

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2016

PREPARED BY:

FINANCE DEPARTMENT

KEVIN MCCANN
Finance Director

Member GFOA of U.S. and Canada
Published June 27, 2017

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INTRODUCTORY SECTION

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016

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June 27, 2017

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 (GAAS) 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, 2016.

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 licensed certified public accounting firm. 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, 2016 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, 2016 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 13,808. 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 services. 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 3.1 percent which represents an increase from the previous year rate of 2.7 percent, mostly due to closing retailers. 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 57,992 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 2016 for 23 new residential housing units at a total value of \$6,125,130. The market value of all new residential, commercial and industrial permits in fiscal year 2016 was \$17,507,669. 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 North Mankato Port Authority, 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 2016 the outstanding balance was \$1,833,864. 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.

Major Developments

- Sale of 12 acres to North Central Utility (semi-trailer service, parts, sales) building in North Port Industrial Park.
- Development of a 40,000 square foot North Central Utility building.
- \$1,200,000 remodel of the Taylor Corporation building.

2016 Five-Year Capital Improvement Plan Projects

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 (CSAH) 41 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.

2016 Roe Crest Dr. Project – This project consists of complete reconstruction of water, sewer, and storm water utilities, curb, gutter, and street surfaces along Roe Crest Dr. from Lee Blvd. to Marie Lane at a cost of \$1,335,000. The project will be financed using general obligation bonds and paid from special assessments, enterprise funds, and the property tax levy.

Municipal Building Improvement Project – This project consists of the redesign of the Municipal Building entrance and parking lot by removing the old handicap ramp and parking lot to raise the ground up six feet to construct a gently sloped sidewalk and parking lot that meet ADA requirements with improved aesthetics and functionality. Project includes new front entry sidewalk, parking lot, hardscaping and landscaping, and lighting for a total project cost of \$337,000. Funding for the project came from Community Development Block Grant allocations and the Capital Facilities and Equipment Replacement Fund.

Equipment

The Five-Year Capital Improvement Plan calls for the replacement of \$3.2 million dollars of equipment to be funded with cash contributions from the City's General fund, Capital Facilities and Equipment Replacement 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, 2015. This was the twenty-ninth year that the City has received the prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable requirements.

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

Respectfully submitted,



John Harrenstein
City Administrator



Kevin McCann
Finance Director

CITY OF NORTH MANKATO, MINNESOTA
PRINCIPAL CITY OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2016

MAYOR: *Mark Dehen*

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

CITY ADMINISTRATOR: *John Harrenstein*

FINANCE DIRECTOR: *Kevin McCann*

CITY CLERK: *April Van Genderen*

POLICE CHIEF: *Chris Boyer*

FIRE CHIEF: *Rich Inman*

PUBLIC WORKS DIRECTOR: *Brad Swanson*

WATER SUPERINTENDENT: *Duane Rader*

BUILDING OFFICIAL: *Dave Knudson*

LIBRARY DIRECTOR: *Lucy Lowry*

CITY PLANNER: *Mike Fischer*

CITY ATTORNEY: *Kennedy and Kennedy*

CONSULTING ENGINEER: *Bolton & Menk*

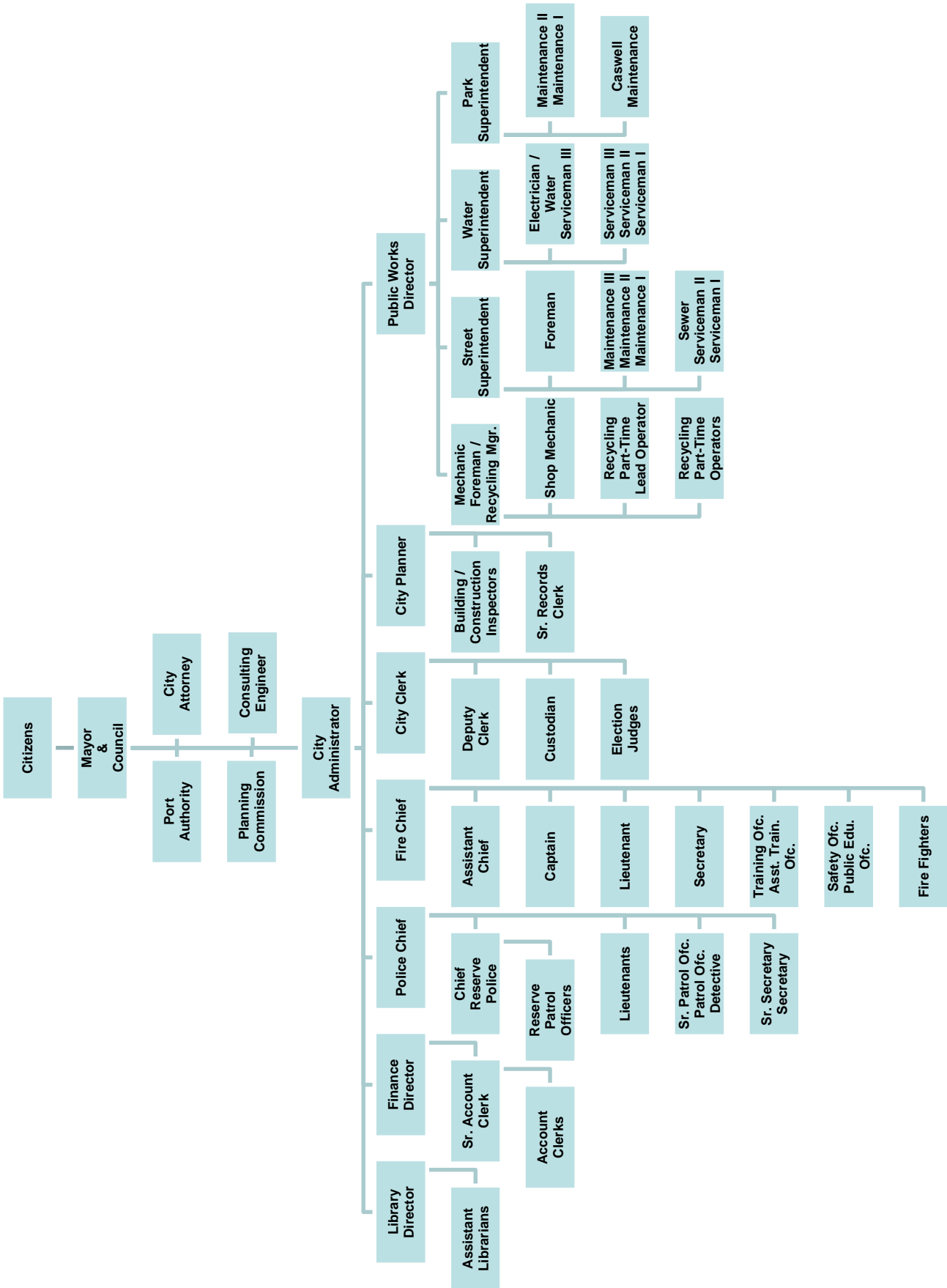
AUDITOR: *Abdo, Eick & Meyers, LLP*

BOND COUNSEL: *Kennedy & Graven, Chtd.*

FINANCIAL ADVISOR: *Northland Securities, Inc.*

PORT AUTHORITY BOND COUNSEL: *Briggs & Morgan and Kennedy & Graven, Chtd.*

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, 2015

Executive Director/CEO

FINANCIAL SECTION

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016

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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 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, 2016, 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Report on Summarized Comparative Information

We have previously audited the City's 2015 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information in our report dated June 20, 2016. In our opinion, the summarized comparative information presented herein for the respective proprietary fund financial statements as of and for the year ended December 31, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

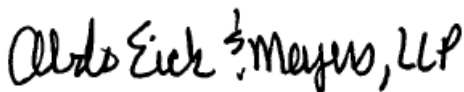
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules and statistical section are presented for purposes of additional 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 27, 2017, 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 27, 2017

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, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found starting on page 7 of this report.

Financial Highlights

- The assets 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 \$52,766,363 (*net position*). Of this amount, a balance of \$885,083 represents *unrestricted net position* which may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$768,990 as compared to an increase of \$6,821,916 in the previous year.
 - Capital grants and contributions decreased by \$4,745,754 from 2015, mostly due to street construction State aid of \$1,940,320 and street construction Federal aid of \$3,037,182 in the prior year.
 - Public safety expenses increased \$786,274 mainly due to activity related to GASB 68.
 - Housing and economic development expenses increased \$1,345,507 mainly due to a loss recorded on a sale of lots.
 - Business-type activities net position decreased \$105 from 2015. This was mostly due to increases in expenses in the water, sewer, storm water and solid waste functions from the prior year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,626,187 an increase of \$1,438,336 in comparison with the prior year. Major factors contributing to this increase relates to General fund balance increasing and revenues and other financing sources exceeding debt service expenditures in the Debt Service fund. However, the 2015 Construction fund deficit continued during the year was caused by the State advancing Municipal State Aid Funds for Streets that were received in cash by the City in 2015 and 2016 but will not be recognized as revenue until available in future years. At the end of the current fiscal year, unassigned fund balance was a deficit of \$698,940 .

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

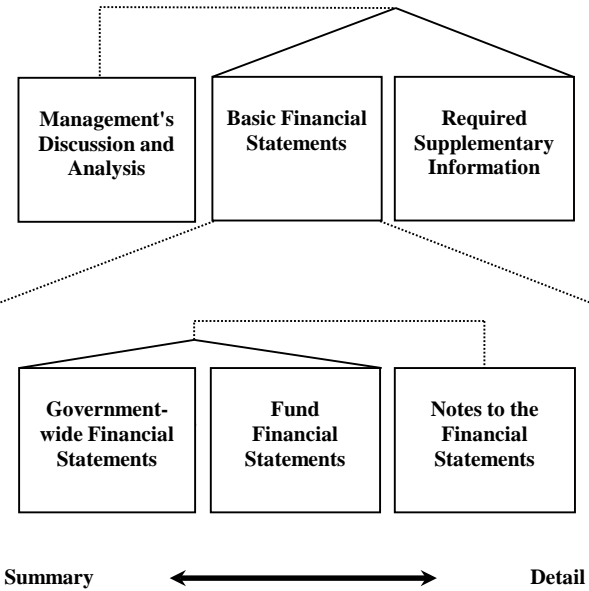


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the 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 42 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, the 2015 Construction fund and the 2016 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 \$52,766,363 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (82.4 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		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Current and other assets	\$ 16,600,392	\$ 17,300,117	\$ (699,725)	\$ 5,751,419	\$ 6,850,164	\$ (1,098,745)
Net capital assets	44,586,514	45,598,161	(1,011,647)	26,675,252	27,071,878	(396,626)
Total assets	61,186,906	62,898,278	(1,711,372)	32,426,671	33,922,042	(1,495,371)
Deferred outflows of resources	4,091,831	635,498	3,456,333	367,670	80,049	287,621
Long-term liabilities						
outstanding	29,545,746	26,216,869	3,328,877	11,716,824	12,578,424	(861,600)
Other liabilities	737,765	1,817,032	(1,079,267)	363,974	719,688	(355,714)
Total liabilities	30,283,511	28,033,901	2,249,610	12,080,798	13,298,112	(1,217,314)
Deferred inflows of resources	2,764,517	2,500,281	264,236	177,889	168,220	9,669
Net position						
Net investment in						
capital assets	24,879,816	25,459,305	(579,489)	18,591,065	20,951,087	(2,360,022)
Restricted	8,410,399	8,277,733	132,666	-	-	-
Unrestricted	(1,059,506)	(737,444)	(322,062)	1,944,589	(415,328)	2,359,917
Total net position	\$ 32,230,709	\$ 32,999,594	\$ (768,885)	\$ 20,535,654	\$ 20,535,759	\$ (105)

An additional portion of the City's net position (15.9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (1.7 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

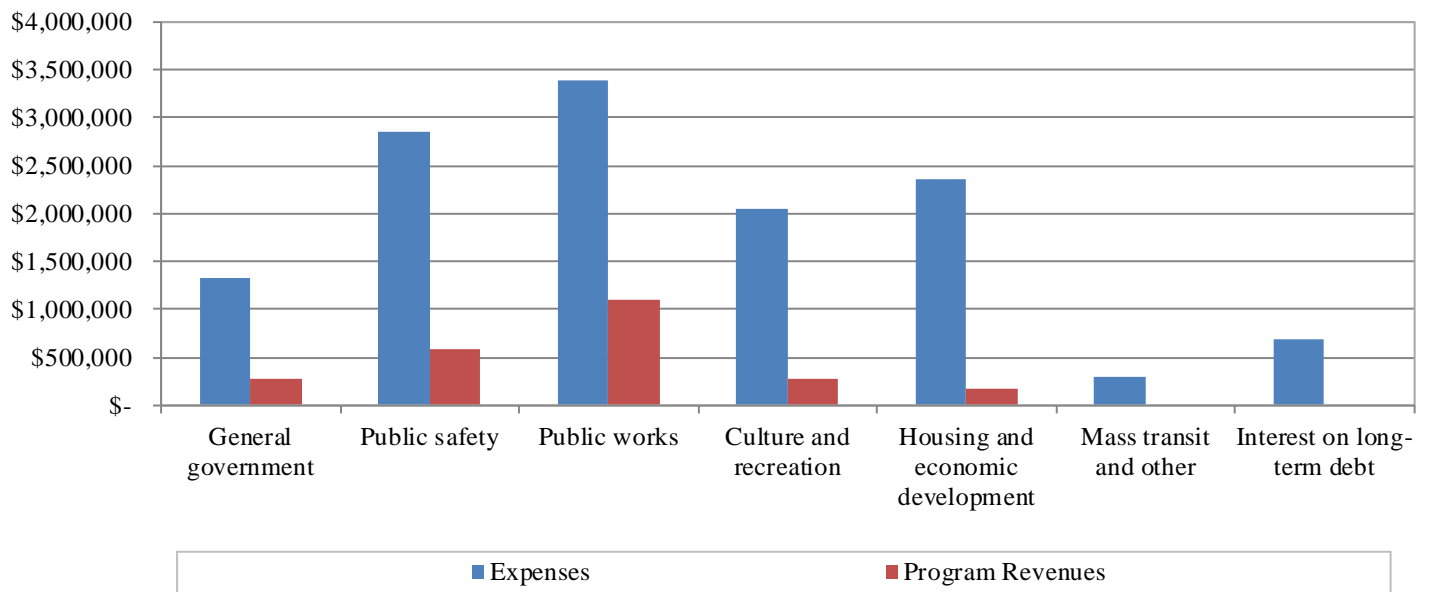
Governmental activities. Governmental activities decreased the City's net position by \$768,885, accounting for 100.0 percent of the total decrease. Key elements of this change are as follows:

City of North Mankato's Changes in Net Position

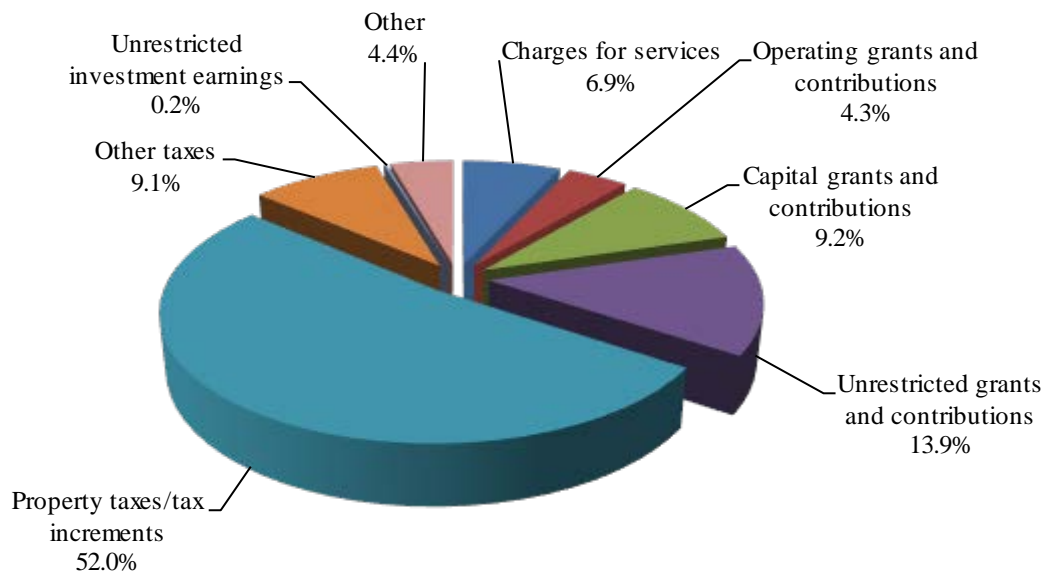
	Governmental Activities			Business-type Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 815,005	\$ 751,240	\$ 63,765	\$ 5,349,287	\$ 5,325,728	\$ 23,559
Operating grants and contributions	504,154	522,566	(18,412)	4,044	-	4,044
Capital grants and contributions	1,077,024	5,822,778	(4,745,754)	23,482	19,588	3,894
General revenues						
Property taxes/ tax increments	6,111,924	5,909,504	202,420	-	-	-
Other taxes	1,065,158	1,078,732	(13,574)	1,380	1,367	13
Grants and contributions not restricted to specific programs	1,626,188	1,633,639	(7,451)	-	-	-
Unrestricted investment earnings	20,668	5,060	15,608	19,628	2,110	17,518
Other	160,660	230,285	(69,625)	-	-	-
Gain on sale of capital assets	359,159	163,426	195,733	-	-	-
Total revenues	11,739,940	16,117,230	(4,377,290)	5,397,821	5,348,793	49,028
Expenses						
General government	1,320,840	827,191	493,649	-	-	-
Public safety	2,840,353	2,054,079	786,274	-	-	-
Public works	3,387,740	2,874,244	513,496	-	-	-
Culture and recreation	2,039,352	1,737,105	302,247	-	-	-
Housing and economic development	2,348,526	955,956	1,392,570	-	-	-
Mass transit and other	288,787	386,098	(97,311)	-	-	-
Interest on long-term debt	686,477	948,022	(261,545)	-	-	-
Water	-	-	-	1,677,867	1,637,985	39,882
Wastewater	-	-	-	1,946,051	1,864,280	81,771
Sanitation	-	-	-	373,509	558,817	(185,308)
Storm water	-	-	-	303,974	209,573	94,401
Solid waste	-	-	-	693,275	590,757	102,518
Total expenses	12,912,075	9,782,695	3,129,380	4,994,676	4,861,412	133,264
Increase (decrease) in net position before transfers	(1,172,135)	6,334,535	(7,506,670)	403,145	487,381	(84,236)
Transfers	403,250	158,727	244,523	(403,250)	(158,727)	(244,523)
Change in net position	(768,885)	6,493,262	(7,262,147)	(105)	328,654	(328,759)
Net position - January 1	32,999,594	26,506,332	6,493,262	20,535,759	20,207,105	328,654
Net position - December 31	\$ 32,230,709	\$ 32,999,594	\$ (768,885)	\$ 20,535,654	\$ 20,535,759	\$ (105)

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

Expenses and Program Revenues - Governmental Activities



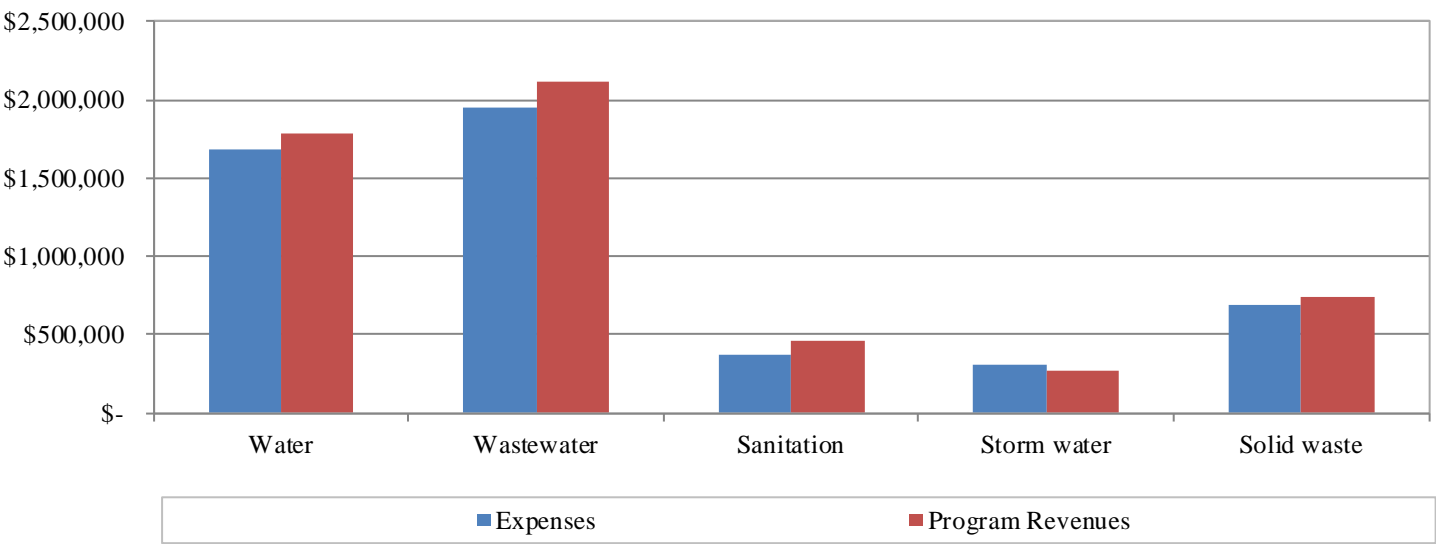
Revenues by Source - Governmental Activities



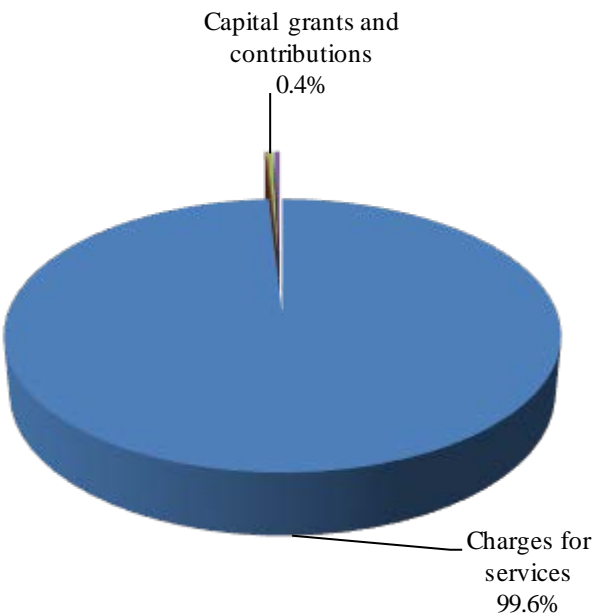
Business-type activities. Business-type activities decreased the City’s net position by \$105. Key elements of this change are as follows:

- Total operating income was \$660,892, a decrease of \$146,562 from the prior year, mainly due to an increase in expenses across all funds.
- Total nonoperating expenses exceeded nonoperating revenues by \$281,229, mostly consisting of bond interest and issuance costs.
- Transfers out totaled \$433,250 for 2016.

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 \$4,064,351 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 35.2 percent of total General fund expenditures, while total fund balance represents 55.0 percent of that same amount.

The *General fund* balance increased by \$288,145 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 \$39,036, including special assessments, intergovernmental, charges for services and miscellaneous revenues were over budget by \$22,088, \$56,796, \$75,779 and \$46,578, respectively.

The *Debt Service fund* has a total fund balance of \$2,158,831. There was an increase of \$640,676 in the current year, partially attributable to transfers in of \$683,728.

The *2014 Construction fund* has a total fund balance of \$175,174. This balance is mainly due to unspent bond proceeds. There was no activity in this fund during the year.

