

# Annual Financial Report

City of Medina

Medina, Minnesota

For the Year Ended  
December 31, 2015

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CITY OF MEDINA  
MEDINA, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2015

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ANNUAL FINANCIAL REPORT  
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**INTRODUCTORY SECTION**

CITY OF MEDINA  
MEDINA, MINNESOTA

FOR THE YEAR ENDED  
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CITY OF MEDINA, MINNESOTA  
ELECTED AND APPOINTED OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2015

**ELECTED**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Bob Mitchell	Mayor	12/31/16
Jeff Pederson	Council Member	12/31/16
Lorie Cousineau	Council Member	12/31/18
John Anderson	Council Member	12/31/16
Kathleen Martin	Council Member	12/31/18

**APPOINTED**

<u>Name</u>	<u>Title</u>
Scott Johnson	City Administrator
Erin Barnhart	Finance Director
Jodi Gallup	Deputy Clerk

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**FINANCIAL SECTION**

CITY OF MEDINA  
MEDINA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2015

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Medina, Minnesota

### **Report on the Financial Statements**

We have audited the accompanying financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Medina, Minnesota (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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### ***Change in Accounting Standards***

As described in Note 7 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*, for the year ended December 31, 2015. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements.

### **Other Matters**

#### ***Required Supplementary Information***

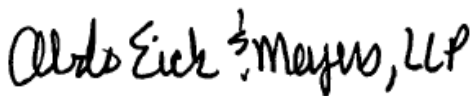
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 15 and the Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions, and the Schedule of Funding Progress for Other Post-Employment Benefit Plan starting on page 78 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, 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 an opinion on the basic financial statements that collectively comprise the City's basis financial statements. The introductory section and combining and individual fund financial statements and schedules 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 financial statements. The 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 financial statements or to the 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 financial statements as a whole.

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



ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
June 1, 2016

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## Management's Discussion and Analysis

As management of the City of Medina, Minnesota (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2015.

### 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 \$36,036,446 (*net position*). Of this amount, \$10,670,620 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The beginning unrestricted net position was decreased by \$2,065,217 to recognize the effects of GASB Statement No. 68 implementation.
- The City's total net position increased by \$2,594,895 as a result of an increase to building growth.
- The total net position of governmental activities increased by \$1,753,377 and total net position of the business-type activities increased by \$841,518. This resulted in an increase to total net position of \$2,594,895 for the City. Governmental activities transferred capital assets of \$343,778 to business-type activities. Interest earnings decreased \$27,361 from prior year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$11,637,676, a decrease of \$1,313,778 in comparison with the prior year. Factors contributing to this variance include higher expenditures related to public safety, streets and highways, and culture and recreation in the General fund, payment of refunded bonds totaling \$1,160,000 in the Debt Services fund, and transfers out of the Water Capital Improvement fund to support construction projects and the utilities.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$2,166,676, or 53 percent of total General fund expenditures.
- The City's total debt decreased \$200,366, or 1 percent during the current fiscal year. This was the result of the payment to refund \$2,660,000 of the 2007A and 2007C Bonds on February 1, 2015 with cash held in escrow as well as regularly scheduled principal and interest payment. A net pension liability related to both GERS and PEPFF due to the implementation of GASB Statement No. 68 offset the decrease created by the repayment of the bond with additional pension liability in the amount of \$1,882,909.

## Overview of the Financial Statements

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

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

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

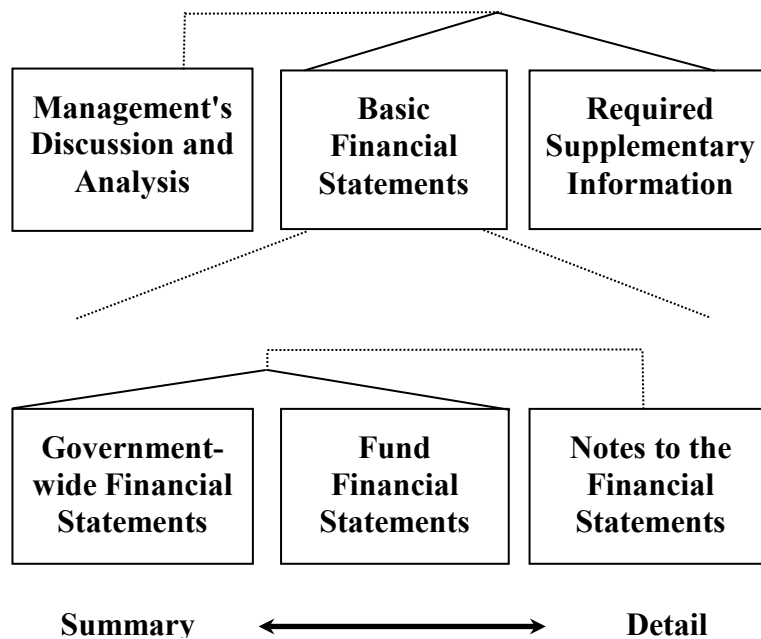


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

	Fund Financial Statements			
	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds)	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities of the City that operates similar to private businesses, such as the water and sewer systems	Instances in which the City administers resources on behalf of someone else, such as developers
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>• Statements of Net Position</li> <li>• Statements of Revenues, Expenses and Changes in Fund Net Position</li> <li>• Statements of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statements of fiduciary Net Position</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	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, as well as 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, as well as short-term and long-term	All assets and liabilities, both short-term and long-term; fund do not currently contain capital assets, although they can
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	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/out flow information	All revenues and expenses during the 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	All additions and deductions during the year, regardless of when cash is received or paid

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

The *statement of net position* presents information on all of the City’s assets and liabilities, with the difference between the two 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 revenue (*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, streets and highways, sanitation and recycling, culture and recreation, economic development, miscellaneous and interest on long-term debt. The business-type activities of the City include water, sanitary sewer, and storm water.

The government-wide financial statements start on page 29 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 governments, 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 30 individual governmental funds, eleven of which are Debt Service funds. 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, Debt Service fund, Park Dedication fund, Water Capital Improvements fund, Sewer Capital Improvements fund, Tower Drive Improvement fund, and the Road Improvement fund, all of which are considered to be major funds. Data from the other 13 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 or schedules* 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 start on page 34 of this report.

**Proprietary funds.** The City maintains one type of proprietary fund. *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, sanitary sewer, and storm sewer.

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 each of the enterprise funds, two of which (water and sanitary sewer) are considered to be major funds of the City. The Storm Water fund is a non-major fund in 2015, but is reported separately alongside the water and sanitary sewer funds.

The basic proprietary fund financial statements start on page 42 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 basic fiduciary fund financial statements can be found on page 48 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 start on page 49 of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining and individual fund statements and schedules start on page 82 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 \$36,036,446 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (60 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is 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 Medina's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$ 14,242,789	\$ 14,670,823	\$ (428,034)	\$ 4,029,641	\$ 5,225,072	\$ (1,195,431)
Capital assets	25,954,172	23,736,949	2,217,223	11,136,328	11,088,877	47,451
<b>Total assets</b>	<b>40,196,961</b>	<b>38,407,772</b>	<b>1,789,189</b>	<b>15,165,969</b>	<b>16,313,949</b>	<b>(1,147,980)</b>
Deferred outflows of resources	345,365	-	345,365	23,445	-	23,445
<b>Liabilities</b>						
Noncurrent liabilities						
outstanding	14,138,442	12,521,258	1,617,184	3,740,605	5,558,155	(1,817,550)
Other liabilities	1,189,844	1,055,761	134,083	110,363	79,779	30,584
<b>Total liabilities</b>	<b>15,328,286</b>	<b>13,577,019</b>	<b>1,751,267</b>	<b>3,850,968</b>	<b>5,637,934</b>	<b>(1,786,966)</b>
Deferred inflows of resources	477,947	-	477,947	38,093	-	38,093
<b>Net position</b>						
Net investment in						
capital assets	14,028,162	12,853,911	1,174,251	7,688,952	7,136,115	552,837
Restricted	3,648,712	3,025,444	623,268	-	-	-
Unrestricted	7,059,219	8,951,398	(1,892,179)	3,611,401	3,539,900	71,501
<b>Total net position</b>	<b>\$ 24,736,093</b>	<b>\$ 24,830,753</b>	<b>\$ (94,660)</b>	<b>\$ 11,300,353</b>	<b>\$ 10,676,015</b>	<b>\$ 624,338</b>

An additional portion of the City's net position (10 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$10,670,620 may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

**Governmental activities.** Governmental activities increased the City's net position by \$1,753,377 thereby accounting for 67.6 percent of the total growth in the net position of the City. Key elements of this increase are as follows:

### City of Medina's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2015	* 2014	Increase (Decrease)	2015	* 2014	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 1,049,123	\$ 1,136,595	\$ (87,472)	\$ 1,789,563	\$ 1,739,291	\$ 50,272
Operating grants and contributions	312,473	200,243	112,230	3,316	-	3,316
Capital grants and contributions	2,659,351	1,475,488	1,183,863	29,173	21,257	7,916
General revenues						
Property taxes	3,525,215	3,475,185	50,030	-	-	-
Tax increments	339,571	379,605	(40,034)	-	-	-
Franchise taxes	53,254	36,847	16,407	-	-	-
Unrestricted investment earnings	94,945	116,665	(21,720)	27,774	33,415	(5,641)
Gain on sale of capital assets	21,057	20,028	1,029	-	-	-
Total revenues	<u>8,054,989</u>	<u>6,840,656</u>	<u>1,214,333</u>	<u>1,849,826</u>	<u>1,793,963</u>	<u>55,863</u>
Expenses						
General government	1,078,268	1,056,358	21,910	-	-	-
Public safety	2,632,002	2,344,346	287,656	-	-	-
Streets and highways	1,209,722	1,456,175	(246,453)	-	-	-
Sanitation and recycling	11,677	11,119	558	-	-	-
Culture and recreation	440,848	343,445	97,403	-	-	-
Economic development	221,882	230,107	(8,225)	-	-	-
Miscellaneous	5,107	51,836	(46,729)	-	-	-
Interest on long-term debt	323,161	300,301	22,860	-	-	-
Water	-	-	-	727,265	803,233	(75,968)
Sanitary sewer	-	-	-	514,079	513,039	1,040
Storm water	-	-	-	145,909	122,609	23,300
Total expenses	<u>5,922,667</u>	<u>5,793,687</u>	<u>128,980</u>	<u>1,387,253</u>	<u>1,438,881</u>	<u>(51,628)</u>
Change in net position before transfers	2,132,322	1,046,969	1,085,353	462,573	355,082	107,491
Transfers - capital assets	(343,778)	(494,232)	150,454	343,778	494,232	(150,454)
Transfers	<u>(35,167)</u>	<u>(87,112)</u>	<u>51,945</u>	<u>35,167</u>	<u>87,112</u>	<u>(51,945)</u>
Change in net position	1,753,377	465,625	1,287,752	841,518	936,426	(94,908)
Net position, January 1 as restated	<u>22,982,716</u>	<u>24,365,128</u>	<u>(1,382,412)</u>	<u>10,458,835</u>	<u>9,739,589</u>	<u>719,246</u>
Net position, December 31	<u>\$24,736,093</u>	<u>\$24,830,753</u>	<u>\$ (94,660)</u>	<u>\$11,300,353</u>	<u>\$10,676,015</u>	<u>\$ 624,338</u>

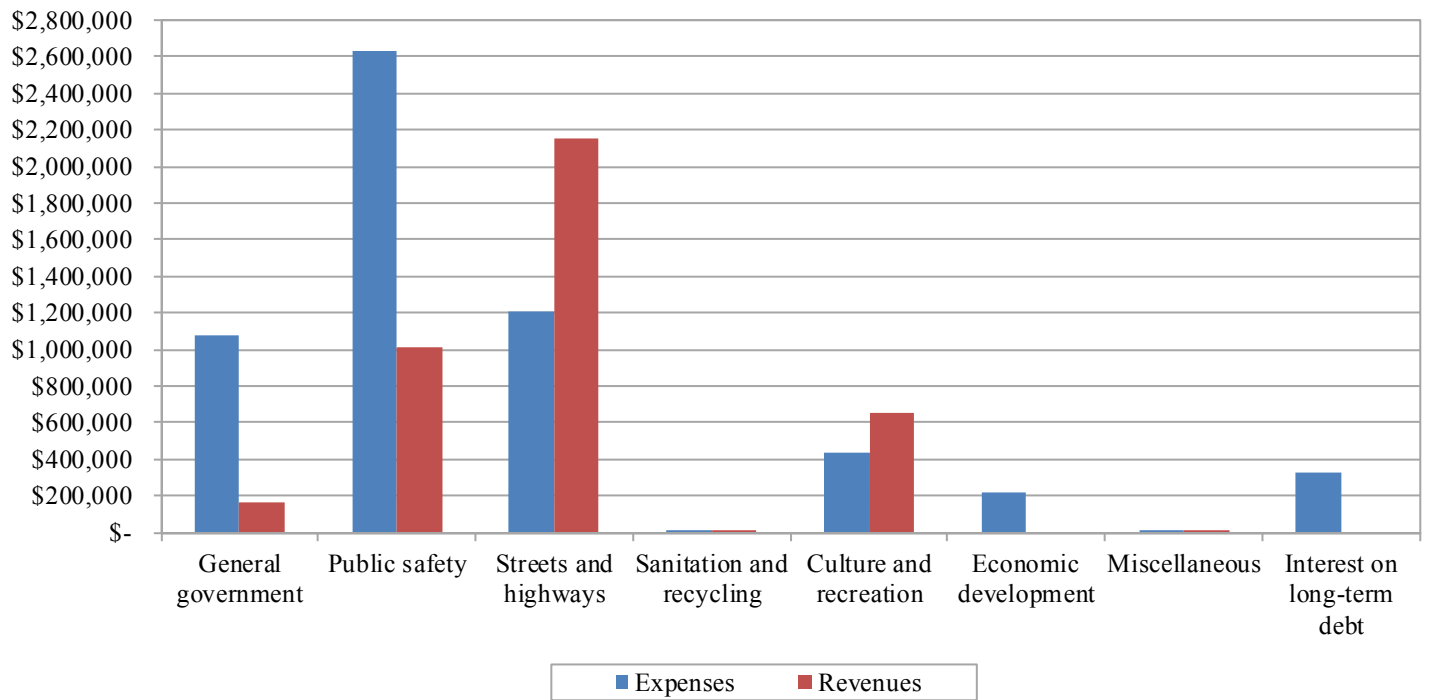
\* GASB Statement No. 68 was implemented for the year ended December 31, 2015 and required a \$1,848,037 and \$217,180 restatement of beginning governmental and business-type activities net position, respectively. Prior year amounts were not restated causing a variance in ending net position at December 31, 2014 and beginning net position on January 1, 2015. See financial statement Note 7.

Property taxes represent 43.8 percent of total revenues in 2015 in governmental activities.

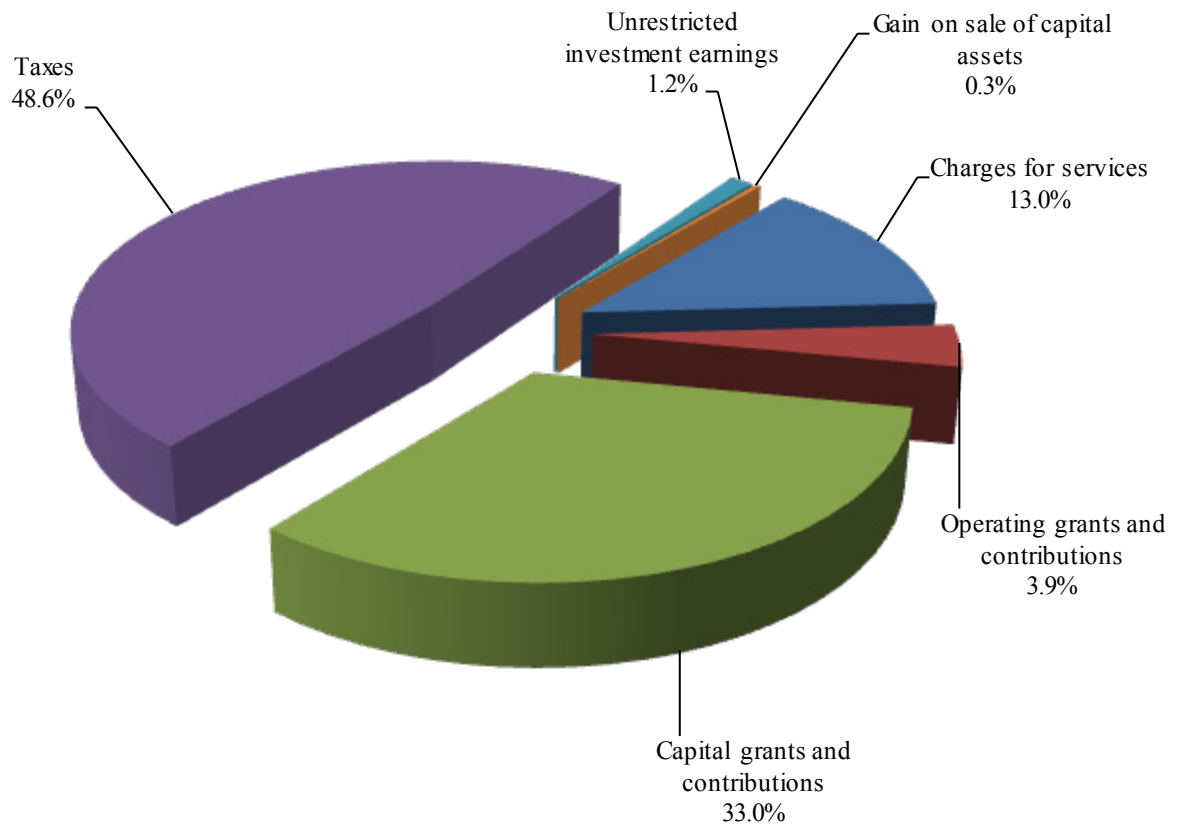


The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

### Expenses and Program Revenue - Governmental Activities



### Revenue by Source - Governmental Activities



**Business-type activities.** Business-type activities increased the City’s net position by \$841,518, accounting for 32.4 percent of the growth in the City’s net position. Key elements of this increase are as follows:

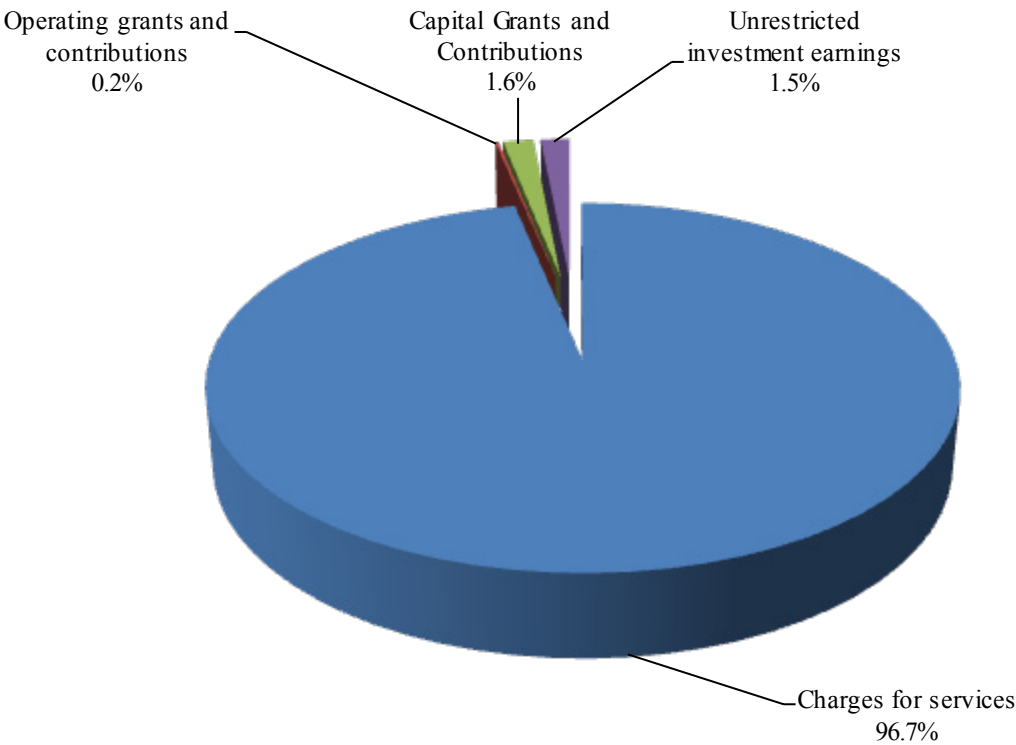
- Expenses for the business-type activities were \$1,387,253. The net revenue of the business-type activities was \$434,799. This essentially points out that utility charges are sufficient to cover expenses incurred during the operations of the utilities.
- The governmental activities transferred \$343,778 of capital assets to the business-type activities during the year.

