

**PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER 1, 2019**

**NEW ISSUE  
NOT BANK QUALIFIED**

**Moody's Rating: Requested**

*In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Series 2019C Bonds (i) is excluded from gross income for federal income tax purposes, (ii) is not an item of tax preference for federal alternative minimum tax purposes, and (iii) is excluded from taxable income for North Dakota income tax purposes. The City will not designate the Series 2019C Bonds as "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the U.S. Internal Revenue Code of 1986 (the "Code") relating to the ability of financial institutions to deduct from income for federal income tax purposes a portion of the interest expense that is allocable to carrying and acquiring tax-exempt obligations. See "TAX CONSIDERATIONS" herein.*

**\$3,820,000\***

**City of Grand Forks, North Dakota  
Sanitation Reserve Revenue Bonds, Series 2019C  
(the "Series 2019C Bonds")**

**(Book Entry Only)**

**Dated Date: Date of Delivery**

**Interest Due: Each March 1 and September 1,  
commencing September 1, 2020**

The Series 2019C Bonds will mature as shown on the inside front cover of this Official Statement.

Bids for the Series 2019C Bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds. All term bonds shall be subject to mandatory sinking fund redemption at a price of par plus accrued interest to the date of redemption scheduled to conform to the maturity schedule set forth on the following page.

The Series 2019C Bonds will be special obligations of the City payable solely from net revenues of the City's Sanitation Utility and shall not constitute a debt for which the full faith and credit or taxing powers of the City will be pledged. The City will also fund a bond reserve account from the proceeds of the Series 2019C Bonds. In the event the use of the reserve results in a deficiency in said reserve account, the City has covenanted and agreed to levy an ad valorem tax upon all taxable property in the City, in an amount required to restore the reserve account balance. The proceeds of the Series 2019C Bonds will be used to finance solid waste system improvements in the City.

Bids shall be for not less than \$3,774,160 plus accrued interest, if any, on the total principal amount of the Series 2019C Bonds. Bids shall specify rates in integral multiples of 1/100 or 1/8 of 1%. The initial price to the public for each maturity as stated on the bid must be 98.0% or greater. Following receipt of bids, a good faith deposit will be required to be delivered to the City by the lowest bidder as described in the "Official Terms of Offering" herein. Award of the Series 2019C Bonds will be made on the basis of True Interest Cost (TIC).

The Series 2019C Bonds will be issued as fully registered bonds without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository for the Series 2019C Bonds. Individual purchases may be made in book entry form only, in the principal amount of \$5,000 and integral multiples thereof. Investors will not receive physical certificates representing their interest in the Series 2019C Bonds purchased. (See "Book Entry System" herein.) U.S. Bank National Association, Saint Paul, Minnesota, will serve as registrar (the "Registrar") for the Series 2019C Bonds. The Series 2019C Bonds will be available for delivery at DTC on or about November 21, 2019.

**BIDS RECEIVED: Monday, October 21, 2019 until 10:00 A.M., Central Time**

**CONSIDERATION OF AWARD: Council meeting commencing at 5:30 P.M., Central Time on  
Monday, October 21, 2019**



Further information may be obtained from Baker Tilly Municipal Advisors, LLC, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101-2887 (651) 223-3000.

\* Preliminary; subject to change.

The information contained in this Preliminary Official Statement is deemed by the City to be final as of the date hereof; however, the pricing and underwriting information is subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

## City of Grand Forks, North Dakota

### **\$3,820,000\* Sanitation Reserve Revenue Bonds, Series 2019C**

The **Series 2019C Bonds** will mature September 1 in the years and amounts\* as follows:

2021	\$160,000	2025	\$170,000	2029	\$180,000	2033	\$195,000	2037	\$220,000
2022	\$165,000	2026	\$170,000	2030	\$185,000	2034	\$200,000	2038	\$225,000
2023	\$165,000	2027	\$175,000	2031	\$190,000	2035	\$205,000	2039	\$230,000
2024	\$165,000	2028	\$180,000	2032	\$195,000	2036	\$210,000	2040	\$235,000

The City may elect on September 1, 2027, and on any day thereafter, to redeem Series 2019C Bonds due on or after September 1, 2028. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all Series 2019C Bonds of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All redemptions shall be at a price of par plus accrued interest.

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\* *Preliminary; subject to change.*

# **CITY OF GRAND FORKS, NORTH DAKOTA**

## **CITY COUNCIL**

Michael R. Brown	Mayor
Danny Weigel	Council Member – Ward 1
Katie Dachtler	Council Member – Ward 2
Bret Weber	Council Member – Ward 3
Jeannie Schultz Mock	Council Member – Ward 4
Sandi Marshall	Council Member – Ward 5
Dana Sande	Council Member – Ward 6
Ken Vein	Council Member – Ward 7

## **CITY ADMINISTRATOR**

Todd Feland

## **DIRECTOR OF FINANCE AND ADMINISTRATIVE SERVICES**

Maureen Storstad

## **MUNICIPAL ADVISOR**

Baker Tilly Municipal Advisors, LLC  
Saint Paul, Minnesota

## **BOND COUNSEL**

Dorsey & Whitney LLP  
Minneapolis, Minnesota

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or corrected by the City from time to time, may be treated as a Preliminary Official Statement with respect to the Series 2019C Bonds described herein that is deemed final as of the date hereof (or of any such supplement or correction) by the City.

By awarding the Series 2019C Bonds to any underwriter or underwriting syndicate submitting a Proposal therefor, the City agrees that, no more than seven business days after the date of such award, it shall provide without cost to the senior managing underwriter of the syndicate to which the Series 2019C Bonds are awarded copies of the Final Official Statement in the amount specified in the Official Terms of Offering.

No dealer, broker, salesman or other person has been authorized by the City to give any information or to make any representations with respect to the Series 2019C Bonds, other than as contained in the Preliminary Official Statement or the Final Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City.

Certain information contained in the Preliminary Official Statement or the Final Official Statement may have been obtained from sources other than records of the City and, while believed to be reliable, is not guaranteed as to completeness or accuracy. THE INFORMATION AND EXPRESSIONS OF OPINION IN THE PRELIMINARY OFFICIAL STATEMENT AND THE FINAL OFFICIAL STATEMENT ARE SUBJECT TO CHANGE, AND NEITHER THE DELIVERY OF THE PRELIMINARY OFFICIAL STATEMENT NOR THE FINAL OFFICIAL STATEMENT NOR ANY SALE MADE UNDER EITHER SUCH DOCUMENT SHALL CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE CITY SINCE THE RESPECTIVE DATE THEREOF.

References herein to laws, rules, regulations, resolutions, agreements, reports and other documents do not purport to be comprehensive or definitive. All references to such documents are qualified in their entirety by reference to the particular document, the full text of which may contain qualifications of and exceptions to statements made herein. Where full texts have not been included as appendices to the Preliminary Official Statement or the Final Official Statement, they will be furnished upon request.

Any CUSIP numbers for the Series 2019C Bonds included in the Final Official Statement are provided for convenience of the owners and prospective investors. The CUSIP numbers for the Series 2019C Bonds are assigned by an organization unaffiliated with the City. The City is not responsible for the selection of the CUSIP numbers and makes no representation as to the accuracy thereof as printed on the Series 2019C Bonds or as set forth in the Final Official Statement. No assurance can be given by the City that the CUSIP numbers for the Series 2019C Bonds will remain the same after the delivery of the Final Official Statement or the date of issuance and delivery of the Series 2019C Bonds.

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## OFFICIAL TERMS OF OFFERING

**\$3,820,000\***

### CITY OF GRAND FORKS, NORTH DAKOTA SANITATION RESERVE REVENUE BONDS, SERIES 2019C

#### (BOOK ENTRY ONLY)

Bids for the above-referenced obligations (the “Series 2019C Bonds”) will be received by the City of Grand Forks, North Dakota (the “City”) on Monday, October 21, 2019, (the “Sale Date”) until 10:00 A.M., Central Time at the offices of Baker Tilly Municipal Advisors, LLC (“Baker Tilly MA”), 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101, after which time bids will be opened and tabulated. Consideration for award of the Series 2019C Bonds will be by the City Council at its meeting commencing at 5:30 P.M., Central Time, of the same day.

#### SUBMISSION OF BIDS

Baker Tilly MA will assume no liability for the inability of a bidder to reach Baker Tilly MA prior to the time of sale specified above. All bidders are advised that each bid shall be deemed to constitute a contract between the bidder and the City to purchase the Series 2019C Bonds regardless of the manner by which the bid is submitted.

(a) **Sealed bidding.** Bids may be submitted in a sealed envelope or by fax (651) 223-3046 to Baker Tilly MA. Signed bids, without final price or coupons, may be submitted to Baker Tilly MA prior to the time of sale. The bidder shall be responsible for submitting to Baker Tilly MA the final bid price and coupons, by telephone (651) 223-3000 or fax (651) 223-3046 for inclusion in the submitted bid.

**OR**

(b) **Electronic bidding.** Notice is hereby given that electronic bids will be received via PARITY®. For purposes of the electronic bidding process, the time as maintained by PARITY® shall constitute the official time with respect to all bids submitted to PARITY®. *Each bidder shall be solely responsible for making necessary arrangements to access PARITY® for purposes of submitting its electronic bid in a timely manner and in compliance with the requirements of the Official Terms of Offering.* Neither the City, its agents nor PARITY® shall have any duty or obligation to undertake registration to bid for any prospective bidder or to provide or ensure electronic access to any qualified prospective bidder, and neither the City, its agents nor PARITY® shall be responsible for a bidder’s failure to register to bid or for any failure in the proper operation of, or have any liability for any delays or interruptions of or any damages caused by the services of PARITY®. The City is using the services of PARITY® solely as a communication mechanism to conduct the electronic bidding for the Series 2019C Bonds, and PARITY® is not an agent of the City.

If any provisions of this Official Terms of Offering conflict with information provided by PARITY®, this Official Terms of Offering shall control. Further information about PARITY®, including any fee charged, may be obtained from:

PARITY®, 1359 Broadway, 2<sup>nd</sup> Floor, New York, New York 10018  
Customer Support: (212) 849-5000

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\* *Preliminary; subject to change.*

## DETAILS OF THE SERIES 2019C BONDS

The Series 2019C Bonds will be dated as of the date of delivery, and will bear interest payable on March 1 and September 1 of each year, commencing September 1, 2020. Interest will be computed on the basis of a 360-day year of twelve 30-day months.

The Series 2019C Bonds will mature September 1 in the years and amounts\* as follows:

2021	\$160,000	2025	\$170,000	2029	\$180,000	2033	\$195,000	2037	\$220,000
2022	\$165,000	2026	\$170,000	2030	\$185,000	2034	\$200,000	2038	\$225,000
2023	\$165,000	2027	\$175,000	2031	\$190,000	2035	\$205,000	2039	\$230,000
2024	\$165,000	2028	\$180,000	2032	\$195,000	2036	\$210,000	2040	\$235,000

\* *The City reserves the right, after bids are opened and prior to award, to increase or reduce the principal amount of the Series 2019C Bonds or the amount of any maturity or maturities in multiples of \$5,000. In the event the amount of any maturity is modified, the aggregate purchase price will be adjusted to result in the same gross spread per \$1,000 of Series 2019C Bonds as that of the original bid. Gross spread for this purpose is the differential between the price paid to the City for the new issue and the prices at which the bid indicates the securities are initially offered to the investing public.*

Bids for the Series 2019C Bonds may contain a maturity schedule providing for a combination of serial bonds and term bonds. All term bonds shall be subject to mandatory sinking fund redemption at a price of par plus accrued interest to the date of redemption scheduled to conform to the maturity schedule set forth above. In order to designate term bonds, the bid must specify “Years of Term Maturities” in the spaces provided on the bid form.

## BOOK ENTRY SYSTEM

The Series 2019C Bonds will be issued by means of a book entry system with no physical distribution of Series 2019C Bonds made to the public. The Series 2019C Bonds will be issued in fully registered form and one 2019C Bond, representing the aggregate principal amount of the Series 2019C Bonds maturing in each year, will be registered in the name of Cede & Co. as nominee of The Depository Trust Company (“DTC”), New York, New York, which will act as securities depository for the Series 2019C Bonds. Individual purchases of the Series 2019C Bonds may be made in the principal amount of \$5,000 or any multiple thereof of a single maturity through book entries made on the books and records of DTC and its participants. Principal and interest are payable by the registrar to DTC or its nominee as registered owner of the Series 2019C Bonds. Transfer of principal and interest payments to participants of DTC will be the responsibility of DTC; transfer of principal and interest payments to beneficial owners by participants will be the responsibility of such participants and other nominees of beneficial owners. The lowest bidder (the “Purchaser”), as a condition of delivery of the Series 2019C Bonds, will be required to deposit the Series 2019C Bonds with DTC.

## REGISTRAR

The City will name the registrar, which shall be subject to applicable regulations of the Securities and Exchange Commission. The City will pay for the services of the registrar for the Series 2019C Bonds.

## OPTIONAL REDEMPTION

The City may elect on September 1, 2027, and on any day thereafter, to redeem Series 2019C Bonds due on or after September 1, 2028. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all Series 2019C Bonds of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All redemptions shall be at a price of par plus accrued interest.

## SECURITY AND PURPOSE

The Series 2019C Bonds will be special obligations of the City payable solely from net revenues of the City's Sanitation Utility and shall not constitute a debt for which the full faith and credit or taxing powers of the City will be pledged. The City will also fund a contribution to a parity bond reserve account for all sanitation reserve revenue bonds of the City from the proceeds of the Series 2019C Bonds. In the event the use of the reserve results in a deficiency in said reserve account, the City has covenanted and agreed to levy an ad valorem tax upon all taxable property in the City, in an amount required to restore the reserve account balance. The proceeds of the Series 2019C Bonds will be used to finance solid waste system improvements in the City.

## BIDDING PARAMETERS

Bids shall be for not less than \$3,774,160 plus accrued interest, if any, on the total principal amount of the Series 2019C Bonds. No bid can be withdrawn or amended after the time set for receiving bids on the Sale Date unless the meeting of the City scheduled for award of the Series 2019C Bonds is adjourned, recessed, or continued to another date without award of the Series 2019C Bonds having been made. Rates shall be in integral multiples of 1/100 or 1/8 of 1%. The initial price to the public for each maturity as stated on the bid must be 98.0% or greater. Series 2019C Bonds of the same maturity shall bear a single rate from the date of the Series 2019C Bonds to the date of maturity. No conditional bids will be accepted.

## ESTABLISHMENT OF ISSUE PRICE

In order to establish the issue price of the Series 2019C Bonds for federal income tax purposes, the City requires bidders to agree to the following, and by submitting a proposal, each bidder agrees to the following.

If a proposal is submitted by a potential underwriter, the bidder confirms that (i) the underwriters have offered or reasonably expect to offer the Series 2019C Bonds to the public on or before the date of the award at the offering price (the "initial offering price") for each maturity as set forth in the proposal and (ii) the bidder, if it is the winning bidder, shall require any agreement among underwriters, selling group agreement, third-party distribution agreement or other agreement relating to the initial sale of the Series 2019C Bonds to the public to which it is a party to include provisions requiring compliance by all parties to such agreements with the provisions contained herein. For purposes hereof, Series 2019C Bonds with a separate CUSIP number constitute a separate "maturity," and "the public" does not include underwriters of the Series 2019C Bonds (including members of a selling group or retail distribution group) or persons related to underwriters of the Series 2019C Bonds.

If, however, a proposal is submitted for the bidder's own account in a capacity other than as an underwriter of the Series 2019C Bonds, and the bidder has no current intention to sell, reoffer, or otherwise dispose of the Series 2019C Bonds, the bidder shall notify the City to that effect at the time it submits its proposal and shall provide a certificate to that effect in place of the certificate otherwise required below.

If the winning bidder intends to act as an underwriter, the City shall advise the winning bidder at or prior to the time of award whether (i) the competitive sale rule or (ii) the "hold-the-offering price" rule applies.

If the City advises the Purchaser that the requirements for a competitive sale have been satisfied and that the competitive sale rule applies, the Purchaser will be required to deliver to the City at or prior to closing a certification, substantially in the form attached hereto as Exhibit A, as to the reasonably expected initial offering price as of the award date.

If the City advises the Purchaser that the requirements for a competitive sale have not been satisfied, the hold-the-offering price rule will apply. The Purchaser shall (1) upon the request of the City confirm that the underwriters did not offer or sell any maturity of the Series 2019C Bonds to any person at a price higher than the initial offering price of that maturity during the period starting on the award date and ending on the earlier of (a) the close of the fifth business day after the sale date or (b) the date on which



the underwriters have sold at least 10% of that maturity to the public at or below the initial offering price; and (2) at or prior to closing, deliver to the City a certification substantially in the form attached hereto as Exhibit B, together with a copy of the pricing wire.

Any action to be taken or documentation to be received by the City pursuant hereto may be taken or received on behalf of the City by Baker Tilly MA.

**Bidders should prepare their proposals on the assumption that the Series 2019C Bonds will be subject to the “hold-the-offering-price” rule. Any proposal submitted pursuant to the Terms of Proposal shall be considered a firm offer for the purchase of the Series 2019C Bonds, and proposals submitted will not be subject to cancellation or withdrawal.**

#### GOOD FAITH DEPOSIT

To have its bid considered for award, the Purchaser is required to submit a good faith deposit to the City in the amount of \$38,200 (the “Deposit”) no later than 1:00 P.M., Central Time on the Sale Date. The Deposit may be delivered as described herein in the form of either (i) a certified or cashier’s check payable to the City; or (ii) a wire transfer. The Purchaser shall be solely responsible for the timely delivery of its Deposit whether by check or wire transfer. Neither the City nor Baker Tilly MA have any liability for delays in the receipt of the Deposit. If the Deposit is not received by the specified time, the City may, at its sole discretion, reject the bid of the lowest bidder, direct the second lowest bidder to submit a Deposit, and thereafter award the sale to such bidder.

*Certified or Cashier’s Check.* A Deposit made by certified or cashier’s check will be considered timely delivered to the City if it is made payable to the City and delivered to Baker Tilly Municipal Advisors, LLC, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101 by the time specified above.

*Wire Transfer.* A Deposit made by wire will be considered timely delivered to the City upon submission of a federal wire reference number by the specified time. Wire transfer instructions will be available from Baker Tilly MA following the receipt and tabulation of bids. The successful bidder must send an e-mail including the following information: (i) the federal reference number and time released; (ii) the amount of the wire transfer; and (iii) the issue to which it applies.

Once an award has been made, the Deposit received from the Purchaser will be retained by the City and no interest will accrue to the Purchaser. The amount of the Deposit will be deducted at settlement from the purchase price. In the event the Purchaser fails to comply with the accepted bid, said amount will be retained by the City.

#### AWARD

The Series 2019C Bonds will be awarded to the bidder offering the lowest interest rate to be determined on a true interest cost (TIC) basis calculated on the bid prior to any adjustment made by the City. The City’s computation of the interest rate of each bid, in accordance with customary practice, will be controlling.

The City will reserve the right to: (i) waive non-substantive informalities of any bid or of matters relating to the receipt of bids and award of the Series 2019C Bonds, (ii) reject all bids without cause, and (iii) reject any bid that the City determines to have failed to comply with the terms herein.

#### BOND INSURANCE AT PURCHASER'S OPTION

The City has **not** applied for or pre-approved a commitment for any policy of municipal bond insurance with respect to the Series 2019C Bonds. If the Series 2019C Bonds qualify for municipal bond insurance and a bidder desires to purchase a policy, such indication, the maturities to be insured, and the name of the desired insurer must be set forth on the bidder’s official bid form. The City specifically reserves the right to reject any bid specifying municipal bond insurance, even though such bid may result in the lowest TIC to the City. All costs associated with the issuance and administration of such policy and associated ratings and expenses (other than any independent rating requested by the City) shall be paid by the

successful bidder. Failure of the municipal bond insurer to issue the policy after the award of the Series 2019C Bonds shall not constitute cause for failure or refusal by the successful bidder to accept delivery of the Series 2019C Bonds.

#### CUSIP NUMBERS

If the Series 2019C Bonds qualify for the assignment of CUSIP numbers such numbers will be printed on the Series 2019C Bonds; however, neither the failure to print such numbers on any 2019C Bond nor any error with respect thereto will constitute cause for failure or refusal by the Purchaser to accept delivery of the Series 2019C Bonds. Baker Tilly MA will apply for CUSIP numbers pursuant to Rule G-34 implemented by the Municipal Securities Rulemaking Board. The CUSIP Service Bureau charge for the assignment of CUSIP identification numbers shall be paid by the Purchaser.

#### SETTLEMENT

On or about November 21, 2019, the Series 2019C Bonds will be delivered without cost to the Purchaser through DTC in New York, New York. Delivery will be subject to receipt by the Purchaser of an approving legal opinion of Dorsey & Whitney LLP of Minneapolis, Minnesota, and of customary closing papers, including a no-litigation certificate. On the date of settlement, payment for the Series 2019C Bonds shall be made in federal, or equivalent, funds that shall be received at the offices of the City or its designee not later than 12:00 Noon, Central Time. Unless compliance with the terms of payment for the Series 2019C Bonds has been made impossible by action of the City, or its agents, the Purchaser shall be liable to the City for any loss suffered by the City by reason of the Purchaser's non-compliance with said terms for payment.

#### CONTINUING DISCLOSURE

In accordance with SEC Rule 15c2-12(b)(5), the City will undertake, pursuant to the resolution awarding sale of the Series 2019C Bonds, to provide annual reports and notices of certain events. A description of this undertaking is set forth in the Official Statement. The Purchaser's obligation to purchase the Series 2019C Bonds will be conditioned upon receiving evidence of this undertaking at or prior to delivery of the Series 2019C Bonds.

#### OFFICIAL STATEMENT

The City has authorized the preparation of a Preliminary Official Statement containing pertinent information relative to the Series 2019C Bonds, and said Preliminary Official Statement has been deemed final by the City as of the date thereof within the meaning of Rule 15c2-12 of the Securities and Exchange Commission. For copies of the Preliminary Official Statement and the official bid form or for any additional information prior to sale, any prospective purchaser is referred to the Municipal Advisor to the City, Baker Tilly Municipal Advisors, LLC, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101, telephone (651) 223-3000.

A Final Official Statement (as that term is defined in Rule 15c2-12) will be prepared, specifying the maturity dates, principal amounts and interest rates of the Series 2019C Bonds, together with any other information required by law. By awarding the Series 2019C Bonds to the Purchaser, the City agrees that, no more than seven business days after the date of such award, it shall provide without cost to the Purchaser up to 25 copies of the Final Official Statement. The City designates the Purchaser as its agent for purposes of distributing copies of the Final Official Statement to each syndicate member, if applicable. The Purchaser agrees that if its bid is accepted by the City, (i) it shall accept designation and (ii) it shall enter into a contractual relationship with its syndicate members for purposes of assuring the receipt of the Final Official Statement by each such syndicate member.

Dated September 16, 2019

BY ORDER OF THE CITY COUNCIL

/s/ Maureen Storstad  
Director of Finance and Administrative Services

## EXHIBIT A

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### ISSUE PRICE CERTIFICATE – COMPETITIVE SALES WITH AT LEAST THREE BIDS FROM ESTABLISHED UNDERWRITERS

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**[\$[PRINCIPAL AMOUNT]  
[BOND CAPTION]**

#### ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF UNDERWRITER] (“[SHORT NAME OF UNDERWRITER]”), hereby certifies as set forth below with respect to the sale of the obligations named above (the “Bonds”).

1. ***Reasonably Expected Initial Offering Price.***

(a) As of the Sale Date, the reasonably expected initial offering prices of the Bonds to the Public by [SHORT NAME OF UNDERWRITER] are the prices listed in Schedule A (the “Expected Offering Prices”). The Expected Offering Prices are the prices for the Maturities of the Bonds used by [SHORT NAME OF UNDERWRITER] in formulating its bid to purchase the Bonds. Attached as Schedule B is a true and correct copy of the bid provided by [SHORT NAME OF UNDERWRITER] to purchase the Bonds.

(b) [SHORT NAME OF UNDERWRITER] was not given the opportunity to review other bids prior to submitting its bid.

(c) The bid submitted by [SHORT NAME OF UNDERWRITER] constituted a firm offer to purchase the Bonds.

2. ***Defined Terms.*** For purposes of this Issue Price Certificate:

(a) *Issuer* means [DESCRIBE ISSUER].

(b) *Maturity* means Bonds with the same credit and payment terms. Any Bonds with different maturity dates, or with the same maturity date but different stated interest rates, are treated as separate Maturities.

(c) *Member of the Distribution Group* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(d) *Public* means any person (*i.e.*, an individual, trust, estate, partnership, association, company, or corporation) other than a Member of the Distribution Group or a related party to a Member of the Distribution Group. A person is a “related party” to a Member of the Distribution Group if the Member of the Distribution Group and that person are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one

entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(e) *Sale Date* means the first day on which there is a binding contract in writing for the sale of the respective Maturity. The Sale Date of each Maturity was [DATE].

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [SHORT NAME OF UNDERWRITER]'s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer[ and BORROWER (the "Borrower")] with respect to certain of the representations set forth in the [Tax Certificate][Tax Exemption Agreement] and with respect to compliance with the federal income tax rules affecting the Bonds, and by [BOND COUNSEL] in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038[-G][-GC][-TC], and other federal income tax advice that it may give to the Issuer[ and the Borrower] from time to time relating to the Bonds.

[UNDERWRITER]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Dated: [ISSUE DATE]

**SCHEDULE A**  
**EXPECTED OFFERING PRICES**  
*(Attached)*

**SCHEDULE B**  
**COPY OF UNDERWRITER'S BID**  
*(Attached)*

## EXHIBIT B

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### ISSUE PRICE CERTIFICATE – COMPETITIVE SALES WITH FEWER THAN THREE BIDS FROM ESTABLISHED UNDERWRITERS

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\$[PRINCIPAL AMOUNT]  
[BOND CAPTION]

#### ISSUE PRICE CERTIFICATE

The undersigned, on behalf of [NAME OF UNDERWRITER/REPRESENTATIVE] ( [ “[SHORT NAME OF UNDERWRITER]” ] [the “Representative”] ), on behalf of itself and [NAMES OF OTHER UNDERWRITERS] (together, the “Underwriting Group”), hereby certifies as set forth below with respect to the sale of the obligations named above (the “Bonds”).

1. **Initial Offering Price of the Bonds.** [SHORT NAME OF UNDERWRITER] [The Underwriting Group] offered the Bonds to the Public for purchase at the specified initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire for the Bonds is attached to this certificate as Schedule B.

2. **First Price at which Sold to the Public.** On the Sale Date, at least 10% of each Maturity [listed in Schedule C] was first sold to the Public at the respective Initial Offering Price [or price specified [therein] [in Schedule C], if different].

3. **Hold the Offering Price Rule.** [SHORT NAME OF UNDERWRITER] [Each member of the Underwriting Group] has agreed in writing that, (i) for each Maturity less than 10% of which was first sold to the Public at a single price as of the Sale Date, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “Hold-the-Offering-Price Rule”), and (ii) any agreement among underwriters, selling group agreement, or third-party distribution agreement contains the agreement of each underwriter, dealer, or broker-dealer who is a party to such agreement to comply with the Hold-the-Offering-Price Rule. Based on the [Representative] [SHORT NAME OF UNDERWRITER]’s own knowledge and, in the case of sales by other Members of the Distribution Group, representations obtained from the other Members of the Distribution Group, no Member of the Distribution Group has offered or sold any such Maturity at a price that is higher than the respective Initial Offering Price during the respective Holding Period.

4. **Defined Terms.** For purposes of this Issue Price Certificate:

(a) **Holding Period** means the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date ([DATE]), or (ii) the date on which Members of the Distribution Group have sold at least 10% of such Maturity to the Public at one or more prices, none of which is higher than the Initial Offering Price for such Maturity.

(b) **Issuer** means [DESCRIBE ISSUER].

(c) **Maturity** means Bonds with the same credit and payment terms. Any Bonds with different maturity dates, or with the same maturity date but different stated interest rates, are treated as separate Maturities.

(d) *Member of the Distribution Group* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(e) *Public* means any person (*i.e.*, an individual, trust, estate, partnership, association, company, or corporation) other than a Member of the Distribution Group or a related party to a Member of the Distribution Group. A person is a “related party” to a Member of the Distribution Group if the Member of the Distribution Group and that person are subject, directly or indirectly, to (i) at least 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other).

(f) *Sale Date* means the first day on which there is a binding contract in writing for the sale of the respective Maturity. The Sale Date of each Maturity was [DATE].

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents [NAME OF UNDEWRITING FIRM][the Representative’s] interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer[ and BORROWER (the “Borrower”)] with respect to certain of the representations set forth in the [Tax Certificate][Tax Exemption Agreement] and with respect to compliance with the federal income tax rules affecting the Bonds, and by [BOND COUNSEL] in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038[-G][-GC][-TC], and other federal income tax advice that it may give to the Issuer[ and the Borrower] from time to time relating to the Bonds.

[UNDERWRITER][REPRESENTATIVE]

By: \_\_\_\_\_

Name: \_\_\_\_\_

Dated: [ISSUE DATE]



**SCHEDULE A**  
**INITIAL OFFERING PRICES OF THE BONDS**  
*(Attached)*

**SCHEDULE B**  
**PRICING WIRE**  
*(Attached)*

**SCHEDULE C**

**SALES OF AT LEAST 10% OF MATURITY TO THE PUBLIC ON THE SALE DATE  
AT THE INITIAL OFFERING PRICE**

*(Attached)*

## OFFICIAL STATEMENT

**\$3,820,000\***

### **CITY OF GRAND FORKS, NORTH DAKOTA SANITATION RESERVE REVENUE BONDS, SERIES 2019C**

**(BOOK ENTRY ONLY)**

#### **INTRODUCTORY STATEMENT**

This Official Statement contains certain information relating to the City of Grand Forks, North Dakota (the “City”) and its issuance of \$3,820,000\* Sanitation Reserve Revenue Bonds, Series 2019C (the “Series 2019C Bonds”). The Series 2019C Bonds are special obligations of the City payable solely from net revenues of the City’s Sanitation Utility and shall not constitute a debt for which the full faith and credit or taxing powers of the City will be pledged. The City will also fund a contribution to a parity bond reserve account for all sanitation reserve revenue bonds of the City from the proceeds of the Series 2019C Bonds. In the event the use of the reserve results in a deficiency in the reserve account, the City has covenanted and agreed to levy an ad valorem tax upon all taxable property in the City, in an amount required to restore the reserve account balance.

Inquiries may be directed to Ms. Maureen Storstad, Director of Finance and Administration Services, City of Grand Forks, 255 North Fourth Street, Grand Forks, North Dakota 58206-5200, by telephoning (701) 787-3776, or by e-mailing [mstorstad@grandforksgov.com](mailto:mstorstad@grandforksgov.com). Inquiries may also be made to Baker Tilly Municipal Advisors, LLC, 380 Jackson Street, Suite 300, Saint Paul, Minnesota 55101-2887, by telephoning (651) 223-3000, or by e-mailing [bond\\_services@bakertilly.com](mailto:bond_services@bakertilly.com).

#### **CONCURRENT FINANCING**

By means of a separate Official Statement dated October 1, 2019, the City is offering for sale \$22,950,000\* Refunding Improvement Bonds, Series 2019B (the “Series 2019B Bonds”) on Monday, October 21, 2019.

The proceeds of the Series 2019B Bonds will be used to pay the cost of construction of improvements within the various improvement districts of the City and to pay the costs of issuance for the Series 2019B Bonds. The special improvement warrants issued against the fund of such improvement districts and the special assessments levied and to be levied for the improvements have been appropriated by the City to a special fund for the payment of the Series 2019B Bonds. The City is also required by law to levy a tax upon all taxable property within its corporate limits to restore any deficiency in the improvement district funds for the payment of all warrants and interest thereon, and the City is authorized to levy such a tax whenever such a deficiency is anticipated to occur within one year. Such tax levies are not subject to any constitutional or statutory limitation as to rate or amount.

Settlement of the Series 2019B Bonds are expected to take place concurrently with the Series 2019C Bonds. The Series 2019B Bonds are not secured on a parity with the Series 2019C Bonds or payable from the same source of financing. The Series 2019B Bonds and the Series 2019C Bonds are collectively referred to herein as the “Bonds.”

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\* *Preliminary; subject to change.*

## **CONTINUING DISCLOSURE**

In order to permit bidders for the Series 2019C Bonds and other participating underwriters in the primary offering of the Series 2019C Bonds to comply with paragraph h (b)(5) of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “Rule”), the City will covenant and agree, for the benefit of the registered holders or beneficial owners from time to time of the outstanding Series 2019C Bonds, in the Resolution, to provide annual reports of specified information and notice of the occurrence of certain events, if material, as hereinafter described (the “Disclosure Covenants”). The information to be provided on an annual basis, the events as to which notice is to be given, if material, and a summary of other provisions of the Disclosure Covenants, including termination, amendment and remedies, are set forth in Appendix II to this Official Statement.

The City believes it has complied for the past five years in accordance with the terms of its previous continuing disclosure undertakings entered into pursuant to the Rule.

A failure by the City to comply with the Disclosure Covenants will not constitute an event of default on the Series 2019C Bonds (although holders will have any available remedy at law or in equity). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Series 2019C Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Series 2019C Bonds and their market price.

## **THE SERIES 2019C BONDS**

### **General Description**

The Series 2019C Bonds are dated as of the date of delivery and will mature annually on September 1 as set forth on the front cover of this Official Statement. The Series 2019C Bonds are issued in book entry form. Interest on the Series 2019C Bonds is payable on March 1 and September 1 of each year, commencing September 1, 2020. Interest will be payable to the holder (initially Cede & Co.) registered on the books of the Registrar as of the fifteenth day of the calendar month next preceding such interest payment date. Interest will be computed on the basis of a 360-day year of twelve 30-day months. Principal of and interest on the Series 2019C Bonds will be paid as described in the section herein entitled “Book Entry System.” U.S. Bank National Association, Saint Paul, Minnesota will serve as Registrar for the Series 2019C Bonds, and the City will pay for registrar services.

### **Redemption Provisions**

Thirty days’ written notice of redemption shall be given to the registered owner(s) of the Series 2019C Bonds. Failure to give such written notice to any registered owner of the Series 2019C Bonds or any defect therein shall not affect the validity of any proceedings for the redemption of the Series 2019C Bonds. All Series 2019C Bonds or portions thereof called for redemption will cease to bear interest after the specified redemption date, provided funds for their redemption are on deposit at the place of payment.

## Optional Redemption

The City may elect on September 1, 2027, and on any day thereafter, to redeem Series 2019C Bonds due on or after September 1, 2028. Redemption may be in whole or in part and if in part at the option of the City and in such manner as the City shall determine. If less than all Series 2019C Bonds of a maturity are called for redemption, the City will notify DTC of the particular amount of such maturity to be redeemed. DTC will determine by lot the amount of each participant's interest in such maturity to be redeemed and each participant will then select by lot the beneficial ownership interests in such maturity to be redeemed. All redemptions shall be at a price of par plus accrued interest.

## **Book Entry System**

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Series 2019C Bonds. The Series 2019C Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Series 2019C Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Series 2019C Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series 2019C Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2019C Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2019C Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series 2019C Bonds, except in the event that use of the book-entry system for the Series 2019C Bonds is discontinued.

To facilitate subsequent transfers, all Series 2019C Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2019C Bonds with DTC and

their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2019C Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2019C Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series 2019C Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series 2019C Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Series 2019C Bond documents. For example, Beneficial Owners of the Series 2019C Bonds may wish to ascertain that the nominee holding the Series 2019C Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series 2019C Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2019C Bonds unless authorized by a Direct Participant in accordance with DTC's MMI procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2019C Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2019C Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or its agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or its agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2019C Bonds at any time by giving reasonable notice to City or its agent. Under such circumstances, in the event that a successor depository is not obtained, certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

**AUTHORITY AND PURPOSE**

The Series 2019C Bonds are being issued pursuant to the City’s Home Rule Charter, Chapter 40-35 of the North Dakota Century Code, Article 9, Chapter 2 of the Grand Forks City Code, and a resolution (the “Series 2019C Bond Resolution”) to be adopted by the City Council on October 21, 2019. Proceeds of the Series 2019C Bonds will be used to finance solid waste system improvements in the City.

**SOURCES AND USES OF FUNDS**

The composition of the Series 2019C Bonds is estimated to be as follows:

Sources of Funds:	
Principal Amount	<u>\$3,820,000</u>
Total Sources of Funds	\$3,820,000
Uses of Funds:	
Deposit to Construction Fund	\$3,350,000
Deposit to Parity Debt Service Reserve	383,677
Allowance for Discount Bidding	45,840
Costs of Issuance	<u>40,483</u>
Total Uses of Funds	\$3,820,000

**SECURITY AND FINANCING**

The Series 2019C Bonds are special obligations of the City payable solely from Net Revenues of the Sanitation Utility and do not constitute a debt for which the faith and credit or taxing powers of the City will be pledged. The Series 2019C Bond Resolution defines Net Revenues as the aggregate of all sums on hand in the Sanitation Utility Fund in excess of current operating and maintenance requirements. The City will covenant that rates and charges for the use and service of the Sanitation Utility will be sufficient at all times to produce Net Revenues to pay debt service on all bonds payable therefrom, including the Series 2019C Bonds.

The Series 2019C Bonds have a first charge and lien on the Net Revenues of the Sanitation Utility and are issued on Parity with the outstanding Sanitary Reserve Revenue Refunding Bonds, Series 2010A; the Sanitary Reserve Revenue Refunding Bonds, Series 2015A; and the Sanitary Reserve Revenue Bonds, Series 2016B (together with the Series 2019C Bonds and any additional parity bonds, the “Parity Bonds”).

Upon settlement of the Series 2019C Bonds the reserve account (the “Reserve Revenue Bonds Reserve Account”) for the Parity Bonds will be funded in the amount of approximately \$944,299, representing 125% of the average periodic debt service on all outstanding sanitation utility debt (the “Reserve Requirement”). The Reserve Revenue Bond Reserve Account is a protection to Parity Bondholders and the City in the event sanitation revenues are inadequate to meet debt service expenses. In the event use of the Reserve Revenue Bond Reserve Account results in a deficiency in said account, the City has covenanted and agrees pursuant to Article 9 of Chapter 2 of the Grand Forks City Code, as amended, to levy an unlimited ad valorem tax upon all taxable property in the City in an amount required to restore the balance in said account.



## FUNDS AND ACCOUNTS

The following is a summary of certain covenants in the Series 2019C Bond Resolution. This is not considered a full statement of the provisions of the Series 2019C Bond Resolution and is qualified by reference to the Series 2019C Bond Resolution. The Series 2019C Bond Resolution will be adopted by the City Council on October 21, 2019. Pertinent sections of the Series 2019C Bond Resolution are included as Appendix IV of this Official Statement.

The Series 2019C Bond Resolution will provide for the continuation of the Sanitation Utility Fund and establish various separate accounts. A brief discussion of the accounts in the order in which monies are distributed follows.

Operation and Maintenance Account. Gross Revenues, consisting of all revenues of the Sanitation Utility, shall first be allocated to the Operation and Maintenance Account and shall be used for the payment of the reasonable and current expenses of operating and maintaining the Sanitation Utility, and to pay all such expenses estimated to accrue for a period of one month thereafter, and to maintain a reasonable reserve for contingencies. The Net Revenues of the Sanitation Utility are defined as the aggregate of all sums on hand in the Sanitation Utility Fund from time to time in excess of the current requirements of the Operation and Maintenance Account.

