Management Report

for

City of Plymouth, Minnesota

December 31, 2017

THIS PAGE INTENTIONALLY LEFT BLANK

MMKR
CERTIFIED PUBLIC
ACCOUNTANTS

PRINCIPALS
Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA/CMA

To the City Council and Management
City of Plymouth, Minnesota

We have prepared this management report in conjunction with our audit of the City of Plymouth, Minnesota's (the City) financial statements for the year ended December 31, 2017. We have organized this report into the following sections:

- Audit Summary
- Governmental Funds Overview
- Enterprise Funds Overview
- Government-Wide Financial Statements
- Legislative Updates
- Accounting and Auditing Updates

We would be pleased to further discuss any of the information contained in this report or any other concerns that you would like us to address. We would also like to express our thanks for the courtesy and assistance extended to us during the course of our audit.

The purpose of this report is solely to provide those charged with governance of the City, management, and those who have responsibility for oversight of the financial reporting process comments resulting from our audit process and information relevant to city finances in Minnesota. Accordingly, this report is not suitable for any other purpose.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
June 13, 2018

Malloy, Montague, Karnowski, Radosevich & Co., P.A.
5353 Wayzata Boulevard • Suite 410 • Minneapolis, MN 55416 • Phone: 952-545-0424 • Fax: 952-545-0569 • www.mmkr.com

THIS PAGE INTENTIONALLY LEFT BLANK

AUDIT SUMMARY

The following is a summary of our audit work, key conclusions, and other information that we consider important or that is required to be communicated to the City Council, administration, or those charged with governance of the City.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA, *GOVERNMENT AUDITING STANDARDS*, AND TITLE 2 U.S. CODE OF FEDERAL REGULATIONS (CFR) PART 200, *UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS* (UNIFORM GUIDANCE)

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2017, and the related notes to the financial statements. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you verbally and in our audit engagement letter. Professional standards also require that we communicate the following information related to our audit.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously discussed and coordinated in order to obtain sufficient audit evidence and complete an effective audit.

AUDIT OPINION AND FINDINGS

Based on our audit of the City's financial statements for the year ended December 31, 2017:

- We have issued an unmodified opinion on the City's basic financial statements.
- We reported no deficiencies in the City's internal control over financial reporting that we considered to be material weaknesses.
- The results of our testing disclosed no instances of noncompliance required to be reported under *Government Auditing Standards.*
- We reported that the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements.
- The results of our tests indicate that the City has complied, in all material respects, with the types of compliance requirements that could have a direct and material effect on each of its major federal programs.
- We reported no deficiencies in the City's internal controls over compliance that we considered to be material weaknesses with the types of compliance requirements that could have a direct and material effect on each of its major federal programs.
- We reported no findings based on our testing of the City's compliance with Minnesota laws and regulations.

SIGNIFICANT ACCOUNTING POLICIES

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 of the notes to basic financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2017; however, the City implemented the following governmental accounting standards during the fiscal year:

- Governmental Accounting Standards Board (GASB) Statement No. 79, *Certain External Investment Pools and Pool Participants,* which enhanced disclosures regarding investments.

- GASB Statement No. 82, *Pension Issues, an amendment of GASB Statements No. 67, No. 68, and No. 73,* which addressed certain issues related to pension reporting and disclosures.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

ACCOUNTING ESTIMATES AND MANAGEMENT JUDGMENTS

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- **Depreciation –** Management's estimates of depreciation expense are based on the estimated useful lives of the assets.

- **Net Other Post-Employment Benefit (OPEB) and Pension Liabilities –** The City has recorded liabilities and activity for other post-employment benefits (OPEB) and pension benefits. These obligations are calculated using actuarial methodologies described in the GASB Statement Nos. 45 and 68. These actuarial calculations include significant assumptions, including projected changes, healthcare insurance costs, investment returns, retirement ages, proportionate share, and employee turnover.

- **Compensated Absences** – Management's estimate is based on current rates of pay and sick leave balances.

- **Self-Insurance Reserves** – Management's estimates of self-insurance reserves are based on the estimated liability for incurred but not reported claims.

We evaluated the key factors and assumptions used by management to develop these estimates in determining that they are reasonable in relation to the basic financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Where applicable, management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management, when applicable, were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Disagreements With Management

For purposes of this report, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 13, 2018.

Management Consultations With Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OTHER MATTERS

We applied certain limited procedures to the management's discussion and analysis (MD&A) and the remaining required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information accompanying the financial statements and the separately issued Schedule of Expenditures of Federal Awards, which are not RSI. With respect to this information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information and Schedule of Expenditures of Federal Awards to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the introductory and statistical sections, which accompany the financial statements, but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

GOVERNMENTAL FUNDS OVERVIEW

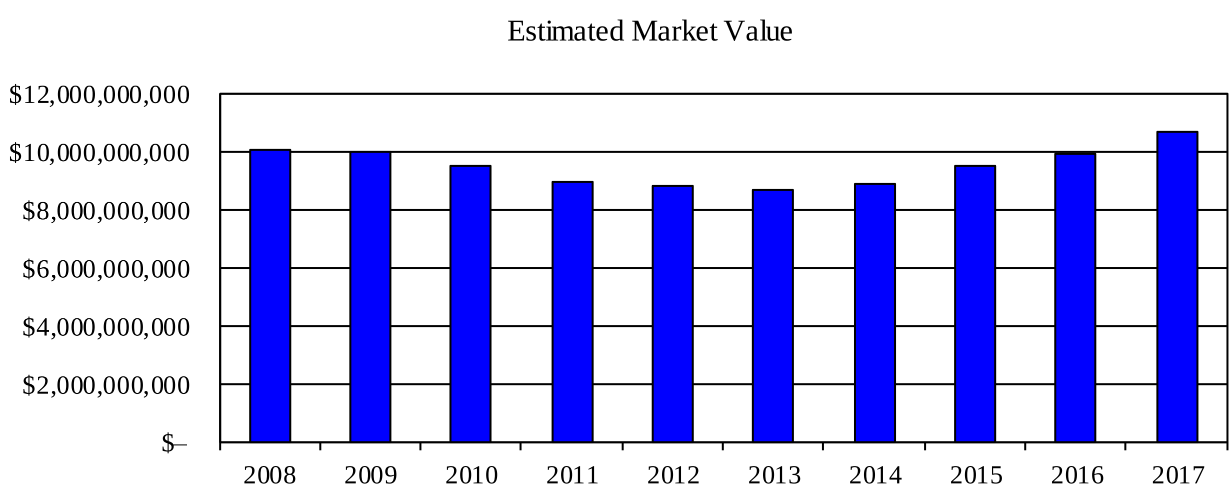
This section of the report provides you with an overview of the financial trends and activities of the City's governmental funds, which includes the General, special revenue, debt service, and capital project funds. These funds are used to account for the basic services the City provides to all of its citizens, which are financed primarily with property taxes. The governmental fund information in the City's financial statements focuses on budgetary compliance and the sufficiency of each governmental fund's current assets to finance its current liabilities.

PROPERTY TAXES

Minnesota cities rely heavily on local property tax levies to support their governmental fund activities. For the 2016 fiscal year, local ad valorem property tax levies provided 39.8 percent of the total governmental fund revenues for cities over 2,500 in population, and 36.4 percent for cities under 2,500 in population.

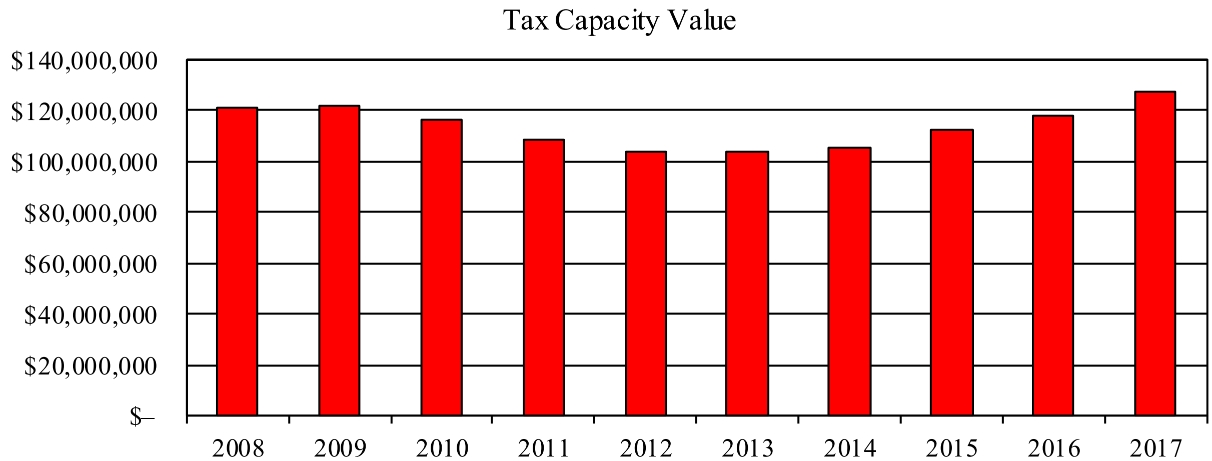
The total market value of property in Minnesota cities increased about 5.6 percent for the 2017 levy year, which followed an increase of 5.7 percent for levy year 2016. The market values used for levying property taxes are based on the previous fiscal year (e.g., market values for taxes levied in 2017 were based on assessed values as of January 1, 2016), so the trend of change in these market values lags somewhat behind the housing market and economy in general.

