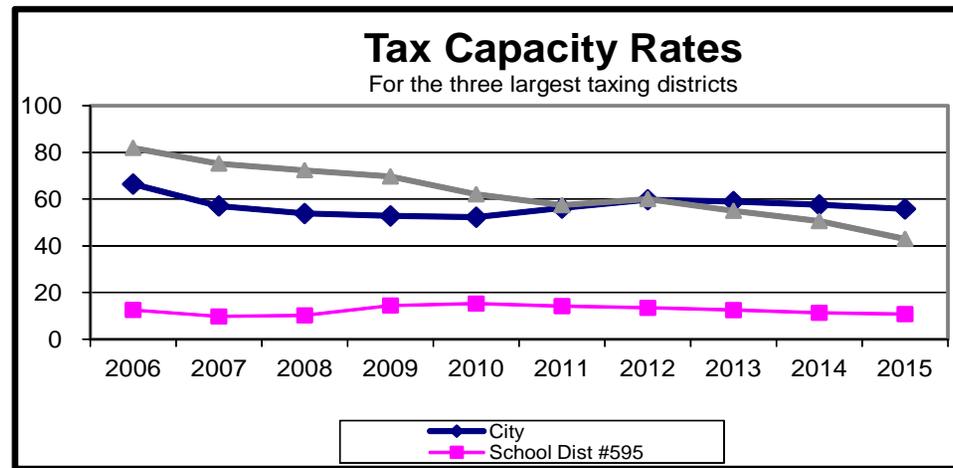
Note: The county assessor is occasionally required to make city wide adjustments to estimated market values. The State of Minnesota will instruct the county assessor to make these type of adjustments when data comparing actual sales to assessed values warrant such actions.

**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	
2006	61.56	4.88	66.43	12.55	81.89	4.70	0.37	1.19	167.14
2007	52.86	4.23	57.09	9.77	75.17	4.61	0.34	0.97	147.95
2008	50.10	3.74	53.84	10.26	72.37	4.89	0.33	0.87	142.56
2009	49.02	3.76	52.78	14.46	69.65	5.05	0.32	0.87	143.13
2010	50.38	1.86	52.24	15.28	62.04	4.80	0.28	0.83	135.47
2011	54.08	2.08	56.16	14.24	57.39	5.31	0.27	0.84	134.21
2012	57.49	2.24	59.73	13.49	60.01	5.78	0.28	0.94	140.23
2013	55.70	3.28	58.98	12.52	54.99	5.38	0.25	0.93	133.05
2014	55.04	2.49	57.53	11.37	50.61	5.28	0.24	0.90	125.93
2015	53.39	2.42	55.81	10.80	42.99	3.68	0.19	0.83	114.30

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>	2015			2006		
	<u>Tax Capacity</u>	<u>Rank</u>	<u>% of Total Tax Capacity of \$5,504,832</u>	<u>Tax Capacity</u>	<u>Rank</u>	<u>% of Total Tax Capacity of \$3,801,667</u>
American Crystal	\$ 375,714	1	6.83%	\$ 217,569	1	5.7%
Burlington Northern	83,590	2	1.52%	22,790	9	0.6%
Xcel Energy	80,877	3	1.47%			
Pierce Investments LLC	80,806	4	1.47%	61,906	3	1.6%
Riverview Terrace	75,836	5	1.38%	64,622	2	1.7%
Cabela's	68,268	6	1.24%	52,416	4	1.4%
Green Acres	60,184	7	1.09%	19,918	10	0.5%
Valley Markets	58,882	8	1.07%	27,429	8	0.7%
City of EGF	33,656	9	0.6%			
RJ Zavoral & Sons Inc	32,264	10	0.6%			
EGF Economic Dev Authority				41,502	5	1.1%
Sterling Development Group				32,793	6	0.9%
Town Square				27,452	7	0.7%
	<u>\$ 950,077</u>		<u>17.3%</u>	<u>\$ 568,397</u>		<u>15.0%</u>

