

*Proctor's Vision*  
*Proctor, rich with railroad heritage, values above all, its people and their environment. Working together*  
*is our pathway to a safe, secure and progressive community*

*Slogan: "You Have A Place In Proctor"*

**AGENDA**  
**PROCTOR CITY COUNCIL MEETING**  
**Monday, June 4, 2018 6:00pm**  
**Council Chambers - Community Activity Center - 100 Pionk Drive**

**CALL TO ORDER**

**PLEDGE OF ALLEGIANCE**

**ROLL CALL**

**OTHERS PRESENT**

**APPROVAL OF MINUTES**      May 21, 2018 City Council Meeting Minutes

**APPROVAL OF AGENDA**

**COMMENTS AND SUGGESTIONS FROM CITIZENS PRESENT**

**\*APPROVAL OF CONSENT AGENDA** (one Council motion can accept all items listed under this agenda, plus Council can pull any individual items out of this consent agenda and discuss/act on item separately - thus leaving others to be approved via consent agenda action) - **bold print denotes need for Council action.**

**\*1. COMMUNICATIONS**

- A. League of Minnesota Cities Letter Regarding Annual Dues
- B. Arbor Day Foundation Letter to Congratulate Proctor on Earning Recognition as a 2017 Tree City USA
- C. Thank You Letter From Superior Police Department
- D. Calcium Chloride Dust Control 2018 Contract

**2. PLANNING & ZONING DEPARTMENT MATTER**

**\*3. CLERK ADVISES COUNCIL**

- A. Government and Liquor Fund Payroll Period Ended 5/27/18

**\*4. COMMITTEE REPORT**

- A. Planning and Zoning Meeting Minutes of May 29, 2018
- B. Proctor Police Civil Service Commission Meeting Minutes

**\*5. UNFINISHED BUSINESS**

- \*A. SRO
- B. Ordinance No. 02-18 Ordinance Amending Section 200 of the City Code Entitled  
"Council and Administration" *(Remove from table)*

**6. NEW BUSINESS**

- A. Annual Financial Report for the Year Ended December 31, 2017 Together With  
Independent Auditor's Report
- B. Resolution 20-18 – Exhibit E for Grant Agreement to State Transportation Fund (Local  
Road Improvement Program) Grant Terms and Conditions SAP 069-596-011
- C. Resolution 21-18 Authorization To Accepting Donations
- D. Fireworks Donations
- E. Personnel Committee
- F. Proctor Golf Course Mower Quotes
  - 1. TurfWerks Equipment Quote
  - 2. MTI Distributing Equipment Proposal
- G. Closed Meetings

**7. LABOR AND NEGOTIATIONS ISSUES – Per MN Statutes 13D Closed Meeting**

**MEMBER CONCERNS**

**Schwarzbauer:**

BMX in Proctor

**Benson:**

**Intergovernmental and Intragovernmental Relations**

- Proctor Public Schools
- MIC
- City of Duluth

**Nowak:**

**DeWall:**

**Larson:**

**BILLS FOR APPROVAL**

General: \$106,392.39

Liquor: \$ 28,473.26

Total: \$134,865.65

**ADJOURNMENT:**

Minutes of the regular Proctor City Council meeting held Monday, May 21, 2018  
in the Community Center Council Chambers.

Mayor Larson called the meeting to order at 6:00 pm.

**MEMBERS PRESENT:** Councilors Troy DeWall, Gary Nowak, Jim Schwarzbauer,  
Gary Nowak, Jake Benson and Mayor Phil Larson.

**OTHERS PRESENT:** Administrator Mark Casey; City Attorney John Bray; Chief  
Gaidis; Jim Aird, Midway Township; Peggy  
Vanderscheuren; Travis White, Chad Ward Paul Steinman Springsted Inc.

**APPROVAL OF THE MINUTES:**

Motion by DeWall, seconded by Schwarzbauer and carried (5-0): To approve the May 7,  
2018 Council Meeting Minutes.

**APPROVAL OF THE AGENDA:**

Motion by Larson, seconded by Benson and carried (5-0): To approve the agenda for  
May 21, 2018, with the following additions: Member Concerns/Larson 1. Approval for  
Rick Lalonde to accept reclaim materials, from road projects; Member Concerns/Benson  
1. Minutes of 4/16/18 meeting; 6.I. Police Week Proclamation; Member  
Concerns/Dewall Closed Meeting Recordings; Members Concers/Schwarzbauer  
Beautification Committee working with another group to make the area at the intersection  
of Hwy 2 and 3<sup>rd</sup> Ave better.

**COMMENTS AND SUGGESTIONS FROM CITIZENS PRESENT:**

Travis White; Thanked everybody involved in the food drive from contributors to those  
picking up the items. Total weight of food collected exceeded 2017.

**\*APPROVAL OF THE CONSENT AGENDA** (one Council motion can accept all items  
listed under this agenda, plus Council can pull any individual items out of this consent  
agenda and discuss/act on item separately – thus leaving others to be approved via  
consent agenda action) – bold print denotes need for Council action.

Motion by Schwarzbauer, seconded by Nowak and carried (5-0): To approve the Consent  
Agenda,

**\*1. COMMUNICATIONS**

- A. MAOSC 2018-2019 Membership Drive
- B. Northland Law Enforcement K-9 Foundation Thank You
- C. Moody's Press Release

**2. PLANNING AND ZONING DEPARTMENT MATTER**

**\*3. CLERK ADVISES COUNCIL**

- A. Government and Liquor Fund Payroll Period Ended 05/13/2018
- B. Government and Liquor Fund Payroll Period Ended 05/13/2018

**4. COMMITTEE REPORTS**

- A. Proctor Beautification & Trees Committee Meeting Minutes -None
- B. Liquor Control Meeting Minutes – None
- C. 2018 Committee/ Commission Appointment List – None

**5. UNFINISHED BUSINESS**

- \*A. SRO

**6. NEW BUSINESS**

- A. **Resolution 19-18** – Providing for the Issuance, Sale, and Delivery of \$2,580,00 General Obligation Improvement Bonds, Series 2018A  
This Bond is being issued for the projects of Almac Drive and 6<sup>th</sup> Street reconstruction.

Paul Steinman from Springsted Inc. commented on the City's A1 Bond rating from Moody's Investors of New York. Also commented on the number of bids received was better than expected.

Motion by Larson, seconded by Nowak and carried (5-0): To award the bids for the General Obligation Bonds of \$2,580,000 to Northland Securities Inc. and their underwriters with a percentage rate of 3.4240%.

Resolution is hereby declared adopted this 21st day of May, 2018.

- B. **Friends of Animals** – Contract for Stray Animal Services.

Chief Gaidis presented three payment options offered by Friends of Animals. He also corrected the amount of animals taken in last year to 21. Discussion ensued by Mayor Larson as to who is responsible for the medical treatment of the animals and it was determined the animal owner is ultimately responsible if the animal owner is located. Chief Gaidis was not in favor of payment option 3 as that is a pay as you go type scenario. Councilman DeWall also stated his concerns for option 3. Administrator Casey stated that option 2 and the break even point would be approximately 19 animals

Motion by DeWall, second by Nowak and carried (5-0, ): To accept the contract with Friends of Animals with payment option #2. This option is for a contract fee of \$1704 annually for a total of 8 animals and any amount in excess of 8 with be charged at a rate of \$265 per animal.

**C. Resolution 18-18 Entering into Agreement with the State of Minnesota DNR and Accepting a Grant**

The Proctor Fire Department submitted a grant for \$5,000 to be matched by the City for equipment to suppress wildland fires. Councilman DeWall stated we have received this grant in the past and about every two to three years but have never had to accept the grant through resolution. Administrator Casey stated any grant or donation to the city should be formally accepted through resolution.

Motion by DeWall, second by Larson and carried (5-0): to accept the \$5,000 grant and enter into agreement with MN DNR.

**D. Ordinance 1-18 Amending Sec. 1000 of City Code Entitled "Land and Building" Regulation Second Reading**

This ordinance and discussion was to allow existing residential homes in a previously designated Commercial district. Mayor Larson explained that existing homes that may have been once a business and are now residential in the commercially zoned district, have difficulties selling their homes as insurance is difficult to acquire. It was further explained by attorney Bray that commercial zones will not allow the rebuild of a residential building should damage occur to the home.

Motion by Benson, second by Schwarzbauer and carried (5-0): To approve the second reading of Ordinance 1-18 and enacting its actions.

**E. Ordinance 2-18 Amending Sec. 200 of the City Code Entitled "Council and Administration" Second Reading**

The resolution will reduce the number of members on the Liquor Control Board to three members. Two of the members will be from the council and the other member will be the Chief of Police. This will also include as an advisory member the Municipal Liquor Store Manager. Discussion by Attorney Bray and Councilmen DeWall and Mayor Larson were looking for additional advisory members to be added to the ordinance.

Motion by Schwarzbauer, second by DeWall (no vote taken): To approve Ordinance 2-18. Further discussion as to how to proceed with the ordinance if the council were to add other advisory members. Attorney Bray suggested to table the action

with the additional language and bring back for a second reading at the next Council meeting.

Motion by Mayor Larson, seconded by DeWall to Table the agenda item to next council meeting for a second reading and carried (5-0).

#### **F. Arbor Day Proclamation**

Mayor Larson read the Arbor Day Proclamation celebrating Arbor Day on June 5, 2018. The City will celebrate its twenty five years as a tree city by planting a silver maple in memoriam of Tod Huff who served the city of Proctor for many years.

Motion by Benson, second by Schwarzbauer and carried (5-0): To approve the Arbor Day Proclamation and declare June 5, 2018 as Earth and Arbor Day Celebration Day.

#### **G. Set Audit Report Meeting Date**

Casey reported the Auditor thought the Council might prefer a special meeting to discuss the 2017 audit. Casey also stated he, the auditor, PUC secretary, and Loren Peterson met to discuss the draft audit report.

No action was taken to make a special meeting and the auditor will be at the next regular council meeting.

#### **H. Posting of the Police Records Technician I position**

Councilman Dewall stated he met with the Civil Service Commission and discussed the new position with job duties and making it from a part time position to a full time 40 hour a week position. Discussion ensued as to why the need for the full time position is needed. Dewall went on to explain the position is more created to replace the position of Linnea Wiita when she retires. Dewall also stated the funds for the position will be coming from the Police Department Budget and their need to "sharpen their pencils" to make it work. The need to train for 40 hours per week with experienced staff will assist in the transition. It was also discussed as to who will post the position, the council or the civil service commission. Administrator Casey discussed that he believes the Civil Service Commission will post, conduct interviews, and selection process.

Motion by DeWall, seconded by Nowak and carried (5-0) to post the position of Police Records Technician I as a full time position.

Motion by Nowak, seconded by Larson and carried (5-0), to move to Closed Session per MN Statutes 13D to discuss Labor Negotiation Issues. Time of motion 6:53 p.m.

## **7. LABOR AND NEGOTIATIONS – Closed Meeting**

Police Records Coordinator Contract  
Remaining Open Contracts.

Motion by Dewall, seconded by Larson and carried (5-0) to end the closed meeting and resume the regular council meeting at 7:25 p.m.

## **6. NEW BUSINESS (continued)**

### **I. Contract Proposal for the Police Records Coordinator Contract**

No action was taken on this item.

### **J. Police Week Proclamation**

Mayor Larson read the proclamation to designate a Police Officers recognition week in Proctor. Discussion on which date(s) to select as to not interfere with any other event. Councilman Schwarzbauer commented on recent tragic events and the safety issues our officers have go through each day.

Motion made by Schwarzbauer, seconded by DeWall and carried (5-0) to declare the week of June 10 through June 16 as Police Recognition Week in Proctor.

## **MEMBERS CONCERNS:**

### **Benson**

Commented on the council meeting minutes of 4/16/18, stating that the minutes should be more detailed as there were no committee reports noted, when reports were given. No mention of members concerns and comments from citizens present.

### **Nowak**

### **DeWall**

Commented on the closed meeting recordings and the procedures that need to be in place. He would like this on the next council agenda.

### **Mayor Larson**



Made notice to council that Streets Department Foreman Rick Lalonde should have authority to accept reclaim material from road projects if there is no cost. These materials have been used at the fairgrounds, parks, and on St. Louis River Road.

**Schwarzbauer**

Made mention the Beautification Committee would like to spruce up the triangle area that is located on Hwy 2 and 3<sup>rd</sup> Ave. Some discussion took place as to who owns the property and what type of future use the property will serve.

**BILLS FOR APPROVAL**

|                |              |
|----------------|--------------|
| General Bills: | \$91,511.47  |
| Liquor Bills:  | \$36,894.41  |
| Total          | \$128,405.88 |

**\$128,405.88 TOTAL BILLS FOR APPROVAL**

Councilman Dewall and Mayor Larson had some questions on a credit card bill and the designation of purchased boots. Also, questions on a police squad charge. Both bills were explained.

Motion by Schwarzbauer, seconded by Larson and carried (4-0 Benson Abstained): To approve the bills for payment as listed.

**ADJOURNMENT**

Motion by DeWall seconded by Larson, and carried (5-0): To adjourn the City Council meeting at 7:44 pm.



CONNECTING & INNOVATING  
SINCE 1913

May 18, 2018



Dear Mayors and Administrators,

With a long winter behind us, we hope that you are doing well and that your city is gearing up for a successful summer.

We are writing to let you know that the League of Minnesota Cities Board of Directors voted at its May meeting to set a preliminary maximum member dues schedule increase of zero percent (or, no dues increase) for the League's 2019 fiscal year that runs from September 1, 2018 through August 31, 2019.

The League's final dues schedule is similar to how your city sets its preliminary levy increase in that it cannot be higher than the maximum that is set. Please note that while there is no proposed dues increase, you may still see a slight increase or decrease in dues based on any shifts in your city's population (to learn more about how your dues are calculated, visit [www.lmc.org/dues](http://www.lmc.org/dues)). The Board will make its final decision on annual dues when it meets on July 19 to approve the League's FY 2019 budget.

The League's finances continue to be strong so that we can provide you with the many services you rely on—from advocating for local control at the state Capitol and transportation funding in Washington, D.C.; providing a variety of big-picture and skills-focused training for your city officials and staff; to answering your questions about laws, statutes, and trending topics like data privacy and drones, among many others. We take our responsibility to carefully manage member assets very seriously, and we thank you for your continued support of our work. It is an honor to serve your city.

Please let us know if you have any questions about your dues or if you have comments about how we can better serve your needs. Feel free to call or email Dave Unmacht at (651) 281-1205 or [dunmacht@lmc.org](mailto:dunmacht@lmc.org)—and if you're ever near St. Paul, be sure to stop by for some coffee and conversation.

Jo Emerson  
League of Minnesota Cities President,  
Mayor, City of White Bear Lake

David J. Unmacht  
Executive Director,  
League of Minnesota Cities  
Twitter: @UnmachtMnCities

Mayor Phil Larson  
100 Pionk Drive  
Proctor, MN 55810

Dear Tree City USA Supporter,

On behalf of the Arbor Day Foundation, I write to congratulate Proctor on earning recognition as a 2017 Tree City USA. Residents of Proctor should be proud to live in a community that makes the planting and care of trees a priority.

Proctor is one of more than 3,400 Tree City USAs, with a combined population of 140 million. The Tree City USA program is sponsored by the Arbor Day Foundation in partnership with the U.S. Forest Service and the National Association of State Foresters.

If ever there was a time for trees, now is that time. Communities worldwide are facing issues with air quality, water resources, personal health and well-being, and energy use. Proctor is stepping up to do its part. As a result of your commitment to effective urban forest management, you are helping to provide a solution to these global challenges.

We hope you are excited to share this accomplishment. Enclosed in this packet is a press release for your convenience as you prepare to contact local media and the public.

State foresters are responsible for the presentation of the Tree City USA flag and other materials. We will forward information about your awards to your state forester's office to coordinate presentation. It would be especially appropriate to make the Tree City USA award a part of your community's Arbor Day ceremony.

Again, we celebrate your commitment to the people and trees of Proctor and thank you for helping to create a healthier planet for all of us.

Best Regards,



Dan Lambe  
President

cc: David Forneris

enclosure

For more information, contact:  
Danny Cohn, 402-473-9563  
dcohn@arborday.org



FOR IMMEDIATE RELEASE:

### **Arbor Day Foundation Names Proctor Tree City USA**

Proctor, MN, was named a 2017 Tree City USA by the Arbor Day Foundation in honor of its commitment to effective urban forest management.

Proctor achieved Tree City USA recognition by meeting the program's four requirements: a tree board or department, a tree care ordinance, an annual community forestry budget of at least \$2 per capita and an Arbor Day observance and proclamation.

"Tree City USA communities see the impact an urban forest has in a community first hand," said Dan Lambe, president of the Arbor Day Foundation. "Additionally, recognition brings residents together and creates a sense of community pride, whether it's through volunteer engagement or public education."

Trees provide multiple benefits to a community when properly planted and maintained. They help to improve the visual appeal of a neighborhood, increase property values, reduce home cooling costs, remove air pollutants and provide wildlife habitat, among many other benefits.

More information on the program is available at [arborday.org/TreeCityUSA](http://arborday.org/TreeCityUSA).

**About the Arbor Day Foundation:** The Arbor Day Foundation is a million member nonprofit conservation and education organization with the mission to inspire people to plant, nurture, and celebrate trees. More information is available at [arborday.org](http://arborday.org).



## Superior Police Department

1316 N. 14<sup>th</sup> St. Suite 150  
Superior, WI 54880

Phone: (715) 395-7234  
Fax: (715) 395-7664  
[www.ci.superior.wi.us](http://www.ci.superior.wi.us)

Living up to our name

May 18, 2018

Proctor Police Department  
100 Pionk Dr # 101  
Proctor, MN 55810

I'd like to express my appreciation for your department's assistance during the Husky Oil Refinery fire on April 26. This event is something we've talked about and trained on over the years, never knowing when the day would come that we would have to put that training to the test.

Our department's abilities that day were stretched to the limit and it was overwhelming by the sheer volume of public safety responsibilities that became ours. Without the help of our partners in the public safety and law enforcement realm, we would not have had as effective a response as we did. We have received an outpouring of gratitude from the public for the way in which our department dealt with this situation. That gratitude needs to also be extended to our partners in the law enforcement community who provided us backup when we needed it.

It was reassuring on my part that with only a few phone calls we really did have more assistance than we had assignments for. Not only did you assist us in the early moments of the emergency but you continued to provide us resources even after the event became under control. Be assured that if a similar need arose in your jurisdiction, the Superior Police Department would be there to help your agency as you did for us.

Sincerely,

Nicholas F. Alexander  
Police Chief

NFA/ds



# Saint Louis County

Public Works Department • Richard H. Hansen Transportation & Public Works Complex  
4787 Midway Road, Duluth, MN 55811 • Phone: (218) 625-3830

**James T. Foldesi, P.E.**  
Public Works Director/  
Highway Engineer

May 15, 2018

**TO:** Towns & Cities in St. Louis County  
Interested in Calcium Chloride Application

**FROM:** Brian Boder  
Deputy Public Works Director - Maintenance

**SUBJECT:** Calcium Chloride Dust Control  
**2018 Contract - Bid #5450**

The St. Louis County Public Works Department has awarded a contract for furnishing and applying "liquid calcium chloride" and "liquid magnesium chloride" on County, Cities & Township roads for dust control. Again this year, you may participate within this contract for streets or roads under your jurisdiction.