Construction Account. A Construction Account has been established within the Sanitation Utility Fund. There shall be credited to the Construction Account an amount equal to the cost of the improvements and an amount equal to the estimated costs of issuance to be paid therefrom. Upon completion of the improvements and when all costs of issuance and all costs of the improvements have been paid, any balance remaining in the Construction Account shall be credited to the Reserve Revenue Bond Account.

Reserve Revenue Bond Account. Net Revenues of the Sanitation Utility will be deposited monthly in the Reserve Revenue Bond Account in an amount equal to not less than the sum of one-sixth of the interest due within the next six months plus one-twelfth of the principal to become due within the next twelve months with respect to all Parity Bonds or Additional Bonds issued in the future and made payable from the Reserve Revenue Bond Account. Temporary obligations issued pursuant to Section 2-907 of Article 9 of Chapter 2 of the Grand Forks City Code, as amended, shall also be payable from this account, but with respect to such temporary obligations, no amounts shall be required to be credited from such net revenues on account of the principal thereof. Money in this account will be used only to meet debt service payments.

Reserve Revenue Bond Reserve Account. A Reserve Revenue Bond Reserve Account has been established within the Sanitation Utility Fund. Upon the issuance of any additional series of definitive reserve revenue bonds, the balance in the Reserve Revenue Bond Reserve Account shall be increased, if necessary, either from the proceeds of such bonds or from funds on hand and available for the purpose, to an amount equal to the lesser of (i) maximum annual debt service on, (ii) 125% of the average annual debt service on, or (iii) ten percent (10%) of the proceeds of all bonds payable from the Reserve Revenue Bond Reserve Account. Funds will be transferred from the Reserve Revenue Bond Reserve Account at any time the balance on hand in the Reserve Revenue Bond Reserve Account is insufficient to meet current requirements for payment of principal and interest on the Parity Bonds payable therefrom. In the event of such transfer, and if the then existing deficiency in the Reserve Revenue Bond Reserve Account cannot be restored from available funds in the Surplus Account of the Sanitation Utility Fund, the City shall levy a tax upon all taxable property within the corporate limits of the City sufficient to restore the balance in the Reserve Revenue Bond Reserve Account to the amount required pursuant to Article 9 of Chapter 2 of the Grand Forks City Code, as amended, which tax shall be reimbursed to the general fund of the City out of the first available revenues in the Surplus Account of the Sanitation Utility Fund.

Surplus Account. To the Surplus Account shall be credited all Net Revenues from time to time received in excess of the current requirements of the Revenue Bond Account and the Reserve Revenue Bond Reserve Account. The balance on hand from time to time in the Surplus Account shall be available and

shall be used to the full extent necessary to restore any deficiency in the Operation and Maintenance Account, the Reserve Revenue Bond Account and the Reserve Revenue Bond Reserve Account, or when not so needed, may be used for any other purpose of the City authorized in accordance with the resolutions of the City Council.

## **COVENANTS**

The City covenants that it will continue to impose, maintain and collect rates, charges and rentals for the services, facilities and benefits provided by the Sanitation Utility such as will make the revenues of the Sanitation Utility sufficient to meet the requirements of the funds and accounts described herein; including the payment of operation and maintenance of the Sanitation Utility, the maintenance of necessary reserves, and the payment of principal and interest due on the Parity Bonds.

The City will at all times keep the Sanitation Utility and the various parts thereof insured against loss or damage by causes customarily insured against for like properties, and in amounts customarily maintained by prudent owners of like properties, and will use the proceeds of any and all such insurance to repair or restore the damage compensated thereby, or to pay and retire outstanding bonds payable from the Net Revenues of the Sanitation Utility. The City will maintain proper and adequate books of records and accounts. The City will not mortgage, lease, sell or otherwise dispose of any real or personal properties of the Sanitation Utility, unless certain conditions, as further discussed in the Series 2019C Bond Resolution, are met.

## **ADDITIONAL BONDS**

The City reserves the right to issue Additional Reserve Revenue Bonds for the purpose of paying any additional costs of completing a project in excess of estimated costs, refunding bonds or paying for additional improvements to the Sanitation Utility. Additional bonds will be payable from Net Revenues of the Sanitation Utility on a parity with the Parity Bonds provided that (a) the Net Revenues of the Sanitation Utility in the immediately preceding fiscal year have been not less than 100% of the maximum future annual debt service with respect to bonds payable from such Net Revenues including the Additional Bonds to be issued and (b) in accordance with the provisions of Article 9 of Chapter 2 of the Grand Forks City Code, as amended, the balance in the Reserve Account shall be increased from the proceeds of the revenue bonds then issued or from funds then on hand and available for that purpose to the amount required by the Reserve Revenue Bond Reserve Account hereof (on a calendar year basis) with respect to the revenue bonds then issued and all revenue bonds then outstanding.

## **THE SANITATION UTILITY**

The Sanitation Utility is operated as an enterprise fund within the City's Public Works Department Operations Division. The Sanitation Division leadership is comprised of LeahRae Amundson, Public Works Operations Director, John McNelis, Public Works Sanitation Supervisor, two Equipment Operator Leads, and a Public Works Services Coordinator, all of whom have a combined ninety-four (94) years of experience with the City in public works, utility systems, and service management. Daily operations of the Sanitation Utility are also accomplished by senior operations staff. All of these individuals have received training and/or maintain certifications as recommended or required at the national, state, local, and City program level in the areas of supervision, safety, incident management systems, and solid waste management (recycling/diversion, collection, baling/transfer, and landfill operations).

The Sanitation Utility is responsible for the collection, recycling, diversion, and disposal of municipal solid waste in the City. The Sanitation Utility serves approximately 12,980 single-family and duplex units, 12,040 multi-family units, and 898 commercial customers.

The Sanitation Utility currently operates four residential, two multi-family, and three business/commercial routes on a weekday basis, as well as two business/commercial routes on Saturday. Residential collection is accomplished with one-person operated automated single or dual arm side-load garbage trucks for regular household waste and two-person rear-load garbage trucks for non-routine collections of inert/industrial waste. Multi-family residential and business/commercial collections are accomplished with a one-person front load garbage truck. The Sanitation Utility also assists the citizens by providing disposal options for appliances, tires, batteries, used oil, building material, brush, yard waste, and leaves.

The 2018 landfill tonnage was approximately 60,100 tons of municipal solid waste material and 40,506 tons of inert waste material. The proceeds of the City's Taxable Sanitary Reserve Revenue Bonds, Series 2009A (Build America Bonds – Direct Pay to Issuer), refunded by the City's Sanitation Reserve Revenue Refunding Bonds, and refinanced with Series 2015A, dated February 17, 2015, were used to finance a new municipal solid waste landfill, which opened in October 2009, projected to meet the City's needs for approximately 90 years. The City-owned landfill facilities include an Inert Landfill, Municipal Solid Waste Landfill, and Baling/Transfer and Scale Facilities that provide for reuse and disposal activities, serving the City as well as the northeast region of North Dakota.

The proceeds of the Sanitation Reserve Revenue Refunding Bonds, Series 2010A, refunded the City's Sanitation Reserve Revenue Bonds, Series 2000E, which were used to finance a new baling facility.

Proceeds of the Sanitation Reserve Revenue Bonds, Series 2016B Bonds were used by City for the Municipal Solid Waste Landfill, Cell B, which is the second in a series of planned sequential cell developments on the municipal solid waste landfill site. The City has an integrated solid waste management plan, under which new cells are expected to be constructed and financed every five to six years. This sequential cell development on the landfill site provides for long-term operations and financial master planning.

Proceeds of the Series 2019C Bonds are being used by City for the replacement and rehabilitation of the landfill scale and building. The improvements are expected to reduce ongoing repair and maintenance costs due to aging equipment, provide for automated scale capabilities, and improve access, security and safety for customers. The scale facility is located on the site of the City's baling/transfer facility which serves as an ancillary facility to the City's Inert and Municipal Solid Waste Landfills.

The City has been a leader in the recycling movement in North Dakota. Integrated waste management policies are an important public policy for the City through the collection, recycling/diversion, baling/bagging, and landfill processes. The City provides many different year-round and seasonal programs for its residents to promote recycling and diversion options including residential curbside single stream bi-weekly recycling collection and drop sites, yard waste composting and woody wastes chipping for reuse as landfill alternative cover, white goods recycling, annual electronics recycling event, vacuum leaf collection, clean up week free bulky collection, and used oil/battery/propane tank recycling. The materials collected in the residential and drop site recycling program includes all colors of glass, newspaper, magazines, phone books, cardboard, mixed paper, aluminum, steel, and plastics #1-#7. These programs served to divert and recycle over 10,000 tons of materials from the landfill in 2018.

## 2018 Sanitation Fees

Residential/Multi-Family Refuse Charge	\$17.46 per month, per single family residential unit \$14.87 per month, per multi-family residential unit \$14.87 per month, per business/commercial unit
Landfill tipping fees	\$20.00 minimum fee \$50.36 per ton (Municipal Solid Waste) \$26.77 per ton (Inert/Construction/Demolition Waste) \$39.86 per ton (Special Wastes as pre-approved)

## **Sanitation Utility Financial Statements and Coverage Statement**

The tables on the following pages show the Sanitation Utility's balance sheets and income statements for the years ended December 31, 2014 through 2018, taken from the City's audited financial statements.

### City of Grand Forks, North Dakota Sanitation Utility Balance Sheets

For the years Ending December 31

ASSETS	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Current Assets:					
Cash and cash equivalents	\$ 1,691,831	\$ 3,024,194	\$ 4,454,789	\$ 3,285,168	\$ 3,962,227
Restricted cash, cash equivalents, and investments:					
Customer deposits	-	-	-	-	5,318
Construction account	252,963	381,194	1,113,041	1,327,282	1,549,674
Revenue bond current debt service acct.	263,979	254,679	337,743	503,445	507,914
Receivables (net of allowances for uncoll.):					
Accounts	841,392	985,012	973,795	913,819	946,481
Prepaid items	57	1,621	1,625	2,024	2,082
Total current assets	\$ 3,050,222	\$ 4,646,700	\$ 6,880,993	\$ 6,031,738	\$ 6,973,696
Noncurrent Assets:					
Restricted cash, cash equivalents, and investments:					
Revenue bond reserve account	\$ 871,953	\$ 890,496	\$ 1,205,000	\$ 628,946	\$ 560,622
Reserved for Landfill Closure	1,521,084	1,536,397	1,550,950	1,568,746	1,593,469
Total restricted cash, cash equivalents, and investments	\$ 2,393,037	\$ 2,426,893	\$ 2,755,950	\$ 2,197,692	\$ 2,154,091
Capital Assets:					
Land	\$ 1,831,896	\$ 1,831,896	\$ 1,831,896	\$ 2,581,184	\$ 2,581,184
Buildings	5,136,414	5,317,428	5,317,428	5,364,676	5,364,676
Improvements other than buildings	15,791,184	15,848,335	19,927,816	20,166,294	20,172,595
Machinery and equipment	13,936,477	14,440,654	15,145,876	15,639,903	15,913,925
Construction in progress	18,828	-	-	-	-
Less accumulated depreciation	(17,722,323)	(18,608,344)	(18,659,238)	(19,313,401)	(19,750,719)
Total Capital Assets (net of accumulated depreciation)	\$ 18,992,476	\$ 18,829,969	\$ 23,563,778	\$ 24,438,656	\$ 24,281,661
Total Noncurrent Assets	\$ 21,385,513	\$ 21,256,862	\$ 26,319,728	\$ 26,636,348	\$ 26,435,752
Total Assets	\$ 24,435,735	\$ 25,903,562	\$ 33,200,721	\$ 32,668,086	\$ 33,409,448

**City of Grand Forks, North Dakota**  
**Sanitation Utility**  
**Balance Sheets**

**For the years Ending December 31**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred Pension Single Employer Plan	\$ -	\$ 314,225	\$ 636,850	\$ 509,108	\$ 427,605
Deferred Pension NDPERS	-	188,678	504,397	1,215,385	1,113,522
Deferred NDPERS OBEB	-	-	-	-	15,317
	<hr/>				
Total deferred outflow of resources	\$ -	\$502,903	\$1,141,247	\$1,724,493	\$1,556,444
 <b>LIABILITIES AND FUND EQUITY</b>					
<b>Current Liabilities:</b>					
Accounts payable	\$ 97,480	\$ 119,245	\$ 1,222,737	\$ 60,444	\$ 227,031
Compensated absences payable - current	24,387	12,923	20,109	6,527	22,054
Customer deposits payable	-	-	-	-	5,318
Accrued interest payable	160,263	94,679	96,076	102,704	92,596
Capital leases payable - current	206,293	-	194,730	236,805	243,828
Bonds payable - current	460,000	480,000	1,185,000	1,195,000	1,230,000
	<hr/>				
Total current liabilities	\$948,423	\$706,847	\$2,718,652	\$1,601,480	\$1,820,827
 <b>Noncurrent Liabilities:</b>					
Compensated absences payable	\$ 299,830	\$ 338,742	\$ 366,519	\$ 349,754	\$ 323,470
Revenue bonds payable	9,128,485	8,773,813	11,182,794	9,952,121	8,686,448
Capital leases payable	-	-	618,825	534,521	290,693
Net Pension Liability Single Employer Plan	-	1,983,846	2,470,183	2,437,633	1,989,414
Net Pension Liability NDPERS	-	982,391	1,395,119	2,417,209	2,442,964
Net OPEB Liability NDPERS	-	-	-	-	65,942
Landfill closure and postclosure care	2,239,305	2,466,456	3,547,052	3,914,522	4,428,849
	<hr/>				
Total Noncurrent Liabilities	\$ 11,667,620	\$ 14,545,248	\$ 19,580,492	\$ 19,605,760	\$ 18,227,780
 Total Liabilities	 \$ 12,616,043	 \$ 15,252,095	 \$ 22,299,144	 \$ 21,207,240	 \$ 20,048,607
 <b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Pension Single Employer Plan	\$ -	\$ -	\$ -	\$ 6,356	\$ 303,212
Deferred Pension NDPERS	-	110,559	92,272	82,353	145,700
Deferred OPEB NDPERS	-	-	-	-	6,153
	<hr/>				
Total deferred inflow of resources	\$ -	\$ 110,559	\$ 92,272	\$ 88,709	\$ 455,065
 <b>NET POSITION</b>					
Invested in capital assets, net of related debt	\$ 9,197,698	\$ 9,576,156	\$ 10,382,429	\$ 12,520,209	\$ 13,830,692
Restricted for:					
Debt Service	975,669	1,050,496	1,446,667	1,029,687	975,940
Capital	-	-	-	-	1,549,674
Unrestricted	1,646,325	417,159	121,456	(453,266)	(1,894,086)
	<hr/>				
Total Net Position	\$ 11,819,692	\$ 11,043,811	\$ 11,950,552	\$ 13,096,630	\$ 14,462,220

**City of Grand Forks, North Dakota**  
**Sanitation Utility**  
**Statement of Revenues, Expenses, and Changes in Net Position**

**For the years Ending December 31**

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Operating Revenues:					
Charges for sales and services:					
Utility fees	\$ 9,384,170	\$ 10,287,331	\$ 10,438,353	\$ 10,495,665	\$ 10,734,746
Miscellaneous	50,236	68,993	-	-	-
Total Operating Revenues	\$ 9,434,406	\$ 10,356,324	\$ 10,438,353	\$ 10,495,665	\$ 10,734,746
Operating Expenses:					
Salaries and wages	\$ 1,677,021	\$ 1,756,164	\$ 1,875,907	\$ 1,863,532	\$ 1,958,655
Supplies	261,373	211,970	219,640	208,635	154,665
Contractual services	1,648,806	1,946,754	1,903,012	1,951,833	2,026,707
Maintenance - structures and equipment	1,804,875	1,775,832	2,499,817	1,771,221	1,928,469
Sundry expenses	15,195	26,104	4,014	(3,089)	22,409
Utilities - heat and lights	105,475	68,110	77,560	77,390	190,712
Pension and social security	446,611	476,724	740,081	863,375	582,903
Administrative and general	755,551	788,100	794,094	810,154	855,451
Total Operating Expenses	\$ 6,714,907	\$ 7,049,758	\$ 8,114,125	\$ 7,543,051	\$ 7,719,971
Net Income (Loss) from Operations before Depreciation	\$ 2,719,499	\$ 3,306,566	\$ 2,324,228	\$ 2,952,614	\$ 3,014,775
Less - Depreciation	(995,286)	(1,042,013)	(1,181,014)	(1,454,085)	(1,557,905)
Net Operating Income (Loss)	\$ 1,724,213	\$ 2,264,553	\$ 1,143,214	\$ 1,498,529	\$ 1,456,870
Nonoperating Revenues (Expenses):					
Interest	\$ 40,739	\$ 50,244	\$ 62,378	\$ 71,359	\$ 121,632
Miscellaneous	140,082	20,010	19,619	19,620	59,620
Gain (loss) on capital assets	1,000	14,748	(33,346)	38,994	88,500
Interest expense	(487,612)	(607,707)	(325,030)	(297,994)	(264,075)
Total Nonoperating Revenues (Expenses)	\$ (305,791)	\$ (522,705)	\$ (276,379)	\$ (168,021)	\$ 5,677
Income (Loss) Before Capital Contributions and Transfers	\$ 1,418,422	\$ 1,741,848	\$ 866,835	\$ 1,330,508	\$ 1,462,547
Capital Contributions and Transfers:					
Transfers in	\$ 41,865	\$ 49,586	\$ 39,906	\$ 44,865	\$ 44,877
Transfers out	(239,235)	-	-	(229,295)	(81,305)
Total Capital Contributions and Transfers	\$ (197,370)	\$ 49,586	\$ 39,906	\$ (184,430)	\$ (36,428)
Change in Net Position	\$ 1,221,052	\$ 1,791,434	\$ 906,741	\$ 1,146,078	\$ 1,426,119
Total Net Position - Beginning	\$ 10,598,640	\$ 11,819,692	\$ 11,043,811	\$ 11,950,552	\$ 13,096,630
Prior Period Adjustment - GASB 68		(2,567,315)			-
Prior Period Adjustment - GASB 75		-			(60,529)
Total Net Position - Beginning as Restated		\$ 9,252,377			\$ 13,036,101
Total Net Position - Ending	\$ 11,819,692	\$ 11,043,811	\$ 11,950,552	\$ 13,096,630	\$ 14,462,220

**Outstanding Parity Debt**

<b>Calendar Year</b>	<b>Series 2010A Bonds - Refunded 2000E</b>	<b>Series 2015A Bonds - Refunded 2009A</b>	<b>Series 2016B</b>	<b>Series 2019C Bonds - Preliminary</b>	<b>TOTAL</b>	<b>Coverage</b>
2019	\$ 310,650.00	\$ 449,037.50	\$ 748,100.00	-	\$ 1,507,787.50	2.08
2020	310,500.00	451,987.50	749,000.00	\$ 68,220.83	1,579,708.33	1.99
2021	-	449,637.50	744,600.00	241,865.00	1,436,102.50	2.18
2022	-	449,637.50	-	244,625.00	694,262.50	4.52
2023	-	451,837.50	-	242,232.50	694,070.00	4.52
2024	-	451,037.50	-	239,840.00	690,877.50	4.54
2025	-	452,637.50	-	242,447.50	695,085.00	4.51
2026	-	451,037.50	-	239,897.50	690,935.00	4.54
2027	-	449,662.50	-	242,177.50	691,840.00	4.53
2028	-	452,800.00	-	244,290.00	697,090.00	4.50
2029	-	453,350.00	-	241,050.00	694,400.00	4.52
2030	-	448,600.00	-	242,540.00	691,140.00	4.54
2031	-	448,700.00	-	243,747.50	692,447.50	4.53
2032	-	453,500.00	-	244,662.50	698,162.50	4.49
2033	-	452,850.00	-	240,275.00	693,125.00	4.53
2034	-	451,900.00	-	240,497.50	692,397.50	4.53
2035	-	450,650.00	-	240,497.50	691,147.50	4.54
2036	-	448,618.76	-	240,270.00	688,888.76	4.55
2037	-	451,275.00	-	244,810.00	696,085.00	4.51
2038	-	452,950.00	-	243,980.00	696,930.00	4.50
2039	-	449,137.50	-	242,905.00	692,042.50	4.53
2040	-	-	-	241,580.00	241,580.00	12.98
	\$ 621,150.00	\$ 9,470,843.76	\$ 2,241,700.00	\$ 4,912,410.83	\$ 17,246,104.59	

**NET REVENUE CALCULATION OF THE SANITATION UTILITY**

2018 Audited Revenues	\$ 10,734,746
2018 Audited Expenses (excluding depreciation)	(7,719,971)
Plus: Interest Earnings	121,632
Net Sanitation Revenues Available for Debt Service	\$ 3,136,407
Combined Maximum Annual Debt Service on Parity Bonds	(1,579,708)
Remaining Sanitation Revenues	\$ 1,556,699

**SANITATION RESERVE REVENUE DEBT**

<u>Date of Issue</u>	<u>Original Amount</u>	<u>Purpose</u>	<u>Final Maturity</u>	<u>Est. Principal Outstanding As of 11-21-19</u>
5-1-10	\$2,635,000	Sanitation Refunding	9-1-2020	\$ 300,000
2-17-15	7,705,000	Sanitation Refunding	9-1-2039	6,655,000
11-17-16	3,535,000	Sanitation	9-1-2021	1,450,000
11-21-19	3,820,000	Sanitation (the Series 2019C Bonds)	9-1-2040	<u>3,820,000</u>
Total				\$12,225,000

**Estimated Calendar Year Debt Service Payments Including the Series 2019C Bonds**

<u>Year</u>	<u>Principal</u>	<u>Principal &amp; Interest<sup>(a)</sup></u>
2019 (at 11-21)	(Paid)	(Paid)
2020	\$ 1,265,000	\$ 1,579,708
2021	1,140,000	1,436,103
2022	425,000	694,263
2023	435,000	694,070
2024	445,000	690,878
2025	460,000	695,085
2026	470,000	690,935
2027	480,000	691,840
2028	495,000	697,090
2029	505,000	694,400
2030	515,000	691,140
2031	530,000	692,448
2032	550,000	698,163
2033	560,000	693,125
2034	575,000	692,398
2035	590,000	691,148
2036	605,000	688,889
2037	630,000	696,085
2038	650,000	696,930
2039	665,000	692,043
2040	<u>235,000</u>	<u>241,580</u>
Total	\$12,225,000 <sup>(b)</sup>	\$15,738,321

*(a) Includes the Series 2019C Bonds at an assumed average annual interest rate of 2.38%.*

*(b) 50.1% of this debt will be retired within ten years.*



## FUTURE FINANCING

With the exception of the Series 2019B Bonds discussed in the “Concurrent Financing” section herein, the City does not anticipate issuing any additional long-term debt within the next 90 days.

## LITIGATION

The City is not aware of any threatened or pending litigation affecting the validity of the Series 2019C Bonds or the City's ability to meet its financial obligations.

## LEGALITY

The Series 2019C Bonds are subject to approval as to certain matters by Dorsey & Whitney LLP of Minneapolis, Minnesota, as Bond Counsel. Bond Counsel has not participated in the preparation of this Official Statement and will not pass upon its accuracy, completeness, or sufficiency. Bond Counsel has not examined nor attempted to examine or verify any of the financial or statistical statements or data contained in this Official Statement and will express no opinion with respect thereto. A legal opinion in substantially the form set out in Appendix II herein will be delivered at closing.

## TAX CONSIDERATIONS

The following is a summary of certain U.S. federal income tax considerations relating to the purchase, ownership, and disposition of the Series 2019C Bonds. This summary is based on the U.S. Internal Revenue Code of 1986 (the “Code”) and the Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the Internal Revenue Service (the “IRS”), all as of the date hereof and all of which are subject to change, possibly with retroactive effect. Any such change could adversely affect the matters discussed below, including the tax exemption of interest on the Series 2019C Bonds. The City has not sought and will not seek any rulings from the IRS regarding the matters discussed below, and there can be no assurance the IRS or a court will not take a contrary position regarding these matters.

**Prospective purchasers of Series 2019C Bonds should consult their own tax advisors with respect to applicable federal, state, and local tax rules, and any pending or proposed legislation or regulatory or administrative actions, relating to the Series 2019C Bonds based on their own particular circumstances.**

This summary is for general information only and is not intended to constitute a complete analysis of all tax considerations relating to the purchase, ownership, and disposition of Series 2019C Bonds. It does not address the U.S. federal estate and gift tax or any state, local, or non-U.S. tax consequences. This summary is limited to consequences to U.S. holders that purchase the Series 2019C Bonds for cash at original issue and hold the Series 2019C Bonds as “capital assets” (generally, property held for investment).

This discussion does not address all aspects of U.S. federal income or state taxation that may be relevant to particular holders of Series 2019C Bonds in light of their specific circumstances or the tax considerations applicable to holders that may be subject to special income tax rules, such as: holders subject to special tax accounting rules under Section 451(b) of the Code; insurance companies; brokers,

dealers, or traders in stocks, securities, or currencies or notional principal contracts; foreign corporations subject to the branch profits tax; and S corporations, partnerships, or other pass-through entities or investors therein.

For purposes of this discussion, the “issue price” of a maturity of Series 2019C Bonds is the first price at which a substantial amount of Series 2019C Bonds of that maturity is sold for cash to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers.

### **Tax-Exempt Interest**

In the opinion of Dorsey & Whitney LLP, Bond Counsel, based on existing law and assuming the accuracy of certain representations and compliance with certain covenants, interest on the Series 2019C Bonds (i) is excluded from gross income for federal income tax purposes, (ii) is not an item of tax preference for federal alternative minimum tax purposes, and (iii) is excluded from taxable income for North Dakota income tax purposes.

The Code establishes certain requirements that must be met after the issuance of the Series 2019C Bonds in order that interest on the Bonds be excluded from federal gross income and from North Dakota taxable income. These requirements include, but are not limited to, provisions regarding the use of Series 2019C Bond proceeds and the facilities financed or refinanced with such proceeds and restrictions on the investment of Series 2019C Bond proceeds and other amounts. The City has made certain representations and has covenanted to comply with certain restrictions, conditions, and requirements designed to ensure interest on the Series 2019C Bonds will not be included in federal gross income. Inaccuracy of these representations or noncompliance with these covenants may cause interest on the Series 2019C Bonds to be included in federal gross income retroactively to their date of issue. Bond Counsel has not independently verified the accuracy of these representations and will not verify the continuing compliance with these covenants. No provision has been made for redemption of or for an increase in the interest rate on the Series 2019C Bonds in the event that interest on the Series 2019C Bonds is included in federal gross income.

### **Original Issue Discount**

Series 2019C Bonds may be issued at a discount from their principal amount (any such Series 2019C Bonds being “Discount Bonds”). The excess of the principal amount payable on Series 2019C Bonds of a given maturity over their issue price constitutes “original issue discount” (“OID”). OID that accrues to a holder of a Discount Bond is excluded from federal gross income to the same extent that stated interest on such Discount Bond would be so excluded. The amount of OID that accrues on a Discount Bond is added to the holder’s federal tax basis.

OID on a Discount Bond generally accrues pursuant to a constant-yield method that reflects semiannual compounding on dates that are determined by reference to the maturity date of the Discount Bond. The amount of OID that accrues for any particular semiannual accrual period generally is equal to the excess of (1) the product of (a) one-half of the yield on such Discount Bonds (adjusted as necessary for an initial short period) and (b) the adjusted issue price of such Discount Bonds, over (2) the amount of stated interest actually payable. For this purpose, the adjusted issue price is determined by adding to the issue price for such Discount Bonds the OID that is treated as having accrued during all prior accrual periods. If a Discount Bond is sold or otherwise disposed of between compounding dates, then the original issue discount that would have accrued for that accrual period for federal income tax purposes is allocated ratably to the days in that accrual period.

If a Discount Bond is purchased for a cost that exceeds the sum of the issue price plus accrued interest and accrued OID, the amount of OID that is deemed to accrue thereafter to the purchaser is reduced by an amount that reflects amortization of such excess over the remaining term of the Discount Bond. If the

excess is greater than the amount of remaining OID, the basis reduction rules for amortizable bond premium may result in taxable gain upon sale or other disposition of the Series 2019C Bonds, even if the Series 2019C Bonds are sold, redeemed, or retired for an amount equal to or less than their cost.

It is possible under certain state and local income tax laws that original issue discount on a Discount Bond may be taxable in the year of accrual and may be deemed to accrue differently than under federal law.

### **Market Discount**

If a Series 2019C Bond is purchased for a cost that is less than the Series 2019C Bond's issue price (plus accrued original issue discount), the purchaser will be treated as having purchased the Series 2019C Bond with market discount (unless a statutory *de minimis* rule applies). Market discount is treated as ordinary income and generally is recognized on the maturity or earlier disposition of the Series 2019C Bond (to the extent that the gain realized does not exceed the accrued market discount on the Series 2019C Bond).

### **Bond Premium**

A holder that acquires a Series 2019C Bond for an amount in excess of its principal amount generally must, from time to time, reduce the holder's federal tax basis for the Series 2019C Bond. Premium generally is amortized for federal income tax purposes on the basis of a bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Accordingly, holders who acquire Series 2019C Bonds at a premium may recognize taxable gain upon sale of the Series 2019C Bonds, even if such Series 2019C Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal income tax purposes.

### **Related Tax Considerations**

Section 86 of the Code requires recipients of certain social security and railroad retirement benefits to take interest on the Series 2019C Bonds into account in determining the taxability of such benefits.

Section 265(a) of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Series 2019C Bonds. In the case of a financial institution, generally, no deduction is allowed under section 265(b) the Code for that portion of the holder's interest expense that is allocable to interest on tax-exempt obligations, such as the Series 2019C Bonds, unless the obligations are "qualified tax-exempt obligations."

The Series 2019C Bonds are not "qualified tax-exempt obligations" for purposes of Section 265(b)(3) of the Code.

The ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series 2019C Bonds may affect a holder's federal, state, or local tax liability in some additional circumstances. The nature and extent of these other tax consequences depends upon the particular tax status of the holder and the holder's other items of income or deduction.

## **Sale or Other Disposition**

A holder will generally recognize gain or loss on the sale, exchange, redemption, retirement, or other disposition of a Series 2019C Bond equal to the difference between (i) the amount realized less amounts attributable to any accrued but unpaid stated interest and (ii) the holder's adjusted tax basis in the Series 2019C Bond. The amount realized includes the cash and the fair market value of any property received by the holder in exchange for the Series 2019C Bond. A holder's adjusted tax basis in a Series 2019C Bond generally will be equal to the amount that the holder paid for the Series 2019C Bond, increased by any accrued OID with respect to the Series 2019C Bond and reduced by the amount of any amortized bond premium on the Series 2019C Bond. Except to the extent attributable to market discount (which will be taxable as ordinary income to the extent not previously included in income), any gain or loss will be capital gain or loss and will be long-term capital gain or loss if the holder held the Series 2019C Bond for more than one year. Long-term capital gains recognized by certain non-corporate persons, including individuals, generally are taxable at a reduced rate. The deductibility of capital losses is subject to significant limitations.

## **Information Reporting and Backup Withholding**

Payments of interest on the Series 2019C Bonds (including any allocable bond premium or accrued OID) and proceeds from the sale or other disposition of the Series 2019C Bonds are expected to be reported to the IRS as required under applicable Treasury Regulations. Backup withholding will apply to these payments if the holder fails to provide an accurate taxpayer identification number and certification that it is not subject to backup withholding (generally on an IRS Form W-9) or otherwise fails to comply with the applicable backup withholding requirements. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against the holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS. Certain holders are exempt from information reporting. Potential holders should consult their own tax advisors regarding qualification for an exemption and the procedures for obtaining such an exemption.

THE FOREGOING IS NOT INTENDED TO BE AN EXHAUSTIVE DISCUSSION OF COLLATERAL TAX CONSEQUENCES ARISING FROM OWNERSHIP OR DISPOSITION OF THE SERIES 2019C BONDS OR RECEIPT OF INTEREST ON THE SERIES 2019C BONDS. PROSPECTIVE PURCHASERS ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF, OR TAX CONSIDERATIONS FOR, PURCHASING OR HOLDING THE SERIES 2019C BONDS.

## **RATING**

Application for a rating of the Series 2019C Bonds has been made to Moody's Investors Service ("Moody's"), 7 World Trade Center, 250 Greenwich Street, 23<sup>rd</sup> Floor, New York, New York. If a rating is assigned, it will reflect only the opinion of Moody's. Any explanation of the significance of the rating may be obtained only from Moody's.

There is no assurance that a rating, if assigned, will continue for any given period of time, or that such rating will not be revised, suspended or withdrawn, if, in the judgment of Moody's, circumstances so warrant. A revision, suspension or withdrawal of a rating may have an adverse effect on the market price of the Series 2019C Bonds.

## **MUNICIPAL ADVISOR**

The City has retained Baker Tilly Municipal Advisors, LLC, of Saint Paul, Minnesota as municipal advisor in connection with certain aspects of the issuance of the Series 2019C Bonds. In preparing this Official Statement, Baker Tilly Municipal Advisors, LLC has relied upon governmental officials, and other sources, who have access to relevant data to provide accurate information for this Official Statement. Baker Tilly Municipal Advisors, LLC has not been engaged, nor has it undertaken, to independently verify the accuracy of such information. Baker Tilly Municipal Advisors, LLC is an independent advisory firm, registered as a municipal advisor, and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

## **CERTIFICATION**

The City has authorized the distribution of the Preliminary Official Statement for use in connection with the initial sale of the Series 2019C Bonds and a Final Official Statement following award of the Series 2019C Bonds. The Purchaser will be furnished with a certificate signed by the appropriate officers of the City stating that the City examined each document and that, as of the respective date of each and the date of such certificate, each document did not and does not contain any untrue statement of material fact or omit to state a material fact necessary, in order to make the statements made therein, in light of the circumstances under which they were made, not misleading.

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**GENERAL INFORMATION CONCERNING THE CITY**

**The Series 2019C Bonds are special obligations of the City payable solely from net revenues of the City’s Sanitation Utility and shall not constitute a debt for which the full faith and credit or taxing powers of the City will be pledged. The following information concerning the City is provided for informational purposes only and not as a representation of security for the Series 2019C Bonds.**

The City is the county seat of Grand Forks County, located along the Red River, in northeastern North Dakota. The City is located at the intersection of Interstate 29 (north/south) and U.S. Highway 2 (east/west), and encompasses an area of approximately 20 square miles (12,800 acres). Incorporated in 1881, the City serves as the economic, educational and retail trade center for the area. The University of North Dakota (UND) and the Grand Forks Air Force Base are located in the City.

**Population**

The City’s population trend is shown below.

	<u>Population</u>	<u>Percent Change</u>
2018 U.S. Census Estimate	56,948	7.8%
2010 U.S. Census	52,838	7.1
2000 U.S. Census	49,321	(0.2)
1990 U.S. Census	49,417	12.9
1980 U.S. Census	43,765	--

Sources: United States Census Bureau, <http://www.census.gov>.

The City’s population by age group for the past five years is as follows:

<u>Data Year/ Report Year</u>	<u>0-17</u>	<u>18-34</u>	<u>35-64</u>	<u>65 and Over</u>
2018/19	11,961	21,226	16,752	6,992
2017/18	11,872	21,820	17,020	6,954
2016/17	11,656	21,948	16,879	6,669
2015/16	11,543	21,992	17,218	6,511
2014/15	10,950	21,766	17,505	6,356

Sources: Environics Analytics, Claritas, Inc. and The Nielsen Company.

**Transportation**

The Grand Forks International Airport, located five miles west of the City, is owned and operated by the Grand Forks Airport Authority. The airport is served by two commercial air carriers: Delta Airlines, Inc. and Allegiant Airlines. The City has both passenger and freight services with Amtrack’s “Empire Builder” service (Seattle-Chicago) and Burlington Northern Santa Fe Railroad. Three bus lines serve the area. Federal Express, United Parcel Service and a number of trucking firms provide daily service.

## Major Employers

<u>Employer</u>	<u>Product/Service</u>	<u>Approximate Number of Employees</u>
Altru Health System	Medical clinic and hospital	3,950
University of North Dakota	Post-secondary education	3,464 <sup>(a)</sup>
Grand Forks Air Force Base	Military	1,643 <sup>(b)(d)</sup>
Grand Forks School District	Public education	1,100 <sup>(a)(b)</sup>
LM Wind Power (USA), Inc.	Fiberglass blades manufacturing	1,000
Valley Memorial Homes	Nursing home	801 <sup>(b)</sup>
City of Grand Forks	City government	518 <sup>(a)</sup>
Development Homes, Inc.	Group homes and services	500
Hugo's (4 locations)	Grocery store	450 <sup>(a)(c)</sup>
J.R. Simplot Company	Food processing	440 <sup>(c)</sup>
MinnKota Power Cooperative, Inc.	Power plant	396 <sup>(a)</sup>
Rydell GM Auto Center	Automobile dealership	350
Wal-Mart	Retail	350 <sup>(a)(e)</sup>
Grand Forks County	County government	330 <sup>(a)(b)</sup>
Target	Retail department store	300 <sup>(a)(c)</sup>
Menards Inc.	Home improvement	251 <sup>(a)(c)</sup>
Canad Inns	Hotel and entertainment center	225 <sup>(b)</sup>
Alerus Financial	Financial Services	203 <sup>(a)(b)</sup>

<sup>(a)</sup> Includes full-time and part-time employees.

<sup>(b)</sup> Most recent update as of September 2018.

<sup>(c)</sup> Most recent update as of September 2017.

<sup>(d)</sup> Military personnel only.

<sup>(e)</sup> Most recent update as of September 2016.

Source: This does not purport to be a comprehensive list and is based on a September 2019 telephone survey of individual employers.

## Labor Force Data

	<u>Annual Average</u>				<u>July</u>
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Labor Force (000):					
City of Grand Forks	31.105	32.396	32.471	31.620	31.087
Grand Forks County	37.423	38.826	38.943	37.913	37.290
Grand Forks MSA	54.584	56.019	55.935	54.700	54.175
State of North Dakota	413.068	412.765	410.396	404.299	411.578
Unemployment Rate:					
City of Grand Forks	2.3%	2.2%	2.1%	2.2%	2.0%
Grand Forks County	2.4	2.4	2.2	2.3	2.1
Grand Forks MSA	3.0	3.0	2.8	2.7	2.9
State of North Dakota	2.8	3.1	2.7	2.6	2.3

Source: Job Service of North Dakota, [www.jobsnd.com](http://www.jobsnd.com). 2019 data are preliminary.

## Retail Sales and Effective Buying Income (EBI)

### City of Grand Forks

<u>Data Year/ Report Year</u>	<u>Total Retail Sales (\$000)</u>	<u>Total EBI (\$000)</u>	<u>Median Household EBI</u>
2018/19	\$1,826,966	\$1,382,379	\$56,110
2017/18	1,564,950	1,548,302	46,931
2016/17	1,732,339	1,393,724	41,676
2015/16	1,960,594	1,360,365	40,303
2014/15	1,778,976	1,369,522	38,353

### Grand Forks County

<u>Data Year/ Report Year</u>	<u>Total Retail Sales (\$000)</u>	<u>Total EBI (\$000)</u>	<u>Median Household EBI</u>
2018/19	\$2,197,265	\$1,759,167	\$46,798
2017/18	1,831,630	1,941,171	48,591
2016/17	2,018,434	1,779,701	43,844
2015/16	2,284,002	1,726,765	42,903
2014/15	2,138,403	1,765,300	41,243

The 2018/19 Median Household EBI for the State of North Dakota was \$55,193. The 2018/19 Median Household EBI for the United States was \$52,468.