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

Source: County Auditor

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

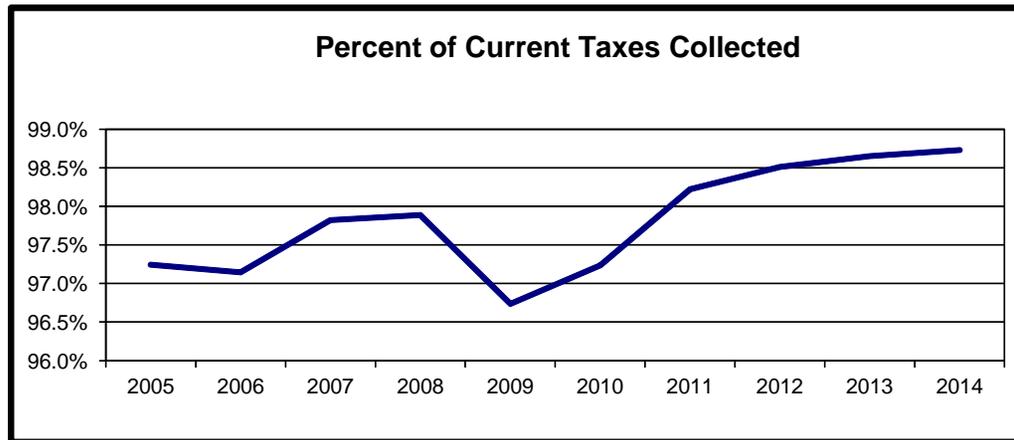
CITY OF EAST GRAND FORKS

Levy Year (1)	Collected Within the Year of Levy		Percent of Levy	Collections in Subsequent Years	Total Tax Collection	Total as % of Current Levy	Outstanding Delinquent Taxes (2)	Outstanding Delinquent Taxes as a % of Levy
	Net Tax Levy	Current Tax Collection						
2005	\$1,865,108	\$1,813,713	97.2%	\$ 44,408	\$1,858,121	99.6%	\$ -	0.0%
2006	1,953,185	1,897,420	97.1%	32,146	1,929,566	98.8%	-	0.0%
2007	2,120,415	2,074,229	97.8%	48,892	2,123,121	100.1%	99,716	4.7%
2008	2,097,718	2,053,418	97.9%	39,005	2,092,423	99.7%	99,401	4.7%
2009	2,214,089	2,141,845	96.7%	40,954	2,182,799	98.6%	136,487	6.2%
2010	2,332,839	2,268,370	97.2%	41,993	2,310,363	99.0%	125,699	5.4%
2011	2,490,328	2,446,018	98.2%	56,303	2,502,321	100.5%	104,926	4.2%
2012	2,476,976	2,440,098	98.5%	46,363	2,486,461	100.4%	96,723	3.9%
2013	2,424,552	2,391,898	98.7%	49,735	2,441,633	100.7%	111,449	4.6%
2014	2,515,399	2,483,433	98.7%	35,907	2,519,340	100.2%	97,796	3.9%

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

(2) Information was not readily available for Levy years 2005 - 2006 therefore information has been omitted. Delinquent taxes for levy year 2014 date from 1993 to 2014 levy years.

Source: County Auditor



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

CITY OF EAST GRAND FORKS

Year	Special Assessment Billings	Special Assessment Collections		Uncertified (2) Special Assessments	Prepayment of Special Assessments	Prepayment Ratio (3) as a % of Uncertified	Total Special Assessments Collected
		Amount(1)	% of Billings				
2006	\$ 920,374	\$ 943,194	102.5%	\$ 10,671,065	\$ 235,031	2.2%	\$ 1,178,225
2007	1,410,342	1,323,689	93.9%	10,963,152	129,986	1.2%	1,453,675
2008	1,461,352	1,322,012	90.5%	10,514,965	109,880	1.0%	1,431,892
2009	1,486,917	1,444,914	97.2%	10,305,749	237,680	2.3%	1,682,594
2010	1,500,916	1,537,669	102.4%	10,082,307	126,891	1.2%	1,664,560
2011	1,505,227	1,525,126	101.3%	8,912,124	99,666	1.1%	1,624,792
2012	1,467,787	1,472,402	100.3%	7,840,748	415,770	5.0%	1,888,172
2013	1,432,775	1,413,281	98.6%	6,803,225	156,586	2.2%	1,569,867
2014	1,150,497	1,133,817	98.6%	6,739,704	161,588	2.3%	1,295,405
2015	1,080,944	1,081,464	100.0%	6,184,225	164,769	2.6%	1,246,233