If you wish to take advantage of this program, the **ordering** of the material must be done directly by your local agency. The contractor will bill you separately for your City & Townships roads.

For "liquid calcium chloride", the contract has been awarded to:  
**Envirotech Services Inc. at the price of \$0.894/gallon.**

Order your "liquid calcium chloride" from:

Envirotech Services Inc.  
910 54<sup>th</sup> Ave. #230  
Greeley, CO. 80634

Telephone: 218-735-8717  
Attention: Amanda Kyander  
akyander@envirotechservices.com  
St. Louis County Bid #5450

For "liquid magnesium chloride", the contract has been awarded to:  
**Edwards Oil Inc. at the price of \$0.785/gallon.**

Order your "magnesium chloride" from:

Edwards Oil Inc.  
820 Hoover Rd  
Virginia, MN. 55792

Telephone: 218-741-9634  
Attention: Robert Skalko  
rskalko@eoctrimark.com  
St. Louis County Bid #5450

*You should be prepared to identify the total amount needed by your agency. The following chart should be a guide in determining the amount needed. The material is applied at 1/4 gallons per square yard for previously untreated surfaces, or where retention is minimal.*

**Chart:**

**12' roadway width:**

|           |              |
|-----------|--------------|
| 100 feet  | 33 gallons   |
| 150 feet  | 50 gallons   |
| 200 feet  | 67 gallons   |
| 0.25 mile | 440 gallons  |
| 0.50 mile | 880 gallons  |
| 1.00 mile | 1760 gallons |

**18' roadway width:**

|           |              |
|-----------|--------------|
| 100 feet  | 50 gallons   |
| 150 feet  | 75 gallons   |
| 200 feet  | 100 gallons  |
| 0.25 mile | 660 gallons  |
| 0.50 mile | 1320 gallons |
| 1.00 mile | 2640 gallons |

**24' roadway width:**

|           |              |
|-----------|--------------|
| 100 feet  | 67 gallons   |
| 150 feet  | 100 gallons  |
| 200 feet  | 134 gallons  |
| 0.25 mile | 880 gallons  |
| 0.50 mile | 1760 gallons |
| 1.00 mile | 3520 gallons |

*Remember, you should place your own order. If you notified the county in advance, you must still place your own order with the contractor. Your advance notice is used only for bidding purposes.*

*We are pleased to be able to provide this opportunity to you.*

**BB/pa**

**c:** James Foldesi, Public Works Director  
Brian Boder, Deputy Public Works Director - Maintenance  
Donna Viskoe, Purchasing  
Kristi Anton, Purchasing  
Dave Mattei, Kawishiwi Ranger District Ely  
Joe Majerus, DNR Tower  
Joan Broten, DNR Tower

**Cities:**

**Aurora**  
**Biwabik**  
**Brookston**  
**Cook**  
**Duluth**  
**Ely**  
**Eveleth**  
**Floodwood**  
**Gilbert**  
**Hermantown**  
**Hibbing**  
**Iron Junction**  
**Meadowlands**  
**Mt. Iron**  
**Proctor**

**Towns:**

**Alango**  
**Alborn**  
**Alden**  
**Angora**  
**Arrowhead**  
**Ault**  
**Balkan**  
**Bassett**  
**Beatty**  
**Brevator**  
**Canosia**  
**Cedar Valley**  
**Clinton**  
**Colvin**  
**Cotton**  
**Crane Lake**  
**Culver**  
**Duluth**  
**Eagles Nest**  
**Ellsburg**  
**Embarrass**

**Towns cont'd:**

**Fairbanks**  
**Fayal**  
**Field**  
**Fine Lakes**  
**Floodwood**  
**Fredenberg**  
**French**  
**Gnesen**  
**Grand Lake**  
**Greenwood**  
**Halden**  
**Industrial**  
**Kabetogama**  
**Kelsey**  
**Kugler**  
**Lakewood**  
**Lavell**  
**Leiding**  
**McDavitt**  
**Meadowlands**  
**Midway**  
**Morcom**  
**Morse**  
**New Independence**  
**Normanna**  
**North Star**  
**Northland**  
**Owens**  
**Pequaywan**  
**Pike**  
**Portage**  
**Prairie Lake**  
**Rice Lake**  
**Sandy**  
**Solway**  
**Stoney Brook**  
**Sturgeon**  
**Toivola**  
**Van Buren**  
**Waasa**  
**White**  
**Willow Valley**  
**Wuori**



PR18-11

5/14/18 - 5/27/18

3A

06/01/18 9:33 AM

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## CITY OF PROCTOR

## Payroll Summary - General Funds

Comments: Labor Distribution

| FUND Descr            | DEPT Descr               | ACTIVITY Descr               | OBJECT Descr                | Amount      |
|-----------------------|--------------------------|------------------------------|-----------------------------|-------------|
| General Fund          | General Government       | Council                      | Full-Time Employee Regular  | \$1,600.00  |
|                       | Mayor                    | Executive - Mayor            | Full-Time Employee Regular  | \$600.00    |
|                       | Tourism                  | Tourism Expenditures         | Full-Time Employee Regular  | \$1,672.80  |
|                       | City Administrator       | Municipal Operations         | Full-Time Employee Regular  | \$3,461.54  |
|                       | City Administrator       | Government Building          | Part-Time Employee          | \$739.90    |
|                       | City Clerk               | Administrative               | Full-Time Employee Regular  | \$2,836.00  |
|                       | City Clerk               | Administrative               | Full-Time Employee Overtime | \$148.09    |
|                       | Financial Administration | Accounting                   | Full-Time Employee Regular  | \$2,230.40  |
|                       | Police                   | Operations (Police)          | Full-Time Employee Regular  | \$16,246.52 |
|                       | Police                   | Operations (Police)          | Full-Time Employee Regular  | \$3,225.16  |
|                       | Police                   | Operations (Police)          | Full-Time Employee Regular  | \$1,486.25  |
|                       | Police                   | Operations (Police)          | Full-Time Employee Overtime | \$1,250.34  |
|                       | Police                   | Admin Secretary (Police)     | Full-Time Employee Regular  | \$1,563.70  |
|                       | Police                   | Admin Secretary (Police)     | Full-Time Employee Regular  | \$1,240.96  |
|                       | Police                   | Admin Secretary (Police)     | Part-Time Employee          | \$227.76    |
|                       | Police                   | Admin Secretary (Police)     | Part-Time Employee          | \$75.92     |
|                       | Police                   | Police Grant Labor           | Full-Time Employee Overtime | \$435.87    |
|                       | Fire                     | Operations (Fire)            | Part-Time Employee          | \$100.00    |
|                       | Building Inspection      | Operations (Bldg Inspection) | Part-Time Employee          | \$192.31    |
|                       | Streets & Roadways       | Street Department            | Full-Time Employee Regular  | \$254.94    |
|                       | Streets & Roadways       | Street Department            | Full-Time Employee Regular  | \$5,505.39  |
|                       | Streets & Roadways       | Street Department            | Full-Time Employee Regular  | \$57.90     |
|                       | Streets & Roadways       | Street Department            | Full-Time Employee Regular  | \$941.10    |
|                       | Streets & Roadways       | Street Department            | Full-Time Employee Regular  | \$480.93    |
|                       | Streets & Roadways       | Street Department            | Full-Time Employee Regular  | \$259.26    |
|                       | Park                     | City Parks                   | Full-Time Employee Regular  | \$431.67    |
|                       | Park                     | City Parks                   | Temporary Employees Regular | \$500.00    |
|                       | Park                     | Tree Planting                | Full-Time Employee Regular  | \$197.04    |
|                       | Recreation               | Ball Field Maintenance       | Temporary Employees Regular | \$37.50     |
| FUND 100 General Fund |                          |                              |                             | \$47,999.25 |
| Sewer Fund            | Public Works             | Storm Drainage               | Full-Time Employee Regular  | \$86.85     |
|                       | Public Works             | Sewer                        | Full-Time Employee Regular  | \$86.85     |
|                       | Public Works             | Pump Station                 | Full-Time Employee Regular  | \$28.95     |
| FUND 500 Sewer Fund   |                          |                              |                             | \$202.65    |
|                       |                          |                              |                             | \$48,201.90 |

**CITY OF PROCTOR**  
**Payroll Summary - Liquor Fund**  
Comments: Labor Distribution

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| FUND Descr           | DEPT Descr              | ACTIVITY Descr     | OBJECT Descr               | Amount            |
|----------------------|-------------------------|--------------------|----------------------------|-------------------|
| Liquor Fund          | Mountain Spirits Liquor | Manager - Off Sale | Full-Time Employee Regular | \$262.20          |
|                      | Mountain Spirits Liquor | Manager - Off Sale | Full-Time Employee Regular | \$1,485.80        |
|                      | Mountain Spirits Liquor | Clerks - Off Sale  | Part-Time Employee         | \$2,842.70        |
| FUND 600 Liquor Fund |                         |                    |                            | <u>\$4,590.70</u> |
|                      |                         |                    |                            | \$4,590.70        |

**CITY OF PROCTOR**  
**Council Packet - Gen/Liq**  
 Pay Group Description: City -BI-wk  
 Pay Period: 11

08/01/18 9:38 AM  
 Page 1

| Location Description              | Hours | Shift Multiplier | Amount     | Pay Group Description |
|-----------------------------------|-------|------------------|------------|-----------------------|
| Location Description CITY HALL    |       |                  |            |                       |
| Shift Multiplier 1.5              |       |                  |            |                       |
| CITY HALL                         | 5.50  | 1.5              | \$148.09   | City -BI-wk           |
| Shift Multiplier 1.5              | 5.50  |                  | \$148.09   |                       |
| Location Description POLICE       |       |                  |            |                       |
| Shift Multiplier 1.5              |       |                  |            |                       |
| POLICE                            | 1.50  | 1.5              | \$56.07    | City -BI-wk           |
| POLICE                            | 6.00  | 1.5              | \$224.28   | City -BI-wk           |
| POLICE                            | 12.00 | 1.5              | \$547.56   | City -BI-wk           |
| POLICE                            | 4.00  | 1.5              | \$141.06   | City -BI-wk           |
| POLICE                            | 6.00  | 1.5              | \$211.59   | City -BI-wk           |
| POLICE                            | 10.00 | 1.5              | \$505.65   | City -BI-wk           |
| Shift Multiplier 1.5              | 39.50 |                  | \$1,686.21 |                       |
| Pay Group Description City -BI-wk | 45.00 |                  | \$1,834.30 |                       |
|                                   | 45.00 |                  | \$1,834.30 |                       |

*T2D grant*  
*T2D grant*

Minutes of the Planning and Zoning Meeting of May 29, 2018 held in the Council Chambers at the Proctor Community Center.

Chairman Aldridge called the meeting to order at 5:00 p.m.

**MEMBERS PRESENT:** Chair Aldridge, Vice Chair Harnell, Commissioner Boysen, Commissioner Lambert and Commissioner Tuomi.

**OTHERS PRESENT:** City Attorney Bray, City Administrator Mark Casey and John Ortberg -531 S. Boundary Ave.

**MEMBERS ABSENT:** None.

**APPROVAL OF MINUTES:**

Harnell would like the March 26, 2018 Meeting Minutes to reflect that it street name to be corrected from Pine Street to Pine Avenue. Chair Aldridge pointed out under New Business item B to reflect the zoning as C-1 and not C-a.

Motion by Harnell, seconded by Lambert and carried 5-0: To approve the March 29, 2018 Planning and Zoning Meeting Minutes with the revisions.

**APPROVAL OF AGENDA:**

Motion by Boysen, seconded by Harnell and carried 5-0: To approve the May 29, 2018 Planning and Zoning Meeting Agenda.

**1. PUBLIC HEARING**

**2. COMMUNICATIONS**

**A. Violations of City Code.**

1. 148 6<sup>th</sup> Street – letter sent 4/25/18
2. 102 6<sup>th</sup> Street – letter sent 5/16/18
3. 815 N 1<sup>st</sup> Avenue – two letters sent 5/9/18 and 5/21/18.

Casey also gave an update on properties discussed at the 3/26/18 meeting. 626 5<sup>th</sup> St; 133 5<sup>th</sup> Street; 113 Oak Street.

**3. BUILDING PERMITS (C-1 and above)**

**A. 531 S. Boundary Avenue Zoned C-1 Mini Storage Unit**

John Ortberg owner of the property gave an update on his mini storage construction project. 120'x40'; slab still needs to be poured. Would like construction to begin late June. Building plans have been submitted to the P&Z. Boysen stated will speak with Jim Rich (Bldg Official) on the project.

Motion by Boysen, seconded by Lambert to approve the plans, permitting

contingent on approval from the Building Official.

#### **4. COMMENTS AND SUGGESTIONS FROM CITIZENS PRESENT**

None.

#### **5. COMMITTEE REPORTS**

#### **\*6. UNFINISHED BUSINESS**

##### **A. Signage**

Chair Aldridge stated he would like this ordinance to be simple and addressing “off premise” sign not to exceed size of permanent structure (i.e. fence or out building) in width and height. Attorney Bray will bring back language to include how long the sign can be in place. Boysen and Lambert discussed no fee for the signage as the advertiser will be paying the association for costs.

#### **7. NEW BUSINESS**

##### **A. Set Public Hearing for Storm Water Sewer MS4**

Motion by Harnell, seconded by Boysen to hold the annual public input meeting for stormwater on June 25, 2018 at 5:00 p.m. Motion passed (5-0)

##### **B. Rental Ordinance**

Bray passed out a small portion of the Duluth Property Rental Code. Discussion took place as to why P&Z is addressing this issue. Chair Aldridge and Administrator Casey stated the subject has come up recently by citizens and Casey is fielding questions by realtors. Harnell asked if this will create a burden to existing employees or will there be a new position created? How often will the requirements be checked?

Tuomi and Chair Aldridge asked if the City can ask the state for a list of rentals. Tuomi also stated this can be checked by asking the MN DoR for a listing of CRP's for the specific zip code.

Casey will try to have that information for next meeting.

#### **8. BUILDING INSPECTOR REPORT**

##### **A. Year to Date Building/Plumbing Permits Listing**

Boysen stated not all permits are on the list as some permits were issued after the report was made.

#### **MEMBER CONCERNS:**

Tuomi - stated 701 4<sup>th</sup> Street has a porch/deck that is on block and should not be. Boysen said

He will check this out.

Boysen – 121 5<sup>th</sup> street home damaged by fire. Attorney Bray stated the ultimate goal is to

have the property knocked down and removed. Some progress has been made and Bray is pursuing other legal options.

**Lambert** – Concerned that a property on St. Louis River Rd has too many unlicensed vehicles. Also stated the Mayor and Police Chief should do their annual ride to identify properties not in code.

Concerns on the Napoli property and the shape the front porch is in.

**Harnell**

## **ADJOURNMENT**

Motion by Lambert, seconded by Tuomi and carried (5-0): To adjourn the meeting at 5:53 p.m.

# **PROCTOR POLICE CIVIL SERVICE COMMISSION**

## **Minutes of meetings held Friday, May 25th, 2018.**

Minutes of meeting from Friday May 18<sup>th</sup> 2018 read. Motion to except minutes as written by Commissioner Lori Anderson, seconded by Chairperson Diane Giuliani.

Present: Chairperson Diane Giuliani, Commission members Lori Anderson and Steven Elder, Chief Gaidis, Sgt. Redfield, City Attorney John Bray

1. Civil Service Commission met Friday May 25<sup>th</sup>, 2018, 8:00 am at Proctor City Hall.
2. Motion by Civil Service Commission Lori Anderson to "accept the resignation of Proctor Police officer Nick Moder, effective immediately". Seconded by Chairperson Diane Giuliani. Motion carried unanimously.
3. Commission briefly discussed the process of a lateral hiring for a Police Officer.
  - A. Commission briefly discussed a lateral hire with City of Proctor Administrator Mark Casey, (briefly attended meeting to discuss new hiring only).
4. Motion by Chairperson Diane Giuliani, "post for a lateral hiring of a Police officer as soon as possible", seconded by Commissioner Lori Anderson, motion carried, unanimously.
5. Next Police Commission meeting set for Thursday, 7 June 2018, 4:30 pm. At City Hall.
6. With no further business to discuss, motion to adjourn and seconded at 9:50 am.

Respectfully submitted,

Steven Elder, Secretary  
Proctor Police Civil Service Commission  
cc: Diane Giuliani, Chairperson  
Commissioner Lori Anderson,  
Police Chief Gaidis,  
Police Sgt Redfield,  
Proctor City Administrator, Mark Casey

**ORDINANCE NO. 02-18**  
**ORDINANCE AMENDING SECTION 200 OF THE**  
**CITY CODE ENTITLED "COUNCIL AND ADMINISTRATION"**

**THE CITY COUNCIL OF THE CITY OF PROCTOR DO ORDAIN AS**  
**FOLLOWS:**

Section 1. City Code, Section 201.7, Subd. 1; paragraph (1) and (2) entitled "Standing Committees," is hereby amended as follows:

Subd. 1 (1) That there shall be ~~nine~~ eight standing committees of the City Council, namely: streets; liquor control; parks and recreation; beautification and trees; public safety; cable television; ~~inflow and infiltration~~; tourism; and trust fund board. That each of said committees except the trust fund board, said board being governed by the ordinance establishing the fund and the Liquor Control Board shall consist of one Council member and two non-council members (or more as the ~~committee~~ Council shall so decide), and said committee members shall be appointed by such Council at the first meeting of each year or upon vacancy or term expiration. Any subject considered by said committees shall be presented to the Council with their recommendations for the Councils consideration:

(2) The Liquor Control Board shall consist of two Councilmembers and the Police Chief with the Liquor Store Manager and one other at large person as an advisory member.

Section 2. All other provisions shall remain in full force and effect without modification or amendment

Section 3. The effective date of this ordinance change shall be the date following the last date of publication in the City of Proctor official newspaper.

Moved by Councilperson \_\_\_\_\_ and seconded by Councilperson \_\_\_\_\_ that  
the  
foregoing ordinance be adopted as amended.

Voting Yes: Councilpersons

Voting No: Councilpersons

Ordinance declared adopted this \_\_\_ day of May, 2018.



CITY OF PROCTOR

By \_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Clerk/Administrator

First Reading: 5/7/2018

Second Reading:

Published Proctor Journal on \_\_\_\_\_, 2018

**CITY OF PROCTOR, MINNESOTA**

**ANNUAL FINANCIAL REPORT**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
**TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

# City of Proctor

Year Ended December 31, 2017

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# City of Proctor

Year Ended December 31, 2017

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# City of Proctor

Year Ended December 31, 2017

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## Elected Officials:

|                    | <u>Office</u> | <u>Length<br/>of Term</u> | <u>Term<br/>Expires</u> |
|--------------------|---------------|---------------------------|-------------------------|
| Phillip Larson     | Mayor         | 2 years                   | 12/31/18                |
| Jake Benson        | Councilor     | 4 years                   | 12/31/18                |
| Gary Nowak         | Councilor     | 4 years                   | 12/31/20                |
| Troy DeWall        | Councilor     | 4 years                   | 12/31/20                |
| James Schwarzbauer | Councilor     | 4 years                   | 12/31/18                |

## Appointed Officials:

|                |                              |
|----------------|------------------------------|
| Mark Casey     | City Administrator           |
| Jennifer Crown | Assistant City Administrator |



## **Independent Auditor's Report**

To the Honorable City Council  
City of Proctor  
Proctor, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Proctor, Minnesota (City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Public Utilities Commission of the City of Proctor, a blended component unit, were not audited in accordance with *Government Auditing Standards*. 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 involves 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 entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended, in accordance with accounting principles generally accepted in the United States.

