

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2014

PREPARED BY:

FINANCE DEPARTMENT

Clara Thorne
Finance Director

Member GFOA of U.S. and Canada
Published June 9, 2015

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INTRODUCTORY SECTION

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

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June 9, 2015

Honorable Mayor
Members of the City Council
City of North Mankato
North Mankato, Minnesota 56003

State law requires that all general purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformance with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of North Mankato (the City) for the fiscal year ended December 31, 2014.

The report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

The City's financial statements have been audited by Abdo, Eick & Meyers, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2014 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City's financial statements for the fiscal year ended December 31, 2014 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD & A). This letter of transmittal is designed to complement MD & A and should be read in conjunction with it. The City's MD & A can be found immediately following the report of the independent auditors.



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Profile of the Government

The City of North Mankato is a city of the third class and is located in Nicollet County. Nestled along the bluffs at the bend of the Minnesota River in south-central Minnesota it is approximately 80 miles southwest of the Minneapolis / Saint Paul metropolitan area. Access is provided via U.S. Highways 14 and 169, State Highways 22, 60, 66 and 68, and Interstate I-35 and I-90 are located within 40 and 50 miles of the City, respectively. There are 28 truck lines servicing the City with six truck terminals in the City. The Dakota Minnesota and Eastern Railroad Co. and Union Pacific Railroad provide daily freight rail service to the City. The City is also serviced by the Mankato regional airport which can accommodate charter, commercial freight and jet planes with a 6,600-foot paved, lighted runway. The City currently occupies a land area of four square miles and has a population of 13,520. The City is empowered to levy a property tax on real property located within its corporate limits.

The City was incorporated in 1898 and has been a Statutory City since 1974. The City operates under the Optional Plan A form of government. Policy making and legislative authority is vested in a governing council consisting of the Mayor and four Council Members. The Mayor and City Council are responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Administrator. The City Administrator is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day to day operations of the government, and for appointing the heads of various departments. The Mayor and Council are elected on a non-partisan basis. Council Members serve four-year staggered terms. The Mayor is elected to serve a two-year term.

The 2010 U.S. Census designated the Mankato/North Mankato region as an urbanized area (metropolitan statistical area-MSA). Designation as an MSA is beneficial, positively having an impact on quality of life and the economy, including increased funding for transportation and economic development.

The City provides a full range of services, including police and fire protection, the construction and maintenance of highways, streets and other infrastructure, and recreational services along with water, sewer, storm water and sanitation utility service. North Mankato features a number of City parks for recreational activities among which is Caswell Park, one of the premier softball complexes in the nation. This facility has a substantial pedigree of hosting community, state, regional and national tournaments and features the Miracle Field for special needs athletes.

The annual budget serves as the foundation for the City's financial planning and control. The City Administrator presents the proposed budget to the Council for review prior to September 30. The Council will hold a public hearing on the proposed budget and adopt a final budget by no later than December 31, the close of the City's fiscal year. The appropriated budget is prepared by fund, function, and departmental program. Budget to actual comparisons are provided for each individual governmental fund for which an appropriated annual budget has been adopted.

Factors Affecting Financial Condition

The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economy

The City currently enjoys a favorable economic environment and local indicators point to continued growth. The unemployment rate is 2.9 percent which represents a decrease from the previous year rate of 4.1 percent, mostly due to the diverse economic base. The Mankato/North Mankato area is a regional center for retail trade, medical care, manufacturing and education. The area is home to Minnesota State University-Mankato, South Central College, Bethany College and Rasmussen College.

The Mankato-North Mankato Metropolitan Statistical Area (MSA) has a total labor force of 57,328 which is projected to grow in several important areas. The 15-24 year old group (the “talent pipeline”) is expected to grow by 30% from 2015 to 2030. While the nation has growing concerns around the supply of “experienced peak performers” (45-64 year olds) - only 5.4% growth over the next 25 years - our MSA is projected to have 15.5% growth over the same time period. The City continues to experience residential growth with permits issued in 2014 for 56 new residential housing units at a total value of \$10,525,300. This represents a decrease of 2.8 percent compared to fiscal year 2013 permits issued. The market value of all new residential, commercial and industrial permits in fiscal year 2014 was \$13,421,917; a decrease of 13.4 percent compared to fiscal year 2013.

Long-Term Financial Planning

The preparation of the annual budget includes a Five-Year Operating Forecasts, a Five-Year Capital Improvement Plan, a yearly equipment replacement schedule and long-term projections of debt service requirements.

In 2013, the City Council elected to conduct a debt study to analyze existing debt obligations with estimated revenues. This was prompted by declining revenue from projects funded with special assessments resulting in interfund loans to the Debt Service funds from both the General fund, Water Utility fund and Sewer Utility fund. These loans totaled \$2,772,624 at the end of fiscal year 2013 and were reduced by \$312,920 by the end of fiscal year 2014 to an amount of \$2,459,704. Repayment of these loans and stabilizing fund balances in both the General fund, Water Utility fund and Sewer Utility fund continue to be priorities of management in the budget process.

New Developments

Marigold (TIF 8) Phase II is currently under construction. The project consists of 19-unit three-level townhomes with an estimated value of construction to be \$4,000,000. Anticipated new tax increment revenue to support existing debt payments will increase from approximately \$31,989 in 2014 to \$90,000 in 2017 and \$115,000 in 2019, along with gradual increases in subsequent years. Phase II will support existing TIF debt obligations and repays approximately \$609,000 of interfund loans used to support past debt. Other new developments include the construction of a 25,000 sq. ft. facility to accommodate D&K Powder Coating, a 10,000 sq. ft. addition to the Creative Companies building and upcoming construction of a 50,000 sq. ft. warehouse for Met-Con Companies.

Five-Year Capital Improvement Plan

Roe Crest, Noretta, Belgrade Ravine Project – This project begun in 2014, to be completed in 2015, is to replace existing sanitary sewer, increasing size to provide additional capacity, and improve road access to maintain the sewer system; construct a new storm sewer within the ravine area; replace existing watermain pipe and new hydrants, stabilize the ravine and side hills and improve the existing access road; and to reconstruct Belgrade Avenue West of Lee Boulevard. Project cost is estimated to be \$1,714,000. The project has been financed using general obligation bonds to be paid by property tax and special assessments.

Main Lift Station No. 1 – Rehabilitation to include the replacement of existing piping and valves, replacement of the electrical and control systems, upgrading the electrical service and other miscellaneous improvements at an estimated cost of \$670,000. The project has been financed with general obligation bonds to be paid from the Sewer fund.

CSAH 41 Trail from Lor Ray Drive to Lake Street – This project is for a new bituminous trail from intersection of Commerce Drive and Lor Ray Drive, South along Trunk Highway 14, on to Lake Street and connecting to the existing Hiniker Pond Trail at a cost \$800,000. The project will be financed using general obligation bonds paid by property tax and Federal funds of approximately \$400,000.

Well No. 9 Construction – This project is for the construction of a municipal well finished in Mt. Simon formation, furnishing and installing a turbine pump and construction of a well house at a cost of \$1,675,000. The project will be financed using a Public Facilities Authority Note and debt service payments on the note will come from the Water fund.

Lookout Drive Reconstruction and Roundabout - Complete reconstruction from Commerce Drive to Howard Drive and construction of two roundabouts located at the eastbound and westbound Highway 14 ramp intersections with Lookout Drive at a cost of \$5,760,000. Project financing will come from Federal, State and Municipal State Aid funds of approximately \$3,480,000, \$590,000 and \$1,690,000, respectively.

West Carlson Drive Extension – New street and utility construction on West Carlson Drive from County State Aid Highway (CSAH41) to approximately 850-feet west of CSAH 41. Estimated project costs are \$1,047,000. The project will be financed using general obligation bonds and paid from special assessments on property to be annexed into the City, property tax levy to pay for the deferred assessment portion on property to be annexed into the City and enterprise funds.

Equipment

The Five-Year Capital Improvement Plan calls for the replacement of \$2.5 million dollars of equipment to be funded with cash contributions from the City's General fund and utility funds.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City of North Mankato for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2013. This was the twenty-seventh year that the City has received the prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Respectfully submitted,



John Harrenstein
City Administrator



Clara Thorne
Finance Director

CITY OF NORTH MANKATO, MINNESOTA
PRINCIPAL CITY OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2014

MAYOR: *Mark Dehen*

COUNCIL MEMBERS: *Diane Norland*
Kim Spears
Billy Steiner
Bob Freyberg

CITY ADMINISTRATOR: *John Harrenstein*

FINANCE DIRECTOR: *Clara Thorne*

CITY CLERK: *April Van Genderen*

POLICE CHIEF: *Chris Boyer*

FIRE CHIEF: *Tim Pohlman*

PUBLIC WORKS DIRECTOR: *Brad Swanson*

PARK SUPERINTENDENT: *Todd Mettler*

WATER SUPERINTENDENT: *Duane Rader*

BUILDING OFFICIAL: *Bruce Royer*

LIBRARY DIRECTOR: *Lucy Lowry*

CITY PLANNER: *Mike Fischer*

CITY ATTORNEY: *Kennedy and Kennedy*

CONSULTING ENGINEER: *Bolton & Menk*

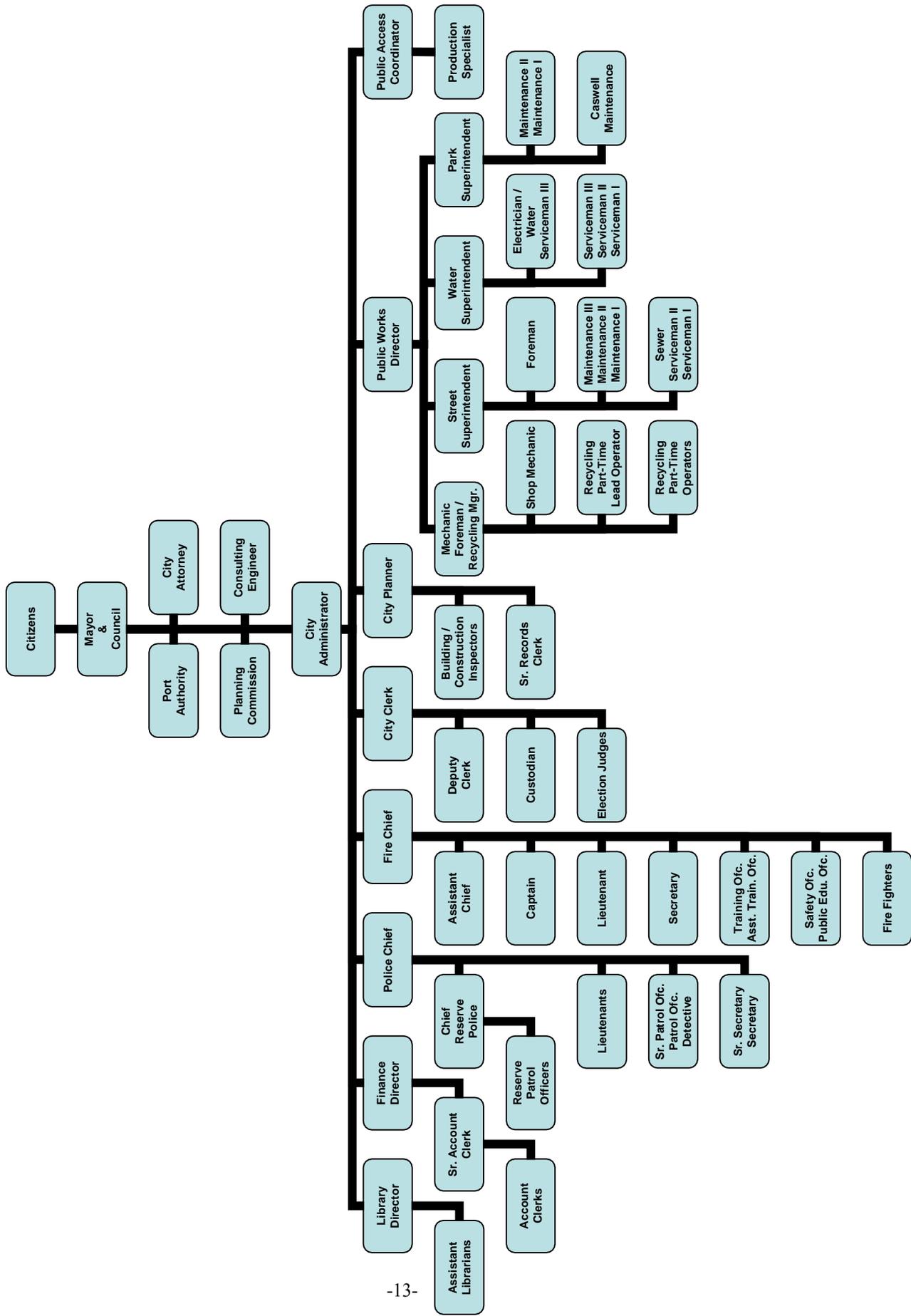
AUDITOR: *Abdo, Eick & Meyers, LLP*

BOND COUNSEL: *Kennedy & Graven, Chtd.*

FINANCIAL ADVISOR: *Northland Securities, Inc.*

PORT AUTHORITY BOND COUNSEL: *Briggs & Morgan*

City of North Mankato Organization Chart





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of North Mankato
Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2013

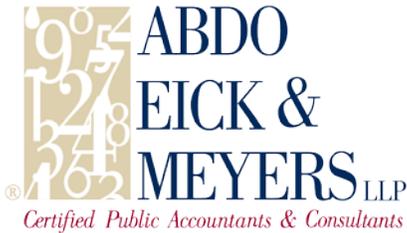
Executive Director/CEO

FINANCIAL SECTION

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of North Mankato

Report on the Financial Statements

We have audited the accompanying financial statements of governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of North Mankato, Minnesota (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the City's 2013 financial statements and, in our report dated June 18, 2014 we express unmodified opinions on the respective proprietary fund financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 21 and the Schedule of Funding Progress on page 93 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Abdo, Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 9, 2015

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Management's Discussion and Analysis

As management of the City of North Mankato (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found starting on page 7 of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$49,971,481 (*net position*). Of this amount, a balance of \$6,001,203 represents *unrestricted net position* which may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$1,615,572 as compared to a decrease of \$255,037 in the previous year.
 - Capital grants and contributions decreased from 2013, mostly due to a decrease in construction state aid of \$750,503 and rescinding special assessments of \$1,581,690 until such time as the properties are annexed into the City of until such other time as the City deems appropriate.
 - Mass transit and other activities expenses increased \$182,295.
 - Interest in long-term debt increased \$232,278.
 - Business-type activities net position increased \$595,232 from 2013. This was mostly due to an increase in the water and sewer rates in 2014.
 - Grants and contributions not restricted to specific programs increased \$239,595 mostly due to an increase of \$200,901 in local government aid.
 - Other revenues increased \$181,797 mostly due to issuance fees of \$77,000 for conduit debt and insurance proceeds of \$75,225 for a roof repair.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,347,983 an increase of \$450,431 in comparison with the prior year. Major factors in this increase were debt issued of \$2,845,000 and a payment of refunded bonds of \$1,175,000. At the end of the current fiscal year, unassigned fund balance was \$1,857,051.

Overview of the Financial Statements

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

Figure 1
Required Components of the
City's Annual Financial Report

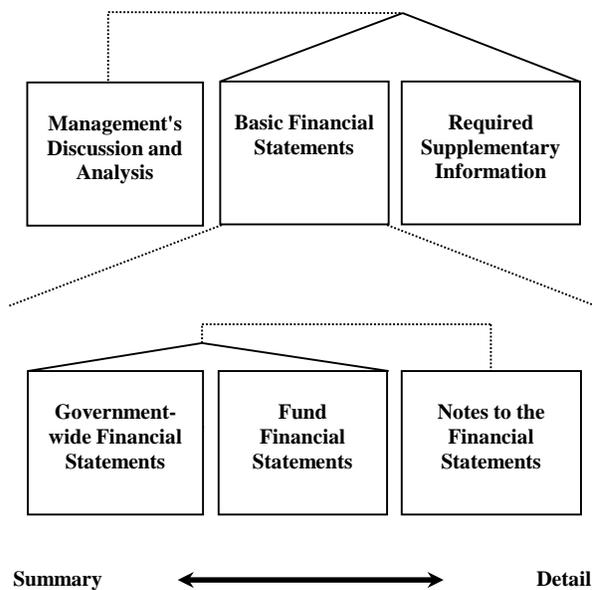


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Figure 2
Major Features of the Government-wide and Fund Financial Statements

	Fund Financial Statements		
	Government-wide Statements	Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of in flow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City’s finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City’s assets and liabilities, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation and miscellaneous. The business-type activities of the City include water, wastewater, sanitation and storm water.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate port authority for which the City is financially accountable. The port authority, although legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found starting on page 35 or this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 49 individual governmental funds, which includes 17 Debt Service funds that are considered one fund for financial reporting. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, the Debt Service fund and the 2014 Construction fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found starting on page 42 of this report.

Proprietary funds. The City maintains one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, sanitary collection, storm water and solid waste operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, sanitary collection, storm water and solid waste operations, all of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found starting on page 50 of this report.

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

The basic fiduciary fund financial statements can be found starting on page 58 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 59 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund financial statements and schedules can be found starting on page 97 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$49,971,481 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (71.6 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of North Mankato's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2014	(Restated) 2013	Increase (Decrease)	2014	2013	Increase (Decrease)
Current and other assets	\$ 14,048,498	\$ 17,853,717	\$ (3,805,219)	\$ 4,938,895	\$ 4,645,738	\$ 293,157
Capital assets	40,455,653	40,564,283	(108,630)	23,858,265	24,148,093	(289,828)
Total assets	54,504,151	58,418,000	(3,913,849)	28,797,160	28,793,831	3,329
Long-term liabilities outstanding	24,349,222	24,469,284	(120,062)	7,396,497	8,059,674	(663,177)
Other liabilities	1,153,700	2,736,683	(1,582,983)	430,411	359,137	71,274
Total liabilities	25,502,922	27,205,967	(1,703,045)	7,826,908	8,418,811	(591,903)
Net position						
Net investment in capital assets	18,290,571	20,931,460	(2,640,889)	17,491,003	17,206,733	284,270
Restricted	8,188,704	9,995,881	(1,807,177)	-	-	-
Unrestricted	2,521,954	284,692	2,237,262	3,479,249	3,168,287	310,962
Total net position	\$ 29,001,229	\$ 31,212,033	\$ (2,210,804)	\$ 20,970,252	\$ 20,375,020	\$ 595,232

An additional portion of the City's net position (16.4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (12.0 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

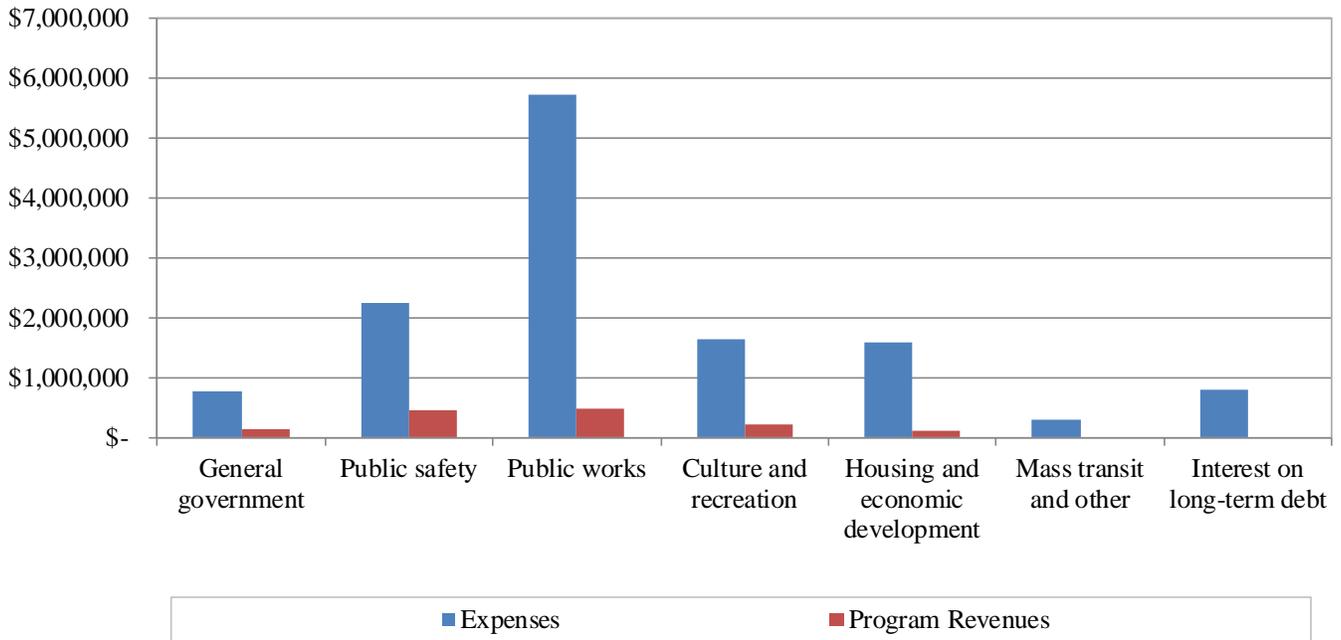
Governmental activities. Governmental activities decreased the City's net position by \$2,210,804. Key elements of this change are as follows:

City of North Mankato's Changes in Net Position

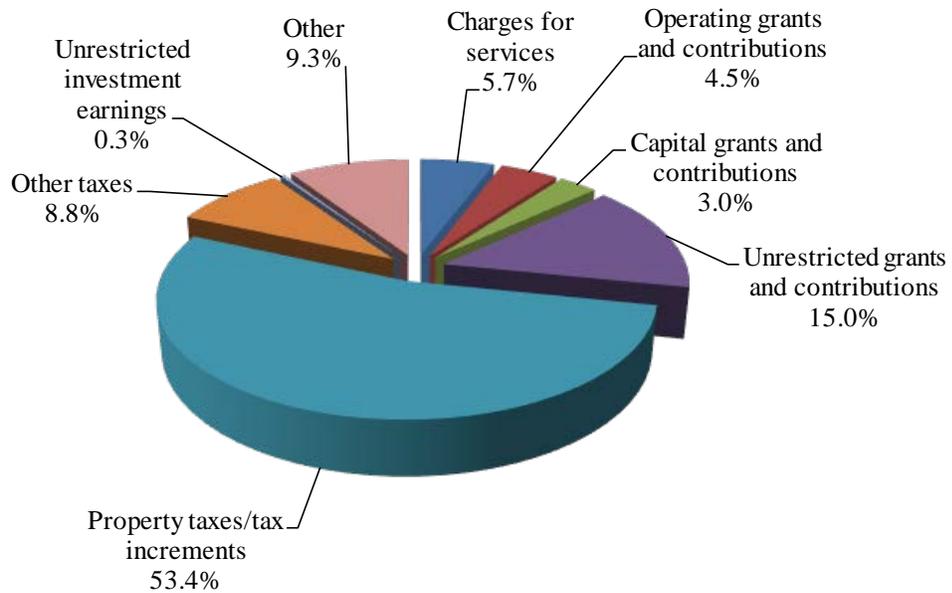
	Governmental Activities			Business-type Activities		
	2014	(Restated) 2013	Increase (Decrease)	2014	2013	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 612,797	\$ 765,430	\$ (152,633)	\$ 5,483,859	\$ 4,626,952	\$ 856,907
Operating grants and contributions	486,412	966,629	(480,217)	22,359	-	22,359
Capital grants and contributions	321,726	4,025,677	(3,703,951)	7,605	4,354	3,251
General revenues						
Property taxes/ tax increments	5,751,962	5,705,527	46,435	-	-	-
Other taxes	953,748	944,171	9,577	1,391	1,067	324
Grants and contributions not restricted to specific programs	1,615,275	1,375,680	239,595	-	-	-
Unrestricted investment earnings	34,076	8,400	25,676	4,283	10,113	(5,830)
Other	266,429	84,632	181,797	-	-	-
Gain on sale of capital assets	740,948	968,554	(227,606)	-	-	-
Total revenues	10,783,373	14,844,700	(4,061,327)	5,519,497	4,642,486	877,011
Expenses						
General government	782,620	1,034,873	(252,253)	-	-	-
Public safety	2,245,466	2,397,246	(151,780)	-	-	-
Public works	5,729,610	7,230,368	(1,500,758)	-	-	-
Culture and recreation	1,632,255	1,597,289	34,966	-	-	-
Housing and economic development	1,596,016	2,441,485	(845,469)	-	-	-
Mass transit and other	302,116	119,821	182,295	-	-	-
Interest on long-term debt	803,195	570,917	232,278	-	-	-
Water	-	-	-	1,595,455	1,458,952	136,503
Wastewater	-	-	-	1,549,721	1,354,223	195,498
Sanitation	-	-	-	416,917	1,267,083	(850,166)
Solid waste	-	-	-	1,006,229	-	1,006,229
Storm water	-	-	-	258,842	269,966	(11,124)
Total expenses	13,091,278	15,391,999	(2,300,721)	4,827,164	4,350,224	476,940
Increase (decrease) in net position before transfers	(2,307,905)	(547,299)	(1,760,606)	692,333	292,262	400,071
Transfers	97,101	(723,480)	820,581	(97,101)	723,480	(820,581)
Change in net position	(2,210,804)	(1,270,779)	(940,025)	595,232	1,015,742	(420,510)
Net position - January 1 as restated	31,212,033	32,482,812	(1,270,779)	20,375,020	19,359,278	1,015,742
Net position - December 31 as restated	\$ 29,001,229	\$ 31,212,033	\$ (2,210,804)	\$ 20,970,252	\$ 20,375,020	\$ 595,232

The following graphs depict various governmental activities and show the revenue and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities



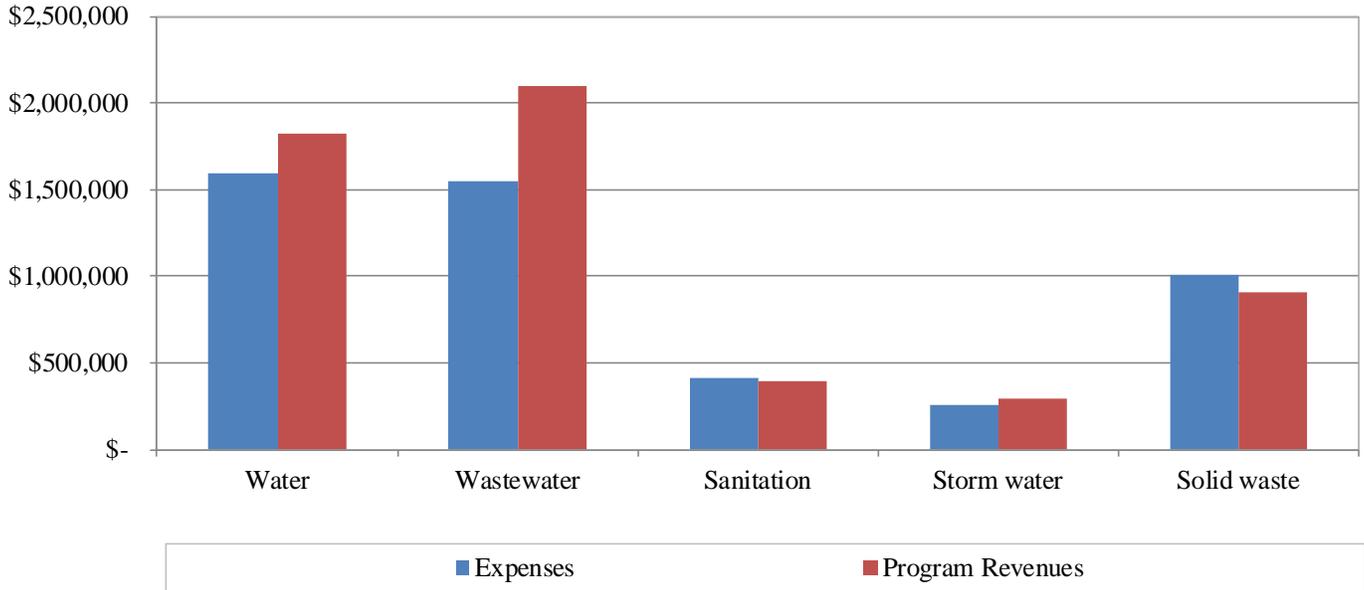
Revenues by Source - Governmental Activities



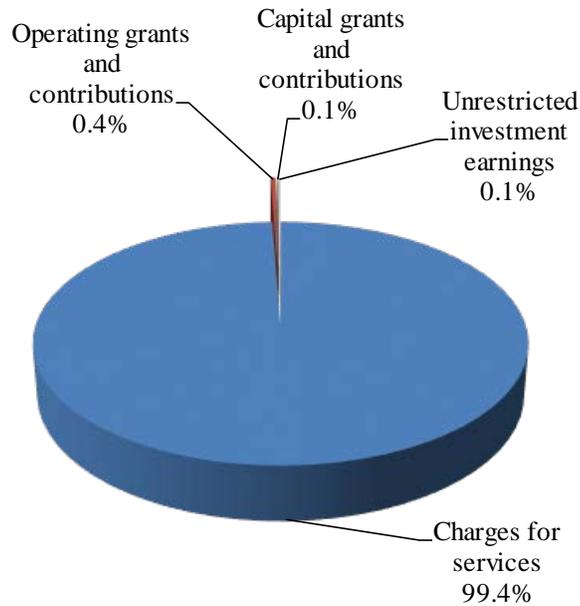
Business-type activities. Business-type activities increased the City’s net position by \$595,232. Key elements of this change are as follows:

- Capital contributions from governmental funds were \$313,255 for the year.
- Total operating income was \$926,062, an increase of \$368,088 over the prior year.
- Total nonoperating expenses exceeded nonoperating revenues by \$241,334.
- Transfers out totaled \$512,927 for 2014.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the City's Funds

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

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

The *General fund* is the chief operating fund of the City. At the end of the current year total fund balance of the General fund was \$3,315,704 most of which was unassigned. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 46.1 percent of total General fund expenditures.