Sources: *Envionics Analytics, Claritas, Inc. and The Nielsen Company.*

## Building Permits Issued by the City

<u>Year</u>	<u>New Residential</u>		<u>New Commercial</u>		<u>Total Permits*</u>	
	<u>Number of Units</u>	<u>Value</u>	<u>Number of Permits</u>	<u>Value</u>	<u>Number of Permits</u>	<u>Value</u>
2019 (to 8-31)	115	\$ 27,628,526	13	\$ 52,478,661	1,211	\$181,137,648
2018	227	41,679,488	16	56,649,157	1,895	156,473,039
2017	289	44,644,894	29	22,824,499	1,948	133,766,938
2016	304	48,502,233	22	25,169,665	1,981	140,940,924
2015	433	62,109,411	26	35,688,744	1,816	203,309,401
2014	895	125,555,259	21	32,404,596	1,727	366,599,640
2013	984	110,685,427	28	124,833,375	1,579	212,067,083
2012	424	53,710,209	15	27,780,34	1,506	127,729,350
2011	326	42,319,630	17	17,467,243	1,480	144,053,797
2010	128	21,008,757	11	22,754,318	1,682	82,175,820

\* *In addition to building permits, the total value includes all other permits issued by the City (i.e. heating, lighting, plumbing, roof replacement, etc.).*

Source: *City Building Inspector.*



## Recent Development

Projects to be completed in 2019 with a value of more than \$500,000 include:

J.R. Simplot Company	Freezer	\$36,343,000
Altru Health System	Expansion and renovation of health facility	31,715,540*
University of North Dakota	Chester fritz library	9,974,163
University of North Dakota	Steam plant	7,506,752
PS Doors	Commercial building addition	5,506,887
Rydell Car Dealership	New car wash	5,300,000
Border States	New commercial building	5,000,000
Empire Townshomes	New apartment building	4,877,545
Grand Forks Public Transit	Public transit building upgrade/expansion	4,140,372
Ironhide/Bobcat	New commercial building	2,900,000
GF Public Schools	Building improvements	2,756,528
ACME	Distribution center expansion	2,680,000
EPIC Place	Apartments/clubhouse/welcome center	1,410,000
Greenberg Realty	Commercial space	1,400,000
Florian Properties, LLC	Commercial building	964,900
Maulebroeck, LLC	Commercial building additions	913,750
Walmart	Interior building remodel	880,000

\* *This is the first in a series of permits related to the construction of the facility. This permit is for foundation only.*

Other major projects include:

Growth in housing continues to be strong in several areas of the City. The City adopted development policies to attract and encourage more development both in new areas and infill areas of the City. In part, due to these single family housing policy changes, the City has seen larger housing developments, better infrastructure economies of scale, and better than historic average single housing starts.

The City is in the process of constructing a new Grand Forks Regional Water Treatment Plant, which will have an initial capacity to treat up to 20 million gallons of water per day (mgd) as compared to the current treatment capacity of 16.5 mgd. This initial capacity is designed to serve the City and surrounding region with clean, potable water through 2040 demand projections. While the initial capacity is projected to last through 2040, the new plant will be designed for scalability and will accommodate expansion to continue serving the region for the next 100 years. Construction began in December 2016 and is scheduled to be completed in 2020.

Altru Health System is planning an approximately \$305 million investment in the replacement of its current hospital with a state-of-the-art hospital facility at the current South Columbia Road campus location. The Altru hospital project reflects Altru's commitment to creating a "culture of health" in a park like setting and to incorporate the amenities of Sertoma Park, Japanese Gardens, recreational paths, and the English Coulee. The Altru hospital vision for the campus development represents a phased development over the next 25 years and is expected to have a major economic, workforce, healthy community, infrastructure, and quality of life positive impact on the Grand Forks community and region. Initial construction efforts began in 2019 with final project completion in 2022.

The City is leading a downtown action planning focused on a renewed downtown streetscape, park and open spaces, redevelopment strategies, and branding. Three specific and strategic downtown redevelopment projects began in 2018 and 2019. The first mixed use downtown project is Selkirk on 4th, which is five story and approximately \$8 million development made up of commercial space and condominiums. The Selkirk on 4<sup>th</sup> project started construction in 2018 and is scheduled to be completed in late 2019. The second mixed use downtown project is Pure Development, which is five story and approximately \$12 million development made up of a grocery store, bank, and apartments. The Pure

Development project began construction in 2019 and is anticipated to be completed in last quarter of 2020. The third project is the 2019 Demers Avenue Reconstruction Project, which will renew the main thoroughfare in the downtown district with a renewed street and associated streetscape and is an almost \$10 million infrastructure reinvestment. Future planned downtown mixed use redevelopments include the redevelopment of the downtown and current Grand Forks Water Treatment Plant site, The Argyle, and Lyons. The City is planning future downtown infrastructure redevelopments to include downtown street and streetscape and park and open space infrastructure renewals.

The University of North Dakota (UND) is currently undergoing a renewal of the campus from infrastructure to facilities. UND is currently constructing an estimated \$80 million new Steam Heating Facility, an estimated \$70 million Student Union, an estimated \$4 million Gershman Graduate Student Center, an estimated \$10 million renewed Chester Fritz Library, and an estimated \$15 million University Avenue and associated streetscape renewal and reconstruction. UND is planning future campus redevelopments to include a new \$70 million School of Business and Public Administration Building and School of Engineering and Mines Data Science Research Center.

The primary sector continues to show strong growth. Highlights in this area include a \$30 million addition to the North Dakota State Mill and Elevator, which increased its production capacity by 30 percent, and an associated rail transport facility investment of approximately \$10 million. LM Windpower, a manufacturer and supplier of rotor blades to the wind industry, completed an estimated \$1 million expansion that will allow them to manufacture 62 meter blades. PS Doors, a manufacturer of industrial doors, safety products and flood barriers, has started construction of an estimated \$6.4 million investment in an 80,000 square-foot expansion of their facility. Retrax, a manufacturer of retractable truck bed covers, has expanded their footprint to include a second larger facility within the community to meet growing demand for their products. Acme Tools has begun construction to doubling the size of its logistics and distribution center with an estimated \$2.6 million and 40,000 square-foot expansion. Border State Electric has purchased land and begun construction of an estimated \$9 million new regional office and distribution center. Ironhide Equipment is currently constructing an estimated \$4 million new corporate center and heavy equipment center. The Red River BioRefinery is constructing an estimated \$80 million ethanol facility that will process sugar beet tailings, potato, and pasta processing biomass with a process start up planned in the first quarter of 2020. J.R. Simplot Company is constructing an estimated \$60 million high bay freezer addition to its facility and as part of its larger regional logistical network.

The City continues to build on its strong collaborative and supportive relationship with the Grand Forks Air Force Base (the “Base”) and was named one of ten cities nationally to be designated as a “Greater American Defense Community” in 2016. The Base recently transitioned from an Air Mobility Command (AMC) designation to an Air Combat Command (ACC) designation, which aligns current operations with future opportunities. The Base is also in a prime location for unmanned missions that complement the Global Hawk, as well as for additional unmanned and Arctic missions.

Planning and development continues at Grand Sky, a new state-of-the-art business and technology park located on underutilized land leased from the Department of Defense at the Base. Grand Sky is focused on attracting companies and governmental organizations engaged in the research, development, training and operations of manned and unmanned aircraft systems (UAS), sensor technologies, aircraft testing and evaluation, pilot, sensor operator and aircraft maintenance training, data management and analysis, secure data storage, and systems development for energy, law enforcement and agricultural industries. The park currently includes two tenants, Northrup Grumman and General Atomics Aeronautical Systems, Inc. General Atomics joined Northrup Grumman, which produces Global Hawk unmanned aircraft, as a compliment to this industry. UND is the first school in the nation to offer a degree program in UAS operations.

Northrup Grumman has opened a \$10 million, 36,000 square-foot facility, which serves as a base for its unmanned aircraft systems research and development, as well as a training and operations site. In addition, they are completing a 35,000 square-foot hanger yet this year. General Atomics cut the ribbon on its Remote Piloted Aircraft (RPA) Flight Training Academy, which was an investment of a

\$2.5 million, and is a 19,400 square-foot facility that trains 100 pilots and crew annually from the United States and abroad. In addition, General Atomics recently announced they will more than triple their footprint at Grand Sky. The expansion for the Flight Test and Training Center at the Grand Sky UAS Business Park will grow from 5.5 acres to 20 acres, with anticipated doubling of its current employment in the years ahead.

In 2013, the State of North Dakota was designated as one of six test sites for UAS Development in the nation. In late 2016, the FAA granted a waiver to allow for Beyond Visual Line of Sight (BVLOS) flight in the Grand Forks region; the first of its kind. This summer the City continued to shine in the UAS industry, conducting the first ever trans-Atlantic flight of a private company owned UAS, followed up by the first ever BVLOS flight of a large commercial UAS without a chase plane. As this program grows, there will be increasing opportunities for partnerships between UND, Grand Forks Regional Airport Authority, the Base, Federal Aviation Administration (FAA), other federal agencies, and private sector businesses.

The Cirrus Aircraft facility, located in the City, is another example of the strong aerospace and aviation presence in the Grand Forks Region. Cirrus Aircraft is completing a 28,000 square-foot expansion to meet demand for their SR20 and SR22 piston aircraft and Vision jet.

### **Financial Institutions**

The following full service banks are located in the City\*:

	Deposits <u>As of 6-30-19</u>
Alerus Financial, National Association	\$1,760,320,000

In addition, branch offices of American Federal Bank; Bank Forward; Bremer Bank, National Association; Choice Financial Group; First International Bank & Trust; First State Bank; Frandsen Bank & Trust; Gate City Bank; U.S. Bank National Association; United Valley Bank; and Wells Fargo Bank, National Association are located throughout the City.

\* *This does not purport to be a comprehensive list.*

Source: Federal Deposit Insurance Corporation, <http://www.fdic.gov/>.

### **Health Care Services**

Medical services are available to area residents at clinics located throughout the City and at Altru Health System hospital.

Altru Health System employs 4,200 persons at its various facilities including the hospital, several clinics and its health management organization, all located within the City. The Altru hospital has a capacity of 322 licensed beds. Altru Health System has a formal affiliation with the Mayo Clinic, which means that Altru's patients have access to the highest level of clinical expertise available and benefit from enhanced access to Mayo physicians and clinical resources.

Sanford Health, located in the City of East Grand Forks, provides a full range of health care services.

## Education

### Public Education

The Grand Forks School District currently operates 12 elementary schools, four middle schools, three senior high schools, and an adult education center. District enrollment for the 2018/19 school year was approximately 7,457 students for grades K-12. (2019/20 enrollment is not yet available.)

### Non-Public Education

City residents are also served by the following private schools:

<u>School</u>	<u>Location</u>	<u>Grades</u>	<u>2018/19*</u> <u>Enrollment</u>
St. Michael's School	City of Grand Forks	PK-5	156
Holy Family Elementary	City of Grand Forks	K-5	100
St. Mary's Elementary	City of Grand Forks	K-6	47
Grand Forks Montessori Academy	City of Grand Forks	PK-6	37
Prairie Voyager Sda School	City of Grand Forks	4-6	4

\* 2019/20 enrollment is not yet available.

### Post-Secondary Education

Post-secondary education is available at the University of North Dakota with approximately 13,847 students currently enrolled in undergraduate and graduate programs. Technical/vocational programs are available at various schools located in the City of East Grand Forks, Minnesota.

## GOVERNMENTAL ORGANIZATION AND SERVICES

The City operates under a mayor-council form of government with a Mayor and seven Council Members who are elected by ward and serve overlapping four-year terms. All members of the Council are assigned specific governmental responsibilities.

The following individuals comprise the current City Council:

		<u>Expiration of Term</u>
Michael R. Brown	Mayor	June 2020
Danny Weigel	Council Member, Ward 1	June 2020
Katie Dachtler	Council Member, Ward 2	June 2022
Bret Weber	Council Member, Ward 3	June 2020
Jeannie Schultz Mock	Council Member, Ward 4	June 2022
Sandi Marshall	Council Member, Ward 5	June 2020
Dana Sande	Council Member, Ward 6	June 2022
Ken Vein	Council Member, Ward 7	June 2020

Mr. Todd Feland is the City Administrator and is responsible for the implementation of policy determined by the Council.

Ms. Maureen Storstad is the Director of Finance and Administrative Services and is responsible for the daily financial operations of the City. Ms. Storstad is a CPA and has been employed by the City since 1997 in various finance and administrative capacities.

The City has 480 regular full-time and 38 seasonal full- and part-time employees.

## Services

The City's protective services are provided by an 86 member police force. The fire department operates with a full-time force of 76. The department has 5 fire stations serving the City. Due to the addition of the 5<sup>th</sup> Fire Station in 2017 and other improvements in the Water Distribution System and Public Safety Answering Point, the City of Grand Forks earned a Class 1 rating from the Insurance Safety Office. The City is the only community in the three surrounding states that has earned this prestigious rating.

Water and sewer services are available to all City residents. The Wastewater Department consists of 20 full-time employees. The department operates and maintains the City's 46 pumping stations, 183 miles of sanitary sewer lines, 55.43 miles of force main, and the 1,360-acre lagoon and pretreatment system. Treated water is discharged to the Red River at an average of 2.6 billion gallons per year. Average daily flow is approximately 7.9 million gallons per day. The Grand Forks Water Distribution System consists of approximately 276.64 miles of various sized watermains within the City. Watermains range from 4-inches to 24-inches in diameter. The Water Maintenance and Distribution Division of the Water Utility responsibilities include providing pumping, distribution and metering services for potable water. They are responsible for the maintenance of storage tanks, transfer pumping station and metering. This includes installation of new metering equipment and the maintenance and sustained accuracy of existing meters. They also provide field services, such as metering of new construction, customer complaints, issues with customer water services and the reading of 15,100 meters with radio read systems each month. The size of water meters range from 5/8-inch in diameter to 8-inch diameter, serving industrial, institutional, commercial, and residential customers.

The City is in the process of constructing a new regional water treatment plant which will have an initial capacity to treat up to 20 million gallons of water per day (mgd) as compared to the current treatment capacity of 16.5 mgd. This initial capacity is designed to serve the City and surrounding region with clean, potable water through 2040 demand projections. While the initial capacity is projected to last through 2040, the new plant will be designed for scalability and will accommodate expansion to continue serving the region for the next 100 years. Construction began in December 2016 and is scheduled to be completed in 2020.

The Grand Forks Greenway (the "Greenway") was created in the open area between the levees and the river and consists of 2,200 acres on both sides of the Red River. The Greenway features approximately 20 miles of paved multi-use trails with two new low-flow pedestrian bridges connecting the City to the City of East Grand Forks, Minnesota, and includes other amenities such as boat ramps, picnic/rest areas, restrooms, and parking facilities. There are also neighborhood parks and pedestrian access points located in the Greenway. Ground Up Adventures operates a site for rental of canoes, kayaks and paddleboards for use on the Red River, as well as offering classes and youth clubs to provide alternative recreation opportunities to the community and visitors.

The Grand Forks Park District maintains 44 parks totaling 1,188 acres. The park and recreational facilities include two golf courses, two disc golf courses, two swimming pools, two splash parks, tennis courts, and three indoor ice arenas. A new skatepark opened within Kannowski Park, which provides recreational opportunities to skateboard enthusiasts in the community. The Choice Health and Fitness center is part of a unique collaboration between the Grand Forks Park District, Altru Health System, and the YMCA Family Center. The facility offers all the traditional fitness center components as well as providing on-site health and medical services from Altru Health System and a USDA-ARS Grand Forks Human Nutrition Center National Obesity Research Lab.

## Employee Pensions

The City Employee Pension Plan is a single employer defined benefit pension plan which covers all employees hired before January 1, 1996. The Pension Plan provides retirement benefits as well as surviving spouse benefits, and all benefits vest after five years of service. The current year's contribution is based on the prior year's payroll. The payroll for the employees covered by the City Employee Pension Plan; contributions for the City Employee Pension Plan; employer contributions covered payroll; and the unfunded pension benefit obligation of the City for the past five years are as follows:

<u>Year</u>	<u>Covered Payroll</u>	<u>City Contributions</u>	<u>Employee Contributions</u>	<u>City Contributions to Covered Payroll</u>	<u>Unfunded Benefit</u>
2018	\$5,601,246	\$3,338,042	\$385,280	59.6%	\$32,548,311
2017	6,272,995	3,325,061	428,480	53.0	25,189,766
2016	6,613,621	3,590,322	441,589	54.3	28,250,340
2015	7,540,235	3,590,325	486,234	47.6	28,529,409
2014	7,953,162	3,410,692	497,997	45.1	28,070,793

Defined Contribution Plan. On May 16, 2016, the City Council passed a resolution calling for the termination of this plan as of June 30, 2016, due to the low number of participants. With the termination of this plan, funds were required to be distributed to participants according to IRS guidelines.

North Dakota PERS Hybrid Defined Benefit Plan: The City joined the North Dakota Public Employees Retirement System (NDPERS) Hybrid Defined Benefit Plan on July 1, 2008. All employees hired after July 1, 2008 are required to participate in the NDPERS Pension Plan, which is administered by the State of North Dakota. All eligible employees were given the opportunity to enroll in the NDPERS Plan.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that provides retirement, disability and death benefits. If an active employee dies with less than three years of credited service, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than three years of credited service, the surviving spouse will be entitled to one of the following: a single payment refund; lifetime monthly payments in an amount equal to 50% of the employee's accrued normal retirement benefit; 60 monthly payments equal to the employee's accrued normal retirement benefit calculated as if the employee were age 65 the day before death occurred; or monthly payments in an amount equal to the employees' accrued 100% joint and survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the employee's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible employees who become totally disabled after a minimum of 180 days of service receive monthly disability benefits that are equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the employee must meet the criteria established by the Retirement Board for being considered totally disabled.

Employees are entitled to unreduced monthly pension benefits equal to 2.0% of their final average salary for each year of service beginning when the sum of age and years of credited service equal or exceed 85, or a normal retirement age (65). The plan permits early retirement at ages 55-64, with three or more years of service.

Benefit and contribution provisions are administered in accordance with Chapter 54-52 of the North Dakota Century Code. This State statute requires that 7% of the participant's salary be contributed to the plan by either the employee or by the employer under a "salary reduction" agreement. The City has not elected to implement a salary reduction agreement. The City is required to contribute 7.12% of each participant's salary as the employer's share. In addition to the 7.12% employer contribution, the employer is required to contribute 1.14% of each participating employee's gross wage to a prefunded retiree health insurance program. The required contributions are determined using an entry age normal

actuarial funding method and are included in state statute. The North Dakota Retirement Board was created by the State Legislature and is the governing authority of NDPERS. The City's required and actual contributions to NDPERS for the years ended December 31 are as follows:

<u>Year</u>	<u>NDPERS</u>
2018	\$2,402,835
2017	4,684,466
2016	3,385,547
2015	1,326,643
2014	1,148,860

For more information regarding the liability of the City with respect to its employees, please reference Note IV Other Information – E. Employee Retirement Systems and Pension Plans of the City's Comprehensive Annual Financial Report for the fiscal year ended December 31, 2018, an excerpt of which is included as Appendix III of this Official Statement.

### GASB 68

The Government Accounting Standards Board (GASB) has issued Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68) and related GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment to GASB 68, which revised existing standards for measuring and reporting pension liabilities for pension plans provided to City employees and require recognition of a liability equal to the City's proportionate share of net pension liability, which is measured as the total pension liability less the amount of the pension plan's fiduciary net position.

The City's proportionate shares of the pension costs and the City's net pension liability for NDPERS for the past four years are as follows:

	<u>Proportionate Share of Pension Costs</u>	<u>Net Pension Liability</u>
2018	2.167287%	\$36,575,332
2017	2.236455	35,947,172
2016	1.988687	19,381,693
2015	1.837291	12,892,267

Sources: City's Comprehensive Annual Financial Reports.

### **Other Post-Employment Benefits**

The Government Accounting Standards Board (GASB) has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75), establishing new accounting and financial reporting requirements related to post-employment healthcare and other non-pension benefits (referred to as Other Postemployment Benefits or "OPEB"). The implementation of GASB 75 required the restatement of the City's beginning net position for the fiscal year ended December 31, 2018. Please see "Note IV Other Information – K. Change in Accounting Principles and Restatement of Net Position" in the City's Comprehensive Annual Financial Report for the fiscal year ended December 31, 2018 for this calculation.

The City participates in the Post Employment Health Plan (PEHP) for Public Employees. The plan provides post employment reimbursements of qualifying medical care expenses for the benefit of employees and their dependents. The City has agreed to make contributions pursuant to the plan on behalf of employees on a pay-as-you-go basis. The contributions are held in trust by the LaSalle National Bank as trustee of the PEHP for the exclusive benefit of the plan participants and their qualified dependents. Nationwide Retirement Solutions, Inc. is the administrator of the Post Employment Health

Plan. The City contributed \$228,444 for the plan year ended December 31, 2018. The total market value of plan assets as of December 31, 2018 was \$4,369,487.

The retiree benefits discussed above are the City’s only OPEB. The City must report an annual OPEB cost based on actuarially determined amounts that, if paid on an ongoing basis, will provide sufficient resources to pay these benefits as they come due. The City may establish its OPEB liability at zero as of the beginning of the initial year of implementation; however the unfunded actuarial liability is required to be amortized over future periods.

For additional information concerning the City’s OPEB obligations, please reference the Note IV Other Information – E. Employee Retirement Systems and Pension Plans of the City’s Comprehensive Annual Financial Report for the fiscal year ended December 31, 2018, an excerpt of which is included as Appendix III of this Official Statement.

Sources: City’s Comprehensive Annual Financial Reports.

### General Fund Budget Summary

	<u>2018 Budget</u>	<u>2018 Actual</u>	<u>2019 Budget</u>
Beginning Balance	\$13,332,019	\$13,332,019	\$13,654,592
Revenues:			
Taxes	\$21,331,052	\$20,704,358	\$21,051,433
Licenses and Permits	1,757,980	1,871,020	1,762,415
Intergovernmental	4,168,890	4,604,525	4,127,000
Charge for Services	6,113,377	6,475,270	7,253,021
Fines and Forfeitures	780,000	753,883	813,000
Interest and Miscellaneous	2,736,296	2,926,213	2,714,836
Sale of Property	0	65,443	0
Operating Transfers In	<u>1,486,065</u>	<u>1,396,721</u>	<u>1,886,057</u>
Total Revenues	\$38,373,660	\$38,797,433	\$39,607,762
Expenditures:			
General Government	\$12,021,903	\$ 9,061,053	\$ 9,343,481
Health and Welfare	2,031,785	2,107,008	2,155,635
Public Safety	19,330,991	19,321,615	21,514,361
Highway and Streets	4,096,335	6,437,385	6,041,588
Capital Outlay	581,976	447,742	0
Transfers Out	<u>968,071</u>	<u>1,100,057</u>	<u>1,087,884</u>
Total Expenditures	\$39,031,061	\$38,474,860	\$40,142,949
Ending Balance	\$12,674,618	\$13,654,592	\$13,119,405

Sources: City’s Comprehensive Annual Financial Reports and 2019 Budget.

### Major General Fund Revenue Sources

<u>Revenue</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Taxes	\$18,460,298	\$19,011,425	\$19,060,698	\$19,933,886	\$20,704,358
Charge for Services	5,978,767	6,166,113	6,480,071	6,774,474	6,475,270
Intergovernmental	5,366,963	5,415,362	4,189,017	4,193,948	4,604,525
Interest and Miscellaneous	2,516,030	2,794,440	2,738,001	2,838,080	2,926,213
Licenses & Permits	1,884,524	2,210,419	1,737,903	1,863,331	1,871,020

Sources: City’s Comprehensive Annual Financial Reports.



## PROPOSED FORM OF LEGAL OPINION



City of Grand Forks  
Grand Forks, North Dakota

[Original Purchaser]

Re:     \$[3,820,000] Sanitation Reserve Revenue Bonds, Series 2019C  
       City of Grand Forks, North Dakota

Ladies and Gentlemen:

As Bond Counsel in connection with the authorization, issuance and sale by the City of Grand Forks, North Dakota (the “City”), of the obligations described above, dated, as originally issued, as of November [\_\_\_], 2019 (the “Series 2019C Bonds,” and, together with certain bonds heretofore issued, and any additional bonds hereafter issued on a parity therewith, the “Bonds”), we have examined certified copies of certain proceedings taken, and certain affidavits and certificates furnished, by the City in the authorization, sale and issuance of the Series 2019C Bonds, including the form of the Series 2019C Bonds. As to questions of fact material to our opinion, we have assumed the authenticity of and relied upon the proceedings, affidavits and certificates furnished to us without undertaking to verify the same by independent investigation. From our examination of such proceedings, affidavits and certificates and on the basis of existing law, it is our opinion that:

1.     The Series 2019C Bonds are valid and binding special obligations of the City, enforceable in accordance with their terms.

2.     The principal of and interest on the Series 2019C Bonds are payable, equally and ratably with the other Bonds payable therefrom, from the Reserve Revenue Bond Account (the “Bond Account”) of the Sanitation Utility Fund of the City, in accordance with the provisions of Article 9 of Chapter 2 of the Grand Forks City Code, as amended, and an authorizing resolution adopted by the City Council on October 21, 2019 (the “Bond Resolution”), into which Bond Account will be paid monthly, out of the net revenues of the sanitation utility an amount equal to not less than one-sixth of the interest due within the next succeeding six months, plus one-twelfth of the principal due within the next succeeding twelve months, with respect to all then-outstanding Bonds payable from the Bond Account. By the Bond Resolution, the City has covenanted that rates and charges for the facilities and services afforded by the sanitation utility will from time to time be made and kept sufficient to provide gross income and revenues adequate for prompt payment of the reasonable and current expenses of the sanitation utility, including reasonable reserves for contingencies, and produce each year net revenues in excess of such current expenses, sufficient, with any other moneys appropriated for the purpose, for payment of principal and interest on all Bonds payable from the Bond Account.

3.     A Reserve Revenue Bond Reserve Account (the “Reserve Account”) has been created in the Sanitation Utility Fund in an amount equal to the lesser of (i) maximum annual debt service on, (ii) 125% of the average annual debt service on, or (iii) 10% of the proceeds of all Bonds payable from the Bond Account. In the event of a deficiency in the Reserve Account, the City is required by Article 9 of Chapter 2 of the Grand Forks City Code, as amended, to levy a tax on all taxable property in the City for restoration of any such deficiency, which deficiency levy is not subject to any limitation as to rate or amount.

4. Interest on the Bonds (a) is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and (b) is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Code.

5. Interest on the Bonds is excluded from taxable income for North Dakota income tax purposes.

The opinions expressed in paragraphs 1, 2, and 3 are subject, as to enforceability, to the effect of any state or federal laws relating to bankruptcy, insolvency, reorganization, moratorium, or creditors' rights and the application of equitable principles, whether considered at law or in equity.

The opinions expressed in paragraphs 4 and 5 above are subject to the compliance by the City with certain requirements of the Code that must be satisfied subsequent to the issuance of the Series 2019C Bonds. Noncompliance with these requirements could result in the inclusion of interest on the Series 2019C Bonds in gross income for federal income tax purposes and taxable income for North Dakota income tax purposes, retroactive to the date of issuance of the Series 2019C Bonds.

Except as stated herein, we express no opinion regarding federal, state, or other tax consequences to the owner of the Bonds.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may occur after the date hereof and which may be retroactive.

Dated: November [\_\_], 2019.

Very truly yours,

## CONTINUING DISCLOSURE COVENANTS

Continuing Disclosure. (a) Purpose and Beneficiaries. To provide for the public availability of certain information relating to the Bonds and the security therefor and to permit the Purchaser and other participating underwriters in the primary offering of the Bonds to comply with amendments to Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 C.F.R. § 240.15c2-12), relating to continuing disclosure (as in effect and interpreted from time to time, the Rule), which will enhance the marketability of the Bonds, the City hereby makes the following covenants and agreements for the benefit of the Owners (as hereinafter defined) from time to time of the Outstanding Bonds. The City is the only obligated person in respect of the Bonds within the meaning of the Rule for purposes of identifying the entities in respect of which continuing disclosure must be made. If the City fails to comply with any provisions of this section, any person aggrieved thereby, including the Owners of any Outstanding Bonds, may take whatever action at law or in equity may appear necessary or appropriate to enforce performance and observance of any agreement or covenant contained in this section, including an action for a writ of mandamus or specific performance. Direct, indirect, consequential and punitive damages shall not be recoverable for any default hereunder to the extent permitted by law. Notwithstanding anything to the contrary contained herein, in no event shall a default under this section constitute a default under the Bonds or under any other provision of this resolution. As used in this section, Owner or Bondowner means, in respect of a Bond, the registered owner or owners thereof appearing in the bond register maintained by the Registrar or any Beneficial Owner (as hereinafter defined) thereof, if such Beneficial Owner provides to the Registrar evidence of such beneficial ownership in form and substance reasonably satisfactory to the Registrar. As used herein, Beneficial Owner means, in respect of a Bond, any person or entity which (i) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, such Bond (including persons or entities holding Bonds through nominees, depositories or other intermediaries), or (ii) is treated as the owner of the Bond for federal income tax purposes.

(b) Information To Be Disclosed. The City will provide, in the manner set forth in subsection (c) hereof, either directly or indirectly through an agent designated by the City, the following information at the following times:

- (1) on or before twelve months after the end of each fiscal year of the City, commencing with the fiscal year ending December 31, 2019, the following financial information and operating data in respect of the City (the Disclosure Information):
  - (A) the audited financial statements of the City for such fiscal year, prepared in accordance with the governmental accounting standards promulgated by the Governmental Accounting Standards Board or as otherwise provided under North Dakota law, as in effect from time to time, or, if and to the extent such financial statements have not been prepared in accordance with such generally accepted accounting principles for reasons beyond the reasonable control of the City, noting the discrepancies therefrom and the effect thereof, and certified as to accuracy and completeness in all material respects by the fiscal officer of the City; and
  - (B) to the extent not included in the financial statements referred to in paragraph (A) hereof, the information for such fiscal year or for the period most recently available of the type contained in the Official Statement under heading: "The Sanitation Utility."

Notwithstanding the foregoing paragraph, if the audited financial statements are not available by the date specified, the City shall provide on or before such date unaudited financial statements in the format

required for the audited financial statements as part of the Disclosure Information and, within 10 days after the receipt thereof, the City shall provide the audited financial statements. Any or all of the Disclosure Information may be incorporated by reference, if it is updated as required hereby, from other documents, including official statements, which have been filed with the SEC or have been made available to the public on the Internet Web site of the Municipal Securities Rulemaking Board (“MSRB”). The City shall clearly identify in the Disclosure Information each document so incorporated by reference. If any part of the Disclosure Information can no longer be generated because the operations of the City have materially changed or been discontinued, such Disclosure Information need no longer be provided if the City includes in the Disclosure Information a statement to such effect; provided, however, if such operations have been replaced by other City operations in respect of which data is not included in the Disclosure Information and the City determines that certain specified data regarding such replacement operations would be material (as defined in paragraph (2) hereof), then, from and after such determination, the Disclosure Information shall include such additional specified data regarding the replacement operations. If the Disclosure Information is changed or this section is amended as permitted by this paragraph (b)(1) or subsection (d), then the City shall include in the next Disclosure Information to be delivered hereunder, to the extent necessary, an explanation of the reasons for the amendment and the effect of any change in the type of financial information or operating data provided.

- (2) In a timely manner not in excess of ten business days after the occurrence of the event, notice of the occurrence of any of the following events (each a “Material Event”):
  - (A) Principal and interest payment delinquencies;
  - (B) Non-payment related defaults, if material;
  - (C) Unscheduled draws on debt service reserves reflecting financial difficulties;
  - (D) Unscheduled draws on credit enhancements reflecting financial difficulties;
  - (E) Substitution of credit or liquidity providers, or their failure to perform;
  - (F) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
  - (G) Modifications to rights of security holders, if material;
  - (H) Bond calls, if material, and tender offers;
  - (I) Defeasances;
  - (J) Release, substitution, or sale of property securing repayment of the securities, if material;
  - (K) Rating changes;
  - (L) Bankruptcy, insolvency, receivership or similar event of the obligated person;
  - (M) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
  - (N) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
  - (O) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
  - (P) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

For purposes of the events identified in paragraphs (O) and (P) above, the term “financial obligation” means (i) a debt obligation; (ii) a derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) a guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

As used herein, for those events that must be reported if material, an event is “material” if it is an event as to which a substantial likelihood exists that a reasonably prudent investor would attach importance thereto in deciding to buy, hold or sell a Bond or, if not disclosed, would significantly alter the total information otherwise available to an investor from the Official Statement, information disclosed hereunder or information generally available to the public. Notwithstanding the foregoing sentence, an event is also “material” if it is an event that would be deemed material for purposes of the purchase, holding or sale of a Bond within the meaning of applicable federal securities laws, as interpreted at the time of discovery of the occurrence of the event.

For the purposes of the event identified in (L) hereinabove, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

- (3) In a timely manner, notice of the occurrence of any of the following events or conditions:
  - (A) the failure of the City to provide the Disclosure Information required under paragraph (b)(1) at the time specified thereunder;
  - (B) the amendment or supplementing of this section pursuant to subsection (d), together with a copy of such amendment or supplement and any explanation provided by the City under subsection (d)(2);
  - (C) the termination of the obligations of the City under this section pursuant to subsection (d);
  - (D) any change in the accounting principles pursuant to which the financial statements constituting a portion of the Disclosure Information are prepared; and
  - (E) any change in the fiscal year of the City.

(c) Manner of Disclosure.

- (1) The City agrees to make available to the MSRB, in an electronic format as prescribed by the MSRB from time to time, the information described in subsection (b).
- (2) All documents provided to the MSRB pursuant to this subsection (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(d) Term; Amendments; Interpretation.

- (1) The covenants of the City in this section shall remain in effect so long as any Bonds are Outstanding. Notwithstanding the preceding sentence, however, the obligations of the City under this section shall terminate and be without further effect as of any date on which the City delivers to the Registrar an opinion of Bond Counsel to the effect that, because of legislative action or final judicial or administrative actions or proceedings, the

failure of the City to comply with the requirements of this section will not cause participating underwriters in the primary offering of the Bonds to be in violation of the Rule or other applicable requirements of the Securities Exchange Act of 1934, as amended, or any statutes or laws successory thereto or amendatory thereof.

- (2) This section (and the form and requirements of the Disclosure Information) may be amended or supplemented by the City from time to time, without notice to (except as provided in paragraph (c)(3) hereof) or the consent of the Owners of any Bonds, by a resolution of this Council filed in the office of the recording officer of the City accompanied by an opinion of Bond Counsel, who may rely on certificates of the City and others and the opinion may be subject to customary qualifications, to the effect that: (i) such amendment or supplement (a) is made in connection with a change in circumstances that arises from a change in law or regulation or a change in the identity, nature or status of the City or the type of operations conducted by the City, or (b) is required by, or better complies with, the provisions of paragraph (b)(5) of the Rule; (ii) this section as so amended or supplemented would have complied with the requirements of paragraph (b)(5) of the Rule at the time of the primary offering of the Bonds, giving effect to any change in circumstances applicable under clause (i)(a) and assuming that the Rule as in effect and interpreted at the time of the amendment or supplement was in effect at the time of the primary offering; and (iii) such amendment or supplement does not materially impair the interests of the Bondowners under the Rule.

If the Disclosure Information is so amended, the City agrees to provide, contemporaneously with the effectiveness of such amendment, an explanation of the reasons for the amendment and the effect, if any, of the change in the type of financial information or operating data being provided hereunder.

- (3) This section is entered into to comply with the continuing disclosure provisions of the Rule and should be construed so as to satisfy the requirements of paragraph (b)(5) of the Rule.

## EXCERPT FROM SERIES 2019C BOND RESOLUTION

Section 4. Sanitation Utility Fund.

4.01. Sanitation Utility Fund. The Director of Finance and Administrative Services has established and will maintain the Sanitation Utility Fund as a separate and special fund in the financial records of the City until all Bonds issued and made payable therefrom, and interest and redemption premiums due thereon, have been duly paid or discharged. Within the Sanitation Utility Fund are various separate accounts to be maintained by the City.

4.02. Operation and Maintenance Account. To the Operation and Maintenance Account there shall be credited upon each monthly apportionment, as a first lien and charge on the gross revenues, such sum as shall be needed, over and above any credit balance then held in the Operation and Maintenance Account, to pay all claims then due and allowed which by accepted accounting practices constitute normal, reasonable and current expenses of the operation and maintenance of the Utility, and to pay all such expenses estimated to accrue for a period of one month thereafter, and to maintain a reasonable reserve for contingencies. Money in the Operation and Maintenance Account shall be used only to pay expenses of this type, and not for major repairs, replacements or capital improvements which are properly chargeable to replacement and depreciation reserves or surplus funds. The net revenues of the Utility, which are herein pledged and appropriated to the extent required for the payment of the Bonds herein authorized and interest thereon, are hereby defined as the aggregate of all sums on hand in the Sanitation Utility Fund from time to time in excess of the current requirements of the Operation and Maintenance Account as described herein (the "Net Revenues").

4.03. Construction Account. A Construction Account has been established within the Sanitation Utility Fund. Proceeds of the Bonds deposited in the Construction Account shall be used only to pay the costs of the Improvements and the costs of issuance of the Bonds. There shall be credited to the Construction Account, from the proceeds of the Bonds, an amount equal to the cost of the Improvements and an amount equal to the estimated costs of issuance to be paid therefrom. Upon completion of the Improvements and when all costs of issuance and all costs of the Improvements have been paid, any balance remaining in the Construction Account shall be credited to the Reserve Revenue Bond Account identified in Section 4.04 below.

4.04. Reserve Revenue Bond Account. A Reserve Revenue Bond Account has been established within the Sanitation Utility Fund, to which there shall be set aside and credited from the Net Revenues of the Utility at each monthly apportionment an amount equal to not less than the sum of one-sixth of the interest due within the next six months plus one-twelfth of the principal to become due within the next twelve months with respect to all reserve revenue bonds heretofore or herein issued or issued in the future and made payable from the Reserve Revenue Bond Account. This requirement is cumulative, and if the Net Revenues are not sufficient to credit the sum required in any month, an amount equal to the deficiency shall be transferred from the Surplus Account of the Sanitation Utility Fund, or shall be credited from the next Net Revenues thereafter received in excess of current requirements. Temporary obligations issued pursuant to Section 2-907 of Article 9 of Chapter 2 of the Grand Forks City Code, as amended, shall also be payable from the Reserve Revenue Bond Account, but with respect to such temporary obligations, no amounts shall be required to be credited from such Net Revenues on account of the principal thereof. Money from time to time held in the Reserve Revenue Bond Account shall be disbursed only to meet payments of principal, premium, if any, and interest due on Bonds issued and made payable from the Reserve Revenue Bond Account. To the Reserve Revenue Bond Account shall be credited all proceeds of reserve revenue bonds issued for the purpose of paying any temporary obligations issued and made payable therefrom, except such amounts as may be required to be placed in the Reserve Revenue Bond Reserve Account.

4.05. Reserve Revenue Bond Reserve Account. A Reserve Revenue Bond Reserve Account has been established within the Sanitation Utility Fund. Proceeds of the Bonds shall be credited to the Reserve Revenue Bond Reserve Account as set forth in Section 2.08 hereof. Upon the issuance of any

additional series of definitive reserve revenue bonds, the balance in the Reserve Revenue Bond Reserve Account shall be increased, if necessary, either from the proceeds of such bonds or from funds on hand and available for the purpose, to an amount equal to the lesser of (i) maximum annual debt service on, (ii) 125% of the average annual debt service on, or (iii) ten percent of the proceeds of, all bonds payable from the Reserve Revenue Bond Account. Funds will be transferred from the Reserve Revenue Bond Reserve Account to the Reserve Revenue Bond Account at any time the balance on hand in the Reserve Revenue Bond Account is insufficient to meet current requirements for payment of principal and interest on the Bonds payable therefrom. In the event of such transfer, and if the then existing deficiency in the Reserve Revenue Bond Reserve Account cannot be restored from available funds in the Surplus Account of the Sanitation Utility Fund, the City shall levy a tax upon all taxable property within the corporate limits of the City sufficient to restore the balance in the Reserve Revenue Bond Reserve Account to the amount required pursuant to Article 9 of Chapter 2 of the Grand Forks City Code, as amended, which tax shall be reimbursed to the general fund of the City out of the first available revenues in the Surplus Account of the Sanitation Utility Fund.

