

2nd Quarter Report

City of Northfield

Northfield, Minnesota

As of June 30, 2017



August 8, 2017

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 June 30, 2017 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™

August 8, 2017

Honorable Mayor and City Council
City of Northfield
Northfield, Minnesota

Dear Honorable Mayor and City Council:

We have reconciled all bank accounts through June 30, 2017 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:

	06/30/2017	12/31/2016	Increase/ (Decrease)
Checking	\$ 478,989	\$ 1,088,860	\$ (609,870)
Investments (at market value)	26,617,937	29,836,338	(3,218,402)
Total cash and investments	<u>\$ 27,096,926</u>	<u>\$ 30,925,198</u>	<u>\$ (3,828,272)</u>

Investment Type	06/30/2017	12/31/2016	Increase/ (Decrease)
Checking	\$ 478,989	\$ 1,088,860	\$ (609,870)
Commercial Paper	2,490,155	796,526	1,693,630
Collateralized Mortgage	1,910,901	2,309,397	(398,496)
Fed Agency Note	8,724,370	10,557,883	(1,833,513)
Money Market	120,376	576,843	(456,466)
Municipal Bond	1,497,410	2,314,638	(817,228)
Supra-National Agency Bond	910,651	-	910,651
U.S. Treasury Bond	5,062,408	4,049,512	1,012,896
4M Fund	5,246,252	8,577,916	(3,331,664)
4M Plus Fund	655,413	653,623	1,790
Total investments	<u>\$ 27,096,926</u>	<u>\$ 30,925,198</u>	<u>\$ (3,828,272)</u>

The chart displays monthly cash flows for four years (2014-2017) and two benchmark lines. The y-axis represents cash flow in dollars, ranging from \$3,000,000 to \$8,000,000. The x-axis shows months from January 1 to December. The 2014 series (green line with triangles) shows a peak in July at approximately \$7,150,000. The 2015 series (red line with circles) peaks in July at approximately \$6,700,000. The 2016 series (blue line with crosses) peaks in December at approximately \$7,400,000. The 2017 series (orange line with squares) peaks in January at approximately \$7,400,000. The 50% reserve line (solid red) is constant at approximately \$5,600,000. The prior year average line (dashed black) is constant at approximately \$5,100,000.

Month	2014	2015	2016	2017	50% reserve	Prior year average
January 1	\$7,000,000	\$6,950,000	\$6,750,000	\$7,400,000	\$5,600,000	\$5,100,000
January	\$6,500,000	\$6,200,000	\$5,850,000	\$6,650,000	\$5,600,000	\$5,100,000
February	\$5,750,000	\$5,650,000	\$5,450,000	\$6,150,000	\$5,600,000	\$5,100,000
March	\$5,200,000	\$5,150,000	\$4,750,000	\$5,350,000	\$5,600,000	\$5,100,000
April	\$4,850,000	\$4,600,000	\$4,200,000	\$4,450,000	\$5,600,000	\$5,100,000
May	\$4,300,000	\$4,100,000	\$3,800,000	\$3,850,000	\$5,600,000	\$5,100,000
June	\$5,200,000	\$5,000,000	\$4,300,000	\$4,550,000	\$5,600,000	\$5,100,000
July	\$7,150,000	\$6,700,000	\$5,900,000		\$5,600,000	\$5,100,000
August	\$6,000,000	\$5,550,000	\$5,400,000		\$5,600,000	\$5,100,000
September	\$5,450,000	\$4,850,000	\$4,700,000		\$5,600,000	\$5,100,000
October	\$5,250,000	\$4,100,000	\$4,250,000		\$5,600,000	\$5,100,000
November	\$4,550,000	\$3,550,000	\$3,650,000		\$5,600,000	\$5,100,000
December	\$6,950,000	\$6,750,000	\$7,400,000		\$5,600,000	\$5,100,000