The *2015 Construction fund* has a total fund balance deficit of \$1,482,589. 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 that were received in cash by the City in 2015 and 2016 but will not be recognized as revenue until available in future years.

The *2016 Construction fund* has a total fund balance of \$258,050. This balance is mainly due to unspent bond proceeds.

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

Unrestricted net position of the Water, Wastewater, Sanitation, Storm Water and Solid Waste funds at the end of the year totaled \$1,944,589. The total decrease in net position in the current year for these funds totaled \$105.

General Fund Budgetary Highlights

The City's General fund budget was not amended during the year. Revenues were over budget by \$39,036 and expenditures came in under budget by \$94,049. Other financing sources (uses) had a positive variance of \$27,137. The net result was an increase to the General fund balance of \$288,145.

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, 2016 amounts to \$71,261,766 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total decrease in the City's investment in capital assets for the current fiscal year was 1.9 percent.

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

- Land disposals totaling \$1,720,408 mostly related to Port Authority parcels.
- Equipment and vehicle purchases of \$1,141,960; disposals of \$1,505,550 including, but not limited to, a new fire truck, new squad cars, a backhoe loader, an oil distributor, a street sweeper and various park equipment.
- Improvements totaling \$2,444,094 were added to construction in progress for the 14/41 Interchange project, CSAH 41 Trail, Spring Lake Park hockey rink and warming project, Well No. 9 construction, Lookout Drive reconstruction, Roe Crest Drive reconstruction, Main Lift Station No. 1 and West Carlson Drive project. The Well No. 6, Well No. 9 and Main Lift Station No. 1 construction projects were completed in 2016.

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		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Land	\$ 3,974,292	\$ 5,694,700	\$ (1,720,408)	\$ 490,616	\$ 490,616	\$ -
Buildings and improvements	28,934,708	30,836,627	(1,901,919)	25,303,635	23,620,150	1,683,485
Machinery and equipment	1,928,697	1,374,169	554,528	881,001	973,102	(92,101)
Construction in progress	9,748,817	7,692,665	2,056,152	-	1,988,010	(1,988,010)
Total	<u>\$ 44,586,514</u>	<u>\$ 45,598,161</u>	<u>\$ (1,011,647)</u>	<u>\$ 26,675,252</u>	<u>\$ 27,071,878</u>	<u>\$ (396,626)</u>

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$31,722,981. Of this amount, \$5,735,000 comprises debt backed by the full faith and credit of the City and \$1,180,000 is tax increment bonds and \$12,735,000 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 \$12,072,981.

City of North Mankato's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
General obligation bonds	\$ 5,735,000	\$ 5,785,000	\$ (50,000)	\$ -	\$ -	\$ -
G.O. tax increment bonds	1,180,000	1,245,000	(65,000)	-	-	-
G.O. improvement bonds	11,885,000	11,825,000	60,000	850,000	935,000	(85,000)
General obligation revenue bonds	2,580,000	2,935,000	(355,000)	9,492,981	10,606,031	(1,113,050)
Contracts	516,000	628,000	(112,000)	-	-	-
Total	<u>\$ 21,896,000</u>	<u>\$ 22,418,000</u>	<u>\$ (522,000)</u>	<u>\$ 10,342,981</u>	<u>\$ 11,541,031</u>	<u>\$ (1,198,050)</u>

The City's total debt decreased by \$1,720,050 (5.1 percent) during the current fiscal year, consisting of new debt issuances of \$2,765,959 and retirement of long-term debt of \$4,486,009.

The City maintained an "AA" rating from Standard and Poor's for their 2016 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 \$21,653,529, 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 2016 unemployment rate for the City was 2.4 percent, which is a decrease from a rate of 3.2 percent a year ago. This compares favorably to the State's average unemployment rate of 4.0 percent and the national average rate of 4.7 percent.
- Inflationary trends in the region compare favorably to national indices.
- Tax capacity valuation increased in 2016 for taxes payable in 2016 by \$406,307 or 3.9 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 2017 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, 2016

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CITY OF NORTH MANKATO, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and temporary investments	\$ 7,842,339	\$ 1,958,328	\$ 9,800,667
Restricted assets - cash with fiscal agent	1,849,888	2,206,280	4,056,168
Receivables			
Taxes	126,148	-	126,148
Accounts	93,962	418,289	512,251
Interest	20,338	-	20,338
Notes, mortgages and leases	1,019,196	-	1,019,196
Special assessments	3,896,903	70,206	3,967,109
Intergovernmental	2,267,556	30,930	2,298,486
Internal balances	(1,005,200)	1,005,200	-
Inventories	-	60,494	60,494
Prepaid items	37,232	1,692	38,924
Pension asset	452,030	-	452,030
Capital assets			
Nondepreciable assets	13,723,109	490,616	14,213,725
Depreciable assets net of accumulated depreciation	30,863,405	26,184,636	57,048,041
TOTAL ASSETS	61,186,906	32,426,671	93,613,577
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension resources	4,091,831	367,670	4,459,501
LIABILITIES			
Accounts payable	207,849	173,722	381,571
Contracts payable	128,634	-	128,634
Due to other governments	97,690	71,099	168,789
Accrued interest payable	184,086	81,124	265,210
Accrued wages payable	119,506	38,029	157,535
Noncurrent liabilities			
Due within one year	4,509,976	978,035	5,488,011
Due in more than one year	25,035,770	10,738,789	35,774,559
TOTAL LIABILITIES	30,283,511	12,080,798	42,364,309
DEFERRED INFLOWS OF RESOURCES			
Deferred pension resources	855,655	177,889	1,033,544
Deferred intergovernmental revenue	1,908,862	-	1,908,862
TOTAL DEFERRED INFLOWS OF RESOURCES	2,764,517	177,889	2,942,406
NET POSITION			
Net investment in capital assets	24,879,816	18,591,065	43,470,881
Restricted for			
Debt service	5,827,182	-	5,827,182
Library programs	50,000	-	50,000
Park development	5,866	-	5,866
Park improvements	140,734	-	140,734
Economic development	2,318,139	-	2,318,139
Tax increment financing	68,478	-	68,478
Unrestricted	(1,059,506)	1,944,589	885,083
TOTAL NET POSITION	\$ 32,230,709	\$ 20,535,654	\$ 52,766,363

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, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 1,320,840	\$ 140,856	\$ -	\$ 135,646
Public safety	2,840,353	334,361	219,608	25,000
Public works	3,387,740	6,735	173,078	915,878
Culture and recreation	2,039,352	204,071	78,176	500
Housing and economic development	2,348,526	128,982	33,292	-
Mass transit and other	288,787	-	-	-
Interest on long-term debt	686,477	-	-	-
Total governmental activities	<u>12,912,075</u>	<u>815,005</u>	<u>504,154</u>	<u>1,077,024</u>
Business-type activities				
Water	1,677,867	1,772,186	2,107	5,767
Sewer	1,946,051	2,097,858	1,362	17,715
Sanitation	373,509	466,183	116	-
Storm water	303,974	276,474	263	-
Solid waste	693,275	736,586	196	-
Total business-type activities	<u>4,994,676</u>	<u>5,349,287</u>	<u>4,044</u>	<u>23,482</u>
Totals	<u>\$ 17,906,751</u>	<u>\$ 6,164,292</u>	<u>\$ 508,198</u>	<u>\$ 1,100,506</u>

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

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
\$ (1,044,338)		\$ (1,044,338)
(2,261,384)		(2,261,384)
(2,292,049)		(2,292,049)
(1,756,605)		(1,756,605)
(2,186,252)		(2,186,252)
(288,787)		(288,787)
(686,477)		(686,477)
<u>(10,515,892)</u>		<u>(10,515,892)</u>
	\$ 102,193	102,193
	170,884	170,884
	92,790	92,790
	(27,237)	(27,237)
	<u>43,507</u>	<u>43,507</u>
	382,137	382,137
<u>(10,515,892)</u>	<u>382,137</u>	<u>(10,133,755)</u>
4,281,047	-	4,281,047
1,541,476	-	1,541,476
289,401	-	289,401
582,290	1,380	583,670
54,156	-	54,156
26,306	-	26,306
402,406	-	402,406
1,626,188	-	1,626,188
20,668	19,628	40,296
160,660	-	160,660
359,159	-	359,159
<u>403,250</u>	<u>(403,250)</u>	<u>-</u>
<u>9,747,007</u>	<u>(382,242)</u>	<u>9,364,765</u>
(768,885)	(105)	(768,990)
<u>32,999,594</u>	<u>20,535,759</u>	<u>53,535,353</u>
<u>\$ 32,230,709</u>	<u>\$ 20,535,654</u>	<u>\$ 52,766,363</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, 2016

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CITY OF NORTH MANKATO, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General	Debt Service	Capital Projects 2014 Construction
ASSETS			
Cash and temporary investments	\$ 2,768,529	\$ 2,122,502	\$ 175,174
Restricted assets - cash with fiscal agent	-	1,849,888	-
Receivables			
Taxes	126,148	-	-
Accounts	92,378	-	-
Interest	-	20,338	-
Notes, mortgages and leases	-	-	-
Special assessments	25,639	3,871,264	-
Intergovernmental	77,630	2,036,240	-
Due from other funds	1,446,921	-	-
Prepaid items	37,232	-	-
TOTAL ASSETS	<u><u>\$ 4,574,477</u></u>	<u><u>\$ 9,900,232</u></u>	<u><u>\$ 175,174</u></u>
LIABILITIES			
Accounts payable	\$ 141,287	\$ -	\$ -
Contracts payable	-	-	-
Due to other funds	-	1,833,964	-
Due to other governments	97,546	-	-
Accrued interest payable	-	1,173	-
Accrued wages payable	119,506	-	-
TOTAL LIABILITIES	<u><u>358,339</u></u>	<u><u>1,835,137</u></u>	<u><u>-</u></u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue			
Taxes	126,148	-	-
Special assessments	25,639	3,871,264	-
Intergovernmental	-	2,035,000	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u><u>151,787</u></u>	<u><u>5,906,264</u></u>	<u><u>-</u></u>
FUND BALANCES			
Nonspendable	1,475,134	-	-
Restricted	-	2,158,831	175,174
Assigned	-	-	-
Unassigned	2,589,217	-	-
TOTAL FUND BALANCES	<u><u>4,064,351</u></u>	<u><u>2,158,831</u></u>	<u><u>175,174</u></u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 4,574,477</u></u>	<u><u>\$ 9,900,232</u></u>	<u><u>\$ 175,174</u></u>

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

Capital Projects		Other	
2015	2016	Governmental	
Construction	Construction	Funds	Totals
\$ 519,391	\$ 340,864	\$ 1,915,879	\$ 7,842,339
-	-	-	1,849,888
-	-	-	126,148
-	-	1,584	93,962
-	-	-	20,338
-	-	1,018,786	1,018,786
-	-	-	3,896,903
1,252	-	152,434	2,267,556
-	-	-	1,446,921
-	-	-	37,232
<u>\$ 520,643</u>	<u>\$ 340,864</u>	<u>\$ 3,088,683</u>	<u>\$ 18,600,073</u>
\$ 1,890	\$ 48,665	\$ 16,007	\$ 207,849
92,480	34,149	2,005	128,634
-	-	618,157	2,452,121
-	-	144	97,690
-	-	-	1,173
-	-	-	119,506
<u>94,370</u>	<u>82,814</u>	<u>636,313</u>	<u>3,006,973</u>
-	-	-	126,148
-	-	-	3,896,903
1,908,862	-	-	3,943,862
<u>1,908,862</u>	<u>-</u>	<u>-</u>	<u>7,966,913</u>
-	-	-	1,475,134
-	258,050	2,583,217	5,175,272
-	-	276,841	276,841
(1,482,589)	-	(407,688)	698,940
<u>(1,482,589)</u>	<u>258,050</u>	<u>2,452,370</u>	<u>7,626,187</u>
<u>\$ 520,643</u>	<u>\$ 340,864</u>	<u>\$ 3,088,683</u>	<u>\$ 18,600,073</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, 2016

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

Total fund balances - governmental funds	\$ 7,626,187
Net capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	44,586,514
Long term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds.	452,030
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	(590,209)
Other postemployment benefits obligation	(286,318)
Pension liability	(6,474,297)
Bonds payable	(21,380,000)
Contracts payable	(516,000)
Unamortized bond discounts, net of amortization	5,468
Unamortized bond premiums, net of amortization	(304,390)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	126,148
Special assessments receivable	3,896,903
Intergovernmental receivable	2,035,000
Interest receivable	410
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	4,091,831
Deferred inflows of pension resources	(855,655)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(182,913)</u>
Total net position - governmental activities	<u><u>\$ 32,230,709</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, 2016

	General	Debt Service	Capital Projects 2014 Construction
REVENUES			
Taxes	\$ 4,664,566	\$ 1,541,476	\$ -
Special assessments	26,985	1,055,005	-
Licenses and permits	360,412	-	-
Intergovernmental	2,056,525	273,425	-
Charges for services	242,214	-	-
Fines and forfeits	31,247	-	-
Investment earnings	3,978	16,579	-
Miscellaneous	171,591	-	-
TOTAL REVENUES	7,557,518	2,886,485	-
EXPENDITURES			
Current			
General government	752,144	-	-
Public safety	2,183,726	-	-
Public works	1,675,017	-	-
Culture and recreation	1,647,680	-	-
Housing and economic development	500,854	-	-
Mass transit and other	288,787	-	-
Capital outlay			
General government	-	-	-
Public safety	-	-	-
Public works	223,130	-	-
Culture and recreation	91,356	-	-
Debt service			
Principal	-	2,210,000	-
Interest and other costs	-	689,537	-
Bond issuance costs	-	-	-
TOTAL EXPENDITURES	7,362,694	2,899,537	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	194,824	(13,052)	-
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	-	-	-
Transfers in	279,350	683,728	-
Debt issued	-	-	-
Premium on bonds issued	-	-	-
Transfers out	(186,029)	(30,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	93,321	653,728	-
NET CHANGE IN FUND BALANCES	288,145	640,676	-
FUND BALANCES, JANUARY 1	3,776,206	1,518,155	175,174
FUND BALANCES, DECEMBER 31	\$ 4,064,351	\$ 2,158,831	\$ 175,174

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

Capital Projects		Other	
2015	2016	Governmental	Totals
Construction	Construction	Funds	
\$ -	\$ -	\$ 945,947	\$ 7,151,989
-	-	-	1,081,990
-	-	-	360,412
372,909	538,569	33,292	3,274,720
-	-	-	242,214
-	-	-	31,247
-	-	111	20,668
-	-	216,199	387,790
<u>372,909</u>	<u>538,569</u>	<u>1,195,549</u>	<u>12,551,030</u>
-	-	-	752,144
-	-	-	2,183,726
9,379	-	-	1,684,396
-	-	34,785	1,682,465
-	-	357,945	858,799
-	-	-	288,787
-	348,730	39,065	387,795
-	-	605,948	605,948
267,988	1,239,737	363,085	2,093,940
-	-	5,545	96,901
-	-	112,000	2,322,000
-	-	18,000	707,537
-	37,015	-	37,015
<u>277,367</u>	<u>1,625,482</u>	<u>1,536,373</u>	<u>13,701,453</u>
<u>95,542</u>	<u>(1,086,913)</u>	<u>(340,824)</u>	<u>(1,150,423)</u>
-	-	352,874	352,874
-	-	347,529	1,310,607
-	1,335,000	465,000	1,800,000
-	32,635	-	32,635
(100,000)	-	(591,328)	(907,357)
<u>(100,000)</u>	<u>1,367,635</u>	<u>574,075</u>	<u>2,588,759</u>
(4,458)	280,722	233,251	1,438,336
<u>(1,478,131)</u>	<u>(22,672)</u>	<u>2,219,119</u>	<u>6,187,851</u>
<u>\$ (1,482,589)</u>	<u>\$ 258,050</u>	<u>\$ 2,452,370</u>	<u>\$ 7,626,187</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, 2016

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

Net change in fund balances - governmental funds	\$ 1,438,336
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	3,203,314
Depreciation expense	(2,272,554)
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.	(1,942,407)
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	2,322,000
Debt issued or incurred	(1,800,000)
Discount on bonds issued, net of amortization expense	(3,342)
Premium on bonds issued, net of amortization expense	450
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.	28,332
Long-term pension activity is not reported in governmental funds.	
Pension expense	(532,249)
Direct aid contributions	17,771
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	24,879
Special assessments	(802,899)
Intergovernmental revenues	(410,000)
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	(25,232)
Other postemployment benefits costs	(15,284)
Change in net position - governmental activities	<u>\$ (768,885)</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, 2016

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes	\$ 4,786,798	\$ 4,786,798	\$ 4,664,566	\$ (122,232)
Special assessments	4,897	4,897	26,985	22,088
Licenses and permits	405,210	405,210	360,412	(44,798)
Intergovernmental	1,999,729	1,999,729	2,056,525	56,796
Charges for services	166,435	166,435	242,214	75,779
Fines and forfeits	28,900	28,900	31,247	2,347
Investment earnings	1,500	1,500	3,978	2,478
Miscellaneous	125,013	125,013	171,591	46,578
TOTAL REVENUES	7,518,482	7,518,482	7,557,518	39,036
EXPENDITURES				
Current				
General government	787,299	787,299	752,144	35,155
Public safety	2,214,314	2,214,314	2,183,726	30,588
Public works	1,772,416	1,772,416	1,675,017	97,399
Culture and recreation	1,407,430	1,407,430	1,647,680	(240,250)
Housing and economic development	493,811	493,811	500,854	(7,043)
Mass transit and other	203,173	203,173	288,787	(85,614)
Capital outlay				
Public works	350,000	350,000	223,130	126,870
Culture and recreation	228,300	228,300	91,356	136,944
TOTAL EXPENDITURES	7,456,743	7,456,743	7,362,694	94,049
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	61,739	61,739	194,824	133,085
OTHER FINANCING SOURCES (USES)				
Transfers in	286,954	286,954	279,350	(7,604)
Transfers out	(220,770)	(220,770)	(186,029)	34,741
TOTAL OTHER FINANCING SOURCES (USES)	66,184	66,184	93,321	27,137
NET CHANGE IN FUND BALANCES	127,923	127,923	288,145	160,222
FUND BALANCES, JANUARY 1	3,776,206	3,776,206	3,776,206	-
FUND BALANCES, DECEMBER 31	\$ 3,904,129	\$ 3,904,129	\$ 4,064,351	\$ 160,222

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

CITY OF NORTH MANKATO, MINNESOTA
STATEMENTS OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2016 AND 2015

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
	2016	2015	2016	2015
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 1,108,076	\$ 1,048,811	\$ 757,875	\$ 1,012,765
Restricted assets - cash with fiscal agent	111,760	686,942	14,317	213,151
Receivables				
Accounts	417,202	443,898	-	-
Special assessments	882	1,606	-	-
Intergovernmental	7,581	44,115	22,137	-
Due from other funds	108,300	108,300	35,300	35,300
Inventories	60,494	54,905	-	-
Prepaid items	489	-	489	-
TOTAL CURRENT ASSETS	1,814,784	2,388,577	830,118	1,261,216
NONCURRENT ASSETS				
Special assessments receivable - noncurrent	10,287	5,681	59,037	41,322
Due from other funds - noncurrent	649,800	758,100	211,800	247,100
Restricted assets - cash with fiscal agent	1,794,755	1,772,201	230,347	226,147
Capital assets				
Land	276,966	276,966	53,000	53,000
Buildings	18,965,163	17,176,093	14,671,654	14,037,315
Machinery and equipment	544,493	895,759	683,976	736,196
Construction in progress	-	1,370,346	-	617,664
Less accumulated depreciation	(6,894,185)	(6,838,686)	(5,400,624)	(5,150,764)
TOTAL CAPITAL ASSETS	12,892,437	12,880,478	10,008,006	10,293,411
TOTAL NONCURRENT ASSETS	15,347,279	15,416,460	10,509,190	10,807,980
TOTAL ASSETS	17,162,063	17,805,037	11,339,308	12,069,196
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension resources	191,526	40,841	123,854	26,541
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	96,317	24,412	9,708	261,586
Contracts payable	-	191,129	-	-
Due to other governments	10,352	2,435	2,137	806
Accrued interest payable	49,124	48,385	19,975	21,859
Accrued wages payable	21,239	27,671	12,202	15,232
Compensated absences payable - current portion	35,805	32,160	8,023	6,816
Bonds payable - current portion	476,473	1,098,250	278,706	481,758
TOTAL CURRENT LIABILITIES	689,310	1,424,442	330,751	788,057
NONCURRENT LIABILITIES				
Compensated absences payable, net of current portion	40,064	29,595	8,625	7,065
Other postemployment benefits obligation	26,551	23,277	6,694	5,554
Pension liability	542,232	361,658	350,644	235,033
Bonds payable, net of current portion	6,116,210	6,055,111	2,082,882	2,368,615
TOTAL NONCURRENT LIABILITIES	6,725,057	6,469,641	2,448,845	2,616,267
TOTAL LIABILITIES	7,414,367	7,894,083	2,779,596	3,404,324
DEFERRED INFLOWS OF RESOURCES				
Deferred pension resources	92,666	85,825	59,924	55,776
NET POSITION				
Net investment in capital assets	8,337,504	8,450,117	7,985,918	8,033,288
Unrestricted	1,509,052	1,415,853	637,724	602,349
TOTAL NET POSITION	\$ 9,846,556	\$ 9,865,970	\$ 8,623,642	\$ 8,635,637

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

Business-type Activities - Enterprise Funds

Other Enterprise Funds		Totals	
2016	2015	2016	2015
\$ 92,377	\$ 88,773	\$ 1,958,328	\$ 2,150,349
10,650	10,650	136,727	910,743
1,087	4,842	418,289	448,740
-	-	882	1,606
1,212	-	30,930	44,115
-	-	143,600	143,600
-	-	60,494	54,905
714	-	1,692	-
106,040	104,265	2,750,942	3,754,058
-	-	69,324	47,003
-	-	861,600	1,005,200
44,451	45,555	2,069,553	2,043,903
160,650	160,650	490,616	490,616
3,840,000	3,840,000	37,476,817	35,053,408
815,585	823,200	2,044,054	2,455,155
-	-	-	1,988,010
(1,041,426)	(925,861)	(13,336,235)	(12,915,311)
3,774,809	3,897,989	26,675,252	27,071,878
3,819,260	3,943,544	29,675,729	30,167,984
3,925,300	4,047,809	32,426,671	33,922,042
52,290	12,667	367,670	80,049
67,697	100,991	173,722	386,989
-	-	-	191,129
58,610	5,932	71,099	9,173
12,025	11,110	81,124	81,354
4,588	8,140	38,029	51,043
10,028	5,330	53,856	44,306
169,000	164,000	924,179	1,744,008
321,948	295,503	1,342,009	2,508,002
671	5,904	49,360	42,564
5,263	4,231	38,508	33,062
148,037	112,169	1,040,913	708,860
1,410,916	1,581,898	9,610,008	10,005,624
1,564,887	1,704,202	10,738,789	10,790,110
1,886,835	1,999,705	12,080,798	13,298,112
25,299	26,619	177,889	168,220
2,267,643	2,233,841	18,591,065	18,717,246
(202,187)	(199,689)	1,944,589	1,818,513
\$ 2,065,456	\$ 2,034,152	\$ 20,535,654	\$ 20,535,759