4.06. Surplus Account. To the Surplus Account shall be credited all Net Revenues from time to time received in excess of the current requirements of the Reserve Revenue Bond Account and the Reserve Revenue Bond Reserve Account; except that in the event of the future pledge and appropriation of surplus Net Revenues for the payment and security of additional obligations subordinate to the pledge and appropriation of Net Revenues to the Reserve Revenue Bond Account and the Reserve Revenue Bond Reserve Account, the City reserves the right to create one or more additional accounts within the Sanitation Utility Fund for the segregation of surplus Net Revenues available for the payment of any such obligations. The balance on hand from time to time in the Surplus Account shall be available and shall be used to the full extent necessary to restore any deficiency in the Operation and Maintenance Account, the Reserve Revenue Bond Account and the Reserve Revenue Bond Reserve Account, but when not so needed, may be used to pay for replacements, repairs or capital improvements of the Utility, or to pay principal and interest on subordinate obligations hereafter issued for such purposes, or to redeem and pay before maturity bonds payable from the Reserve Revenue Bond Account, when and as such bonds become redeemable according to their terms, or for any other proper purpose of the City authorized in accordance with resolutions of the City Council.

#### Section 5. Additional Bonds.

5.01. Refunding Bonds. The City reserves the right and privilege of refunding any or all of the Bonds herein authorized, subject to the following terms and conditions:

Any matured Bonds may be refunded if money available for the payment thereof at maturity should at any time be insufficient to make such payment in full, and may be made payable from the Reserve Revenue Bond Account on a parity as to interest with all then outstanding bonds issued hereunder, provided that (1) the maturity of each such Bond shall be subsequent to the last maturity of any then outstanding bonds issued hereunder which are not refunded, and (2) no Bondholder shall be required to accept a refunding Bond in exchange for any Bond owned.

5.02. Reserve Revenue Bonds. The City reserves the right to issue additional Reserve Revenue Bonds for the purpose of (i) paying any additional cost of completing the Improvements in excess of the cost now estimated, (ii) refunding bonds payable from the Sanitation Utility Fund under circumstances other than those contemplated in Section 5.01, or (iii) paying the cost of additional improvements to the Utility, which additional revenue bonds shall be payable on a parity with the Bonds from the Reserve Revenue Bond Account, provided that: (a) the Net Revenues of the Utility in the immediately preceding fiscal year, subject to adjustment as hereinafter authorized, have been not less than 100% of the maximum future annual debt service with respect to the revenue bonds then issued and all revenue bonds then outstanding (excluding bonds for which Net Revenues are no longer pledged upon fulfillment of the conditions set forth in Section 6 hereof); and (b) in accordance with the provisions of Article 9 of Chapter 2 of the Grand Forks City Code, as amended, the balance in the Reserve Account shall be increased from the proceeds of the revenue bonds then issued or from funds then on hand and available for that purpose



to the amount required by Section 4.05 hereof (on a calendar year basis) with respect to the revenue bonds then issued and all revenue bonds then outstanding. Computations under subsection (a) shall be made on a basis corresponding to the fiscal year of the Utility.

For the purpose of the computation under subsection (a), the Net Revenues shall be those shown by the official financial records of the City, except that if the rates and charges for sanitation service have been changed since the beginning of the preceding fiscal year, then the rates and charges in effect at the time of issuance of the additional bonds shall be applied to the quantities of service actually rendered and made available during such preceding fiscal year to ascertain the gross revenues, from which there shall be deducted, to determine the Net Revenues, the actual operation and maintenance cost plus any additional annual costs of operation and maintenance which the engineer for the City estimates will be incurred because of the improvement or extension of the Utility to be constructed from the proceeds of the additional bonds proposed to be issued.

5.03. Subordinate Bonds. Nothing in this resolution shall preclude the City from issuing additional bonds which are expressly made a charge on only the surplus Net Revenues of the Utility subordinate to the pledge of Net Revenues to the Bonds.

Section 6. Defeasance. When all of the Bonds have been discharged as provided in this section (and are no longer "Outstanding" for purposes of this Resolution), all pledges, covenants and other rights granted by this resolution shall cease. The City may discharge its obligations with respect to any Bonds which are due on any date by depositing with the paying agent on or before that date a sum sufficient for the payment thereof in full; or, if any Bond should not be paid when due, the same may nevertheless be discharged by depositing with the paying agent a sum sufficient for the payment thereof in full with interest accrued from the due date of such deposit. The City may also discharge its obligations with respect to any prepayable Bonds according to their terms by depositing with the paying agent on or before that date an amount equal to the principal and interest which are then due, provided that notice of such redemption has been duly given as provided herein. The City may also discharge its obligations with respect to any bonds of any series at any time by irrevocably depositing in escrow with a bank qualified by law to act as an escrow agent, for the purpose of paying all principal and interest due on such bonds prior to a date upon which the same will be prepayable according to their terms, a sum of cash and securities of the types described in North Dakota Century Code, Section 21-03-06(7), in such aggregate amount, bearing interest at such rates and maturing or callable at the holder's option on such dates as shall be required to provide funds sufficient for this purpose; provided that notice of the redemption of all prepayable Bonds on or before such date has been duly given as required herein.

#### Section 7. Covenants.

7.01. Rates and Charges. The City hereby covenants and agrees with the Purchaser and registered owners from time to time of all Bonds that it will at all times continue to impose, maintain and collect rates, charges and rentals for the services, facilities and benefits provided by the Utility (including all additions and betterments thereof) to its inhabitants and industries and all others, such as will make the revenues of the Utility sufficient to meet all of the requirements of the Sanitation Utility Fund as outlined in Article 9 of Chapter 2 of the Grand Forks City Code, as amended, including the payment of all current, reasonable and necessary costs of operation and maintenance, and the maintenance of a reasonable reserve for contingencies, and the production of Net Revenues, in excess of the foregoing requirements, at least sufficient for the payment of principal and interest currently due, and the maintenance of any reserves required, with respect to all bonds payable therefrom, including the Bonds.

7.02. Insurance. The City will at all times keep the Utility and the various parts thereof issued against loss or damage by causes customarily insured against for like properties, and in amounts customarily maintained by prudent owners of like properties, and will use the proceeds of any and all such insurance to repair or restore the damage compensated thereby, or to pay and retire outstanding bonds payable from the Net Revenues of the Utility.

7.03. Books and Records. The City will cause proper and adequate books of record and account to be kept showing complete and correct entries of all receipts, disbursements and other transactions relating to the Utility, the monthly revenues derived from its operation, and the segregation and application of the revenues in accordance with this resolution and Article 9 of Chapter 2 of the Grand Forks City Code, as amended, in such reasonable detail as may be determined by the City in accordance with generally accepted accounting practices and principles.

7.04. Property of the Utility. The City will not mortgage, lease, sell, or otherwise dispose of any real or personal properties of the Utility, unless:

(a) Prior to or simultaneous with such mortgage, lease, sale or other disposition, all of the Bonds then outstanding shall be discharged as provided in Section 6; or

(b) The properties to be mortgaged, leased, sold or otherwise disposed of are unserviceable, inadequate, obsolete or no longer required for use in connection with the Utility; or

(c) The mortgage, lease, sale or other disposition will not prevent the City from complying with the provisions of this resolution; or

(d) In any event referred to in clause (b) or (c), all proceeds of the mortgage, lease, sale or other disposition of such properties are deposited into the Sanitation Utility Fund.

7.05. Remedies. In the event of a default in the payment of any Bond, the registered owner thereof shall have all rights, remedies, powers and privileges granted by law for the enforcement of the registered owner's rights and the collection of the Bond, including all rights and remedies of registered owners of revenue bonds under the provisions of Chapter 40-35, North Dakota Century Code, as amended. The City represents and covenants that the City is or will be the owner of all facilities financed by the Bonds.

7.06. Tax Exemption. (a) The City covenants and agrees with the registered owners of the Bonds that it will not take or permit to be taken by any of its officers, employees or agents any action which would cause the interest on the Bonds to become includible in gross income for federal income tax purposes under the Internal Revenue Code of 1986, as amended (the "Code"), and applicable Treasury Regulations (the "Regulations"), and covenants to take any and all actions within its powers to ensure that the interest on the Bonds will not become includible in gross income for federal income tax purposes under the Code and the Regulations. So long as the Bonds are outstanding, the City will not enter into any lease, use agreement, management agreement, or other contract or agreement respecting said facilities which would cause the Bonds to be considered "private activity bonds" or "private loan bonds" pursuant to the provisions of Section 141 of the Code.

(b) The Director of Finance and Administrative Services shall ascertain monthly the amount on deposit in the Reserve Revenue Bond Account of the Sanitation Utility Fund. If the amount on deposit therein ever exceeds by more than \$100,000 the aggregate amount of principal and interest due and payable from the Reserve Revenue Bond Account within the next succeeding 12 months, such excess shall be used to prepay and redeem Bonds or be invested at a yield not exceeding the yield on the Bonds, based upon their amounts, maturities and interest rates on their date of issue, computed by the actuarial method. The City reserves the right to amend the provisions of this section at any time, whether prior to or after the delivery of the Bonds, if and to the extent the Council determines that the provisions of this section are not necessary in order to ensure that the Bonds are not "arbitrage bonds" within the meaning of Section 148 of the Code and the Regulations.

## Section 8. Tax, Reimbursement and Continuing Disclosure Matters.

8.01. Arbitrage Certification. The Mayor and the Director of Finance and Administrative Services being the officers of the City charged with the responsibility for issuing the Bonds pursuant to this Resolution, are authorized and directed to execute and deliver to the Purchaser a certificate in

accordance with the provisions of Section 148 of the Code and applicable Regulations, stating the facts, estimates and circumstances in existence on the date of issue and delivery of the Bonds which make it reasonable to expect that the proceeds of the Bonds will not be used in a manner that would cause the Bonds to be arbitrage bonds within the meaning of the Code and Regulations.

8.02. Rebate. The City acknowledges that the Bonds are subject to the rebate requirements of Section 148(f) of the Code. The City covenants and agrees to retain such records, make such determinations, file such reports and documents and pay such amounts at such times as are required under said Section 148(f) and applicable Regulations to preserve the exclusion of interest on the Bonds from gross income for federal income tax purposes, unless the proceeds of the Bonds (other than the proceeds allocated to the Reserve Account) qualify for an exception from the rebate requirement pursuant to one of the spending exceptions set forth in Section 1.148-7 of the Regulations and no “gross proceeds” of the Bonds (other than amounts constituting a “bona fide debt service fund”) arise during or after the expenditure of the original proceeds thereof.

8.03. No Designation as Qualified Tax-Exempt Obligations. The Bonds shall not be designated as “qualified tax-exempt obligations” for purposes of Section 265(b)(3) of the Code.

8.04. Reimbursement. The City certifies that the proceeds of the Bonds will not be used by the City to reimburse itself for any expenditure with respect to the Improvements which the City paid or will have paid prior to the issuance of the Bonds unless, with respect to such prior expenditures, the City shall have made a declaration of official intent which complies with the provisions of Section 1.150-2 of the Regulations; provided that this certification shall not apply (i) with respect to certain de minimis expenditures, if any, with respect to the Improvements meeting the requirements of Section 1.150-2(f)(1) of the Regulations, or (ii) with respect to “preliminary expenditures” for the Improvements as defined in Section 1.150-2(f)(2) of the Regulations, including engineering or architectural expenses and similar preparatory expenses, which in the aggregate do not exceed 20% of the “issue price” of the Bonds.

**EXCERPT OF 2018 COMPREHENSIVE ANNUAL FINANCIAL REPORT**

Data on the following pages was extracted from the City's Comprehensive Annual Financial Report for fiscal year ended December 31, 2018. The reader should be aware that the complete financial statements may contain additional information which may interpret, explain or modify the data presented here.

The City's comprehensive annual financial reports for the years ending 1986 through 2017 were awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting. The City has submitted its CAFR for the 2018 fiscal year to GFOA.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report (CAFR), whose contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only.

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and  
Members of the City Council  
City of Grand Forks, North Dakota

**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 Grand Forks, North Dakota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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 Grand Forks, North Dakota, as of December 31, 2018, 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 accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

**Required Supplementary Information**

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

**Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grand Forks, North Dakota's basic financial statements. The introductory section, combining and individual non-major fund financial statements, schedules of capital assets used in the operation of governmental funds, supporting schedules 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, schedules of capital assets used in the operation of governmental funds and supporting schedules, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non-major fund financial statements, schedules of capital assets used in the operation of governmental funds and supporting schedules, 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.

We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the City Grand Forks North Dakota's basic financial statements for the year ended December 31, 2017, which are not presented with the accompanying financial statements. In our report dated June 7, 2018, we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information. In our opinion, the 2017 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 basic financial statements for the year ended December 31, 2017, taken as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2019, on our consideration of the City of Grand Forks, North Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Grand Forks, North Dakota's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Grand Forks, North Dakota's internal control over financial reporting.

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

June 18, 2019

## CITY OF GRAND FORKS, NORTH DAKOTA MANAGEMENT DISCUSSION AND ANALYSIS

As the management of the City of Grand Forks, we are pleased to offer readers of the City of Grand Forks financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2018. Please read it in conjunction with the additional information presented in the accompanying letter of transmittal, the City's basic financial statements, and the notes to the financial statements.

### Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources by \$604 million (net position) at the end of the calendar year 2018.
- The City's total net position increased by \$41 million. This increase is explained in subsequent sections of this analysis.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$77 million, an increase of \$3.2 million in comparison to the prior year. Of this total amount, approximately \$18.1 million, twenty four percent (24%) is available for spending at the City's discretion.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$9.2 million, or twenty five percent (25%) of total general fund expenditures of \$37 million.
- The City's total debt and non-current liabilities increased by \$18.9 million during 2018.
- During the current year, the City issued:
  - \$9,000,000 of Sewer Reserve Revenue Bonds, Series 2018A to finance improvements for the Grand Forks Wastewater Treatment Plant through the North Dakota State Department of Health (State Revolving Loan Fund). These funds are drawn down as needed. The amount drawn and the outstanding as of December 31, 2018 was \$4,284,772.
  - \$12,155,000 of Refunding Improvement Bonds, Series 2018B, to finance various improvement projects in the City.
  - The City also drew down an additional \$23,033,386 from the \$66,000,000 of Water Reserve Revenue Bonds, Series 2017A to finance the construction of the Regional Water Treatment Plant through the North Dakota State Department of Health. The amount drawn and outstanding as of December 31, 2018, was \$33,002,722.
  - An additional \$2,726,800 was drawn down in 2018 on the three Bank of North Dakota loans as follows:
    - \$1,309,784 on the \$2,670,000 Sewer Reserve Revenue Loan for Lift Station #17 Improvements, which leaves a total drawn and outstanding of \$2,473,057 as of December 31, 2018.
    - \$807,477 on the \$7,155,000 Special Assessment Loan for various infrastructure projects near the new Water Treatment Plant, which leaves a total drawn and outstanding of \$4,789,191 as of December 31, 2018.
    - \$609,539 on the \$5,175,000 Sewer and Economic Development Reserve Revenue Loan for 3 new lift stations and associated forcemains, which leaves a total drawn and outstanding of \$4,837,204 as of December 31, 2018.

### Overview of the Financial Statements

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

### Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of 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 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 of Grand Forks is improving or deteriorating. However, other non-financial factors need to be considered to assess the overall health of the City of Grand Forks.

The *Statement of Activities* presents information on 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 years.

Both of the government-wide financial statements distinguish functions of the City of 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 of Grand Forks include general government, public safety, health & welfare, highways and streets, culture and recreation, and public works. The business-type activities of the City include sanitation, water, wastewater, stormwater, mosquito control, public transit, Dial-A-Ride, Job Development Authority, downtown parking and operation and maintenance of the Alerus Center.

The government-wide financial statements also include financial information of the Grand Forks Regional Airport Authority as a component unit. The Mayor with the approval of the City Council appoints four of the seven members of the board and can impose its will if it chooses to do so. The Authority activities are discretely presented in a separate column in the government-wide financial statements.

The government-wide financial statements can be found on pages 20-21 of this report.

### Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Grand Forks, 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 of Grand Forks 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 the City's near-term financing requirements. These funds are reported on the modified accrual basis of accounting.

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 financing decisions. Both the governmental fund balance sheet and governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Grand Forks maintains 32 individual governmental funds. Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the general fund, the special assessment debt service fund, capital project street and infrastructure fund and current year projects capital project fund which are considered to be major funds. Data from the other governmental funds (non major special revenue funds, debt service funds, capital project 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, which begin on page 93.

The City of Grand Forks adopts annual appropriated budgets for the general fund and the special revenue funds. A budgetary comparison statement has been provided for the general fund with the budget.

The basic governmental fund financial statements begin on page 22 of this report.

*Proprietary Funds.* The City of Grand Forks maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Sanitation, Water, Wastewater, Stormwater, Job Development Authority and Alerus Center operations as major funds and its Public Transit, Dial-A-Ride, Downtown Parking and Mosquito Control operations as non-major funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for goods and services provided by its Computer Service, Central Garage, Central Purchasing, and Public Works Facility funds. Because these internal service funds predominantly 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 and additional information, such as cash flow statements. Internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements. Individual fund data for internal service funds is provided in the form of combining statements, which begin on page 137. Individual fund data for the non-major proprietary funds is provided in the form of combining statements, which begin on page 129.

The basic proprietary fund statements begin on page 28.

*Fiduciary Funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City of Grand Forks is a trustee for its employees' pension plan. The City also accounts for resources held in an agent capacity for other governments, individuals or private organizations, namely, Grand Forks Convention and Visitor's Bureau and Grand Forks Humane Society (Animal Control). The City's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. The basic fiduciary fund financial statements begin on page 34.

#### **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 37-89 of this report.

#### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's share of net pension liabilities and pension contributions along with the City's share of net OPEB liability and OPEB contributions. Required supplementary information can be found on pages 90-92 of this report.

The combining statements in connection with non-major governmental funds, enterprise funds and internal service funds are presented immediately following the required supplementary information on the pension. Combining and individual funds statements and schedules can be found on pages 93-167 of this report.

#### **Government-wide Financial Analysis**

The following two Tables present condensed information on the City's Net Position and changes in City's Net Position for the fiscal year ended December 31, 2018.

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of Grand Forks, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$604,348,382 as of December 31, 2018.

**City of Grand Forks Net Position\***

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 127,979,769	\$ 127,738,740	\$ 71,759,754	\$ 62,541,787	\$ 199,739,523	\$ 190,280,527
Capital assets	220,873,625	214,968,658	456,708,511	394,741,617	677,582,136	609,710,275
Total assets	348,853,394	342,707,398	528,468,265	457,283,404	877,321,659	799,990,802
Total deferred outflows of resources	14,549,624	19,207,160	6,789,913	7,600,372	21,339,537	26,807,532
Long-term liabilities outstanding	130,954,484	138,278,302	124,277,345	113,008,105	255,231,829	251,286,407
Other liabilities	13,964,783	4,531,377	20,278,369	4,966,898	34,243,152	9,498,275
Total liabilities	144,919,267	142,809,679	144,555,714	117,975,003	289,474,981	260,784,682
Total deferred inflows of resources	3,378,916	842,723	1,458,917	244,980	4,837,833	1,087,703
Net position:						
Net investment in capital assets	138,778,217	134,554,746	338,659,287	302,456,193	477,437,504	437,010,939
Restricted	102,921,043	103,946,775	25,309,545	23,622,846	128,230,588	127,569,621
Unrestricted	(26,594,425)	(20,239,365)	25,274,715	20,584,754	(1,319,710)	345,389
Total net position	\$ 215,104,835	\$ 218,262,156	\$ 389,243,547	\$ 346,663,793	\$ 604,348,382	\$ 564,925,949

\*Internal Service Funds' net position are included in this table.

**City of Grand Forks' Net Position**

By far the largest portion of the City's net position, seventy nine percent (79%), reflects its investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide a variety of services to citizens. Accordingly, 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 the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, twenty two percent (22%), represents resources that are subject to external restrictions on how they may be used. The remaining unrestricted balance is a negative \$1.3 million.

At the end of the current fiscal year, the City is able to report positive balances in all reported categories of net position, for the government as a whole, as well as for its separate governmental and business-type activities, with the exception of the unrestricted net position for the governmental activities, the government as a whole, the sanitation fund and the public transit fund. The governmental activities unrestricted balance is a negative \$26.6 million, the unrestricted balance for the government as a whole is a negative \$1.3 million, the unrestricted balance in the sanitation fund is a negative \$1.9 million and the unrestricted balance in the public transit fund is a negative \$147,704. These negative balances are due to net pension and OPEB liabilities of \$38.2 million, \$3.4 million and \$1.4 million respectively, which reflects requirements of GASB Statement No. 68 and 75.

**Governmental Activities.** During the current fiscal year, net position for governmental activities decreased by \$1.89 million, while overall the City's net position increased \$41 million. Key elements of this increase in net position are as follows:

**CHANGES IN NET POSITION**

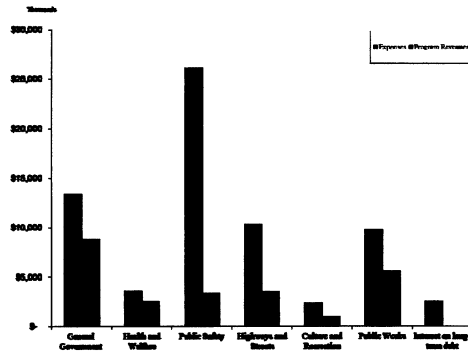
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for services	\$ 11,129,067	\$ 11,397,966	\$ 45,163,330	\$ 43,006,439	\$ 56,292,397	\$ 54,404,405
Operating grants and contributions	7,658,891	7,305,566	1,195,811	1,958,036	8,854,702	9,263,602
Capital grants and contributions	5,750,603	14,724,975	33,088,203	22,526,575	38,838,806	37,251,550
General Revenues:						
Property taxes	20,402,535	19,526,930	1,221,832	1,168,530	21,624,367	20,695,460
Sales taxes	14,790,184	10,844,182	8,775,906	8,536,183	23,566,090	19,380,365
State aid distribution	3,545,610	3,079,446	-	-	3,545,610	3,079,446
Other taxes	3,243,842	3,517,035	-	29,280	3,273,354	3,546,315
Miscellaneous	1,546,297	1,835,327	1,652,000	1,295,789	3,198,297	3,131,116
Total Revenues	68,067,029	72,231,427	91,127,594	78,520,832	159,194,623	150,752,259
Expenses:						
General Government	13,354,061	12,777,052	-	-	13,354,061	12,777,052
Health and Welfare	3,584,037	12,207,703	-	-	3,584,037	12,207,703
Public Safety	26,129,492	28,020,466	-	-	26,129,492	28,020,466
Highways and Streets	10,307,032	3,454,318	-	-	10,307,032	3,454,318
Culture and Recreation	2,314,342	2,350,886	-	-	2,314,342	2,350,886
Public Works	9,762,975	8,337,566	-	-	9,762,975	8,337,566
Interest on Long-term Debt	2,508,528	2,536,774	-	-	2,508,528	2,536,774
Sanitation	-	-	9,541,951	9,295,130	9,541,951	9,295,130
Wastewater	-	-	9,535,708	9,257,933	9,535,708	9,257,933
Waterworks	-	-	10,167,028	10,167,028	10,167,028	10,390,400
Stormwater	-	-	3,601,624	3,511,812	3,601,624	3,511,812
Mosquito Control	-	-	910,279	861,285	910,279	861,285
Public Transit	-	-	2,935,217	2,917,683	2,935,217	2,917,683
Dial-A-Ride	-	-	1,339,111	1,586,191	1,339,111	1,586,191
Alumni Center	-	-	9,825,896	9,281,649	9,825,896	9,281,649
Job Development Authority	-	-	2,037,422	3,119,030	2,037,422	3,119,030
Downtown Parking	-	-	360,691	396,790	360,691	396,790
Total Expenses	67,960,467	69,684,765	50,254,927	50,617,903	118,215,394	120,302,668
Increase in net position before transfers	106,562	2,546,662	40,872,667	27,902,929	40,979,229	30,449,591
Transfers	(1,998,051)	1,799,987	1,998,051	(1,799,987)	-	-
Increase (decrease) in net position	(1,891,489)	4,346,649	42,870,718	26,102,942	40,979,229	30,449,591
Net position - beginning	218,262,156	213,915,507	346,663,793	320,560,851	564,925,949	534,476,358
Prior Period Adjustment-GASB 75	(1,265,832)	-	(290,964)	-	(1,556,796)	-
Net position - beginning as restated	216,996,324	213,915,507	346,372,829	320,560,851	563,369,153	534,476,358
Net position - ending	\$ 215,104,835	\$ 218,262,156	\$ 389,243,547	\$ 346,663,793	\$ 604,348,382	\$ 564,925,949

- The mill levy was not increased in 2018 but the property tax revenue did increase \$875,605 or 4.5%. This is a result of a growing tax base.
- Local sales tax revenue increased by \$3.9 million, reflecting implementation of a new additional one-half percent sales tax which was approved by voters in 2017 and implemented as of April 1, 2018. This sales tax is dedicated to street and water projects.
- State aid which is based on sales tax in the State of North Dakota increased by \$466,164 or 15% which indicates the State's economy is ramping up after the downturn which was largely due to falling oil and agriculture prices.
- Capital grants and contributions decreased \$9 million. A large part of this reflects the North Dakota Department of Transportation's share of various road construction projects of which there were more in 2017.
- The miscellaneous revenue decreased by \$289,030 or 16%. This is largely due to a large private donation to the library during 2017.



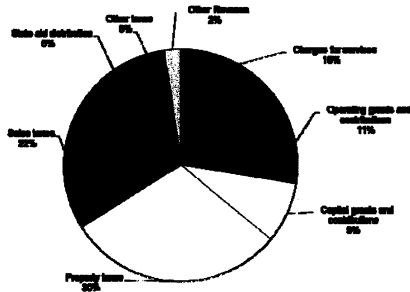
Below are specific graphs which provide comparisons of governmental revenues and expenses:

**Expenses and Program Revenues – Governmental Activities**



Total governmental expenses decreased by \$1.7 million, or 2.5%, primarily due to a decrease of \$4 million in pension expense which was partially offset by increases in wages and maintenance costs.

**Revenues by Sources – Governmental Activities**



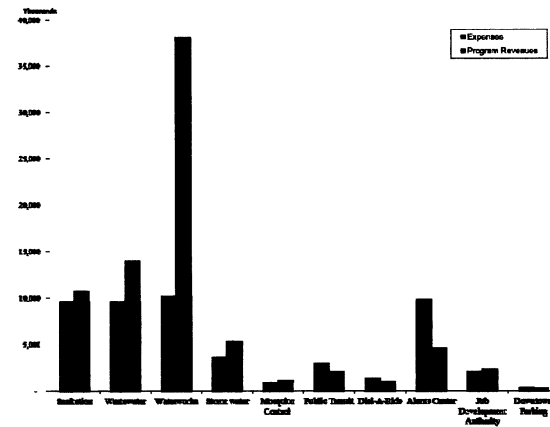
**Business-type Activities.** Business-type activities increased the City’s net position by \$43 million.

Key elements of this increase are as follows:

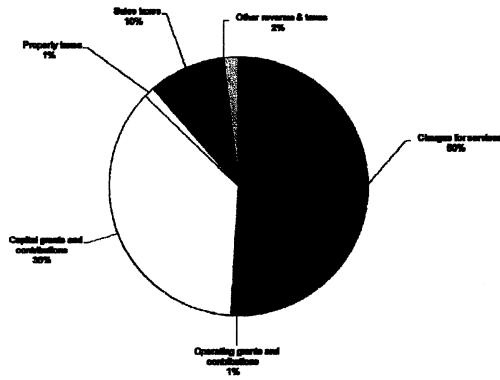
- The State Water Commission Grant of \$25 million for the new water treatment plant is responsible for the majority of this increase.
- Capital contributions made by developers for underground utilities and capitalized special assessment projects assessed to benefiting properties amounted to \$8 million.
- Charges for services of \$45 million were up \$2.2 million in 2018 due to a combination of the Alerus Center revenues increasing after a year of transition from City management to Spectra, a management company, and all of the utility funds saw an increase due to a growing customer base.
- State and federal operating grant revenue contributed \$1.2 million to our public transit and dial-a-ride programs.
- The mill levy was not increased in 2018 but the property tax revenue of \$1.2 million did increase by \$53,302 or 4.5%.
- Local sales tax revenue was \$8.8 million, an increase of \$239,723 or 2.8%. While retail has taken a downturn, the ability to collect sales tax on on-line shopping is starting to be reflected in our collections.
- Other revenue of \$1.65 million consisted mainly of \$1.1 million interest income and a \$486,429 gain on the sale of land and other assets.
- The water fund had a \$1.5 million transfer in from the new half-cent sales tax implemented in April for water and street projects.

Below are specific graphs which provide comparisons of business-type activities revenues and expenses:

**Expenses and Program Revenues – Business-type Activities**



**Revenues by Source – Business-type Activities**



The business-type expenses decreased \$362,976 or less than 1%, in 2018. There were increases in maintenance and utility costs but these were offset by decreases in pension expense. The Job Development Authority expenses decreased in 2018 due to the 2017 repayment of sequestered funds of \$596,159 to the Economic Development Administration.

**Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds.** The focus of the City of Grand Forks 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, unassigned fund balance may serve as a useful measure of a City's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

As of the end of current fiscal year, the City of Grand Forks' governmental funds reported combined ending fund balances of \$77,090,090, an increase of \$3,199,431 in comparison with the prior year. Approximately 11.9% of this total amount, \$9,182,576, constitutes unassigned fund balance, which is available for spending at the government's discretion. \$2,321,551, or 3%, of this total represents assigned fund balance which has been designated by the Director of Finance or the City Administrator for certain purposes detailed in the table on page 68 of the notes to these financial statements. The remainder of the fund balance is not available for new spending because it has already been committed, restricted or is nonspendable. The committed fund balance is \$6,628,197, or 8.6% of the total and has been committed by the City Council for certain purposes detailed in the table on page 68 of the notes to these financial statements.

\$62,020 is nonspendable consisting of inventories, prepaid expenses or advances. The remaining 76.4% or \$58,895,746 is restricted for various purposes including \$20,216,483 for debt service and \$38,679,263 for specific grants, tax related or bonded items or a variety of other purposes which are also detailed in the table on page 68 of the notes to these financial statements.

The general fund is the chief operating fund of the City of Grand Forks. At the end of the current fiscal year, unassigned fund balance of the general fund was \$9,182,576, with a total fund balance of \$13,654,592.

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents twenty five percent (25%) of the total general fund expenditures, while total fund balance represents thirty six percent (36%) of that same amount. The fund balance policy goal of 18% has been achieved for this fiscal year.

The fund balance of the City of Grand Forks' general fund came in \$815,263 over budget during the current fiscal year. The primary difference was that the expenditures came in under budget by \$825,496. Expenditures under budget were worker's compensation, defined benefit pension, utility fees, education and training, attorney fees and contingency line items. These were partially offset by real estate taxes being under budget by \$637,317 which is due to the fact that we budget the entire amount levied and do not deduct the discount citizens receive if they pay by February 15<sup>th</sup> of the current year. The intergovernmental revenue came in over budget mainly due to state aid which was \$296,238 higher than anticipated.

The fund balance of the City of Grand Forks' general fund increased by \$322,573 during the current fiscal year. Overall general fund revenue increased \$818,716, or 2.2% over the prior year. This was due mainly to an increase in state aid and property tax revenue. Even with no increase in the mill levy, the general fund property tax revenue increased by \$657,409 due to growth in the tax base.

The special assessment debt service fund has a fund balance of \$17,980,055 all of which is restricted for debt service. This is an increase of \$441,023 from 2017. This is largely due to an increase in cash from the receipt of special assessment payments.

The current year projects capital project fund has a fund balance of \$6,267,731. This balance is restricted for various infrastructure projects that are being funded by refunding improvement bonds that will be paid through special assessments. This is an increase of \$1,954,055 which is the result of transfers from other funds for the City's share of projects which has not been spent down yet.

The street and infrastructure capital project fund has a fund balance of \$15,569,251. This balance is restricted for various infrastructure projects that are being funded by highway users' taxes and sales and use tax proceeds dedicated to infrastructure. This represents an increase of \$396,013 due to highway users' taxes coming in higher than anticipated.

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

Unrestricted net position of the proprietary funds at the end of the year amounted to \$25,274,715. All individual proprietary funds reported increases in net position, except for the Dial a Ride and Parking Funds which had negative changes in net position of \$136,773 and \$18,557 respectively.

The Dial a Ride Fund saw a significant increase in the service contract expense for operations without an increase in state aid assistance. The Parking Fund no longer managed the County parking ramp in 2018 which resulted in a decrease in revenue.

**General Fund Budgetary Highlights**

During the year there was an increase of \$137,309 in appropriations between the original and final amended budget. Following are the main components of the increase:

- A net decrease of \$166,404 in appropriation in general government which consisted of a decrease of about \$400,000 for wage market adjustments, transfer of budgeted health, street and public safety wage market adjustments in general government to public health, street and public safety functions, which was partially offset by increases for temporary and overtime wages, contracted personnel services, maintenance of vehicles, data fees and advertising for job openings.
- An increase of \$102,594 appropriation in health and welfare for wage market adjustment.
- An increase of \$239,512 appropriation in public safety for wage market adjustment, police overtime and maintenance expenditures.
- An increase of \$81,501 appropriation in highways and streets to cover wage market adjustment.
- A decrease of \$119,894 in appropriation for capital outlay as the purchase of street department equipment was delayed until 2019.

Increases in appropriations were funded from unanticipated revenues and appropriated but unspent funds from prior years (departmental cash carryovers).

Noted variances between final budget and actual are as follows:

Revenues in total were 101% of budget. Revenue shortages in property taxes (due to the discount which the City does not budget) were offset by higher than anticipated revenue from state aid and charges for services.

Overall General Fund expenditures were incurred at 98% of final budget, a variance similar to prior years.

**Capital Assets and Debt Administration**

**Capital Assets.** The City of Grand Forks’ investment in capital assets for its governmental and business type activities as of December 31, 2018, amounts to \$677,582,135 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements other than buildings, machinery and equipment, work in progress, and infrastructure. The investment in capital assets in governmental funds increased by 2.75% and in business type activities increased by 15.7%, resulting in a total increase in the City’s investment in capital assets for the current fiscal year compared to fiscal year 2017 of 11.13%. The majority of this increase is due to construction work on the new Water Treatment Plant.

Major capital asset events during the current fiscal year included the following:

- A new capital asset policy was established and approved. Under the new policy all fixed assets with a historical cost or estimated historical cost of \$5,000 or more and a useful life of two years or more, will be subject to capitalization. This is an increase from \$1,000 in the previous policy.

- Work on sewer mains, storm-sewer mains, water mains, stormwater ponds, lift station rehab and replacement projects, and construction of underground utilities in newly developed areas of the City.
- Construction was completed on the wastewater interconnect with East Grand Forks, MN.
- Stormwater projects included storm sewer rehab and storm pond projects.
- Construction continued on the new Water Treatment Plant with completion estimated to be in early 2020.
- Construction began on a disinfection project at the Wastewater Treatment Plant.
- A variety of infrastructure projects including paving, street lighting and traffic signals were completed in 2018.
- Various energy efficiency projects in city buildings.

**CAPITAL ASSETS**  
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 38,986,760	\$ 38,545,127	\$ 14,110,301	\$ 15,570,602	\$ 53,097,061	\$ 54,115,729
Building & structures	29,628,929	30,227,459	156,458,606	155,929,468	186,087,535	186,156,927
Improvement other than buildings	51,482,296	52,417,585	161,584,850	160,295,820	213,067,146	212,713,405
Machinery and equipment	8,155,069	8,174,509	18,268,839	17,760,688	26,423,908	25,935,197
Infrastructure	86,087,459	78,252,562			86,087,459	78,252,562
Construction in progress	905,603	1,725,851	106,285,914	45,185,039	107,191,517	46,910,890
Total	\$ 215,246,116	\$ 209,343,093	\$ 456,708,510	\$ 394,741,617	\$ 671,954,626	\$ 604,084,710
Internal Service Fund Capital Assets						
net of accumulated depreciation	\$ 5,627,509	\$ 5,625,565	\$ -	\$ -	\$ 5,627,509	\$ 5,625,565
	\$ 220,873,625	\$ 214,968,658	\$ 456,708,510	\$ 394,741,617	\$ 677,582,135	\$ 609,710,275

Additional information on the City of Grand Forks’ capital assets can be found in note III.C on pages 55-57 of this report.

**Long-term Debt**

At the end of the current fiscal year, the City of Grand Forks had total bonded and state revolving fund loan debt outstanding of \$195,293,624. Of this amount, \$4,194,912 comprises debt backed by the full faith and credit of the City and \$76,317,998 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The remaining \$114,780,714 of this debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds). \$38,183,681 of this amount is due to a cost sharing plans. Other long-term liabilities total \$38,333,900 which will be funded through a variety of revenue sources. \$38,183,681 of this amount is due to a cost sharing plans.

**CITY OF GRAND FORKS – OUTSTANDING DEBT AND OTHER NON-CURRENT LIABILITIES**

	Governmental Activities	Business-Type Activities	Total 12/31/2018	Total 12/31/2017
General Obligation Bonds	\$ 3,985,000		\$ 3,985,000	\$ 5,125,000
Unamortized Premium	209,912		209,912	240,174
Unamortized Discount	-		-	-
Special Assessment with GO commitment	73,790,191		73,790,191	68,212,385
Unamortized Premium	2,624,553		2,624,553	1,995,385
Unamortized Discount	(96,746)		(96,746)	(112,097)
Sales Tax Revenue	3,430,000	\$ 34,015,000	37,445,000	40,805,000
Unamortized Premium	240,381	4,982,344	5,222,725	5,767,531
Unamortized Discount		-	-	-
Revenue Bonds		27,455,261	27,455,261	28,320,943
Unamortized Premium		355,790	355,790	409,390
Unamortized Discount		(40,556)	(40,556)	(43,662)
NDBB-SRF Loans		44,342,494	44,342,494	20,404,336
Total Bonded & SRF Loan Debt	84,183,291	111,110,333	195,293,624	171,124,385
Notes	-	796,040	796,040	901,491
Landfill Closure/Postclosure		4,428,849	4,428,849	3,914,522
Capital Leases	679,160	534,521	1,213,681	1,157,481
Compensated Absences	5,000,513	1,261,102	6,261,615	6,618,377
Net Pension Liability Single Employer Plan	19,709,885	5,819,782	25,529,667	31,529,915
Net Pension Liability Cost Sharing Plan	28,307,803	8,267,529	36,575,332	35,947,172
Net OPEB Liability Cost Sharing Plan	1,301,153	307,196	1,608,349	1,649,517
Total Debt Outstanding	\$ 139,181,805	\$ 132,525,352	\$ 271,707,157	\$ 252,842,860
Internal Service Fund Long-term Compensated Absences	\$ 104,048	\$ -	\$ 104,048	\$ 93,064
Total Debt and Other Long-Term Liabilities Outstanding	\$ 139,285,853	\$ 132,525,352	\$ 271,811,205	\$ 252,935,924

The City's total debt increased by \$18,875,281 during the current fiscal year, a large part of this increase was due to the decrease in the net pension liability in the single employer plan of \$6 million and increase in the Water Treatment Plant State Revolving Fund Loan debt of \$23 million.