Receipts					
	YTD Budget	YTD Actual	Percent of YTD Budget		
Taxes	\$ 2,798,685	\$ 1,629,474	58.2 %	↓	
Licenses and permits	206,315	270,046	130.9	↑	
Intergovernmental	1,808,651	203,517	11.3	↓	
Charges for services	772,154	559,935	72.5	↓	
Fines and forfeits	73,500	58,630	79.8	↓	
Other revenues	175,500	109,433	62.4	↓	
	<u>\$ 5,834,805</u>	<u>\$ 2,831,035</u>	<u>48.5 %</u>	↓	
Key					
↑ Varies more than 10% than budget positively					
↓ Varies more than 10% than budget negatively					
→ Within 10% of budget					
Disbursements					
	YTD Budget	YTD Actual	Percent of YTD Budget		
Mayor & Council	\$ 123,391	\$ 95,561	77.4 %	↑	
Administration	195,934	169,849	86.7	↑	
Elections	17,550	6,869	39.1	↑	
City Clerk	90,911	82,471	90.7	→	
Human Resources	181,620	162,199	89.3	↑	
Community Development	55,476	65,391	117.9	↓	
Planning	80,114	71,173	88.8	↑	
General Government Building	54,331	47,179	86.8	↑	
Police	1,646,039	1,509,175	91.7	→	
Fire	265,500	380,095	143.2	↓	
Building Inspection	135,485	130,703	96.5	→	
Engineering	239,436	243,276	101.6	→	
Streets	695,164	639,088	91.9	→	
Street Lighting	150,000	130,629	87.1	↑	
Facilities	120,358	109,475	91.0	→	
Ice Arena	151,027	157,510	104.3	↓	
General Parks	133,715	53,383	39.9	↑	
Athletic Facilities	64,546	37,313	57.8	↑	
Outdoor Pool	115,726	45,601	39.4	↑	
Recreation Administration	108,438	101,729	93.8	→	
Library	547,416	602,496	110.1	↓	
Information Technology	213,170	194,720	91.3	→	
Unallocated	238,077	126,770	53.2	↑	
	<u>\$ 5,623,418</u>	<u>\$ 5,162,655</u>	<u>91.8 %</u>	→	

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
03/31/2015	0.05	0.03	0.14	0.26	0.56	0.89	1.37	1.71	1.94
06/30/2015	0.02	0.01	0.11	0.28	0.64	1.01	1.63	2.07	2.35
09/30/2015	-	-	0.08	0.33	0.64	0.92	1.37	1.75	2.06
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

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 SIX MONTHS ENDED JUNE 30, 2017

Attachment A

	Annual Budget	Budget thru 06/30/2017	Actual Thru 06/30/2017	Variance - Favorable (Unfavorable)	Percent Received or Expended Based on Budget thru 06/30/2017
REVENUES					
Taxes *	\$ 5,597,370	\$ 2,798,685	\$ 1,629,474	\$ (1,169,211) (1)	58.2 %
Licenses and permits	412,630	206,315	270,046	63,731	130.9
Intergovernmental *	3,617,301	1,808,651	203,517	(1,605,134) (2)	11.3
Charges for services	1,544,308	772,154	559,935	(212,219) (3)	72.5
Fines and forfeits	147,000	73,500	58,630	(14,870)	79.8
Other revenues	351,000	175,500	109,433	(66,067) (4)	62.4
TOTAL REVENUES	11,669,609	5,834,805	2,831,035	(3,003,770)	48.5
EXPENDITURES					
Mayor & Council	246,782	123,391	95,561	27,830 (5)	77.4
Administration	391,867	195,934	169,849	26,085	86.7
Elections	35,100	17,550	6,869	10,681	39.1
City Clerk	181,822	90,911	82,471	8,440	90.7
Human Resources	363,239	181,620	162,199	19,421	89.3
Community Development	110,952	55,476	65,391	(9,915)	117.9
Planning	160,227	80,114	71,173	8,941	88.8
General Government Building	108,661	54,331	47,179	7,152	86.8
Police	3,292,077	1,646,039	1,509,175	136,864	91.7
Fire	531,000	265,500	380,095	(114,595) (6)	143.2
Building Inspection	270,970	135,485	130,703	4,782	96.5
Engineering	478,872	239,436	243,276	(3,840)	101.6
Streets	1,390,327	695,164	639,088	56,076	91.9
Street Lighting	300,000	150,000	130,629	19,371	87.1
Facilities	240,716	120,358	109,475	10,883	91.0
Ice Arena	302,053	151,027	157,510	(6,484)	104.3
General Parks	267,430	133,715	53,383	80,332 (7)	39.9
Athletic Facilities	129,092	64,546	37,313	27,233 (8)	57.8
Outdoor Pool	231,451	115,726	45,601	70,125 (9)	39.4
Recreation Administration	216,875	108,438	101,729	6,709	93.8
Library	1,094,831	547,416	602,496	(55,081)	110.1
Information Technology	426,339	213,170	194,720	18,450	91.3
Unallocated	476,153	238,077	126,770	111,307 (10)	53.2
TOTAL EXPENDITURES	11,246,836	5,623,418	5,162,655	460,763	91.8
EXCESS REVENUES (EXPENDITURES)	422,773	211,387	(2,331,620)	(2,543,007)	
OTHER FINANCING USES					
Transfers in	156,000	78,000	-	(78,000) (11)	-
Operating transfers out	668,772	334,386	-	(334,386)	- %
TOTAL OTHER FINANCING SOURCES (USES)	(512,772)	(256,386)	-	256,386	
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (89,999)	\$ (45,000)	\$ (2,331,620)	\$ (2,286,621)	