The City's estimated market value increased 4.8 percent for taxes payable in 2016 and 7.4 percent for taxes payable in 2017. The following graph shows the City's changes in estimated market value over the past 10 years:



Tax capacity is considered the actual base available for taxation. It is calculated by applying the state's property classification system to each property's market value. Each property classification, such as commercial or residential, has a different calculation and uses different rates. Consequently, a city's total tax capacity will change at a different rate than its total market value, as tax capacity is affected by the proportion of the its tax base that is in each property classification from year-to-year, as well as legislative changes to tax rates. The City's tax capacity increased 5.0 percent for taxes payable in 2016 and 8.1 percent for taxes payable in 2017.

The following graph shows the City's change in tax capacities over the past 10 years:



The following table presents the average tax rates applied to city residents for each of the last three levy years, along with comparative state-wide and metro area average rates from the two most recent years for which the information is available:

Rates Expressed as a Percentage of Net Tax Capacity

	All Cities State-Wide		Seven-County Metro Area		City of Plymouth		
	2015	2016	2015	2016	2015	2016	2017
Average tax rate							
City	46.9	46.5	43.4	43.0	27.8	27.3	26.5
County	44.7	44.1	42.9	42.3	46.4	45.4	44.1
School	27.1	27.5	28.3	28.6	27.9	27.7	26.3
Special taxing	6.9	6.9	8.8	8.7	11.1	10.9	10.7
Total	125.6	125.0	123.4	122.6	113.2	111.3	107.6

As the table displays, the City's average tax rate is significantly lower than state-wide averages. The City's lower than average tax rate has resulted in a total tax rate that is below both averages presented in the table above.

Note: The School tax rate is based on Wayzata School's (District #284) tax rate and the special taxing rate uses the Basset Creek Watershed (District #7) due to these two districts servicing the majority of the City.

GOVERNMENTAL FUND BALANCES

The following table summarizes the changes in the fund balances of the City's governmental funds during the years ended December 31, 2017 and 2016, presented both by fund balance classification and by fund:

Governmental Funds Change in Fund Balance

	Fund Balance as of December 31, 2017	Fund Balance as of December 31, 2016	Increase (Decrease)
Fund balances of governmental funds			
Total by classification			
Nonspendable	$ 123,451	$ 133,766	$ (10,315)
Restricted	17,821,796	20,421,913	(2,600,117)
Assigned	39,483,495	34,669,786	4,813,709
Unassigned	15,709,966	14,835,705	874,261
Total governmental funds	$ 73,138,708	$ 70,061,170	$ 3,077,538
Total by fund			
General	$ 15,835,810	$ 15,076,781	$ 759,029
Transit System	8,019,175	7,222,030	797,145
General Capital Projects	5,438,216	7,480,337	(2,042,121)
Improvement Projects	3,695,198	4,170,863	(475,665)
Street Replacement	16,343,354	8,292,398	8,050,956
Tax Increment Projects	1,842,875	2,873,631	(1,030,756)
Nonmajor funds	21,964,080	24,945,130	(2,981,050)
Total governmental funds	$ 73,138,708	$ 70,061,170	$ 3,077,538

In total, the fund balances of the City's governmental funds increased $3,077,538 during the year ended December 31, 2017.

The increase in the current year was primarily in the Street Replacement Fund with an increase in amounts assigned for infrastructure improvements. The increase represents the dedicated tax levy, franchise fees, and transfers from other funds for future infrastructure improvements.

GOVERNMENTAL FUND REVENUES

The following table presents the per capita revenue of the City's governmental funds for the past three years, along with state-wide averages.

We have included the most recent comparative state-wide averages available from the Office of the State Auditor to provide a benchmark for interpreting the City's data. The amounts received from the typical major sources of governmental fund revenue will naturally vary between cities based on factors such as a city's stage of development, location, size and density of its population, property values, services it provides, and other attributes. It will also differ from year-to-year due to the effect of inflation and changes in its operation. Also, certain data in these tables may be classified differently than how they appear in the City's financial statements in order to be more comparable to the state-wide information, particularly in separating capital expenditures from current expenditures.

We have designed this section of our management report using per capita data in order to better identify unique or unusual trends and activities of the City. We intend for this type of comparative and trend information to complement, rather than duplicate, information in the MD&A. An inherent difficulty in presenting per capita information is the accuracy of the population count, which for most years is based on estimates.

Governmental Funds Revenue per Capita
With State-Wide Averages by Population Class

	State-Wide		City of Plymouth		
Year	2015	2016	2015	2016	2017
Population	20,000–100,000	20,000–100,000	74,592	75,452	75,791
Property taxes	$ 443	$ 455	$ 401	$ 407	$ 427
Tax increments	37	42	17	19	21
Franchise fees and other taxes	39	45	35	29	29
Special assessments	59	59	–	–	–
Licenses and permits	43	42	80	62	66
Intergovernmental revenues	156	152	155	201	155
Charges for services	94	103	63	82	69
Other	58	54	78	58	67
Total revenue	$ 929	$ 952	$ 829	$ 858	$ 834

The City's governmental funds have typically generated less revenue per capita in total than other Minnesota cities in its population class. A city's stage of development, along with the way a city finances various capital projects, will impact the mix of revenue sources. The City has less special assessment revenue than the state-wide average, which is due to the way the City finances certain capital projects and, therefore, is not included in the funds presented in the above table.

Total revenues for the City's governmental funds for 2017 were $63,323,671, a decrease of $1,360,951 (2.1 percent) from the prior year. On a per capita basis, the City's governmental funds revenue for 2017 was $834, a decrease of $24. The most significant change was in intergovernmental revenues, which were $46 per capita less than the prior year. The City recognized a significant decrease in intergovernmental revenues for street reconstruction and community development purposes from the 2016 levels.

GOVERNMENTAL FUND EXPENDITURES

The expenditures of governmental funds will also vary from state-wide averages and from year-to-year, based on the City's circumstances. Expenditures are classified into three types as follows:

- **Current** – These are typically the general operating type expenditures occurring on an annual basis, and are primarily funded by general sources such as taxes and intergovernmental revenues.

- **Capital Outlay and Construction** – These expenditures do not occur on a consistent basis, more typically fluctuating significantly from year-to-year. Many of these expenditures are project-oriented, and are often funded by specific sources that have benefited from the expenditure, such as special assessment improvement projects.

- **Debt Service** – Although the expenditures for debt service may be relatively consistent over the term of the respective debt, the funding source is the important factor. Some debt may be repaid through specific sources such as special assessments or redevelopment funding, while other debt may be repaid with general property taxes.

The City's expenditures per capita of its governmental funds for the past three years, together with state-wide averages, are presented in the following table:

Governmental Funds Expenditures per Capita
With State-Wide Averages by Population Class

	State-Wide		City of Plymouth		
Year	2015	2016	2015	2016	2017
Population	20,000–100,000	20,000–100,000	74,592	75,452	75,791
Current					
General government	$ 89	$ 97	$ 75	$ 97	$ 84
Public safety	261	273	224	236	250
Streets and highways	99	95	83	64	110
Culture and recreation	94	95	102	102	102
All other	89	91	67	70	95
	632	651	551	569	641
Capital outlay and construction	286	301	211	475	159
Debt service					
Principal	117	115	24	13	34
Interest and fiscal	33	34	9	5	5
	150	149	33	18	39
Total expenditures	$ 1,068	$ 1,101	$ 795	$ 1,062	$ 839

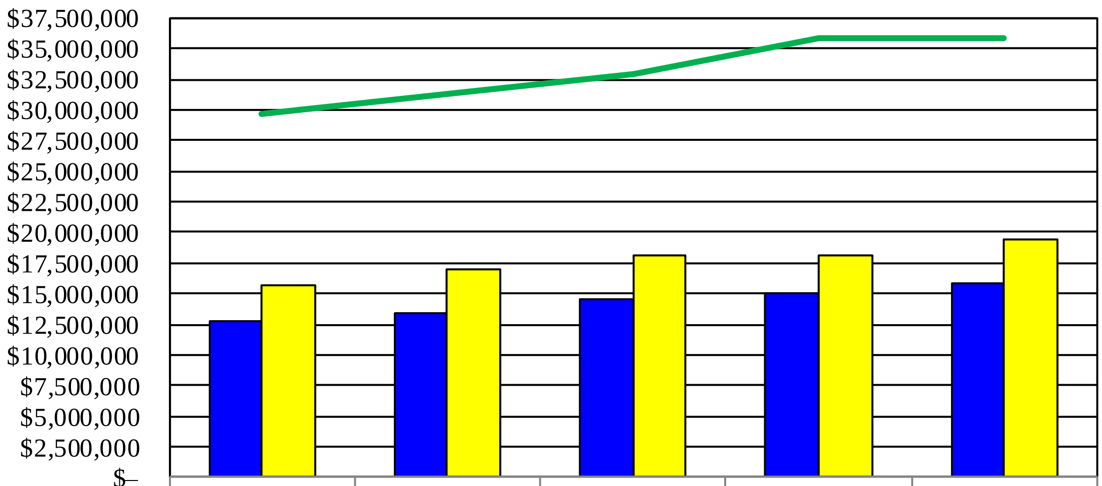
The City's governmental funds current per capita expenditures are lower than state-wide averages for cities in the same population class. The City's per capita expenditures for debt service are also much lower than state-wide averages.