During the current year the City issued \$12,155,000 in special assessment bonds to finance various improvement projects in the city limits.

The City also issued \$9 million of Sewer Reserve Revenue Bonds, Series 2018A to finance improvements to the Wastewater Treatment Plant through the North Dakota State Department of Health, approved by the North Dakota Public Finance Authority to utilize their low interest bond program (State Revolving Loan Fund) that offers a 2% interest rate and term of 30 years. These funds are drawn down as needed and as of 12/31/18 the outstanding balance was \$4,284,772.

In 2006, the Jobs Development Authority entered into loan agreements with Bremer Bank in the amount of \$6,500,000 for Cirrus Design Corporation. This loan agreement was for the expansion of Cirrus Design Corporation. The loan payments will be made by the JDA and collected through lease payments from Cirrus Design Corporation from 2006 to 2021. The total amount outstanding on this loan is \$796,040.

The City of Grand Forks' bonds continue to receive excellent ratings and interest rates. The following issues were sold during this fiscal year and received rating and interest rates as follows:

2018B Refunding Improvement Bonds	3.717%	Aa2
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State statutes limit the amount of general obligation debt a government entity may issue to five percent of its total assessed valuation. The current debt limitation for the City of Grand Forks is \$119,024,899, which is significantly in excess of the City's outstanding net general obligation debt of \$4,194,912 (Table 15A, page 191).

Additional information on the City of Grand Forks' long-term debt can be found on pages 61-67 of this report.

**Economic Factors and Next Year's Budget and Rates**

The State's economy is picking up after a downturn due to falling oil and agricultural prices. Despite a downturn in retail, Grand Forks' economy continues to remain strong in the energy, agriculture, aviation, unmanned aircraft systems, border security, medicine, research and tourism sectors. During the past few years, through the strength of partnerships with community, state, and regional members, the local and regional economy has become more diversified with growth in the medical, manufacturing, border security, energy, environmental, aviation/aerospace industries, unmanned aircraft systems, professional services, value-added agri-business and other research and commercial sectors.

Sales tax revenue was up \$4.2 million, this included a partial year of an additional one-half cent sales tax dedicated to street and water projects. The City also started collecting sales tax from on-line sales in late 2018.

Oil prices have stabilized and this has had a positive impact on the state-wide economy. The City's state aid revenue in 2018 was \$466,166 over 2017. The City of Grand Forks as well as Grand Forks County have tremendous growth possibilities with the opening of the Grand Sky business park at the Grand Forks Air Force Base.

The City has experienced a growth in valuation due to new construction and revaluation. The total taxable value of property increased 2.1%, 1.79% from new construction and .31% from revaluation. In 2019 the value of a mill is expected to increase from \$221,316 to \$225,979 per mill. The mill levy for the City of Grand Forks' 2019 budget remains unchanged at 98.8 mills for 2018 and 2019. Property taxes generated by new construction and valuation increases are estimated to be 2.1% or \$460,720. This includes an increase to the City's General Fund of \$307,961 plus 1.51 mills were moved into the general fund from the dike construction fund for an increase of \$341,228. The Mayor, administration and City Council are making a consistent effort to reduce the burden of property taxes to the residents of the City of Grand Forks, while still producing a fiscally sound budget.

The City uses a long-term forecasting model of estimated revenues and anticipated expenditures to strategically prepare budgets that address not just normal changes within the operating budget but also integrate the impact of the City's future growth. The stable local economy combined with a strong commitment to fiscal discipline allows the City to maintain high quality services at affordable prices.

The total budget appropriation for 2019, which includes operating, capital and debt service expenditures, is \$209.9 million compared to \$237.1 million in 2018, a decrease of 11.5%. The

decrease is largely due to the timing of the construction of large capital projects such as the \$150 million Water Treatment Plant.

The City continues to invest in infrastructure to keep retail vibrant and in partnerships throughout the region to create economic opportunities in the areas of aviation, energy, medicine, border security and other research and commercial sectors.

Capital projects decreased from \$122.1 million in the 2018 budget to \$98.3 million in the 2019 budget largely due to the timing of large capital projects, such as the Water Treatment Plant. The 2019 budget of \$98.3 million in capital improvement projects include \$49.1 million in utility infrastructure projects, \$12.1 million of facilities and buildings, \$30.7 million in streets and bikepath projects and \$6.4 million of equipment replacement. Some of the larger projects planned for 2019 include construction of the new water treatment plant and related infrastructure, landfill improvements, various street reconstruction projects, new infrastructure in growing areas of town, and various utility infrastructure projects.

The recommended rate increases for the 2019 budget for utility service charges are no rate increase for wastewater or mosquito, a 3.5% increase for water, a 2% increase for stormwater, and a 1.5% increase for flood protection/greenway fees. There will be a 4% increase in sanitation fees for single family residential users with a 4% decrease for multi-family users. User fees and charges are established to promote efficiency by shifting payment of costs to specific users of services and avoiding general taxation.

The City's 2.2 percent unemployment rate was much lower than the national unemployment rate of 3.9 percent for 2018.

There were a total of 227 housing units and 21 new commercial and public buildings constructed in 2018.

### **Request for Information**

This financial report is designed to provide a general overview of the City of Grand Forks' finances and to demonstrate the City's accountability for the money it receives to the citizens of Grand Forks. If you have any questions concerning any of the information provided in this report or need further information, contact the City of Grand Forks Office of Finance and Administrative Services, 255 North 4<sup>th</sup> St. P.O. Box 5200, Grand Forks, North Dakota 58206-5200.

**CITY OF GRAND FORKS, NORTH DAKOTA**  
**STATEMENT OF NET POSITION**  
December 31, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	GF Regional Airport Authority
<b>ASSETS</b>				
Cash and cash equivalents	\$ 31,559,513	\$ 15,511,875	\$ 47,071,388	\$ 14,048,372
Investments	44,000,000	4,835,178	48,835,178	49,780
Receivables				
Accounts	1,251,364	5,928,084	7,179,448	342,045
Property taxes	337,647	21,983	359,630	24,169
Capital lease receivable		3,587,484	3,587,484	
Special assessments	349,220	295,403	644,623	
Uncertified special assessments	44,096,782		44,096,782	
Sales tax	1,397,176	737,548	2,134,724	
Notes receivable	2,098,419	3,109,040	5,207,459	
Due from other governments	2,207,463	6,044,701	8,252,164	463,346
Internal balances	442,976	(442,976)	-	
Inventories	143,007	458,901	601,908	31,160
Prepays	96,202	267,654	363,856	29,795
Assets Held for Resale	-	1,324,701	1,324,701	
Restricted assets:				
Cash and cash equivalents		10,305,468	10,305,468	806,000
Investments		19,769,387	19,769,387	
Accounts receivable		5,323	5,323	
Capital assets (net of accumulated depreciation):				
Land	39,266,820	14,110,301	53,377,121	1,746,081
Buildings and structures	34,023,277	156,458,604	190,481,881	19,169,171
Improvements other than buildings	51,722,330	161,584,853	213,307,183	23,265,145
Machinery and Equipment	8,868,137	18,268,839	27,136,976	1,471,642
Infrastructure	86,087,458	-	86,087,458	
Construction-in-progress	905,603	106,285,914	107,191,517	588,885
Total assets	<u>348,853,394</u>	<u>528,468,265</u>	<u>877,321,659</u>	<u>62,035,591</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charges on refunding	150,910	1,686,423	1,837,333	
Deferred Pension Single Employer Plan	2,124,471	1,213,571	3,338,042	
Deferred Pension NDPERS	12,043,508	3,827,552	15,871,060	
Deferred OPEB NDPERS	230,735	62,367	293,102	
Total deferred outflows of resources	<u>14,549,624</u>	<u>6,789,913</u>	<u>21,339,537</u>	<u>-</u>
<b>LIABILITIES</b>				
Accounts payable	2,408,675	2,409,259	4,817,934	169,576
Contracts payable	568,523	8,090,793	8,659,316	240,644
Customer deposit payable	103,639	115,938	219,577	
Accrued interest payable	334,887	520,082	854,969	17,618
Unearned revenue	2,217,690	894,290	3,111,980	4,098
Noncurrent liabilities:				
Due within one year	8,331,369	8,248,007	16,579,376	360,000
Due in more than one year	130,954,484	124,277,345	255,231,829	4,401,796
Total liabilities	<u>144,919,267</u>	<u>144,555,714</u>	<u>289,474,981</u>	<u>5,193,732</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred Pension Single Employer Plan	1,230,817	909,281	2,140,098	
Deferred Pension NDPERS	2,026,694	520,973	2,547,667	
Deferred OPEB NDPERS	121,405	28,663	150,068	
Total deferred inflows of resources	<u>3,378,916</u>	<u>1,458,917</u>	<u>4,837,833</u>	<u>-</u>
<b>NET POSITION</b>				
Net investment in capital assets	138,778,217	338,659,287	477,437,504	41,260,551
Restricted for:				
Debt Service	65,020,430	21,446,460	86,466,890	806,000
Infrastructure and Capital Projects	24,932,905	3,863,085	28,795,990	
Library	2,459,896		2,459,896	
Economic Development	5,825,966		5,825,966	
Community Development	942,671		942,671	
Emergency	2,434,507		2,434,507	
Public Buildings	715,161		715,161	
Other purposes	589,507		589,507	
Unrestricted	(26,594,425)	25,274,715	(1,319,710)	14,775,308
Total net position	<u>\$ 215,104,835</u>	<u>\$ 389,243,547</u>	<u>\$ 604,348,382</u>	<u>\$ 56,841,859</u>

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

**CITY OF GRAND FORKS, NORTH DAKOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit Regional Airport Authority
	Expenses	Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 13,354,061	\$ 7,783,138	\$ 985,510		\$ (4,585,413)		\$ (4,585,413)	
Highways and Streets	10,307,032	-	3,388,536	\$ 86,376	(6,832,120)		(6,832,120)	
Public safety	26,129,492	2,493,709	791,834	79,980	(22,763,969)		(22,763,969)	
Health and welfare	3,584,037	807,404	1,577,552		(1,199,081)		(1,199,081)	
Culture and recreation	2,314,342	44,816	915,459		(1,354,067)		(1,354,067)	
Public Works	9,762,975			5,584,247	(4,178,728)		(4,178,728)	
Interest on long-term debt	2,508,528				(2,508,528)		(2,508,528)	
Total governmental activities	<u>67,960,467</u>	<u>11,129,067</u>	<u>7,658,891</u>	<u>5,750,603</u>	<u>(43,421,906)</u>		<u>(43,421,906)</u>	
Business-type activities:								
Sanitation	9,541,951	10,734,746				\$ 1,192,795	1,192,795	
Wastewater	9,535,708	10,552,144		3,403,541		4,419,977	4,419,977	
Waterworks	10,167,028	12,011,537		26,055,806		27,900,315	27,900,315	
Stormwater	3,601,624	2,739,626		2,586,358		1,724,360	1,724,360	
Mosquito Control	910,279	1,084,219				173,940	173,940	
Public Transit	2,935,217	599,545	516,952	928,203		(890,517)	(890,517)	
Dial-A-Ride	1,339,111	207,052	678,859	100,698		(352,502)	(352,502)	
Alerus Center	9,825,896	4,615,679		13,597		(5,196,620)	(5,196,620)	
Job Development Authority	2,037,422	2,344,622				307,200	307,200	
Downtown Parking	360,691	274,160				(86,531)	(86,531)	
Total business-type activities	<u>50,254,927</u>	<u>45,163,330</u>	<u>1,195,811</u>	<u>33,088,203</u>	<u>-</u>	<u>29,192,417</u>	<u>29,192,417</u>	
Total primary government	<u>\$ 118,215,394</u>	<u>\$ 56,292,397</u>	<u>\$ 8,854,702</u>	<u>\$ 38,838,806</u>	<u>\$ (43,421,906)</u>	<u>\$ 29,192,417</u>	<u>\$ (14,229,489)</u>	
<b>Component units:</b>								
Regional Airport Authority	\$ 7,836,878	\$ 3,803,581	\$ -	\$ 1,069,928				\$ (2,963,369)
Total component units	<u>\$ 7,836,878</u>	<u>\$ 3,803,581</u>	<u>\$ -</u>	<u>\$ 1,069,928</u>				<u>\$ (2,963,369)</u>
General revenues:								
Property taxes levied for general purpose					\$ 19,270,889	\$ 1,221,832	\$ 20,492,721	\$ 993,292
Property taxes levied for debt service					1,131,646	-	1,131,646	
Sales taxes					14,790,184	8,775,906	23,566,090	
Unrestricted state aid distribution					3,545,610		3,545,610	
Franchise taxes					2,578,464		2,578,464	
Other taxes					665,378	30,512	695,890	
Unrestricted investment earnings					1,183,167	1,105,951	2,289,118	201,210
Gain on sale of capital assets						486,429	486,429	
Miscellaneous					363,130	59,620	422,750	60,636
Transfers					(1,998,051)	1,998,051		
Total general revenue and transfers					<u>41,530,417</u>	<u>13,678,301</u>	<u>55,208,718</u>	<u>1,255,138</u>
Change in net position					(1,891,489)	42,870,718	40,979,229	(1,708,231)
Net position - beginning					218,262,156	346,663,793	564,925,949	58,550,090
Prior Period Adjustment-GASB 75 - (see note IV.K)					(1,265,832)	(290,964)	(1,556,796)	
Total Net Position-Beginning as Restated					<u>216,996,324</u>	<u>346,372,829</u>	<u>563,369,153</u>	
Net position - ending					<u>\$ 215,104,835</u>	<u>\$ 389,243,547</u>	<u>\$ 604,348,382</u>	<u>\$ 56,841,859</u>

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

CITY OF GRAND FORKS, NORTH DAKOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS

DECEMBER 31, 2018  
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017

	General Fund	Debt Service Special Assessment Bonds	Capital Project Current Year Projects	Capital Project Street and Infrastructure Fund	Non-Major Governmental Funds	2018 Total Governmental Funds	2017 Total Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ 4,545,969	\$ 2,610,193	\$ 6,918,755	\$ 5,096,608	\$ 11,741,587	\$ 30,913,112	\$ 28,376,603
Investments	8,000,000	16,000,000	-	10,000,000	10,000,000	44,000,000	43,000,000
Receivables, net:							
Accounts	882,634			2,390	366,340	1,251,364	1,148,677
Special assessments (including liens)		337,859			11,361	349,220	640,138
Special assessments-uncertified	45,311	41,784,807			2,266,664	44,096,782	47,952,554
Property taxes	252,247				85,400	337,647	306,471
Sales tax	424,322			333,348	639,506	1,397,176	708,593
Notes					2,098,419	2,098,419	2,044,605
Intergovernmental	1,294,869			398,840	513,754	2,207,463	2,125,639
Prepaid items	22,553				15,566	38,119	23,052
Due from other funds	140,000				1,435,285	1,575,285	1,270,285
Advances to other funds	23,901				-	23,901	28,901
<b>Total assets</b>	<b>\$ 15,631,806</b>	<b>\$ 60,732,859</b>	<b>\$ 6,918,755</b>	<b>\$ 15,831,186</b>	<b>\$ 29,173,882</b>	<b>\$ 128,288,488</b>	<b>\$ 127,625,518</b>
<b>LIABILITIES</b>							
Accounts payable	\$ 1,619,052	\$ 20,139	\$ 117,161	\$ 227,275	\$ 269,071	\$ 2,252,698	\$ 1,419,684
Contracts payable			533,863	34,660		568,523	553,115
Surety deposits	103,639					103,639	92,116
Due to other funds		610,000			549,372	1,159,372	445,000
Advance from other funds					170,432	170,432	204,800
Unearned income					2,217,690	2,217,690	2,170,870
<b>Total liabilities</b>	<b>1,722,691</b>	<b>630,139</b>	<b>651,024</b>	<b>261,935</b>	<b>3,206,565</b>	<b>6,472,354</b>	<b>4,885,585</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable revenue-property taxes	209,212				70,831	280,043	256,584
Unavailable revenue-special assessments	45,311	42,122,665			2,278,025	44,446,001	48,592,690
<b>Total deferred inflows of resources</b>	<b>254,523</b>	<b>42,122,665</b>	<b>-</b>	<b>-</b>	<b>2,348,856</b>	<b>44,726,044</b>	<b>48,849,274</b>
<b>FUND BALANCES</b>							
Non-spendable	46,454				15,566	62,020	51,953
Restricted		17,980,055	6,267,731	15,569,251	19,078,709	58,895,746	55,651,890
Committed	2,104,011				4,524,186	6,628,197	6,990,518
Assigned	2,321,551					2,321,551	2,548,757
Unassigned	9,182,576					9,182,576	8,647,541
<b>TOTAL FUND BALANCE</b>	<b>13,654,592</b>	<b>17,980,055</b>	<b>6,267,731</b>	<b>15,569,251</b>	<b>23,618,461</b>	<b>77,090,090</b>	<b>73,890,659</b>
<b>Total liabilities, deferred inflows of resources and fund balance</b>	<b>\$ 15,631,806</b>	<b>\$ 60,732,859</b>	<b>\$ 6,918,755</b>	<b>\$ 15,831,186</b>	<b>\$ 29,173,882</b>	<b>\$ 128,288,488</b>	<b>\$ 127,625,518</b>

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



CITY OF GRAND FORKS, NORTH DAKOTA  
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
 December 31, 2018

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

Total Fund Balance - Governmental Funds \$ 77,090,090

Capital Assets used in governmental activities are not financial resources and therefore not reported in the fund financial statements:

Land	\$	38,986,760	
Buildings net of depreciation		29,628,930	
Improvement Other Than Buildings net of depreciation		51,482,295	
Machinery & Equipment net of depreciation		8,155,070	
Infrastructure net of depreciation		86,087,458	
Construction in progress		905,603	
		215,246,116	215,246,116

Liabilities that are not due and payable in the current period and therefore not reported in the governmental funds:

Bonds Payable	\$	81,205,191	
Deferred Amount on Refunding		(150,910)	
Capital Lease Payable		679,160	
Compensated Absences		5,000,513	
Net Pension Liability - Single Employer Plan		19,709,885	
Net Pension Liability - Cost Sharing Plan		28,307,803	
Net OPEB Liability - Cost Sharing Plan		1,301,153	
Accrued Interest Payable		334,887	
		136,387,682	(136,387,682)

Unamortized Discount/Premium (2,978,100)

Net deferred outflows/(inflows) of resources relating to the single employer and cost sharing defined benefit pension and OPEB 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 - Single Employer Plan		2,124,471	
Deferred Outflows of Resources - NDPERS Pension		12,674,697	
Deferred Outflows of Resources - NDPERS OPEB		230,735	
Deferred Inflows of Resources - Single Employer Plan		(1,230,817)	
Deferred Inflows of Resources - NDPERS Pension		(2,657,883)	
Deferred Inflows of Resources - NDPERS OPEB		(121,405)	

Tax revenues in the governmental funds were not recorded (unavailable) because they were not collected within 60 days after year end. The accrual basis recognizes these revenues as earned. 44,726,044

Assets or liabilities of internal service funds that primarily serve governmental funds: 6,388,569

Net Position of Governmental Activities \$ 215,104,835

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

CITY OF GRAND FORKS, NORTH DAKOTA  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2018  
WITH COMPARATIVE TOTALS FOR DECEMBER 31, 2017

	General Fund	Debt Service Special Assessments Bonds	Capital Project Current Year Projects	Capital Project Street and Infrastructure Fund	Non-Major Governmental Funds	Total Governmental Funds 2018	Total Governmental Funds 2017
<b>REVENUES</b>							
Taxes:							
Property	\$ 15,662,190				\$ 4,740,345	\$ 20,402,535	\$ 19,526,931
Sales	5,042,168			\$ 3,961,611	5,786,405	14,790,184	10,844,181
Licenses and permits	1,871,020					1,871,020	1,863,331
Intergovernmental	4,604,525			3,474,911	4,030,881	12,110,317	11,783,061
Charges for services	6,475,270				2,147,479	8,622,749	8,731,617
Special assessments		\$ 9,355,408			352,070	9,707,478	9,606,183
Fines and forfeits	753,883				21,097	774,980	928,074
Investment earnings (loss)	238,988	335,858	\$ 8,673	222,086	370,620	1,176,225	530,525
Miscellaneous	2,687,225				40,604	2,727,829	3,435,049
<b>Total revenues</b>	<b>37,335,269</b>	<b>9,691,266</b>	<b>8,673</b>	<b>7,658,608</b>	<b>17,489,501</b>	<b>72,183,317</b>	<b>67,248,952</b>
<b>EXPENDITURES</b>							
Current:							
General government	9,061,053				3,500,616	12,561,669	12,114,982
Health & welfare	2,107,008				1,499,820	3,606,828	3,402,647
Public safety	19,321,615				2,956,571	22,278,186	21,729,523
Highway & streets	6,437,385			534,629		6,972,014	6,787,004
Culture and recreation					2,301,087	2,301,087	2,331,928
Debt service:							
Principal		7,384,671			2,354,436	9,739,107	10,637,434
Interest and fiscal charges		2,227,049			359,403	2,586,452	2,566,605
Bond issuance costs		68,868				68,868	63,262
Contractual services		16,047				16,047	6,762
Capital outlay:							
General government	6,110				448,687	454,797	178,046
Health & welfare	41,595				6,966	48,561	8,357
Culture and recreation					333,427	333,427	427,402
Public safety	347,139				129,619	476,758	490,620
Public works	52,898		14,926,655	2,902,369	1,560,766	19,442,688	17,806,099
<b>Total expenditures</b>	<b>37,374,803</b>	<b>9,696,635</b>	<b>14,926,655</b>	<b>3,436,998</b>	<b>15,451,398</b>	<b>80,886,489</b>	<b>78,550,671</b>
Excess (deficiency) of revenues over (under) expenditures	(39,534)	(5,369)	(14,917,982)	4,221,610	2,038,103	(8,703,172)	(11,301,719)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	1,396,721	1,310,338	4,642,821	2,064,000	4,407,451	13,821,331	8,427,337
Transfers out	(1,100,057)	(863,946)	(1,504,483)	(5,889,597)	(6,797,227)	(16,155,310)	(8,184,384)
Issuance of refunding bonds			12,962,477			12,962,477	13,771,067
Bond (discount) premium			771,222			771,222	566,908
Issuance of Capital Lease					437,440	437,440	437,479
Sale of capital assets	65,443					65,443	73,260
<b>Total other financing sources and uses</b>	<b>362,107</b>	<b>446,392</b>	<b>16,872,037</b>	<b>(3,825,597)</b>	<b>(1,952,336)</b>	<b>11,902,603</b>	<b>15,091,667</b>
<b>Net change in fund balances</b>	<b>322,573</b>	<b>441,023</b>	<b>1,954,055</b>	<b>396,013</b>	<b>85,767</b>	<b>3,199,431</b>	<b>3,789,948</b>
Fund balances - beginning	13,332,019	17,539,032	4,313,676	15,173,238	23,532,694	73,890,659	70,100,711
<b>Fund balances - ending</b>	<b>\$ 13,654,592</b>	<b>\$ 17,980,055</b>	<b>\$ 6,267,731</b>	<b>\$ 15,569,251</b>	<b>\$ 23,618,461</b>	<b>\$ 77,090,090</b>	<b>\$ 73,890,659</b>

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

CITY OF GRAND FORKS, NORTH DAKOTA  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances  
 of Governmental Funds to the Statement of Activities  
 For the Year Ended December 31, 2018

Amounts reported for governmental activities in the statement of activities (page 21) are different because:

Net change in fund balances - total governmental funds (page 24) \$ 3,199,431

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities the cost of capital assets is allocated over the estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlays	\$ 11,417,575	
Depreciation expense - current year	<u>(5,381,716)</u>	
	6,035,859	6,035,859

Gross proceeds from the sale of capital assets is reported as revenue in the governmental fund. However, in the statement of activities only the gain or loss on the sale transaction is reported (65,443)

Gain (Loss) on disposition of capital assets (67,393)

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position.

Debt issued:		
Special Assessment Refunding Bonds	\$ (12,962,477)	
Capital Lease	(437,440)	
Bonds discount and premium	(771,222)	
Repayments:		
Bond and Capital Lease Principal	9,739,107	
Bond deferred charges amortization	(112,704)	
Bonds discount and premium amortization	<u>247,107</u>	
Net Adjustment	(4,297,629)	(4,297,629)

Certain items 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. These activities consist of:

Change in accrued interest payable	(47,082)
Change in compensated absences	341,500
Change in net pension obligation	4,148,011
Change in net OPEB obligation	51,400

Changes in Deferred outflows and inflows of resources related to the net pension and OPEB liabilities	
Change in Deferred Outflow of Resources	(2,712,586)
Change in Deferred Inflow of Resources	(4,455,160)

Change in revenue accruals - the purpose of this adjustment is to recognize the net change in unavailable revenues. Under the modified accrual basis of accounting, revenues are not recognized unless they are deemed 'available' to finance the expenditures of the current period. In accrual basis recognition is not limited by availability. This adjustment records a net change in unavailable revenues

Unavailable revenue December 31, 2018	\$ 44,726,044	
Unavailable revenue December 31, 2017	<u>(48,849,274)</u>	
Net change	(4,123,230)	(4,123,230)

Internal service funds are used by the City to charge the cost of the Central Garage, Public Works Facility, Central Purchasing and Information Systems. the net revenue of internal service funds is reported with governmental activities. 100,833

Change in net position of governmental activities (Exhibit 2)	<u>\$ (1,891,489)</u>
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The notes to the financial statements are an integral part of this statement.

CITY OF GRAND FORKS, NORTH DAKOTA  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 GENERAL FUND

Year Ended December 31, 2018

With Comparative Actual Totals for Year Ended December 31, 2017

	Original Budget	Final Budget As Amended	2018 Actual Amounts	Variance with Final Budget Positive (Negative)	2017 Actual Amounts
<b>REVENUES</b>					
Taxes:					
Property	\$ 16,299,507	\$ 16,299,507	\$ 15,662,190	\$ (637,317)	\$ 15,004,781
Sales	5,031,545	5,031,545	5,042,168	10,623	4,929,105
Licenses and permits	1,757,980	1,757,980	1,871,020	113,040	1,863,331
Intergovernmental	4,168,890	4,214,621	4,604,525	389,904	4,193,948
Charges for services	6,181,377	6,212,868	6,475,270	262,402	6,774,474
Fines and forfeits	780,000	780,000	753,883	(26,117)	912,834
Interest	118,407	118,407	238,988	120,581	116,461
Miscellaneous	2,568,296	2,615,898	2,687,225	71,327	2,721,619
<b>Total Revenues</b>	<b>36,906,002</b>	<b>37,030,826</b>	<b>37,335,269</b>	<b>304,443</b>	<b>36,516,553</b>
<b>EXPENDITURES</b>					
Current:					
General Government:					
Assessor	801,577	808,362	773,657	34,705	794,315
Attorney	276,610	277,424	264,159	13,265	297,641
Finance and Administrative Services	1,293,721	1,355,267	1,360,840	(5,573)	1,346,154
Planning & Zoning	360,265	376,959	377,025	(66)	356,266
City Hall	363,808	368,663	329,651	39,012	355,951
Information Services	983,596	957,572	940,408	17,164	956,764
Inspections	1,262,526	1,275,858	1,215,730	60,128	1,212,072
Mayor and Council	413,957	443,159	442,975	184	417,431
City Administrator	348,718	368,049	370,459	(2,410)	315,316
Public Information Center	238,523	248,543	244,681	3,862	235,274
Miscellaneous	2,398,618	2,131,533	1,893,943	237,590	2,168,640
Human Resources	892,679	856,805	847,525	9,280	815,891
<b>Total General Government</b>	<b>9,634,598</b>	<b>9,468,194</b>	<b>9,061,053</b>	<b>407,141</b>	<b>9,271,715</b>
Health and Welfare:					
Health	2,031,785	2,134,379	2,107,008	27,371	2,004,220
<b>Total Health and Welfare</b>	<b>2,031,785</b>	<b>2,134,379</b>	<b>2,107,008</b>	<b>27,371</b>	<b>2,004,220</b>

CITY OF GRAND FORKS, NORTH DAKOTA  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
 IN FUND BALANCE - BUDGET AND ACTUAL  
 GENERAL FUND

Year Ended December 31, 2018

With Comparative Actual Totals for Year Ended December 31, 2017

	Original Budget	Final Budget As Amended	2018 Actual Amounts	Variance with Final Budget Positive (Negative)	2017 Actual Amounts
<b>Public Safety:</b>					
Fire	\$ 7,983,914	\$ 8,126,568	\$ 8,010,391	\$ 116,177	\$ 7,776,433
Municipal Court	751,508	738,953	629,511	109,442	761,547
Police	10,108,341	10,212,829	10,224,951	(12,122)	9,971,335
Training & Evidence Facility	26,650	31,990	27,321	4,669	12,308
Police Building	321,874	328,279	310,490	17,789	290,895
Public Safety Training Center	85,025	78,205	68,909	9,296	73,816
Emergency Program Management	53,679	53,679	50,042	3,637	47,159
<b>Total Public Safety</b>	<b>19,330,991</b>	<b>19,570,503</b>	<b>19,321,615</b>	<b>248,888</b>	<b>18,933,493</b>
<b>Highways and Streets:</b>					
Engineering	2,387,305	2,432,907	2,318,501	114,406	2,275,715
Street	4,096,335	4,132,234	4,118,884	13,350	3,956,734
<b>Total Highway and Streets</b>	<b>6,483,640</b>	<b>6,565,141</b>	<b>6,437,385</b>	<b>127,756</b>	<b>6,232,449</b>
<b>Capital Outlay</b>	<b>581,976</b>	<b>462,082</b>	<b>447,742</b>	<b>14,340</b>	<b>537,050</b>
<b>Total Expenditures</b>	<b>38,062,990</b>	<b>38,200,299</b>	<b>37,374,803</b>	<b>825,496</b>	<b>36,978,927</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(1,156,988)</b>	<b>(1,169,473)</b>	<b>(39,534)</b>	<b>1,129,939</b>	<b>(462,374)</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Sale of property		31,820	65,443	33,623	3,130
Transfers in	1,486,065	1,731,138	1,396,721	(334,417)	1,333,177
Transfers out	(968,071)	(1,086,175)	(1,100,057)	(13,882)	(1,608,174)
<b>Total Other Financing Sources (Uses)</b>	<b>517,994</b>	<b>676,783</b>	<b>362,107</b>	<b>(314,676)</b>	<b>(271,867)</b>
<b>Net Change in Fund Balance</b>	<b>(638,994)</b>	<b>(492,690)</b>	<b>322,573</b>	<b>815,263</b>	<b>(734,241)</b>
<b>Fund Balances - Beginning</b>	<b>13,332,019</b>	<b>13,332,019</b>	<b>13,332,019</b>		<b>14,066,260</b>
<b>Fund Balances - Ending</b>	<b>\$ 12,693,025</b>	<b>\$ 12,839,329</b>	<b>\$ 13,654,592</b>	<b>\$ 815,263</b>	<b>\$ 13,332,019</b>

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

CITY OF GRAND FORKS, NORTH DAKOTA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2018

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUNDS

	Sanitation Fund	Wastewater Fund	Storm Water Fund	Water Fund	Alerus Center	Job Development Authority	Non Major Enterprise Funds	Total Enterprise Funds	Governmental Activities- Internal Service Funds
<b>ASSETS</b>									
<b>Current Assets:</b>									
Cash and cash equivalents	\$ 3,962,227	\$ 1,414,287	\$ 1,665,624	\$ 1,553,880	\$ 416,142	\$ 5,154,347	\$ 1,345,368	\$ 15,511,875	\$ 646,401
Investments						4,835,178		4,835,178	
<b>Restricted cash, cash equivalents, and investments:</b>									
Customer deposits	5,318	24,452	1,352	83,400			1,416	115,938	
Construction account	1,549,674	459,996	952,922	94,069			305,996	3,362,657	
Operating and capital reserve fund						1,237,252		1,237,252	
Trust acct.-advance ticket sales/suite rev.						1,798,997		1,798,997	
Revenue bond current debt service acct.	507,914	971,472		684,769	12,843,553		33,000	15,040,708	
<b>Receivables (net of allowances for uncoll.):</b>									
Accounts	946,481	1,379,707	695,675	1,224,226	990,325	346,860	344,810	5,928,084	
Capital Lease Receivable						703,137		703,137	
Notes Receivable						636,614		636,614	
Taxes - property							21,983	21,983	
Taxes - sales					737,548			737,548	
Special assessments		12,933	104,971		177,499			295,403	
Due from other funds				409,372			50,000	459,372	5,000
Advances to other funds				160,531				160,531	
<b>Intergovernmental:</b>									
Federal government							33,498	33,498	
State of North Dakota				4,892,441			1,118,762	6,011,203	
<b>Restricted receivables:</b>									
Accounts Receivable					5,323			5,323	
Inventories				263,978	107,614		87,309	458,901	143,007
Prepaid items	2,082	32,444	12,205	141,623	14,288	27,431	37,581	267,654	58,083
<b>Total current assets</b>	<b>6,973,696</b>	<b>4,295,291</b>	<b>3,432,749</b>	<b>9,508,289</b>	<b>18,326,541</b>	<b>11,703,567</b>	<b>3,379,723</b>	<b>57,621,856</b>	<b>852,491</b>
<b>Noncurrent Assets:</b>									
<b>Restricted cash, cash equivalents, and investments:</b>									
Revenue bond reserve account	560,622	3,081,450		3,196,762			87,000	6,925,834	
Reserved for Landfill Closure	1,593,469							1,593,469	
<b>Total restricted cash, cash equivalents, and investments</b>	<b>2,154,091</b>	<b>3,081,450</b>		<b>3,196,762</b>			<b>87,000</b>	<b>8,519,303</b>	
<b>Receivables (net of allowances for uncoll.):</b>									
Notes receivable						2,472,426		2,472,426	
Capital lease receivable						2,884,347		2,884,347	
Assets held for resale						1,324,701		1,324,701	
<b>Total noncurrent receivables</b>						<b>6,681,474</b>		<b>6,681,474</b>	
<b>Capital Assets:</b>									
Land	2,581,184	253,751	991,518	735,883	5,956,441	3,230,698	360,826	14,110,301	280,060
Buildings	5,364,676	81,108,317	5,854,936	43,372,432	90,531,771	16,954,929	4,090,953	247,278,014	8,132,585
Improvements other than buildings	20,172,595	101,807,027	64,116,100	77,330,470	1,434,824	1,374,906	3,847,327	270,083,249	420,500
Machinery and equipment	15,913,925	2,588,465	942,398	6,565,281	12,607,726	54,382	7,517,676	46,189,853	2,042,734
Construction in progress		8,086,012	1,553,512	95,965,354	390,565		290,471	106,285,914	
Less accumulated depreciation	(19,750,719)	(78,873,264)	(19,728,689)	(55,248,806)	(38,805,769)	(7,025,295)	(7,806,278)	(227,238,820)	(5,248,350)
<b>Total Capital Assets (net of accumulated depreciation)</b>	<b>24,281,661</b>	<b>114,970,308</b>	<b>53,729,775</b>	<b>168,720,614</b>	<b>72,115,558</b>	<b>14,589,620</b>	<b>8,300,975</b>	<b>456,708,511</b>	<b>5,627,509</b>
<b>Total Noncurrent Assets</b>	<b>26,435,752</b>	<b>118,051,758</b>	<b>53,729,775</b>	<b>171,917,314</b>	<b>72,115,558</b>	<b>21,271,094</b>	<b>8,387,975</b>	<b>471,909,288</b>	<b>5,627,509</b>
<b>Total Assets</b>	<b>33,409,448</b>	<b>122,347,049</b>	<b>57,162,524</b>	<b>181,425,665</b>	<b>90,444,099</b>	<b>32,974,661</b>	<b>11,767,698</b>	<b>529,531,144</b>	<b>6,480,000</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>									
Deferred charges on refunding					1,686,423			1,686,423	
Deferred Pension Single Employer Plan	427,605	240,211	38,249	358,658		355	148,493	1,213,571	
Deferred Pension NDPERS	1,113,522	787,716	283,581	928,005		139,943	574,785	3,827,552	
Deferred NDPERS OPEB	15,317	11,031	3,666	14,763		4,073	13,517	62,367	
<b>Total deferred outflow of resources</b>	<b>1,556,444</b>	<b>1,038,958</b>	<b>325,496</b>	<b>1,301,426</b>	<b>1,686,423</b>	<b>144,371</b>	<b>736,795</b>	<b>6,789,913</b>	
<b>LIABILITIES</b>									
<b>Current Liabilities:</b>									
Accounts payable	227,031	319,481	50,038	49,530	1,174,858	63,150	525,171	2,409,259	155,977
Due to other funds					825,285		50,000	875,285	5,000
Compensated absences payable-current	22,054	53,483	519	5,267			19,612	100,935	
Contracts payable (Includes Retainage)		831,189	43,569	6,990,294	225,741			8,090,793	
Customer deposits payable	5,318	24,452	1,352	83,400			1,416	115,938	
Advance ticket and suite revenue					894,290			894,290	
Accrued interest payable	92,596	177,488		177,712	67,819		4,667	520,082	
Capital leases payable-current	243,828							243,828	
Notes payable-current						291,293		291,293	
Bonds payable-current	1,230,000	2,381,951		1,520,000	2,395,000		85,000	7,611,951	
<b>Total Current Liabilities</b>	<b>1,820,827</b>	<b>3,788,044</b>	<b>95,478</b>	<b>8,826,203</b>	<b>5,582,793</b>	<b>354,443</b>	<b>685,866</b>	<b>21,153,654</b>	<b>160,977</b>
<b>Noncurrent Liabilities:</b>									
Compensated absences payable	323,470	205,275	33,500	243,567		74,205	280,150	1,160,167	104,048
Revenue bonds payable	8,686,448	20,632,244		36,957,895	36,602,344		619,451	103,498,382	
Capital leases payable	290,693							290,693	
Notes payable						504,747		504,747	
Advances from other funds									14,000
Net Pension Liability Single Employer Plan	1,989,414	1,110,237	177,819	1,851,011		2,510	688,791	5,819,782	
Net Pension Liability NDPERS	2,442,964	1,633,838	516,341	2,189,815		266,720	1,217,851	8,267,529	
Net OPEB Liability NDPERS	65,942	52,593	21,070	76,558		24,769	66,264	307,196	
Landfill closure and postclosure care	4,428,849							4,428,849	
<b>Total Noncurrent Liabilities</b>	<b>18,227,780</b>	<b>23,634,187</b>	<b>748,730</b>	<b>41,318,846</b>	<b>36,602,344</b>	<b>872,951</b>	<b>2,872,507</b>	<b>124,277,345</b>	<b>118,048</b>
<b>Total Liabilities</b>	<b>20,048,607</b>	<b>27,422,231</b>	<b>844,208</b>	<b>50,145,049</b>	<b>42,185,137</b>	<b>1,227,394</b>	<b>3,558,373</b>	<b>145,430,999</b>	<b>279,025</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>									
Deferred Pension Single Employer Plan	303,212	171,006	29,614	313,984		414	91,051	909,281	
Deferred Pension NDPERS	145,700	90,888	22,456	155,470		21,434	85,025	520,973	
Deferred OPEB NDPERS	6,153	4,907	1,966	7,143		2,311	6,183	28,663	
<b>Total deferred inflow of resources</b>	<b>455,065</b>	<b>266,801</b>	<b>54,036</b>	<b>476,597</b>		<b>24,159</b>	<b>182,259</b>	<b>1,458,917</b>	
<b>NET POSITION</b>									
Net investment in capital assets	13,830,692	91,124,925	53,686,206	123,252,424	34,578,896	14,589,620	7,596,524	338,659,287	5,627,509
Net position-restricted									
Debt Service	975,940	3,875,434		3,703,819	12,775,934		115,333	21,446,460	
Capital	1,549,674	459,996	952,922	94,069	500,428		305,996	3,863,085	
Net position-unrestricted	(1,894,086)	236,620	1,950,648	5,055,133	2,090,127	17,277,859	746,008	25,462,309	573,466
<b>Total Net Position</b>	<b>\$ 14,462,220</b>	<b>\$ 95,696,975</b>	<b>\$ 56,589,776</b>	<b>\$ 132,105,445</b>	<b>\$ 49,945,385</b>	<b>\$ 31,867,479</b>	<b>\$ 8,763,861</b>	<b>\$ 389,431,141</b>	<b>\$ 6,200,975</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds								\$ (187,594)	
Net position of business-type activities								\$ 389,243,547	