* 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 JUNE 30, 2017

Attachment A

<u>Item</u>	<u>Explanation of items percentage received/expended less than 80% or greater than 120% and \$ variance greater than \$25,000.</u>
(1)	Coding for taxes differs from 1st half to 2nd half for the City, prior year amount very similar to this amount as of this date.
(2)	Major intergovernmental revenues are only received twice a year, typically in July and again in December of each fiscal year.
(3)	Revenues from engineering fees were budgeted for approx. \$71,000 per quarter, thus far only \$15,000 approx. have been collected. Expected to increase as summer continues.
(4)	Donations and contributions are down from budgeted for the quarter by approx. \$70,000.
(5)	Mileage/Meals/Lodging is under budget by \$10,000 along with subscriptions and dues being \$10,000 under budget as well.
(6)	1st half installment of Fire Relief payment was made in January 2017 for fiscal year 2017, this is entire cause of variance from budget.
(7)	Parks expenses do not majorly occur until the summer months between May and September. 1st Quarter is not within that time frame.
(8)	Athletic Facilities expenses do not majorly occur until the summer months between May and September. Only two months of this operation.
(9)	Outdoor Pool expenses do not majorly occur until the summer months between May and September. Only two months of this operation.
(10)	Contingency/Budget reserve dollars are kept in this unallocated item. No use of those dollars has occurred this far in 2017.
(11)	Transfers in occurred at year-end during preparation for audit.