## **Other Matters**

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States require that the management's discussion and analysis, pages 4 through 10, and information about the City's net pension liability, pages 56 and 57, 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 management's discussion and analysis and the information about the City's net pension liability in accordance with auditing standards generally accepted in the United States, 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.

Management has omitted budgetary comparison information for the General Fund that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining nonmajor governmental fund financial statements, pages 58 through 61, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor governmental fund financial statements 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. The 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated May 18, 2018 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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's internal control over financial reporting and compliance.

*Wipfli LLP*

Wipfli LLP

May 18, 2018  
Duluth, Minnesota

## Management's Discussion and Analysis

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# City of Proctor

## Management's Discussion and Analysis

Year Ended December 31, 2017

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This section of the City of Proctor's annual financial report presents a discussion and analysis of the City's financial performance and provides an overview of the City's financial activities for the year ended December 31, 2017. Please read this discussion in conjunction with the City's financial statements, which begin on page 11.

### Financial Highlights

- Government-wide assets and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources by \$17,615,731. Of this amount \$4,916,576 is from governmental activities and \$12,699,155 is from business-type activities.
- The City's total net position decreased by \$295,301. The net position of governmental activities increased \$32,370 and the net position of business-type activities decreased \$325,671.
- The City's governmental funds reported combined ending fund balances of \$4,964,793 in the fund financial statements. This is an increase of \$61,370 from the 2016 balance of \$4,903,423. Of this amount, \$805,162, or approximately 16 percent, is available for spending at the City's discretion.
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$805,162, or 28 percent of the total general fund expenditures of \$2,872,461. The 2017 unassigned fund balance decreased \$82,685 from the 2016 unassigned fund balance of \$887,847. This represents a decrease in the unassigned fund balance of 9.3 percent.

### Overview of the Financial Statements

This discussion and analysis serves as an introduction to the City of Proctor's basic financial statements, which consists of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements.

- The first two statements are government-wide financial statements that provide information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements. The governmental funds statements explain how general government services were financed, as well as, how grant proceeds were utilized for the short-term and what remains for future spending.
- The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required and other supplementary information that further explains and supports the information in the financial statements.

# City of Proctor

## Management's Discussion and Analysis (Continued)

Year Ended December 31, 2017

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### Government-wide Financial Statements

The government-wide financial statements are designed to give users a broad overview of the City's finances, in a manner similar to that of a private-sector business. The statement of net position presents information on all of the City's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Increases and decreases in net position over time may serve as a useful indicator of whether the City's financial position is improving or deteriorating. The statement of activities shows how the City's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event that caused the change occurs, regardless of the timing of the related cash flows. There are revenues and expenses reported in this statement for some items that will only result in cash flows in future fiscal years; examples include uncollected grants and vacation days that are earned, but not used.

Both government-wide financial statements distinguish between functions that are governmental and business-type activities. The City's governmental activities include public safety, streets and highways, community and economic development, culture and recreation, and general administration. Property taxes and state and federal grants and aids finance most of these activities.

The City charges fees to customers to help cover all or most of the cost of certain services it provided. The City's business-type activities include Public Utilities, a Municipal Liquor Store, Sewer, and a Municipal Golf Course.

The two government-wide financial statements are presented immediately after this discussion and analysis.

### Fund Financial Statements

A fund is a set of related accounts that is used to control resources that have been segregated to carry on specific activities or to attain certain objectives in accordance with special regulations, restrictions, or limitations. The City of Proctor, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All City funds are either governmental funds, proprietary, or fiduciary funds.

- **Governmental funds** - Because the focus of governmental fund financial statements is narrower than government-wide financial statements, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in order to gain a better understanding of the long-term impact of the City's near-term financing decisions. The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances provide reconciliations to aid in the comparison of governmental funds with governmental activities.

The City maintains a number of individual governmental funds. Information is presented separately in the governmental fund financial statements for the General Fund, G.O. Improvement Bond Series 2011A, and G.O. Refunding Bonds Series 2016A, which are considered to be major funds. Data from the remaining governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is included in the combining fund statements in the supplementary information section of this report.

# City of Proctor

## Management's Discussion and Analysis (Continued)

Year Ended December 31, 2017

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- **Proprietary funds** - The City maintains four enterprise funds which are included in these financial statements. 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 operation of the Public Utilities, Municipal Liquor, Sewer and Municipal Golf Course all of which are considered to be major funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

### Notes to 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.

### Other Information

In addition to the basic financial statements and accompanying notes, this report also contains the combining statements referred to earlier in connection with nonmajor governmental funds. These statements follow the notes to the financial statements.

### Government-wide Financial Analysis

As noted earlier, over time net position may serve as a useful indicator of the City's financial position. A portion of the City's net position (52 percent) is invested in capital assets. The City uses these assets to provide services to its constituents; therefore, these assets are not available for future spending. Of the remaining balance of net position 35 percent is unrestricted and may be used to meet the City's ongoing obligations to its constituents and creditors.

# City of Proctor

## Management's Discussion and Analysis (Continued)

Year Ended December 31, 2017

The following table presents a summary of the City's net position at December 31:

|                                       | 2017                       |                                 |                      | 2016                       |                                 |                      |
|---------------------------------------|----------------------------|---------------------------------|----------------------|----------------------------|---------------------------------|----------------------|
|                                       | Governmental<br>Activities | Business-<br>type<br>Activities | Total                | Governmental<br>Activities | Business-<br>type<br>Activities | Total                |
| <b>Assets</b>                         |                            |                                 |                      |                            |                                 |                      |
| Current and other assets              | \$ 6,299,193               | \$ 7,502,320                    | \$ 13,801,513        | \$ 6,453,022               | \$ 7,504,262                    | \$ 13,957,284        |
| Capital assets                        | 7,040,663                  | 6,088,407                       | 13,129,070           | 7,145,084                  | 6,284,058                       | 13,429,142           |
| <b>Total assets</b>                   | <b>13,339,856</b>          | <b>13,590,727</b>               | <b>26,930,583</b>    | <b>13,598,106</b>          | <b>13,788,320</b>               | <b>27,386,426</b>    |
| <b>Deferred outflows of resources</b> | <b>161,335</b>             | <b>40,103</b>                   | <b>201,438</b>       | <b>2,047,203</b>           | <b>144,773</b>                  | <b>2,191,976</b>     |
| <b>Liabilities</b>                    |                            |                                 |                      |                            |                                 |                      |
| Long-term liabilities                 | 7,861,035                  | 229,677                         | 8,090,712            | 10,048,688                 | 306,379                         | 10,355,067           |
| Other liabilities                     | 378,188                    | 680,299                         | 1,058,487            | 390,563                    | 570,814                         | 961,377              |
| <b>Total liabilities</b>              | <b>8,239,223</b>           | <b>909,976</b>                  | <b>9,149,199</b>     | <b>10,439,251</b>          | <b>877,193</b>                  | <b>11,316,444</b>    |
| <b>Deferred inflows of resources</b>  | <b>345,392</b>             | <b>21,699</b>                   | <b>367,091</b>       | <b>321,852</b>             | <b>29,074</b>                   | <b>350,926</b>       |
| <b>Net position</b>                   |                            |                                 |                      |                            |                                 |                      |
| Net investment in capital assets      | 3,067,194                  | 6,088,407                       | 9,155,601            | 2,798,031                  | 6,284,058                       | 9,082,089            |
| Restricted                            | 2,229,910                  |                                 | 2,229,910            | 2,327,449                  |                                 | 2,327,449            |
| Unrestricted (deficit)                | (380,528)                  | 6,610,748                       | 6,230,220            | (241,274)                  | 6,742,768                       | 6,501,494            |
| <b>Total net position</b>             | <b>\$ 4,916,576</b>        | <b>\$ 12,699,155</b>            | <b>\$ 17,615,731</b> | <b>\$ 4,884,206</b>        | <b>\$ 13,026,826</b>            | <b>\$ 17,911,032</b> |

# City of Proctor

## Management's Discussion and Analysis (Continued)

Year Ended December 31, 2017

To give users a better understanding of the sources and uses of the City's net position, the table that follows presents a summary of revenues, expenses, and changes in net position for the years ended December 31:

|  | 2017                       |                                 |                      | 2016                       |                                 |                      |
|--|----------------------------|---------------------------------|----------------------|----------------------------|---------------------------------|----------------------|
|  | Governmental<br>Activities | Business-<br>type<br>Activities | Total                | Governmental<br>Activities | Business-<br>type<br>Activities | Total                |
| <b>Revenues</b>                        |                            |                                 |                      |                            |                                 |                      |
| Program revenues                       |                            |                                 |                      |                            |                                 |                      |
| Charges for service                    | \$ 132,267                 | \$ 4,333,351                    | \$ 4,465,618         | \$ 126,370                 | \$ 4,477,707                    | \$ 4,604,077         |
| Operating grants and<br>contributions  | 48,489                     |                                 | 48,489               | 70,251                     |                                 | 70,251               |
| Capital grants and<br>contributions    |                            |                                 |                      | 40,201                     |                                 | 40,201               |
| General revenues                       |                            |                                 |                      |                            |                                 |                      |
| Property taxes                         | 1,529,437                  |                                 | 1,529,437            | 1,491,820                  |                                 | 1,491,820            |
| Sales tax                              | 297,860                    |                                 | 297,860              | 292,593                    |                                 | 292,593              |
| State aids                             | 1,110,883                  | 372                             | 1,111,255            | 1,109,565                  | 372                             | 1,109,937            |
| Interest                               | 25,133                     | 52,301                          | 77,434               | 3,279                      | 21,205                          | 24,484               |
| Other                                  | 87,464                     | 44,756                          | 132,220              | 128,469                    | 39,130                          | 167,599              |
| Transfers                              | 50,586                     | (50,586)                        |                      | 50,586                     | (50,586)                        |                      |
| <b>Total revenues</b>                  | <b>3,282,119</b>           | <b>4,380,194</b>                | <b>7,662,313</b>     | <b>3,313,134</b>           | <b>4,487,828</b>                | <b>7,800,962</b>     |
| <b>Expenses</b>                        |                            |                                 |                      |                            |                                 |                      |
| General government                     | 1,140,448                  |                                 | 1,140,448            | 1,571,632                  |                                 | 1,571,632            |
| Public safety                          | 1,225,224                  |                                 | 1,225,224            | 1,105,886                  |                                 | 1,105,886            |
| Streets and highways                   | 719,551                    |                                 | 719,551              | 707,396                    |                                 | 707,396              |
| Community and economic<br>development  | 8,674                      |                                 | 8,674                | 107,915                    |                                 | 107,915              |
| Culture and recreation                 | 49,460                     |                                 | 49,460               | 28,675                     |                                 | 28,675               |
| Interest and fiscal charges            | 106,392                    |                                 | 106,392              | 192,760                    |                                 | 192,760              |
| Public utilities                       |                            | 3,205,750                       | 3,205,750            |                            | 2,856,451                       | 2,856,451            |
| Municipal liquor                       |                            | 886,161                         | 886,161              |                            | 895,416                         | 895,416              |
| Sewer                                  |                            | 529,258                         | 529,258              |                            | 461,607                         | 461,607              |
| Municipal golf course                  |                            | 86,696                          | 86,696               |                            | 177,440                         | 177,440              |
| <b>Total expenses</b>                  | <b>3,249,749</b>           | <b>4,707,865</b>                | <b>7,957,614</b>     | <b>3,714,264</b>           | <b>4,390,914</b>                | <b>8,105,178</b>     |
| <b>Change in net position</b>          | <b>32,370</b>              | <b>(327,671)</b>                | <b>(295,301)</b>     | <b>(401,130)</b>           | <b>96,914</b>                   | <b>(304,216)</b>     |
| <b>Net position, beginning of year</b> | <b>4,884,206</b>           | <b>13,026,826</b>               | <b>17,911,032</b>    | <b>5,285,336</b>           | <b>12,929,912</b>               | <b>18,215,248</b>    |
| <b>Net position, end of year</b>       | <b>\$ 4,916,576</b>        | <b>\$ 12,699,155</b>            | <b>\$ 17,615,731</b> | <b>\$ 4,884,206</b>        | <b>\$ 13,026,826</b>            | <b>\$ 17,911,032</b> |

# City of Proctor

## Management's Discussion and Analysis (Continued)

Year Ended December 31, 2017

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### Fund Financial Analysis

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

### Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is helpful in assessing the City's financing requirements; unrestricted fund balance may be an especially useful measure of the net resources available for spending at the end of the fiscal year. As of December 31, 2017, the City's governmental funds reported a combined fund balance of \$4,964,793, an increase of \$61,370 from the 2016 balance of \$4,903,423. Of the total fund balance amount, \$805,162 or 16.2 percent, which is reported as unassigned fund balance, is available for spending at the City's discretion.

The General Fund is the main operating fund of the City of Proctor. At December 31, 2017, fund balance of the General Fund was \$1,588,162 with 51 percent reported as unassigned. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Unassigned fund balance represents 28 percent of total General Fund expenditures. During 2017, the fund balance of the General Fund increased by \$12,441.

### Proprietary Funds

The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, only in more detail. The proprietary funds net position decreased \$327,671 in 2017, compared to an increase in net position of \$96,914 in 2016. Operating loss for 2017 was \$369,169, compared to operating income of \$92,470 from 2016.

### Capital Assets

The City of Proctor's investment in capital assets as of December 31, 2017, was \$13,129,070, net of accumulated depreciation. This investment includes land, buildings, infrastructure, distribution system, furniture, machinery, equipment and construction-in-progress. Additional information related to the City's capital assets can be found in Note 4 of the notes to the financial statements.

### Debt

The City had \$6,255,000 in bond obligations, a note outstanding in the amount of \$37,000, and capital leases in the amount of \$154,277 at the end of 2017.

The City continues to stay below the debt limits established by the State.

Other liabilities for obligations such as vacation, sick leave, and net pension liability are discussed further in Note 5 to the financial statements.

# City of Proctor

## Management's Discussion and Analysis (Continued)

Year Ended December 31, 2017

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### Economic Factors and Next Year's Budget

The City of Proctor's elected and appointed officials considered many factors when they set the 2018 budget, levies, rates and fees that will be charged for the business-type activities. Factors considered when adopting the General Fund budget were departmental requirements, as well as normal inflationary increase in expenditures and revenues. Current economic conditions, both on the local and state level, were also considered. In general, it has been the City Council's goal to increase the fund balance to reach, and then maintain, the State Auditor's recommended level. It is expected this goal will continue into the future.

### Requests for Information

This financial report is meant to provide a general overview of the City of Proctor's finances for all those with an interest in the City's finances. Questions concerning information provided in the report, or requests for additional financial information, should be addressed to the City of Proctor, 100 Plonk Drive, Proctor, Minnesota 55810-1700, Attention: City Administrator.

## Basic Financial Statements

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# City of Proctor

## Statement of Net Position

December 31, 2017

|   | Governmental<br>Activities | Business-type<br>Activities | Total                |
|---|----------------------------|-----------------------------|----------------------|
| <b>Assets</b>   |                            |                             |                      |
| Cash and cash equivalents   | \$ 2,703,157               | \$ 7,139,294                | \$ 9,842,451         |
| Cash and investments held in escrow   | 2,187,799                  |                             | 2,187,799            |
| Accounts receivable, net  | 23,238                     | 432,501                     | 455,739              |
| Delinquent taxes receivable   | 133,460                    |                             | 133,460              |
| Due from other governments  | 85,442                     |                             | 85,442               |
| Notes receivable  | 51,974                     |                             | 51,974               |
| Interest receivable   | 1,762                      |                             | 1,762                |
| Prepaid items   | 1,859                      | 5,013                       | 6,872                |
| Inventories   |                            | 84,728                      | 84,728               |
| Internal balances   | 182,046                    | (182,046)                   |                      |
| Special assessments   | 928,456                    | 22,830                      | 951,286              |
| Capital assets, net of depreciation   |                            |                             |                      |
| Assets not being depreciated  | 228,462                    | 305,729                     | 534,191              |
| Assets being depreciated, net   | 6,812,201                  | 5,782,678                   | 12,594,879           |
| <b>Total assets</b>   | <b>13,339,856</b>          | <b>13,590,727</b>           | <b>26,930,583</b>    |
| <b>Deferred outflows of resources</b>   | <b>161,335</b>             | <b>40,103</b>               | <b>201,438</b>       |
| <b>Total assets and deferred outflows of resources</b>                        | <b>\$ 13,501,191</b>       | <b>\$ 13,630,830</b>        | <b>\$ 27,132,021</b> |
| <b>Liabilities</b>  |                            |                             |                      |
| Accrued wages and related liabilities   | \$ 115,616                 | \$ 10,966                   | \$ 126,582           |
| Accounts payable  | 175,719                    | 480,285                     | 656,004              |
| Due to other governments  | 1,812                      | 117,287                     | 119,099              |
| Accrued interest  | 64,539                     |                             | 64,539               |
| Deposits payable  | 20,502                     | 71,711                      | 92,213               |
| Unearned revenue  |                            | 50                          | 50                   |
| Long-term liabilities   |                            |                             |                      |
| Due within one year   | 626,540                    |                             | 626,540              |
| Due in more than one year   | 7,234,495                  | 229,677                     | 7,464,172            |
| <b>Total liabilities</b>  | <b>8,239,223</b>           | <b>909,976</b>              | <b>9,149,199</b>     |
| <b>Deferred inflows of resources</b>  | <b>345,392</b>             | <b>21,699</b>               | <b>367,091</b>       |
| <b>Net position</b>   |                            |                             |                      |
| Net investment in capital assets  | 3,067,194                  | 6,088,407                   | 9,155,601            |
| Restricted  | 2,229,910                  |                             | 2,229,910            |
| Unrestricted (deficit)  | (380,528)                  | 6,610,748                   | 6,230,220            |
| <b>Total net position</b>   | <b>4,916,576</b>           | <b>12,699,155</b>           | <b>17,615,731</b>    |
| <b>Total liabilities, deferred inflows of resources,<br/>and net position</b> | <b>\$ 13,501,191</b>       | <b>\$ 13,630,830</b>        | <b>\$ 27,132,021</b> |

See accompanying notes to financial statements.