The following graph depicts various business-type activities and shows the revenue and expenses directly related to those activities.

**Expenses and Program - Revenue Business-type Activities Graph**



**Revenue by Source - Business-type Activities**



## Financial Analysis of the Government'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.

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2015	2014	
<b>General</b>	\$ 2,391,059	\$ 2,102,951	\$ 288,108
The fund balance of the General fund increased by \$288,108 as a result of building permits and building plan review revenues exceeding the budget.			
<b>Debt Service</b>	\$ 1,058,753	\$ 2,411,645	\$ (1,352,892)
The Debt Service fund balance decreased \$1,352,892 as a result of expenditures exceeding revenues and transfers in.			
<b>Park Dedication</b>	\$ 1,842,290	\$ 1,775,931	\$ 66,359
The Park Dedication fund balance increased by \$66,359 as a result of park dedication fees and other revenues exceeding current year expenditures.			
<b>Water Capital Improvement</b>	\$ 1,741,483	\$ 1,829,200	\$ (87,717)
The Water Capital Improvement fund balance decreased by \$87,717 as a result of transfers out.			
<b>Sewer Capital Improvements</b>	\$ 2,411,955	\$ 2,453,522	\$ (41,567)
The Sewer Capital Improvement fund balance decreased by \$41,567 as a result of transfers out.			
<b>Tower Drive Improvements</b>	\$ -	\$ -	\$ -
The Tower Drive Improvement fund was new in 2014 and ended the current year with a zero balance due to a transfer out to the Road Improvement fund. Activity in 2015 included the issuance of \$1,765,000 of bonds and \$2,042,837 of capital outlay.			
<b>Road Improvement</b>	\$ 690,013	\$ 632,105	\$ 57,908
The Road Improvement fund balance increased by \$57,908. The net change in fund balance was a decrease of \$125,962 prior to a transfer in of \$183,870 from the Tower Drive Improvement fund. Significant road projects included the Tower Drive project and the Sioux Drive Turn Lane project.			

**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 enterprise funds at the end of the year amounted to \$3,611,401. The total increase in net position for the funds was \$841,518. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

### General Fund Budgetary Highlights

The City's General fund budget was not amended during the year and the budget called for no change in fund balance. Revenues exceeded budget by \$281,103, primarily due to licenses and permits and charges for services exceeding budget by \$155,951 and \$126,838, respectively. Expenditures were over budget by \$8,386 during the year with the largest variance in the public safety - building inspection program/function (\$59,145) as a result of development activity.

## Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business type activities as of December 31, 2015, amounts to \$37,090,500 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, and roads.

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

- Fields of Medina playground construction completion
- Acquisition of new plow trucks and squad cars
- Tower Drive Improvement project in process
- TH 55 / 116 intersection project in process
- City Hall renovation in process
- Well # 8 project in process

Additional information on the City's capital assets can be found in Note 3B starting on page 62 of this report.

### City of Medina's Capital Assets (net of depreciation)

	Governmental Activities			Business-type Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
Land	\$ 774,778	\$ 774,778	\$ -	\$ 56,393	\$ 56,393	\$ -
Infrastructure	11,971,316	12,159,267	(187,951)	3,514,639	3,427,779	86,860
Buildings	8,129,238	8,365,548	(236,310)	5,376,130	5,771,499	(395,369)
Improvements	1,682,324	1,271,453	410,871	391,528	413,951	(22,423)
Machinery and equipment	963,419	722,520	240,899	1,214,593	1,150,220	64,373
Construction in progress	2,433,097	443,383	1,989,714	583,045	269,035	314,010
Total	<u>\$ 25,954,172</u>	<u>\$ 23,736,949</u>	<u>\$ 2,217,223</u>	<u>\$ 11,136,328</u>	<u>\$ 11,088,877</u>	<u>\$ 47,451</u>

**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$15,135,000. Of this amount, \$11,275,000 is G.O. Improvement Bond debt, \$495,000 is G.O. Tax Increment debt, and \$3,365,000 is debt related to G.O. Revenue bonds. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

### City of Medina's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2015	2014	Increase (Decrease)	2015	2014	Increase (Decrease)
General obligation improvement bonds	\$ 11,275,000	\$ 11,234,148	\$ 40,852	\$ -	\$ -	\$ -
G.O. tax increment bonds	495,000	575,000	(80,000)	-	-	-
General obligation revenue bonds	-	-	-	3,365,000	5,375,000	(2,010,000)
Unamortized premium on bonds	156,010	123,038	32,972	82,376	97,762	(15,386)
G.O. equipment certificates	-	120,852	(120,852)	-	-	-
Other postemployment benefits payable	222,395	189,805	32,590	36,941	30,240	6,701
Compensated absences	301,439	278,415	23,024	61,977	55,153	6,824
Net pension liability	1,688,598	-	1,688,598	194,311	-	194,311
Total	<u>\$ 14,138,442</u>	<u>\$ 12,521,258</u>	<u>\$ 1,617,184</u>	<u>\$ 3,740,605</u>	<u>\$ 5,558,155</u>	<u>\$ (1,817,550)</u>

The City's total debt decreased \$200,366 (1 percent) during the current fiscal year. This was the result of the payment to refund \$2,660,000 of the 2007A and 2007C Bonds on February 1, 2015 with cash held in escrow as well as regularly scheduled principal and interest payments.

The City maintains an "Aa2" rating from Moody's for all of its outstanding bonded debt.

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3.0 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 approximately \$42 million. The City currently has no outstanding general obligation debt payable solely from ad valorem taxes.

Additional information on the City's long-term debt can be found in Note 3D starting on page 65 of this report.

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

- The unemployment rate for Hennepin County is currently 3.5 percent (April 2016). This compares favorably to the State of Minnesota's average unemployment rate of 3.8 percent and the national average rate of 4.7 percent.
- Property valuations increased 7.8 percent within the City from 2015 to 2016.

The City's total property tax levy will increase in 2016 by 7.0 percent. The General fund levy increase amounts to 5.2%, with the remaining increase attributable to a new debt service levy. The City's tax capacity rate decreased from 23.6% for 2015 to 23.3% for 2016.

A water rate increase of 3.0 percent was approved for the three individual water systems for 2016. Sanitary sewer and storm water utility rates also increased 3.0 percent.

All of these factors were considered in preparing the City's budget for the 2016 fiscal year.

### **Requests for Information**

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Medina, 2052 County Road 24, Medina, MN 55340-9790.

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

CITY OF MEDINA  
MEDINA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2015

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CITY OF MEDINA, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2015

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and temporary investments	\$ 12,496,638	\$ 3,841,068	\$ 16,337,706
Receivables			
Accounts	9,958	158,694	168,652
Delinquent taxes	58,709	-	58,709
Special assessments	1,483,262	27,807	1,511,069
Due from other governments	149,736	1,949	151,685
Prepaid items	44,486	123	44,609
Capital assets			
Nondepreciable	3,207,875	639,438	3,847,313
Depreciable, net of accumulated depreciation	22,746,297	10,496,890	33,243,187
<b>TOTAL ASSETS</b>	<b>40,196,961</b>	<b>15,165,969</b>	<b>55,362,930</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension resources	345,365	23,445	368,810
<b>LIABILITIES</b>			
Accounts payable	527,138	82,430	609,568
Due to other governments	-	733	733
Salaries payable	21,006	3,424	24,430
Accrued interest payable	126,702	23,776	150,478
Deposits payable	502,195	-	502,195
Unearned revenue	12,803	-	12,803
Noncurrent liabilities			
Due within one year	744,778	560,759	1,305,537
Due in more than one year	13,393,664	3,179,846	16,573,510
<b>TOTAL LIABILITIES</b>	<b>15,328,286</b>	<b>3,850,968</b>	<b>19,179,254</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension resources	477,947	38,093	516,040
<b>NET POSITION</b>			
Net investment in capital assets	14,028,162	7,688,952	21,717,114
Restricted for			
Debt service	1,930,224	-	1,930,224
Park improvements	1,576,126	-	1,576,126
Police expenditures	142,362	-	142,362
Unrestricted	7,059,219	3,611,401	10,670,620
<b>TOTAL NET POSITION</b>	<b>\$ 24,736,093</b>	<b>\$ 11,300,353</b>	<b>\$ 36,036,446</b>