CITY OF NORTHFIELD, MINNESOTA
UNAUDITED CASH BALANCES BY FUND
DECEMBER 31, 2015, DECEMBER 31, 2016 AND JUNE 30, 2017

Attachment B

Fund		Balance 12/31/2015	Balance 12/31/2016	Balance 06/30/2017	YTD Change From 12/31/2016	
101	General fund	\$ 6,751,847	\$ 7,381,116	\$ 4,590,335	\$ (2,790,781)	(1)
211	Community resource center	182,514	215,702	170,577	(45,125)	
215	Motor vehicle fund	172,198	194,280	204,682	10,402	
229	Communication fund	336,846	447,370	467,463	20,093	
240	Library gift fund	78,653	79,092	78,757	(335)	
241	G.W. Bunday fund	25,406	25,563	24,906	(657)	
242	Scriver memorial fund	140,654	140,149	140,466	317	
243	L.J. Gustafson fund	35,767	33,581	33,711	130	
244	M. Houston trust fund	44,363	42,039	42,219	180	
245	C.C. Cloherty endowed book	12,018	12,355	12,608	253	
246	Arts and culture	9,159	14,329	9,343	(4,986)	
250	CDBG fund	-	45	(22,053)	(22,098)	
251	Transit grants fund	3,084	3,115	23	(3,092)	
252	TZD grant fund	-	13,524	15,541	2,017	
270	Municipal TIF district #4	1,049,880	235,499	342,261	106,762	
271	Jefferson square townhome TIF	11,358	11,862	14,076	2,214	
290	EDA - general operating	1,395,355	1,483,893	133,220	(1,350,673)	(2)
292	EDA - investment fund	-	-	1,212,755	1,212,755	(2)
293	EDA - MIF investment fund	-	-	142,231	142,231	(2)
295	Housing and redevelopment fund	963,701	1,031,149	1,078,007	46,858	
306	2002A bond fund	9,727	9,803	9,803	-	
307	2004A bond fund	20,568	-	-	-	
308	2007A GO improvement debt fund	636,164	477,459	258,033	(219,426)	(3)
309	2008B GO improvement bond fund	27,716	115,983	86,988	(28,995)	
310	2009A GO improvement bond fund	296,625	265,232	187,853	(77,379)	(3)
311	2010A GO improvement bond fund	135,988	142,222	88,302	(53,920)	(3)
312	2011A GO improvement bond fund	376,470	364,247	292,283	(71,964)	(3)
313	2012A GO improvement bond fund	183,546	174,307	128,755	(45,552)	
314	2013 bonds fund	103,189	235,870	189,735	(46,135)	
315	2014 bonds fund	307,782	351,334	269,212	(82,122)	(3)
316	2015 bonds fund	123,237	348,384	286,341	(62,043)	(3)
317	2016 bonds fund	-	(270)	207,452	207,722	(4)
351	Community resource center	367,930	342,057	146,971	(195,086)	(3)
352	2006A Lease revenue bond - aquatic	179,350	187,483	118,840	(68,643)	(3)
354	2012 COP debt service fund	397,963	397,916	181,797	(216,119)	(3)
355	2012 Equipment certificate	107,778	112,186	41,706	(70,480)	(3)
376	1992 TIF debt	621	625	627	2	
379	Presidential commons TIF	26,774	12,909	(42,977)	(55,886)	(3)
381	Hiley Neff TIF fund	3,399	6,903	3,577	(3,326)	
382	Riverfront TIF district	195,697	208,461	213,348	4,887	
385	Spring creek TIF district	-	35,353	15,568	(19,785)	
414	2013 Capital projects fund	84,777	-	-	-	
415	2014 Capital projects fund	-	(5,804)	-	5,804	
416	2015 Capital projects fund	416,027	161,644	164,421	2,777	
417	2016 Capital projects fund	-	580,228	(1,981)	(582,209)	(5)
418	2017 Capital projects fund	-	(7,755)	(26,848)	(19,093)	
451	Park fund	604,513	250,350	268,107	17,757	
453	Fire replacement fund	74,710	75,224	75,547	323	
454	City facilities fund	17,055	57,163	70,093	12,930	
455	Vehicle & equipment replacement fund	720,207	460,922	199,450	(261,472)	(6)
456	Hauberg park fund	3,600	2,554	-	(2,554)	
460	Public safety center construction	388,741	392,125	393,806	1,681	
461	Tiger grant capital projects fund	415,128	-	1,223	1,223	
462	Library capital project	1,926,033	(197,382)	(8,723)	188,659	(7)
475	Capital reserve fund	394,126	560,309	799,403	239,094	(8)
601	Water fund	5,770,756	5,603,020	6,110,957	507,937	(9)
602	Wastewater fund	2,904,251	3,552,909	3,300,273	(252,636)	(10)
603	Garage fund	670,504	884,571	992,244	107,673	(11)
604	Storm water drainage fund	31,364	291,328	206,845	(84,483)	(12)
609	Liquor store fund	1,148,964	1,216,603	1,208,060	(8,543)	
701	Information technology fund	512,008	602,687	691,354	88,667	(13)
705	Insurance fund	849,037	936,471	937,425	954	
851	Whittier trust fund	344,815	344,401	339,907	(4,494)	
853	Rescue squad trust fund	10,412	10,503	21	(10,482)	
900	Investment fund	-	-	-	-	
Total		\$ 32,000,355	\$ 30,925,198	\$ 27,096,926	\$ (3,828,272)	