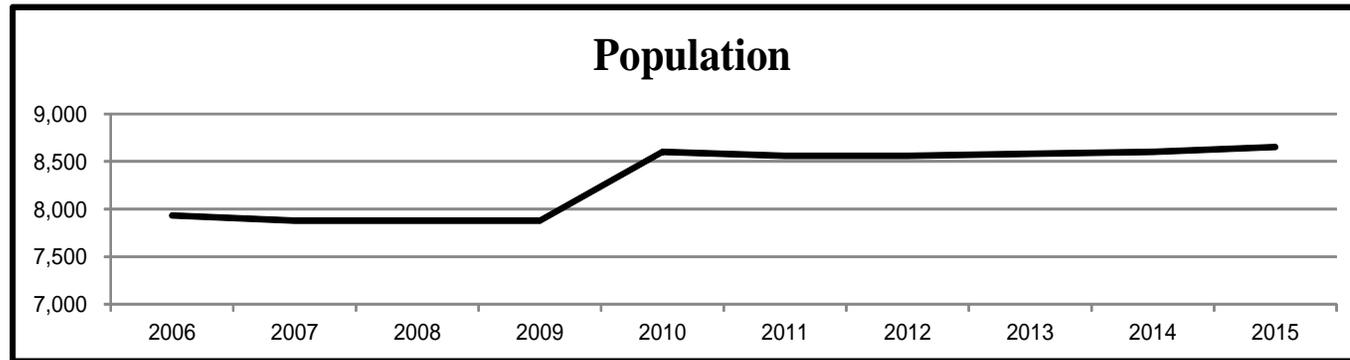
Source: Administration and Finance

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

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

CITY OF EAST GRAND FORKS

Year	Popu- lation(1)	Tax Capacity	Bonded Debt Type		Total Gross Bonded Debt	Less Amount for Retirement	Net Bonded Debt	As a % of Tax Capacity	As a % of Personal Income(2)	Estimated Market Values	Bonded Debt Per Capita
			Governmental	Business							
2006	7,934	\$ 3,801,667	\$ 11,710,000	\$ 1,415,000	\$ 13,125,000	\$ 2,002,701	\$ 11,122,299	345.2%	211.8%	3.4%	1,654
2007	7,879	4,702,967	14,830,000	1,345,000	16,175,000	4,212,406	11,962,594	343.9%	na	3.0%	2,053
2008	7,879	5,204,210	13,045,000	3,198,788	16,243,788	3,001,252	13,242,536	312.1%	na	3.0%	2,057
2009	7,879	5,222,323	13,397,881	4,762,211	18,160,092	2,978,660	15,181,432	347.7%	na	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%	na	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%	na	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%	na	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%	na	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%	na	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%	na	1.9%	2,020



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.
(2) The personal income data for 2007-2015 is not available