Total expenditures for the City's governmental funds for 2017 were $63,572,626, a decrease of $16,728,685 (20.8 percent) from the prior year. The City's per capita governmental fund expenditures for 2017 were $839, a decrease of $223 per capita from the prior year. Capital outlay and construction costs decreased $316 per capita, due to timing of significant street and improvement projects, compared to the prior year's activity. Natural increases for inflation and services provided contributed to the increase in current spending. Debt service increased with the additional principal payments called on the open spaces bond plus the planned principal and interest payment schedules.

GENERAL FUND

The City's General Fund accounts for the financial activity of the basic services provided to the community. The primary services included within this fund are the administration of the municipal operation, police and fire protection, building inspection, streets and highway maintenance, and parks and recreation. The graph below illustrates the change in the General Fund financial position over the last five years. We have also included a line representing annual expenditures to reflect the change in the size of the General Fund operation over the same period.

General Fund Financial Position
Year Ended December 31,



	2013	2014	2015	2016	2017
Fund Balance	$12,788,508	$13,403,296	$14,598,184	$15,076,781	$15,835,810
Cash Balance	$15,704,103	$16,905,413	$18,104,236	$18,176,730	$19,493,971
Expenditures	$29,660,085	$31,252,734	$32,850,824	$35,922,594	$35,927,938

The City's General Fund cash and investments balance at December 31, 2017 was $19,493,971, an increase of $1,317,241. Total fund balance at December 31, 2017 was $15,835,810, which is an increase of $759,029 from the prior year, after a year-end transfer of $1,618,461 to the General Capital Projects Fund, in accordance with the fund balance policy of the City for the General Fund.

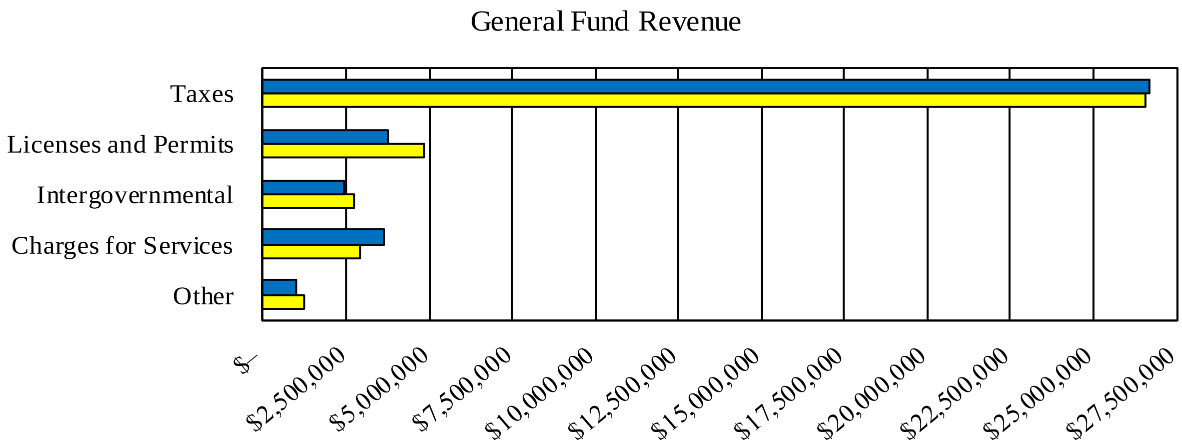
As the graph above illustrates, the City has generally been able to maintain healthy cash and fund balance levels as the volume of financial activity has grown. This is an important factor because a government, like any organization, requires a certain amount of equity to operate. A healthy financial position allows the City to avoid volatility in tax rates; helps minimize the impact of state funding changes; allows for the adequate and consistent funding of services, repairs, and unexpected costs; and is a factor in determining the City's bond rating and resulting interest costs. Maintaining an adequate fund balance has become increasingly important given the fluctuations in state funding for cities in recent years.

A trend that is typical to Minnesota local governments, especially the General Fund of cities, is the unusual cash flow experienced throughout the year. The City's General Fund cash disbursements are made fairly evenly during the year other than the impact of seasonal services such as snowplowing, street maintenance, and park activities. Cash receipts of the General Fund are quite a different story. Taxes comprise about 69 percent of the fund's total annual revenue. Approximately half of these revenues are received by the City in July and the rest in December. Consequently, the City needs to have adequate cash reserves to finance its everyday operations between these payments.

In accordance with the City's fund balance policy, the General Fund balance at the end of the 2017 fiscal year represents 40 percent of the subsequent year's budgeted expenditures and transfers out.

GENERAL FUND REVENUES

The following graph illustrates the City's General Fund revenue sources for 2017 compared to budget:

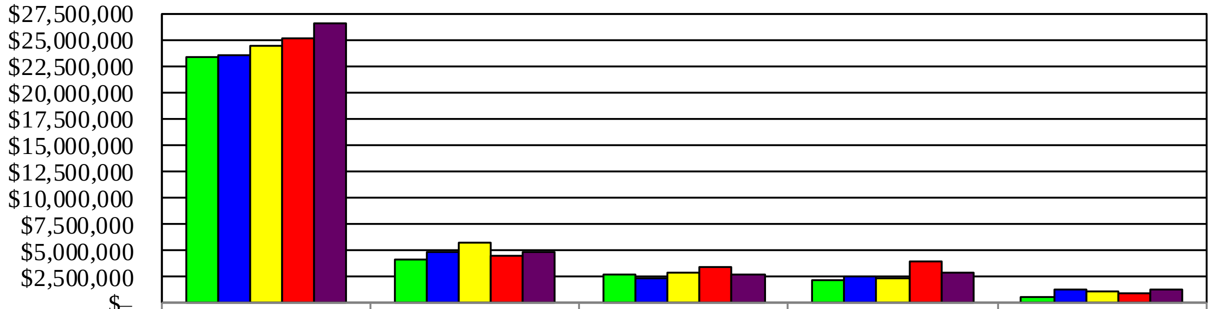


	Other	Charges for Services	Intergovernmental	Licenses and Permits	Taxes
Budget	$997,200	$3,631,359	$2,416,481	$3,750,160	$26,691,753
Actual	$1,253,460	$2,937,238	$2,725,138	$4,821,527	$26,543,658

Total General Fund revenues for 2017 were $38,281,021, which was $794,068 (2.1 percent) more than budget. Licenses and permits, intergovernmental revenues, and others sources were over budget $1,071,367, $308,657, and $256,260, respectively. Elevated development activity and conservative budgeting contributed to the favorable variances. Charges for services and taxes ended the year less than anticipated by $694,121 and $148,095, respectively, partially offsetting the favorable variances previously mentioned.

