

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2015

PREPARED BY:

FINANCE DEPARTMENT

Member GFOA of U.S. and Canada
Published June 20, 2016

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2015

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June 20, 2016

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, 2015.

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, 2015 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, 2015 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.

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 2.7 percent which represents a decrease from the previous year rate of 2.9 percent, mostly due to the diverse economic base. The Mankato/North Mankato area is a regional center for retail trade, agriculture, 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 57,500 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 2015 for 49 new residential housing units at a total value of \$14,500,000. The market value of all new residential, commercial and industrial permits in fiscal year 2015 was \$29,897,705. The residential development continues to take advantage of existing inventory in subdivisions and much of the industrial growth comes from firms locating to the North Port Industrial Park owned by the economic development agency of the City.

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 in the amount of \$2,772,624 at the end of fiscal year 2013. Based on a repayment schedule adopted by the City Council these loans continue to be repaid each year and at the end of fiscal year 2015 the outstanding balance was \$2,145,784. Complete payment of this interfund loan will be made in 2023.

Refunding of the 2015B bonds including escrow proceeds effected the combined debt service fund balance by moving it from a negative position in 2014 to a positive position of approximately \$1,500,000 by the end of fiscal year 2015. Following escrow payments in 2017 the combined funds will likely return to a negative fund balance that will resolve in time with the repayment of the interfund loans mentioned in the above paragraph.

New Developments

- Marigold (TIF 8) Phase II was completed in 2015. The project consists of 19-unit three-level townhomes.
- Development of a 60,000 square foot warehouse constructed by MetCon in the Nort Port Industrial park.
- Sale of 12 acres to North Central Utilities (trailer service, parts, sales) for development of 40,000 square foot building.
- Annexation of 18.5 acres for future home of Mayo Clinic Health Systems.
- Extension of West Carlson Drive for future development in the North Port Industrial Park.

2015 Five-Year Capital Improvement Plan Projects

CSAH 41 Trail from Lor Ray Drive to Lake Street - This project constructed a 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 \$900,000. The project was financed using general obligation bonds paid by property tax and Federal funds of approximately \$400,000.

Well No. 9 Construction - This project constructed 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 - Completed 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 began 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, 2014. This was the twenty-eighth 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,

A handwritten signature in black ink, appearing to read "John Harrenstein", with a stylized flourish at the end.

John Harrenstein
City Administrator

CITY OF NORTH MANKATO, MINNESOTA
PRINCIPAL CITY OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2015

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*

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*

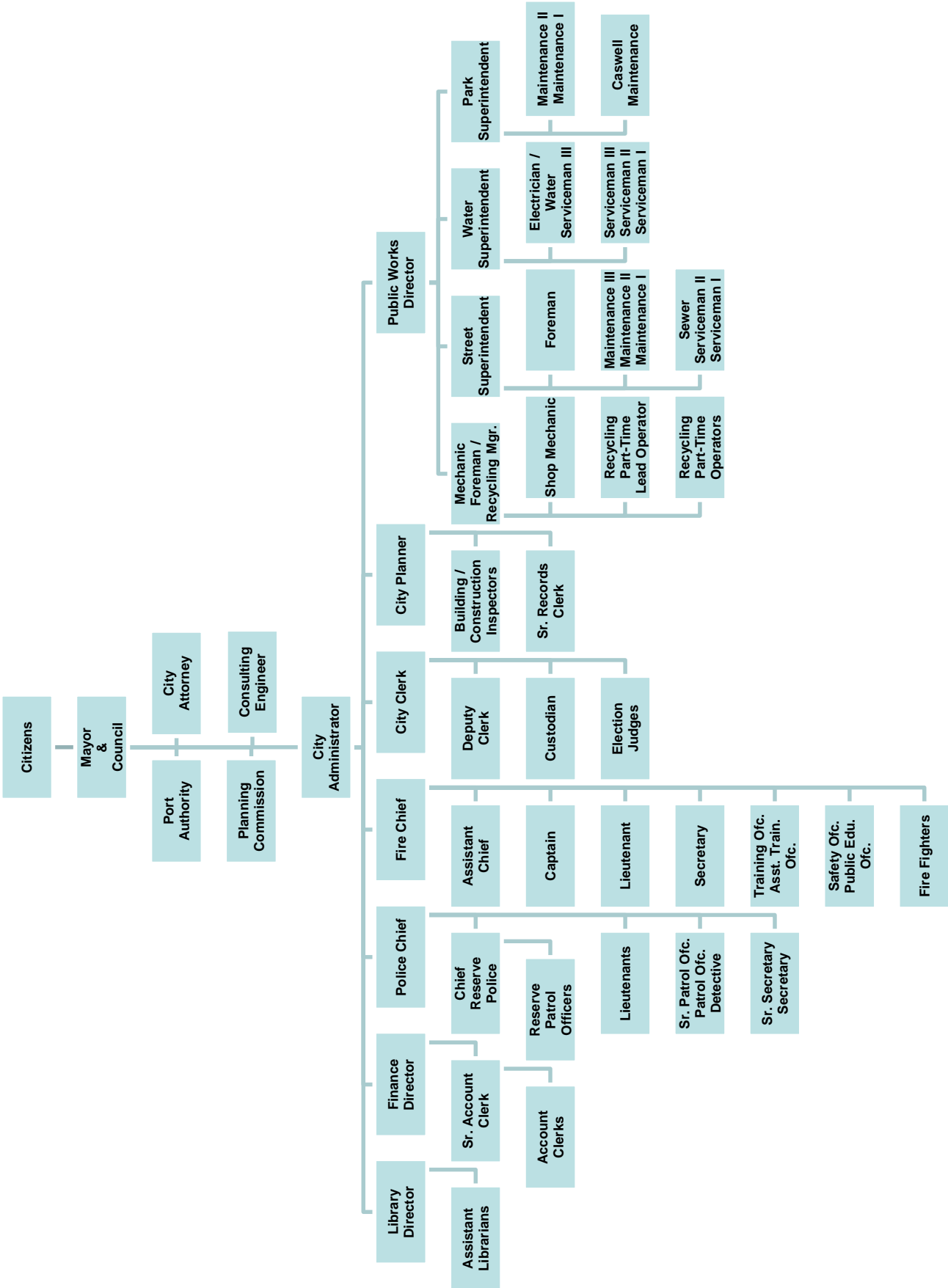
AUDITOR: *Abdo, Eick & Meyers, LLP*

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, 2014

Executive Director/CEO

FINANCIAL SECTION

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2015

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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, 2015, 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. 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, 2015, 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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Change in Accounting Standards

As described in Note 8 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, for the year ended December 31, 2015. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements.

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 Schedules of Employer's Share of the Net Pension Liability, the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios, the Schedules of Employer's Contributions and the Schedule of Funding Progress for the Retiree Health Plan starting on page 101 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

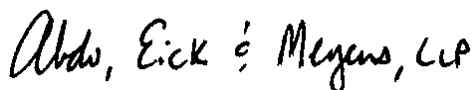
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Also, the accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements.

The combining and individual fund financial statements and schedules and the Schedule of Expenditures of Federal Awards 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 and the Schedule of Expenditures of Federal Awards 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 20, 2016, 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
Mankato, Minnesota
June 20, 2016

People
+ Process®
Going
Beyond the
Numbers

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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, 2015. 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 beginning unrestricted net position was decreased by \$3,258,044 to recognize the effects of GASB Statement No. 68 implementation.
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$53,535,353 (*net position*). Of this amount, a balance of \$1,081,069 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 increased by \$6,821,916 as compared to a decrease of \$1,615,572 in the previous year.
 - Capital grants and contributions increased from 2014, mostly due to street construction State aid of \$2,015,438 and street construction Federal aid of \$3,037,182.
 - Public works expenses decreased \$2,855,366.
 - Interest in long-term debt increased \$214,420.
 - Business-type activities net position increased \$328,654 from 2014. This was mostly due to the decrease in expenses in the solid waste function from the prior year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,187,851 an increase of \$839,868 in comparison with the prior year. Major factors contributing to this increase relates to General fund balance increasing, refunding bonds issued in the Debt Service fund, net of draw downs for the 2014 and 2015 Construction funds. However, the 2015 Construction fund deficit was caused by the State advancing Municipal State Aid Funds for Streets that were received in cash by the City in 2015 but will not be recognized as revenue until 2016. At the end of the current fiscal year, unassigned fund balance was \$264,334.

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

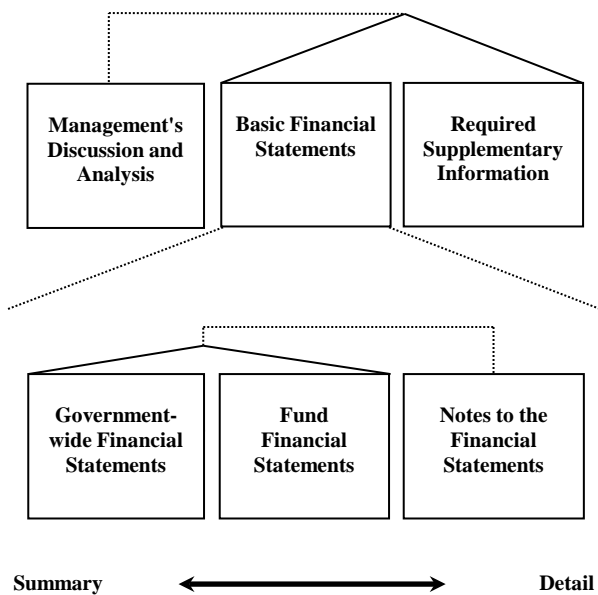


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

	Government-wide Statements	Fund Financial 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 deferred outflows of resources and liabilities and deferred inflows of resources, 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, storm water and solid waste.

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 of 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 44 individual governmental funds, which includes 19 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, the 2014 Construction fund and the 2015 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.

Required supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of North Mankato's share of net pension liabilities (assets) for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found starting on page 101 of this report.

Other information. The combining statements referred to earlier in connection with the nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund financial statement and schedules can be found starting page 107 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 \$53,535,353 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (82.5 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		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Current and other assets	\$ 17,300,117	\$ 14,048,498	\$ 3,251,619	\$ 6,850,164	\$ 4,938,895	\$ 1,911,269
Capital assets	45,598,161	40,455,653	5,142,508	27,071,878	23,858,265	3,213,613
Total assets	62,898,278	54,504,151	8,394,127	33,922,042	28,797,160	5,124,882
Deferred outflows of resources	635,498	-	635,498	80,049	-	80,049
Long-term liabilities outstanding	26,216,869	24,349,222	1,867,647	12,578,424	7,396,497	5,181,927
Other liabilities	1,817,032	1,153,700	663,332	719,688	430,411	289,277
Total liabilities	28,033,901	25,502,922	2,530,979	13,298,112	7,826,908	5,471,204
Deferred inflows of resources	2,500,281	-	2,500,281	168,220	-	168,220
Net position						
Net investment in capital assets	25,459,305	18,290,571	7,168,734	18,717,246	17,491,003	1,226,243
Restricted	8,277,733	8,188,704	89,029	-	-	-
Unrestricted	(737,444)	2,521,954	(3,259,398)	1,818,513	3,479,249	(1,660,736)
Total net position	\$ 32,999,594	\$ 29,001,229	\$ 3,998,365	\$ 20,535,759	\$ 20,970,252	\$ (434,493)

An additional portion of the City's net position (15.5 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (2.0 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

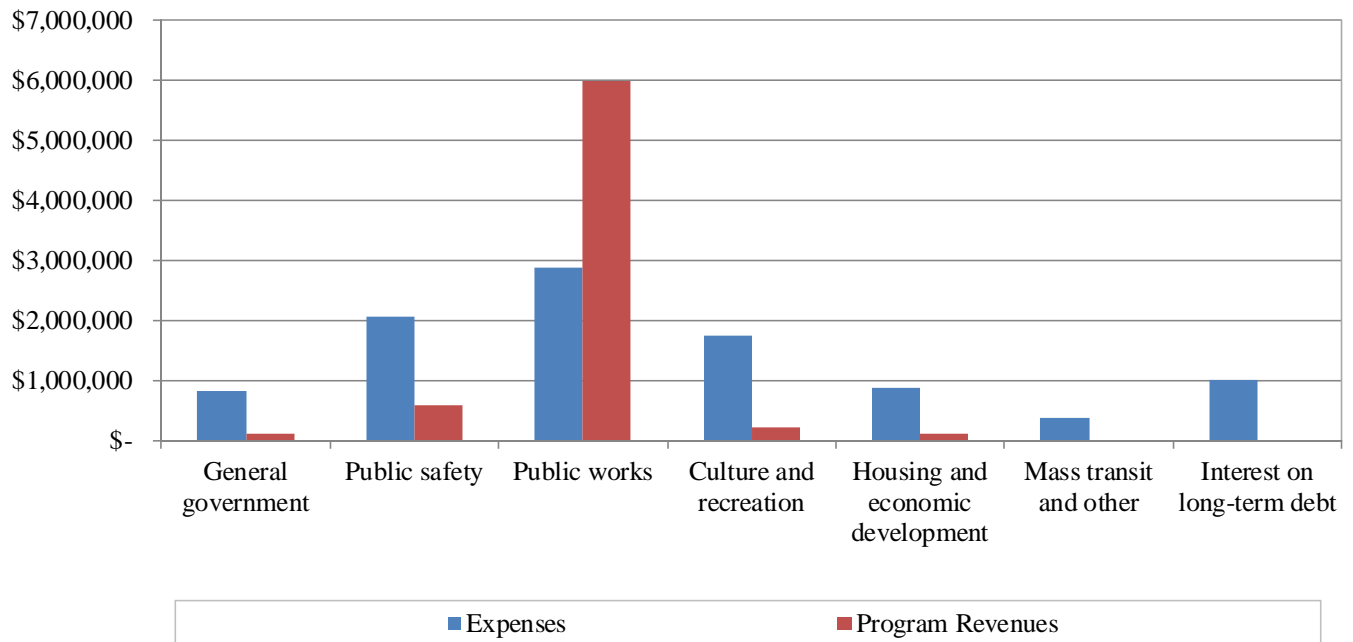
Governmental activities. Governmental activities increased the City's net position by \$6,493,262, accounting for 95.2 percent of the total increase. Key elements of this change are as follows:

City of North Mankato's Changes in Net Position

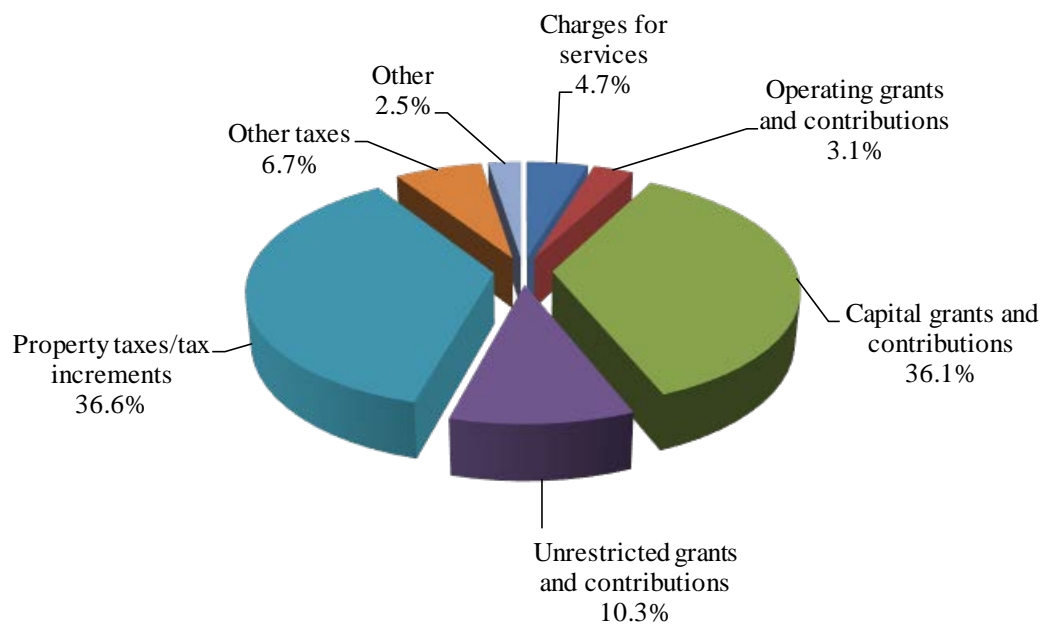
	Governmental Activities			Business-type Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 749,473	\$ 612,797	\$ 136,676	\$ 5,325,728	\$ 5,483,859	\$ (158,131)
Operating grants and contributions	502,768	460,134	42,634	-	22,359	(22,359)
Capital grants and contributions	5,822,778	321,726	5,501,052	19,588	7,605	11,983
General revenues						
Property taxes/ tax increments	5,909,504	5,751,962	157,542	-	-	-
Other taxes	1,078,732	953,748	124,984	1,367	1,391	(24)
Grants and contributions not restricted to specific programs	1,653,437	1,641,553	11,884	-	-	-
Unrestricted investment earnings	5,060	34,076	(29,016)	2,110	4,283	(2,173)
Other	232,052	266,429	(34,377)	-	-	-
Gain on sale of capital assets	163,426	740,948	(577,522)	-	-	-
Total revenues	16,117,230	10,783,373	5,333,857	5,348,793	5,519,497	(170,704)
Expenses						
General government	824,191	782,620	41,571	-	-	-
Public safety	2,054,079	2,245,466	(191,387)	-	-	-
Public works	2,874,244	5,729,610	(2,855,366)	-	-	-
Culture and recreation	1,740,105	1,632,255	107,850	-	-	-
Housing and economic development	886,363	1,596,016	(709,653)	-	-	-
Mass transit and other	386,098	302,116	83,982	-	-	-
Interest on long-term debt	1,017,615	803,195	214,420	-	-	-
Water	-	-	-	1,637,985	1,595,455	42,530
Wastewater	-	-	-	1,864,280	1,549,721	314,559
Sanitation	-	-	-	558,817	416,917	141,900
Solid waste	-	-	-	590,757	1,006,229	(415,472)
Storm water	-	-	-	209,573	258,842	(49,269)
Total expenses	9,782,695	13,091,278	(3,308,583)	4,861,412	4,827,164	34,248
Increase (decrease) in net position before transfers	6,334,535	(2,307,905)	8,642,440	487,381	692,333	(204,952)
Transfers	158,727	97,101	61,626	(158,727)	(97,101)	(61,626)
Change in net position	6,493,262	(2,210,804)	8,704,066	328,654	595,232	(266,578)
Net position - January 1 as restated (Note 8)	26,506,332	31,212,033	(4,705,701)	20,207,105	20,375,020	(167,915)
Net position - December 31	<u>\$ 32,999,594</u>	<u>\$ 29,001,229</u>	<u>\$ 3,998,365</u>	<u>\$ 20,535,759</u>	<u>\$ 20,970,252</u>	<u>\$ (434,493)</u>

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

Expenses and Program Revenues - Governmental Activities



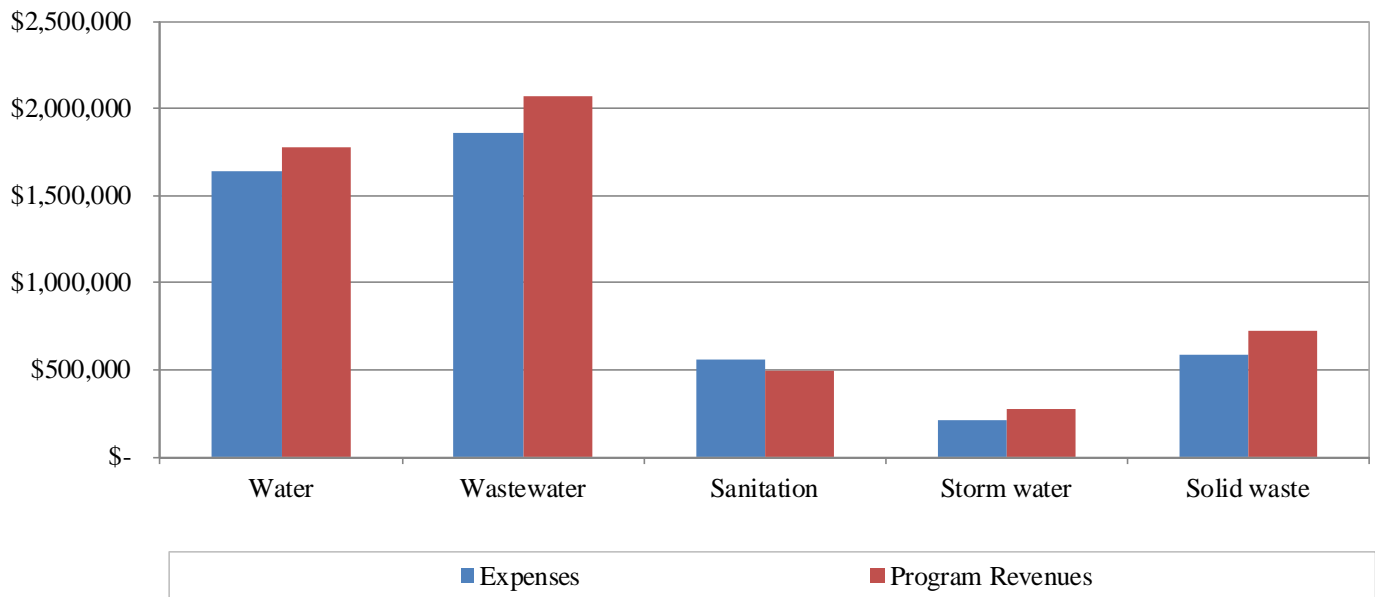
Revenues by Source - Governmental Activities



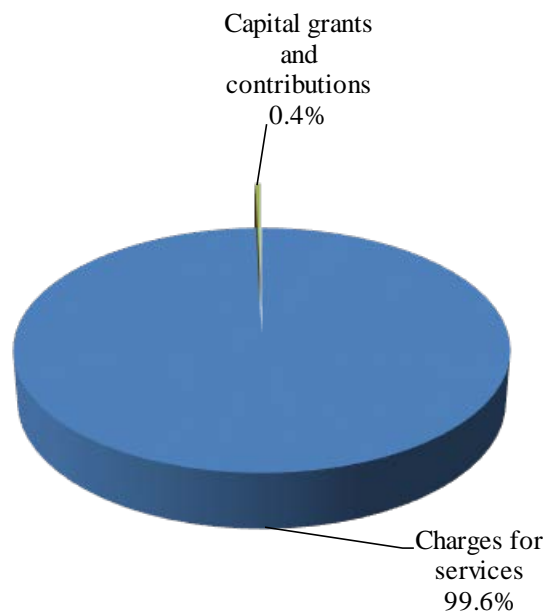
Business-type activities. Business-type activities increased the City’s net position by \$328,654, accounting for 4.8 of the total increase. Key elements of this change are as follows:

- Capital contributions from governmental funds were \$243,023 for the year.
- Total operating income was \$807,454, a decrease of \$118,608 from the prior year, mainly due to lower usage in the Water Utility fund.
- Total nonoperating expenses exceeded nonoperating revenues by \$339,661, mostly consisting of bond interest and issuance costs.
- Transfers out totaled \$431,750 for 2015.