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

CITY OF NORTH MANKATO, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
	2016	2015	2016	2015
OPERATING REVENUES				
Charges for services	\$ 1,766,088	\$ 1,775,006	\$ 2,097,858	\$ 2,056,200
Facility rental	-	-	-	-
Pension revenue	2,107	-	1,362	-
TOTAL OPERATING REVENUES	1,768,195	1,775,006	2,099,220	2,056,200
OPERATING EXPENSES				
Personal services	664,585	632,375	395,135	383,735
Supplies	120,509	165,479	42,770	36,215
Other services and charges	116,300	77,827	96,285	126,968
Contractual services	-	-	989,406	891,809
Insurance	8,901	8,764	23,314	23,036
Utilities	176,142	171,715	-	-
Depreciation	418,241	390,125	307,079	300,498
TOTAL OPERATING EXPENSES	1,504,678	1,446,285	1,853,989	1,762,261
OPERATING INCOME (LOSS)	263,517	328,721	245,231	293,939
NONOPERATING REVENUES (EXPENSES)				
Sales tax	1,380	1,367	-	-
Investment income	17,013	-	2,121	-
Other income	6,098	105	-	-
Interest expense	(179,697)	(148,208)	(97,371)	(95,619)
Bond issuance costs	(6,420)	(43,669)	(4,815)	(10,193)
Amortization of bond premiums (discounts)	12,928	177	10,124	3,793
TOTAL NONOPERATING REVENUES (EXPENSES)	(148,698)	(190,228)	(89,941)	(102,019)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	114,819	138,493	155,290	191,920
CAPITAL CONTRIBUTIONS FROM (TO) OTHER FUNDS	-	42,473	-	(267,646)
CAPITAL GRANTS AND CONTRIBUTIONS	5,767	849	17,715	18,739
TRANSFERS IN	-	-	-	-
TRANSFERS OUT	(140,000)	(140,000)	(185,000)	(185,000)
CHANGE IN NET POSITION	(19,414)	41,815	(11,995)	(241,987)
NET POSITION, JANUARY 1	9,865,970	9,824,155	8,635,637	8,877,624
NET POSITION, DECEMBER 31	\$ 9,846,556	\$ 9,865,970	\$ 8,623,642	\$ 8,635,637

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

Business-type Activities - Enterprise Funds

<u>Other Enterprise Funds</u>		<u>Totals</u>	
<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
\$ 1,351,920	\$ 1,397,556	\$ 5,215,866	\$ 5,228,762
126,861	96,861	126,861	96,861
575	-	4,044	-
<u>1,479,356</u>	<u>1,494,417</u>	<u>5,346,771</u>	<u>5,325,623</u>
174,716	371,543	1,234,436	1,387,653
45,002	53,270	208,281	254,964
305,845	167,231	518,430	372,026
622,621	589,307	1,612,027	1,481,116
4,913	4,735	37,128	36,535
40,935	27,453	217,077	199,168
133,180	96,084	858,500	786,707
<u>1,327,212</u>	<u>1,309,623</u>	<u>4,685,879</u>	<u>4,518,169</u>
<u>152,144</u>	<u>184,794</u>	<u>660,892</u>	<u>807,454</u>
-	-	1,380	1,367
494	2,110	19,628	2,110
462	-	6,560	105
(45,528)	(50,145)	(322,596)	(293,972)
-	(783)	(11,235)	(54,645)
1,982	1,404	25,034	5,374
<u>(42,590)</u>	<u>(47,414)</u>	<u>(281,229)</u>	<u>(339,661)</u>
109,554	137,380	379,663	467,793
-	468,196	-	243,023
-	-	23,482	19,588
30,000	30,000	30,000	30,000
(108,250)	(106,750)	(433,250)	(431,750)
31,304	528,826	(105)	328,654
<u>2,034,152</u>	<u>1,505,326</u>	<u>20,535,759</u>	<u>20,207,105</u>
<u>\$ 2,065,456</u>	<u>\$ 2,034,152</u>	<u>\$ 20,535,654</u>	<u>\$ 20,535,759</u>

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

CITY OF NORTH MANKATO, MINNESOTA
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS - CONTINUED ON THE FOLLOWING PAGES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
	2016	2015	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 1,786,455	\$ 1,786,407	\$ 2,075,721	\$ 2,056,200
Payments to suppliers and vendors	(347,095)	(425,852)	(1,165,119)	(1,138,730)
Payments to and on behalf of employees	(614,792)	(619,333)	(370,450)	(375,279)
Other receipts	6,098	105	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	830,666	741,327	540,152	542,191
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Sales tax receipts	1,380	1,367	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	(140,000)	(140,000)	(185,000)	(185,000)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(138,620)	(138,633)	(185,000)	(185,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
(Increase) decrease in due from other funds	108,300	108,300	35,300	35,300
Acquisition of capital assets	(622,342)	(1,199,060)	(259,366)	(100,414)
Proceeds from bond issue, net discounts/premiums	833,364	1,067,993	183,097	-
Principal paid on revenue bonds payable	(805,751)	(406,543)	(484,258)	(278,881)
Interest paid on revenue bonds payable	(141,744)	(144,410)	(78,330)	(109,485)
Bond issuance costs paid on bonds	(6,420)	(2,212)	(4,815)	-
Payments received on assessments receivable	1,885	13,974	-	3,142
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(632,708)	(561,958)	(608,372)	(450,338)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received (paid) on cash and investments	(73)	-	(1,670)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	59,265	40,736	(254,890)	(93,147)
CASH AND CASH EQUIVALENTS, JANUARY 1	1,048,811	1,008,075	1,012,765	1,105,912
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 1,108,076	\$ 1,048,811	\$ 757,875	\$ 1,012,765

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

Business-type Activities - Enterprise Funds

Other Enterprise Funds		Totals	
2016	2015	2016	2015
\$ 1,355,675	\$ 1,399,861	\$ 5,217,851	\$ 5,242,468
(1,000,646)	(891,860)	(2,512,860)	(2,456,442)
(182,271)	(333,120)	(1,167,513)	(1,327,732)
126,111	96,861	132,209	96,966
<u>298,869</u>	<u>271,742</u>	<u>1,669,687</u>	<u>1,555,260</u>
-	-	1,380	1,367
30,000	30,000	30,000	30,000
(108,250)	(106,750)	(433,250)	(431,750)
<u>(78,250)</u>	<u>(76,750)</u>	<u>(401,870)</u>	<u>(400,383)</u>
-	-	143,600	143,600
(10,000)	-	(891,708)	(1,299,474)
-	-	1,016,461	1,067,993
(164,000)	(143,250)	(1,454,009)	(828,674)
(43,015)	(63,630)	(263,089)	(317,525)
-	-	(11,235)	(2,212)
-	-	1,885	17,116
<u>(217,015)</u>	<u>(206,880)</u>	<u>(1,458,095)</u>	<u>(1,219,176)</u>
-	-	(1,743)	-
3,604	(11,888)	(192,021)	(64,299)
<u>88,773</u>	<u>100,661</u>	<u>2,150,349</u>	<u>2,214,648</u>
<u>\$ 92,377</u>	<u>\$ 88,773</u>	<u>\$ 1,958,328</u>	<u>\$ 2,150,349</u>

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

CITY OF NORTH MANKATO, MINNESOTA
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
	2016	2015	2016	2015
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 263,517	\$ 328,721	\$ 245,231	\$ 293,939
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Other income related to operations	6,098	105	-	-
Depreciation	418,241	390,125	307,079	300,498
(Increase) decrease in assets				
Accounts receivable	26,696	11,401	-	-
Intergovernmental	(6,329)	-	(22,137)	-
Inventories	(5,589)	1,179	-	-
Prepaid items	(489)	-	(489)	-
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	(150,685)	17,411	(97,313)	10,554
Increase (decrease) in liabilities				
Accounts payable	72,918	(4,253)	(14,186)	11,984
Due to other governments	7,917	1,007	1,331	(72,686)
Accrued wages payable	(6,432)	1,354	(3,030)	865
Compensated absences payable	14,114	11,408	2,767	2,679
Other postemployment benefits obligation	3,274	2,315	1,140	891
Pension liability	180,574	(5,945)	115,611	942
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	6,841	(13,501)	4,148	(7,475)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 830,666</u>	<u>\$ 741,327</u>	<u>\$ 540,152</u>	<u>\$ 542,191</u>
SCHEDULE OF 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	5,596	557	22,137	17,584
Amortization of bond (premium) discount	(12,928)	(177)	(10,124)	(3,793)
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	532,500	147,500	177,500	147,500
Bond issue costs paid by escrow	-	41,457	-	10,193
Bond interest paid by escrow	37,214	14,435	20,925	3,478
Interest earned on escrow	17,086	-	3,791	-
Bond proceeds receivable in due from other governments	1,252	44,115	-	-

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

Business-type Activities - Enterprise Funds

Other Enterprise Funds		Totals	
2016	2015	2016	2015
\$ 152,144	\$ 184,794	\$ 660,892	\$ 807,454
462	-	6,560	105
133,180	96,084	858,500	786,707
3,755	2,305	30,451	13,706
(1,212)	-	(29,678)	-
-	-	(5,589)	1,179
(714)	-	(1,692)	-
(39,623)	763	(287,621)	28,728
(33,294)	(9,800)	25,438	(2,069)
52,678	(40,064)	61,926	(111,743)
(3,552)	3,121	(13,014)	5,340
(535)	2,743	16,346	16,830
1,032	661	5,446	3,867
35,868	27,416	332,053	22,413
(1,320)	3,719	9,669	(17,257)
<u>\$ 298,869</u>	<u>\$ 271,742</u>	<u>\$ 1,669,687</u>	<u>\$ 1,555,260</u>
\$ -	\$ -	\$ -	\$ 429,834
-	468,196	-	243,023
-	-	27,733	18,141
(1,982)	(1,404)	(25,034)	(5,374)
-	53,250	-	3,180,000
-	4,049	-	138,874
-	26	-	1,455
-	860,000	710,000	1,155,000
-	783	-	52,433
1,598	9,627	59,737	27,540
494	2,110	21,371	2,110
-	-	1,252	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, 2016

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 114,282
Receivables	
Accounts	7,303
Intergovernmental	<u>154,485</u>
TOTAL ASSETS	<u><u>\$ 276,070</u></u>
LIABILITIES	
Accounts payable	\$ 18,844
Due to other governments	<u>257,226</u>
TOTAL LIABILITIES	<u><u>\$ 276,070</u></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, 2016

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, 2016

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, 2016

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 *2016 Construction fund* accounts for street construction projects associated with the 2016 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.

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, 2016

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 inflows 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, 2016

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, 2016 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. Minnesota Statutes limit the City's investments to the list on page 100 of the notes.
- *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.

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

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City has the following recurring fair value measurements as of December 31, 2016:

- U.S. government securities of \$4,050,428 are valued using quoted market prices (Level 1 inputs)
- Corporate bonds of \$223,783 and negotiable certificates of deposits of \$449,591 are valued using a matrix pricing model (Level 2 inputs)

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 2016. 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, 2016

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 acquisition 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, 2016

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 net 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, 2016 is \$693,425. 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, 2016

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 net 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, 2016

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 deferred 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".

Comparative data/reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year have been reclassified in order to be consistent with the current year's presentation.

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 2016.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

B. Excess of expenditures over appropriations

For the year ended December 31, 2016 expenditures exceeded appropriations for the following fund:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess of Expenditures Over Appropriations</u>
Special revenue			
Library Endowment	\$ -	\$ 34,321	\$ 34,321

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

C. Deficit fund equity

The following funds had fund equity deficits at December 31, 2016:

<u>Fund</u>	<u>Amount</u>
Special Revenue	
Marigold TIF #8	\$ 397,107
Capital Projects	
2011 Construction	10,581
2015 Construction	1,482,589
Proprietary	
Solid Waste	56,020

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, 2016

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 \$9,238,176, including \$114,232 reported in fiduciary funds and the bank balance was \$9,261,736. Of the bank balance, \$506,669 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 \$1,990.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Investments

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

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

Types of Investments	Credit	Segmented	Amount	Fair Value		
	Quality/	Time		Measurement Using		
	Ratings (1)	Distribution (2)		Level 1	Level 2	Level 3
Pooled Investments at amortized costs						
Broker Money Market Accounts	N/A	less than 6 months	\$ 5,740			
Mutual Funds	N/A	less than 6 months	1,409			
Non-pooled investments at fair value						
U.S. Government Securities	N/A	less than 6 months	1,868,897	\$ 1,868,897	\$ -	\$ -
U.S. Government Securities	N/A	6 months to 1 year	18,896	18,896	-	-
U.S. Government Securities	N/A	1 to 3 years	2,162,635	2,162,635	-	-
Corporate Bonds	A1	6 months to 1 year	223,783	-	223,783	-
Negotiable Certificates of Deposit	N/A	less than 6 months	224,989	-	224,989	-
Negotiable Certificates of Deposit	N/A	6 months to 1 year	224,602	-	224,602	-
Total investments			\$ 4,730,951	\$ 4,050,428	\$ 673,374	\$ -

(1) Ratings are provided by various credit rating agencies where applicable to indicate credit risk.

(2) Interest rate risk is disclosed using the segmented time distribution method.

N/A Indicates not applicable or available.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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	\$ 9,123,944	\$ 114,232	\$ 9,238,176
Investments	4,730,951	-	4,730,951
Cash on hand	1,940	50	1,990
	<u>13,856,835</u>	<u>114,282</u>	<u>13,971,117</u>
Total	<u>\$ 13,856,835</u>	<u>\$ 114,282</u>	<u>\$ 13,971,117</u>
Cash and cash temporary investments	\$ 9,800,667	\$ 114,282	\$ 9,914,949
Restricted assets - cash with fiscal agent	4,056,168	-	4,056,168
	<u>13,856,835</u>	<u>114,282</u>	<u>13,971,117</u>
Total	<u>\$ 13,856,835</u>	<u>\$ 114,282</u>	<u>\$ 13,971,117</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, 2016 is \$963,294. 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, 2016 is \$55,902.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Capital assets

Capital asset activity for the City for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 5,694,700	\$ -	\$ (1,720,408)	\$ 3,974,292
Construction in progress	7,692,665	2,690,490	(634,338)	9,748,817
Total capital assets not being depreciated	13,387,365	2,690,490	(2,354,746)	13,723,109
Capital assets being depreciated				
Buildings and improvements	63,805,252	25,201	-	63,830,453
Machinery, equipment and vehicles	6,447,187	1,121,961	(1,092,066)	6,477,082
Total capital assets being depreciated	70,252,439	1,147,162	(1,092,066)	70,307,535
Less accumulated depreciation for				
Buildings and improvements	(32,968,625)	(1,927,120)	-	(34,895,745)
Machinery, equipment and vehicles	(5,073,018)	(345,434)	870,067	(4,548,385)
Total accumulated depreciation	(38,041,643)	(2,272,554)	870,067	(39,444,130)
Total capital assets being depreciated, net	32,210,796	(1,125,392)	(221,999)	30,863,405
Governmental activities capital assets, net	<u>\$ 45,598,161</u>	<u>\$ 1,565,098</u>	<u>\$ (2,576,745)</u>	<u>\$ 44,586,514</u>

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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	1,988,010	387,842	(2,375,852)	-
Total capital assets not being depreciated	2,478,626	387,842	(2,375,852)	490,616
Capital assets being depreciated				
Buildings and improvements	35,053,408	2,429,884	(6,475)	37,476,817
Machinery, equipment and vehicles	2,455,155	20,000	(431,101)	2,044,054
Total capital assets being depreciated	37,508,563	2,449,884	(437,576)	39,520,871
Less accumulated depreciation for				
Buildings and improvements	(11,433,258)	(746,399)	6,475	(12,173,182)
Machinery, equipment and vehicles	(1,482,053)	(112,101)	431,101	(1,163,053)
Total accumulated depreciation	(12,915,311)	(858,500)	437,576	(13,336,235)
Total capital assets being depreciated, net	24,593,252	1,591,384	-	26,184,636
Business-type activities capital assets, net	<u>\$ 27,071,878</u>	<u>\$ 1,979,226</u>	<u>\$ (2,375,852)</u>	<u>\$ 26,675,252</u>

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

Governmental activities

General government	\$ 103,665
Public safety	128,910
Public works, including depreciation of general infrastructure assets	1,745,367
Culture and recreation	294,612
Total depreciation expense - governmental activities	<u>\$ 2,272,554</u>

Business-type activities

Water utility	\$ 418,241
Sewer utility	307,079
Sanitation collection	51,973
Storm water	41,147
Solid waste	40,060
Total depreciation expense - business-type activities	<u>\$ 858,500</u>

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Construction commitments

The City has active construction projects as of December 31, 2016. 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	\$ 23,366
CSAH 41 Trail	940,450	14,107
Lookout Drive Reconstruction	5,340,033	142,377
West Carlson Drive	464,232	12,699
Roe Crest Drive	960,439	70,438
Municipal Parking Lot	180,917	3,746
Total	<u>\$ 7,924,166</u>	<u>\$ 266,733</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, 2016 is as follows:

Due to/from other funds

Receivable Fund	Payable Fund	Amount
General	Debt Service	\$ 828,764
	Nonmajor governmental	618,157
Water Utility enterprise	Debt Service	758,100
Sewer Utility enterprise	Debt Service	247,100
Total		<u>\$ 2,452,121</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, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Interfund transfers

The following transfers were made for the year ended December 31, 2016:

Fund	Transfer in				Total
	General	Debt Service	Nonmajor Governmental	Sanitary Collection Enterprise	
Transfer out					
General	\$ -	\$ -	\$ 186,029	\$ -	\$ 186,029
Debt Service	-	-	-	30,000	30,000
2015 Construction	-	100,000	-	-	100,000
Nonmajor governmental	7,600	583,728	-	-	591,328
Water Utility enterprise	95,000	-	45,000	-	140,000
Sewer Utility enterprise	110,000	-	75,000	-	185,000
Storm Water enterprise	11,750	-	41,500	-	53,250
Solid Waste enterprise	55,000	-	-	-	55,000
Total transfers out	<u>\$ 279,350</u>	<u>\$ 683,728</u>	<u>\$ 347,529</u>	<u>\$ 30,000</u>	<u>\$ 1,340,607</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 significant transfers were made during 2016:

- \$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.
- \$161,500 to the Capital Facilities fund from the Water Utility fund (\$45,000), the Sewer Utility fund (\$75,000) and the Storm Water fund (\$41,500) for franchise fees.
- \$100,000 out of the 2015 Construction fund to cover debt payments on related debt.
- \$503,143 from the Sales Tax fund to the Debt Service fund for scheduled debt payments.
- Transfers from TIF #8 Marigold fund (\$26,967), TIF #14 Webster Redevelopment fund (\$8,388), TIF #2 fund (\$5,928) and TIF #19 fund (\$30,090) 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.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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	\$ 600,000
G.O. Bonds of 2011A	3,215,000	2.00 - 3.75	11/30/11	02/01/34	2,955,000
G.O. Crossover					
Refunding of 2012A	430,000	1.00 - 1.90	04/01/12	02/01/20	345,000
G.O. Tax Abatement Bonds of 2014 /	925,000	3.00 - 3.50	07/01/14	12/01/29	820,000
G.O. Tax Abatement Bonds of 2015 /	580,000	0.85 - 3.10	09/01/15	12/01/30	550,000
G.O. Bonds of 2016A	465,000	1.00 - 1.80	08/15/16	02/01/26	465,000
Total General Obligation Bonds					<u>\$ 5,735,000</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
2017	\$ 540,000	\$ 159,581	\$ 699,581
2018	585,000	145,450	730,450
2019	515,000	131,251	646,251
2020	375,000	120,589	495,589
2021	290,000	112,756	402,756
2022 - 2026	1,550,000	445,454	1,995,454
2027 - 2031	1,270,000	221,821	1,491,821
2032 - 2034	610,000	34,753	644,753
Total	<u>\$ 5,735,000</u>	<u>\$ 1,371,655</u>	<u>\$ 7,106,655</u>

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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	\$ 755,000
Taxable G.O. Tax Increment Revenue					
Bonds of 2011B	455,000	3.00 - 5.00	12/01/11	02/01/35	<u>425,000</u>
Total G.O. Tax Increment Bonds					<u><u>\$ 1,180,000</u></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
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	110,000	37,879	147,879
2022 - 2026	400,000	117,986	517,986
2027 - 2031	150,000	65,409	215,409
2032 - 2036	165,000	21,751	186,751
2037	<u>10,000</u>	<u>313</u>	<u>10,313</u>
Total	<u><u>\$ 1,180,000</u></u>	<u><u>\$ 434,540</u></u>	<u><u>\$ 1,614,540</u></u>

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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	\$ 235,000
G.O. Improvement Bonds of 2008A	1,815,000	2.40 - 3.70	05/01/08	02/01/19	525,000
G.O. State Aid Street and Refunding Bonds of 2009D	3,120,000	2.00 - 4.00	12/22/09	04/01/17	2,055,000
G.O. Improvement Bonds of 2010A	2,305,000	2.00 - 4.00	12/30/10	12/01/27	1,860,000
G.O. Refunding Bonds of 2010C	3,455,000	.75 - 3.15	12/30/10	02/01/22	2,495,000
G.O. Improvement Bonds of 2015A	1,480,000	0.85 - 3.10	09/01/15	12/01/30	1,410,000
G.O. Crossover Refunding Bonds of 201	2,390,000	2.75 - 3.00	09/21/15	12/01/28	1,970,000
G.O. Improvement Bonds of 2016A	1,335,000	1.00 - 2.45	08/15/16	02/01/32	1,335,000
Total G.O. Special Assessments Bonds - Governmental					11,885,000
Business-type					
G.O. Crossover Refunding Bonds of 2012A	935,000	1.00 - 2.70	04/01/12	02/01/25	850,000
Total G.O. Special Assessments Bonds					<u>\$ 12,735,000</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			G.O. Special Assessment Bonds		
	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 3,130,000	\$ 309,000	\$ 3,439,000	\$ 90,000	\$ 17,168	\$ 107,168
2018	935,000	241,610	1,176,610	90,000	15,953	105,953
2019	1,210,000	209,930	1,419,930	90,000	14,535	104,535
2020	1,155,000	176,583	1,331,583	95,000	12,867	107,867
2021	1,230,000	140,570	1,370,570	90,000	10,930	100,930
2022 - 2026	2,850,000	371,442	3,221,442	395,000	20,827	415,827
2027 - 2031	1,270,000	71,493	1,341,493	-	-	-
2032	105,000	1,207	106,207	-	-	-
Total	<u>\$ 11,885,000</u>	<u>\$ 1,521,835</u>	<u>\$ 13,406,835</u>	<u>\$ 850,000</u>	<u>\$ 92,280</u>	<u>\$ 942,280</u>

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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	\$ 171,708
Public Facilities Authority Loan of 1999B	442,988	3.14	12/31/99	08/20/19	87,000
G.O. Utility Revenue Bonds of 2007B	890,000	3.90 - 4.45	08/01/07	02/01/18	485,000
G.O. Water Utility Revenue					
Bonds of 2008B	2,295,000	2.50 - 4.20	05/01/08	02/01/18	1,965,000
G.O. Utility Revenue Bonds of 2009B	690,000	3.00 - 4.00	05/12/09	12/01/24	405,000
G.O. Refunding Bonds of 2010C	900,000	.75 - 3.15	12/30/10	02/01/22	185,000
G.O. Improvement Bonds of 2014A	1,525,000	3.00 - 3.50	07/29/14	12/01/24	1,355,000
G.O. Sanitary Equipment Bonds of 2014A	395,000	3.00	07/29/14	12/01/24	320,000
G.O. Crossover Refunding Bonds of 2015B	3,180,000	2.00 - 3.00	09/21/15	12/01/28	2,940,000
Public Facilities Authority Loan of 2015C	1,631,793	1.00	01/09/15	08/20/34	1,553,000
Public Facilities Authority Loan of 2016B	26,273	1.00	03/21/16	08/20/34	26,273
Total G.O. Revenue Bonds - Business-type					<u>9,492,981</u>
Governmental					
G.O. Port Authority Taxable Refunding					
Bonds of 2009A	1,370,000	2.0 - 4.375	12/22/09	02/01/19	505,000
G.O. Sales Tax Revenue Bonds of 2009C	2,560,000	2.00 - 4.00	05/12/09	12/01/24	1,575,000
G.O. Sales Tax Revenue Bonds of 2010B	750,000	1.00 - 4.00	12/30/10	12/01/25	500,000
Total G.O. Revenue Bonds - Governmental					<u>2,580,000</u>
Total G.O. Revenue Bonds					<u><u>\$ 12,072,981</u></u>