Source: Administration and Finance and Polk County Auditor

Computation of Direct and Overlapping Debt
As of December 31, 2015
(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>\$ 14,568,175</u>	<u>100.0%</u>		<u>\$ 14,568,175</u>
OVERLAPPING DEBT:				
I.S.D. 595	4,725,000	44.2%	\$ 2,088,450	
Polk County	<u>14,358,154</u>	<u>9.7%</u>	<u>1,392,741</u>	
Total Overlapping Debt				<u>3,481,191</u>
Total direct and overlapping debt				<u><u>\$ 18,049,366</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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Estimated market value	\$ 330,739,700	\$ 394,764,300	\$ 447,309,300	\$ 451,767,600	\$ 494,264,800	\$ 467,536,400	\$ 609,777,200	\$ 610,452,700	\$ 631,616,900	\$ 686,147,800
Total debt	\$ 13,189,223	\$ 16,870,000	\$ 16,813,883	\$ 18,597,195	\$ 18,423,201	\$ 16,868,936	\$ 16,825,000	\$ 15,650,000	\$ 14,279,000	\$ 17,285,000
Deductions:										
Bonds:										
G.O. improvement bonds	11,710,000	14,830,000	13,045,000	12,160,000	11,220,000	9,700,000	9,180,000	8,260,000	7,245,000	10,610,000
Certificates of indebtedness		695,000	507,096	443,214	297,955	72,241	875,000	875,000	780,000	690,000
G.O. water revenue bonds	1,415,000	1,345,000	1,275,000	1,200,000						
Electric revenue bonds										
MN PFA GO Clean Water Improv Bonds			1,923,788	3,562,211	3,790,000	3,623,000	3,452,000	3,276,000	3,096,000	2,911,000
MN PFA GO Transportation Improv Bonds				1,237,881	3,115,251	3,393,577	3,318,000	3,239,000	3,158,000	3,074,000
Debt service funds:										
Cash, securities, and restricted cash	1,786,948	4,093,507	2,874,751	2,755,615	2,857,144	2,147,233	1,938,527	2,414,922	2,202,530	5,371,087
Less amount applicable to excluded bonds	(1,786,948)	(4,093,507)	(2,874,751)	(2,755,615)	(2,857,144)	(2,147,233)	(1,938,527)	(2,414,922)	(2,202,530)	(5,371,087)
Total net debt applicable to debt limit	\$ 64,223	\$ 695,000	\$ 570,095	\$ 437,103	\$ 297,949	\$ 152,359	\$ 875,000	\$ -	\$ -	\$ -
Debt limit is 2% of estimated market value	\$ 6,614,794	\$ 7,895,286	\$ 8,856,998	\$ 9,035,352	\$ 9,885,296	\$ 9,350,728	\$ 12,195,544	\$ 12,209,054	\$ 12,632,338	\$ 13,722,956
Legal Debt Margin	\$ 6,550,571	\$ 7,200,286	\$ 8,286,903	\$ 8,598,249	\$ 9,587,347	\$ 9,198,369	\$ 11,320,544	\$ 12,209,054	\$ 12,632,338	\$ 13,722,956
Total net debt applicable to limit as a percentage of debt limit	1.0%	8.8%	6.4%	4.8%	3.0%	1.6%	7.2%	0.0%	0.0%	0.0%

COMPUTATION OF LEGAL DEBT MARGIN

Note (A): Minnesota Statutes 475.53 et seq.

Limit on Net Debt

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

Note (B): Minnesota Statutes 475.51

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

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

Schedule of Revenue Bond Coverage
Water Fund
(Unaudited)

CITY OF EAST GRAND FORKS

Water Fund:

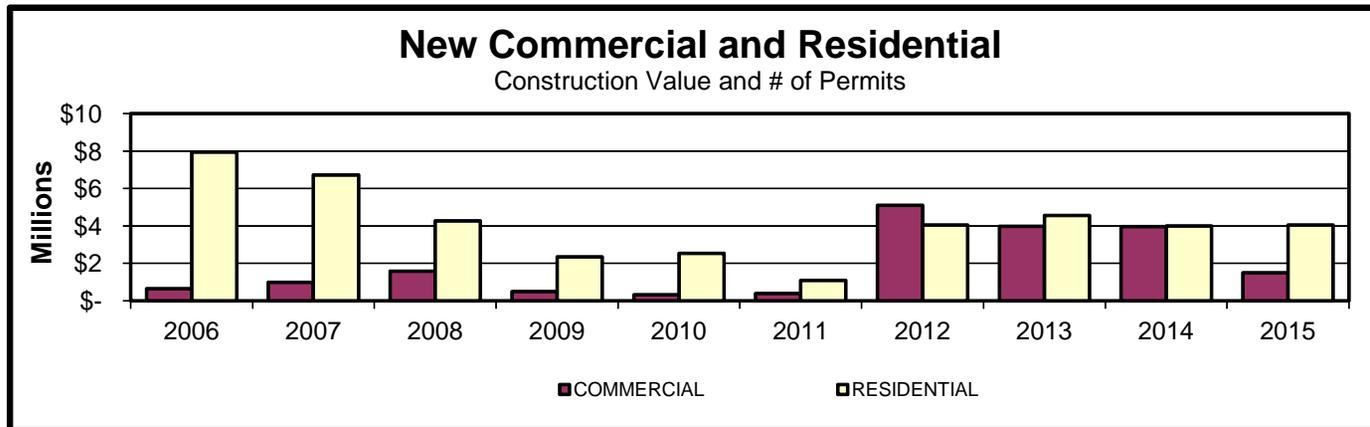
<u>Year</u>	<u>Gross Revenues (1)</u>	<u>Operating Expenses (2)</u>	<u>Net Revenue Available for Debt Service</u>	<u>Debt Service Requirements (3)</u>			<u>Coverage</u>
				<u>Principal</u>	<u>Interest</u>	<u>Total</u>	
2006	\$ 2,176,681	\$ 1,399,418	\$ 777,263	\$ 65,000	\$ 71,603	\$ 136,603	6
2007	2,094,122	1,392,146	701,976	70,000	68,500	138,500	5
2008	2,095,935	1,583,565	512,370	70,000	65,642	135,642	4
2009	1,940,848	1,433,218	507,631	75,000	61,742	136,742	4
2010	1,851,855	1,566,196	285,659	75,000 (4)	21,541	96,541	3
2011	1,917,793	1,561,996	355,797	-	-	-	N/A
2012	2,338,132	1,789,517	548,615	-	-	-	N/A
2013	2,700,640	1,601,488	1,099,152	-	-	-	N/A
2014	2,691,644	1,660,633	1,031,011	-	-	-	N/A
2015	2,646,805	1,537,731	1,109,074	-	-	-	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)				
	COMMERCIAL		RESIDENTIAL		Total
	Permits	Value	Permits	Value	
2006	4	\$ 641,000	58	\$ 7,943,000	\$ 8,584,000
2007	1	980,000	51	6,719,000	7,699,000
2008	4	1,583,000	27	4,278,000	5,861,000
2009	4	489,000	12	2,350,000	2,839,000
2010	1	320,000	12	2,533,000	2,853,000
2011	2	398,000	4	1,085,000	1,483,000
2012	1	5,100,000	21	4,044,000	9,144,000
2013	2	3,974,000	22	4,568,000	8,542,000
2014	2	3,965,000	17	3,993,700	7,958,700
2015	5	1,493,000	16	4,046,951	5,539,951

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)
2006	7,934	6,196,000	29,919	na	na	1,746	3.8%
2007	7,897	na	na	na	na	2,165	3.3%
2008	7,879	na	na	na	na	2,092	5.0%
2009	7,879	na	na	na	na	2,072	5.2%
2010	8,601	na	na	na	na	1,935	3.3%
2011	8,560	na	na	35	1,193	2,302	6.2%
2012	8,560	na	na	na	na	2,162	5.2%
2013	*8581	na	na	na	na	2,212	3.0%
2014	*8601	na	25,885	35	2,098	2,239	3.1%
2015	*8651	na	24,764	35	2,111	2,281	2.8%

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

Principal Employers
Current Year and Nine Years Ago
(Unaudited)

CITY OF EAST GRAND FORKS

<u>Taxpayer</u>	<u>2015</u>			<u>Taxpayer</u>	<u>2006</u>		
	<u>Employees</u>	<u>Rank</u>	<u>% of Total City Employment 2,550</u>		<u>Employees</u>	<u>Rank</u>	<u>% of Total City Employment 2,500</u>
ISD 595	308	1	12.08%	American Crystal	420	1	16.8%
American Crystal	303	2	11.88%	ISD 595	320	2	12.8%
Northwest Technical College	295	3	11.57%	American Federal Bank	128	3	5.1%
Valley Markets	140	4	5.49%	Valley Markets	115	4	4.6%
Cabela's	126	5	4.94%	Northwest Technical College	107	5	4.3%
R. J. Zavoral and Sons, Inc.	105	6	4.12%	Whitey's Café	70	6	2.8%
City of East Grand Forks	81	7	3.18%	McDonald's	65	7	2.6%
Blue Moose	80	8	3.14%	Mayo Manufacturing	35	8	1.4%
Northern Valley	71	9	2.78%	Lumber Mart	35	9	1.4%
Sacred Heart	65	10	2.55%	Vigen Construction	33	10	1.3%
	<u>1,574</u>		<u>61.7%</u>		<u>1,328</u>		<u>53.1%</u>