The *General fund* balance increased by \$434,400 during the current year. Major factors of the increase in the fund balance of the City's General fund was due to intergovernmental and miscellaneous revenues were over budget by \$130,248 and \$70,842, respectively. Total capital outlay was \$318,745 over budget. In addition, a number of special revenue funds were closed to the General fund in 2014 in the amount of \$602,909.

The *Debt Service fund* has a total fund balance deficit of \$1,024,517. There was an increase of \$420,687 in this deficit in the current year, mainly due to debt repayments and the refunding 2006A G.O. Improvement bonds of \$1,175,000. There were also 2014A G.O. bonds issued in the amount of \$2,845,000.

The *2014 Construction fund* has a total fund balance of \$930,556. This balance is mainly due to unspent bond proceeds.

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

Unrestricted net position of the Water, Wastewater, Sanitation, Storm Water and Solid Waste funds at the end of the year totaled \$3,479,249. The total increase in net position in the current year for these funds totaled \$595,232.

General Fund Budgetary Highlights

The City's General fund budget was not amended during the year. Revenues were over budget by \$69,409 and expenditures came in over budget by \$198,476. Other financing sources (uses) had a positive variance of \$456,196. The net result was an increase to the General fund balance of \$434,400.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2014 amounts to \$64,313,918 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total decrease in the City's investment in capital assets for the current fiscal year was 0.6 percent.

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

- Land purchases totaling \$710,088; land sales of \$592,325
- Equipment and vehicle purchases of \$244,010; disposals of \$145,436
- Armored vehicle and robot for \$55,711
- Municipal roof and HVAC of \$96,689
- Caswell North Soccer Field building of \$279,703
- Caswell North Soccer Field improvements of \$867,773
- Water tower reconditioning for \$180,852
- Improvements totaling \$1,847,780 were added to construction in progress for the 14/41 Interchange project, Caswell North soccer fields and building, CSAH 41 Trail, Well No. 9 construction, Lookout Drive reconstruction, Main Lift Station No. 1, software conversion and the Roe Crest-Noretta-Belgrade Ravine project. The Caswell North Soccer Fields improvements and building projects were completed in 2014.

Additional information on the City's capital assets can be found in Note 3C starting on page 72 of this report.

City of North Mankato's Capital Assets (net of depreciation)

	Governmental Activities			Business-type Activities		
	2014	(Restated) 2013	Increase (Decrease)	2014	2013	Increase (Decrease)
Land	\$ 5,358,177	\$ 5,240,414	\$ 117,763	\$ 490,616	\$ 490,616	\$ -
Buildings and improvements	32,207,670	32,607,469	(399,799)	23,072,915	23,352,547	(279,632)
Machinery and equipment	1,297,704	1,232,484	65,220	289,728	304,930	(15,202)
Construction in progress	1,592,102	1,483,916	108,186	5,006	-	5,006
Total	\$ 40,455,653	\$ 40,564,283	\$ (108,630)	\$ 23,858,265	\$ 24,148,093	\$ (289,828)

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$29,762,597. Of this amount, \$7,995,000 comprises debt backed by the full faith and credit of the City and \$1,255,000 is tax increment bonds and \$11,780,000 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment. The remainder of the City's bonded debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds) in the amount of \$8,732,597.

City of North Mankato's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2014	(Restated) 2013	Increase (Decrease)	2014	2013	Increase (Decrease)
General obligation bonds	\$ 7,995,000	\$ 5,484,000	\$ 2,511,000	\$ -	\$ -	\$ -
G.O. tax increment bonds	1,255,000	1,265,000	(10,000)	-	-	-
G.O. improvement bonds	9,915,000	12,265,000	(2,350,000)	1,865,000	1,930,000	(65,000)
General obligation revenue bonds	3,285,000	3,625,000	(340,000)	5,447,597	6,023,426	(575,829)
Contracts	678,567	792,293	(113,726)	-	-	-
Total	\$ 23,128,567	\$ 23,431,293	\$ (302,726)	\$ 7,312,597	\$ 7,953,426	\$ (640,829)

The City's total debt decreased by \$943,555 (3.0 percent) during the current fiscal year, consisting of new debt issuances of \$2,845,000 and retirement of long-term debt of \$3,788,555.

The City maintained an "AA" rating from Standard and Poor's for their 2014 issues.

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt limitation for the City is \$17,537,711, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 3E starting on page 76 of this report.

Economic Factors and Next Year's Budgets and Rates

- The 2014 unemployment rate for the City was 2.6 percent, which is a decrease from a rate of 4.1 percent a year ago. This compares favorably to the State's average unemployment rate of 3.7 percent and the national average rate of 5.6 percent.
- Inflationary trends in the region compare favorably to national indices.
- Tax capacity valuation increased in 2014 for taxes payable in 2014 by \$101,761 or 1.0 percent. Market value of property has increased an average of 1.7 percent per year for the past 10 years.

All of these factors were considered in preparing the City's budget for the 2015 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of North Mankato, P.O. Box 2055, North Mankato, 56003-2055.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

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CITY OF NORTH MANKATO, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and temporary investments	\$ 5,269,356	\$ 2,214,648	\$ 7,484,004
Restricted assets - cash with fiscal agent	412,126	867,180	1,279,306
Receivables			
Taxes	109,982	-	109,982
Accounts	86,728	462,446	549,174
Interest	21,525	-	21,525
Notes, mortgages and leases	1,409,849	-	1,409,849
Special assessments	5,246,783	46,137	5,292,920
Intergovernmental	2,784,440	-	2,784,440
Internal balances	(1,292,400)	1,292,400	-
Inventories	-	56,084	56,084
Prepaid items	109	-	109
Capital assets			
Nondepreciable assets	6,950,279	495,622	7,445,901
Depreciable assets net of accumulated depreciation	33,505,374	23,362,643	56,868,017
TOTAL ASSETS	54,504,151	28,797,160	83,301,311
LIABILITIES			
Accounts payable	550,031	160,015	710,046
Contracts payable	63,639	-	63,639
Due to other governments	125,721	120,916	246,637
Accrued interest payable	257,217	103,777	360,994
Accrued wages payable	156,392	45,703	202,095
Unearned revenue	700	-	700
Noncurrent liabilities			
Due within one year	2,903,929	1,557,063	4,460,992
Due in more than one year	21,445,293	5,839,434	27,284,727
TOTAL LIABILITIES	25,502,922	7,826,908	33,329,830
NET POSITION			
Net investment in capital assets	18,290,571	17,491,003	35,781,574
Restricted for			
Debt service	6,062,974	-	6,062,974
Library programs	51,049	-	51,049
Park development	15,680	-	15,680
Park improvements	91,378	-	91,378
Economic development	1,888,177	-	1,888,177
Tax increment financing	79,446	-	79,446
Unrestricted	2,521,954	3,479,249	6,001,203
TOTAL NET POSITION	\$ 29,001,229	\$ 20,970,252	\$ 49,971,481

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

CITY OF NORTH MANKATO, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 782,620	\$ 143,601	\$ -	\$ -
Public safety	2,245,466	269,795	181,502	-
Public works	5,729,610	4,924	164,508	320,226
Culture and recreation	1,632,255	119,515	93,034	1,500
Housing and economic development	1,596,016	74,962	47,368	-
Mass transit and other	302,116	-	-	-
Interest on long-term debt	803,195	-	-	-
Total governmental activities	13,091,278	612,797	486,412	321,726
Business-type activities				
Water	1,595,455	1,818,389	-	6,311
Sewer	1,549,721	2,092,942	-	1,294
Sanitation	416,917	392,086	-	-
Solid waste	1,006,229	905,274	-	-
Storm water	258,842	275,168	22,359	-
Total business-type activities	4,827,164	5,483,859	22,359	7,605
Totals	\$ 17,918,442	\$ 6,096,656	\$ 508,771	\$ 329,331

General revenues

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Tax increments
- Sales taxes
- Hotel/motel taxes
- Gambling taxes
- Franchise taxes
- Grants and contributions not restricted to specific programs
- Unrestricted investment earnings
- Other revenues
- Gain on sale of assets

Transfers

Total general revenues and transfers
Change in net position

Net position, January 1

Prior period adjustment (Note 8)

Net position, December 31

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

Net (Expense) Revenue and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (639,019)		\$ (639,019)
(1,794,169)		(1,794,169)
(5,239,952)		(5,239,952)
(1,418,206)		(1,418,206)
(1,473,686)		(1,473,686)
(302,116)		(302,116)
(803,195)		(803,195)
<u>(11,670,343)</u>		<u>(11,670,343)</u>
	\$ 229,245	229,245
	544,515	544,515
	(24,831)	(24,831)
	(100,955)	(100,955)
	<u>38,685</u>	<u>38,685</u>
	686,659	686,659
<u>(11,670,343)</u>	<u>686,659</u>	<u>(10,983,684)</u>
3,881,293	-	3,881,293
1,530,005	-	1,530,005
340,664	-	340,664
531,148	1,391	532,539
48,590	-	48,590
18,792	-	18,792
355,218	-	355,218
1,615,275	-	1,615,275
34,076	4,283	38,359
266,429	-	266,429
740,948	-	740,948
97,101	(97,101)	-
<u>9,459,539</u>	<u>(91,427)</u>	<u>9,368,112</u>
(2,210,804)	595,232	(1,615,572)
30,522,452	20,375,020	50,897,472
<u>689,581</u>	<u>-</u>	<u>689,581</u>
<u>\$ 29,001,229</u>	<u>\$ 20,970,252</u>	<u>\$ 49,971,481</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

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CITY OF NORTH MANKATO, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	General	Debt Service	2014 Construction
ASSETS			
Cash and temporary investments	\$ 1,603,420	\$ 865,713	\$ 1,400,131
Restricted assets - cash with fiscal agent	-	412,126	-
Receivables			
Taxes	109,982	-	-
Accounts	86,728	-	-
Interest	-	21,525	-
Notes, mortgages and leases	126,745	-	-
Special assessments	43,932	5,202,851	-
Intergovernmental	53,704	2,582,680	-
Due from other funds	1,822,386	-	29,681
Prepaid items	109	-	-
	<u>3,847,006</u>	<u>9,084,895</u>	<u>1,429,812</u>
TOTAL ASSETS	<u>\$ 3,847,006</u>	<u>\$ 9,084,895</u>	<u>\$ 1,429,812</u>
LIABILITIES			
Accounts payable	\$ 108,383	\$ -	\$ 433,111
Contracts payable	-	-	62,084
Due to other funds	-	2,459,704	-
Due to other governments	115,974	-	-
Accrued interest payable	-	6,857	-
Accrued wages payable	152,331	-	4,061
Unearned revenue	700	-	-
	<u>377,388</u>	<u>2,466,561</u>	<u>499,256</u>
TOTAL LIABILITIES	<u>377,388</u>	<u>2,466,561</u>	<u>499,256</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - taxes	109,982	-	-
Unavailable revenue - special assessments	43,932	5,202,851	-
Unavailable revenue - intergovernmental	-	2,440,000	-
	<u>153,914</u>	<u>7,642,851</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>153,914</u>	<u>7,642,851</u>	<u>-</u>
FUND BALANCES			
Nonspendable	109	-	-
Restricted	-	-	930,556
Assigned	-	-	-
Unassigned	3,315,595	(1,024,517)	-
	<u>3,315,704</u>	<u>(1,024,517)</u>	<u>930,556</u>
TOTAL FUND BALANCES	<u>3,315,704</u>	<u>(1,024,517)</u>	<u>930,556</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 3,847,006</u>	<u>\$ 9,084,895</u>	<u>\$ 1,429,812</u>

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

Other Governmental Funds	Totals
\$ 1,400,092	\$ 5,269,356
-	412,126
-	109,982
-	86,728
-	21,525
1,282,694	1,409,439
-	5,246,783
148,056	2,784,440
-	1,852,067
-	109
<u>\$ 2,830,842</u>	<u>\$ 17,192,555</u>
\$ 8,537	\$ 550,031
1,555	63,639
684,763	3,144,467
9,747	125,721
-	6,857
-	156,392
-	700
<u>704,602</u>	<u>4,047,807</u>
-	109,982
-	5,246,783
-	2,440,000
<u>-</u>	<u>7,796,765</u>
-	109
2,125,730	3,056,286
434,537	434,537
(434,027)	1,857,051
<u>2,126,240</u>	<u>5,347,983</u>
<u>\$ 2,830,842</u>	<u>\$ 17,192,555</u>

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

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CITY OF NORTH MANKATO, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

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

Total fund balances - governmental funds	\$ 5,347,983
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	40,455,653
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
Severance payable	(689,388)
Other postemployment benefits obligation	(259,196)
Bonds payable	(22,550,000)
Contracts payable	(578,567)
Unamortized bond discounts, net of amortization	12,154
Unamortized bond premiums, net of amortization	(284,225)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	109,982
Special assessments receivable	5,246,783
Intergovernmental receivable	2,440,000
Interest receivable	410
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(250,360)</u>
Total net position - governmental activities	<u><u>\$ 29,001,229</u></u>

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

CITY OF NORTH MANKATO, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	General	Debt Service	2014 Construction
REVENUES			
Taxes	\$ 4,220,158	\$ 1,530,005	\$ -
Special assessments	13,949	1,119,747	-
Licenses and permits	357,809	-	-
Intergovernmental	2,011,965	272,139	-
Charges for services	134,075	-	-
Fines and forfeits	20,068	-	-
Investment earnings	2,504	31,559	-
Miscellaneous	229,902	-	-
TOTAL REVENUES	6,990,430	2,953,450	-
EXPENDITURES			
Current			
General government	785,958	-	-
Public safety	2,071,637	-	-
Public works	1,831,894	-	48,236
Culture and recreation	1,389,252	-	-
Housing and economic development	454,742	-	-
Mass transit and other	250,780	-	-
Capital outlay			
General government	146,119	-	-
Public safety	-	-	-
Public works	92,109	-	1,858,960
Culture and recreation	101,103	-	-
Housing and economic development	-	-	-
Mass transit and other	50,414	-	-
Debt service			
Principal	13,726	3,034,000	-
Interest and other	4,192	712,190	-
Bond issuance costs	-	8,763	59,385
TOTAL EXPENDITURES	7,191,926	3,754,953	1,966,581
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(201,496)	(801,503)	(1,966,581)
OTHER FINANCING SOURCES (USES)			
Sale of assets	2,380	-	-
Transfers in	868,516	375,786	-
Debt issued	-	5,030	2,839,970
Premium on bonds issued	-	-	131,790
Transfers out	(235,000)	-	(74,623)
TOTAL OTHER FINANCING SOURCES (USES)	635,896	380,816	2,897,137
NET CHANGE IN FUND BALANCES	434,400	(420,687)	930,556
FUND BALANCES, JANUARY 1 AS RESTATED (NOTE 8)	2,881,304	(603,830)	-
FUND BALANCES, DECEMBER 31	\$ 3,315,704	\$ (1,024,517)	\$ 930,556

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

Other Governmental Funds	Totals
\$ 946,268	\$ 6,696,431
-	1,133,696
-	357,809
47,368	2,331,472
-	134,075
-	20,068
154	34,217
202,859	432,761
<u>1,196,649</u>	<u>11,140,529</u>
-	785,958
-	2,071,637
-	1,880,130
8,745	1,397,997
550,706	1,005,448
-	250,780
237,778	383,897
114,185	114,185
83,070	2,034,139
299,031	400,134
432,170	432,170
48,616	99,030
100,000	3,147,726
30,431	746,813
-	68,148
<u>1,904,732</u>	<u>14,818,192</u>
<u>(708,083)</u>	<u>(3,677,663)</u>
738,568	740,948
524,031	1,768,333
-	2,845,000
-	131,790
<u>(1,048,354)</u>	<u>(1,357,977)</u>
<u>214,245</u>	<u>4,128,094</u>
(493,838)	450,431
<u>2,620,078</u>	<u>4,897,552</u>
<u>\$ 2,126,240</u>	<u>\$ 5,347,983</u>

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

CITY OF NORTH MANKATO, MINNESOTA
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

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

Net change in fund balances - governmental funds	\$ 450,431
<p>Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.</p>	
Capital outlay	1,372,971
Depreciation expense	(2,146,260)
<p>Net effect of various miscellaneous transactions involving capital assets (i.e. sales and trade-ins) is to increase (decrease) net position.</p>	
Capital contributions to business-type activities, net of related debt	(313,255)
<p>The statement of activities reports losses arising from trade-in of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on a trade-in of capital assets.</p>	
	(603,776)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>	
Principal repayments	3,147,726
Debt issued or incurred	(2,845,000)
Discount on bonds issued, net of amortization expense	(4,242)
Premium on bonds issued, net of amortization expense	(121,299)
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	5,517
<p>Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Property taxes	9,279
Special assessments	(920,632)
Intergovernmental revenues	(185,000)
Interest earnings	(141)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Compensated absences	(24,517)
Other postemployment benefits costs	(32,606)
	(57,123)
Change in net position - governmental activities	\$ (2,210,804)

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

CITY OF NORTH MANKATO, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 4,189,419	\$ 4,189,419	\$ 4,220,158	\$ 30,739
Special assessments	3,150	3,150	13,949	10,799
Licenses and permits	400,840	400,840	357,809	(43,031)
Intergovernmental	1,881,717	1,881,717	2,011,965	130,248
Charges for services	250,935	250,935	134,075	(116,860)
Fines and forfeits	30,900	30,900	20,068	(10,832)
Investment earnings	5,000	5,000	2,504	(2,496)
Miscellaneous	159,060	159,060	229,902	70,842
TOTAL REVENUES	6,921,021	6,921,021	6,990,430	69,409
EXPENDITURES				
Current				
General government	935,406	935,406	785,958	149,448
Public safety	2,031,906	2,031,906	2,071,637	(39,731)
Public works	1,891,507	1,891,507	1,831,894	59,613
Culture and recreation	1,363,810	1,363,810	1,389,252	(25,442)
Housing and economic development	548,068	548,068	454,742	93,326
Miscellaneous	133,835	133,835	250,780	(116,945)
Capital outlay				
General government	-	-	146,119	(146,119)
Public works	-	-	92,109	(92,109)
Culture and recreation	71,000	71,000	101,103	(30,103)
Mass transit and other	-	-	50,414	(50,414)
Debt service				
Principal	-	-	13,726	(13,726)
Interest and other	17,918	17,918	4,192	13,726
TOTAL EXPENDITURES	6,993,450	6,993,450	7,191,926	(198,476)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(72,429)	(72,429)	(201,496)	(129,067)
OTHER FINANCING SOURCES (USES)				
Transfers in	389,700	389,700	868,516	478,816
Sale of assets	-	-	2,380	2,380
Transfers out	(210,000)	(210,000)	(235,000)	(25,000)
TOTAL OTHER FINANCING SOURCES (USES)	179,700	179,700	635,896	456,196
NET CHANGE IN FUND BALANCES	107,271	107,271	434,400	327,129
FUND BALANCES, JANUARY 1 AS RESTATED (NOTE 8)	2,881,304	2,881,304	2,881,304	-
FUND BALANCES, DECEMBER 31	\$ 2,988,575	\$ 2,988,575	\$ 3,315,704	\$ 327,129

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

CITY OF NORTH MANKATO, MINNESOTA
STATEMENTS OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2014 AND 2013

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
	2014	2013	2014	2013
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 1,008,075	\$ 1,021,323	\$ 1,105,912	\$ 405,228
Restricted assets - cash with fiscal agent	-	-	-	-
Receivables				
Accounts	455,299	390,970	-	-
Special assessments	1,049	244	-	-
Intergovernmental	-	-	-	175,162
Due from other funds	974,700	1,083,000	317,700	353,000
Inventories	56,084	56,173	-	-
Prepaid items	-	9,016	-	11,559
TOTAL CURRENT ASSETS	2,495,207	2,560,726	1,423,612	944,949
NONCURRENT ASSETS				
Special assessments receivable - noncurrent	19,363	7,177	25,725	27,713
Restricted assets - cash with fiscal agent	-	-	-	-
Capital assets				
Land	276,966	276,966	53,000	53,000
Buildings	16,937,651	16,586,291	13,487,933	13,392,880
Machinery and equipment	895,759	869,286	587,586	587,586
Construction in progress	5,006	-	-	-
Less accumulated depreciation	(6,448,561)	(6,080,565)	(5,039,762)	(4,737,691)
TOTAL CAPITAL ASSETS	11,666,821	11,651,978	9,088,757	9,295,775
TOTAL NONCURRENT ASSETS	11,686,184	11,659,155	9,114,482	9,323,488
TOTAL ASSETS	14,181,391	14,219,881	10,538,094	10,268,437
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	37,314	12,021	11,910	8,006
Due to other governments	1,428	6,723	73,492	50,161
Accrued interest payable	55,434	58,897	19,739	22,263
Accrued wages payable	26,317	18,091	14,367	8,395
Compensated absences payable - current portion	31,421	35,491	4,402	4,716
Bonds payable - current portion	368,250	359,500	181,383	178,079
TOTAL CURRENT LIABILITIES	520,164	490,723	305,293	271,620
NONCURRENT LIABILITIES				
Compensated absences payable, net of current portion	18,926	2,142	6,800	4,131
Other postemployment benefits obligation	20,962	33,105	4,663	21,062
Bonds payable, net of current portion	3,388,507	3,756,411	1,083,467	1,264,321
TOTAL NONCURRENT LIABILITIES	3,428,395	3,791,658	1,094,930	1,289,514
TOTAL LIABILITIES	3,948,559	4,282,381	1,400,223	1,561,134
NET POSITION				
Net investment in capital assets	7,910,064	7,536,067	7,823,907	7,853,375
Unrestricted	2,322,768	2,401,433	1,313,964	853,928
TOTAL NET POSITION	\$ 10,232,832	\$ 9,937,500	\$ 9,137,871	\$ 8,707,303