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

CITY OF MEDINA, MINNESOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2015

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 1,078,268	\$ 161,379	\$ 50	\$ -
Public safety	2,632,002	825,204	190,479	-
Streets and highways	1,209,722	8,852	-	2,149,688
Sanitation and recycling	11,677	-	17,839	-
Culture and recreation	440,848	42,024	104,105	509,663
Economic development	221,882	-	-	-
Miscellaneous	5,107	11,664	-	-
Interest on long-term debt	323,161	-	-	-
Total governmental activities	5,922,667	1,049,123	312,473	2,659,351
Business-type activities				
Water	727,265	959,046	-	20,882
Sanitary sewer	514,079	625,320	-	-
Storm water	145,909	205,197	3,316	8,291
Total business-type activities	1,387,253	1,789,563	3,316	29,173
Total	\$ 7,309,920	\$ 2,838,686	\$ 315,789	\$ 2,688,524

General revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Tax increments

Franchise taxes

Unrestricted investment earnings

Gain on sale of capital assets

Transfers - capital assets

Transfers

Total general revenues and transfers

Change in net position

Net position, January 1 as restated (Note 7)

Net position, December 31

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

Net (Expenses) Revenues and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (916,839)	\$ -	\$ (916,839)
(1,616,319)	-	(1,616,319)
948,818	-	948,818
6,162	-	6,162
214,944	-	214,944
(221,882)	-	(221,882)
6,557	-	6,557
(323,161)	-	(323,161)
<u>(1,901,720)</u>	<u>-</u>	<u>(1,901,720)</u>
-	252,663	252,663
-	111,241	111,241
-	70,895	70,895
<u>-</u>	<u>434,799</u>	<u>434,799</u>
<u>(1,901,720)</u>	<u>434,799</u>	<u>(1,466,921)</u>
3,049,021	-	3,049,021
476,194	-	476,194
339,571	-	339,571
53,254	-	53,254
94,945	27,774	122,719
21,057	-	21,057
(343,778)	343,778	-
(35,167)	35,167	-
<u>3,655,097</u>	<u>406,719</u>	<u>4,061,816</u>
1,753,377	841,518	2,594,895
<u>22,982,716</u>	<u>10,458,835</u>	<u>33,441,551</u>
<u>\$ 24,736,093</u>	<u>\$ 11,300,353</u>	<u>\$ 36,036,446</u>

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**FUND FINANCIAL STATEMENTS**

CITY OF MEDINA  
MEDINA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2015

CITY OF MEDINA, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015

	<b>101</b>		<b>225</b>	<b>402</b>
	General	Debt Service	Park Dedication	Water Capital Improvements
<b>ASSETS</b>				
Cash and temporary investments	\$ 2,979,297	\$ 1,052,243	\$ 1,853,864	\$ 1,777,474
Receivables				
Accounts	9,958	-	-	-
Delinquent taxes	48,188	10,521	-	-
Special assessments	46,400	987,652	-	38,872
Due from other governments	42,842	6,510	-	-
Due from other funds	180,000	-	-	-
Prepaid items	44,383	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<u><u>\$ 3,351,068</u></u>	<u><u>\$ 2,056,926</u></u>	<u><u>\$ 1,853,864</u></u>	<u><u>\$ 1,816,346</u></u>
<b>LIABILITIES</b>				
Accounts payable	\$ 329,417	\$ -	\$ 11,574	\$ 35,991
Due to other funds	-	-	-	-
Salaries payable	21,006	-	-	-
Deposits payable	502,195	-	-	-
Unearned revenue	12,803	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES</b>	<u>865,421</u>	<u>-</u>	<u>11,574</u>	<u>35,991</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - taxes	48,188	10,521	-	-
Unavailable revenue - assessments	46,400	987,652	-	38,872
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>94,588</u>	<u>998,173</u>	<u>-</u>	<u>38,872</u>
<b>FUND BALANCES</b>				
Nonspendable	224,383	-	-	-
Restricted	-	1,058,753	1,576,126	-
Committed	-	-	266,164	-
Assigned	-	-	-	1,741,483
Unassigned	2,166,676	-	-	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL FUND BALANCES</b>	<u>2,391,059</u>	<u>1,058,753</u>	<u>1,842,290</u>	<u>1,741,483</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u><u>\$ 3,351,068</u></u>	<u><u>\$ 2,056,926</u></u>	<u><u>\$ 1,853,864</u></u>	<u><u>\$ 1,816,346</u></u>

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

<b>403</b> Sewer Capital Improvements	<b>409</b> Tower Drive Improvements	<b>420</b> Road Improvement	Other Governmental Funds	Total Governmental Funds
\$ 2,411,955	\$ 5,601	\$ 740,439	\$ 1,675,765	\$ 12,496,638
-	-	-	-	9,958
-	-	-	-	58,709
42,228	-	368,110	-	1,483,262
-	92,858	131	7,395	149,736
-	-	-	-	180,000
-	-	-	103	44,486
<u>\$ 2,454,183</u>	<u>\$ 98,459</u>	<u>\$ 1,108,680</u>	<u>\$ 1,683,263</u>	<u>\$ 14,422,789</u>
\$ -	\$ 98,459	\$ 50,557	\$ 1,140	\$ 527,138
-	-	-	180,000	180,000
-	-	-	-	21,006
-	-	-	-	502,195
-	-	-	-	12,803
<u>-</u>	<u>98,459</u>	<u>50,557</u>	<u>181,140</u>	<u>1,243,142</u>
-	-	-	-	58,709
42,228	-	368,110	-	1,483,262
<u>42,228</u>	<u>-</u>	<u>368,110</u>	<u>-</u>	<u>1,541,971</u>
-	-	-	103	224,486
-	-	-	142,362	2,777,241
-	-	-	627,424	893,588
2,411,955	-	690,013	815,598	5,659,049
-	-	-	(83,364)	2,083,312
<u>2,411,955</u>	<u>-</u>	<u>690,013</u>	<u>1,502,123</u>	<u>11,637,676</u>
<u>\$ 2,454,183</u>	<u>\$ 98,459</u>	<u>\$ 1,108,680</u>	<u>\$ 1,683,263</u>	<u>\$ 14,422,789</u>

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CITY OF MEDINA, MINNESOTA  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2015

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

Total fund balances - governmental funds	\$ 11,637,676
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	32,499,672
Less accumulated depreciation	(6,545,500)
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	
Bonds payable	(11,770,000)
Plus premium on bonds	(156,010)
Compensated absences payable	(301,439)
Other postemployment benefits payable	(222,395)
Net pension liability	(1,688,598)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Delinquent taxes receivable	58,709
Special assessments receivable	1,483,262
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	345,365
Deferred inflows of pension resources	(477,947)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(126,702)</u>
Total net position - governmental activities	<u><u>\$ 24,736,093</u></u>

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

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

	<b>101</b>	<b>Debt</b>	<b>225</b>	<b>402</b>
	<u>General</u>	<u>Service</u>	<u>Park</u> <u>Dedication</u>	<u>Water Capital</u> <u>Improvements</u>
REVENUES				
Taxes	\$ 2,926,592	\$ 476,194	\$ -	\$ -
Licenses and permits	437,751	-	-	-
Intergovernmental	245,647	-	-	-
Charges for services	326,738	-	346,583	774,550
Fines and forfeitures	97,441	-	-	-
Special assessments	-	130,814	-	-
Interest on investments	20,038	6,194	14,850	14,725
Miscellaneous	140,653	-	163,080	-
	<u>4,194,860</u>	<u>613,202</u>	<u>524,513</u>	<u>789,275</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
General government	1,029,932	-	-	-
Public safety	2,219,883	-	-	-
Streets and highways	654,198	-	-	-
Sanitation and recycling	11,608	-	-	-
Culture and recreation	183,582	-	16,369	-
Economic development	-	-	-	-
Miscellaneous	2,455	-	-	-
Capital outlay				
General government	3,575	-	-	-
Public safety	3,749	-	-	-
Streets and highways	-	-	-	351,067
Culture and recreation	139	-	402,364	-
Debt service				
Principal	-	1,925,000	-	-
Interest and other charges	-	280,919	-	-
	<u>4,109,121</u>	<u>2,205,919</u>	<u>418,733</u>	<u>351,067</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>85,739</u>	<u>(1,592,717)</u>	<u>105,780</u>	<u>438,208</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	-	-
Transfers in	205,450	239,825	-	-
Bonds issued	-	-	-	-
Premium on bonds issued	-	-	-	-
Transfers out	(3,081)	-	(39,421)	(525,925)
	<u>202,369</u>	<u>239,825</u>	<u>(39,421)</u>	<u>(525,925)</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCES	288,108	(1,352,892)	66,359	(87,717)
FUND BALANCES, JANUARY 1	<u>2,102,951</u>	<u>2,411,645</u>	<u>1,775,931</u>	<u>1,829,200</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 2,391,059</u></u>	<u><u>\$ 1,058,753</u></u>	<u><u>\$ 1,842,290</u></u>	<u><u>\$ 1,741,483</u></u>

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

<b>403</b> Sewer Capital Improvements	<b>409</b> Tower Drive Improvements	<b>420</b> Road Improvement	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 526,213	\$ 3,928,999
-	-	-	-	437,751
-	92,858	99,424	-	437,929
113,467	-	-	11,265	1,572,603
-	-	-	50,260	147,701
2,955	-	110,468	-	244,237
19,427	2,925	3,957	12,829	94,945
-	-	-	105,500	409,233
<u>135,849</u>	<u>95,783</u>	<u>213,849</u>	<u>706,067</u>	<u>7,273,398</u>
-	-	-	2,178	1,032,110
-	-	-	4,959	2,224,842
-	-	-	-	654,198
-	-	-	-	11,608
-	-	-	38,861	238,812
-	-	-	209,520	209,520
-	-	-	2,652	5,107
-	-	-	37,677	41,252
-	-	-	404,086	407,835
9,916	2,042,837	339,811	134,622	2,878,253
-	-	-	46,003	448,506
-	-	-	-	1,925,000
-	53,541	-	-	334,460
<u>9,916</u>	<u>2,096,378</u>	<u>339,811</u>	<u>880,558</u>	<u>10,411,503</u>
<u>125,933</u>	<u>(2,000,595)</u>	<u>(125,962)</u>	<u>(174,491)</u>	<u>(3,138,105)</u>
-	-	-	49,450	49,450
-	374,421	183,870	40,139	1,043,705
-	1,765,000	-	-	1,765,000
-	45,044	-	-	45,044
(167,500)	(183,870)	-	(159,075)	(1,078,872)
<u>(167,500)</u>	<u>2,000,595</u>	<u>183,870</u>	<u>(69,486)</u>	<u>1,824,327</u>
(41,567)	-	57,908	(243,977)	(1,313,778)
<u>2,453,522</u>	<u>-</u>	<u>632,105</u>	<u>1,746,100</u>	<u>12,951,454</u>
<u>\$ 2,411,955</u>	<u>\$ -</u>	<u>\$ 690,013</u>	<u>\$ 1,502,123</u>	<u>\$ 11,637,676</u>

CITY OF MEDINA, MINNESOTA  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

Total net change in fund balances - governmental funds	\$ (1,313,778)
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Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlay	3,656,544
Depreciation expense	(1,067,150)

Governmental funds report a gain (loss) on sale of capital assets to the extent of cash exchanged, whereas the disposition of the assets book value is included in the total gain (loss) in the statement of activities.