# City of Proctor

## Statement of Activities For the Year Ended December 31, 2017

| Functions/Programs                          | Program Revenues    |                         |  | Net (Expense) Revenue and<br>Changes in Net Position |                                 |                       |
|---|---------------------|-------------------------|--|--|---------------------------------|-----------------------|
|   | Expenses            | Charges for<br>Services | Operating<br>Grants and<br>Contributions | Governmental<br>Activities                           | Business-<br>type<br>Activities | Total                 |
| <b>Governmental activities</b>              |                     |                         |  |  |                                 |                       |
| General government                          | \$ 1,140,448        | \$ 34,709               | \$ 28,051                                | \$ (1,077,688)                                       | \$                              | \$ (1,077,688)        |
| Public safety                               | 1,225,224           | 71,856                  | 20,438                                   | (1,132,930)  |                                 | (1,132,930)           |
| Streets and highways                        | 719,551             |                         |  | (719,551)  |                                 | (719,551)             |
| Community and economic development          | 8,674               |                         |  | (8,674)  |                                 | (8,674)               |
| Culture and recreation                      | 49,460              | 25,702                  |  | (23,758)   |                                 | (23,758)              |
| Interest and fiscal charges                 | 106,392             |                         |  | (106,392)  |                                 | (106,392)             |
| <b>Total governmental activities</b>        | <b>\$ 3,249,749</b> | <b>\$ 132,267</b>       | <b>\$ 48,489</b>                         | <b>\$ (3,068,993)</b>                                |                                 | <b>\$ (3,068,993)</b> |
| <b>Business-type activities</b>             |                     |                         |  |  |                                 |                       |
| Public utilities                            | \$ 3,205,750        | \$ 2,899,307            |  | (306,443)  |                                 | (306,443)             |
| Municipal liquor                            | 886,161             | 875,858                 |  | (10,303)   |                                 | (10,303)              |
| Sewer                                       | 529,258             | 554,487                 |  | 25,229   |                                 | 25,229                |
| Municipal golf course                       | 86,696              | 3,699                   |  | (82,997)   |                                 | (82,997)              |
| <b>Total business-type activities</b>       | <b>\$ 4,707,865</b> | <b>\$ 4,333,351</b>     | <b>\$</b>                                | <b>\$ (374,514)</b>                                  |                                 | <b>\$ (374,514)</b>   |
| <b>General revenues</b>                     |                     |                         |  |  |                                 |                       |
| Property taxes                              |                     |                         |  | 1,529,437  |                                 | 1,529,437             |
| Sales tax                                   |                     |                         |  | 297,860  |                                 | 297,860               |
| State aids                                  |                     |                         |  | 1,110,883  | 372                             | 1,111,255             |
| Interest income                             |                     |                         |  | 25,133   | 52,301                          | 77,434                |
| Other                                       |                     |                         |  | 87,464   | 44,756                          | 132,220               |
| Transfers                                   |                     |                         |  | 50,586   | (50,586)                        |                       |
| <b>Total general revenues and transfers</b> |                     |                         |  | <b>3,101,363</b>                                     | <b>46,843</b>                   | <b>3,148,206</b>      |
| <b>Change in net position</b>               |                     |                         |  | <b>32,370</b>  | <b>(327,671)</b>                | <b>(295,301)</b>      |
| <b>Net position, beginning of the year</b>  |                     |                         |  | <b>4,884,206</b>                                     | <b>13,076,826</b>               | <b>17,911,032</b>     |
| <b>Net position, end of the year</b>        |                     | <b>\$</b>               | <b>\$</b>                                | <b>4,916,576</b>                                     | <b>12,699,155</b>               | <b>\$ 17,615,731</b>  |

See accompanying notes to financial statements.

# City of Proctor

## Balance Sheet – Governmental Funds

December 31, 2017

|   | General<br>Fund     | G.O. Improvement<br>Bonds<br>Series 2011A<br>Fund | G.O. Refunding<br>Bonds<br>Series 2016A<br>Fund | Nonmajor<br>Governmental<br>Funds | Total               |
|---|---------------------|---|---|-----------------------------------|---------------------|
| <b>Assets</b>   |                     |   |   |                                   |                     |
| Cash and cash equivalents   | \$ 1,415,793        | \$ 230,762  | \$ 1,281  | \$ 1,055,321                      | \$ 2,703,157        |
| Cash and investments held in escrow   |                     |   | 2,187,799                                       |                                   | 2,187,799           |
| Accounts receivable   | 16,809              |   |   | 6,429                             | 23,238              |
| Delinquent taxes receivable   | 114,956             | 5,145   |   | 13,359                            | 133,460             |
| Due from other governments  | 80,626              | 893   |   | 3,923                             | 85,442              |
| Notes receivable  | 20,000              |   |   | 31,974                            | 51,974              |
| Interest receivable   | 1,762               |   |   |                                   | 1,762               |
| Prepaid items   | 1,859               |   |   |                                   | 1,859               |
| Special assessments receivable  | 9,268               | 568,966   |   | 350,222                           | 928,456             |
| Due from other funds  | 298,604             |   |   |                                   | 298,604             |
| <b>Total assets</b>   | <b>\$ 1,959,677</b> | <b>\$ 805,766</b>                                 | <b>\$ 2,189,080</b>                             | <b>\$ 1,461,228</b>               | <b>\$ 6,415,751</b> |
| <b>Liabilities</b>  |                     |   |   |                                   |                     |
| Accrued wages and related liabilities   | \$ 115,616          | \$  | \$  | \$                                | \$ 115,616          |
| Accounts payable  | 175,164             |   |   | 555                               | 175,719             |
| Due to other funds  | 9,336               |   |   | 13,601                            | 22,937              |
| Due to other governments  | 1,812               |   |   |                                   | 1,812               |
| Advances from other funds   |                     |   |   | 93,621                            | 93,621              |
| Deposits payable  | 18,502              |   |   | 2,000                             | 20,502              |
| <b>Total liabilities</b>  | <b>320,430</b>      |   |   | <b>109,777</b>                    | <b>430,207</b>      |
| <b>Deferred inflows of resources</b>  |                     |   |   |                                   |                     |
| Unavailable revenue   |                     |   |   | 31,974                            | 31,974              |
| Delinquent property taxes   | 41,817              | 5,145   |   | 13,359                            | 60,321              |
| Delinquent special assessments  | 9,268               | 568,966   |   | 350,222                           | 928,456             |
| <b>Total deferred inflows of resources</b>                                    | <b>51,085</b>       | <b>574,111</b>                                    |   | <b>395,555</b>                    | <b>1,020,751</b>    |
| <b>Fund balances</b>  |                     |   |   |                                   |                     |
| Nonspendable  | 1,859               |   |   |                                   | 1,859               |
| Restricted  | 383,614             | 231,655   | 2,189,080                                       | 955,896                           | 3,760,245           |
| Committed   | 263,194             |   |   |                                   | 263,194             |
| Assigned  | 134,333             |   |   |                                   | 134,333             |
| Unassigned  | 805,162             |   |   |                                   | 805,162             |
| <b>Total fund balances</b>  | <b>1,588,162</b>    | <b>231,655</b>                                    | <b>2,189,080</b>                                | <b>955,896</b>                    | <b>4,964,793</b>    |
| <b>Total liabilities, deferred inflows of<br/>resources and fund balances</b> | <b>\$ 1,959,677</b> | <b>\$ 805,766</b>                                 | <b>\$ 2,189,080</b>                             | <b>\$ 1,461,228</b>               | <b>\$ 6,415,751</b> |

See accompanying notes to financial statements.

# City of Proctor

## Reconciliation of the Balance Sheet to the Statement of Net Position – Governmental Funds

For the Year Ended December 31, 2017

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|  |              |
|--|--------------|
| Total fund balances - governmental funds   | \$ 4,964,793 |
| Amounts reported for governmental activities in the statement of activities<br>are different because:  |              |
| Capital assets used in governmental activities are not financial resources and therefore, are<br>not reported as assets in governmental funds.   |              |
| Cost of capital assets   | 12,222,655   |
| Less accumulated depreciation  | (5,181,992)  |
| Long-term assets are not available to pay for current period expenditures and therefore,<br>are deferred in the funds.   | 1,020,751    |
| Long-term liabilities, including bonds and notes payable, and capital lease payable, are not due<br>and payable in the current period and therefore are not reported as liabilities in the funds. Also,<br>governmental funds report the effect of premiums, discounts, and similar items when debt is first<br>issued, whereas these amounts are deferred and amortized in the statement of net position. |              |
| General obligation bonds and notes   | (6,292,000)  |
| Capital leases   | (154,277)    |
| Unamortized bond premiums  | (22,702)     |
| Governmental funds do not report a liability for accrued interest until due and payable.   | (64,539)     |
| Compensated absence liabilities not payable with current and available resources are not<br>reported as fund liabilities in governmental fund statements. All liabilities, both current and<br>long-term, are reported in the statement of net position.   | (90,318)     |
| The net pension liability and the deferred outflows of resources and inflow of resources<br>related to pensions are only reported in the statement of net position.  |              |
| Net pension liability  | (1,301,738)  |
| Deferred outflows of resources   | 161,335      |
| Deferred inflows of resources  | (345,392)    |
| Total net position - governmental activities   | \$ 4,916,576 |

See accompanying notes to financial statements.

# City of Proctor

## Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds

For the Year Ended December 31, 2017

|  | General<br>Fund     | G.O. Improvement<br>Bonds<br>Series 2011A<br>Fund | G.O. Refunding<br>Bonds<br>Series 2016A<br>Fund | Nonmajor<br>Governmental<br>Funds | Total               |
|--|---------------------|---|---|-----------------------------------|---------------------|
| <b>Revenues</b>  |                     |   |   |                                   |                     |
| Taxes  | \$ 1,443,367        | \$ 109,232  | \$  | \$ 283,390                        | \$ 1,835,989        |
| Special assessments  |                     | 79,504  |   | 105,555                           | 185,059             |
| Licenses and permits   | 19,804              |   |   |                                   | 19,804              |
| Intergovernmental  | 1,158,639           |   |   |                                   | 1,158,639           |
| Charges for services   | 126,042             |   |   | 24,702                            | 150,744             |
| Fines and forfeitures  | 14,210              |   |   |                                   | 14,210              |
| Interest income  | 6,636               | 492   | 13,827  | 4,178                             | 25,133              |
| Miscellaneous  | 24,944              |   |   | 14,407                            | 39,351              |
| <b>Total revenues</b>  | <b>2,793,642</b>    | <b>189,228</b>                                    | <b>13,827</b>                                   | <b>432,232</b>                    | <b>3,428,929</b>    |
| <b>Expenditures</b>  |                     |   |   |                                   |                     |
| Current  |                     |   |   |                                   |                     |
| General government   | 884,602             |   |   |                                   | 884,602             |
| Public safety  | 1,142,260           |   |   |                                   | 1,142,260           |
| Streets and highways   | 432,052             |   |   |                                   | 432,052             |
| Community and economic development                           |                     |   |   | 8,674                             | 8,674               |
| Culture and recreation                                       | 42,296              |   |   | 2,077                             | 44,373              |
| Capital outlay   | 371,251             |   |   | 10,146                            | 381,397             |
| Debt service   |                     |   |   |                                   |                     |
| Principal  |                     | 155,000   |   | 407,000                           | 562,000             |
| Interest and fiscal charges                                  |                     | 78,113  | 38,206  | 38,285                            | 154,604             |
| <b>Total expenditures</b>                                    | <b>2,872,461</b>    | <b>233,113</b>                                    | <b>38,206</b>                                   | <b>466,182</b>                    | <b>3,609,962</b>    |
| <b>Excess (deficiency) of revenues<br/>over expenditures</b> | <b>(78,819)</b>     | <b>(43,885)</b>                                   | <b>(24,379)</b>                                 | <b>(33,950)</b>                   | <b>(181,033)</b>    |
| <b>Other financing sources (uses)</b>                        |                     |   |   |                                   |                     |
| Capital lease issued   | 191,817             |   |   |                                   | 191,817             |
| Transfers in   | 81,186              | 60,000  |   | 241,835                           | 383,021             |
| Transfers out  | (181,743)           |   |   | (150,692)                         | (332,435)           |
| <b>Net other financing sources (uses)</b>                    | <b>91,260</b>       | <b>60,000</b>                                     |   | <b>91,143</b>                     | <b>242,403</b>      |
| <b>Net change in fund balances</b>                           | <b>12,441</b>       | <b>16,115</b>                                     | <b>(24,379)</b>                                 | <b>57,193</b>                     | <b>61,370</b>       |
| <b>Fund balances, beginning</b>                              | <b>1,575,721</b>    | <b>215,540</b>                                    | <b>2,213,459</b>                                | <b>898,703</b>                    | <b>4,903,423</b>    |
| <b>Fund balances, ending</b>                                 | <b>\$ 1,588,162</b> | <b>\$ 231,655</b>                                 | <b>\$ 2,189,080</b>                             | <b>\$ 955,896</b>                 | <b>\$ 4,964,793</b> |

See accompanying notes to financial statements.

# City of Proctor

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities - Governmental Funds

For the Year Ended December 31, 2017

|  |             |
|--|-------------|
| Total net change in fund balances - governmental funds   | \$ 61,370   |
| Amounts reported for governmental activities in the statement of activities are different because:   |             |
| Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the costs of those assets is allocated over the estimated useful lives as depreciated expense.   |             |
| Capital outlays  | 267,907     |
| Depreciation expense   | (372,328)   |
| The issuance of long-term debt provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences. |             |
|  | (185,145)   |
| Repayment of bond principal and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.   |             |
| General obligation bonds and notes   | 562,000     |
| Capital leases   | 46,968      |
| Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due. However, in the statement of activities, interest expense is recognized as it accrued, regardless of when due.  |             |
|  | (5,428)     |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.   |             |
|  | (197,396)   |
| Vested employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of the benefits earned during the year.   |             |
| Change in deferred outflows of resources related to pensions   | (1,885,868) |
| Change in deferred inflows of resources related to pensions  | (23,540)    |
| Change in pension liability  | 1,770,760   |
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.   |             |
|  | (6,930)     |
| Change in net position - governmental activities   | \$ 32,370   |

See accompanying notes to financial statements.

# City of Proctor

## Statement of Net Position – Proprietary Funds December 31, 2017

|  | Public<br>Utilities<br>Fund | Municipal<br>Liquor<br>Fund | Sewer<br>Fund       | Municipal<br>Golf Course<br>Fund | Total                |
|--|-----------------------------|-----------------------------|---------------------|----------------------------------|----------------------|
| <b>Assets</b>  |                             |                             |                     |                                  |                      |
| <b>Current assets</b>                                  |                             |                             |                     |                                  |                      |
| Cash and cash equivalents                              | \$ 4,912,522                | \$ 241,764                  | \$ 1,970,349        | \$ 14,659                        | \$ 7,139,294         |
| Accounts receivable, net                               | 386,331                     | 2,837                       | 43,333              |                                  | 432,501              |
| Prepays  |                             | 5,013                       |                     |                                  | 5,013                |
| Special assessments receivable                         | 9,767                       |                             | 13,063              |                                  | 22,830               |
| Due from other funds                                   | 9,836                       | 119                         |                     |                                  | 9,955                |
| Inventories  | 452                         | 84,276                      |                     |                                  | 84,728               |
| Advances to other funds, current portion               | 16,053                      |                             |                     |                                  | 16,053               |
| <b>Total current assets</b>                            | <b>5,334,961</b>            | <b>334,009</b>              | <b>2,026,745</b>    | <b>14,659</b>                    | <b>7,710,374</b>     |
| <b>Noncurrent assets</b>                               |                             |                             |                     |                                  |                      |
| Advances to other funds, net of current portion        | 244,331                     |                             |                     |                                  | 244,331              |
| <b>Capital assets, net of depreciation</b>             |                             |                             |                     |                                  |                      |
| Assets not being depreciated                           | 1,809                       | 63,210                      |                     | 240,710                          | 305,729              |
| Assets being depreciated, net                          | 2,803,246                   | 259,370                     | 2,452,035           | 268,027                          | 5,782,678            |
| <b>Total noncurrent assets</b>                         | <b>3,049,386</b>            | <b>322,580</b>              | <b>2,452,035</b>    | <b>508,737</b>                   | <b>6,332,738</b>     |
| <b>Total assets</b>                                    | <b>8,384,347</b>            | <b>656,589</b>              | <b>4,478,780</b>    | <b>523,396</b>                   | <b>14,043,112</b>    |
| <b>Deferred outflows of resources</b>                  | <b>20,964</b>               | <b>19,139</b>               |                     |                                  | <b>40,103</b>        |
| <b>Total assets and deferred outflows of resources</b> | <b>\$ 8,405,311</b>         | <b>\$ 675,728</b>           | <b>\$ 4,478,780</b> | <b>\$ 523,396</b>                | <b>\$ 14,083,215</b> |

# City of Proctor

## Statement of Net Position – Proprietary Funds (Continued)

December 31, 2017

|  | Public<br>Utilities<br>Fund | Municipal<br>Liquor<br>Fund | Sewer<br>Fund       | Municipal<br>Golf Course<br>Fund | Total                |
|--|-----------------------------|-----------------------------|---------------------|----------------------------------|----------------------|
| <b>Liabilities</b>   |                             |                             |                     |                                  |                      |
| <b>Current liabilities</b>   |                             |                             |                     |                                  |                      |
| Accrued wages and related liabilities                                    | \$ 5,944                    | \$ 4,837                    | \$ 185              | \$                               | \$ 10,966            |
| Accounts payable   | 438,508                     | 38,541                      | 3,116               | 120                              | 480,285              |
| Due to other governments   | 47,997                      | 8,614                       | 60,676              |                                  | 117,287              |
| Due to other funds   | 41,451                      | 12,890                      | 619                 | 230,662                          | 285,622              |
| Deposits payable   | 51,711                      | 20,000                      |                     |                                  | 71,711               |
| Unearned revenue   |                             | 50                          |                     |                                  | 50                   |
| Advances from other funds, current portion                               |                             | 11,750                      |                     |                                  | 11,750               |
| <b>Total current liabilities</b>   | <b>585,611</b>              | <b>96,682</b>               | <b>64,596</b>       | <b>230,782</b>                   | <b>977,671</b>       |
| <b>Noncurrent liabilities</b>  |                             |                             |                     |                                  |                      |
| Advances from other funds, net of current portion                        |                             | 155,013                     |                     |                                  | 155,013              |
| Net pension liability  | 108,527                     | 108,208                     |                     |                                  | 216,735              |
| Compensated absences   | 6,496                       | 6,446                       |                     |                                  | 12,942               |
| <b>Total liabilities</b>   | <b>700,634</b>              | <b>366,349</b>              | <b>64,596</b>       | <b>230,782</b>                   | <b>1,362,361</b>     |
| <b>Deferred inflows of resources</b>                                     | <b>5,925</b>                | <b>15,774</b>               |                     |                                  | <b>21,699</b>        |
| <b>Net position</b>  |                             |                             |                     |                                  |                      |
| Net investment in capital assets   | 2,805,055                   | 322,580                     | 2,452,035           | 508,737                          | 6,088,407            |
| Unrestricted (deficit)   | 4,893,697                   | (28,975)                    | 1,962,149           | (216,123)                        | 6,610,748            |
| <b>Total net position</b>  | <b>7,698,752</b>            | <b>293,605</b>              | <b>4,414,184</b>    | <b>292,614</b>                   | <b>12,699,155</b>    |
| <b>Total liabilities, deferred inflows of resources and net position</b> | <b>\$ 8,405,311</b>         | <b>\$ 675,728</b>           | <b>\$ 4,478,780</b> | <b>\$ 523,396</b>                | <b>\$ 14,083,215</b> |

See accompanying notes to financial statements.