The following graph presents the City's General Fund revenue by source for the last five years and reflects the City's reliance on property taxes in recent years:

General Fund Revenue by Source
Year Ended December 31,



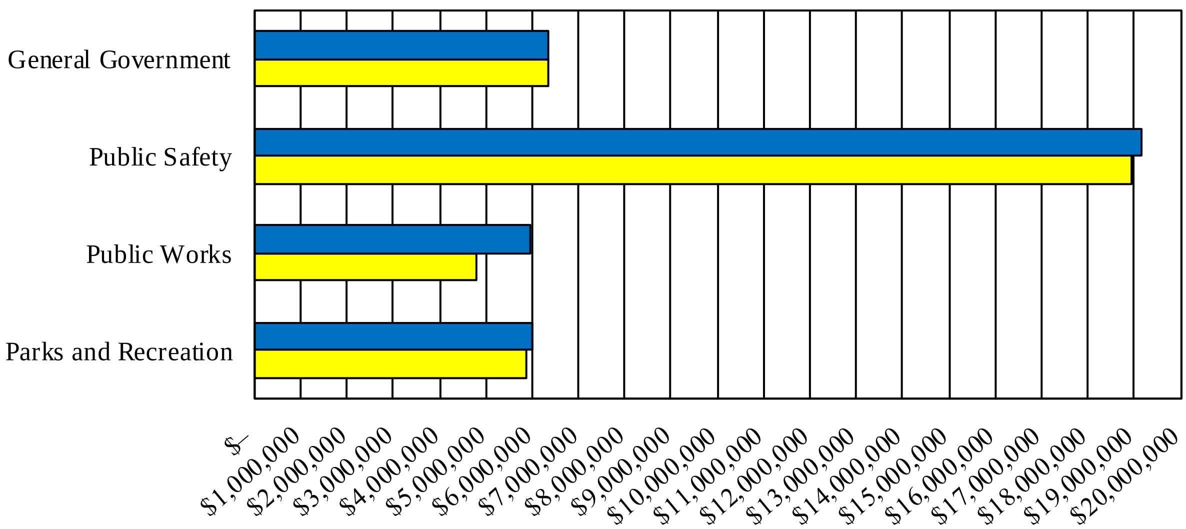
	Taxes	Licenses and Permits	Intergovernmental	Charges for Services	Other
2013	$23,466,327	$4,115,220	$2,694,777	$2,184,559	$529,421
2014	$23,649,213	$4,924,273	$2,370,473	$2,585,479	$1,376,192
2015	$24,414,150	$5,797,610	$2,880,999	$2,385,480	$1,126,309
2016	$25,247,809	$4,510,095	$3,488,202	$3,959,231	$929,909
2017	$26,543,658	$4,821,527	$2,725,138	$2,937,238	$1,253,460

Total General Fund revenue for 2017 was $145,775 (0.4 percent) higher than last year. Taxes increased by $1,295,849, due to an increase in the tax levy over the prior year. Licenses and permits revenue increased by $311,432, due to continued development as previously discussed. Intergovernmental revenue decreased $763,064 primarily due to the pass-through grant received in the prior year. Charges for services decreased by $1,021,993, due to an unusually high level of charges for services activity related to City projects in the prior year. Remaining revenues increased by $323,551, which includes investment earnings and other miscellaneous sources.

GENERAL FUND EXPENDITURES

The following graph illustrates the components of General Fund spending for 2017 compared to budget:

General Fund Expenditures

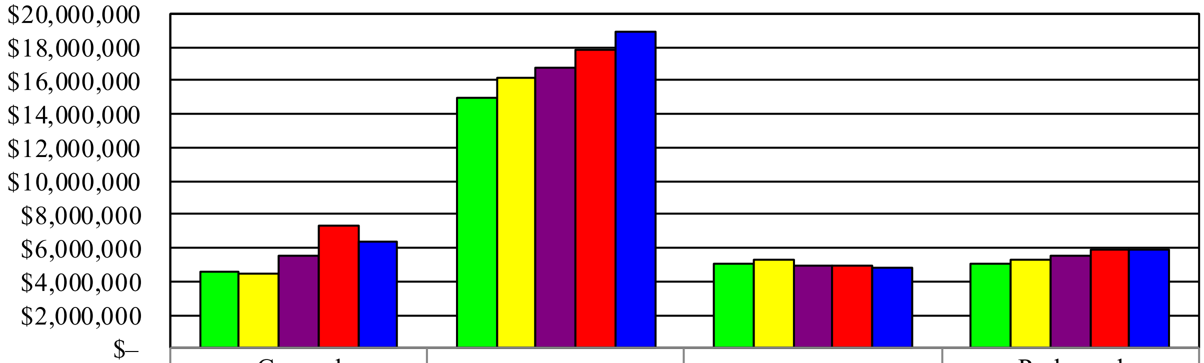


	Parks and Recreation	Public Works	Public Safety	General Government
Budget	$6,013,607	$5,956,846	$19,163,933	$6,345,067
Actual	$5,868,680	$4,783,693	$18,925,718	$6,349,847

Total General Fund expenditures for 2017 were $35,927,938, which was $1,551,515 (4.1 percent) under the final budget. The largest variance was in public works, which experienced savings of $1,173,153 due to less materials and supplies for street repairs than anticipated. Overall savings in personal costs, due to attrition and cost restraints shared by all departments, contributed to the favorable expenditure variance.

The following graph presents the City's General Fund expenditures by function for the last five years:

General Fund Expenditures by Function
Year Ended December 31,



	General Government	Public Safety	Public Works	Parks and Recreation
2013	$4,579,483	$15,014,462	$5,039,057	$5,027,083
2014	$4,454,026	$16,135,469	$5,326,347	$5,336,892
2015	$5,547,072	$16,760,687	$4,968,666	$5,574,399
2016	$7,328,302	$17,814,799	$4,922,496	$5,856,997
2017	$6,349,847	$18,925,718	$4,783,693	$5,868,680

Total General Fund expenditures for 2017 increased $5,344 over the prior year. General government expenditures decreased by $978,455 from the prior year, mainly due to the pass-through grant expenditures contributed in the prior year. Public safety expenditures increased by $1,110,919 (6.2 percent) over the prior year, mainly in personal services as anticipated in the budget.

ENTERPRISE FUNDS OVERVIEW

The City maintains enterprise funds to account for services the City provides that are financed primarily through fees charged to those utilizing the service. This section of the report provides you with an overview of the financial trends and activities of the City's enterprise funds, which includes the Water Sewer Utility, Ice Center, Water Resources, Solid Waste Management, and Field House funds.

The utility funds comprise a considerable portion of the City's activities. These funds help to defray overhead and administrative costs and provide additional support to general government operations by way of annual transfers. We understand that the City is proactive in reviewing these activities on an ongoing basis and we want to reiterate the importance of continually monitoring these operations. Over the years, we have emphasized to our city clients the importance of these utility operations being self-sustaining, preventing additional burdens on general government funds. This would include the accumulation of net position for future capital improvements and to provide a cushion in the event of a negative trend in operations.

ENTERPRISE FUNDS FINANCIAL POSITION

The following table summarizes the changes in the financial position of the City's enterprise funds during the years ended December 31, 2017 and 2016, presented both by classification and by fund:

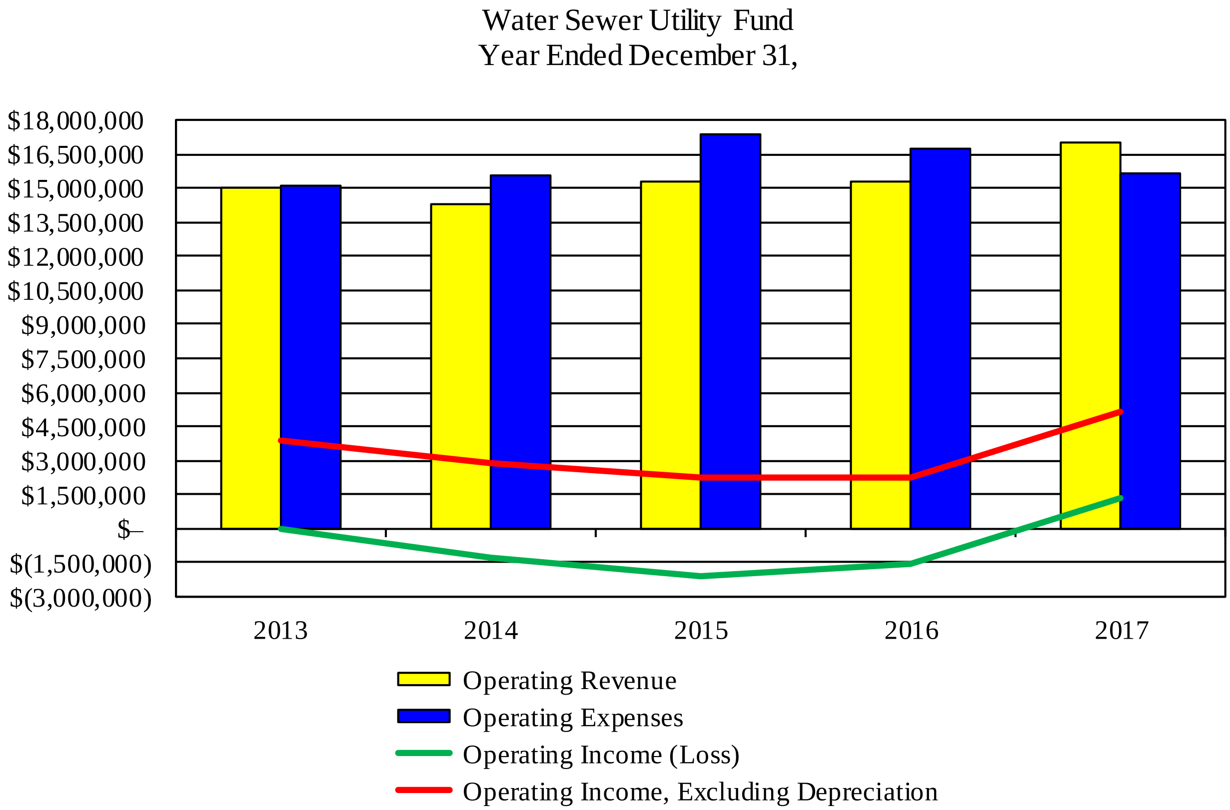
Enterprise Funds Change in Financial Position

