

CITY OF NORTH MANKATO  
NORTH MANKATO, MINNESOTA

COMPREHENSIVE ANNUAL  
FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2017

PREPARED BY:

FINANCE DEPARTMENT

KEVIN MCCANN  
Finance Director

Member GFOA of U.S. and Canada  
Published June 19, 2018

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City of North Mankato, Minnesota  
Comprehensive Annual Financial Report  
Table of Contents  
For the Year Ended December 31, 2017

	<u>Page No.</u>
<b>Introductory Section</b>	
Letter of Transmittal	11
Principal City Officials	16
Organizational Chart	17
GFOA Certificate of Achievement for Excellence in Financial Reporting	18
<b>Financial Section</b>	
Independent Auditor's Report	21
Management's Discussion and Analysis	25
<b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Position	39
Statement of Activities	40
Fund Financial Statements	
Governmental Funds	
Balance Sheet	46
Reconciliation of the Balance Sheet to the Statement of Net Position	49
Statement of Revenues, Expenditures and Changes in Fund Balances	50
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	52
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General Fund	53
Proprietary Funds	
Statements of Net Position	54
Statements of Revenues, Expenses and Changes in Net Position	56
Statements of Cash Flows	58
Fiduciary Funds	
Statement of Fiduciary Assets and Liabilities	62
Notes to the Financial Statements	63
<b>Required Supplementary Information</b>	
Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - General Employees Retirement Fund	107
Schedule of Employer's Public Employees Retirement Association Contributions - General Employees Retirement Fund	107
Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - Public Employees Police and Fire Fund	108
Schedule of Employer's Public Employees Retirement Association Contributions - Public Employees Police and Fire Fund	108
Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios	110
Schedule of Employer's Fire Relief Association Contributions	112
Schedule of Funding Progress for the Retiree Health Plan	112
<b>Combining and Individual Fund Financial Statements and Schedules</b>	
Nonmajor Governmental Funds	
Combining Balance Sheet	115
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	116

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City of North Mankato, Minnesota  
Comprehensive Annual Financial Report  
Table of Contents (Continued)  
For the Year Ended December 31, 2017

	Page No.
<b>Combining and Individual Fund Financial Statements and Schedules (Continued)</b>	
Nonmajor Special Revenue Funds	
Combining Balance Sheet	122
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	126
Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	
Library Endowment Fund	130
Community Development Block Grant Fund	131
Local Option Sales Tax Fund	132
Nonmajor Capital Projects Funds	
Combining Balance Sheet	136
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	138
Nonmajor Proprietary Funds	
Statements of Net Position	140
Statements of Revenues, Expenses and Changes in Net Position	142
Statements of Cash Flows	144
General Fund	
Comparative Balance Sheets	151
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	152
Debt Service Funds	
Combining Balance Sheet	160
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	164
Agency Funds	
Combining Statement of Fiduciary Assets and Liabilities	172
Statement of Changes in Assets and Liabilities	174
Summary Financial Report	
Revenue and Expenditures for General Operations - Governmental Funds	176
<b>Statistical Section (Unaudited)</b>	<u>Table</u>
Financial Trends	
Net Position by Component	1 180
Changes in Net Position	2 182
Governmental Activities Tax Revenues by Source	3 187
Fund Balances of Governmental Funds - Last Ten Fiscal Years	4 188
Changes in Fund Balances of Governmental Funds - Last Ten Fiscal Years	5 190
General Governmental Tax Revenues by Source - Last Ten Fiscal Years	6 193
Revenue Capacity	
Tax Capacity and Estimated Actual Value of Taxable Property - Last Ten Fiscal Years	7 194
Property Tax Rates Direct and Overlapping Governments - Last Ten Fiscal Years	8 197
Principal Property Taxpayers	9 198
Property Tax Levies and Collections - Last Ten Fiscal Years	10 201
Debt Capacity	
Ratios of Outstanding Debt by Type - Last Ten Fiscal Years	11 202
Ratios of General Bonded Debt Outstanding - Last Ten Fiscal Years	12 204
Computation of Direct and Overlapping Debt	13 207
Legal Debt Margin Information - Last Ten Fiscal Years	14 208
Pledged-Revenue Coverage-Water, Sewer and Sanitation Bonds - Last Ten Fiscal Years	15 210
Demographic and Economic Information	
Demographic and Economic Statistics - Last Ten Fiscal Years	16 211
Principal Employers - Current Year and Nine Years Ago	17 213
Operating Information	
Full-Time Equivalent City Government Employees by Function - Last Ten Fiscal Years	18 214
Operating Indicators by Function - Last Ten Fiscal Years	19 216
Capital Asset Statistics by Function - Last Ten Fiscal Years	20 218

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City of North Mankato, Minnesota  
Comprehensive Annual Financial Report  
Table of Contents (Continued)  
For the Year Ended December 31, 2017

	<u>Page No.</u>
<b>Other Required Reports</b>	
Independent Auditor's Report on Minnesota Legal Compliance	223
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 <i>Government Auditing Standards</i>	224
Schedule of Findings and Responses	226

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INTRODUCTORY SECTION

CITY OF NORTH MANKATO  
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2017

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June 19, 2018

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, 2017.

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, 2017 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, 2017 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 area through a connection in Mankato. 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 13,889. 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, and international tournaments and features the Miracle Field for special needs athletes.

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

## **Factors Affecting Financial Condition**

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

## **Local Economy**

The City currently enjoys a favorable economic environment and local indicators point to continued growth. The unemployment rate is 2.6 percent which represents an increase from the previous year rate of 2.4 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 59,920 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 2017 for 19 single family homes, six townhouses totaling 35 units and three apartments/assisted living facilities with 32 units at a total value of \$13,864,983. The market value of all new and remodeled residential, commercial and industrial permits in fiscal year 2017 was \$28,683,751. 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 2017 the outstanding balance was \$1,667,573. 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 made in 2017, the combined funds returned to a minimal fund balance.

## **Major Developments**

- Sale of 13 acres to Blue Star Power System (power generation systems manufacturing, sales, and service) for the construction of a new 85,000 square foot manufacturing facility in the North Port Industrial Park in 2018.
- Sale of nine acres to Palmer Bus Service (student transportation) for the construction of a new 63,000 square foot bus storage, service, and related office building in the North Port Industrial Park in 2018.
- Sale of two acres to B&F Fastener Supply (industrial and construction supplies) for the construction of a new 15,000 square foot building in the North Port Industrial Park in 2018.
- Residential development consisting of five new single family lots in the Reserve 2 and 27 new single family lots in Northgate 3 and 35 townhouse units in Benson West.

## **2017 Five-Year Capital Improvement Plan Projects**

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.

Swim Facility Project - This project consists of complete reconstruction of Spring Lake Park Swim Facility and the addition of a warming house to the existing bathhouse structure. The design work began in 2017 with construction to begin in the fall of 2018 and completion for the spring of 2019. The total project is projected to cost \$3,922,000. The project will be financed using general obligation tax abatement bonds and paid from the property tax levy.

2018 Roe Crest Dr. Project - This project is in the early design phase in 2017 for the complete reconstruction of water, sewer, and storm water utilities, curb, gutter, and street surfaces along Jefferson Ave. from Range St. to Cross St. at a cost of \$462,000 in the summer of 2018. The project will be financed using general obligation bonds and paid from special assessments, enterprise funds and the property tax levy.

## **Equipment**

The Five-Year Capital Improvement Plan calls for the replacement of \$4.3 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.

## Internal Accounting Controls

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting control. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding:

1. The safeguarding of assets against loss from unauthorized use or disposition, and;
2. The reliability of financial records for preparing financial statements and maintaining accountability for assets.
3. The concept of reasonable assurance recognizes that:
4. Cost of the control should not exceed the benefits likely to be derived, and;
5. Evaluation of costs and benefits requires estimates and judgment by management.

The City has placed an emphasis on and continually evaluates its system of internal accounting controls to assure its citizens that we adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

## Relevant Financial Policies

The Mayor and City Council Members continue to evaluate the level of reserves of the City with their desire to minimize property tax increases while still maintaining service levels and infrastructure renewal and replacement. The City has established financial policies for use as a guideline during the budget process. The City employs a conservative approach in making ongoing revenue assumptions by utilizing growth patterns and knowledge of planned growth in the tax base.

## 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, 2016. This was the thirtieth 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    Finance Director



Kevin McCann



City of North Mankato, Minnesota  
Principal City Officials  
For the Year Ended December 31, 2017

**MAYOR:** *Mark Dehen*

**COUNCIL MEMBERS:** *Diane Norland  
Jim Whitlock  
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:** *Katie Heintz*

**CITY PLANNER:** *Mike Fischer*

**CITY ATTORNEY:** *Kennedy and Kennedy*

**CONSULTING ENGINEER:** *Bolton & Menk*

**AUDITOR:** *Abdo, Eick & Meyers, LLP*

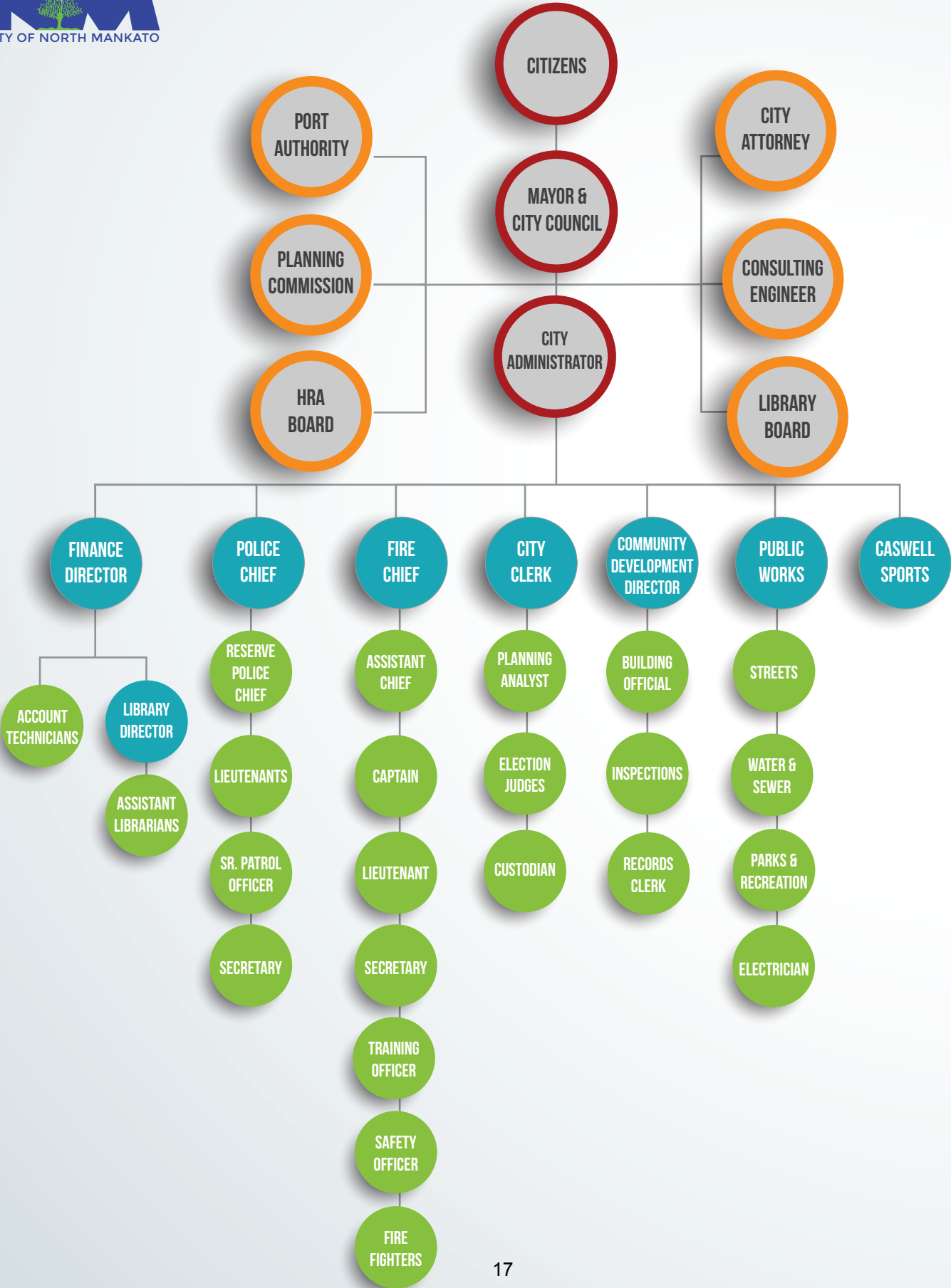
**BOND COUNSEL:** *Kennedy & Graven, Chtd.*

**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, 2016**

*Christopher P. Morrill*

Executive Director/CEO



FINANCIAL SECTION

CITY OF NORTH MANKATO  
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2017

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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, 2017, 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, 2017, 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 2016 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 27, 2017. 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, 2016, 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 25 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 107 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

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

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

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 19, 2018, 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 solely 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 effectiveness of the City's 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 19, 2018

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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, 2017. 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 11 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 \$56,171,262 (*net position*). Of this amount, a balance of \$1,566,716 represents *unrestricted net position* which may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$2,685,369 as compared to a decrease of \$768,990 in the previous year.
- Governmental activities revenues increased by \$1,040,128 due to the following:
  - Property tax revenue increased by \$88,136 for 2017 tax levy over 2016 due to levy increases.
  - Tax increments increased by \$98,679 due to the first year of D&K Powder Coating and other TIF District collections moving up due to increasing market values.
  - Franchise taxes were up by \$147,466 mostly due to the increased franchise fee for Consolidated Communications of \$86,479 and increases in all other franchise tax collections.
  - Grants and contributions (not restricted) increased by \$107,343 mainly due to the transfer and closing and transferring of funds from the Cable Access Equipment Replacement agency fund to the primary government.
  - Gain on sale of capital assets by \$642,862 from the sale of the Timm Farm property to Blue Star and Palmer Bus and the sale to O'Brien Properties.
- Governmental activity expenses decreased by \$1,942,441 due to the following:
  - General government expenses decreased by \$420,134 due to the removal of various properties in 2016.
  - Public safety expenses decreased by \$258,304 due to fewer repairs and maintenance items in 2017.
  - Public works expenses increased by \$305,436 mainly due to various repair and maintenance items.
  - Housing and economic development expenses decreased \$1,426,648 mainly due to the removal of various properties in 2016.
- Business-type activities revenues increased by \$661,018 due to the increased collection from water and sewer rate increases in 2017.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,938,711, an increase of \$312,524 in comparison with the prior year. Major factors contributing to this increase relates to General fund balance increasing are increasing revenues and decreasing expenses as noted above 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 \$1,624,961 .

## 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**

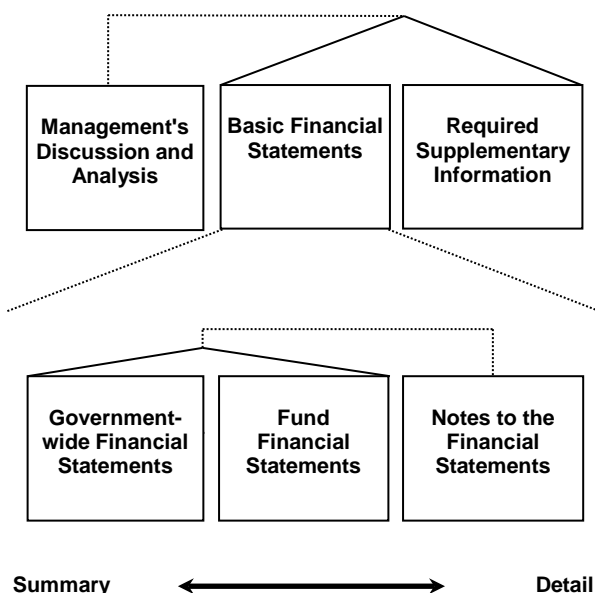


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the 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"> <li>Statement of Net Position</li> <li>Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>Balance Sheet</li> <li>Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>Statement of Net Position</li> <li>Statement of Revenues, Expenses and Changes in Net Position</li> <li>Statement of Cash Flows</li> </ul>
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 39 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 numerous individual governmental funds, which includes various individual Debt Service bond 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 46 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, recycling, 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, recycling, 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 54 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 62 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 63 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 107 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 115 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 \$56,171,262 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (81.2 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		
	2017	Restated 2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Current and Other Assets	\$ 15,453,196	\$ 16,600,392	\$ (1,147,196)	\$ 5,302,672	\$ 5,751,419	\$ (448,747)
Net Capital Assets	43,341,023	45,306,044	(1,965,021)	27,065,774	26,675,252	390,522
Total Assets	58,794,219	61,906,436	(3,112,217)	32,368,446	32,426,671	(58,225)
Deferred Outflows of Resources	2,769,084	4,091,831	(1,322,747)	186,694	367,670	(180,976)
Long-term Liabilities						
Outstanding	21,442,158	29,545,746	(8,103,588)	10,965,929	11,716,824	(750,895)
Other Liabilities	1,096,325	737,765	358,560	205,352	363,974	(158,622)
Total Liabilities	22,538,483	30,283,511	(7,745,028)	11,171,281	12,080,798	(909,517)
Deferred Inflows of Resources	4,005,185	2,764,517	1,240,668	232,232	177,889	54,343
Net Position						
Net investment in capital assets	26,221,794	25,599,346	622,448	19,401,310	18,591,065	810,245
Restricted	8,981,442	8,410,399	571,043	-	-	-
Unrestricted	(183,601)	(1,059,506)	875,905	1,750,317	1,944,589	(194,272)
Total Net Position	\$ 35,019,635	\$ 32,950,239	\$ 2,069,396	\$ 21,151,627	\$ 20,535,654	\$ 615,973

An additional portion of the City's net position (16.0 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (2.8 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

**Governmental activities.** Governmental activities increased the City's net position by \$2,069,396, accounting for 77.1 percent of the total increase. Key elements of this change are as follows:

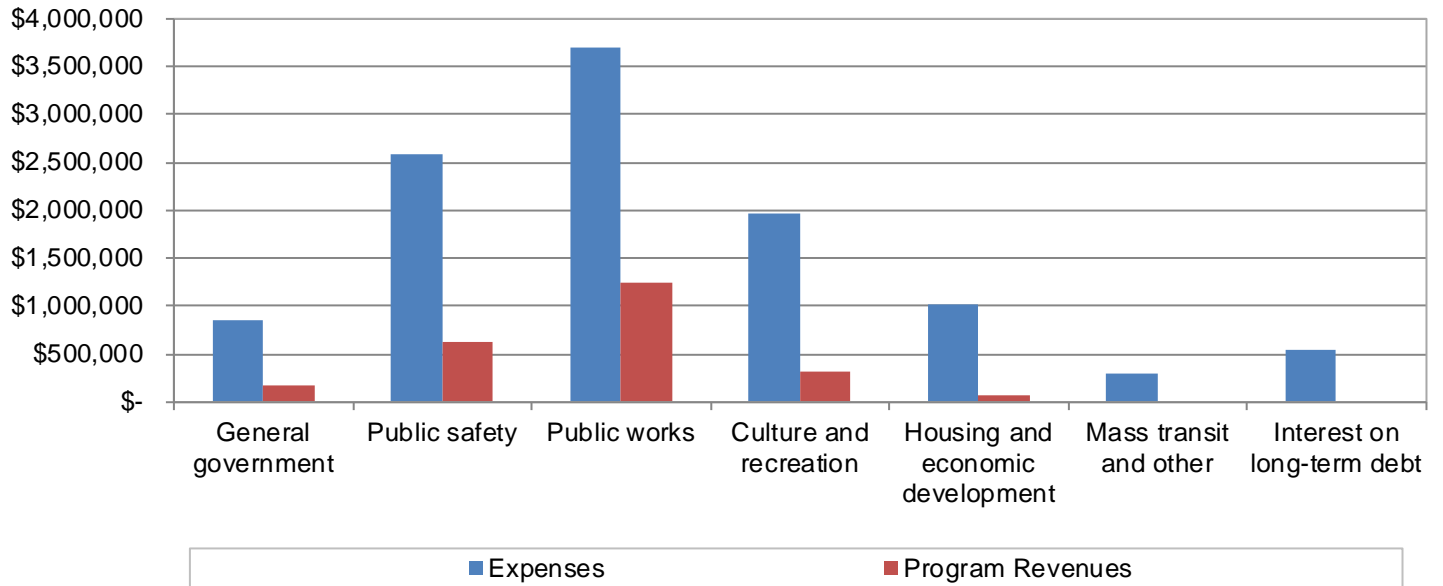
### City of North Mankato's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 871,035	\$ 815,005	\$ 56,030	\$ 5,964,866	\$ 5,349,287	\$ 615,579
Operating grants and contributions	473,992	504,154	(30,162)	287	4,044	(3,757)
Capital grants and contributions	1,076,301	1,077,024	(723)	44,684	23,482	21,202
General Revenues						
Property taxes/tax increments	6,298,739	6,111,924	186,815	-	-	-
Other taxes	1,203,033	1,065,158	137,875	1,412	1,380	32
Grants and contributions not restricted to specific programs	1,733,531	1,626,188	107,343	-	-	-
Unrestricted investment earnings	9,773	20,668	(10,895)	47,590	19,628	27,962
Other	111,643	160,660	(49,017)	-	-	-
Gain on sale of capital assets	1,002,021	359,159	642,862	-	-	-
Total Revenues	<u>12,780,068</u>	<u>11,739,940</u>	<u>1,040,128</u>	<u>6,058,839</u>	<u>5,397,821</u>	<u>661,018</u>
Expenses						
General government	861,884	1,282,018	(420,134)	-	-	-
Public safety	2,582,049	2,840,353	(258,304)	-	-	-
Public works	3,693,176	3,387,740	305,436	-	-	-
Culture and recreation	1,961,563	2,039,352	(77,789)	-	-	-
Housing and economic development	1,015,852	2,442,500	(1,426,648)	-	-	-
Mass transit and other	302,532	288,787	13,745	-	-	-
Interest on long-term debt	552,578	631,325	(78,747)	-	-	-
Water	-	-	-	1,674,978	1,677,867	(2,889)
Wastewater	-	-	-	2,177,514	1,946,051	231,463
Sanitation	-	-	-	388,733	373,509	15,224
Storm water	-	-	-	294,943	303,974	(9,031)
Solid waste	-	-	-	647,736	693,275	(45,539)
Total Expenses	<u>10,969,634</u>	<u>12,912,075</u>	<u>(1,942,441)</u>	<u>5,183,904</u>	<u>4,994,676</u>	<u>189,228</u>
Increase (Decrease) in Net Position						
Before Transfers	1,810,434	(1,172,135)	2,982,569	874,935	403,145	471,790
Transfers	<u>258,962</u>	<u>403,250</u>	<u>(144,288)</u>	<u>(258,962)</u>	<u>(403,250)</u>	<u>144,288</u>
Change in Net Position	2,069,396	(768,885)	2,838,281	615,973	(105)	616,078
Net Position - January 1	32,950,239	32,999,594	(49,355)	20,535,654	20,535,759	(105)
			-			-
Prior Period Adjustment (Note 9)	<u>-</u>	<u>719,530</u>	<u>(719,530)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Position - December 31	<u>\$ 35,019,635</u>	<u>\$ 32,950,239</u>	<u>\$ 2,069,396</u>	<u>\$ 21,151,627</u>	<u>\$ 20,535,654</u>	<u>\$ 615,973</u>

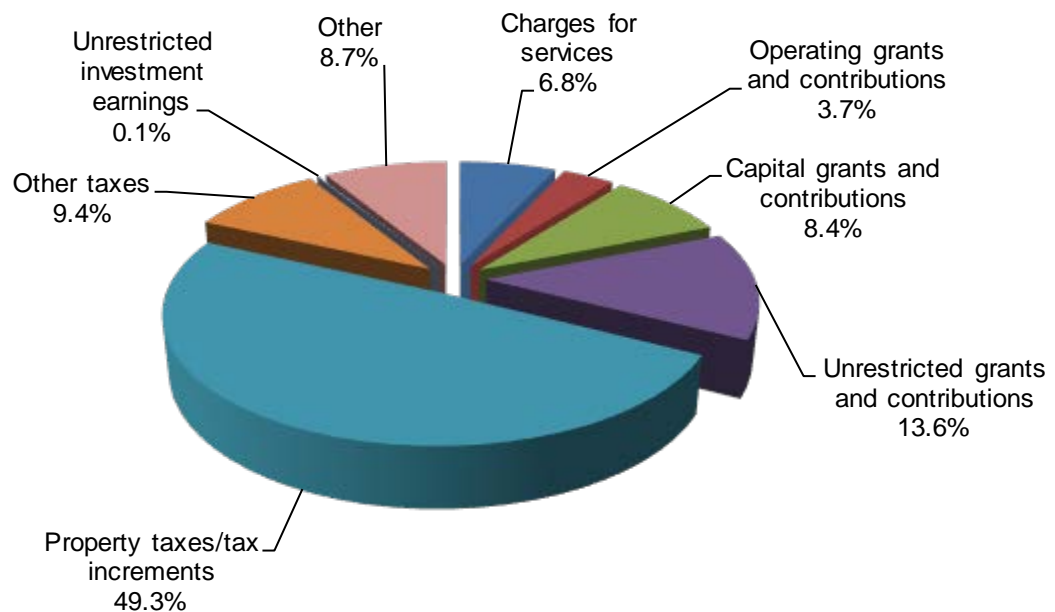


The following graphs depict various governmental activities and show the revenue and expenses directly related to those activities.