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

CITY OF GRAND FORKS, NORTH DAKOTA  
 STATEMENT OF REVENUES, EXPENSES, AND  
 CHANGES IN FUND NET POSITION-PROPRIETARY FUNDS

Year Ended December 31, 2018

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS							Governmental Activities- Internal Service Funds	
	Sanitation Fund	Wastewater Fund	Storm Water Fund	Water Fund	Alerus Center	Job Development Authority	Non-Major Enterprise Funds		Totals 2018
<b>Operating Revenues:</b>									
Charges for sales and services:									
Utility fees	\$ 10,734,746	\$ 10,543,351	\$ 2,735,290	\$ 11,977,523			\$1,905,185	\$ 37,896,095	
Rents - concessions and other					\$ 4,615,679	\$ 2,293,398		6,909,077	
Operating assessment							258,700	258,700	\$ 2,233,855
Miscellaneous		8,793	4,336	34,014		51,224	1,091	99,458	
<b>Total Operating Revenues</b>	<b>10,734,746</b>	<b>10,552,144</b>	<b>2,739,626</b>	<b>12,011,537</b>	<b>4,615,679</b>	<b>2,344,622</b>	<b>2,164,976</b>	<b>45,163,330</b>	<b>2,233,855</b>
<b>Operating Expenses:</b>									
Salaries and wages	1,958,655	1,175,351	384,830	1,528,575	1,797,102	348,533	1,684,146	8,877,192	400,022
Supplies	154,665	120,073	12,304	1,385,357		4,790	313,299	1,990,488	811,112
Contractual services	2,026,707	1,007,803	267,662	1,267,721	335,804	112,153	397,716	5,415,566	117,704
Maintenance - structures and equipment	1,928,469	698,919	608,974	344,894	566,470	325,175	581,720	5,054,621	366,542
Concession and catering					1,267,479			1,267,479	
Advertising and marketing					75,128			75,128	
Sundry expenses	22,409	21,184	8,185	42,326	17,808	(2,526)	35,781	145,167	671
Utilities - heat and lights	190,712	922,111	148,268	600,677	564,656	274,257	120,652	2,821,333	114,823
Pension and social security	582,903	405,387	129,591	603,126		98,699	460,680	2,280,386	88,285
Management fee					279,000			279,000	
Administrative and general	855,451	939,543	596,180	1,179,332	334,908	352,490	1,193,155	5,451,059	149,723
<b>Total Operating Expenses</b>	<b>7,719,971</b>	<b>5,290,371</b>	<b>2,155,994</b>	<b>6,952,008</b>	<b>5,238,355</b>	<b>1,513,571</b>	<b>4,787,149</b>	<b>33,657,419</b>	<b>2,048,882</b>
<b>Net Income (Loss) from Operations</b>									
before Depreciation	3,014,775	5,261,773	583,632	5,059,529	(622,676)	831,051	(2,622,173)	11,505,911	184,973
Less - Depreciation	1,557,905	3,666,176	1,438,717	2,709,171	3,155,016	490,789	743,332	13,761,106	419,586
<b>Net Operating Income (Loss)</b>	<b>1,456,870</b>	<b>1,595,597</b>	<b>(855,085)</b>	<b>2,350,358</b>	<b>(3,777,692)</b>	<b>340,262</b>	<b>(3,365,505)</b>	<b>(2,255,195)</b>	<b>(234,613)</b>
<b>Nonoperating Revenues (Expenses):</b>									
Interest	121,632	123,297	41,633	125,888	243,628	423,259	26,614	1,105,951	6,946
Federal grants							852,646	852,646	
State grants							343,165	343,165	
General property taxes							1,221,832	1,221,832	
Personal property replacements							30,512	30,512	
Sales tax					8,775,906			8,775,906	
Miscellaneous	59,620							59,620	
Gain (loss) on capital assets	88,500	4,600				392,114	1,215	486,429	2,881
Interest expense	(264,075)	(579,161)	(6,913)	(505,849)	(1,432,525)	(33,062)	(14,817)	(2,836,402)	
<b>Total Nonoperating Revenues (Expenses)</b>	<b>5,677</b>	<b>(451,264)</b>	<b>34,720</b>	<b>(379,961)</b>	<b>7,587,009</b>	<b>782,311</b>	<b>2,461,167</b>	<b>10,039,659</b>	<b>9,827</b>
<b>Income (Loss) Before Capital Contributions and Transfers</b>	<b>1,462,547</b>	<b>1,144,333</b>	<b>(820,365)</b>	<b>1,970,397</b>	<b>3,809,317</b>	<b>1,122,573</b>	<b>(904,338)</b>	<b>7,784,464</b>	<b>(224,786)</b>
<b>Capital Grants, Contributions and Transfers:</b>									
Contributed Capital and Capital Grants		\$ 3,403,541	\$ 2,586,358	\$ 26,055,806	\$ 13,597	\$ -	\$ 1,028,901	\$ 33,088,203	
Transfers in	\$ 44,877	924,049	1,458,030	1,552,912		477,590	62,640	4,520,098	\$ 236,621
Transfers out	(81,305)	(1,790,576)	(47,874)	(151,557)		(349,431)	(12,306)	(2,433,049)	
<b>Total Capital Contributions and Transfers</b>	<b>(36,428)</b>	<b>2,537,014</b>	<b>3,996,514</b>	<b>27,457,161</b>	<b>13,597</b>	<b>128,159</b>	<b>1,079,235</b>	<b>35,175,252</b>	<b>236,621</b>
<b>Change in Net Position</b>	<b>1,426,119</b>	<b>3,681,347</b>	<b>3,176,149</b>	<b>29,427,558</b>	<b>3,822,914</b>	<b>1,250,732</b>	<b>174,897</b>	<b>42,959,716</b>	<b>11,835</b>
<b>Total Net Position-Beginning</b>	<b>13,096,630</b>	<b>92,065,089</b>	<b>53,434,195</b>	<b>102,751,179</b>	<b>46,122,471</b>	<b>30,641,162</b>	<b>8,651,663</b>	<b>346,762,389</b>	<b>6,189,140</b>
<b>Prior Period Adjustment-GASB 75</b>	<b>(60,529)</b>	<b>(49,461)</b>	<b>(20,568)</b>	<b>(73,292)</b>		<b>(24,415)</b>	<b>(62,699)</b>	<b>(290,964)</b>	
<b>Total Net Position-Beginning as Restated</b>	<b>13,036,101</b>	<b>92,015,628</b>	<b>53,413,627</b>	<b>102,677,887</b>	<b>46,122,471</b>	<b>30,616,747</b>	<b>8,588,964</b>	<b>346,471,425</b>	<b>6,189,140</b>
<b>Total Net Position-Ending</b>	<b>\$ 14,462,220</b>	<b>\$ 95,696,975</b>	<b>\$ 56,589,776</b>	<b>\$ 132,105,445</b>	<b>\$ 49,945,385</b>	<b>\$ 31,867,479</b>	<b>\$ 8,763,861</b>	<b>\$ 385,341,290</b>	<b>\$ 6,200,975</b>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds								\$ (88,998)	
Change in net position of business-type activities								\$ 42,579,754	

CITY OF GRAND FORKS, NORTH DAKOTA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended December 31, 2018

	BUSINESS-TYPE ACTIVITIES - ENTERPRISE FUNDS							Governmental Activities Internal Service Funds	
	Sanitation Fund	Wastewater Fund	Storm Sewer Fund	Water Fund	Alerus Center	Job Development Authority	Non-Major Enterprise Funds		Totals 2018
<b>Cash Flows from Operating Activities:</b>									
Receipts from customers	\$ 10,707,402	\$ 10,255,770	\$ 2,724,356	\$ 11,783,254	\$ 4,466,653	\$ 2,330,277	\$ 2,121,664	\$ 44,389,376	\$ -
Payments to suppliers	(4,975,221)	(3,850,378)	(1,706,933)	(5,238,215)	(2,652,933)	(1,304,811)	(2,509,848)	(22,238,339)	(1,532,923)
Payments to employees	(1,957,297)	(1,213,217)	(379,418)	(1,463,539)	(1,797,102)	(339,702)	(1,654,684)	(8,804,959)	(389,359)
Payments for interfund services used				(409,372)				(409,372)	2,228,855
Net cash provided (used) by operating activities	<u>3,774,884</u>	<u>5,192,175</u>	<u>638,005</u>	<u>4,672,128</u>	<u>16,618</u>	<u>685,764</u>	<u>(2,042,868)</u>	<u>12,936,706</u>	<u>306,573</u>
<b>Cash Flows from Non-Capital Financing Activities:</b>									
Transfers from other funds	44,877	924,049	1,458,030	1,552,912		477,590	62,640	4,520,098	236,621
Transfers to other funds	(81,305)	(1,790,576)	(47,874)	(151,557)		(339,122)	(12,306)	(2,422,740)	
Proceeds of repayment of advances from other funds				215,615				215,615	
Repayment of advances to other funds		(181,246)						(181,246)	
Operating subsidies from federal grants							2,111,351	2,111,351	
Operating subsidies from state grants							220,206	220,206	
Operating subsidies from Taxes					510,419		1,250,467	1,760,886	
Net cash provided (used) by non-capital financing activities	<u>(36,428)</u>	<u>(1,047,773)</u>	<u>1,410,156</u>	<u>1,616,970</u>	<u>510,419</u>	<u>138,468</u>	<u>3,632,358</u>	<u>6,224,170</u>	<u>236,621</u>
<b>Cash Flows from Capital &amp; Related Financing Activities:</b>									
Proceeds from revenue bonds and notes		6,204,094		23,033,386				29,237,480	
Proceeds from capital lease receivable						946,555		946,555	
Capital contributions		214,238	65,073	21,682,770	8,121,533		112,863	30,196,477	
Acquisition and construction of capital assets	(1,341,290)	(8,609,198)	(1,908,130)	(48,255,512)	(2,755,878)	(324,321)	(1,645,988)	(64,840,317)	(418,649)
Proceeds from sale of capital assets	88,500					392,114	1,215	481,829	
Principal paid on capital debt	(1,431,805)	(3,015,004)	(395,000)	(1,475,000)	(2,290,000)	(105,451)	(85,000)	(8,797,260)	
Interest paid on capital debt	(309,856)	(582,308)	(10,863)	(447,359)	(1,738,065)	(33,062)	(15,964)	(3,137,477)	
Net cash provided (used) by capital & related financing activities	<u>(2,994,451)</u>	<u>(5,788,178)</u>	<u>(2,248,920)</u>	<u>(5,461,715)</u>	<u>1,337,590</u>	<u>875,835</u>	<u>(1,632,874)</u>	<u>(15,912,713)</u>	<u>(418,649)</u>
<b>Cash Flows from Investing Activities:</b>									
Proceeds from sales and maturities of investments	628,946	3,571,020	405,862	3,196,763	11,273,770	4,349,646	87,998	23,514,005	
Purchase of investments	(560,822)	(3,081,450)		(3,196,762)	(12,843,553)	(4,835,178)	(87,000)	(24,604,565)	
Interest and dividends received	121,632	123,297	41,633	125,888	243,628	129,545	26,614	812,237	6,946
Net cash provided (used) by investing activities	<u>189,956</u>	<u>612,867</u>	<u>447,495</u>	<u>125,889</u>	<u>(1,326,155)</u>	<u>(355,987)</u>	<u>27,612</u>	<u>(278,323)</u>	<u>6,946</u>
Net increase (decrease) in cash and cash equivalents	933,961	(1,030,909)	246,736	953,272	538,472	1,344,080	(15,772)	2,969,840	131,491
Cash and cash equivalents - beginning of the year	6,684,641	3,901,116	2,373,162	1,462,846	2,913,919	3,810,267	1,701,552	22,847,503	514,910
Cash and cash equivalents - end of the year	<u>\$ 7,618,602</u>	<u>\$ 2,870,207</u>	<u>\$ 2,619,898</u>	<u>\$ 2,416,118</u>	<u>\$ 3,452,391</u>	<u>\$ 5,154,347</u>	<u>\$ 1,685,780</u>	<u>\$ 25,817,343</u>	<u>\$ 646,401</u>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>									
Operating Income (loss)	\$ 1,456,870	\$ 1,595,597	\$ (855,085)	\$ 2,350,358	\$ (3,777,692)	\$ 340,262	\$ (3,365,505)	\$ (2,255,195)	\$ (234,613)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:									
Depreciation Expense	1,557,905	3,666,176	1,438,717	2,709,171	3,155,016	490,789	743,332	13,761,106	419,586
(Increase) decrease in accounts receivable	(32,662)	(320,826)	(15,622)	(297,683)	(481,487)	(87,868)	(43,297)	(1,279,445)	
(Increase) decrease in inventories				(44,948)	(30,430)		3,613	(71,765)	22,192
(Increase) decrease in prepaid items	(58)	(2,406)	(1,908)	75,859	5,791	(746)	42,877	119,409	(54,766)
Increase (Decrease) in customer deposits	5,318	24,452	352	69,400	332,461		(15)	431,998	
(Increase) decrease in notes receivable						73,523		73,523	
(Increase) decrease in deferred outflows	176,067	121,355	38,180	194,236		35,628	119,466	684,932	
Increase (decrease) in accounts payable	166,587	170,329	15,059	49,530	812,959	(207,308)	397,600	1,404,756	148,190
Increase (decrease) in compensated absences payable	(10,757)	(51,089)	3,501	24,847		6,886	11,349	(15,263)	10,984
Increase (decrease) in net pension liability	(422,464)	(232,069)	(35,573)	(434,519)		9,074	(108,526)	(1,224,077)	
Increase (decrease) in net OPEB liability	(2,605)	(2,078)	(832)	(3,024)		(978)	(2,618)	(12,135)	
Increase (decrease) in landfill closure/postclosure liability	514,327							514,327	
Increase (decrease) in deferred inflows	366,356	222,734	51,216	388,273		26,502	158,856	1,213,937	
(Increase) decrease in due from other funds operating activities				(409,372)			(50,000)	(459,372)	(5,000)
Increase (decrease) in due to other funds operating activities							50,000	50,000	
Total Adjustments	<u>2,318,014</u>	<u>3,596,578</u>	<u>1,493,090</u>	<u>2,321,770</u>	<u>3,794,310</u>	<u>345,502</u>	<u>1,322,637</u>	<u>15,191,901</u>	<u>541,186</u>
Net cash provided by operating activities	<u>\$ 3,774,884</u>	<u>\$ 5,192,175</u>	<u>\$ 638,005</u>	<u>\$ 4,672,128</u>	<u>\$ 16,618</u>	<u>\$ 685,764</u>	<u>\$ (2,042,868)</u>	<u>\$ 12,936,706</u>	<u>\$ 306,573</u>
<b>Noncash Investing, Capital and Financing Activities:</b>									
Net (decrease) in fair value of investments	\$ (6,499)	\$ (6,336)	\$ (2,592)	\$ (4,923)	\$ (46,258)	\$ (11,388)	\$ (2,609)	\$ (80,605)	\$ (1,067)
Capital contributions		3,191,014	2,579,270	1,211,637				6,981,921	
<b>Reconciliation of cash and cash equivalents:</b>									
Current Assets:									
Cash and cash equivalents	\$ 3,962,227	\$ 1,414,287	\$ 1,665,624	\$ 1,553,880	\$ 416,142	\$ 5,154,347	\$ 1,345,368	\$ 15,511,875	
Restricted cash, and cash equivalents:									
Customer deposits	5,318	24,452	1,352	83,400			1,416	115,938	
Construction account	1,549,674	459,996	952,922	94,069			305,996	3,362,657	
Revenue bond current debt service acct.	507,914	971,472		684,769			33,000	2,197,155	
Operating and capital fund					1,237,252			1,237,252	
Reserved for Landfill Closure	1,593,469							1,593,469	
Trust account/advance ticket sales					1,798,997			1,798,997	
Total Cash and Cash equivalents	<u>\$ 7,618,602</u>	<u>\$ 2,870,207</u>	<u>\$ 2,619,898</u>	<u>\$ 2,416,118</u>	<u>\$ 3,452,391</u>	<u>\$ 5,154,347</u>	<u>\$ 1,685,780</u>	<u>\$ 25,817,343</u>	

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



CITY OF GRAND FORKS, NORTH DAKOTA  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS

DECEMBER 31, 2018

	<u>Pension Trust</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 5,126,794	\$ 128,164
Investments at fair value:		
ND State Investment Board	60,880,255	
Taxes Receivable:		
Hotel/Motel		81,267
Property		1,909
	<u>                    </u>	<u>                    </u>
Total Assets	<u>\$ 66,007,049</u>	<u>\$ 211,340</u>
<b>LIABILITIES</b>		
Accounts payable	\$ -	\$ 136,689
Due to other agencies		74,651
	<u>                    </u>	<u>                    </u>
Total Liabilities	<u>\$ -</u>	<u>\$ 211,340</u>
<b>NET POSITION RESTRICTED FOR PENSIONS</b>		
Total Net Position Restricted for Pensions	<u>\$ 66,007,049</u>	

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

CITY OF GRAND FORKS, NORTH DAKOTA  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS

Year Ended December 31, 2018  
 With Comparative Totals for December 31, 2017

	Pension Trust Fund 2018	Pension Trust Fund 2017
<b>Additions:</b>		
Contributions:		
Employer contributions	\$ 3,338,042	\$ 3,325,061
Employee contributions	385,280	428,480
Total contributions	<u>3,723,322</u>	<u>3,753,541</u>
Investment Earnings:		
Net appreciation (depreciation) in fair value of assets & Interest, dividends and other income	(2,197,466)	9,767,726
Net investment earnings	<u>(2,197,466)</u>	<u>9,767,726</u>
Total additions	<u>1,525,856</u>	<u>13,521,267</u>
<b>Deductions:</b>		
Benefits paid to participants	6,326,740	5,705,484
Administrative Expenses	169,566	204,338
Total Deductions	<u>6,496,306</u>	<u>5,909,822</u>
Change in net position	(4,970,450)	7,611,445
Net position - beginning	<u>70,977,499</u>	<u>63,366,054</u>
Net position - ending	<u>\$ 66,007,049</u>	<u>\$ 70,977,499</u>

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

**CITY OF GRAND FORKS, NORTH DAKOTA**  
**Notes to the Financial Statements**  
**December 31, 2018**

**I. Summary of significant accounting policies**

**A. Basis of Presentation**

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units by the Governmental Accounting Standards Board (GASB). The more significant of the City's accounting policies are described below.

The Governmental Accounting Standards Board (GASB) has issued several new statements, some of which have not been implemented by the City.

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

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

GASB Statement No. 87, Leases, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. This Statement is effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, improves the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to

debt. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This Statement is effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

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

GASB Statement No. 90, Majority Equity Interests, establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement provides guidance for reporting when a government has majority equity interest in legally separate organizations. An equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. If government's holding of that equity interest meets the definition of an investment, as defined by GASB No. 72, the equity interest should be reported as an investment and measured using the equity method and not as a component unit of the government. If a government's holding of a majority interest in a legally separate organization does not meet the definition of an investment, the holding of the majority equity interest results in the government being financially accountable for the organization and therefore, the government should report the legally separate organization as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

Management has not yet determined the effect these statements will have on the City's financial statements.

**B. Financial reporting entity**

The City of Grand Forks, North Dakota was incorporated in 1881. The City adopted its Home Rule Charter in 1970. It is a municipal corporation governed by an elected mayor and seven-member council. The council members are elected by wards to serve four-year staggered terms and the mayor is elected at large.

The financial statements present the City and its component unit. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the basic financial statements of the City because of the significance of their operational or financial relationships with the City.

As a result of applying the component unit definition criteria above, the Grand Forks Regional Airport Authority is determined to be a component unit of the City. The Grand Forks Regional Airport Authority is a separate legal entity. The Mayor with the approval of the City

Council appoints three of the five members of the Authority Board. Tax levies and bond issuance authorizations are approved by the City Council, and the legal liability for the general obligation portion of the Authority's debt remains with the City. Thus the Authority activities are discretely presented in a separate column in the City's government-wide financial statements. The Authority is reported as a business-type activity. Complete and audited financial statements of the Grand Forks Regional Airport Authority may be obtained at the Authority's administrative office.

#### C. Basis of presentation - 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 nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the government's enterprise funds. 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's enterprise functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 operational 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.

#### D. Basis of presentation – fund financial statements

The fund financial statements provide information about the government's funds, including its fiduciary funds. Separate statements for each fund category-governmental, proprietary and fiduciary-are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual

governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

**The General Fund** is the City's primary operating fund. It accounts for all financial resources of the City, except those that are required to be accounted for in another fund. Most of the current day to day operations of the governmental units are financed from this fund.

**The Special Assessment Debt Service Fund** accounts for the resources accumulated and payments made for principal and interest on special assessment long-term debt associated with various special assessment districts within the City.

**The Current Year Projects Fund** accounts for the receipt and disbursement of special assessment bond proceeds used to construct various infrastructure projects that will eventually be special assessed to benefitting property. This is a capital project fund.

**The Street and Infrastructure Fund** accounts for the receipt and the disbursement of funds allocated to the City from North Dakota highway users taxes. These funds are to be used for street maintenance, repair, construction and related expenditures. This fund also accounts for the receipt and disbursement of the portion of the funds provided by the City's sales tax set aside for infrastructure projects as designated by the City Council. Sales tax is levied in accordance with the City's Home Rule Charter. This is a capital project fund.

The City reports the following major proprietary funds:

**The Sanitation Fund** accounts for the provision of garbage pick-up services, baling, landfill operation and alley upkeep to the residents of the City and some surrounding communities.

**The Wastewater Fund** accounts for the activities related to the operation and maintenance of wastewater treatment plant, sewage pumping stations and collection systems to provide sewer services to the residents of the City.

**The Stormwater Fund** accounts for the activities related to the operation and maintenance of surface water collection and drainage system to provide storm sewer services to the residents of the City.

**The Water Fund** accounts for the activities related to the operation and maintenance of water intake, treatment and distribution systems to provide water service to the residents of the City.

**The Alerus Center Fund** accounts for the operation and maintenance of the Alerus Center which is a multi-purpose sports and entertainment stadium and a convention center.

**The Job Development Authority Fund** accounts for the administration, operation, and debt service activities of the Authority. The Job Development Authority provides

economic development opportunities to the community and region at large. It encourages the creation of new jobs while saving existing jobs, creates new wealth, enhances the local property tax base, encourages capital investment and diversifies the local economy.

Additionally, the City reports the following fund types:

**Internal Service Funds** account for goods and services provided by computer service, central garage, central purchasing and public works facility on a cost reimbursement basis to other departments or agencies of the City. Because these internal service funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

**Agency Funds** are used to account for assets held by the City as agent for other individuals, private organizations, or other governmental units and/or funds. The City acts as an agent in collecting a three percent room tax and the disbursement of these funds to the Convention and Visitor's Bureau for its use. The City also acts as an agent in collecting and disbursing a .5 mill levy to the Humane Society. No liability exists on behalf of the City beyond the extent of revenue received for these agency funds.

**The Pension Trust Fund** accounts for the activities of the City Employee's Pension Plan, which accumulates resources for pension benefit payments to qualified employees at year end. The Net Pension Liabilities associated with this plan are reported as of the measurement date at December 31, 2017 and are reported in the basic financial statements.

During the course of operations the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

## **E. Measurement focus and basis of accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recognized 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 the 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 to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

The proprietary and pension funds are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds have no measurement focus but utilize the accrual basis of accounting for reporting assets and liabilities.

Unearned revenues represent resources that have been received but are not yet earned.

## **F. Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance**

### **1. Deposits and investments**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, cash with fiscal agent, and short-term investments with maturities of three months or less from the date of acquisition.

Cash balances for all funds are combined and invested to the extent available in authorized investments. Interest earnings from such investments are allocated to the respective funds based on average monthly balances.

Investments for the City as well as for its component unit are reported at fair value.

#### Fair Value Measurements

The City accounts for all assets and liabilities that are being measured and reported on a fair value basis in accordance with Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. GASB 72 defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements.

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

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

#### 2. Interfund Receivables and payables

Activities between funds, which are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter-fund loans) or "advances to/from other funds" (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

The City calculates allowance for uncollectible accounts using historical collection data.

#### 3. Special assessments receivable

Special assessments receivable include the following components:

Unremitted – includes amounts held by the county as collection agent

Delinquent – includes amounts billed to property owners but not paid as

Of December 31 of the year

Uncertified – includes assessment installment which will be billed to property owners in future years.

Special assessment-principal revenues are recognized as installments become measurable and available. Special assessment-interest is recognized when due.

#### 4. Deferred outflows/inflows of resources

In addition to assets, the statement of financial 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 resources (expense/expenditure) until then. The government has four items that qualify for reporting in this category. The first is the deferred charge on refunding reported in the government-wide statement of net position and proprietary funds statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City also reports three items reported on the statement of net position which represent actuarial differences within the pension and OPEB plans as well as amounts paid to the plans after the measurement date. These are reported as the cost sharing defined benefit pension plan, single employer defined benefit pension plan and cost sharing benefit OPEB plan.

In addition to liabilities, the statement of financial 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 government has only three types of items, which arise only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue* (unavailable for property taxes and unavailable for special assessments), is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues, from two sources: 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 two items reported on the statement of net position as cost sharing defined benefit pension and OPEB plan, which represents actuarial differences within the NDCRS pension and OPEB plan.

#### 5. Inventories and prepaid items

Inventories are valued at cost using first-in/first-out (FIFO) method. The costs of inventory items are recognized as expenses in proprietary funds when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

#### 6. Restricted assets

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their payment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "revenue bond reserve account" is used to segregate resources from the bond proceeds or from the utility revenue, to an amount equal to the lesser of 1) the maximum annual debt service on, 2) 125% of the average annual debt service on, or 3) ten percent (10%) of the proceeds of all bonds payable from the reserve revenue bond account. The reserve revenue bond account is a protection to bondholders and the City in the event utility revenues are inadequate to meet debt service expenses. In the event the use of the reserve revenue bond reserve account results in a deficiency in said account, the City agrees pursuant to Article 9 of Chapter 2 of the Grand Forks City Code, as amended, to levy an unlimited ad valorem tax upon all taxable property in the city in an

amount required to restore the balance in said account. The “revenue bond construction account” is used to report those proceeds of revenue bond issuances that are restricted for use in construction. The “revenue bond current debt service” account is used to segregate resources accumulated for debt service payments over the next twelve months. The “revenue bond renewal and replacement account” is used to report resources set aside to meet unexpected contingencies or to fund asset renewals and replacements.

#### 7. Assets Held for Resale

A non-current asset is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. For such a classification to be made, the asset is available for immediate sale in its present condition, it is being actively marketed for sale at a price that is reasonable, and its sale is highly probable.

#### 8. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, pavements, street lights, traffic signals, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined as having an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Capital assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets, donated works of art and similar items and capital assets received in a service concession arrangement are reported at acquisition value.

The cost 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 capitalized as projects are constructed.

Capital outlays are recorded as expenditures in the City’s fund financial statements, which use the modified accrual basis of accounting. Capital outlays are capitalized in the City’s government-wide statement of net position, which use the full accrual basis of accounting. Infrastructure assets have been capitalized retroactively to 1980 upon adoption of GASB Statement No. 34. Depreciation on the City’s capital assets, including infrastructure is recorded on a government-wide basis. For retroactive capitalization of infrastructure the City valued the assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year).

Depreciation has been provided over the estimated useful lives using the straight-line method. The estimated useful lives are as follows:

Building and structures	10 – 50 years
Improvements other than buildings	10 – 100 years
Infrastructure	30 – 50 years
Machinery and equipment	3 – 30 years

#### 9. Compensated absences

Employees accrue vacation leave at a rate of various hours per month for years of continuous service. The maximum amount of vacation leave that can be accumulated is an amount that

can be earned in the prior two years. All outstanding vacation leave is payable upon termination.

All vacation pay is accrued when incurred in the government-wide and proprietary fund statements.

Sick leave is accrued at a rate of fourteen days per year of continuous service. Sick leave accumulation is unlimited. However, an employee has the right to be paid for fifty (50) percent of his/her unused sick leave, either annually by being paid fifty (50) percent of the prior year accrual, or at termination by being paid for fifty percent of the accumulated amount. The options for payback are based on banking 960 hours (120) days and having completed 5 years of continuous service. Accrued liability is recorded in the government-wide and proprietary fund statements.

#### 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 statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bond.

In the fund financial statements, governmental fund types recognize bond premium and discounts, as well as bond issuance costs, during the current period. The face amount of the debt is reported as other financing sources while discounts on debt issuance are reported as other financing uses or expenditures. Issuance costs are withheld from the actual debt proceeds received, and are reported as debt service expenditures.

#### 11. Pension

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and the single employer pension plan and additions to/deductions from NDPERS/single employer plan fiduciary net position have been determined on the same basis as they are reported by NDPERS/single employer plan’s except that NDPERS’ 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.

#### 12. Other Post Employment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the North Dakota Public Employees Retirement System (NDPERS) and additions to/deductions from NDPERS’ fiduciary net position have been determined on the same basis as they are reported by NDPERS. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### 13. Fund Balance/Net Position

The difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources is “net position” on the government-wide, proprietary and fiduciary fund financial statements and “fund balance” on the governmental fund financial statements.

The Grand Forks City Council has adopted GASB Statement No. 54, “*Fund Balance Policy*.” The policy provides defined fund balance categories which are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints and the purposes for which resources can be used:

**Nonspendable** - consists of amounts that are not in spendable form (such as inventory and prepaid items) or are required to be maintained intact.

**Restricted** - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

**Committed** - consists of amounts constrained to specific purposes by formal action of the government’s highest level of decision-making authority. The City Council is the highest level of decision making authority. To be reported as committed the City Council must adopt a resolution prior to the end of the year to commit fund balance. Amounts cannot be used for any other purpose unless the City Council takes the same highest level action to remove or change the constraint.

**Assigned** - consists of amounts a government intends to use for a specific purpose. These constraints are established by the Council and/or management. The Council delegates the power to assign fund balances to the City Administrator and the Director of Finance per the Fund Balance Policy adopted December 8, 2011.

**Unassigned** - consists of amounts that are available for any purpose; positive amounts are reported only in the general fund.

In accordance with the City’s Fund Balance Policy, to maintain adequate cash flow requirements and contingency needs, the City will strive to maintain an unassigned fund balance in the general fund of 18% of the next year’s budgeted operating expenditures of the general fund. This will assist in maintaining an adequate level of fund balance as a majority of property tax revenue is received in March.

If spending unassigned fund balance in designated circumstances has reduced unassigned fund balance to a point below the minimum targeted level as noted above, the replenishment will be made within one to three years.

### 14. Fund balance flow assumptions

Sometimes a government will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted, committed, assigned and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. If resources from more than one fund balance classification could be spent, the City will strive to spend resources from fund balance classifications in the following order: restricted, committed, assigned and unassigned.

### 15. Net position flow assumption

Sometimes the government will fund outlays for a particular purpose from 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 and proprietary fund 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.

## G. Revenues and expenditures/expenses

### 1. Program revenues

Amounts reported as program revenue 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. Internal dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

### 2. Property Tax

Property tax levies are set by the City Council in September of each year and are certified to Grand Forks County for collection in the following year. In North Dakota, counties act as collection agents for all property tax.

The County spreads all levies over taxable property. Property taxes are attached as an enforceable lien on the real estate and become due on January 1<sup>st</sup> of the year following the assessment date and are recorded as receivable by the City at that date. Within the fund financial statements, property taxes are accrued and recognized as revenue, excluding delinquent taxes received over 60 days after year-end. Unavailable revenue in governmental activities is susceptible to full accrual on the government-wide statements.

A five (5) percent reduction on the taxes is allowed if the taxes are paid in full by February 15<sup>th</sup>. Penalty and interest are added on March 1<sup>st</sup> if the first half of the taxes are not paid. Additional penalty and interest are added on October 15<sup>th</sup> to those taxes that were not paid.

Taxes are collected by the County and remitted monthly to the City. The City is permitted under the provisions of its Home Rule Charter to levy a maximum of one hundred and thirty (130) mills for general governmental services, excluding debt service, social security, special



assessments, and city's share of special assessments. In its 2018 budget, the City levied 46.37 mills under its limit.

### 3. Proprietary funds operating and nonoperating revenues and expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connections with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's utility funds and of the internal service funds are charges to customers for sales and services. The utility funds also recognize as operating revenue the portion of tapping fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

#### H. Comparative data/reclassifications

Comparative total data for the prior year have been presented in the fund financial statements in order to provide an understanding of the changes in the financial position and operation of these funds. Also certain amounts/accounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation. These reclassifications resulted in no changes in fund balances or net position.

## II. Stewardship, compliance, and accountability

### A. Budgetary information

The process of compiling the annual budget is a year-round activity. The basis of the process is a framework of statutory deadlines established by the State of North Dakota. The City Finance Department, Mayor and City Council establish the remainder of the process. The City Finance Director sets interim deadlines to ensure necessary information is collected, priorities are determined, and the Mayor can make a recommendation to the City Council. Early in the budget process, the Mayor and Administration meet with City Council in planning sessions to keep everyone informed. The Finance Director has been designated to serve as the official budget officer for the City of Grand Forks, to the City Council, which, in turn establishes tax rates and adopts the annual budget and 6-year operations and capital improvement plan.

While the process may change from year to year the 2018 budget was developed in four phases; the planning phase, the preparation phase, the review phase and the adoption phase. Each phase is explained in detail in the City's budget document.

The Mayor, City Administrator and the Finance Director presented the recommended budget for 2018 to the City Council on August 28, 2017. The budget work sessions were scheduled as needed to discuss the budget. Once the Council is satisfied with the recommended budget, it is forwarded to the regular City Council meeting in September 2017 for preliminary approval. This meeting is open to the public and notice of this meeting is published in the local newspaper. The City Council gives preliminary approval of the city budget and sets first reading of the annual appropriation ordinance in early September. The City Council may hold public hearings and may subtract from or change appropriations.

Any changes in the budget must be made with the revenues and reserves estimated as available by the Director of Finance or the revenue estimates must be changed by an affirmative vote of a majority of the City Council.

The City Council gives final approval of the annual budget and second reading of the annual appropriation ordinance by the third Monday of September each year. By October 10<sup>th</sup>, the proposed budget and proposed tax levy is certified to the county.

The appropriated budget is prepared by fund, function and department. The legal level of control is the fund level. The management of the City of Grand Forks has the authority to make transfers between object level within a department, function and fund as long as the total fund appropriations are not exceeded. City Council approval is required for an increase in the aggregate total of appropriations in order to reflect additional revenues that were not anticipated at the time of original adoption of the annual budget and appropriation ordinance. Several supplementary appropriations were made during the year.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed contracts for goods or services. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances are re-appropriated and become part of the subsequent year's budget.

Expenditures made, liabilities incurred, or warrants issued in excess of the total appropriations in the final amended budget are a joint and several liability of the members of the City Council who authorized the making, incurring, or issuing thereof or who were present when they were authorized and did not vote against authorizing the same. "Total appropriations" means the total appropriation made for each fund in the annual budget ordinance.

Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue funds. Such budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

### B. Excess of expenditures over appropriations

For the year ended December 31, 2018, expenditures did not exceed appropriations in any funds.

### C. Deficit fund equity

For the year ended December 31, 2018, all funds had positive fund equity.

**III. Detailed notes on all funds**

**A. Deposits and investments**

In accordance with North Dakota statutes, the City and the component unit maintain deposits at those depository banks and savings and loans authorized by the City Council or Authority Commission, as appropriate, all of which are members of the Federal Reserve System or the Federal Home Loan Bank System.

Statutes require that all city and component unit deposits be protected by insurance, surety bond, or collateral. The market value of the collateral pledged must equal one-hundred ten (110) percent of the deposits not covered by insurance or bonds.

Deposits - Primary Government

At December 31, 2018 the carrying amount of the City's deposits was \$57,505,020 and the bank balance was \$66,901,573. All of the bank balance was covered by federal depository insurance and collateral held by the City's agent in safekeeping in the City's name, covered by the Bank of North Dakota, or held in US Bank escrow account secured by US Treasury securities.

In addition, there are deposits of \$5,126,794 related to the City's single employer defined benefit pension plan. This is held by both Aetna Life Insurance and the North Dakota State Investment Board.

Deposits - Component Unit

At December 31, 2018 the carrying amount of the Airport Authority's deposits was \$14,854,372 and the bank balance was \$14,924,979, which were covered by Federal Depository Insurance or collateral held in safekeeping in the Authority's name. However, as of December 31, 2018, the Airport Authority was under collateralized by approximately \$85,000. The Authority maintains an investment in Principal Financial Group stock. The investment of \$49,780 consists of 1,127 shares of stock. The investment is carried at fair market value based on the trading value of the New York Stock Exchange as of December 31, 2018, a Level 1 fair value measurement.

**Investments – Primary Government**

The City categorizes its fair value measurements in accordance with guidelines established by generally accepted accounting principles. These guidelines establish a hierarchy of inputs to valuation techniques used to measure fair value. That hierarchy has three levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Finally, Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security.

As of December 31, 2018 the City had the following investments and maturities:

Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10	Credit Rating	Rating Agency
	Certificates of Deposit (various banks)	\$ 9,222,327	\$ 3,432,675	\$ 5,789,652	\$ -	\$ -	n/a
Federal National Mortgage Assn Pool	25,334,711	5,271,896	17,062,116	3,000,699	-	Aaa	Moody
Federal Home Loan Mortgage Corp	33,630,408	1,826,970	28,769,481	3,033,957	-	Aaa	Moody
Ginnie Mae	417,119	417,119	-	-	-	Aaa	Moody
<b>Total</b>	<b>\$ 68,604,565</b>	<b>\$ 10,948,660</b>	<b>\$ 51,621,249</b>	<b>\$ 6,034,656</b>	<b>\$ -</b>		

Investment Type	Fair Value Measurements at Reporting Date Using			
	Fair Value	Quoted Price (Level 1)	Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
Certificates of Deposit (various banks)*	\$ 5,887,327	\$ -	\$ 5,887,327	\$ -
Federal National Mortgage Assn Pool	25,334,711	-	25,334,711	-
Federal Home Loan Mortgage Corp	33,630,408	-	33,630,408	-
Ginnie Mae	417,119	-	417,119	-
<b>Total</b>	<b>\$ 65,269,565</b>	<b>\$ -</b>	<b>\$ 65,269,565</b>	<b>\$ -</b>

\*Bank CDs, totaling \$3,335,000, are not included as the Fair Market Value Measurement disclosure is not applicable.