	Net Position as of December 31, 2017	Net Position as of December 31, 2016	Increase (Decrease)
Net position of enterprise funds			
Total by classification			
Net investment in capital assets	$ 130,912,363	$ 121,171,499	$ 9,740,864
Restricted	22,004,066	19,689,798	2,314,268
Unrestricted	10,769,180	10,874,101	(104,921)
Total enterprise funds	$ 163,685,609	$ 151,735,398	$ 11,950,211
Total by fund			
Water Sewer Utility	$ 128,266,940	$ 121,114,908	$ 7,152,032
Ice Center	10,015,564	9,271,273	744,291
Water Resources	22,104,788	17,317,894	4,786,894
Nonmajor funds			
Solid Waste Management	1,612,533	1,705,141	(92,608)
Field House	1,685,784	2,326,182	(640,398)
Total enterprise funds	$ 163,685,609	$ 151,735,398	$ 11,950,211

In total, enterprise fund net position increased by $11,950,211, for the year ended December 31, 2017. The City's net investment in capital assets increased by $9,740,864 largely due to capital contributions from governmental funds and developers. The restricted portion of net position increased $2,314,268 for utility trunk and water resources, which reflects restricted equity to invest in capital infrastructure of the City. Unrestricted net position decreased slightly ($104,921) from the prior year-end balance as presented in the table above. Capital contributions, mentioned earlier, contributed significantly to the increases in net position of the Water Sewer Utility, Ice Center, and Water Resources Funds.

WATER SEWER UTILITY FUND

The following graph presents five years of comparative operating results for the City's Water Sewer Utility Fund:



The Water Sewer Utility Fund ended 2017 with a total net position of $128,266,940, an increase of $7,152,032 from the prior year. Of this, $101,589,842 represents the net investment in capital assets, and $18,041,434 is restricted, leaving $8,635,664 of unrestricted net position.

The Water Sewer Utility Fund operating revenue was $16,996,320 for 2017, an increase of $1,744,338 (11.4 percent). An increase in rates and an increase in consumption in 2017 contributed to this increase. Consumption will fluctuate from year-to-year based on many factors, including weather patterns and the number of utility customers.

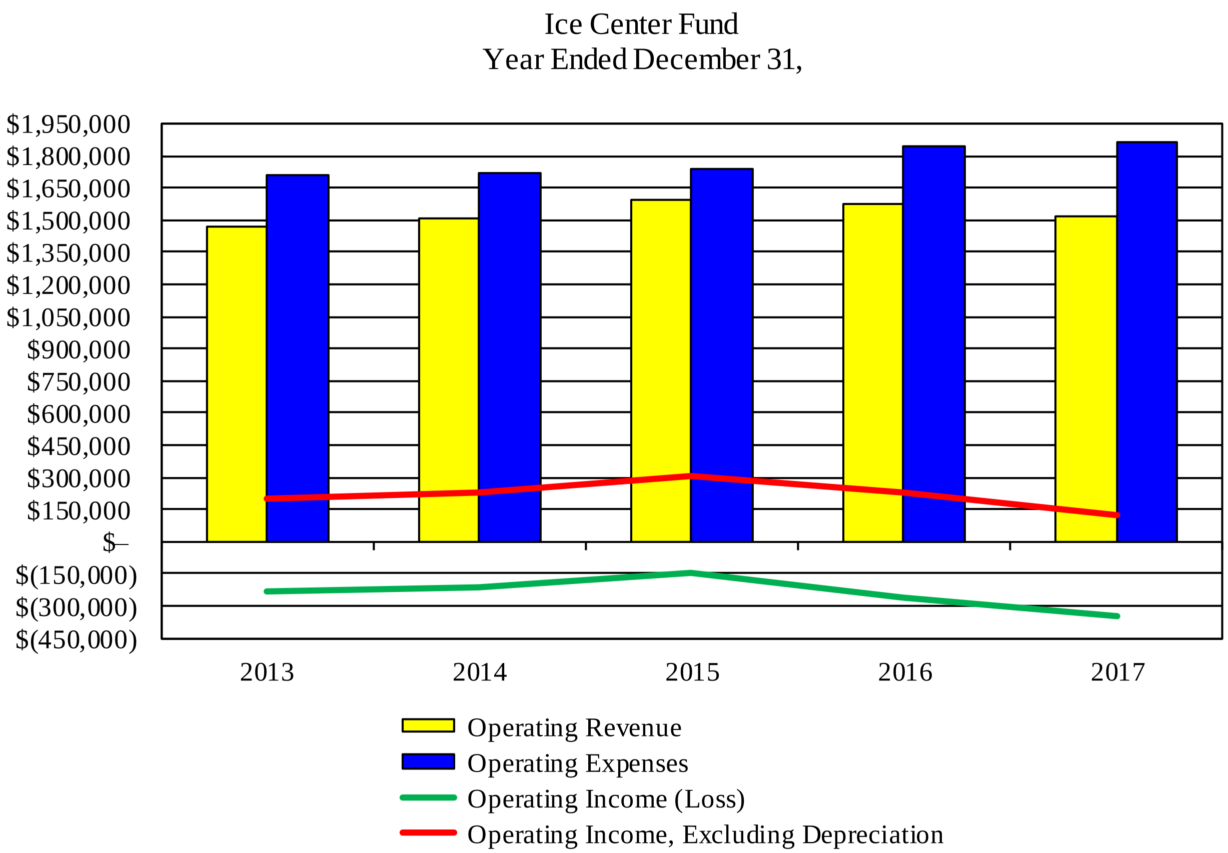
Operating expenses (including depreciation of $3,768,603) were $15,640,603, a decrease of $1,142,447 (6.8 percent); the decrease was mainly due to decreases in contractual and personal services.

As the graph above illustrates, this fund has experienced losses from operations in recent years. It is important to note that a portion of the operating expenses in this fund is depreciation on assets paid for and contributed to the City by developers. In general, the City's utility rates have not been designed to fully recover depreciation costs on such assets. Utility rates are normally designed to cover current operating expenses and to provide for future repairs and replacement of these assets.

These operating losses, however, have generally been more than offset by amounts in other revenues and contributions over the same time period. Other revenues and contributions include a number of revenue sources that are normally one-time or inconsistent from year-to-year. It includes such things as interest income, grants, contributions from developers and residents, special assessments, and income from sales of assets.

ICE CENTER FUND

The following graph presents five years of comparative operating results for the City's Ice Center Fund:



The Ice Center Fund ended 2017 with a net position of $10,015,564, an increase of $744,291 from the prior year. Of this, $10,391,180 represents the net investment in capital assets, leaving an unrestricted deficit net position of $375,616.

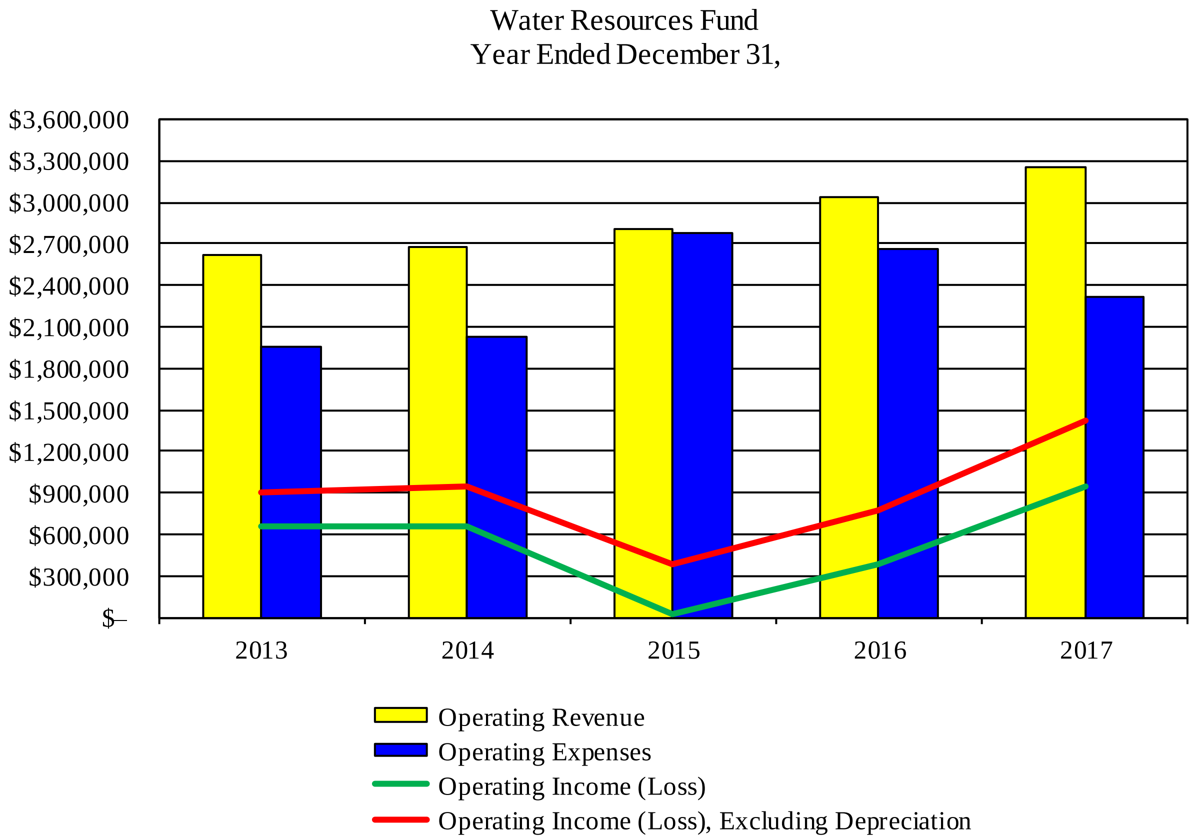
Operating revenue in the Ice Center Fund was $1,517,297, a decrease of $60,573 from the prior year. Operating expenses for 2017 were $1,866,383, an increase of $25,735 from the prior year. The increase in expenses was primarily due to more personal services, which were $26,299 over the prior year.