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 \$3,776,206 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 29.6 percent of total General fund expenditures, while total fund balance represents 51.0 percent of that same amount.

The *General fund* balance increased by \$460,502 during the current year. Major factors of the increase in the fund balance of the City's General fund was due to revenues exceeding budget by \$339,418, including taxes, licenses and permits, intergovernmental, charges for services and miscellaneous revenues were over budget by \$81,645, \$44,446, \$87,942, \$33,207 and \$66,284, respectively.

The *Debt Service fund* has a total fund balance of \$1,518,155. There was an increase of \$2,542,672 in the current year, mainly due to 2015B G.O. refunding bonds and premiums issued in the amount of \$2,512,354.

The *2014 Construction fund* has a total fund balance of \$175,174. This balance is mainly due to unspent bond proceeds. There was a decrease in fund balance during the year of \$755,382 due to spending down prior year proceeds.

The *2015 Construction fund* has a total fund balance deficit of \$1,478,131. This deficit balance is due to insufficient aid and bond proceeds to cover construction costs. This deficit was caused by the State advancing Municipal State Aid Funds for Streets (\$1,738,272) that were received in cash by the City in 2015 but will not be recognized as revenue until 2016.

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 \$1,818,513. The total increase in net position in the current year for these funds totaled \$328,654.

General Fund Budgetary Highlights

The City's General fund budget was not amended during the year. Revenues were over budget by \$339,418 and expenditures came in over budget by \$116,034. Other financing sources (uses) had a negative variance of \$7,900. The net result was an increase to the General fund balance of \$460,502.

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, 2015 amounts to \$72,670,039 (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 increase in the City's investment in capital assets for the current fiscal year was 13.0 percent.

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

- Land purchases totaling \$336,523
- Equipment and vehicle purchases of \$614,975; disposals of \$299,112
- City hall front entrance improvements of \$38,581
- Caswell North Soccer Field improvements of \$111,512
- Bituminous improvements for \$192,963
- Improvements totaling \$9,895,910 were added to construction in progress for the 14/41 Interchange project, Caswell North soccer fields and building, CSAH 41 Trail, Well No. 6 rehabilitation, Well No. 9 construction, Lookout Drive reconstruction, Main Lift Station No. 1 and West Carlson Drive project. The Roe Crest-Noretta-Belgrade Ravine and software conversion projects were completed in 2015.

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		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Land	\$ 5,694,700	\$ 5,358,177	\$ 336,523	\$ 490,616	\$ 490,616	\$ -
Buildings and improvements	30,836,627	32,207,670	(1,371,043)	23,620,150	23,072,915	547,235
Machinery and equipment	1,374,169	1,297,704	76,465	973,102	289,728	683,374
Construction in progress	7,692,665	1,592,102	6,100,563	1,988,010	5,006	1,983,004
Total	<u>\$ 45,598,161</u>	<u>\$ 40,455,653</u>	<u>\$ 5,142,508</u>	<u>\$ 27,071,878</u>	<u>\$ 23,858,265</u>	<u>\$ 3,213,613</u>

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$33,331,031. Of this amount, \$5,785,000 comprises debt backed by the full faith and credit of the City and \$1,245,000 is tax increment bonds and \$12,760,000 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 \$13,541,031.

City of North Mankato's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
General obligation bonds	\$ 5,785,000	\$ 6,075,000	\$ (290,000)	\$ -	\$ -	\$ -
G.O. tax increment bonds	1,245,000	1,255,000	(10,000)	-	-	-
G.O. improvement bonds	11,825,000	9,915,000	1,910,000	935,000	1,865,000	(930,000)
General obligation revenue bonds	2,935,000	3,285,000	(350,000)	10,606,031	7,367,597	3,238,434
Contracts	628,000	678,567	(50,567)	-	-	-
Total	<u>\$ 22,418,000</u>	<u>\$ 21,208,567</u>	<u>\$ 1,209,433</u>	<u>\$ 11,541,031</u>	<u>\$ 9,232,597</u>	<u>\$ 2,308,434</u>

The City's total debt increased by \$3,517,867 (11.6 percent) during the current fiscal year, consisting of new debt issuances of \$8,882,108 and retirement of long-term debt of \$5,364,241. Refunding bonds of \$5,570,000 are included in the new debt issuances.

The City maintained an "AA" rating from Standard and Poor's for their 2015 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 \$20,957,130, 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 2015 unemployment rate for the City was 1.7 percent, which is a decrease from a rate of 2.6 percent a year ago. This compares favorably to the State's average unemployment rate of 3.7 percent and the national average rate of 4.8 percent.
- Inflationary trends in the region compare favorably to national indices.
- Tax capacity valuation increased in 2015 for taxes payable in 2015 by \$439,496 or 4.4 percent. Market value of property has increased an average of .9 percent per year for the past 10 years.

All of these factors were considered in preparing the City's budget for the 2016 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, 2015

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CITY OF NORTH MANKATO, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2015

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and temporary investments	\$ 7,028,758	\$ 2,150,349	\$ 9,179,107
Restricted assets - cash with fiscal agent	1,883,309	2,954,646	4,837,955
Receivables			
Taxes	101,269	-	101,269
Accounts	94,378	448,740	543,118
Interest	20,338	-	20,338
Notes, mortgages and leases	1,297,182	-	1,297,182
Special assessments	4,699,802	48,609	4,748,411
Intergovernmental	2,802,155	44,115	2,846,270
Internal balances	(1,148,800)	1,148,800	-
Inventories	-	54,905	54,905
Pension asset	521,726	-	521,726
Capital assets			
Nondepreciable assets	13,387,365	2,478,626	15,865,991
Depreciable assets net of accumulated depreciation	32,210,796	24,593,252	56,804,048
TOTAL ASSETS	62,898,278	33,922,042	96,820,320
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension resources	635,498	80,049	715,547
LIABILITIES			
Accounts payable	277,969	386,989	664,958
Contracts payable	704,167	191,129	895,296
Due to other governments	324,502	9,173	333,675
Accrued interest payable	211,509	81,354	292,863
Accrued wages payable	298,885	51,043	349,928
Noncurrent liabilities			
Due within one year	2,570,927	1,788,314	4,359,241
Due in more than one year	23,645,942	10,790,110	34,436,052
TOTAL LIABILITIES	28,033,901	13,298,112	41,332,013
DEFERRED INFLOWS OF RESOURCES			
Deferred pension resources	762,009	168,220	930,229
Deferred intergovernmental revenue	1,738,272	-	1,738,272
TOTAL DEFERRED INFLOWS OF RESOURCES	2,500,281	168,220	2,668,501
NET POSITION			
Net investment in capital assets	25,459,305	18,717,246	44,176,551
Restricted for			
Debt service	6,006,833	-	6,006,833
Library programs	41,168	-	41,168
Park development	10,911	-	10,911
Park improvements	62,795	-	62,795
Economic development	2,093,240	-	2,093,240
Tax increment financing	62,786	-	62,786
Unrestricted	(737,444)	1,818,513	1,081,069
TOTAL NET POSITION	\$ 32,999,594	\$ 20,535,759	\$ 53,535,353

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, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 824,191	\$ 125,230	\$ -	\$ -
Public safety	2,054,079	380,576	210,991	-
Public works	2,874,244	2,218	172,154	5,822,778
Culture and recreation	1,740,105	169,747	65,420	-
Housing and economic development	886,363	71,702	54,203	-
Mass transit and other	386,098	-	-	-
Interest on long-term debt	1,017,615	-	-	-
Total governmental activities	9,782,695	749,473	502,768	5,822,778
Business-type activities				
Water	1,637,985	1,775,111	-	849
Sewer	1,864,280	2,056,200	-	18,739
Sanitation	558,817	496,243	-	-
Solid waste	590,757	720,103	-	-
Storm water	209,573	278,071	-	-
Total business-type activities	4,861,412	5,325,728	-	19,588
Totals	\$ 14,644,107	\$ 6,075,201	\$ 502,768	\$ 5,842,366

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 as restated (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
\$ (698,961)		\$ (698,961)
(1,462,512)		(1,462,512)
3,122,906		3,122,906
(1,504,938)		(1,504,938)
(760,458)		(760,458)
(386,098)		(386,098)
<u>(1,017,615)</u>		<u>(1,017,615)</u>
<u>(2,707,676)</u>		<u>(2,707,676)</u>
	\$ 137,975	137,975
	210,659	210,659
	(62,574)	(62,574)
	129,346	129,346
	<u>68,498</u>	<u>68,498</u>
	483,904	483,904
<u>(2,707,676)</u>	<u>483,904</u>	<u>(2,223,772)</u>
4,136,899	-	4,136,899
1,472,150	-	1,472,150
300,455	-	300,455
588,643	1,367	590,010
55,209	-	55,209
21,422	-	21,422
413,458	-	413,458
1,653,437	-	1,653,437
5,060	2,110	7,170
232,052	-	232,052
163,426	-	163,426
<u>158,727</u>	<u>(158,727)</u>	<u>-</u>
<u>9,200,938</u>	<u>(155,250)</u>	<u>9,045,688</u>
6,493,262	328,654	6,821,916
<u>26,506,332</u>	<u>20,207,105</u>	<u>46,713,437</u>
<u>\$ 32,999,594</u>	<u>\$ 20,535,759</u>	<u>\$ 53,535,353</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, 2015

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CITY OF NORTH MANKATO, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015

	General	Debt Service	2014 Construction
ASSETS			
Cash and temporary investments	\$ 2,486,684	\$ 1,752,759	\$ 435,544
Restricted assets - cash with fiscal agent	-	1,883,309	-
Receivables			
Taxes	101,269	-	-
Accounts	94,193	-	-
Interest	-	20,338	-
Notes, mortgages and leases	-	-	-
Special assessments	44,879	4,654,923	-
Intergovernmental	52,003	2,453,797	-
Due from other funds	1,645,775	-	-
	<u>\$ 4,424,803</u>	<u>\$ 10,765,126</u>	<u>\$ 435,544</u>
TOTAL ASSETS			
LIABILITIES			
Accounts payable	\$ 129,124	\$ -	\$ 1,539
Contracts payable	-	-	258,831
Due to other funds	-	2,146,784	-
Due to other governments	78,794	-	-
Accrued interest payable	-	264	-
Accrued wages payable	294,531	-	-
	<u>502,449</u>	<u>2,147,048</u>	<u>260,370</u>
TOTAL LIABILITIES			
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - taxes	101,269	-	-
Unavailable revenue - special assessments	44,879	4,654,923	-
Unavailable revenue - intergovernmental	-	2,445,000	-
	<u>146,148</u>	<u>7,099,923</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES			
FUND BALANCES			
Nonspendable	1,607,122	-	-
Restricted	-	1,518,155	175,174
Assigned	-	-	-
Unassigned	2,169,084	-	-
	<u>3,776,206</u>	<u>1,518,155</u>	<u>175,174</u>
TOTAL FUND BALANCES			
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 4,424,803</u>	<u>\$ 10,765,126</u>	<u>\$ 435,544</u>

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

2015 Construction	Other Governmental Funds	Totals
\$ 876,922	\$ 1,476,849	\$ 7,028,758
-	-	1,883,309
-	-	101,269
-	185	94,378
-	-	20,338
-	1,296,772	1,296,772
-	-	4,699,802
203,713	92,642	2,802,155
-	-	1,645,775
<u>\$ 1,080,635</u>	<u>\$ 2,866,448</u>	<u>\$ 19,572,556</u>
\$ 127,101	\$ 20,205	\$ 277,969
443,331	2,005	704,167
-	647,791	2,794,575
245,708	-	324,502
-	-	264
4,354	-	298,885
<u>820,494</u>	<u>670,001</u>	<u>4,400,362</u>
-	-	101,269
-	-	4,699,802
1,738,272	-	4,183,272
<u>1,738,272</u>	<u>-</u>	<u>8,984,343</u>
-	-	1,607,122
-	2,270,900	3,964,229
-	352,166	352,166
(1,478,131)	(426,619)	264,334
<u>(1,478,131)</u>	<u>2,196,447</u>	<u>6,187,851</u>
<u>\$ 1,080,635</u>	<u>\$ 2,866,448</u>	<u>\$ 19,572,556</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, 2015

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

Total fund balances - governmental funds	\$ 6,187,851
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	45,598,161
Long term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds.	521,726
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	(564,977)
Other postemployment benefits obligation	(271,034)
Pension liability	(2,666,828)
Bonds payable	(21,790,000)
Contracts payable	(628,000)
Unamortized bond discounts, net of amortization	8,810
Unamortized bond premiums, net of amortization	(304,840)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	101,269
Special assessments receivable	4,699,802
Intergovernmental receivable	2,445,000
Interest receivable	410
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	635,498
Deferred inflows of pension resources	(762,009)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(211,245)</u>
Total net position - governmental activities	<u><u>\$ 32,999,594</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, 2015

	General	Debt Service	2014 Construction
REVENUES			
Taxes	\$ 4,521,694	\$ 1,557,386	\$ -
Special assessments	29,140	1,827,075	-
Licenses and permits	448,871	-	-
Intergovernmental	2,036,034	272,538	-
Charges for services	199,242	-	-
Fines and forfeits	27,578	-	-
Investment earnings	3,926	1,024	-
Miscellaneous	259,152	-	-
	<hr/>	<hr/>	<hr/>
TOTAL REVENUES	7,525,637	3,658,023	-
EXPENDITURES			
Current			
General government	839,835	-	-
Public safety	2,120,907	-	-
Public works	1,693,925	-	1,718
Culture and recreation	1,444,506	-	-
Housing and economic development	555,517	-	-
Mass transit and other	358,907	-	-
Capital outlay			
General government	1,683	-	-
Public safety	1,872	-	-
Public works	179,776	-	753,664
Culture and recreation	32,738	-	-
Housing and economic development	936	-	-
Mass transit and other	26,870	-	-
Debt service			
Principal	78,567	3,190,000	-
Interest and other	946	936,444	-
Bond issuance costs	-	48,428	-
	<hr/>	<hr/>	<hr/>
TOTAL EXPENDITURES	7,336,985	4,174,872	755,382
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<hr/>	<hr/>	<hr/>
	188,652	(516,849)	(755,382)
OTHER FINANCING SOURCES (USES)			
Sale of assets	100	-	-
Transfers in	271,750	577,167	-
Debt issued	-	2,402,805	-
Premium on bonds issued	-	109,549	-
Transfers out	-	(30,000)	-
	<hr/>	<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	271,850	3,059,521	-
NET CHANGE IN FUND BALANCES	<hr/>	<hr/>	<hr/>
	460,502	2,542,672	(755,382)
FUND BALANCES, JANUARY 1	<hr/>	<hr/>	<hr/>
	3,315,704	(1,024,517)	930,556
FUND BALANCES, DECEMBER 31	<hr/>	<hr/>	<hr/>
	\$ 3,776,206	\$ 1,518,155	\$ 175,174

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

2015 Construction	Other Governmental Funds	Totals
\$ -	\$ 975,698	\$ 7,054,778
-	-	1,856,215
-	-	448,871
4,178,194	54,203	6,540,969
-	-	199,242
-	-	27,578
-	110	5,060
-	104,442	363,594
<u>4,178,194</u>	<u>1,134,453</u>	<u>16,496,307</u>
-	-	839,835
-	-	2,120,907
88,904	-	1,784,547
-	40,819	1,485,325
-	308,314	863,831
-	-	358,907
-	46,491	48,174
-	69,014	70,886
7,568,084	215,913	8,717,437
-	136,935	169,673
-	30,958	31,894
-	321	27,191
-	112,000	3,380,567
-	22,000	959,390
34,745	-	83,173
<u>7,691,733</u>	<u>982,765</u>	<u>20,941,737</u>
<u>(3,513,539)</u>	<u>151,688</u>	<u>(4,445,430)</u>
-	166,005	166,105
-	318,697	1,167,614
2,047,195	140,000	4,590,000
17,894	-	127,443
-	(735,864)	(765,864)
<u>2,065,089</u>	<u>(111,162)</u>	<u>5,285,298</u>
(1,448,450)	40,526	839,868
<u>(29,681)</u>	<u>2,155,921</u>	<u>5,347,983</u>
<u>\$ (1,478,131)</u>	<u>\$ 2,196,447</u>	<u>\$ 6,187,851</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, 2015

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

Net change in fund balances - governmental funds	\$ 839,868
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.	
Capital outlay	9,696,798
Depreciation expense	(2,279,637)
Net effect of various miscellaneous transactions involving capital assets (i.e. sales and trade-ins) is to increase (decrease) net position.	
Capital contributions to business-type activities, net of related debt	(243,023)
Capital contributions - other	8,700
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.	(2,679)
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.	
Principal repayments	3,380,567
Debt issued or incurred	(4,590,000)
Discount on bonds issued, net of amortization expense	(3,344)
Premium on bonds issued, net of amortization expense	(111,051)
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.	11,900
Long-term pension activity is not reported in governmental funds.	
Pension expense	213,294
Direct aid contributions	9,990
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.	
Property taxes	(8,713)
Special assessments	(546,981)
Intergovernmental revenues	5,000
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.	
Compensated absences	124,411
Other postemployment benefits costs	(11,838)
Change in net position - governmental activities	<u>\$ 6,493,262</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 -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes	\$ 4,440,049	\$ 4,440,049	\$ 4,521,694	\$ 81,645
Special assessments	4,350	4,350	29,140	24,790
Licenses and permits	404,425	404,425	448,871	44,446
Intergovernmental	1,948,092	1,948,092	2,036,034	87,942
Charges for services	166,035	166,035	199,242	33,207
Fines and forfeits	28,900	28,900	27,578	(1,322)
Investment earnings	1,500	1,500	3,926	2,426
Miscellaneous	192,868	192,868	259,152	66,284
TOTAL REVENUES	7,186,219	7,186,219	7,525,637	339,418
EXPENDITURES				
Current				
General government	798,437	798,437	839,835	(41,398)
Public safety	2,128,727	2,128,727	2,120,907	7,820
Public works	1,792,559	1,792,559	1,693,925	98,634
Culture and recreation	1,405,241	1,405,241	1,444,506	(39,265)
Housing and economic development	504,140	504,140	555,517	(51,377)
Mass transit and other	266,929	266,929	358,907	(91,978)
Capital outlay				
General government	-	-	1,683	(1,683)
Public safety	-	-	1,872	(1,872)
Public works	200,000	200,000	179,776	20,224
Culture and recreation	95,000	95,000	32,738	62,262
Housing and economic development	-	-	936	(936)
Mass transit and other	12,000	12,000	26,870	(14,870)
Debt service				
Principal	13,130	13,130	78,567	(65,437)
Interest and other	4,788	4,788	946	3,842
TOTAL EXPENDITURES	7,220,951	7,220,951	7,336,985	(116,034)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(34,732)	(34,732)	188,652	223,384
OTHER FINANCING SOURCES (USES)				
Transfers in	279,750	279,750	271,750	(8,000)
Sale of assets	-	-	100	100
TOTAL OTHER FINANCING SOURCES (USES)	279,750	279,750	271,850	(7,900)
NET CHANGE IN FUND BALANCES	245,018	245,018	460,502	215,484
FUND BALANCES, JANUARY 1	3,315,704	3,315,704	3,315,704	-
FUND BALANCES, DECEMBER 31	\$ 3,560,722	\$ 3,560,722	\$ 3,776,206	\$ 215,484