**Investments – Pension Trust Fund**

All investments of the fund are deposited with the North Dakota State Investment Board (SIB). The SIB is responsible for establishing the investment policy for the fund assets, which includes setting investment goals and specifying the percentage of assets to be invested in various types of investments. The investment goals are viewed over the long term. The Board recognizes the plan's performance objectives, benefit projections, and capital market expectation when determining the asset allocation. The SIB is responsible for managing the plan's investments in accordance with the investment policy.

	Level 1	Level 2	Level 3
Pension investments:			
Domestic equities	\$ 877,143		
Global / international equities	36,267,090		
International fixed income		\$ 14,636,621	

Investments measured at the net asset value (NAV)

Pension investments:  
 Real assets NAV: \$ 9,099,401  
 Redemption frequency: quarterly, not eligible  
 Redemption Notice Period: 30-90 days

Real Assets – these investments are intended to provide allocation to tangible assets that are expected to be inflation protected and provide performance above the inflation rate as indicated by the CPI. Investments are generally structured as limited partnerships or limited liability companies.

Interest Rate Risk

In accordance with its investment policy, the City manages its exposure to declines in fair value by limiting the weighted average maturities of its investment portfolio by:

- Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio. The average maturity of investments shall average five years or less.

**Credit Risk**

North Dakota State Statute limits local governments to invest in:

- Bonds, treasury bills and notes, or other securities that are a direct obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an act of Congress.
- Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are the type listed above.
- Certificates of Deposit fully insured by the federal deposit insurance corporation.
- Obligations of the state.

It is the City’s policy to limit its investments in these investment types. The above table lists the investment types and their credit ratings.

**Concentration of Credit Risk**

In accordance with the City’s investment policy, the City diversifies its investments by:

- Limiting investments to avoid over concentration in securities from a specific issuer or business sector (excluding U.S. Treasury and U.S. government backed securities)
- Limiting investment in securities that have higher credit risks
- Investing in securities with varying maturities, and
- Continuously investing a portion of the portfolio in readily available funds such as money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations

**Custodial credit risk**

For an investment, this is a risk that; in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. To minimize the custodial credit risk exposure all trades of marketable securities are executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds.

Securities are held by an independent third-party custodian selected by the City of Grand Forks as evidenced by safekeeping receipts in the City of Grand Forks name. The safekeeping institution annually provides a copy of their most recent report on internal controls to the City.

The investment in the Pension Plan is not subject to the credit risk classifications as noted in paragraph 9 of GASB Statement 40

**B. Receivables**

Receivables as of year-end for the City’s individual major and non-major funds, internal service funds, and the fiduciary funds in aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Special Assessment	Capital Project Street and Infrastructure Fund	Non-Major Governmental Funds	Enterprise Fund Sanitation	Enterprise Fund Wastewater	Enterprise Fund Water	Enterprise Fund Stormwater	Enterprise Fund Alerus	Enterprise Fund JDA	Non Major Enterprise Funds and Other Funds	Total
Receivables:												
Notes				\$ 2,098,419						\$ 3,690,001		\$ 5,788,420
Taxes	\$ 676,569		\$ 333,348	724,906					\$ 737,548		\$ 105,159 *	2,577,530
Accounts	882,634		2,390	366,340	\$ 963,562	\$ 1,399,876	\$ 1,253,802	\$ 703,380	995,648		346,860	7,262,480
Capital Leases											3,587,484	3,587,484
Special Assessments	45,311	\$ 42,122,666		2,278,025		12,933		104,971	177,499			44,741,405
Intergovernmental	1,294,869		398,840	513,754			4,892,441				1,152,260	8,252,164
Gross Receivables	2,899,383	42,122,666	734,578	5,981,444	963,562	1,412,809	6,146,243	808,351	1,910,695	7,624,345	1,605,407	72,209,483
Less: Allowance for Uncollectibles					(17,081)	(20,169)	(29,576)	(7,705)		(580,961)	(3,178)	(658,670)
Net Total Receivables	\$ 2,899,383	\$ 42,122,666	\$ 734,578	\$ 5,981,444	\$ 946,481	\$ 1,392,640	\$ 6,116,667	\$ 800,646	\$ 1,910,695	\$ 7,043,384	\$ 1,602,229	\$ 71,550,813

\* Includes Fiduciary Fund taxes receivable

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	Unearned	Unavailable	Total
Delinquent property taxes receivable	\$ -	\$ 280,043	\$ 280,043
Special assessments not yet due	-	44,446,001	44,446,001
Grant draw-downs prior to meeting all eligibility requirements	2,217,690	-	2,217,690
Total unavailable/unearned revenue	\$ 2,217,690	\$ 44,726,044	\$ 46,943,734

**C. Capital assets**

Capital asset activity for the year ended December 31, 2018 was as follows:

	Balance 1/1/2018	Additions	Deletions	Balance 12/31/2018
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 31,790,214	\$ -	\$ -	\$ 31,790,214
Infrastructure - ROW	6,754,913	441,633	-	7,196,546
Construction in progress	1,725,851	905,603	(1,725,851)	905,603
<b>Total capital assets not being depreciated</b>	<b>40,270,978</b>	<b>1,347,236</b>	<b>(1,725,851)</b>	<b>39,892,363</b>
<b>Capital assets being depreciated:</b>				
Buildings	45,214,219	424,956	-	45,639,175
Improvements other than buildings	66,665,330	141,831	-	66,807,161
Machinery & equipment	25,087,864	1,767,046	(1,901,355)	24,953,555
Infrastructure	186,753,540	9,469,532	-	196,223,072
<b>Total capital assets being depreciated</b>	<b>323,720,953</b>	<b>11,803,365</b>	<b>(1,901,355)</b>	<b>333,622,963</b>
<b>Less accumulated depreciation for:</b>				
Buildings	14,986,760	1,023,486	-	16,010,246
Improvements other than buildings	14,247,745	1,077,120	-	15,324,865
Machinery & equipment	16,913,355	1,646,475	(1,761,344)	16,798,486
Infrastructure	108,500,978	1,634,635	-	110,135,613
<b>Total accumulated depreciation</b>	<b>154,648,838</b>	<b>5,381,716</b>	<b>(1,761,344)</b>	<b>158,269,210</b>
<b>Capital assets net of accumulated depreciation</b>	<b>169,072,115</b>			<b>175,353,753</b>
<b>Total governmental activities capital assets net</b>	<b>\$ 209,343,093</b>			<b>\$ 215,246,116</b>
Internal Service Fund capital assets net of accumulated depreciation included in governmental activities				\$ 5,627,509
<b>Total capital assets reported in the statements of net position</b>				<b>\$ 220,873,625</b>

	Balance 1/1/2018	Additions	Deletions	Balance 12/31/2018
<b>Business-Type activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 15,570,602	\$ -	\$ (1,460,301)	\$ 14,110,301
Construction in progress	45,185,039	61,983,010	(882,135)	106,285,914
<b>Total capital assets not being depreciated</b>	<b>60,755,641</b>	<b>61,983,010</b>	<b>(2,342,436)</b>	<b>120,396,215</b>
<b>Capital assets being depreciated:</b>				
Buildings	241,429,042	5,848,973	-	247,278,015
Improvements other than buildings	263,329,502	6,753,748	-	270,083,250
Machinery & equipment	44,414,425	3,484,705	(1,709,277)	46,189,853
<b>Total capital assets being depreciated</b>	<b>549,172,969</b>	<b>16,087,426</b>	<b>(1,709,277)</b>	<b>563,551,118</b>
<b>Less accumulated depreciation for:</b>				
Buildings	85,499,574	5,319,835	-	90,819,409
Improvements other than buildings	103,033,682	5,464,718	-	108,498,400
Machinery & equipment	26,653,737	2,976,553	(1,709,277)	27,921,013
<b>Total accumulated depreciation</b>	<b>215,186,993</b>	<b>13,761,106</b>	<b>(1,709,277)</b>	<b>227,238,822</b>
<b>Capital assets net of accumulated depreciation</b>	<b>333,985,976</b>			<b>336,312,296</b>
<b>Total business type activities capital assets net</b>	<b>\$394,741,617</b>			<b>\$456,708,511</b>

Depreciation expense was charged to the following functions/programs of the primary government as follows:

<b>Governmental activities:</b>	
General Government	\$ 1,062,672
Health & Welfare	39,879
Public Safety	1,167,697
Highways and Streets	3,098,214
Culture and Recreation	13,254
<b>Total depreciation expense - governmental activities</b>	<b>\$ 5,381,716</b>

<b>Business-type activities:</b>	
Sanitation	\$ 1,557,905
Wastewater	3,666,176
Water	2,709,171
Stormwater	1,438,717
Public Transit	400,383
Dial A Ride	118,680
Mosquito Control	113,056
Alerus Center	3,155,016
Job Development Authority	490,789
Downtown Parking	111,213
<b>Total depreciation expense - business-type activities</b>	<b>\$ 13,761,106</b>

Depreciation expense for capital assets held by the City's internal service funds are charged to the various functions based on usage of the assets.

**Construction commitments**

Construction commitments as of December 31, 2018 were approximately \$67,604,541. Of this amount, \$61,705,713, relates to the construction of the new water treatment plant. The funding sources for this project are a 50% grant from the State of North Dakota and a low interest, 30 year loan from the State Revolving Loan Fund as well as use of cash reserves from the Water Fund. For the balance of the commitments funds are designated for capital expenditures in various funds to cover these commitments.

There are also outstanding encumbrances as of December 31, 2018:

Encumbrances:

General Fund	\$ 439,315
Street and Infrastructure	1,440,415
Non Major Governmental Funds	986,253
Sanitation Fund	715,278
Wastewater Fund	785,809
Job Development Authority	22,126
Stormwater Fund	34,695
Internal Service Funds	<u>134,826</u>
Total Encumbrances	<u>\$4,558,717</u>

**Discretely presented component unit**

Capital asset activity for the Grand Forks Regional Airport Authority for the year ended December 31, 2018 was as follows:

	Beginning Balance		Additions		Deletions		Transfers		Ending Balance	
	1/01/2018								12/31/2018	
<b>Capital assets not being depreciated:</b>										
Land	\$ 1,746,081									\$ 1,746,081
Construction in progress	2,147,350	\$ 600,055	\$ -				\$(2,158,520)			588,885
Total capital assets not being depreciated	<u>3,893,431</u>	<u>600,055</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,158,520)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,334,966</u>
<b>Capital assets being depreciated:</b>										
Equipment	3,470,931	38,971	(16,103)							3,493,799
Motor Vehicles	4,285,346	-	-							4,285,346
Buildings	27,154,080	-	-							27,154,080
Systems and Structures	71,145,679	-	-			2,158,520				73,304,199
Total capital assets being depreciated	<u>106,056,036</u>	<u>38,971</u>	<u>(16,103)</u>	<u>2,158,520</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,237,424</u>
<b>Less accumulated depreciation for:</b>										
Equipment	2,770,554	178,677	(16,103)							2,933,128
Motor Vehicles	3,162,749	211,626	-							3,374,375
Buildings	7,005,364	979,545	-							7,984,909
Systems and Structures	47,259,597	2,779,457	-							50,039,054
Total accumulated depreciation	<u>60,198,264</u>	<u>4,149,305</u>	<u>(16,103)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,331,466</u>
<b>Capital assets net of accumulated depreciation</b>	<u>45,857,772</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,905,958</u>
<b>Total component unit capital assets net</b>	<u>\$ 49,751,203</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 46,240,924</u>

**D. Interfund receivables, payables, and transfers**

The composition of interfund balances as of December 31, 2018, is as follows:

**Due to/Due from other funds:**

Receivable Fund	Payable Fund	Amount
General Fund	Non-Major Governmental	\$ 140,000 (1)
Non-Major Governmental	Debt Service SA Bonds Fund	\$ 610,000 (1)
Non-Major Governmental	Alerus Center	825,285 (2)
Water Fund	Non-Major Governmental	409,372 (3)
Non-Major Enterprise Fund	Non-Major Enterprise Fund	50,000 (1)
Internal Service Fund	Internal Service Fund	5,000 (1)
Total		<u>\$ 2,039,657</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 assist the Alerus Center with its cash flow needs.
3. The purpose of this interfund receivable is to reflect sales tax collected in the street and water sales tax fund for water projects.

Advances to Other Funds	Advances From Other Funds	Amount
General Fund	Non-Major Governmental	\$ 9,901 (1)
General Fund	Internal Service	14,000 (1)
Water Fund	Non-Major Governmental	160,531 (2)
Total		<u>\$ 184,432</u>

1. The purpose of this long-term advance is to maintain a positive cash balance in the receiving fund.
2. The purpose of this long-term advance is to loan money from the Water Fund to finance the construction of the Public Safety Answering Point addition to the Police Building.

**Interfund Transfers**

Transfers Out	Transfers In													Total Transfers Out	Purpose
	General Fund	Debt Service Special Assessment Bond Fund	Capital Project Current Year Projects Fund	Capital Project Street and Infrastructure Fund	Non-Major Governmental Funds	Sanitation Fund	Wastewater Fund	Water Fund	Stormwater Fund	Job Development Authority	Non Major Enterprise Funds	Internal Service Funds			
General Fund					\$ 1,084,646							\$ 15,411	\$ 1,190,057	(1)	
Special Assessment Fund	\$ -	\$ 834,318					\$ 29,628						\$ 863,946	(2)	
Current Year Capital Project Fund		476,020	\$ 1,028,463										\$ 1,504,483	(2)	
Street and Infrastructure Fund	1,144,109		3,071,432		1,674,056								\$ 5,889,597	(2)	
Other Governmental Funds	210,424		100,000	\$ 2,064,000	1,451,721	\$ 12,500	\$ 896,120	1,476,872	\$ 105,500	\$ 477,590			\$ 6,797,227	(2)	
Sanitation Fund	6,562		-										\$ 74,743	(2)	
Wastewater Fund	12,000		356,987			32,377		24,049	1,323,368				\$ 41,795	(2)	
Water Fund	17,063		84,587										\$ 49,907	(2)	
Stormwater Fund	6,563		1,352										\$ 39,959	(2)	
Job Development Authority					197,028		27,929	22,363	29,162		\$ 62,640		\$ 339,121	(2)	
Non-Major Enterprise Funds													\$ 12,306	(2)	
Internal Service Funds													\$ -	(2)	
<b>Total Transfers In</b>	<b>\$ 1,396,721</b>	<b>\$ 1,310,338</b>	<b>\$ 4,642,821</b>	<b>\$ 2,064,000</b>	<b>\$ 4,407,451</b>	<b>\$ 44,877</b>	<b>\$ 924,049</b>	<b>\$ 1,552,912</b>	<b>\$ 1,458,030</b>	<b>\$ 477,590</b>	<b>\$ 62,640</b>	<b>\$ 236,621</b>	<b>\$ 18,578,048</b>		

Job Development Authority 10,309 \*

\* Transfer of capital asset out of the Job Development Authority Fund to Governmental Activity

1. Transfer to cover City's share of the Public Safety Answering Point function, transfer sick leave to sick leave fund and transfer for capital items
2. Transfer share of debt service payments, capital and project expenses and fund equity transfers to close funds

**E. Leases**

**Operating and Capital Leases**

The Alerus Center, an enterprise fund of the City of Grand Forks, leases the arena for football games on a cancelable operating lease. The total lease revenue was \$332,718 for the year ended December 31, 2018. The entire Alerus Center has been capitalized but this lease is just for the arena portion of the facility and just for a few days per year.

The future expected minimum lease payments including scheduled rent increases to be received are as follows:

Year Ending December 31	Amount
2019	\$ 363,762
2020	367,072
2021	370,448
2022	373,892
<b>Total</b>	<b>\$ 1,475,174</b>

The Job Development Authority, an enterprise fund of the City of Grand Forks, leases buildings and office facilities under capital and non-cancelable operating leases. Total lease revenue was \$2,587,112 for the year ended December 31, 2018.

Assets:	Business-type Activities
Buildings	\$ 35,198,186
Less: Accumulated depreciation	(13,764,196)
Capital Lease Receivable	3,587,484
<b>Total</b>	<b>\$ 25,021,474</b>

The future expected minimum lease payments including scheduled rent increases to be received are as follows:

Year Ending December 31	Amount
2019	\$ 2,797,249
2020	3,092,670
2021	3,085,800
2022	1,230,734
2023	1,050,640
2024	431,746
<b>Total</b>	<b>\$ 11,688,839</b>

**Capital Leases**

The City has entered into a lease agreement as lessee for financing the acquisition of certain trucks and equipment. These lease agreements qualify as capital leases for accounting

purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Governmental Activities	Business- type Activities	Total
Assets:			
Machinery and equipment	\$ 989,918	\$ 1,404,413	\$ 2,394,331
Less: Accumulated depreciation	<u>(310,758)</u>	<u>(869,892)</u>	<u>(1,180,650)</u>
Total	<u>\$ 679,160</u>	<u>\$ 534,521</u>	<u>\$ 1,213,681</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2018, were as follows:

	Governmental Activities	Business-type Activities	Total
2019	\$ 152,774	\$ 259,683	\$ 412,457
2020	152,774	259,683	412,457
2021	152,774	40,798	193,572
2022	265,299		265,299
Total Minimum Lease Payments	723,621	560,164	1,283,785
Less: amount representing interest	<u>(44,461)</u>	<u>(25,643)</u>	<u>(70,104)</u>
Present value of minimum lease payments	<u>\$ 679,160</u>	<u>\$ 534,521</u>	<u>\$ 1,213,681</u>

#### F. Long-term debt

Governmental activities include the following types of long-term debt:

##### General Obligation Bonds

General obligation bonds are issued to provide funds for the acquisition and construction of major capital items. They are direct obligations and pledge the full faith and credit of the City of Grand Forks. GO bonds are paid through the debt service funds by a mill levy sufficient to meet the current year's principal and interest payments. These bonds are generally issued as 20-year serial bonds with varying amounts of principal maturing each year. The outstanding bonds have varying interest rates ranging from 2.0% to 4.0%.

General Obligation Bonds outstanding as of December 31, 2018 totaled \$3,985,000. Their original issue amount totaled \$10,680,000. The City is subject to a statutory limit by the State of North Dakota for indebtedness payable principally from property taxes. At December 31, 2018 the statutory limit for the City was \$119,024,899. The general obligation debt, net of cash available for bond retirement was \$4,194,912 leaving a legal debt margin of \$114,829,987.

##### Special Assessment Bonds

Special assessment bonds are issued to provide funds for the construction of various improvements deemed to benefit the properties against which special assessments are levied. Special assessment bonds are paid from the debt service funds by the annual certification payments made by the property owners. These bonds are also backed by GO commitments. The City is required by law to levy a tax upon all taxable property within the city limits to restore any deficiency in the improvement district funds for the payment of all warrants and interest thereon, and the city is authorized, and it is its policy, to levy such a tax whenever such a deficiency is anticipated to occur. Such tax levies are not subject to any constitutional or statutory limitations as to rate or amount. Special assessment bonds are generally issued as 20-year serial bonds with varying amounts of principal maturing each year. The outstanding bonds have a varying interest rate ranging from 2% to 5%.

During the current year the City issued \$12,155,000 of Special Assessment Refunding Improvement Bonds, Series 2018B to finance various improvement projects within the City. The City also drew down an additional \$807,477 on the \$7,155,000 Special Assessment Loan for various infrastructure projects near the new Water Treatment Plant, from the Bank of North Dakota.

The City pledges special assessments against benefited properties for payment of these bonds.

The special assessment bonds outstanding as of December 31, 2018 totaled \$73,790,191. Their original issue amount totaled \$119,168,999.

##### Sales Tax Revenue Bonds

Sales tax revenue bonds are revenue obligations of the City payable solely from the collection of the City's local sales and use taxes, and do not constitute a debt for which the faith and credit or taxing powers of the city is pledged. The City is required to fund a reserve account from the proceeds of the bonds. In the event the use of the reserve results in a deficiency in the reserve account, the City has covenanted to levy an ad valorem tax upon all taxable property in the city, in the amount required to restore the reserve account balance.

The sales tax revenue bonds outstanding as of December 31, 2018 for governmental activities totaled \$3,430,000. Their original issue amount totaled \$10,690,000.

##### Special Project Bonds

Pursuant to a financing plan established by the City Council to fund the City's share of the cost associated with the construction of the permanent flood protection project, the City has issued special assessment bonds totaling \$12,247,147 (to be paid from city-wide special assessments, these bonds have been refinanced, original amount was \$41,117,147, current outstanding \$3,318,708), general obligation bonds totaling \$7,945,000 (to be paid from 5.34 mills pledged out of general property taxes, these bonds have been refinanced, original amount was \$14,480,000, current outstanding \$1,610,000), and sales tax revenue bonds totaling \$6,830,000 (to be paid from dedicated sales tax revenues, original amount was \$19,235,000, current outstanding \$2,180,000) as of December 31, 2018.

Notes

In 2006, the City's Job Development Authority entered into loan agreements with Bremer Bank in the amount of \$6.5 million for Cirrus Design Corporation. This loan financed expansion projects for Cirrus Design Corporation. The loan payments will be made by the Job Development Authority collected through lease payments from Cirrus Design Corporation from 2006-2021. As of December 31, 2018 the amount outstanding is \$796,040.

Revenue Bond

The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. Monthly transfers that will adequately pay the annual principal and interest installments of the revenue bonds are made from the enterprise funds to individual sinking funds of those funds.

During the year, the City issued \$9,000,000 of Wastewater Reserve Revenue Bonds, Series 2018A to finance improvements at the Wastewater Treatment Plant through the North Dakota State Department of Health (State Revolving Loan Fund) These funds are drawn down as needed and the outstanding balance as of 12/31/18 was \$4,284,772. This bond will be repaid through wastewater fees.

The City also drew down an additional \$23,033,386 from the \$66,000,000 of Water Reserve Revenue Bonds, Series 2017A to finance the construction of the Regional Water Treatment Plant through the North Dakota State Department of Health. This bond will be repaid through water fees.

During the year, an additional \$1,309,784 was drawn down on the \$2,670,000 Sewer Reserve Revenue Loan for Lift Station #17 Improvements, through the Bank of North Dakota. And an additional \$609,539 on the \$5,175,000 Sewer and Economic Development Reserve Revenue Loan for 3 new lift stations and associated forcemains, also through the Bank of North Dakota. These loans will be repaid through wastewater fees and the economic development portion of the City sales tax.

Revenue bonds outstanding as of December 31, 2018 for business-type activities totaled \$105,812,755; \$27,455,261 for revenue bonds, \$34,015,000 for sales tax bonds, and \$44,342,494 for SRF loans. Their original issue amounts totaled \$156,930,548; revenue bonds \$41,229,993, Sales tax revenue bonds \$40,380,000, and SRF loans \$75,320,555 respectively.

Annual debt service requirements to maturity for the bonded debt for governmental and business-type activities are as follows:

**Governmental Activities**

Year Ending December 31	General Obligation Bonds		Special Assessment Bonds (1) (3)		Sales Tax Revenue Bonds (2)		Total Principal & Interest
	Principal	Interest	Principal	Interest	Principal	Interest	
2019	1,165,000	125,100	5,495,149	2,515,017	1,130,000	144,475	10,575,741
2020	530,000	87,500	5,137,800	2,350,677	1,175,000	98,100	9,379,077
2021	545,000	74,550	5,249,934	2,181,698	1,125,000	47,650	9,223,832
2022	555,000	61,200	4,063,786	1,993,642			6,673,628
2023	305,000	47,600	4,372,715	1,850,200			6,575,515
2024-2028	885,000	67,400	18,654,736	7,197,126			26,804,262
2029-2033			14,980,969	4,318,250			19,299,219
2034-2038			8,708,602	2,220,273			10,928,875
2039-2043			6,424,190	1,029,530			7,453,720
2044-2048			3,068,119	490,852			3,558,971
<b>Total Governmental Activities</b>	<b>\$ 3,985,000</b>	<b>\$ 464,350</b>	<b>\$ 76,156,000</b>	<b>\$ 26,147,266</b>	<b>\$ 3,430,000</b>	<b>\$ 290,225</b>	<b>\$ 110,472,840</b>

1. Special assessment bonds includes SRF loans.
2. To be paid from dedicated sales tax revenue.
3. Payment schedule based on full amount of Bank of North Dakota bonds.

**Business-type Activities**

Year Ending December 31	Revenue Bonds (1) (4)		Sales Tax Revenue Bonds (2)		Industrial Development Revenue Note		SRF - Loans (3) (4)		Total Principal & Interest
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2019	2,826,951	740,674	2,395,000	1,622,850	291,293	22,997	2,390,000	1,086,875	11,376,640
2020	2,615,762	660,351	2,520,000	1,505,100	285,066	16,154	2,445,000	1,188,175	11,233,608
2021	1,810,179	591,983	2,645,000	1,377,100	219,681	5,872	3,395,000	1,174,200	11,219,015
2022	1,104,421	547,192	2,775,000	1,244,850			2,135,000	1,107,725	8,914,188
2023	1,143,749	518,814	2,910,000	1,106,100			2,185,000	1,073,100	
2024-2028	6,036,317	2,101,872	16,875,000	3,198,000			10,710,000	4,841,125	43,762,314
2029-2033	5,343,617	1,247,215	3,895,000	116,850			11,225,000	4,027,125	25,854,807
2034-2038	3,743,517	618,154					12,385,000	3,151,200	19,897,871
2039-2043	2,002,597	201,236					13,680,000	2,184,075	18,067,908
2044-2048	1,362,891	270,653					15,095,000	1,166,600	17,895,144
2049-2051							5,710,000	884,775	6,594,775
<b>Total Business- type Activities</b>	<b>\$ 27,990,001</b>	<b>\$ 7,498,143</b>	<b>\$ 34,015,000</b>	<b>\$ 10,168,850</b>	<b>\$ 796,040</b>	<b>\$ 45,023</b>	<b>\$ 81,355,000</b>	<b>\$ 21,884,975</b>	<b>\$ 174,816,270</b>

1. Revenue bonds will be paid from the utility user fee.
2. Sales tax revenue bonds includes Alerus bond - to be paid from dedicated sales tax revenue.
3. SRF loans include loans for clearwell, wastewater treatment plant, water treatment plant and bio-solids management project-to be paid from user utility fees.
4. Payment schedule based on full amount of Bank of North Dakota bonds and Water State Revolving Fund Loans



Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2018, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
<b>Governmental Activities:</b>					
Bonds Payable:					
General obligation	\$ 5,125,000	\$ -	\$ 1,140,000	\$ 3,985,000	\$ 1,165,000
Unamortized Premium	240,174	-	30,262	209,912	-
Special Assessment with GO commitment	68,212,385	12,962,477	7,384,671	73,790,191	5,495,149
Unamortized Premium	1,995,385	771,222	142,054	2,624,553	-
Unamortized Discount	(112,097)	-	(15,351)	(96,746)	-
Sales Tax Revenue	4,500,000	-	1,070,000	3,430,000	1,130,000
Unamortized Premium	330,524	-	90,143	240,381	-
Total bonds payable	80,291,371	13,733,699	9,841,779	84,183,291	7,790,149
Capital leases	386,155	437,440	144,435	679,160	135,220
Compensated absences	5,342,013	-	341,500	5,000,513	406,000
Net pension liability Single Employer Plan	24,366,077	-	4,656,192	19,709,885	-
Net pension liability NDPERS	27,799,622	508,181	-	28,307,803	-
Net OPEB liability NDPERS	1,352,553	-	51,400	1,301,153	-
Governmental Activity Long-term Liabilities	<u>\$ 139,537,791</u>	<u>\$ 14,679,320</u>	<u>\$ 15,035,306</u>	<u>\$ 139,181,805</u>	<u>\$ 8,331,369</u>
Internal Service Fund long-term liabilities included in governmental activities				\$ 104,048	
Total long-term liabilities in the statement of net position				<u>\$ 139,285,853</u>	

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
<b>Business-type Activities:</b>					
Bonds payable:					
Revenue bonds	\$ 28,320,943	\$ 1,919,322	\$ 2,785,004	\$ 27,455,261	\$ 2,826,951
Unamortized Discount	(43,662)	-	(3,106)	(40,556)	-
Unamortized Premium	409,390	-	53,600	355,790	-
Sales tax revenue bonds	36,305,000	-	2,290,000	34,015,000	2,395,000
Unamortized Premium	5,437,007	-	454,663	4,982,344	-
Total Bonds payable	70,428,678	1,919,322	5,580,161	66,767,839	5,221,951
NDBB-SRF Loan	20,404,336	27,318,158	3,380,000	44,342,494	2,390,000
Landfill closure/postclosure	3,914,522	514,327	-	4,428,849	-
Capital leases	771,326	-	236,805	534,521	243,828
Notes	901,491	-	105,451	796,040	291,293
Compensated absences	1,276,364	240,650	255,912	1,261,102	100,935
Net pension liability Single Employer Plan	7,163,838	-	1,344,056	5,819,782	-
Net pension liability NDPERS	8,147,550	119,979	-	8,267,529	-
Net OPEB liability NDPERS	290,964	16,232	-	307,196	-
Business-type Activity Long-term Liabilities	<u>\$ 113,299,069</u>	<u>\$ 30,128,668</u>	<u>\$ 10,902,385</u>	<u>\$ 132,525,352</u>	<u>\$ 8,248,007</u>
\$901,491 of debt is not attributable to capital assets					

Prior year defeasance of debt

There are no defeased bonds outstanding as of December 31, 2018.

Compensated absences and net pension and OPEB obligations for governmental activities are generally liquidated by the general fund.

Component Unit

The Long-Term Debt of the Airport Authority at December 31, 2018 is comprised of the following individual issues:

Revenue Bonds:

Airport Revenue Bonds 2009:

\$4,500,000 serial bonds due in annual installments of \$175,000 to \$340,000 through June 1, 2029; interest at 2 percent to 5 percent \$2,990,000

Airport Revenue Bonds 2013

\$2,410,000 serial bonds due in annual installments of \$125,000 to \$210,000 through June 1, 2028; interest at 1.25 percent to 4.5 percent 1,735,000

Total \$4,725,000

The airport revenue bonds are to be repaid from authority revenue, however, if the principal and interest cannot be paid from revenue, a tax can be levied on the property in the County of Grand Forks, North Dakota for debt service.

The annual requirements to amortize all bonds and notes payable as of December 31, 2018 for the component unit are as follows:

Annual Requirements to Amortize Long-Term Debt  
December 31, 2018

Year Ending December 31,	Principal	Interest	Total
2019	\$ 360,000	\$ 204,505	\$ 564,505
2020	375,000	190,226	565,226
2021	390,000	174,956	564,956
2022	405,000	158,785	563,785
2023	425,000	141,590	566,590
2024-2028	2,430,000	387,833	2,817,833
2029	340,000	8,500	348,500
	<u>\$ 4,725,000</u>	<u>\$ 1,266,395</u>	<u>\$ 5,991,395</u>

Conduit Debt

From time to time, the City has issued Municipal Industrial Development Act Revenue Bonds to provide financial assistance to private-sector entities for construction projects and renovations and to finance capital equipment purchases deemed to be in the public interest. The bonds are secured by mortgage and security agreements, indentures of trust, an irrevocable letter of credit, liquidity facility agreement and by the Municipal Bond Investors Assurance Corporation. The City is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2018, the aggregate principal amount payable of the six series issued was \$218,537,921. Their original issue amounts totaled \$254,855,835.

Arbitrage Rebate

In accordance with the provisions of sections 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 requirement, positive arbitrage must be paid to the U.S. Treasury at the end of each five-year anniversary date of the bond issue. As of December 31, 2018, there were no amounts for arbitrage rebates.

**G. Segment Information**

The City maintains ten enterprise funds that account for the Sanitation, Wastewater, Water, Stormwater, Public Transit, Dial-A-Ride, Alerus Center, Job Development Authority, Mosquito Control, and Downtown Parking. The City considers each of its enterprise funds to be a segment. Since the required segment information is already included in the City's proprietary funds balance sheet and statement of revenues, expenditures, and changes in fund balance, this information has not been repeated in the notes to the financial statements.

**H. Restricted Assets**

The balances of the current and non-current restricted asset accounts in the enterprise funds are as follows:

Trust account for advance ticket sales/suite revenue	\$ 1,798,997
Customer deposits	115,938
Concert Fund	1,237,252
Construction account	3,362,657
Revenue bond current debt service account	15,040,708
Revenue bond reserve account	6,925,834
Reserve for landfill closure	1,593,469
Accounts receivable from suites and advertising	5,323
<b>Total restricted assets</b>	<b>\$ 30,080,178</b>

The fund balances of the governmental funds are as follows:

	General Fund	Major Debt	Major Capital	Major Capital	Other Governmental Funds	Total
		Service Fund	Project Fund	Project Fund		
		Special Assessment Fund	Current Year Projects	Street and Infrastructure Fund		
<b>Fund Balances:</b>						
<b>Nonspendable:</b>						
Advances to other funds	\$ 23,901					\$ 23,901
Prepaid Expenses	22,553				\$ 15,566	38,119
<b>Restricted for:</b>						
Debt service		\$ 17,980,055			2,236,428	20,216,483
Construction			\$ 6,267,731			6,267,731
Community development					942,671	942,671
Economic development					5,825,966	5,825,966
Public buildings					715,161	715,161
Public safety:						
Police and Fire Grants					65,193	65,193
Public Safety Answering Point/E911					1,801,159	1,801,159
Emergency					552,904	552,904
Health and welfare:						
Health Grants					408,535	408,535
Nuisance Abatement					165,219	165,219
Library					2,459,896	2,459,896
Flood control/greenway projects					3,038,346	3,038,346
Infrastructure				\$ 15,569,251	57,577	15,626,828
City share of special improvements					36,320	36,320
City special assessments					656,512	656,512
Other purposes					16,543	16,543
<b>Committed to:</b>						
Special assessment deficiencies, infrastructure and pension needs	1,615,128					1,615,128
Sick leave liability	488,883					488,883
Bikeway projects					523,049	523,049
Bridges and Underpasses					2,055,550	2,055,550
Future capital purchases					1,945,587	1,945,587
<b>Assigned to:</b>						
Public safety - fire station	976,787					976,787
Department cash carryover	1,321,199					1,321,199
Other purposes	23,565					23,565
<b>Unassigned</b>	9,182,576					9,182,576
<b>Total Fund Balance</b>	<b>\$ 13,654,592</b>	<b>\$ 17,980,055</b>	<b>\$ 6,267,731</b>	<b>\$ 15,569,251</b>	<b>\$ 23,518,182</b>	<b>\$ 76,989,811</b>

**IV. OTHER INFORMATION**

**A. Risk Management**

The City of Grand Forks is exposed to various risks of loss related to torts; theft of; damage to; and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

In 1986, state agencies and political subdivisions of the State of North Dakota joined together to form the North Dakota Insurance Reserve Fund (NDIRF), a public entity risk pool currently operating as a common risk management and insurance program for the state and over 2,000 political subdivisions. The City of Grand Forks pays an annual premium to NDIRF for its

general liability, auto, and inland marine insurance coverage. The coverage by NDIRF is limited to losses of two million dollars per occurrence.

The City of Grand Forks participates in the North Dakota Fire and Tornado Fund and State Bonding Fund. The City of Grand Forks pays an annual premium to the Fire and Tornado Fund to cover the property damage to buildings and personal property. Replacement cost coverage is provided by estimating replacement cost in consultation with the Fire and Tornado Fund. The Fire and Tornado Fund is reinsured by a third party insurance carrier for losses in excess of two million dollars per occurrence during a 12 month period. The State Bonding Fund currently provides the City of Grand Forks with blanket fidelity bond coverage with no limit of liability. The State Bonding Fund does not currently charge any premium for this coverage.

The City of Grand Forks also participates in the North Dakota Public Employees Retirement System (NDPERS) Health Insurance Fund. The City of Grand Forks pays an annual premium to cover a portion of the employees' health insurance. There is no lifetime maximum in accordance with federal law.

The City of Grand Forks carries insurance for worker's compensation, boiler and machinery, and flood insurance.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three years.

#### **B. Contingent Liabilities**

Amounts received or receivables from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City Attorney the resolution of these matters will not have a material adverse effect on the financial condition of the city.

The City has also guaranteed to pay a portion of \$4,725,000 of Grand Forks Regional Airport Authority debt issued in 2009 and 2013 in the event the debt is not paid by the Authority. The amount the City is guaranteeing will be based on an apportioned amount of taxable valuation between the City and County of Grand Forks. It is anticipated there will be no liability for the City.

#### **C. Solid Waste Landfill Closure and Post-closure Care Costs**

State and federal laws required the City of Grand Forks to place a final cover on its Highway 2 landfill site when it stopped accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after the closure. The City closed this "old" solid waste landfill (permit #SW-069) on July 28, 2011. The remaining costs for post closure care cost for this landfill are estimated to be \$1.49 million as of December 31, 2018. There is approximately \$1.6 million in reserve to finance these costs.

In 2010 the City opened the new Regional Solid Waste Landfill. This landfill site design has a total of 10 cells on approximately 190 acres of land. The estimated total MSW landfill capacity is 14,046,582 cubic yards with a waste volume capacity of 11,828,678 cubic yards and the remaining cubic yards for soil/cover volume. The individual cell capacity varies. Assuming an average of 85,000 tons of solid waste per year, the landfill would last approximately 83 years.

The City has constructed two cells (Cell A & B). Based on design this cell has 1,665,488 cubic yards of waste volume capacity. In 2018 the estimated volume used was 140,751 cubic yards with 419,522 solid waste cubic yards capacity remaining.

The City will close each cell when it is filled to capacity and stops accepting waste. Although closure and post-closure care costs will be paid only near or after the date the cell stops accepting waste, the City reports a portion of these closure and post-closure care costs as operating expense in each period based on landfill capacity used as of each balance sheet date. The \$2.9 million reported as MSWLF closure and post-closure care liability for the new landfill at December 31, 2018 represents the cumulative amount reported to date based on the estimated capacity of Cell A & B that has been used. The City will recognize the remaining estimated cost of closure and post-closure care of \$1 million (\$3.9 million - \$2.9 million) as the remaining estimated capacity is filled. These are estimated costs and actual costs are subject to change resulting from inflation, deflation, technology, or changes in applicable laws or regulations.

The City is in compliance with the financial assurance provision set under Subtitle D of Resource Conservation and Recovery Act which requires owners and operators of municipal solid waste landfills to establish a mechanism to demonstrate financial assurance for the cost of closure, post-closure care, and corrective action. Mechanisms used to demonstrate financial assurance must ensure the amount of funds assured are adequate and the funds will be available when needed. The City is meeting this obligation by applying a financial test mechanism as specified in the North Dakota Administrative code sections 33-20-14-02 through 33-20-14-07. Because the City is able to meet the financial test, the reservation of cash in a landfill assurance fund/account is not required.

#### **D. Deferred Compensation**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue code section 457(b). The plan, available to all city employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available until termination, retirement, death, or unforeseeable emergency.

Due to certain statutory changes made by the Small Business Job Protection Act of 1996 and the Tax Reform Act of 1997 to Section 457 of the Internal Revenue Code, assets and income deferred under an eligible Section 457(b) plan of a state or local government employer must be held in trust or in custodial accounts. The trust requirement for governmental plans is described in new Section 457(g) of the Internal Revenue Code. The assets must be held for the exclusive benefit of participants and beneficiaries.

All amounts of compensation deferred under the plan, all property rights purchased with those amounts, and all income attributable to those amounts, property, or rights are held in trust for the exclusive benefit of participants and beneficiaries under the plan. Pursuant to this requirement the City of Grand Forks established a tax-exempt trust for its 457 deferred

compensation plan in December of 1998 and entered into a trust agreement with the Alerus Financial, N.A. formerly known as First National Bank ND to be effective January 1, 1999. Deferred compensation is no longer reported in the financial statements of the City of Grand Forks as of January 1, 1999.