The overall increase in total net position was due in part to capital contributions of $1,141,387 recognized in the current year.

It is important to note that a significant portion of the operating expenses in this fund is depreciation on capital assets already funded. The fees charged in this fund are developed to cover operating expenses, repairs, and betterment of the ice center facilities.

WATER RESOURCES FUND

The following graph presents five years of comparative operating results for the City's Water Resources Fund:

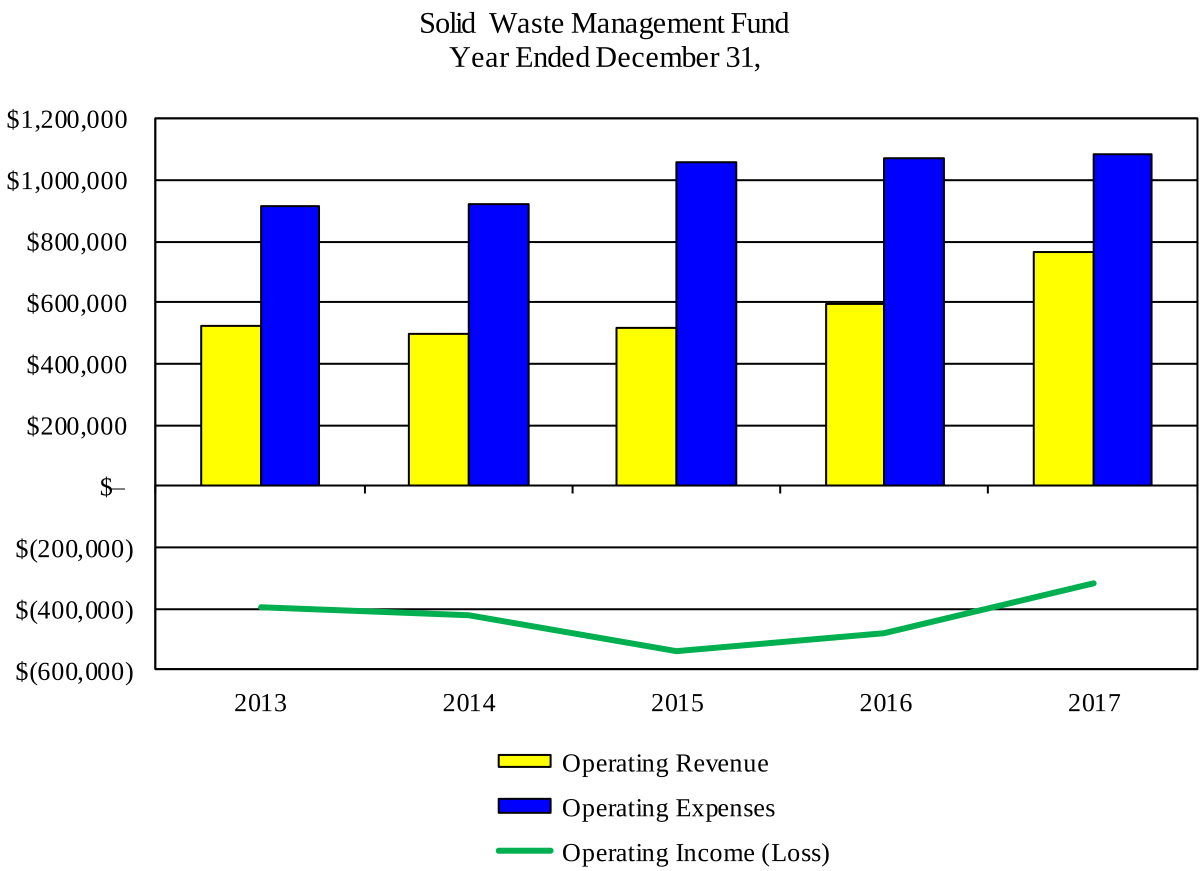


The Water Resources Fund ended 2017 with a net position of $22,104,788, an increase of $4,786,894 from the prior year. Of this, $18,142,156 represents the net investment in capital assets, while the remaining $3,962,632 is considered restricted.

Operating revenue in the Water Resources Fund was $3,248,051, an increase of $208,174 (6.8 percent) from the prior year. Operating expenses for 2017 were $2,309,527, a decrease of $348,466 from the prior year. The decrease in expenses was primarily due to decreased materials and supplies and contractual services.

SOLID WASTE MANAGEMENT FUND

The following graph presents five years of comparative operating results for the City's Solid Waste Fund:

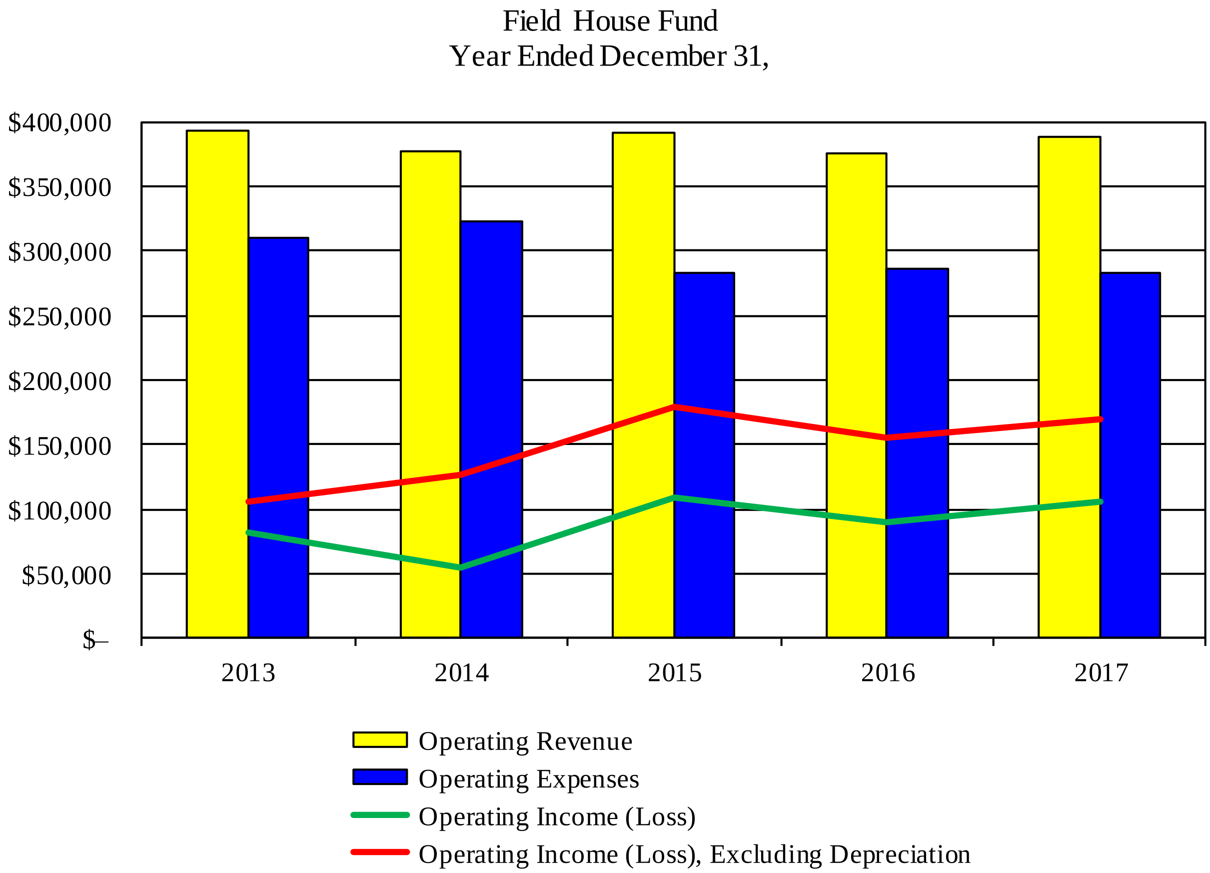


The Solid Waste Management Fund ended 2017 with a net position of $1,612,533, a decrease of $92,608 from the prior year. Of this, $132,260 represents the net investment in capital assets, leaving $1,480,273 of unrestricted net position.