# City of Proctor

## Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds For the Year Ended December 31, 2017

|   | Public<br>Utilities<br>Fund | Municipal<br>Liquor<br>Fund | Sewer<br>Fund | Municipal<br>Golf Course<br>Fund | Total         |
|---|-----------------------------|-----------------------------|---------------|----------------------------------|---------------|
| <b>Operating revenues</b>               |                             |                             |               |                                  |               |
| Sales and costs of sales                |                             |                             |               |                                  |               |
| Sales                                   | \$ 2,849,048                | \$ 875,858                  | \$            | \$                               | \$ 3,724,906  |
| Cost of sales                           | (2,217,958)                 | (643,823)                   |               |                                  | (2,861,781)   |
| Gross profit                            | 631,090                     | 232,035                     |               |                                  | 863,125       |
| <b>Other operating revenues</b>         |                             |                             |               |                                  |               |
| Charges for services                    |                             |                             | 553,287       | 3,699                            | 556,986       |
| Late fees                               | 50,259                      |                             | 1,200         |                                  | 51,459        |
| Total operating revenues                | 681,349                     | 232,035                     | 554,487       | 3,699                            | 1,471,570     |
| <b>Operating expenses</b>               |                             |                             |               |                                  |               |
| Salaries and benefits                   | 216,740                     | 157,865                     | 18,757        |                                  | 393,362       |
| Supplies and maintenance                | 19,279                      | 8,090                       | 17,577        | 32,438                           | 77,384        |
| Utilities and telephone                 |                             | 8,718                       | 1,788         | 10,282                           | 20,788        |
| Professional services                   | 523,615                     | 4,019                       | 391,309       | 874                              | 919,817       |
| Insurance                               | 4,896                       | 14,349                      | 2,437         | 2,466                            | 24,148        |
| Depreciation                            | 164,254                     | 14,539                      | 96,967        | 27,065                           | 302,825       |
| Other services and charges              | 59,008                      | 29,413                      | 423           | 13,571                           | 102,415       |
| Total operating expenses                | 987,792                     | 236,993                     | 529,258       | 86,696                           | 1,840,739     |
| Operating income (loss)                 | (306,443)                   | (4,958)                     | 25,229        | (82,997)                         | (369,169)     |
| <b>Nonoperating revenues (expenses)</b> |                             |                             |               |                                  |               |
| Intergovernmental                       | 372                         |                             |               |                                  | 372           |
| Investment income                       | 38,935                      | 123                         | 13,243        |                                  | 52,301        |
| Interest expense                        |                             | (5,345)                     |               |                                  | (5,345)       |
| Other nonoperating revenues             | 460                         |                             | 1,205         | 43,091                           | 44,756        |
| Total nonoperating revenues             | 39,767                      | (5,222)                     | 14,448        | 43,091                           | 92,084        |
| Income (loss) before transfers          | (266,676)                   | (10,180)                    | 39,677        | (39,906)                         | (277,085)     |
| <b>Transfers</b>                        |                             |                             |               |                                  |               |
| Transfers in                            |                             |                             |               | 35,000                           | 35,000        |
| Transfers out                           |                             | (5,286)                     | (80,300)      |                                  | (85,586)      |
| Net transfers                           |                             | (5,286)                     | (80,300)      | 35,000                           | (50,586)      |
| Change in net position                  | (266,676)                   | (15,466)                    | (40,623)      | (4,906)                          | (327,671)     |
| Net position, January 1                 | 7,965,428                   | 309,071                     | 4,454,807     | 297,520                          | 13,026,826    |
| Net position, December 31               | \$ 7,698,752                | \$ 293,605                  | \$ 4,414,184  | \$ 292,614                       | \$ 12,699,155 |

See accompanying notes to financial statements.

# City of Proctor

## Statement of Cash Flows – Proprietary Funds

For the Year Ended December 31, 2017

|   | Public<br>Utilities<br>Fund | Municipal<br>Liquor<br>Fund | Sewer<br>Fund       | Municipal<br>Golf Course<br>Fund | Total               |
|---|-----------------------------|-----------------------------|---------------------|----------------------------------|---------------------|
| <b>Cash flows from operating activities</b>                               |                             |                             |                     |                                  |                     |
| Receipts from customers   | \$ 2,917,278                | \$ 879,230                  | \$ 603,289          | \$ 3,699                         | \$ 4,403,496        |
| Payments to employees   | (204,970)                   | (146,097)                   | (18,756)            |                                  | (369,823)           |
| Payment to suppliers  | (2,736,742)                 | (718,184)                   | (420,710)           | (62,088)                         | (3,937,724)         |
| <b>Net cash provided by (used in)<br/>operating activities</b>            | <b>(24,434)</b>             | <b>14,949</b>               | <b>163,823</b>      | <b>(58,389)</b>                  | <b>95,949</b>       |
| <b>Cash flows from noncapital financing activities</b>                    |                             |                             |                     |                                  |                     |
| Repayment of advances from other funds                                    |                             | (28,161)                    |                     |                                  | (28,161)            |
| Repayment of advances to other funds                                      | 39,449                      |                             |                     |                                  | 39,449              |
| Transfers in (out)  |                             | (5,286)                     | (80,300)            | 35,000                           | (50,586)            |
| Intergovernmental and other revenues                                      | 832                         |                             | 1,205               | 43,091                           | 45,128              |
| <b>Net cash provided by (used in)<br/>noncapital financing activities</b> | <b>40,281</b>               | <b>(33,447)</b>             | <b>(79,095)</b>     | <b>78,091</b>                    | <b>5,830</b>        |
| <b>Cash flows from capital and related<br/>financing activities</b>       |                             |                             |                     |                                  |                     |
| Purchase of capital assets  | (100,674)                   |                             |                     | (6,500)                          | (107,174)           |
| Interest expense  |                             | (5,345)                     |                     |                                  | (5,345)             |
| <b>Net cash used in capital and related<br/>financing activities</b>      | <b>(100,674)</b>            | <b>(5,345)</b>              |                     | <b>(6,500)</b>                   | <b>(112,519)</b>    |
| <b>Cash flows from investing activities</b>                               |                             |                             |                     |                                  |                     |
| Investment income   | 38,935                      | 123                         | 13,243              |                                  | 52,301              |
| <b>Net Increase (decrease) in cash and cash equivalents</b>               | <b>(45,892)</b>             | <b>(23,720)</b>             | <b>97,971</b>       | <b>13,202</b>                    | <b>41,561</b>       |
| <b>Cash and cash equivalents, January 1</b>                               | <b>4,958,414</b>            | <b>265,484</b>              | <b>1,872,378</b>    | <b>1,457</b>                     | <b>7,097,733</b>    |
| <b>Cash and cash equivalents, December 31</b>                             | <b>\$ 4,912,522</b>         | <b>\$ 241,764</b>           | <b>\$ 1,970,349</b> | <b>\$ 14,659</b>                 | <b>\$ 7,139,294</b> |

# City of Proctor

## Statement of Cash Flows – Proprietary Funds (Continued)

For the Year Ended December 31, 2017

|   | Public<br>Utilities<br>Fund | Municipal<br>Liquor<br>Fund | Sewer<br>Fund | Municipal<br>Golf Course<br>Fund | Total        |
|---|-----------------------------|-----------------------------|---------------|----------------------------------|--------------|
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities        |                             |                             |               |                                  |              |
| Operating income (loss)   | \$ (306,443)                | \$ (4,958)                  | \$ 25,229     | \$ (82,997)                      | \$ (369,169) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities |                             |                             |               |                                  |              |
| Depreciation  | 164,254                     | 14,539                      | 96,967        | 27,065                           | 302,825      |
| Change in pension related items   | 7,491                       | 9,771                       |               |                                  | 17,262       |
| Changes in assets and liabilities   |                             |                             |               |                                  |              |
| Accounts receivable   | 15,638                      | 3,338                       | 45,354        |                                  | 64,330       |
| Special assessments receivable  | 2,333                       |                             | 3,448         |                                  | 5,781        |
| Prepays   |                             | (4,609)                     |               |                                  | (4,609)      |
| Inventories   |                             | (7,449)                     |               |                                  | (7,449)      |
| Due from other governments  |                             |                             | 493           |                                  | 493          |
| Due from other funds  | (5,193)                     | (119)                       |               |                                  | (5,312)      |
| Accrued wages and related liabilities   | 2,726                       | 218                         | 2             |                                  | 2,946        |
| Accounts payable  | 117,770                     | 16,246                      | 2,992         | (2,457)                          | 134,551      |
| Due to other governments  | (14,565)                    | 920                         | (9,843)       |                                  | (23,488)     |
| Deposits payable  | (4,558)                     |                             |               |                                  | (4,558)      |
| Unearned revenue  |                             | 34                          |               |                                  | 34           |
| Compensated absences  | 1,552                       | 1,779                       |               |                                  | 3,331        |
| Due to other funds  | (5,439)                     | (14,761)                    | (819)         |                                  | (21,019)     |
| Net cash provided by (used in) operating activities   | \$ (24,434)                 | \$ 14,949                   | \$ 163,823    | \$ (58,389)                      | \$ 95,949    |

See accompanying notes to financial statements.

# City of Proctor

## Statement of Fiduciary Net Position – Fiduciary Fund December 31, 2017

|                                | B.D.R.H.C<br>Trust Fund |
|--------------------------------|-------------------------|
| <b>Assets</b>                  |                         |
| Cash and cash equivalents      | \$ 13,264               |
| <b>Net Position</b>            |                         |
| Held in trust for participants | \$ 13,264               |

See accompanying notes to financial statements.

# City of Proctor

## Statement of Changes in Fiduciary Net Position – Fiduciary Fund For the Year Ended December 31, 2017

|                           | B.D.R.H.C.<br>Trust Fund |
|---------------------------|--------------------------|
| <b>Additions</b>          |                          |
| Interest income           | \$ 89                    |
| <b>Deductions</b>         |                          |
| Change in net position    | 89                       |
| Net position, January 1   | 13,175                   |
| Net position, December 31 | \$ 13,264                |

See accompanying notes to financial statements.

# City of Proctor

## Notes to Financial Statements

Year Ended December 31, 2017

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### Note 1      Summary of Significant Accounting Policies

#### Introduction

The City of Proctor, Minnesota, was incorporated under the laws of the State of Minnesota and operates under an elected Mayor-Council form of government. The City is governed by an elected mayor and four-member council. The City provides services including public safety, public works, culture and recreation, economic development, general administrative services, utilities, liquor, sewer, and golf.

#### Financial Reporting Entity

Accounting principles generally accepted in the United States require that the reporting entity include (1) the City, (2) organizations for which the City is financially accountable and (3) other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The financial statements present the City and its component units. The City includes all funds, organizations, institutions, agencies, departments and commissions and other component units for which the City is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would render the financial statements to be misleading or incomplete.

As a result of applying the component unit definition criteria above, certain organizations have been defined in accordance with GASB standards and are presented in this report as blended component units (reported as if they were part of the City). The blended component units are as follows:

1. The Proctor Economic Development Authority (EDA) is a legal entity separate from the City. Although legally separate, the Proctor EDA is reported as if it were part of the primary government because it provides services exclusively for the City of Proctor. Separate financial statements are not prepared for the Proctor EDA.
2. The Public Utilities Commission of the City of Proctor is owned by the City. Its commissioners are appointed by the City Council. The Public Utilities Commission of the City of Proctor is a component unit of the City, reported as the Public Utilities Fund, an Enterprise Fund. The complete financial statements of the Public Utilities Commission are available at the Proctor City Hall.

# City of Proctor

## Notes to Financial Statements (Continued)

Year Ended December 31, 2017

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### Note 1      Summary of Significant Accounting Policies (Continued)

#### **Basis of Presentation**

The accompanying financial statements have been prepared in accordance with the reporting model defined by GASB 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The financial statements are prepared from accounts of the City that are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. The funds of the City are classified into government and business-type activities, which are further divided into separate fund types. The fund categories and a description of each existing fund type follows:

#### **Governmental Funds**

**General Fund** - The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

**Special Revenue Funds** - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditures for specified purposes.

**Debt Service Funds** - Debt Service Funds are used to account for accumulated resources for, and payment of, general long-term debt principal, interest and related costs.

**Capital Projects Funds** - Accounts for financial resources to be used for acquisition of construction of major capital facilities other than those financed by proprietary funds.

#### **Proprietary Funds**

**Enterprise Funds** - Enterprise Funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges and the measurement of financial activity focuses on net income measurement similar to the private sector.

#### **Fiduciary Funds**

**Trust Fund** - A trust fund is used to account for the assets that the City holds in a custodial capacity. The City reports the following trust fund:

- Proctor Business Development, Recreation and Health Public Charitable (BDRHC) Expendable Trust Fund - accounts for amounts held by the City in a custodial capacity.

# City of Proctor

## Notes to Financial Statements (Continued)

Year Ended December 31, 2017

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### Note 1      Summary of Significant Accounting Policies (Continued)

#### ***Government-wide Financial Statements:***

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenditures are those that are clearly identifiable with a specific function or segment. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 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.

Depreciation expense is recorded as an allocated expense in the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities. Generally, the effect of material interfund activity has been removed from the government-wide financial statements.

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

#### ***Fund Financial Statements:***

The emphasis of fund financial statements is on the major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as other funds (nonmajor).

The City reports the following major governmental funds:

***General Fund*** - The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.



# City of Proctor

## Notes to Financial Statements (Continued)

Year Ended December 31, 2017

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### Note 1      Summary of Significant Accounting Policies (Continued)

*Debt Service Fund - G.O. Improvement Bonds, Series 2011A Fund* - Accounts for the resources accumulated and payments made for principal and interest on this bond.

*Debt Service Fund - G.O. Refunding Bonds, Series 2016A Fund* - Accounts for the resources accumulated and payments made for principal and interest on this bond.

The City reports the following major proprietary funds:

*Public Utilities Fund* - operates the City's electric and water utilities.

*Municipal Liquor Fund* - operates the City's Liquor Store.

*Sewer Fund* - operates the City's sanitary sewer system.

*Municipal Golf Course Fund* - operates the City's golf course.

#### **Measurement Focus and Basis of Accounting**

Measurement focus is a term used to describe "which" transactions are recorded within the various financial statements. Basis of accounting refers to "when" transactions are recorded regardless of the measurement focus applied.

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 statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

# City of Proctor

## Notes to Financial Statements (Continued)

Year Ended December 31, 2017

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### Note 1      Summary of Significant Accounting Policies (Continued)

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. "Measurable" means the amount of the transaction can be determined and "available" means collectible with 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 after year-end. Property tax revenue is recognized when it becomes measurable and available to finance expenditures of the current period. State revenue is recognized in the year in which it applies according to Minnesota Statutes. Special assessment revenue is recognized in the year it is received. Other revenues are considered measurable and available only when cash is received. Expenditures generally are recorded when a liability is incurred. Debt service expenditures and other contingencies are recorded only when payment is due.

#### Assets, Liabilities and Equity

##### **Cash and Cash Equivalents**

The City's cash and cash equivalents includes cash on hand, demand deposits and investments with original maturities of three months or less from the date of purchase.

##### **Investments**

Investments in government securities are accounted for at fair value. Investments in external investment pools are valued at net asset value (NAV), as provided by the pool. Investments in money market accounts are valued at amortized cost.

##### **Receivables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at year-end are referred to as either "due to/from other funds" (current portion of interfund loans) or "advances to/from other funds" (the noncurrent portion of interfund loans).

Property tax levies are set by the Council in December of each year and are certified to St. Louis County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become a lien on January 1 and are recorded as receivables by the City on that date. Revenues are accrued and recognized in the year collectible, net of delinquencies. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30.

# City of Proctor

## Notes to Financial Statements (Continued)

Year Ended December 31, 2017

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### **Note 1            Summary of Significant Accounting Policies (Continued)**

The County provides tax settlements to cities and other taxing districts in January, June, and November or December. Taxes, which remain unpaid at December 31, are classified as delinquent taxes receivable and are fully offset by unearned revenue because they are not known to be available to finance current expenditures. No allowance has been established for delinquent taxes receivable, since unpaid amounts would be collectible upon the sale of the property.

Special assessments are certified to the County in November of each year for collection in the following year. Payments collected by the County are remitted to the City in January, June, and November or December. Special assessments receivable are fully offset by unearned revenue because they are not known to be available to finance current expenditures. No allowance has been established for special assessments receivable, since they are a lien on the property and would be collectible upon the sale of the property.

Public utility and liquor store receivables are shown net of an allowance for uncollectible accounts of \$46,091 and \$2,801, respectively.

#### **Inventories**

Inventories are valued at the lower of cost (first-in, first-out basis) or market.

#### **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 future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has reported deferred outflows related to pensions for its proportionate shares of collective deferred outflows of resources related to pensions and the City's contributions to pension plans subsequent to the measurement date of the collective net pension liability.

In addition to liabilities, the statement of financial position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has reported unavailable revenue from delinquent property taxes and notes receivable, which arise only under a modified accrual basis of accounting, in the governmental funds balance sheet. The City has also reported deferred inflows of resources for its proportionate share of the collective deferred inflows of resources related to pensions.

# City of Proctor

## Notes to Financial Statements (Continued)

Year Ended December 31, 2017

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### Note 1      Summary of Significant Accounting Policies (Continued)

#### Capital Assets

Capital assets, which include land, property, plant, equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$2,000 and a useful life of more than two years. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value on the date of donation. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Costs incurred for repairs and maintenance are expensed as incurred. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u>                      | <u>Years</u> |
|------------------------------------|--------------|
| Infrastructure                     | 20 - 50      |
| Buildings                          | 33           |
| Furniture, machinery and equipment | 5 - 10       |
| Distribution system                | 33           |

#### Compensated Absences

Vacation time is earned at various rates dependent upon length of service with the City as well as employment contract. Vacation accrual carryovers also vary depending upon the employment contract. The City also allows accruals of compensatory time for full-time employees who work more than 40 hours in a week. Employees can elect to accrue this time in lieu of pay at the rate of 1.5 hours work over 40. Maximum accruals on compensatory time vary based on individual contracts. Sick leave is earned and can accumulate at various rates dependent upon individual contracts. Accrued vacation and compensatory time are paid out upon termination or retirement. Sick leave is not paid upon termination or retirement.

#### Long-term Liabilities

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are amortized over the life of the bonds using the effective interest method.

In the fund financial statements, governmental funds recognize bond premiums and discounts during the current period. The face amount of the debt issued is reported as other financing sources while discounts and issuance costs as debt service expenditures.

# City of Proctor

## Notes to Financial Statements (Continued)

Year Ended December 31, 2017

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### Note 1      Summary of Significant Accounting Policies (Continued)

#### Pensions

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

#### Fund Balances

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are: nonspendable, restricted, committed, and assigned.

Nonspendable fund balance consists of amounts that cannot be spent because it is not in spendable form. Restricted fund balance consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints established by state statutory provisions. Committed fund balance consists of amounts that are constrained for specific purposes that are internally imposed by a formal action of the City Council. Assigned fund balance consists of amounts intended to be used for specific purposes but do not meet the criteria to be classified as restricted or committed. In accordance with the City's fund balance policy, the City's management is authorized to assign fund balance to a specific purpose. Unassigned fund balance consists of spendable amounts not contained in another classification and available to meet any current and future years' expenditures. The City applies restricted resources first when an expense is incurred for the purpose for which both restricted and unrestricted resources are available. If resources from more than one fund balance classification can be spent, the City will strive to spend resources in the following order: restricted, committed, assigned and unassigned.