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

CITY OF NORTH MANKATO, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds		
	601	602	603
	Water Utility	Sewer Utility	Sanitary Collection
ASSETS			
CURRENT ASSETS			
Cash and temporary investments	\$ 1,048,811	\$ 1,012,765	\$ 15,207
Restricted assets - cash with fiscal agent	2,459,143	439,298	-
Receivables			
Accounts	443,898	-	4,842
Special assessments	1,606	-	-
Intergovernmental	44,115	-	-
Due from other funds	108,300	35,300	-
Inventories	54,905	-	-
TOTAL CURRENT ASSETS	4,160,778	1,487,363	20,049
NONCURRENT ASSETS			
Special assessments receivable - noncurrent	5,681	41,322	-
Due from other funds - noncurrent	758,100	247,100	-
Capital assets			
Land	276,966	53,000	160,650
Buildings	17,176,093	14,037,315	1,500,777
Machinery and equipment	895,759	736,196	408,955
Construction in progress	1,370,346	617,664	-
Less accumulated depreciation	(6,838,686)	(5,150,764)	(729,511)
TOTAL CAPITAL ASSETS	12,880,478	10,293,411	1,340,871
TOTAL NONCURRENT ASSETS	13,644,259	10,581,833	1,340,871
TOTAL ASSETS	17,805,037	12,069,196	1,360,920
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension resources	40,841	26,541	5,120
LIABILITIES			
CURRENT LIABILITIES			
Accounts payable	24,412	261,586	57,676
Contracts payable	191,129	-	-
Due to other governments	2,435	806	-
Accrued interest payable	48,385	21,859	7,742
Accrued wages payable	27,671	15,232	965
Compensated absences payable - current portion	32,160	6,816	499
Bonds payable - current portion	1,098,250	481,758	85,000
TOTAL CURRENT LIABILITIES	1,424,442	788,057	151,882
NONCURRENT LIABILITIES			
Compensated absences payable, net of current portion	29,595	7,065	1,431
Other postemployment benefits obligation	23,277	5,554	1,169
Pension liability	361,658	235,033	45,337
Bonds payable, net of current portion	6,055,111	2,368,615	841,468
TOTAL NONCURRENT LIABILITIES	6,469,641	2,616,267	889,405
TOTAL LIABILITIES	7,894,083	3,404,324	1,041,287
DEFERRED INFLOWS OF RESOURCES			
Deferred pension resources	85,825	55,776	10,759
NET POSITION			
Net investment in capital assets	8,450,117	8,033,288	414,403
Unrestricted	1,415,853	602,349	(100,409)
TOTAL NET POSITION	\$ 9,865,970	\$ 8,635,637	\$ 313,994

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

Business-type Activities - Enterprise Funds

604	651	
Storm Water	Solid Waste	Total
\$ 57,297	\$ 16,269	\$ 2,150,349
56,205	-	2,954,646
-	-	448,740
-	-	1,606
-	-	44,115
-	-	143,600
-	-	54,905
<u>113,502</u>	<u>16,269</u>	<u>5,797,961</u>
-	-	47,003
-	-	1,005,200
-	-	490,616
2,339,223	-	35,053,408
13,644	400,601	2,455,155
-	-	1,988,010
(196,350)	-	(12,915,311)
<u>2,156,517</u>	<u>400,601</u>	<u>27,071,878</u>
<u>2,156,517</u>	<u>400,601</u>	<u>28,124,081</u>
<u>2,270,019</u>	<u>416,870</u>	<u>33,922,042</u>
<u>4,626</u>	<u>2,921</u>	<u>80,049</u>
3,095	40,220	386,989
-	-	191,129
-	5,932	9,173
2,468	900	81,354
3,625	3,550	51,043
3,913	918	44,306
39,000	40,000	1,744,008
<u>52,101</u>	<u>91,520</u>	<u>2,508,002</u>
4,022	451	42,564
3,062	-	33,062
40,962	25,870	708,860
<u>400,092</u>	<u>340,338</u>	<u>10,005,624</u>
<u>448,138</u>	<u>366,659</u>	<u>10,790,110</u>
<u>500,239</u>	<u>458,179</u>	<u>13,298,112</u>
<u>9,721</u>	<u>6,139</u>	<u>168,220</u>
1,799,175	20,263	18,717,246
(34,490)	(64,790)	1,818,513
<u>\$ 1,764,685</u>	<u>\$ (44,527)</u>	<u>\$ 20,535,759</u>

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

CITY OF NORTH MANKATO, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds		
	601	602	603
	Water Utility	Sewer Utility	Sanitary Collection
OPERATING REVENUES			
Charges for services	\$ 1,775,006	\$ 2,056,200	\$ 399,382
Facility rental	-	-	96,861
TOTAL OPERATING REVENUES	<u>1,775,006</u>	<u>2,056,200</u>	<u>496,243</u>
OPERATING EXPENSES			
Personal services	632,375	383,735	214,211
Supplies	165,479	36,215	31,291
Other services and charges	77,827	126,968	78,117
Contractual services	-	891,809	136,436
Insurance	8,764	23,036	4,735
Utilities	171,715	-	16,550
Depreciation	390,125	300,498	54,057
TOTAL OPERATING EXPENSES	<u>1,446,285</u>	<u>1,762,261</u>	<u>535,397</u>
OPERATING INCOME (LOSS)	<u>328,721</u>	<u>293,939</u>	<u>(39,154)</u>
NONOPERATING REVENUES (EXPENSES)			
Sales tax	1,367	-	-
Investment income	-	-	2,110
Other income	105	-	-
Interest expense	(148,208)	(95,619)	(22,566)
Bond issuance costs	(43,669)	(10,193)	-
Amortization of bond premiums (discounts)	177	3,793	(854)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(190,228)</u>	<u>(102,019)</u>	<u>(21,310)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	138,493	191,920	(60,464)
CAPITAL CONTRIBUTIONS FROM (TO) OTHER FUNDS	42,473	(267,646)	-
CAPITAL GRANTS AND CONTRIBUTIONS	849	18,739	-
TRANSFERS IN	-	-	30,000
TRANSFERS OUT	<u>(140,000)</u>	<u>(185,000)</u>	<u>(8,500)</u>
CHANGE IN NET POSITION	41,815	(241,987)	(38,964)
NET POSITION, JANUARY 1 AS RESTATED (NOTE 8)	<u>9,824,155</u>	<u>8,877,624</u>	<u>352,958</u>
NET POSITION, DECEMBER 31	<u>\$ 9,865,970</u>	<u>\$ 8,635,637</u>	<u>\$ 313,994</u>

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

Business-type Activities - Enterprise Funds

604	651	
Storm Water	Solid Waste	Total
\$ 278,071	\$ 720,103	\$ 5,228,762
-	-	96,861
278,071	720,103	5,325,623
76,653	80,679	1,387,653
14,319	7,660	254,964
49,403	39,711	372,026
-	452,871	1,481,116
-	-	36,535
10,903	-	199,168
42,027	-	786,707
193,305	580,921	4,518,169
84,766	139,182	807,454
-	-	1,367
-	-	2,110
-	-	105
(15,483)	(12,096)	(293,972)
(783)	-	(54,645)
(2)	2,260	5,374
(16,268)	(9,836)	(339,661)
68,498	129,346	467,793
490,785	(22,589)	243,023
-	-	19,588
-	-	30,000
(43,250)	(55,000)	(431,750)
516,033	51,757	328,654
1,248,652	(96,284)	20,207,105
<u>\$ 1,764,685</u>	<u>\$ (44,527)</u>	<u>\$ 20,535,759</u>

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

CITY OF NORTH MANKATO, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - CONTINUED ON THE FOLLOWING PAGES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds		
	601	602	603
	Water Utility	Sewer Utility	Sanitary Collection
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers	\$ 1,786,407	\$ 2,056,200	\$ 401,687
Payments to suppliers and vendors	(425,852)	(1,138,730)	(224,774)
Payments to and on behalf of employees	(619,333)	(375,279)	(211,447)
Other receipts	105	-	96,861
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	741,327	542,191	62,327
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Sales tax receipts	1,367	-	-
Transfers from other funds	-	-	30,000
Transfers to other funds	(140,000)	(185,000)	(8,500)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(138,633)	(185,000)	21,500
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
(Increase) decrease in due from other funds	108,300	35,300	-
Acquisition of capital assets	(1,199,060)	(100,414)	-
Proceeds from bond issue, net discounts/premiums	1,067,993	-	-
Principal paid on revenue bonds payable	(406,543)	(278,881)	(70,000)
Interest paid on revenue bonds payable	(144,410)	(109,485)	(31,588)
Bond issuance costs paid on bonds	(2,212)	-	-
Payments received on assessments receivable	13,974	3,142	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(561,958)	(450,338)	(101,588)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	40,736	(93,147)	(17,761)
CASH AND CASH EQUIVALENTS, JANUARY 1	1,008,075	1,105,912	32,968
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 1,048,811	\$ 1,012,765	\$ 15,207

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

Business-type Activities - Enterprise Funds

604	651	
<u>Storm Water</u>	<u>Solid Waste</u>	<u>Total</u>
\$ 278,071	\$ 720,103	\$ 5,242,468
(115,393)	(551,693)	(2,456,442)
(75,001)	(46,672)	(1,327,732)
<u>-</u>	<u>-</u>	<u>96,966</u>
<u>87,677</u>	<u>121,738</u>	<u>1,555,260</u>
-	-	1,367
-	-	30,000
<u>(43,250)</u>	<u>(55,000)</u>	<u>(431,750)</u>
<u>(43,250)</u>	<u>(55,000)</u>	<u>(400,383)</u>
-	-	143,600
-	-	(1,299,474)
-	-	1,067,993
(38,250)	(35,000)	(828,674)
(15,254)	(16,788)	(317,525)
-	-	(2,212)
<u>-</u>	<u>-</u>	<u>17,116</u>
<u>(53,504)</u>	<u>(51,788)</u>	<u>(1,219,176)</u>
(9,077)	14,950	(64,299)
<u>66,374</u>	<u>1,319</u>	<u>2,214,648</u>
<u>\$ 57,297</u>	<u>\$ 16,269</u>	<u>\$ 2,150,349</u>

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

CITY OF NORTH MANKATO, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise Funds		
	601	602	603
	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Sanitary Collection</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating income (loss)	\$ 328,721	\$ 293,939	\$ (39,154)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Other income related to operations	105	-	-
Depreciation	390,125	300,498	54,057
(Increase) decrease in assets			
Accounts receivable	11,401	-	2,305
Inventories	1,179	-	-
(Increase) decrease in deferred outflows of resources			
Deferred pension resources	17,411	10,554	1,832
Increase (decrease) in liabilities			
Accounts payable	(4,253)	11,984	42,473
Due to other governments	1,007	(72,686)	(118)
Accrued wages payable	1,354	865	(640)
Compensated absences payable	11,408	2,679	881
Other postemployment benefits obligation	2,315	891	319
Pension liability	(5,945)	942	1,467
Increase (decrease) in deferred inflows of resources			
Deferred pension resources	(13,501)	(7,475)	(1,095)
 NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	 <u>\$ 741,327</u>	 <u>\$ 542,191</u>	 <u>\$ 62,327</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Capital assets acquired on account	\$ 192,142	\$ 237,692	\$ -
Capital assets contributed by (to) other funds	42,473	(267,646)	-
Special assessments levied	557	17,584	-
Amortization of bond (premium) discount	(177)	(3,793)	854
Bond proceeds deposited in escrow	2,562,000	564,750	-
Bond premiums deposited in escrow	99,388	35,437	-
Accrued interest on bonds issued in escrow	1,147	282	-
Bond principal paid by escrow	147,500	147,500	860,000
Bond issue costs paid by escrow	41,457	10,193	-
Bond interest paid by escrow	14,435	3,478	9,290
Interest earned on escrow	-	-	2,110
Bond proceeds receivable in due from other governments	44,115	-	-

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

Business-type Activities - Enterprise Funds

604	651	
<u>Storm Water</u>	<u>Solid Waste</u>	<u>Total</u>
\$ 84,766	\$ 139,182	\$ 807,454
-	-	105
42,027	-	786,707
-	-	13,706
-	-	1,179
1,852	(2,921)	28,728
(2,189)	(50,084)	(2,069)
(38,579)	(1,367)	(111,743)
211	3,550	5,340
493	1,369	16,830
342	-	3,867
79	25,870	22,413
<u>(1,325)</u>	<u>6,139</u>	<u>(17,257)</u>
 <u>\$ 87,677</u>	 <u>\$ 121,738</u>	 <u>\$ 1,555,260</u>
 \$ -	 \$ -	 \$ 429,834
490,785	(22,589)	243,023
-	-	18,141
2	(2,260)	(5,374)
53,250	-	3,180,000
4,049	-	138,874
26	-	1,455
-	-	1,155,000
783	-	52,433
337	-	27,540
-	-	2,110
-	-	44,115

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, 2015

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 95,080
Receivables	
Accounts	12,042
Intergovernmental	<u>48,268</u>
TOTAL ASSETS	<u>\$ 155,390</u>
LIABILITIES	
Due to other governments	<u>\$ 155,390</u>

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, 2015

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, 2015

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, 2015

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 *2015 Construction fund* accounts for street construction projects associated with the 2015 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, 2015

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, deferred outflows of resources, 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, 2015

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, 2015 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 2015. 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, 2015

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."

Advances between funds and component unit, as reported in the fund financial statements, are offset by a fund balance nonspendable account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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, 2015

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:

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

Deferred outflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. Accordingly, the item, deferred pension resources, is reported only in the statements of net position. This item results from actuarial calculations and current year pension contributions made subsequent to the measurement date.

Pensions

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

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit plan administered by North Mankato Fire Department Relief Association and additions to and deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. Investments are reported at fair value.

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, 2015 is \$651,847. 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.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

Deferred 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.

The City has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

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.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Net position

Net position represents the difference between assets and deferred outflows of resources and liabilities and inflows of resources. 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".

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 2015.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

B. Excess of expenditures over appropriations

For the year ended December 31, 2015, expenditures exceeded appropriations for the following funds:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess of Expenditures Over Appropriations</u>
General	\$ 7,220,951	\$ 7,336,985	\$ 116,034

These over expenditures were funded by an excess of actual revenues over budget.

C. Deficit fund equity

The following funds had fund equity deficits at December 31, 2015:

<u>Fund</u>	<u>Amount</u>
Special Revenue	
Marigold TIF #8	\$ 397,107
Debt Service	
Bond Reserve	1,792,612
Capital Projects	
2011 Construction	6,840
2015 Construction	1,478,131
2016 Construction	22,672
Proprietary	
Solid Waste	44,527

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

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

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 \$9,272,447, including \$95,030 reported in fiduciary funds and the bank balance was \$9,558,878. Of the bank balance, \$639,637 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, 2015

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.

<u>Types of Investments</u>	<u>Cost (3)</u>	<u>Credit Quality/ Ratings (1)</u>	<u>Segmented Time Distribution (2)</u>
Pooled Investments			
Broker Money Market Accounts	<u>\$ 4,539</u>	N/A	less than 6 months
Non-pooled investments			
U.S. Government Securities	746,847	AAA	less than 6 months
U.S. Government Securities	36,142	AAA	6 months to 1 year
U.S. Government Securities	4,002,570	AA+/AAA	1 to 3 years
U.S. Government Securities	<u>47,857</u>	AAA	1 to 3 years
Total non-pooled investments	<u>4,833,416</u>		
Total investments	<u><u>\$ 4,837,955</u></u>		

- (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, 2015

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	\$ 9,177,417	\$ 95,030	\$ 9,272,447
Investments	4,837,955	-	4,837,955
Cash on hand	1,690	50	1,740
Total	<u>\$ 14,017,062</u>	<u>\$ 95,080</u>	<u>\$ 14,112,142</u>
Cash and cash temporary investments	\$ 9,179,107	\$ 95,080	\$ 9,274,187
Restricted assets - cash with fiscal agent	4,837,955	-	4,837,955
Total	<u>\$ 14,017,062</u>	<u>\$ 95,080</u>	<u>\$ 14,112,142</u>

B. Notes, mortgages and leases receivable

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. 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, 2015 is \$1,239,536, net of allowance for doubtful accounts of \$47,063. 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, 2015 is \$57,236.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Capital assets

Capital asset activity for the City for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 5,358,177	\$ 336,523	\$ -	\$ 5,694,700
Construction in progress	1,592,102	8,406,989	(2,306,426)	7,692,665
 Total capital assets not being depreciated	 6,950,279	 8,743,512	 (2,306,426)	 13,387,365
 Capital assets being depreciated				
Buildings and improvements	63,094,382	710,870	-	63,805,252
Machinery, equipment and vehicles	6,279,934	276,868	(109,615)	6,447,187
 Total capital assets being depreciated	 69,374,316	 987,738	 (109,615)	 70,252,439
 Less accumulated depreciation for				
Buildings and improvements	(30,886,712)	(2,081,913)	-	(32,968,625)
Machinery, equipment and vehicles	(4,982,230)	(197,724)	106,936	(5,073,018)
 Total accumulated depreciation	 (35,868,942)	 (2,279,637)	 106,936	 (38,041,643)
 Total capital assets being depreciated, net	 33,505,374	 (1,291,899)	 (2,679)	 32,210,796
 Governmental activities capital assets, net	 <u>\$ 40,455,653</u>	 <u>\$ 7,451,613</u>	 <u>\$ (2,309,105)</u>	 <u>\$ 45,598,161</u>

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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	1,983,004	-	1,988,010
Total capital assets not being depreciated	495,622	1,983,004	-	2,478,626
Capital assets being depreciated				
Buildings and improvements	33,774,799	1,278,609	-	35,053,408
Machinery, equipment and vehicles	1,905,944	738,707	(189,496)	2,455,155
Total capital assets being depreciated	35,680,743	2,017,316	(189,496)	37,508,563
Less accumulated depreciation for				
Buildings and improvements	(10,701,884)	(731,374)	-	(11,433,258)
Machinery, equipment and vehicles	(1,616,216)	(55,333)	189,496	(1,482,053)
Total accumulated depreciation	(12,318,100)	(786,707)	189,496	(12,915,311)
Total capital assets being depreciated, net	23,362,643	1,230,609	-	24,593,252
Business-type activities capital assets, net	<u>\$ 23,858,265</u>	<u>\$ 3,213,613</u>	<u>\$ -</u>	<u>\$ 27,071,878</u>

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

Governmental activities	
General government	\$ 31,876
Public safety	131,348
Public works, including depreciation of general infrastructure assets	1,849,022
Culture and recreation	267,391
Total depreciation expense - governmental activities	<u>\$ 2,279,637</u>
Business-type activities	
Water utility	\$ 390,125
Sewer utility	300,498
Sanitation collection	54,057
Storm water	42,027
Total depreciation expense - business-type activities	<u>\$ 786,707</u>

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Construction commitments

The City has active construction projects as of December 31, 2015. 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	\$ 38,095	\$ 25,371
CSAH 41 Trail	811,213	60,929
Well #9 Construction	901,290	494,940
Lookout Drive Reconstruction	5,069,974	459,218
Main Lift Station #1 North River Drive	292,575	285,425
West Carlson Drive	262,529	238,837
Total	<u>\$ 7,375,676</u>	<u>\$ 1,564,720</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, 2015 is as follows:

Due to/from other funds

Receivable Fund	Payable Fund	Amount
General	Debt Service	\$ 997,984
	Nonmajor governmental	647,791
Water Utility enterprise	Debt Service	866,400
Sewer Utility enterprise	Debt Service	282,400
Total		<u>\$ 2,794,575</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. In addition, a small portion of the above balance is for deficit cash balances.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Interfund transfers

The following transfers were made for the year ended December 31, 2015:

Fund	Transfer in				Total
	General	Debt Service	Nonmajor Governmental	Sanitary Collection Enterprise	
Transfer out					
Debt Service	\$ -	\$ -	\$ -	\$ 30,000	\$ 30,000
Nonmajor governmental	-	577,167	158,697	-	735,864
Water Utility enterprise	95,000	-	45,000	-	140,000
Sewer Utility enterprise	110,000	-	75,000	-	185,000
Sanitary Collection enterprise	-	-	8,500	-	8,500
Storm Water enterprise	11,750	-	31,500	-	43,250
Solid Waste enterprise	55,000	-	-	-	55,000
Total transfers out	<u>\$ 271,750</u>	<u>\$ 577,167</u>	<u>\$ 318,697</u>	<u>\$ 30,000</u>	<u>\$ 1,197,614</u>

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 2015:

- \$271,750 to the General Fund from the Water Utility fund (\$95,000), the Sewer Utility fund (\$110,000), the Storm Water fund (\$11,750) and the Solid Waste fund (\$55,000) for franchise fees.
- \$160,000 to the Capital Facilities fund from the Water Utility fund (\$45,000), the Sewer Utility fund (\$75,000), the Sanitary Collection fund (\$8,500), and the Storm Water fund (\$31,500) for franchise fees.
- \$122,000 out of the Port Authority General fund to cover debt payments in the Joint Economic Development fund.
- \$511,244 from the Sales Tax fund to the Debt Service fund for scheduled debt payments.
- \$993 to close the State Revolving Loan fund into the Port Authority General fund.
- Transfers from Port Authority General fund (\$3,503), TIF #8 Marigold fund (\$23,543), TIF #14 Webster Redevelopment fund (\$3,189), TIF #2 fund (\$5,273) and TIF #19 fund (\$30,415) to the Debt Service funds to help with scheduled payments.
- \$30,000 from the Bond Reserve fund to help cover scheduled debt payments in the Sanitary Collection fund.
- \$35,704 to close the Creative Companies TIF #16 fund to the Port Authority General fund.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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. Capital Improvement Plan					
Refunding Bonds of 2008C	\$ 2,145,000	2.50 - 3.60 %	05/01/08	02/01/19	\$ 815,000
G. O. Bonds of 2011A	3,215,000	2.00 - 3.75	11/30/11	02/01/34	3,085,000
G.O. Crossover					
Refunding of 2012A	430,000	1.00 - 1.90	04/01/12	02/01/20	430,000
G.O. Tax Abatement Bonds of 2014A	925,000	3.00 - 3.50	07/01/14	12/01/29	875,000
G.O. Tax Abatement Bonds of 2015A	580,000	0.85 - 3.10	09/01/15	12/01/30	580,000
Total General Obligation Bonds					<u>\$ 5,785,000</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
2016	\$ 515,000	\$ 166,513	\$ 681,513
2017	540,000	150,512	690,512
2018	540,000	136,785	676,785
2019	465,000	123,781	588,781
2020	325,000	114,293	439,293
2021 - 2025	1,255,000	470,563	1,725,563
2026 - 2030	1,345,000	269,187	1,614,187
2031 - 2034	800,000	60,831	860,831
Total	<u>\$ 5,785,000</u>	<u>\$ 1,492,465</u>	<u>\$ 7,277,465</u>