Disposals	(142,303)
Depreciation on disposals	113,910

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 amortized in the statement of activities.

Bonds issued	(1,765,000)
Premium on bonds issued	(45,044)
Amortization of bond premium	12,072
Principal repayments	1,925,000

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds 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.

(773)

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	(10,959)
Special assessments	763,393

Capital assets constructed in capital projects funds but intended for enterprise fund use are transferred in the government-wide financial statements.

(343,778)

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.

Other postemployment benefits costs	(32,590)
Compensated absences	(23,024)

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

Pension expense	18,757
Direct aid contribution	8,100

Change in net position - governmental activities	\$ 1,753,377
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The notes to the financial statements are an integral part of this statement.

CITY OF MEDINA, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes	\$ 2,922,139	\$ 2,922,139	\$ 2,926,592	\$ 4,453
Licenses and permits	281,800	281,800	437,751	155,951
Intergovernmental	207,618	207,618	245,647	38,029
Charges for services	199,900	199,900	326,738	126,838
Fines and forfeitures	163,000	163,000	97,441	(65,559)
Special assessments	1,000	1,000	-	(1,000)
Interest on investments	5,000	5,000	20,038	15,038
Miscellaneous	133,300	133,300	140,653	7,353
<b>TOTAL REVENUES</b>	<b>3,913,757</b>	<b>3,913,757</b>	<b>4,194,860</b>	<b>281,103</b>
EXPENDITURES				
Current				
General government	1,053,588	1,053,588	1,029,932	23,656
Public safety				
Police	1,576,285	1,576,285	1,514,890	61,395
Building inspection	274,117	274,117	333,262	(59,145)
Fire	360,600	360,600	371,731	(11,131)
Streets and highways	647,313	647,313	654,198	(6,885)
Sanitation and recycling	14,543	14,543	11,608	2,935
Culture and recreation	191,061	191,061	183,582	7,479
Miscellaneous	-	-	2,455	(2,455)
Capital outlay	-	-	7,463	(7,463)
<b>TOTAL EXPENDITURES</b>	<b>4,117,507</b>	<b>4,117,507</b>	<b>4,109,121</b>	<b>8,386</b>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<b>(203,750)</b>	<b>(203,750)</b>	<b>85,739</b>	<b>289,489</b>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	300	300	-	(300)
Transfers in	205,450	205,450	205,450	-
Transfers out	(2,000)	(2,000)	(3,081)	(1,081)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>203,750</b>	<b>203,750</b>	<b>202,369</b>	<b>(1,381)</b>
NET CHANGE IN FUND BALANCES	-	-	288,108	288,108
FUND BALANCES, JANUARY 1	2,102,951	2,102,951	2,102,951	-
FUND BALANCES, DECEMBER 31	<u>\$ 2,102,951</u>	<u>\$ 2,102,951</u>	<u>\$ 2,391,059</u>	<u>\$ 288,108</u>

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

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

	Business-type Activities - Enterprise funds			
	601 Water	602 Sanitary Sewer	Nonmajor	Totals
			603 Storm Water	
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and temporary investments	\$ 1,684,319	\$ 1,812,504	\$ 344,245	\$ 3,841,068
Receivables				
Accounts	101,337	57,357	-	158,694
Special assessments	11,274	11,274	5,259	27,807
Due from other governments	1,885	-	64	1,949
Prepaid items	26	97	-	123
<b>TOTAL CURRENT ASSETS</b>	<b>1,798,841</b>	<b>1,881,232</b>	<b>349,568</b>	<b>4,029,641</b>
<b>NONCURRENT ASSETS</b>				
Capital assets				
Land	7,393	49,000	-	56,393
Infrastructure	4,101,708	1,864,139	47,811	6,013,658
Buildings	8,216,454	192,000	-	8,408,454
Improvements	-	-	448,467	448,467
Machinery and equipment	1,193,578	2,894,183	44,174	4,131,935
Construction in progress	405,401	130,900	46,744	583,045
Less accumulated depreciation	(5,551,292)	(2,874,500)	(79,832)	(8,505,624)
Total capital assets (net of accumulated depreciation)	8,373,242	2,255,722	507,364	11,136,328
<b>TOTAL NONCURRENT ASSETS</b>	<b>8,373,242</b>	<b>2,255,722</b>	<b>507,364</b>	<b>11,136,328</b>
<b>TOTAL ASSETS</b>	<b>10,172,083</b>	<b>4,136,954</b>	<b>856,932</b>	<b>15,165,969</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pension resources	10,744	8,700	4,001	23,445

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

CITY OF MEDINA, MINNESOTA  
STATEMENT OF NET POSITION - CONTINUED  
PROPRIETARY FUNDS  
DECEMBER 31, 2015

	Business-type Activities - Enterprise funds			
	<b>601</b>	<b>602</b>	Nonmajor	Totals
			<b>603</b>	
	Water	Sanitary Sewer	Storm Water	
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 12,433	\$ 33,878	\$ 36,119	\$ 82,430
Accrued interest payable	23,776	-	-	23,776
Salaries payable	1,611	1,264	549	3,424
Due to other governments	733	-	-	733
Compensated absences payable - current	10,048	7,298	3,413	20,759
Bonds payable - current	540,000	-	-	540,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>588,601</b>	<b>42,440</b>	<b>40,081</b>	<b>671,122</b>
<b>NONCURRENT LIABILITIES</b>				
Other postemployment benefits payable	18,246	13,546	5,149	36,941
Compensated absences payable	17,822	15,976	7,420	41,218
Pension liability	89,043	72,107	33,161	194,311
Bonds payable	2,907,376	-	-	2,907,376
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>3,032,487</b>	<b>101,629</b>	<b>45,730</b>	<b>3,179,846</b>
<b>TOTAL LIABILITIES</b>	<b>3,621,088</b>	<b>144,069</b>	<b>85,811</b>	<b>3,850,968</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pension resources	17,456	14,136	6,501	38,093
<b>NET POSITION</b>				
Net investment in capital assets	4,925,866	2,255,722	507,364	7,688,952
Unrestricted	1,618,417	1,731,727	261,257	3,611,401
<b>TOTAL NET POSITION</b>	<b>\$ 6,544,283</b>	<b>\$ 3,987,449</b>	<b>\$ 768,621</b>	<b>\$ 11,300,353</b>

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

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

	Business-type Activities - Enterprise funds			Totals
	<b>601</b> Water	<b>602</b> Sanitary Sewer	<b>603</b> Nonmajor Storm Water	
OPERATING REVENUES				
Charges for services	\$ 958,501	\$ 625,008	\$ 205,197	\$ 1,788,706
OPERATING EXPENSES				
Wages and salaries	146,932	120,195	58,058	325,185
Materials and supplies	92,700	10,955	434	104,089
Professional services	44,681	23,265	56,683	124,629
Repairs and maintenance	11,014	11,615	339	22,968
Insurance	9,563	6,141	1,164	16,868
Utilities	78,500	6,958	-	85,458
Depreciation	295,300	84,714	29,231	409,245
Sewer treatment charges	-	250,236	-	250,236
TOTAL OPERATING EXPENSES	678,690	514,079	145,909	1,338,678
OPERATING INCOME	279,811	110,929	59,288	450,028
NONOPERATING REVENUES (EXPENSES)				
Interest on investments	11,314	13,449	3,011	27,774
Intergovernmental	-	-	3,316	3,316
Miscellaneous	545	312	-	857
Interest and service charges	(48,575)	-	-	(48,575)
TOTAL NONOPERATING REVENUES (EXPENSES)	(36,716)	13,761	6,327	(16,628)
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	243,095	124,690	65,615	433,400
CAPITAL CONTRIBUTIONS FROM OTHER FUNDS	330,059	13,719	-	343,778
CAPITAL CONTRIBUTIONS	20,882	-	8,291	29,173
TRANSFERS IN	358,425	-	-	358,425
TRANSFERS OUT	(114,101)	(119,318)	(89,839)	(323,258)
CHANGE IN NET POSITION	838,360	19,091	(15,933)	841,518
NET POSITION, JANUARY 1, AS RESTATED (NOTE 7)	5,705,923	3,968,358	784,554	10,458,835
NET POSITION, DECEMBER 31	\$ 6,544,283	\$ 3,987,449	\$ 768,621	\$ 11,300,353