The City strives to maintain an unassigned General Fund fund balance for cash flow purposes, in the range equal to 35 - 50 percent of General Fund operating expenditures. At December 31, 2017 the unassigned General Fund fund balance was \$805,162 or 27.9% of the current year General Fund operating expenditures

# City of Proctor

## Notes to Financial Statements (Continued)

Year Ended December 31, 2017

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### Note 1      Summary of Significant Accounting Policies (Continued)

#### **Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources in the government wide, proprietary and fiduciary financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to construct or acquire the capital assets. Restricted net position consists of net position with constraints placed on the use either by external restrictions imposed by creditors, grantors, laws or regulations of other governments. Unrestricted net position is other net position that does not meet the definition of restricted or net investment in capital assets. The City applies restricted resources first when an expense is incurred for the purpose for which both restricted and unrestricted net position is available.

#### **Use of Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States (GAAP) requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

#### **Subsequent Events**

In preparing these financial statements, the City has evaluated events and transactions for potential recognition or disclosure through May 18, 2018, the date the financial statements were available to be issued.

### Note 2      Deposits and Investments

#### **Deposits**

In accordance with Minnesota Statutes, the City maintains deposits at those financial institutions authorized by the City Council. All such depositories are members of the Federal Reserve System.

Minnesota Statute requires that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds. Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping by the City Treasurer or in a financial institution other than that furnishing the collateral.

# City of Proctor

## Notes to Financial Statements (Continued)

Year Ended December 31, 2017

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### Note 2 Deposits and Investments (Continued)

**Custodial Credit Risk - Deposits.** Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to it. The City requires collateral for deposits over Federal Deposit Insurance Company (FDIC) insurance amounts. At December 31, 2017, the City's deposits were not exposed to custodial credit risk.

#### Investments

Minnesota statute 118A.04 and 118A.05 generally authorize the types of investments available to the City as; securities which are direct obligation or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minnesota statute 118A.04 subd. 6; mutual funds through share of registered investment companies provided the mutual fund receives certain ratings depending on its investments; general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service; bankers' acceptances of United States banks; commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

The City is invested in the Minnesota Municipal Money Market Fund (4M Fund). The 4M Fund is an external investment pool not registered with the Securities and Exchange Commission (SEC). The City's investment in the 4M Fund is measured at the net asset value per share provided by the pool, which is based on amortized cost method that approximates fair value.

**Custodial Credit Risk -** The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At December 31, 2017, none of the City's investments were subject to custodial credit risk.

**Concentration of Credit Risk -** The concentration of credit risk is the risk of loss that may be caused by the City's investment in a single issuer. The City has no policy that would limit its investment in a single issuer.

**Interest Rate Risk -** Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The City does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

State law limits investments as discussed above. The City has no investment policy that would further limit its investment choices.

# City of Proctor

## Notes to Financial Statements (Continued)

Year Ended December 31, 2017

### Note 2 Deposits and Investments (Continued)

At December 31, 2017, the City had the following investments:

| Investment Type                     | Fair Value           | Maturities          |                     |
|-------------------------------------|----------------------|---------------------|---------------------|
|                                     |                      | Less Than<br>1 Year | 1-3<br>Years        |
| External investment pools (4M Fund) | \$ 8,954,435         | \$ 8,954,435        | \$                  |
| State and local gov't securities    | 2,187,799            | 28,483              | 2,159,316           |
| <b>Total investments</b>            | <b>\$ 11,142,234</b> | <b>\$ 8,982,918</b> | <b>\$ 2,159,316</b> |

Credit risk - Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the City's policy to invest only in securities that meet the ratings requirements set by state statute. The City's investments were unrated.

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 are significant unobservable inputs.

The City has the following investments valued at recurring fair value measurements at December 31, 2017:

| Investments by fair value level                          | Total                | Fair Value Measurements Using   |   |  |
|--|----------------------|---|---|--|
|  |                      | Quoted Prices In<br>Active Markets for<br>Identical Assets<br>(Level 1) | Significant Other<br>Observable Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
| Debt securities  |                      |   |   |  |
| State and local government securities                    | \$ 2,187,799         | \$  | \$ 2,187,799  | \$   |
| <b>Investments measured at the net asset value (NAV)</b> |                      |   |   |  |
| External investment pools (4M Fund)                      | 8,954,435            |   |   |  |
| <b>Total investments</b>                                 | <b>\$ 11,142,234</b> |   |   |  |



# City of Proctor

## Notes to Financial Statements (Continued)

Year Ended December 31, 2017

### Note 2 Deposits and Investments (Continued)

The following table sets forth additional disclosures about the City's investments whose value is estimated using the net asset value (NAV) as of December 31, 2017:

|  |                     | Unfunded<br>Commitments | Redemption<br>Frequency | Redemption<br>Notice<br>Period |
|--|---------------------|-------------------------|-------------------------|--------------------------------|
| <b>Investments valued at net asset value</b> |                     |                         |                         |                                |
| External investment pool - 4M Fund           | \$ 8,252,676        | \$ 0                    | None                    | 14 days                        |
| External investment pool - 4M Term Series    | 701,759             | 0                       | None                    | 7 days                         |
| <b>Total</b>                                 | <b>\$ 8,954,435</b> |                         |                         |                                |

The City's total deposits and investments are as follows:

|                                       |                      |
|---------------------------------------|----------------------|
| <b>Deposits</b>                       |                      |
| Cash on hand                          | \$ 1,500             |
| Deposit with financial institutions   | 899,780              |
| <b>Total deposits</b>                 | <b>901,280</b>       |
| <b>Investments</b>                    | <b>11,142,234</b>    |
| <b>Total deposits and investments</b> | <b>\$ 12,043,514</b> |

Presented in the financial statements as follows:

|  |                      |
|--|----------------------|
| <b>Statement of Net Position</b>           |                      |
| Cash and cash equivalents                  | \$ 9,842,451         |
| Cash and investments held in escrow        | 2,187,799            |
| <b>Statement of Fiduciary Net Position</b> |                      |
| Cash and cash equivalents                  | 13,264               |
| <b>Total cash and investments</b>          | <b>\$ 12,043,514</b> |

# City of Proctor

## Notes to Financial Statements (Continued) Year Ended December 31, 2017

### Note 3 Receivables

Significant receivable balances not expected to be collected within one year of December 31, 2017 are as follows:

|                     | Governmental<br>Activities | Business-type<br>Activities |
|---------------------|----------------------------|-----------------------------|
| Taxes receivable    | \$ 60,321                  | \$                          |
| Special assessments | 796,251                    | 19,143                      |
| Notes receivable    | 41,783                     |                             |
| <b>Total</b>        | <b>\$ 898,355</b>          | <b>\$ 19,143</b>            |

### Note 4 Capital Assets

Capital assets activity for the year ended December 31, 2017 was as follows:

|  | Balance<br>12/31/2016 | Additions           | Deletions        | Balance<br>12/31/2017 |
|--|-----------------------|---------------------|------------------|-----------------------|
| <b>Governmental activities</b>                     |                       |                     |                  |                       |
| Capital assets not being depreciated               |                       |                     |                  |                       |
| Land   | \$ 228,462            | \$                  | \$               | \$ 228,462            |
| Capital assets being depreciated                   |                       |                     |                  |                       |
| Buildings  | 3,476,737             |                     |                  | 3,476,737             |
| Infrastructure                                     | 6,054,910             | 7,058               |                  | 6,061,968             |
| Furniture and equipment                            | 2,310,721             | 260,849             | (116,082)        | 2,455,488             |
| <b>Total capital assets being depreciated</b>      | <b>11,842,368</b>     | <b>267,907</b>      | <b>(116,082)</b> | <b>11,994,193</b>     |
| <b>Less accumulated depreciation</b>               |                       |                     |                  |                       |
| Buildings  | 1,685,963             | 104,373             |                  | 1,790,336             |
| Infrastructure                                     | 1,456,910             | 121,461             |                  | 1,578,371             |
| Furniture and equipment                            | 1,782,873             | 146,494             | (116,082)        | 1,813,285             |
| <b>Total accumulated depreciation</b>              | <b>4,925,746</b>      | <b>372,328</b>      | <b>(116,082)</b> | <b>5,181,992</b>      |
| <b>Total capital assets being depreciated, net</b> | <b>6,916,622</b>      | <b>(104,421)</b>    |                  | <b>6,812,201</b>      |
| <b>Governmental activities capital assets, net</b> | <b>\$ 7,145,084</b>   | <b>\$ (104,421)</b> | <b>\$</b>        | <b>\$ 7,040,663</b>   |

# City of Proctor

## Notes to Financial Statements (Continued)

Year Ended December 31, 2017

### Note 4 Capital Assets (Continued)

|   | Balance<br>12/31/2016 | Additions           | Deletions      | Balance<br>12/31/2017 |
|---|-----------------------|---------------------|----------------|-----------------------|
| <b>Business-type activities</b>                     |                       |                     |                |                       |
| Capital assets not being depreciated                |                       |                     |                |                       |
| Land  | \$ 305,729            | \$                  | \$             | \$ 305,729            |
| <b>Capital assets being depreciated</b>             |                       |                     |                |                       |
| Buildings   | 761,989               |                     |                | 761,989               |
| Distribution system                                 | 5,457,820             |                     |                | 5,457,820             |
| Infrastructure                                      | 4,161,268             |                     |                | 4,161,268             |
| Furniture and equipment                             | 1,052,945             | 107,174             | (7,324)        | 1,152,795             |
| <b>Total capital assets being depreciated</b>       | <b>11,434,022</b>     | <b>107,174</b>      | <b>(7,324)</b> | <b>11,533,872</b>     |
| <b>Less accumulated depreciation</b>                |                       |                     |                |                       |
| Buildings   | 287,473               | 24,236              |                | 311,709               |
| Distribution system                                 | 2,942,713             | 131,867             |                | 3,074,580             |
| Infrastructure                                      | 1,709,623             | 85,157              |                | 1,794,780             |
| Furniture and equipment                             | 515,884               | 61,565              | (7,324)        | 570,125               |
| <b>Total accumulated depreciation</b>               | <b>5,455,693</b>      | <b>302,825</b>      | <b>(7,324)</b> | <b>5,751,194</b>      |
| <b>Total capital assets being depreciated, net</b>  | <b>5,978,329</b>      | <b>(195,651)</b>    |                | <b>5,782,678</b>      |
| <b>Business-type activities capital assets, net</b> | <b>\$ 6,284,058</b>   | <b>\$ (195,651)</b> | <b>\$</b>      | <b>\$ 6,088,407</b>   |

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

|  |                   |
|--|-------------------|
| <b>Governmental activities</b>                             |                   |
| General government   | \$ 106,824        |
| Public safety  | 81,119            |
| Streets and highways                                       | 182,385           |
| Culture and recreation                                     | 2,000             |
| <b>Total governmental activities depreciation expense</b>  | <b>\$ 372,328</b> |
| <b>Business-type activities</b>                            |                   |
| Public utilities   | \$ 164,254        |
| Municipal liquor   | 14,539            |
| Sewer  | 96,967            |
| Golf course  | 27,065            |
| <b>Total business-type activities depreciation expense</b> | <b>\$ 302,825</b> |

# City of Proctor

## Notes to Financial Statements (Continued)

Year Ended December 31, 2017

### Note 5 Long Term Obligations

The City had the following long-term obligations at December 31, 2017:

#### Special Assessment Debt:

|  |                     |
|--|---------------------|
| General Obligation Bonds, Series 2009A were issued at a par value of \$850,000, carry a net interest rate of 1.0 to 3.55 percent, and mature in 2019.                        | \$ 60,000           |
| General Obligation Bonds, Series 2011A were issued at a par value of \$3,005,000, carry a net interest rate of 1.0 to 3.90 percent, and mature in 2034.                      | 2,460,000           |
| General Obligation Bonds, Series 2012A were issued at a par value of \$2,225,000, carry a net interest rate of 2.0 percent, and mature in 2021.                              | 1,080,000           |
| General Obligation Improvement Refunding Bonds, Series 2015A were issued at a par value of \$480,000, carry a net interest rate of 1.25 to 2.50 percent, and mature in 2024. | 425,000             |
| General Obligation Refunding Bonds, Series 2016A were issued at a par value of \$2,230,000, carry a net interest rate of 2.0 to 2.35 percent, and mature in 2034.            | 2,230,000           |
| <b>Total special assessment debt</b>   | <b>\$ 6,255,000</b> |

#### Minnesota Public Facilities Authority Note

|  |           |
|--|-----------|
| General Obligation Revenue Note, Series 2007, was issued at a par value of \$104,119, carries a net interest rate of 1.24 percent, and matures in 2022. The note was issued to finance the water treatment project on Fourth Street. | \$ 37,000 |
|--|-----------|

# City of Proctor

## Notes to Financial Statements (Continued)

Year Ended December 31, 2017

### Note 5 Long Term Obligations (Continued)

The following is a summary of changes in long-term obligations:

|   | Balance<br>12/31/2016 | Additions         | Reductions          | Balance<br>12/31/2017 | Amount<br>Due Within<br>One Year |
|---|-----------------------|-------------------|---------------------|-----------------------|----------------------------------|
| <b>Governmental activities</b>                        |                       |                   |                     |                       |                                  |
| Bonds, notes, and capital leases payable              |                       |                   |                     |                       |                                  |
| Special assessment debt                               | \$ 6,810,000          | \$                | \$ 555,000          | \$ 6,255,000          | \$ 570,000                       |
| Minnesota Public Facilities Authority Note            | 44,000                |                   | 7,000               | 37,000                | 7,000                            |
| Capital lease   | 9,428                 | 191,817           | 46,968              | 154,277               | 42,868                           |
| Less unamortized premium (discount)                   | 29,374                |                   | 6,672               | 22,702                | 6,672                            |
| <b>Total bonds, notes, and capital leases payable</b> | <b>6,892,802</b>      | <b>191,817</b>    | <b>615,640</b>      | <b>6,468,979</b>      | <b>626,540</b>                   |
| Net pension liability                                 | 3,072,498             |                   | 1,770,760           | 1,301,738             |                                  |
| Compensated absences                                  | 83,388                | 6,930             |                     | 90,318                |                                  |
| <b>Governmental activities long-term liabilities</b>  | <b>\$ 10,048,688</b>  | <b>\$ 198,747</b> | <b>\$ 2,386,400</b> | <b>\$ 7,861,035</b>   | <b>\$ 626,540</b>                |
| <b>Business-type activities</b>                       |                       |                   |                     |                       |                                  |
| Net pension liability                                 | \$ 296,768            | \$ 8,120          | \$ 88,153           | \$ 216,735            | \$                               |
| Compensated absences                                  | 9,611                 | 3,331             |                     | 12,942                |                                  |
| <b>Business-type activities long-term liabilities</b> | <b>\$ 306,379</b>     | <b>\$ 11,451</b>  | <b>\$ 88,153</b>    | <b>\$ 229,677</b>     | <b>\$</b>                        |

Interest expense in the governmental activities in 2017 was \$106,392.

In the governmental activities, bonds and notes payable are paid from debt service funds. The capital lease, net pension liability, and compensated absences are paid from the General Fund.

In the business-type activities, the compensated absences are paid from the Public Utilities, Municipal Liquor and Sewer Funds, and the net pension liability is paid from the Public Utilities and Municipal Liquor Funds.

On September 19, 2016, the City issued \$2,230,000 General Obligation Refunding Bonds, Series 2016A, to crossover refund the General Obligation Bonds, Series 2011A. The proceeds were placed in escrow and invested in State and Local Government Securities. The proceeds plus interest earned will be sufficient to pay the interest on the new issue along with the 2017 through 2034 payments of the General Obligation Bonds, Series 2011A callable on February 1, 2019. The refunding was undertaken to reduce total debt service payments in the amount of \$167,930 over the next eighteen years, and resulted in an economic gain of \$147,635

# City of Proctor

## Notes to Financial Statements (Continued)

Year Ended December 31, 2017

### Note 5 Long Term Obligations (Continued)

The annual requirements to amortize all outstanding obligations at December 31, 2017, are as follows:

|              | G.O. Special Assessment Bonds |                   |                     |
|--------------|-------------------------------|-------------------|---------------------|
|              | Principal                     | Interest          | Total               |
| 2018         | \$ 570,000                    | \$ 148,709        | \$ 718,709          |
| 2019         | 2,640,000                     | 102,890           | 2,742,890           |
| 2020         | 490,000                       | 57,988            | 547,988             |
| 2021         | 445,000                       | 48,698            | 493,698             |
| 2022         | 195,000                       | 42,238            | 237,238             |
| 2023-2027    | 825,000                       | 154,338           | 979,338             |
| 2028-2032    | 760,000                       | 78,001            | 838,001             |
| 2033-2034    | 330,000                       | 7,671             | 337,671             |
| <b>Total</b> | <b>\$ 6,255,000</b>           | <b>\$ 640,533</b> | <b>\$ 6,895,533</b> |

|              | Minnesota Public Facilities Authority Note |                 |                  |
|--------------|--|-----------------|------------------|
|              | Principal                                  | Interest        | Total            |
| 2018         | \$ 7,000                                   | \$ 459          | \$ 7,459         |
| 2019         | 7,000                                      | 372             | 7,372            |
| 2020         | 7,000                                      | 285             | 7,285            |
| 2021         | 8,000                                      | 198             | 8,198            |
| 2022         | 8,000                                      | 99              | 8,099            |
| <b>Total</b> | <b>\$ 37,000</b>                           | <b>\$ 1,413</b> | <b>\$ 38,413</b> |

There are a number of limitations and restrictions contained in various bond and debt agreements. The City is in compliance with all significant limitations and restrictions.

In 2016, the City entered into a lease purchase agreement for the purchase of a copy machine. The lease qualifies as a capital lease for accounting purposes, and therefore, has been recorded at the present value of future minimum payments. The lease is amortized on a straight-line basis over 5 years and carries an interest rate of 3%. The value of the copier is included in capital assets at a cost of \$10,225, less accumulated depreciation of \$2,045, for a book value of \$8,180 at December 31, 2017.

# City of Proctor

## Notes to Financial Statements (Continued)

Year Ended December 31, 2017

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### Note 5 Long Term Obligations (Continued)

On February 1, 2017, the City entered into a lease purchase agreement for the purchase of a phone system. The lease qualifies as a capital lease for accounting purposes, and therefore, has been recorded at the present value of future minimum payments. The lease is amortized on a straight-line basis over 3 years and carries an interest rate of 3%. The value of the phone system is included in capital assets at a cost of \$38,114, less accumulated depreciation of \$13,237, for a book value of \$24,877 at December 31, 2017.

On July 17, 2017, the City entered into a lease purchase agreement for the purchase of a Dump Truck. The lease qualifies as a capital lease for accounting purposes, and therefore, has been recorded at the present value of future minimum payments. The lease is amortized on a straight-line basis over 10 years and carries an interest rate of 2.69%. The value of the dump truck is included in capital assets at a cost of \$152,907, less accumulated depreciation of \$16,113, for a book value of \$136,794 at December 31, 2017.