### Expenses and Program Revenues - Governmental Activities



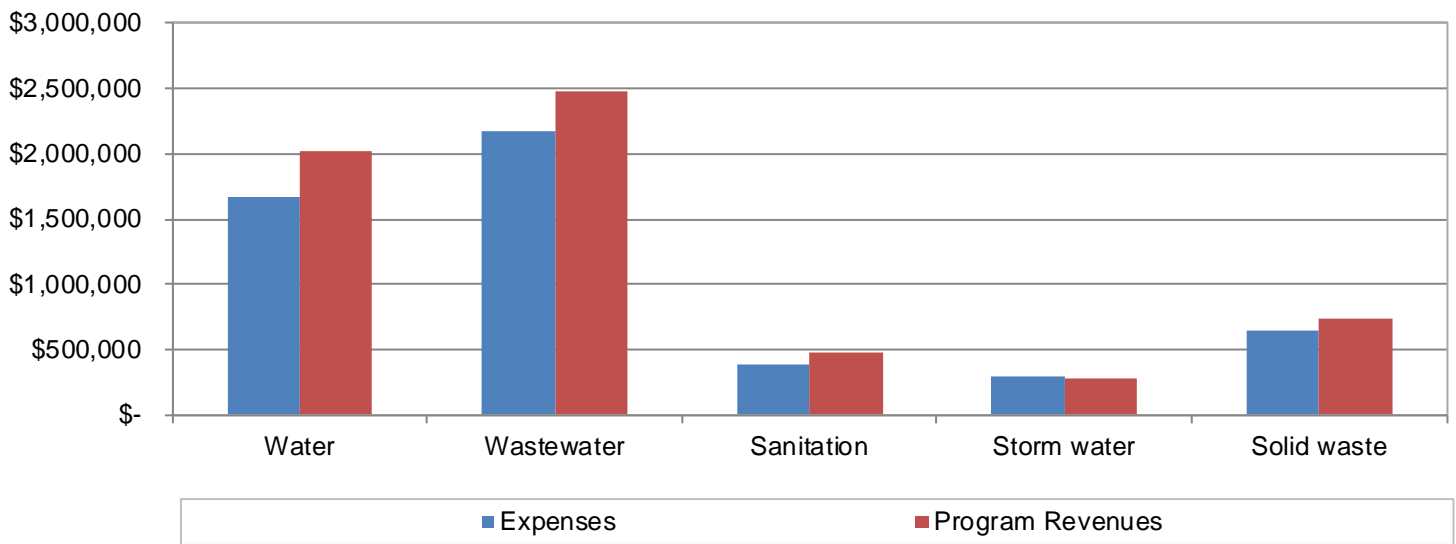
### Revenues by Source - Governmental Activities



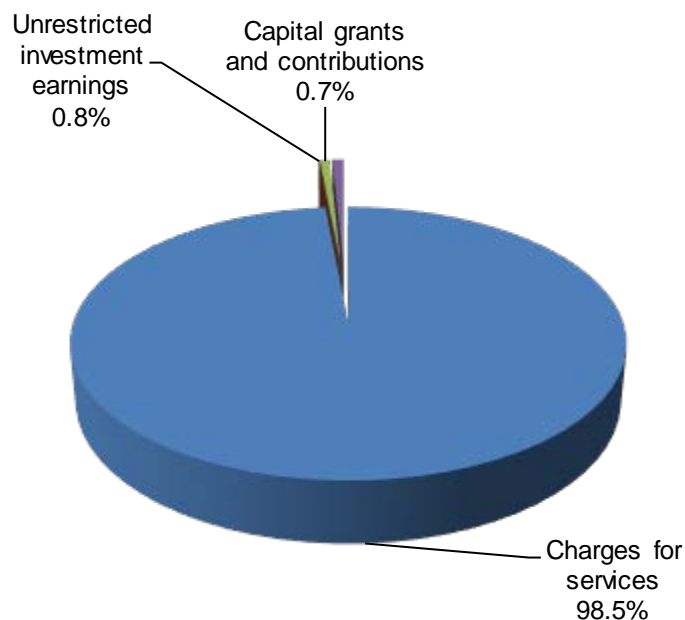
**Business-type Activities.** Business-type activities increased the City's net position by \$615,973. Key elements of this change are as follows:

- Total operating income was \$968,712, an increase of \$311,864 from the prior year, mainly due to an increase in charges for services of \$615,579 due to increased water and sewer rates.
- Total nonoperating expenses exceeded nonoperating revenues by \$138,461, mostly consisting of bond interest and issuance costs.
- Transfers out totaled \$580,060 for 2017.
- The remaining increase in net position was due to \$291,098 in capital contributions mainly due to the Roe Crest Project.

### 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 \$4,187,674 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 33.8 percent of total General fund expenditures, while total fund balance represents 52.0 percent of that same amount.

The *General fund* balance increased by \$123,323 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 \$295,629, including franchise taxes by \$27,872 due to Consolidated Communications, licenses and permits by \$102,614 mainly to increased plan review fees, intergovernmental by \$45,130 mainly from local government police aids, culture and recreation activities related to Caswell sports by \$66,571 and contributions and donations of \$104,806 from the closing of the Public Access Equipment Replacement fund.

The *Debt Service fund* has a total fund balance of \$650,761. There was a decrease of \$1,508,070 in the current year, partially attributable to refunding bond payment of \$2,260,000.

The *2014 Construction fund* has a total fund balance of \$0. This project was completed and closed during the year.

The *2015 Construction fund* has a total fund balance deficit of \$516,017. 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. A balance of \$904,206 remains to be recognized as revenue in future years.

The *2016 Construction fund* has a total fund balance of \$389,771. 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 \$1,750,317. The total increase in net position in the current year for these funds totaled \$615,973.

## General Fund Budgetary Highlights

The City's General fund budget was not amended during the year. Revenues and expenditures were over budget by \$295,629 and \$89,066, respectively. Other financing sources (uses) had a negative variance of \$45,974. The net result was an increase to the General fund balance of \$123,323.

## 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, 2017 amounts to \$70,406,797 (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 2.2 percent.

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

- Land disposals totaling \$40,537 related to the sale of a JEDF Burnett parcel.
- Land acquisitions totaling \$844,530 mainly related to the purchase of the JEDF Timm parcel.
- Equipment and vehicle purchases of \$306,034, including, but not limited to, new squad cars, generators, pumps, library furniture and various park equipment. Disposals during the year totaled \$114,639.
- Improvements totaling \$564,236 were added to construction in progress for the Spring Lake Park hockey rink and warming project, swim facility project, Roe Crest Drive reconstruction, Main Lift Station No. 1 and West Carlson Drive project. The Roe Crest Drive, CSAH 41 wetland seeding, the municipal parking lot and water plant No. 1 filter rehab projects were completed in 2017.

Additional information on the City's capital assets can be found in Note 3C starting on page 77 of this report.

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

	Governmental Activities			Business-type Activities		
	2017	Restated 2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Land	\$ 4,778,285	\$ 4,693,822	\$ 84,463	\$ 606,061	\$ 490,616	\$ 115,445
Buildings and Improvements	28,161,848	28,934,708	(772,860)	25,486,393	25,303,635	182,758
Machinery and Equipment	1,778,229	1,928,697	(150,468)	921,492	881,001	40,491
Construction in Progress	8,622,661	9,748,817	(1,126,156)	51,828	-	51,828
Total	<u>\$ 43,341,023</u>	<u>\$ 45,306,044</u>	<u>\$ (1,965,021)</u>	<u>\$ 27,065,774</u>	<u>\$ 26,675,252</u>	<u>\$ 390,522</u>

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$26,678,802. Of this amount, \$5,195,000 comprises debt backed by the full faith and credit of the City and \$1,115,000 is tax increment bonds and \$9,095,000 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 \$11,273,802.

## City of North Mankato's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
General Obligation Bonds	\$ 5,195,000	\$ 5,735,000	\$ (540,000)	\$ -	\$ -	\$ -
G.O. Tax Increment Bonds	1,115,000	1,180,000	(65,000)	-	-	-
G.O. Improvement Bonds	8,335,000	11,885,000	(3,550,000)	760,000	850,000	(90,000)
General Obligation Revenue Bonds	2,195,000	2,580,000	(385,000)	9,078,802	9,492,981	(414,179)
Contracts Payable	404,000	516,000	(112,000)	-	-	-
<b>Total</b>	<b>\$ 17,244,000</b>	<b>\$ 21,896,000</b>	<b>\$ (4,652,000)</b>	<b>\$ 9,838,802</b>	<b>\$ 10,342,981</b>	<b>\$ (504,179)</b>

The City's total debt decreased by \$5,156,179 (16.0 percent) during the current fiscal year due to regularly scheduled debt payments. There were no debt issuances in 2017.

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 \$23,832,592, 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 81 of this report.

### Economic Factors and Next Year's Budgets and Rates

- The 2017 unemployment rate for the City was 2.6 percent, which is a slight increase from a rate of 2.4 percent a year ago. This compares favorably to the State's average unemployment rate of 3.3 percent and the national average rate of 4.1 percent.
- Inflationary trends in the region compare favorably to national indices.
- Tax capacity valuation increased in 2017 for taxes payable in 2017 by \$446,604 or 4.1 percent. Market value of property has increased an average of 0.9 percent per year for the past 5 years.
- Storm water rates were reviewed and increased.

All of these factors were considered in preparing the City's budget for the 2018 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, 2017



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City of North Mankato, Minnesota

Statement of Net Position

December 31, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and temporary investments	\$ 8,218,987	\$ 1,604,753	\$ 9,823,740
Restricted assets - cash with fiscal agent	-	2,191,984	2,191,984
Receivables			
Taxes	79,913	-	79,913
Accounts	190,730	511,173	701,903
Interest	3,654	-	3,654
Notes, mortgages and leases	759,185	-	759,185
Special assessments	3,262,794	89,072	3,351,866
Intergovernmental	1,979,807	131,407	2,111,214
Internal balances	(712,395)	712,395	-
Inventories	-	61,533	61,533
Prepaid items	89,676	355	90,031
Land held for resale	1,096,305	-	1,096,305
Pension asset	484,540	-	484,540
Capital assets			
Nondepreciable assets	13,400,946	657,889	14,058,835
Depreciable assets net of accumulated depreciation	29,940,077	26,407,885	56,347,962
<b>Total Assets</b>	<b>58,794,219</b>	<b>32,368,446</b>	<b>91,162,665</b>
<b>Deferred Outflows of Resources</b>			
Deferred pension resources	2,769,084	186,694	2,955,778
<b>Liabilities</b>			
Accounts payable	195,801	94,044	289,845
Contracts payable	104,581	-	104,581
Due to other governments	65,011	7,994	73,005
Accrued interest payable	143,293	71,116	214,409
Accrued wages payable	154,410	32,198	186,608
Deposits payable	433,229	-	433,229
Noncurrent liabilities			
Due within one year	2,337,865	3,246,549	5,584,414
Due in more than one year	19,104,293	7,719,380	26,823,673
<b>Total Liabilities</b>	<b>22,538,483</b>	<b>11,171,281</b>	<b>33,709,764</b>
<b>Deferred Inflows of Resources</b>			
Deferred pension resources	3,100,979	232,232	3,333,211
Deferred intergovernmental revenue	904,206	-	904,206
<b>Total Deferred Inflows of Resources</b>	<b>4,005,185</b>	<b>232,232</b>	<b>4,237,417</b>
<b>Net Position</b>			
Net investment in capital assets	26,221,794	19,401,310	45,623,104
Restricted for			
Debt service	5,565,725	-	5,565,725
Library programs	48,644	-	48,644
Park development	5,866	-	5,866
Park improvements	105,200	-	105,200
Economic development	3,163,033	-	3,163,033
Tax increment financing	92,974	-	92,974
Unrestricted	(183,601)	1,750,317	1,566,716
<b>Total Net Position</b>	<b>\$ 35,019,635</b>	<b>\$ 21,151,627</b>	<b>\$ 56,171,262</b>

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, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 861,884	\$ 162,710	\$ -	\$ -
Public safety	2,582,049	380,925	220,853	14,200
Public works	3,693,176	7,843	171,148	1,062,101
Culture and recreation	1,961,563	241,729	81,991	-
Housing and economic development	1,015,852	77,828	-	-
Mass transit and other	302,532	-	-	-
Interest on long-term debt	552,578	-	-	-
Total Governmental Activities	<u>10,969,634</u>	<u>871,035</u>	<u>473,992</u>	<u>1,076,301</u>
Business-type Activities				
Water	1,674,978	2,005,102	152	16,278
Sewer	2,177,514	2,453,362	97	28,406
Sanitation	388,733	485,091	6	-
Storm water	294,943	279,939	18	-
Solid waste	647,736	741,372	14	-
Total Business-type Activities	<u>5,183,904</u>	<u>5,964,866</u>	<u>287</u>	<u>44,684</u>
Totals	<u>\$ 16,153,538</u>	<u>\$ 6,835,901</u>	<u>\$ 474,279</u>	<u>\$ 1,120,985</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 capital assets

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position, January 1

Prior Period Adjustment (Note 9)

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
\$ (699,174)		\$ (699,174)
(1,966,071)		(1,966,071)
(2,452,084)		(2,452,084)
(1,637,843)		(1,637,843)
(938,024)		(938,024)
(302,532)		(302,532)
<u>(552,578)</u>		<u>(552,578)</u>
<u>(8,548,306)</u>		<u>(8,548,306)</u>
	\$ 346,554	346,554
	304,351	304,351
	96,364	96,364
	(14,986)	(14,986)
	<u>93,650</u>	<u>93,650</u>
	<u>825,933</u>	<u>825,933</u>
<u>(8,548,306)</u>	<u>825,933</u>	<u>(7,722,373)</u>
4,357,623	-	4,357,623
1,553,036	-	1,553,036
388,080	-	388,080
569,952	1,412	571,364
47,430	-	47,430
35,779	-	35,779
549,872	-	549,872
1,733,531	-	1,733,531
9,773	47,590	57,363
111,643	-	111,643
1,002,021	-	1,002,021
<u>258,962</u>	<u>(258,962)</u>	<u>-</u>
<u>10,617,702</u>	<u>(209,960)</u>	<u>10,407,742</u>
2,069,396	615,973	2,685,369
32,230,709	20,535,654	52,766,363
<u>719,530</u>	<u>-</u>	<u>719,530</u>
<u>\$ 35,019,635</u>	<u>\$ 21,151,627</u>	<u>\$ 56,171,262</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, 2017

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City of North Mankato, Minnesota

Balance Sheet  
Governmental Funds  
December 31, 2017

	General	Debt Service	Capital Projects 2014 Construction
<b>Assets</b>			
Cash and temporary investments	\$ 3,121,713	\$ 2,149,112	\$ -
Receivables			
Taxes	79,913	-	-
Accounts	156,735	-	-
Interest	-	3,654	-
Notes	-	-	-
Special assessments	34,537	3,228,257	-
Intergovernmental	68,154	1,849,039	-
Due from other funds	1,547,916	-	-
Prepaid items	89,676	-	-
Land held for resale	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 5,098,644</u>	<u>\$ 7,230,062</u>	<u>\$ -</u>
<b>Liabilities</b>			
Accounts payable	\$ 143,870	\$ -	\$ -
Contracts payable	-	-	-
Deposits payable	433,229	-	-
Due to other funds	-	1,521,044	-
Due to other governments	65,011	-	-
Accrued wages payable	154,410	-	-
Total Liabilities	<u>796,520</u>	<u>1,521,044</u>	<u>-</u>
<b>Deferred Inflows of Resources</b>			
Unavailable revenue			
Taxes	79,913	-	-
Special assessments	34,537	3,228,257	-
Intergovernmental	-	1,830,000	-
Total Deferred Inflows of Resources	<u>114,450</u>	<u>5,058,257</u>	<u>-</u>
<b>Fund Balances</b>			
Nonspendable	1,488,287	-	-
Restricted	-	650,761	-
Assigned	-	-	-
Unassigned	2,699,387	-	-
Total Fund Balances	<u>4,187,674</u>	<u>650,761</u>	<u>-</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,098,644</u>	<u>\$ 7,230,062</u>	<u>\$ -</u>

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

Capital Projects		Other Governmental Funds		Totals
2015 Construction	2016 Construction			
\$ 469,645	\$ 416,409	\$ 2,062,108		\$ 8,218,987
-	-	-		79,913
-	-	33,995		190,730
-	-	-		3,654
-	-	759,185		759,185
-	-	-		3,262,794
-	-	62,614		1,979,807
-	-	-		1,547,916
-	-	-		89,676
-	-	1,096,305		1,096,305
<u>\$ 469,645</u>	<u>\$ 416,409</u>	<u>\$ 4,014,207</u>		<u>\$ 17,228,967</u>
\$ 3,083	\$ 430	\$ 48,418		\$ 195,801
78,373	26,208	-		104,581
-	-	-		433,229
-	-	739,267		2,260,311
-	-	-		65,011
-	-	-		154,410
<u>81,456</u>	<u>26,638</u>	<u>787,685</u>		<u>3,213,343</u>
-	-	-		79,913
-	-	-		3,262,794
904,206	-	-		2,734,206
<u>904,206</u>	<u>-</u>	<u>-</u>		<u>6,076,913</u>
-	-	-		1,488,287
-	389,771	3,415,717		4,456,249
-	-	369,214		369,214
(516,017)	-	(558,409)		1,624,961
<u>(516,017)</u>	<u>389,771</u>	<u>3,226,522</u>		<u>7,938,711</u>
<u>\$ 469,645</u>	<u>\$ 416,409</u>	<u>\$ 4,014,207</u>		<u>\$ 17,228,967</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, 2017

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

Total Fund Balances - Governmental Funds	\$ 7,938,711
Net capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	43,341,023
Long term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the funds.	484,540
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	(626,769)
Other postemployment benefits obligation	(297,837)
Pension liability	(3,008,552)
Bonds payable	(16,840,000)
Contracts payable	(404,000)
Unamortized bond discounts, net of amortization	4,131
Unamortized bond premiums, net of amortization	(269,131)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	79,913
Special assessments receivable	3,262,794
Intergovernmental receivable	1,830,000
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	2,769,084
Deferred inflows of pension resources	(3,100,979)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(143,293)</u>
Total Net Position - Governmental Activities	<u>\$ 35,019,635</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, 2017

	General	Debt Service	Capital Projects 2014 Construction
Revenues			
Taxes	\$ 4,962,604	\$ 1,553,036	\$ -
Special assessments	6,796	619,926	-
Licenses and permits	470,642	-	-
Intergovernmental	2,065,472	271,066	-
Charges for services	278,806	-	-
Fines and forfeits	28,220	-	-
Investment earnings	5,322	4,689	-
Miscellaneous	237,785	3,000	-
Total Revenues	<u>8,055,647</u>	<u>2,451,717</u>	<u>-</u>
Expenditures			
Current			
General government	782,884	-	-
Public safety	2,304,769	-	-
Public works	1,661,692	-	-
Culture and recreation	1,647,812	-	-
Housing and economic development	519,788	-	-
Mass transit and other	302,532	-	-
Capital outlay			
Public safety	125,000	-	-
Public works	319,453	-	-
Culture and recreation	301,074	-	-
Housing and economic development	22,048	-	-
Debt service			
Principal	-	4,120,000	-
Interest and other costs	-	609,082	-
Total Expenditures	<u>7,987,052</u>	<u>4,729,082</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>68,595</u>	<u>(2,277,365)</u>	<u>-</u>
Other Financing Sources (Uses)			
Sale of capital assets	18,000	-	-
Transfers in	271,750	799,295	-
Transfers out	(235,022)	(30,000)	(175,174)
Total Other Financing Sources (Uses)	<u>54,728</u>	<u>769,295</u>	<u>(175,174)</u>
Net Change in Fund Balances	123,323	(1,508,070)	(175,174)
Fund Balances, January 1	<u>4,064,351</u>	<u>2,158,831</u>	<u>175,174</u>
Fund Balances, December 31	<u>\$ 4,187,674</u>	<u>\$ 650,761</u>	<u>\$ -</u>

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

Capital Projects		Other Governmental Funds	Totals
2015 Construction	2016 Construction		
\$ -	\$ -	\$ 1,032,066	\$ 7,547,706
-	-	-	626,722
-	-	-	470,642
1,004,656	-	-	3,341,194
-	-	-	278,806
-	-	-	28,220
-	-	172	10,183
-	-	109,175	349,960
<u>1,004,656</u>	<u>-</u>	<u>1,141,413</u>	<u>12,653,433</u>
-	-	-	782,884
-	-	-	2,304,769
-	-	-	1,661,692
-	-	38,131	1,685,943
-	-	419,203	938,991
-	-	-	302,532
-	-	111,050	236,050
38,084	73,813	101,118	532,468
-	-	220,617	521,691
-	-	61,711	83,759
-	-	112,000	4,232,000
-	-	14,000	623,082
<u>38,084</u>	<u>73,813</u>	<u>1,077,830</u>	<u>13,905,861</u>
<u>966,572</u>	<u>(73,813)</u>	<u>63,583</u>	<u>(1,252,428)</u>
-	-	996,892	1,014,892
-	205,534	417,449	1,694,028
-	-	(703,772)	(1,143,968)
<u>-</u>	<u>205,534</u>	<u>710,569</u>	<u>1,564,952</u>
966,572	131,721	774,152	312,524
(1,482,589)	258,050	2,452,370	7,626,187
<u>\$ (516,017)</u>	<u>\$ 389,771</u>	<u>\$ 3,226,522</u>	<u>\$ 7,938,711</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, 2017

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

Net Change in Fund Balances - Governmental Funds	\$ 312,524
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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	1,034,711
Depreciation expense	(2,232,188)

Net effect of various miscellaneous transactions involving capital assets (i.e. sales and trade-ins) is to increase (decrease) net position.

Capital contributions to business-type activities, net of related debt	(291,098)
--	-----------

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.

(53,408)

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	4,232,000
Discount on bonds issued, net of amortization expense	(1,337)
Premium on bonds issued, net of amortization expense	35,259

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.

36,582

Long-term pension activity is not reported in governmental funds.