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

Business-type Activities - Enterprise Funds

603		604		651		Totals	
Sanitary Collection		Storm Water		Solid Waste			
2014	2013	2014	2013	2014	2013	2014	2013
\$ 32,968	\$ 136,486	\$ 66,374	\$ 70,790	\$ 1,319	\$ -	\$ 2,214,648	\$ 1,633,827
867,180	-	-	-	-	-	867,180	-
7,147	12,442	-	-	-	-	462,446	403,412
-	-	-	-	-	-	1,049	244
-	-	-	-	-	-	-	175,162
-	-	-	-	-	-	1,292,400	1,436,000
-	-	-	-	-	-	56,084	56,173
-	3,313	-	672	-	-	-	24,560
<u>907,295</u>	<u>152,241</u>	<u>66,374</u>	<u>71,462</u>	<u>1,319</u>	<u>-</u>	<u>4,893,807</u>	<u>3,729,378</u>
-	-	-	-	-	-	45,088	34,890
-	881,470	-	-	-	-	-	881,470
160,650	160,650	-	-	-	-	490,616	490,616
1,500,777	1,500,777	1,848,438	1,848,438	-	-	33,774,799	33,328,386
408,955	408,955	13,644	13,644	-	-	1,905,944	1,879,471
-	-	-	-	-	-	5,006	-
<u>(675,454)</u>	<u>(620,437)</u>	<u>(154,323)</u>	<u>(111,687)</u>	<u>-</u>	<u>-</u>	<u>(12,318,100)</u>	<u>(11,550,380)</u>
<u>1,394,928</u>	<u>1,449,945</u>	<u>1,707,759</u>	<u>1,750,395</u>	<u>-</u>	<u>-</u>	<u>23,858,265</u>	<u>24,148,093</u>
<u>1,394,928</u>	<u>2,331,415</u>	<u>1,707,759</u>	<u>1,750,395</u>	<u>-</u>	<u>-</u>	<u>23,903,353</u>	<u>25,064,453</u>
<u>2,302,223</u>	<u>2,483,656</u>	<u>1,774,133</u>	<u>1,821,857</u>	<u>1,319</u>	<u>-</u>	<u>28,797,160</u>	<u>28,793,831</u>
15,203	39,954	5,284	22,234	90,304	-	160,015	82,215
118	7,362	38,579	69,303	7,299	-	120,916	133,549
26,054	27,825	2,550	2,766	-	-	103,777	111,751
1,605	1,639	3,414	3,497	-	-	45,703	31,622
431	613	2,926	1,628	-	-	39,180	42,448
<u>930,000</u>	<u>65,000</u>	<u>38,250</u>	<u>38,250</u>	<u>-</u>	<u>-</u>	<u>1,517,883</u>	<u>640,829</u>
<u>973,411</u>	<u>142,393</u>	<u>91,003</u>	<u>137,678</u>	<u>97,603</u>	<u>-</u>	<u>1,987,474</u>	<u>1,042,414</u>
618	618	4,516	5,234	-	-	30,860	12,125
850	7,686	2,720	6,888	-	-	29,195	68,741
<u>925,614</u>	<u>1,854,760</u>	<u>381,791</u>	<u>420,039</u>	<u>-</u>	<u>-</u>	<u>5,779,379</u>	<u>7,295,531</u>
<u>927,082</u>	<u>1,863,064</u>	<u>389,027</u>	<u>432,161</u>	<u>-</u>	<u>-</u>	<u>5,839,434</u>	<u>7,376,397</u>
<u>1,900,493</u>	<u>2,005,457</u>	<u>480,030</u>	<u>569,839</u>	<u>97,603</u>	<u>-</u>	<u>7,826,908</u>	<u>8,418,811</u>
469,314	525,185	1,287,718	1,292,106	-	-	17,491,003	17,206,733
<u>(67,584)</u>	<u>(46,986)</u>	<u>6,385</u>	<u>(40,088)</u>	<u>(96,284)</u>	<u>-</u>	<u>3,479,249</u>	<u>3,168,287</u>
<u>\$ 401,730</u>	<u>\$ 478,199</u>	<u>\$ 1,294,103</u>	<u>\$ 1,252,018</u>	<u>\$ (96,284)</u>	<u>\$ -</u>	<u>\$ 20,970,252</u>	<u>\$ 20,375,020</u>

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

CITY OF NORTH MANKATO, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
	2014	2013	2014	2013
OPERATING REVENUES				
Charges for services	\$ 1,763,440	\$ 1,464,475	\$ 2,092,942	\$ 1,535,142
Facility rental	-	-	-	-
Penalties	52,294	46,513	-	-
TOTAL OPERATING REVENUES	1,815,734	1,510,988	2,092,942	1,535,142
OPERATING EXPENSES				
Personal services	614,776	497,913	351,153	197,492
Supplies	170,104	135,117	21,005	88,990
Other services and charges	73,604	94,266	63,999	35,455
Contractual services	-	-	700,373	611,091
Insurance	13,302	13,755	29,780	20,156
Utilities	194,417	174,904	29,353	33,576
Depreciation	389,217	394,247	302,071	306,436
TOTAL OPERATING EXPENSES	1,455,420	1,310,202	1,497,734	1,293,196
OPERATING INCOME (LOSS)	360,314	200,786	595,208	241,946
NONOPERATING REVENUES (EXPENSES)				
Sales tax	1,391	1,067	-	-
Intergovernmental	-	-	-	-
Investment income	-	-	-	5,102
Other income	2,655	13,411	-	-
Interest expense	(139,689)	(148,404)	(51,458)	(60,498)
Amortization expense	(346)	(346)	(529)	(529)
TOTAL NONOPERATING REVENUES (EXPENSES)	(135,989)	(134,272)	(51,987)	(55,925)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	224,325	66,514	543,221	186,021
CAPITAL CONTRIBUTIONS FROM (TO) OTHER FUNDS	218,202	-	95,053	-
CAPITAL GRANTS AND CONTRIBUTIONS	6,311	5,345	1,294	(991)
TRANSFERS IN	-	-	-	-
TRANSFERS OUT	(153,506)	(145,059)	(209,000)	(72,880)
CHANGE IN NET POSITION	295,332	(73,200)	430,568	112,150
NET POSITION, JANUARY 1	9,937,500	10,010,700	8,707,303	8,595,153
NET POSITION, DECEMBER 31	\$ 10,232,832	\$ 9,937,500	\$ 9,137,871	\$ 8,707,303

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

Business-type Activities - Enterprise Funds

603		604		651		Totals	
Sanitary Collection		Storm Water		Solid Waste			
2014	2013	2014	2013	2014	2013	2014	2013
\$ 230,782	\$ 1,146,590	\$ 275,168	\$ 275,025	\$ 905,274	\$ -	\$ 5,267,606	\$ 4,421,232
161,304	145,796	-	-	-	-	161,304	145,796
-	-	-	-	-	-	52,294	46,513
<u>392,086</u>	<u>1,292,386</u>	<u>275,168</u>	<u>275,025</u>	<u>905,274</u>	<u>-</u>	<u>5,481,204</u>	<u>4,613,541</u>
178,191	205,900	71,029	70,581	-	-	1,215,149	971,886
40,474	20,168	1,523	1,096	2,609	-	235,715	245,371
48,880	45,972	106,530	145,107	60,575	-	353,588	320,800
2,025	848,167	-	-	943,045	-	1,645,443	1,459,258
7,656	5,643	-	-	-	-	50,738	39,554
21,012	17,578	20,786	13,943	-	-	265,568	240,001
55,017	56,259	42,636	21,755	-	-	788,941	778,697
<u>353,255</u>	<u>1,199,687</u>	<u>242,504</u>	<u>252,482</u>	<u>1,006,229</u>	<u>-</u>	<u>4,555,142</u>	<u>4,055,567</u>
<u>38,831</u>	<u>92,699</u>	<u>32,664</u>	<u>22,543</u>	<u>(100,955)</u>	<u>-</u>	<u>926,062</u>	<u>557,974</u>
-	-	-	-	-	-	1,391	1,067
-	-	22,359	-	-	-	22,359	-
4,283	5,011	-	-	-	-	4,283	10,113
-	-	-	-	-	-	2,655	13,411
(62,808)	(66,542)	(16,336)	(17,482)	-	-	(270,291)	(292,926)
(854)	(854)	(2)	(2)	-	-	(1,731)	(1,731)
<u>(59,379)</u>	<u>(62,385)</u>	<u>6,021</u>	<u>(17,484)</u>	<u>-</u>	<u>-</u>	<u>(241,334)</u>	<u>(270,066)</u>
(20,548)	30,314	38,685	5,059	(100,955)	-	684,728	287,908
-	-	-	1,044,059	-	-	313,255	1,044,059
-	-	-	-	-	-	7,605	4,354
-	570	46,650	-	55,921	-	102,571	570
<u>(55,921)</u>	<u>(46,460)</u>	<u>(43,250)</u>	<u>(56,750)</u>	<u>(51,250)</u>	<u>-</u>	<u>(512,927)</u>	<u>(321,149)</u>
(76,469)	(15,576)	42,085	992,368	(96,284)	-	595,232	1,015,742
<u>478,199</u>	<u>493,775</u>	<u>1,252,018</u>	<u>259,650</u>	<u>-</u>	<u>-</u>	<u>20,375,020</u>	<u>19,359,278</u>
<u>\$ 401,730</u>	<u>\$ 478,199</u>	<u>\$ 1,294,103</u>	<u>\$ 1,252,018</u>	<u>\$ (96,284)</u>	<u>\$ -</u>	<u>\$ 20,970,252</u>	<u>\$ 20,375,020</u>

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

CITY OF NORTH MANKATO, MINNESOTA
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS - CONTINUED ON THE FOLLOWING PAGES
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
	2014	2013	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 1,751,405	\$ 1,508,306	\$ 2,092,942	\$ 1,535,142
Payments to suppliers and vendors	(431,986)	(416,089)	(630,554)	(961,648)
Payments to and on behalf of employees	(605,979)	(486,331)	(359,225)	(193,720)
Other receipts	2,655	13,411	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	716,095	619,297	1,103,163	379,774
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Sales tax receipts	1,391	1,067	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	(153,506)	(145,059)	(209,000)	(72,880)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(152,115)	(143,992)	(209,000)	(72,880)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
(Increase) decrease in due from other funds	108,300	-	35,300	-
Acquisition of capital assets	(176,196)	-	-	(31,642)
Cash received from refunding bond escrow agent	-	-	-	-
Principal paid on revenue bonds payable	(359,500)	(352,833)	(178,079)	(175,092)
Interest paid on revenue bonds payable	(143,152)	(151,598)	(53,982)	(60,458)
Payment made on consent assessment	(10,313)	-	-	(5,604)
Payments received on assessments receivable	3,633	1,164	3,282	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(577,228)	(503,267)	(193,479)	(272,796)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on cash and investments	-	-	-	5,102
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(13,248)	(27,962)	700,684	39,200
CASH AND CASH EQUIVALENTS, JANUARY 1	1,021,323	1,049,285	405,228	366,028
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 1,008,075	\$ 1,021,323	\$ 1,105,912	\$ 405,228

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

Business-type Activities - Enterprise Funds

603		604		651		Totals	
Sanitary Collection		Storm Water		Solid Waste			
2014	2013	2014	2013	2014	2013	2014	2013
\$ 236,077	\$ 1,147,846	\$ 275,168	\$ 275,025	\$ 905,274	\$ -	\$ 5,260,866	\$ 4,466,319
(148,729)	(975,660)	(175,841)	(52,390)	(908,626)	-	(2,295,736)	(2,405,787)
(185,243)	(205,707)	(74,700)	(67,640)	-	-	(1,225,147)	(953,398)
161,304	145,796	-	-	-	-	163,959	159,207
<u>63,409</u>	<u>112,275</u>	<u>24,627</u>	<u>154,995</u>	<u>(3,352)</u>	<u>-</u>	<u>1,903,942</u>	<u>1,266,341</u>
-	-	-	-	-	-	1,391	1,067
-	570	46,650	-	55,921	-	102,571	570
(55,921)	(46,460)	(43,250)	(56,750)	(51,250)	-	(512,927)	(321,149)
<u>(55,921)</u>	<u>(45,890)</u>	<u>25,759</u>	<u>(56,750)</u>	<u>4,671</u>	<u>-</u>	<u>(386,606)</u>	<u>(319,512)</u>
-	-	-	-	-	-	143,600	-
-	-	-	-	-	-	(176,196)	(31,642)
14,290	19,196	-	-	-	-	14,290	19,196
(65,000)	(65,000)	(38,250)	(34,917)	-	-	(640,829)	(627,842)
(64,579)	(73,267)	(16,552)	(17,686)	-	-	(278,265)	(303,009)
-	-	-	-	-	-	(10,313)	(5,604)
-	-	-	-	-	-	6,915	1,164
<u>(115,289)</u>	<u>(119,071)</u>	<u>(54,802)</u>	<u>(52,603)</u>	<u>-</u>	<u>-</u>	<u>(940,798)</u>	<u>(947,737)</u>
<u>4,283</u>	<u>5,011</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,283</u>	<u>10,113</u>
(103,518)	(47,675)	(4,416)	45,642	1,319	-	580,821	9,205
<u>136,486</u>	<u>184,161</u>	<u>70,790</u>	<u>25,148</u>	<u>-</u>	<u>-</u>	<u>1,633,827</u>	<u>1,624,622</u>
<u>\$ 32,968</u>	<u>\$ 136,486</u>	<u>\$ 66,374</u>	<u>\$ 70,790</u>	<u>\$ 1,319</u>	<u>\$ -</u>	<u>\$ 2,214,648</u>	<u>\$ 1,633,827</u>

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

CITY OF NORTH MANKATO, MINNESOTA
 STATEMENTS OF CASH FLOWS
 PROPRIETARY FUNDS - CONTINUED
 FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
	2014	2013	2014	2013
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 360,314	\$ 200,786	\$ 595,208	\$ 241,946
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Other income related to operations	2,655	13,411	-	-
Depreciation	389,217	394,247	302,071	306,436
(Increase) decrease in assets				
Accounts receivable	(64,329)	(2,682)	-	-
Intergovernmental	-	-	175,162	(175,162)
Inventories	89	(565)	-	-
Prepaid items	9,016	2,961	11,559	(1,848)
Increase (decrease) in liabilities				
Accounts payable	15,631	796	3,904	4,408
Due to other governments	(5,295)	(1,239)	23,331	222
Accrued wages payable	8,226	3,269	5,972	599
Compensated absences payable	12,714	2,333	2,355	1,429
Other postemployment benefits obligation	(12,143)	5,980	(16,399)	1,744
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 716,095	\$ 619,297	\$ 1,103,163	\$ 379,774
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital assets acquired on account	\$ 9,662	\$ -	\$ -	\$ -
Capital assets contributed by (to) other funds	218,202	-	95,053	-
Amortization of bond (premium) discount	346	346	529	529
Amounts used from escrow for debt payments	-	-	-	-

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

Business-type Activities - Enterprise Funds

603		604		651		Totals	
Sanitary Collection		Storm Water		Solid Waste			
2014	2013	2014	2013	-	-	2014	2013
\$ 38,831	\$ 92,699	\$ 32,664	\$ 22,543	\$ (100,955)	\$ -	\$ 926,062	\$ 557,974
-	-	-	-	-	-	2,655	13,411
55,017	56,259	42,636	21,755	-	-	788,941	778,697
5,295	1,256	-	-	-	-	(59,034)	(1,426)
-	-	-	17,265	-	-	175,162	(157,897)
-	-	-	-	-	-	89	(565)
3,313	432	672	(44)	-	-	24,560	1,501
(24,751)	(38,630)	(16,950)	21,232	90,304	-	68,138	(12,194)
(7,244)	66	(30,724)	69,303	7,299	-	(12,633)	68,352
(34)	255	(83)	748	-	-	14,081	4,871
(182)	(62)	580	1,139	-	-	15,467	4,839
(6,836)	-	(4,168)	1,054	-	-	(39,546)	8,778
<u>\$ 63,409</u>	<u>\$ 112,275</u>	<u>\$ 24,627</u>	<u>\$ 154,995</u>	<u>\$ (3,352)</u>	<u>\$ -</u>	<u>\$ 1,903,942</u>	<u>\$ 1,266,341</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,662	\$ -
-	-	-	1,044,059	-	-	313,255	1,044,059
854	854	2	2	-	-	1,731	1,731
14,290	19,196	-	-	-	-	14,290	19,196

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

CITY OF NORTH MANKATO, MINNESOTA
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
DECEMBER 31, 2014

	Agency
ASSETS	
Cash and cash equivalents	\$ 301,396
Receivables	
Accounts	13,332
Intergovernmental	30,679
TOTAL ASSETS	\$ 345,407
LIABILITIES	
Accounts payable	\$ 15,661
Due to other governments	329,746
TOTAL LIABILITIES	\$ 345,407

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

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of North Mankato (the City) operates under “Optional Plan A” as defined in the Minnesota statutes. The City is governed by an elected Mayor and a four-member Council. The Council exercises legislative authority and determines all matters of policy. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization’s governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Blended component units, although legally separate entities, are, in substance, part of the City’s operations and so data from these units are combined with data of the primary government. The blended component unit has a December 31 year end.

Blended Presented Component Unit. The City of North Mankato Port Authority (the Port Authority) was established by the City Council to commence an active role as a facilitator for land acquisitions and improvements and as a promoter of community economic development. The Port Authority is governed by eight commission members, including five City Council members, who are directly appointed by the Mayor and confirmed by the City Council. Subject to the approval of the City Council, the Port Authority may issue bonds for public improvements and land development. The Port Authority’s debt is expected to be paid entirely or almost entirely with the City’s resources. The Port Authority’s principal activities are economic and industrial development within the City and financing building activity for the City. Separate financial statements are not issued for this component unit.

Excluded

The Housing and Redevelopment Authority (HRA) was created pursuant to Chapter 487 of the Minnesota Session Laws of 1947. The HRA was created by the City to carry out housing and redevelopment projects and its governing board is appointed by the City Council. The HRA is a related organization; however, the City is not financially accountable for the HRA.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City reports the following major governmental funds:

The *General fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service fund* accounts for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

The *2014 Construction fund* accounts for street construction projects associated with the 2014 improvements program.

The City reports the following major proprietary funds:

The *Water Utility fund* accounts for costs associated with the City's water system and to ensure that user charges are sufficient to pay for those costs.

The *Sewer Utility fund* accounts for the costs associated with the City's sewer system and to ensure that user charges are sufficient to pay for those costs.

The *Sanitary Collection fund* accounts for the costs associated with the City's recycling refuse collection and to ensure that user charges are sufficient to pay for those costs.

The *Storm Water fund* accounts for the costs associated with the City's storm water system, which are financed by the storm water surcharge, and to ensure that user charges are sufficient to pay for those costs.

The *Solid Waste fund* accounts for the costs associated with the City's solid waste refuse collection and to ensure that user charges are sufficient to pay for those costs.

Additionally, the City reports the following fund types:

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. Fiduciary funds are accounted for using the accrual basis of accounting.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity. Agency activities include the following: Public Access Authority, Public Access Equipment, Minnesota River Valley Task Force, 10 percent Gambling and Tactical Response Team activities.

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are charges between the City's water, sewer and sanitation collection functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, deferred inflow of resources and net position/fund balance

Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the statements of cash flows.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The City may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. *Commercial paper issued* by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City's investment policy follows Minnesota statutes, which reduces the City's exposure to credit, custodial credit and interest rate risks. Specific risk information for the City is as follows:

- *Custodial Credit Risk* - For investments, custodial credit risk is the risk that in the event of a failure of the counterparty, the government would not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. As of December 31, 2014 all investments were insured or registered, or securities were held by the City or its agent in the City's name.
- *Credit Risk* - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper that is rated in the highest quality category by at least two nationally recognized rating agencies. The City's investment policy does not further limit the ratings of their investments.
- *Concentration Risk* - The City's investment policy does not address concentration with a particular broker. Investment instruments are varied to prevent concentration in any one investment type.
- *Interest Rate Risk* - In accordance with its investment policy, the City diversifies its investment portfolio to eliminate the risk of loss resulting from the over-concentration of assets in a specific maturity. The maturities selected shall provide for stability of income and reasonable liquidity.

Investments for the City are reported at fair value. The broker money market accounts operate in accordance with appropriate state laws and regulations. The reported value of the pools is the same as the fair value of the pool shares.

Property taxes

The City Council annually adopts a tax levy and certifies it to the County in December for collection the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, June and November each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the governmental fund financial statements.

Accounts receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2014. All trade receivables are shown net of an allowance for uncollectible accounts. The City has no allowance for uncollectible accounts, as the City is generally able to certify amounts not collected to the County for collection as special assessments.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Special assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are annually certified to the County or received in cash or within 60 days after year end. All governmental special assessments receivable are offset by a deferred inflow of resources in the fund financial statements.

Interfund receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Inventories and prepaid items

All inventories are stated at the lower of cost or market on the first-in, first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of one year. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City had already accounted for its prior infrastructure at historical cost for the initial reporting of these assets. As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated fair value of the item at the date of its donation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. For financial statement purposes only, a capitalization threshold is established for each capital asset category as follows:

Land improvements	\$ 25,000
Other improvements	25,000
Buildings and building improvements	50,000
Machinery and equipment	5,000
Vehicles	5,000
Infrastructure	250,000
Other assets	5,000

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property, plant and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	50
System improvements/infrastructure	20 - 30
Machinery, equipment and vehicles	15

Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The total amount accrued for compensated absences at December 31, 2014 is \$759,428. For the most part, the General fund is typically used to liquidate governmental compensated absences payable.

Postemployment benefits other than pensions

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was determined using the alternative measurement method, in accordance with GASB Statement 45, at January 1, 2014.

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Deferred outflows/inflows of resources

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, special assessments and intergovernmental. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Fund balance

In the fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in the governmental funds. These classifications are defined as follows:

Nonspendable - Amounts that cannot be spent because they are not in spendable form, such as prepaid items.

Restricted - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

Committed - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the City Council (the Council), which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Council modifies or rescinds the commitment by resolution.

Assigned - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Council itself or by an official to which the governing body delegates the authority. The Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Finance Director.

Unassigned - The residual classification for the General fund and also negative residual amounts in other funds.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unrestricted fund balance on the last day of each fiscal year equal to the following:

- 50 percent of property tax levy - budgeted in following year
- 50 percent of State aid revenues - local government aid and municipal State aid for roads; budgeted in following year

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net position

Net position represents the difference between assets and liabilities. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consists of net position balances restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net position balances that do not meet the definition of “restricted” or “net investment in capital assets”.

Comparative data/reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year have been reclassified in order to be consistent with the current year’s presentation. During 2014, it was decided the Port Authority component unit better fit the description of a blended component unit rather than a discretely presented component unit. Effective January 1, 2014, the Solid Waste fund was created to record associated revenues and expenses. Previously this activity was reported in the Sanitary Collection fund.

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund and the Community Development Block Grant and the Local Option Sales Tax special revenue funds. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

In August of each year, all departments of the City submit requests for appropriations to the Administrator so that a budget may be prepared. Before September 30, the proposed budget is presented to the Council for review and the proposed levy is adopted. The Council holds public hearings and a final budget is prepared and adopted in early December.

The appropriated budget is prepared by fund, function and department. The City’s department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Administrator. Transfers of appropriations between funds require the approval of the Council. The legal level of budgetary control is the fund level. Budgeted amounts are as originally adopted, or as amended by the Council. There were no amendments to the General fund expenditure budget during 2014.

CITY OF NORTH MANKATO, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2014

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

B. Excess of expenditures over appropriations

For the year ended December 31, 2014, expenditures exceeded appropriations for the following funds:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess of Expenditures Over Appropriations</u>
General	\$ 6,993,450	\$ 7,191,926	\$ 198,476
Special revenue			
Community Development Block Grant	51,000	53,211	2,211
Local Option Sales Tax	-	373,750	373,750

These over expenditures were funded by an excess of revenues over budget and available fund balance.

C. Deficit fund equity

The following funds had fund equity deficits at December 31, 2014:

<u>Fund</u>	<u>Amount</u>
Special Revenue	
Marigold TIF #8	\$ 402,351
Debt Service	
Bond Reserve	2,193,486
Capital Projects	
2011 Construction	1,995
2015 Construction	29,681
Proprietary	
Solid Waste	96,284

The above deficits will be eliminated through bond issuances, grants, transfers from other funds and future tax increments.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Council, the City maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the City.

At year end, the City's carrying amount of deposits was \$7,783,660, including \$301,346 reported in fiduciary funds and the bank balance was \$8,021,239. Of the bank balance, \$506,679 was covered by federal depository insurance and the remaining balance was collateralized with securities held by the pledging financial institution's trust department in the City's name.

Cash on hand

Cash in the possession of the City, consisting of petty cash and change funds, totals \$1,740.

CITY OF NORTH MANKATO, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Investments

At the year-end, the City had in investments that are insured or registered, or securities held by the City or its agent in the City's name.

- Credit Risk. Ratings provided by various credit rating agencies where applicable indicate associated credit risk. The City's investments have ratings of AAA.
- Interest Rate Risk. Using the segmented time distribution method, the interest rate risk of these investments ranges from less than 6 months to more than 3 years.
- Concentration of Credit Risk. The City places no limit on the amount that may be invested in any one issuer. The City has not invested more than five percent in any one issuer.

Types of Investments	Cost (3)	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)
Non-pooled investments			
U.S. Government Securities	<u>\$ 1,279,306</u>	Aaa	less than 6 months

- (1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk. N/A indicates not applicable or available.
- (2) Interest rate risk is disclosed using the segmented time distribution method.
- (3) Escrow investments carried at cost because refunded bond payments are guaranteed.

CITY OF NORTH MANKATO, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Cash and investments summary

A reconciliation of temporary cash and investments as shown on the statement of net position for the City, including the fiduciary funds, follows:

	Primary Government	Fiduciary Funds	Totals
Deposits	\$ 7,482,314	\$ 301,346	\$ 7,783,660
Investments	1,279,306	-	1,279,306
Cash on hand	1,690	50	1,740
 Total	 <u>\$ 8,763,310</u>	 <u>\$ 301,396</u>	 <u>\$ 9,064,706</u>
 Cash and cash temporary investments	 \$ 7,484,004	 \$ 301,396	 \$ 7,785,400
Restricted assets - cash with fiscal agent	1,279,306	-	1,279,306
 Total	 <u>\$ 8,763,310</u>	 <u>\$ 301,396</u>	 <u>\$ 9,064,706</u>

B. Notes, mortgages and leases receivable

The General fund has a note receivable from a resident for housing rehabilitation due in monthly installments of \$750 at 4.00 percent interest. The balance on this note at December 31, 2014 is \$48,178. In addition, the General fund has an agreement with the Mankato United Soccer club to reimburse the City for an amount equal to annual lease payments, in the amount of \$17,918 with interest of 4.45 percent, for the purchase of a lighting system on property owned by the City. The balance at December 31, 2014 is \$78,567.