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

CITY OF MEDINA, MINNESOTA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-type Activities - Enterprise funds			Totals
	<b>601</b> Water	<b>602</b> Sanitary Sewer	<b>603</b> Nonmajor Storm Water	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 1,024,585	\$ 620,880	\$ 207,366	\$ 1,852,831
Payments to suppliers	(241,575)	(310,681)	(25,660)	(577,916)
Payments to employees	(145,261)	(117,243)	(56,636)	(319,140)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>637,749</b>	<b>192,956</b>	<b>125,070</b>	<b>955,775</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers from other funds	358,425	-	-	358,425
Transfers to other funds	(114,101)	(119,318)	(89,839)	(323,258)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>244,324</b>	<b>(119,318)</b>	<b>(89,839)</b>	<b>35,167</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition of capital assets	-	-	(79,831)	(79,831)
Connection fees received	20,882	-	-	20,882
Intergovernmental	-	-	8,291	8,291
Receipt from bond escrow agent	1,500,000	-	-	1,500,000
Principal paid on bonds	(2,010,000)	-	-	(2,010,000)
Interest paid on bonds	(77,797)	-	-	(77,797)
<b>NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(566,915)</b>	<b>-</b>	<b>(71,540)</b>	<b>(638,455)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received on investments	9,649	13,449	3,011	26,109
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>324,807</b>	<b>87,087</b>	<b>(33,298)</b>	<b>378,596</b>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<b>1,359,512</b>	<b>1,725,417</b>	<b>377,543</b>	<b>3,462,472</b>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>\$ 1,684,319</b>	<b>\$ 1,812,504</b>	<b>\$ 344,245</b>	<b>\$ 3,841,068</b>

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

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

	Business-type Activities - Enterprise funds			Totals
	<b>601</b> Water	<b>602</b> Sanitary Sewer	<b>603</b> Nonmajor Storm Water	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 279,811	\$ 110,929	\$ 59,288	\$ 450,028
Adjustments to reconcile operating income to net cash provided by operating activities				
Other items related to operations	545	312	3,316	4,173
Depreciation	295,300	84,714	29,231	409,245
(Increase) decrease in assets and deferred outflows				
Accounts receivable	64,083	(6,336)	-	57,747
Due from other governments	197	637	37	871
Special assessments receivable	1,259	1,259	(1,184)	1,334
Prepaid items	505	541	-	1,046
Pension resources	(10,744)	(8,700)	(4,001)	(23,445)
Increase (decrease) in liabilities and deferred inflows				
Accounts payable	(1,432)	(1,380)	33,380	30,568
Due to other governments	(4,190)	(672)	(420)	(5,282)
Salaries payable	399	302	40	741
Compensated absences payable	2,314	3,374	1,136	6,824
Pension liability	(10,767)	(8,677)	(3,425)	(22,869)
Pension resources	17,456	14,136	6,501	38,093
Other postemployment benefits payable	3,013	2,517	1,171	6,701
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 637,749</u>	<u>\$ 192,956</u>	<u>\$ 125,070</u>	<u>\$ 955,775</u>
SCHEDULE OF NONCASH CAPITAL FINANCING ACTIVITIES				
Assets acquired on short-term account	<u>\$ -</u>	<u>\$ 33,087</u>	<u>\$ -</u>	<u>\$ 33,087</u>
Contribution of assets from other funds	<u>\$ 330,059</u>	<u>\$ 13,719</u>	<u>\$ -</u>	<u>\$ 343,778</u>
Amortization of bond premium	<u>\$ 15,386</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,386</u>

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

CITY OF MEDINA, MINNESOTA  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
DECEMBER 31, 2015

	<u>Agency</u>
	<b>810</b>
	<u>Escrow</u>
ASSETS	
Cash and temporary investments	\$ 339,569
Accounts receivable	<u>6,276</u>
TOTAL ASSETS	<u><u>\$ 345,845</u></u>
LIABILITIES	
Accounts payable	<u><u>\$ 345,845</u></u>

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

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting entity**

The City of Medina, Minnesota (the City) operates under the “Optional Plan A” form of government as defined in the State of Minnesota statutes. Under this plan, the government of the City is directed by a City Council composed of an elected Mayor and four elected City Council Members. The City Council exercises legislative authority and determines all matters of policy. The City 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 City. 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 City. The City has the following component unit:

*Blended Component Unit.* The Medina Economic Development Authority (MEDA) of the City was created pursuant to Minnesota statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment consistent with policies established by the City Council. It is comprised of five members, all of which are City Council members, and has a December 31 year end. The EDA activities are blended and reported in a Capital Project fund (Tax Increment 1-9) due to substantively the same governing board and the financial benefit/burden relationship. Separate financial statements are not issued for this component unit.

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

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

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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 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.

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

The City reports the following major governmental funds:

The *General fund* is the government'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 resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Park Dedication fund* accounts for the collection of park dedication fees that shall be used to purchase park land and/or funding of park facilities, in accordance with Minnesota statutes.

The *Water Capital Improvement fund* accounts for the costs associated with replacement of the City's utility and road systems.

The *Sewer Capital Improvements fund* accounts for the costs associated with replacement of the City's utility and road systems.

The *Tower Drive Improvements fund* accounts for the costs associated with the Tower Drive improvement project and road systems.

The *Road Improvement fund* accounts for the costs associated with the City's road projects.

The City reports the following major proprietary funds:

The *Water fund* accounts for the activities of the City's water distribution system, which are financed by the water utility fee, and insure that user charges are sufficient to pay for those costs.

The *Sanitary Sewer fund* accounts for the activities of the City's wastewater collection operations which are financed by the sanitary sewer utility fee, and insure 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 City in a trustee capacity or as an agent on behalf of others.

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 modified accrual basis of accounting. This fund is used to account for assets that the City holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from government-wide financial statements.

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 enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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

**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 statement 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.

The Minnesota Municipal Money Market (4M) Fund investment pool is regulated by Minnesota statutes and the Board of Directors of the League of Minnesota Cities and operates in accordance with appropriate State laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. The 4M Fund is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under rule 2a7. Financial statements of the 4M Fund can be obtained by contacting RBC Global Asset Management at 100 South Fifth Street Suite 2300, Minneapolis, MN 55402-1240.



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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***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, July and December 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 fund financial statements.

***Accounts receivable***

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2015. The City annually certifies delinquent water, sewer and storm water accounts to the County for collection in the following year. As a result, there has been no allowance for doubtful accounts established for the enterprise funds.

***Special assessments***

Special assessments represent the financing for public improvements paid for by benefiting property owners. Assessments were also completed for unreimbursed costs and uncollected City charges for services. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are 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."

***Prepaid items***

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.

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***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 initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition on infrastructure assets are capitalized and reported in the government-wide financial statements.

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include all assets accounted for prospectively from the phase 3 GASB 34 implementation date. As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost.

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. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated fair value of the item at the date of its donation.

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

Assets	Useful Lives in Years
Buildings	20 to 40
Land improvements	20
Building improvements	20
Furniture and equipment	5 to 10
Light vehicles	3 to 5
Machinery and equipment	5 to 10
Heavy trucks	7 to 10
Infrastructure	25 to 40

***Deferred outflows of resources***

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

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Compensated absences***

The City compensates employees who resign or retire in good standing for all unused vacation. Sick leave may be accumulated and banked to a maximum of 960 hours for full-time and regular part-time employees. For sick leave accumulated in excess of 960 hours, the employee may bank the hours in an account established by the City for retirement health insurance premiums. An employee who leaves employment voluntarily, with four or more years of service with the City and gives a 14 calendar day notice of termination of employment will be paid at the base rate of pay, one-third of accumulated sick leave hours. Any sick leave banked in excess of 960 hours will be forfeited. Two options are available in regards to accrued sick leave for an employee who voluntarily leaves after 20 or more years of service with the City. After giving at least a 14 day notice of termination of employment an employee may receive payment for one-half of all accrued sick leave at the employee's base rate of pay at the time of termination including sick leave banked in excess of 960 hours. A second option allows the employee to give the City at least 14 days' notice of termination of employment; which then allows the employee to place any accrued sick leave into the retirement health insurance account including sick leave banked in excess of 960 hours converted to a monetary value by using the employee's base rate of pay for that year.

Compensation time is also paid out upon termination. All hourly employees can earn compensation time for every hour of overtime they work. Each hour of overtime is accrued into 1.5 hours of compensation time. Also, a police employee who works any of the 11 holidays can accrue at a rate of 1.5 compensation hours per hour worked and be paid out for accruals over 80 hours.

Vacation, sick, and compensation time pay are considered expenditures in the year paid in the governmental fund statements. This differs from the proprietary and government-wide statements where vacation, sick, and compensation pay are expensed when earned. The General fund is typically used to liquidate governmental compensated absences.

***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 Statement 45, at December 31, 2015.

***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. Recognition of bond premiums and discounts are delayed and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

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

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***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.

***Deferred inflows of resources***

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

***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 that do not meet the definition of "Restricted" or "Net investment in capital assets".

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.

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

**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, which is the City's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the City 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 City Council itself or by an official to which the governing body delegates the authority. The City Council has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the City Administrator.

*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 an unrestricted fund balance in the General fund of the greater of (1) 50 percent of the next year's General fund property tax levy, or (2) a minimum of five months of the next year's budgeted expenditures of the General fund.

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

**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 and all special revenue funds. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

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

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

**B. Deficit fund equity**

The following funds had deficit fund balances at December 31, 2015:

Fund	Amount
Nonmajor	
Tax increment 1-9	\$ 83,364

The City plans to fund this deficit with future revenues from tax increments.

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

**Note 3: DETAILED NOTES ON ALL FUNDS**

**A. Deposits and investments**

***Deposits***

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

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

Authorized collateral in lieu of a corporate surety bond includes:

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

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

As of December 31, 2015 the City's carrying amount of deposits was \$854,114 and the bank balance was \$861,371. Of the bank balance \$250,000 was covered by federal depository insurance and the remaining amount was covered by collateral held by the City's agent in the City's name.

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

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

***Investments***

As of December 31, 2015, the City had the following investments that are insured or registered, or securities held by the City or its agent in the City's name.