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 2017, were as follows:

Year ending December 31,

|   |            |
|---|------------|
| 2018                                    | \$ 46,972  |
| 2019                                    | 46,971     |
| 2020                                    | 35,475     |
| 2021                                    | 34,538     |
| <hr/>                                   |            |
| Total minimum lease payments            | 163,956    |
| Less: amount representing interest      | (9,679)    |
| <hr/>                                   |            |
| Present value of minimum lease payments | \$ 154,277 |

# City of Proctor

## Notes to Financial Statements (Continued)

Year Ended December 31, 2017

### Note 6 Conduit Debt Obligations

The City has issued revenue bonds for the purpose of providing capital financing to various private enterprises. Even though the debt bears the City's name, the City is not responsible for the payment of the original debt. The debt is secured by the payments agreed to be paid by the private enterprise under the terms of the agreement between the City and the enterprise. The general description of the transactions and the outstanding balance at December 31, 2017 are as follows:

|                    | Outstanding<br>Balance<br>12/31/2017 |
|--------------------|--------------------------------------|
| <b>Enterprises</b> |                                      |
| Lakeshore, Inc.    | \$ 6,251,623                         |
| Golden Oaks        | 6,995,000                            |
| <b>Total</b>       | <b>\$ 13,246,623</b>                 |

### Note 7 Interfund Transactions

The composition of interfund balances as of December 31, 2017, is as follows:

| Receivable Fund       | Payable Fund                       | Total             |
|-----------------------|------------------------------------|-------------------|
| General Fund          | Public Utilities Fund              | \$ 41,451         |
|                       | Municipal Liquor Fund              | 12,890            |
|                       | Municipal Golf Course Fund         | 230,662           |
|                       | Other Governmental Funds           | 13,601            |
|                       | <b>Total General Fund</b>          | <b>298,604</b>    |
| Public Utilities Fund | General Fund                       | 9,217             |
|                       | Sewer Fund                         | 619               |
|                       | <b>Total Public Utilities Fund</b> | <b>9,836</b>      |
| Municipal Liquor Fund | General Fund                       | 119               |
| <b>Total</b>          |                                    | <b>\$ 308,559</b> |

Due to/from balances are either due to timing differences or to the elimination of negative cash balances within the various funds. All interfund balances are expected to be repaid within one year.



# City of Proctor

## Notes to Financial Statements (Continued)

Year Ended December 31, 2017

### Note 7 Interfund Transactions (Continued)

On July 24, 2015, the Public Utilities Fund advanced the Municipal Liquor Store Fund \$200,000. The advance bears interest at 3 percent, requires annual payments and matures on January 1, 2029.

On July 24, 2015, the Public Utilities Fund advanced the Economic Development Authority \$105,790. The advance bears interest at 3 percent, requires annual payments and matures on January 1, 2035.

| Receivable Fund       | Payable Fund                        | Total             |
|-----------------------|-------------------------------------|-------------------|
| Public Utilities Fund | Municipal Liquor Fund               | \$ 166,763        |
|                       | Economic Development Authority Fund | 93,621            |
| <b>Total</b>          |                                     | <b>\$ 260,384</b> |

Future payments are as follows:

|              | Principal         | Interest         | Total             |
|--------------|-------------------|------------------|-------------------|
| 2018         | \$ 16,053         | \$ 7,812         | \$ 23,865         |
| 2019         | 16,534            | 7,330            | 23,864            |
| 2020         | 17,030            | 6,834            | 23,864            |
| 2021         | 17,541            | 6,323            | 23,864            |
| 2022         | 18,067            | 5,797            | 23,864            |
| 2023-2027    | 98,799            | 20,521           | 119,320           |
| 2028-2032    | 62,753            | 6,308            | 69,061            |
| 2033-2035    | 13,607            | 615              | 14,222            |
| <b>Total</b> | <b>\$ 260,384</b> | <b>\$ 61,540</b> | <b>\$ 321,924</b> |

# City of Proctor

## Notes to Financial Statements (Continued)

Year Ended December 31, 2017

### Note 7 Interfund Transactions (Continued)

The following schedule briefly summarizes the City's transfer activity:

| Transfers In                | Transfers Out     |                             |                  |                  | Total             |
|-----------------------------|-------------------|-----------------------------|------------------|------------------|-------------------|
|                             | General Fund      | Nonmajor Governmental Funds | Municipal Liquor | Sewer            |                   |
| General Fund                | \$                | \$ 900                      | \$ 5,286         | \$ 75,000        | \$ 81,186         |
| G.O. Improvement            |                   |                             |                  |                  |                   |
| Bonds, Series 2011A         | 60,000            |                             |                  |                  | 60,000            |
| Municipal Golf Course       | 35,000            |                             |                  |                  | 35,000            |
| Nonmajor Governmental Funds | 86,743            | 149,792                     |                  | 5,300            | 241,835           |
| <b>Total</b>                | <b>\$ 181,743</b> | <b>\$ 150,692</b>           | <b>\$ 5,286</b>  | <b>\$ 80,300</b> | <b>\$ 418,021</b> |

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various City operations and re-allocations of special revenues.

### Note 8 Net Position/Fund Balances

Fund balance was nonspendable for the following purposes at December 31, 2017:

|                                 |          |
|---------------------------------|----------|
| General Fund - prepaid expenses | \$ 1,859 |
|---------------------------------|----------|

Fund balances were committed for the following purposes at December 31, 2017:

|                        |                   |
|------------------------|-------------------|
| General Fund           |                   |
| Compensated absences   | \$ 90,318         |
| Softball improvements  | 261               |
| City Hall improvements | 19,283            |
| Soccer field           | 500               |
| Tourism                | 152,832           |
| <b>Total committed</b> | <b>\$ 263,194</b> |

# City of Proctor

## Notes to Financial Statements (Continued)

Year Ended December 31, 2017

### Note 8 Net Position/Fund Balances (Continued)

Fund balances were assigned for the following purposes at December 31, 2017:

|                       |                   |
|-----------------------|-------------------|
| <b>General Fund</b>   |                   |
| Neighborhood watch    | \$ 2,639          |
| Emme memorial         | 43                |
| DARE                  | 2,784             |
| Tourism               | 7,721             |
| Capital improvements  | 121,146           |
| <b>Total assigned</b> | <b>\$ 134,333</b> |

Governmental net position and fund balances were restricted for the following purposes at December 31, 2017:

|   | Net Position        | Fund Balance        |
|---|---------------------|---------------------|
| <b>General Fund</b>                         |                     |                     |
| Sales tax proceeds                          | \$ 234,714          | \$ 234,714          |
| Food and beverage                           | 122,282             | 122,282             |
| Drug forfeiture                             | 14,161              | 14,161              |
| Charitable gambling                         | 12,457              | 12,457              |
| <b>G.O. Improvement Bonds, Series 2011A</b> |                     |                     |
| Debt service                                | 773,975             | 231,655             |
| <b>G.O. Refunding Bonds, Series 2016A</b>   |                     |                     |
| Debt service                                |                     | 2,189,080           |
| <b>Nonmajor governmental funds</b>          |                     |                     |
| Construction                                |                     | 265,510             |
| Economic development                        | 80,197              | 48,223              |
| Cable communications                        | 48,729              | 48,729              |
| Debt service                                | 943,395             | 593,434             |
| <b>Total restricted</b>                     | <b>\$ 2,229,910</b> | <b>\$ 3,760,245</b> |

# City of Proctor

## Notes to Financial Statements (Continued)

Year Ended December 31, 2017

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### **Note 9                      Defined Benefit Pension Plans**

#### **Public Employee Retirement Association (PERA)**

##### **A. Plan Description**

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

1. **General Employees Retirement Plan (General Employees Plan (accounted for in the General Employees Fund)).** All full-time and certain part-time employees of the City are covered by the General Employees Plan. General Employees Plan members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.
2. **Public Employees Police and Fire Plan (Police and Fire Plan (accounted for in the Police and Fire Fund)).** The Police and Fire Fund, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to a local fire relief association that elected to merge with and transfer assets and administration to PERA.

##### **Benefits Provided**

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

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

# City of Proctor

## Notes to Financial Statements (Continued)

Year Ended December 31, 2017

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### **Note 9      Defined Benefit Pension Plans (Continued)**

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

#### **1. General Employee Plan Benefits**

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first 10 years of service and 2.7% for each remaining year. The annuity accrual for a Coordinated Plan member is 1.2% of average salary for each of the first 10 years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

#### **2. Police and Fire Plan Benefits**

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

### **B. Contributions**

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

#### **1. General Employees Fund Contributions**

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.5%, respectively, of their annual covered salary in calendar year 2017. The City was required to contribute 11.78% of pay for Basic Plan members and 7.5% for Coordinated Plan members in calendar year 2017. The City's contributions to the General Employees Fund for the year ended December 31, 2017 were \$60,793. The City's contributions were equal to the required contributions as set by state statute.

# City of Proctor

## Notes to Financial Statements (Continued)

Year Ended December 31, 2017

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### **Note 9            Defined Benefit Pension Plans (Continued)**

#### **2.    Police and Fire Fund Contributions**

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2017. The City was required to contribute 16.2% of pay for members in calendar year 2017. The City's contributions to the Police and Fire Fund for the year ended December 31, 2017 were \$84,062. The City's contributions were equal to the required contribution as set by state statute.

#### **C.    Pension Costs**

##### **1.    General Employees Fund Pension Costs**

At December 31, 2017, the City reported a liability of \$829,912 for its proportionate share of General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2017. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$10,430. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportion was 0.0130%, which was a decrease of .0023% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized negative pension expense of \$12,646 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$301 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

# City of Proctor

## Notes to Financial Statements (Continued)

Year Ended December 31, 2017

### Note 9 Defined Benefit Pension Plans (Continued)

At December 31, 2017, the City reported is proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual economic experience              | \$                                | \$ 39,222                        |
| Changes in actuarial assumptions   | 78,961                            |                                  |
| Changes in proportion  |                                   | 61,728                           |
| Net difference between projected and actual earnings on plan investments | 28,539                            |                                  |
| Contributions paid to PERA subsequent to the measurement date            | 30,920                            |                                  |
| Total  | \$ 138,420                        | \$ 100,950                       |

\$30,920 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 ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended December 31, | Pension Expense<br>Amount |
|-------------------------|---------------------------|
| 2018                    | \$ 45,667                 |
| 2019                    | 51,768                    |
| 2020                    | (55,659)                  |
| 2021                    | (35,226)                  |
| Total                   | \$ 6,550                  |

# City of Proctor

## Notes to Financial Statements (Continued)

Year Ended December 31, 2017

### Note 9

#### Defined Benefit Pension Plans (Continued)

##### 2. Police and Fire Fund Pension Costs

At December 31, 2017, the City reported a liability of \$688,561 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportion was 0.0510% which is a decrease of 0.0020% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized negative pension expense of \$101,891 for its proportionate share of the Police and Fire Plan's pension expense. The City also recognized \$4,590 for the year ended December 31, 2017, as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

At December 31, 2017, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Differences between expected and actual economic experience              | \$                                | \$ 174,343                       |
| Changes in actuarial assumptions   |                                   | 41,128                           |
| Changes in proportion  |                                   | 50,670                           |
| Net difference between projected and actual earnings on plan investments | 17,405                            |                                  |
| Contributions paid to PERA subsequent to the measurement date            | 45,613                            |                                  |
| Total  | \$ 63,018                         | \$ 266,141                       |



# City of Proctor

## Notes to Financial Statements (Continued)

Year Ended December 31, 2017

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### Note 9 Defined Benefit Pension Plans (Continued)

\$45,613 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 ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended December 31, | Pension Expense<br>Amount |
|-------------------------|---------------------------|
| 2018                    | \$ 13,413                 |
| 2019                    | 13,413                    |
| 2020                    | (12,323)                  |
| 2021                    | (57,513)                  |
| 2022                    | (205,726)                 |
| Total                   | <u>\$ (248,736)</u>       |

#### D. Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP 2014 tables for the General Employees Plan and the Police and Fire Plan for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be: one percent per year for the General Employees Plan through 2044 and Police and Fire Plan through 2064 and then 2.5 percent thereafter for both plans.

Actuarial assumptions used in the June 30, 2017, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015. The most recent five-year experience study for Police and Fire Fund was completed in 2016.

# City of Proctor

## Notes to Financial Statements (Continued)

Year Ended December 31, 2017

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### Note 9 Defined Benefit Pension Plans (Continued)

The following changes in actuarial assumptions occurred in 2017:

#### General Employees Fund

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

#### Police and Fire Fund

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65 percent to 60 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.

# City of Proctor

## Notes to Financial Statements (Continued)

Year Ended December 31, 2017

### Note 9 Defined Benefit Pension Plans (Continued)

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

| Asset Class          | Target Allocation | Long-Term Expected Real Rate of Return |
|----------------------|-------------------|--|
| Domestic Stocks      | 39%               | 5.10%                                  |
| International Stocks | 19%               | 5.30%                                  |
| Bonds                | 20%               | 0.75%                                  |
| Alternative Assets   | 20%               | 5.90%                                  |
| Cash                 | 2%                | 0.00%                                  |
| Total                | 100%              |  |

#### E. Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund and the Police and Fire Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### F. Pension Liability Sensitivity

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

# City of Proctor

## Notes to Financial Statements (Continued)

Year Ended December 31, 2017

### Note 9 Defined Benefit Pension Plans (Continued)

|  | 1% Decrease in<br>Discount Rate | Discount Rate | 1% Increase in<br>Discount Rate |
|--|---------------------------------|---------------|---------------------------------|
| Discount Rate  | 6.50%                           | 7.50%         | 8.50%                           |
| City's proportionate share of<br>the General Employees Fund<br>net pension liability | \$ 1,287,254                    | \$ 829,912    | \$ 455,493                      |
| City's proportionate share of<br>the Police and Fire Fund<br>net pension liability   | \$ 1,296,761                    | \$ 688,561    | \$ 186,458                      |

#### G. Pension Plan Fiduciary Net Position

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

### Note 10 Firemen's Relief Association

#### Plan Description

Firefighters of the City of Proctor are members of a defined benefit pension plan administered by the Proctor Firemen's Relief Association (PFRA). The plan is a single-employer pension plan available to members operating under the provisions of Minnesota Statute Section 69.772, as amended. The plan is governed by a six-member board of trustees elected by the members of the PFRA for three year terms. The City's Mayor, City Administrator and Fire Chief are ex officio nonvoting members of the board.

#### Benefit Provisions

Each member who is at least 50 years of age, has retired from the Fire Department, has served at least 20 years of active service with the Fire Department before retirement and has been a member of the PFRA in good standing at least 10 years prior to retirement, is entitled to a lump-sum pension on retirement in the amount of \$1,100 for each year of active service. According to the bylaws of PFRA, a member who retires with less than 20 years of service is not eligible for a reduced service pension. If a member of the PFRA becomes permanently and totally disabled the member will receive the sum of \$1,100 for each year or partial year the member was an active member.

# City of Proctor

## Notes to Financial Statements (Continued)

Year Ended December 31, 2017

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### **Note 10**      **Firemen's Relief Association (Continued)**

#### Funding Policy

Plan members are not required to contribute to the plan. The City is required by state statute to contribute the amount certified annually to the Office of the State Auditor. The State of Minnesota provides specific aids used to fund the pension as well. The City's contributions for the years ended December 31, 2017, 2016 and 2015, were \$0 for all years.

PFRA issues a financial report that includes financial statements and required supplemental information. That report may be obtained from Proctor Firefighter's Relief Association, 100 Pionk Drive, Proctor, Minnesota, 55810-1700.

### **Note 11**      **Risk Management**

The City purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust (except for the Liquor Store and the fairgrounds) with other cities in the state, which is a public entity risk pool, currently operating as a common risk management and insurance program. The City pays an annual premium to the League for its insurance coverage. The League of Minnesota Cities Insurance Trust is self-sustaining, through commercial companies, for excess claims. The City is covered through the pool for any claims incurred but unreported, but retains risk for the deductible portion of its insurance policies. The amount of these deductibles is considered immaterial to the financial statements. The City purchases commercial insurance coverage for the Liquor Store through EMC Insurance. The fairground buildings are covered through Auto Owners Insurance Company. Liability coverage for the fairgrounds is carried by the fairground tenants.

There were no significant reductions in insurance coverage from coverage in the prior year, and there were no insurance claims or settlements exceeding insurance coverage in the past three years.

## **Required Supplementary Information**

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# City of Proctor

## Information About the City's Net Pension Liability Public Employees Retirement Association For the Year Ended December 31, 2017

### General Employees Fund

#### Schedule of Employer's Proportionate Share of the Net Pension Liability

| Measurement Date | Employer's Proportion (Percentage) of the Net Pension Liability | Employer's Proportionate Share (Amount) of the Net Pension Liability (a) | State's Proportionate Share (Amount) of the Net Pension Liability (b) | Employer's and State's Proportionate Share of the Net Pension Liability (a+b) | Employer's Covered Payroll (c) | Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll ((a+b)/c) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|------------------|---|--|---|---|--------------------------------|--|--|
| June 30, 2017    | 0.0130%   | \$ 829,912   | \$ 10,430   | \$ 840,342  | \$ 837,023                     | 100.4%   | 75.9%  |
| June 30, 2016    | 0.0153%   | \$ 1,242,284   | \$ 16,225   | \$ 1,258,509  | \$ 928,501                     | 135.5%   | 68.9%  |
| June 30, 2015    | 0.0127%   | \$ 658,180   | \$ 0  | \$ 658,180  | \$ 742,048                     | 88.7%  | 78.2%  |

#### Schedule of Employer's Contributions

| Fiscal Year Ending | Contributions in Relation to the Statutorily Required Contribution (b) | Contributions in Relation to the Statutorily Required Contribution (b) | Contribution Deficiency (Excess) (a-b) | Covered Payroll (d) | Contributions as a Percentage of Covered Payroll (b/d) |
|--------------------|--|--|--|---------------------|--|
| December 31, 2017  | \$ 60,793  | \$ 60,793  | \$ 0                                   | \$ 810,574          | 7.50%  |
| December 31, 2016  | \$ 71,844  | \$ 71,844  | \$ 0                                   | \$ 957,925          | 7.50%  |
| December 31, 2015  | \$ 58,940  | \$ 58,940  | \$ 0                                   | \$ 785,866          | 7.50%  |

# City of Proctor

## Information About the City's Net Pension Liability

### Public Employees Retirement Association

For the Year Ended December 31, 2017

#### Police and Fire Fund

#### Schedule of Employer's Proportionate Share of the Net Pension Liability

| Measurement Date | Employer's Proportion (Percentage) of the Net Pension Liability | Employer's Proportionate Share (Amount) of the Net Pension Liability (a) | Employer's Covered Payroll (b) | Employer's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (a/b) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|------------------|---|--|--------------------------------|--|--|
| June 30, 2017    | 0.0510%   | \$ 688,561   | \$ 524,006                     | 131.4%   | 85.4%  |
| June 30, 2016    | 0.0530%   | \$ 2,126,982   | \$ 507,221                     | 419.3%   | 63.9%  |
| June 30, 2015    | 0.0520%   | \$ 590,842   | \$ 480,709                     | 122.9%   | 86.6%  |

#### Schedule of Employer's Contributions

| Fiscal Year Ending | Contributions in Relation to the Statutorily Required Contribution (b) | Contributions in Relation to the Statutorily Required Contribution (b) | Contribution Deficiency (Excess) (a-b) | Covered Payroll (d) | Contributions as a Percentage of Covered Payroll (b/d) |
|--------------------|--|--|--|---------------------|--|
| December 31, 2017  | \$ 84,062  | \$ 84,062  | \$ 0                                   | \$ 518,903          | 16.20%   |
| December 31, 2016  | \$ 81,683  | \$ 81,683  | \$ 0                                   | \$ 504,216          | 16.20%   |
| December 31, 2015  | \$ 86,143  | \$ 86,143  | \$ 0                                   | \$ 531,750          | 16.20%   |