The Port Authority (Component Unit) has various low interest notes with local business through its Port Authority General fund, Federal Revolving Loan fund, Local Revolving Loan fund, and State Revolving Loan fund as well as a mortgage receivable through its Joint Economic Development fund. In 2013, the Port Authority entered into a contract for deed with Cemstone Products Company for the sale of land for \$300,000 with five quarterly payments of \$60,000. This contract was paid in full during 2014. The revolving notes are to be repaid to the Port Authority in various monthly installments with interest at 2.50 percent to 4.50 percent. The balance on these notes at December 31, 2014 is \$1,224,602, net of allowance for doubtful accounts of \$48,861. The Joint Economic Development fund has a note receivable from a resident for housing rehab due in monthly installments of \$359 at 5.25 percent interest. The balance on this note at December 31, 2014 is \$58,502.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Capital assets

Capital asset activity for the City for the year ended December 31, 2014 was as follows:

	Beginning Balance (Restated)	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 5,240,414	\$ 710,089	\$ (592,326)	\$ 5,358,177
Construction in progress	1,483,916	1,847,781	(1,739,595)	1,592,102
Total capital assets not being depreciated	<u>6,724,330</u>	<u>2,557,870</u>	<u>(2,331,921)</u>	<u>6,950,279</u>
Capital assets being depreciated				
Buildings and improvements	61,529,479	1,564,903	-	63,094,382
Machinery, equipment and vehicles	6,188,814	258,228	(167,108)	6,279,934
Total capital assets being depreciated	<u>67,718,293</u>	<u>1,823,131</u>	<u>(167,108)</u>	<u>69,374,316</u>
Less accumulated depreciation for				
Buildings and improvements	(28,922,010)	(1,964,702)	-	(30,886,712)
Machinery, equipment and vehicles	(4,956,330)	(181,558)	155,658	(4,982,230)
Total accumulated depreciation	<u>(33,878,340)</u>	<u>(2,146,260)</u>	<u>155,658</u>	<u>(35,868,942)</u>
Total capital assets being depreciated, net	<u>33,839,953</u>	<u>(323,129)</u>	<u>(11,450)</u>	<u>33,505,374</u>
Governmental activities capital assets, net	<u>\$ 40,564,283</u>	<u>\$ 2,234,741</u>	<u>\$ (2,343,371)</u>	<u>\$ 40,455,653</u>

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 490,616	\$ -	\$ -	\$ 490,616
Construction in progress	-	5,006	-	5,006
Capital assets being depreciated				
Buildings and improvements	33,328,386	446,413	-	33,774,799
Machinery, equipment and vehicles	1,879,471	47,694	(21,221)	1,905,944
Total capital assets being depreciated	35,207,857	494,107	(21,221)	35,680,743
Less accumulated depreciation for				
Buildings and improvements	(9,975,839)	(726,045)	-	(10,701,884)
Machinery, equipment and vehicles	(1,574,541)	(62,896)	21,221	(1,616,216)
Total accumulated depreciation	(11,550,380)	(788,941)	21,221	(12,318,100)
Total capital assets being depreciated, net	23,657,477	(294,834)	-	23,362,643
Business-type activities capital assets, net	<u>\$ 24,148,093</u>	<u>\$ (289,828)</u>	<u>\$ -</u>	<u>\$ 23,858,265</u>

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

Governmental activities	
General government	\$ 28,315
Public safety	124,158
Public works, including depreciation of general infrastructure assets	1,800,022
Culture and recreation	193,765
Total depreciation expense - governmental activities	<u>\$ 2,146,260</u>
Business-type activities	
Water utility	\$ 389,217
Sewer utility	302,071
Sanitation collection	55,017
Storm water	42,636
Total depreciation expense - business-type activities	<u>\$ 788,941</u>

CITY OF NORTH MANKATO, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Construction commitments

The City has active construction projects as of December 31, 2014. The projects include street construction in areas with newly developed housing and widening and construction of existing streets and bridges. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
CSAH 41 Wetland Seeding - Prairie Restoration	\$ 35,375	\$ 28,091
CSAH 41 Trail	23,911	776,089
Well #9 Construction	29,681	1,645,319
Lookout Drive Reconstruction	23,193	5,076,502
Main Lift Station #1 North River Drive	28,634	549,366
Software Conversion	21,583	128,417
Roe Crest, Noretta, Belgrade Ravine	<u>1,429,725</u>	<u>96,270</u>
Total	<u>\$ 1,592,102</u>	<u>\$ 8,300,054</u>

The special assessment portion of the commitment for residential street construction is being financed by special assessment bonds that will be repaid by the benefiting property owners.

D. Interfund receivables, payables and transfers

The composition of interfund balances at December 31, 2014 is as follows:

Due to/from other funds

Receivable Fund	Payable Fund	Amount
General	Debt Service	\$ 1,167,304
	Nonmajor governmental	655,082
2014 Construction	Nonmajor governmental	29,681
Water Utility enterprise	Debt Service	974,700
Sewer Utility enterprise	Debt Service	<u>317,700</u>
Total		<u>\$ 3,144,467</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These balances also include temporary loans made to other funds caused by the timing of bond sales, temporary capital loans and special assessment collections in the subsequent year.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Interfund transfers

The following transfers were made for the year ended December 31, 2014:

Fund	Transfer in					Total
	General	Debt Service	Nonmajor Governmental	Storm Water Enterprise	Solid Waste Enterprise	
Transfer out						
General	\$ -	\$ -	\$ 235,000	\$ -	\$ -	\$ 235,000
2014 Construction	-	-	74,623	-	-	74,623
Nonmajor governmental	608,010	375,786	17,908	46,650	-	1,048,354
Water Utility enterprise	88,506	-	65,000	-	-	153,506
Sewer Utility enterprise	109,000	-	100,000	-	-	209,000
Sanitary Collection enterprise	-	-	-	-	55,921	55,921
Storm Water enterprise	11,750	-	31,500	-	-	43,250
Solid Waste enterprise	51,250	-	-	-	-	51,250
Total transfers out	\$ 868,516	\$ 375,786	\$ 524,031	\$ 46,650	\$ 55,921	\$ 1,870,904

Transfers are used to 1) move revenues from the fund with collection authorization to the Debt Service fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, 3) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs. The following transfers were made during 2014:

- \$235,000 from the General Fund to the Capital Facilities fund for funding of capital facilities and equipment replacement.
- \$602,909 to close the Library fund (\$70,887), the Bookmobile fund (\$72,185), the Community Development fund (\$320,948), the Parkland fund (\$89,828) and the Contingency fund (\$49,061) into the General fund.
- \$5,979 from the CDBG fund into the General fund (\$5,101) and the Port Authority General fund (\$878) for administrative fees.
- \$310,088 from the Sales Tax fund to the Debt Service fund for scheduled debt payments.
- \$46,650 to close the Flood Control fund into the Storm Water enterprise fund.
- Transfers from Port Authority General fund (\$3,503), TIF #8 Marigold (\$23,543), TIF #14 Webster Redevelopment (\$3,189), TIF #2 (\$5,273) and TIF #19 (\$30,190) to debt service to help with scheduled payments.
- \$74,623 from the 2014 Construction fund to help cover expenditures in the 2011 Construction fund (\$59,149) and the 2013 Construction fund (\$15,474).
- \$17,030 to close the Port Authority Construction fund to the Port Authority General fund.
- \$153,506 to transfer franchise fees from the Water Utility fund to the General fund (\$88,506) and the Capital Facilities fund (\$65,000).
- \$209,000 to transfer franchise fees from the Sewer Utility fund to the General fund (\$109,000) and the Capital Facilities fund (\$100,000).
- \$55,921 from the Sanitary Collection Utility fund to the Solid Waste Utility fund to help cover expenditures.
- \$43,250 to transfer franchise fees from the Storm Water Utility fund to the General fund (\$11,750) and the Capital Facilities fund (\$31,500).
- \$51,250 to transfer franchise fees from the Solid Waste Utility fund to the General fund.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

E. Long-term debt

General obligation bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund special assessments related bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Street Reconstruction Bonds of 2004A	\$ 1,035,000	4.00 - 4.70 %	06/01/04	02/01/15	\$ 480,000
G.O. Capital Improvement Plan Refunding Bonds of 2008C	2,145,000	2.50 - 3.60	05/01/08	02/01/19	1,025,000
G. O. Bonds of 2011A	3,215,000	2.00 - 3.75	11/30/11	02/01/34	3,215,000
G.O. Crossover Refunding of 2012A	430,000	1.00 - 1.90	04/01/12	02/01/20	430,000
G.O. Bonds of 2014A	2,845,000	3.00 - 3.50	07/01/14	12/01/29	<u>2,845,000</u>
Total General Obligation Bonds					<u>\$ 7,995,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31,	General Obligation Bonds Governmental Activities		
	Principal	Interest	Total
2015	\$ 985,000	\$ 269,135	\$ 1,254,135
2016	615,000	206,701	821,701
2017	635,000	190,202	825,202
2018	640,000	172,960	812,960
2019	565,000	156,361	721,361
2020 - 2024	1,830,000	615,112	2,445,112
2025 - 2029	1,740,000	349,323	2,089,323
2030 - 2034	<u>985,000</u>	<u>93,700</u>	<u>1,078,700</u>
Total	<u>\$ 7,995,000</u>	<u>\$ 2,053,494</u>	<u>\$10,048,494</u>

CITY OF NORTH MANKATO, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

General obligation tax increment bonds

The following bonds were issued for redevelopment projects. The additional tax increments resulting from increased tax capacity of the redeveloped properties will be used to retire related debt.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Taxable G.O. Tax Increment Bonds of 2010D	\$ 810,000	2.85 - 6.25 %	12/30/10	02/01/37	\$ 810,000
Taxable G.O. Tax Increment Revenue Bonds of 2011B	455,000	3.00 - 5.00	12/01/11	02/01/35	<u>445,000</u>
Total G.O. Tax Increment Bonds					<u>\$ 1,255,000</u>

Annual debt service requirements to maturity for general obligation tax increment bonds are as follows:

<u>Year Ending December 31,</u>	G.O. Tax Increment Bonds Governmental Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 10,000	\$ 55,398	\$ 65,398
2016	65,000	54,289	119,289
2017	65,000	52,275	117,275
2018	70,000	49,940	119,940
2019	105,000	46,597	151,597
2020 - 2024	570,000	162,766	732,766
2025 - 2029	130,000	79,258	209,258
2030 - 2034	180,000	40,516	220,516
2035 - 2037	60,000	3,187	63,187
Total	<u>\$ 1,255,000</u>	<u>\$ 544,226</u>	<u>\$ 1,799,226</u>

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

G.O. special assessment (improvement) bonds

The following bonds were issued to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. Some issues, however, are partly financed by ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City. Each year the combined assessment and tax levy equals 105 percent of the amount required for debt service. The excess of 5 percent is to cover any delinquencies in tax or assessment payments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Governmental					
G.O. Capital Project Bonds of 2005A	\$ 2,495,000	2.15 - 4.20 %	02/01/05	02/01/20	\$ 255,000
G.O. Improvement Bonds of 2006C	1,760,000	4.00	12/01/06	02/01/18	585,000
G.O. Improvement Bonds of 2007A	2,550,000	4.00 - 4.20	08/01/07	02/01/18	485,000
G.O. Improvement Bonds of 2008A	1,815,000	2.40 - 3.70	05/01/08	02/01/19	880,000
G.O. State Aid Street and Refunding Bonds of 2009D	3,120,000	2.00 - 4.00	12/22/09	04/01/25	2,440,000
G.O. Improvement Bonds of 2010A	2,305,000	2.00 - 4.00	12/30/10	12/01/27	2,130,000
G.O. Refunding Bonds of 2010C	3,455,000	.75 - 3.15	12/30/10	02/01/22	2,835,000
G.O. Crossover Refunding Bonds of 2012A	465,000	.60 - 1.00	04/01/12	02/01/16	305,000
Total G.O. Special Assessments Bonds - Governmental					<u>9,915,000</u>
Business-type					
G.O. Capital Improvement Bonds of 2004B	1,445,000	3.25 - 5.00	06/01/04	02/01/15	930,000
G.O. Crossover Refunding Bonds of 2012A	935,000	1.00 - 2.70	04/01/12	02/01/25	935,000
Total G.O. Special Assessments Bonds - Business-type					<u>1,865,000</u>
Total G.O. Special Assessments Bonds					<u>\$ 11,780,000</u>

Annual debt service requirements to maturity for general obligation special assessment bonds are as follows:

Year Ending December 31,	G.O. Special Assessment Bonds Governmental Activities			G.O. Special Assessment Bonds Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
	2015	\$ 1,130,000	\$ 306,353	\$ 1,436,353	\$ 930,000	\$ 40,555
2016	1,330,000	272,586	1,602,586	85,000	18,155	103,155
2017	990,000	238,668	1,228,668	90,000	17,168	107,168
2018	885,000	208,933	1,093,933	90,000	15,953	105,953
2019	1,085,000	178,015	1,263,015	90,000	14,535	104,535
2020 - 2024	3,670,000	444,863	4,114,863	475,000	43,208	518,208
2025 - 2027	825,000	50,498	875,498	105,000	1,416	106,416
Total	<u>\$ 9,915,000</u>	<u>\$ 1,699,916</u>	<u>\$ 11,614,916</u>	<u>\$ 1,865,000</u>	<u>\$ 150,990</u>	<u>\$ 2,015,990</u>

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

G.O. revenue bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be retired from net revenues of the enterprise funds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Business-type					
Public Facilities Authority Loan of 1997A	\$ 1,032,679	3.41 %	11/25/97	02/20/19	\$ 297,597
Public Facilities Authority Loan of 1999B	442,988	3.14	12/31/99	08/20/19	140,000
G.O. Capital Project Bonds of 2005A	2,495,000	2.15 - 4.20	02/01/05	02/01/20	345,000
G.O. Utility Revenue Bonds of 2006B	2,495,000	2.15 - 4.20	02/01/05	02/01/20	955,000
G.O. Utility Revenue Bonds of 2007B	2,495,000	2.15 - 4.20	02/01/05	02/01/20	600,000
G.O. Water Utility Revenue Bonds of 2008B	2,295,000	2.50 - 4.20	05/01/08	02/01/29	2,065,000
G.O. Utility Revenue Bonds of 2009B	690,000	3.00 - 4.00	05/12/09	12/01/24	495,000
G.O. Refunding Bonds of 2010C	900,000	.75 - 3.15	12/30/10	02/01/22	550,000
Total G.O. Revenue Bonds - Business-type					<u>5,447,597</u>
Governmental					
G.O. Port Authority Taxable Refunding Bonds of 2009A	1,370,000	2.0 - 4.375	12/22/09	02/01/19	810,000
G.O. Sales Tax Revenue Bonds of 2009C	2,560,000	2.00 - 4.00	05/12/09	12/01/24	1,875,000
G.O. Sales Tax Revenue Bonds of 2010B	750,000	1.00 - 4.00	12/30/10	12/01/25	600,000
Total G.O. Revenue Bonds - Governmental					<u>3,285,000</u>
Total G.O. Revenue Bonds					<u><u>\$8,732,597</u></u>

Annual debt service requirements to maturity for general obligation revenue bonds are as follows:

Year Ending December 31,	G.O. Revenue Bonds Governmental Activities			G.O. Revenue Bonds Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 350,000	\$ 114,333	\$ 464,333	\$ 587,883	\$ 194,996	\$ 782,879
2016	355,000	103,483	458,483	611,008	176,812	787,820
2017	385,000	91,558	476,558	619,206	157,402	776,608
2018	400,000	78,288	478,288	507,480	138,022	645,502
2019	415,000	64,115	479,115	487,022	118,554	605,576
2020 - 2024	1,320,000	169,600	1,489,600	1,649,998	351,255	2,001,253
2025 - 2029	60,000	2,402	62,402	985,000	106,620	1,091,620
Total	<u>\$ 3,285,000</u>	<u>\$ 623,779</u>	<u>\$ 3,908,779</u>	<u>\$ 5,447,597</u>	<u>\$ 1,243,661</u>	<u>\$ 6,691,258</u>

CITY OF NORTH MANKATO, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Annual revenues from charges for services, principal and interest payments, and percentage of revenue required to cover principal and interest payments are as follows:

	Water Utility	Sewer Utility	Sanitary Collection	Storm Water
Revenue	\$ 1,815,734	\$ 2,092,942	\$ 392,086	\$ 275,168
Principal and interest	502,652	232,061	129,579	54,802
Percent of revenue	27.7%	11.1%	33.0%	19.9%

Contracts payable

These contracts were issued to purchase lighting for the soccer complex and finance land purchases in the Northport Industrial Park. The Soccer Field contract will be funded through the Parkland fund and the Northport contract will be retired from net revenues of the Port Authority.

Description	Authorized and issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Soccer Field Lights	\$ 105,423	4.45 %	11/16/12	11/19/19	\$ 78,567
Northport Industrial Park	900,000	4.00 %	01/15/11	01/15/19	600,000
Total contracts payable					<u>\$ 678,567</u>

Annual debt service requirements to maturity for contracts payable are as follows:

<u>December 31,</u>	Contracts Payable Governmental Activities		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 114,349	\$ 25,568	\$ 139,917
2016	115,001	20,917	135,918
2017	115,682	16,235	131,917
2018	116,395	11,523	127,918
2019	217,140	4,779	221,919
Total	<u>\$ 678,567</u>	<u>\$ 79,022</u>	<u>\$ 757,589</u>

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2014 was as follows:

	Beginning Balance (Restated)	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General obligation bonds	\$ 5,484,000	\$ 2,845,000	\$ (334,000)	\$ 7,995,000	\$ 985,000
General obligation tax increment bonds	1,265,000	-	(10,000)	1,255,000	10,000
General obligation special assessment bonds	12,265,000	-	(2,350,000)	9,915,000	1,130,000
General obligation revenue bonds	3,625,000	-	(340,000)	3,285,000	350,000
Bond discounts	(16,396)	-	4,242	(12,154)	-
Bond premiums	162,926	131,790	(10,491)	284,225	-
Total bonds payable	22,785,530	2,976,790	(3,040,249)	22,722,071	2,475,000
Contracts payable	792,293	-	(113,726)	678,567	114,349
Compensated absences payable	664,871	331,721	(307,204)	689,388	314,580
Other postemployment benefits obligation	226,590	112,056	(79,450)	259,196	-
Governmental activity long-term liabilities	<u>\$ 24,469,284</u>	<u>\$ 3,420,567</u>	<u>\$ (3,540,629)</u>	<u>\$ 24,349,222</u>	<u>\$ 2,903,929</u>
Business-type activities					
Bonds payable					
General obligation revenue bonds	\$ 6,023,426	\$ -	\$ (575,829)	\$ 5,447,597	\$ 587,883
General obligation special assessment bonds	1,930,000	-	(65,000)	1,865,000	930,000
Bond discounts	(18,827)	-	1,891	(16,936)	-
Bond premiums	1,761	-	(160)	1,601	-
Total bonds payable	7,936,360	-	(639,098)	7,297,262	1,517,883
Compensated absences payable	54,573	60,087	(44,620)	70,040	39,180
Other postemployment benefits obligation	68,741	(11,859)	(27,687)	29,195	-
Business-type activity long-term liabilities	<u>\$ 8,059,674</u>	<u>\$ 48,228</u>	<u>\$ (711,405)</u>	<u>\$ 7,396,497</u>	<u>\$ 1,557,063</u>

On April 1, 2012, the City issued \$1,830,000 of G.O. Crossover Refunding Bonds, Series 2012A. The bonds were issued with a net interest cost of 2.0315771 percent with a net present value cash flow savings of \$73,040. The bonds have an average coupon rate of 1.9027688 percent and will mature on February 1, 2025. On February 1, 2015 the G.O. Crossover Refunding Bonds, Series 2012A will pay the remaining balance of \$480,000 on the 2004A G.O. Street Reconstruction Bonds and \$930,000 on the 2004B G.O. Improvement Bonds.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Conduit debt obligations

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At December 31, 2014, the following conduit debt existed:

- \$2,500,000 Educational Facilities Revenue Note, Series 2007, (Evangelical Covenant Preschool Project) with an outstanding balance of \$2,393,839 at December 31, 2014.
- \$7,155,000 Housing Facilities Revenue Refunding Note 2014A, (Vista Prairie at Monarch Meadows Project), with an outstanding balance of \$7,155,000 at December 31, 2014.
- \$545,000 Taxable Housing Facilities Revenue Refunding Note, Series 2014A-T, (Vista Prairie at Monarch Meadows Project), with an outstanding balance of \$529,466 at December 31, 2014.

F. Components of fund balance

At December 31, 2014, portions of the City's fund balance are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), City Council action (Committed), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Debt Service	2014 Construction	Other Governmental Funds	Total Governmental Funds
Nonspendable					
Prepaid items	\$ 109	\$ -	\$ -	\$ -	\$ 109
Restricted for					
Capital improvements	\$ -	\$ -	\$ 930,556	\$ -	\$ 930,556
Library programs	-	-	-	51,049	51,049
Park development	-	-	-	15,680	15,680
Economic development	-	-	-	1,888,177	1,888,177
Tax increment financing	-	-	-	79,446	79,446
Park improvements	-	-	-	91,378	91,378
Total restricted	\$ -	\$ -	\$ 930,556	\$ 2,125,730	\$ 3,056,286
Assigned for					
Capital equipment	\$ -	\$ -	\$ -	\$ 241,889	\$ 241,889
Economic development	-	-	-	192,648	192,648
Total assigned	\$ -	\$ -	\$ -	\$ 434,537	\$ 434,537
Unassigned	\$ 3,315,595	\$ (1,024,517)	\$ -	\$ (434,027)	\$ 1,857,051

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 4: DEFINED BENEFIT PENSION PLAN - STATEWIDE

A. Plan description

All full-time and certain part-time employees of the City of North Mankato are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA administers the General Employees Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota statutes, chapters 353 and 356.

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, fire-fighters and peace officers who qualify for membership by statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota statute, and vest after five years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under

Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members and GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members and 65 for Basic and Coordinated members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon death of the retiree--no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service, in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants.

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF and PEPFF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 4: DEFINED BENEFIT PENSION PLAN - STATEWIDE - CONTINUED

B. Funding policy

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State legislature. The City makes annual contributions to the pension plans equal to the amount required by Minnesota statutes. GERP Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.25 percent, respectively, of their annual covered salary in 2014. PEPFF members were required to contribute 10.20 percent of their annual covered salary in 2014. In 2014, the City of North Mankato was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members, 7.25 percent for Coordinated Plan members, and 15.30 percent for PEPFF members. The City's contributions to the Public Employees Retirement Fund for the years ending December 31, 2014, 2013 and 2012 were \$174,534, \$171,863, and \$168,194, respectively. The City's contributions to the PEPFF for the years ending December 31, 2014, 2013, and 2012 were \$150,470, \$135,747, and \$125,759 respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute. Contribution rates will increase on January 1, 2015 in the Coordinated Plan (6.50 percent for members and 7.50 percent for employers) and the Police and Fire Fund (10.80 percent for members and 16.20 percent for employers).

C. Defined contribution plan

Elected officials of the City are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP is a tax qualified plan under section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota statutes, chapter 353D.03, specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and four-tenths of one percent of the assets in each member's account annually.

The City's contributions to the PEDCP for the years ended December 31, 2014, 2013 and 2012 were \$1,300, \$1,300 and \$1,300, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statutes.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 5: DEFINED BENEFIT PENSION PLAN - FIRE RELIEF ASSOCIATION

Plan description

All members of the North Mankato Fire Department (the Department) are covered by a defined benefit plan administered by the North Mankato Firefighters' Relief Association (the Association). The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

The Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (chapter 261 as amended by chapter 509 of Minnesota statutes 1980). Funds are also derived from investment income.

The Association issues a publicly available financial report. The report may be obtained by writing to North Mankato Firefighters' Relief Association, Box 2055, North Mankato, MN 56002-2055.

The City levies property taxes at the direction of and for the benefit of the Fire Relief Association and passes through State aids allocated to the plan, all in accordance with enabling Minnesota statutes. The State aid is recognized as both a revenue and expenditure in the General fund. The State aid for 2014 was \$65,468. The firefighter has no obligation to contribute to this pension plan.

Funding policy

The financial requirements of the Special fund are determined in accordance with section 69.772 of the Minnesota statutes, which requires the payment of pension benefits in a lump sum or optionally in annual installments. The benefits are payable after age 50, 5 years of service, and 5 years of Association membership or upon death. The City's annual pension cost for the current year and related information for the plan is as follows:

Annual pension cost	\$ 79,141
Contributions made	
City	13,673
State aid	65,468
Actuarial valuation date	12/31/14
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	
Normal cost	20 years
Prior service cost	10 years
Asset valuation method	Market
Actuarial assumptions	
Investment rate of return	5%
Projected salary increases	N/A
Inflation rate	N/A
Cost of living adjustments	None

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 5: DEFINED BENEFIT PENSION PLAN - FIRE RELIEF ASSOCIATION - CONTINUED

Three Year Trend Information			
Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
12/31/14	\$ 79,141	100.0 %	\$ -
12/31/13	99,475	100.0	-
12/31/12	70,438	100.0	-

Required Supplementary Information					
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Assets in Excess of (Unfunded) Accrued Liability	Funded Rate	Pension Benefit Per Year of Service
12/31/14	\$ 2,001,973	\$ 1,719,372	\$ 282,601	116.4 %	\$ 3,000
12/31/13	1,835,584	1,586,887	248,697	115.7	3,000
12/31/12	1,466,150	1,453,753	12,397	100.9	3,000

Note 6: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

A. Plan description

The City administers a single-employer defined benefit healthcare plan (“the Retiree Health Plan”). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the City’s group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the City and the union representing employees and are renegotiated each three-year bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

B. Funding policy

Contribution requirements also are negotiated between the City and union representatives. The City contributes none of the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2014, the City contributed \$107,137 to the plan. Plan members receiving benefits contribute 100 percent of their premium costs. The General fund is typically used to liquidate the net other postemployment benefit obligation.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 6: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - CONTINUED

C. Annual other postemployment benefit cost

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	\$ 105,131
Interest on net OPEB obligation	11,488
Adjustment to annual required contribution	<u>(16,422)</u>
 Annual OPEB cost (expense)	 100,197
 Contributions made	 <u>(107,137)</u>
Decrease in net OPEB obligation	(6,940)
 Net OPEB obligation- beginning of year	 <u>295,331</u>
 NET OPEB obligation - end of year	 <u><u>\$ 288,391</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 and previous two years are as follows:

Year Ending	Three Year Trend Information		
	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/14	\$ 100,197	106.9 %	\$ 288,391
12/31/13	82,494	44.9	295,331
12/31/12	82,520	95.3	249,897

D. Funded status and funding progress

As of January 1, 2014, the actuarial accrued liability for benefits was \$815,607, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,090,950, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 26.4 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 6: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - CONTINUED

E. Methods and assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the City, in the January 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0 percent investment rate of return and an annual healthcare cost trend rate of 7.5 percent initially, reduced incrementally to an ultimate rate of 5.0 percent over 10 years. The actuarial value of assets was not determined as the City has not advance-funded its obligation. The plan's unfunded actuarial accrued liability was amortized as a level dollar amount over a closed basis of thirty years.