Pension expense	(80,184)
Direct aid contributions	10,368

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	(46,235)
Special assessments	(634,109)
Intergovernmental revenues	(205,000)
Interest earnings	(410)

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	(36,560)
Other postemployment benefits costs	(11,519)

Change in Net Position - Governmental Activities	\$ 2,069,396
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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, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 4,921,136	\$ 4,921,136	\$ 4,962,604	\$ 41,468
Special assessments	17,650	17,650	6,796	(10,854)
Licenses and permits	368,028	368,028	470,642	102,614
Intergovernmental	2,020,342	2,020,342	2,065,472	45,130
Charges for services	221,490	221,490	278,806	57,316
Fines and forfeits	29,000	29,000	28,220	(780)
Investment earnings	2,000	2,000	5,322	3,322
Miscellaneous	180,372	180,372	237,785	57,413
Total Revenues	<u>7,760,018</u>	<u>7,760,018</u>	<u>8,055,647</u>	<u>295,629</u>
Expenditures				
Current				
General government	813,818	813,818	782,884	30,934
Public safety	2,218,302	2,218,302	2,304,769	(86,467)
Public works	1,732,793	1,732,793	1,661,692	71,101
Culture and recreation	1,545,315	1,545,315	1,647,812	(102,497)
Housing and economic development	497,005	497,005	519,788	(22,783)
Mass transit and other	321,053	321,053	302,532	18,521
Capital outlay				
General government	1,700	1,700	-	1,700
Public safety	1,000	1,000	125,000	(124,000)
Public works	400,000	400,000	319,453	80,547
Culture and recreation	367,000	367,000	301,074	65,926
Housing and economic development	-	-	22,048	(22,048)
Total Expenditures	<u>7,897,986</u>	<u>7,897,986</u>	<u>7,987,052</u>	<u>(89,066)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(137,968)</u>	<u>(137,968)</u>	<u>68,595</u>	<u>206,563</u>
Other Financing Sources (Uses)				
Transfers in	275,202	275,202	271,750	(3,452)
Sale of capital assets	500	500	18,000	17,500
Transfers out	(175,000)	(175,000)	(235,022)	(60,022)
Total Other Financing Sources (Uses)	<u>100,702</u>	<u>100,702</u>	<u>54,728</u>	<u>(45,974)</u>
Net Change in Fund Balances	(37,266)	(37,266)	123,323	160,589
Fund Balances, January 1	<u>4,064,351</u>	<u>4,064,351</u>	<u>4,064,351</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 4,027,085</u>	<u>\$ 4,027,085</u>	<u>\$ 4,187,674</u>	<u>\$ 160,589</u>

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, 2017 and 2016

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
	2017	2016	2017	2016
Assets				
Current Assets				
Cash and temporary investments	\$ 835,971	\$ 1,108,076	\$ 660,902	\$ 757,875
Restricted assets - cash with fiscal agent	1,895,268	111,760	242,112	14,317
Receivables				
Accounts	498,512	417,202	9,761	-
Special assessments	2,211	882	-	-
Intergovernmental	20,956	7,581	109,085	22,137
Due from other funds	108,300	108,300	35,300	35,300
Inventories	61,533	60,494	-	-
Prepaid items	220	489	87	489
Total Current Assets	<u>3,422,971</u>	<u>1,814,784</u>	<u>1,057,247</u>	<u>830,118</u>
Noncurrent Assets				
Special assessments receivable - noncurrent	18,745	10,287	68,116	59,037
Due from other funds - noncurrent	541,500	649,800	176,500	211,800
Restricted assets - cash with fiscal agent	-	1,794,755	-	230,347
Capital assets				
Land	392,411	276,966	53,000	53,000
Buildings	19,465,858	18,965,163	14,874,885	14,671,654
Machinery and equipment	560,318	544,493	806,756	683,976
Construction in progress	-	-	9,390	-
Less accumulated depreciation	(7,330,032)	(6,894,185)	(5,703,658)	(5,400,624)
Total Capital Assets	<u>13,088,555</u>	<u>12,892,437</u>	<u>10,040,373</u>	<u>10,008,006</u>
Total Noncurrent Assets	<u>13,648,800</u>	<u>15,347,279</u>	<u>10,284,989</u>	<u>10,509,190</u>
Total Assets	<u>17,071,771</u>	<u>17,162,063</u>	<u>11,342,236</u>	<u>11,339,308</u>
Deferred Outflows of Resources				
Deferred pension resources	98,632	191,526	62,961	123,854
Liabilities				
Current Liabilities				
Accounts payable	19,940	96,317	7,687	9,708
Due to other funds	-	-	-	-
Due to other governments	1,271	10,352	701	2,137
Accrued interest payable	47,182	49,124	14,309	19,975
Accrued wages payable	19,105	21,239	8,152	12,202
Compensated absences payable - current portion	39,892	35,805	6,667	8,023
Bonds payable - current portion	2,360,750	476,473	599,230	278,706
Total Current Liabilities	<u>2,488,140</u>	<u>689,310</u>	<u>636,746</u>	<u>330,751</u>
Noncurrent Liabilities				
Compensated absences payable, net of current portion	46,094	40,064	19,256	8,625
Other postemployment benefits obligation	28,742	26,551	7,755	6,694
Pension liability	419,061	542,232	267,504	350,644
Bonds payable, net of current portion	3,982,228	6,116,210	1,653,322	2,082,882
Total Noncurrent Liabilities	<u>4,476,125</u>	<u>6,725,057</u>	<u>1,947,837</u>	<u>2,448,845</u>
Total Liabilities	<u>6,964,265</u>	<u>7,414,367</u>	<u>2,584,583</u>	<u>2,779,596</u>
Deferred Inflows of Resources				
Deferred pension resources	122,690	92,666	78,318	59,924
Net Position				
Net investment in capital assets	8,724,327	8,337,504	8,085,321	7,985,918
Unrestricted	1,359,121	1,509,052	656,975	637,724
Total Net Position	<u>\$ 10,083,448</u>	<u>\$ 9,846,556</u>	<u>\$ 8,742,296</u>	<u>\$ 8,623,642</u>

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

Business-type Activities - Enterprise Funds

Other Enterprise Funds		Totals	
2017	2016	2017	2016
\$ 107,880	\$ 92,377	\$ 1,604,753	\$ 1,958,328
54,604	10,650	2,191,984	136,727
2,900	1,087	511,173	418,289
-	-	2,211	882
1,366	1,212	131,407	30,930
-	-	143,600	143,600
-	-	61,533	60,494
48	714	355	1,692
166,798	106,040	4,647,016	2,750,942
-	-	86,861	69,324
-	-	718,000	861,600
-	44,451	-	2,069,553
160,650	160,650	606,061	490,616
4,090,631	3,840,000	38,431,374	37,476,817
815,585	815,585	2,182,659	2,044,054
42,438	-	51,828	-
(1,172,458)	(1,041,426)	(14,206,148)	(13,336,235)
3,936,846	3,774,809	27,065,774	26,675,252
3,936,846	3,819,260	27,870,635	29,675,729
4,103,644	3,925,300	32,517,651	32,426,671
25,101	52,290	186,694	367,670
66,417	67,697	94,044	173,722
149,205	-	149,205	-
6,022	58,610	7,994	71,099
9,625	12,025	71,116	81,124
4,941	4,588	32,198	38,029
6,510	10,028	53,069	53,856
233,500	169,000	3,193,480	924,179
476,220	321,948	3,601,106	1,342,009
7,218	671	72,568	49,360
6,117	5,263	42,614	38,508
106,649	148,037	793,214	1,040,913
1,175,434	1,410,916	6,810,984	9,610,008
1,295,418	1,564,887	7,719,380	10,738,789
1,771,638	1,886,835	11,320,486	12,080,798
31,224	25,299	232,232	177,889
2,591,662	2,267,643	19,401,310	18,591,065
(265,779)	(202,187)	1,750,317	1,944,589
\$ 2,325,883	\$ 2,065,456	\$ 21,151,627	\$ 20,535,654

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, 2017 and 2016

	Business-type Activities - Enterprise Funds			
	<b>601</b>		<b>602</b>	
	Water Utility		Sewer Utility	
	2017	2016	2017	2016
Operating Revenues				
Charges for services	\$ 1,994,960	\$ 1,766,088	\$ 2,409,687	\$ 2,097,858
Facility rental	-	-	-	-
Total Operating Revenues	<u>1,994,960</u>	<u>1,766,088</u>	<u>2,409,687</u>	<u>2,097,858</u>
Operating Expenses				
Personal services	652,203	664,585	411,296	395,135
Supplies	108,930	120,509	30,642	53,047
Other services and charges	131,968	116,300	83,628	86,008
Contractual services	-	-	1,264,417	989,406
Insurance	7,022	8,901	24,073	23,314
Utilities	178,163	176,142	-	-
Depreciation	435,847	418,241	303,034	307,079
Total Operating Expenses	<u>1,514,133</u>	<u>1,504,678</u>	<u>2,117,090</u>	<u>1,853,989</u>
Operating Income (Loss)	<u>480,827</u>	<u>261,410</u>	<u>292,597</u>	<u>243,869</u>
Nonoperating Revenues (Expenses)				
Sales tax	1,412	1,380	-	-
Investment income	39,750	17,013	6,736	2,121
Other income	10,294	8,205	43,772	1,362
Interest expense	(174,077)	(179,697)	(70,754)	(97,371)
Bond issuance costs	-	(6,420)	-	(4,815)
Amortization of bond premiums (discounts)	13,232	12,928	10,330	10,124
Total Nonoperating Revenues (Expenses)	<u>(109,389)</u>	<u>(146,591)</u>	<u>(9,916)</u>	<u>(88,579)</u>
Income (Loss) Before Contributions and Transfers	371,438	114,819	282,681	155,290
	18,538	-	21,929	-
Capital Contributions from Other Funds	16,278	5,767	28,406	17,715
Capital Grants and Contributions	-	-	-	-
Transfers In	<u>(169,362)</u>	<u>(140,000)</u>	<u>(214,362)</u>	<u>(185,000)</u>
Transfers Out	236,892	(19,414)	118,654	(11,995)
Change in Net Position	<u>9,846,556</u>	<u>9,865,970</u>	<u>8,623,642</u>	<u>8,635,637</u>
Net Position, January 1	<u>\$ 10,083,448</u>	<u>\$ 9,846,556</u>	<u>\$ 8,742,296</u>	<u>\$ 8,623,642</u>
Net Position, December 31				

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

Business-type Activities - Enterprise Funds

Other Enterprise Funds		Totals	
2017	2016	2017	2016
\$ 1,363,070	\$ 1,351,920	\$ 5,767,717	\$ 5,215,866
126,862	126,861	126,862	126,861
1,489,932	1,478,781	5,894,579	5,342,727
177,033	174,716	1,240,532	1,234,436
20,420	45,002	159,992	218,558
269,448	305,845	485,044	508,153
645,048	622,621	1,909,465	1,612,027
3,963	4,913	35,058	37,128
47,700	40,935	225,863	217,077
131,032	133,180	869,913	858,500
1,294,644	1,327,212	4,925,867	4,685,879
195,288	151,569	968,712	656,848
-	-	1,412	1,380
1,104	494	47,590	19,628
16,508	1,037	70,574	10,604
(38,750)	(45,528)	(283,581)	(322,596)
-	-	-	(11,235)
1,982	1,982	25,544	25,034
(19,156)	(42,015)	(138,461)	(277,185)
176,132	109,554	830,251	379,663
250,631	-	291,098	-
-	-	44,684	23,482
30,000	30,000	30,000	30,000
(196,336)	(108,250)	(580,060)	(433,250)
260,427	31,304	615,973	(105)
2,065,456	2,034,152	20,535,654	20,535,759
<u>\$ 2,325,883</u>	<u>\$ 2,065,456</u>	<u>\$ 21,151,627</u>	<u>\$ 20,535,654</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, 2017 and 2016

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
	2017	2016	2017	2016
Cash Flows from Operating Activities				
Receipts from customers	\$ 1,898,871	\$ 1,784,348	\$ 2,353,850	\$ 2,074,359
Payments to suppliers and vendors	(512,311)	(347,095)	(1,405,815)	(1,165,119)
Payments to and on behalf of employees	(642,130)	(614,792)	(408,766)	(370,450)
Other receipts	10,294	8,205	2,803	1,362
Net Cash Provided (Used) by Operating Activities	<u>754,724</u>	<u>830,666</u>	<u>542,072</u>	<u>540,152</u>
Cash Flows from Noncapital Financing Activities				
Sales tax receipts	1,412	1,380	-	-
Increase (decrease) in due to other funds	-	-	-	-
Transfers from other funds	-	-	-	-
Transfers to other funds	(169,362)	(140,000)	(214,362)	(185,000)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(167,950)</u>	<u>(138,620)</u>	<u>(214,362)</u>	<u>(185,000)</u>
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	(613,427)	(622,342)	(313,472)	(259,366)
Proceeds from bond issue, net discounts/premiums	241,252	833,364	180,000	183,097
Principal paid on revenue bonds payable	(476,473)	(805,751)	(278,706)	(484,258)
Interest paid on revenue bonds payable	(137,690)	(141,744)	(70,346)	(78,330)
Bond issuance costs paid on bonds	-	(6,420)	-	(4,815)
Payments received on assessments receivable	6,491	1,885	19,327	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(871,547)</u>	<u>(632,708)</u>	<u>(427,897)</u>	<u>(608,372)</u>
Cash Flows from Investing Activities				
Interest received (paid) on cash and investments	<u>12,668</u>	<u>(73)</u>	<u>3,214</u>	<u>(1,670)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(272,105)	59,265	(96,973)	(254,890)
Cash and Cash Equivalents, January 1	<u>1,108,076</u>	<u>1,048,811</u>	<u>757,875</u>	<u>1,012,765</u>
Cash and Cash Equivalents, December 31	<u>\$ 835,971</u>	<u>\$ 1,108,076</u>	<u>\$ 660,902</u>	<u>\$ 757,875</u>

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

Business-type Activities - Enterprise Funds

Other Enterprise Funds		Totals	
2017	2016	2017	2016
\$ 1,361,219	\$ 1,355,100	\$ 5,613,940	\$ 5,213,807
(1,039,781)	(1,000,646)	(2,957,907)	(2,512,860)
(181,033)	(182,271)	(1,231,929)	(1,167,513)
143,216	126,686	156,313	136,253
283,621	298,869	1,580,417	1,669,687
-	-	1,412	1,380
149,205	-	149,205	-
30,000	30,000	30,000	30,000
(196,336)	(108,250)	(580,060)	(433,250)
(17,131)	(78,250)	(399,443)	(401,870)
-	-	143,600	143,600
(42,438)	(10,000)	(969,337)	(891,708)
-	-	421,252	1,016,461
(169,000)	(164,000)	(924,179)	(1,454,009)
(39,863)	(43,015)	(247,899)	(263,089)
-	-	-	(11,235)
-	-	25,818	1,885
(251,301)	(217,015)	(1,550,745)	(1,458,095)
314	-	16,196	(1,743)
15,503	3,604	(353,575)	(192,021)
92,377	88,773	1,958,328	2,150,349
<u>\$ 107,880</u>	<u>\$ 92,377</u>	<u>\$ 1,604,753</u>	<u>\$ 1,958,328</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, 2017 and 2016

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
	2017	2016	2017	2016
Reconciliation of Operating Income (Loss) to Net				
Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 480,827	\$ 261,410	\$ 292,597	\$ 243,869
Adjustments to reconcile operating income (loss) to				
net cash provided (used) by operating activities				
Other income related to operations	10,294	8,205	2,803	1,362
Depreciation	435,847	418,241	303,034	307,079
(Increase) decrease in assets				
Accounts receivable	(81,310)	26,696	(9,761)	-
Intergovernmental	(14,627)	(6,329)	(45,979)	(22,137)
Inventories	(1,039)	(5,589)	-	-
Prepaid items	269	(489)	402	(489)
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	92,894	(150,685)	60,893	(97,313)
Increase (decrease) in liabilities				
Accounts payable	(76,377)	72,918	(2,021)	(14,186)
Due to other governments	(9,081)	7,917	(1,436)	1,331
Accrued wages payable	(2,134)	(6,432)	(4,050)	(3,030)
Compensated absences payable	10,117	14,114	9,275	2,767
Other postemployment benefits obligation	2,191	3,274	1,061	1,140
Pension liability	(123,171)	180,574	(83,140)	115,611
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	30,024	6,841	18,394	4,148
Net Cash Provided (Used) by Operating Activities	<u>\$ 754,724</u>	<u>\$ 830,666</u>	<u>\$ 542,072</u>	<u>\$ 540,152</u>
Schedule of Noncash Capital and Related Financing Activities				
Capital assets contributed by other funds	\$ 18,538	\$ -	\$ 21,929	\$ -
Special assessments levied	\$ 15,418	\$ 5,596	\$ 24,109	\$ 22,137
Amortization of bond (premium) discount	\$ (13,232)	\$ (12,928)	\$ (10,330)	\$ (10,124)
Bond principal paid by escrow	\$ -	\$ 532,500	\$ -	\$ 177,500
Bond interest paid by escrow	\$ 38,329	\$ 37,214	\$ 6,074	\$ 20,925
Interest earned on escrow	\$ 27,082	\$ 17,086	\$ 3,522	\$ 3,791
Bond proceeds receivable in due from other governments	\$ -	\$ 1,252	\$ -	\$ -

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

Business-type Activities - Enterprise Funds

Other Enterprise Funds		Totals	
2017	2016	2017	2016
\$ 195,288	\$ 151,569	\$ 968,712	\$ 656,848
16,508	1,037	29,605	10,604
131,032	133,180	869,913	858,500
(1,813)	3,755	(92,884)	30,451
(154)	(1,212)	(60,760)	(29,678)
-	-	(1,039)	(5,589)
666	(714)	1,337	(1,692)
27,189	(39,623)	180,976	(287,621)
(1,280)	(33,294)	(79,678)	25,438
(52,588)	52,678	(63,105)	61,926
353	(3,552)	(5,831)	(13,014)
3,029	(535)	22,421	16,346
854	1,032	4,106	5,446
(41,388)	35,868	(247,699)	332,053
5,925	(1,320)	54,343	9,669
<u>\$ 283,621</u>	<u>\$ 298,869</u>	<u>\$ 1,580,417</u>	<u>\$ 1,669,687</u>
<u>\$ 250,631</u>	<u>\$ -</u>	<u>\$ 291,098</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,527</u>	<u>\$ 27,733</u>
<u>\$ (1,982)</u>	<u>\$ (1,982)</u>	<u>\$ (25,544)</u>	<u>\$ (25,034)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 710,000</u>
<u>\$ 1,287</u>	<u>\$ 1,598</u>	<u>\$ 45,690</u>	<u>\$ 59,737</u>
<u>\$ 790</u>	<u>\$ 494</u>	<u>\$ 31,394</u>	<u>\$ 21,371</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,252</u>

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, 2017

	<u>Agency</u>
Assets	
Cash and cash equivalents	\$ 48,254
Receivables	
Accounts	<u>3,716</u>
Total Assets	<u><u>\$ 51,970</u></u>
Liabilities	
Accounts payable	\$ 10,563
Due to other governments	<u>41,407</u>
Total Liabilities	<u><u>\$ 51,970</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, 2017

## 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 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.

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.

## Note 1: Summary of Significant Accounting Policies (Continued)

### C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

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.

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.

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 1: Summary of Significant Accounting Policies (Continued)**

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.

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.

## Note 1: Summary of Significant Accounting Policies (Continued)

### 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, 2017

**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, 2017 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, 2017:

- U.S. government securities of \$2,162,635 are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposits of \$972,794 are valued using a matrix pricing model (Level 2 inputs)

***Restricted Cash***

The City has received monies restricted for specific purposes. The balance in restricted cash represents unspent deposits of \$2,191,984 to be used for future bond activity.

***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.

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 1: Summary of Significant Accounting Policies (Continued)**

***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 2017. 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.

***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.

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 1: Summary of Significant Accounting Policies (Continued)**

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 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

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

***Land Held for Resale***

Land held for resale is valued at cost which approximates fair value.

***Deferred Outflows of Resources***

In addition to assets, the statements 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 the most part, the General fund is typically used to liquidate the governmental net pension liability.

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. The General fund is typically used to liquidate the governmental net pension liability.



## **Note 1: Summary of Significant Accounting Policies (Continued)**

### ***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, 2017 is \$752,406. 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 actuarially determined, in accordance with GASB 45, at January 1, 2017. The General fund is typically used to liquidate governmental other postemployment benefits payable.

### ***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 statements 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.

## **Note 1: Summary of Significant Accounting Policies (Continued)**

### ***Fund Balance***

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

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

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

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

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

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

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

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

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

### ***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.

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**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 Library Endowment, 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 2017.

**B. Excess of Expenditures Over Appropriations**

For the year ended December 31, 2017 expenditures exceeded appropriations for the following funds:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess of Expenditures Over Appropriations</u>
General	\$7,897,986	\$7,987,052	\$ 89,066
Special Revenue			
Library Endowment	27,600	38,131	10,531

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

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 2: Stewardship, Compliance And Accountability (Continued)**

**C. Deficit Fund Equity**

The following funds had fund equity deficits at December 31, 2017:

<u>Fund</u>	<u>Amount</u>
Special Revenue	
Marigold TIF #8	\$ 380,606
Capital Projects	
2015 Construction	516,017
2017 Construction	145,755
2018 Construction	32,048
Proprietary	
Solid Waste	46,732

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

### **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 fair value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds, with the exception of irrevocable standby letters of credit issued by Federal Home Loan Banks as this type of collateral only requires collateral pledged equal to 100 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At year end, the City's carrying amount of deposits was \$8,890,350, including \$48,204 reported in fiduciary funds and the bank balance was \$9,079,259. Of the bank balance, \$504,869 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, 2017

**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 Quality/ Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using		
				Level 1	Level 2	Level 3
Pooled Investments at amortized costs						
U.S. Government Money Market Accounts	N/A	less than 6 months	\$ 1,065			
Broker Money Market Accounts	N/A	less than 6 months	29,349			
Mutual Funds	N/A	less than 6 months	5,795			
Non-pooled investments at fair value						
U.S. Government Securities	N/A	less than 6 months	2,162,635	\$ 2,162,635	\$ -	\$ -
Negotiable Certificates of Deposit	N/A	less than 6 months	449,712	-	449,712	-
Negotiable Certificates of Deposit	N/A	6 months to 1 year	324,671	-	324,671	-
Negotiable Certificates of Deposit	N/A	1 to 3 years	198,411	-	198,411	-
Total Investments			\$ 3,171,638	\$ 2,162,635	\$ 972,794	\$ -

(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, 2017

**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	\$ 8,842,146	\$ 48,204	\$ 8,890,350
Investments	3,171,638	-	3,171,638
Cash on Hand	1,940	50	1,990
	<u>12,015,724</u>	<u>48,254</u>	<u>12,063,978</u>
Total	<u>\$ 12,015,724</u>	<u>\$ 48,254</u>	<u>\$ 12,063,978</u>
Cash and Temporary Investments	\$ 9,823,740	\$ 48,254	\$ 9,871,994
Restricted Assets - Cash With Fiscal Agent	2,191,984	-	2,191,984
	<u>12,015,724</u>	<u>48,254</u>	<u>12,063,978</u>
Total	<u>\$ 12,015,724</u>	<u>\$ 48,254</u>	<u>\$ 12,063,978</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, 2017 is \$704,689. 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, 2017 is \$54,496.

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 3: Detailed Notes on All Funds (Continued)**

**C. Capital Assets**

Capital asset activity for the City for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 4,693,822	\$ 125,000	\$ (40,537)	\$ 4,778,285
Construction in progress	9,748,817	564,236	(1,690,392)	8,622,661
Total Capital Assets not Being Depreciated	<u>14,442,639</u>	<u>689,236</u>	<u>(1,730,929)</u>	<u>13,400,946</u>
Capital Assets Being Depreciated				
Buildings and improvements	63,830,453	1,154,302	-	64,984,755
Machinery, equipment and vehicles	6,477,082	167,429	(114,639)	6,529,872
Total Capital Assets Being Depreciated	<u>70,307,535</u>	<u>1,321,731</u>	<u>(114,639)</u>	<u>71,514,627</u>
Less Accumulated Depreciation for				
Buildings and improvements	(34,895,745)	(1,927,162)	-	(36,822,907)
Machinery, equipment and vehicles	(4,548,385)	(305,026)	101,768	(4,751,643)
Total Accumulated Depreciation	<u>(39,444,130)</u>	<u>(2,232,188)</u>	<u>101,768</u>	<u>(41,574,550)</u>
Total Capital Assets Being Depreciated, Net	<u>30,863,405</u>	<u>(910,457)</u>	<u>(12,871)</u>	<u>29,940,077</u>
Governmental Activities Capital Assets, Net	<u>\$ 45,306,044</u>	<u>\$ (221,221)</u>	<u>\$ (1,743,800)</u>	<u>\$ 43,341,023</u>

The decrease in construction in progress is greater than the increase in capital assets due to assets contributed to proprietary funds.



City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 3: Detailed Notes on All Funds (Continued)**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 490,616	\$ 115,445	\$ -	\$ 606,061
Construction in progress	-	51,828	-	51,828
Total Capital Assets not Being Depreciated	490,616	167,273	-	657,889
Capital Assets Being Depreciated				
Buildings and improvements	37,476,817	954,557	-	38,431,374
Machinery, equipment and vehicles	2,044,054	138,605	-	2,182,659
Total Capital Assets Being Depreciated	39,520,871	1,093,162	-	40,614,033
Less Accumulated Depreciation for				
Buildings and improvements	(12,173,182)	(771,799)	-	(12,944,981)
Machinery, equipment and vehicles	(1,163,053)	(98,114)	-	(1,261,167)
Total Accumulated Depreciation	(13,336,235)	(869,913)	-	(14,206,148)
Total Capital Assets Being Depreciated, Net	26,184,636	223,249	-	26,407,885
Business-type Activities Capital Assets, Net	<u>\$ 26,675,252</u>	<u>\$ 390,522</u>	<u>\$ -</u>	<u>\$ 27,065,774</u>
<b>Governmental Activities</b>				
General government				\$ 100,665
Public safety				156,485
Public works, including depreciation of general infrastructure assets				1,710,964
Culture and recreation				264,074
Total Depreciation Expense - Governmental Activities				<u>\$ 2,232,188</u>
<b>Business-type Activities</b>				
Water utility				\$ 435,847
Sewer utility				303,034
Sanitation collection				50,081
Storm water				41,258
Solid waste				39,693
Total Depreciation Expense - Business-type Activities				<u>\$ 869,913</u>

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 3: Detailed Notes on All Funds (Continued)**

**Construction Commitments**

The City has active construction projects as of December 31, 2017. 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	\$ 43,660	\$ 19,806
Lookout Drive Reconstruction	5,536,345	142,373
West Carlson Drive	501,365	12,699
Roe Crest Drive	1,055,504	7,183
Municipal Parking Lot	194,185	12,828
Total	<u>\$ 7,331,059</u>	<u>\$ 194,889</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, 2017 is as follows:

**Due to/from Other Funds**

Receivable Fund	Payable Fund	Amount
General	Debt Service	\$ 805,973
	Nonmajor governmental	592,738
	Nonmajor enterprise	149,205
Water Utility enterprise	Debt Service	649,800
Sewer Utility enterprise	Debt Service	211,800
Total		<u>\$ 2,409,516</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, 2017

**Note 3: Detailed Notes on All Funds (Continued)**

***Interfund Transfers***

The following transfers were made for the year ended December 31, 2017:

Fund	Transfer in					Total
	General	Debt Service	2016 Construction Fund	Nonmajor Governmental	Nonmajor Proprietary	
Transfer out						
General	\$ -	\$ -	\$ 58,724	\$ 176,298	\$ -	\$ 235,022
Debt Service	-	-	-	-	30,000	30,000
2014 Construction	-	175,174	-	-	-	175,174
Nonmajor governmental	-	624,121	-	79,651	-	703,772
Water Utility enterprise	95,000	-	29,362	45,000	-	169,362
Sewer Utility enterprise	110,000	-	29,362	75,000	-	214,362
Nonmajor proprietary	66,750	-	88,086	41,500	-	196,336
Total Transfers Out	<u>\$ 271,750</u>	<u>\$ 799,295</u>	<u>\$ 205,534</u>	<u>\$ 417,449</u>	<u>\$ 30,000</u>	<u>\$ 1,724,028</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 2017:

- \$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.
- \$175,174 out of the 2014 Construction fund to the Debt Service fund to close the fund.
- \$205,534 to the 2016 Construction fund from the General fund (\$58,724), Water Utility fund (\$29,362), the Sewer Utility fund (\$29,362), the Recycling fund (\$29,362), the Storm Water fund (\$29,362) and the Solid Waste fund (\$29,362) for project costs.
- \$604,520 from the Sales Tax fund to the Debt Service fund for scheduled debt payments.
- Transfers from TIF #8 Marigold fund (\$46,626), TIF #14 Webster Redevelopment fund (\$8,229), TIF #2 fund (\$5,620) and TIF #19 fund (\$29,740) 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 Recycling fund.