Operating revenues in the Solid Waste Management Fund were $765,957, an increase of $169,850 from the prior year. Operating expenses for 2017 were $1,084,619, an increase of $10,180 from the prior year in contractual services.

Field House Fund

The following graph presents five years of comparative operating results for the City's Field House Fund:



The Field House Fund ended 2017 with a net position of $1,685,784, a decrease of $640,398 from the prior year. Of this, $656,925 represents the net investment in capital assets, leaving $1,028,859 of unrestricted net position.

As presented in the graph above, the Field House Fund experienced positive operating income for all years displayed. Total operating revenue in the Field House Fund was $389,004, an increase of $13,312 from the previous year. The fees charged in this fund are developed to cover operating expenses, repairs, and betterment of field house facilities. Field House Fund operating expenses for 2017 were $282,859, a decrease of $3,075 from the previous year.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

In addition to fund-based information, the current reporting model for governmental entities also requires the inclusion of two government-wide financial statements designed to present a clear picture of the City as a single, unified entity. These government-wide financial statements provide information on the total cost of delivering services, including capital assets and long-term liabilities.

STATEMENT OF NET POSITION

The Statement of Net Position essentially tells you what your city owns and owes at a given point in time, the last day of the fiscal year. Theoretically, net position represents the resources the City has leftover to use for providing services after its debts are settled. However, those resources are not always in spendable form, or there may be restrictions on how some of those resources can be used. Therefore, net position is divided into three components: net investment in capital assets, restricted, and unrestricted.

The following table presents the components of the City's net position as of December 31, 2017 and 2016, for governmental activities, business-type activities, and the Housing and Redevelopment Authority (HRA) component unit:

	As of December 31,		Increase
	2017	2016	(Decrease)
Net position			
Governmental activities			
Net investment in capital assets	$ 224,668,917	$ 223,538,088	$ 1,130,829
Restricted	23,181,942	25,313,095	(2,131,153)
Unrestricted	64,680,437	59,654,163	5,026,274
Total governmental activities	312,531,296	308,505,346	4,025,950
Business-type activities			
Net investment in capital assets	130,912,363	121,171,499	9,740,864
Restricted	22,209,049	19,850,501	2,358,548
Unrestricted	8,172,940	8,249,201	(76,261)
Total business-type activities	161,294,352	149,271,201	12,023,151
Housing and Redevelopment Authority			
Net investment in capital assets	(708,530)	(1,682,323)	973,793
Restricted	4,706,984	4,615,972	91,012
Unrestricted	1,362,372	2,045,049	(682,677)
Total Housing and Redevelopment Authority	5,360,826	4,978,698	382,128
Total net position	$ 479,186,474	$ 462,755,245	$ 16,431,229

The City (including the HRA) ended 2017 with a combined total net position of $479,186,474, an increase of $16,431,229 from the prior year. Several factors contributed to this increase, as discussed earlier in the report. Significant capital contributions recognized from grantors and developers contributed to the increase over the prior year.

At the end of the fiscal year, the City is able to present positive balances in all three categories of net position for the governmental activities and business-type activities. The same situation held true for the prior fiscal year.

STATEMENT OF ACTIVITIES

The Statement of Activities tracks the City's yearly revenues and expenses, as well as any other transactions that increase or reduce total net positions. These amounts represent the full cost of providing services. The Statement of Activities provides a more comprehensive measure than just the amount of cash that changed hands, as reflected in the fund-based financial statements. This statement includes the cost of supplies used, depreciation of long-lived capital assets, and other accrual-based expenses.

The following table presents the change in net position of the City and the HRA for the years ended December 31, 2017 and 2016:

	2017			2016
	Expenses	Program Revenues	Net Change	Net Change
Net (expense) revenue				
Governmental activities				
General government	$ 6,596,449	$ 1,697,603	$ (4,898,846)	$ (5,022,332)
Economic development	2,178,297	131	(2,178,166)	(722,046)
Parks and recreation	9,205,590	4,171,897	(5,033,693)	(4,582,665)
Public safety	19,476,045	6,722,577	(12,753,468)	(15,522,726)
Public service	5,147,487	5,453,683	306,196	792,123
Public works	16,641,737	10,876,787	(5,764,950)	4,268,046
Interest on long-term debt	271,710	–	(271,710)	(300,931)
Business-type activities				
Water Sewer Utility	15,622,165	21,066,133	5,443,968	2,971,059
Ice Center	1,901,068	1,549,832	(351,236)	(208,154)
Water Resources	2,302,752	4,455,381	2,152,629	2,375,763
Solid Waste Management	1,087,411	969,658	(117,753)	(263,740)
Field House	286,741	388,642	101,901	83,922
Housing and Redevelopment Authority	5,257,933	5,015,355	(242,578)	(386,401)
Total net (expense) revenue	$ 85,975,385	$ 62,367,679	(23,607,706)	(16,518,082)
General revenues				
Property taxes and franchise fees			36,597,742	34,915,161
Investment earnings			2,116,299	1,778,958
Gain on sale of capital assets			111,262	38,568
Other			1,213,632	1,005,181
Total general revenues			40,038,935	37,737,868
Change in net position			$ 16,431,229	$ 21,219,786

One of the goals of this statement is to provide a side-by-side comparison to illustrate the difference in the way the City's governmental and business-type operations are financed. The table clearly illustrates the dependence of the City's governmental operations on general revenues, such as property taxes and other general sources. It also shows that, for the most part, the City's business-type activities are generating sufficient program revenues (service charges and program-specific grants) to cover expenses. This is critical given the current downward pressures on the general revenue sources.

The shift in the net changes presented above between the current and prior year reflects the change in level of developer contributions as previously mentioned. The change in public works is also due in part to expenses for joint street projects that were not capital assets of the City in the current year.

LEGISLATIVE UPDATES

The 2017 legislative session began with a full agenda, which included adopting a fiscal year 2018–2019 biennial state budget. The February 2017, state budget forecast projected that the state General Fund would end the 2016–2017 biennium with a surplus of $743 million, eliminating the need for budget cuts or transfers to balance the fund. However, the Legislature was expected to address several significant spending areas for which successful funding appropriations had not been passed in recent legislative sessions. The 2017 regular legislative session ended with four omnibus budget bills being vetoed, potentially leaving a number of these same areas without appropriations. After a three-day special session, the Governor and Legislature were able to agree on budget and appropriation bills addressing most of the state budgetary needs for the upcoming biennium, albeit not without several line item vetoes invoked by the Governor, including striking the appropriations for operating the House and Senate from the bills.

The following is a summary of recent legislation affecting Minnesota cities:

Omnibus Bonding Bill – The omnibus bonding bill authorizes financing for approximately $1.1 billion in capital improvements. Included in the approved funding was $255 million for transportation infrastructure, $83 million for economic development, $116 million for Public Financing Agency water infrastructure loans and grants to municipalities, and $4 million for Metropolitan Council inflow and infiltration improvement grants to metro area cities.

Omnibus Transportation Bill – The omnibus transportation bill appropriates $2.95 billion in fiscal 2018 and $2.87 billion in fiscal 2019, for a wide variety of transportation related projects. Included in the appropriations are approximately $191 million and $198 million for municipal state aid street fund purposes in fiscal 2018 and fiscal 2019, respectively.

Property Tax Relief – The omnibus tax bill contained a number of property tax relief measures, including:

- Elimination of the implicit price deflator annual increase for the state general property tax levy, effectively freezing it at the payable 2018 level for many property classes;
- Exempting the first $100,000 of each commercial-industrial parcel's tax capacity from the state general property tax levy;
- Expanding eligibility for homestead or agricultural property classification exemptions for certain types of resort and conservation property for general property taxes; and
- Increasing the minimum value for a storage shed, deck, or similar structure on a leased mobile home to be considered taxable from $1,000 to $10,000.

Local Government Aid – The annual appropriation for Local Government Aid (LGA) for cities was increased $15.0 million to $534.4 million for aid payable in 2018 and thereafter, and the LGA payment schedule was accelerated for fiscal 2019 only. Several corrections were also made to the city LGA formula calculation, and a sparsity adjustment was incorporated for certain medium and small cities beginning in 2018.