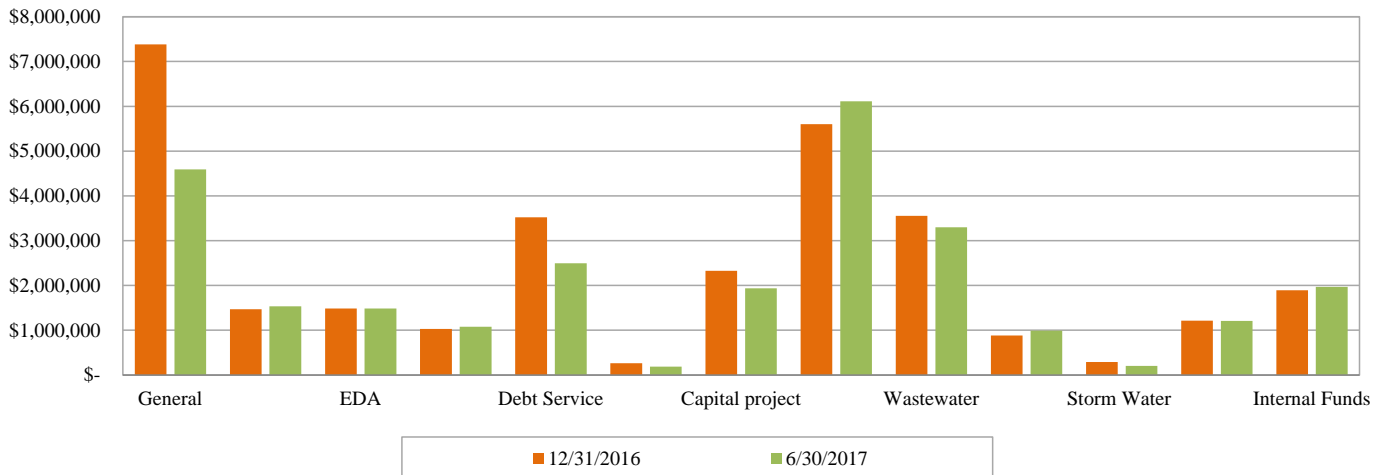
CITY OF NORTHFIELD, MINNESOTA
UNAUDITED CASH BALANCES BY FUND
DECEMBER 31, 2015, DECEMBER 31, 2016 AND JUNE 30, 2017

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) Creation of two Revolving Loan Funds from the EDA fund was completed at year-end 2016. 2 new funds are to comply with Minnesota State Laws and Regs.
- (3) Payments on bonds in January 2017 is cause for decreases in cash balances from year-end.
- (4) Increase is due to tax dollars being received in June and no payment on this bond yet due to it being new in 2017.
- (5) Payments made to vendor for 2016 capital project work completed.
- (6) Purchase of new Elgin Sweeper and toro mower for a total cost of \$210,000 during February and March 2017.
- (7) Capital Project Fund completed in 2016. This fund was reimbursed to offset costs in previous years.
- (8) Payment to MNDOT for TH3 Greenvale to Fremont for \$16,500. Additional decrease is related to booking back payables related to year-end accounting.
- (9) Transfers out to the General Fund for administrative and other charges was \$110,000 for Q2. The decrease is offset with customer payments on accounts.
- (10) Transfers out to the General Fund for administrative and other charges was \$140,000 for Q2. Additional decrease is related to bond payments in the Sewer fund of approx. \$360,000. The decrease is offset with customer payments on accounts.
- (11) Transfers out to the General Fund for administrative and other charges was \$44,000 for Q2. Offsetting this decrease is normal operations of the Garage Fund that increased by approx. \$100,000 per month in 2017.
- (12) Transfers out to the General Fund for administrative and other charges was \$30,000 for Q2. Additional decrease is related to bond payments in the Storm water fund of approx. \$225,000. The decrease is offset with customer payments on accounts.
- (13) Increase due to Transfer into IT Fund occurring during the first half of the year, not major IT expenses have occurred yet.

Cash Balance by Fund Compared to Prior Period



Fund

- ↓ General
- ↓ Special Revenue
- ↓ EDA
- ↓ HRA
- ↓ Debt Service
- ↓ TIF
- ↓ Capital project

- Water
- Wastewater
- Garage
- Storm Water
- Liquor
- Internal Funds

Key

- ↑ Varies more than 10% of prior period positively
- ↓ Varies more than 10% of prior period negatively
- Balance within 10% of prior period