

1st Quarter Report

City of Northfield
Northfield, Minnesota

As of March 31, 2018



May 2, 2018

ACCOUNTANT'S COMPILATION REPORT

Honorable Mayor and City Council
City of Northfield
Northfield, Minnesota

Management is responsible for accompanying financial statements of the City of Northfield, which comprise the budget to actual statement of revenues and expenditures for the General and enterprise funds as of March 31, 2018 in accordance with accounting principles generally accepted in the United States of America. We have performed a compilation engagement in accordance with *Statements on Standards for Accounting and Review Services* promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

Management has elected to omit substantially all of the disclosures and the statement of cash flows required by accounting principles generally accepted in the United States of America. If the omitted disclosures and the statement of cash flows were included in the financial statements, they might influence the user's conclusions about the City's financial position, results of operations, and cash flows. Accordingly, the financial statements are not designed for those who are not informed about such matters.

Sincerely,

AEM FINANCIAL SOLUTIONS, LLC



AEM Financial Solutions™

May 2, 2018

Honorable Mayor and City Council
City of Northfield
Northfield, Minnesota

Dear Honorable Mayor and City Council:

We have reconciled all bank accounts through March 31, 2018 and reviewed activity in all funds. The following is a summary of our observations. All information presented is unaudited.

Cash and Investments

The City's cash and investment balances are as follows:

	<u>03/31/2018</u>	<u>12/31/2017</u>	<u>Increase/ (Decrease)</u>
Checking	\$ 872,967	\$ 1,115,404	\$ (242,437)
Investments (At Market Value)	<u>25,918,273</u>	<u>30,799,321</u>	<u>(4,881,048)</u>
Total Cash and Investments	<u>\$ 26,791,240</u>	<u>\$ 31,914,725</u>	<u>\$ (5,123,485)</u>

<u>Investment Type</u>	<u>03/31/2018</u>	<u>12/31/2017</u>	<u>Increase/ (Decrease)</u>
Checking	\$ 872,967	\$ 1,115,404	\$ (242,437)
Commercial Paper	3,075,764	2,981,429	94,335
Collateralized Mortgage	1,171,532	1,229,775	(58,243)
Fed Agency Note	7,435,978	7,648,502	(212,524)
Money Market	138,056	246,025	(107,969)
Municipal Bond	1,478,405	1,487,034	(8,630)
Supra-National Agency Bond	897,631	903,181	(5,550)
U.S. Treasury Bond	6,592,775	6,286,895	305,880
4M Fund	4,467,856	9,358,218	(4,890,362)
4M Plus Fund	<u>660,276</u>	<u>658,262</u>	<u>2,014</u>
Total investments	<u>\$ 26,791,240</u>	<u>\$ 31,914,725</u>	<u>\$ (5,123,485)</u>

The chart displays monthly average cash balances for four years (2015-2018) and two benchmark lines. The y-axis represents cash balance in dollars, ranging from \$3,000,000 to \$8,000,000. The x-axis shows months from January 1 to December. The 50% reserve line is a solid red horizontal line at approximately \$6,250,000. The prior year average is a dashed black horizontal line at approximately \$5,500,000. The 2018 data (orange line with square markers) is only available for the first three months of the year.

Month	2015	2016	2017	2018	50% reserve	Prior year average
January 1	\$6,950,000	\$6,750,000	\$7,400,000	\$7,800,000	\$6,250,000	\$5,500,000
January	\$6,200,000	\$5,850,000	\$6,650,000	\$6,950,000	\$6,250,000	\$5,500,000
February	\$5,650,000	\$5,450,000	\$6,200,000	\$6,450,000	\$6,250,000	\$5,500,000
March	\$5,150,000	\$4,750,000	\$5,350,000	\$5,600,000	\$6,250,000	\$5,500,000
April	\$4,600,000	\$4,200,000	\$4,450,000		\$6,250,000	\$5,500,000
May	\$4,100,000	\$3,800,000	\$3,850,000		\$6,250,000	\$5,500,000
June	\$5,000,000	\$4,300,000	\$4,600,000		\$6,250,000	\$5,500,000
July	\$6,700,000	\$5,900,000	\$6,450,000		\$6,250,000	\$5,500,000
August	\$5,550,000	\$5,350,000	\$5,650,000		\$6,250,000	\$5,500,000
September	\$4,850,000	\$4,700,000	\$5,150,000		\$6,250,000	\$5,500,000
October	\$4,100,000	\$4,250,000	\$4,250,000		\$6,250,000	\$5,500,000
November	\$3,550,000	\$3,650,000	\$4,000,000		\$6,250,000	\$5,500,000
December	\$6,750,000	\$7,400,000	\$7,800,000		\$6,250,000	\$5,500,000

[illegible]

Current short-term rates being offered by financial institutions are very low as evidenced by the table of U.S. Treasury rates below. The U.S. Treasury rates provide a benchmark perspective for rate of return.