## Supplementary Information

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# City of Proctor

## Combining Balance Sheet – Nonmajor Governmental Funds

December 31, 2017

|  | Special Revenue Funds           |  |                                   | Debt Service Funds  |   |                                    |
|--|---------------------------------|--|-----------------------------------|---|---|------------------------------------|
|  | Cable<br>Communications<br>Fund | Economic<br>Development<br>Authority<br>Fund | Total<br>Special Revenue<br>Funds | Proctor EDA<br>Public Project<br>Revenue Bonds<br>Series 2002<br>Fund | G.O. Improvement<br>Bonds<br>Series 2008A<br>Fund | G.O. Bonds<br>Series 2009A<br>Fund |
| <b>Assets</b>  |                                 |  |                                   |   |   |                                    |
| Cash and cash equivalents  | \$ 45,568                       | \$ 154,732                                   | \$ 200,300                        | \$ 23,955   | \$ 58,683   | \$ 156,906                         |
| Accounts receivable  | 5,486                           | 943  | 6,429                             |   |   |                                    |
| Delinquent taxes receivable  |                                 |  |                                   |   |   |                                    |
| Due from other governments   |                                 |  |                                   |   |   | 4                                  |
| Notes receivable   |                                 | 31,974                                       | 31,974                            |   |   |                                    |
| Special assessments receivable   |                                 |  |                                   |   |   | 100,600                            |
| <b>Total assets</b>  | <b>\$ 51,054</b>                | <b>\$ 187,649</b>                            | <b>\$ 238,703</b>                 | <b>\$ 23,955</b>  | <b>\$ 58,683</b>                                  | <b>\$ 257,510</b>                  |
| <b>Liabilities</b>   |                                 |  |                                   |   |   |                                    |
| Accounts payable   | \$ 325                          | \$ 230                                       | \$ 555                            | \$  | \$  |                                    |
| Due to other funds   |                                 | 13,601                                       | 13,601                            |   |   |                                    |
| Advances from other funds  |                                 | 93,621                                       | 93,621                            |   |   |                                    |
| Deposits payable   | 2,000                           |  | 2,000                             |   |   |                                    |
| <b>Total liabilities</b>   | <b>2,325</b>                    | <b>107,452</b>                               | <b>109,777</b>                    |   |   |                                    |
| <b>Deferred inflows of resources</b>   |                                 |  |                                   |   |   |                                    |
| Unavailable revenue  |                                 | 31,974                                       | 31,974                            |   |   |                                    |
| Delinquent property taxes  |                                 |  |                                   |   |   |                                    |
| Delinquent special assessments   |                                 |  |                                   |   |   | 100,600                            |
| <b>Total deferred inflows of resources</b>                                     |                                 | <b>31,974</b>                                | <b>31,974</b>                     |   |   | <b>100,600</b>                     |
| <b>Fund balances</b>   |                                 |  |                                   |   |   |                                    |
| Restricted   | 48,729                          | 48,223                                       | 96,952                            | 23,955  | 58,683  | 156,910                            |
| <b>Total liabilities, deferred inflows of<br/>resources, and fund balances</b> | <b>\$ 51,054</b>                | <b>\$ 187,649</b>                            | <b>\$ 238,703</b>                 | <b>\$ 23,955</b>  | <b>\$ 58,683</b>                                  | <b>\$ 257,510</b>                  |

# City of Proctor

## Combining Balance Sheet – Nonmajor Governmental Funds (Continued)

December 31, 2017

|  | Debt Service Funds                                |   |                                | Capital Projects Fund            |  |  |
|--|---|---|--------------------------------|----------------------------------|--|--|
|  | G.O. Improvement<br>Bonds<br>Series 2012A<br>Fund | G.O. Improvement<br>Refunding Bonds<br>Series 2015A<br>Fund | Total<br>Debt Service<br>Funds | Kirkus<br>Street Project<br>Fund | Total<br>Nonmajor<br>Governmental<br>Funds |  |
| <b>Assets</b>  |   |   |                                |                                  |  |  |
| Cash and cash equivalents  | \$ 311,906  | \$ 38,061   | \$ 589,511                     | \$ 265,510                       | \$ 1,055,321                               |  |
| Accounts receivable  |   |   |                                |                                  | 6,429                                      |  |
| Delinquent taxes receivable  | 11,391  | 1,968   | 13,359                         |                                  | 13,359                                     |  |
| Due from other governments   | 2,461   | 1,458   | 3,923                          |                                  | 3,923                                      |  |
| Notes receivable   |   |   |                                |                                  | 31,974                                     |  |
| Special assessments receivable   | 126,060   | 123,562   | 350,222                        |                                  | 350,222                                    |  |
| <b>Total assets</b>  | <b>\$ 451,818</b>                                 | <b>\$ 165,049</b>   | <b>\$ 957,015</b>              | <b>\$ 265,510</b>                | <b>\$ 1,461,228</b>                        |  |
| <b>Liabilities</b>   |   |   |                                |                                  |  |  |
| Accounts payable   | \$  | \$  | \$                             | \$                               | \$ 555                                     |  |
| Due to other funds   |   |   |                                |                                  | 13,601                                     |  |
| Advances from other funds  |   |   |                                |                                  | 93,621                                     |  |
| Deposits payable   |   |   |                                |                                  | 2,000                                      |  |
| <b>Total liabilities</b>   |   |   |                                |                                  | <b>109,777</b>                             |  |
| <b>Deferred inflows of resources</b>                                       |   |   |                                |                                  |  |  |
| Unavailable revenue  |   |   |                                |                                  | 31,974                                     |  |
| Delinquent property taxes  | 11,391  | 1,968   | 13,359                         |                                  | 13,359                                     |  |
| Delinquent special assessments   | 126,060   | 123,562   | 350,222                        |                                  | 350,222                                    |  |
| <b>Total deferred inflows of resources</b>                                 | <b>137,451</b>                                    | <b>125,530</b>  | <b>363,581</b>                 |                                  | <b>395,555</b>                             |  |
| <b>Fund balances</b>   |   |   |                                |                                  |  |  |
| Restricted   | 314,367   | 39,519  | 593,434                        | 265,510                          | 955,896                                    |  |
| <b>Total liabilities, deferred inflows of resources, and fund balances</b> | <b>\$ 451,818</b>                                 | <b>\$ 165,049</b>   | <b>\$ 957,015</b>              | <b>\$ 265,510</b>                | <b>\$ 1,461,228</b>                        |  |

# City of Proctor

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

|  | Special Revenue Funds       |                                   |                                 |  |                                   |
|--|-----------------------------|-----------------------------------|---------------------------------|--|-----------------------------------|
|  | City<br>Development<br>Fund | Downtown<br>Redevelopment<br>Fund | Cable<br>Communications<br>Fund | Economic<br>Development<br>Authority<br>Fund | Total<br>Special Revenue<br>Funds |
| <b>Revenues</b>  |                             |                                   |                                 |  |                                   |
| Taxes  | \$                          | \$                                | \$                              | \$   | \$                                |
| Special assessments  |                             |                                   |                                 |  |                                   |
| Charges for services   |                             |                                   | 24,702                          |  | 24,702                            |
| Interest income  | 296                         | 187                               | 251                             | 52   | 786                               |
| Miscellaneous  | 12,285                      | 2,122                             |                                 |  | 14,407                            |
| <b>Total revenues</b>  | <b>12,581</b>               | <b>2,309</b>                      | <b>24,953</b>                   | <b>52</b>                                    | <b>39,895</b>                     |
| <b>Expenditures</b>  |                             |                                   |                                 |  |                                   |
| Current  |                             |                                   |                                 |  |                                   |
| Community and economic development                           | 1,760                       |                                   |                                 | 6,914  | 8,674                             |
| Culture and recreation                                       |                             |                                   | 2,077                           |  | 2,077                             |
| Capital outlay   |                             |                                   | 3,088                           |  | 3,088                             |
| Debt service   |                             |                                   |                                 |  |                                   |
| Principal  |                             |                                   |                                 |  |                                   |
| Interest and fiscal charges                                  |                             |                                   |                                 |  |                                   |
| <b>Total expenditures</b>                                    | <b>1,760</b>                |                                   | <b>5,165</b>                    | <b>6,914</b>                                 | <b>13,839</b>                     |
| <b>Excess (deficiency) of revenues<br/>over expenditures</b> | <b>10,821</b>               | <b>2,309</b>                      | <b>19,788</b>                   | <b>(6,862)</b>                               | <b>26,056</b>                     |
| <b>Other financing sources (uses)</b>                        |                             |                                   |                                 |  |                                   |
| Transfers in   |                             |                                   |                                 | 149,792                                      | 149,792                           |
| Transfers out  | (121,036)                   | (28,756)                          | (900)                           |  | (150,692)                         |
| <b>Total other financing sources (uses)</b>                  | <b>(121,036)</b>            | <b>(28,756)</b>                   | <b>(900)</b>                    | <b>149,792</b>                               | <b>(900)</b>                      |
| <b>Net change in fund balances</b>                           | <b>(110,215)</b>            | <b>(26,447)</b>                   | <b>18,888</b>                   | <b>142,930</b>                               | <b>25,156</b>                     |
| <b>Fund balances (deficit), beginning</b>                    | <b>110,215</b>              | <b>26,447</b>                     | <b>29,841</b>                   | <b>(94,707)</b>                              | <b>71,796</b>                     |
| <b>Fund balances, ending</b>                                 | <b>\$</b>                   | <b>\$</b>                         | <b>\$</b>                       | <b>\$</b>                                    | <b>\$</b>                         |
|  |                             |                                   | 48,729                          | 48,223                                       | 96,952                            |

# City of Proctor

## Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds (Continued) For the Year Ended December 31, 2017

|  | Debt Service Funds  |  |                                    |  |  | Capital Projects Fund          |                                  | Total Nonmajor Governmental Funds |
|--|---|--|------------------------------------|--|--|--------------------------------|----------------------------------|-----------------------------------|
|  | Proctor EDA<br>Public Project<br>Revenue Bonds<br>Series 2002<br>Fund | G.O.<br>Improvement<br>Bonds<br>Series 2008A<br>Fund | G.O. Bonds<br>Series 2009A<br>Fund | G.O.<br>Improvement<br>Bonds Series<br>2012A<br>Fund | G.O.<br>Improvement<br>Refunding Bonds<br>Series 2015A<br>Fund | Total<br>Debt Service<br>Funds | Kirkus<br>Street Project<br>Fund |                                   |
| <b>Revenues</b>  |   |  |                                    |  |  |                                |                                  |                                   |
| Taxes  | \$  | \$   | \$ 9                               | \$ 241,633   | \$ 41,748  | \$ 283,390                     | \$                               | \$ 283,390                        |
| Special assessments  |   |  | 44,523                             | 36,818   | 24,214   | 105,555                        |                                  | 105,555                           |
| Charges for services   |   |  |                                    |  |  |                                |                                  | 24,702                            |
| Interest income  | 161   | 352  | 828                                | 507  |  | 1,848                          | 1,544                            | 4,178                             |
| Miscellaneous  |   |  |                                    |  |  |                                |                                  | 14,407                            |
| <b>Total revenues</b>  | <b>161</b>  | <b>352</b>   | <b>45,360</b>                      | <b>278,958</b>                                       | <b>65,962</b>  | <b>390,793</b>                 | <b>1,544</b>                     | <b>432,232</b>                    |
| <b>Expenditures</b>  |   |  |                                    |  |  |                                |                                  |                                   |
| Current  |   |  |                                    |  |  |                                |                                  |                                   |
| Community and economic development                           |   |  |                                    |  |  |                                |                                  | 8,674                             |
| Culture and recreation                                       |   |  |                                    |  |  |                                |                                  | 2,077                             |
| Capital outlay   |   |  |                                    |  |  |                                | 7,058                            | 10,146                            |
| Debt service   |   |  |                                    |  |  |                                |                                  |                                   |
| Principal  |   |  | 30,000                             | 322,000  | 55,000   | 407,000                        |                                  | 407,000                           |
| Interest and fiscal charges                                  |   |  | 3,158                              | 25,791   | 9,336  | 38,285                         |                                  | 38,285                            |
| <b>Total expenditures</b>                                    |   |  | <b>33,158</b>                      | <b>347,791</b>                                       | <b>64,336</b>  | <b>445,285</b>                 | <b>7,058</b>                     | <b>466,182</b>                    |
| <b>Excess (deficiency) of revenues<br/>over expenditures</b> | <b>161</b>  | <b>352</b>   | <b>12,202</b>                      | <b>(68,833)</b>                                      | <b>1,626</b>   | <b>(54,492)</b>                | <b>(5,514)</b>                   | <b>(33,950)</b>                   |
| <b>Other financing sources (uses)</b>                        |   |  |                                    |  |  |                                |                                  |                                   |
| Transfers in   |   | 6,743  | 5,300                              | 80,000   |  | 92,043                         |                                  | 241,835                           |
| Transfers out  |   |  |                                    |  |  |                                |                                  | (150,692)                         |
| <b>Total other financing sources (uses)</b>                  |   | <b>6,743</b>   | <b>5,300</b>                       | <b>80,000</b>  |  | <b>92,043</b>                  |                                  | <b>91,143</b>                     |
| <b>Net change in fund balances</b>                           | <b>161</b>  | <b>7,095</b>   | <b>17,502</b>                      | <b>11,167</b>  | <b>1,626</b>   | <b>37,551</b>                  | <b>(5,514)</b>                   | <b>57,193</b>                     |
| <b>Fund balances (deficit), beginning</b>                    | <b>23,794</b>   | <b>51,588</b>  | <b>139,408</b>                     | <b>303,200</b>                                       | <b>37,893</b>  | <b>555,883</b>                 | <b>271,024</b>                   | <b>898,703</b>                    |
| <b>Fund balances, ending</b>                                 | <b>\$ 23,955</b>  | <b>\$ 58,683</b>                                     | <b>\$ 156,910</b>                  | <b>\$ 314,367</b>                                    | <b>\$ 39,519</b>   | <b>\$ 593,434</b>              | <b>\$ 265,510</b>                | <b>\$ 955,896</b>                 |

## Other Reports

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**Independent Auditor's Report on Internal Control over  
Financial Reporting and on Compliance and Other Matters**

**To the Honorable City Council  
City of Proctor  
Proctor, Minnesota**

We have audited in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Proctor, Minnesota (City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 18, 2018. The financial statements of the Public Utilities Commission of the City of Proctor a blended component unit, were not audited in accordance with Government Auditing Standards.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control that we consider to be a significant deficiency, which is described in the accompanying schedule of findings and responses as item 2017-001.

## **Compliance and Other Matters**

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

## **City's Response to Findings**

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

## **Purpose of this Report**

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

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

Wipfli LLP

May 18, 2018  
Duluth, Minnesota





**Independent Auditor's Report on Legal  
Compliance for the State of Minnesota**

**To the Honorable City Council  
City of Proctor  
Proctor, Minnesota**

We have audited, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Proctor, Minnesota (City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 18, 2018.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statutes Sec. 6.65, contains seven categories of compliance to be tested; contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because the City had no tax increment activity in 2017.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*, except as described in the schedule of findings and responses as items 2017-002 through 2017-006. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

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

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

*Wipfli LLP*

Wipfli LLP

May 18, 2018  
Duluth, Minnesota

# City of Proctor

## Schedule of Findings and Responses

For the Year Ended December 31, 2017

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### Financial Statement Findings

The City is responsible for establishing and maintaining internal control. This responsibility includes the internal control over the various accounting cycles, the fair presentation of the financial statements and related notes, and the accuracy and completeness of all financial records and related information. The existence of significant deficiencies or material weaknesses may be known to management and may represent a conscious decision by management or those charged with governance to accept that degree of risk because of cost or other considerations. Management is responsible for making decisions concerning costs and the related benefits. The auditors are responsible for communicating significant deficiencies and material weaknesses, regardless of management's decisions.

#### **Item 2017-001 - Financial Statement Presentation and Disclosure (Significant Deficiency)**

**Condition** - The City's internal control over financial reporting does not end at the general ledger, but extends to the financial statements and the related notes. As a part of our professional services for the year ended December 31, 2017, Wipfli assisted in drafting the financial statements and related notes. The City does not have sufficient expertise to completely prepare its own financial statements and related notes and relies on Wipfli to provide necessary understanding of current accounting and disclosure principles in the preparation of the financial statements and related notes.

**Effect** - The completeness of the related note disclosures and the accuracy of the overall financial presentation is negatively impacted as outside auditors do not have the same comprehensive understanding of the City as its staff. The potential exists that a misstatement of the financial statements and related notes could occur and not be prevented or detected by the City.

**City's response** - The City will continue to rely on outside auditors to assist in drafting the financial statements and related notes.

### Minnesota Legal Compliance Findings

**Item 2017-002** - Minnesota State Statute 471.6965 requires the city to, annually, upon adoption of the city budget to publish a summary budget statement in the official newspaper of the city; or a city newsletter or other city mailing sent to all households in the city. The City did not adopt a budget for 2017.

**City's response** - The City will ensure that going forward it approves an annual budget.

**Item 2017-003** - Minnesota State Statute 471.70 requires the City to report on or before February 1<sup>st</sup> of each year to the auditor of each county in which the City is situated, the total amount of outstanding obligations as of December 31<sup>st</sup> of the preceding year. The City did not submit the required report timely.

**City's response** - The City will ensure that going forward it submits the report on or before February 1<sup>st</sup>.

# City of Proctor

## **Schedule of Findings and Responses** **For the Year Ended December 31, 2017**

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### **Minnesota Legal Compliance Findings (Continued)**

**Item 2017-004** - Minnesota State Statute 471.425 requires the City to pay all bills within the time period set by the terms of the contract or within the standard payment period. It was noted during our testing that the City did not pay all bills within the standard payment period.

**City's response** - The City will ensure that going forward it pays all bills within the standard payment period.

**Item 2017-005** - Minnesota State Statute 118A.04 requires the City to, annually, prior to completing an initial investment transaction provide to each investment broker a written statement of investment restrictions. The City did not provide Broker Certifications before investment transactions were made.

**City's response** - Going forward the City will ensure that Broker Certifications are provided to each broker before an initial investment transaction has been made.

**Item 2017-006** - Minnesota State Statute 475.61 requires the City to levy amounts that if collected in full they, together with estimated collections of special assessments and other revenues pledged for payment of the obligations, will produce at least five percent in excess of the amount needed to meet the principal and interest payments on the obligations when due. The 2016 pay 2017 levy did not produce at least five percent in excess of the principal and interest payments that were due during the year.

**City's response** - Going forward the City will ensure that the annual levy produces at least five percent in excess of the principal and interest payments that are due during the year.

# City of Proctor

## **Schedule of Prior Year Findings and Responses** **For the Year Ended December 31, 2017**

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### **Financial Statement Findings**

#### **Item 2016-001 - Significant Audit Adjustments (Material Weakness)**

This finding has not been repeated in 2017.

#### **Item 2016-002 - Financial Statement Presentation and Disclosure (Significant Deficiency)**

This finding has been repeated in 2017 as Item 2017-001.

#### **Item 2016-003 - Lack of Segregation of Duties (Significant Deficiency)**

This finding has not been repeated in 2017.