Minnesota Investment Fund – The omnibus jobs and economic growth bill appropriates $12.5 million for each year of the biennium for the Minnesota Investment Fund, which is available for municipalities to provide loans to assist with the expansion of local businesses.

Electronic Funds Transfers – Effective August 1, 2017, home rule charter cities of the second, third, or fourth class are added to the list of local government entities allowed to pay certain claims using electronic funds transfers. To be eligible, local governments must enact specified policy controls governing the initiation, authorization, and documentation of electronic funds transfers.

Claims Declaration – The requirement to obtain a specific form of written claim declaration was also repealed based on the understanding that by making the claim, the party making the claim is declaring that the claim is just and correct and has not been paid previously.

City E-mail Address Required to Receive State Aid – Effective for state aids payable in 2018 and thereafter, cities will be required to register an official e-mail address with the Commissioner of the state Department of Revenue in order to receive state aid payments.

Workforce Housing Tax Increment Financing – The omnibus tax bill created a new authorized use of tax increment financing (TIF), for workforce housing in cities located outside of the statutorily defined metropolitan area that meet certain criteria.

Tax Increment Financing Interfund Loans – Interfund loan provisions for TIF were amended to make it easier for cities and development authorities to make and document interfund loans. Loans may now be made or documented up to 60 days after the actual transfer or expenditure occurs. Interfund loan resolutions may now be passed prior to the final approval of the related TIF plan. Loan terms may be amended after the loan has been made if the TIF district has not been decertified.

Public Debt – The Legislature passed several amendments to statutes governing public debt that took effect on July 1, 2017, including:

- Allowing both home rule charter and statutory cities to issue 20-year capital notes for projects to eliminate R-22 Freon-based refrigerant;
- Increasing the maximum dollar limit on Housing and Redevelopment Authority general obligation bond issues from $3 million to $5 million; and
- Modifying the requirements for street reconstruction bonds to be approved by a two-thirds majority of the governing body rather than requiring unanimous approval.

Local Housing Trust Funds – The omnibus jobs and economic growth appropriations bill established authority for cities to create a local housing trust fund by ordinance, or to participate in a joint powers agreement to establish a regional housing trust fund. The funds, which may be financed from sources such as local government appropriations or housing and redevelopment authority levies, may be used for grants or loans for development, rehabilitation, financing of housing to match federal or state or private funds for housing, down payment assistance, rental assistance, or homebuyer counseling.

Long-Term Equity Investment Authority – Effective July 1, 2017, cities with a population of more than 100,000 or those that had their most recently issued general obligation bonds rated in the highest category, are authorized to invest in an expanded list of authorized investments that includes certain equity-based investments. The amount invested in equity-based investments cannot exceed 15 percent of the sum of a city's assigned cash, cash equivalents, deposits, and investments. Before investing in the expanded list of authorized investments, the governing body of the municipality must adopt a resolution acknowledging the risks assumed.

Border-to-Border Broadband Grants – The Legislature appropriated $20 million in fiscal 2018 for the Border-to-Border Broadband Grant Program. The grants, available through the Office of Broadband Development in the Department of Employment and Economic Development, provide funding to help communities meet state goals for the development of state-wide, high-speed broadband access, focusing on areas currently considered to be underserved or with a high concentration of low-income households.

Elections – An omnibus elections law was passed making several modifications to election administration, including: requiring special elections conducted by local governments be held on one of five uniform election dates, clarifying the timeline for municipalities to change from odd to even-year election cycles or vise-versa, allowing municipalities to canvass the results of a primary election on the second or third day after the primary, and appropriating $7 million for grants to replace aging election equipment or purchase electronic poll books.

Workers' Compensation and PERA Retirement Benefits – A statutory change was adopted based on the results of recent court rulings that Public Employees Retirement Association (PERA) retirement benefits should not be offset against workers' compensation permanent total disability benefits. Under the new law, claimants would receive all past and future permanent and total disability benefits without a PERA retirement offset.

Notice of Proposed Ordinances – A new statute was created requiring cities to provide a 10-day notice prior to a scheduled final vote on most new proposed ordinances or amendments to ordinances, and specifying the various acceptable means of providing the required notification.

State Building Code Applicability – Construction, additions, and alterations to places of public accommodation; defined as publicly or privately-owned facilities designed for occupancy by 200 or more people as a sports or entertainment arena, stadium, theater, community or convention hall, special event center, indoor amusement facility or water park, or indoor swimming pool; must comply with the state building code.

Sunday Liquor Sales – Minnesota Statutes were amended to allow for the sale of intoxicating liquor on Sundays between the hours of 11:00 a.m. and 6:00 p.m. by off-sale licensees, effective July 1, 2017.

REAL ID Act – Minnesota Statutes were amended to make the state compliant with federal REAL ID Act requirements, which will change identity verification and security related to state-issued identification cards and driver's licenses.

THIS PAGE INTENTIONALLY LEFT BLANK

ACCOUNTING AND AUDITING UPDATES

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, establishes new accounting and financial reporting requirements for governments whose employees are provided with other post-employment benefits (OPEB), as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. This statement replaces the requirements of GASB Statement Nos. 45 and 57.

This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Similar to changes implemented for pensions, this statement requires the liability of employer and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. Note disclosure and RSI requirements about defined benefit OPEB also are addressed.

The requirements for this statement are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 83, *Certain Asset Retirement Obligations*

This statement addresses accounting and financial reporting for certain asset retirement obligations (ARO), which are legally enforceable liabilities associated with the retirement of a tangible capital asset.

This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for ARO. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability when it is both incurred and reasonably estimable. The measurement of an ARO is required to be based on the best estimate of the current value of outlays expected to be incurred, and a deferred outflow of resources associated with an ARO is required to be measured at the amount of the corresponding liability upon initial measurement.

This statement requires the current value of a government's AROs to be adjusted for the effects of general inflation or deflation at least annually, and a government to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlays. A government should remeasure an ARO only when the result of the evaluation indicates there is a significant change in the estimated outlays. Deferred outflows of resources should be reduced and recognized as outflows of resources in a systematic and rational manner over the estimated useful life of the tangible capital asset.

If a government owns a minority interest in a jointly owned tangible asset where a nongovernmental entity is the majority owner or has operational responsibility for the jointly owned asset, the government's minority share of an ARO should be reported using the measurement produced by the nongovernmental majority owner or the nongovernmental minority owner that has operational responsibility, without adjustment to conform to the liability measurement and recognition requirements of this statement.

The statement also requires disclosures of any funding or financial assurance requirements a government has related to the performance of asset retirement activities, along with any assets restricted for the payment of the government's AROs. This statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. If an ARO (or portions thereof) has been incurred by a government but is not yet recognized because it is not reasonably estimable, the government is required to disclose that fact and the reasons therefor. This statement requires similar disclosures for a government's minority shares of AROs.

The requirements of this statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged.

GASB STATEMENT NO. 84, *FIDUCIARY ACTIVITIES*

This statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and post-employment benefit arrangements that are fiduciary activities.

An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements, which should present a statement of fiduciary net position and a statement of changes in fiduciary net position. This statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria.

A fiduciary component unit, when reported in the fiduciary fund financial statements of a primary government, should combine its information with its component units that are fiduciary component units and aggregate that combined information with the primary government's fiduciary funds.

This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources, defined as when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.

The requirements of this statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

GASB STATEMENT NO. 85, *OMNIBUS 2017*

The objective of this statement is to address issues that have been identified during implementation and application of certain GASB statements. The statement addresses a variety of topics, including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and OPEB). The statement is meant to enhance consistency in the application of recent accounting and financial reporting standards. The requirements of this statement are effective for reporting periods beginning after June 15, 2017.

GASB STATEMENT NO. 86, *CERTAIN DEBT EXTINGUISHMENT ISSUES*

Current GASB guidance requires that debt be considered defeased in substance when the debtor irrevocably places cash or other monetary assets acquired with refunding debt proceeds in a trust to be used solely for satisfying scheduled payments of both principal and interest of the defeased debt. This new standard establishes essentially the same requirements for when a government places cash and other monetary assets acquired with only existing resources in an irrevocable trust to extinguish the debt.

The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this statement are effective for reporting periods beginning after June 15, 2017.

GASB STATEMENT NO. 87, *LEASES*

A lease is a contract that transfers control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this statement.

Governments enter into leases for many types of assets. Under the previous guidance, leases were classified as either capital or operating depending on whether the lease met any of four tests. In many cases, the previous guidance resulted in reporting lease transactions differently than similar nonlease financing transactions.

The goal of this statement is to better meet the information needs of users by improving accounting and financial reporting for leases by governments. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. This statement increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

To reduce the cost of implementation, this statement includes an exception for short-term leases, defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

THIS PAGE INTENTIONALLY LEFT BLANK