Date	Treasury Yields								
	1 mo	3 mo	6 mo	1 yr	2 yr	3 yr	5 yr	7 yr	10 yr
12/31/2010	0.07	0.12	0.19	0.29	0.61	1.02	2.01	2.71	3.30
12/30/2011	0.01	0.02	0.06	0.12	0.25	0.36	0.83	1.35	1.89
12/31/2012	0.02	0.05	0.11	0.16	0.25	0.36	0.72	1.18	1.78
12/31/2013	0.01	0.07	0.10	0.13	0.38	0.78	1.75	2.45	3.04
03/31/2014	0.03	0.05	0.07	0.13	0.44	0.90	1.73	2.30	2.73
06/30/2014	0.02	0.04	0.07	0.11	0.47	0.88	1.62	2.13	2.53
09/30/2014	0.02	0.02	0.03	0.13	0.58	1.07	1.78	2.22	2.52
12/31/2014	0.03	0.03	0.12	0.23	0.69	1.11	1.68	2.00	2.20
12/31/2015	0.14	0.16	0.49	0.65	1.06	1.31	1.76	2.09	2.27
03/31/2016	0.18	0.21	0.39	0.59	0.73	0.87	1.21	1.54	1.78
06/30/2016	0.20	0.26	0.60	0.45	0.58	0.71	1.01	1.29	1.49
09/30/2016	0.20	0.29	0.45	0.59	0.77	0.88	1.14	1.42	1.60
12/31/2016	0.44	0.51	0.62	0.85	1.20	1.47	1.93	2.25	2.45
03/31/2017	0.74	0.76	0.91	1.03	1.27	1.50	1.93	2.22	2.40
06/30/2017	0.84	1.03	1.14	1.24	1.38	1.55	1.89	2.14	2.31
09/30/2017	0.96	1.06	1.20	1.31	1.47	1.62	1.92	2.16	2.33
12/31/2017	1.28	1.39	1.53	1.76	1.89	1.98	2.20	2.33	2.40
03/31/2018	1.63	1.73	1.93	2.09	2.27	2.39	2.56	2.68	2.74

Budget Summary

A more detailed analysis of funds is included as Attachment A.

Cash Balance Summary

A detailed view of department totals compared with budget is included as Attachment B.

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This information is unaudited and is intended solely for the information and use of management and City Council and is not intended and should not be used by anyone other than these specified parties.

If you have any questions or wish to discuss any of the items contained in this letter or the attachments, please feel free to contact us at your convenience. We wish to thank you for the continued opportunity to be of service and for the courtesy and cooperation extended to us by your staff.

Sincerely,

AEM FINANCIAL SOLUTIONS, LLC

City of Northfield, Minnesota
Statement of Revenues and Expenditures -
Budget and Actual -
General Fund (Unaudited)
For the Three Months Ended March 31, 2018

Attachment A

	Annual Budget	Budget thru 03/31/2018	Actual Thru 03/31/2018	Variance - Favorable (Unfavorable)	Percent Received or Expended Based on Budget thru 03/31/2018
Revenues					
Taxes *	\$ 6,245,318	\$ 1,561,330	\$ 22,184	\$ (1,539,146) (1)	1.4 %
Licenses and permits	416,130	104,033	164,982	60,950 (2)	158.6
Intergovernmental *	3,768,203	942,051	163,666	(778,385) (3)	17.4
Charges for services	1,478,661	369,665	311,215	(58,450)	84.2
Fines and forfeits	124,000	31,000	32,662	1,662	105.4
Other revenues	355,625	88,906	51,434	(37,472) (4)	57.9
Total Revenues	12,387,937	3,096,984	746,143	(2,350,841)	24.1
Expenditures					
Mayor & Council	367,159	91,790	57,736	34,054 (5)	62.9
Administration	453,929	113,482	94,295	19,187	83.1
Elections	57,667	14,417	84	14,333	0.6
City Clerk	198,698	49,675	55,451	(5,777)	111.6
Human Resources	428,673	107,168	84,868	22,300	79.2
Community Development	134,719	33,680	48,720	(15,040)	144.7
Planning	173,547	43,387	34,498	8,889	79.5
General Government Building	139,361	34,840	27,935	6,905	80.2
Police	3,672,587	918,147	884,283	33,864	96.3
Fire	545,350	136,338	198,704	(62,367) (6)	145.7
Building Inspection	300,482	75,121	51,542	23,579	68.6
Engineering	555,536	138,884	136,322	2,562	98.2
Streets	1,462,822	365,706	366,862	(1,157)	100.3
Street Lighting	300,000	75,000	51,293	23,707	68.4
Facilities	282,888	70,722	61,485	9,237	86.9
Ice Arena	343,793	85,948	142,044	(56,096) (7)	165.3
General Parks	307,366	76,842	10,468	66,374 (8)	13.6
Athletic Facilities	134,800	33,700	832	32,868 (9)	2.5
Outdoor Pool	243,868	60,967	5,607	55,360 (10)	9.2
Recreation Administration	219,226	54,807	23,814	30,993 (11)	43.5
Library	1,263,831	315,958	334,557	(18,599)	105.9
Information Technology	503,584	125,896	116,249	9,647	92.3
Unallocated	393,091	98,273	53,317	44,956 (12)	54.3
Total Expenditures	12,482,977	3,120,744	2,840,966	279,778	91.0
Excess Revenues (Expenditures)	(95,040)	(23,760)	(2,094,823)	(2,071,063)	
Other Financing Sources and Uses					
Transfers in	95,040	23,760	-	(23,760) (13)	-
Operating transfers out	-	-	-	- (13)	N/A %
Total Other Financing Sources (Uses)	95,040	23,760	-	(23,760)	
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses					
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (2,094,823)</u>	<u>\$ (2,094,823)</u>	