Investment Type	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Fair Value and Carrying Amount
Pooled investments			
Broker money market	N/A	less than 6 months	\$ 2,422,914
Minnesota Municipal Money Market Fund	N/A	less than 6 months	<u>1,275,656</u>
Total pooled investments			<u>3,698,570</u>
Nonpooled investments			
U.S. Government Agencies	AAA	more than 3 years	<u>1,473,389</u>
Brokered Certificates of Deposit	N/A	less than 6 months	2,991,254
Brokered Certificates of Deposit	N/A	6 months to 1 year	498,018
Brokered Certificates of Deposit	N/A	1 year to 3 years	4,950,173
Brokered Certificates of Deposit	N/A	more than 3 years	<u>2,211,557</u>
Total brokered CD's			<u>10,651,002</u>
Total non-pooled investments			<u>12,124,391</u>
Total			<u><u>\$ 15,822,961</u></u>

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

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

N/A Indicate not applicable or available.



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

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

The investments of the City are subject to the following risk:

*Credit Risk:* This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to be in the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy states the instruments that the City will invest in will be consistent with the GFOA Policy Statement on the State and Local Laws Concerning Investment Practices and Minnesota statutes 118A. It also states investments in derivatives shall not be allowed.

*Custodial Credit Risk - Deposits:* For deposits, this is the risk that in the event of bank failure the City's deposits may not be returned to it. The City has a policy in place to address custodial credit risk for deposits, stating all demand deposit accounts, including checking accounts and nonnegotiable certificates of deposit, in accordance with the GFOA Recommended Practices on the Collateralization of Public Deposits and Minnesota statutes 118A will be required to be fully collateralized.

*Interest Rate Risk:* This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The City's investment policy states the City will minimize interest rate rise by structuring the portfolio so that securities mature to meet cash requirements for ongoing operations and investing operating funds primarily in shorter term securities, money market mutual funds or similar investment pools and limiting the average maturity of the portfolio. The policy states the City will not directly invest in securities maturing more than 10 years from the date of purchase or in accordance with the state and local statutes and ordinances unless matched to a specific cash flow. The policy also states the investments will be diversified by investing in securities with varying maturities, continuously investing at least 10 percent of the portfolio in readily available funds such as LGIPs, money market funds to ensure that appropriate liquidity is maintained and never investing more than 20 percent of the portfolio in securities with final maturities greater than five years.

*Concentration of Credit Risk:* This is the risk of loss attributed to the magnitude of an investment in a single issuer. The City's investment policy states the City will limit investments to avoid over concentration in securities from a specific issuer or business sector, excluding U.S. Treasury securities and limiting investments in securities that have higher credit risks and investing in securities with varying maturities. The policy also states the City will diversify the investment portfolio so the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

***Cash summary***

A reconciliation of cash as shown on the statement of net position for the City follows:

Carrying amount of deposits	\$ 854,114
Investments	15,822,961
Cash on hand	<u>200</u>
Total	<u><u>\$ 16,677,275</u></u>
Government-wide	
Cash and temporary investments	\$ 16,337,706
Fiduciary - agency	<u>339,569</u>
Total	<u><u>\$ 16,677,275</u></u>

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

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**B. Capital assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Land	\$ 774,778	\$ -	\$ -	\$ 774,778
Construction in progress	443,383	2,477,464	(487,750)	2,433,097
 Total capital assets, not being depreciated	 1,218,161	 2,477,464	 (487,750)	 3,207,875
 Capital assets, being depreciated				
Infrastructure	15,600,378	337,214	-	15,937,592
Buildings	9,145,840	-	-	9,145,840
Improvements	1,494,650	512,489	-	2,007,139
Machinery and equipment	1,870,180	473,349	(142,303)	2,201,226
 Total capital assets being depreciated	 28,111,048	 1,323,052	 (142,303)	 29,291,797
 Less accumulated depreciation for				
Infrastructure	(3,441,111)	(525,165)	-	(3,966,276)
Buildings	(780,292)	(236,310)	-	(1,016,602)
Improvements	(223,197)	(101,618)	-	(324,815)
Machinery and equipment	(1,147,660)	(204,057)	113,910	(1,237,807)
 Total accumulated depreciation	 (5,592,260)	 (1,067,150)	 113,910	 (6,545,500)
 Total capital assets, being depreciated, net	 22,518,788	 255,902	 (28,393)	 22,746,297
 Governmental activities capital assets, net	 <u>\$ 23,736,949</u>	 <u>\$ 2,733,366</u>	 <u>\$ (516,143)</u>	 <u>\$ 25,954,172</u>

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

<b>Governmental activities</b>	
General government	\$ 12,124
Public safety	73,648
Streets and highways	842,817
Culture and recreation	126,199
Economic development	12,362
 Total depreciation expense - governmental activities	 <u>\$ 1,067,150</u>

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

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets, not being depreciated				
Land	\$ 56,393	\$ -	\$ -	\$ 56,393
Construction in progress	269,035	314,010	-	583,045
	<u>325,428</u>	<u>314,010</u>	<u>-</u>	<u>639,438</u>
Total capital assets, not being depreciated				
	<u>325,428</u>	<u>314,010</u>	<u>-</u>	<u>639,438</u>
Capital assets being depreciated				
Infrastructure	6,013,658	-	-	6,013,658
Buildings	8,606,236	-	(197,782)	8,408,454
Improvements	448,467	-	-	448,467
Machinery and equipment	3,989,249	142,686	-	4,131,935
	<u>19,057,610</u>	<u>142,686</u>	<u>(197,782)</u>	<u>19,002,514</u>
Total capital assets being depreciated				
	<u>19,057,610</u>	<u>142,686</u>	<u>(197,782)</u>	<u>19,002,514</u>
Less accumulated depreciation for				
Infrastructure	(2,585,879)	(110,922)	197,782	(2,499,019)
Buildings	(2,834,737)	(197,587)	-	(3,032,324)
Improvements	(34,516)	(22,423)	-	(56,939)
Machinery and equipment	(2,839,029)	(78,313)	-	(2,917,342)
	<u>(8,294,161)</u>	<u>(409,245)</u>	<u>197,782</u>	<u>(8,505,624)</u>
Total accumulated depreciation				
	<u>(8,294,161)</u>	<u>(409,245)</u>	<u>197,782</u>	<u>(8,505,624)</u>
Total capital assets, being depreciated, net				
	<u>10,763,449</u>	<u>(266,559)</u>	<u>-</u>	<u>10,496,890</u>
Business-type activities capital assets, net	<u>\$ 11,088,877</u>	<u>\$ 47,451</u>	<u>\$ -</u>	<u>\$ 11,136,328</u>

Depreciation expense was charged to functions/programs of the business-type activities as follows:

<b>Business-type activities</b>	
Water	\$ 295,300
Sanitary Sewer	84,714
Storm Water	<u>29,231</u>
Total depreciation expense - business-type activities	<u>\$ 409,245</u>

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

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**C. Interfund receivables, payables and transfers**

*Interfund balances*

The composition of interfund balances at December 31, 2015 is as follows:

Receivable Fund	Payable Fund	Purpose	Amount
General Fund	Nonmajor governmental	Capital financing	<u>\$ 180,000</u>

*Interfund transfers*

The composition of interfund transfers for the year ended December 31, 2015 is as follows:

Fund	Transfer in						Total
	General	Debt Service	Tower Drive Improvements	Road Improvement	Nonmajor Governmental	Water	
Transfer out							
General	\$ -	\$ 1,081	\$ -	\$ -	\$ 2,000	\$ -	\$ 3,081
Park Dedication	-	-	39,421	-	-	-	39,421
Water Capital Improvements	-	-	167,500	-	-	358,425	525,925
Sewer Capital Improvements	-	-	167,500	-	-	-	167,500
Tower Drive Improvements	-	-	-	183,870	-	-	183,870
Nonmajor governmental	15,000	144,075	-	-	-	-	159,075
Water	71,500	42,601	-	-	-	-	114,101
Sanitary Sewer	67,250	52,068	-	-	-	-	119,318
Storm Water	51,700	-	-	-	38,139	-	89,839
Total	<u>\$ 205,450</u>	<u>\$ 239,825</u>	<u>\$ 374,421</u>	<u>\$ 183,870</u>	<u>\$ 40,139</u>	<u>\$ 358,425</u>	<u>\$ 1,402,130</u>

During the year, 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 and 2) move General fund resources to provide an annual subsidy to the transit fund. The City made the following one-time transfers for the year ended December 31, 2015:

- The General fund transferred \$1,081 to the Debt Service fund and \$2,000 to the Non-major Governmental funds.
- The Water Capital Improvement fund transferred \$358,425 to the Water fund for a portion of debt service.
- The non-major governmental Public Works/Police Facility fund transferred \$144,075 to close the fund to the Debt Service fund for future debt service.
- The Tower Drive Improvement fund received a transfer from the Water Capital Improvement fund (\$167,500), Sewer Capital Improvement fund (\$167,500), and from the Park Dedication fund (\$39,421) to fund the Tower Drive Improvement project.
- The Tower Drive Improvements fund transferred \$183,870 to the Road Improvements fund to reimburse for prior year's project expenditures.
- The Storm Water fund transferred \$38,139 to the non-major governmental Loretto Ponds fund to close the fund.

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

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**D. Long-term debt**

General obligation improvement bonds

The City issues G.O. improvement bonds to finance various improvements and will be repaid from special assessments levied on the properties benefiting from the improvements, tax increment from the district and 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
G.O. Improvement Bonds, Series 2011A	\$ 127,026	0.60 - 2.70 %	07/12/11	02/01/19	\$ 70,000
Taxable G.O. Improvement Bonds, Series 2011B	870,000	0.75 - 4.00	07/12/11	02/01/22	635,000
G.O. Improvement Bonds, Series 2010A	315,000	1.50 - 3.85	07/07/10	02/01/21	190,000
G.O. Improvement Bonds, Series 2008A	2,280,000	3.25 - 4.00	06/17/08	02/01/24	1,515,000
G.O. Capital Improvement Plan Bonds, Series 2012A	6,100,000	1.50 - 2.75	11/07/12	02/01/34	5,930,000
G.O. Crossover Refunding Bonds, Series 2013A	1,170,000	1.75 - 2.00	04/25/13	02/01/23	1,170,000
G.O. Improvement Bonds, Series 2015A	1,765,000	2.00 - 3.00	06/24/15	02/01/31	1,765,000
Total General Obligation Bonds					<u>\$ 11,275,000</u>

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2016	\$ 580,000	\$ 274,889	\$ 854,889
2017	720,000	255,108	975,108
2018	730,000	237,582	967,582
2019	735,000	219,263	954,263
2020	735,000	200,443	935,443
2021 - 2025	3,295,000	726,818	4,021,818
2026 - 2030	2,570,000	397,900	2,967,900
2031 - 2034	1,910,000	97,197	2,007,197
Total	<u>\$ 11,275,000</u>	<u>\$ 2,409,200</u>	<u>\$ 13,684,200</u>

General obligation tax increment bonds

The G.O Refunding Bonds, Series 2012B were issued to refund tax increment bonds which were originally issued for storm water mitigation and road work within phase 1 of the TIF district. The bonds will be repaid with future tax increments collections.