The following simplifying assumptions were made:

Retirement age for active employees - Based on the historical average age of retirement for the covered group, active plan members were assumed to retire at age 65, or at the first subsequent year in which the member would qualify for benefits.

Marital status - Marital status of members at the calculation date was assumed to continue throughout retirement. 85 percent of males were married, and 65 percent of females were married.

Mortality - Life expectancies were based on mortality tables of RP-2000 Combined Health Table projected to 2014 with Scale BB.

Turnover - Non-group-specific age-based turnover data from GASB Statement No. 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 7.5 percent initially, increased to an ultimate rate of 5.0 percent over ten years, was used.

Health insurance premiums - 2014 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate - The expected long-term inflation rate assumption of 2.5 percent was used based on an intermediate growth scenario.

Payroll growth rate - The expected long-term payroll growth rate was assumed to equal the rate of inflation.

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 4.0 percent was used. In addition, the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2014 was 30 years.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 7: OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. The City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The City's management is not aware of any incurred but not reported claims.

B. Contingent liabilities

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

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

C. Joint ventures

Joint economic development fund

During 1990, the Port Authority (Component Unit) and Frost-Benco-Wells Electric initiated a joint venture whereby each entity contributed \$125,000. The purpose of the joint venture is to purchase and develop an industrial park area in the Frost-Benco-Wells service area and to facilitate economic development. The land purchase of \$349,990 as well as the activities of this joint venture are accounted for in the Port Authority Joint Economic Development fund. Each entity will make future contributions to the joint venture as needed. Since 1990, the participating entities have not had to contribute additional funds. No separate financial statements are issued for this joint venture.

Flood protection facilities

Flood protection facilities have been constructed to provide flood protection to the cities of Mankato and North Mankato. All costs associated with all labor, materials, equipment and other items necessary to perform the work will be distributed on the basis of contributing stormwater flow from drainage area acres per City within the total drainage district. The City of Mankato maintains all records and submits to the City of North Mankato an invoice each year for their pro-rated share of costs incurred. This agreement will continue as long as the flood protection facilities are deemed necessary by the parties involved.

All Seasons Arena

Since 1979 the All Seasons Arena owned by the cities of Mankato, North Mankato, Skyline and Blue Earth County, has been operated by the Mankato Area Public Schools Community Education and Recreation Department. The governmental units designated as owners provide \$40,000 in operating funds per operating year. The agreement is for a three year period and renewed by mutual agreement. The City of North Mankato has a 21.8 percent share of the facility. An asset has not been recorded by the City as this amount is considered immaterial to the financial statements as a whole.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 7: OTHER INFORMATION - CONTINUED

D. Agency

The City has entered into an agreement with the City of Mankato and is acting as an agent in connection with the public access cable TV system. Under this agreement, they are currently holding funds in the Public Access Authority fund, created for this purpose. These funds earn interest and are directly offset by any investment amount plus earned interest in an accrued liability account. Therefore, this fund is presented only on the fiduciary fund balance sheet and has no revenues, expenditures or fund balances.

E. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA) program. The amount received in 2014 was \$1,559,008. This accounted for 22 percent of General fund revenues.

Note 8: PRIOR PERIOD RESTATEMENT

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2013 balances to the December 31, 2014 financial statements:

Fund	December 31, 2014		
	Net Position/ Fund Balance December 31, 2013 as Previously Reported	Prior Period Restatement	Net Position/ Fund Balance January 1, 2014 as Restated
Governmental activities	\$ 30,522,452	\$ 689,581 (1)	\$ 31,212,033
Component Unit - Port Authority	\$ 689,581	\$ (689,581) (1)	\$ -
Governmental funds			
General fund	\$ 2,789,011	\$ 92,293 (2)	\$ 2,881,304
Special Revenue funds	930,044	1,669,665 (1)	2,599,709
Debt Service funds	(800,519)	196,689 (1)	(603,830)
Capital Project funds	3,339	17,030 (1)	20,369
Total governmental funds	\$ 132,864	\$ 1,883,384	\$ 2,016,248

(1) During 2014, it was decided the Port Authority should be reported as a blended component unit.

(2) This adjustment was to eliminate the unavailable revenues offset to the notes receivable to be in accordance with GASB 54.

Note 9 SUBSEQUENT EVENTS

Starting in 2015, the City entered into a bond purchase and loan agreement with the Minnesota Public Facilities Authority. The Authority commits to provide \$1,631,793 to the City for the purpose of financing the construction of City well #9, a well house, and connection to existing drinking water systems. The final maturity date of the loan will be August 20, 2034.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

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CITY OF NORTH MANKATO, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2014

Schedule of funding progress for the retiree health plan

Actuarial Valuation Date	Required Supplementary Information						UAAL as a Percentage of Covered Payroll ((b-a)/c)
	Actuarial Value of Assets (a)	Actuarial Accrued Liability - Simplified Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)		
01/01/14	\$ -	\$ 815,607	\$ 815,607	- %	\$ 3,090,950	26.4 %	
01/01/11	-	759,434	759,434	-	2,656,218	28.6	
01/01/08	-	826,097	826,097	-	3,712,347	22.3	

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**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

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CITY OF NORTH MANKATO, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2014

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and temporary investments	\$ 1,157,293	\$ 242,799	\$ 1,400,092
Receivables			
Notes	1,282,694	-	1,282,694
Intergovernmental	148,056	-	148,056
TOTAL ASSETS	\$ 2,588,043	\$ 242,799	\$ 2,830,842
LIABILITIES			
Accounts payable	\$ 7,214	\$ 1,323	\$ 8,537
Contracts payable	-	1,555	1,555
Due to other funds	655,082	29,681	684,763
Due to other governments	9,720	27	9,747
TOTAL LIABILITIES	672,016	32,586	704,602
FUND BALANCES			
Restricted	2,125,730	-	2,125,730
Assigned	192,648	241,889	434,537
Unassigned	(402,351)	(31,676)	(434,027)
TOTAL FUND BALANCES	1,916,027	210,213	2,126,240
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,588,043	\$ 242,799	\$ 2,830,842

CITY OF NORTH MANKATO, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Taxes			
Property taxes	\$ 415,664	\$ -	\$ 415,664
Sales taxes	530,504	100	530,604
Intergovernmental			
Federal	47,368	-	47,368
Investment earnings	154	-	154
Miscellaneous			
Rents	11,289	-	11,289
Contributions and donations	27,778	19,875	47,653
Other	65,283	78,634	143,917
TOTAL REVENUES	1,098,040	98,609	1,196,649
EXPENDITURES			
Current			
Culture and recreation			
Parks	8,745	-	8,745
Housing and economic development	550,706	-	550,706
Capital outlay			
General government	87,586	150,192	237,778
Public safety	-	114,185	114,185
Public works	-	83,070	83,070
Culture and recreation	277,419	21,612	299,031
Housing and economic development	432,170	-	432,170
Mass transit and other	-	48,616	48,616
Debt service			
Principal	100,000	-	100,000
Interest	30,431	-	30,431
TOTAL EXPENDITURES	1,487,057	417,675	1,904,732
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(389,017)	(319,066)	(708,083)
OTHER FINANCING SOURCES (USES)			
Sale of assets	718,751	19,817	738,568
Transfers in	17,908	506,123	524,031
Transfers out	(1,031,324)	(17,030)	(1,048,354)
TOTAL OTHER FINANCING SOURCES (USES)	(294,665)	508,910	214,245
NET CHANGE IN FUND BALANCES	(683,682)	189,844	(493,838)
FUND BALANCES, JANUARY 1 AS RESTATED	2,599,709	20,369	2,620,078
FUND BALANCES, DECEMBER 31	\$ 1,916,027	\$ 210,213	\$ 2,126,240

NONMAJOR SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Library fund: This fund accounts for the resources necessary to provide the educational, cultural and recreational activities of the North Mankato Public Library.

Bookmobile fund: This fund accounts for the maintenance costs of the bookmobile.

Library Endowment fund: This fund accounts for contributions which will be used for library programs.

Community Development Block Grant (CDBG) fund: This fund accounts for the City grant program to assist the community.

Community Development fund: This fund accounts for community development activities of the City.

Local Options Sales Tax fund: This fund accounts for the collection and dispersal of the local option sales tax imposed by the City. The tax is used to fund (1) the local share of the TH17/County State-Aid Highway 41 interchange project, (2) development of regional parks and hiking and biking trails, (3) expansion of the north Mankato Taylor Library, (4) riverfront redevelopment, and (5) lake improvement projects.

Park Development fund: This fund accounts for revenues from donations that are used to develop and improve the park system.

Parkland fund: This fund accounts for revenues used for acquisition, development and improvement of any park land or recreational areas acquired by the City.

Flood Control fund: This fund accounts for the resources necessary to maintain flood control facilities.

Contingency fund: This fund accounts for revenues derived from ad valorem taxes and used for the payment of incidental and promotional expenses to promote institutional, residential, commercial and industrial development.

Port Authority fund: The purpose of this fund is to account for the development and redevelopment activity of the City of North Mankato which are not required legally or by sound financial management to be accounted for in another fund.

Federal Revolving Loan fund: The purpose of this fund is to account for the activity of the economic development loans that have been financed with Federal funds.

Local Revolving Loan fund: The purpose of this fund is to account for the activity of the economic development loans that have been financed internally.

State Revolving Loan fund: The purpose of this fund is to account for the activity of the economic development loans that have been financed with State funds.

Joint Economic Development fund: The purpose of this fund is to account for the joint economic development activity of the City of North Mankato and Benco Electric.

Marigold TIF #8 fund: The purpose of this fund is to account for costs associated with the Marigold Tax Increment Project.

Webster Redevelopment TIF #14 fund: The purpose of this fund is to account for costs associated with the Webster Redevelopment Tax Increment Project.

Creative Companies TIF #16 fund: The purpose of this fund is to account for costs associated with the Creative Companies Tax Increment Project.

National Dentex TIF #17 fund: The purpose of this fund is to account for costs associated with the National Dentex Tax Increment Project.

Webster Avenue TIF #2 fund: The purpose of this fund is to account for costs associated with the Webster Avenue Tax Increment Project.

LJP Enterprises TIF #18 fund: The purpose of this fund is to account for costs associated with the LJP Enterprises Tax Increment Project.

Ziegler Caterpillar TIF #20 fund: The purpose of this fund is to account for costs associated with the Ziegler Caterpillar

422 Belgrade TIF #19 fund: The purpose of this fund is to account for costs associated with the 422 Belgrade Tax Increment Project.

Lindsay TIF #22 fund: The purpose of this fund is to account for costs associated with the Lindsay Tax Increment Project.

Allstate Peterbuildt TIF #21 fund: The purpose of this fund is to account for costs associated with the Allstate Peterbuildt Tax Increment Project.

D & K Powdercoating TIF #23 fund: The purpose of this fund is to account for costs associated with the D & K Powdercoating Tax Increment Project.

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CITY OF NORTH MANKATO, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET - CONTINUED ON THE FOLLOWING PAGES
DECEMBER 31, 2014

	211	212	213	215	220
	Library	Bookmobile	Library Endowment	Community Development Block Grant	Community Development
ASSETS					
Cash and temporary investments	\$ -	\$ -	\$ 51,049	\$ -	\$ -
Receivables					
Intergovernmental	-	-	-	45,944	-
Notes, mortgages and leases	-	-	-	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,049</u>	<u>\$ 45,944</u>	<u>\$ -</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	45,944	-
Due to other governments	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,944</u>	<u>-</u>
FUND BALANCES					
Restricted	-	-	51,049	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>51,049</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 51,049</u>	<u>\$ 45,944</u>	<u>\$ -</u>

221	224	225	226	227	228	229	234
Local Option Sales Tax	Park Development	Parkland	Flood Control	Contingency	Port Authority	Federal Revolving Loan	Local Revolving Loan
\$ -	\$ 15,680	\$ -	\$ -	\$ -	\$ 198,848	\$ 537,071	\$ 66,891
102,112	-	-	-	-	-	-	-
-	-	-	-	-	-	1,051,188	173,004
<u>\$ 102,112</u>	<u>\$ 15,680</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 198,848</u>	<u>\$ 1,588,259</u>	<u>\$ 239,895</u>
\$ 1,014	\$ -	\$ -	\$ -	\$ -	\$ 6,200	\$ -	\$ -
-	-	-	-	-	-	-	-
9,720	-	-	-	-	-	-	-
10,734	-	-	-	-	6,200	-	-
91,378	15,680	-	-	-	-	1,588,259	239,895
-	-	-	-	-	192,648	-	-
-	-	-	-	-	-	-	-
91,378	15,680	-	-	-	192,648	1,588,259	239,895
<u>\$ 102,112</u>	<u>\$ 15,680</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 198,848</u>	<u>\$ 1,588,259</u>	<u>\$ 239,895</u>

CITY OF NORTH MANKATO, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET - CONTINUED
DECEMBER 31, 2014

	235 State Revolving Loan	240 Joint Economic Development	250 Marigold TIF #8	251 Webster Redevelopment TIF #14	253 Creative Companies TIF #16
ASSETS					
Cash and temporary investments	\$ 993	\$ 528	\$ 206,787	\$ 20,719	\$ 35,704
Receivables					
Intergovernmental	-	-	-	-	-
Notes, mortgages and leases	-	58,502	-	-	-
TOTAL ASSETS	<u>\$ 993</u>	<u>\$ 59,030</u>	<u>\$ 206,787</u>	<u>\$ 20,719</u>	<u>\$ 35,704</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	609,138	-	-
Due to other governments	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>609,138</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted	993	59,030	-	20,719	35,704
Assigned	-	-	-	-	-
Unassigned	-	-	(402,351)	-	-
TOTAL FUND BALANCES	<u>993</u>	<u>59,030</u>	<u>(402,351)</u>	<u>20,719</u>	<u>35,704</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 993</u>	<u>\$ 59,030</u>	<u>\$ 206,787</u>	<u>\$ 20,719</u>	<u>\$ 35,704</u>

254	255	256	257	258	259	260	Total Nonmajor Special Revenue
National Dentex TIF #17	Webster Avenue TIF #2	LJP Enterprises TIF #18	Ziegler Caterpillar TIF #20	422 Belgrade TIF #19	Lindsay TIF #22	Allstate Peterbuildt TIF #21	
\$ -	\$ 909	\$ -	\$ -	\$ 22,114	\$ -	\$ -	\$ 1,157,293
-	-	-	-	-	-	-	148,056
-	-	-	-	-	-	-	1,282,694
<u>\$ -</u>	<u>\$ 909</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,114</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,588,043</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,214
-	-	-	-	-	-	-	655,082
-	-	-	-	-	-	-	9,720
-	-	-	-	-	-	-	672,016
-	909	-	-	22,114	-	-	2,125,730
-	-	-	-	-	-	-	192,648
-	-	-	-	-	-	-	(402,351)
-	909	-	-	22,114	-	-	1,916,027
<u>\$ -</u>	<u>\$ 909</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,114</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,588,043</u>

CITY OF NORTH MANKATO, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
CONTINUED ON THE FOLLOWING PAGES
FOR THE YEAR ENDED DECEMBER 31, 2014

	211	212	213	215	220
	Library	Bookmobile	Library Endowment	Community Development Block Grant	Community Development
REVENUES					
Taxes					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-	-
Intergovernmental					
Federal	-	-	-	47,368	-
Investment earnings	-	-	-	-	-
Miscellaneous					
Rents	-	-	-	-	-
Contributions and donations	-	-	-	-	-
Other	-	-	-	-	-
TOTAL REVENUES	-	-	-	47,368	-
EXPENDITURES					
Current					
Culture and recreation					
Parks	-	-	-	-	-
Housing and economic development	-	-	-	53,211	-
Capital outlay					
General government	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Housing and economic development	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
TOTAL EXPENDITURES	-	-	-	53,211	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	-	-	(5,843)	-
OTHER FINANCING SOURCES (USES)					
Sale of assets	-	-	-	15,000	-
Transfers in	-	-	-	-	-
Transfers out	(70,887)	(72,185)	-	(5,979)	(320,948)
TOTAL OTHER FINANCING SOURCES (USES)	(70,887)	(72,185)	-	9,021	(320,948)
NET CHANGE IN FUND BALANCES	(70,887)	(72,185)	-	3,178	(320,948)
FUND BALANCES, JANUARY 1 AS RESTATED	70,887	72,185	51,049	(3,178)	320,948
FUND BALANCES, DECEMBER 31	\$ -	\$ -	\$ 51,049	\$ -	\$ -

221	224	225	226	227	228	229	234
Local Option Sales Tax	Park Development	Parkland	Flood Control	Contingency	Port Authority	Federal Revolving Loan	Local Revolving Loan
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75,000	\$ -	\$ -
530,504	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	154	-
-	-	-	-	-	-	-	-
26,278	1,500	-	-	-	-	-	-
-	-	-	-	-	14,447	36,096	7,203
<u>556,782</u>	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>89,447</u>	<u>36,250</u>	<u>7,203</u>
8,745	-	-	-	-	-	-	-
-	-	-	-	-	103,943	293	-
87,586	-	-	-	-	-	-	-
277,419	-	-	-	-	-	-	-
-	-	-	-	-	6,246	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>373,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>110,189</u>	<u>293</u>	<u>-</u>
183,032	1,500	-	-	-	(20,742)	35,957	7,203
-	-	-	-	-	-	-	-
-	-	-	-	-	17,908	-	-
<u>(310,088)</u>	<u>-</u>	<u>(89,828)</u>	<u>(46,650)</u>	<u>(49,061)</u>	<u>(3,503)</u>	<u>-</u>	<u>-</u>
<u>(310,088)</u>	<u>-</u>	<u>(89,828)</u>	<u>(46,650)</u>	<u>(49,061)</u>	<u>14,405</u>	<u>-</u>	<u>-</u>
(127,056)	1,500	(89,828)	(46,650)	(49,061)	(6,337)	35,957	7,203
218,434	14,180	89,828	46,650	49,061	198,985	1,552,302	232,692
<u>\$ 91,378</u>	<u>\$ 15,680</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 192,648</u>	<u>\$ 1,588,259</u>	<u>\$ 239,895</u>

CITY OF NORTH MANKATO, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014

	235 State Revolving Loan	240 Joint Economic Development	250 Marigold TIF #8	251 Webster Redevelopment TIF #14	253 Creative Companies TIF #16
REVENUES					
Taxes					
Property taxes	\$ -	\$ -	\$ 31,990	\$ 23,908	\$ -
Sales taxes	-	-	-	-	-
Intergovernmental					
Federal	-	-	-	-	-
Investment earnings	-	-	-	-	-
Miscellaneous					
Rents	-	11,289	-	-	-
Contributions and donations	-	-	-	-	-
Other	4,431	3,106	-	-	-
TOTAL REVENUES	4,431	14,395	31,990	23,908	-
EXPENDITURES					
Current					
Culture and recreation					
Parks	-	-	-	-	-
Housing and economic development	-	143,055	1,660	-	-
Capital outlay					
General government					
Culture and recreation	-	-	-	-	-
Housing and economic development	-	425,924	-	-	-
Debt service					
Principal	-	100,000	-	-	-
Interest	4,431	26,000	-	-	-
TOTAL EXPENDITURES	4,431	694,979	1,660	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(680,584)	30,330	23,908	-
OTHER FINANCING SOURCES (USES)					
Sale of assets	-	503,751	200,000	-	-
Transfers in	-	-	-	-	-
Transfers out	-	-	(23,543)	(3,189)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	503,751	176,457	(3,189)	-
NET CHANGE IN FUND BALANCES	-	(176,833)	206,787	20,719	-
FUND BALANCES, JANUARY 1 AS RESTATED	993	235,863	(609,138)	-	35,704
FUND BALANCES, DECEMBER 31	\$ 993	\$ 59,030	\$ (402,351)	\$ 20,719	\$ 35,704

254	255	256	257	258	259	260	Total Nonmajor Special Revenue
National Dentex TIF #17	Webster Avenue TIF #2	LJP Enterprises TIF #18	Ziegler Caterpillar TIF #20	422 Belgrade TIF #19	Lindsay TIF #22	Allstate Peterbuildt TIF #21	
\$ 15,341	\$ 6,182	\$ 87,996	\$ 99,723	\$ 30,040	\$ 17,157	\$ 28,327	\$ 415,664
-	-	-	-	-	-	-	530,504
-	-	-	-	-	-	-	47,368
-	-	-	-	-	-	-	154
-	-	-	-	-	-	-	11,289
-	-	-	-	-	-	-	27,778
-	-	-	-	-	-	-	65,283
<u>15,341</u>	<u>6,182</u>	<u>87,996</u>	<u>99,723</u>	<u>30,040</u>	<u>17,157</u>	<u>28,327</u>	<u>1,098,040</u>
-	-	-	-	-	-	-	8,745
15,341	-	87,996	99,723	-	17,157	28,327	550,706
-	-	-	-	-	-	-	87,586
-	-	-	-	-	-	-	277,419
-	-	-	-	-	-	-	432,170
-	-	-	-	-	-	-	100,000
-	-	-	-	-	-	-	30,431
<u>15,341</u>	<u>-</u>	<u>87,996</u>	<u>99,723</u>	<u>-</u>	<u>17,157</u>	<u>28,327</u>	<u>1,487,057</u>
-	6,182	-	-	30,040	-	-	(389,017)
-	-	-	-	-	-	-	718,751
-	-	-	-	-	-	-	17,908
-	(5,273)	-	-	(30,190)	-	-	(1,031,324)
-	(5,273)	-	-	(30,190)	-	-	(294,665)
-	909	-	-	(150)	-	-	(683,682)
-	-	-	-	22,264	-	-	2,599,709
<u>\$ -</u>	<u>\$ 909</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,114</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,916,027</u>

CITY OF NORTH MANKATO, MINNESOTA
COMMUNITY DEVELOPMENT BLOCK GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2014
With Comparative Actual Amounts for the Year Ended December 31, 2013

	2014			2013
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Intergovernmental				
Federal	\$ 50,000	\$ 47,368	\$ (2,632)	\$ 72,900
EXPENDITURES				
Current				
Housing and economic development				
Other services and charges	51,000	53,211	(2,211)	72,682
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,000)	(5,843)	(4,843)	218
OTHER FINANCING SOURCES (USES)				
Sale of assets	-	15,000	15,000	-
Transfers out	(3,000)	(5,979)	(2,979)	(3,396)
TOTAL OTHER FINANCING SOURCES (USES)	(3,000)	9,021	12,021	(3,396)
NET CHANGE IN FUND BALANCES	(4,000)	3,178	7,178	(3,178)
FUND BALANCES, JANUARY 1	(3,178)	(3,178)	-	-
FUND BALANCES, DECEMBER 31	\$ (7,178)	\$ -	\$ 7,178	\$ (3,178)

CITY OF NORTH MANKATO, MINNESOTA
 LOCAL OPTION SALES TAX FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2014
 With Comparative Actual Amounts for the Year Ended December 31, 2013

	2014			2013
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Taxes				
Sales tax	\$ 500,000	\$ 530,504	\$ 30,504	\$ 534,917
Miscellaneous				
Contributions and donations	-	26,278	26,278	-
TOTAL REVENUES	<u>500,000</u>	<u>556,782</u>	<u>56,782</u>	<u>534,917</u>
EXPENDITURES				
Current				
Culture and recreation				
Library				
Other services and charges	-	8,745	(8,745)	16,042
Capital outlay				
General government	-	87,586	(87,586)	-
Culture and recreation	-	277,419	(277,419)	-
TOTAL EXPENDITURES	<u>-</u>	<u>373,750</u>	<u>(373,750)</u>	<u>16,042</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	500,000	183,032	(316,968)	518,875
OTHER FINANCING SOURCES (USES)				
Transfers out	(309,288)	(310,088)	(800)	(1,151,170)
NET CHANGE IN FUND BALANCES	190,712	(127,056)	(317,768)	(632,295)
FUND BALANCES, JANUARY 1	<u>218,434</u>	<u>218,434</u>	<u>-</u>	<u>850,729</u>
FUND BALANCES, DECEMBER 31	<u>\$ 409,146</u>	<u>\$ 91,378</u>	<u>\$ (317,768)</u>	<u>\$ 218,434</u>

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NONMAJOR CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

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CITY OF NORTH MANKATO, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2014

	230	431	433
	Capital Facilities and Equipment Replacement - General	2011 Construction	2013 Construction
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and temporary investments	\$ 242,799	\$ -	\$ -
	<u> </u>	<u> </u>	<u> </u>
LIABILITIES			
Accounts payable	\$ 883	\$ 440	\$ -
Contracts payable	-	1,555	-
Due to other funds	-	-	-
Due to other governments	27	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	910	1,995	-
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES			
Assigned	241,889	-	-
Unassigned	-	(1,995)	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	241,889	(1,995)	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 242,799</u>	<u>\$ -</u>	<u>\$ -</u>

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<u>2015 Construction</u>	<u>Port Authority Construction</u>	<u>Total Nonmajor</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 242,799</u>
\$ -	\$ -	\$ 1,323
-	-	1,555
29,681	-	29,681
-	-	27
<u>29,681</u>	<u>-</u>	<u>32,586</u>
-	-	241,889
<u>(29,681)</u>	<u>-</u>	<u>(31,676)</u>
<u>(29,681)</u>	<u>-</u>	<u>210,213</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 242,799</u>

CITY OF NORTH MANKATO, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2014

	230	431	433
	Capital Facilities and Equipment Replacement - General	2011 Construction	2013 Construction
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Taxes	\$ 100	\$ -	\$ -
Miscellaneous			
Other	78,634	-	-
Contributions and donations	<u>19,875</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>98,609</u>	<u>-</u>	<u>-</u>
EXPENDITURES			
Capital outlay			
General government	150,192	-	-
Public safety	114,185	-	-
Public works	-	53,389	-
Culture and recreation	21,612	-	-
Mass transit and other	<u>48,616</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>334,605</u>	<u>53,389</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(235,996)</u>	<u>(53,389)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Sale of assets	19,817	-	-
Transfers in	431,500	59,149	15,474
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>451,317</u>	<u>59,149</u>	<u>15,474</u>
NET CHANGE IN FUND BALANCES	215,321	5,760	15,474
FUND BALANCES, JANUARY 1 AS RESTATED	<u>26,568</u>	<u>(7,755)</u>	<u>(15,474)</u>
FUND BALANCES, DECEMBER 31	<u>\$ 241,889</u>	<u>\$ (1,995)</u>	<u>\$ -</u>

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<u>2015</u> <u>Construction</u>	<u>Port</u> <u>Authority</u> <u>Construction</u>	<u>Total</u> <u>Nonmajor</u>
\$ -	\$ -	\$ 100
-	-	78,634
<u>-</u>	<u>-</u>	<u>19,875</u>
-	-	98,609
-	-	150,192
-	-	114,185
29,681	-	83,070
-	-	21,612
<u>-</u>	<u>-</u>	<u>48,616</u>
<u>29,681</u>	<u>-</u>	<u>417,675</u>
<u>(29,681)</u>	<u>-</u>	<u>(319,066)</u>
-	-	19,817
-	-	506,123
<u>-</u>	<u>(17,030)</u>	<u>(17,030)</u>
<u>-</u>	<u>(17,030)</u>	<u>508,910</u>
(29,681)	(17,030)	189,844
<u>-</u>	<u>17,030</u>	<u>20,369</u>
<u>\$ (29,681)</u>	<u>\$ -</u>	<u>\$ 210,213</u>

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THE GENERAL FUND

The General fund is used to account for resources traditionally associated with the City which are not required legally or by sound financial management to be accounted for in another fund.