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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	435,000
Total G.O. Tax Increment Bonds					<u>\$ 1,245,000</u>

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

Year Ending December 31,	G.O. Tax Increment Bonds Governmental Activities		
	Principal	Interest	Total
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	105,000	42,390	147,390
2021 - 2025	485,000	138,649	623,649
2026 - 2030	140,000	72,621	212,621
2031 - 2035	195,000	30,974	225,974
2036 - 2037	15,000	1,094	16,094
Total	<u>\$ 1,245,000</u>	<u>\$ 488,829</u>	<u>\$ 1,733,829</u>

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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. Improvement Bonds of 2007A	\$ 2,550,000	4.00 - 4.20 %	08/01/07	02/01/18	\$ 360,000
G.O. Improvement Bonds of 2008A	1,815,000	2.40 - 3.70	05/01/08	02/01/19	700,000
G.O. State Aid Street and Refunding Bonds of 2009D	3,120,000	2.00 - 4.00	12/22/09	04/01/17	2,250,000
G.O. Improvement Bonds of 2010A	2,305,000	2.00 - 4.00	12/30/10	12/01/27	2,005,000
G.O. Refunding Bonds of 2010C	3,455,000	.75 - 3.15	12/30/10	02/01/22	2,765,000
G.O. Crossover Refunding Bonds of 2012A	465,000	.60 - 1.00	04/01/12	02/01/16	150,000
G.O. Improvement Bonds of 2015A	1,480,000	0.85 - 3.10	09/01/15	12/01/30	1,480,000
G.O. Crossover Refunding Bonds of 2015B	2,390,000	2.75 - 3.00	09/21/15	12/01/28	2,115,000
Total G.O. Special Assessments Bonds - Governmental					11,825,000
Business-type					
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					<u>\$ 12,760,000</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
2016	\$ 1,275,000	\$ 357,036	\$ 1,632,036	\$ 85,000	\$ 18,155	\$ 103,155
2017	3,130,000	317,782	3,447,782	90,000	17,168	107,168
2018	860,000	216,133	1,076,133	90,000	15,953	105,953
2019	1,130,000	186,772	1,316,772	90,000	14,535	104,535
2020	1,075,000	155,225	1,230,225	95,000	12,867	107,867
2021 - 2025	3,250,000	394,135	3,644,135	485,000	31,757	516,757
2026 - 2030	1,105,000	88,433	1,193,433	-	-	-
Total	<u>\$ 11,825,000</u>	<u>\$ 1,715,516</u>	<u>\$ 13,540,516</u>	<u>\$ 935,000</u>	<u>\$ 110,435</u>	<u>\$ 1,045,435</u>

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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	\$ 235,716
Public Facilities Authority Loan of 1999B	442,988	3.14	12/31/99	08/20/19	114,000
G.O. Utility Revenue Bonds of 2006B	1,600,000	4.00 - 4.30	05/15/06	02/01/16	835,000
G.O. Utility Revenue Bonds of 2007B	890,000	3.90 - 4.45	08/01/07	02/01/18	545,000
G.O. Water Utility Revenue Bonds of 2008B	2,295,000	2.50 - 4.20	05/01/08	02/01/18	2,015,000
G.O. Utility Revenue Bonds of 2009B	690,000	3.00 - 4.00	05/12/09	12/01/24	450,000
G.O. Refunding Bonds of 2010C	900,000	.75 - 3.15	12/30/10	02/01/22	370,000
G.O. Improvement Bonds of 2014A	1,525,000	3.00 - 3.50	07/29/14	12/01/24	1,445,000
G.O. Sanitary Equipment Bonds of 2014A	395,000	3.00	07/29/14	12/01/24	360,000
G.O. Crossover Refunding Bonds of 2015B	3,180,000	2.00 - 3.00	09/21/15	12/01/28	3,125,000
Public Facilities Authority Loan of 2015C	1,631,793 *	1.00	01/09/15	08/20/34	1,111,315
Total G.O. Revenue Bonds - Business-type					<u>10,606,031</u>
Governmental					
G.O. Port Authority Taxable Refunding Bonds of 2009A	1,370,000	2.0 - 4.375	12/22/09	02/01/19	660,000
G.O. Sales Tax Revenue Bonds of 2009C	2,560,000	2.00 - 4.00	05/12/09	12/01/24	1,725,000
G.O. Sales Tax Revenue Bonds of 2010B	750,000	1.00 - 4.00	12/30/10	12/01/25	550,000
Total G.O. Revenue Bonds - Governmental					<u>2,935,000</u>
Total G.O. Revenue Bonds					<u><u>\$ 13,541,031</u></u>

* includes undrawn proceeds of \$519,685

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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
2016	\$ 355,000	\$ 103,483	\$ 458,483	\$ 1,659,008	\$ 313,597	\$ 1,972,605
2017	385,000	91,559	476,559	833,206	269,124	1,102,330
2018	400,000	78,289	478,289	3,077,480	247,159	3,324,639
2019	415,000	64,116	479,116	723,022	134,215	857,237
2020	245,000	52,625	297,625	647,000	114,494	761,494
2021 - 2025	1,135,000	119,375	1,254,375	2,310,000	354,353	2,664,353
2026 - 2030	-	-	-	1,506,000	103,785	1,609,785
2031 - 2034	-	-	-	370,000	9,300	379,300
Total	<u>\$ 2,935,000</u>	<u>\$ 509,447</u>	<u>\$ 3,444,447</u>	<u>\$ 11,125,716</u>	<u>\$ 1,546,027</u>	<u>\$ 12,671,743</u>

The G.O. revenue bonds were issued to finance capital improvements. The bonds are payable from future revenues pledged from the Water Utility, Sewer Utility, Sanitary Collection and Storm Water funds and are backed by the full faith and credit of the City. 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	\$ 1,775,006	\$ 2,056,200	\$ 496,243	\$ 278,071
Principal and interest	550,953	388,366	101,588	53,504
Percent of revenue	31.0%	18.9%	20.5%	19.2%

Contracts payable

These contracts were issued to finance land purchases. The Northport and Wheeler Ave contracts will be retired from net revenues of the Port Authority.

Description	Authorized and issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Northport Industrial Park	\$ 900,000	4.00 %	01/15/11	01/15/19	\$ 500,000
231 Wheeler Ave	140,000	-	04/07/15	12/31/19	128,000
Total contracts payable					<u>\$ 628,000</u>

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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>
2016	\$ 112,000	\$ 18,000	\$ 130,000
2017	112,000	14,000	126,000
2018	112,000	10,000	122,000
2019	<u>292,000</u>	<u>4,000</u>	<u>296,000</u>
Total	<u>\$ 628,000</u>	<u>\$ 46,000</u>	<u>\$ 674,000</u>

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General obligation bonds	\$ 6,075,000	\$ 580,000	\$ (870,000)	\$ 5,785,000	\$ 515,000
General obligation tax increment bonds	1,255,000	-	(10,000)	1,245,000	65,000
General obligation special assessment bonds	9,915,000	3,870,000	(1,960,000)	11,825,000	1,275,000
General obligation revenue bonds	3,285,000	-	(350,000)	2,935,000	355,000
Bond discounts	(12,154)	-	3,344	(8,810)	-
Bond premiums	193,789	127,443	(16,392)	304,840	-
Total bonds payable	20,711,635	4,577,443	(3,203,048)	22,086,030	2,210,000
Contracts payable	678,567	140,000	(190,567)	628,000	112,000
Compensated absences payable	689,388	362,720	(487,131)	564,977	248,927
Pension liability					
GERF	-	1,469,705 *	(64,097)	1,405,608	-
PEPFF	-	1,420,874 *	(159,654)	1,261,220	-
Other postemployment benefits obligation	259,196	75,606	(63,768)	271,034	-
Governmental activity long-term liabilities	<u>\$ 22,338,786</u>	<u>\$ 8,046,348</u>	<u>\$ (4,168,265)</u>	<u>\$ 26,216,869</u>	<u>\$ 2,570,927</u>
Business-type activities					
Bonds payable					
General obligation revenue bonds	\$ 7,367,597	\$ 4,292,108	\$ (1,053,674)	\$ 10,606,031	\$ 1,659,008
General obligation special assessment bonds	1,865,000	-	(930,000)	935,000	85,000
Bond discounts	(16,936)	-	1,891	(15,045)	-
Bond premiums	92,037	138,874	(7,265)	223,646	-
Total bonds payable	9,307,698	4,430,982	(1,989,048)	11,749,632	1,744,008
Compensated absences payable	70,040	73,905	(57,075)	86,870	44,306
Pension liability					
GERF	-	765,127 *	(56,267)	708,860	-
Other postemployment benefits obligation	29,195	24,705	(20,838)	33,062	-
Business-type activity long-term liabilities	<u>\$ 9,406,933</u>	<u>\$ 5,294,719</u>	<u>\$ (2,123,228)</u>	<u>\$ 12,578,424</u>	<u>\$ 1,788,314</u>

* Includes January 1, 2015 pension liability balance related to GASB Statement No. 68 implementation.
See Note 8 for further detail.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Crossover Refunding Bonds

On September 21, 2015, the City issued \$5,570,000 of G.O. Improvement Crossover Refunding Bonds, Series 2015B. The proceeds will refund the 2005A G.O. Capital Project Bonds on September 21, 2015, the 2006B G.O. Utility Revenue Bonds on February 1, 2016, the 2006C G.O. Improvement Bonds on September 21, 2015, the 2007B G.O. Utility Revenue Bonds on February 1, 2018, the 2008B G.O. Water Utility Revenue Bonds on February 1, 2018, and the 2009D G.O. State Aid Street and Refunding Bonds on April 1, 2017. The bonds were issued with a net interest cost of 2.2159832 percent. It is estimated the City will decrease its aggregate debt service payments by \$298,787 and obtain an economic gain of \$341,394.

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, 2015, 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, 2015.
- \$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, 2015.
- \$545,000 Taxable Housing Facilities Revenue Refunding Note, Series 2014A-T, (Vista Prairie at Monarch Meadows Project), with an outstanding balance of \$338,603 at December 31, 2015.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

F. Components of fund balance

At December 31, 2015, 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	2015 Construction	Other Governmental Funds	Total Governmental Funds
Nonspendable						
Due from other funds	<u>\$ 1,607,122</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,607,122</u>
Restricted for						
Debt service	\$ -	\$ 1,518,155	\$ -	\$ -	\$ -	\$ 1,518,155
Capital improvements	-	-	175,174	-	-	175,174
Library programs	-	-	-	-	41,168	41,168
Park development	-	-	-	-	10,911	10,911
Economic development	-	-	-	-	2,093,240	2,093,240
Tax increment financing	-	-	-	-	62,786	62,786
Park improvements	-	-	-	-	62,795	62,795
Total restricted	<u>\$ -</u>	<u>\$ 1,518,155</u>	<u>\$ 175,174</u>	<u>\$ -</u>	<u>\$ 2,270,900</u>	<u>\$ 3,964,229</u>
Assigned for						
Capital equipment	\$ -	\$ -	\$ -	\$ -	\$ 213,738	\$ 213,738
Economic development	-	-	-	-	138,428	138,428
Total assigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 352,166</u>	<u>\$ 352,166</u>
Unassigned	<u>\$ 2,169,084</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,478,131)</u>	<u>\$ (426,619)</u>	<u>\$ 264,334</u>

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 4: DEFINED BENEFIT PENSION PLAN - STATEWIDE

A. Plan description

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

General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the City, are covered by the General Employees Retirement Fund (GERF). 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. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

Public Employees Police and Fire Fund (PEPFF)

The PEPFF, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the PEPFF also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

B. Benefits provided

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

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

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

GERF benefits

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

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

PEPFF benefits

Benefits for the PEPFF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50 percent after five years up to 100 percent after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014, vest on a prorated basis from 50 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service.

For PEPFF who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

C. Contributions

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

GERF contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2015. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2015. The City's contributions to the GERF for the years ending December 31, 2015, 2014 and 2013 were \$177,855, \$174,534 and \$171,863, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

PEPFF contributions

Plan members were required to contribute 10.8 percent of their annual covered salary in calendar year 2015. The City was required to contribute 16.20 percent of pay for PEPFF members in calendar year 2015. The City's contributions to the PEPFF for the years ending December 31, 2015, 2014 and 2013 were \$168,972, \$150,470 and \$135,747, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

D. Pension costs

GERF pension costs

At December 31, 2015, the City reported a liability of \$2,114,468 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014 through June 30, 2015 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportionate share was 0.0408 percent which was a decrease of 0.0051 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$158,260 for its proportionate share of GERF's pension expense.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

At December 31, 2015, the City reported its proportionate share of GERS's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 22,060	\$ 106,605
Changes in actuarial assumptions	129,231	-
Net difference between projected and actual earnings on plan investments	-	188,226
Changes in proportion	-	206,953
Contributions to GERS subsequent to the measurement date	87,487	-
	<u>\$ 238,778</u>	<u>\$ 501,784</u>
Total		

Deferred outflows of resources totaling \$87,487 related to pensions resulting from the City's contributions to GERS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERS pensions will be recognized in pension expense as follows:

2016	\$ (108,297)
2017	(108,297)
2018	(183,942)
2019	50,043

PEPFF pension costs

At December 31, 2015, the City reported a liability of \$1,261,220 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014 through June 30, 2015 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportionate share was 0.1110 percent which was an increase of 0.005 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$140,357 for its proportionate share of PEPFF's pension expense. The City also recognized \$9,990 for the year ended December 31, 2015 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

At December 31, 2015, the City reported its proportionate share of PEPFF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,282	\$ 204,529
Changes in actuarial assumptions	239,779	-
Net difference between projected and actual earnings on plan investments	-	223,916
Changes in proportion	55,896	-
Contributions to PEPFF subsequent to the measurement date	89,950	-
	<u>\$ 386,907</u>	<u>\$ 428,445</u>
Total	<u>\$ 386,907</u>	<u>\$ 428,445</u>

Deferred outflows of resources totaling \$89,950 related to pensions resulting from the City's contributions to PEPFF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

2016	\$ (62,412)
2017	(62,412)
2018	(62,412)
2019	85,475
2020	(29,727)

E. Actuarial assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Active member payroll growth	3.50% per year
Investment rate of return	7.90%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1 percent effective every January 1st until 2034, then 2.5 percent for GERP and PEPFF.

Actuarial assumptions used in the June 30, 2015 valuation were based on the results of actuarial experience studies. The experience study in the GERP was for the period July 1, 2004 through June 30, 2008, with an update of economic assumptions in 2014. The experience study for PEPFF was for the period July 1, 2004, through June 30, 2009. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

There were no changes in actuarial assumptions in 2015.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

The long-term expected rate of return on pension plan investments is 7.9 percent. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic stocks	45.00 %	5.50 %
International stocks	15.00	6.00
Bonds	18.00	1.45
Alternative assets	20.00	6.40
Cash	2.00	0.50
Total	<u>100.00 %</u>	

F. Discount rate

The discount rate used to measure the total pension liability was 7.9 percent. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension liability sensitivity

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

	City Proportionate Share of NPL		
	1 Percent Decrease (6.90%)	Current (7.90%)	1 Percent Increase (8.90%)
GERF	\$ 3,324,695	\$ 2,114,468	\$ 1,115,006
PEPFF	2,458,131	1,261,220	272,363

H. Pension plan fiduciary net position

Detailed information about each defined benefit pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or (800) 652-9026.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 5: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF ASSOCIATION

A. Plan description

All members of the Fairmont Fire Department (the Department) are covered by a defined benefit plan administered by the Fairmont Fire Department Relief Association (the Association). As of December 31, 2014, the plan covered 29 active firefighters and 3 vested terminated fire fighters whose pension benefits are deferred. 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.

B. Benefits provided

A fire fighter who completes at least 20 years as an active member of the Department is entitled, after age 50, to a full service pension upon retirement.

The bylaws of the Association also provide for an early vested service pension for a retiring member who has completed fewer than 20 years of service. The reduced pension, available to members with 5 years of service, shall be equal to 40 percent of the pension as prescribed by the bylaws. This percentage increases 4 percent per year so that at 20 years of service, the full amount prescribed is paid. Members who retire with less than 20 years of service and have reached the age of 50 years and have completed at least 5 years of active membership are entitled to a reduced service pension not to exceed the amount calculated by multiplying the member's service pension for the completed years of service times the applicable non-forfeitable percentage of pension.

C. Contributions

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$65,468 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2014, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the plan for the year ended December 31, 2015 were \$13,520. The City's contributions were equal to the required contributions as set by state statute.

D. Pension costs

At December 31, 2015, the City reported a net pension (asset) liability of (\$521,726) for the plan. The net pension asset was measured as of December 31, 2014. The total pension liability used to calculate the net pension (asset) liability in accordance with GASB 68 was determined by VanIwaarden applying an actuarial formula to specific census data certified by the Department as of December 31, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$48,772.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

At December 31, 2015, the City reported deferred outflows of resources and its contributions subsequent to the measurement date related to pension from the following sources:

	Deferred Outflows of Resources
Net difference between projected and actual earnings on plan investments	\$ 7,435
Contributions to plan subsequent to the measurement date	82,427
Total	<u>\$ 89,862</u>

Deferred outflows of resources totaling \$82,427 related to pensions resulting from the City's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension (asset) liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2016	\$ 1,859
2017	1,859
2018	1,859
2019	1,858

F. Actuarial assumptions

The total pension liability at December 31, 2014 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Retirement eligibility at age 50 with 20 years of service, 40 percent for members at age 50 with 5 years of service, increased by 4 percent for each additional year of service.

Discount rate	6.50%
Inflation rate	4.00%
Investment rate of return	6.00%
20 year municipal bond yield	3.50%

There were no changes in actuarial assumptions in 2014.

The 6.00 percent long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using the plan's target investment allocation along with long-term return expectations by asset class. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equities	69.00 %	7.50 %
Fixed income	26.00	4.00
Real estate and alternatives	2.00	6.00
Cash and equivalents	3.00	2.00
Total	100.00 %	

G. Discount rate

The discount rate used to measure the total pension liability was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Pension liability sensitivity

The following presents the City's net pension (asset) liability for the plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's net pension (asset) liability would be if it were calculated using a discount rate 1 percent lower or 1 percent higher than the current discount rate:

	1 Percent Decrease (5.50%)	Current (6.50%)	1 Percent Increase (7.50%)
Defined benefit plan	\$ (494,834)	\$ (521,726)	\$ (547,904)

I. Pension plan fiduciary net position

The Association issues a publicly available financial report. The report may be obtained by writing to the North Mankato Firefighters Relief Association, 1001 Belgrade Avenue, North Mankato, MN 56003.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

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 2015, the City contributed \$84,606 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.

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	11,536
Adjustment to annual required contribution	<u>(16,356)</u>
Annual OPEB cost (expense)	100,311
Contributions made	<u>(84,606)</u>
Increase in net OPEB obligation	15,705
Net OPEB obligation- beginning of year	<u>288,391</u>
NET OPEB obligation - end of year	<u><u>\$ 304,096</u></u>

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 6: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - CONTINUED

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2015 and previous two years are as follows:

Year Ending	Three Year Trend Information		
	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/15	\$ 100,311	84.3 %	\$ 304,096
12/31/14	100,197	106.9	288,391
12/31/13	82,494	44.9	295,331

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.

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, 2014 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.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 6: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - CONTINUED

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, 2015 was 30 years.

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.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 7: OTHER INFORMATION - CONTINUED

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.

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 2015 was \$1,596,281. This accounted for 21 percent of General fund revenues.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2015

Note 8: PRIOR PERIOD RESTATEMENT

During 2015, the City implemented several new accounting pronouncements issued by the Governmental Accounting Standards Board (GASB), including Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, for the year ended December 31, 2015. These standards required a retroactive implementation which resulted in the restatement of beginning balances in the December 31, 2014 financial statements. Changes related to these standards are reflected in the financial statements and schedules and related disclosures are included in Notes 4 and 5.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2014 balances to the December 31, 2015 financial statements:

Fund	December 31, 2015		
	Net Position January 1, 2015 as Previously Reported	Prior Period Restatement (1)	Net Position January 1, 2015 as Restated
Governmental activities	<u>\$ 29,001,229</u>	<u>\$ (2,494,897)</u>	<u>\$ 26,506,332</u>
Business-type activities	<u>\$ 20,970,252</u>	<u>\$ (763,147)</u>	<u>\$ 20,207,105</u>
Business-type activities - proprietary funds			
Water Utility	\$ 10,232,832	\$ (408,677)	\$ 9,824,155
Sewer Utility	9,137,871	(260,247)	8,877,624
Sanitary Collection	401,730	(48,772)	352,958
Storm Water	1,294,103	(45,451)	1,248,652
Solid Waste	<u>(96,284)</u>	<u>-</u>	<u>(96,284)</u>
Total business-type activities - proprietary funds	<u>\$ 20,970,252</u>	<u>\$ (763,147)</u>	<u>\$ 20,207,105</u>

- (1) To record beginning net pension liability, deferred inflows of resources and deferred outflow of resources at December 31, 2014.