* Property taxes, assessments, and local government aids are only paid twice a year

City of Northfield, Minnesota
Statement of Revenues and Expenditures -
Budget and Actual -
General Fund (Unaudited)
For the Three Months Ended March 31, 2018

Attachment A

Item Explanation of items percentage received/expended less than 80% or greater than 120% and \$ variance greater than \$25,000.

- (1) No tax settlement has been received thus far, should be received in June/July.
- (2) More licenses/permits activity than budgeted for. Additional activity along with a conservative budget combine to create this variance.
- (3) Major intergovernmental revenues are only received twice a year, typically in July and again in December of each fiscal year.
- (4) Donations and contributions are down from budgeted for the quarter by approx. \$35,000.
- (5) None of the dollars allocated to Programs and Public Service have been spent thus far causing a \$30,000 approx. reduction in expenditures.
- (6) Make payments twice a year for Operating agreement, will settle out throughout the year.
- (7) Capital Lease Principal and Interest Payments are only made twice a year, this variance will even out as next Capital lease payment is made in August.
- (8) Maintenance items were not needed as much as budgeted for, for example trail maintenance is under budget by \$80,000.
- (9) No maintenance or utility items have been paid for by this department thus far through the year.
- (10) The outdoor pool is not yet open in the 1st Quarter so no expenses to report.
- (11) No dollars spent on Contracted Rec Services so far through the year, this will even out as the year continues.
- (12) None of the contingency dollars have been spent thus far through the year causing the actual to be below budget.
- (13) Transfers in and out occur at year-end during preparation for audit.

City of Northfield, Minnesota
Unaudited Cash Balances by Fund
March 31, 2017, December 31, 2017 and March 31, 2018