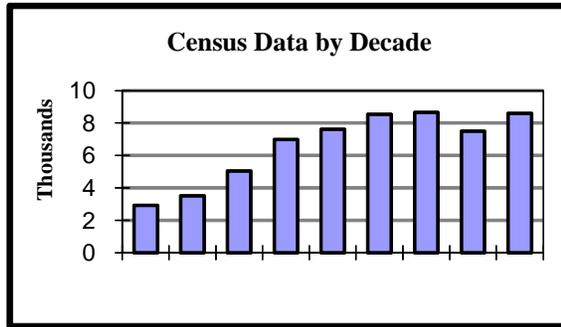
Source: Telephone survey of individual employers, April 2015

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

Function	Full-time Employees as of December 31,									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
General Government:										
Administration and Finance	5	5	4	5	5	5	4	5	5	5
EDA-Community Develop	1	1	1	-	-	-	-	-	2	3
Public Safety:										
Building Official	3	3	3	2	2	2	1	2	-	-
Fire	10	10	10	10	10	10	9	10	10	9
Police	23	24	24	23	24	26	23	22	23	25
Public Works:										
Refuse	6	6	6	6	6	6	5	5	5	5
Sewage	2	2	2	2	2	2	2	2	2	2
Streets	8	7	7	7	7	6	6	6	6	6
Culture and Recreation:										
Administration	3	2	3	3	3	3	3	3	3	2
Parks	2	2	2	2	2	1	1	1	2	2
Arenas	2	2	2	2	2	2	2	3	3	3
Library	3	3	3	3	3	3	3	3	3	3
Senior center	1	1	1	1	1	1	1	1	1	1
Water and Light										
Administration	5	5	5	6	6	6	5	5	5	4
Electric	11	10	10	10	10	11	12	12	12	12
Water	8	8	8	8	8	8	8	8	8	8
Total	<u>93</u>	<u>91</u>	<u>91</u>	<u>90</u>	<u>91</u>	<u>92</u>	<u>85</u>	<u>88</u>	<u>90</u>	<u>90</u>

Note: Excludes seasonal and part-time positions.

Source: Administration and Finance

Operating Indicators by Function
Last Ten Years
(Unaudited)

CITY OF EAST GRAND FORKS

<u>Function</u>	<u>Year Ended December 31</u>									
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Government										
On Sale Liquor license by entity	11	10	11	10	11	14	13	13	13	12
Off Sale Liquor license by entity	4	3	4	4	4	4	3	3	3	2
Number of AP checks written	3,055	3,075	3,224	3,184	3,321	3,491	3,063	2,980	2,980	2,476
Police										
DUI arrests	102	124	93	126	125	121	109	67	98	105
Traffic violations	898	1,044	918	1,041	1,274	1,001	686	716	600	802
No. of dog/cat licenses	111	106	123	132	160	111	103	38	99	113
Fire										
No. of rescue & EMS incidents	405	435	454	539	529	512	751	887	736	798
No. of fire calls	96	44	33	22	21	87	92	136	99	102
Building Official										
Building permits issued	302	379	117	343	454	315	300	253	285	287
Other permits issued	226	266	335	302	253	247	283	288	189	1,106
Refuse collection										
Refuse collected annually (tons)	4,003	3,905	3,482	3,713	3,983	3,995	4,107	4,232	4,265	4,365
Recyclables collected annually (tons)	820	449	521	604	698	676	687	667	530	399
Recreation and culture										
Number of summer registrants	708	748	601	601	473	501	583	475	620	545
Number of winter registrants	405	285	380	426	422	434	439	576	480	490
Attendance for general swim	11,098	11,278	8,963	7,142	10,450	9,866	10,217	9,853	9,853	0
Library										
Volumes in collection	47,641	49,972	49,341	45,259	50,719	52,498	52,364	54,496	55,071	50,422
Total volumes borrowed	88,451	74,045	80,830	76,329	83,777	89,692	67,692	37,423	34,929	30,051
Water										
Annual tap water billed (millions)	383	377	358	348	318	324	329	360	337	322
Average number of monthly meters	2,692	2,734	2,763	2,793	2,810	2,816	2,820	2,843	2,867	2,888
Electric										
Annual Kwhs billed (millions)	139	146	154	156	157	157	165	159	161	157
Maximum Demand Kwhs (millions)	26.49	29.21	30.79	32.33	32.01	30.53	31.40	33.12	33.10	32.30
Cemetery										
No. of Lots Sold	48	26	52	43	33	27	13	40	40	57
No. of Interments	42	21	52	43	37	44	22	41	24	26
Transit										
Total route miles	16	16	16	16	16	16	16	16	16	16
Passengers	16,324	16,772	20,840	23,616	24,809	28,789	37,758	36,453	37,426	31,586