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**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2015

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CITY OF NORTH MANKATO, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2015

Schedule of employer's share of PERA net pension liability - General Employees Retirement Fund

Required Supplementary Information							
Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/15	0.0408 %	\$ 2,114,468	\$ -	\$ 2,114,468	\$ 2,356,493	89.7 %	78.2 %

Schedule of employer's PERA contributions - General Employees Retirement Fund

Required Supplementary Information					
Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/15	\$ 177,855	\$ 177,855	\$ -	\$ 2,371,413	7.5 %

CITY OF NORTH MANKATO, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2015

Schedule of employer's share of PERA net pension liability - Public Employees Police and Fire Fund

Required Supplementary Information							
Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/15	0.1110 %	\$ 1,261,220	\$ -	\$ 1,261,220	\$ 985,519	128.0 %	86.6 %

Schedule of employer's PERA contributions - Public Employees Police and Fire Fund

Required Supplementary Information					
Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/15	\$ 168,972	\$ 168,972	\$ -	\$ 1,043,037	16.2 %

CITY OF NORTH MANKATO, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2015

Schedule of changes in the Fire Relief Association's net pension liability and related ratios

	<u>2015</u>
Total pension liability	
Service cost	\$ 48,857
Interest	94,339
Net change in total pension liability	<u>143,196</u>
Total pension liability - January 1, 2014	<u>1,355,195</u>
 Total pension liability - December 31, 2014 (a)	 <u><u>\$ 1,498,391</u></u>
Plan fiduciary net position	
Contributions - employer	79,141
Net investment income	112,364
Administrative expense	<u>(6,972)</u>
Net change in plan fiduciary net position	184,533
 Plan fiduciary net position - January 1, 2014	 <u>1,835,584</u>
 Plan fiduciary net position - December 31, 2014 (b)	 <u><u>\$ 2,020,117</u></u>
 Fire Relief's net pension liability (asset) - December 31, 2014 (a-b)	 <u><u>\$ (521,726)</u></u>
 Plan fiduciary net position as a percentage of the total pension liability (b/a)	 134.82%
 Covered-employee payroll	 N/A
 Fire Relief's net pension liability (asset) as a percentage of covered-employee payroll	 N/A

Notes to Schedule:

Benefit changes. In 2014, the benefit terms were modified to base public safety employee pensions on a final three-year average salary instead of a final five-year average salary.

Changes of assumptions. In 2014, amounts reported as changes of assumptions resulted primarily from adjustments to expected retirement ages of general employees. In 2014, amounts reported as changes of assumptions resulted primarily from adjustments to expected retirement ages of public safety employees. In 2014, amounts reported as changes of assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the RP-2000 Healthy Annuitant Mortality Table for purposes of developing mortality rates.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

CITY OF NORTH MANKATO, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2015

Schedule of employer's Fire Relief Association contributions

Year Ending	Required Supplementary Information		
	Actuarial Determined Contribution	Actual Contributions Paid	Contribution Deficiency (Excess)
	(a)	(b)	(a-b)
12/31/15	\$ 85,133	\$ 85,133	\$ -
12/31/14	79,141	79,141	-

Schedule of funding progress for the retiree health plan

Actuarial Valuation Date	Required Supplementary Information					
	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)	UAAL as a Percentage of Covered Payroll ((b-a)/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

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

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2015

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CITY OF NORTH MANKATO, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2015

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and temporary investments	\$ 1,258,431	\$ 218,418	\$ 1,476,849
Receivables			
Accounts	185	-	185
Notes	1,296,772	-	1,296,772
Intergovernmental	92,642	-	92,642
	<u>2,648,030</u>	<u>218,418</u>	<u>2,866,448</u>
TOTAL ASSETS			
LIABILITIES			
Accounts payable	\$ 824	\$ 19,381	\$ 20,205
Contracts payable	-	2,005	2,005
Due to other funds	634,985	12,806	647,791
	<u>635,809</u>	<u>34,192</u>	<u>670,001</u>
TOTAL LIABILITIES			
FUND BALANCES			
Restricted	2,270,900	-	2,270,900
Assigned	138,428	213,738	352,166
Unassigned	(397,107)	(29,512)	(426,619)
	<u>2,012,221</u>	<u>184,226</u>	<u>2,196,447</u>
TOTAL FUND BALANCES			
	<u>\$ 2,648,030</u>	<u>\$ 218,418</u>	<u>\$ 2,866,448</u>
TOTAL LIABILITIES AND FUND BALANCES			

CITY OF NORTH MANKATO, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Taxes			
Property taxes	\$ 387,705	\$ -	\$ 387,705
Sales taxes	587,673	320	587,993
Intergovernmental			
Federal	54,203	-	54,203
Investment earnings	110	-	110
Miscellaneous			
Rents	9,489	-	9,489
Contributions and donations	31,841	-	31,841
Other	60,308	2,804	63,112
	<u>1,131,329</u>	<u>3,124</u>	<u>1,134,453</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
Culture and recreation			
Parks	5,597	-	5,597
Library	35,222	-	35,222
Housing and economic development	308,314	-	308,314
Capital outlay			
General government	-	46,491	46,491
Public safety	-	69,014	69,014
Public works	-	215,913	215,913
Culture and recreation	110,684	26,251	136,935
Housing and economic development	30,958	-	30,958
Mass transit and other	-	321	321
Debt service			
Principal	100,000	12,000	112,000
Interest	22,000	-	22,000
	<u>612,775</u>	<u>369,990</u>	<u>982,765</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>518,554</u>	<u>(366,866)</u>	<u>151,688</u>
OTHER FINANCING SOURCES (USES)			
Sale of assets	154,807	11,198	166,005
Transfers in	158,697	160,000	318,697
Debt issued	-	140,000	140,000
Transfers out	(735,864)	-	(735,864)
	<u>(422,360)</u>	<u>311,198</u>	<u>(111,162)</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	96,194	(55,668)	40,526
FUND BALANCES, JANUARY 1	<u>1,916,027</u>	<u>239,894</u>	<u>2,155,921</u>
FUND BALANCES, DECEMBER 31	<u>\$ 2,012,221</u>	<u>\$ 184,226</u>	<u>\$ 2,196,447</u>

NONMAJOR SPECIAL REVENUE FUNDS

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

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.

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.

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.

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NONMAJOR SPECIAL REVENUE FUNDS - CONTINUED

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 Peterbilt TIF #21 fund: The purpose of this fund is to account for costs associated with the Allstate Peterbilt 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, 2015

	213	215	221	224
	Library Endowment	Community Development Block Grant	Local Option Sales Tax	Park Development
ASSETS				
Cash and temporary investments	\$ 41,490	\$ 33,086	\$ -	\$ 11,227
Receivables				
Accounts	-	-	-	-
Intergovernmental	-	4,000	88,642	-
Notes, mortgages and leases	-	-	-	-
TOTAL ASSETS	<u>\$ 41,490</u>	<u>\$ 37,086</u>	<u>\$ 88,642</u>	<u>\$ 11,227</u>
LIABILITIES				
Accounts payable	\$ 322	\$ -	\$ -	\$ 316
Due to other funds	-	-	25,847	-
TOTAL LIABILITIES	<u>322</u>	<u>-</u>	<u>25,847</u>	<u>316</u>
FUND BALANCES				
Restricted	41,168	37,086	62,795	10,911
Assigned	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>41,168</u>	<u>37,086</u>	<u>62,795</u>	<u>10,911</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 41,490</u>	<u>\$ 37,086</u>	<u>\$ 88,642</u>	<u>\$ 11,227</u>

228 Port Authority	229 Federal Revolving Loan	234 Local Revolving Loan	235 State Revolving Loan	240 Joint Economic Development	250 Marigold TIF #8	251 Webster Redevelopment TIF #14	253 Creative Companies TIF #16
\$ 138,614	\$ 539,052	\$ 98,591	\$ -	\$ 114,413	\$ 212,031	\$ 39,885	\$ -
-	-	185	-	-	-	-	-
-	-	-	-	-	-	-	-
-	1,092,384	147,152	-	57,236	-	-	-
<u>\$ 138,614</u>	<u>\$ 1,631,436</u>	<u>\$ 245,928</u>	<u>\$ -</u>	<u>\$ 171,649</u>	<u>\$ 212,031</u>	<u>\$ 39,885</u>	<u>\$ -</u>
\$ 186	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	609,138	-	-
186	-	-	-	-	609,138	-	-
-	1,631,436	245,928	-	171,649	-	39,885	-
138,428	-	-	-	-	-	-	-
-	-	-	-	-	(397,107)	-	-
138,428	1,631,436	245,928	-	171,649	(397,107)	39,885	-
<u>\$ 138,614</u>	<u>\$ 1,631,436</u>	<u>\$ 245,928</u>	<u>\$ -</u>	<u>\$ 171,649</u>	<u>\$ 212,031</u>	<u>\$ 39,885</u>	<u>\$ -</u>

CITY OF NORTH MANKATO, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET - CONTINUED
DECEMBER 31, 2015

	254	255	256	257
	National Dentex TIF #17	Webster Avenue TIF #2	LJP Enterprises TIF #18	Ziegler Caterpillar TIF #20
ASSETS				
Cash and temporary investments	\$ -	\$ 1,015	\$ 3,978	\$ 2,127
Receivables				
Accounts	-	-	-	-
Intergovernmental	-	-	-	-
Notes, mortgages and leases	-	-	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 1,015</u>	<u>\$ 3,978</u>	<u>\$ 2,127</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted	-	1,015	3,978	2,127
Assigned	-	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>-</u>	<u>1,015</u>	<u>3,978</u>	<u>2,127</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 1,015</u>	<u>\$ 3,978</u>	<u>\$ 2,127</u>

258	259	260	Total Nonmajor Special Revenue
422 Belgrade TIF #19	Lindsay TIF #22	Allstate Peterbilt TIF #21	
\$ 21,886	\$ 402	\$ 634	\$ 1,258,431
-	-	-	185
-	-	-	92,642
-	-	-	1,296,772
<u>\$ 21,886</u>	<u>\$ 402</u>	<u>\$ 634</u>	<u>\$ 2,648,030</u>
\$ -	\$ -	\$ -	\$ 824
-	-	-	634,985
-	-	-	635,809
21,886	402	634	2,270,900
-	-	-	138,428
-	-	-	(397,107)
<u>21,886</u>	<u>402</u>	<u>634</u>	<u>2,012,221</u>
<u>\$ 21,886</u>	<u>\$ 402</u>	<u>\$ 634</u>	<u>\$ 2,648,030</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, 2015

	213	215	221	224
	Library Endowment	Community Development Block Grant	Local Option Sales Tax	Park Development
REVENUES				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	587,673	-
Tax increments	-	-	-	-
Intergovernmental				
Federal	-	54,203	-	-
Investment earnings	-	-	-	-
Miscellaneous				
Rents	-	-	-	-
Contributions and donations	25,341	-	6,500	-
Other	-	-	-	-
TOTAL REVENUES	25,341	54,203	594,173	-
EXPENDITURES				
Current				
Culture and recreation				
Parks	-	-	5,597	-
Library	35,222	-	-	-
Housing and economic development	-	16,382	-	-
Capital outlay				
Culture and recreation	-	-	105,915	4,769
Housing and economic development	-	30,735	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
TOTAL EXPENDITURES	35,222	47,117	111,512	4,769
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(9,881)	7,086	482,661	(4,769)
OTHER FINANCING SOURCES (USES)				
Sale of assets	-	30,000	-	-
Transfers in	-	-	-	-
Transfers out	-	-	(511,244)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	30,000	(511,244)	-
NET CHANGE IN FUND BALANCES	(9,881)	37,086	(28,583)	(4,769)
FUND BALANCES, JANUARY 1	51,049	-	91,378	15,680
FUND BALANCES, DECEMBER 31	\$ 41,168	\$ 37,086	\$ 62,795	\$ 10,911

228 Port Authority	229 Federal Revolving Loan	234 Local Revolving Loan	235 State Revolving Loan	240 Joint Economic Development	250 Marigold TIF #8	251 Webster Redevelopment TIF #14	253 Creative Companies TIF #16
\$ 75,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	28,787	22,355	-
-	-	-	-	-	-	-	-
-	110	-	-	-	-	-	-
-	-	-	-	9,489	-	-	-
-	-	-	-	-	-	-	-
8,030	43,204	6,033	-	3,041	-	-	-
83,030	43,314	6,033	-	12,530	28,787	22,355	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
48,221	137	-	-	24,718	-	-	-
-	-	-	-	-	-	-	-
223	-	-	-	-	-	-	-
-	-	-	-	100,000	-	-	-
-	-	-	-	22,000	-	-	-
48,444	137	-	-	146,718	-	-	-
34,586	43,177	6,033	-	(134,188)	28,787	22,355	-
-	-	-	-	124,807	-	-	-
36,697	-	-	-	122,000	-	-	-
(125,503)	-	-	(993)	-	(23,543)	(3,189)	(35,704)
(88,806)	-	-	(993)	246,807	(23,543)	(3,189)	(35,704)
(54,220)	43,177	6,033	(993)	112,619	5,244	19,166	(35,704)
192,648	1,588,259	239,895	993	59,030	(402,351)	20,719	35,704
\$ 138,428	\$ 1,631,436	\$ 245,928	\$ -	\$ 171,649	\$ (397,107)	\$ 39,885	\$ -

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, 2015

	254	255	256	257
	National Dentex TIF #17	Webster Avenue TIF #2	LJP Enterprises TIF #18	Ziegler Caterpillar TIF #20
REVENUES				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-
Tax increments	13,436	5,379	79,468	90,513
Intergovernmental				
Federal	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous				
Rents	-	-	-	-
Contributions and donations	-	-	-	-
Other	-	-	-	-
TOTAL REVENUES	13,436	5,379	79,468	90,513
EXPENDITURES				
Current				
Culture and recreation				
Parks	-	-	-	-
Library	-	-	-	-
Housing and economic development	13,436	-	75,490	88,386
Capital outlay				
Culture and recreation	-	-	-	-
Housing and economic development	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
TOTAL EXPENDITURES	13,436	-	75,490	88,386
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	5,379	3,978	2,127
OTHER FINANCING SOURCES (USES)				
Sale of assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	(5,273)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	(5,273)	-	-
NET CHANGE IN FUND BALANCES	-	106	3,978	2,127
FUND BALANCES, JANUARY 1	-	909	-	-
FUND BALANCES, DECEMBER 31	\$ -	\$ 1,015	\$ 3,978	\$ 2,127

258	259	260	Total Nonmajor Special Revenue
422 Belgrade TIF #19	Lindsay TIF #22	Allstate Peterbilt TIF #21	
\$ 12,250	\$ -	\$ -	\$ 87,250
-	-	-	587,673
17,937	16,062	26,518	300,455
-	-	-	54,203
-	-	-	110
-	-	-	9,489
-	-	-	31,841
-	-	-	60,308
30,187	16,062	26,518	1,131,329
-	-	-	5,597
-	-	-	35,222
-	15,660	25,884	308,314
-	-	-	110,684
-	-	-	30,958
-	-	-	100,000
-	-	-	22,000
-	15,660	25,884	612,775
30,187	402	634	518,554
-	-	-	154,807
-	-	-	158,697
(30,415)	-	-	(735,864)
(30,415)	-	-	(422,360)
(228)	402	634	96,194
22,114	-	-	1,916,027
\$ 21,886	\$ 402	\$ 634	\$ 2,012,221

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, 2015
With Comparative Actual Amounts for the Year Ended December 31, 2014

		2015		2014
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Intergovernmental				
Federal	\$ 63,000	\$ 54,203	\$ (8,797)	\$ 47,368
EXPENDITURES				
Current				
Housing and economic development				
Other services and charges	55,000	16,382	38,618	53,211
Capital outlay				
Housing and economic development	-	30,735	(30,735)	-
TOTAL EXPENDITURES	55,000	47,117	7,883	53,211
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	8,000	7,086	(914)	(5,843)
OTHER FINANCING SOURCES (USES)				
Sale of assets	-	30,000	30,000	15,000
Transfers out	(8,000)	-	8,000	(5,979)
TOTAL OTHER FINANCING SOURCES (USES)	(8,000)	30,000	38,000	9,021
NET CHANGE IN FUND BALANCES	-	37,086	37,086	3,178
FUND BALANCES, JANUARY 1	-	-	-	(3,178)
FUND BALANCES, DECEMBER 31	\$ -	\$ 37,086	\$ 37,086	\$ -

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, 2015
 With Comparative Actual Amounts for the Year Ended December 31, 2014

	Final Budget	2015 Actual Amounts	Variance with Final Budget	2014 Actual Amounts
REVENUES				
Taxes				
Sales tax	\$ 547,000	\$ 587,673	\$ 40,673	\$ 530,504
Miscellaneous				
Contributions and donations	-	6,500	6,500	26,278
TOTAL REVENUES	547,000	594,173	47,173	556,782
EXPENDITURES				
Current				
Culture and recreation				
Library				
Other services and charges	-	5,597	(5,597)	8,745
Capital outlay				
General government	173,000	-	173,000	87,586
Culture and recreation	-	105,915	(105,915)	277,419
TOTAL EXPENDITURES	173,000	111,512	61,488	373,750
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	374,000	482,661	108,661	183,032
OTHER FINANCING SOURCES (USES)				
Transfers out	(510,444)	(511,244)	(800)	(310,088)
NET CHANGE IN FUND BALANCES	(136,444)	(28,583)	107,861	(127,056)
FUND BALANCES, JANUARY 1	91,378	91,378	-	218,434
FUND BALANCES, DECEMBER 31	\$ (45,066)	\$ 62,795	\$ 107,861	\$ 91,378

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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, 2015

	230 Capital Facilities and Equipment Replacement - General	431 2011 Construction	436 2016 Construction	Total Nonmajor
ASSETS				
Cash and temporary investments	\$ 218,418	\$ -	\$ -	\$ 218,418
LIABILITIES				
Accounts payable	\$ 4,680	\$ -	\$ 14,701	\$ 19,381
Contracts payable	-	2,005	-	2,005
Due to other funds	-	4,835	7,971	12,806
TOTAL LIABILITIES	4,680	6,840	22,672	34,192
FUND BALANCES				
Assigned	213,738	-	-	213,738
Unassigned	-	(6,840)	(22,672)	(29,512)
TOTAL FUND BALANCES	213,738	(6,840)	(22,672)	184,226
TOTAL LIABILITIES AND FUND BALANCES	\$ 218,418	\$ -	\$ -	\$ 218,418

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, 2015

	230 Capital Facilities and Equipment Replacement - General	431 2011 Construction	436 2016 Construction	Total Nonmajor
REVENUES				
Taxes	\$ 320	\$ -	\$ -	\$ 320
Miscellaneous				
Other	<u>2,804</u>	<u>-</u>	<u>-</u>	<u>2,804</u>
TOTAL REVENUES	<u>3,124</u>	<u>-</u>	<u>-</u>	<u>3,124</u>
EXPENDITURES				
Capital outlay				
General government	46,491	-	-	46,491
Public safety	69,014	-	-	69,014
Public works	188,396	4,845	22,672	215,913
Culture and recreation	26,251	-	-	26,251
Mass transit and other	321	-	-	321
Debt service				
Principal	<u>12,000</u>	<u>-</u>	<u>-</u>	<u>12,000</u>
TOTAL EXPENDITURES	<u>342,473</u>	<u>4,845</u>	<u>22,672</u>	<u>369,990</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(339,349)</u>	<u>(4,845)</u>	<u>(22,672)</u>	<u>(366,866)</u>
OTHER FINANCING SOURCES (USES)				
Sale of assets	11,198	-	-	11,198
Transfers in	160,000	-	-	160,000
Debt issued	<u>140,000</u>	<u>-</u>	<u>-</u>	<u>140,000</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>311,198</u>	<u>-</u>	<u>-</u>	<u>311,198</u>
NET CHANGE IN FUND BALANCES	(28,151)	(4,845)	(22,672)	(55,668)
FUND BALANCES, JANUARY 1	<u>241,889</u>	<u>(1,995)</u>	<u>-</u>	<u>239,894</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 213,738</u></u>	<u><u>\$ (6,840)</u></u>	<u><u>\$ (22,672)</u></u>	<u><u>\$ 184,226</u></u>