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**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	\$ 370,000
G.O. Bonds of 2011A	3,215,000	2.00 - 3.75	11/30/11	02/01/34	2,820,000
G.O. Crossover					
Refunding of 2012A	430,000	1.00 - 1.90	04/01/12	02/01/20	260,000
G.O. Tax Abatement Bonds of 2014A	925,000	3.00 - 3.50	07/01/14	12/01/29	765,000
G.O. Tax Abatement Bonds of 2015A	580,000	0.85 - 3.10	09/01/15	12/01/30	515,000
G.O. Bonds of 2016A	465,000	1.00 - 1.80	08/15/16	02/01/26	465,000
Total General Obligation Bonds					<u>\$ 5,195,000</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
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	295,000	105,449	400,449
2023 - 2027	1,530,000	403,231	1,933,231
2028 - 2032	1,190,000	177,692	1,367,692
2033 - 2034	415,000	15,657	430,657
Total	<u>\$ 5,195,000</u>	<u>\$ 1,212,075</u>	<u>\$ 6,407,075</u>

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**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	\$ 700,000
Taxable G.O. Tax Increment Revenue Bonds of 2011B	455,000	3.00 - 5.00	12/01/11	02/01/35	415,000
Total G.O. Tax Increment Bonds					<u>\$ 1,115,000</u>

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

Year Ending December 31,	G.O. Tax Increment Bonds Governmental Activities		
	Principal	Interest	Total
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	110,000	33,028	143,028
2023 - 2027	315,000	100,942	415,942
2028 - 2032	160,000	57,676	217,676
2033 - 2037	140,000	13,813	153,813
Total	<u>\$ 1,115,000</u>	<u>\$ 382,265</u>	<u>\$ 1,497,265</u>

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**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
<b>Governmental</b>					
G.O. Improvement Bonds of 2007A	\$ 2,550,000	4.00 - 4.20 %	08/01/07	02/01/18	\$ 115,000
G.O. Improvement Bonds of 2008A	1,815,000	2.40 - 3.70	05/01/08	02/01/19	350,000
G.O. Improvement Bonds of 2010A	2,305,000	2.00 - 4.00	12/30/10	12/01/27	1,710,000
G.O. Refunding Bonds of 2010C	3,455,000	.75 - 3.15	12/30/10	02/01/22	2,295,000
G.O. Improvement Bonds of 2015A	1,480,000	0.85 - 3.10	09/01/15	12/01/30	1,320,000
G.O. Crossover Refunding Bonds of 2015B	2,390,000	2.75 - 3.00	09/21/15	12/01/28	1,630,000
G.O. Improvement Bonds of 2016A	1,335,000	1.00 - 2.45	08/15/16	02/01/32	915,000
Total G.O. Special Assessments Bonds - Governmental					8,335,000
<b>Business-type</b>					
G.O. Crossover Refunding Bonds of 2012A	935,000	1.00 - 2.70	04/01/12	02/01/25	760,000
Total G.O. Special Assessments Bonds					<u>\$ 9,095,000</u>

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

Year Ending December 31,	G.O. Special Assessment Bonds Governmental Activities			G.O. Special Assessment Bonds Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 910,000	\$ 233,185	\$ 1,143,185	\$ 90,000	\$ 15,953	\$ 105,953
2019	1,185,000	202,005	1,387,005	90,000	14,535	104,535
2020	1,130,000	169,158	1,299,158	95,000	12,867	107,867
2021	1,205,000	133,645	1,338,645	90,000	10,930	100,930
2022	810,000	103,980	913,980	95,000	8,803	103,803
2023 - 2027	2,310,000	283,015	2,593,015	300,000	12,025	312,025
2028 - 2032	785,000	43,802	828,802	-	-	-
Total	<u>\$ 8,335,000</u>	<u>\$ 1,168,790</u>	<u>\$ 9,503,790</u>	<u>\$ 760,000</u>	<u>\$ 75,113</u>	<u>\$ 835,113</u>

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**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
<b>Business-type</b>					
Public Facilities Authority Loan of 1997A	\$ 1,032,679	3.41 %	11/25/97	02/20/19	\$ 105,502
Public Facilities Authority Loan of 1999B	442,988	3.14	12/31/99	08/20/19	59,000
G.O. Utility Revenue Bonds of 2007B	890,000	3.90 - 4.45	08/01/07	02/01/18	425,000
G.O. Water Utility Revenue Bonds of 2008B	2,295,000	2.50 - 4.20	05/01/08	02/01/18	1,915,000
G.O. Utility Revenue Bonds of 2009B	690,000	3.00 - 4.00	05/12/09	12/01/24	360,000
G.O. Improvement Bonds of 2014A	1,525,000	3.00 - 3.50	07/29/14	12/01/24	1,265,000
G.O. Sanitary Equipment Bonds of 2014A	395,000	3.00	07/29/14	12/01/24	280,000
G.O. Crossover Refunding Bonds of 2015B	3,180,000	2.00 - 3.00	09/21/15	12/01/28	2,750,000
Public Facilities Authority Loan of 2015C	1,631,793	1.00	01/09/15	08/20/34	1,474,000
Public Facilities Authority Loan of 2016B	26,273	1.00	03/21/16	08/20/34	25,300
G.O. Bonds of 2016A	420,000	1.00 - 1.80	08/15/16	02/01/26	420,000
Total G.O. Revenue Bonds - Business-type					<u>9,078,802</u>
<b>Governmental</b>					
G.O. Port Authority Taxable Refunding Bonds of 2009A	1,370,000	2.0 - 4.375	12/22/09	02/01/19	345,000
G.O. Sales Tax Revenue Bonds of 2009C	2,560,000	2.00 - 4.00	05/12/09	12/01/24	1,400,000
G.O. Sales Tax Revenue Bonds of 2010B	750,000	1.00 - 4.00	12/30/10	12/01/25	450,000
Total G.O. Revenue Bonds - Governmental					<u>2,195,000</u>
Total G.O. Revenue Bonds					<u>\$ 11,273,802</u>

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

Year Ending December 31,	G.O. Revenue Bonds Governmental Activities			G.O. Revenue Bonds Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2018	\$ 400,000	\$ 78,289	\$ 478,289	\$ 3,103,480	\$ 255,837	\$ 3,359,317
2019	415,000	64,116	479,116	749,022	142,383	891,405
2020	245,000	52,625	297,625	673,000	122,151	795,151
2021	255,000	44,050	299,050	523,000	103,671	626,671
2022	260,000	34,624	294,624	524,100	89,591	613,691
2023 - 2027	620,000	40,700	660,700	2,246,300	269,236	2,515,536
2028 - 2032	-	-	-	1,069,100	51,353	1,120,453
2033 - 2034	-	-	-	190,800	2,867	193,667
Total	<u>\$ 2,195,000</u>	<u>\$ 314,404</u>	<u>\$ 2,509,404</u>	<u>\$ 9,078,802</u>	<u>\$ 1,037,089</u>	<u>\$ 10,115,891</u>

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**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, Recycling 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	Recycling	Storm Water
Revenue	\$ 1,994,960	\$ 2,409,687	\$ 469,387	\$ 279,859
Principal and Interest	614,163	349,052	107,168	52,095
Percent of Revenue	30.8%	14.5%	22.8%	18.6%

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	\$ 300,000
231 Wheeler Ave	140,000	-	04/07/15	12/31/19	104,000
Total Contracts Payable					<u>\$ 404,000</u>

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

Year Ending December 31,	<b>Contracts Payable</b> Governmental Activities		
	Principal	Interest	Total
2018	\$ 112,000	\$ 10,000	\$ 122,000
2019	292,000	4,000	296,000
Total	<u>\$ 404,000</u>	<u>\$ 14,000</u>	<u>\$ 418,000</u>



City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 3: Detailed Notes on All Funds (Continued)**

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds Payable					
General obligation bonds	\$ 5,735,000	\$ -	\$ (540,000)	\$ 5,195,000	\$ 585,000
General obligation tax increment bonds	1,180,000	-	(65,000)	1,115,000	70,000
General obligation special assessment bonds	11,885,000	-	(3,550,000)	8,335,000	910,000
General obligation revenue bonds	2,580,000	-	(385,000)	2,195,000	400,000
Bond discounts	(5,468)	-	1,337	(4,131)	-
Bond premiums	304,390	-	(35,259)	269,131	-
Total Bonds Payable	21,678,922	-	(4,573,922)	17,105,000	1,965,000
Contracts Payable	516,000	-	(112,000)	404,000	112,000
Compensated Absences Payable	590,209	337,943	(301,383)	626,769	260,865
Pension Liability					
GERF	1,979,542	9,801	(452,421)	1,536,922	-
PEPFF	4,494,755	-	(3,023,125)	1,471,630	-
Other Postemployment Benefits Obligation	286,318	45,525	(34,006)	297,837	-
Governmental Activity Long-term Liabilities	<u>\$ 29,545,746</u>	<u>\$ 393,269</u>	<u>\$ (8,496,857)</u>	<u>\$ 21,442,158</u>	<u>\$ 2,337,865</u>

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 3: Detailed Notes on All Funds (Continued)**

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Business-type Activities</b>					
Bonds Payable					
General obligation					
revenue bonds	\$ 9,492,981	\$ 420,000	\$ (834,179)	\$ 9,078,802	\$ 3,103,480
General obligation special					
assessment bonds	850,000	-	(90,000)	760,000	90,000
Bond discounts	(13,154)	-	1,891	(11,263)	-
Bond premiums	204,360	-	(27,435)	176,925	-
Total Bonds Payable	10,534,187	420,000	(949,723)	10,004,464	3,193,480
Compensated Absences					
Payable	103,216	75,955	(53,534)	125,637	53,069
Pension liability					
GERF	1,040,913	1,116	(248,815)	793,214	-
Other Postemployment					
Benefits Obligation	38,508	16,229	(12,123)	42,614	-
Business-type Activity					
Long-term Liabilities	<u>\$ 11,716,824</u>	<u>\$ 513,300</u>	<u>\$ (1,264,195)</u>	<u>\$ 10,965,929</u>	<u>\$ 3,246,549</u>

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, 2017, 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, 2017.
- \$7,155,000 Housing Facilities Revenue Refunding Note 2014A, (Vista Prairie at Monarch Meadows Project), with an outstanding balance of \$7,044,638 at December 31, 2017.

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 3: Detailed Notes on All Funds (Continued)**

**F. Components of Fund Balance**

At December 31, 2017, 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
<b>Nonspendable</b>							
Due from other funds	\$ 1,398,611	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,398,611
Prepaid items	89,676	-	-	-	-	-	89,676
<b>Total Nonspendable</b>	<b>\$ 1,488,287</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,488,287</b>
<b>Restricted</b>							
Debt service	\$ -	\$ 650,761	\$ -	\$ -	\$ -	\$ -	\$ 650,761
Capital improvements	-	-	-	-	389,771	-	389,771
Library programs	-	-	-	-	-	48,644	48,644
Park development	-	-	-	-	-	5,866	5,866
Economic development	-	-	-	-	-	3,163,033	3,163,033
Tax increment financing	-	-	-	-	-	92,974	92,974
Park improvements	-	-	-	-	-	105,200	105,200
<b>Total Restricted</b>	<b>\$ -</b>	<b>\$ 650,761</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 389,771</b>	<b>\$ 3,415,717</b>	<b>\$ 4,456,249</b>
<b>Assigned</b>							
Capital equipment	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 200,707	\$ 200,707
Economic development	-	-	-	-	-	168,507	168,507
<b>Total Assigned</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 369,214</b>	<b>\$ 369,214</b>
<b>Unassigned</b>	<b>\$ 2,699,387</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (516,017)</b>	<b>\$ -</b>	<b>\$ (558,409)</b>	<b>\$ 1,624,961</b>

## **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, 2017

**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 2017. 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 2017. The City's contributions to the GERF for the years ending December 31, 2017, 2016 and 2015 were \$179,048, \$172,739 and \$177,855, 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 2017. The City was required to contribute 16.20 percent of pay for PEPFF members in calendar year 2017. The City's contributions to the PEPFF for the years ending December 31, 2017, 2016 and 2015 were \$184,636, \$177,454 and \$168,972, 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, 2017, the City reported a liability of \$2,330,136 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 2017. 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 \$29,282. The net pension liability was measured as of June 30, 2017, 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, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportionate share was 0.0365 percent which was a 0.0007 percent decrease from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$172,841 for its proportionate share of GERF's pension expense. In addition, the City recognized an additional \$846 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, 2017

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

At December 31, 2017, the City reported its proportionate share of GERP's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 76,106	\$ 141,529
Changes in Actuarial Assumptions	382,228	233,596
Net Difference Between Projected and Actual Earnings on Plan Investments	-	106,462
Changes in Proportion	-	200,614
Contributions to GERP Subsequent to the Measurement Date	<u>90,097</u>	<u>-</u>
Total	<u>\$ 548,431</u>	<u>\$ 682,201</u>

Deferred outflows of resources totaling \$90,097 related to pensions resulting from the City's contributions to GERP subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

2018	\$ (148,843)
2019	78,168
2020	(54,287)
2021	(98,905)

**PEPFF Pension Costs**

At December 31, 2017, the City reported a liability of \$1,471,630 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportionate share was 0.1090 percent which was a 0.0030 percent decrease from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$88,151 for its proportionate share of PEPFF's pension expense. The City also recognized \$9,810 for the year ended December 31, 2017 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, 2017

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

At December 31, 2017, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 34,502	\$ 399,150
Changes in Actuarial Assumptions	2,043,219	2,089,349
Net Difference Between Projected and Actual Earnings on Plan Investments	-	118,609
Changes in Proportion	42,238	43,902
Contributions to PEPFF Subsequent to the Measurement Date	<u>96,169</u>	<u>-</u>
Total	<u>\$ 2,216,128</u>	<u>\$ 2,651,010</u>

Deferred outflows of resources totaling \$96,169 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to PEPFF pensions will be recognized in pension expense as follows:

2018	\$ (56,424)
2019	91,464
2020	(23,772)
2021	(122,449)
2022	(419,870)

**E. Actuarial Assumptions**

The total pension liability in the June 30, 2017 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 all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be: 1 percent per year for the GERP through 2044 and PEPFF through 2064 and then 2.5 percent thereafter for both plans.

Actuarial assumptions used in the June 30, 2017 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERP was completed in 2015. The most recent five-year experience study for PEPFF was completed in 2016.

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

The following changes in actuarial assumptions occurred in 2017:

GERF

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

PEPFF

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65 percent to 60 percent.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing joint and survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.
- The single discount rate was changed from 5.6 percent to 7.5 percent.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Stocks	39.00 %	5.10 %
International Stocks	19.00	5.30
Bonds	20.00	0.75
Alternative Assets	20.00	5.90
Cash	<u>2.00</u>	-
Total	<u><u>100.00 %</u></u>	



City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 4: Defined Benefit Pension Plans - Statewide (Continued)**

**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 2016. 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 GERP 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.

**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	\$ 3,614,214	\$ 2,330,136	\$ 1,278,885
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
PEPFF	\$ 2,771,508	\$ 1,471,630	\$ 398,508

**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](http://www.mnpera.org).

**Note 5: Defined Benefit Pension Plans - Fire Relief Association**

**A. Plan Description**

All members of the North Mankato Fire Department (the Department) are covered by a defined benefit plan administered by the North Mankato Fire Department Relief Association (the Association). As of December 31, 2016, the plan covered 32 active firefighters and 15 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, 2017

**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 \$72,469 in fire state aid to the plan on behalf of the City Fire Department for the year ended December 31, 2016, 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, 2017 were \$72,469. The City's contributions exceeded the required contributions as set by state statute by \$13,814.

**D. Pension costs**

At December 31, 2017, the City reported a net pension (asset) liability of (\$484,540) for the plan. The net pension asset was measured as of December 31, 2016. 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, 2016. 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	\$ 1,466,454	\$ 1,918,484	\$ (452,030)
Changes for the year			
Service cost	48,198	-	48,198
Interest on pension liability (asset)	94,381	-	94,381
Change in assumptions	21,736	-	21,736
Projected investment return	-	123,162	(123,162)
Contributions (employer)	-	13,610	(13,610)
Nonemployer contributions	-	71,719	(71,719)
(Gain)/loss	3,895	(339)	4,234
Benefit payments	(125,259)	(125,259)	-
Administrative expenses	-	(7,432)	7,432
Total Net Changes	42,951	75,461	(32,510)
Ending Balance December 31, 2016	\$ 1,509,405	\$ 1,993,945	\$ (484,540)

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**Note 5: Defined Benefit Pension Plans - Fire Relief Association (Continued)**

For the year ended December 31, 2017 the City recognized pension expense of (\$24,858).

At December 31, 2017 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
Differences Between Expected and Actual Experience	\$ 3,116
Changes in Actuarial Assumptions	17,388
Net Difference Between Projected and Actual Earnings on Plan Investments	84,432
Contributions to Plan Subsequent to the Measurement Date	86,283
	<hr/>
Total	<u>\$ 191,219</u>

Deferred outflows of resources totaling \$86,283 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, 2018. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2018	\$ 33,869
2019	33,869
2020	32,007
2021	5,191

**E. Actuarial Assumptions**

The total pension liability at December 31, 2016 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Discount Rate	5.50%
Inflation Rate	4.00%
Investment Rate of Return	5.50%
20 Year Municipal Bond Yield	3.50%

There were no changes in actuarial assumptions in 2016.

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, 2017

**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	55.00 %	7.50 %
Fixed Income	36.00	3.00
Cash and Equivalents	8.00	2.25
Other	<u>1.00</u>	6.00
Total	<u><u>100.00 %</u></u>	

**F. Discount Rate**

The discount rate used to measure the total pension liability was 5.5 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 (4.50%)</u>	<u>Current (5.50%)</u>	<u>1 Percent Increase (6.50%)</u>
Defined Benefit Plan	\$ (462,178)	\$ (484,540)	\$ (506,276)

**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, 2017

**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 2017, the City contributed \$46,129 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	\$ 67,745
Interest on Net OPEB Obligation	11,369
Adjustment to Annual Required Contribution	<u>(17,360)</u>
Annual OPEB cost (expense)	61,754
Contributions Made	<u>(46,129)</u>
Increase in Net OPEB Obligation	15,625
Net OPEB Obligation- Beginning of Year	<u>324,826</u>
Net OPEB Obligation - End of Year	<u><u>\$ 340,451</u></u>

City of North Mankato, Minnesota  
Notes to the Financial Statements  
December 31, 2017

**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 2017 and previous two years are as follows:

Year Ending	Three Year Trend Information		
	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/17	\$ 61,754	74.7 %	\$ 340,451
12/31/16	100,051	79.3	324,826
12/31/15	100,311	84.3	304,096

**E. Funded Status and Funding Progress**

As of January 1, 2017, the actuarial accrued liability for benefits was \$526,253, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$3,338,951, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 15.8 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, 2017 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 6.5 percent initially, reduced incrementally to an ultimate rate of 5.0 percent over 6 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, 2017

**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-2014 adjusted to 2006 White Collar Mortality Tables with MP-2016 Generational Improvement Scale (Blue Collar Tables for Police and Fire Personnel).

*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 6.5 percent initially, increased to an ultimate rate of 5.0 percent over six years, was used.

*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 3.5 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, 2017 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, 2017

**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, 2017

**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 2017 was \$1,616,435. This accounted for 20 percent of General fund revenues.

**Note 8: Tax Increments**

As of December 31, 2017, 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, 2017

**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, 2017 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)	45.425%	72,084	32,744
TIF District 20 (Ziegler Caterpillar)	45.626%	66,816	30,485
TIF District 21 (Allstate Peterbilt)	45.425%	23,078	10,483
TIF District 22 (Lindsay)	45.425%	14,632	6,647
Total			<u>\$ 85,909</u>

**Note 9: Prior Period Adjustment**

During 2017, a prior period adjustment was necessary to record parcels of land the City held that had been previously written off. As a result of the adjustment of beginning balances, the following schedule reconciles the previously reported December 31, 2016 balances to the December 31, 2017 financial statements:

	December 31, 2017		
Fund	Net Position January 1, 2017 as Previously Reported	Prior Period Restatement (1)	Net Position January 1, 2017 as Restated
Governmental Activities	<u>\$ 32,230,709</u>	<u>\$ 719,530</u>	<u>\$ 32,950,239</u>

(1) To record parcels of land previously written off

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REQUIRED SUPPLEMENTARY  
INFORMATION

CITY OF NORTH MANKATO  
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2017

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City of North Mankato, Minnesota  
Required Supplementary Information  
For the Year Ended December 31, 2017

**Schedule of Employer's Share of PERA Net Pension Liability - General Employees Retirement Fund**

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/17	0.0365 %	\$ 2,330,136	\$ 29,282	\$ 2,359,418	\$ 2,350,028	100.4 %	75.9 %
06/30/16	0.0372	3,020,455	39,358	3,059,813	2,305,660	132.7	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**

Year Ending	Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/17	\$ 179,048	\$ 179,048	\$ -	\$ 2,387,312	7.5 %
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.*

**Notes to the Required Supplementary Information - General Employee Retirement Fund**

Changes in Actuarial Assumptions

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - 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.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Changes in Plan Provisions

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

City of North Mankato, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2017

**Schedule of Employer's Share of PERA Net Pension Liability - Public Employees Police and Fire Fund**

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/17	0.1090 %	\$ 1,471,630	\$ -	\$ 1,471,630	\$ 1,121,348	131.2 %	85.4 %
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**

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)
12/31/17	\$ 184,636	\$ 184,636	\$ -	\$ 1,139,731	16.2 %
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, 2017

**Notes to the Required Supplementary Information - Public Employees Police and Fire Fund**

Changes in Actuarial Assumptions

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65 percent to 60 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.6 percent to 7.5 percent.

2016 - 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.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2037 and 2.5 percent per year thereafter.

Changes in plan provisions

2015 - The post-retirement benefit increase to be paid after attainment of the 90 percent funding threshold was changed, from inflation up to 2.5 percent, to a fixed rate of 2.5 percent.



City of North Mankato, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2017

**Schedule of Changes in the Fire Relief Association's Net Pension Liability and Related Ratios**

	2017 (Fire Relief Report Date 2016)	2016 (Fire Relief Report Date 2015)	2015 (Fire Relief Report Date 2014)
Total Pension Liability			
Service cost	\$ 48,198	\$ 50,078	\$ 48,857
Interest	94,381	91,749	94,339
Changes of assumptions	21,736	-	-
(Gain)/loss	3,895	-	-
Benefit payments, including refunds of employee contributions	(125,259)	(173,764)	-
Net change in total pension liability	42,951	(31,937)	143,196
Total Pension Liability - January 1	1,466,454	1,498,391	1,355,195
Total Pension Liability - December 31	<u>\$ 1,509,405</u>	<u>\$ 1,466,454</u>	<u>\$ 1,498,391</u>
Plan Fiduciary Net Position			
Contributions - employer	13,610	85,133	79,141
Contributions - employee	71,719	-	-
Net investment income	122,823	(5,880)	112,364
Benefit payments, including refunds of employee contributions	(125,259)	(173,764)	-
Administrative expense	(7,432)	(7,122)	(6,972)
Net Change in Plan Fiduciary Net Position	75,461	(101,633)	184,533
Plan Fiduciary Net Position - January 1	1,918,484	2,020,117	1,835,584
Plan Fiduciary Net Position - December 31 (b)	<u>\$ 1,993,945</u>	<u>\$ 1,918,484</u>	<u>\$ 2,020,117</u>
Fire Relief's Net Pension Liability (Asset) - December 31 (a-b)	<u>\$ (484,540)</u>	<u>\$ (452,030)</u>	<u>\$ (521,726)</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (b/a)	132.10%	130.82%	134.82%
Covered-Employee Payroll	N/A	N/A	N/A
Fire Relief's Net Pension Liability (Asset) as a Percentage of Covered-Employee Payroll	N/A	N/A	N/A

*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, 2017

**Notes to the Required Supplementary Information - Fire Relief Association**

Changes in Actuarial Assumptions

2017 - The long-term rate of return changed from 6.5 percent to 5.5 percent. The discount rate changed from 6.5 percent to 5.5 percent. The increase rate on eligible deferred benefits changed from 4.0 percent to 5.0 percent.