**E. Employee Retirement Systems and Pension Plans**

**Defined Benefit Pension Plan**

**A. Plan Description**

The City administers a single employer defined benefit pension plan (The City of Grand Forks, North Dakota Pension Plan) which covers substantially all of its employees hired before January 1, 1996. The plan is included in the City's financial reports as Pension Trust Fund, a separate actuarial report for the pension plan is available in the City's Finance Office. The defined benefit pension plan has been frozen since January 1, 1996 in an effort to control the City's contribution requirements. City employees hired after January 1, 1996 participate in the NDPERs Hybrid Defined Benefit Plan.

The City Council has the authority to establish and amend the plan terms.

**SUMMARY OF THE PRINCIPAL PROVISIONS OF THE PLAN**

1. **Effective Date:** The effective date of the plan is July 1, 1970. The anniversary date is January 1.
2. **Eligible Employees:** All full-time employees, hired before January 1, 1996, of the City of Grand Forks are eligible to participate in the Plan.
3. **Participation:** An eligible employee becomes a participant on the first day of the month coincident with or following completion of one year of service and attainment of age 21.
4. **Considered Compensation:** Considered compensation is the annual base compensation but does not include overtime, bonuses, or extra compensation.
5. **Contributions:** Contributions are based upon the retirement age selected by the participant (for the retirement with full benefits). The following table summarizes the required contribution.

<b>Selected Retirement Age</b>	<b>Contribution Rate</b>
55	7.4%
62	4.7%
65	3.7%

6. **Average Earnings:** The average considered compensation for the seven highest consecutive calendar years during the last ten consecutive years preceding the retirement or termination date.

7. **Past Benefit Service:** All service with employer prior to January 1, 1970, limited to 10 years.

8. **Future Benefit Service:** Any calendar year after 1969 in which a participant completes at least 1,000 hours of service.

9. **Normal Retirement Date:** The first day of the month coinciding with or next following the participant's 65<sup>th</sup> birthday.

**B. Benefits Provided**

Normal retirement benefit is the sum of past service benefit for service prior to January 1, 1970 and future service benefit for service after January 1, 1970.

**Past Service Benefit:**

2.3% of considered compensation at January 1, 1970 multiplied by past benefit service for employees eligible to retire with full benefits at 55.

2.0% of considered compensation at January 1, 1970 multiplied by past benefit service for all other employees.

**Future Service Benefit:**

2.3% of average earnings multiplied by future benefit service for employees eligible to retire with full benefits at 55.

2.0% of average earnings multiplied by future benefit service for all other employees.

Early retirement benefit is the accrued benefit as of early retirement date, reduced by 5/9 of 1% per month for the first 60 months and 5/18 of 1% for each of the next 60 months by which the commencement date precedes the selected retirement date. The earliest possible retirement age for all contribution rates is age 55.

Late Retirement Benefit: Same as normal retirement using earnings and service credits to late retirement date.

Disability Benefit: Same as early retirement benefit.

Vesting: An employee is fully vested after completing five years of service as a participant. Accumulated employee contributions with interest are vested at all times. The interest rate credited on employee contributions for each year is the same as the federal mid-term rate for the fifth month preceding the beginning of the plan year.

Normal form of benefit is a life annuity with a modified cash refund death benefit. Vested termination benefit is the greater of the value of the deferred vested benefit or accumulated contributions. Pre-retirement death or nonvested termination benefit is the return of employee contributions with interest.

A spouse of a deceased participant who was vested may be eligible for a preretirement spouse benefit equal to 100% of the joint annuity benefit which the participant could have received if the participant terminated on his or her date of death and selected the 100% joint and survivor option. Other spouses will receive a return of contributions, with interest.

C. Employees Covered by Benefit Terms

The following table summarizes employees covered by benefit terms of the plan at the actuarial valuation date:

At January 1, 2019 membership consisted of:	
Retired employees and beneficiaries	289
Terminated Participants with deferred benefits	27
Nonvested terminated participants entitled to a refund	0
All other employees with vested employer provided benefits	85
<b>TOTAL</b>	<b>401</b>

The payroll for the employees covered by the City Employee Pension Plan for the year ended December 31, 2018 was \$5,601,246. The total payroll was \$6,329,314.

D. Contributions

The recommended contributions consist of normal costs which includes allowance for plan expenses, and amortization of any unfunded liability. The normal cost is associated with the actuarial liability for future years. This cost is the present value at the current age of the projected benefit, based on actuarial assumptions, discounted from the assumed retirement age, divided by the participant's total expected years of credited service at the assumed retirement age. The considered payroll as of January 1, 2018 for participants under normal retirement age is \$5,601,246.

City Council has authority to establish and amend contribution requirements.

Contributions made for the City Pension Plan totaled \$3,723,322 (\$3,338,042 employer, \$385,280 employee). The employer contribution was equivalent to 60% of annual covered payroll and the employee contributions were the equivalent of 6.9% of annual covered payroll, respectively.

E. Actuarial Methods and Assumptions.

The City's net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of January 1, 2018.

Actuarial assumptions. The total pension liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

The actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2017-December 31, 2017.

Actuarial Methods and Significant Assumptions  
Used to Determine the Annual Required Contributions

Actuarial Assumptions:	
Investment Rate of Return	7.50 % Compounded Annually
Salary Scale/ Inflation Rate	2.75% Per Year
Mortality	Police and Firefighters: RP-2014 Blue Collar Mortality Table with generational mortality projection using Scale MP-2017 All Other Participants: RP-2014 Combined Healthy Mortality Table with generational mortality projections using Scale MP-2017
Cost of Living Adjustments	None

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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	Horizon 20-Year Average Expected Return for Asset Class*
US Corporate Bonds – Core	17.54%	4.42%
Non-US Debt - Emerging	4.6%	6.23%
US Treasuries	8.58%	3.23%
US Equity – Large Cap	26.38%	7.83%
Non-US Equity - Developed	25.51%	7.64%
Real Estate	13.86%	6.69%
Private Equity	3.52%	10.07%

\* Return expectations are based on a Horizon survey that compiles capital market expectations of several firms.

F. Discount Rate

A single discount rate of 7.50% was used to measure the total pension liability as of December 31, 2017 and December 31, 2016. This single discount rate was based on the expected rate of return on pension plan investments of 7.5% and a municipal bond rate of 3.44% (based on the 20-year Bond Buyer GO Index as of the end of December 2017). Similarly, the municipal bond rate based on the 20-year Bond Buyer GO Index as of the end of December 2016 was 3.78%. Based on the stated assumptions and the projection of cash flows, the pension plan's fiduciary net position and estimated future contributions were sufficient to finance the future

benefit payments of the current plan members for all projection years. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability. The projection of cash flows used to determine the single discount rate for each fiscal year end assumed that employer contributions will be made based on the current funding policy of at least the total recommended contribution in all future years, which is intended to fully fund the plan by 2035.

**G. Schedule of Changes in Net Pension Liability**

The following charts summarize the changes in the key items during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
January 1, 2017	\$ 94,907,857	\$ 63,377,942	\$ 31,529,915
Service Cost	406,090		406,090
Interest	6,938,458		6,938,458
Changes in assumptions	941,124		941,124
Differences between expected and actual experience	(968,991)		(968,991)
Benefit Payments	(5,705,484)	(5,705,484)	-
Contributions - Employer		3,325,061	(3,325,061)
Contributions - Employee		428,480	(428,480)
Administrative expenses		(204,338)	204,338
Net investment income		9,767,726	(9,767,726)
Expected investment earnings	4,693,895		
Differences between expected and actual earnings	5,073,831		
Net Change	1,611,197	7,611,445	(6,000,248)
December 31, 2017	\$ 96,519,054	\$ 70,989,387	\$ 25,529,667

**Sensitivity of Net Pension Liability to changes in Discount Rate**

The following presents the net pension liability of the City calculated using a discount rate of 7.50 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

City's Net Pension Liability	Current Discount Rate		
	1% Decrease (6.50%)	(7.50%)	1% Increase (8.50%)
	\$34,476,683	\$25,529,667	\$17,819,810

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position as of January 1, 2019 is available on Exhibit 10.

**H. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended December 31, 2018, the City recognized pension expense of \$2,402,835.

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

**Schedule of Deferred Outflows/Inflows**

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	2,140,098
Employer contributions subsequent to the measurement date	3,338,042	-
Total	\$ 3,338,042	\$ 2,140,098

\$3,338,042 reported as deferred outflows of resources related to pensions resulting from City contributions to the plan subsequent to the measurement date will be recognized as a reduction to the net pension liability in the year ending December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year	Outflows/Inflows
2019	\$ (20,794)
2020	(153,404)
2021	(951,133)
2022	(1,014,767)

The City of Grand Forks Pension Plan actuarial report is prepared by Deloitte Consulting LLP and is available in the City Auditor's Office and can be obtained by writing to City of Grand Forks, 255 N 4th St., Grand Forks, ND 58206-5200.

**Post Employment Benefits**

The City participates in the Post Employment Health Plan for Public Employees. The PEHP is a Defined Contribution Health Reimbursement Arrangement (HRA). The plan provides postemployment reimbursements of qualifying medical care expenses for the benefit of employees and their dependents. The City Council established this plan and has agreed to make contributions pursuant to the plan on behalf of employees on a pay-as-you-go basis. The City Council has the authority to amend the plan and the contribution requirements by resolution.

The contributions are held in trust by the LaSalle National Bank as trustee of the PEHP for the exclusive benefit of the plan participants and their qualified dependents. Nationwide Retirement Solutions, Inc. is the administrator for the Post Employment Health Plan. The City contributed \$228,444 for the plan year ended December 31, 2018. Total market value of plan assets as of December 31, 2018 was \$4,369,487.

## **North Dakota Public Employees' Retirement System**

### **General Information about the Pension Plan**

#### ***North Dakota Public Employees Retirement System (Main System)***

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDCC Chapter 54-52 for more complete information.

NDPERS is a cost-sharing multiple-employer defined benefit pension plan that covers substantially all employees of the State of North Dakota, its agencies and various participating political subdivisions. NDPERS provides for pension, death and disability benefits. The cost to administer the plan is financed through the contributions and investment earnings of the plan.

Responsibility for administration of the NDPERS defined benefit pension plan is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

#### **Pension Benefits**

Benefits are set by statute. NDPERS has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members of the Main System are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equal or exceed 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The monthly pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64 with three or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

#### **Death and Disability Benefits**

Death and disability benefits are set by statute. If an active member dies with less than three years of service for the Main System, a death benefit equal to the value of the member's accumulated contributions, plus interest, is paid to the member's beneficiary. If the member has earned more than three years of credited service for the Main System, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the member's accrued normal retirement benefit, or monthly payments in an amount equal to the member's accrued 100% Joint and Survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the member's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

Eligible members who become totally disabled after a minimum of 180 days of service, receive monthly disability benefits equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the member has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for disabled is set by the NDPERS in the North Dakota Administrative Code.

#### **Refunds of Member Account Balance**

Upon termination, if a member of the Main System is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

#### **Member and Employer Contributions**

Member and employer contributions paid to NDPERS are set by statute and are established as a percent of salaries and wages. Member contribution rates are 7% and employer contribution rates are 7.12% of covered compensation.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 13 to 24 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Greater of four percent of monthly salary or \$25

#### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At December 31, 2018, the City reported a net pension liability of \$36,575,332 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net pension liability was based on the Employer's share of covered payroll in the Main System pension plan relative to the covered payroll of all participating Main System employers. At June 30, 2018 the Employer's proportion was 2.167287 percent, which is a decrease of 0.069168 percent from its proportion measured at June 30, 2017.

For the year ended December 31, 2018 the Employer recognized pension expense of \$6,414,857. At December 31, 2018, the Employer reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 96,815	\$ 1,244,364
Changes of assumptions	13,202,933	522,041
Net difference between projected and actual earnings on pension plan investments	-	177,942
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,617,006	603,320
Employer contributions subsequent to the measurement date	954,306	-
<b>Total</b>	<b>\$ 15,871,060</b>	<b>\$ 2,547,667</b>

\$954,306 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2019.

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

Year ending December 31:	
2019	\$ 4,145,470
2020	3,656,347
2021	2,984,005
2022	1,542,742
2023	40,523
Thereafter	-

#### Actuarial Assumptions

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%		
Salary increases :	<b>Service At Beginning of Year</b>	<b>State Employee</b>	<b>Non-State Employee</b>
	0	12.00%	15.00%
	1	9.50%	10.00%
	2	7.50%	8.00%
	3		
	4		
	<b>Age</b>		
	Under 30	7.25%	10.00%
	30-39	6.50%	7.50%
	40-49	6.25%	6.75%
	50-59	5.75%	6.50%
	60+	5.00%	5.25%

Age-based salary increase rates apply for employees with three or more years of service

Investment rate of return	7.75%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Fund's target asset allocation are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	30.00%	6.05%
International Equity	21.00%	6.71%
Private Equity	7.00%	10.20%
Domestic Fixed Income	23.00%	1.45%
Global Real Assets	19.00%	5.11%
Cash Equivalents	0.00%	0.00%

#### Discount Rate

For PERS, GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the System to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The current employer and employee fixed rate contributions are assumed to be made in each future year. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. In years where assets are not projected to be sufficient to meet benefit payments, which is the case for the PERS plan, the use of a municipal bond rate is required.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.75%; the municipal bond rate is 3.63%; and resulting Single Discount Rate is 6.32%.



**Sensitivity of the Employer's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

The following presents the Employer's proportionate share of the net pension liability calculated using the discount rate of 6.32 percent, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.32 percent) or 1-percentage-point higher (7.32 percent) than the current rate:

	1% Decrease (5.32%)	Current Discount Rate (6.32%)	1% Increase (7.32%)
Employer's proportionate share of the net pension liability	\$ 49,699,077	\$ 36,575,332	\$ 25,623,990

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued NDPERS financial report.

**F. Pension Summary**

The following is a summary of the pension related items for all plans of the City.

Pension Plan	Net Pension Asset	Deferred Outflows of Resources-Pension	Net pension Liability	Deferred Inflows of Resources-Pension	Pension Expense
Single Employer Pension Plan	\$ -	\$ 3,338,042	\$ 25,529,667	\$ 2,140,098	\$ 2,402,835
NDPERS Pension Plan	-	15,871,060	36,575,332	2,547,667	6,414,857
Total	\$ -	\$ 19,209,102	\$ 62,104,999	\$ 4,687,765	\$ 8,817,692

**G. Other Post Employment Benefits**

**General Information about the OPEB Plan**

**North Dakota Public Employees Retirement System**

The following brief description of NDPERS is provided for general information purposes only. Participants should refer to NDAC Chapter 71-06 for more complete information.

NDPERS OPEB plan is a cost-sharing multiple-employer defined benefit OPEB plan that covers members receiving retirement benefits from the PERS, the HPRS, and Judges retired under Chapter 27-17 of the North Dakota Century Code a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Responsibility for administration of the NDPERS defined benefit OPEB plan is assigned to a Board

comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system, one member elected by the retired public employees and two members of the legislative assembly appointed by the chairman of the legislative management.

**OPEB Benefits**

The employer contribution for the PERS, the HPRS and the Defined Contribution Plan is set by statute at 1.14% of covered compensation. The employer contribution for employees of the state board of career and technical education is 2.99% of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14% of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the OPEB trust funds.

Retiree health insurance credit benefits and death and disability benefits are set by statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the PERS, the HPRS, the Defined Contribution Plan, the Chapter 27-17 judges or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving a surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive a credit toward their monthly health insurance premium under the state health plan.

Effective July 1, 2015, the credit is also available to apply towards monthly premiums under the state dental, vision and long-term care plan and any other health insurance plan. The benefits are equal to \$5.00 for each of the employee's, or deceased employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health insurance credit is also available for early retirement with reduced benefits.

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At December 31, 2018, the Employer reported a liability of \$1,608,349 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Employer's proportion of the net OPEB liability was based on the Employer's share of covered payroll in the OPEB plan relative to the covered payroll of all participating OPEB employers. At June 30, 2018, the Employer's proportion was 2.042171 percent.

For the year ended December 31, 2018, the Employer recognized OPEB expense of \$184,968. At December 31, 2018, the Employer reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 48,151	\$ 33,230
Changes of assumptions	131,967	-
Net difference between projected and actual earnings on pension plan investments	-	34,600
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	82,238
Employer contributions subsequent to the measurement date	112,984	-
<b>Total</b>	<b>\$ 293,102</b>	<b>\$ 150,068</b>

\$112,984 reported as deferred outflows of resources related to OPEB resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2019.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Year Ended December 31

2019	\$	(298)
2020		(298)
2021		(298)
2022		14,971
2023		12,169
Thereafter		3,804

**Actuarial assumptions**

The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	Not applicable
Investment rate of return	7.50%, net of investment expenses
Cost-of-living adjustments	None

For active members, inactive members and healthy retirees, mortality rates were based on the RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table set back one year for males (no setback for females) multiplied by 125%.

The long-term expected investment rate of return assumption for the RHIC fund was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of RHIC investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Estimates of arithmetic real rates of return, for each major asset class included in the RHIC's target asset allocation as of July 1, 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Domestic Equities	37.00%	7.15%
Small Cap Domestic Equities	9.00%	14.42%
International Equities	14.00%	8.83%
Core-Plus Fixed Income	40.00%	10.00%

**Discount rate**

The discount rate used to measure the total OPEB liability was 7.5%. The projection of cash flows used to determine the discount rate assumed plan member and statutory/Board approved employer contributions will be made at rates equal to those based on the July 1, 2018, and July 1, 2017, HPRS actuarial valuation reports. For this purpose, only employer contributions that are intended to fund benefits of current RHIC members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries are not included. Based on those assumptions, the RHIC fiduciary net position was projected to be sufficient to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on RHIC investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**Sensitivity of the Employer's proportionate share of the net OPEB liability to changes in the discount rate**

The following presents the net OPEB liability of the Plans as of June 30, 2018, calculated using the discount rate of 7.50%, as well as what the RHIC net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Employer's proportionate share of the net OPEB liability	\$ 2,034,945	\$ 1,608,349	\$ 1,242,643

**H. Concentration**

The Water Fund and the Wastewater Fund receive more than 10% of their operating revenue from one external customer. They received \$2.5 million (20.4%) and \$2.3 (21.4%) million in revenue respectively in 2018.

**I. Tax Exemptions / Abatements**

As of December 31, 2018, the City of Grand Forks provides property tax exemptions under 16 programs/categories for property within the City limits: The New Home Builder, New Home Buyer, New and Expanding Business, Payment in Lieu of Tax, Commercial Remodel, Child Care Facilities, Residential Remodel, Renaissance Zone, Tax Increment Finance, Blind

property owner, Charitable Organization, Renewable Energy, Group Homes, Housing Authority, Religious Organizations, and Wheel Chair property owner. All of these programs reduce the taxable value of the property by the applicable, or negotiated, dollar amount, therefore lowering the respective real estate taxes due on the property in question. North Dakota Century Code 40-05-24 further states that any tax exemption lasting longer than five years must have approval from the County Commission and each School District impacted.

The New Home Builder exemption exempts new townhome, condominium, and single family residential properties from property taxes for the taxable year in which construction began and the next two taxable years, if the property remains owned by the builder, remains unoccupied, and other conditions are met. This exemption is provided under the authority of the State of North Dakota's Century Code 57-02-08-42, with resolution passed by the City on January 1<sup>st</sup> 2009, and amended on February 21, 2017.

The New Home Buyer exemption includes the exemption from property taxes for up to \$150,000 of the true and full value of all new occupied single family and condominium and townhouse residential property for the first two taxable years after the taxable year in which construction is completed, and the residence is occupied for the first time. A home inspection by the City is also required to qualify. This exemption is provided under the authority of the State of North Dakota's Century Code 57-02-08-35, with resolution passed by the City on January 1<sup>st</sup> 2009 and amended on February 21, 2017.

The New and Expanding Business exemption may include partial or complete exemption from ad valorem taxation on all buildings, structures, fixtures, and improvements for up to five years from the date of commencement of the project. Agricultural related projects may extend for up to ten years from the date of commencement. This exemption is provided under the authority of the State of North Dakota's Century Code 40-57.1, with resolution passed by the City on an individual basis.

Payment in Lieu of Tax agreement allows the City to accept a negotiated amount due as payment in lieu of ad valorem taxes on buildings, structures, fixtures and improvements used in the operation of a project for up to twenty years from the date of commencement of a project. This exemption is provided under the authority of the State of North Dakota's Century Code 40-57.1, with resolution passed by the City on an individual basis.

The Commercial Remodel exemption includes an exemption in property taxes, in whole or in part, for property whose market value increases by at least ten percent, or five-thousand dollars, whichever is less, due to a renovation or remodeling project of an existing commercial building, for up to five years upon receipt of an application for exemption. The maximum exemption allowable for a commercial property is the sum of one-million dollars representing an increase in market value due to renovation, remodeling or alterations. The exemption is provided under the authority of the State of North Dakota's Century Code 57-02.2 and 57-02.3, with resolution passed by the City in 1995, and amended in 2009.

The property tax exemption for child care facilities includes fixtures, buildings, and improvements, used primarily to provide early childhood services by a corporation, limited

liability company, or organization licensed under chapter 50-11.1 of the North Dakota Century Code, or used primarily as an adult day care center. However, this exemption is not available for property used as a residence. The exemption is provided under the authority of the State of North Dakota's Century Code 57-02-08-36 and resolution passed by the City.

The Residential Remodel exemption includes an exemption in property taxes, in whole or in part, for property whose market value increases by at least ten percent, or five-thousand dollars, whichever is less, due to a renovation or remodeling project of an existing residential building, for up to five years upon receipt of an application for exemption. The exemption is provided under the authority of the State of North Dakota's Century Code 57-02.2 and 57-02.3, with resolution passed by the City in 1995, and amended in 2009.

The Renaissance Zone exemption includes a five-year, 100% property tax exemption on the added value of new construction, remodel or major rehabilitation on an existing building for property within the designated Renaissance Zone. The exemption is provided under the authority of the State of North Dakota's Century Code 57-02.2, and the City's Renaissance Zone Plan passed in 2001, and amended in 2016.

Tax Increment Financing is available for new development or renewal area upon completion of a development or renewal plan by the City, for up to twenty five taxable years. The exemption is provided under the authority of the State of North Dakota's Century Code 40-58-20, with resolution by the City passed on an individual basis.

The property tax exemption for owners who are blind includes all or any part of fixtures, buildings, and improvements upon any nonfarmland up to a taxable valuation of seven thousand two hundred dollars, owned and occupied as a home by a blind person. Residential homes owned by the spouse of a blind person, or jointly owned by a blind person and spouse, shall also be exempt within the limits of this subsection as long as the blind person resides in the home. A blind person is defined as one who is totally blind, has visual acuity of not more than 20/200 in the better eye with correction, or whose vision is limited in field so that the widest diameter subtends an angle no greater than twenty degrees. The exemption provided by this subsection extends to the entire building classified as residential, and owned and occupied as a residence by a person who qualifies for the exemption as long as the building contains no more than two apartments or rental units which are leased. The exemption is provided under the authority of the State of North Dakota's Century Code 57-02-08-22.

The property tax exemption for charitable organizations includes all buildings belonging to institutions of public charity, including public hospitals and nursing homes licensed pursuant to section 23-16-01 under the control of religious or charitable institutions, used wholly or in part for public charity, together with the land actually occupied by such institutions not leased or otherwise used with a view to profit. The exemption provided by this subsection includes any dormitory, dwelling, or residential-type structure, together with necessary land on which such structure is located, owned by a religious or charitable organization recognized as tax exempt under section 501(c)(3) of the United States Internal Revenue Code which is occupied by members of said organization who are subject to a religious vow of poverty and devote and donate substantially all of their time to the religious or charitable activities of the owner. The

exemption is provided under the authority of the State of North Dakota’s Century Code 57-02-08-08.

The property tax exemption for renewable energy include the installations, machinery, and equipment of systems in new or existing buildings or structures, designed to provide heating or cooling or to produce electrical or mechanical power, or any combination of these, or to store any of these, by utilization of solar, wind, or geothermal energy; provided, that if the solar, wind, or geothermal energy device is part of a system which uses other means of energy, only that portion Page No. 9 of the total system directly attributable to solar, wind, or geothermal energy shall be exempt. Provided, however, that any exemptions granted by this subsection shall be valid for a five-year period following installation of any such system and apply only to locally assessed property. For the purposes of this subsection, solar or wind energy devices shall have the meaning provided in section 57-38-01.8 and geothermal energy device means a system or mechanism or series of mechanisms designed to provide heating or cooling or to produce electrical or mechanical power, or any combination of these, by a method which extracts or converts the energy naturally occurring beneath the earth's surface in rock structures, water, or steam. The exemption is provided by the authority of the State of North Dakota’s Century Code 57-02-08-27.

The property tax exemption for group homes includes all group homes owned by nonprofit corporations, not organized with a view to profit and recognized as tax exempt under section 501(c)(3) of the United States Internal Revenue Code [26 U.S.C. 501(c)(3)], including those for persons with developmental disabilities as defined in section 25-01.2-01, and the real property upon which they are located during the period in which the group homes are under construction or in a remodeling phase and while they are used as group homes. For the purposes of this subsection, the term "group home" means a community-based residential home which provides room and board, personal care, habilitation services, or supervision in a family environment, and which, once established is licensed by the appropriate North Dakota licensing authority. The exemption is provided under the authority of the State of North Dakota’s Century Code 57-02-08-31.

The property of the Housing Authority used for low-income housing, authority administration, or other property solely owned by the authority and used to conduct the powers granted to the authority in this chapter, including an authority created under Indian laws recognized by the federal government, is declared to be public property used for essential public and governmental purposes and is exempt from all taxes and special assessments of the state or any political subdivision. Notwithstanding any other provision of law, the property of an authority used for moderate income housing is exempt from all taxes of the state or any political subdivision except special assessments unless specifically exempted from the special assessment by the political subdivision. The exemption is provided under the authority of State of North Dakota’s Century Code 23-11-29.

Property tax exemptions for property owned by a religious organization includes all buildings owned by any religious corporation or organization and used for the religious purposes of the organization, and if on the same parcel, dwellings with usual outbuildings, intended and ordinarily used for the residence of the bishop, priest, rector, or other minister in charge of

services, land directly under and within the perimeter of those buildings, improved off-street parking or reasonable landscaping or sidewalk area adjoining the main church building, and up to a maximum of five additional acres [2.02 hectares] must be deemed to be property used exclusively for religious purposes, and exempt from taxation, whether the real property consists of one tract or more. If the residence of the bishop, priest, rector, or other minister in charge of services is located on property not adjacent to the church, that residence with usual outbuildings and land on which it is located, up to two acres [.81 hectare], is exempt from taxation. Also, the exemption for a building used for the religious purposes of the owner continues to be in effect if the building in whole, or in part, is rented to another otherwise tax-exempt corporation or organization, provided no profit is realized from the rent. The exemption is provided under the authority of the State of North Dakota’s Century Code 57-02-08-09.

Property tax exemptions for property owners includes fixtures, buildings, and improvements up to the amount of valuation specified, when owned and occupied as a homestead, as hereinafter defined, by any permanently and totally disabled person who is permanently confined to use of a wheelchair, or, if deceased, the unremarried surviving spouse of a permanently and totally disabled person. If the spouse of a permanently and totally disabled person owns the homestead or if it is jointly owned by them, the same reduction in assessed valuation applies as long as both reside thereon. The provisions of this subdivision do not reduce the liability for special assessments levied upon the homestead. The phrase "permanently confined to use of a wheelchair" means that the person cannot walk with the assistance of crutches or any other device and will never be able to do so and that a physician selected by the local governing board has so certified. The exemption is provided under the authority of the State of North Dakota’s Century Code 57-02-08-20.

<b>Tax Exemption Program</b>	<b>Amount of Tax Exempted During the Fiscal Year</b>
New Home Builder	\$ 23,856
New Home Buyer	132,922
New/Expanding Business	53,246
Payment in Lieu of Tax	5,139
Commercial Remodel	70,233
Child Care Facilities	11,440
Residential Remodel	34,928
Renaissance Zone	9,491
Tax Increment Financing	26,785
<b>Total City Exemptions</b>	<b>\$ 368,040</b>

*State of North Dakota Tax Exemptions:*

City property tax revenues were reduced by \$1,271,733 under agreements entered into by the State of North Dakota.

**J. Subsequent Events**

In May of 2019, the Grand Forks Growth Fund, a Jobs Development Authority (JDA) acquired real property consisting of approximately 14,500 square feet of office and community space. The purchase price was \$2,750,000, all of which was paid with available cash by the JDA.

**K. Change in Accounting Principles and Restatement of Net Position**

The City implemented GASB statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. As a result, beginning net position has been restated to reflect the related net OPEB liability and deferred outflows of resources as of January 1, 2018 as follows:

	Governmental Activities					Job Development Authority	Non-Major Enterprise Funds
	Sanitation	Wastewater	Storm Water	Water			
Net position January 1, 2018, as previously reported	\$ 218,262,156	\$ 13,096,630	\$ 92,065,089	\$ 53,434,195	\$ 102,751,179	\$ 30,641,162	\$ 8,651,663
Restatement of OPEB accounting:							
OPEB related Deferred Outflows of Resources	86,701	8,018	5,210	1,334	6,290	1,332	6,183
Net OPEB Liability	(1,352,533)	(68,547)	(54,671)	(21,902)	(79,582)	(25,747)	(68,882)
Net Position January 1, 2018, as restated	\$ 216,996,324	\$ 13,036,101	\$ 92,015,628	\$ 53,413,627	\$ 102,677,887	\$ 30,616,747	\$ 8,588,964

**CITY OF GRAND FORKS, NORTH DAKOTA  
Required Supplementary Information  
Pension Trust Fund**

December 31, 2018

**Schedule of Changes in the City's Net Pension Liability  
and Related Ratios Single Employer Plan  
Last 10 Fiscal Years\***

	2015	2016	2017	2018
<b>Total Pension Liability</b>				
Service Cost	\$ 50,331	\$ 556,392	\$ 461,205	\$ 406,090
Interest	6,444,944	6,569,255	7,006,404	6,938,458
Changes of benefit Terms	-	-	-	-
Differences between expected and actual experience	-	344,624	1,333,162	(968,991)
Changes of assumptions	-	3,000,205	(1,030,576)	941,124
Benefit payments, including refunds of employee contributions	(4,709,238)	(5,080,220)	(5,509,875)	(5,705,484)
Net change in total pension liability	1,786,037	5,390,256	2,260,320	1,611,197
Total pension liability - beginning	85,471,244	87,437,281	92,647,537	94,907,857
Total pension liability - ending (a)	\$ 87,257,281	\$ 92,847,537	\$ 94,907,857	\$ 96,519,054
<b>Plan fiduciary net position</b>				
Contributions - employer	\$ 3,583,317	\$ 3,590,325	\$ 3,590,322	\$ 3,325,061
Contributions - employee	497,997	486,834	441,589	428,480
Net Investment Income	3,814,150	699,438	4,344,791	9,767,726
Benefit payments, including refunds of employee contributions	(4,709,238)	(5,080,220)	(5,509,875)	(5,705,484)
Administrative expenses	(286,387)	(237,060)	(182,647)	(204,338)
Other	-	-	-	-
Net change in plan fiduciary net position	2,899,839	(540,683)	2,684,180	7,611,445
Plan fiduciary net position - beginning	58,322,718	61,222,557	60,693,762	63,377,942
Plan fiduciary net position - ending (b)	\$ 61,222,557	\$ 60,681,874	\$ 63,377,942	\$ 70,989,387
City's net pension liability - ending (a)-(b)	\$ 26,034,724	\$ 31,965,663	\$ 31,529,915	\$ 25,529,667
Plan fiduciary net position as a percentage of the total pension liability	70%	65%	67%	74%
Covered payroll	\$ 7,953,162	\$ 7,540,235	\$ 6,613,621	\$ 6,272,995
City's net pension liability as a percentage of covered payroll	327%	424%	477%	407%

Notes to Schedule: Complete data is not available prior to 2015

**Schedule of Employer Contribution  
Last 10 Fiscal Years\***

	12/31/2015	12/31/2016	12/31/2017	12/31/2018
Actuarially Determined Contribution	\$ 3,520,138	\$ 3,457,816	\$ 3,325,061	\$ 3,338,042
Contributions in relation to the actuarially determined contribution	\$ (3,590,325)	\$ (3,590,322)	\$ (3,325,061)	\$ (3,338,042)
Contribution deficiency (excesses)	\$ (70,187)	\$ (132,506)	\$ -	\$ -
Employer's covered payroll	\$ 7,540,235	\$ 6,613,621	\$ 6,272,995	\$ 5,601,246
Contributions as a percentage of covered payroll	47.6%	54.3%	53.0%	59.6%

Notes to Schedule:  
 Valuation date: December 31, 2017  
 Actuarially determined contribution rates are calculated as of December 31, one year prior to the end of the fiscal year in which contributions are reported.  
 Methods and assumptions used to determine contribution rates:  
 Actuarial cost method: Entry Age Actuarial Cost Method  
 Amortization method: Level dollar over a thirty year period beginning January 1, 2005 through December 2034  
 Remaining amortization period: 16 years  
 Asset valuation method: Market value of assets plus contributions receivable  
 Salary Scale/Inflation: 2.75%  
 Investment rate of return: 7.50%, Compounded Annually  
 Retirement age: Contributions are based on retirement age selected by participant (for the retirement with full benefits). Age 55 - 7.4%, Age 62 - 4.7%, Age 65 - 3.7%  
 Mortality: Police and Firefighters: RP-2014 Blue Collar Mortality Table with generational mortality projection using Scale MP-2017  
 All Other Participants: RP-2014 Combined Healthy Mortality Table with generational mortality projections using Scale MP-2017

\*Complete data for this schedule is not available prior to 2015

**CITY OF GRAND FORKS, NORTH DAKOTA**  
**Required Supplementary Information**

**December 31, 2018**

**Schedule of Employer's Share of Net Pension Liability**  
**ND Public Employees Retirement System**  
**Last 10 Fiscal Years\***

	As of a measurement date of 06/30/2015	As of a measurement date of 06/30/2016	As of a measurement date of 06/30/2017	As of a measurement date of 06/30/2018
Employer's proportion of the net pension liability (asset)	1.837291%	1.988687%	2.236455%	2.167287%
Employer's proportionate share of the net pension liability (asset)	\$ 12,892,267	\$ 19,381,693	\$ 35,947,172	\$ 36,575,332
Employer's covered-employee payroll	\$ 16,890,785	\$ 20,041,274	\$ 22,830,700	\$ 22,264,912
Employer's share of net pension liability (asset) as a percentage of its covered-employee payroll	76%	97%	157%	164%
Plan fiduciary net position as a percentage of the total pension liability	77%	70%	62%	63%

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 NDPERS.

\*Complete data for this schedule is not available prior to 2015

**Schedule of Employer Contribution**  
**ND Public Employees Retirement System**  
**Last 10 Fiscal Years\***

	12/31/2015	12/31/2016	12/31/2017	12/31/2018
Statutorily required contribution	\$ 1,586,546	\$ 1,494,529	\$ 1,588,376	\$ 1,587,730
Contributions in relation to the required contribution	\$ (1,586,546)	\$ (1,494,529)	\$ (1,588,376)	\$ (1,587,730)
Contribution deficiency (excesses)	\$ -	\$ -	\$ -	\$ -
Employer's covered payroll	\$ 18,644,665	\$ 20,281,722	\$ 22,213,275	\$ 22,345,783
Contributions as a percentage of covered payroll	8.51%	7.38%	7.15%	7.12%

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

\*Complete data for this schedule is not available prior to 2015

**NOTE 2 CHANGES OF ASSUMPTIONS**

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2018 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

**CITY OF GRAND FORKS, NORTH DAKOTA**  
**Required Supplementary Information**

**December 31, 2018**

**Schedule of Employer's Share of Net OPEB Liability**  
**ND Public Employees Retirement System**  
**Last 10 Fiscal Years\***

	As of a measurement date of 06/30/2018
Employer's proportion of the net OPEB liability (asset)	2.042171%
Employer's proportionate share of the net OPEB liability (asset)	\$ 1,608,349
Employer's covered payroll	\$ 22,345,783
Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	7%
Plan fiduciary net position as a percentage of the total OPEB liability	62%

\*Complete data for this schedule is not available prior to 2018

**Schedule of Employer Contribution**  
**ND Public Employees Retirement System**  
**Last 10 Fiscal Years\***

	12/31/2018
Statutorily required contribution	\$ 254,379
Contributions in relation to the required contribution	\$ (254,379)
Contribution deficiency (excesses)	\$ -
Employer's covered payroll	\$ 23,004,333
Contributions as a percentage of covered payroll	1.11%

\*Complete data for this schedule is not available prior to 2018

**NOTE 1 CHANGES OF ASSUMPTIONS**

Amounts reported in 2018 reflect actuarial assumption changes effective July 1, 2018 based on the results of an actuarial experience study completed in 2015. This includes changes to the mortality tables, disability incidence rates, retirement rates, administrative expenses, salary scale, and percent married assumption.

**City of Grand Forks, North Dakota**  
**\$3,820,000\* Sanitation Reserve Revenue Bonds, Series 2019C**

For the Series 2019C Bonds of this Issue which shall mature and bear interest at the respective annual rates, as follow, we offer a price of \$\_\_\_\_\_ (which may not be less than \$3,774,160 plus accrued interest, if any, to the date of delivery.

<u>Year</u>	<u>Interest Rate (%)</u>	<u>Yield (%)</u>	<u>Dollar Price</u>	<u>Year</u>	<u>Interest Rate (%)</u>	<u>Yield (%)</u>	<u>Dollar Price</u>
2021	_____%	_____%	_____%	2031	_____%	_____%	_____%
2022	_____%	_____%	_____%	2032	_____%	_____%	_____%
2023	_____%	_____%	_____%	2033	_____%	_____%	_____%
2024	_____%	_____%	_____%	2034	_____%	_____%	_____%
2025	_____%	_____%	_____%	2035	_____%	_____%	_____%
2026	_____%	_____%	_____%	2036	_____%	_____%	_____%
2027	_____%	_____%	_____%	2037	_____%	_____%	_____%
2028	_____%	_____%	_____%	2038	_____%	_____%	_____%
2029	_____%	_____%	_____%	2039	_____%	_____%	_____%
2030	_____%	_____%	_____%	2040	_____%	_____%	_____%

**Designation of Term Maturities**

Years of Term Maturities \_\_\_\_\_  
\_\_\_\_\_

In making this offer on the sale date of October 21, 2019 we accept all of the terms and conditions of the Official Terms of Offering published in the Preliminary Official Statement dated September 30, 2019 including the City's right to modify the principal amount of the Series 2019C Bonds. (See "Official Terms of Offering" herein.) In the event of failure to deliver these Series 2019C Bonds in accordance with said Official Terms of Offering, we reserve the right to withdraw our offer, whereupon the deposit accompanying it will be immediately returned. All blank spaces of this offer are intentional and are not to be construed as an omission.

By submitting this bid, we confirm that we have an established industry reputation for underwriting municipal bonds such as the Bonds.

Not as a part of our offer, the above quoted prices being controlling, but only as an aid for the verification of the offer, we have made the following computations:

NET INTEREST COST: \$\_\_\_\_\_

TRUE INTEREST RATE: \_\_\_\_\_ %

The Bidder  will not  will purchase municipal bond insurance from \_\_\_\_\_.

Account Members

\_\_\_\_\_  
Account Manager

By: \_\_\_\_\_  
Phone: \_\_\_\_\_

.....  
The foregoing bid has been accepted by the City.

Attest: \_\_\_\_\_

Date: \_\_\_\_\_

.....

\* Preliminary; subject to change.