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

Year Ending December 31,	G.O. Revenue Bonds			G.O. Revenue Bonds		
	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2017	\$ 385,000	\$ 91,559	\$ 476,559	\$ 834,179	\$ 269,271	\$ 1,103,450
2018	400,000	78,289	478,289	3,078,480	247,412	3,325,892
2019	415,000	64,116	479,116	724,022	134,458	858,480
2020	245,000	52,625	297,625	648,000	114,726	762,726
2021	255,000	44,050	299,050	498,000	96,746	594,746
2022 - 2026	880,000	75,325	955,325	2,211,700	297,665	2,509,365
2027 - 2031	-	-	-	1,213,900	69,145	1,283,045
2032 - 2034	-	-	-	284,700	5,714	290,414
Total	<u>\$ 2,580,000</u>	<u>\$ 405,964</u>	<u>\$ 2,985,964</u>	<u>\$ 9,492,981</u>	<u>\$ 1,235,137</u>	<u>\$ 10,728,118</u>

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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	\$ 1,768,195	\$ 2,099,220	\$ 465,988	\$ 276,737
Principal and interest	947,495	562,588	103,155	53,059
Percent of revenue	53.6%	26.8%	22.1%	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	\$ 400,000
231 Wheeler Ave	140,000	-	04/07/15	12/31/19	116,000
Total contracts payable					<u>\$ 516,000</u>

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

		Contracts Payable		
		Governmental Activities		
<u>December 31,</u>		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017		\$ 112,000	\$ 14,000	\$ 126,000
2018		112,000	10,000	122,000
2019		292,000	4,000	296,000
Total		<u>\$ 516,000</u>	<u>\$ 28,000</u>	<u>\$ 544,000</u>

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General obligation bonds	\$ 5,785,000	\$ 465,000	\$ (515,000)	\$ 5,735,000	\$ 540,000
General obligation tax increment bonds	1,245,000	-	(65,000)	1,180,000	65,000
General obligation special assessment bonds	11,825,000	1,335,000	(1,275,000)	11,885,000	3,130,000
General obligation revenue bonds	2,935,000	-	(355,000)	2,580,000	385,000
Bond discounts	(8,810)	-	3,342	(5,468)	-
Bond premiums	304,840	32,635	(33,085)	304,390	-
Total bonds payable	22,086,030	1,832,635	(2,239,743)	21,678,922	4,120,000
Contracts payable	628,000	-	(112,000)	516,000	112,000
Compensated absences payable	564,977	430,021	(404,789)	590,209	277,976
Pension liability					
GERF	1,405,608	717,494	(143,560)	1,979,542	-
PEPFF	1,261,220	3,418,408	(184,873)	4,494,755	-
Other postemployment benefits obligation	271,034	73,759	(58,475)	286,318	-
Governmental activity long-term liabilities	<u>\$ 26,216,869</u>	<u>\$ 6,472,317</u>	<u>\$ (3,143,440)</u>	<u>\$ 29,545,746</u>	<u>\$ 4,509,976</u>
Business-type activities					
Bonds payable					
General obligation revenue bonds	\$ 10,606,031	\$ 965,959	\$ (2,079,009)	\$ 9,492,981	\$ 834,179
General obligation special assessment bonds	935,000	-	(85,000)	850,000	90,000
Bond discounts	(15,045)	-	1,891	(13,154)	-
Bond premiums	223,646	7,639	(26,925)	204,360	-
Total bonds payable	11,749,632	973,598	(2,189,043)	10,534,187	924,179
Compensated absences payable	86,870	85,640	(69,294)	103,216	53,856
Pension liability					
GERF	708,860	425,020	(92,967)	1,040,913	-
Other postemployment benefits obligation	33,062	26,292	(20,846)	38,508	-
Business-type activity long-term liabilities	<u>\$ 12,578,424</u>	<u>\$ 1,510,550</u>	<u>\$ (2,372,150)</u>	<u>\$ 11,716,824</u>	<u>\$ 978,035</u>

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016, 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, 2016.
- \$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, 2016.
- \$545,000 Taxable Housing Facilities Revenue Refunding Note, Series 2014A-T, (Vista Prairie at Monarch Meadows Project), with an outstanding balance of \$138,636 at December 31, 2016.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

F. Components of fund balance

At December 31, 2016, 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	2016 Construction	Other Governmental Funds	Total Governmental Funds
Nonspendable							
Due from other funds	\$ 1,437,902	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,437,902
Prepaid items	37,232	-	-	-	-	-	37,232
Total nonspendable	<u>\$ 1,475,134</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,475,134</u>
Restricted							
Debt service	\$ -	\$ 2,158,831	\$ -	\$ -	\$ -	\$ -	\$ 2,158,831
Capital improvements	-	-	175,174	-	258,050	-	433,224
Library programs	-	-	-	-	-	50,000	50,000
Park development	-	-	-	-	-	5,866	5,866
Economic development	-	-	-	-	-	2,318,139	2,318,139
Tax increment financing	-	-	-	-	-	68,478	68,478
Park improvements	-	-	-	-	-	140,734	140,734
Total restricted	<u>\$ -</u>	<u>\$ 2,158,831</u>	<u>\$ 175,174</u>	<u>\$ -</u>	<u>\$ 258,050</u>	<u>\$ 2,583,217</u>	<u>\$ 5,175,272</u>
Assigned							
Capital equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 65,107	\$ 65,107
Economic development	-	-	-	-	-	211,734	211,734
Total assigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 276,841</u>	<u>\$ 276,841</u>
Unassigned	<u>\$ 2,589,217</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,482,589)</u>	<u>\$ -</u>	<u>\$ (407,688)</u>	<u>\$ 698,940</u>

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016

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 members 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 2016. 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 2016. The City's contributions to the GERF for the years ending December 31, 2016, 2015 and 2014 were \$172,739, \$177,855 and \$174,534, 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 2016. The City was required to contribute 16.20 percent of pay for PEPFF members in calendar year 2016. The City's contributions to the PEPFF for the years ending December 31, 2016, 2015 and 2014 were \$177,454, \$168,972 and \$150,470 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, 2016, the City reported a liability of \$3,020,455 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$39,358. The net pension liability was measured as of June 30, 2016, 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, 2015 through June 30, 2016 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportionate share was 0.0372 percent which was a 0.0036 percent decrease from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$264,983 for its proportionate share of GERF's pension expense. In addition, the City recognized an additional \$11,736 as pension expense (and grant revenue) for its proportion share of the State of Minnesota's contribution of \$6 million to the GERF.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

At December 31, 2016, the City reported its proportionate share of GERF'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	\$ 9,877	\$ 228,791
Changes in actuarial assumptions	648,278	-
Net difference between projected and actual earnings on plan investments	321,422	-
Changes in proportion	-	287,396
Contributions to GERF subsequent to the measurement date	87,302	-
	<u>\$ 1,066,879</u>	<u>\$ 516,187</u>
Total	<u>\$ 1,066,879</u>	<u>\$ 516,187</u>

Deferred outflows of resources totaling \$87,302 related to pensions resulting from the City's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2017	\$ 92,854
2018	17,209
2019	244,223
2020	109,104

PEPFF pension costs

At December 31, 2016, the City reported a liability of \$4,494,755 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2015 through June 30, 2016 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportionate share was 0.1120 percent which was a 0.0010 percent increase from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$703,137 for its proportionate share of PEPFF's pension expense. The City also recognized \$10,080 for the year ended December 31, 2016 as pension expense (and an offsetting reduction of net pension liability) for its proportionate share of the State of Minnesota's on-behalf contributions to the plan. 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, 2016

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

At December 31, 2016, 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	\$ 972	\$ 517,357
Changes in actuarial assumptions	2,655,222	-
Net difference between projected and actual earnings on plan investments	388,774	-
Changes in proportion	55,592	-
Contributions to PEPFF subsequent to the measurement date	93,191	-
Total	<u>\$ 3,193,751</u>	<u>\$ 517,357</u>

Deferred outflows of resources totaling \$93,191 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to PEPFF pensions will be recognized in pension expense as follows:

2017	\$ 493,965
2018	493,965
2019	641,853
2020	526,620
2021	426,800

E. Actuarial assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active member payroll growth	3.25% per year
Investment rate of return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for the GERF and RP-2000 tables for the PEPFF for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1 percent per year for all future years for the GERF and PEPFF.

Actuarial assumptions used in the June 30, 2016 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERF was completed in 2015. The experience study for PEPFF was for the period July 1, 2004 through June 30, 2009.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

The following changes in actuarial assumptions occurred in 2016:

GERF

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years.
- The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

PEPFF

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037 and 2.5 percent per year thereafter to 1.0 percent per year for all future years.
- The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 5.6 percent.
- The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return 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 geometric 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 7.50 percent, a reduction from the 7.90 percent used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the GERF was projected to be available to make all projected future benefit payments of current plan 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.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

In the PEPFF, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056. Beginning in fiscal year ended June 30, 2057 for the PEPFF, when projected benefit payments exceed the funds' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85 percent based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60 percent for the PEPFF was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50 percent applied to all years of projected benefits through the point of asset depletion and 2.85 percent after.

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 (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
GERF	\$ 4,289,942	\$ 3,020,455	\$ 1,974,744
	1 Percent Decrease (4.60%)	Current (5.60%)	1 Percent Increase (6.60%)
PEPFF	\$ 6,292,060	\$ 4,494,755	\$ 3,026,220

H. Pension plan fiduciary net position

Detailed information about each 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.

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, 2015, the plan covered 32 active firefighters and 5 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.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

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 \$72,425 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2015, 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, 2016 were \$13,610. The City's contributions were equal to the required contributions as set by state statute.

D. Pension costs

At December 31, 2016, the City reported a net pension (asset) liability of (\$452,030) for the plan. The net pension asset was measured as of December 31, 2015. The total pension liability used to calculate the net pension (asset) liability in accordance with GASB 68 was determined by Hildi, Inc. applying an actuarial formula to specific census data certified by the Department as of December 31, 2015. The following table presents the changes in net pension liability (asset) during the year:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a-b)
Beginning balance January 1, 2016	\$ 1,498,391	\$ 2,020,117	\$ (521,726)
Changes for the year			
Service cost	50,078	-	50,078
Interest on pension liability (asset)	91,749	-	91,749
Projected investment return	-	128,196	(128,196)
Contributions (employer)	-	13,520	(13,520)
Nonemployer contributions	-	71,613	(71,613)
(Gain)/loss	-	(134,076)	134,076
Benefit payments	(173,764)	(173,764)	-
Administrative expenses	-	(7,122)	7,122
Total net changes	(31,937)	(101,633)	69,696
Ending balance December 31, 2016	\$ 1,466,454	\$ 1,918,484	\$ (452,030)

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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

For the year ended December 31, 2016 the City recognized pension expense of \$46,722.

At December 31, 2016 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	\$ 112,836
Contributions to plan subsequent to the measurement date	86,035
Total	<u>\$ 198,871</u>

Deferred outflows of resources totaling \$86,035 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:

2017	\$ 28,675
2018	28,675
2019	28,674
2020	26,812

E. Actuarial assumptions

The total pension liability at December 31, 2015 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 2015.

The 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, 2016

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

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

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

F. Discount rate

The discount rate used to measure the total pension liability was 6.0 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.

G. 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:

	<u>1 Percent Decrease (5.00%)</u>	<u>Current (6.00%)</u>	<u>1 Percent Increase (7.00%)</u>
Defined benefit plan	\$ (432,784)	\$ (452,030)	\$ (470,662)

H. 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, 2016

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 2016, the City contributed \$79,321 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. 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.

D. 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	12,164
Adjustment to annual required contribution	<u>(17,244)</u>
Annual OPEB cost (expense)	100,051
Contributions made	<u>(79,321)</u>
Increase in net OPEB obligation	20,730
Net OPEB obligation- beginning of year	<u>304,096</u>
NET OPEB obligation - end of year	<u><u>\$ 324,826</u></u>

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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 2016 and previous two years are as follows:

Year Ending	Three Year Trend Information		
	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/16	\$ 100,051	79.3 %	\$ 324,826
12/31/15	100,311	84.3	304,096
12/31/14	100,197	106.9	288,391

E. Funded status and funding progress

As of January 1, 2015, 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.

F. Methods and assumptions

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

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

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

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, 2016 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, 2016

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.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 7: OTHER INFORMATION - CONTINUED

D. Agency

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

E. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA) program. The amount received in 2016 was \$1,608,839. This accounted for 21 percent of General fund revenues.

Note 8: TAX INCREMENTS

As of December 31, 2016, the City has five agreements entered into by the City listed below that abates City property taxes. Below is information specific to the agreement:

The City entered into a tax increment financing agreement (National Dentex TIF) on March 17, 2008 with a developer in which the developer incurred costs to promote the expansion of a manufacturing and warehouse facility. In return, the City will reimburse the developer for some costs as the City collects future tax increment for the increased property value and tax capacity related to the housing development. The pay-as-you-go agreement has a maximum return to the developer of \$203,610 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.048-469.068, 469.174-469.179) and has a maximum duration to December 31, 2018. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (LJP Enterprises TIF) on August 16, 2010 with a developer in which the developer incurred costs to promote the construction of a warehouse facility. In return, the City will reimburse the developer for some costs as the City collects future tax increment for the increased property value and tax capacity related to the housing development. The pay-as-you-go agreement has a maximum return to the developer of \$644,396 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.048-469.068, 469.174-469.179) and has a maximum duration to December 31, 2020. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (Ziegler Caterpillar TIF) on January 11, 2011 with a developer in which the developer incurred costs to promote the construction of a sales, service and warehouse facility. In return, the City will reimburse the developer for some costs as the City collects future tax increment for the increased property value and tax capacity related to the housing development. The pay-as-you-go agreement has a maximum return to the developer of \$727,450 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.048-469.068, 469.174-469.179) and has a maximum duration to December 31, 2021. The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (Allstate Peterbilt TIF) on June 20, 2011 with a developer in which the developer incurred costs to promote the construction of a truck and trailer parts and service facility. In return, the City will reimburse the developer for some costs as the City collects future tax increment for the increased property value and tax capacity related to the housing development. The pay-as-you-go agreement has a maximum return to the developer of \$216,660 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.048-469.068, 469.174-469.179) and has a maximum duration to December 31, 2021. The calculation of taxes abated during the fiscal year is noted in the chart below.

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

Note 8: TAX INCREMENTS - CONTINUED

The City entered into a tax increment financing agreement (Lindsay TIF) on July 5, 2011 with a developer in which the developer incurred costs to promote an expansion project. In return, the City will reimburse the developer for some costs as the City collects future tax increment for the increased property value and tax capacity related to the housing development. The pay-as-you-go agreement has a maximum return to the developer of \$140,746 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.048-469.068, 469.174-469.179) and has a maximum duration to December 31, 2021. The calculation of taxes abated during the fiscal year is noted in the chart below.

Lost revenue as it relates to tax abatements for the year ended December 31, 2016 was as follows:

	City Tax Rate (Year of Establishment)	Captured Tax Capacity	Amount of Taxes Abated in the Fiscal Year
Tax Increment Districts (PAYGO)			
TIF District 17 (National Dentex)	44.513%	\$ 12,468	\$ 5,550
TIF District 18 (LJP Enterprises)	45.626%	72,084	32,889
TIF District 20 (Ziegler Caterpillar)	45.425%	70,198	31,887
TIF District 21 (Allstate Peterbilt)	45.425%	23,078	10,483
TIF District 22 (Lindsay)	45.425%	14,632	6,647
Total			<u>\$ 87,456</u>

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016

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CITY OF NORTH MANKATO, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2016

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/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	
06/30/16	0.0372 %	\$ 3,020,455	\$ 39,358	\$ 3,059,813	\$ 2,305,660	131.0 %	68.9 %	
06/30/15	0.0408	2,114,468	-	2,114,468	2,356,493	89.7	78.2	

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

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)	
12/31/16	\$ 172,739	\$ 172,739	\$ -	\$ 2,303,184	7.5 %	
12/31/15	177,855	177,855	-	2,371,413	7.5	

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

CITY OF NORTH MANKATO, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

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/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/16	0.1120 %	\$ 4,494,755	\$ -	\$ 4,494,755	\$ 1,075,390	418.0 %	63.9 %
06/30/15	0.1110	1,261,220	-	1,261,220	985,519	128.0	86.6

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

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)
12/31/16	\$ 177,454	\$ 177,454	\$ -	\$ 1,095,395	16.2 %
12/31/15	168,972	168,972	-	1,043,037	16.2

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

CITY OF NORTH MANKATO, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

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

	2016 (Fire Relief Report Date 2015)	2015 (Fire Relief Report Date 2014)
Total pension liability		
Service cost	\$ 50,078	\$ 48,857
Interest	91,749	94,339
Benefit payments, including refunds of employee contributions	(173,764)	-
Net change in total pension liability	(31,937)	143,196
Total pension liability - January 1	1,498,391	1,355,195
	<u>\$ 1,466,454</u>	<u>\$ 1,498,391</u>
Plan fiduciary net position		
Contributions - employer	85,133	79,141
Net investment income	(5,880)	112,364
Benefit payments, including refunds of employee contributions	(173,764)	-
Administrative expense	(7,122)	(6,972)
Net change in plan fiduciary net position	(101,633)	184,533
Plan fiduciary net position - January 1	2,020,117	1,835,584
	<u>\$ 1,918,484</u>	<u>\$ 2,020,117</u>
Fire Relief's net pension liability (asset) - December 31 (a-b)	<u>\$ (452,030)</u>	<u>\$ (521,726)</u>
Plan fiduciary net position as a percentage of the total pension liability (b/a)	130.82%	134.82%
Covered-employee payroll	N/A	N/A
Fire Relief's net pension liability (asset) as a percentage of covered-employee payroll	N/A	N/A

Notes to Schedule:

Benefit changes. In 2015, 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 2015, amounts reported as changes of assumptions resulted primarily from adjustments to expected retirement ages of general employees. In 2015, amounts reported as changes of assumptions resulted primarily from adjustments to expected retirement ages of public safety employees. In 2015, 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.

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

CITY OF NORTH MANKATO, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

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)
12/31/16	\$ -	\$ -	\$ -
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, 2016

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CITY OF NORTH MANKATO, MINNESOTA
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2016

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and temporary investments	\$ 1,889,644	\$ 26,235	\$ 1,915,879
Receivables			
Accounts	1,584	-	1,584
Notes	1,018,786	-	1,018,786
Intergovernmental	113,562	38,872	152,434
TOTAL ASSETS	<u><u>\$ 3,023,576</u></u>	<u><u>\$ 65,107</u></u>	<u><u>\$ 3,088,683</u></u>
LIABILITIES			
Accounts payable	\$ 16,007	\$ -	\$ 16,007
Contracts payable	-	2,005	2,005
Due to other funds	609,581	8,576	618,157
Due to other governments	144	-	144
TOTAL LIABILITIES	<u>625,732</u>	<u>10,581</u>	<u>636,313</u>
FUND BALANCES			
Restricted	2,583,217	-	2,583,217
Assigned	211,734	65,107	276,841
Unassigned	(397,107)	(10,581)	(407,688)
TOTAL FUND BALANCES	<u>2,397,844</u>	<u>54,526</u>	<u>2,452,370</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 3,023,576</u></u>	<u><u>\$ 65,107</u></u>	<u><u>\$ 3,088,683</u></u>

CITY OF NORTH MANKATO, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Taxes			
Property taxes	\$ 75,000	\$ -	\$ 75,000
Sales taxes	581,546	-	581,546
Tax increments	289,401	-	289,401
Intergovernmental			
Federal	33,292	-	33,292
Investment earnings	111	-	111
Miscellaneous			
Rents	6,323	-	6,323
Contributions and donations	22,624	25,000	47,624
Refunds and reimbursements	-	35,208	35,208
Other	111,451	15,593	127,044
	<u>1,119,748</u>	<u>75,801</u>	<u>1,195,549</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
Culture and recreation			
Parks	464	-	464
Library	34,321	-	34,321
Housing and economic development	357,945	-	357,945
Capital outlay			
General government	-	39,065	39,065
Public safety	-	605,948	605,948
Public works	-	363,085	363,085
Culture and recreation	5,545	-	5,545
Debt service			
Principal	100,000	12,000	112,000
Interest and other costs	18,000	-	18,000
	<u>516,275</u>	<u>1,020,098</u>	<u>1,536,373</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>603,473</u>	<u>(944,297)</u>	<u>(340,824)</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	352,449	425	352,874
Transfers in	21,029	326,500	347,529
Debt issued	-	465,000	465,000
Transfers out	(591,328)	-	(591,328)
	<u>(217,850)</u>	<u>791,925</u>	<u>574,075</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	385,623	(152,372)	233,251
FUND BALANCES, JANUARY 1	<u>2,012,221</u>	<u>206,898</u>	<u>2,219,119</u>
FUND BALANCES, DECEMBER 31	<u>\$ 2,397,844</u>	<u>\$ 54,526</u>	<u>\$ 2,452,370</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.