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, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and temporary investments	\$ 2,486,684	\$ 1,603,420
Receivables		
Taxes	101,269	109,982
Accounts	94,193	86,728
Notes, mortgages and leases	-	126,745
Special assessments		
Delinquent	3,999	4,037
Noncurrent	40,880	39,895
Intergovernmental	52,003	53,704
Due from other funds	1,645,775	1,822,386
Prepaid items	<u>-</u>	<u>109</u>
TOTAL ASSETS	<u><u>\$ 4,424,803</u></u>	<u><u>\$ 3,847,006</u></u>
LIABILITIES		
Accounts payable	\$ 129,124	\$ 108,383
Accrued wages payable	294,531	152,331
Due to other governments	78,794	115,974
Unearned revenue	<u>-</u>	<u>700</u>
TOTAL LIABILITIES	<u>502,449</u>	<u>377,388</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - taxes	101,269	109,982
Unavailable revenue - special assessments	<u>44,879</u>	<u>43,932</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>146,148</u>	<u>153,914</u>
FUND BALANCES		
Nonspendable		
Prepaid items	-	109
Due from other funds	1,607,122	1,776,442
Unassigned	<u>2,169,084</u>	<u>1,539,153</u>
TOTAL FUND BALANCES	<u>3,776,206</u>	<u>3,315,704</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 4,424,803</u></u>	<u><u>\$ 3,847,006</u></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, 2015
With Comparative Actual Amounts for the Year Ended December 31, 2014

	2015				2014
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Taxes					
Property taxes	\$ 4,005,114	\$ 4,005,114	\$ 4,024,430	\$ 19,316	\$ 3,788,892
Sales tax	835	835	629	(206)	544
Franchise taxes	374,100	374,100	413,458	39,358	355,218
Hotel-motel tax	43,000	43,000	55,209	12,209	48,590
Other taxes	17,000	17,000	27,968	10,968	26,914
Total taxes	4,440,049	4,440,049	4,521,694	81,645	4,220,158
Special assessments	4,350	4,350	29,140	24,790	13,949
Licenses and permits					
Business	94,425	94,425	94,708	283	105,758
Nonbusiness	310,000	310,000	354,163	44,163	252,051
Total licenses and permits	404,425	404,425	448,871	44,446	357,809
Intergovernmental					
Federal					
Other Federal aid	-	-	9,829	9,829	23,452
State					
Local government aid	1,596,281	1,596,281	1,596,281	-	1,559,008
Street maintenance aid	150,000	150,000	172,714	22,714	163,772
Fire aid	47,343	47,343	68,907	21,564	65,468
Police aid	79,000	79,000	104,891	25,891	103,192
Other State aid	15,874	15,874	22,023	6,149	29,137
Total State	1,888,498	1,888,498	1,964,816	76,318	1,920,577
County					
Other County aid	59,594	59,594	61,389	1,795	67,936
Total intergovernmental	1,948,092	1,948,092	2,036,034	87,942	2,011,965
Charges for services					
General government	21,510	21,510	28,512	7,002	31,378
Public safety	28,500	28,500	4,602	(23,898)	4,141
Public works	-	-	-	-	2,231
Culture and recreation	116,025	116,025	166,128	50,103	96,325
Total charges for services	166,035	166,035	199,242	33,207	134,075
Fines and forfeits					
Court fines	28,000	28,000	26,933	(1,067)	19,263
Parking fines	900	900	645	(255)	805
Total fines and forfeits	28,900	28,900	27,578	(1,322)	20,068

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, 2015
With Comparative Actual Amounts for the Year Ended December 31, 2014

	2015			2014
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final		
REVENUES - CONTINUED				
Investment earnings	\$ 1,500	\$ 1,500	\$ 3,926	\$ 2,504
Miscellaneous				
Contributions and donations	15,200	15,200	28,084	18,917
Rents	15,000	15,000	3,881	23,190
Other	162,668	162,668	227,187	187,795
Total miscellaneous	192,868	192,868	259,152	229,902
TOTAL REVENUES	7,186,219	7,186,219	7,525,637	6,990,430
EXPENDITURES				
Current				
General government				
Mayor and Council				
Personal services	34,008	34,008	34,009	(1) 34,059
Other services and charges	2,080	2,080	6,671	(4,591) 8,946
Total Mayor and Council	36,088	36,088	40,680	(4,592) 43,005
Administration				
Personal services	394,029	394,029	483,824	(89,795) 439,245
Supplies	68,400	68,400	35,017	33,383 45,984
Other services and charges	193,620	193,620	176,176	17,444 140,080
Total administration	656,049	656,049	695,017	(38,968) 625,309
City attorney				
Supplies	100	100	195	(95) -
Other services and charges	106,200	106,200	103,943	2,257 117,644
Total city attorney	106,300	106,300	104,138	2,162 117,644
Total general government	798,437	798,437	839,835	(41,398) 785,958
Public safety				
Police protection				
Personal services	1,625,294	1,625,294	1,627,552	(2,258) 1,531,809
Supplies	88,050	88,050	77,709	10,341 77,486
Other services and charges	101,250	101,250	98,869	2,381 118,163
Total police protection	1,814,594	1,814,594	1,804,130	10,464 1,727,458
Fire protection				
Personal services	208,773	208,773	223,881	(15,108) 241,154
Supplies	44,200	44,200	31,697	12,503 37,887
Other services and charges	61,160	61,160	61,199	(39) 65,286
Total fire protection	314,133	314,133	316,777	(2,644) 344,327
Total public safety	2,128,727	2,128,727	2,120,907	7,820 2,071,785
Public works				
Street maintenance				
Personal services	525,742	525,742	527,983	(2,241) 577,972
Supplies	385,500	385,500	293,359	92,141 326,646
Other services and charges	68,168	68,168	107,074	(38,906) 93,579
Total street maintenance	979,410	979,410	928,416	50,994 998,197

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, 2015
With Comparative Actual Amounts for the Year Ended December 31, 2014

	2015			2014
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final		
EXPENDITURES - CONTINUED				
Current - Continued				
Public works				
Equipment maintenance				
Personal services	\$ 260,746	\$ 260,746	\$ 265,950	\$ 260,234
Supplies	169,900	169,900	152,009	204,595
Other services and charges	36,240	36,240	28,164	40,696
Total equipment maintenance	466,886	466,886	446,123	505,525
Street lighting				
Personal services	9,363	9,363	4,326	11,888
Supplies	25,900	25,900	28,713	19,344
Other services and charges	311,000	311,000	286,347	296,940
Total street lighting	346,263	346,263	319,386	328,172
Total public works	1,792,559	1,792,559	1,693,925	1,831,894
Culture and recreation				
Swimming pool				
Personal services	-	-	-	15
Supplies	35,000	35,000	15,017	27,897
Other services and charges	58,715	58,715	61,111	56,266
Total swimming pool	93,715	93,715	76,128	84,178
Caswell Park concessions				
Personal services	73,801	73,801	72,135	75,981
Supplies	124,680	124,680	112,274	86,182
Other services and charges	23,810	23,810	31,363	34,333
Total Caswell Park concessions	222,291	222,291	215,772	196,496
Caswell fields				
Personal services	-	-	291	-
Supplies	20,600	20,600	8,751	-
Other services and charges	2,830	2,830	10,312	4,391
Total Caswell fields	23,430	23,430	19,354	4,391
Parks				
Personal services	316,684	316,684	367,623	313,770
Supplies	108,500	108,500	148,260	115,305
Other services and charges	58,970	58,970	52,562	74,503
Total parks	484,154	484,154	568,445	503,578
Library				
Personal services	299,417	299,417	300,953	304,544
Supplies	119,900	119,900	124,653	138,312
Other services and charges	82,500	82,500	61,412	83,679
Total library	501,817	501,817	487,018	526,535
Bookmobile				
Personal services	61,399	61,399	60,439	58,597
Supplies	15,200	15,200	13,797	11,658
Other services and charges	3,235	3,235	3,553	3,819
Total bookmobile	79,834	79,834	77,789	74,074
Total culture and recreation	1,405,241	1,405,241	1,444,506	1,389,252
Housing and economic development				
Community development				
Personal services	346,345	346,345	379,711	336,525
Supplies	26,000	26,000	13,107	9,144
Other services and charges	131,795	131,795	162,699	108,925
Total housing and economic development	504,140	504,140	555,517	454,594

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, 2015
With Comparative Actual Amounts for the Year Ended December 31, 2014

	2015			2014
	Budgeted Amounts		Actual	Actual
	Original	Final	Amounts	Amounts
EXPENDITURES- CONTINUED				
Current - Continued				
Mass transit and other				
Mass transit				
Other services and charges	\$ 194,001	\$ 194,001	\$ 192,537	\$ 187,575
Other				
Personal services	47,128	47,128	5,144	38,058
Other services and charges	25,800	25,800	161,226	25,147
Total other	72,928	72,928	166,370	63,205
Total mass transit and other	266,929	266,929	358,907	250,780
Total current	6,896,033	6,896,033	7,013,597	6,784,263
Capital outlay				
General government	-	-	1,683	146,119
Public safety	-	-	1,872	-
Public works	200,000	200,000	179,776	92,109
Culture and recreation	95,000	95,000	32,738	101,103
Housing and economic development	-	-	936	-
Mass transit and other	12,000	12,000	26,870	50,414
Total capital outlay	307,000	307,000	243,875	389,745
Debt service				
Principal retirement	13,130	13,130	78,567	13,726
Interest and fiscal charges	4,788	4,788	946	4,192
Total debt service	17,918	17,918	79,513	17,918
TOTAL EXPENDITURES	7,220,951	7,220,951	7,336,985	7,191,926
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(34,732)	(34,732)	188,652	(201,496)
OTHER FINANCING SOURCES (USES)				
Sale of assets	-	-	100	2,380
Transfers in	279,750	279,750	271,750	868,516
Transfers out	-	-	-	(235,000)
TOTAL OTHER FINANCING SOURCES (USES)	279,750	279,750	271,850	635,896
NET CHANGE IN FUND BALANCES	245,018	245,018	460,502	434,400
FUND BALANCES, JANUARY 1	3,315,704	3,315,704	3,315,704	2,881,304
FUND BALANCES, DECEMBER 31	\$ 3,560,722	\$ 3,560,722	\$ 3,776,206	\$ 3,315,704

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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, 2015

	312	316	308	344
	2014A G.O. Bonds	Bond Reserve	Capital Improvement Bonds of 2008	2004 G.O. Improvement Bonds
ASSETS				
Cash and temporary investments	\$ -	\$ 350,617	\$ -	\$ -
Restricted assets - cash with fiscal agent	-	-	-	-
Receivables				
Interest	-	-	-	-
Special assessments				
Delinquent	-	4,393	-	-
Noncurrent	20,746	667,545	-	743
Intergovernmental	-	3,555	-	-
	<u>-</u>	<u>3,555</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 20,746</u>	<u>\$ 1,026,110</u>	<u>\$ -</u>	<u>\$ 743</u>
LIABILITIES				
Due to other funds	\$ -	\$ 2,146,784	\$ -	\$ -
Accrued interest payable	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>2,146,784</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - special assessments	20,746	671,938	-	743
Unavailable revenue - intergovernmental	-	-	-	-
	<u>20,746</u>	<u>671,938</u>	<u>-</u>	<u>743</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>20,746</u>	<u>671,938</u>	<u>-</u>	<u>743</u>
FUND BALANCES				
Restricted	-	-	-	-
Unassigned	-	(1,792,612)	-	-
	<u>-</u>	<u>(1,792,612)</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>-</u>	<u>(1,792,612)</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 20,746</u>	<u>\$ 1,026,110</u>	<u>\$ -</u>	<u>\$ 743</u>

345	347	348	311	349	350	356 2015B	357
2015B (2005A) G.O. Refunding Bonds	2007 G.O. Improvement Bonds	2008 G.O. Improvement Bonds	2009 G.O. Sales Tax Revenue Bonds	2015B (2009) G.O. Refunding Bonds	2010 G.O. Improvement Bonds	(2006C/2010C) G.O. Refunding Bonds	2012A G.O. Refunding Bonds
\$ -	\$ 298,328	\$ -	\$ -	\$ 78,324	\$ 6,454	\$ 542,213	\$ -
-	-	-	-	1,883,309	-	-	-
-	-	-	-	20,338	-	-	-
215,359	73,569	-	-	-	-	57,361	-
627,988	561,277	52,975	-	60,042	918,795	1,045,844	-
3,491	-	-	-	2,445,380	-	1,371	-
<u>\$ 846,838</u>	<u>\$ 933,174</u>	<u>\$ 52,975</u>	<u>\$ -</u>	<u>\$ 4,487,393</u>	<u>\$ 925,249</u>	<u>\$ 1,646,789</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
843,347	634,846	52,975	-	60,042	918,795	1,103,205	-
-	-	-	-	2,445,000	-	-	-
<u>843,347</u>	<u>634,846</u>	<u>52,975</u>	<u>-</u>	<u>2,505,042</u>	<u>918,795</u>	<u>1,103,205</u>	<u>-</u>
3,491	298,328	-	-	1,982,351	6,454	543,584	-
-	-	-	-	-	-	-	-
<u>3,491</u>	<u>298,328</u>	<u>-</u>	<u>-</u>	<u>1,982,351</u>	<u>6,454</u>	<u>543,584</u>	<u>-</u>
<u>\$ 846,838</u>	<u>\$ 933,174</u>	<u>\$ 52,975</u>	<u>\$ -</u>	<u>\$ 4,487,393</u>	<u>\$ 925,249</u>	<u>\$ 1,646,789</u>	<u>\$ -</u>

CITY OF NORTH MANKATO, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET - CONTINUED
DECEMBER 31, 2015

	358	359	368	370
	2015A G.O. Improvement Bonds	2015B G.O. Refunding Bonds	1993A Port Authority Revenue Bonds	2011A Port Authority G.O. Bonds
ASSETS				
Cash and temporary investments	\$ 354,549	\$ -	\$ -	\$ -
Restricted assets - cash with fiscal agent	-	-		
Receivables				
Interest	-	-	-	-
Special assessments				
Delinquent	-	-	-	-
Noncurrent	-	-	-	-
Intergovernmental	-	-	-	-
TOTAL ASSETS	<u>\$ 354,549</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
LIABILITIES				
Due to other funds	\$ -	\$ -	\$ -	\$ -
Accrued interest payable	264	-	-	-
TOTAL LIABILITIES	<u>264</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - special assessments	-	-	-	-
Unavailable revenue - intergovernmental	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Restricted	354,285	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>354,285</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 354,549</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

371	378	379	
2011B Port Authority G.O. Bonds	2015A G.O. Impr. Bonds West Carlson Portion	2010D G.O. Tax Increment Bonds	Totals
\$ 31,883	\$ -	\$ 90,391	\$ 1,752,759
			1,883,309
-	-	-	20,338
-	-	-	350,682
-	348,286	-	4,304,241
-	-	-	2,453,797
<u>\$ 31,883</u>	<u>\$ 348,286</u>	<u>\$ 90,391</u>	<u>\$ 10,765,126</u>
\$ -	\$ -	\$ -	\$ 2,146,784
-	-	-	264
-	-	-	2,147,048
-	348,286	-	4,654,923
-	-	-	2,445,000
-	348,286	-	7,099,923
31,883	-	90,391	3,310,767
-	-	-	(1,792,612)
31,883	-	90,391	1,518,155
<u>\$ 31,883</u>	<u>\$ 348,286</u>	<u>\$ 90,391</u>	<u>\$ 10,765,126</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, 2015

	312	316	308	344
	2014A G.O. Bonds	Bond Reserve	Capital Improvement Bonds of 2008	2004 G.O. Improvement Bonds
REVENUES				
Taxes				
Property taxes	\$ 57,850	\$ 367,065	\$ 241,870	\$ 81,595
Special assessments	2,451	322,147	-	2,399
Intergovernmental				
State				
Street construction aid	-	-	-	-
Investment earnings	-	-	-	1,024
TOTAL REVENUES	<u>60,301</u>	<u>689,212</u>	<u>241,870</u>	<u>85,018</u>
EXPENDITURES				
Debt service				
Principal	50,000	-	210,000	480,000
Interest and other	34,675	258,338	31,870	17,144
Bond issuance costs	-	-	-	-
TOTAL EXPENDITURES	<u>84,675</u>	<u>258,338</u>	<u>241,870</u>	<u>497,144</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(24,374)</u>	<u>430,874</u>	<u>-</u>	<u>(412,126)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Bonds issued	-	-	-	-
Premium on bonds issued	-	-	-	-
Transfers out	-	(30,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(30,000)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(24,374)	400,874	-	(412,126)
FUND BALANCES, JANUARY 1	<u>24,374</u>	<u>(2,193,486)</u>	<u>-</u>	<u>412,126</u>
FUND BALANCES, DECEMBER 31	<u>\$ -</u>	<u>\$ (1,792,612)</u>	<u>\$ -</u>	<u>\$ -</u>

345	347	348	311	349	350	356	357
2015B (2005A) G.O. Refunding Bonds	2007 G.O. Improvement Bonds	2008 G.O. Improvement Bonds	2009 G.O. Sales Tax Revenue Bonds	2015B (2009) G.O. Refunding Bonds	2010 G.O. Improvement Bonds	2015B (2006C/2010C) G.O. Refunding Bonds	2012A G.O. Refunding Bonds
\$ 8,687 123,030	\$ - 193,597	\$ 192,026 16,194	\$ - -	\$ - 17,239	\$ - -	\$ - 800,018	\$ 157,213 -
- -	- -	- -	- -	272,538 -	- -	- -	- -
131,717	193,597	208,220	-	289,777	-	800,018	157,213
255,000 8,085 4	125,000 17,929 -	180,000 28,220 -	200,000 85,488 -	190,000 93,895 39,120	125,000 72,250 -	655,000 99,650 9,304	155,000 2,213 -
263,089	142,929	208,220	285,488	323,015	197,250	763,954	157,213
(131,372)	50,668	-	(285,488)	(33,238)	(197,250)	36,064	-
- 120,000 629 -	- - - -	- - - -	285,488 - - -	- 1,835,000 97,199 -	- - - -	- 435,000 11,721 -	- - - -
120,629	-	-	285,488	1,932,199	-	446,721	-
(10,743)	50,668	-	-	1,898,961	(197,250)	482,785	-
14,234	247,660	-	-	83,390	203,704	60,799	-
\$ 3,491	\$ 298,328	\$ -	\$ -	\$ 1,982,351	\$ 6,454	\$ 543,584	\$ -

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, 2015

	358	359	368	370
	2015A G.O. Improvement Bonds	2015B G.O. Refunding Bonds	1993A Port Authority Revenue Bonds	2011A Port Authority G.O. Bonds
REVENUES				
Taxes				
Property taxes	\$ -	\$ 270,517	\$ 180,046	\$ 517
Special assessments	350,000	-	-	-
Intergovernmental				
State				
Street construction aid	-	-	-	-
Investment earnings	-	-	-	-
TOTAL REVENUES	350,000	270,517	180,046	517
EXPENDITURES				
Debt service				
Principal	-	275,000	150,000	130,000
Interest and other	800	3,237	30,046	96,281
Bond issuance costs	-	-	-	-
TOTAL EXPENDITURES	800	278,237	180,046	226,281
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	349,200	(7,720)	-	(225,764)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	225,756
Bonds issued	5,085	7,720	-	-
Premium on bonds issued	-	-	-	-
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	5,085	7,720	-	225,756
NET CHANGE IN FUND BALANCES	354,285	-	-	(8)
FUND BALANCES, JANUARY 1	-	-	-	8
FUND BALANCES, DECEMBER 31	\$ 354,285	\$ -	\$ -	\$ -

371 2011B Port Authority G.O. Bonds	378 2015A G.O. Impr. Bonds West Carlson Portion	379 2010D G.O. Tax Increment Bonds	Totals
\$ -	\$ -	\$ -	\$ 1,557,386
-	-	-	1,827,075
-	-	-	272,538
-	-	-	1,024
-	-	-	3,658,023
10,000	-	-	3,190,000
20,415	-	35,908	936,444
-	-	-	48,428
30,415	-	35,908	4,174,872
(30,415)	-	(35,908)	(516,849)
30,415	-	35,508	577,167
-	-	-	2,402,805
-	-	-	109,549
-	-	-	(30,000)
30,415	-	35,508	3,059,521
-	-	(400)	2,542,672
31,883	-	90,791	(1,024,517)
<u>\$ 31,883</u>	<u>\$ -</u>	<u>\$ 90,391</u>	<u>\$ 1,518,155</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, 2015
 With Comparative Totals for December 31, 2014

	862 Public Access Equipment	864 10% Gambling	865 Tactical Response Team
ASSETS			
Cash and cash equivalents	\$ 89,475	\$ 621	\$ 4,984
Receivables			
Accounts	12,042	-	-
Intergovernmental	48,268	-	-
	<u>149,785</u>	<u>621</u>	<u>4,984</u>
TOTAL ASSETS	<u><u>\$ 149,785</u></u>	<u><u>\$ 621</u></u>	<u><u>\$ 4,984</u></u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Due to other governments	149,785	621	4,984
	<u>149,785</u>	<u>621</u>	<u>4,984</u>
TOTAL LIABILITIES	<u><u>\$ 149,785</u></u>	<u><u>\$ 621</u></u>	<u><u>\$ 4,984</u></u>

Totals	
2015	2014
\$ 95,080	\$ 301,396
12,042	13,332
48,268	30,679
<u>\$ 155,390</u>	<u>\$ 345,407</u>
\$ -	\$ 15,661
<u>155,390</u>	<u>329,746</u>
<u>\$ 155,390</u>	<u>\$ 345,407</u>