2015 - Amounts reported as changes of assumptions resulted primarily from adjustments to expected retirement ages of general employees. Amounts reported as changes of assumptions resulted primarily from adjustments to expected retirement ages of public safety employees. 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.

Benefit Changes

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.

City of North Mankato, Minnesota  
Required Supplementary Information (Continued)  
For the Year Ended December 31, 2017

**Schedule of Employer's Fire Relief Association Contributions**

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/16	\$ 72,469	\$ 86,283	\$ (13,814)
12/31/15	72,425	86,035	(13,610)
12/31/14	68,907	82,427	(13,520)

**Schedule of Funding Progress for the Retiree Health Plan**

Actuarial Valuation Date	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)
01/01/17	\$ -	\$ 526,253	\$ 526,253	- %	\$ 3,338,951	15.8 %
01/01/14	-	815,607	815,607	-	3,090,950	26.4
01/01/11	-	759,434	759,434	-	2,656,218	28.6



COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF NORTH MANKATO  
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2017

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City of North Mankato, Minnesota  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2017

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
<b>Assets</b>			
Cash and temporary investments	\$ 1,861,298	\$ 200,810	\$ 2,062,108
Receivables			
Accounts	33,995	-	33,995
Notes	759,185	-	759,185
Intergovernmental	62,614	-	62,614
Land held for resale	1,096,305		1,096,305
<b>Total Assets</b>	<b><u>\$ 3,813,397</u></b>	<b><u>\$ 200,810</u></b>	<b><u>\$ 4,014,207</u></b>
<b>Liabilities</b>			
Accounts payable	\$ 17,141	\$ 31,277	\$ 48,418
Due to other funds	592,638	146,629	739,267
<b>Total Liabilities</b>	<b><u>609,779</u></b>	<b><u>177,906</u></b>	<b><u>787,685</u></b>
<b>Fund Balances</b>			
Restricted	3,415,717	-	3,415,717
Assigned	168,507	200,707	369,214
Unassigned	(380,606)	(177,803)	(558,409)
<b>Total Fund Balances</b>	<b><u>3,203,618</u></b>	<b><u>22,904</u></b>	<b><u>3,226,522</u></b>
<b>Total Liabilities and Fund Balances</b>	<b><u>\$ 3,813,397</u></b>	<b><u>\$ 200,810</u></b>	<b><u>\$ 4,014,207</u></b>

City of North Mankato, Minnesota  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended December 31, 2017

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
Revenues			
Taxes			
Property taxes	\$ 90,328	\$ -	\$ 90,328
Sales taxes	568,986	-	568,986
Tax increments	372,752	-	372,752
Investment earnings	172	-	172
Miscellaneous			
Rents	12,307	-	12,307
Contributions and donations	25,477	-	25,477
Other	54,391	17,000	71,391
Total Revenues	<u>1,124,413</u>	<u>17,000</u>	<u>1,141,413</u>
Expenditures			
Current			
Culture and recreation			
Library	38,131	-	38,131
Housing and economic development	419,203	-	419,203
Capital outlay			
Public safety	-	111,050	111,050
Public works	-	101,118	101,118
Culture and recreation	-	220,617	220,617
Housing and economic development	51,723	9,988	61,711
Debt service			
Principal	100,000	12,000	112,000
Interest and other costs	14,000	-	14,000
Total Expenditures	<u>623,057</u>	<u>454,773</u>	<u>1,077,830</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>501,356</u>	<u>(437,773)</u>	<u>63,583</u>
Other Financing Sources (Uses)			
Sale of capital assets	996,892	-	996,892
Transfers in	11,298	406,151	417,449
Transfers out	(703,772)	-	(703,772)
Total Other Financing Sources (Uses)	<u>304,418</u>	<u>406,151</u>	<u>710,569</u>
Net Change in Fund Balances	805,774	(31,622)	774,152
Fund Balances, January 1	<u>2,397,844</u>	<u>54,526</u>	<u>2,452,370</u>
Fund Balances, December 31	<u>\$ 3,203,618</u>	<u>\$ 22,904</u>	<u>\$ 3,226,522</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.

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## **NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)**

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

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

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

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

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

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

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

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

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City of North Mankato, Minnesota  
Nonmajor Special Revenue Funds  
Combining Balance Sheet (Continued on the Following Pages)  
December 31, 2017

	<b>213</b>	<b>215</b>	<b>221</b>	<b>224</b>	<b>228</b>	<b>229</b>
	Library	Community	Local Option	Park	Port	Federal
	Endowment	Development	Sales Tax	Development	Authority	Revolving
		Block Grant				Loan
Assets						
Cash and temporary investments	\$ 55,916	\$ 15,296	\$ 42,586	\$ 5,866	\$ 178,376	\$ 1,092,135
Receivables						
Accounts	-	-	-	-	-	-
Intergovernmental	-	-	62,614	-	-	-
Notes	-	-	-	-	-	652,504
Land held for resale	-	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 55,916</u>	<u>\$ 15,296</u>	<u>\$ 105,200</u>	<u>\$ 5,866</u>	<u>\$ 178,376</u>	<u>\$ 1,744,639</u>
Liabilities						
Accounts payable	\$ 7,272	\$ -	\$ -	\$ -	\$ 9,869	\$ -
Due to other funds	-	-	-	-	-	-
Total Liabilities	<u>7,272</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,869</u>	<u>-</u>
Fund Balances						
Restricted	48,644	15,296	105,200	5,866	-	1,744,639
Assigned	-	-	-	-	168,507	-
Unassigned	-	-	-	-	-	-
Total Fund Balances	<u>48,644</u>	<u>15,296</u>	<u>105,200</u>	<u>5,866</u>	<u>168,507</u>	<u>1,744,639</u>
Total Liabilities and Fund Balances	<u>\$ 55,916</u>	<u>\$ 15,296</u>	<u>\$ 105,200</u>	<u>\$ 5,866</u>	<u>\$ 178,376</u>	<u>\$ 1,744,639</u>

<b>234</b> Local Revolving Loan	<b>240</b> Joint Economic Development	<b>250</b> Marigold TIF #8	<b>251</b> Webster Redevelopment TIF #14	<b>254</b> National Dentex TIF #17	<b>255</b> Webster Avenue TIF #2	<b>256</b> LJP Enterprises TIF #18
\$ 178,265	\$ 3,180	\$ 212,032	\$ 70,073	\$ -	\$ 1,016	\$ -
-	12,307	-	-	6,360	-	-
-	-	-	-	-	-	-
52,185	54,496	-	-	-	-	-
-	1,096,305	-	-	-	-	-
<u>\$ 230,450</u>	<u>\$ 1,166,288</u>	<u>\$ 212,032</u>	<u>\$ 70,073</u>	<u>\$ 6,360</u>	<u>\$ 1,016</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	592,638	-	-	-	-
-	-	592,638	-	-	-	-
230,450	1,166,288	-	70,073	6,360	1,016	-
-	-	-	-	-	-	-
-	-	(380,606)	-	-	-	-
<u>230,450</u>	<u>1,166,288</u>	<u>(380,606)</u>	<u>70,073</u>	<u>6,360</u>	<u>1,016</u>	<u>-</u>
<u>\$ 230,450</u>	<u>\$ 1,166,288</u>	<u>\$ 212,032</u>	<u>\$ 70,073</u>	<u>\$ 6,360</u>	<u>\$ 1,016</u>	<u>\$ -</u>

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City of North Mankato, Minnesota  
Nonmajor Special Revenue Funds  
Combining Balance Sheet (Continued)  
December 31, 2017

	257	258	259	260	261	Total
	Ziegler Caterpillar TIF #20	422 Belgrade TIF #19	Lindsay TIF #22	Allstate Peterbilt TIF #21	D & K Powdercoating TIF #23	Nonmajor Special Revenue
Assets						
Cash and temporary investments	\$ -	\$ 6,557	\$ -	\$ -	\$ -	\$ 1,861,298
Receivables						
Accounts	-	15,328	-	-	-	33,995
Intergovernmental	-	-	-	-	-	62,614
Notes	-	-	-	-	-	759,185
Land held for resale	-	-	-	-	-	1,096,305
Total Assets	<u>\$ -</u>	<u>\$ 21,885</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,813,397</u>
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 17,141
Due to other funds	-	-	-	-	-	592,638
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>609,779</u>
Fund Balances						
Restricted	-	21,885	-	-	-	3,415,717
Assigned	-	-	-	-	-	168,507
Unassigned	-	-	-	-	-	(380,606)
Total Fund Balances	<u>-</u>	<u>21,885</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,203,618</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 21,885</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,813,397</u>

City of North Mankato, Minnesota  
Nonmajor Special Revenue Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances -  
(Continued on the Following Pages)  
For the Year Ended December 31, 2017

	213	215	221	224	228
	Library Endowment	Community Development Block Grant	Local Option Sales Tax	Park Development	Port Authority
Revenues					
Taxes					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 75,000
Sales taxes	-	-	568,986	-	-
Tax increments	-	-	-	-	-
Investment earnings	-	-	-	-	-
Miscellaneous					
Rents	-	-	-	-	-
Contributions and donations	25,477	-	-	-	-
Other	-	2,447	-	-	16,844
Total Revenues	<u>25,477</u>	<u>2,447</u>	<u>568,986</u>	<u>-</u>	<u>91,844</u>
Expenditures					
Current					
Culture and recreation					
Library	38,131	-	-	-	-
Housing and economic development	-	-	-	-	74,311
Capital outlay					
Housing and economic development	-	-	-	-	51,723
Debt service					
Principal	-	-	-	-	-
Interest and other costs	-	-	-	-	-
Total Expenditures	<u>38,131</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>126,034</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(12,654)</u>	<u>2,447</u>	<u>568,986</u>	<u>-</u>	<u>(34,190)</u>
Other Financing Sources (Uses)					
Sale of capital assets	-	-	-	-	-
Transfers in	11,298	-	-	-	-
Transfers out	-	-	(604,520)	-	(9,037)
Total Other Financing Sources (Uses)	<u>11,298</u>	<u>-</u>	<u>(604,520)</u>	<u>-</u>	<u>(9,037)</u>
Net Change in Fund Balances	(1,356)	2,447	(35,534)	-	(43,227)
Fund Balances, January 1	<u>50,000</u>	<u>12,849</u>	<u>140,734</u>	<u>5,866</u>	<u>211,734</u>
Fund Balances, December 31	<u>\$ 48,644</u>	<u>\$ 15,296</u>	<u>\$ 105,200</u>	<u>\$ 5,866</u>	<u>\$ 168,507</u>

<b>229</b> Federal Revolving Loan	<b>234</b> Local Revolving Loan	<b>240</b> Joint Economic Development	<b>250</b> Marigold TIF #8	<b>251</b> Webster Redevelopment TIF #14	<b>254</b> National Dentex TIF #17	<b>255</b> Webster Avenue TIF #2	<b>256</b> LJP Enterprises TIF #18
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	63,127	23,401	14,133	5,621	84,240
172	-	-	-	-	-	-	-
-	-	12,307	-	-	-	-	-
-	-	-	-	-	-	-	-
29,953	2,247	2,900	-	-	-	-	-
<u>30,125</u>	<u>2,247</u>	<u>15,207</u>	<u>63,127</u>	<u>23,401</u>	<u>14,133</u>	<u>5,621</u>	<u>84,240</u>
-	-	-	-	-	-	-	-
1,044	192	93,148	-	-	7,773	-	84,240
-	-	-	-	-	-	-	-
-	-	100,000	-	-	-	-	-
-	-	14,000	-	-	-	-	-
<u>1,044</u>	<u>192</u>	<u>207,148</u>	<u>-</u>	<u>-</u>	<u>7,773</u>	<u>-</u>	<u>84,240</u>
29,081	2,055	(191,941)	63,127	23,401	6,360	5,621	-
-	-	996,892	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	(46,626)	(8,229)	-	(5,620)	-
-	-	996,892	(46,626)	(8,229)	-	(5,620)	-
29,081	2,055	804,951	16,501	15,172	6,360	1	-
1,715,558	228,395	361,337	(397,107)	54,901	-	1,015	-
<u>\$ 1,744,639</u>	<u>\$ 230,450</u>	<u>\$ 1,166,288</u>	<u>\$ (380,606)</u>	<u>\$ 70,073</u>	<u>\$ 6,360</u>	<u>\$ 1,016</u>	<u>\$ -</u>

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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, 2017

	257	258	259	260	261	Total
	Ziegler Caterpillar TIF #20	422 Belgrade TIF #19	Lindsay TIF #22	Allstate Peterbilt TIF #21	D & K Powdercoating TIF #23	Nonmajor Special Revenue
Revenues						
Taxes						
Property taxes	\$ -	\$ 15,328	\$ -	\$ -	\$ -	\$ 90,328
Sales taxes	-	-	-	-	-	568,986
Tax increments	78,477	23,735	17,725	27,954	34,339	372,752
Investment earnings	-	-	-	-	-	172
Miscellaneous						
Rents	-	-	-	-	-	12,307
Contributions and donations	-	-	-	-	-	25,477
Other	-	-	-	-	-	54,391
Total Revenues	<u>78,477</u>	<u>39,063</u>	<u>17,725</u>	<u>27,954</u>	<u>34,339</u>	<u>1,124,413</u>
Expenditures						
Current						
Culture and recreation						
Library	-	-	-	-	-	38,131
Housing and economic development	78,477	-	17,725	27,954	34,339	419,203
Capital outlay						
Housing and economic development	-	-	-	-	-	51,723
Debt service						
Principal	-	-	-	-	-	100,000
Interest and other costs	-	-	-	-	-	14,000
Total Expenditures	<u>78,477</u>	<u>-</u>	<u>17,725</u>	<u>27,954</u>	<u>34,339</u>	<u>623,057</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>39,063</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>501,356</u>
Other Financing Sources (Uses)						
Sale of capital assets	-	-	-	-	-	996,892
Transfers in	-	-	-	-	-	11,298
Transfers out	-	(29,740)	-	-	-	(703,772)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(29,740)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>304,418</u>
Net Change in Fund Balances	-	9,323	-	-	-	805,774
Fund Balances, January 1	-	12,562	-	-	-	2,397,844
Fund Balances, December 31	<u>\$ -</u>	<u>\$ 21,885</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,203,618</u>

City of North Mankato, Minnesota  
Library Endowment Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
For the Year Ended December 31, 2017  
With Comparative Actual Amounts for the Year Ended December 31, 2016

	Final Budget	2017 Actual Amounts	Variance with Final Budget	2016 Actual Amounts
Revenues				
Miscellaneous				
Contributions and donations	\$ 19,500	\$ 25,477	\$ 5,977	\$ 22,124
Expenditures				
Current				
Culture and recreation				
Other services and charges	27,600	38,131	(10,531)	34,321
Excess (Deficiency) of Revenues Over (Under) Expenditures	(8,100)	(12,654)	(4,554)	(12,197)
Other Financing Sources (Uses)				
Transfers in	10,000	11,298	1,298	21,029
Net Change in Fund Balances	1,900	(1,356)	(3,256)	8,832
Fund Balances, January 1	50,000	50,000	-	41,168
Fund Balances, December 31	<u>\$ 51,900</u>	<u>\$ 48,644</u>	<u>\$ (3,256)</u>	<u>\$ 50,000</u>

City of North Mankato, Minnesota  
Community Development Block Grant Fund  
Schedule of Revenues, Expenditures and Changes in Fund Balances  
Budget and Actual  
For the Year Ended December 31, 2017  
With Comparative Actual Amounts for the Year Ended December 31, 2016

	Final Budget	2017 Actual Amounts	Variance with Final Budget	2016 Actual Amounts
Revenues				
Intergovernmental				
Federal	\$ 67,600	\$ -	\$ (67,600)	\$ 33,292
Miscellaneous				
Other	-	2,447	2,447	-
Total Revenues	<u>67,600</u>	<u>2,447</u>	<u>(65,153)</u>	<u>33,292</u>
Expenditures				
Current				
Housing and economic development				
Other services and charges	<u>60,000</u>	<u>-</u>	<u>60,000</u>	<u>49,929</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,600	2,447	(5,153)	(16,637)
Other Financing Sources (Uses)				
Transfers out	<u>(7,600)</u>	<u>-</u>	<u>7,600</u>	<u>(7,600)</u>
Net Change in Fund Balances	-	2,447	2,447	(24,237)
Fund Balances, January 1	<u>12,849</u>	<u>12,849</u>	<u>-</u>	<u>37,086</u>
Fund Balances, December 31	<u><u>\$ 12,849</u></u>	<u><u>\$ 15,296</u></u>	<u><u>\$ 2,447</u></u>	<u><u>\$ 12,849</u></u>

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, 2017  
With Comparative Actual Amounts for the Year Ended December 31, 2016

	2017			2016
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
Revenues				
Taxes				
Sales tax	\$ 600,000	\$ 568,986	\$ (31,014)	\$ 581,546
Expenditures				
Current				
Culture and recreation				
Library				
Other services and charges	-	-	-	464
Excess (Deficiency) of Revenues Over (Under) Expenditures	600,000	568,986	(31,014)	581,082
Other Financing Sources (Uses)				
Transfers out	(524,869)	(604,520)	(79,651)	(503,143)
Net Change in Fund Balances	75,131	(35,534)	(110,665)	77,939
Fund Balances, January 1	140,734	140,734	-	62,795
Fund Balances, December 31	<u>\$ 215,865</u>	<u>\$ 105,200</u>	<u>\$ (110,665)</u>	<u>\$ 140,734</u>



## **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, 2017

	<b>230</b>	<b>431</b>	<b>437</b>
	Capital Facilities and Equipment Replacement - General	2011 Construction	2017 Construction
Assets			
Cash and temporary investments	<u>\$ 200,810</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities			
Accounts payable	\$ 103	\$ -	\$ 7,560
Due to other funds	<u>-</u>	<u>-</u>	<u>138,195</u>
Total Liabilities	<u>103</u>	<u>-</u>	<u>145,755</u>
Fund Balances			
Assigned	200,707	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>(145,755)</u>
Total Fund Balances	<u>200,707</u>	<u>-</u>	<u>(145,755)</u>
Total Liabilities and Fund Balances	<u>\$ 200,810</u>	<u>\$ -</u>	<u>\$ -</u>

438

<u>2018</u> <u>Construction</u>	<u>Total</u> <u>Nonmajor</u>
<u>\$ -</u>	<u>\$ 200,810</u>
\$ 23,614	\$ 31,277
8,434	146,629
<u>32,048</u>	<u>177,906</u>
-	200,707
(32,048)	(177,803)
<u>(32,048)</u>	<u>22,904</u>
<u>\$ -</u>	<u>\$ 200,810</u>

City of North Mankato, Minnesota  
Nonmajor Capital Projects Funds  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
For the Year Ended December 31, 2017

	<b>230</b>	<b>431</b>	<b>437</b>
	Capital Facilities and Equipment Replacement - General	2011 Construction	2017 Construction
Revenues			
Miscellaneous			
Other	\$ 17,000	\$ -	\$ -
Expenditures			
Capital outlay			
Public safety	111,050	-	-
Public works	-	69,070	-
Culture and recreation	74,862	-	145,755
Economic development	9,988	-	-
Debt service			
Principal	12,000	-	-
Total Expenditures	<u>207,900</u>	<u>69,070</u>	<u>145,755</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(190,900)	(69,070)	(145,755)
Other Financing Sources (Uses)			
Transfers in	<u>326,500</u>	<u>79,651</u>	<u>-</u>
Net Change in Fund Balances	135,600	10,581	(145,755)
Fund Balances, January 1	<u>65,107</u>	<u>(10,581)</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 200,707</u>	<u>\$ -</u>	<u>\$ (145,755)</u>

438

<u>2018</u> <u>Construction</u>	<u>Total</u> <u>Nonmajor</u>
<u>\$ -</u>	<u>\$ 17,000</u>
-	111,050
32,048	101,118
-	220,617
-	9,988
-	12,000
<u>32,048</u>	<u>454,773</u>
(32,048)	(437,773)
-	406,151
(32,048)	(31,622)
-	54,526
<u>\$ (32,048)</u>	<u>\$ 22,904</u>

City of North Mankato, Minnesota  
Statements of Net Position  
Nonmajor Proprietary Funds  
December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds			
	<b>603</b>		<b>604</b>	
	Recycling		Storm Water	
	2017	2016	2017	2016
<b>Assets</b>				
<b>Current Assets</b>				
Cash and temporary investments	\$ 91,129	\$ 45,418	\$ -	\$ 35,749
Restricted assets - cash with fiscal agent	-	-	54,604	10,650
Receivables				
Accounts	2,900	1,087	-	-
Intergovernmental	1,366	1,212	-	-
Prepaid items	-	338	26	188
Total Current Assets	<u>95,395</u>	<u>48,055</u>	<u>54,630</u>	<u>46,587</u>
<b>Noncurrent Assets</b>				
Restricted assets - cash with fiscal agent	-	-	-	44,451
Capital assets				
Land	160,650	160,650	-	-
Buildings	1,500,777	1,500,777	2,589,854	2,339,223
Machinery and equipment	391,340	391,340	23,644	23,644
Construction in progress	-	-	42,438	-
Less accumulated depreciation	(813,950)	(763,869)	(278,755)	(237,497)
Total Capital Assets	<u>1,238,817</u>	<u>1,288,898</u>	<u>2,377,181</u>	<u>2,125,370</u>
Total Noncurrent Assets	<u>1,238,817</u>	<u>1,288,898</u>	<u>2,377,181</u>	<u>2,169,821</u>
Total Assets	<u>1,334,212</u>	<u>1,336,953</u>	<u>2,431,811</u>	<u>2,216,408</u>
<b>Deferred Outflows of Resources</b>				
Deferred pension resources	<u>3,977</u>	<u>10,564</u>	<u>11,868</u>	<u>23,884</u>
<b>Liabilities</b>				
<b>Current Liabilities</b>				
Accounts payable	18,050	21,525	11,601	9,169
Due to other funds	-	-	149,205	-
Due to other governments	-	220	-	52,357
Accrued interest payable	6,919	7,388	2,006	2,237
Accrued wages payable	833	966	2,358	1,970
Compensated absences payable - current portion	925	894	4,299	7,643
Bonds payable - current portion	90,000	90,000	103,500	39,000
Total Current Liabilities	<u>116,727</u>	<u>120,993</u>	<u>272,969</u>	<u>112,376</u>
<b>Noncurrent Liabilities</b>				
Compensated absences payable, net of current portion	925	671	6,293	-
Other postemployment benefits obligation	1,728	1,728	3,962	3,535
Pension liability	16,899	29,908	50,423	67,617
Bonds payable, net of current portion	<u>663,176</u>	<u>752,322</u>	<u>256,440</u>	<u>360,516</u>
Total Noncurrent Liabilities	<u>682,728</u>	<u>784,629</u>	<u>317,118</u>	<u>431,668</u>
Total Liabilities	<u>799,455</u>	<u>905,622</u>	<u>590,087</u>	<u>544,044</u>
<b>Deferred Inflows of Resources</b>				
Deferred pension resources	<u>4,948</u>	<u>5,111</u>	<u>14,763</u>	<u>11,556</u>
<b>Net Position</b>				
Net investment in capital assets	485,641	446,576	2,080,991	1,798,604
Unrestricted	<u>48,145</u>	<u>(9,792)</u>	<u>(242,162)</u>	<u>(113,912)</u>
Total Net Position	<u>\$ 533,786</u>	<u>\$ 436,784</u>	<u>\$ 1,838,829</u>	<u>\$ 1,684,692</u>



Business-type Activities - Enterprise Funds

<b>651</b>			
Solid Waste		Totals	
2017	2016	2017	2016
\$ 16,751	\$ 11,210	\$ 107,880	\$ 92,377
-	-	54,604	10,650
-	-	2,900	1,087
-	-	1,366	1,212
22	188	48	714
<u>16,773</u>	<u>11,398</u>	<u>166,798</u>	<u>106,040</u>
-	-	-	44,451
-	-	160,650	160,650
-	-	4,090,631	3,840,000
400,601	400,601	815,585	815,585
-	-	42,438	-
(79,753)	(40,060)	(1,172,458)	(1,041,426)
<u>320,848</u>	<u>360,541</u>	<u>3,936,846</u>	<u>3,774,809</u>
<u>320,848</u>	<u>360,541</u>	<u>3,936,846</u>	<u>3,819,260</u>
<u>337,621</u>	<u>371,939</u>	<u>4,103,644</u>	<u>3,925,300</u>
<u>9,256</u>	<u>17,842</u>	<u>25,101</u>	<u>52,290</u>
36,766	37,003	66,417	67,697
-	-	149,205	-
6,022	6,033	6,022	58,610
700	2,400	9,625	12,025
1,750	1,652	4,941	4,588
1,286	1,491	6,510	10,028
40,000	40,000	233,500	169,000
<u>86,524</u>	<u>88,579</u>	<u>476,220</u>	<u>321,948</u>
-	-	7,218	671
427	-	6,117	5,263
39,327	50,512	106,649	148,037
<u>255,818</u>	<u>298,078</u>	<u>1,175,434</u>	<u>1,410,916</u>
<u>295,572</u>	<u>348,590</u>	<u>1,295,418</u>	<u>1,564,887</u>
<u>382,096</u>	<u>437,169</u>	<u>1,771,638</u>	<u>1,886,835</u>
<u>11,513</u>	<u>8,632</u>	<u>31,224</u>	<u>25,299</u>
25,030	22,463	2,591,662	2,267,643
<u>(71,762)</u>	<u>(78,483)</u>	<u>(265,779)</u>	<u>(202,187)</u>
<u>\$ (46,732)</u>	<u>\$ (56,020)</u>	<u>\$ 2,325,883</u>	<u>\$ 2,065,456</u>