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

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

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

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

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NONMAJOR SPECIAL REVENUE FUNDS - CONTINUED

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, 2016

	213	215	221	224
	Library Endowment	Community Development Block Grant	Local Option Sales Tax	Park Development
ASSETS				
Cash and temporary investments	\$ 51,178	\$ 12,849	\$ 36,498	\$ 5,866
Receivables				
Accounts	-	-	-	-
Intergovernmental	-	-	104,700	-
Notes, mortgages and leases	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 51,178</u>	<u>\$ 12,849</u>	<u>\$ 141,198</u>	<u>\$ 5,866</u>
LIABILITIES				
Accounts payable	\$ 1,034	\$ -	\$ 464	\$ -
Due to other funds	-	-	-	-
Due to other governments	144	-	-	-
	<u>1,178</u>	<u>-</u>	<u>464</u>	<u>-</u>
TOTAL LIABILITIES	<u>1,178</u>	<u>-</u>	<u>464</u>	<u>-</u>
FUND BALANCES				
Restricted	50,000	12,849	140,734	5,866
Assigned	-	-	-	-
Unassigned	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>50,000</u>	<u>12,849</u>	<u>140,734</u>	<u>5,866</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 51,178</u>	<u>\$ 12,849</u>	<u>\$ 141,198</u>	<u>\$ 5,866</u>

228	229	234	240	250	251	254	255
Port Authority	Federal Revolving Loan	Local Revolving Loan	Joint Economic Development	Marigold TIF #8	Webster Redevelopment TIF #14	National Dentex TIF #17	Webster Avenue TIF #2
\$ 213,678	\$ 808,106	\$ 171,525	\$ 309,435	\$ 212,031	\$ 54,901	\$ -	\$ 1,015
-	1,584	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	905,868	57,016	55,902	-	-	-	-
<u>\$ 213,678</u>	<u>\$ 1,715,558</u>	<u>\$ 228,541</u>	<u>\$ 365,337</u>	<u>\$ 212,031</u>	<u>\$ 54,901</u>	<u>\$ -</u>	<u>\$ 1,015</u>
\$ 1,944	\$ -	\$ 146	\$ 4,000	\$ -	\$ -	\$ -	\$ -
-	-	-	-	609,138	-	-	-
-	-	-	-	-	-	-	-
<u>1,944</u>	<u>-</u>	<u>146</u>	<u>4,000</u>	<u>609,138</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	1,715,558	228,395	361,337	-	54,901	-	1,015
211,734	-	-	-	-	-	-	-
-	-	-	-	(397,107)	-	-	-
<u>211,734</u>	<u>1,715,558</u>	<u>228,395</u>	<u>361,337</u>	<u>(397,107)</u>	<u>54,901</u>	<u>-</u>	<u>1,015</u>
<u>\$ 213,678</u>	<u>\$ 1,715,558</u>	<u>\$ 228,541</u>	<u>\$ 365,337</u>	<u>\$ 212,031</u>	<u>\$ 54,901</u>	<u>\$ -</u>	<u>\$ 1,015</u>

CITY OF NORTH MANKATO, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET - CONTINUED
DECEMBER 31, 2016

	256	257	258	259
	LJP Enterprises TIF #18	Ziegler Caterpillar TIF #20	422 Belgrade TIF #19	Lindsay TIF #22
ASSETS				
Cash and temporary investments	\$ -	\$ -	\$ 12,562	\$ -
Receivables				
Accounts	-	-	-	-
Intergovernmental	-	-	-	8,862
Notes, mortgages and leases	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,562</u>	<u>\$ 8,862</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 8,419
Due to other funds	-	-	-	443
Due to other governments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,862</u>
FUND BALANCES				
Restricted	-	-	12,562	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>-</u>	<u>-</u>	<u>12,562</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,562</u>	<u>\$ 8,862</u>

260		Total
Allstate Peterbilt		Nonmajor
TIF #21		Special
		Revenue
\$	-	\$ 1,889,644
	-	1,584
	-	113,562
	-	1,018,786
\$	-	\$ 3,023,576
\$	-	\$ 16,007
	-	609,581
	-	144
	-	625,732
	-	2,583,217
	-	211,734
	-	(397,107)
	-	2,397,844
\$	-	\$ 3,023,576

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, 2016

	213	215	221	224
	Library Endowment	Community Development Block Grant	Local Option Sales Tax	Park Development
REVENUES				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	581,546	-
Tax increments	-	-	-	-
Intergovernmental				
Federal	-	33,292	-	-
Investment earnings	-	-	-	-
Miscellaneous				
Rents	-	-	-	-
Contributions and donations	22,124	-	-	500
Other	-	-	-	-
TOTAL REVENUES	22,124	33,292	581,546	500
EXPENDITURES				
Current				
Culture and recreation				
Parks	-	-	464	-
Library	34,321	-	-	-
Housing and economic development	-	49,929	-	-
Capital outlay				
Culture and recreation	-	-	-	5,545
Debt service				
Principal	-	-	-	-
Interest and other costs	-	-	-	-
TOTAL EXPENDITURES	34,321	49,929	464	5,545
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(12,197)	(16,637)	581,082	(5,045)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	-	-
Transfers in	21,029	-	-	-
Transfers out	-	(7,600)	(503,143)	-
TOTAL OTHER FINANCING SOURCES (USES)	21,029	(7,600)	(503,143)	-
NET CHANGE IN FUND BALANCES	8,832	(24,237)	77,939	(5,045)
FUND BALANCES, JANUARY 1	41,168	37,086	62,795	10,911
FUND BALANCES, DECEMBER 31	\$ 50,000	\$ 12,849	\$ 140,734	\$ 5,866

228	229	234	240	250	251	254	255
Port Authority	Federal Revolving Loan	Local Revolving Loan	Joint Economic Development	Marigold TIF #8	Webster Redevelopment TIF #14	National Dentex TIF #17	Webster Avenue TIF #2
\$ 75,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	26,967	23,404	14,132	5,928
-	-	-	-	-	-	-	-
-	111	-	-	-	-	-	-
-	-	-	6,323	-	-	-	-
-	-	-	-	-	-	-	-
21,504	84,066	2,908	2,973	-	-	-	-
96,504	84,177	2,908	9,296	26,967	23,404	14,132	5,928
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
39,851	55	20,441	28,192	-	-	14,132	-
-	-	-	-	-	-	-	-
-	-	-	100,000	-	-	-	-
-	-	-	18,000	-	-	-	-
39,851	55	20,441	146,192	-	-	14,132	-
56,653	84,122	(17,533)	(136,896)	26,967	23,404	-	5,928
25,865	-	-	326,584	-	-	-	-
-	-	-	-	-	-	-	-
(9,212)	-	-	-	(26,967)	(8,388)	-	(5,928)
16,653	-	-	326,584	(26,967)	(8,388)	-	(5,928)
73,306	84,122	(17,533)	189,688	-	15,016	-	-
138,428	1,631,436	245,928	171,649	(397,107)	39,885	-	1,015
\$ 211,734	\$ 1,715,558	\$ 228,395	\$ 361,337	\$ (397,107)	\$ 54,901	\$ -	\$ 1,015

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, 2016

	256	257	258	259
	LJP Enterprises TIF #18	Ziegler Caterpillar TIF #20	422 Belgrade TIF #19	Lindsay TIF #22
REVENUES				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Sales taxes	-	-	-	-
Tax increments	84,240	68,286	20,766	17,724
Intergovernmental				
Federal	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous				
Rents	-	-	-	-
Contributions and donations	-	-	-	-
Other	-	-	-	-
TOTAL REVENUES	84,240	68,286	20,766	17,724
EXPENDITURES				
Current				
Culture and recreation				
Parks	-	-	-	-
Library	-	-	-	-
Housing and economic development	88,218	70,413	-	18,126
Capital outlay				
Culture and recreation	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other costs	-	-	-	-
TOTAL EXPENDITURES	88,218	70,413	-	18,126
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,978)	(2,127)	20,766	(402)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	(30,090)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(30,090)	-
NET CHANGE IN FUND BALANCES	(3,978)	(2,127)	(9,324)	(402)
FUND BALANCES, JANUARY 1	3,978	2,127	21,886	402
FUND BALANCES, DECEMBER 31	\$ -	\$ -	\$ 12,562	\$ -

260		Total Nonmajor Special Revenue
Allstate Peterbilt TIF #21		
\$ -	\$	75,000
-		581,546
27,954		289,401
-		33,292
-		111
-		6,323
-		22,624
-		111,451
27,954		1,119,748
-		464
-		34,321
28,588		357,945
-		5,545
-		100,000
-		18,000
28,588		516,275
(634)		603,473
-		352,449
-		21,029
-		(591,328)
-		(217,850)
(634)		385,623
634		2,012,221
\$ -	\$	2,397,844

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, 2016
With Comparative Actual Amounts for the Year Ended December 31, 2015

	2016			2015
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Intergovernmental				
Federal	\$ 67,602	\$ 33,292	\$ (34,310)	\$ 54,203
EXPENDITURES				
Current				
Housing and economic development				
Other services and charges	60,000	49,929	10,071	16,382
Capital outlay				
Housing and economic development	-	-	-	30,735
TOTAL EXPENDITURES	60,000	49,929	10,071	47,117
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	7,602	(16,637)	(24,239)	7,086
OTHER FINANCING SOURCES (USES)				
Sale of assets	-	-	-	30,000
Transfers out	(7,602)	(7,600)	2	-
TOTAL OTHER FINANCING SOURCES (USES)	(7,602)	(7,600)	2	30,000
NET CHANGE IN FUND BALANCES	-	(24,237)	(24,237)	37,086
FUND BALANCES, JANUARY 1	37,086	37,086	-	-
FUND BALANCES, DECEMBER 31	\$ 37,086	\$ 12,849	\$ (24,237)	\$ 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, 2016
With Comparative Actual Amounts for the Year Ended December 31, 2015

	Final Budget	2016 Actual Amounts	Variance with Final Budget	2015 Actual Amounts
REVENUES				
Taxes				
Sales tax	\$ 590,000	\$ 581,546	\$ (8,454)	\$ 587,673
Miscellaneous				
Contributions and donations	-	-	-	6,500
TOTAL REVENUES	590,000	581,546	(8,454)	594,173
EXPENDITURES				
Current				
Culture and recreation				
Library				
Supplies	-	-	-	5,597
Other services and charges	-	464	(464)	-
Capital outlay				
Culture and recreation	-	-	-	105,915
Debt service				
Interest and other costs	800	-	800	-
TOTAL EXPENDITURES	800	464	336	111,512
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	589,200	581,082	(8,118)	482,661
OTHER FINANCING SOURCES (USES)				
Transfers out	(502,344)	(503,143)	(799)	(511,244)
NET CHANGE IN FUND BALANCES	86,856	77,939	(8,917)	(28,583)
FUND BALANCES, JANUARY 1	62,795	62,795	-	91,378
FUND BALANCES, DECEMBER 31	\$ 149,651	\$ 140,734	\$ (8,917)	\$ 62,795

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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, 2016

	230	431	
	Capital Facilities and Equipment Replacement - General	2011 Construction	Total Nonmajor
ASSETS			
Cash and temporary investments	\$ 26,235	\$ -	\$ 26,235
Receivables			
Intergovernmental	38,872	-	38,872
TOTAL ASSETS	<u><u>\$ 65,107</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 65,107</u></u>
LIABILITIES			
Contracts payable	\$ -	\$ 2,005	\$ 2,005
Due to other funds	-	8,576	8,576
TOTAL LIABILITIES	<u>-</u>	<u>10,581</u>	<u>10,581</u>
FUND BALANCES			
Assigned	65,107	-	65,107
Unassigned	<u>-</u>	<u>(10,581)</u>	<u>(10,581)</u>
TOTAL FUND BALANCES	<u>65,107</u>	<u>(10,581)</u>	<u>54,526</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 65,107</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 65,107</u></u>

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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, 2016

	230 Capital Facilities and Equipment Replacement - General	431 2011 Construction	Total Nonmajor
REVENUES			
Miscellaneous			
Other	\$ 15,593	\$ -	\$ 15,593
Contributions and donations	25,000	-	25,000
Refunds and reimbursements	35,208	-	35,208
	<u>75,801</u>	<u>-</u>	<u>75,801</u>
TOTAL REVENUES			
EXPENDITURES			
Capital outlay			
General government	39,065	-	39,065
Public safety	605,948	-	605,948
Public works	359,344	3,741	363,085
Debt service			
Principal	12,000	-	12,000
	<u>1,016,357</u>	<u>3,741</u>	<u>1,020,098</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(940,556)</u>	<u>(3,741)</u>	<u>(944,297)</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	425	-	425
Transfers in	326,500	-	326,500
Debt issued	465,000	-	465,000
	<u>791,925</u>	<u>-</u>	<u>791,925</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	(148,631)	(3,741)	(152,372)
FUND BALANCES, JANUARY 1	<u>213,738</u>	<u>(6,840)</u>	<u>206,898</u>
FUND BALANCES, DECEMBER 31	<u>\$ 65,107</u>	<u>\$ (10,581)</u>	<u>\$ 54,526</u>

CITY OF NORTH MANKATO, MINNESOTA
STATEMENTS OF NET POSITION
NONMAJOR PROPRIETARY FUNDS
DECEMBER 31, 2016 AND 2015

	Business-type Activities - Enterprise Funds			
	603		604	
	Sanitary Collection		Storm Water	
	2016	2015	2016	2015
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 45,418	\$ 15,207	\$ 35,749	\$ 57,297
Restricted assets - cash with fiscal agent	-	-	10,650	10,650
Receivables				
Accounts	1,087	4,842	-	-
Intergovernmental	1,212	-	-	-
Prepaid items	338	-	188	-
TOTAL CURRENT ASSETS	48,055	20,049	46,587	67,947
NONCURRENT ASSETS				
Restricted assets - cash with fiscal agent	-	-	44,451	45,555
Capital assets				
Land	160,650	160,650	-	-
Buildings	1,500,777	1,500,777	2,339,223	2,339,223
Machinery and equipment	391,340	408,955	23,644	13,644
Less accumulated depreciation	(763,869)	(729,511)	(237,497)	(196,350)
TOTAL NONCURRENT ASSETS	1,288,898	1,340,871	2,169,821	2,202,072
TOTAL ASSETS	1,336,953	1,360,920	2,216,408	2,270,019
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension resources	10,564	5,120	23,884	4,626
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	21,525	57,676	9,169	3,095
Due to other governments	220	-	52,357	-
Accrued interest payable	7,388	7,742	2,237	2,468
Accrued wages payable	966	965	1,970	3,625
Compensated absences payable - current portion	894	499	7,643	3,913
Bonds payable - current portion	90,000	85,000	39,000	39,000
TOTAL CURRENT LIABILITIES	120,993	151,882	112,376	52,101
NONCURRENT LIABILITIES				
Compensated absences payable, net of current portion	671	1,431	-	4,022
Other postemployment benefits obligation	1,728	1,169	3,535	3,062
Pension liability	29,908	45,337	67,617	40,962
Bonds payable, net of current portion	752,322	841,468	360,516	400,092
TOTAL NONCURRENT LIABILITIES	784,629	889,405	431,668	448,138
TOTAL LIABILITIES	905,622	1,041,287	544,044	500,239
DEFERRED INFLOWS OF RESOURCES				
Deferred pension resources	5,111	10,759	11,556	9,721
NET POSITION				
Net investment in capital assets	446,576	414,403	1,798,604	1,799,175
Unrestricted	(9,792)	(100,409)	(113,912)	(34,490)
TOTAL NET POSITION	\$ 436,784	\$ 313,994	\$ 1,684,692	\$ 1,764,685

Business-type Activities - Enterprise Funds

651

Solid Waste		Totals	
2016	2015	2016	2015
\$ 11,210	\$ 16,269	\$ 92,377	\$ 88,773
-	-	10,650	10,650
-	-	1,087	4,842
-	-	1,212	-
188	-	714	-
11,398	16,269	106,040	104,265
-	-	44,451	45,555
-	-	160,650	160,650
-	-	3,840,000	3,840,000
400,601	400,601	815,585	823,200
(40,060)	-	(1,041,426)	(925,861)
360,541	400,601	3,819,260	3,943,544
371,939	416,870	3,925,300	4,047,809
17,842	2,921	52,290	12,667
37,003	40,220	67,697	100,991
6,033	5,932	58,610	5,932
2,400	900	12,025	11,110
1,652	3,550	4,588	8,140
1,491	918	10,028	5,330
40,000	40,000	169,000	164,000
88,579	91,520	321,948	295,503
-	451	671	5,904
-	-	5,263	4,231
50,512	25,870	148,037	112,169
298,078	340,338	1,410,916	1,581,898
348,590	366,659	1,564,887	1,704,202
437,169	458,179	1,886,835	1,999,705
8,632	6,139	25,299	26,619
22,463	20,263	2,267,643	2,233,841
(78,483)	(64,790)	(202,187)	(199,689)
\$ (56,020)	\$ (44,527)	\$ 2,065,456	\$ 2,034,152

CITY OF NORTH MANKATO, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
NONMAJOR PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Business-type Activities - Enterprise Funds			
	603		604	
	Sanitary Collection		Storm Water	
	2016	2015	2016	2015
OPERATING REVENUES				
Charges for services	\$ 339,011	\$ 399,382	\$ 276,474	\$ 278,071
Facility rental	126,861	96,861	-	-
Pension revenue	116	-	263	-
	<u>465,988</u>	<u>496,243</u>	<u>276,737</u>	<u>278,071</u>
TOTAL OPERATING REVENUES				
OPERATING EXPENSES				
Personal services	11,698	214,211	87,723	76,653
Supplies	18,302	31,291	15,391	14,319
Other services and charges	64,356	78,117	119,706	49,403
Contractual services	187,834	136,436	-	-
Insurance	4,913	4,735	-	-
Utilities	15,778	16,550	25,157	10,903
Depreciation	51,973	54,057	41,147	42,027
	<u>354,854</u>	<u>535,397</u>	<u>289,124</u>	<u>193,305</u>
TOTAL OPERATING EXPENSES				
OPERATING INCOME (LOSS)	<u>111,134</u>	<u>(39,154)</u>	<u>(12,387)</u>	<u>84,766</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income	-	2,110	494	-
Other income	311	-	-	-
Interest expense	(17,801)	(22,566)	(15,426)	(15,483)
Bond issuance costs	-	-	-	(783)
Amortization of bond premiums (discounts)	(854)	(854)	576	(2)
	<u>(18,344)</u>	<u>(21,310)</u>	<u>(14,356)</u>	<u>(16,268)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)				
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	92,790	(60,464)	(26,743)	68,498
CAPITAL CONTRIBUTIONS FROM (TO) OTHER FUNDS	-	-	-	490,785
TRANSFERS IN	30,000	30,000	-	-
TRANSFERS OUT	<u>-</u>	<u>(8,500)</u>	<u>(53,250)</u>	<u>(43,250)</u>
CHANGE IN NET POSITION	122,790	(38,964)	(79,993)	516,033
NET POSITION, JANUARY 1	<u>313,994</u>	<u>352,958</u>	<u>1,764,685</u>	<u>1,248,652</u>
NET POSITION, DECEMBER 31	<u>\$ 436,784</u>	<u>\$ 313,994</u>	<u>\$ 1,684,692</u>	<u>\$ 1,764,685</u>

Business-type Activities - Enterprise Funds

651

Solid Waste		Totals	
2016	2015	2016	2015
\$ 736,435	\$ 720,103	\$ 1,351,920	\$ 1,397,556
-	-	126,861	96,861
196	-	575	-
<u>736,631</u>	<u>720,103</u>	<u>1,479,356</u>	<u>1,494,417</u>
75,295	80,679	174,716	371,543
11,309	7,660	45,002	53,270
121,783	39,711	305,845	167,231
434,787	452,871	622,621	589,307
-	-	4,913	4,735
-	-	40,935	27,453
40,060	-	133,180	96,084
<u>683,234</u>	<u>580,921</u>	<u>1,327,212</u>	<u>1,309,623</u>
<u>53,397</u>	<u>139,182</u>	<u>152,144</u>	<u>184,794</u>
-	-	494	2,110
151	-	462	-
(12,301)	(12,096)	(45,528)	(50,145)
-	-	-	(783)
2,260	2,260	1,982	1,404
<u>(9,890)</u>	<u>(9,836)</u>	<u>(42,590)</u>	<u>(47,414)</u>
43,507	129,346	109,554	137,380
-	(22,589)	-	468,196
-	-	30,000	30,000
<u>(55,000)</u>	<u>(55,000)</u>	<u>(108,250)</u>	<u>(106,750)</u>
(11,493)	51,757	31,304	528,826
<u>(44,527)</u>	<u>(96,284)</u>	<u>2,034,152</u>	<u>1,505,326</u>
<u>\$ (56,020)</u>	<u>\$ (44,527)</u>	<u>\$ 2,065,456</u>	<u>\$ 2,034,152</u>

CITY OF NORTH MANKATO, MINNESOTA
STATEMENTS OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS - CONTINUED ON THE FOLLOWING PAGES
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Business-type Activities - Enterprise Funds			
	603		604	
	Sanitary Collection		Storm Water	
	2016	2015	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 342,766	\$ 401,687	\$ 276,474	\$ 278,071
Payments to suppliers and vendors	(327,452)	(224,774)	(102,011)	(115,393)
Payments to and on behalf of employees	(37,908)	(211,447)	(79,702)	(75,001)
Other receipts	125,960	96,861	-	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	103,366	62,327	94,761	87,677
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	30,000	30,000	-	-
Transfers to other funds	-	(8,500)	(53,250)	(43,250)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	30,000	21,500	(53,250)	(43,250)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal paid on revenue bonds payable	(85,000)	(70,000)	(39,000)	(38,250)
Interest paid on revenue bonds payable	(18,155)	(31,588)	(14,059)	(15,254)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(103,155)	(101,588)	(53,059)	(53,504)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	30,211	(17,761)	(11,548)	(9,077)
CASH AND CASH EQUIVALENTS, JANUARY 1	15,207	32,968	57,297	66,374
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 45,418	\$ 15,207	\$ 45,749	\$ 57,297

Business-type Activities - Enterprise Funds			
651			
Solid Waste		Totals	
2016	2015	2016	2015
\$ 736,435	\$ 720,103	\$ 1,355,675	\$ 1,399,861
(571,183)	(551,693)	(1,000,646)	(891,860)
(64,661)	(46,672)	(182,271)	(333,120)
151	-	126,111	96,861
100,742	121,738	298,869	271,742
-	-	30,000	30,000
(55,000)	(55,000)	(108,250)	(106,750)
(55,000)	(55,000)	(78,250)	(76,750)
(40,000)	(35,000)	(164,000)	(143,250)
(10,801)	(16,788)	(43,015)	(63,630)
(50,801)	(51,788)	(207,015)	(206,880)
(5,059)	14,950	13,604	(11,888)
16,269	1,319	88,773	100,661
<u>\$ 11,210</u>	<u>\$ 16,269</u>	<u>\$ 102,377</u>	<u>\$ 88,773</u>

CITY OF NORTH MANKATO, MINNESOTA
STATEMENTS OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS - CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Business-type Activities - Enterprise Funds			
	603		604	
	Sanitary Collection		Storm Water	
	2016	2015	2016	2015
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 111,134	\$ (39,154)	\$ (12,387)	\$ 84,766
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Other income related to operations	311	-	-	-
Depreciation	51,973	54,057	41,147	42,027
(Increase) decrease in assets				
Accounts receivable	3,755	2,305	-	-
Intergovernmental	(1,212)	-	-	-
Prepaid items	(338)	-	(188)	-
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	(5,444)	1,832	(19,258)	1,852
Increase (decrease) in liabilities				
Accounts payable	(36,151)	42,473	6,074	(2,189)
Due to other governments	220	(118)	52,357	(38,579)
Accrued wages payable	1	(640)	(1,655)	211
Compensated absences payable	(365)	881	(292)	493
Other postemployment benefits obligation	559	319	473	342
Pension liability	(15,429)	1,467	26,655	79
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	(5,648)	(1,095)	1,835	(1,325)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 103,366</u>	<u>\$ 62,327</u>	<u>\$ 94,761</u>	<u>\$ 87,677</u>
SCHEDULE OF NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
Capital assets contributed by (to) other funds	\$ -	\$ -	\$ -	\$ 490,785
Amortization of bond (premium) discount	854	854	(576)	2
Bond proceeds deposited in escrow	-	-	-	53,250
Bond premiums deposited in escrow	-	-	-	4,049
Accrued interest on bonds issued in escrow	-	-	-	26
Bond principal paid by escrow	-	860,000	-	-
Bond issue costs paid by escrow	-	-	-	783
Bond interest paid by escrow	-	9,290	1,598	337
Interest earned on escrow	-	2,110	494	-
Transfer of 2014A G.O. bonds from governmental to business-type activities				
Bonds issued	-	-	-	-
Premiums/discounts	-	-	-	-
Accrued interest payable	-	-	-	-
Capital assets	-	-	-	-

Business-type Activities - Enterprise Funds				
651				
Solid Waste		Totals		
2016	2015	2016	2015	
\$ 53,397	\$ 139,182	\$ 152,144	\$ 184,794	
151	-	462	-	
40,060	-	133,180	96,084	
-	-	3,755	2,305	
-	-	(1,212)	-	
(188)	-	(714)	-	
(14,921)	(2,921)	(39,623)	763	
(3,217)	(50,084)	(33,294)	(9,800)	
101	(1,367)	52,678	(40,064)	
(1,898)	3,550	(3,552)	3,121	
122	1,369	(535)	2,743	
-	-	1,032	661	
24,642	25,870	35,868	27,416	
2,493	6,139	(1,320)	3,719	
<u>\$ 100,742</u>	<u>\$ 121,738</u>	<u>\$ 298,869</u>	<u>\$ 271,742</u>	
\$ -	\$ (22,589)	\$ -	\$ 468,196	
(2,260)	(2,260)	(1,982)	(1,404)	
-	-	-	53,250	
-	-	-	4,049	
-	-	-	26	
-	-	-	860,000	
-	-	-	783	
-	-	1,598	9,627	
-	-	494	2,110	
-	395,000	-	395,000	
-	22,598	-	22,598	
-	5,592	-	5,592	
-	400,601	-	400,601	