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CITY OF NORTH MANKATO, MINNESOTA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2014 AND 2013

	2014	2013
ASSETS		
Cash and temporary investments	\$ 1,603,420	\$ 850,111
Receivables		
Taxes	109,982	100,703
Accounts	86,728	31,660
Notes, mortgages and leases	126,745	147,393
Special assessments		
Delinquent	4,037	2,065
Noncurrent	39,895	49,890
Intergovernmental	53,704	46,771
Due from other funds	1,822,386	1,945,762
Prepaid items	109	86,910
	<u>3,847,006</u>	<u>3,261,265</u>
TOTAL ASSETS	<u>\$ 3,847,006</u>	<u>\$ 3,261,265</u>
LIABILITIES		
Accounts payable	\$ 108,383	\$ 34,802
Accrued wages payable	152,331	125,106
Due to other governments	115,974	66,095
Unearned revenue	700	1,300
	<u>377,388</u>	<u>227,303</u>
TOTAL LIABILITIES	<u>377,388</u>	<u>227,303</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - taxes	109,982	100,703
Unavailable revenue - special assessments	43,932	51,955
	<u>153,914</u>	<u>152,658</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>153,914</u>	<u>152,658</u>
FUND BALANCES		
Nonspendable		
Prepaid items	109	86,910
Unassigned	3,315,595	2,794,394
	<u>3,315,704</u>	<u>2,881,304</u>
TOTAL FUND BALANCES	<u>3,315,704</u>	<u>2,881,304</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 3,847,006</u>	<u>\$ 3,261,265</u>

CITY OF NORTH MANKATO, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED ON FOLLOWING PAGES
FOR THE YEAR ENDED DECEMBER 31, 2014
With Comparative Actual Amounts for the Year Ended December 31, 2013

	2014			Variance with Final Budget	2013
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
REVENUES					
Taxes					
Property taxes	\$ 3,792,484	\$ 3,792,484	\$ 3,788,892	\$ (3,592)	\$ 3,233,060
Sales tax	835	835	544	(291)	620
Franchise taxes	336,100	336,100	355,218	19,118	114,379
Hotel-motel tax	45,000	45,000	48,590	3,590	-
Other taxes	15,000	15,000	26,914	11,914	23,267
Total taxes	4,189,419	4,189,419	4,220,158	30,739	3,371,326
Special assessments	3,150	3,150	13,949	10,799	13,755
Licenses and permits					
Business	88,450	88,450	105,758	17,308	98,630
Nonbusiness	312,390	312,390	252,051	(60,339)	290,139
Total licenses and permits	400,840	400,840	357,809	(43,031)	388,769
Intergovernmental					
Federal					
Other Federal aid	-	-	23,452	23,452	-
State					
Local government aid	1,560,000	1,560,000	1,559,008	(992)	1,358,107
Street maintenance aid	152,000	152,000	163,772	11,772	157,716
Fire aid	47,343	47,343	65,468	18,125	67,575
Police aid	79,000	79,000	103,192	24,192	96,733
Other State aid	9,374	9,374	29,137	19,763	15,073
Total State	1,847,717	1,847,717	1,920,577	72,860	1,695,204
County					
Other County aid	34,000	34,000	67,936	33,936	8,384
Total intergovernmental	1,881,717	1,881,717	2,011,965	130,248	1,703,588
Charges for services					
General government	24,510	24,510	31,378	6,868	27,912
Public safety	89,000	89,000	4,141	(84,859)	7,100
Public works	2,000	2,000	2,231	231	2,905
Sanitation	500	500	-	(500)	(140)
Culture and recreation	134,925	134,925	96,325	(38,600)	128,325
Total charges for services	250,935	250,935	134,075	(116,860)	166,102
Fines and forfeits					
Court fines	28,000	28,000	19,263	(8,737)	21,179
Parking fines	2,900	2,900	805	(2,095)	420
Total fines and forfeits	30,900	30,900	20,068	(10,832)	21,599

CITY OF NORTH MANKATO, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014
With Comparative Actual Amounts for the Year Ended December 31, 2013

	2014			Variance with Final Budget	2013
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
REVENUES - CONTINUED					
Investment earnings	\$ 5,000	\$ 5,000	\$ 2,504	\$ (2,496)	\$ 1,367
Miscellaneous					
Contributions and donations	6,675	6,675	18,917	12,242	3,672
Rents	20,000	20,000	23,190	3,190	23,107
Other	132,385	132,385	187,795	55,410	73,187
Total miscellaneous	159,060	159,060	229,902	70,842	99,966
TOTAL REVENUES	6,921,021	6,921,021	6,990,430	69,409	5,766,472
EXPENDITURES					
Current					
General government					
Mayor and Council					
Personal services	34,350	34,350	34,059	291	33,992
Supplies	-	-	-	-	341
Other services and charges	33,310	33,310	8,946	24,364	29,752
Total Mayor and Council	67,660	67,660	43,005	24,655	64,085
Administration					
Personal services	513,824	513,824	439,245	74,579	611,838
Supplies	62,298	62,298	45,984	16,314	61,415
Other services and charges	194,324	194,324	140,080	54,244	148,760
Total administration	770,446	770,446	625,309	145,137	822,013
City attorney					
Supplies	100	100	-	100	-
Other services and charges	97,200	97,200	117,644	(20,444)	105,943
Total city attorney	97,300	97,300	117,644	(20,344)	105,943
Total general government	935,406	935,406	785,958	149,448	992,041
Public safety					
Police protection					
Personal services	1,539,626	1,539,626	1,531,809	7,817	1,419,985
Supplies	88,050	88,050	77,486	10,564	96,177
Other services and charges	88,240	88,240	118,163	(29,923)	84,842
Total police protection	1,715,916	1,715,916	1,727,458	(11,542)	1,601,004
Fire protection					
Personal services	212,330	212,330	241,154	(28,824)	226,497
Supplies	43,800	43,800	37,887	5,913	48,845
Other services and charges	59,860	59,860	65,286	(5,426)	60,620
Total fire protection	315,990	315,990	344,327	(28,337)	335,962
Total public safety	2,031,906	2,031,906	2,071,637	(39,731)	1,936,966
Public works					
Street maintenance					
Personal services	626,858	626,858	577,972	48,886	541,821
Supplies	377,500	377,500	326,646	50,854	346,480
Other services and charges	73,540	73,540	94,910	(21,370)	73,774
Total street maintenance	1,077,898	1,077,898	999,528	78,370	962,075

CITY OF NORTH MANKATO, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014
With Comparative Actual Amounts for the Year Ended December 31, 2013

	2014			Variance with Final Budget	2013
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
EXPENDITURES - CONTINUED					
Current - Continued					
Public works					
Equipment maintenance					
Personal services	\$ 264,658	\$ 264,658	\$ 260,234	\$ 4,424	\$ 239,001
Supplies	170,965	170,965	204,595	(33,630)	159,983
Other services and charges	35,500	35,500	39,365	(3,865)	31,221
Total equipment maintenance	<u>471,123</u>	<u>471,123</u>	<u>504,194</u>	<u>(33,071)</u>	<u>430,205</u>
Street lighting					
Personal services	9,186	9,186	11,888	(2,702)	8,489
Supplies	25,900	25,900	19,344	6,556	15,310
Other services and charges	307,400	307,400	296,940	10,460	291,382
Total street lighting	<u>342,486</u>	<u>342,486</u>	<u>328,172</u>	<u>14,314</u>	<u>315,181</u>
Total public works	<u>1,891,507</u>	<u>1,891,507</u>	<u>1,831,894</u>	<u>59,613</u>	<u>1,707,461</u>
Culture and recreation					
Swimming pool					
Personal services	-	-	15	(15)	803
Supplies	35,050	35,050	27,897	7,153	10,423
Other services and charges	58,750	58,750	56,266	2,484	55,428
Total swimming pool	<u>93,800</u>	<u>93,800</u>	<u>84,178</u>	<u>9,622</u>	<u>66,654</u>
Caswell Park concessions					
Personal services	71,835	71,835	75,981	(4,146)	57,433
Supplies	112,930	112,930	86,182	26,748	82,808
Other services and charges	16,355	16,355	38,724	(22,369)	18,376
Total Caswell Park concessions	<u>201,120</u>	<u>201,120</u>	<u>200,887</u>	<u>233</u>	<u>158,617</u>
Parks					
Personal services	329,106	329,106	313,770	15,336	324,482
Supplies	116,200	116,200	115,305	895	120,860
Other services and charges	61,420	61,420	74,503	(13,083)	77,603
Total parks	<u>506,726</u>	<u>506,726</u>	<u>503,578</u>	<u>3,148</u>	<u>522,945</u>
Library					
Personal services	314,017	314,017	304,544	9,473	-
Supplies	108,600	108,600	138,312	(29,712)	-
Other services and charges	59,135	59,135	83,679	(24,544)	-
Total library	<u>481,752</u>	<u>481,752</u>	<u>526,535</u>	<u>(44,783)</u>	<u>-</u>
Bookmobile					
Personal services	63,512	63,512	58,597	4,915	-
Supplies	15,200	15,200	11,658	3,542	-
Other services and charges	1,700	1,700	3,819	(2,119)	-
Total bookmobile	<u>80,412</u>	<u>80,412</u>	<u>74,074</u>	<u>6,338</u>	<u>-</u>
Total culture and recreation	<u>1,363,810</u>	<u>1,363,810</u>	<u>1,389,252</u>	<u>(25,442)</u>	<u>748,216</u>
Housing and economic development					
Community development					
Personal services	342,580	342,580	336,525	6,055	224,035
Supplies	37,630	37,630	9,292	28,338	21,396
Other services and charges	167,858	167,858	108,925	58,933	22,068
Total housing and economic development	<u>548,068</u>	<u>548,068</u>	<u>454,742</u>	<u>93,326</u>	<u>267,499</u>

CITY OF NORTH MANKATO, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014
With Comparative Actual Amounts for the Year Ended December 31, 2013

	2014			Variance with Final Budget	2013
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
EXPENDITURES- CONTINUED					
Current - Continued					
Mass transit and other					
Mass transit					
Other services and charges	\$ 133,835	\$ 133,835	\$ 187,575	\$ (53,740)	\$ 54,954
Other					
Personal services	-	-	38,058	(38,058)	-
Other services and charges	-	-	25,147	(25,147)	7,452
Joint activities	-	-	-	-	19,500
Total other	-	-	63,205	(63,205)	26,952
Total mass transit and other	133,835	133,835	250,780	(116,945)	81,906
Total current	6,904,532	6,904,532	6,784,263	120,269	5,734,089
Capital outlay					
General government	-	-	146,119	(146,119)	-
Public safety	-	-	-	-	28,853
Public works	-	-	92,109	(92,109)	152,899
Culture and recreation	71,000	71,000	101,103	(30,103)	89,865
Mass transit and other	-	-	50,414	(50,414)	-
Total capital outlay	71,000	71,000	389,745	(318,745)	271,617
Debt service					
Principal retirement	-	-	13,726	(13,726)	13,130
Interest and fiscal charges	17,918	17,918	4,192	13,726	4,788
Total debt service	17,918	17,918	17,918	-	17,918
TOTAL EXPENDITURES	6,993,450	6,993,450	7,191,926	(198,476)	6,023,624
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(72,429)	(72,429)	(201,496)	(129,067)	(257,152)
OTHER FINANCING SOURCES (USES)					
Sale of assets	-	-	2,380	2,380	36,313
Transfers in	389,700	389,700	868,516	478,816	200,026
Transfers out	(210,000)	(210,000)	(235,000)	(25,000)	(21,643)
TOTAL OTHER FINANCING SOURCES (USES)	179,700	179,700	635,896	456,196	214,696
NET CHANGE IN FUND BALANCES	107,271	107,271	434,400	327,129	(42,456)
FUND BALANCES, JANUARY 1	2,881,304	2,881,304	2,881,304	-	2,818,337
PRIOR PERIOD ADJUSTMENT (NOTE 8)	-	-	-	-	105,423
FUND BALANCES, JANUARY 1 AS RESTATED	2,881,304	2,881,304	2,881,304	-	2,923,760
FUND BALANCES, DECEMBER 31	\$ 2,988,575	\$ 2,988,575	\$ 3,315,704	\$ 327,129	\$ 2,881,304

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DEBT SERVICE FUNDS

Debt Service funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

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CITY OF NORTH MANKATO, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET - CONTINUED ON THE FOLLOWING PAGES
DECEMBER 31, 2014
With Comparative Totals for December 31, 2013

	305 G.O. Equipment Debt	312 2014A G.O. Bonds	316 Bond Reserve	308 Capital Improvement Bonds of 2008
ASSETS				
Cash and temporary investments	\$ -	\$ 31,231	\$ 266,218	\$ -
Restricted assets - cash with fiscal agent	-	-	-	-
Receivables				
Interest	-	-	-	-
Special assessments				
Delinquent	-	-	20,386	-
Noncurrent	-	22,227	677,173	-
Intergovernmental	-	-	-	-
Due from other funds	-	-	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 53,458</u>	<u>\$ 963,777</u>	<u>\$ -</u>
LIABILITIES				
Due to other funds	\$ -	\$ -	\$ 2,459,704	\$ -
Accrued interest payable	-	6,857	-	-
TOTAL LIABILITIES	<u>-</u>	<u>6,857</u>	<u>2,459,704</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - special assessments	-	22,227	697,559	-
Unavailable revenue - intergovernmental	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>22,227</u>	<u>697,559</u>	<u>-</u>
FUND BALANCES				
Restricted	-	24,374	-	-
Unassigned	-	-	(2,193,486)	-
TOTAL FUND BALANCES	<u>-</u>	<u>24,374</u>	<u>(2,193,486)</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 53,458</u>	<u>\$ 963,777</u>	<u>\$ -</u>

344 2004 G.O. Improvement Bonds	345 2005 G.O. Improvement Bonds	347 2007 G.O. Improvement Bonds	348 2008 G.O. Improvement Bonds	311 2009 G.O. Sales Tax Revenue Bonds	349 2009 G.O. Improvement Bonds	350 2010 G.O. Improvement Bonds	356 2010C G.O. Refunding Bonds
\$ -	\$ 14,234	\$ 165,779	\$ -	\$ -	\$ 61,865	\$ 203,704	\$ -
412,126	-	-	-	-	-	-	-
-	-	-	-	-	21,525	-	-
-	168,450	90,607	-	-	-	-	54,735
3,006	751,838	686,526	66,230	-	73,617	918,795	1,669,261
-	-	81,881	-	-	2,440,000	-	60,799
-	-	-	-	-	-	-	-
<u>\$ 415,132</u>	<u>\$ 934,522</u>	<u>\$ 1,024,793</u>	<u>\$ 66,230</u>	<u>\$ -</u>	<u>\$ 2,597,007</u>	<u>\$ 1,122,499</u>	<u>\$ 1,784,795</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,006	920,288	777,133	66,230	-	73,617	918,795	1,723,996
-	-	-	-	-	2,440,000	-	-
<u>3,006</u>	<u>920,288</u>	<u>777,133</u>	<u>66,230</u>	<u>-</u>	<u>2,513,617</u>	<u>918,795</u>	<u>1,723,996</u>
412,126	14,234	247,660	-	-	83,390	203,704	60,799
-	-	-	-	-	-	-	-
<u>412,126</u>	<u>14,234</u>	<u>247,660</u>	<u>-</u>	<u>-</u>	<u>83,390</u>	<u>203,704</u>	<u>60,799</u>
<u>\$ 415,132</u>	<u>\$ 934,522</u>	<u>\$ 1,024,793</u>	<u>\$ 66,230</u>	<u>\$ -</u>	<u>\$ 2,597,007</u>	<u>\$ 1,122,499</u>	<u>\$ 1,784,795</u>

CITY OF NORTH MANKATO, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET - CONTINUED
DECEMBER 31, 2014
With Comparative Totals for December 31, 2013

	357 2012A G.O. Refunding Bonds	368 1993A Port Authority Revenue Bonds	370 2011A Port Authority G.O. Bonds	371 2011B Port Authority G.O. Bonds
ASSETS				
Cash and temporary investments	\$ -	\$ -	\$ 8	\$ 31,883
Restricted assets - cash with fiscal agent	-			
Receivables				
Interest	-	-	-	-
Special assessments				
Delinquent	-	-	-	-
Noncurrent	-	-	-	-
Intergovernmental	-	-	-	-
Due from other funds	-	-	-	-
TOTAL ASSETS	\$ -	\$ -	\$ 8	\$ 31,883
LIABILITIES				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Accrued interest payable	-	-	-	-
TOTAL LIABILITIES	-	-	-	-
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - special assessments	-	-	-	-
Unavailable revenue - intergovernmental	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-
FUND BALANCES				
Restricted	-	-	8	31,883
Unassigned	-	-	-	-
TOTAL FUND BALANCES	-	-	8	31,883
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ -	\$ -	\$ 8	\$ 31,883

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2010D G.O. Tax Increment Bonds	Totals	
	2014	2013
\$ 90,791	\$ 865,713	\$ 502,997
	412,126	1,585,367
-	21,525	22,566
-	334,178	381,776
-	4,868,673	7,315,374
-	2,582,680	2,682,864
-	-	50,888
<u>\$ 90,791</u>	<u>\$ 9,084,895</u>	<u>\$ 12,541,832</u>
\$ -	\$ 2,459,704	\$ 2,823,512
-	6,857	-
-	2,466,561	2,823,512
-	5,202,851	7,697,150
-	2,440,000	2,625,000
-	7,642,851	10,322,150
90,791	1,168,969	2,188,930
-	(2,193,486)	(2,792,760)
90,791	(1,024,517)	(603,830)
<u>\$ 90,791</u>	<u>\$ 9,084,895</u>	<u>\$ 12,541,832</u>

CITY OF NORTH MANKATO, MINNESOTA
DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
CONTINUED ON THE FOLLOWING PAGES
FOR THE YEAR ENDED DECEMBER 31, 2014

	305 G.O. Equipment Debt	312 2014A G.O. Bonds	316 Bond Reserve	308 Capital Improvement Bonds of 2008
REVENUES				
Taxes				
Property taxes	\$ 63,318	\$ -	\$ 575,097	\$ 238,335
Special assessments	-	28,107	24,177	-
Intergovernmental				
State				
Street construction aid	-	-	-	-
Investment earnings	-	-	-	-
TOTAL REVENUES	63,318	28,107	599,274	238,335
EXPENDITURES				
Debt service				
Principal	64,000	-	-	200,000
Interest and other	1,600	-	-	38,335
Bond issuance costs	-	8,763	-	-
TOTAL EXPENDITURES	65,600	8,763	-	238,335
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,282)	19,344	599,274	-
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Bonds issued	-	5,030	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	5,030	-	-
NET CHANGE IN FUND BALANCES	(2,282)	24,374	599,274	-
FUND BALANCES, JANUARY 1 AS RESTATED	2,282	-	(2,792,760)	-
FUND BALANCES, DECEMBER 31	\$ -	\$ 24,374	\$ (2,193,486)	\$ -

344 2004 G.O. Improvement Bonds	345 2005 G.O. Improvement Bonds	347 2007 G.O. Improvement Bonds	348 2008 G.O. Improvement Bonds	311 2009 G.O. Sales Tax Revenue Bonds	349 2009 G.O. Improvement Bonds	350 2010 G.O. Improvement Bonds	356 2010C G.O. Refunding Bonds
\$ 90,852	\$ -	\$ -	\$ 190,299	\$ -	\$ -	\$ -	\$ 29,359
2,534	155,776	357,978	23,726	-	15,502	100,500	411,447
-	-	-	-	-	272,139	-	-
2,029	-	-	-	-	-	-	29,530
<u>95,415</u>	<u>155,776</u>	<u>357,978</u>	<u>214,025</u>	<u>-</u>	<u>287,641</u>	<u>100,500</u>	<u>470,336</u>
70,000	140,000	130,000	180,000	195,000	185,000	100,000	1,455,000
29,686	12,090	23,124	34,025	90,588	88,581	74,250	127,961
-	-	-	-	-	-	-	-
<u>99,686</u>	<u>152,090</u>	<u>153,124</u>	<u>214,025</u>	<u>285,588</u>	<u>273,581</u>	<u>174,250</u>	<u>1,582,961</u>
<u>(4,271)</u>	<u>3,686</u>	<u>204,854</u>	<u>-</u>	<u>(285,588)</u>	<u>14,060</u>	<u>(73,750)</u>	<u>(1,112,625)</u>
-	-	-	-	285,588	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	285,588	-	-	-
(4,271)	3,686	204,854	-	-	14,060	(73,750)	(1,112,625)
<u>416,397</u>	<u>10,548</u>	<u>42,806</u>	<u>-</u>	<u>-</u>	<u>69,330</u>	<u>277,454</u>	<u>1,173,424</u>
<u>\$ 412,126</u>	<u>\$ 14,234</u>	<u>\$ 247,660</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,390</u>	<u>\$ 203,704</u>	<u>\$ 60,799</u>

CITY OF NORTH MANKATO, MINNESOTA
DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2014

	357 2012A G.O. Refunding Bonds	368 1993A Port Authority Revenue Bonds	370 2011A Port Authority G.O. Bonds	371 2011B Port Authority G.O. Bonds
REVENUES				
Taxes				
Property taxes	\$ 163,274	\$ 179,471	\$ -	\$ -
Special assessments	-	-	-	-
Intergovernmental				
State				
Street construction aid	-	-	-	-
Investment earnings	-	-	-	-
	<u>163,274</u>	<u>179,471</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	163,274	179,471	-	-
EXPENDITURES				
Debt service				
Principal	160,000	145,000	-	10,000
Interest and other	3,274	34,471	97,582	20,715
Bond issuance costs	-	-	-	-
	<u>163,274</u>	<u>179,471</u>	<u>97,582</u>	<u>30,715</u>
TOTAL EXPENDITURES	163,274	179,471	97,582	30,715
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>(97,582)</u>	<u>(30,715)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	24,500	30,190
Bonds issued	-	-	-	-
	<u>-</u>	<u>-</u>	<u>24,500</u>	<u>30,190</u>
TOTAL OTHER FINANCING SOURCES (USES)	-	-	24,500	30,190
NET CHANGE IN FUND BALANCES	-	-	(73,082)	(525)
FUND BALANCES, JANUARY 1 AS RESTATED	<u>-</u>	<u>-</u>	<u>73,090</u>	<u>32,408</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 8</u></u>	<u><u>\$ 31,883</u></u>

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2010D G.O.

Tax Increment

<u>Bonds</u>	<u>Totals</u>
\$ -	\$ 1,530,005
-	1,119,747
-	272,139
<u>-</u>	<u>31,559</u>
<u>-</u>	<u>2,953,450</u>
-	3,034,000
35,908	712,190
<u>-</u>	<u>8,763</u>
<u>35,908</u>	<u>3,754,953</u>
<u>(35,908)</u>	<u>(801,503)</u>
35,508	375,786
<u>-</u>	<u>5,030</u>
<u>35,508</u>	<u>380,816</u>
(400)	(420,687)
<u>91,191</u>	<u>(603,830)</u>
<u>\$ 90,791</u>	<u>\$ (1,024,517)</u>

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AGENCY FUNDS

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds.

Public Access Authority fund: This fund accounts for resources that are held in connection with the public access TV system, for which the City is acting as Agent under an agreement with the City of Mankato.

Public Access Equipment fund: This fund accounts for accumulation of funds for major capital equipment purchases.

10 % Gambling fund: This fund accounts for receipts of 10% of gambling revenues generated within the City.

Tactical Response Team fund: This fund accounts for the activities of the multi-jurisdictional tactical response team for which the City is the fiscal agent.