Source: Various city departments

**Schedule of Insurance in Force
As of December 31, 2015
(Unaudited)**

CITY OF EAST GRAND FORKS

<u>Name of Company</u>	<u>Policy Number</u>	<u>Policy Period</u>	<u>Type of Coverage</u>	<u>Liability Limits</u>
PROPERTY				
League of Minnesota Cities (C&H Insurance)	CMC32845	1/1/15-1/1/16	General Limit of Coverage excluding flood.	\$110,696,176 \$50,000,000 Terrorism Activity \$500,000 Valuable Papers
League of Minnesota Cities (C&H Insurance)	CMC32845	1/1/15-1/1/16	Boiler and Machinery (Equipment Breakdown)	\$100,000
BONDS				
League of Minnesota Cities (C&H Insurance)	CMC32845	1/1/15-1/1/16	Public Officials	\$100,000 Clerk-Treasurer \$100,000 Public Employees
League of Minnesota Cities (C&H Insurance)	CMC32845	1/1/15-1/1/16	Commercial Blanket Bond Commercial Crime (Inside/Outside Forgery)	\$100,000 \$250,000 Per Occurrence
LIABILITY				
League of Minnesota Cities (C&H Insurance)	CMC32845	1/1/15-1/1/16	Comprehensive General/ Public Officials Liability	\$2,000,000 Public Officials
League of Minnesota Cities (C&H Insurance)	CMC32845	1/1/15-1/1/16	Comprehensive General/ Auto Liability	\$2,000,000 Per Occurrence
League of Minnesota Cities (C&H Insurance)	CMC32845	1/1/15-1/1/16	General Liability (Bodily injury, employee benefits, host liquor liability)	\$2,000,000 Per Occurrence
League of Minnesota Cities (C&H Insurance)	VL00011407	1/14/15-1/14/16	Accident Plan for Volunteers	\$500,000 Per Accident
OPEN MEETING LAW				
League of Minnesota Cities (C&H Insurance)	OML8095	1/1/15-1/1/16	Open Meeting Law Defense Cost Reimbursement	\$50,000 Per City Official
WORKERS COMPENSATION				
League of Minnesota Cities (Berkley Risk Administrators)	200011431	1/14/14-1/14/16	Workers Compensation Comprehensive Managed Care Retro-rated 40% to 130%	\$1,500,000 Bodily Injury Each Occurrence \$1,500,000 Bodily Injury by Disease

Source: League of Minnesota Cities Insurance Trust.