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THE GENERAL FUND

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

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CITY OF NORTH MANKATO, MINNESOTA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
ASSETS		
Cash and temporary investments	\$ 2,768,529	\$ 2,486,684
Receivables		
Taxes	126,148	101,269
Accounts	92,378	94,193
Special assessments		
Delinquent	3,109	3,999
Noncurrent	22,530	40,880
Intergovernmental	77,630	52,003
Due from other funds	1,446,921	1,645,775
Prepaid items	<u>37,232</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 4,574,477</u></u>	<u><u>\$ 4,424,803</u></u>
LIABILITIES		
Accounts payable	\$ 141,287	\$ 129,124
Accrued wages payable	119,506	294,531
Due to other governments	<u>97,546</u>	<u>78,794</u>
TOTAL LIABILITIES	<u>358,339</u>	<u>502,449</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue		
Taxes	126,148	101,269
Special assessments	<u>25,639</u>	<u>44,879</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>151,787</u>	<u>146,148</u>
FUND BALANCES		
Nonspendable		
Prepaid items	37,232	-
Due from other funds	1,437,902	1,607,122
Unassigned	<u>2,589,217</u>	<u>2,169,084</u>
TOTAL FUND BALANCES	<u>4,064,351</u>	<u>3,776,206</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 4,574,477</u></u>	<u><u>\$ 4,424,803</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, 2016
With Comparative Actual Amounts for the Year Ended December 31, 2015

	2016			2015	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Taxes					
Property taxes	\$ 4,191,629	\$ 4,191,629	\$ 4,179,997	\$ (11,632)	\$ 4,024,430
Sales tax	835	835	530	(305)	629
Franchise taxes	525,334	525,334	402,406	(122,928)	413,458
Hotel-motel tax	52,000	52,000	54,156	2,156	55,209
Other taxes	17,000	17,000	27,477	10,477	27,968
Total taxes	4,786,798	4,786,798	4,664,566	(122,232)	4,521,694
Special assessments	4,897	4,897	26,985	22,088	29,140
Licenses and permits					
Business	95,210	95,210	91,017	(4,193)	94,708
Nonbusiness	310,000	310,000	269,395	(40,605)	354,163
Total licenses and permits	405,210	405,210	360,412	(44,798)	448,871
Intergovernmental					
Federal					
Other Federal aid	-	-	14,641	14,641	9,829
State					
Local government aid	1,608,839	1,608,839	1,608,839	-	1,596,281
Street maintenance aid	163,700	163,700	170,335	6,635	172,714
Fire aid	52,714	52,714	72,425	19,711	68,907
Police aid	99,008	99,008	110,940	11,932	104,891
Other State aid	15,874	15,874	23,851	7,977	22,023
Total State	1,940,135	1,940,135	1,986,390	46,255	1,964,816
County					
Other County aid	59,594	59,594	55,494	(4,100)	61,389
Total intergovernmental	1,999,729	1,999,729	2,056,525	56,796	2,036,034
Charges for services					
General government	24,010	24,010	38,107	14,097	28,512
Public safety	26,000	26,000	2,035	(23,965)	4,602
Culture and recreation	116,425	116,425	202,072	85,647	166,128
Total charges for services	166,435	166,435	242,214	75,779	199,242
Fines and forfeits					
Court fines	28,000	28,000	30,767	2,767	26,933
Parking fines	900	900	480	(420)	645
Total fines and forfeits	28,900	28,900	31,247	2,347	27,578
Investment earnings	1,500	1,500	3,978	2,478	3,926
Miscellaneous					
Contributions and donations	-	-	3,060	3,060	28,084
Rents	15,000	15,000	-	(15,000)	3,881
Other	110,013	110,013	168,531	58,518	227,187
Total miscellaneous	125,013	125,013	171,591	46,578	259,152
TOTAL REVENUES	7,518,482	7,518,482	7,557,518	39,036	7,525,637

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, 2016
With Comparative Actual Amounts for the Year Ended December 31, 2015

	2016			2015	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES					
Current					
General government					
Mayor and Council					
Personal services	\$ 34,008	\$ 34,008	\$ 33,967	\$ 41	\$ 34,009
Other services and charges	2,113	2,113	5,046	(2,933)	6,671
Total Mayor and Council	36,121	36,121	39,013	(2,892)	40,680
Administration					
Personal services	399,784	399,784	376,212	23,572	483,824
Supplies	64,800	64,800	47,706	17,094	35,017
Other services and charges	181,494	181,494	193,025	(11,531)	176,176
Total administration	646,078	646,078	616,943	29,135	695,017
City attorney					
Supplies	100	100	1,380	(1,280)	195
Other services and charges	105,000	105,000	94,808	10,192	103,943
Total city attorney	105,100	105,100	96,188	8,912	104,138
Total general government	787,299	787,299	752,144	35,155	839,835
Public safety					
Police protection					
Personal services	1,678,002	1,678,002	1,661,898	16,104	1,627,552
Supplies	92,050	92,050	62,629	29,421	77,709
Other services and charges	103,879	103,879	124,682	(20,803)	98,869
Total police protection	1,873,931	1,873,931	1,849,209	24,722	1,804,130
Fire protection					
Personal services	235,610	235,610	225,324	10,286	223,881
Supplies	44,200	44,200	36,440	7,760	31,697
Other services and charges	60,573	60,573	72,753	(12,180)	61,199
Total fire protection	340,383	340,383	334,517	5,866	316,777
Total public safety	2,214,314	2,214,314	2,183,726	30,588	2,120,907
Public works					
Street maintenance					
Personal services	548,995	548,995	532,873	16,122	527,983
Supplies	391,500	391,500	278,775	112,725	293,359
Other services and charges	71,475	71,475	107,245	(35,770)	107,074
Total street maintenance	1,011,970	1,011,970	918,893	93,077	928,416

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, 2016
With Comparative Actual Amounts for the Year Ended December 31, 2015

	2016			2015
	Budgeted Amounts		Variance with Final Budget	Actual Amounts
	Original	Final		
EXPENDITURES - CONTINUED				
Current - Continued				
Public works				
Equipment maintenance				
Personal services	\$ 202,502	\$ 202,502	\$ (29,341)	\$ 265,950
Supplies	173,900	173,900	17,011	152,009
Other services and charges	37,733	37,733	5,854	28,164
Total equipment maintenance	414,135	414,135	(6,476)	446,123
Street lighting				
Personal services	9,411	9,411	2,143	4,326
Supplies	25,900	25,900	(269)	28,713
Other services and charges	311,000	311,000	8,924	286,347
Total street lighting	346,311	346,311	10,798	319,386
Total public works	1,772,416	1,772,416	97,399	1,693,925
Culture and recreation				
Swimming pool				
Supplies	35,000	35,000	15,568	15,017
Other services and charges	58,376	58,376	(14,378)	61,111
Total swimming pool	93,376	93,376	1,190	76,128
Caswell Park concessions				
Personal services	76,123	76,123	(17,434)	72,135
Supplies	126,280	126,280	(44,021)	112,274
Other services and charges	26,623	26,623	(25,378)	31,363
Total Caswell Park concessions	229,026	229,026	(86,833)	215,772
Caswell fields				
Personal services	11,084	11,084	(8,883)	291
Supplies	20,100	20,100	9,811	8,751
Other services and charges	3,328	3,328	(6,567)	10,312
Total Caswell fields	34,512	34,512	(5,639)	19,354
Parks				
Personal services	305,856	305,856	(41,294)	367,623
Supplies	108,200	108,200	(32,574)	148,260
Other services and charges	52,061	52,061	(45,542)	52,562
Total parks	466,117	466,117	(119,410)	568,445
Library				
Personal services	318,075	318,075	(15,057)	300,953
Supplies	127,900	127,900	(8,357)	124,653
Other services and charges	56,053	56,053	(14,728)	61,412
Total library	502,028	502,028	(38,142)	487,018
Bookmobile				
Personal services	63,436	63,436	3,864	60,439
Supplies	15,200	15,200	4,688	13,797
Other services and charges	3,735	3,735	32	3,553
Total bookmobile	82,371	82,371	8,584	77,789
Total culture and recreation	1,407,430	1,407,430	(240,250)	1,444,506
Housing and economic development				
Community development				
Personal services	335,773	335,773	3,505	379,711
Supplies	25,000	25,000	17,160	13,107
Other services and charges	133,038	133,038	(27,708)	162,699
Total housing and economic development	493,811	493,811	(7,043)	555,517

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, 2016
With Comparative Actual Amounts for the Year Ended December 31, 2015

	2016			2015	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES- CONTINUED					
Current - Continued					
Mass transit and other					
Mass transit					
Other services and charges	\$ 119,990	\$ 119,990	\$ 131,060	\$ (11,070)	\$ 192,537
Other					
Personal services	-	-	35,053	(35,053)	5,144
Other services and charges	83,183	83,183	122,674	(39,491)	161,226
Total other	83,183	83,183	157,727	(74,544)	166,370
Total mass transit and other	203,173	203,173	288,787	(85,614)	358,907
Total current	6,878,443	6,878,443	7,048,208	(169,765)	7,013,597
Capital outlay					
General government	-	-	-	-	1,683
Public safety	-	-	-	-	1,872
Public works	350,000	350,000	223,130	126,870	179,776
Culture and recreation	228,300	228,300	91,356	136,944	32,738
Housing and economic development	-	-	-	-	936
Mass transit and other	-	-	-	-	26,870
Total capital outlay	578,300	578,300	314,486	263,814	243,875
Debt service					
Principal	-	-	-	-	78,567
Interest and other costs	-	-	-	-	946
Total debt service	-	-	-	-	79,513
TOTAL EXPENDITURES	7,456,743	7,456,743	7,362,694	94,049	7,336,985
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	61,739	61,739	194,824	133,085	188,652
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	-	-	-	-	100
Transfers in	286,954	286,954	279,350	(7,604)	271,750
Transfers out	(220,770)	(220,770)	(186,029)	34,741	-
TOTAL OTHER FINANCING SOURCES (USES)	66,184	66,184	93,321	27,137	271,850
NET CHANGE IN FUND BALANCES	127,923	127,923	288,145	160,222	460,502
FUND BALANCES, JANUARY 1	3,776,206	3,776,206	3,776,206	-	3,315,704
FUND BALANCES, DECEMBER 31	\$ 3,904,129	\$ 3,904,129	\$ 4,064,351	\$ 160,222	\$ 3,776,206

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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, 2016

	312 2014A G.O. Bonds	316 Bond Reserve	308 Capital Improvement Bonds of 2008	345 2015B (2005A) G.O. Refunding Bonds	347 2007 G.O. Improvement Bonds
ASSETS					
Cash and temporary investments	\$ -	\$ 629,255	\$ -	\$ 110,620	\$ 311,872
Restricted assets - cash with fiscal agent	-	-	-	-	-
Receivables					
Interest	-	-	-	-	-
Special assessments					
Delinquent	-	4,393	-	255,936	34,866
Noncurrent	19,264	624,834	-	506,379	451,623
Intergovernmental	-	-	-	-	-
TOTAL ASSETS	<u>\$ 19,264</u>	<u>\$ 1,258,482</u>	<u>\$ -</u>	<u>\$ 872,935</u>	<u>\$ 798,361</u>
LIABILITIES					
Due to other funds	\$ -	\$ 1,833,864	\$ -	\$ -	\$ -
Accrued interest payable	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>1,833,864</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - special assessments	19,264	629,227	-	762,315	486,489
Unavailable revenue - intergovernmental	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>19,264</u>	<u>629,227</u>	<u>-</u>	<u>762,315</u>	<u>486,489</u>
FUND BALANCES					
Restricted	-	-	-	110,620	311,872
Unassigned	-	(1,204,609)	-	-	-
TOTAL FUND BALANCES	<u>-</u>	<u>(1,204,609)</u>	<u>-</u>	<u>110,620</u>	<u>311,872</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 19,264</u>	<u>\$ 1,258,482</u>	<u>\$ -</u>	<u>\$ 872,935</u>	<u>\$ 798,361</u>

348 2008 G.O. Improvement Bonds	311 2009 G.O. Sales Tax Revenue Bonds	349 2015B (2009) G.O. Refunding Bonds	350 2010 G.O. Improvement Bonds	356 (2006C/2010C) G.O. Refunding Bonds	357 2012A G.O. Refunding Bonds
\$ -	\$ -	\$ 93,980	\$ 95,871	\$ 538,765	\$ -
-	-	1,849,888	-	-	-
-	-	20,338	-	-	-
-	-	-	-	45,460	-
41,157	-	48,770	614,178	700,558	-
100	-	2,035,311	-	829	-
<u>\$ 41,257</u>	<u>\$ -</u>	<u>\$ 4,048,287</u>	<u>\$ 710,049</u>	<u>\$ 1,285,612</u>	<u>\$ -</u>
\$ 100	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
100	-	-	-	-	-
41,157	-	48,770	614,178	746,018	-
-	-	2,035,000	-	-	-
41,157	-	2,083,770	614,178	746,018	-
-	-	1,964,517	95,871	539,594	-
-	-	-	-	-	-
-	-	1,964,517	95,871	539,594	-
<u>\$ 41,257</u>	<u>\$ -</u>	<u>\$ 4,048,287</u>	<u>\$ 710,049</u>	<u>\$ 1,285,612</u>	<u>\$ -</u>

CITY OF NORTH MANKATO, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET - CONTINUED
DECEMBER 31, 2016

	358 2015A G.O. Improvement Bonds	359 2015B G.O. Refunding Bonds	368 1993A Port Authority Revenue Bonds	370 2011A Port Authority G.O. Bonds	371 2011B Port Authority G.O. Bonds
ASSETS					
Cash and temporary investments	\$ 195,121	\$ -	\$ -	\$ -	\$ 31,883
Restricted assets - cash with fiscal agent	-	-			
Receivables					
Interest	-	-	-	-	-
Special assessments					
Delinquent	-	-	-	-	-
Noncurrent	-	-	-	-	-
Intergovernmental	-	-	-	-	-
TOTAL ASSETS	<u><u>\$ 195,121</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 31,883</u></u>
LIABILITIES					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued interest payable	-	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</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>	<u>-</u>
FUND BALANCES					
Restricted	195,121	-	-	-	31,883
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	<u>195,121</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,883</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 195,121</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 31,883</u></u>

378 Impr. Bonds West Carlson Portion	379 2010D G.O. Tax Increment Bonds	336 2016A G.O. Improvement Bonds	Totals
\$ -	\$ 50,762	\$ 64,373	\$ 2,122,502 1,849,888
-	-	-	20,338
-	-	-	340,655
348,286	-	175,560	3,530,609
-	-	-	2,036,240
<u>\$ 348,286</u>	<u>\$ 50,762</u>	<u>\$ 239,933</u>	<u>\$ 9,900,232</u>
\$ -	\$ -	\$ -	\$ 1,833,964
-	-	1,173	1,173
-	-	1,173	1,835,137
348,286	-	175,560	3,871,264
-	-	-	2,035,000
<u>348,286</u>	<u>-</u>	<u>175,560</u>	<u>5,906,264</u>
-	50,762	63,200	3,363,440
-	-	-	(1,204,609)
-	50,762	63,200	2,158,831
<u>\$ 348,286</u>	<u>\$ 50,762</u>	<u>\$ 239,933</u>	<u>\$ 9,900,232</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, 2016

	312	316	308	345	347
	2014A G.O. Bonds	Bond Reserve	Capital Improvement Bonds of 2008	2015B (2005A) G.O. Refunding Bonds	2007 G.O. Improvement Bonds
REVENUES					
Taxes					
Property taxes	\$ -	\$ 1,541,476	\$ -	\$ -	\$ -
Special assessments	6,406	52,103	-	107,129	151,331
Intergovernmental					
State					
Street construction aid	-	-	-	-	-
Investment earnings	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>6,406</u>	<u>1,593,579</u>	<u>-</u>	<u>107,129</u>	<u>151,331</u>
EXPENDITURES					
Debt service					
Principal	55,000	-	215,000	-	125,000
Interest and other costs	28,037	-	24,858	-	12,787
	<u>83,037</u>	<u>-</u>	<u>239,858</u>	<u>-</u>	<u>137,787</u>
TOTAL EXPENDITURES	<u>83,037</u>	<u>-</u>	<u>239,858</u>	<u>-</u>	<u>137,787</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(76,631)</u>	<u>1,593,579</u>	<u>(239,858)</u>	<u>107,129</u>	<u>13,544</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	76,631	100,000	239,858	-	-
Transfers out	-	(1,105,576)	-	-	-
	<u>-</u>	<u>(1,105,576)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>76,631</u>	<u>(1,005,576)</u>	<u>239,858</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	588,003	-	107,129	13,544
FUND BALANCES, JANUARY 1	<u>-</u>	<u>(1,792,612)</u>	<u>-</u>	<u>3,491</u>	<u>298,328</u>
FUND BALANCES, DECEMBER 31	<u>\$ -</u>	<u>\$ (1,204,609)</u>	<u>\$ -</u>	<u>\$ 110,620</u>	<u>\$ 311,872</u>

348	311	349	350	356 2015B	357
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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
13,959	-	15,987	304,617	339,473	-
-	-	273,425	-	-	-
-	-	16,579	-	-	-
13,959	-	305,991	304,617	339,473	-
175,000	200,000	195,000	145,000	270,000	235,000
22,275	79,987	128,825	70,200	73,463	7,150
197,275	279,987	323,825	215,200	343,463	242,150
(183,316)	(279,987)	(17,834)	89,417	(3,990)	(242,150)
183,316	279,987	-	-	-	242,150
-	-	-	-	-	-
183,316	279,987	-	-	-	242,150
-	-	(17,834)	89,417	(3,990)	-
-	-	1,982,351	6,454	543,584	-
\$ -	\$ -	\$ 1,964,517	\$ 95,871	\$ 539,594	\$ -

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, 2016

	358	359	368	370	371
	2015A G.O. Improvement Bonds	2015B G.O. Refunding Bonds	1993A Port Authority Revenue Bonds	2011A Port Authority G.O. Bonds	2011B Port Authority G.O. Bonds
REVENUES					
Taxes					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-
Intergovernmental					
State					
Street construction aid	-	-	-	-	-
Investment earnings	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES					
Debt service					
Principal	100,000	145,000	155,000	130,000	10,000
Interest and other costs	59,164	8,400	24,696	93,681	20,090
	<u>159,164</u>	<u>153,400</u>	<u>179,696</u>	<u>223,681</u>	<u>30,090</u>
TOTAL EXPENDITURES	<u>159,164</u>	<u>153,400</u>	<u>179,696</u>	<u>223,681</u>	<u>30,090</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(159,164)</u>	<u>(153,400)</u>	<u>(179,696)</u>	<u>(223,681)</u>	<u>(30,090)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	153,400	179,696	223,681	30,090
Transfers out	-	-	-	-	-
	<u>-</u>	<u>153,400</u>	<u>179,696</u>	<u>223,681</u>	<u>30,090</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>153,400</u>	<u>179,696</u>	<u>223,681</u>	<u>30,090</u>
NET CHANGE IN FUND BALANCES	(159,164)	-	-	-	-
FUND BALANCES, JANUARY 1	<u>354,285</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,883</u>
FUND BALANCES, DECEMBER 31	<u>\$ 195,121</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,883</u>

378 2015A G.O. Impr. Bonds West Carlson Portion	379 2010D G.O. Tax Increment Bonds	336 2016A G.O. Improvement Bonds	Totals
\$ -	\$ -	\$ -	\$ 1,541,476
-	-	64,000	1,055,005
-	-	-	273,425
-	-	-	16,579
-	-	64,000	2,886,485
-	55,000	-	2,210,000
-	35,124	800	689,537
-	90,124	800	2,899,537
-	(90,124)	63,200	(13,052)
-	50,495	-	1,759,304
-	-	-	(1,105,576)
-	50,495	-	653,728
-	(39,629)	63,200	640,676
-	90,391	-	1,518,155
<u>\$ -</u>	<u>\$ 50,762</u>	<u>\$ 63,200</u>	<u>\$ 2,158,831</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, 2016
 With Comparative Totals for December 31, 2015

	861 Public Access Authority	862 Public Access Equipment	864 10% Gambling
ASSETS			
Cash and cash equivalents	\$ (143,771)	\$ 233,703	\$ 13,576
Receivables			
Accounts	-	6,667	636
Intergovernmental	154,415	70	-
	<u>154,415</u>	<u>70</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 10,644</u></u>	<u><u>\$ 240,440</u></u>	<u><u>\$ 14,212</u></u>
LIABILITIES			
Accounts payable	\$ 10,644	\$ -	\$ 8,200
Due to other governments	-	240,440	6,012
	<u>-</u>	<u>240,440</u>	<u>6,012</u>
TOTAL LIABILITIES	<u><u>\$ 10,644</u></u>	<u><u>\$ 240,440</u></u>	<u><u>\$ 14,212</u></u>

865 Tactical Response Team	Totals	
	2016	2015
\$ 10,774	\$ 114,282	\$ 95,080
-	7,303	12,042
-	154,485	48,268
<u>\$ 10,774</u>	<u>\$ 276,070</u>	<u>\$ 155,390</u>
 \$ -	 \$ 18,844	 \$ -
<u>10,774</u>	<u>257,226</u>	<u>155,390</u>
<u>\$ 10,774</u>	<u>\$ 276,070</u>	<u>\$ 155,390</u>

CITY OF NORTH MANKATO, MINNESOTA
AGENCY FUNDS
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

	Balance January 1, 2016	Additions	Deletions	Balance December 31, 2016
Public Access Authority (861)				
ASSETS				
Cash and temporary investments	\$ -	\$ 9,428	\$ 153,199	\$ (143,771)
Receivables				
Due from other governments	-	154,415	-	154,415
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 163,843</u>	<u>\$ 153,199</u>	<u>\$ 10,644</u>
LIABILITIES				
Accounts payable	<u>\$ -</u>	<u>\$ 163,843</u>	<u>\$ 153,199</u>	<u>\$ 10,644</u>
Public Access Equipment (862)				
ASSETS				
Cash and temporary investments	\$ 89,475	\$ 144,228	\$ -	\$ 233,703
Receivables				
Accounts	12,042	6,737	12,112	6,667
Due from other governments	48,268	-	48,268	-
TOTAL ASSETS	<u>\$ 149,785</u>	<u>\$ 150,965</u>	<u>\$ 60,380</u>	<u>\$ 240,370</u>
LIABILITIES				
Due to other governments	<u>\$ 149,785</u>	<u>\$ 150,965</u>	<u>\$ 60,380</u>	<u>\$ 240,370</u>
10% Gambling (864)				
ASSETS				
Cash and temporary investments	\$ 621	\$ 17,784	\$ 4,829	\$ 13,576
Receivables				
Accounts	-	636	-	636
TOTAL ASSETS	<u>\$ 621</u>	<u>\$ 18,420</u>	<u>\$ 4,829</u>	<u>\$ 14,212</u>
LIABILITIES				
Accounts payable	\$ -	\$ 12,200	\$ 4,000	\$ 8,200
Due to other governments	621	6,220	829	6,012
TOTAL LIABILITIES	<u>\$ 621</u>	<u>\$ 18,420</u>	<u>\$ 4,829</u>	<u>\$ 14,212</u>
Tactical Response Team (865)				
ASSETS				
Cash and temporary investments	<u>\$ 4,984</u>	<u>\$ 7,200</u>	<u>\$ 1,410</u>	<u>\$ 10,774</u>
LIABILITIES				
Accounts payable	\$ -	\$ 1,410	\$ 1,410	\$ -
Due to other governments	4,984	5,790	-	10,774
TOTAL LIABILITIES	<u>\$ 4,984</u>	<u>\$ 7,200</u>	<u>\$ 1,410</u>	<u>\$ 10,774</u>
TOTALS - ALL FUNDS				
ASSETS				
Cash and temporary investments	\$ 95,080	\$ 178,640	\$ 159,438	\$ 114,282
Receivables				
Accounts	12,042	7,373	12,112	7,303
Due from other governments	48,268	154,415	48,268	154,415
TOTAL ASSETS	<u>\$ 155,390</u>	<u>\$ 340,428</u>	<u>\$ 219,818</u>	<u>\$ 276,000</u>
LIABILITIES				
Accounts payable	\$ -	\$ 177,453	\$ 158,609	\$ 18,844
Due to other governments	155,390	162,975	61,209	257,156
TOTAL LIABILITIES	<u>\$ 155,390</u>	<u>\$ 340,428</u>	<u>\$ 219,818</u>	<u>\$ 276,000</u>