Attachment B

Fund		Balance 03/31/2017	Balance 12/31/2017	Balance 03/31/2018	YTD Change From 12/31/2017	
101	General fund	\$ 5,350,759	\$ 7,750,595	\$ 5,601,474	\$ (2,149,121)	(1)
211	Community resource center	186,602	249,125	147,462	(101,663)	(2)
215	Motor vehicle fund	206,071	208,500	221,181	12,681	
229	Communication fund	474,566	545,415	569,460	24,045	
240	Library gift fund	80,924	73,158	79,058	5,900	
241	G.W. Bunday fund	24,878	24,130	23,544	(586)	
242	Scriver memorial fund	140,310	140,268	140,223	(45)	
243	L.J. Gustafson fund	33,673	33,037	35,560	2,523	
244	M. Houston trust fund	42,172	42,005	42,050	45	
245	C.C. Cloherty endowed book	12,395	12,520	12,524	4	
246	Arts and culture	13,453	9,592	9,371	(221)	
250	CDBG fund	54	(11,991)	(16,991)	(5,000)	
251	Transit grants fund	3,124	23	23	-	
252	TZD grant fund	15,541	21,867	21,866	(1)	
270	Municipal TIF district #4	234,041	365,095	365,490	395	
271	Jefferson square townhome TIF	11,897	18,099	11,094	(7,005)	
290	EDA - general operating	98,038	219,895	184,530	(35,365)	
292	EDA - investment fund	1,206,160	938,940	944,132	5,192	
293	EDA - MIF investment fund	140,455	142,476	144,047	1,571	
295	Housing and redevelopment fund	1,034,421	1,124,971	1,091,326	(33,645)	
306	2002A bond fund	9,803	9,803	9,803	-	
308	2007A GO improvement debt fund	223,427	277,354	17,135	(260,219)	(3)
309	2008B GO improvement bond fund	34,181	122,475	40,355	(82,120)	(3)
310	2009A GO improvement bond fund	143,871	223,125	98,152	(124,973)	(3)
311	2010A GO improvement bond fund	(17,883)	154,070	(5,823)	(159,893)	(3)
312	2011A GO improvement bond fund	250,352	332,046	212,561	(119,485)	(3)
313	2012A GO improvement bond fund	74,465	173,078	73,505	(99,573)	(3)
314	2013 bonds fund	154,878	225,647	136,492	(89,155)	(3)
315	2014 bonds fund	223,181	322,359	215,933	(106,426)	(3)
316	2015 bonds fund	187,094	328,101	162,795	(165,306)	(3)
317	2016 bonds fund	2,347	226,866	152,657	(74,209)	(3)
318	2017 bonds fund	-	-	3,692	3,692	
351	Community resource center	146,202	142,594	142,613	19	
352	2006A Lease revenue bond - aquatic	(21,251)	204,628	(7,953)	(212,581)	(3)
354	2012 COP debt service fund	54,841	398,355	50,705	(347,650)	(3)
355	2012 Equipment certificate	9,515	116,197	13,596	(102,601)	(3)
356	2016C Equipment certificate	-	132,399	5,706	(126,693)	(3)
376	1992 TIF debt	627	635	635	-	
379	Presidential commons TIF	(75,962)	(1,180)	(66,163)	(64,983)	(3)
381	Hiley Neff TIF fund	6,900	4,998	4,974	(24)	
382	Riverfront TIF district	136,188	227,922	155,309	(72,613)	(3)
385	Spring creek TIF district	5,127	34,808	7,544	(27,264)	
415	2014 Capital projects fund	(5,804)	-	-	-	
416	2015 Capital projects fund	162,156	165,074	165,252	178	
417	2016 Capital projects fund	85,244	244,909	209,402	(35,507)	
418	2017 Capital projects fund	(10,607)	219,804	217,811	(1,993)	
419	2018 Capital projects fund	-	(109,682)	(233,977)	(124,295)	(4)
451	Park fund	256,256	(210,140)	(276,348)	(66,208)	(5)
453	Fire replacement fund	75,462	75,846	75,928	82	
454	City facilities fund	57,344	37,111	37,151	40	
455	Vehicle & equipment replacement fund	249,774	435,318	391,326	(43,992)	
456	Hauberg park fund	2,560	3,708	3,712	4	
460	Public safety center construction	393,367	388,169	388,589	420	
461	Tiger grant capital projects fund	1,223	-	-	-	
462	Library capital project	(185,232)	-	-	-	
463	NAFRS building find	-	(99,506)	(128,886)	(29,380)	
475	Capital reserve fund	503,217	863,927	850,154	(13,773)	
601	Water fund	5,495,624	6,383,580	6,302,282	(81,298)	(6)
602	Wastewater fund	3,401,919	3,191,931	3,137,763	(54,168)	(6)
603	Garage fund	945,394	1,087,783	1,187,259	99,476	(7)
604	Storm water drainage fund	192,802	407,509	242,796	(164,713)	(6)
609	Liquor store fund	1,242,790	1,225,698	1,281,613	55,915	(8)
701	Information technology fund	604,297	632,961	599,518	(33,443)	
705	Insurance fund	992,865	1,065,449	950,009	(115,440)	(9)
851	Whittier trust fund	339,528	341,255	338,219	(3,036)	
853	Rescue squad trust fund	10,536	21	21	-	
900	Investment fund	(1)	-	(1)	(1)	
Total		<u>\$ 25,668,151</u>	<u>\$ 31,914,725</u>	<u>\$ 26,791,240</u>	<u>\$ (5,123,485)</u>	

City of Northfield, Minnesota
Unaudited Cash Balances by Fund
March 31, 2017, December 31, 2017 and March 31, 2018

Attachment B

Item **Explanation of changes greater than \$50,000.**

- (1) General fund operating has a decrease in dollars from operations, see Gen Exp/Rev sheet for additional information.
- (2) Capital Lease payment in January 2018 is cause for decrease in cash balance.
- (3) Payments on bonds/notes in January 2018 is cause for decreases in cash balances from year-end.
- (4) Decrease is due to payments being made on the 2018 capital project to SEH.
- (5) Decrease is due to payment to Crane Creek Asphalt for the A-10 Project .
- (6) Payments on bonds/notes in January 2018 is cause for decreases in cash balances from year-end. This is being offset by customer charges for services slightly.
- (7) No major payments have been made thus far through the year causing the cash balance to increase.
- (8) Large deposits from the credit card processor which are being offset with normal activity and no major expenditures is allowing balance to increase.
- (9) Payments made on General Liability Insurance and Workers comp took place in the 1st Quarter.

Cash Balance by Fund Compared to Prior Period