Miscellaneous Statistical Information

(Unaudited)

CITY OF EAST GRAND FORKS

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Number of employees	95	95	91	90	91	92	85	83	81	90
Area in square miles	6	6	6	6	6	6	6	6	6	6
Developed	5	5	5	5	5	5	5	5	5	5
Undeveloped	1	1	1	1	1	1	1	1	1	1
Miles of streets	59	59	70	70	70	70	70	70	70	70
Culture and Recreation:										
Senior Center	1	1	1	1	1	1	1	1	1	1
Library	1	1	1	1	1	1	1	1	1	1
Arenas	2	2	2	2	3	3	3	3	3	3
Parks	11	11	11	12	12	12	12	12	14	14
Park acreage owned	278	278	278	278	278	278	278	278	278	278
Park acreage developed	18	18	18	218	218	218	218	218	218	218
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Tennis Courts	2	2	2	2	2	2	2	2	3	3
Pickle Ball Courts	-	-	-	-	-	-	-	-	2	2
Fire Protection:										
Number of stations	2	2	2	2	2	2	2	2	2	2
Number of vehicles	7	7	10	10	11	11	11	11	14	14
Number of full-time Firefighters	11	10	10	10	9	9	9	10	10	10
Number of volunteer Firefighters	15	20	25	25	14	14	14	14	24	24
Fire Insurance Rating	4	4	4	4	4	4	4	4	4	4
Police Protection:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of police officers	23	24	21	21	21	21	21	20	22	22
Number of patrol units	6	6	5	5	5	5	5	5	5	5
Sewage System:										
Miles of force mains	8	8	8	8	8	8	8	8	9	9
Miles of sewer mains	45	45	45	45	45	45	45	45	40	40
Miles of storm sewers	30	30	42	42	53	53	53	53	54	54
Number of lift stations	9	12	12	12	12	12	12	12	12	12
Number of storm sewer lift stations	4	13	14	14	14	14	14	14	14	14
Water System:										
Miles of water mains	52	52	52	52	52	52	52	52	52	52
Number of fire hydrants	342	342	342	342	461	461	461	461	461	461
Gallons of storage capacity	4,100,000	4,100,000	4,100,000	4,100,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Daily treatment capacity	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000	4,000,000
Towers and reservoirs	5	5	5	5	4	4	4	4	4	4
Electric System:										
Number of substations	4	4	4	4	4	4	4	4	3	3
Miles of distribution lines	60.3	60.3	60.3	60.3	60.3	60.3	60.3	60.3	60.3	60.3
Peak Demand in MW	26.49	26.49	30.79	30.79	31.61	31.61	31.61	31.61	33.10	33.10
Public Education Facilities/Services Not Included In Reporting Entity:										
Number of elementary schools	2	2	2	2	2	2	2	2	2	2
Number of middle schools	1	1	1	1	1	1	1	1	1	1
Number of senior high schools	1	1	1	1	1	1	1	1	1	1
Northwest Technical College	1	1	1	1	1	1	1	1	1	1
Bond rating	A3	A3	A3	A3	A3	A1	A1	A1	A1	A1

**SIGNIFICANT MINNESOTA TAX POLICIES
DECEMBER 31, 2015**

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	2015 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 \$2,640 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 2015-2016, and the increase was \$100 or more. The maximum refund allowed is \$1,000.

Source: 2015 Property Tax Refund Booklet And Minnesota Department of Revenue website.

TAX RATES AND LEVIES

Tax Limitation by Statute:

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

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

Taxes Due Date:

January 2nd of the following year

Taxes Delinquent Date:

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

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

No Discount Allowed

Penalties for Late Payments:

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

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

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

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

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

Source: County Auditor, Polk County.



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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, 2015, and the related notes to the financial statements, which collectively comprise the City of East Grand Forks basic financial statements and have issued our report thereon dated June 27, 2016.

Internal Control Over Financial Reporting

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

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

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

control, described in the Schedule of Findings and Responses that we consider to be a significant deficiency listed as item 2015-001.

Compliance and Other Matters

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

Minnesota Legal Compliance

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information as of and for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2016.

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

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



The City's Response to Finding

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

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

**BRADY, MARTZ & ASSOCIATES, P.C.
GRAND FORKS, NORTH DAKOTA**

June 27, 2016

2015-001 Finding

Criteria

Segregation of Duties

Condition

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

Cause

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

Effect

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

Recommendation

The City should train another individual that could perform the bank reconciliation and journal entry function to provide more than one person performing these tasks.

Views of Responsible Officials and Planned Corrective Actions

Management agrees and will implement the recommendation.



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