CITY OF NORTH MANKATO, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Totals		Percent Increase (Decrease)
	2016	2015	
REVENUES			
Taxes	\$ 7,151,989	\$ 7,054,778	1.38 %
Special assessments	1,081,990	1,856,215	(41.71)
Licenses and permits	360,412	448,871	(19.71)
Intergovernmental	3,274,720	6,540,969	(49.94)
Charges for services	242,214	199,242	21.57
Fines and forfeits	31,247	27,578	13.30
Investment earnings	20,668	5,060	308.46
Miscellaneous	387,790	363,594	6.65
TOTAL REVENUES	<u>\$ 12,551,030</u>	<u>\$ 16,496,307</u>	(23.92) %
Per Capita	\$ 924	\$ 1,212	(23.77) %
EXPENDITURES			
Current			
General government	\$ 752,144	\$ 839,835	(10.44) %
Public safety	2,183,726	2,120,907	2.96
Public works	1,684,396	1,784,547	(5.61)
Culture and recreation	1,682,465	1,485,325	13.27
Housing and economic development	858,799	863,831	(0.58)
Miscellaneous	288,787	358,907	(19.54)
Capital outlay			
General government	387,795	48,174	704.99
Public safety	605,948	70,886	754.82
Public works	2,093,940	8,717,437	(75.98)
Culture and recreation	96,901	169,673	(42.89)
Economic development	-	31,894	(100.00)
Miscellaneous	-	27,191	(100.00)
Debt service			
Principal	2,322,000	3,380,567	(31.31)
Interest and other charges	707,537	959,390	(26.25)
Bond issuance costs	37,015	83,173	(55.50)
TOTAL EXPENDITURES	<u>\$ 13,701,453</u>	<u>\$ 20,941,737</u>	(34.57) %
Per Capita	\$ 1,009	\$ 1,539	(34.44) %
Total Long-term Indebtedness	\$ 21,896,000	\$ 22,418,000	(2.33) %
Per Capita	1,612	1,647	(2.13)
General Fund Balance - December 31	\$ 4,064,351	\$ 3,776,206	7.63 %
Per Capita	299	277	7.84

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				
	2016	2015	2014*	2013	2012
Governmental activities					
Net investment in capital assets	\$ 24,879,816	\$ 25,459,305	\$ 18,290,571	\$ 19,673,984	\$ 22,078,379
Restricted	8,410,399	8,277,733	8,188,704	8,745,277	7,064,989
Unrestricted	(1,059,506)	(737,444)	27,057	2,792,772	2,738,240
Total governmental activities net position	<u>32,230,709</u>	<u>32,999,594</u>	<u>26,506,332</u>	<u>31,212,033</u>	<u>31,881,608</u>
Business-type activities					
Net investment in capital assets	18,591,065	18,717,246	17,491,003	17,093,203	16,189,284
Unrestricted	<u>1,944,589</u>	<u>1,818,513</u>	<u>2,716,102</u>	<u>3,281,817</u>	<u>3,169,994</u>
Total business-type activities net position	<u>20,535,654</u>	<u>20,535,759</u>	<u>20,207,105</u>	<u>20,375,020</u>	<u>19,359,278</u>
Primary government					
Net investment in capital assets	43,470,881	44,176,551	35,781,574	36,767,187	38,267,663
Restricted	8,410,399	8,277,733	8,188,704	8,745,277	7,064,989
Unrestricted	<u>885,083</u>	<u>1,081,069</u>	<u>2,743,159</u>	<u>6,074,589</u>	<u>5,908,234</u>
Total primary government net position	<u>\$ 52,766,363</u>	<u>\$ 53,535,353</u>	<u>\$ 46,713,437</u>	<u>\$ 51,587,053</u>	<u>\$ 51,240,886</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 1

Fiscal Year				
2011	2010	2009	2008	2007
\$ 21,718,486	\$ 17,936,216	\$ 19,365,624	\$ 17,817,241	\$ 15,835,956
9,836,509	9,430,699	9,176,578	9,114,637	10,404,126
1,925,231	5,332,038	4,146,659	1,333,792	2,217,057
33,480,226	32,698,953	32,688,861	28,265,670	28,457,139
16,548,626	16,636,920	16,782,600	17,083,850	16,984,629
3,011,862	3,002,540	2,906,271	3,027,945	3,074,678
19,560,488	19,639,460	19,688,871	20,111,795	20,059,307
38,267,112	34,573,136	36,148,224	34,901,091	32,820,585
9,836,509	9,430,699	9,176,578	9,114,637	10,404,126
4,937,093	8,334,578	7,052,930	4,361,737	5,291,735
<u>\$ 53,040,714</u>	<u>\$ 52,338,413</u>	<u>\$ 52,377,732</u>	<u>\$ 48,377,465</u>	<u>\$ 48,516,446</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				
	2016	2015	2014*	2013	2012
EXPENSES					
Governmental activities					
General government	\$ 1,320,840	\$ 827,191	\$ 782,620	\$ 1,034,873	\$ 849,434
Public safety	2,840,353	2,054,079	2,245,466	2,397,246	2,370,427
Public works	3,387,740	2,874,244	5,729,610	7,230,368	6,163,789
Culture and recreation	2,039,352	1,737,105	1,632,255	1,597,289	1,892,795
Housing and economic development	2,348,526	886,363	1,596,016	706,987	223,016
Mass transit and other	288,787	386,098	302,116	119,821	208,994
Interest on long-term debt	686,477	1,017,615	803,195	570,917	671,015
Total governmental activities expenses	12,912,075	9,782,695	13,091,278	13,657,501	12,379,470
Business-type activities					
Water	1,677,867	1,637,985	1,595,455	1,458,952	1,433,452
Sewer	1,946,051	1,864,280	1,549,721	1,354,223	1,539,133
Sanitation	373,509	558,817	416,917	1,267,083	1,292,299
Solid waste	693,275	590,757	1,006,229	-	-
Storm water	303,974	209,573	258,842	269,966	153,220
Total business-type activities expenses	4,994,676	4,861,412	4,827,164	4,350,224	4,418,104
Total primary government expenses	<u>\$ 17,906,751</u>	<u>\$ 14,644,107</u>	<u>\$ 17,918,442</u>	<u>\$ 18,007,725</u>	<u>\$ 16,797,574</u>
PROGRAM REVENUES					
Governmental activities					
Charges for services					
General government	\$ 140,856	\$ 125,230	\$ 143,601	\$ 133,401	\$ 145,142
Public safety	334,361	380,576	269,795	311,979	455,110
Public works	6,735	2,218	4,924	6,318	37,434
Culture and recreation	204,071	171,514	119,515	192,688	218,307
Housing and economic development	128,982	71,702	74,962	25,361	36,004
Miscellaneous	-	-	-	19	70
Operating grants and contributions	504,154	522,566	486,412	534,427	507,249
Capital grants and contributions	1,077,024	5,822,778	321,726	4,025,677	1,316,674
Total governmental activities program revenues	2,396,183	7,096,584	1,420,935	5,229,870	2,715,990
Business-type activities					
Charges for services					
Water	1,772,186	1,775,111	1,818,389	1,524,399	1,615,436
Sewer	2,097,858	2,056,200	2,092,942	1,535,142	1,525,340
Sanitation	466,183	496,243	392,086	1,292,386	1,333,111
Solid waste	736,586	720,103	905,274	-	-
Storm water	276,474	278,071	275,168	275,025	274,823
Operating grants and contributions	4,044	-	22,359	-	-
Capital grants and contributions	23,482	19,588	7,605	4,354	3,668
Total business-type activities program revenues	5,376,813	5,345,316	5,513,823	4,631,306	4,752,378
Total primary government program revenues	<u>\$ 7,772,996</u>	<u>\$ 12,441,900</u>	<u>\$ 6,934,758</u>	<u>\$ 9,861,176</u>	<u>\$ 7,468,368</u>

Table 2

Fiscal Year				
2011	2010	2009	2008	2007
\$ 952,893	\$ 959,723	\$ 930,604	\$ 1,008,554	\$ 833,703
2,234,322	2,264,321	2,286,258	2,214,366	2,200,140
3,698,093	3,560,018	3,406,397	3,262,925	3,610,095
1,744,224	1,674,756	1,342,384	1,228,603	908,793
498,794	209,738	243,652	141,947	25,662
258,873	487,047	121,883	449,855	388,607
752,795	739,561	811,657	961,301	1,001,100
10,139,994	9,895,164	9,142,835	9,267,551	8,968,100
1,522,644	1,473,548	1,526,268	1,378,921	1,307,569
1,498,908	1,544,390	1,607,815	1,429,251	1,522,923
1,263,485	1,252,643	1,231,517	1,304,752	1,265,362
-	-	-	-	-
181,044	173,870	163,749	152,949	169,727
4,466,081	4,444,451	4,529,349	4,265,873	4,265,581
<u>\$ 14,606,075</u>	<u>\$ 14,339,615</u>	<u>\$ 13,672,184</u>	<u>\$ 13,533,424</u>	<u>\$ 13,233,681</u>
\$ 112,111	\$ 106,238	\$ 103,099	\$ 102,951	\$ 83,618
598,884	436,145	350,957	400,619	417,051
130,487	3,932	1,036	1,197	4,592
245,129	248,396	153,760	166,278	137,303
8,630	7,803	7,851	-	-
105	131	1,153	66	15
633,072	231,029	222,321	201,368	203,661
2,460,239	1,725,806	5,161,365	1,281,966	5,542,281
4,188,657	2,759,480	6,001,542	2,154,445	6,388,521
1,499,185	1,523,160	1,578,865	1,611,559	1,530,615
1,510,772	1,490,287	1,506,070	1,561,157	1,584,169
1,394,977	1,335,497	1,261,556	1,306,662	1,281,663
-	-	-	-	-
272,689	272,530	268,913	263,539	214,888
4,994	-	-	-	-
(6,230)	14,438	(5,735)	9,509	17,185
4,676,387	4,635,912	4,609,669	4,752,426	4,628,520
<u>\$ 8,865,044</u>	<u>\$ 7,395,392</u>	<u>\$ 10,611,211</u>	<u>\$ 6,906,871</u>	<u>\$ 11,017,041</u>

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

	Fiscal Year				
	2016	2015	2014*	2013	2012
PROGRAM REVENUES - CONTINUED					
Net (expense)/revenue					
Governmental activities	\$ (10,515,892)	\$ (2,686,111)	\$ (11,670,343)	\$ (8,427,631)	\$ (9,663,480)
Business-type activities	382,137	483,904	686,659	281,082	334,274
Total primary government net expense	<u>\$ 10,133,755</u>	<u>\$ 2,202,207</u>	<u>\$ 10,983,684</u>	<u>\$ 8,146,549</u>	<u>\$ 9,329,206</u>
GENERAL REVENUES AND OTHER					
CHANGES IN NET POSITION					
Governmental activities					
Taxes					
Property taxes, levied for general purposes	\$ 4,281,047	\$ 4,136,899	\$ 3,881,293	\$ 3,802,650	\$ 3,646,058
Property taxes, levied for debt service	1,541,476	1,472,150	1,530,005	1,523,672	1,380,015
Tax increments	289,401	300,455	340,664	-	-
Local option sales tax	582,290	588,643	531,148	536,417	545,157
Hotel-motel tax	54,156	55,209	48,590	46,550	47,126
Gambling tax	26,306	21,422	18,792	16,443	16,427
Franchise taxes	402,406	413,458	355,218	344,761	336,607
Grants and contributions not restricted to specific programs	1,626,188	1,633,639	1,615,275	1,375,680	1,382,828
Unrestricted investment earnings	20,668	5,060	34,076	8,337	4,259
Other revenues	160,660	230,285	266,429	84,632	104,107
Gain on sale of capital assets	359,159	163,426	740,948	52,813	11,052
Transfers	403,250	158,727	97,101	(723,480)	376,226
Total governmental activities	<u>9,747,007</u>	<u>9,179,373</u>	<u>9,459,539</u>	<u>7,068,475</u>	<u>7,849,862</u>
Business-type activities					
Taxes					
Property taxes, levied for debt service	-	-	-	-	50,000
Local option sales tax	1,380	1,367	1,391	1,067	1,079
Unrestricted investment earnings	19,628	2,110	4,283	10,113	4,663
Transfers	(403,250)	(158,727)	(97,101)	723,480	(376,226)
Total business-type activities	<u>(382,242)</u>	<u>(155,250)</u>	<u>(91,427)</u>	<u>734,660</u>	<u>(320,484)</u>
Total primary government	<u>\$ 9,364,765</u>	<u>\$ 9,024,123</u>	<u>\$ 9,368,112</u>	<u>\$ 7,803,135</u>	<u>\$ 7,529,378</u>
CHANGES IN NET POSITION					
Governmental activities	\$ (768,885)	\$ 6,493,262	\$ (2,210,804)	\$ (1,359,156)	\$ (1,813,618)
Business-type activities	(105)	328,654	595,232	1,015,742	13,790
Total primary government	<u>\$ (768,990)</u>	<u>\$ 6,821,916</u>	<u>\$ (1,615,572)</u>	<u>\$ (343,414)</u>	<u>\$ (1,799,828)</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				
2011	2010	2009	2008	2007
\$ (5,951,337)	\$ (7,135,684)	\$ (3,141,293)	\$ (7,113,106)	\$ (2,579,579)
210,306	191,461	80,320	486,553	362,939
<u>\$ 5,741,031</u>	<u>\$ 6,944,223</u>	<u>\$ 3,060,973</u>	<u>\$ 6,626,553</u>	<u>\$ 2,216,640</u>
\$ 2,894,504	\$ 3,027,372	\$ 2,921,378	\$ 2,900,598	\$ 2,644,377
1,475,843	1,413,987	1,318,208	1,268,421	1,189,615
-	-	-	-	-
462,223	440,566	377,859	82,619	-
40,685	42,106	39,255	46,418	53,030
13,049	13,168	12,306	11,092	13,082
332,469	326,812	321,266	166,928	43,707
1,456,390	1,452,797	1,931,894	1,827,286	1,946,778
33,678	13,917	26,143	63,312	153,821
67,840	121,274	64,246	39,388	107,962
-	-	(6,136)	-	-
241,630	293,777	558,065	515,575	(422,198)
<u>7,018,311</u>	<u>7,145,776</u>	<u>7,564,484</u>	<u>6,921,637</u>	<u>5,730,174</u>
50,000	50,000	50,000	50,000	50,000
965	949	956	193	-
1,564	1,956	3,865	31,317	94,262
(241,630)	(293,777)	(558,065)	(515,575)	422,198
<u>(189,101)</u>	<u>(240,872)</u>	<u>(503,244)</u>	<u>(434,065)</u>	<u>566,460</u>
<u>\$ 6,829,210</u>	<u>\$ 6,904,904</u>	<u>\$ 7,061,240</u>	<u>\$ 6,487,572</u>	<u>\$ 6,296,634</u>
\$ 1,066,974	\$ 10,092	\$ 4,423,191	\$ (191,469)	\$ 3,150,595
21,205	(49,411)	(422,924)	52,488	929,399
<u>\$ 1,088,179</u>	<u>\$ (39,319)</u>	<u>\$ 4,000,267</u>	<u>\$ (138,981)</u>	<u>\$ 4,079,994</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						
2016	\$ 4,281,047	\$ 1,541,476	\$ 289,401	\$ 582,290	\$ 54,156	\$ 26,306	\$ 402,406	\$ 7,177,082
2015	4,136,899	1,472,150	300,455	588,643	55,209	21,422	413,458	6,988,236
2014 *	3,881,293	1,530,005	340,664	531,148	48,590	18,792	355,218	6,705,710
2013	3,802,650	1,523,672	-	536,417	46,550	16,443	344,761	6,270,493
2012	3,646,058	1,380,015	-	545,157	47,126	16,427	336,607	5,971,390
2011	2,894,504	1,475,843	-	462,223	40,685	13,049	332,469	5,218,773
2010	3,027,372	1,413,987	-	440,566	42,106	13,168	326,812	5,264,011
2009	2,921,378	1,318,208	-	377,859	39,255	12,306	321,266	4,990,272
2008	2,900,598	1,268,421	-	82,619	46,418	11,092	166,928	4,476,076
2007	2,644,377	1,189,615	-	-	53,030	13,082	43,707	3,943,811

* 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				
	2016	2015	2014*	2013	2012
General fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Nonspendable	1,475,134	1,607,122	109	86,910	86,949
Unassigned	2,589,217	2,169,084	3,315,595	2,702,101	2,731,388
Total General fund	<u>\$ 4,064,351</u>	<u>\$ 3,776,206</u>	<u>\$ 3,315,704</u>	<u>\$ 2,789,011</u>	<u>\$ 2,818,337</u>
All other governmental funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Debt Service funds	-	-	-	-	-
Nonspendable	-	-	-	7,987	3,109
Restricted	5,175,272	3,964,229	3,056,286	283,663	915,958
Committed	-	-	-	196,439	105,848
Assigned	276,841	352,166	434,537	471,701	1,350,284
Unassigned	(1,890,277)	(1,904,750)	(1,458,544)	(826,926)	(1,131,951)
Total all other governmental funds	<u>\$ 3,561,836</u>	<u>\$ 2,411,645</u>	<u>\$ 2,032,279</u>	<u>\$ 132,864</u>	<u>\$ 1,243,248</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	2010	2009	2008	2007
\$ -	\$ -	\$ 171,481	\$ 73,864	\$ 66,586
-	-	1,938,446	1,855,865	1,790,838
76,564	79,792	-	-	-
2,085,321	2,238,480	-	-	-
<u>\$ 2,161,885</u>	<u>\$ 2,318,272</u>	<u>\$ 2,109,927</u>	<u>\$ 1,929,729</u>	<u>\$ 1,857,424</u>
\$ -	\$ -	\$ 2,511,919	\$ 2,878,350	\$ 2,517,949
-	-	1,798,112	342,772	219,939
-	-	2,303,119	(722,371)	625,918
-	-	(3,525,136)	(2,715,778)	(1,846,138)
2,896	5,556	-	-	-
3,705,717	3,207,722	-	-	-
206,264	525,157	-	-	-
2,099,560	1,431,631	-	-	-
(1,086,396)	-	-	-	-
<u>\$ 4,928,041</u>	<u>\$ 5,170,066</u>	<u>\$ 3,088,014</u>	<u>\$ (217,027)</u>	<u>\$ 1,517,668</u>

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

	Fiscal Year				
	2016	2015	2014*	2013	2012
REVENUES					
Taxes	\$ 7,151,989	\$ 7,054,778	\$ 6,696,431	\$ 6,264,476	\$ 5,976,295
Special assessments	1,081,990	1,856,215	1,133,696	1,252,603	928,169
Licenses and permits	360,412	448,871	357,809	388,769	526,752
Intergovernmental revenue	3,274,720	6,540,969	2,331,472	2,949,485	2,679,783
Charges for services	242,214	199,242	134,075	166,102	164,332
Fines and forfeits	31,247	27,578	20,068	21,599	27,172
Interest	20,668	5,060	34,217	8,337	3,708
Payment from Component Units	(350,000)	(350,000)	(350,000)	(350,000)	(350,000)
Other revenues	737,790	713,594	782,761	616,150	774,640
TOTAL REVENUES	12,551,030	16,496,307	11,140,529	11,317,521	10,730,851
EXPENDITURES					
General government	752,144	839,835	785,958	992,041	927,260
Public safety	2,183,726	2,120,907	2,071,637	2,209,974	2,171,535
Public works	1,684,396	1,784,547	1,880,130	1,707,461	1,776,726
Culture and recreation	1,682,465	1,485,325	1,397,997	1,327,214	1,522,910
Housing and economic development	858,799	863,831	1,005,448	705,627	223,016
Miscellaneous	288,787	358,907	250,780	116,638	110,127
Capital outlay	3,184,584	9,065,255	3,463,555	2,430,920	5,242,222
Debt service					
Principal	2,322,000	3,380,567	3,147,726	2,136,130	2,440,000
Interest	707,537	959,390	746,813	620,370	688,637
Bond issuance costs	37,015	83,173	68,148	-	16,348
TOTAL EXPENDITURES	13,701,453	20,941,737	14,818,192	12,246,375	15,118,781
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(1,150,423)	(4,445,430)	(3,677,663)	(928,854)	(4,387,930)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	352,874	166,105	740,948	52,813	-
Transfers in	1,310,607	1,167,614	1,768,333	1,835,086	1,001,497
Debt issued	1,800,000	4,590,000	2,845,000	-	1,000,423
Refunding bonds issued	-	-	-	-	-
Premium (discount) on bonds issued	32,635	127,443	131,790	-	-
Payments to refunded bond escrow agent	-	-	-	(615,000)	-
Transfers out	(907,357)	(765,864)	(1,357,977)	(1,514,507)	(642,331)
TOTAL OTHER FINANCING SOURCES (USES)	2,588,759	5,285,298	4,128,094	(241,608)	1,359,589
NET CHANGE IN FUND BALANCES	\$ 1,438,336	\$ 839,868	\$ 450,431	\$ (1,170,462)	\$ (3,028,341)
Debt service as a percentage of noncapital expenditures	29%	39%	32%	20%	25%

* 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	2010	2009	2008	2007
\$ 5,278,200	\$ 5,217,778	\$ 4,973,898	\$ 4,451,394	\$ 3,935,312
766,699	709,385	1,779,206	1,563,332	1,634,954
521,628	477,704	347,939	359,611	356,710
4,141,816	3,145,988	4,326,710	2,435,714	2,831,939
296,974	166,744	128,919	186,026	177,289
29,492	37,566	38,850	48,334	48,558
33,678	13,917	26,143	63,312	153,821
-	-	-	-	-
695,383	299,969	1,061,107	168,361	178,433
11,763,870	10,069,051	12,682,772	9,276,084	9,317,016
937,067	906,426	866,921	948,751	952,073
2,093,243	1,972,956	1,978,722	1,479,445	1,358,089
1,870,220	1,524,184	1,540,916	1,246,102	1,111,399
1,528,750	1,490,825	1,277,069	2,080,112	1,906,303
498,757	209,738	243,652	141,947	25,662
154,165	178,640	139,897	158,480	162,368
3,846,946	3,726,148	3,533,734	5,680,942	5,562,047
3,933,000	3,796,000	5,127,000	5,390,604	3,091,000
760,628	788,915	892,263	784,997	953,323
-	-	-	-	-
15,622,776	14,593,832	15,600,174	17,911,380	15,122,264
(3,858,906)	(4,524,781)	(2,917,402)	(8,635,296)	(5,805,248)
-	-	-	-	-
3,535,474	3,328,062	698,849	1,535,833	456,935
3,215,000	3,055,000	5,986,000	6,255,000	3,440,000
-	3,455,000	-	-	-
3,864	11,401	111,574	(120,949)	(12,605)
-	-	-	-	-
(3,293,844)	(3,034,285)	(393,782)	(696,978)	(99,800)
3,460,494	6,815,178	6,402,641	6,972,906	3,784,530
\$ (398,412)	\$ 2,290,397	\$ 3,485,239	\$ (1,662,390)	\$ (2,020,718)
39%	40%	46%	49%	42%

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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
2016	\$ 5,797,430	\$ 289,401	\$ 582,290	\$ 402,406	\$ 54,156	\$ 26,306	\$ 7,151,989
2015	5,675,591	300,455	588,643	413,458	55,209	21,422	7,054,778
2014 *	5,742,683	-	531,148	355,218	48,590	18,792	6,696,431
2013	5,320,305	-	536,417	344,761	46,550	16,443	6,264,476
2012	5,030,978	-	545,157	336,607	47,126	16,427	5,976,295
2011	4,429,774	-	462,223	332,469	40,685	13,049	5,278,200
2010	4,395,126	-	440,566	326,812	42,106	13,168	5,217,778
2009	4,223,212	-	377,859	321,266	39,255	12,306	4,973,898
2008	4,144,337	-	82,619	166,928	46,418	11,092	4,451,394
2007	3,825,493	-	-	43,707	53,030	13,082	3,935,312

* 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
2016	\$ 7,766,976	\$ 3,097,452	\$ 202,626	\$ 257,824	\$10,809,230
2015	7,539,514	2,922,120	196,518	255,229	10,402,923
2014	7,147,698	2,873,806	181,968	240,045	9,963,427
2013	7,058,140	2,870,300	175,764	242,538	9,861,666
2012	7,423,295	2,639,795	166,920	52,436	10,177,574
2011	7,432,722	2,652,834	193,966	35,130	10,244,392
2010	7,845,345	2,681,586	151,936	80,835	10,598,032
2009	7,962,967	2,659,815	117,544	189,067	10,551,259
2008	8,059,405	2,459,717	147,393	182,268	10,484,247
2007	7,920,674	2,472,004	149,946	198,385	10,344,239

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
53.606	\$ 920,184,000	1.20 %
52.901	898,283,600	1.19
54.009	856,913,700	1.19
54.566	934,541,100	1.08
50.598	870,672,800	1.17
45.425	874,093,000	1.18
45.626	923,805,200	1.16
44.581	958,751,959	1.12
43.267	1,028,018,285	1.04
41.246	1,020,753,348	1.03

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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	
2016	39.345 %	14.261 %	53.606 %	52.661 %	24.115 %	0.480 %	130.862
2015	38.242	14.659	52.901	49.380	22.600	0.450	125.331
2014	38.660	15.349	54.009	51.244	24.078	0.323	129.654
2013	39.123	15.443	54.566	52.383	18.924	0.188	126.061
2012	36.554	14.044	50.598	54.067	20.991	0.190	125.846
2011	31.028	14.397	45.425	53.150	19.115	0.187	117.877
2010	31.751	13.875	45.626	51.871	19.604	0.185	117.286
2009	31.531	13.050	44.581	51.351	17.637	0.191	113.760
2008	30.554	12.713	43.267	48.835	15.175	0.211	107.488
2007	28.129	13.117	41.246	48.577	13.672	0.226	103.721

Source: Nicollet County Auditor

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

Taxpayer	Type of Business	2016		
		Taxable Tax Capacity	Rank	Percentage of Total Taxable Assessed Value
Taylor Corporation	Printing	\$ 477,954	1	4.4 %
Kato Engineering	Electric rotating equipment	229,280	2	2.1
Costumes Galore	Costumes	197,496	3	1.8
Carlson Wedding Service	Specialty printing	190,968	4	1.8
Wis-Pak of Mankato	Bottling	180,846	5	1.7
Corporate Graphics	Printing	167,454	6	1.5
Carlson Craft Commercial	Specialty printing	158,124	7	1.5
Ziegler Mankato LLC	Sales and service of Cat equipment	148,118	8	1.4
LJP Enterprises	Sanitation	144,190	9	1.3
Minnegasco Inc.	Utility	136,569	10	1.3
Taylor Development	Commercial	-		-
Coloplast Corporation	Skin care and hygiene products	-		-
Carlson Craft	Printing	-		-
MICO	Hydraulic products	-		-
Total		<u>\$ 2,030,999</u>		<u>18.8 %</u>

Source: Blue Earth County Administrative Services.