City of North Mankato, Minnesota  
Statements of Revenues, Expenses and Changes in Net Position  
Nonmajor Proprietary Funds  
For the Years Ended December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds			
	603		604	
	Recycling		Storm Water	
	2017	2016	2017	2016
Operating Revenues				
Charges for services	\$ 342,525	\$ 339,011	\$ 279,859	\$ 276,474
Facility rental	126,862	126,861	-	-
Total Operating Revenues	<u>469,387</u>	<u>465,872</u>	<u>279,859</u>	<u>276,474</u>
Operating Expenses				
Personal services	24,199	11,698	83,686	87,723
Supplies	11,901	18,302	4,022	15,391
Other services and charges	64,750	64,356	125,819	119,706
Contractual services	195,169	187,834	-	-
Insurance	3,963	4,913	-	-
Utilities	21,117	15,778	26,583	25,157
Depreciation	50,081	51,973	41,258	41,147
Total Operating Expenses	<u>371,180</u>	<u>354,854</u>	<u>281,368</u>	<u>289,124</u>
Operating Income (Loss)	<u>98,207</u>	<u>111,018</u>	<u>(1,509)</u>	<u>(12,650)</u>
Nonoperating Revenues (Expenses)				
Investment income	-	-	1,104	494
Other income	15,710	427	98	263
Interest expense	(16,699)	(17,801)	(14,151)	(15,426)
Amortization of bond premiums (discounts)	(854)	(854)	576	576
Total Nonoperating Revenues (Expenses)	<u>(1,843)</u>	<u>(18,228)</u>	<u>(12,373)</u>	<u>(14,093)</u>
Income (Loss) Before Contributions and Transfers	96,364	92,790	(13,882)	(26,743)
Capital Contributions From Other Funds	-	-	250,631	-
Transfers In	30,000	30,000	-	-
Transfers Out	<u>(29,362)</u>	<u>-</u>	<u>(82,612)</u>	<u>(53,250)</u>
Change in Net Position	97,002	122,790	154,137	(79,993)
Net Position, January 1	<u>436,784</u>	<u>313,994</u>	<u>1,684,692</u>	<u>1,764,685</u>
Net Position, December 31	<u>\$ 533,786</u>	<u>\$ 436,784</u>	<u>\$ 1,838,829</u>	<u>\$ 1,684,692</u>

Business-type Activities - Enterprise Funds

<b>651</b>			
Solid Waste		Totals	
2017	2016	2017	2016
\$ 740,686	\$ 736,435	\$ 1,363,070	\$ 1,351,920
-	-	126,862	126,861
<u>740,686</u>	<u>736,435</u>	<u>1,489,932</u>	<u>1,478,781</u>
69,148	75,295	177,033	174,716
4,497	11,309	20,420	45,002
78,879	121,783	269,448	305,845
449,879	434,787	645,048	622,621
-	-	3,963	4,913
-	-	47,700	40,935
39,693	40,060	131,032	133,180
<u>642,096</u>	<u>683,234</u>	<u>1,294,644</u>	<u>1,327,212</u>
<u>98,590</u>	<u>53,201</u>	<u>195,288</u>	<u>151,569</u>
-	-	1,104	494
700	347	16,508	1,037
(7,900)	(12,301)	(38,750)	(45,528)
2,260	2,260	1,982	1,982
<u>(4,940)</u>	<u>(9,694)</u>	<u>(19,156)</u>	<u>(42,015)</u>
93,650	43,507	176,132	109,554
-	-	250,631	-
-	-	30,000	30,000
<u>(84,362)</u>	<u>(55,000)</u>	<u>(196,336)</u>	<u>(108,250)</u>
9,288	(11,493)	260,427	31,304
<u>(56,020)</u>	<u>(44,527)</u>	<u>2,065,456</u>	<u>2,034,152</u>
<u>\$ (46,732)</u>	<u>\$ (56,020)</u>	<u>\$ 2,325,883</u>	<u>\$ 2,065,456</u>

City of North Mankato, Minnesota  
Statements of Cash Flows  
Nonmajor Proprietary Funds (Continued on the Following Pages)  
For the Years Ended December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds			
	<b>603</b>		<b>604</b>	
	Recycling		Storm Water	
	2017	2016	2017	2016
Cash Flows From Operating Activities				
Receipts from customers	\$ 340,706	\$ 342,650	\$ 279,841	\$ 276,211
Payments to suppliers and vendors	(300,257)	(327,452)	(206,187)	(102,011)
Payments to and on behalf of employees	(30,626)	(37,908)	(81,875)	(79,702)
Other receipts	142,418	126,076	98	263
Net Cash Provided (Used) by Operating Activities	152,241	103,366	(8,123)	94,761
Cash Flows From Noncapital Financing Activities				
Increase (decrease) in due to other funds	-	-	149,205	-
Transfers from other funds	30,000	30,000	-	-
Transfers to other funds	(29,362)	-	(82,612)	(53,250)
Net Cash Provided (Used) by Noncapital Financing Activities	638	30,000	66,593	(53,250)
Cash Flows From Capital and Related Financing Activities				
Acquisition of capital assets	-	-	(42,438)	(10,000)
Principal paid on revenue bonds payable	(90,000)	(85,000)	(39,000)	(39,000)
Interest paid on revenue bonds payable	(17,168)	(18,155)	(13,095)	(14,059)
Net Cash Provided (Used) by Capital and Related Financing Activities	(107,168)	(103,155)	(94,533)	(63,059)
Cash Flows From Investing Activities				
Interest received on cash and investments	-	-	314	-
Net Increase (Decrease) in Cash and Cash Equivalents	45,711	30,211	(35,749)	(21,548)
Cash and Cash Equivalents, January 1	45,418	15,207	35,749	57,297
Cash and Cash Equivalents, December 31	\$ 91,129	\$ 45,418	\$ -	\$ 35,749

Business-type Activities - Enterprise Funds			
<b>651</b>			
Solid Waste		Totals	
2017	2016	2017	2016
\$ 740,672	\$ 736,239	\$ 1,361,219	\$ 1,355,100
(533,337)	(571,183)	(1,039,781)	(1,000,646)
(68,532)	(64,661)	(181,033)	(182,271)
700	347	143,216	126,686
<u>139,503</u>	<u>100,742</u>	<u>283,621</u>	<u>298,869</u>
-	-	149,205	-
-	-	30,000	30,000
(84,362)	(55,000)	(196,336)	(108,250)
<u>(84,362)</u>	<u>(55,000)</u>	<u>(17,131)</u>	<u>(78,250)</u>
-	-	(42,438)	(10,000)
(40,000)	(40,000)	(169,000)	(164,000)
(9,600)	(10,801)	(39,863)	(43,015)
<u>(49,600)</u>	<u>(50,801)</u>	<u>(251,301)</u>	<u>(217,015)</u>
-	-	314	-
5,541	(5,059)	15,503	3,604
<u>11,210</u>	<u>16,269</u>	<u>92,377</u>	<u>88,773</u>
<u>\$ 16,751</u>	<u>\$ 11,210</u>	<u>\$ 107,880</u>	<u>\$ 92,377</u>

City of North Mankato, Minnesota  
Statements of Cash Flows  
Nonmajor Proprietary Funds (Continued)  
For the Years Ended December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds			
	<b>603</b>		<b>604</b>	
	Recycling		Storm Water	
	2017	2016	2017	2016
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	\$ 98,207	\$ 111,018	\$ (1,509)	\$ (12,650)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Other income related to operations	15,710	427	98	263
Depreciation	50,081	51,973	41,258	41,147
(Increase) decrease in assets				
Accounts receivable	(1,813)	3,755	-	-
Intergovernmental	(154)	(1,212)	-	-
Prepaid items	338	(338)	162	(188)
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	6,587	(5,444)	12,016	(19,258)
Increase (decrease) in liabilities				
Accounts payable	(3,475)	(36,151)	2,432	6,074
Due to other governments	(220)	220	(52,357)	52,357
Accrued wages payable	(133)	1	388	(1,655)
Compensated absences payable	285	(365)	2,949	(292)
Other postemployment benefits obligation	-	559	427	473
Pension liability	(13,009)	(15,429)	(17,194)	26,655
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	(163)	(5,648)	3,207	1,835
Net Cash Provided (Used) by Operating Activities	<u>\$ 152,241</u>	<u>\$ 103,366</u>	<u>\$ (8,123)</u>	<u>\$ 94,761</u>
Schedule of Noncash Capital and Related Financing Activities				
Capital assets contributed by other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250,631</u>	<u>\$ -</u>
Amortization of bond (premium) discount	<u>\$ 854</u>	<u>\$ 854</u>	<u>\$ (576)</u>	<u>\$ (576)</u>
Bond interest paid by escrow	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,287</u>	<u>\$ 1,598</u>
Interest earned on escrow	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 790</u>	<u>\$ 494</u>

Business-type Activities - Enterprise Funds			
<b>651</b>			
Solid Waste		Totals	
2017	2016	2017	2016
\$ 98,590	\$ 53,201	\$ 195,288	\$ 151,569
700	347	16,508	1,037
39,693	40,060	131,032	133,180
-	-	(1,813)	3,755
-	-	(154)	(1,212)
166	(188)	666	(714)
8,586	(14,921)	27,189	(39,623)
(237)	(3,217)	(1,280)	(33,294)
(11)	101	(52,588)	52,678
98	(1,898)	353	(3,552)
(205)	122	3,029	(535)
427	-	854	1,032
(11,185)	24,642	(41,388)	35,868
2,881	2,493	5,925	(1,320)
<u>\$ 139,503</u>	<u>\$ 100,742</u>	<u>\$ 283,621</u>	<u>\$ 298,869</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 250,631</u>	<u>\$ -</u>
<u>\$ (2,260)</u>	<u>\$ (2,260)</u>	<u>\$ (1,982)</u>	<u>\$ (1,982)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,287</u>	<u>\$ 1,598</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 790</u>	<u>\$ 494</u>

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## **THE GENERAL FUND**

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

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City of North Mankato, Minnesota  
General Fund  
Comparative Balance Sheets  
December 31, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Assets		
Cash and temporary investments	\$ 3,121,713	\$ 2,768,529
Receivables		
Taxes	79,913	126,148
Accounts	156,735	92,378
Special assessments		
Delinquent	1,077	3,109
Noncurrent	33,460	22,530
Intergovernmental	68,154	77,630
Due from other funds	1,547,916	1,446,921
Prepaid items	89,676	37,232
	<u>          </u>	<u>          </u>
Total Assets	<u>\$ 5,098,644</u>	<u>\$ 4,574,477</u>
Liabilities		
Accounts payable	\$ 143,870	\$ 118,394
Accrued wages payable	154,410	142,399
Due to other governments	65,011	97,546
Deposits payable	433,229	-
Total Liabilities	<u>796,520</u>	<u>358,339</u>
Deferred Inflows of Resources		
Unavailable revenue		
Taxes	79,913	126,148
Special assessments	34,537	25,639
Total Deferred Inflows of Resources	<u>114,450</u>	<u>151,787</u>
Fund Balances		
Nonspendable		
Prepaid items	89,676	37,232
Due from other funds	1,398,611	1,437,902
Unassigned	2,699,387	2,589,217
Total Fund Balances	<u>4,187,674</u>	<u>4,064,351</u>
	<u>          </u>	<u>          </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 5,098,644</u>	<u>\$ 4,574,477</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, 2017  
With Comparative Actual Amounts for the Year Ended December 31, 2016

	2017				2016
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Taxes					
Property taxes	\$ 4,319,836	\$ 4,319,836	\$ 4,320,810	\$ 974	\$ 4,179,997
Sales tax	700	700	627	(73)	530
Franchise taxes	522,000	522,000	549,872	27,872	402,406
Hotel-motel tax	55,000	55,000	47,430	(7,570)	54,156
Other taxes	23,600	23,600	43,865	20,265	27,477
Total taxes	4,921,136	4,921,136	4,962,604	41,468	4,664,566
Special assessments	17,650	17,650	6,796	(10,854)	26,985
Licenses and permits					
Business	95,478	95,478	126,365	30,887	91,017
Nonbusiness	272,550	272,550	344,277	71,727	269,395
Total licenses and permits	368,028	368,028	470,642	102,614	360,412
Intergovernmental					
Federal					
Other Federal aid	-	-	9,900	9,900	14,641
State					
Local government aid	1,608,839	1,608,839	1,616,435	7,596	1,608,839
Street maintenance aid	170,335	170,335	165,260	(5,075)	170,335
Fire aid	67,000	67,000	72,469	5,469	72,425
Police aid	104,200	104,200	116,797	12,597	110,940
Other State aid	15,374	15,374	29,167	13,793	23,851
Total State	1,965,748	1,965,748	2,000,128	34,380	1,986,390
County					
Other County aid	54,594	54,594	55,444	850	55,494
Total intergovernmental	2,020,342	2,020,342	2,065,472	45,130	2,056,525
Charges for services					
General government	26,500	26,500	31,202	4,702	38,107
Public safety	19,350	19,350	5,393	(13,957)	2,035
Culture and recreation	175,640	175,640	242,211	66,571	202,072
Total charges for services	221,490	221,490	278,806	57,316	242,214
Fines and forfeits					
Court fines	28,000	28,000	27,815	(185)	30,767
Parking fines	1,000	1,000	405	(595)	480
Total fines and forfeits	29,000	29,000	28,220	(780)	31,247
Investment earnings	2,000	2,000	5,322	3,322	3,978
Miscellaneous					
Contributions and donations	20,000	20,000	124,806	104,806	3,060
Rents	3,000	3,000	-	(3,000)	-
Other	157,372	157,372	112,979	(44,393)	168,531
Total miscellaneous	180,372	180,372	237,785	57,413	171,591
Total Revenues	7,760,018	7,760,018	8,055,647	295,629	7,557,518

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, 2017  
With Comparative Actual Amounts for the Year Ended December 31, 2016

	2017				2016
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and council					
Personal services	\$      34,009	\$      34,009	\$      33,942	\$          67	\$      33,967
Supplies	500	500	88	412	-
Other services and charges	8,133	8,133	11,679	(3,546)	5,046
Total mayor and council	42,642	42,642	45,709	(3,067)	39,013
Administration					
Personal services	407,014	407,014	423,016	(16,002)	376,212
Supplies	56,073	56,073	25,190	30,883	47,706
Other services and charges	199,689	199,689	182,588	17,101	193,025
Total administration	662,776	662,776	630,794	31,982	616,943
City attorney					
Supplies	1,400	1,400	2,032	(632)	1,380
Other services and charges	107,000	107,000	104,349	2,651	94,808
Total city attorney	108,400	108,400	106,381	2,019	96,188
Total general government	813,818	813,818	782,884	30,934	752,144
Public safety					
Police protection					
Personal services	1,675,468	1,675,468	1,743,790	(68,322)	1,661,898
Supplies	92,000	92,000	72,090	19,910	62,629
Other services and charges	110,820	110,820	138,459	(27,639)	124,682
Total police protection	1,878,288	1,878,288	1,954,339	(76,051)	1,849,209
Fire protection					
Personal services	237,110	237,110	226,491	10,619	225,324
Supplies	46,100	46,100	50,956	(4,856)	36,440
Other services and charges	56,804	56,804	72,983	(16,179)	72,753
Total fire protection	340,014	340,014	350,430	(10,416)	334,517
Total public safety	2,218,302	2,218,302	2,304,769	(86,467)	2,183,726
Public works					
Street maintenance					
Personal services	545,122	545,122	568,142	(23,020)	532,873
Supplies	375,000	375,000	234,673	140,327	278,775
Other services and charges	175,760	175,760	261,500	(85,740)	107,245
Total street maintenance	1,095,882	1,095,882	1,064,315	31,567	918,893
Equipment maintenance					
Personal services	173,024	173,024	179,710	(6,686)	231,843
Supplies	87,400	87,400	60,675	26,725	156,889
Other services and charges	30,124	30,124	22,949	7,175	31,879
Total equipment maintenance	290,548	290,548	263,334	27,214	420,611
Street lighting					
Personal services	9,363	9,363	7,841	1,522	7,268
Supplies	33,000	33,000	25,976	7,024	26,169
Other services and charges	304,000	304,000	300,226	3,774	302,076
Total street lighting	346,363	346,363	334,043	12,320	335,513
Total public works	1,732,793	1,732,793	1,661,692	71,101	1,675,017

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, 2017  
With Comparative Actual Amounts for the Year Ended December 31, 2016

	2017				2016
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Culture and recreation					
Swimming pool					
Supplies	\$ 32,100	\$ 32,100	\$ 34,302	\$ (2,202)	\$ 19,432
Other services and charges	78,050	78,050	83,619	(5,569)	72,754
Total swimming pool	110,150	110,150	117,921	(7,771)	92,186
Caswell park concessions					
Personal services	75,678	75,678	112,355	(36,677)	93,557
Supplies	147,600	147,600	190,517	(42,917)	170,301
Other services and charges	29,188	29,188	43,339	(14,151)	52,001
Total Caswell park concessions	252,466	252,466	346,211	(93,745)	315,859
Caswell fields					
Personal services	21,200	21,200	25,007	(3,807)	19,967
Supplies	17,900	17,900	5,014	12,886	10,289
Other services and charges	7,946	7,946	8,409	(463)	9,895
Total Caswell fields	47,046	47,046	38,430	8,616	40,151
Parks					
Personal services	329,495	329,495	353,937	(24,442)	347,150
Supplies	113,400	113,400	119,775	(6,375)	140,774
Other services and charges	54,908	54,908	83,559	(28,651)	97,603
Total parks	497,803	497,803	557,271	(59,468)	585,527
Library					
Personal services	358,739	358,739	321,618	37,121	333,132
Supplies	134,750	134,750	111,860	22,890	136,257
Other services and charges	61,912	61,912	70,537	(8,625)	70,781
Total library	555,401	555,401	504,015	51,386	540,170
Bookmobile					
Personal services	63,412	63,412	64,349	(937)	59,572
Supplies	15,350	15,350	16,145	(795)	10,512
Other services and charges	3,687	3,687	3,470	217	3,703
Total bookmobile	82,449	82,449	83,964	(1,515)	73,787
Total culture and recreation	1,545,315	1,545,315	1,647,812	(102,497)	1,647,680
Housing and economic development					
Community development					
Personal services	338,070	338,070	363,055	(24,985)	332,268
Supplies	22,000	22,000	11,845	10,155	7,840
Other services and charges	136,935	136,935	144,888	(7,953)	160,746
Total housing and economic development	497,005	497,005	519,788	(22,783)	500,854

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, 2017  
With Comparative Actual Amounts for the Year Ended December 31, 2016

	2017			2016
	Budgeted Amounts		Actual	Actual
	Original	Final	Amounts	Amounts
Expenditures (Continued)				
Current (continued)				
Mass transit and other				
Mass transit				
Other services and charges	\$ 136,485	\$ 136,485	\$ 120,396	\$ 131,060
Other				
Personal services	-	-	20,126	35,053
Other services and charges	184,568	184,568	162,010	122,674
Total other	184,568	184,568	182,136	157,727
Total mass transit and other	321,053	321,053	302,532	288,787
Total current	7,128,286	7,128,286	7,219,477	7,048,208
Capital outlay				
General government	1,700	1,700	-	-
Public safety	1,000	1,000	125,000	-
Public works	400,000	400,000	319,453	223,130
Culture and recreation	367,000	367,000	301,074	91,356
Housing and economic development	-	-	22,048	-
Total capital outlay	769,700	769,700	767,575	314,486
Total Expenditures	7,897,986	7,897,986	7,987,052	7,362,694
Excess (Deficiency) of Revenues Over (Under) Expenditures	(137,968)	(137,968)	68,595	194,824
Other Financing Sources (Uses)				
Sale of capital assets	500	500	18,000	-
Transfers in	275,202	275,202	271,750	279,350
Transfers out	(175,000)	(175,000)	(235,022)	(186,029)
Total Other Financing Sources (Uses)	100,702	100,702	54,728	93,321
Net Change in Fund Balances	(37,266)	(37,266)	123,323	288,145
Fund Balances, January 1	4,064,351	4,064,351	4,064,351	3,776,206
Fund Balances, December 31	\$ 4,027,085	\$ 4,027,085	\$ 4,187,674	\$ 4,064,351

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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, 2017

	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
<b>Assets</b>					
Cash and temporary investments	\$ 96,108	\$ 817,726	\$ -	\$ 259,673	\$ 388,332
Receivables					
Interest	-	-	-	-	-
Special assessments					
Delinquent	-	2,353	-	7,542	1,805
Noncurrent	17,782	601,815	-	461,954	303,655
Intergovernmental	-	4,748	-	8,563	-
<b>Total Assets</b>	<b>\$ 113,890</b>	<b>\$ 1,426,642</b>	<b>\$ -</b>	<b>\$ 737,732</b>	<b>\$ 693,792</b>
<b>Liabilities</b>					
Due to other funds	\$ -	\$ 1,520,944	\$ -	\$ -	\$ -
<b>Deferred Inflows of Resources</b>					
Unavailable revenue - special assessments	17,782	604,168	-	469,496	305,460
Unavailable revenue - intergovernmental	-	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>17,782</b>	<b>604,168</b>	<b>-</b>	<b>469,496</b>	<b>305,460</b>
<b>Fund Balances</b>					
Restricted	96,108	-	-	268,236	388,332
Unassigned	-	(698,470)	-	-	-
<b>Total Fund Balances</b>	<b>96,108</b>	<b>(698,470)</b>	<b>-</b>	<b>268,236</b>	<b>388,332</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 113,890</b>	<b>\$ 1,426,642</b>	<b>\$ -</b>	<b>\$ 737,732</b>	<b>\$ 693,792</b>

<b>348</b>	<b>311</b>	<b>349</b>	<b>350</b>	<b>356</b> 2015B	<b>357</b>
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
\$ 100	\$ -	\$ -	\$ -	\$ 428,028	\$ -
-	-	3,654	-	-	-
-	-	-	-	10,133	-
26,952	-	36,734	714,678	545,645	-
-	-	1,830,311	-	5,417	-
<u>\$ 27,052</u>	<u>\$ -</u>	<u>\$ 1,870,699</u>	<u>\$ 714,678</u>	<u>\$ 989,223</u>	<u>\$ -</u>
\$ 100	\$ -	\$ -	\$ -	\$ -	\$ -
26,952	-	36,734	714,678	555,778	-
-	-	1,830,000	-	-	-
<u>26,952</u>	<u>-</u>	<u>1,866,734</u>	<u>714,678</u>	<u>555,778</u>	<u>-</u>
-	-	3,965	-	433,445	-
-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>3,965</u>	<u>-</u>	<u>433,445</u>	<u>-</u>
<u>\$ 27,052</u>	<u>\$ -</u>	<u>\$ 1,870,699</u>	<u>\$ 714,678</u>	<u>\$ 989,223</u>	<u>\$ -</u>

City of North Mankato, Minnesota  
Debt Service Funds  
Combining Balance Sheet (Continued)  
December 31, 2017

	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
Assets					
Cash and temporary investments	\$ 24,578	\$ -	\$ -	\$ -	\$ 31,883
Receivables					
Interest	-	-	-	-	-
Special assessments					
Delinquent	-	-	-	-	-
Noncurrent	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Total Assets	<u>\$ 24,578</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,883</u>
Liabilities					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -
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	24,578	-	-	-	31,883
Unassigned	-	-	-	-	-
Total Fund Balances	<u>24,578</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,883</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 24,578</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,883</u>

<b>378</b> 2015A G.O. Impr. Bonds West Carlson Portion	<b>379</b> 2010D G.O. Tax Increment Bonds	<b>336</b> 2016A G.O. Improvement Bonds	Totals
\$ -	\$ 31,814	\$ 70,870	\$ 2,149,112
-	-	-	3,654
-	-	-	21,833
348,286	-	148,923	3,206,424
-	-	-	1,849,039
<u>\$ 348,286</u>	<u>\$ 31,814</u>	<u>\$ 219,793</u>	<u>\$ 7,230,062</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,521,044</u>
348,286	-	148,923	3,228,257
-	-	-	1,830,000
<u>348,286</u>	<u>-</u>	<u>148,923</u>	<u>5,058,257</u>
-	31,814	70,870	1,349,231
-	-	-	(698,470)
<u>-</u>	<u>31,814</u>	<u>70,870</u>	<u>650,761</u>
<u>\$ 348,286</u>	<u>\$ 31,814</u>	<u>\$ 219,793</u>	<u>\$ 7,230,062</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, 2017