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CITY OF NORTH MANKATO, MINNESOTA
 AGENCY FUNDS
 COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
 DECEMBER 31, 2014
 With Comparative Totals for December 31, 2013

	861	864	865
	Public Access Authority	10% Gambling	Tactical Response Team
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 293,525	\$ -	\$ 7,871
Receivables			
Accounts	12,223	1,109	-
Intergovernmental	30,679	-	-
Other current assets	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 336,427</u></u>	<u><u>\$ 1,109</u></u>	<u><u>\$ 7,871</u></u>
LIABILITIES			
Accounts payable	\$ 15,661	\$ -	\$ -
Due to other governments	320,766	1,109	7,871
Accrued wages payable	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u><u>\$ 336,427</u></u>	<u><u>\$ 1,109</u></u>	<u><u>\$ 7,871</u></u>

Totals

<u>2014</u>		<u>2013</u>	
\$	301,396	\$	544,825
	13,332		12,804
	30,679		52,970
	-		315
<u>\$</u>	<u>345,407</u>	<u>\$</u>	<u>610,914</u>
\$	15,661	\$	8,275
	329,746		595,169
	-		7,470
<u>\$</u>	<u>345,407</u>	<u>\$</u>	<u>610,914</u>

CITY OF NORTH MANKATO, MINNESOTA
 AGENCY FUNDS
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
Public Access Authority (861)				
ASSETS				
Cash and temporary investments	\$ 409,933	\$ 198,186	\$ 314,594	\$ 293,525
Receivables				
Accounts	12,804	42,901	43,482	12,223
Due from other governments	52,970	30,679	52,970	30,679
Other current assets	315	157	472	-
TOTAL ASSETS	<u>\$ 476,022</u>	<u>\$ 271,923</u>	<u>\$ 411,518</u>	<u>\$ 336,427</u>
LIABILITIES				
Accounts payable	\$ 1,586	\$ 151,528	\$ 137,453	\$ 15,661
Due to other governments	466,966	85,227	231,427	320,766
Accrued wages payable	7,470	35,168	42,638	-
TOTAL LIABILITIES	<u>\$ 476,022</u>	<u>\$ 271,923</u>	<u>\$ 411,518</u>	<u>\$ 336,427</u>
Public Access Equipment (862)				
ASSETS				
Cash and temporary investments	<u>\$ 126,117</u>	<u>\$ 62,258</u>	<u>\$ 188,375</u>	<u>\$ -</u>
LIABILITIES				
Accounts payable	\$ 6,689	\$ 306,292	\$ 312,981	\$ -
Due to other governments	119,428	(244,034)	(124,606)	-
TOTAL LIABILITIES	<u>\$ 126,117</u>	<u>\$ 62,258</u>	<u>\$ 188,375</u>	<u>\$ -</u>

CITY OF NORTH MANKATO, MINNESOTA
 AGENCY FUNDS
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 2014

	Balance January 1, 2014	Additions	Deletions	Balance December 31, 2014
10% Gambling (864)				
ASSETS				
Cash and temporary investments	\$ 2,794	\$ 12,706	\$ 15,500	\$ -
Receivables				
Accounts	-	1,109	-	1,109
	<u>2,794</u>	<u>13,815</u>	<u>15,500</u>	<u>1,109</u>
TOTAL ASSETS	<u>\$ 2,794</u>	<u>\$ 13,815</u>	<u>\$ 15,500</u>	<u>\$ 1,109</u>
LIABILITIES				
Due to other governments	<u>\$ 2,794</u>	<u>\$ 13,815</u>	<u>\$ 15,500</u>	<u>\$ 1,109</u>
Tactical Response Team (865)				
ASSETS				
Cash and temporary investments	<u>\$ 5,981</u>	<u>\$ 2,255</u>	<u>\$ 365</u>	<u>\$ 7,871</u>
LIABILITIES				
Due to other governments	<u>\$ 5,981</u>	<u>\$ 7,871</u>	<u>\$ 5,981</u>	<u>\$ 7,871</u>
TOTALS - ALL FUNDS				
ASSETS				
Cash and temporary investments	\$ 544,825	\$ 275,405	\$ 518,834	\$ 301,396
Receivables				
Accounts	12,804	44,010	43,482	13,332
Due from other governments	52,970	30,679	52,970	30,679
Other current assets	315	157	472	-
	<u>610,914</u>	<u>350,251</u>	<u>615,758</u>	<u>345,407</u>
TOTAL ASSETS	<u>\$ 610,914</u>	<u>\$ 350,251</u>	<u>\$ 615,758</u>	<u>\$ 345,407</u>
LIABILITIES				
Accounts payable	\$ 8,275	\$ 457,820	\$ 450,434	\$ 15,661
Due to other governments	595,169	(137,121)	128,302	329,746
Accrued wages payable	7,470	35,168	42,638	-
	<u>610,914</u>	<u>355,867</u>	<u>621,374</u>	<u>345,407</u>
TOTAL LIABILITIES	<u>\$ 610,914</u>	<u>\$ 355,867</u>	<u>\$ 621,374</u>	<u>\$ 345,407</u>

CITY OF NORTH MANKATO, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Totals		Percent Increase (Decrease)
	2014	2013	
REVENUES			
Taxes	\$ 6,696,431	\$ 6,264,476	6.90 %
Special assessments	1,133,696	1,252,603	(9.49)
Licenses and permits	357,809	388,769	(7.96)
Intergovernmental	2,331,472	2,949,485	(20.95)
Charges for services	134,075	166,102	(19.28)
Fines and forfeits	20,068	21,599	(7.09)
Investment earnings	34,217	8,337	310.42
Miscellaneous	432,761	266,150	62.60
	<u>\$ 11,140,529</u>	<u>\$ 11,317,521</u>	(1.56) %
TOTAL REVENUES	<u>\$ 11,140,529</u>	<u>\$ 11,317,521</u>	(1.56) %
Per Capita	\$ 824	\$ 841	(1.99) %
EXPENDITURES			
Current			
General government	\$ 785,958	\$ 992,041	(20.77) %
Public safety	2,071,637	2,209,974	(6.26)
Public works	1,880,130	1,707,461	10.11
Culture and recreation	1,397,997	1,327,214	5.33
Housing and economic development	1,005,448	705,627	42.49
Miscellaneous	250,780	116,638	115.01
Capital outlay			
General government	383,897	-	N/A
Public safety	114,185	28,853	295.75
Public works	2,034,139	1,943,449	4.67
Culture and recreation	400,134	444,999	(10.08)
Economic development	432,170	1,360	31,677.21
Miscellaneous	99,030	12,259	707.81
Debt service			
Principal	3,147,726	2,136,130	47.36
Interest and other charges	746,813	620,370	20.38
Bond issuance costs	68,148	-	N/A
	<u>\$ 14,818,192</u>	<u>\$ 12,246,375</u>	21.00 %
TOTAL EXPENDITURES	<u>\$ 14,818,192</u>	<u>\$ 12,246,375</u>	21.00 %
Per Capita	\$ 1,096	\$ 910	20.48 %
Total Long-term Indebtedness	\$ 23,128,567	\$ 23,431,293	(1.29) %
Per Capita	1,711	1,741	(1.72)
General Fund Balance - December 31	\$ 3,315,704	\$ 2,881,304	15.08 %
Per Capita	245	214	14.58

The purpose of this report is to provide a summary of financial information concerning the City of North Mankato to interested citizens. The complete financial statements may be examined at City Hall, 1001 Belgrade Ave., North Mankato, Minnesota 56003. Questions about this report should be directed to Clara Thorne, Finance Director at (507) 625-4141.

STATISTICAL SECTION (UNAUDITED)

This part of the City of North Mankato's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

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CITY OF NORTH MANKATO, MINNESOTA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year				
	2014*	2013	2012	2011	2010
Governmental activities					
Net investment in capital assets	\$ 18,290,571	\$ 19,673,984	\$ 22,078,379	\$ 21,718,486	\$ 17,936,216
Restricted	8,188,704	8,745,277	7,064,989	9,836,509	9,430,699
Unrestricted	2,521,954	2,792,772	2,738,240	1,925,231	5,332,038
Total governmental activities net position	29,001,229	31,212,033	31,881,608	33,480,226	32,698,953
Business-type activities					
Net investment in capital assets	17,491,003	17,093,203	16,189,284	16,548,626	16,636,920
Unrestricted	3,479,249	3,281,817	3,169,994	3,011,862	3,002,540
Total business-type activities net position	20,970,252	20,375,020	19,359,278	19,560,488	19,639,460
Primary government					
Net investment in capital assets	35,781,574	36,767,187	38,267,663	38,267,112	34,573,136
Restricted	8,188,704	8,745,277	7,064,989	9,836,509	9,430,699
Unrestricted	6,001,203	6,074,589	5,908,234	4,937,093	8,334,578
Total primary government net position	\$ 49,971,481	\$ 51,587,053	\$ 51,240,886	\$ 53,040,714	\$ 52,338,413

* Starting in 2014, the Port Authority component unit will be treated as a blended component unit and be combined with the governmental activities.

Table 1

Fiscal Year				
2009	2008	2007	2006	2005
\$ 19,365,624	\$ 17,817,241	\$ 15,835,956	\$ 16,520,668	\$ 15,112,464
9,176,578	9,114,637	10,404,126	7,886,659	6,048,222
4,146,659	1,333,792	2,217,057	150,512	1,701,239
32,688,861	28,265,670	28,457,139	24,557,839	22,861,925
16,782,600	17,083,850	16,984,629	17,075,156	15,322,048
2,906,271	3,027,945	3,074,678	2,803,457	2,219,544
19,688,871	20,111,795	20,059,307	19,878,613	17,541,592
36,148,224	34,901,091	32,820,585	33,595,824	30,434,512
9,176,578	9,114,637	10,404,126	7,886,659	6,048,222
7,052,930	4,361,737	5,291,735	2,953,969	3,920,783
<u>\$ 52,377,732</u>	<u>\$ 48,377,465</u>	<u>\$ 48,516,446</u>	<u>\$ 44,436,452</u>	<u>\$ 40,403,517</u>

CITY OF NORTH MANKATO, MINNESOTA
 CHANGES IN NET POSITION - CONTINUED ON THE FOLLOWING PAGES
 LAST TEN FISCAL YEARS
 (accrual basis of accounting)

	Fiscal Year				
	2014*	2013	2012	2011	2010
EXPENSES					
Governmental activities					
General government	\$ 782,620	\$ 1,034,873	\$ 849,434	\$ 952,893	\$ 959,723
Public safety	2,245,466	2,397,246	2,370,427	2,234,322	2,264,321
Public works	5,729,610	7,230,368	6,163,789	3,698,093	3,560,018
Culture and recreation	1,632,255	1,597,289	1,892,795	1,744,224	1,674,756
Housing and economic development	1,596,016	706,987	223,016	498,794	209,738
Mass transit and other	302,116	119,821	208,994	258,873	487,047
Interest on long-term debt	803,195	570,917	711,633	752,795	739,561
Total governmental activities expenses	13,091,278	13,657,501	12,420,088	10,139,994	9,895,164
Business-type activities					
Water	1,595,455	1,458,952	1,433,452	1,522,644	1,473,548
Sewer	1,549,721	1,354,223	1,539,133	1,498,908	1,544,390
Sanitation	416,917	1,267,083	1,292,299	1,263,485	1,252,643
Solid waste	1,006,229	-	-	-	-
Storm water	258,842	269,966	153,220	181,044	173,870
Total business-type activities expenses	4,827,164	4,350,224	4,418,104	4,466,081	4,444,451
Total primary government expenses	\$ 17,918,442	\$ 18,007,725	\$ 16,838,192	\$ 14,606,075	\$ 14,339,615
PROGRAM REVENUES					
Governmental activities					
Charges for services					
General government	\$ 143,601	\$ 133,401	\$ 145,142	\$ 112,111	\$ 106,238
Public safety	269,795	311,979	455,110	598,884	436,145
Public works	4,924	6,318	37,434	130,487	3,932
Culture and recreation	119,515	192,688	218,307	245,129	248,396
Housing and economic development	74,962	25,361	36,004	8,630	7,803
Miscellaneous	-	19	70	105	131
Operating grants and contributions	486,412	534,427	507,249	633,072	231,029
Capital grants and contributions	321,726	4,025,677	1,416,447	2,460,239	1,725,806
Total governmental activities program revenues	1,420,935	5,229,870	2,815,763	4,188,657	2,759,480
Business-type activities					
Charges for services					
Water	1,818,389	1,524,399	1,615,436	1,499,185	1,523,160
Sewer	2,092,942	1,535,142	1,525,340	1,510,772	1,490,287
Sanitation	392,086	1,292,386	1,333,111	1,394,977	1,335,497
Solid waste	905,274	-	-	-	-
Storm water	275,168	275,025	274,823	272,689	272,530
Operating grants and contributions	22,359	-	-	4,994	-
Capital grants and contributions	7,605	4,354	3,668	(6,230)	14,438
Total business-type activities program revenues	5,513,823	4,631,306	4,752,378	4,676,387	4,635,912
Total primary government program revenues	\$ 6,934,758	\$ 9,861,176	\$ 7,568,141	\$ 8,865,044	\$ 7,395,392

Table 2

Fiscal Year				
2009	2008	2007	2006	2005
\$ 930,604	\$ 1,008,554	\$ 833,703	\$ 1,007,853	\$ 842,424
2,286,258	2,214,366	2,200,140	2,106,983	1,837,511
3,406,397	3,262,925	3,610,095	2,609,482	2,551,560
1,342,384	1,228,603	908,793	1,252,630	1,070,003
243,652	141,947	25,662	-	-
121,883	449,855	388,607	222,391	346,831
811,657	961,301	1,001,100	889,943	772,631
<u>9,142,835</u>	<u>9,267,551</u>	<u>8,968,100</u>	<u>8,089,282</u>	<u>7,420,960</u>
1,526,268	1,378,921	1,307,569	1,169,608	1,093,982
1,607,815	1,429,251	1,522,923	1,163,489	1,296,764
1,231,517	1,304,752	1,265,362	1,159,853	1,134,816
-	-	-	-	-
163,749	152,949	169,727	83,364	94,814
<u>4,529,349</u>	<u>4,265,873</u>	<u>4,265,581</u>	<u>3,576,314</u>	<u>3,620,376</u>
<u>\$ 13,672,184</u>	<u>\$ 13,533,424</u>	<u>\$ 13,233,681</u>	<u>\$ 11,665,596</u>	<u>\$ 11,041,336</u>
\$ 103,099	\$ 102,951	\$ 83,618	\$ 64,342	\$ 83,377
350,957	400,619	417,051	391,500	344,393
1,036	1,197	4,592	6,313	4,385
153,760	166,278	137,303	125,746	114,689
7,851	-	-	-	-
1,153	66	15	391	28
222,321	201,368	203,661	306,991	235,872
5,161,365	1,281,966	5,542,281	4,318,797	1,220,050
<u>6,001,542</u>	<u>2,154,445</u>	<u>6,388,521</u>	<u>5,214,080</u>	<u>2,002,794</u>
1,578,865	1,611,559	1,530,615	1,378,301	1,045,253
1,506,070	1,561,157	1,584,169	1,565,478	1,546,009
1,261,556	1,306,662	1,281,663	1,228,712	1,037,672
-	-	-	-	-
268,913	263,539	214,888	179,178	136,953
-	-	-	-	-
(5,735)	9,509	17,185	1,053	900
<u>4,609,669</u>	<u>4,752,426</u>	<u>4,628,520</u>	<u>4,352,722</u>	<u>3,766,787</u>
<u>\$ 10,611,211</u>	<u>\$ 6,906,871</u>	<u>\$ 11,017,041</u>	<u>\$ 9,566,802</u>	<u>\$ 5,769,581</u>

CITY OF NORTH MANKATO, MINNESOTA
 CHANGES IN NET POSITION - CONTINUED
 LAST TEN FISCAL YEARS
 (accrual basis of accounting)

	Fiscal Year				
	2014*	2013	2012	2011	2010
PROGRAM REVENUES - CONTINUED					
Net (expense)/revenue					
Governmental activities	\$ (11,670,343)	\$ (8,427,631)	\$ (9,604,325)	\$ (5,951,337)	\$ (7,135,684)
Business-type activities	686,659	281,082	334,274	210,306	191,461
Total primary government net expense	\$ 10,983,684	\$ 8,146,549	\$ 9,270,051	\$ 5,741,031	\$ 6,944,223
GENERAL REVENUES AND OTHER					
CHANGES IN NET POSITION					
Governmental activities					
Taxes					
Property taxes, levied for general purposes	\$ 3,881,293	\$ 3,802,650	\$ 3,646,058	\$ 2,894,504	\$ 3,027,372
Property taxes, levied for debt service	1,530,005	1,523,672	1,380,015	1,475,843	1,413,987
Tax increments	340,664	-	-	-	-
Local option sales tax	531,148	536,417	545,157	462,223	440,566
Hotel-motel tax	48,590	46,550	47,126	40,685	42,106
Gambling tax	18,792	16,443	16,427	13,049	13,168
Franchise taxes	355,218	344,761	336,607	332,469	326,812
Grants and contributions not restricted to specific programs	1,615,275	1,375,680	1,323,673	1,456,390	1,452,797
Unrestricted investment earnings	34,076	8,337	4,259	33,678	13,917
Other revenues	266,429	84,632	104,107	67,840	121,274
Gain on sale of capital assets	740,948	52,813	11,052	-	-
Transfers	97,101	(723,480)	376,226	241,630	293,777
Total governmental activities	9,459,539	7,068,475	7,790,707	7,018,311	7,145,776
Business-type activities					
Taxes					
Property taxes, levied for debt service	-	-	50,000	50,000	50,000
Local option sales tax	1,391	1,067	1,079	965	949
Unrestricted investment earnings	4,283	10,113	4,663	1,564	1,956
Transfers	(97,101)	723,480	(376,226)	(241,630)	(293,777)
Total business-type activities	(91,427)	734,660	(320,484)	(189,101)	(240,872)
Total primary government	\$ 9,368,112	\$ 7,803,135	\$ 7,470,223	\$ 6,829,210	\$ 6,904,904
CHANGES IN NET POSITION					
Governmental activities	\$ (2,210,804)	\$ (1,359,156)	\$ (1,813,618)	\$ 1,066,974	\$ 10,092
Business-type activities	595,232	1,015,742	13,790	21,205	(49,411)
Total primary government	\$ (1,615,572)	\$ (343,414)	\$ (1,799,828)	\$ 1,088,179	\$ (39,319)

* Starting in 2014, the Port Authority component unit will be treated as a blended component unit and be combined with the governmental activities.

Table 2 (continued)

Fiscal Year				
2009	2008	2007	2006	2005
\$ (3,141,293)	\$ (7,113,106)	\$ (2,579,579)	\$ (2,875,202)	\$ (5,418,166)
80,320	486,553	362,939	776,408	146,411
<u>\$ 3,060,973</u>	<u>\$ 6,626,553</u>	<u>\$ 2,216,640</u>	<u>\$ 2,098,794</u>	<u>\$ 5,271,755</u>
\$ 2,921,378	\$ 2,900,598	\$ 2,644,377	\$ 2,336,353	\$ 2,278,610
1,318,208	1,268,421	1,189,615	1,198,015	1,220,186
-	-	-	-	-
377,859	82,619	-	-	-
39,255	46,418	53,030	50,925	46,914
12,306	11,092	13,082	14,650	15,261
321,266	166,928	43,707	41,531	48,408
1,931,894	1,827,286	1,946,778	2,164,316	1,781,049
26,143	63,312	153,821	180,730	40,832
64,246	39,388	107,962	58,409	112,621
(6,136)	-	-	-	-
558,065	515,575	(422,198)	(1,251,381)	(275,700)
<u>7,564,484</u>	<u>6,921,637</u>	<u>5,730,174</u>	<u>4,793,548</u>	<u>5,268,181</u>
50,000	50,000	50,000	50,000	50,000
956	193	-	-	-
3,865	31,317	94,262	36,800	25,978
(558,065)	(515,575)	422,198	1,251,381	275,700
<u>(503,244)</u>	<u>(434,065)</u>	<u>566,460</u>	<u>1,338,181</u>	<u>351,678</u>
<u>\$ 7,061,240</u>	<u>\$ 6,487,572</u>	<u>\$ 6,296,634</u>	<u>\$ 6,131,729</u>	<u>\$ 5,619,859</u>
\$ 4,423,191	\$ (191,469)	\$ 3,150,595	\$ 1,918,346	\$ (149,985)
(422,924)	52,488	929,399	2,114,589	498,089
<u>\$ 4,000,267</u>	<u>\$ (138,981)</u>	<u>\$ 4,079,994</u>	<u>\$ 4,032,935</u>	<u>\$ 348,104</u>

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CITY OF NORTH MANKATO, MINNESOTA
 GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
 LAST TEN FISCAL YEARS
 (accrual basis of accounting)

Table 3

Fiscal Year	Property Taxes		Tax Increments	Local Option Sales Tax	Hotel-Motel Tax	Gambling Tax	Franchise Tax	Total
	Levied for General Purposes	Levied for Debt Service						
2005	\$ 2,278,610	\$ 1,220,186	\$ -	\$ -	\$ 46,914	\$ 15,261	\$ 48,408	\$ 3,609,379
2006	2,336,353	1,198,015	-	-	50,925	14,650	41,531	3,641,474
2007	2,644,377	1,189,615	-	-	53,030	13,082	43,707	3,943,811
2008	2,900,598	1,268,421	-	82,619	46,418	11,092	166,928	4,476,076
2009	2,921,378	1,318,208	-	377,859	39,255	12,306	321,266	4,990,272
2010	3,027,372	1,413,987	-	440,566	42,106	13,168	326,812	5,264,011
2011	2,894,504	1,475,843	-	462,223	40,685	13,049	332,469	5,218,773
2012	3,646,058	1,380,015	-	545,157	47,126	16,427	336,607	5,971,390
2013	3,802,650	1,523,672	-	536,417	46,550	16,443	344,761	6,270,493
2014*	3,881,293	1,530,005	340,664	531,148	48,590	18,792	355,218	6,705,710

* Starting in 2014, the Port Authority component unit will be treated as a blended component unit and be combined with the governmental activities.

CITY OF NORTH MANKATO, MINNESOTA
 FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (modified accrual basis of accounting)

	Fiscal Year				
	2005	2006	2007	2008	2009
General fund					
Reserved	\$ 56,392	\$ 64,385	\$ 66,586	\$ 73,864	\$ 171,481
Unreserved	1,650,279	1,687,453	1,790,838	1,855,865	1,938,446
Nonspendable	-	-	-	-	-
Unassigned	-	-	-	-	-
Total General fund	<u>\$ 1,706,671</u>	<u>\$ 1,751,838</u>	<u>\$ 1,857,424</u>	<u>\$ 1,929,729</u>	<u>\$ 2,109,927</u>
All other governmental funds					
Reserved	\$ 2,758,377	\$ 2,248,425	\$ 2,517,949	\$ 2,878,350	\$ 2,511,919
Unreserved, reported in					
Special revenue funds	419,193	232,382	219,939	342,772	1,798,112
Capital projects funds	742,893	2,053,767	625,918	(722,371)	2,303,119
Debt Service funds	(1,153,150)	(890,602)	(1,846,138)	(2,715,778)	(3,525,136)
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total all other governmental funds	<u>\$ 2,767,313</u>	<u>\$ 3,643,972</u>	<u>\$ 1,517,668</u>	<u>\$ (217,027)</u>	<u>\$ 3,088,014</u>

* Starting in 2014, the Port Authority component unit will be treated as a blended component unit and be combined with the governmental activities.

Table 4

Fiscal Year				
2010	2011	2012	2013	2014*
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
79,792	76,564	86,949	86,910	109
<u>2,238,480</u>	<u>2,085,321</u>	<u>2,731,388</u>	<u>2,702,101</u>	<u>3,315,595</u>
<u>\$ 2,318,272</u>	<u>\$ 2,161,885</u>	<u>\$ 2,818,337</u>	<u>\$ 2,789,011</u>	<u>\$ 3,315,704</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
5,556	2,896	3,109	7,987	-
3,207,722	3,705,717	915,958	283,663	3,056,286
525,157	206,264	105,848	196,439	-
1,431,631	2,099,560	1,350,284	471,701	434,537
-	(1,086,396)	(1,131,951)	(826,926)	(1,458,544)
<u>\$ 5,170,066</u>	<u>\$ 4,928,041</u>	<u>\$ 1,243,248</u>	<u>\$ 132,864</u>	<u>\$ 2,032,279</u>

CITY OF NORTH MANKATO, MINNESOTA
 CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 LAST TEN FISCAL YEARS
 (modified accrual basis of accounting)

	Fiscal Year				
	2005	2006	2007	2008	2009
REVENUES					
Taxes	\$ 3,558,372	\$ 3,632,564	\$ 3,935,312	\$ 4,451,394	\$ 4,973,898
Special assessments	1,631,543	2,237,837	1,634,954	1,563,332	1,779,206
Licenses and permits	312,421	305,370	356,710	359,611	347,939
Intergovernmental revenue	2,050,742	3,091,342	2,831,939	2,435,714	4,326,710
Charges for services	108,613	158,122	177,289	186,026	128,919
Fines and forfeits	69,614	65,543	48,558	48,334	38,850
Interest	43,192	180,730	153,821	63,312	26,143
Other revenues	301,266	311,818	178,433	168,361	1,061,107
TOTAL REVENUES	8,075,763	9,983,326	9,317,016	9,276,084	12,682,772
EXPENDITURES					
General government	854,168	939,346	952,073	948,751	866,921
Public safety	1,624,262	1,229,465	1,358,089	1,479,445	1,978,722
Public works	1,158,843	980,072	1,111,399	1,246,102	1,540,916
Culture and recreation	917,996	1,815,052	1,906,303	2,080,112	1,277,069
Housing and economic development	-	-	25,662	141,947	243,652
Miscellaneous	253,833	203,868	162,368	158,480	139,897
Capital outlay	3,472,988	7,887,293	5,562,047	5,680,942	3,533,734
Debt service					
Principal	2,624,000	3,840,000	3,091,000	5,390,604	5,127,000
Interest	837,680	787,417	953,323	784,997	892,263
Bond issuance costs	-	-	-	-	-
TOTAL EXPENDITURES	11,743,770	17,682,513	15,122,264	17,911,380	15,600,174
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(3,668,007)	(7,699,187)	(5,805,248)	(8,635,296)	(2,917,402)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	-	-	-	-	-
Transfers in	1,138,497	981,278	456,935	1,535,833	698,849
Bonds issued	5,965,000	8,380,000	3,440,000	6,255,000	5,986,000
Refunding bonds issued	-	-	-	-	-
Premium (discount) on bonds issued	(40,902)	7,970	(12,605)	(120,949)	111,574
Payments to refunded bond escrow agent	-	-	-	-	-
Transfers out	(677,112)	(525,803)	(99,800)	(696,978)	(393,782)
TOTAL OTHER FINANCING SOURCES (USES)	6,385,483	8,843,445	3,784,530	6,972,906	6,402,641
NET CHANGE IN FUND BALANCES	\$ 2,717,476	\$ 1,144,258	\$ (2,020,718)	\$ (1,662,390)	\$ 3,485,239
Debt service as a percentage of noncapital expenditures	41%	46%	42%	49%	46%

* Starting in 2014, the Port Authority component unit will be treated as a blended component unit and be combined with the governmental activities.