CITY OF NORTH MANKATO, MINNESOTA
 AGENCY FUNDS
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Balance January 1, 2015	Additions	Deletions	Balance December 31, 2015
Public Access Authority (861)				
ASSETS				
Cash and temporary investments	\$ 293,525	\$ 328,814	\$ 622,339	\$ -
Receivables				
Accounts	12,223	30,679	42,902	-
Due from other governments	30,679	-	30,679	-
TOTAL ASSETS	\$ 336,427	\$ 359,493	\$ 695,920	\$ -
LIABILITIES				
Accounts payable	\$ 15,661	\$ 323,545	\$ 339,206	\$ -
Due to other governments	320,766	35,948	356,714	-
TOTAL LIABILITIES	\$ 336,427	\$ 359,493	\$ 695,920	\$ -
Public Access Equipment (862)				
ASSETS				
Cash and temporary investments	\$ -	\$ 181,722	\$ 92,247	\$ 89,475
Receivables				
Accounts	-	12,042	-	12,042
Due from other governments	-	48,268	-	48,268
TOTAL ASSETS	\$ -	\$ 242,032	\$ 92,247	\$ 149,785
LIABILITIES				
Due to other governments	\$ -	\$ 242,032	\$ 92,247	\$ 149,785
10% Gambling (864)				
ASSETS				
Cash and temporary investments	\$ -	\$ 18,538	\$ 17,917	\$ 621
Receivables				
Accounts	1,109	-	1,109	-
TOTAL ASSETS	\$ 1,109	\$ 18,538	\$ 19,026	\$ 621
LIABILITIES				
Due to other governments	\$ 1,109	\$ 18,538	\$ 19,026	\$ 621
Tactical Response Team (865)				
ASSETS				
Cash and temporary investments	\$ 7,871	\$ 14,244	\$ 17,131	\$ 4,984
LIABILITIES				
Due to other governments	\$ 7,871	\$ 6,387	\$ 9,274	\$ 4,984
TOTALS - ALL FUNDS				
ASSETS				
Cash and temporary investments	\$ 301,396	\$ 543,318	\$ 749,634	\$ 95,080
Receivables				
Accounts	13,332	42,721	44,011	12,042
Due from other governments	30,679	48,268	30,679	48,268
TOTAL ASSETS	\$ 345,407	\$ 634,307	\$ 824,324	\$ 155,390
LIABILITIES				
Accounts payable	\$ 15,661	\$ 323,545	\$ 339,206	\$ -
Due to other governments	329,746	302,905	477,261	155,390
TOTAL LIABILITIES	\$ 345,407	\$ 626,450	\$ 816,467	\$ 155,390

CITY OF NORTH MANKATO, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2015 AND 2014

	Totals		Percent Increase (Decrease)
	2015	2014	
REVENUES			
Taxes	\$ 7,054,778	\$ 6,696,431	5.35 %
Special assessments	1,856,215	1,133,696	63.73
Licenses and permits	448,871	357,809	25.45
Intergovernmental	6,540,969	2,331,472	180.55
Charges for services	199,242	134,075	48.60
Fines and forfeits	27,578	20,068	37.42
Investment earnings	5,060	34,217	(85.21)
Miscellaneous	363,594	432,761	(15.98)
TOTAL REVENUES	\$ 16,496,307	\$ 11,140,529	48.07 %
Per Capita	\$ 1,212	\$ 824	47.10 %
EXPENDITURES			
Current			
General government	\$ 839,835	\$ 785,958	6.85 %
Public safety	2,120,907	2,071,637	2.38
Public works	1,784,547	1,880,130	(5.08)
Culture and recreation	1,485,325	1,397,997	6.25
Housing and economic development	863,831	1,005,448	(14.08)
Miscellaneous	358,907	250,780	43.12
Capital outlay			
General government	48,174	383,897	(87.45)
Public safety	70,886	114,185	(37.92)
Public works	8,717,437	2,034,139	328.56
Culture and recreation	169,673	400,134	(57.60)
Economic development	31,894	432,170	(92.62)
Miscellaneous	27,191	99,030	(72.54)
Debt service			
Principal	3,380,567	3,147,726	7.40
Interest and other charges	959,390	746,813	28.46
Bond issuance costs	83,173	68,148	22.05
TOTAL EXPENDITURES	\$ 20,941,737	\$ 14,818,192	41.32 %
Per Capita	\$ 1,539	\$ 1,096	40.39 %
Total Long-term Indebtedness	\$ 22,418,000	\$ 21,208,567	5.70 %
Per Capita	1,647	1,569	5.00
General Fund Balance - December 31	\$ 3,776,206	\$ 3,315,704	13.89 %
Per Capita	277	245	13.14

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 the Finance Director at (507) 625-4141.

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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				
	2015	2014*	2013	2012	2011
Governmental activities					
Net investment in capital assets	\$ 25,459,305	\$ 18,290,571	\$ 19,673,984	\$ 22,078,379	\$ 21,718,486
Restricted	8,277,733	8,188,704	8,745,277	7,064,989	9,836,509
Unrestricted	(737,444)	27,057	2,792,772	2,738,240	1,925,231
Total governmental activities net position	32,999,594	26,506,332	31,212,033	31,881,608	33,480,226
Business-type activities					
Net investment in capital assets	18,717,246	17,491,003	17,093,203	16,189,284	16,548,626
Unrestricted	1,818,513	2,716,102	3,281,817	3,169,994	3,011,862
Total business-type activities net position	20,535,759	20,207,105	20,375,020	19,359,278	19,560,488
Primary government					
Net investment in capital assets	44,176,551	35,781,574	36,767,187	38,267,663	38,267,112
Restricted	8,277,733	8,188,704	8,745,277	7,064,989	9,836,509
Unrestricted	1,081,069	2,743,159	6,074,589	5,908,234	4,937,093
Total primary government net position	\$ 53,535,353	\$ 46,713,437	\$ 51,587,053	\$ 51,240,886	\$ 53,040,714

* 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				
2010	2009	2008	2007	2006
\$ 17,936,216	\$ 19,365,624	\$ 17,817,241	\$ 15,835,956	\$ 16,520,668
9,430,699	9,176,578	9,114,637	10,404,126	7,886,659
5,332,038	4,146,659	1,333,792	2,217,057	150,512
32,698,953	32,688,861	28,265,670	28,457,139	24,557,839
16,636,920	16,782,600	17,083,850	16,984,629	17,075,156
3,002,540	2,906,271	3,027,945	3,074,678	2,803,457
19,639,460	19,688,871	20,111,795	20,059,307	19,878,613
34,573,136	36,148,224	34,901,091	32,820,585	33,595,824
9,430,699	9,176,578	9,114,637	10,404,126	7,886,659
8,334,578	7,052,930	4,361,737	5,291,735	2,953,969
<u>\$ 52,338,413</u>	<u>\$ 52,377,732</u>	<u>\$ 48,377,465</u>	<u>\$ 48,516,446</u>	<u>\$ 44,436,452</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				
	2015	2014*	2013	2012	2011
EXPENSES					
Governmental activities					
General government	\$ 824,191	\$ 782,620	\$ 1,034,873	\$ 849,434	\$ 952,893
Public safety	2,054,079	2,245,466	2,397,246	2,370,427	2,234,322
Public works	2,874,244	5,729,610	7,230,368	6,163,789	3,698,093
Culture and recreation	1,740,105	1,632,255	1,597,289	1,892,795	1,744,224
Housing and economic development	886,363	1,596,016	706,987	223,016	498,794
Mass transit and other	386,098	302,116	119,821	208,994	258,873
Interest on long-term debt	1,017,615	803,195	570,917	671,015	752,795
Total governmental activities expenses	9,782,695	13,091,278	13,657,501	12,379,470	10,139,994
Business-type activities					
Water	1,637,985	1,595,455	1,458,952	1,433,452	1,522,644
Sewer	1,864,280	1,549,721	1,354,223	1,539,133	1,498,908
Sanitation	558,817	416,917	1,267,083	1,292,299	1,263,485
Solid waste	590,757	1,006,229	-	-	-
Storm water	209,573	258,842	269,966	153,220	181,044
Total business-type activities expenses	4,861,412	4,827,164	4,350,224	4,418,104	4,466,081
Total primary government expenses	<u>\$ 14,644,107</u>	<u>\$ 17,918,442</u>	<u>\$ 18,007,725</u>	<u>\$ 16,797,574</u>	<u>\$ 14,606,075</u>
PROGRAM REVENUES					
Governmental activities					
Charges for services					
General government	\$ 125,230	\$ 143,601	\$ 133,401	\$ 145,142	\$ 112,111
Public safety	380,576	269,795	311,979	455,110	598,884
Public works	2,218	4,924	6,318	37,434	130,487
Culture and recreation	169,747	119,515	192,688	218,307	245,129
Housing and economic development	71,702	74,962	25,361	36,004	8,630
Miscellaneous	-	-	19	70	105
Operating grants and contributions	502,768	460,134	534,427	507,249	633,072
Capital grants and contributions	5,822,778	321,726	4,025,677	1,375,829	2,460,239
Total governmental activities program revenues	7,075,019	1,394,657	5,229,870	2,775,145	4,188,657
Business-type activities					
Charges for services					
Water	1,775,111	1,818,389	1,524,399	1,615,436	1,499,185
Sewer	2,056,200	2,092,942	1,535,142	1,525,340	1,510,772
Sanitation	496,243	392,086	1,292,386	1,333,111	1,394,977
Solid waste	720,103	905,274	-	-	-
Storm water	278,071	275,168	275,025	274,823	272,689
Operating grants and contributions	-	22,359	-	-	4,994
Capital grants and contributions	19,588	7,605	4,354	3,668	(6,230)
Total business-type activities program revenues	5,345,316	5,513,823	4,631,306	4,752,378	4,676,387
Total primary government program revenues	<u>\$ 12,420,335</u>	<u>\$ 6,908,480</u>	<u>\$ 9,861,176</u>	<u>\$ 7,527,523</u>	<u>\$ 8,865,044</u>

Table 2

Fiscal Year				
2010	2009	2008	2007	2006
\$ 959,723	\$ 930,604	\$ 1,008,554	\$ 833,703	\$ 1,007,853
2,264,321	2,286,258	2,214,366	2,200,140	2,106,983
3,560,018	3,406,397	3,262,925	3,610,095	2,609,482
1,674,756	1,342,384	1,228,603	908,793	1,252,630
209,738	243,652	141,947	25,662	-
487,047	121,883	449,855	388,607	222,391
739,561	811,657	961,301	1,001,100	889,943
9,895,164	9,142,835	9,267,551	8,968,100	8,089,282
1,473,548	1,526,268	1,378,921	1,307,569	1,169,608
1,544,390	1,607,815	1,429,251	1,522,923	1,163,489
1,252,643	1,231,517	1,304,752	1,265,362	1,159,853
-	-	-	-	-
173,870	163,749	152,949	169,727	83,364
4,444,451	4,529,349	4,265,873	4,265,581	3,576,314
\$ 14,339,615	\$ 13,672,184	\$ 13,533,424	\$ 13,233,681	\$ 11,665,596
\$ 106,238	\$ 103,099	\$ 102,951	\$ 83,618	\$ 64,342
436,145	350,957	400,619	417,051	391,500
3,932	1,036	1,197	4,592	6,313
248,396	153,760	166,278	137,303	125,746
7,803	7,851	-	-	-
131	1,153	66	15	391
231,029	222,321	201,368	203,661	306,991
1,725,806	5,161,365	1,281,966	5,542,281	4,318,797
2,759,480	6,001,542	2,154,445	6,388,521	5,214,080
1,523,160	1,578,865	1,611,559	1,530,615	1,378,301
1,490,287	1,506,070	1,561,157	1,584,169	1,565,478
1,335,497	1,261,556	1,306,662	1,281,663	1,228,712
-	-	-	-	-
272,530	268,913	263,539	214,888	179,178
-	-	-	-	-
14,438	(5,735)	9,509	17,185	1,053
4,635,912	4,609,669	4,752,426	4,628,520	4,352,722
\$ 7,395,392	\$ 10,611,211	\$ 6,906,871	\$ 11,017,041	\$ 9,566,802

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

	Fiscal Year				
	2015	2014*	2013	2012	2011
PROGRAM REVENUES - CONTINUED					
Net (expense)/revenue					
Governmental activities	\$ (2,707,676)	\$ (11,696,621)	\$ (8,427,631)	\$ (9,604,325)	\$ (5,951,337)
Business-type activities	483,904	686,659	281,082	334,274	210,306
Total primary government net expense	<u>\$ 2,223,772</u>	<u>\$ 11,009,962</u>	<u>\$ 8,146,549</u>	<u>\$ 9,270,051</u>	<u>\$ 5,741,031</u>
GENERAL REVENUES AND OTHER					
CHANGES IN NET POSITION					
Governmental activities					
Taxes					
Property taxes, levied for general purposes	\$ 4,136,899	\$ 3,881,293	\$ 3,802,650	\$ 3,646,058	\$ 2,894,504
Property taxes, levied for debt service	1,472,150	1,530,005	1,523,672	1,380,015	1,475,843
Tax increments	300,455	340,664	-	-	-
Local option sales tax	588,643	531,148	536,417	545,157	462,223
Hotel-motel tax	55,209	48,590	46,550	47,126	40,685
Gambling tax	21,422	18,792	16,443	16,427	13,049
Franchise taxes	413,458	355,218	344,761	336,607	332,469
Grants and contributions not restricted to specific programs	1,653,437	1,641,553	1,375,680	1,323,673	1,456,390
Unrestricted investment earnings	5,060	34,076	8,337	4,259	33,678
Other revenues	232,052	266,429	84,632	104,107	67,840
Gain on sale of capital assets	163,426	740,948	52,813	11,052	-
Transfers	158,727	97,101	(723,480)	376,226	241,630
Total governmental activities	<u>9,200,938</u>	<u>9,485,817</u>	<u>7,068,475</u>	<u>7,790,707</u>	<u>7,018,311</u>
Business-type activities					
Taxes					
Property taxes, levied for debt service	-	-	-	50,000	50,000
Local option sales tax	1,367	1,391	1,067	1,079	965
Unrestricted investment earnings	2,110	4,283	10,113	4,663	1,564
Transfers	(158,727)	(97,101)	723,480	(376,226)	(241,630)
Total business-type activities	<u>(155,250)</u>	<u>(91,427)</u>	<u>734,660</u>	<u>(320,484)</u>	<u>(189,101)</u>
Total primary government	<u>\$ 9,045,688</u>	<u>\$ 9,394,390</u>	<u>\$ 7,803,135</u>	<u>\$ 7,470,223</u>	<u>\$ 6,829,210</u>
CHANGES IN NET POSITION					
Governmental activities	\$ 6,493,262	\$ (2,210,804)	\$ (1,359,156)	\$ (1,813,618)	\$ 1,066,974
Business-type activities	328,654	595,232	1,015,742	13,790	21,205
Total primary government	<u>\$ 6,821,916</u>	<u>\$ (1,615,572)</u>	<u>\$ (343,414)</u>	<u>\$ (1,799,828)</u>	<u>\$ 1,088,179</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 2 (continued)

Fiscal Year				
2010	2009	2008	2007	2006
\$ (7,135,684)	\$ (3,141,293)	\$ (7,113,106)	\$ (2,579,579)	\$ (2,875,202)
191,461	80,320	486,553	362,939	776,408
<u>\$ 6,944,223</u>	<u>\$ 3,060,973</u>	<u>\$ 6,626,553</u>	<u>\$ 2,216,640</u>	<u>\$ 2,098,794</u>
\$ 3,027,372	\$ 2,921,378	\$ 2,900,598	\$ 2,644,377	\$ 2,336,353
1,413,987	1,318,208	1,268,421	1,189,615	1,198,015
-	-	-	-	-
440,566	377,859	82,619	-	-
42,106	39,255	46,418	53,030	50,925
13,168	12,306	11,092	13,082	14,650
326,812	321,266	166,928	43,707	41,531
1,452,797	1,931,894	1,827,286	1,946,778	2,164,316
13,917	26,143	63,312	153,821	180,730
121,274	64,246	39,388	107,962	58,409
-	(6,136)	-	-	-
<u>293,777</u>	<u>558,065</u>	<u>515,575</u>	<u>(422,198)</u>	<u>(1,251,381)</u>
<u>7,145,776</u>	<u>7,564,484</u>	<u>6,921,637</u>	<u>5,730,174</u>	<u>4,793,548</u>
50,000	50,000	50,000	50,000	50,000
949	956	193	-	-
1,956	3,865	31,317	94,262	36,800
<u>(293,777)</u>	<u>(558,065)</u>	<u>(515,575)</u>	<u>422,198</u>	<u>1,251,381</u>
<u>(240,872)</u>	<u>(503,244)</u>	<u>(434,065)</u>	<u>566,460</u>	<u>1,338,181</u>
<u>\$ 6,904,904</u>	<u>\$ 7,061,240</u>	<u>\$ 6,487,572</u>	<u>\$ 6,296,634</u>	<u>\$ 6,131,729</u>
\$ 10,092	\$ 4,423,191	\$ (191,469)	\$ 3,150,595	\$ 1,918,346
<u>(49,411)</u>	<u>(422,924)</u>	<u>52,488</u>	<u>929,399</u>	<u>2,114,589</u>
<u>\$ (39,319)</u>	<u>\$ 4,000,267</u>	<u>\$ (138,981)</u>	<u>\$ 4,079,994</u>	<u>\$ 4,032,935</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						
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
2015	4,136,899	1,472,150	300,455	588,643	55,209	21,422	413,458	6,988,236

* 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				
	2006	2007	2008	2009	2010
General fund					
Reserved	\$ 64,385	\$ 66,586	\$ 73,864	\$ 171,481	\$ -
Unreserved	1,687,453	1,790,838	1,855,865	1,938,446	-
Nonspendable	-	-	-	-	79,792
Unassigned	-	-	-	-	2,238,480
Total General fund	<u>\$ 1,751,838</u>	<u>\$ 1,857,424</u>	<u>\$ 1,929,729</u>	<u>\$ 2,109,927</u>	<u>\$ 2,318,272</u>
All other governmental funds					
Reserved	\$ 2,248,425	\$ 2,517,949	\$ 2,878,350	\$ 2,511,919	\$ -
Unreserved, reported in					
Special revenue funds	232,382	219,939	342,772	1,798,112	-
Capital projects funds	2,053,767	625,918	(722,371)	2,303,119	-
Debt Service funds	(890,602)	(1,846,138)	(2,715,778)	(3,525,136)	-
Nonspendable	-	-	-	-	5,556
Restricted	-	-	-	-	3,207,722
Committed	-	-	-	-	525,157
Assigned	-	-	-	-	1,431,631
Unassigned	-	-	-	-	-
Total all other governmental funds	<u>\$ 3,643,972</u>	<u>\$ 1,517,668</u>	<u>\$ (217,027)</u>	<u>\$ 3,088,014</u>	<u>\$ 5,170,066</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				
2011	2012	2013	2014*	2015
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
76,564	86,949	86,910	109	1,607,122
2,085,321	2,731,388	2,702,101	3,315,595	2,169,084
<u>\$ 2,161,885</u>	<u>\$ 2,818,337</u>	<u>\$ 2,789,011</u>	<u>\$ 3,315,704</u>	<u>\$ 3,776,206</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
2,896	3,109	7,987	-	-
3,705,717	915,958	283,663	3,056,286	3,964,229
206,264	105,848	196,439	-	-
2,099,560	1,350,284	471,701	434,537	352,166
(1,086,396)	(1,131,951)	(826,926)	(1,458,544)	(1,904,750)
<u>\$ 4,928,041</u>	<u>\$ 1,243,248</u>	<u>\$ 132,864</u>	<u>\$ 2,032,279</u>	<u>\$ 2,411,645</u>

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

	Fiscal Year				
	2006	2007	2008	2009	2010
REVENUES					
Taxes	\$ 3,632,564	\$ 3,935,312	\$ 4,451,394	\$ 4,973,898	\$ 5,217,778
Special assessments	2,237,837	1,634,954	1,563,332	1,779,206	709,385
Licenses and permits	305,370	356,710	359,611	347,939	477,704
Intergovernmental revenue	3,091,342	2,831,939	2,435,714	4,326,710	3,145,988
Charges for services	158,122	177,289	186,026	128,919	166,744
Fines and forfeits	65,543	48,558	48,334	38,850	37,566
Interest	180,730	153,821	63,312	26,143	13,917
Other revenues	311,818	178,433	168,361	1,061,107	299,969
TOTAL REVENUES	9,983,326	9,317,016	9,276,084	12,682,772	10,069,051
EXPENDITURES					
General government	939,346	952,073	948,751	866,921	906,426
Public safety	1,229,465	1,358,089	1,479,445	1,978,722	1,972,956
Public works	980,072	1,111,399	1,246,102	1,540,916	1,524,184
Culture and recreation	1,815,052	1,906,303	2,080,112	1,277,069	1,490,825
Housing and economic development	-	25,662	141,947	243,652	209,738
Miscellaneous	203,868	162,368	158,480	139,897	178,640
Capital outlay	7,887,293	5,562,047	5,680,942	3,533,734	3,726,148
Debt service					
Principal	3,840,000	3,091,000	5,390,604	5,127,000	3,796,000
Interest	787,417	953,323	784,997	892,263	788,915
Bond issuance costs	-	-	-	-	-
TOTAL EXPENDITURES	17,682,513	15,122,264	17,911,380	15,600,174	14,593,832
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(7,699,187)	(5,805,248)	(8,635,296)	(2,917,402)	(4,524,781)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	-	-	-	-	-
Transfers in	981,278	456,935	1,535,833	698,849	3,328,062
Debt issued	8,380,000	3,440,000	6,255,000	5,986,000	3,055,000
Refunding bonds issued	-	-	-	-	3,455,000
Premium (discount) on bonds issued	7,970	(12,605)	(120,949)	111,574	11,401
Payments to refunded bond escrow agent	-	-	-	-	-
Transfers out	(525,803)	(99,800)	(696,978)	(393,782)	(3,034,285)
TOTAL OTHER FINANCING SOURCES (USES)	8,843,445	3,784,530	6,972,906	6,402,641	6,815,178
NET CHANGE IN FUND BALANCES	\$ 1,144,258	\$ (2,020,718)	\$ (1,662,390)	\$ 3,485,239	\$ 2,290,397
Debt service as a percentage of noncapital expenditures	46%	42%	49%	46%	40%