	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	\$ -	\$ 1,553,036	\$ -	\$ -	\$ -
Special assessments	2,322	28,396	-	157,616	204,180
Intergovernmental					
State					
Street construction aid	-	-	-	-	-
Investment earnings	-	77	-	-	-
Miscellaneous					
Other	-	-	-	-	-
Total Revenues	<u>2,322</u>	<u>1,581,509</u>	<u>-</u>	<u>157,616</u>	<u>204,180</u>
Expenditures					
Debt service					
Principal	55,000	-	230,000	-	120,000
Interest and other costs	<u>26,388</u>	<u>-</u>	<u>17,515</u>	<u>-</u>	<u>7,720</u>
Total Expenditures	<u>81,388</u>	<u>-</u>	<u>247,515</u>	<u>-</u>	<u>127,720</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(79,066)</u>	<u>1,581,509</u>	<u>(247,515)</u>	<u>157,616</u>	<u>76,460</u>
Other Financing Sources (Uses)					
Transfers in	175,174	-	247,515	-	-
Transfers out	<u>-</u>	<u>(1,075,370)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>175,174</u>	<u>(1,075,370)</u>	<u>247,515</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	96,108	506,139	-	157,616	76,460
Fund Balances, January 1	<u>-</u>	<u>(1,204,609)</u>	<u>-</u>	<u>110,620</u>	<u>311,872</u>
Fund Balances, December 31	<u>\$ 96,108</u>	<u>\$ (698,470)</u>	<u>\$ -</u>	<u>\$ 268,236</u>	<u>\$ 388,332</u>



<b>348</b>	<b>311</b>	<b>349</b>	<b>350</b>	<b>356</b> 2015B	<b>357</b>
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
\$ - 15,631	\$ - -	\$ - 14,943	\$ - -	\$ - 162,836	\$ - -
-	-	271,066	-	-	-
-	-	4,612	-	-	-
-	-	-	-	-	-
<u>15,631</u>	<u>-</u>	<u>290,621</u>	<u>-</u>	<u>162,836</u>	<u>-</u>
175,000	225,000	2,260,000	150,000	200,000	85,000
16,238	74,363	87,750	66,125	68,985	5,444
<u>191,238</u>	<u>299,363</u>	<u>2,347,750</u>	<u>216,125</u>	<u>268,985</u>	<u>90,444</u>
<u>(175,607)</u>	<u>(299,363)</u>	<u>(2,057,129)</u>	<u>(216,125)</u>	<u>(106,149)</u>	<u>(90,444)</u>
175,607	299,363	96,577	120,254	-	90,444
-	-	-	-	-	-
<u>175,607</u>	<u>299,363</u>	<u>96,577</u>	<u>120,254</u>	<u>-</u>	<u>90,444</u>
-	-	(1,960,552)	(95,871)	(106,149)	-
-	-	1,964,517	95,871	539,594	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,965</u>	<u>\$ -</u>	<u>\$ 433,445</u>	<u>\$ -</u>

City of North Mankato, Minnesota  
Debt Service Funds  
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances (Continued)  
For the Year Ended December 31, 2017

	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	-	-	-	-	-
Miscellaneous					
Other	-	3,000	-	-	-
Total Revenues	<u>-</u>	<u>3,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures					
Debt service					
Principal	125,000	135,000	160,000	135,000	10,000
Interest and other costs	45,543	4,050	18,397	91,032	19,740
Total Expenditures	<u>170,543</u>	<u>139,050</u>	<u>178,397</u>	<u>226,032</u>	<u>29,740</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(170,543)</u>	<u>(136,050)</u>	<u>(178,397)</u>	<u>(226,032)</u>	<u>(29,740)</u>
Other Financing Sources (Uses)					
Transfers in	-	136,050	178,397	226,032	29,740
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>136,050</u>	<u>178,397</u>	<u>226,032</u>	<u>29,740</u>
Net Change in Fund Balances	(170,543)	-	-	-	-
Fund Balances, January 1	<u>195,121</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,883</u>
Fund Balances, December 31	<u>\$ 24,578</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,883</u>

<b>378</b> 2015A G.O. Impr. Bonds West Carlson Portion	<b>379</b> 2010D G.O. Tax Increment Bonds	<b>336</b> 2016A G.O. Improvement Bonds	Totals
\$ -	\$ -	\$ -	\$ 1,553,036
-	-	34,002	619,926
-	-	-	271,066
-	-	-	4,689
-	-	-	3,000
-	-	34,002	2,451,717
-	55,000	-	4,120,000
-	33,460	26,332	609,082
-	88,460	26,332	4,729,082
-	(88,460)	7,670	(2,277,365)
-	69,512	-	1,844,665
-	-	-	(1,075,370)
-	69,512	-	769,295
-	(18,948)	7,670	(1,508,070)
-	50,762	63,200	2,158,831
\$ -	\$ 31,814	\$ 70,870	\$ 650,761

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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.

Minnesota River Valley Task Force fund: This fund accounts for the activities of the multijurisdictional task force for which the City is the fiscal agent.

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, 2017  
With Comparative Totals for December 31, 2016

	<b>861</b> Public Access Authority	<b>862</b> Public Access Equipment	<b>863</b> Minnesota River Valley Task Force
<b>Assets</b>			
Cash and cash equivalents	\$ 10,585	\$ (3,716)	\$ 29
Receivables			
Accounts	-	3,716	-
Intergovernmental	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>
Total Assets	<u><u>\$ 10,585</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 29</u></u>
<b>Liabilities</b>			
Accounts payable	\$ 10,563	\$ -	\$ -
Due to other governments	22	-	29
	<u>          </u>	<u>          </u>	<u>          </u>
Total Liabilities	<u><u>\$ 10,585</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 29</u></u>



864 10% Gambling	865 Tactical Response Team	Totals	
		2017	2016
\$ 25,677	\$ 15,679	\$ 48,254	\$ 114,282
-	-	3,716	7,373
-	-	-	154,415
<u>\$ 25,677</u>	<u>\$ 15,679</u>	<u>\$ 51,970</u>	<u>\$ 276,070</u>
\$ -	\$ -	\$ 10,563	\$ 18,844
25,677	15,679	41,407	257,226
<u>\$ 25,677</u>	<u>\$ 15,679</u>	<u>\$ 51,970</u>	<u>\$ 276,070</u>

City of North Mankato, Minnesota  
Agency Funds  
Statement of Changes in Assets and Liabilities  
For the Year Ended December 31, 2017

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
<b>Public Access Authority (861)</b>				
Assets				
Cash and temporary investments	\$ (143,771)	\$ 206,291	\$ 51,935	\$ 10,585
Receivables				
Due from other governments	154,415	-	154,415	-
Total Assets	<u>\$ 10,644</u>	<u>\$ 206,291</u>	<u>\$ 206,350</u>	<u>\$ 10,585</u>
Liabilities				
Accounts payable	\$ 10,644	\$ 62,055	\$ 62,136	\$ 10,563
Due to other governments	-	144,236	144,214	22
Total Liabilities	<u>\$ 10,644</u>	<u>\$ 206,291</u>	<u>\$ 206,350</u>	<u>\$ 10,585</u>
<b>Public Access Equipment (862)</b>				
Assets				
Cash and temporary investments	\$ 233,703	\$ 75,411	\$ 312,830	\$ (3,716)
Receivables				
Accounts	6,737	-	3,021	3,716
Total Assets	<u>\$ 240,440</u>	<u>\$ 75,411</u>	<u>\$ 315,851</u>	<u>\$ -</u>
Liabilities				
Due to other governments	<u>\$ 240,440</u>	<u>\$ 75,411</u>	<u>\$ 315,851</u>	<u>\$ -</u>
<b>Minnesota River Valley Task Force (863)</b>				
Assets				
Cash and temporary investments	<u>\$ -</u>	<u>\$ 29</u>	<u>\$ -</u>	<u>\$ 29</u>
Liabilities				
Due to other governments	<u>\$ -</u>	<u>\$ 29</u>	<u>\$ -</u>	<u>\$ 29</u>

City of North Mankato, Minnesota  
Agency Funds  
Statement of Changes in Assets and Liabilities (Continued)  
For the Year Ended December 31, 2017

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
<b>10% Gambling (864)</b>				
Assets				
Cash and temporary investments	\$ 13,576	\$ 27,100	\$ 14,999	\$ 25,677
Receivables				
Accounts	636	-	636	-
Total Assets	<u>\$ 14,212</u>	<u>\$ 27,100</u>	<u>\$ 15,635</u>	<u>\$ 25,677</u>
Liabilities				
Accounts payable	\$ 8,200	\$ -	\$ 8,200	\$ -
Due to other governments	6,012	27,100	7,435	25,677
Total Liabilities	<u>\$ 14,212</u>	<u>\$ 27,100</u>	<u>\$ 15,635</u>	<u>\$ 25,677</u>
<b>Tactical Response Team (865)</b>				
Assets				
Cash and temporary investments	<u>\$ 10,774</u>	<u>\$ 7,500</u>	<u>\$ 2,595</u>	<u>\$ 15,679</u>
Liabilities				
Accounts payable	\$ -	\$ 1,595	\$ 1,595	\$ -
Due to other governments	10,774	5,905	1,000	15,679
Total Liabilities	<u>\$ 10,774</u>	<u>\$ 7,500</u>	<u>\$ 2,595</u>	<u>\$ 15,679</u>
Totals - All Funds				
Assets				
Cash and temporary investments	\$ 114,282	\$ 316,331	\$ 382,359	\$ 48,254
Receivables				
Accounts	7,373	-	3,657	3,716
Due from other governments	154,415	-	154,415	-
Total Assets	<u>\$ 276,070</u>	<u>\$ 316,331</u>	<u>\$ 540,431</u>	<u>\$ 51,970</u>
Liabilities				
Accounts payable	\$ 18,844	\$ 63,650	\$ 71,931	\$ 10,563
Due to other governments	257,226	252,681	468,500	41,407
Total Liabilities	<u>\$ 276,070</u>	<u>\$ 316,331</u>	<u>\$ 540,431</u>	<u>\$ 51,970</u>

City of North Mankato, Minnesota  
Summary Financial Report  
Revenues and Expenditures For General Operations  
Governmental Funds  
For the Years Ended December 31, 2017 and 2016

	Totals		Percent Increase (Decrease)
	2017	2016	
Revenues			
Taxes	\$ 7,547,706	\$ 7,151,989	5.53 %
Special assessments	626,722	1,081,990	(42.08)
Licenses and permits	470,642	360,412	30.58
Intergovernmental	3,341,194	3,274,720	2.03
Charges for services	278,806	242,214	15.11
Fines and forfeits	28,220	31,247	(9.69)
Investment earnings (loss)	10,183	20,668	(50.73)
Miscellaneous	349,960	387,790	(9.76)
Total Revenues	<u>\$ 12,653,433</u>	<u>\$ 12,551,030</u>	0.82 %
Per Capita	<u>\$ 916</u>	<u>\$ 924</u>	(0.86) %
Expenditures			
Current			
General government	\$ 782,884	\$ 752,144	4.09 %
Public safety	2,304,769	2,183,726	5.54
Public works	1,661,692	1,684,396	(1.35)
Culture and recreation	1,685,943	1,682,465	0.21
Housing and economic development	938,991	858,799	9.34
Miscellaneous	302,532	288,787	4.76
Capital outlay			
General government	-	387,795	(100.00)
Public safety	236,050	605,948	(61.04)
Public works	532,468	2,093,940	(74.57)
Culture and recreation	521,691	96,901	438.38
Economic development	83,759	-	100.00
Debt service			
Principal	4,232,000	2,322,000	82.26
Interest and other charges	623,082	707,537	(11.94)
Bond issuance costs	-	37,015	(100.00)
Total Expenditures	<u>\$ 13,905,861</u>	<u>\$ 13,701,453</u>	1.49 %
Per Capita	<u>\$ 1,007</u>	<u>\$ 1,009</u>	(0.20) %
Total Long-Term Indebtedness	\$ 17,244,000	\$ 21,896,000	(21.25) %
Per Capita	1,248	1,612	(22.56)
General Fund Balance - December 31	\$ 4,187,674	\$ 4,064,351	3.03 %
Per Capita	303	299	1.32

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 5600. Questions about this report should be directed to the Finance Director at (507) 625-4141.



# STATISTICAL SECTION (UNAUDITED)

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

## **Financial Trends**

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

## **Revenue Capacity**

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

## **Debt Capacity**

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

## **Demographic and Economic Information**

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

## **Operating Information**

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

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City of North Mankato, Minnesota  
Net Position By Component  
Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year				
	2017	2016	2015	2014*	2013
Governmental Activities					
Net investment in capital assets	\$ 26,221,794	\$ 24,879,816	\$ 25,459,305	\$ 18,290,571	\$ 19,673,984
Restricted	8,981,442	8,410,399	8,277,733	8,188,704	8,745,277
Unrestricted	(183,601)	(1,059,506)	(737,444)	27,057	2,792,772
Total Governmental Activities Net Position	<u>35,019,635</u>	<u>32,230,709</u>	<u>32,999,594</u>	<u>26,506,332</u>	<u>31,212,033</u>
Business-type Activities					
Net investment in capital assets	19,401,310	18,591,065	18,717,246	17,491,003	17,093,203
Unrestricted	1,750,317	1,944,589	1,818,513	2,716,102	3,281,817
Total Business-type Activities Net Position	<u>21,151,627</u>	<u>20,535,654</u>	<u>20,535,759</u>	<u>20,207,105</u>	<u>20,375,020</u>
Primary Government					
Net investment in capital assets	45,623,104	43,470,881	44,176,551	35,781,574	36,767,187
Restricted	8,981,442	8,410,399	8,277,733	8,188,704	8,745,277
Unrestricted	1,566,716	885,083	1,081,069	2,743,159	6,074,589
Total Primary Government Net Position	<u>\$ 56,171,262</u>	<u>\$ 52,766,363</u>	<u>\$ 53,535,353</u>	<u>\$ 46,713,437</u>	<u>\$ 51,587,053</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				
2012	2011	2010	2009	2008
\$ 22,078,379	\$ 21,718,486	\$ 17,936,216	\$ 19,365,624	\$ 17,817,241
7,064,989	9,836,509	9,430,699	9,176,578	9,114,637
2,738,240	1,925,231	5,332,038	4,146,659	1,333,792
31,881,608	33,480,226	32,698,953	32,688,861	28,265,670
16,189,284	16,548,626	16,636,920	16,782,600	17,083,850
3,169,994	3,011,862	3,002,540	2,906,271	3,027,945
19,359,278	19,560,488	19,639,460	19,688,871	20,111,795
38,267,663	38,267,112	34,573,136	36,148,224	34,901,091
7,064,989	9,836,509	9,430,699	9,176,578	9,114,637
5,908,234	4,937,093	8,334,578	7,052,930	4,361,737
<u>\$ 51,240,886</u>	<u>\$ 53,040,714</u>	<u>\$ 52,338,413</u>	<u>\$ 52,377,732</u>	<u>\$ 48,377,465</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				
	2017	2016	2015	2014*	2013
Expenses					
Governmental Activities					
General government	\$ 861,884	\$ 1,282,018	\$ 824,191	\$ 782,620	\$ 1,034,873
Public safety	2,582,049	2,840,353	2,054,079	2,245,466	2,397,246
Public works	3,693,176	3,387,740	2,874,244	5,729,610	7,230,368
Culture and recreation	1,961,563	2,039,352	1,737,105	1,632,255	1,597,289
Housing and economic development	1,015,852	2,387,348	889,363	1,596,016	706,987
Mass transit and other	302,532	288,787	386,098	302,116	119,821
Interest on long-term debt	552,578	686,477	1,017,615	803,195	570,917
Total Governmental Activities Expenses	<u>10,969,634</u>	<u>12,912,075</u>	<u>9,782,695</u>	<u>13,091,278</u>	<u>13,657,501</u>
Business-type Activities					
Water	1,674,978	1,677,867	1,637,985	1,595,455	1,458,952
Sewer	2,177,514	1,946,051	1,864,280	1,549,721	1,354,223
Sanitation	388,733	373,509	558,817	416,917	1,267,083
Solid waste	647,736	693,275	590,757	1,006,229	-
Storm water	294,943	303,974	209,573	258,842	269,966
Total Business-type Activities Expenses	<u>5,183,904</u>	<u>4,994,676</u>	<u>4,861,412</u>	<u>4,827,164</u>	<u>4,350,224</u>
Total Primary Government Expenses	<u>\$ 16,153,538</u>	<u>\$ 17,906,751</u>	<u>\$ 14,644,107</u>	<u>\$ 17,918,442</u>	<u>\$ 18,007,725</u>
Program Revenues					
Governmental Activities					
Charges for services					
General government	\$ 162,710	\$ 140,856	\$ 125,230	\$ 143,601	\$ 133,401
Public safety	380,925	334,361	380,576	269,795	311,979
Public works	7,843	6,735	2,218	4,924	6,318
Culture and recreation	241,729	204,071	171,514	119,515	192,688
Housing and economic development	77,828	128,982	71,702	74,962	25,361
Miscellaneous	-	-	-	-	19
Operating grants and contributions	473,992	504,154	522,566	486,412	534,427
Capital grants and contributions	1,076,301	1,077,024	5,822,778	321,726	4,025,677
Total Governmental Activities Program Revenues	<u>2,421,328</u>	<u>2,396,183</u>	<u>7,096,584</u>	<u>1,420,935</u>	<u>5,229,870</u>
Business-type Activities					
Charges for services					
Water	2,005,102	1,772,186	1,775,111	1,818,389	1,524,399
Sewer	2,453,362	2,097,858	2,056,200	2,092,942	1,535,142
Sanitation	485,091	466,183	496,243	392,086	1,292,386
Solid waste	741,372	736,586	720,103	905,274	-
Storm water	279,939	276,474	278,071	275,168	275,025
Operating grants and contributions	287	4,044	-	22,359	-
Capital grants and contributions	44,684	23,482	19,588	7,605	4,354
Total Business-type Activities Program Revenues	<u>6,009,837</u>	<u>5,376,813</u>	<u>5,345,316</u>	<u>5,513,823</u>	<u>4,631,306</u>
Total Primary Government Program Revenues	<u>\$ 8,431,165</u>	<u>\$ 7,772,996</u>	<u>\$ 12,441,900</u>	<u>\$ 6,934,758</u>	<u>\$ 9,861,176</u>

Table 2

Fiscal Year				
2012	2011	2010	2009	2008
\$ 849,434	\$ 952,893	\$ 959,723	\$ 930,604	\$ 1,008,554
2,370,427	2,234,322	2,264,321	2,286,258	2,214,366
6,163,789	3,698,093	3,560,018	3,406,397	3,262,925
1,892,795	1,744,224	1,674,756	1,342,384	1,228,603
223,016	498,794	209,738	243,652	141,947
208,994	258,873	487,047	121,883	449,855
671,015	752,795	739,561	811,657	961,301
<u>12,379,470</u>	<u>10,139,994</u>	<u>9,895,164</u>	<u>9,142,835</u>	<u>9,267,551</u>
1,433,452	1,522,644	1,473,548	1,526,268	1,378,921
1,539,133	1,498,908	1,544,390	1,607,815	1,429,251
1,292,299	1,263,485	1,252,643	1,231,517	1,304,752
-	-	-	-	-
153,220	181,044	173,870	163,749	152,949
<u>4,418,104</u>	<u>4,466,081</u>	<u>4,444,451</u>	<u>4,529,349</u>	<u>4,265,873</u>
<u>\$ 16,797,574</u>	<u>\$ 14,606,075</u>	<u>\$ 14,339,615</u>	<u>\$ 13,672,184</u>	<u>\$ 13,533,424</u>
\$ 145,142	\$ 112,111	\$ 106,238	\$ 103,099	\$ 102,951
455,110	598,884	436,145	350,957	400,619
37,434	130,487	3,932	1,036	1,197
218,307	245,129	248,396	153,760	166,278
36,004	8,630	7,803	7,851	-
70	105	131	1,153	66
507,249	633,072	231,029	222,321	201,368
1,316,674	2,460,239	1,725,806	5,161,365	1,281,966
<u>2,715,990</u>	<u>4,188,657</u>	<u>2,759,480</u>	<u>6,001,542</u>	<u>2,154,445</u>
1,615,436	1,499,185	1,523,160	1,578,865	1,611,559
1,525,340	1,510,772	1,490,287	1,506,070	1,561,157
1,333,111	1,394,977	1,335,497	1,261,556	1,306,662
-	-	-	-	-
274,823	272,689	272,530	268,913	263,539
-	4,994	-	-	-
3,668	(6,230)	14,438	(5,735)	9,509
<u>4,752,378</u>	<u>4,676,387</u>	<u>4,635,912</u>	<u>4,609,669</u>	<u>4,752,426</u>
<u>\$ 7,468,368</u>	<u>\$ 8,865,044</u>	<u>\$ 7,395,392</u>	<u>\$ 10,611,211</u>	<u>\$ 6,906,871</u>

City of North Mankato, Minnesota  
Changes in Net Position (Continued)  
Last Ten Fiscal Years  
(accrual basis of accounting)

	Fiscal Year				
	2017	2016	2015	2014*	2013
Program Revenues (Continued)					
Net (Expense)/Revenue					
Governmental Activities	\$ (8,548,306)	\$ (10,515,892)	\$ (2,686,111)	\$ (11,670,343)	\$ (8,427,631)
Business-type Activities	825,933	382,137	483,904	686,659	281,082
Total Primary Government Net Expense	<u>\$ 7,722,373</u>	<u>\$ 10,133,755</u>	<u>\$ 2,202,207</u>	<u>\$ 10,983,684</u>	<u>\$ 8,146,549</u>
General Revenues and Other					
Changes in Net Position					
Governmental Activities					
Taxes					
Property taxes, levied for general purposes	\$ 4,357,623	\$ 4,281,047	\$ 4,124,649	\$ 3,881,293	\$ 3,802,650
Property taxes, levied for debt service	1,553,036	1,541,476	1,472,150	1,530,005	1,523,672
Tax increments	388,080	289,401	312,705	340,664	-
Local option sales tax	569,952	582,290	588,643	531,148	536,417
Hotel-motel tax	47,430	54,156	55,209	48,590	46,550
Gambling tax	35,779	26,306	21,422	18,792	16,443
Franchise taxes	549,872	402,406	413,458	355,218	344,761
Grants and contributions not restricted to specific programs	1,733,531	1,626,188	1,633,639	1,615,275	1,375,680
Unrestricted investment earnings	9,773	20,668	5,060	34,076	8,337
Other revenues	111,643	160,660	230,285	266,429	84,632
Gain on sale of capital assets	1,002,021	359,159	163,426	740,948	52,813
Transfers	258,962	403,250	158,727	97,101	(723,480)
Total Governmental Activities	<u>10,617,702</u>	<u>9,747,007</u>	<u>9,179,373</u>	<u>9,459,539</u>	<u>7,068,475</u>
Business-Type Activities					
Taxes					
Property taxes, levied for debt service	-	-	-	-	-
Local option sales tax	1,412	1,380	1,367	1,391	1,067
Unrestricted investment earnings	47,590	19,628	2,110	4,283	10,113
Transfers	(258,962)	(403,250)	(158,727)	(97,101)	723,480
Total Business-type Activities	<u>(209,960)</u>	<u>(382,242)</u>	<u>(155,250)</u>	<u>(91,427)</u>	<u>734,660</u>
Total Primary Government	<u>\$ 10,407,742</u>	<u>\$ 9,364,765</u>	<u>\$ 9,024,123</u>	<u>\$ 9,368,112</u>	<u>\$ 7,803,135</u>
Changes in Net Position					
Governmental Activities	\$ 2,069,396	\$ (768,885)	\$ 6,493,262	\$ (2,210,804)	\$ (1,359,156)
Business-Type Activities	615,973	(105)	328,654	595,232	1,015,742
Total Primary Government	<u>\$ 2,685,369</u>	<u>\$ (768,990)</u>	<u>\$ 6,821,916</u>	<u>\$ (1,615,572)</u>	<u>\$ (343,414)</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				
2012	2011	2010	2009	2008
\$ (9,663,480)	\$ (5,951,337)	\$ (7,135,684)	\$ (3,141,293)	\$ (7,113,106)
334,274	210,306	191,461	80,320	486,553
<u>\$ 9,329,206</u>	<u>\$ 5,741,031</u>	<u>\$ 6,944,223</u>	<u>\$ 3,060,973</u>	<u>\$ 6,626,553</u>
\$ 3,646,058	\$ 2,894,504	\$ 3,027,372	\$ 2,921,378	\$ 2,900,598
1,380,015	1,475,843	1,413,987	1,318,208	1,268,421
-	-	-	-	-
545,157	462,223	440,566	377,859	82,619
47,126	40,685	42,106	39,255	46,418
16,427	13,049	13,168	12,306	11,092
336,607	332,469	326,812	321,266	166,928
1,382,828	1,456,390	1,452,797	1,931,894	1,827,286
4,259	33,678	13,917	26,143	63,312
104,107	67,840	121,274	64,246	39,388
11,052	-	-	(6,136)	-
376,226	241,630	293,777	558,065	515,575
<u>7,849,862</u>	<u>7,018,311</u>	<u>7,145,776</u>	<u>7,564,484</u>	<u>6,921,637</u>
50,000	50,000	50,000	50,000	50,000
1,079	965	949	956	193
4,663	1,564	1,956	3,865	31,317
(376,226)	(241,630)	(293,777)	(558,065)	(515,575)
<u>(320,484)</u>	<u>(189,101)</u>	<u>(240,872)</u>	<u>(503,244)</u>	<u>(434,065)</u>
<u>\$ 7,529,378</u>	<u>\$ 6,829,210</u>	<u>\$ 6,904,904</u>	<u>\$ 7,061,240</u>	<u>\$ 6,487,572</u>
\$ (1,813,618)	\$ 1,066,974	\$ 10,092	\$ 4,423,191	\$ (191,469)
13,790	21,205	(49,411)	(422,924)	52,488
<u>\$ (1,799,828)</u>	<u>\$ 1,088,179</u>	<u>\$ (39,319)</u>	<u>\$ 4,000,267</u>	<u>\$ (138,981)</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						
2017	\$4,357,623	\$1,553,036	\$ 388,080	\$ 569,952	\$ 47,430	\$ 35,779	\$ 549,872	\$7,501,772
2016	4,281,047	1,541,476	289,401	582,290	54,156	26,306	402,406	7,177,082
2015	4,124,649	1,472,150	312,705	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