Table 9

2007		
Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
\$ 177,368	2	1.7 %
180,793	1	1.7
-		-
136,046	5	1.3
171,029	3	1.7
169,456	4	1.6
110,553	6	1.1
-		-
-		-
-		-
110,553	7	1.1
84,264	8	0.8
83,716	9	0.8
77,297	10	0.7
<u>\$ 1,301,075</u>		<u>12.5 %</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
2016	\$ 5,794,404	\$ 5,776,735	99.7 %	\$ -	\$ 5,776,735	99.7 %
2015	5,596,414	5,552,914	99.2	21,351	5,574,265	99.6
2014	5,383,784	5,332,446	99.0	32,865	5,365,311	99.7
2013	5,383,784	5,330,133	99.0	40,819	5,370,952	99.8
2012	5,152,123	5,107,411	99.1	35,357	5,142,768	99.8
2011	4,814,154	4,757,059	98.8	51,417	4,808,476	99.9
2010	4,814,154	4,734,892	98.4	75,644	4,810,536	99.9
2009	4,674,079	4,603,876	98.5	67,917	4,671,793	100.0
2008	4,603,569	4,540,135	98.6	61,480	4,601,615	100.0
2007	4,218,750	4,163,756	98.7	52,916	4,216,672	100.0

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

Fiscal Year	Governmental Activities					
	General Obligation Bonds	Tax Increment	G.O. Special Assessment Bonds	G.O. Revenue Bonds	Contracts/ Leases Payable	Notes Payable
2016	\$ 5,951,991	\$ 1,181,723	\$ 11,936,692	\$ 2,608,516	\$ 516,000	\$ -
2015	5,991,378	1,246,863	11,880,678	2,967,111	628,000	-
2014 *	8,169,700	1,257,003	9,974,662	3,320,706	-	628,000
2013	5,526,338	-	12,327,748	3,664,301	792,293	-
2012	2,638,766	-	14,550,828	2,902,896	105,423	3,215,000
2011	2,488,000	-	15,885,000	3,260,000	45,000	3,215,000
2010	2,963,000	-	19,125,000	3,418,000	105,000	-
2009	2,771,000	-	17,140,000	2,821,000	105,000	165,000
2008	2,940,000	-	18,010,000	283,000	-	805,000
2007	1,090,000	-	20,755,000	1,194,000	2,059,604	860,000

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				
\$ 9,488,786	\$ 1,045,401	\$ 32,729,109	6.37 %	\$	2,369
10,601,119	1,148,513	34,463,662	7.01		2,532
5,441,648	1,855,614	30,647,333	6.46		2,267
6,016,600	1,919,760	30,247,040	6.57		2,237
6,578,565	1,983,906	31,975,384	7.18		2,375
7,911,190	1,120,000	33,924,190	7.89		2,533
8,520,257	1,180,000	35,311,257	8.46		2,636
8,217,592	1,235,000	32,454,592	8.22		2,488
8,008,063	1,290,000	31,336,063	8.25		2,423
3,556,920	1,345,000	30,860,524	8.42		2,402

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
2016	\$ 5,951,991	\$ 1,181,723	\$ 11,936,692	\$ 2,608,516	\$ 9,488,786	\$ 1,045,401
2015	5,991,378	1,246,863	11,880,678	2,967,111	10,601,119	1,148,513
2014 *	8,169,700	1,257,003	9,974,662	3,320,706	5,441,648	1,855,614
2013	5,526,338	-	12,327,748	3,664,301	6,016,600	1,919,760
2012	2,638,766	-	14,550,828	2,902,896	6,578,565	1,983,906
2011	2,488,000	-	15,885,000	3,260,000	7,911,190	1,120,000
2010	2,963,000	-	19,125,000	3,418,000	8,520,257	1,180,000
2009	2,771,000	-	17,140,000	2,821,000	8,217,592	1,235,000
2008	2,940,000	-	18,010,000	283,000	8,008,063	1,290,000
2007	1,090,000	-	20,755,000	1,194,000	3,556,920	1,345,000

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 12

Total Primary Government	Less: Amounts Restricted for Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
\$ 32,213,109	\$ 3,363,440	\$ 28,849,669	3.14 %	\$ 2,089
33,835,662	3,310,767	30,524,895	3.40	2,243
30,019,333	858,650	29,160,683	3.40	2,157
29,454,747	859,809	28,594,938	3.06	2,115
28,654,961	542,661	28,112,300	3.23	2,088
30,664,190	494,778	30,169,412	3.45	2,252
35,206,257	410,177	34,796,080	3.77	2,598
32,184,592	77,039	32,107,553	3.35	2,461
30,531,063	15,868	30,515,195	2.97	2,359
27,940,920	48,198	27,892,722	2.73	2,171

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CITY OF NORTH MANKATO, MINNESOTA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2016

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	\$ 22,194,922	100.00 %	\$ 22,194,922
Overlapping debt			
Nicollet County	16,975,000	39.64	6,728,890
Blue Earth County	21,036,978	0.01	1,473
Independent School Dist. 77	95,370,000	18.49	17,629,907
Total overlapping debt	133,381,978		24,360,270
Total direct and overlapping debt	\$ 155,576,900		\$ 46,555,192

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>2016</u>	<u>2015</u>	<u>2014*</u>	<u>2013</u>	<u>2012</u>
Debt limit	\$ 27,605,520	\$ 26,948,508	\$ 25,707,411	\$ 28,036,233	\$ 26,120,184
Total net debt applicable to limit	<u>5,951,991</u>	<u>5,991,378</u>	<u>8,169,700</u>	<u>5,526,338</u>	<u>2,638,766</u>
Legal debt margin	<u>\$ 21,653,529</u>	<u>\$ 20,957,130</u>	<u>\$ 17,537,711</u>	<u>\$ 22,509,895</u>	<u>\$ 23,481,418</u>
Total net debt applicable to the limit as a percentage of debt limit	21.56%	22.23%	31.78%	19.71%	10.10%
 Total estimated market value	 <u>\$ 920,184,000</u>				
Debt limit (3% of total assessed value)	27,605,520				
Debt applicable to limit:					
General obligation bonds	<u>5,951,991</u>				
Legal debt margin	<u>\$ 21,653,529</u>				

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>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
\$ 26,222,790	\$ 27,714,156	\$ 27,804,603	\$ 24,497,850	\$ 16,049,306
<u>2,488,000</u>	<u>2,963,000</u>	<u>2,771,000</u>	<u>2,940,000</u>	<u>1,090,000</u>
<u>\$ 23,734,790</u>	<u>\$ 24,751,156</u>	<u>\$ 25,033,603</u>	<u>\$ 21,557,850</u>	<u>\$ 14,959,306</u>
9.49%	10.69%	9.97%	12.00%	6.79%

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	
2016	\$ 5,363,104	\$ 3,827,379	\$ 1,535,725	\$ 1,454,009	\$ 263,089	\$ 1,717,098	0.89
2015	5,274,560	3,731,462	1,543,098	828,674	317,525	1,146,199	1.35
2014	5,489,533	3,766,201	1,723,332	640,829	278,265	919,094	1.88
2013	4,638,132	3,276,870	1,361,262	627,842	303,009	930,851	1.46
2012	4,804,452	3,261,394	1,543,058	724,922 ⁽³⁾	316,574	1,041,496	1.48
2011	4,728,916	3,344,575	1,384,341	669,067	343,913	1,012,980	1.37
2010	4,679,466	3,165,201	1,514,265	652,335	360,467	1,012,802	1.50
2009	4,655,244	3,283,078	1,372,166	535,471	335,186	870,657	1.58
2008	4,826,745	3,180,705	1,646,040	388,857	293,241	682,098	2.41
2007	4,758,223	3,155,869	1,602,354	407,235	281,784	689,019	2.33

Source: City of North Mankato Financial Records.

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

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

(2) Does not include depreciation.

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

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

Table 16

Fiscal Year	Population	Personal Income	Per Capita Income	Median Age	School Enrollment	Unemployment Rate
2016	13,813	\$ 514,023,169	\$ 37,213	38.9	8,381	2.4 %
2015	13,610	491,715,690	36,129	36.8	8,076	3.2
2014	13,520	474,241,040	35,077	37.7	7,718	2.6
2013	13,520	460,423,600	34,055	35.5	7,598	4.1
2012	13,462	445,094,106	33,063	35.5	7,354	4.4
2011	13,394	429,947,400	32,100	33.8	7,392	5.6
2010	13,394	417,424,010	31,165	33.8	7,258	4.6
2009	13,045	394,702,565	30,257	33.8	7,022	6.2
2008	12,935	379,978,560	29,376	33.8	6,999	5.3
2007	12,850	366,482,000	28,520	33.8	7,119	3.7

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

	2016			2007		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Taylor Companies (various subsidiaries)	2,400	1	4.2 %	-		- %
Mayo Clinic Health System	1,830	2	3.2	1,200	3	2.3
Minnesota State University Mankato	1,700	3	3.0	1,200	4	2.3
Independent School District 77 (Mankato)	1,200	4	2.1	1,993	2	3.8
MRCI	1,200	5	2.1	-		-
Carlson Craft (part of Taylor Companies)	-		-	2,200	1	4.2
The Thro Co. (now Monarch Healthcare)	656	6	1.1	500	7	1.0
Mankato Clinic	639	7	1.1	700	5	1.3
Verizon Wireless	540	8	0.9	450	9	0.9
Bethany Lutheran	-		-	475	8	0.9
Wal-Mart Distribution Center	525	9	0.9	-		-
Kato Engineering	476	10	0.8	-		-
South Central Technical College	-		-	542	6	1.0
Taylor Corporation (part of Taylor Companies)	-		-	365	10	0.7
Total	<u>11,166</u>		<u>19.4 %</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: Greater Mankato Growth

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				
	2016	2015	2014	2013	2012
General government	4.0	9.5	9.5	10.5	11.5
Public safety					
Police					
Officers	13.0	14.0	13.0	13.0	13.0
Secretary	1.5	1.5	1.5	1.5	1.5
Inspections	4.0	4.0	4.0	4.0	4.0
Public works					
Maintenance	8.3	10.0	10.0	10.0	10.0
Culture and recreation					
Parks	4.8	4.0	5.0	5.0	5.0
Library	6.5	5.5	5.5	6.5	6.5
Water	6.6	5.0	5.0	6.0	6.0
Sewer	4.6	2.0	2.0	2.0	2.0
Storm	1.0	-	-	-	-
Recycling	1.5	-	-	-	-
Sanitation	1.0	1.5	1.5	1.5	1.5
Total	<u>56.8</u>	<u>57.0</u>	<u>57.0</u>	<u>60.0</u>	<u>61.0</u>

Source: City Personnel Records

Table 18

Full-time Equivalent Employees as of December 31				
2011	2010	2009	2008	2007
11.5	11.5	11.5	11.5	12.0
12.0	12.0	12.0	12.0	12.0
1.5	1.5	1.5	1.5	1.5
5.0	5.0	5.0	5.0	5.0
10.0	11.0	11.0	11.0	10.0
7.0	6.0	6.0	6.0	6.0
6.5	6.5	6.0	5.5	5.0
6.0	6.0	7.0	8.0	8.0
2.0	2.0	2.0	2.0	2.0
-	-	-	-	-
-	-	-	-	-
1.5	1.5	1.5	1.0	1.0
63.0	63.0	63.50	63.5	62.5

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

Function	Fiscal Year				
	2016	2015	2014	2013	2012
Police					
Physical arrests	-	836	796	731	707
Reports of service	6,797	-	-	-	-
Accidents	216	220	220	196	171
Police reserve volunteer hours	1,002	1,200	1,118	1,480	1,318
Educational programs	26	24	16	18	14
Fire					
Number of calls answered	95	104	141	100	126
Public works					
Street seal coating (miles)	9.0	7.0	7.2	7.8	6.6
Sanitation					
Refuse collected (tons)	3,379	3,466	3,433	3,510	3,331
Culture and recreation					
Swim facility attendance	15,663	15,095	14,764	17,456	20,114
Library circulation (items checked out)	158,001	173,761	243,675	251,467	266,163
Bookmobile circulation	28,117	21,796	29,667	39,309	39,309
Water					
Total connections	6,903	6,921	6,682	6,572	6,480
Average daily consumption (thousands of gallons)	1,185	1,250	1,442	1,326	1,463

Sources: Various City departments.

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

Table 19

Fiscal Year				
2011	2010	2009	2008	2007
797	1,217	1,034	1,025	1,025
-	-	-	-	-
198	125	129	134	173
1,392	1,503	1,104	1,242	968
17	16	8	13	18
108	147	112	120	136
8.7	4.8	3.1	5.8	5.8
3,573	3,760	3,807	3,953	3,963
21,037	21,970	15,237	20,843	19,019
261,061	236,863	193,892	180,554	158,589
41,082	30,947	27,664	n/a	n/a
6,375	6,349	6,311	6,196	6,083
1,282	1,280	1,372	1,415	1,483

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

Function	Fiscal Year				
	2016	2015	2014	2013	2012
General government					
Planning and zoning					
Building permits issued	1,104	946	916	980	1,574
Public safety					
Police					
Stations	1	1	1	1	1
Fulltime paid police	13	14	13	13	13
Volunteer police reserves	19	15	15	18	17
Fire					
Stations	2	2	2	2	2
Volunteer fire fighters	32	35	36	34	35
I.S.O. Rating	4	4	4	4	4
Public works					
Street division					
Miles of street	77.00	77.00	77.00	77.00	77.06
Signalized intersections	5	5	5	5	6
Parks division					
Parks	21	21	21	21	21
Area in acres	278	278	278	251	251
Baseball diamonds	14	14	14	14	14
Basketball courts	8	8	8	8	8
Horseshoe courts	12	12	12	13	12
Trails	6	6	6	6	6
Skating rinks/outdoor	5	5	5	5	5
Soccer fields	13	13	13	10	10
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	6,903	6,854	6,682	6,572	6,480
Average daily consumption (thousands of gallons)	1,185	1,250	1,442	1,326	1,463
Maximum daily consumption (thousands of gallons)	3,259	2,680	2,480	2,412	3,030

Source: City of North Mankato Financial Records.

Table 20

Fiscal Year				
2011	2010	2009	2008	2007
1,750	2,190	1,042	976	825
1	1	1	1	1
12	12	12	12	12
19	17	17	17	18
2	2	2	2	2
35	36	38	38	35
4	5	5	5	5
75.37	68.50	67.31	66.09	66.09
6	6	6	6	6
21	20	20	20	20
251	250	250	250	250
14	14	14	14	14
8	8	8	8	8
13	13	13	13	13
6	6	6	6	5
5	5	5	5	5
-	-	-	-	-
11	11	11	11	11
1	1	1	1	1
8	8	8	8	8
9	9	9	9	9
6,375	6,349	6,311	6,196	6,083
1,282	1,280	1,387	1,415	1,483
2,267	2,466	2,809	3,045	2,845

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**SINGLE AUDIT AND
OTHER REQUIRED REPORTS**

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016

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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, 2016, and the related notes to the financial statements, and have issued our report thereon dated June 27, 2017.

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
Mankato, Minnesota
June 27, 2017

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, 2016, 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 27, 2017.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying Schedule of Findings, Responses and Questioned Costs, we identified a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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. We consider the deficiencies described in the accompanying Schedule of Findings, Responses and Questioned Costs as item 2016-002 to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings, Responses and Questioned Costs as item 2016-001 to be a significant deficiency.

Compliance and Other Matters

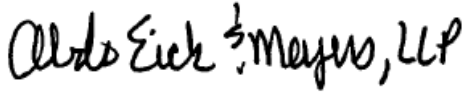
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* or the Uniform Guidance which is described in the accompanying Schedule of Findings, Responses and Questioned Costs as item 2016-003.

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 27, 2017

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, 2016. 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, 2016.

Other Matters

The results of our auditing procedures disclosed one instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings, Responses and Questioned Costs as item 2016-003. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings, Responses and Questioned Costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

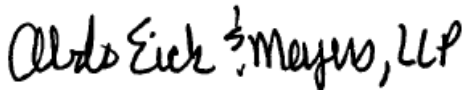
Report on Internal Control Over Compliance

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 27, 2017

CITY OF NORTH MANKATO
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Federal Funding Source</u>	<u>Administering Department</u>	<u>Program Name</u>	<u>Federal Domestic Assistance Number</u>	<u>Pass-Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
U.S. Department of Housing and Urban Development	Direct	Community Development Block Grants	14.228	N/A	\$ 168,938
U.S. Department of Transportation	Minnesota Department of Public Safety	Minimum Penalties for Repeat Offenders for Driving While Intoxicated	16.607	Unknown	14,641
U.S. Department of Transportation	Minnesota Department of Transportation	Highway Planning and Construction	20.205	150-090-002	26,783
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/ MPFA-DWRF-L-008-FY16	<u>590,074</u>
Total Federal Expenditures					<u><u>\$ 800,436</u></u>

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2016

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, 2016. 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, 2016, 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 - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

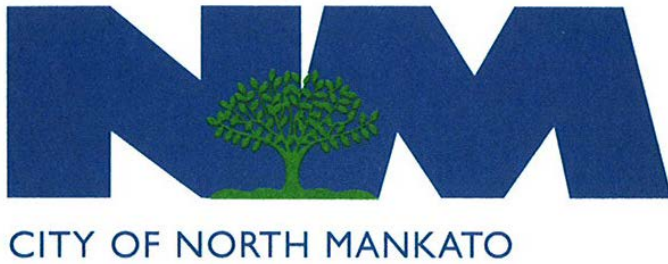
<u>Finding</u>	<u>Description</u>
2016-001	Preparation of financial statements
<i>Condition:</i>	As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this 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 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 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, 2016

<u>Finding</u>	<u>Description</u>
2016-002	Material audit adjustments
<i>Condition:</i>	During our audit, adjustments were needed to record a number of accounting and audit adjustments, including the following material entries: <ul style="list-style-type: none">• To adjust capital assets.• To adjust the coding of transfers.
<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 FINDINGS, RESPONSES AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Finding</u>	<u>Description</u>
2016-003	Uniform Guidance written policies and procedures
<i>Condition:</i>	<p>During our audit, we discovered the City did not develop written procedures as required by the Uniform Guidance for the following:</p> <ul style="list-style-type: none">• Determination of Allowable of Costs - §200.302(b)(7)• Time and Effort - §200.430(a)• Cash Management of Federal Funds - §200.302(b)(6)• Conflict of Interest - §200.318(c)(1-2) <p>The City must also ensure that existing written procedures are in compliance with:</p> <ul style="list-style-type: none">• General Procurement Standards - §200.318-.326• Equipment Management Requirements - §200.313
<i>Criteria:</i>	<p>The City “must” establish and maintain effective internal control over Federal awards that provides reasonable assurance that the City is managing Federal awards in compliance with Federal statutes, regulations, and the terms and conditions of the Federal awards.</p>
<i>Cause:</i>	<p>The City did not have these written policies and procedures in place sufficient to comply with the Uniform Guidance requirements.</p>
<i>Effect:</i>	<p>The City was out of compliance with this requirement.</p>
<i>Recommendation:</i>	<p>The City should implement written policies and procedures to adhere to the above mentioned Uniform Guidance requirements.</p>
<i>Management response:</i>	<p>The City will establish written policies and procedures to ensure future compliance with the Uniform Guidance requirements.</p>



2016-003 Uniform Guidance policies and procedures

CORRECTIVE ACTION PLAN (CAP):

1. Explanation of Disagreements with Audit Finding:

There is no disagreement with the audit finding.

2. Actions Planned in Response to Finding:

The City will work on establishing policies and procedures to ensure future compliance with the Uniform Guidance.

3. Official Responsible for Ensuring CAP:

Kevin McCann, Finance Director, is the official responsible for ensuring corrective action of the compliance finding.

4. Planned Completion Date for CAP:

The planned completion date is December 31, 2017.

5. Plan to Monitor Completion of CAP:

The Council will be monitoring this corrective action plan.

Sincerely,

Kevin McCann
Finance Director

CITY OF NORTH MANKATO, MINNESOTA
SCHEDULE OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2016

Finding **Description**

2015-001 **Preparation of financial statements**

Condition: As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. 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 auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.

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

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

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

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

Management response:

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

CITY OF NORTH MANKATO, MINNESOTA
SCHEDULE OF PRIOR YEAR FINDINGS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2016

<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.