* 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				
2011	2012	2013	2014*	2015
\$ 5,278,200	\$ 5,976,295	\$ 6,264,476	\$ 6,696,431	\$ 7,054,778
766,699	928,169	1,252,603	1,133,696	1,856,215
521,628	526,752	388,769	357,809	448,871
4,141,816	2,679,783	2,949,485	2,331,472	6,540,969
296,974	164,332	166,102	134,075	199,242
29,492	27,172	21,599	20,068	27,578
33,678	3,708	8,337	34,217	5,060
695,383	774,640	616,150	782,761	713,594
11,763,870	10,730,851	11,317,521	11,140,529	16,496,307
937,067	927,260	992,041	785,958	839,835
2,093,243	2,171,535	2,209,974	2,071,637	2,120,907
1,870,220	1,776,726	1,707,461	1,880,130	1,784,547
1,528,750	1,522,910	1,327,214	1,397,997	1,485,325
498,757	223,016	705,627	1,005,448	863,831
154,165	110,127	116,638	250,780	358,907
3,846,946	5,242,222	2,430,920	3,463,555	9,065,255
3,933,000	2,440,000	2,136,130	3,147,726	3,380,567
760,628	688,637	620,370	746,813	959,390
-	16,348	-	68,148	83,173
15,622,776	15,118,781	12,246,375	14,818,192	20,941,737
(3,858,906)	(4,387,930)	(928,854)	(3,677,663)	(4,445,430)
-	-	52,813	740,948	166,105
3,535,474	1,001,497	1,835,086	1,768,333	1,167,614
3,215,000	1,000,423	-	2,845,000	4,590,000
-	-	-	-	-
3,864	-	-	131,790	127,443
-	-	(615,000)	-	-
(3,293,844)	(642,331)	(1,514,507)	(1,357,977)	(765,864)
3,460,494	1,359,589	(241,608)	4,128,094	5,285,298
\$ (398,412)	\$ (3,028,341)	\$ (1,170,462)	\$ 450,431	\$ 839,868
39%	25%	20%	32%	39%

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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
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
2015	5,675,591	300,455	588,643	413,458	55,209	21,422	7,054,778

* 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
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
2015	7,539,514	2,922,120	196,518	255,229	10,402,923

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
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
52.901	898,283,600	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	
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
2015	38.242	14.659	52.901	49.380	22.600	0.450	125.331

Source: Nicollet County Auditor

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

Taxpayer	Type of Business	2015		
		Taxable Tax Capacity	Rank	Percentage of Total Taxable Assessed Value
Taylor Corporation	Printing	\$ 245,302	1	2.4 %
Kato Engineering	Electric rotating equipment	116,580	2	1.1
Wis-Pak of Mankato	Bottling	100,960	3	1.0
Costumes Galore	Costumes	99,872	4	1.0
Carlson Wedding Service	Specialty printing	97,108	5	0.9
Corporate Graphics	Printing	85,134	6	0.8
Carlson Craft Commercial	Specialty printing	80,476	7	0.8
Minnegasco, Inc.	Utility	79,432	8	0.8
Ziegler Mankato LLC	Sales and service of Cat equipment	79,224	9	0.8
LJP Enterprises	Sanitation	73,038	10	0.7
Taylor Development	Commercial	-		-
Coloplast Corporation	Skin care and hygiene products	-		-
Carlson Craft	Printing	-		-
MICO	Hydraulic products	-		-
Total		<u>\$ 1,057,126</u>		<u>10.3 %</u>

Source: Blue Earth County Administrative Services.

Table 9

2006			Percentage of Total Taxable Assessed Value
Taxable Assessed Value	Rank		
\$ 177,368	2		1.8 %
180,793	1		1.9
171,029	3		1.8
-			-
136,046	5		1.4
169,456	4		1.7
110,553	6		1.1
-			-
-			-
-			-
110,553	7		1.1
84,264	8		0.9
83,716	9		0.9
<u>77,297</u>	10		<u>0.8</u>
<u>\$ 1,301,075</u>			<u>13.4 %</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
2006	\$ 4,218,750	\$ 4,170,453	98.9 %	\$ 46,802	\$ 4,217,255	100.0 %
2007	4,218,750	4,163,756	98.7	52,916	4,216,672	100.0
2008	4,603,569	4,540,135	98.6	61,480	4,601,615	100.0
2009	4,674,079	4,603,876	98.5	67,917	4,671,793	100.0
2010	4,814,154	4,734,892	98.4	75,644	4,810,536	99.9
2011	4,814,154	4,757,059	98.8	51,417	4,808,476	99.9
2012	5,152,123	5,107,411	99.1	35,357	5,142,768	99.8
2013	5,383,784	5,330,133	99.0	40,819	5,370,952	99.8
2014	5,383,784	5,332,446	99.0	32,865	5,365,311	99.7
2015	5,596,414	5,552,914	99.2	-	5,552,914	99.2

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
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	-
2015	5,991,378	1,246,863	11,880,678	2,967,111	628,000	-

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		Total Primary Government	Percentage of Personal Income		Per Capita
Utility G.O. Revenue Bonds	G.O. Special Assessment Bonds				
\$ 3,914,155	\$ 1,395,000	\$ 30,918,759	8.86 %	\$	2,452
3,556,920	1,345,000	30,860,524	8.42		2,402
8,008,063	1,290,000	31,336,063	8.25		2,423
8,217,592	1,235,000	32,454,592	8.22		2,488
8,520,257	1,180,000	35,311,257	8.46		2,636
7,911,190	1,120,000	33,924,190	7.89		2,533
6,578,565	1,983,906	31,975,384	7.18		2,375
6,016,600	1,919,760	30,247,040	6.57		2,237
5,441,648	1,855,614	30,697,900	6.47		2,271
10,601,119	1,148,513	34,463,662	7.01		2,532

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
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
2015	5,991,378	1,246,863	11,880,678	2,967,111	10,601,119	1,148,513

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
\$ 27,819,155	\$ 48,198	\$ 27,770,957	2.95 %	\$ 2,203
27,940,920	15,868	27,925,052	2.74	2,173
30,531,063	77,039	30,454,024	2.96	2,354
32,184,592	410,177	31,774,415	3.31	2,436
35,206,257	494,778	34,711,479	3.76	2,592
30,664,190	542,661	30,121,529	3.45	2,249
28,654,961	859,809	27,795,152	3.19	2,065
29,454,747	858,650	28,596,097	3.06	2,115
30,019,333	1,168,969	28,850,364	3.37	2,134
33,835,662	3,310,767	30,524,895	3.40	2,243

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CITY OF NORTH MANKATO, MINNESOTA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2015

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	<u>\$ 22,714,030</u>	100.00 %	<u>\$ 22,714,030</u>
Overlapping debt			
Nicollet County	17,975,000	34.15	6,138,463
Blue Earth County	19,153,282	0.01	1,341
Independent School Dist. 77	<u>105,600,000</u>	18.49	<u>19,521,005</u>
Total overlapping debt	<u>142,728,282</u>		<u>25,660,809</u>
Total direct and overlapping debt	<u><u>\$ 165,442,312</u></u>		<u><u>\$ 48,374,839</u></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>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Debt limit	\$ 17,039,185	\$ 16,049,306	\$ 24,497,850	\$ 27,804,603	\$ 27,714,156
Total net debt applicable to limit	<u>1,380,000</u>	<u>1,090,000</u>	<u>2,940,000</u>	<u>2,771,000</u>	<u>2,963,000</u>
Legal debt margin	<u>\$ 15,659,185</u>	<u>\$ 14,959,306</u>	<u>\$ 21,557,850</u>	<u>\$ 25,033,603</u>	<u>\$ 24,751,156</u>
Total net debt applicable to the limit as a percentage of debt limit	8.10%	6.79%	12.00%	9.97%	10.69%

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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014*</u>	<u>2015</u>
\$ 26,222,790	\$ 26,120,184	\$ 28,036,233	\$ 25,707,411	\$ 26,948,508
<u>2,488,000</u>	<u>2,638,766</u>	<u>5,526,338</u>	<u>8,169,700</u>	<u>5,991,378</u>
<u>\$ 23,734,790</u>	<u>\$ 23,481,418</u>	<u>\$ 22,509,895</u>	<u>\$ 17,537,711</u>	<u>\$ 20,957,130</u>
9.49%	10.10%	19.71%	31.78%	22.23%
Total estimated market value				<u>\$ 898,283,600</u>
Debt limit (3% of total assessed value)				26,948,508
Debt applicable to limit:				
General obligation bonds				<u>5,991,378</u>
Legal debt margin				<u>\$ 20,957,130</u>

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	
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	5,489,533	3,766,201	1,723,332	640,829	278,265	919,094	1.88
2015	5,274,560	3,731,462	1,543,098	828,674	317,525	1,146,199	1.35

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

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2006	12,608	\$ 349,102,912	\$ 27,689	33.8	6,872	3.2 %
2007	12,850	366,482,000	28,520	33.8	7,119	3.7
2008	12,935	379,978,560	29,376	33.8	6,999	5.3
2009	13,045	394,702,565	30,257	33.8	7,022	6.2
2010	13,394	417,424,010	31,165	33.8	7,258	4.6
2011	13,394	429,947,400	32,100	33.8	7,392	5.6
2012	13,462	445,094,106	33,063	35.5	7,354	4.4
2013	13,520	460,423,600	34,055	35.5	7,598	4.1
2014	13,520	474,241,040	35,077	37.7	7,718	2.6
2015	13,610	491,715,690	36,129	36.8	8,076	3.2

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.

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

Table 17

	2015			2006		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Mayo Clinic Health System	2,427	1	4.2 %	1,200	3	2.3 %
Independent School District 77 (Mankato)	2,269	2	3.9	1,993	2	3.8
Minnesota State University Mankato	1,700	3	3.0	1,200	4	2.3
Carlson Craft	1,100	4	1.9	2,200	1	4.2
Navitor	750	5	1.3	-		-
Mankato Clinic	682	6	1.2	700	5	1.3
Bethany Lutheran College	429	7	0.7	475	8	0.9
Verizon Wireless	422	8	0.7	450	9	0.9
Precision Press	300	9	0.5	-		-
Walters Publishing	300	10	0.5	-		-
South Central Technical College	-		-	542	6	1.0
Taylor Corporation	-		-	365	10	0.7
The Thro Company	-		-	500	7	1.0
Total	<u>10,379</u>		<u>18.0 %</u>	<u>9,625</u>		<u>18.4 %</u>
Total City Employment	<u>57,505</u>			<u>52,183</u>		

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				
	2006	2007	2008	2009	2010
General government	10.5	12.0	11.5	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	4.0	5.0	5.0	5.0	5.0
Public works					
Maintenance	11.0	10.0	11.0	11.0	11.0
Culture and recreation					
Parks	6.0	6.0	6.0	6.0	6.0
Library	5.0	5.0	5.5	6.0	6.5
Water	6.0	8.0	8.0	7.0	6.0
Sewer	2.0	2.0	2.0	2.0	2.0
Sanitation	1.0	1.0	1.0	1.5	1.5
Total	<u>59.0</u>	<u>62.5</u>	<u>63.50</u>	<u>63.5</u>	<u>63.0</u>

Source: City Personnel Records

Table 18

Full-time Equivalent Employees as of December 31				
2011	2012	2013	2014	2015
11.5	11.5	10.5	9.5	9.5
12.0	13.0	13.0	13.0	14.0
1.5	1.5	1.5	1.5	1.5
5.0	4.0	4.0	4.0	4.0
10.0	10.0	10.0	10.0	10.0
7.0	5.0	5.0	5.0	4.0
6.5	6.5	6.5	5.5	5.5
6.0	6.0	6.0	5.0	5.0
2.0	2.0	2.0	2.0	2.0
1.5	1.5	1.5	1.5	1.5
63.0	61.0	60.0	57.0	57.0

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

Function	Fiscal Year				
	2006	2007	2008	2009	2010
Police					
Physical arrests	1,364	1,025	1,025	1,034	1,217
Accidents	125	173	134	129	125
Police reserve volunteer hours	880	968	1,242	1,104	1,503
Educational programs	22	18	13	8	16
Fire					
Number of calls answered	144	136	120	112	147
Public works					
Street seal coating (miles)	7.1	5.8	5.8	3.1	4.8
Sanitation					
Refuse collected (tons)	3,889	3,963	3,953	3,807	3,760
Culture and recreation					
Swim facility attendance	17,316	19,019	20,843	15,237	21,970
Library circulation (items checked out)	132,929	158,589	180,554	193,892	236,863
Bookmobile circulation	n/a	n/a	n/a	27,664	30,947
Water					
Total connections	5,907	6,083	6,196	6,311	6,349
Average daily consumption (thousands of gallons)	1,434	1,483	1,415	1,372	1,280

Sources: Various City departments.

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

Table 19

Fiscal Year				
2011	2012	2013	2014	2015
797	707	731	796	836
198	171	196	220	220
1,392	1,318	1,480	1,118	1,200
17	14	18	16	24
108	126	100	141	104
8.7	6.6	7.8	7.2	7.0
3,573	3,331	3,510	3,433	3,466
21,037	20,114	17,456	14,764	15,095
261,061	266,163	251,467	243,675	173,761
41,082	39,309	39,309	29,667	21,796
6,375	6,480	6,572	6,682	6,921
1,282	1,463	1,326	1,442	1,250

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

Function	Fiscal Year				
	2006	2007	2008	2009	2010
General government					
Planning and zoning					
Building permits issued	615	825	976	1,042	2,190
Public safety					
Police					
Stations	1	1	1	1	1
Fulltime paid police	12	12	12	12	12
Volunteer police reserves	16	18	17	17	17
Fire					
Stations	2	2	2	2	2
Volunteer fire fighters	33	35	38	38	36
I.S.O. Rating	5	5	5	5	5
Public works					
Street division					
Miles of street	64.05	66.09	66.09	67.31	68.50
Signalized intersections	6	6	6	6	6
Parks division					
Parks	20	20	20	20	20
Area in acres	245	250	250	250	250
Baseball diamonds	14	14	14	14	14
Basketball courts	8	8	8	8	8
Horseshoe courts	8	13	13	13	13
Trails	5	5	6	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	5,907	6,083	6,196	6,311	6,349
Average daily consumption (thousands of gallons)	1,434	1,483	1,415	1,387	1,280
Maximum daily consumption (thousands of gallons)	2,696	2,845	3,045	2,809	2,466

Source: City of North Mankato Financial Records.

Table 20

Fiscal Year				
2011	2012	2013	2014	2015
1,750	1,574	980	916	946
1	1	1	1	1
12	13	13	13	14
19	17	18	15	15
2	2	2	2	2
35	35	34	36	35
4	4	4	4	4
75.37	77.06	77.00	77.00	77.00
6	6	5	5	5
21	21	21	21	21
251	251	251	278	278
14	14	14	14	14
8	8	8	8	8
13	12	13	12	12
6	6	6	6	6
5	5	5	5	5
-	10	10	13	13
11	11	11	11	11
1	1	1	1	1
8	8	8	8	8
9	9	9	9	9
6,375	6,480	6,572	6,682	6,854
1,282	1,463	1,326	1,442	1,250
2,267	3,030	2,412	2,480	2,680

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**SINGLE AUDIT AND
OTHER REQUIRED REPORTS**

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2015

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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, 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, 2015, and the related notes to the financial statements, and have issued our report thereon dated June 20, 2016.

The *Minnesota Legal Compliance Audit Guide for Cities*, 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 Cities*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

This report is intended solely for the information and use of those charged with governance and management of the City and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Abdo, Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 20, 2016

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, 2015, 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 20, 2016.

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 certain deficiencies in internal control, described in the accompanying Schedule of Findings, Responses and Questioned Costs as items 2015-001 and 2015-002 that we consider to be a significant deficiencies.

Compliance and Other Matters

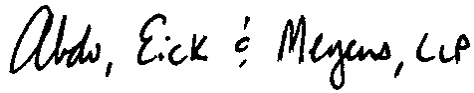
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings, Responses and Questioned Costs. 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

Mankato, Minnesota

June 20, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT
ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE

Honorable Mayor and City Council
City of North Mankato, Minnesota

Report on Compliance for Each Major Federal Program

We have audited the City of North Mankato's, North Mankato, Minnesota (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2015. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015

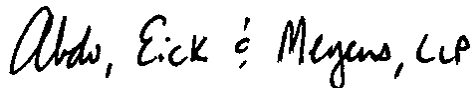
Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



ABDO, EICK & MEYERS, LLP

Mankato, Minnesota

June 20, 2016

CITY OF NORTH MANKATO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

<u>Federal Grantor</u>	<u>Pass-Through Grantor</u>	<u>Program Title</u>	<u>Catalog of Federal Domestic Assistance Number</u>	<u>State or Other Contract Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Housing and Urban Development	Minnesota Department of Employment and Economic Development	Community Development Block Grants	14.228		\$ 54,203
U.S. Department of Justice		Bulletproof Vest Partnership Program	16.607		9,829
U.S. Department of Transportation	Minnesota Department of Transportation	Highway Planning and Construction	20.205		3,037,182
U.S. Department of Environmental Protection Agency	Minnesota Public Facilities Authority	Capitalization Grants for Drinking Water State Revolving Funds	66.468	MPFA-15-0001-R-FY15	<u>1,112,108</u>
	Total Expended				<u>\$ 4,213,322</u>

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015

Note 1: Basis of presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of North Mankato, Minnesota, (the City) for the year ended December 31, 2015. The City's reporting entity is defined in Note 1A to the City's financial statements. The information in this schedule is presented in accordance with the requirement of the Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations. All Federal awards received directly from Federal agencies as well as Federal awards passed through other government agencies are included on the schedule.

Note 2: Summary of significant accounting policies for expenditures

Expenditures reported on this schedule are reported on both the accrual and the modified accrual basis of accounting.

Note 3: Pass-through entity identifying numbers

Pass-through entity identifying numbers, if any, are presented where available.

Note 4: Subrecipients

No federal expenditures presented in this schedule were provided to subrecipients.

Note 5: Indirect cost rate

During the year ended December 31, 2015, the City did not elect to use the 10% de minimis indirect cost rate.

CITY OF NORTH MANKATO, MINNESOTA
SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2CFR section 200.516(a)?	No

Identification of Major Programs/Projects

	<u>CFDA No.</u>
Highway Planning and Construction	20.205
Capitalization Grants for Drinking Water State Revolving Funds	66.468
Dollar threshold used to distinguish between Type A and Type B Programs	\$ 750,000
Auditee qualified as low-risk auditee?	No

Section II - Financial Statement Findings

Two significant deficiencies relating to the audit of the financial statements are reported in the 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*. Findings 2015-001 and 2015-002 are reported as significant deficiencies.

Section III - Major Federal Award Findings and Questioned Costs

There are no significant deficiencies, material weaknesses, or instances of noncompliance including questioned costs that are required to be reported in accordance with the Uniform Guidance.

Section IV - Schedule of Prior Year Audit Findings

There was a prior year audit finding that is attached as finding 2014-001.

Other Issues

A Corrective Action Plan is not required because there were no findings required to be reported under the Federal Single Audit Act.

CITY OF NORTH MANKATO, MINNESOTA
SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015

<u>Finding</u>	<u>Description</u>
2015-001	Preparation of financial statements
<i>Condition:</i>	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.
<i>Criteria:</i>	Internal controls should be in place to ensure adequate internal control over safeguarding of assets and the reliability of financial records and reporting.
<i>Cause:</i>	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.
<i>Effect:</i>	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.
<i>Recommendation:</i>	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.
<i>Management response:</i>	For now, the City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

CITY OF NORTH MANKATO, MINNESOTA
SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2015

<u>Finding</u>	<u>Description</u>
2015-002	Audit adjustment
<i>Condition:</i>	During our audit, an adjustment of \$523,029 was needed to record additional contracts and retainage payable.
<i>Criteria:</i>	The financial statements are the responsibility of the City's management.
<i>Cause:</i>	City staff has not prepared a year-end trial balance reflecting all necessary accounting entries.
<i>Effect:</i>	This indicates that it would be likely that a misstatement may occur and not be detected by the City's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.
<i>Recommendation:</i>	We recommend that management review each journal entry, obtain an understanding of why the entry was necessary and modify current procedures to ensure that future corrections are not needed.
<i>Management response:</i>	
	Management will continue to review and gain an understanding of the audit adjustments in order to reduce the number of entries necessary for future audits.

CITY OF NORTH MANKATO, MINNESOTA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2015

<u>Finding</u>	<u>Description</u>
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2014-001	Preparation of financial statements
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<i>Condition:</i>	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.
<i>Criteria:</i>	Internal controls should be in place to ensure adequate internal control over safeguarding of assets and the reliability of financial records and reporting.
<i>Cause:</i>	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.
<i>Effect:</i>	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.
<i>Recommendation:</i>	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.

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