\* 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				
	2017	2016	2015	2014*	2013
General Fund					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-
Nonspendable	1,488,287	1,475,134	1,607,122	109	86,910
Unassigned	<u>2,699,387</u>	<u>2,589,217</u>	<u>2,169,084</u>	<u>3,315,595</u>	<u>2,702,101</u>
Total General Fund	<u>\$4,187,674</u>	<u>\$4,064,351</u>	<u>\$3,776,206</u>	<u>\$3,315,704</u>	<u>\$2,789,011</u>
All Other Governmental Funds					
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in					
Special revenue funds	-	-	-	-	-
Capital projects funds	-	-	-	-	-
Debt Service funds	-	-	-	-	-
Nonspendable	-	-	-	-	7,987
Restricted	4,456,249	5,175,272	3,964,229	3,056,286	283,663
Committed	-	-	-	-	196,439
Assigned	369,214	276,841	352,166	434,537	471,701
Unassigned	<u>(1,074,426)</u>	<u>(1,890,277)</u>	<u>(1,904,750)</u>	<u>(1,458,544)</u>	<u>(826,926)</u>
Total All Other Governmental Funds	<u>\$3,751,037</u>	<u>\$3,561,836</u>	<u>\$2,411,645</u>	<u>\$2,032,279</u>	<u>\$ 132,864</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				
2012	2011	2010	2009	2008
\$ -	\$ -	\$ -	\$ 171,481	\$ 73,864
-	-	-	1,938,446	1,855,865
86,949	76,564	79,792	-	-
2,731,388	2,085,321	2,238,480	-	-
<u>\$2,818,337</u>	<u>\$2,161,885</u>	<u>\$2,318,272</u>	<u>\$2,109,927</u>	<u>\$1,929,729</u>
\$ -	\$ -	\$ -	\$2,511,919	\$2,878,350
-	-	-	1,798,112	342,772
-	-	-	2,303,119	(722,371)
-	-	-	(3,525,136)	(2,715,778)
3,109	2,896	5,556	-	-
915,958	3,705,717	3,207,722	-	-
105,848	206,264	525,157	-	-
1,350,284	2,099,560	1,431,631	-	-
(1,131,951)	(1,086,396)	-	-	-
<u>\$1,243,248</u>	<u>\$4,928,041</u>	<u>\$5,170,066</u>	<u>\$3,088,014</u>	<u>\$ (217,027)</u>

City of North Mankato, Minnesota  
Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year				
	2017	2016	2015	2014*	2013
Revenues					
Taxes	\$ 7,547,706	\$ 7,151,989	\$ 7,054,778	\$ 6,696,431	\$ 6,264,476
Special assessments	626,722	1,081,990	1,856,215	1,133,696	1,252,603
Licenses and permits	470,642	360,412	448,871	357,809	388,769
Intergovernmental revenue	3,341,194	3,274,720	6,540,969	2,331,472	2,949,485
Charges for services	278,806	242,214	199,242	134,075	166,102
Fines and forfeits	28,220	31,247	27,578	20,068	21,599
Interest	10,183	20,668	5,060	34,217	8,337
Payment from Component Units	(350,000)	(350,000)	(350,000)	(350,000)	(350,000)
Other revenues	699,960	737,790	713,594	782,761	616,150
Total Revenues	<u>12,653,433</u>	<u>12,551,030</u>	<u>16,496,307</u>	<u>11,140,529</u>	<u>11,317,521</u>
Expenditures					
General government	782,884	752,144	839,835	785,958	992,041
Public safety	2,304,769	2,183,726	2,120,907	2,071,637	2,209,974
Public works	1,661,692	1,684,396	1,784,547	1,880,130	1,707,461
Culture and recreation	1,685,943	1,682,465	1,485,325	1,397,997	1,327,214
Housing and economic development	938,991	858,799	863,831	1,005,448	705,627
Miscellaneous	302,532	288,787	358,907	250,780	116,638
Capital outlay	1,373,968	3,184,584	9,065,255	3,463,555	2,430,920
Debt service					
Principal	4,232,000	2,322,000	3,380,567	3,147,726	2,136,130
Interest	623,082	707,537	959,390	746,813	620,370
Bond issuance costs	-	37,015	83,173	68,148	-
Total Expenditures	<u>13,905,861</u>	<u>13,701,453</u>	<u>20,941,737</u>	<u>14,818,192</u>	<u>12,246,375</u>
Deficiency of Revenues					
Under Expenditures	<u>(1,252,428)</u>	<u>(1,150,423)</u>	<u>(4,445,430)</u>	<u>(3,677,663)</u>	<u>(928,854)</u>
Other Financing Sources (Uses)					
Sale of capital assets	1,014,892	352,874	166,105	740,948	52,813
Transfers in	1,694,028	1,310,607	1,167,614	1,768,333	1,835,086
Debt issued	-	1,800,000	4,590,000	2,845,000	-
Refunding bonds issued	-	-	-	-	-
Premium (discount) on bonds issued	-	32,635	127,443	131,790	-
Payments to refunded bond escrow agent	-	-	-	-	(615,000)
Transfers out	<u>(1,143,968)</u>	<u>(907,357)</u>	<u>(765,864)</u>	<u>(1,357,977)</u>	<u>(1,514,507)</u>
Total Other Financing Sources (Uses)	<u>1,564,952</u>	<u>2,588,759</u>	<u>5,285,298</u>	<u>4,128,094</u>	<u>(241,608)</u>
Net Change in Fund Balances	<u>\$ 312,524</u>	<u>\$ 1,438,336</u>	<u>\$ 839,868</u>	<u>\$ 450,431</u>	<u>\$ (1,170,462)</u>
Debt service as a percentage of noncapital expenditures	38%	29%	39%	32%	20%

\* 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				
2012	2011	2010	2009	2008
\$ 5,976,295	\$ 5,278,200	\$ 5,217,778	\$ 4,973,898	\$ 4,451,394
928,169	766,699	709,385	1,779,206	1,563,332
526,752	521,628	477,704	347,939	359,611
2,679,783	4,141,816	3,145,988	4,326,710	2,435,714
164,332	296,974	166,744	128,919	186,026
27,172	29,492	37,566	38,850	48,334
3,708	33,678	13,917	26,143	63,312
(350,000)	-	-	-	-
774,640	695,383	299,969	1,061,107	168,361
10,730,851	11,763,870	10,069,051	12,682,772	9,276,084
927,260	937,067	906,426	866,921	948,751
2,171,535	2,093,243	1,972,956	1,978,722	1,479,445
1,776,726	1,870,220	1,524,184	1,540,916	1,246,102
1,522,910	1,528,750	1,490,825	1,277,069	2,080,112
223,016	498,757	209,738	243,652	141,947
110,127	154,165	178,640	139,897	158,480
5,242,222	3,846,946	3,726,148	3,533,734	5,680,942
2,440,000	3,933,000	3,796,000	5,127,000	5,390,604
688,637	760,628	788,915	892,263	784,997
16,348	-	-	-	-
15,118,781	15,622,776	14,593,832	15,600,174	17,911,380
(4,387,930)	(3,858,906)	(4,524,781)	(2,917,402)	(8,635,296)
-	-	-	-	-
1,001,497	3,535,474	3,328,062	698,849	1,535,833
1,000,423	3,215,000	3,055,000	5,986,000	6,255,000
-	-	3,455,000	-	-
-	3,864	11,401	111,574	(120,949)
-	-	-	-	-
(642,331)	(3,293,844)	(3,034,285)	(393,782)	(696,978)
1,359,589	3,460,494	6,815,178	6,402,641	6,972,906
\$ (3,028,341)	\$ (398,412)	\$ 2,290,397	\$ 3,485,239	\$ (1,662,390)
25%	39%	40%	46%	49%

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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
2017	\$5,956,593	\$ 388,080	\$ 569,952	\$ 549,872	\$ 47,430	\$ 35,779	\$7,547,706
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 *	5,402,019	340,664	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

\* 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
2017	\$8,176,648	\$3,190,937	\$ 203,232	\$ 314,983	\$ 11,255,834
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

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
52.485	\$ 974,012,800	1.19 %
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



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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	
2017	39.689 %	12.796 %	52.485 %	52.610 %	22.417 %	0.474 %	127.986 %
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

Source: Nicollet County Auditor

City of North Mankato, Minnesota  
Principal Property Taxpayers  
Current Year and Nine Years Ago

Taxpayer	Type of Business	2017		
		Taxable Tax Capacity	Rank	Percentage of Total Taxable Assessed Value
Taylor Corporation	Printing	\$ 464,792	1	4.1 %
Kato Engineering	Electric rotating equipment	222,968	2	2.0
Costumes Galore	Costumes	192,054	3	1.7
Carlson Wedding Service	Specialty printing	185,706	4	1.6
Wis-Pak of Mankato	Bottling	-		-
Corporate Graphics	Printing	162,840	5	1.4
Carlson Craft Commercial	Specialty printing	153,768	6	1.4
LJP Enterprises	Sanitation	140,218	7	1.2
Ziegler Mankato LLC	Sales and service of Cat equipment	137,892	8	1.2
Monarch Meadows	Residential	126,508	9	1.1
Craig Theunick	Residential	110,738	10	1.0
Fine Impressions Envelope Printing	Specialty printing	-		-
Alternative Continuum of Care	Residential	-		-
MICO	Hydraulic products	-		-
Coloplast Corporation	Skin care and hygiene products	-		-
Total		<u>\$1,897,484</u>		<u>16.7 %</u>

Source: Blue Earth County Administrative Services.

Table 9

2008		
Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
\$ 427,548	1	4.1 %
121,266	4	1.2
-		-
105,340	6	1.0
110,632	5	1.1
125,598	3	1.2
132,100	2	1.3
-		-
-		-
-		-
-		-
96,778	7	0.9
69,845	8	0.7
69,746	9	0.7
64,506	10	0.6
<u>\$ 1,323,359</u>		<u>12.8 %</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
2017	\$ 5,910,292	\$ 5,876,562	99.4 %	\$ -	\$ 5,876,562	99.4 %
2016	5,794,404	5,776,735	99.7	11,403	5,788,138	99.9
2015	5,596,414	5,552,914	99.2	33,615	5,586,529	99.8
2014	5,383,784	5,332,446	99.0	41,374	5,373,820	99.8
2013	5,383,784	5,330,133	99.0	48,069	5,378,202	99.9
2012	5,152,123	5,107,411	99.1	41,310	5,148,721	99.9
2011	4,814,154	4,757,059	98.8	55,069	4,812,128	100.0
2010	4,814,154	4,734,892	98.4	77,478	4,812,370	100.0
2009	4,674,079	4,603,876	98.5	69,121	4,672,997	100.0
2008	4,603,569	4,540,135	98.6	62,379	4,602,514	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
2017	\$5,387,792	\$1,116,583	\$ 8,380,704	\$2,219,921	\$ 404,000	\$ -
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

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				
\$9,075,484	\$ 928,980	\$ 27,513,464	5.32 %	\$	1,981
9,488,786	1,045,401	32,729,109	6.56		2,369
10,601,119	1,148,513	34,463,662	7.22		2,532
5,441,648	1,855,614	30,647,333	6.66		2,267
6,016,600	1,919,760	30,247,040	6.77		2,237
6,578,565	1,983,906	31,975,384	7.40		2,375
7,911,190	1,120,000	33,924,190	8.13		2,533
8,520,257	1,180,000	35,311,257	8.71		2,636
8,217,592	1,235,000	32,454,592	8.47		2,488
8,008,063	1,290,000	31,336,063	8.49		2,423



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
2017	\$ 5,387,792	\$ 1,116,583	\$ 8,380,704	\$ 2,219,921	\$ 9,075,484	\$ 928,980
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

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

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

Table 12

Total Primary Government	Less: Amounts Restricted for Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
\$ 27,109,464	\$ 1,349,231	\$ 25,760,233	2.64 %	\$ 1,855
32,213,109	3,363,440	28,849,669	3.14	2,089
33,835,662	858,650	32,977,012	3.67	2,423
30,019,333	859,809	29,159,524	3.40	2,157
29,454,747	542,661	28,912,086	3.09	2,138
28,654,961	494,778	28,160,183	3.23	2,092
30,664,190	410,177	30,254,013	3.46	2,259
35,206,257	77,039	35,129,218	3.80	2,623
32,184,592	15,868	32,168,724	3.36	2,466
30,531,063	48,198	30,482,865	2.97	2,357

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City of North Mankato, Minnesota  
Computation of Direct and Overlapping Debt  
December 31, 2017

Table 13

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Direct Debt			
City of North Mankato	<u>\$ 17,509,000</u>	100.00 %	<u>\$17,509,000</u>
Overlapping Debt			
Nicollet County	15,225,000	24.29	3,698,153
Blue Earth County	21,949,677	0.01	1,536
Independent School Dist. 77	<u>90,205,000</u>	18.51	<u>16,696,946</u>
Total overlapping debt	<u>127,379,677</u>		<u>20,396,635</u>
 Total Direct and Overlapping Debt	 <u><u>\$ 144,888,677</u></u>		 <u><u>\$37,905,635</u></u>

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

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

# City of North Mankato, Minnesota

## Legal Debt Margin Information

Last Ten Fiscal Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014*</u>	<u>2013</u>
Debt Limit	\$ 29,220,384	\$ 27,605,520	\$ 26,948,508	\$ 25,707,411	\$ 28,036,233
Total Net Debt Applicable to Limit	<u>5,387,792</u>	<u>5,951,991</u>	<u>5,991,378</u>	<u>8,169,700</u>	<u>5,526,338</u>
Legal Debt Margin	<u>\$ 23,832,592</u>	<u>\$ 21,653,529</u>	<u>\$ 20,957,130</u>	<u>\$ 17,537,711</u>	<u>\$ 22,509,895</u>
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	18.44%	21.56%	22.23%	31.78%	19.71%

Total Estimated Market Value	<u>\$ 974,012,800</u>
Debt limit (3% of total assessed value)	29,220,384
Debt applicable to limit:	
General obligation bonds	<u>5,387,792</u>
Total net debt applicable to limit	<u>5,387,792</u>
Legal Debt Margin	<u>\$ 23,832,592</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>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
\$ 26,120,184	\$ 26,222,790	\$ 27,714,156	\$ 27,804,603	\$ 24,497,850
<u>2,638,766</u>	<u>2,488,000</u>	<u>2,963,000</u>	<u>2,771,000</u>	<u>2,940,000</u>
<u><u>\$ 23,481,418</u></u>	<u><u>\$ 23,734,790</u></u>	<u><u>\$ 24,751,156</u></u>	<u><u>\$ 25,033,603</u></u>	<u><u>\$ 21,557,850</u></u>
10.10%	9.49%	10.69%	9.97%	12.00%

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 <sup>(2)</sup>	Net Revenue Available for Debt Service	Debt Service Requirements <sup>(1)</sup>			Coverage
				Principal	Interest	Total	
2017	\$6,014,155	\$4,055,954	\$1,958,201	\$ 924,179	\$ 247,899	\$1,172,078	1.67
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

Source: City of North Mankato Financial Records.

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

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

(2) Does not include depreciation.

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

City of North Mankato, Minnesota  
Demographic and Economic Statistics  
Last Ten Fiscal Years

Table 16

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
2017	13,889	\$ 516,851,357	\$ 37,213	38.4	8,396	2.6 %
2016	13,813	499,049,877	36,129	38.9	8,381	2.4
2015	13,610	477,397,970	35,077	36.8	8,076	3.2
2014	13,520	460,423,600	34,055	37.7	7,718	2.6
2013	13,520	447,011,760	33,063	35.5	7,598	4.1
2012	13,462	432,130,200	32,100	35.5	7,354	4.4
2011	13,394	417,424,010	31,165	33.8	7,392	5.6
2010	13,394	405,262,258	30,257	33.8	7,258	4.6
2009	13,045	383,209,920	29,376	33.8	7,022	6.2
2008	12,935	368,906,200	28,520	33.8	6,999	5.3

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 rate. 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

	2017				2008		
	Employees	Rank	Percentage of Total City Employment		Employees	Rank	Percentage of Total City Employment
Taylor Companies (various subsidiaries)	2,682	1	4.5 %		2,000	1	3.3 %
Mayo Clinic Health System (Formerly ISJ Hospital)	2,205	2	3.7		1,828	3	3.1
Minnesota State University Mankato	1,700	3	2.8		1,450	4	2.4
Independent School District 77 (Mankato)	1,400	4	2.3		1,993	2	3.3
MRCI	1,200	5	2.0		-		-
Mankato Clinic	676	6	1.1		725	5	1.2
Wal-Mart Distribution Center	525	7	0.9		-		-
Kato Engineering	476	8	0.8		350	10	0.6
Blue Earth County	450	9	0.8		-		-
City of Mankato	332	10	0.6		-		-
Verizon Wireless (Formerly Alltel Wireless)	-		-		422	8	0.7
Bethany Lutheran	-		-		432	7	0.7
South Central Technical College	-		-		550	6	0.9
Hickory Tech	-		-		400	9	0.7
Total	<u>11,646</u>		<u>19.4 %</u>		<u>10,150</u>		<u>18.5 %</u>
Total City Employment	<u>59,920</u>				<u>54,729</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				
	2017	2016	2015	2014	2013
General Government	3.5	4.0	9.5	9.5	10.5
Public Safety					
Police					
Officers	14.0	13.0	14.0	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	9.3	8.3	10.0	10.0	10.0
Culture and Recreation					
Parks	5.0	4.8	4.0	5.0	5.0
Library	7.0	6.5	5.5	5.5	6.5
Water	6.3	6.6	5.0	5.0	6.0
Sewer	2.5	4.6	2.0	2.0	2.0
Storm	1.0	1.0	-	-	-
Recycling	1.5	1.5	-	-	-
Sanitation	1.0	1.0	1.5	1.5	1.5
Total	<u>56.6</u>	<u>56.8</u>	<u>57.0</u>	<u>57.0</u>	<u>60.0</u>

Source: City Personnel Records

Table 18

Full-time Equivalent Employees as of December 31				
2012	2011	2010	2009	2008
11.5	11.5	11.5	11.5	11.5
13.0	12.0	12.0	12.0	12.0
1.5	1.5	1.5	1.5	1.5
4.0	5.0	5.0	5.0	5.0
10.0	10.0	11.0	11.0	11.0
5.0	7.0	6.0	6.0	6.0
6.5	6.5	6.5	6.0	5.5
6.0	6.0	6.0	7.0	8.0
2.0	2.0	2.0	2.0	2.0
-	-	-	-	-
-	-	-	-	-
1.5	1.5	1.5	1.5	1.0
61.0	63.0	63.00	63.5	63.5

City of North Mankato, Minnesota  
Operating Indicators By Function  
Last Ten Fiscal Years

Function	Fiscal Year				
	2017	2016	2015	2014	2013
Police					
Physical arrests	-	-	836	796	731
Reports of service	8,013	6,797	-	-	-
Accidents	195	216	220	220	196
Police reserve volunteer hours	1,632	1,002	1,200	1,118	1,480
Educational programs	39	26	24	16	18
Fire					
Number of calls answered	109	95	104	141	100
Public Works					
Street seal coating (miles)	5.0	9.0	7.0	7.2	7.8
Sanitation					
Refuse collected (tons)	3,412	3,379	3,466	3,433	3,510
Culture and Recreation					
Swim facility attendance	13,331	15,663	15,095	14,764	17,456
Library circulation (items checked out)	163,075	158,001	173,761	243,675	251,467
Bookmobile circulation	18,518	28,117	21,796	29,667	39,309
Water					
Total connections	6,970	6,903	6,921	6,682	6,572
Average daily consumption (thousands of gallons)	1,236	1,185	1,250	1,442	1,326

Sources: Various City departments.

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

Table 19

Fiscal Year				
2012	2011	2010	2009	2008
707	797	1,217	1,034	1,025
-	-	-	-	-
171	198	125	129	134
1,318	1,392	1,503	1,104	1,242
14	17	16	8	13
126	108	147	112	120
6.6	8.7	4.8	3.1	5.8
3,331	3,573	3,760	3,807	3,953
20,114	21,037	21,970	15,237	20,843
266,163	261,061	236,863	193,892	180,554
39,309	41,082	30,947	27,664	n/a
6,480	6,375	6,349	6,311	6,196
1,463	1,282	1,280	1,372	1,415

City of North Mankato, Minnesota  
Capital Asset Statistics By Function  
Last Ten Fiscal Years

Function	Fiscal Year				
	2017	2016	2015	2014	2013
General Government					
Planning and zoning					
Building permits issued	1,168	1,104	946	916	980
Public Safety					
Police					
Stations	1	1	1	1	1
Fulltime paid police	14	13	14	13	13
Volunteer police reserves	15	19	15	15	18
Fire					
Stations	2	2	2	2	2
Volunteer fire fighters	30	32	35	36	34
I.S.O. Rating	4	4	4	4	4
Public Works					
Street division					
Miles of street	77.73	77.00	77.00	77.00	77.00
Signalized intersections	5	5	5	5	5
Parks division					
Parks	21	21	21	21	21
Area in acres	278	278	278	278	251
Baseball diamonds	14	14	14	14	14
Basketball courts	8	8	8	8	8
Horseshoe courts	12	12	12	12	13
Trails	6	6	6	6	6
Skating rinks/outdoor	5	5	5	5	5
Soccer fields	13	13	13	13	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	6,970	6,903	6,854	6,682	6,572
Average daily consumption (thousands of gallons)	1,236	1,185	1,250	1,442	1,326
Maximum daily consumption (thousands of gallons)	2,386	3,259	2,680	2,480	2,412

Source: City of North Mankato Financial Records.

Table 20

Fiscal Year				
2012	2011	2010	2009	2008
1,574	1,750	2,190	1,042	976
1	1	1	1	1
13	12	12	12	12
17	19	17	17	17
2	2	2	2	2
35	35	36	38	38
4	4	5	5	5
77.06	75.37	68.50	67.31	66.09
6	6	6	6	6
21	21	20	20	20
251	251	250	250	250
14	14	14	14	14
8	8	8	8	8
12	13	13	13	13
6	6	6	6	6
5	5	5	5	5
10	-	-	-	-
11	11	11	11	11
1	1	1	1	1
8	8	8	8	8
9	9	9	9	9
6,480	6,375	6,349	6,311	6,196
1,463	1,282	1,280	1,387	1,415
3,030	2,267	2,466	2,809	3,045



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OTHER REQUIRED REPORTS

CITY OF NORTH MANKATO  
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2017

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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, 2017, and the related notes to the financial statements, and have issued our report thereon dated June 19, 2018.

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 19, 2018

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, 2017, 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 19, 2018.

**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 and Responses, 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 and Responses as item 2017-002 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 and Responses as item 2017-001 to be a significant deficiency.

**Compliance and Other Matters**

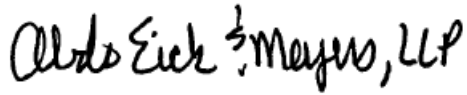
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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 no instances of noncompliance or other matters that are required to be reported in accordance with *Government Auditing Standards*.

## The City's Responses to Findings

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

## Purpose of this Report

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



ABDO, EICK & MEYERS, LLP  
Mankato, Minnesota  
June 19, 2018

City of North Mankato, Minnesota  
Schedule of Findings and Responses  
For the Year Ended December 31, 2017

<u>Finding</u>	<u>Description</u>
<b>2017-001</b>	<b>Preparation of Financial Statements</b>
<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 and Responses (Continued)  
For the Year Ended December 31, 2017

<u>Finding</u>	<u>Description</u>
<b>2017-002</b>	<b>Material Audit Adjustments</b>
<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"><li>• To adjust various capital asset activity.</li><li>• To adjust the coding of transfers and to record additional transfers.</li></ul>
<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.