Table 5

		Fiscal Year							
		2010	2011	2012	2013	2014*			
\$	5,217,778	\$	5,278,200	\$	5,976,295	\$	6,264,476	\$	6,696,431
	709,385		766,699		928,169		1,252,603		1,133,696
	477,704		521,628		526,752		388,769		357,809
	3,145,988		4,141,816		2,679,783		2,949,485		2,331,472
	166,744		296,974		164,332		166,102		134,075
	37,566		29,492		27,172		21,599		20,068
	13,917		33,678		3,708		8,337		34,217
	299,969		695,383		774,640		616,150		782,761
	<u>10,069,051</u>		<u>11,763,870</u>		<u>10,730,851</u>		<u>11,317,521</u>		<u>11,140,529</u>
	906,426		937,067		927,260		992,041		785,958
	1,972,956		2,093,243		2,171,535		2,209,974		2,071,637
	1,524,184		1,870,220		1,776,726		1,707,461		1,880,130
	1,490,825		1,528,750		1,522,910		1,327,214		1,397,997
	209,738		498,757		223,016		705,627		1,005,448
	178,640		154,165		110,127		116,638		250,780
	3,726,148		3,846,946		5,242,222		2,430,920		3,463,555
	3,796,000		3,933,000		2,440,000		2,136,130		3,147,726
	788,915		760,628		688,637		620,370		746,813
	-		-		16,348		-		68,148
	<u>14,593,832</u>		<u>15,622,776</u>		<u>15,118,781</u>		<u>12,246,375</u>		<u>14,818,192</u>
	<u>(4,524,781)</u>		<u>(3,858,906)</u>		<u>(4,387,930)</u>		<u>(928,854)</u>		<u>(3,677,663)</u>
	-		-		-		52,813		740,948
	3,328,062		3,535,474		1,001,497		1,835,086		1,768,333
	3,055,000		3,215,000		1,000,423		-		2,845,000
	3,455,000		-		-		-		-
	11,401		3,864		-		-		131,790
	-		-		-		(615,000)		-
	<u>(3,034,285)</u>		<u>(3,293,844)</u>		<u>(642,331)</u>		<u>(1,514,507)</u>		<u>(1,357,977)</u>
	<u>6,815,178</u>		<u>3,460,494</u>		<u>1,359,589</u>		<u>(241,608)</u>		<u>4,128,094</u>
\$	<u>2,290,397</u>	\$	<u>(398,412)</u>	\$	<u>(3,028,341)</u>	\$	<u>(1,170,462)</u>	\$	<u>450,431</u>
	40%		39%		25%		20%		32%

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CITY OF NORTH MANKATO, MINNESOTA
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

Table 6

Fiscal Year	Property Tax	Tax Increments	Sales Tax	Franchise Tax	Hotel/Motel Tax	Charitable Gambling Tax	Total
2005	\$ 3,447,789	\$ -	\$ -	\$ 48,408	\$ 46,914	\$ 15,261	\$ 3,558,372
2006	3,525,458	-	-	41,531	50,925	14,650	3,632,564
2007	3,825,493	-	-	43,707	53,030	13,082	3,935,312
2008	4,144,337	-	82,619	166,928	46,418	11,092	4,451,394
2009	4,223,212	-	377,859	321,266	39,255	12,306	4,973,898
2010	4,395,126	-	440,566	326,812	42,106	13,168	5,217,778
2011	4,429,774	-	462,223	332,469	40,685	13,049	5,278,200
2012	5,030,978	-	545,157	336,607	47,126	16,427	5,976,295
2013	5,320,305	-	536,417	344,761	46,550	16,443	6,264,476
2014*	5,402,019	340,664	531,148	355,218	48,590	18,792	6,696,431

* Starting in 2014, the Port Authority component unit will be treated as a blended component unit and be combined with the governmental activities.

CITY OF NORTH MANKATO, MINNESOTA
TAX CAPACITY AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year Ended December 31,	Real Property		Personal Property	Less:	Total
	Residential Property	Commercial Property	Other	Tax Increment Real Property	Tax Capacity
2005	\$ 7,145,435	\$ 2,435,061	\$ 112,368	\$ 178,192	\$ 9,514,672
2006	7,384,524	2,444,269	114,127	192,264	9,750,656
2007	7,920,674	2,472,004	149,946	198,385	10,344,239
2008	8,059,405	2,459,717	147,393	182,268	10,484,247
2009	7,962,967	2,659,815	117,544	189,067	10,551,259
2010	7,845,345	2,681,586	151,936	80,835	10,598,032
2011	7,432,722	2,652,834	193,966	35,130	10,244,392
2012	7,423,295	2,639,795	166,920	52,436	10,177,574
2013	7,058,140	2,870,300	175,764	242,538	9,861,666
2014	7,147,698	2,873,806	181,968	240,045	9,963,427

Source: Nicollet County Assessor and Auditor

Table 7

Total Direct Tax Rate	Estimated Actual Taxable Value	Tax Capacity Value as a Percentage of Actual Value
39.888	\$ 918,940,397	1.05 %
42.462	940,352,372	1.06
41.246	1,020,753,348	1.03
43.267	1,028,018,285	1.04
44.581	958,751,959	1.12
45.626	923,805,200	1.16
45.425	874,093,000	1.18
50.598	870,672,800	1.17
54.566	934,541,100	1.08
54.009	856,913,700	1.19

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CITY OF NORTH MANKATO, MINNESOTA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

Table 8

Fiscal Year	City of North Mankato			Nicollet County	Independent School District No. 77	Region 9 Development Commission	Total Direct and Overlapping Rates
	Operating Tax Capacity Rate	Debt Service Tax Capacity Rate	Total City Tax Capacity Rate	Total Tax Capacity Rate	Total Tax Capacity Rate	Special Districts	
2005	26.911	12.977	39.888	49.102	13.301	0.251	102.542
2006	28.718	13.744	42.462	48.391	12.184	0.243	103.280
2007	28.129	13.117	41.246	48.577	13.672	0.226	103.721
2008	30.554	12.713	43.267	48.835	15.175	0.211	107.488
2009	31.531	13.050	44.581	51.351	17.637	0.191	113.760
2010	31.751	13.875	45.626	51.871	19.604	0.185	117.286
2011	31.028	14.397	45.425	53.150	19.115	0.187	117.877
2012	36.554	14.044	50.598	54.067	20.991	0.190	125.846
2013	39.123	15.443	54.566	52.383	18.924	0.188	126.061
2014	38.660	15.349	54.009	51.244	24.078	0.323	129.654

Source: Nicollet County Auditor

CITY OF NORTH MANKATO, MINNESOTA
 PRINCIPAL PROPERTY TAXPAYERS
 CURRENT YEAR AND NINE YEARS AGO

<u>Taxpayer</u>	<u>Type of Business</u>	<u>2014</u>		
		<u>Taxable Tax Capacity</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Taylor Corporation	Printing	\$ 345,174	1	3.5 %
Kato Engineering	Electric rotating equipment	116,580	2	1.2
Wis-Pak of Mankato	Bottling	100,960	3	1.0
Carlson Wedding Service	Specialty printing	97,108	4	1.0
Ziegler Mankato LLC	Sales and service of Cat equipment	86,090	5	0.9
Corporate Graphics	Printing	85,134	6	0.9
Carlson Craft Commercial	Specialty printing	80,476	7	0.8
Minnegasco, Inc.	Utility	79,659	8	0.8
LJP Enterprises	Sanitation	73,038	9	0.7
Coloplast Corporation	Skin care and hygiene products	62,320	10	0.6
Fine Impressions Envelope Printing	Specialty printing	-		-
Minnesota Automotive	Manufacturing	-		-
	Total	<u>\$ 1,126,539</u>		<u>11.4 %</u>

Source: Blue Earth County Administrative Services.

Table 9

2005		
<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
\$ 371,140	1	3.9 %
121,266	2	1.3
110,632	3	1.2
110,224	4	1.2
-		-
108,210	5	1.1
82,666	7	0.9
-		-
-		-
64,506	9	0.7
101,318	6	1.1
<u>69,227</u>	8	<u>0.7</u>
<u><u>\$ 1,139,189</u></u>		<u><u>12.1 %</u></u>

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CITY OF NORTH MANKATO, MINNESOTA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Table 10

Fiscal Year Ended December 31,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	\$ 3,924,419	\$ 3,874,173	98.7 %	\$ 49,790	\$ 3,923,963	100.0 %
2006	4,218,750	4,170,453	98.9	47,444	4,217,897	100.0
2007	4,218,750	4,163,756	98.7	52,263	4,216,019	99.9
2008	4,603,569	4,540,135	98.6	60,767	4,600,902	99.9
2009	4,674,079	4,603,876	98.5	66,099	4,669,975	99.9
2010	4,814,154	4,734,892	98.4	73,537	4,808,429	99.9
2011	4,814,154	4,757,059	98.8	48,184	4,805,243	99.8
2012	5,152,123	5,107,411	99.1	31,456	5,138,867	99.7
2013	5,383,784	5,330,133	99.0	33,710	5,363,843	99.6
2014	5,383,784	5,332,446	99.0	-	5,332,446	99.0

CITY OF NORTH MANKATO, MINNESOTA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities					
	General Obligation Bonds	Tax Increment	G.O. Special Assessment Bonds	G.O. Revenue Bonds	Contracts/ Leases Payable	Notes Payable
2005	\$ 885,000	\$ -	\$ 17,895,000	\$ 345,000	\$ 2,314,604	\$ 375,000
2006	1,380,000	-	20,805,000	325,000	2,189,604	910,000
2007	1,090,000	-	20,755,000	1,194,000	2,059,604	860,000
2008	2,940,000	-	18,010,000	283,000	-	805,000
2009	2,771,000	-	17,140,000	2,821,000	105,000	165,000
2010	2,963,000	-	19,125,000	3,418,000	105,000	-
2011	2,488,000	-	15,885,000	3,260,000	45,000	3,215,000
2012	2,638,766	-	14,550,828	2,902,896	105,423	3,215,000
2013	5,526,338	-	12,327,748	3,664,301	792,293	-
2014*	8,169,700	1,257,003	9,974,662	3,320,706	678,567	-

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

* Starting in 2014, the Port Authority component unit will be treated as a blended component unit and be combined with the governmental activities.

Table 11

Business-type Activities				
Utility G.O. Revenue Bonds	G.O. Special Assessment Bonds	Total Primary Government	Percentage of Personal Income	Per Capita
\$ 3,514,822	\$ 1,445,000	\$ 26,774,426	7.69 %	\$ 2,129
3,914,155	1,395,000	30,918,759	8.60	2,452
3,556,920	1,345,000	30,860,524	8.18	2,402
8,008,063	1,290,000	31,336,063	8.01	2,423
8,217,592	1,235,000	32,454,592	7.98	2,488
8,520,257	1,180,000	35,311,257	8.21	2,636
7,911,190	1,120,000	33,924,190	7.66	2,533
6,578,565	1,983,906	31,975,384	6.97	2,375
6,016,600	1,919,760	30,247,040	6.38	2,237
5,441,648	1,855,614	30,697,900	6.28	2,271

CITY OF NORTH MANKATO, MINNESOTA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities				Business-type Activities	
	General Obligation Bonds	Tax Increment	G.O. Special Assessment Bonds	G.O. Revenue Bonds	Utility G.O. Revenue Bonds	G.O. Special Assessment Bonds
2005	\$ 885,000	\$ -	\$ 17,895,000	\$ 345,000	\$ 3,514,822	\$ 1,445,000
2006	1,380,000	-	20,805,000	325,000	3,914,155	1,395,000
2007	1,090,000	-	20,755,000	1,194,000	3,556,920	1,345,000
2008	2,940,000	-	18,010,000	283,000	8,008,063	1,290,000
2009	2,771,000	-	17,140,000	2,821,000	8,217,592	1,235,000
2010	2,963,000	-	19,125,000	3,418,000	8,520,257	1,180,000
2011	2,488,000	-	15,885,000	3,260,000	7,911,190	1,120,000
2012	2,638,766	-	14,550,828	2,902,896	6,578,565	1,983,906
2013	5,526,338	-	12,327,748	3,664,301	6,016,600	1,919,760
2014*	8,169,700	1,257,003	9,974,662	3,320,706	5,441,648	1,855,614

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

* Starting in 2014, the Port Authority component unit will be treated as a blended component unit and be combined with the governmental activities.

Table 12

Total Primary Government	Less: Amounts Restricted for Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
\$ 24,084,822	\$ 48,198	\$ 24,036,624	2.62 %	\$ 1,911
27,819,155	15,868	27,803,287	2.96	2,205
27,940,920	77,039	27,863,881	2.73	2,168
30,531,063	410,177	30,120,886	2.93	2,329
32,184,592	494,778	31,689,814	3.31	2,429
35,206,257	542,661	34,663,596	3.75	2,588
30,664,190	859,809	29,804,381	3.41	2,225
28,654,961	858,650	27,796,311	3.19	2,065
29,454,747	2,188,930	27,265,817	2.92	2,017
30,019,333	1,168,969	28,850,364	3.37	2,134

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CITY OF NORTH MANKATO, MINNESOTA
 COMPUTATION OF DIRECT AND OVERLAPPING DEBT
 DECEMBER 31, 2014

Table 13

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Direct debt			
City of North Mankato	\$ 23,400,638	100.00 %	\$ 23,400,638
Overlapping debt			
Nicollet County	19,125,000	34.50	6,598,622
Blue Earth County	18,331,226	0.01	1,210
Independent School Dist. 77	112,490,000	17.93	20,173,507
Total overlapping debt	<u>149,946,226</u>		<u>26,773,339</u>
Total direct and overlapping debt	<u>\$ 173,346,864</u>		<u>\$ 50,173,977</u>

Sources : Assessed value data used to estimate applicable percentages provided by the County Board of Equalization and Assessment. Debt outstanding data provided by the County.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the North Mankato. This process recognized that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

CITY OF NORTH MANKATO, MINNESOTA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Debt limit	\$ 17,051,200	\$ 17,039,185	\$ 16,049,306	\$ 24,497,850	\$ 27,804,603
Total net debt applicable to limit	<u>885,000</u>	<u>1,380,000</u>	<u>1,090,000</u>	<u>2,940,000</u>	<u>2,771,000</u>
Legal debt margin	<u>\$ 16,166,200</u>	<u>\$ 15,659,185</u>	<u>\$ 14,959,306</u>	<u>\$ 21,557,850</u>	<u>\$ 25,033,603</u>
Total net debt applicable to the limit as a percentage of debt limit	5.19%	8.10%	6.79%	12.00%	9.97%

Note: Under state finance law, the City of North Mankato's outstanding general obligation debt should not exceed 3 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

* Starting in 2014, the Port Authority component unit will be treated as a blended component unit and be combined with governmental activities.

Table 14

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014*</u>
\$ 27,714,156	\$ 26,222,790	\$ 26,120,184	\$ 28,036,233	\$ 25,707,411
<u>2,963,000</u>	<u>2,488,000</u>	<u>2,638,766</u>	<u>5,526,338</u>	<u>8,169,700</u>
<u>\$ 24,751,156</u>	<u>\$ 23,734,790</u>	<u>\$ 23,481,418</u>	<u>\$ 22,509,895</u>	<u>\$ 17,537,711</u>
10.69%	9.49%	10.10%	19.71%	31.78%
Total estimated market value				<u>\$ 856,913,700</u>
Debt limit (3% of total assessed value)				25,707,411
Debt applicable to limit:				
General obligation bonds				<u>8,169,700</u>
Legal debt margin				<u>\$ 17,537,711</u>

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CITY OF NORTH MANKATO, MINNESOTA
 PLEDGED-REVENUE COVERAGE - WATER, SEWER AND SANITATION BONDS
 LAST TEN FISCAL YEARS

Table 15

Year	Gross Revenue	Direct Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements ⁽¹⁾			Coverage
				Principal	Interest	Total	
2005	\$ 3,702,728	\$ 2,710,268	\$ 992,460	\$ 274,151	\$ 225,328	\$ 499,479	1.99
2006	4,245,249	2,657,562	1,587,687	395,667	212,493	608,160	2.61
2007	4,758,223	3,155,869	1,602,354	407,235	281,784	689,019	2.33
2008	4,826,745	3,180,705	1,646,040	388,857	293,241	682,098	2.41
2009	4,655,244	3,283,078	1,372,166	535,471	335,186	870,657	1.58
2010	4,679,466	3,165,201	1,514,265	652,335	360,467	1,012,802	1.50
2011	4,728,916	3,344,575	1,384,341	669,067	343,913	1,012,980	1.37
2012	4,804,452	3,261,394	1,543,058	724,922 ⁽³⁾	316,574	1,041,496	1.48
2013	4,638,132	3,276,870	1,361,262	627,842	303,009	930,851	1.46
2014	5,599,997	3,854,306	1,745,691	640,829	278,265	919,094	1.90

Source: City of North Mankato Financial Records.

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Sewer charges and other includes investment earnings but not tap fees. Operating expenses do not include interest or depreciation.

(1) The revenues of the utility are pledged to payment of debt service but bonds are backed by the full faith and credit of the City.

(2) Does not include depreciation.

(3) Excludes \$875,000 of refunding bonds paid in 2012.

CITY OF NORTH MANKATO, MINNESOTA
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS

Table 16

Fiscal Year	Population	Personal Income	Per Capita Income	Median Age	School Enrollment	Unemployment Rate
2005	12,577	\$ 348,244,553	\$ 27,689	33.8	6,863	3.0 %
2006	12,608	359,580,160	28,520	33.8	6,872	3.2
2007	12,850	377,481,600	29,376	33.8	7,119	3.7
2008	12,935	391,374,295	30,257	33.8	6,999	5.3
2009	13,045	406,547,425	31,165	33.8	7,022	6.2
2010	13,394	429,947,400	32,100	33.8	7,258	4.6
2011	13,394	442,845,822	33,063	33.8	7,392	5.6
2012	13,462	458,448,410	34,055	35.5	7,354	4.4
2013	13,520	474,241,040	35,077	35.5	7,598	4.1
2014	13,520	488,464,080	36,129	37.7	8,720	2.6

Source: Minnesota Department of Employment and Economic Development.

Note: Population, median age, and education level information are based on surveys conducted during the last quarter of the calendar year. Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.

CITY OF NORTH MANKATO, MINNESOTA
 PRINCIPAL EMPLOYERS
 CURRENT YEAR AND NINE YEARS AGO

Table 17

	2014			2005		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Mayo Clinic Health System	2,427	1	4.1 %	1,500	2	2.9 %
Independent School District 77 (Mankato)	2,100	2	3.6	1,400	3	2.7
Minnesota State University Mankato	1,700	3	2.9	1,300	4	2.5
Carlson Craft	1,100	4	1.9	2,100	1	4.0
Navitor	750	5	1.3	-		-
Mankato Clinic	748	6	1.3	720	5	1.4
Bethany Lutheran College	429	7	0.7	431	6	0.8
Verizon Wireless	422	8	0.7	345	8	0.7
Kato Engineering	300	9	0.5	-		-
Precision Press	300	9	0.5	-		-
Hickory Tech	279	10	0.5	400	7	0.8
Taylor Corporation	-		-	335	9	0.6
The Thro Company	-		-	330	10	0.6
Total	10,555		18.0 %	8,861		17.0 %
Total City Employment	58,553			52,183		

The economy of North Mankato is closely linked to that of the adjacent City of Mankato. These are major employers in the area.
 Source: Northland Securities, Inc.; U.S. Bureau of Labor Statistics

CITY OF NORTH MANKATO, MINNESOTA
 FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
 LAST TEN FISCAL YEARS

Function	Full-time Equivalent Employees as of December 31				
	2005	2006	2007	2008	2009
General government	10.5	10.5	12.0	11.5	11.5
Public safety					
Police					
Officers	12.0	12.0	12.0	12.0	12.0
Secretary	1.5	1.5	1.5	1.5	1.5
Inspections	3.0	4.0	5.0	5.0	5.0
Public works					
Maintenance	11.0	11.0	10.0	11.0	11.0
Culture and recreation					
Parks	7.0	6.0	6.0	6.0	6.0
Library	4.0	5.0	5.0	5.5	6.0
Water	4.0	6.0	8.0	8.0	7.0
Sewer	-	2.0	2.0	2.0	2.0
Sanitation	1.0	1.0	1.0	1.0	1.5
Total	54.0	59.0	62.50	63.5	63.5

Source: City Personnel Records

Table 18

Full-time Equivalent Employees as of December 31				
2010	2011	2012	2013	2014
11.5	11.5	11.5	10.5	9.5
12.0	12.0	13.0	13.0	13.0
1.5	1.5	1.5	1.5	1.5
5.0	5.0	4.0	4.0	4.0
11.0	10.0	10.0	10.0	10.0
6.0	7.0	5.0	5.0	5.0
6.5	6.5	6.5	6.5	5.5
6.0	6.0	6.0	6.0	5.0
2.0	2.0	2.0	2.0	2.0
1.5	1.5	1.5	1.5	1.5
<u>63.0</u>	<u>63.0</u>	<u>61.0</u>	<u>60.0</u>	<u>57.0</u>

CITY OF NORTH MANKATO, MINNESOTA
 OPERATING INDICATORS BY FUNCTION
 LAST TEN FISCAL YEARS

Function	Fiscal Year				
	2005	2006	2007	2008	2009
Police					
Physical arrests	1,994	1,364	1,025	1,025	1,034
Accidents	145	125	173	134	129
Police reserve volunteer hours	3,452	880	968	1,242	1,104
Educational programs	22	22	18	13	8
Fire					
Number of calls answered	132	144	136	120	112
Public works					
Street seal coating (miles)	5.9	7.1	5.8	5.8	3.1
Sanitation					
Refuse collected (tons)	3,913	3,889	3,963	3,953	3,807
Culture and recreation					
Swim facility attendance	14,969	17,316	19,019	20,843	15,237
Library circulation (items checked out)	133,132	132,929	158,589	180,554	193,892
Bookmobile circulation	n/a	n/a	n/a	n/a	27,664
Water					
Total connections	5,658	5,907	6,083	6,196	6,311
Average daily consumption (thousands of gallons)	1,334	1,434	1,483	1,415	1,372

Sources: Various City departments.

Note: Indicators are not available for the general government function.

Table 19

Fiscal Year				
2010	2011	2012	2013	2014
1,217	797	707	731	796
125	198	171	196	220
1,503	1,392	1,318	1,480	1,118
16	17	14	18	16
147	108	126	100	141
4.8	8.7	6.6	7.8	7.2
3,760	3,573	3,331	3,510	3,433
21,970	21,037	20,114	17,456	14,764
236,863	261,061	266,163	251,467	243,675
30,947	41,082	39,309	39,309	29,667
6,349	6,375	6,480	6,572	6,682
1,280	1,282	1,463	1,326	1,442

CITY OF NORTH MANKATO, MINNESOTA
 CAPITAL ASSET STATISTICS BY FUNCTION
 LAST TEN FISCAL YEARS

Function	Fiscal Year				
	2005	2006	2007	2008	2009
General government					
Planning and zoning					
Building permits issued	655	615	825	976	1,042
Public safety					
Police					
Stations	1	1	1	1	1
Fulltime paid police	12	12	12	12	12
Volunteer police reserves	18	16	18	17	17
Fire					
Stations	2	2	2	2	2
Volunteer fire fighters	36	33	35	38	38
I.S.O. Rating	5	5	5	5	5
Public works					
Street division					
Miles of street	62.67	64.05	66.09	66.09	67.31
Signalized intersections	6	6	6	6	6
Parks division					
Parks	20	20	20	20	20
Area in acres	233	245	250	250	250
Baseball diamonds	14	14	14	14	14
Basketball courts	7	8	8	8	8
Horseshoe courts	8	8	13	13	13
Trails	5	5	5	6	6
Skating rinks/outdoor	5	5	5	5	5
Soccer fields	-	-	-	-	-
Softball diamonds	11	11	11	11	11
Swimming facility	1	1	1	1	1
Tennis courts	8	8	8	8	8
Volleyball courts	9	9	9	9	9
Utilities					
Municipal water					
Connections	5,658	5,907	6,083	6,196	6,311
Average daily consumption (thousands of gallons)	1,334	1,434	1,483	1,415	1,387
Maximum daily consumption (thousands of gallons)	2,677	2,696	2,845	3,045	2,809

Source: City of North Mankato Financial Records.

Table 20

Fiscal Year				
2010	2011	2012	2013	2014
2,190	1,750	1,574	980	916
1	1	1	1	1
12	12	13	13	13
17	19	17	18	15
2	2	2	2	2
36	35	35	34	36
5	4	4	4	4
68.50	75.37	77.06	77.00	77.00
6	6	6	5	5
20	21	21	21	21
250	251	251	251	278
14	14	14	14	14
8	8	8	8	8
13	13	12	13	12
6	6	6	6	6
5	5	5	5	5
-	-	10	10	13
11	11	11	11	11
1	1	1	1	1
8	8	8	8	8
9	9	9	9	9
6,349	6,375	6,480	6,572	6,682
1,280	1,282	1,463	1,326	1,442
2,466	2,267	3,030	2,412	2,480

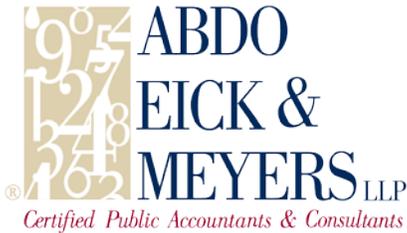
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OTHER REQUIRED REPORTS

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

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INDEPENDENT AUDITOR'S REPORT ON
MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of North Mankato, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of North Mankato (the City) as of and for the year ended December 31, 2014, and the related notes to the financial statements, and have issued our report thereon dated June 9, 2015.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statute §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

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

Abdo, Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 9, 2015

INDEPENDENT AUDITOR'S REPORT ON INTERNAL
CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and City Council
City of North Mankato, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of North Mankato, Minnesota (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 9, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Responses as item 2014-001 that we consider to be a significant deficiency.

Compliance and Other Matters

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

The City's Response to Finding

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

Purpose of this Report

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

Abdo, Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP

Mankato, Minnesota

June 9, 2015

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CITY OF NORTH MANKATO, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2014

Finding Description

2014-001 Preparation of financial statements

Condition: As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Recent auditing standards require auditors to communicate this situation to the Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. However, based on recent auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.

Criteria: Internal controls should be in place to ensure adequate internal control over safeguarding of assets and the reliability of financial records and reporting.

Cause: From a practical standpoint, we prepare the statements and determine the fairness of the presentation at the same time in connection with our audit. This is not unusual for us to do with organizations of your size.

Effect: The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for accuracy; we have answered any questions that management might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosures in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation: Under these circumstances, the most effective controls lie in management's knowledge of the Organization's financial operations. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations. Regarding the specific situations listed above, we would offer the following specific recommendation: 1) Utilize a disclosure checklist to ensure all required disclosures are present and agree to work papers, and 2) Agree your accounting information from your accounting software to the amounts reported in the financial statements.

Management response:

For now, the City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.