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**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Refunding Bonds, Series 2012B	\$ 650,000	1.50 %	11/07/12	02/01/21	<u>\$ 495,000</u>

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2016	\$ 75,000	\$ 6,862	\$ 81,862
2017	80,000	5,700	85,700
2018	85,000	4,462	89,462
2019	80,000	3,225	83,225
2020	85,000	1,988	86,988
2021	<u>90,000</u>	<u>675</u>	<u>90,675</u>
Total	<u>\$ 495,000</u>	<u>\$ 22,912</u>	<u>\$ 517,912</u>

G.O. revenue bonds

The following bonds were issued to finance capital improvements, and finance acquisition and construction of capital facilities. They will be repaid from future net revenues pledged from the Water fund and are backed by the taxing power of the City. Annual principal and interest payments on the bonds are expected to require over 61 percent of net revenues from the Water fund. For 2015, principal and interest paid and total customer net revenues for the Water fund were \$587,797 and \$958,501, respectively.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Water Revenue Crossover Refunding Bonds, Series 2012B	\$ 2,195,000	1.50 %	11/07/12	02/01/20	\$ 1,845,000
G.O. Water Revenue Crossover Refunding Bonds, Series 2013A	1,520,000	1.75 - 2.00	04/25/13	02/01/23	<u>1,520,000</u>
Total G.O. Revenue Bonds					<u>\$ 3,365,000</u>

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

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2016	\$ 540,000	\$ 52,563	\$ 592,563
2017	540,000	43,563	583,563
2018	550,000	34,488	584,488
2019	565,000	25,200	590,200
2020	570,000	15,737	585,737
2021 - 2023	<u>600,000</u>	<u>16,168</u>	<u>616,168</u>
Total	<u>\$ 3,365,000</u>	<u>\$ 187,719</u>	<u>\$ 3,552,719</u>

CITY OF MEDINA, MINNESOTA  
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**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

Changes in long-term liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Bonds payable					
General obligation improvement bonds	\$ 11,234,148	\$ 1,765,000	\$ (1,724,148)	\$ 11,275,000	\$ 580,000
General obligation equipment certificates	120,852	-	(120,852)	-	-
General obligation tax increment bonds	575,000	-	(80,000)	495,000	75,000
Unamortized premium on bonds	123,038	45,044	(12,072)	156,010	-
Total bonds payable	12,053,038	1,810,044	(1,937,072)	11,926,010	655,000
Compensated absences payable	278,415	207,001	(183,977)	301,439	89,778
Net pension liability					
GERF	-	716,190 *	(50,203)	665,987	-
PEPFF	-	1,104,990 *	(82,379)	1,022,611	-
Other postemployment benefits payable	189,805	35,187	(2,597)	222,395	-
Governmental activities Long-term liabilities	<u>\$ 12,521,258</u>	<u>\$ 3,873,412</u>	<u>\$ (2,256,228)</u>	<u>\$ 14,138,442</u>	<u>\$ 744,778</u>
<b>Business-type activities</b>					
Bonds payable					
General obligations revenue bonds	\$ 5,375,000	\$ -	\$ (2,010,000)	\$ 3,365,000	\$ 540,000
Unamortized premium on bonds	97,762	-	(15,386)	82,376	-
Total bonds payable	5,472,762	-	(2,025,386)	3,447,376	540,000
Compensated absences payable	55,153	26,058	(19,234)	61,977	20,759
Net pension liability					
GERF	-	208,959 *	(14,648)	194,311	-
Other postemployment benefits payable	30,240	7,132	(431)	36,941	-
Business-type activities Long-term liabilities	<u>\$ 5,558,155</u>	<u>\$ 242,149</u>	<u>\$ (2,059,699)</u>	<u>\$ 3,740,605</u>	<u>\$ 560,759</u>

\* Includes 1/1/2015 pension liability balance related to GASB Statement No. 68 implementation. See Note 7 for further detail.

CITY OF MEDINA, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
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**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**E. Components of fund balance**

At December 31, 2015, portions of the City's fund balance are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), City Council action (Committed), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Debt Service	Park Dedication	Water Capital Improvement	Sewer Capital Improvements	Road Improvement	Other Governmental Funds	Total
Nonspendable								
Prepaid items	\$ 44,383	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 103	\$ 44,486
Due from other funds	180,000	-	-	-	-	-	-	180,000
Total nonspendable	<u>\$ 224,383</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103</u>	<u>\$ 224,486</u>
Restricted for								
Park improvements	\$ -	\$ -	\$ 1,576,126	\$ -	\$ -	\$ -	\$ -	\$ 1,576,126
Debt service	-	1,058,753	-	-	-	-	-	1,058,753
Police expenditures	-	-	-	-	-	-	142,362	142,362
Total restricted	<u>\$ -</u>	<u>\$ 1,058,753</u>	<u>\$ 1,576,126</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 142,362</u>	<u>\$ 2,777,241</u>
Committed to								
Park improvements	\$ -	\$ -	\$ 266,164	\$ -	\$ -	\$ -	\$ 55,989	\$ 322,153
Police expenditures	-	-	-	-	-	-	43,662	43,662
Field house	-	-	-	-	-	-	14,845	14,845
German liberal cemetery	-	-	-	-	-	-	117,690	117,690
Community event	-	-	-	-	-	-	7,849	7,849
Cable	-	-	-	-	-	-	5,921	5,921
Environmental	-	-	-	-	-	-	381,468	381,468
Total committed	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 266,164</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 627,424</u>	<u>\$ 893,588</u>
Assigned to								
Capital improvements	\$ -	\$ -	\$ -	\$ 1,741,483	\$ 2,411,955	\$ 690,013	\$ 565,051	\$ 5,408,502
Equipment replacement	-	-	-	-	-	-	250,547	250,547
Total assigned	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,741,483</u>	<u>\$ 2,411,955</u>	<u>\$ 690,013</u>	<u>\$ 815,598</u>	<u>\$ 5,659,049</u>

**Note 4: DEFINED BENEFIT PENSION PLANS - 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.



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**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED**

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.

PEPFF benefits

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

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

**C. Contributions**

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

GERF contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2015. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2015. The City's contributions to the GERF for the years ending December 31, 2015, 2014 and 2013 were \$77,467, \$71,418, and \$66,118, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

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**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED**

PEPFF contributions

Plan members were required to contribute 10.8 percent of their annual covered salary in calendar year 2015. The City was required to contribute 16.20 percent of pay for PEPFF members in calendar year 2015. The City's contributions to the PEPFF for the years ending December 31, 2015, 2014 and 2013 were \$130,345, \$130,082, and \$114,542, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

**D. Pension costs**

GERF pension costs

At December 31, 2015, the City reported a liability of \$860,298 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014 through June 30, 2015 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportionate share was 0.0166 percent which was an increase of 0.0071 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$76,396 for its proportionate share of GERF's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 8,555	\$ 43,374
Changes in actuarial assumptions	52,999	
Net difference between projected and actual earnings on plan investments	-	76,583
Changes in proportion	-	48,694
Contributions to GERF subsequent to the measurement date	42,247	-
Total	<u>\$ 103,801</u>	<u>\$ 168,651</u>

Deferred outflows of resources totaling \$42,247 related to pensions resulting from the City's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2016	\$ 32,227
2017	32,227
2018	63,004
2019	(20,361)

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**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED**

PEPFF pension costs

At December 31, 2015, the City reported a liability of \$1,022,611 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014 through June 30, 2015 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City's proportionate share was 0.09 percent which was an increase of 0.0805 percent from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the City recognized pension expense of \$104,439 for its proportionate share of PEPFF's pension expense. The City also recognized \$8,100 for the year ended December 31, 2015, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,088	\$ 165,834
Changes in actuarial assumptions	194,367	
Net difference between projected and actual earnings on plan investments	-	181,555
Changes in proportion	-	-
Contributions to PEPFF subsequent to the measurement date	69,554	-
	<u>69,554</u>	<u>-</u>
Total	<u>\$ 265,009</u>	<u>\$ 347,389</u>

Deferred outflows of resources totaling \$69,554 related to pensions resulting from the City's contributions to PEPFF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to GERS pensions will be recognized in pension expense as follows:

2016	\$ 59,669
2017	59,669
2018	59,669
2019	(60,240)
2020	33,167

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**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED**

**E. Actuarial assumptions**

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

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

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

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

There were no changes in actuarial assumptions in 2015.

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

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

**F. Discount rate**

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

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**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED**

**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		1 Percent
	Decrease (6.90%)	Current (7.90%)	Increase (8.90%)
GERF	\$ 1,352,694	\$ 860,298	\$ 453,654
PEPFF	1,993,079	1,022,611	220,835

**H. Pension plan fiduciary net position**

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

**Note 5: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**A. Annual other postemployment benefit cost and net other postemployment benefit obligation**

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC) of the City, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. 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 to the Retiree Health Plan:

Annual required contribution	\$ 40,724
Interest on net OPEB obligation	9,902
Adjustment to annual required contribution	<u>(8,307)</u>
Annual OPEB cost (expense)	42,319
Contributions made	<u>(3,028)</u>
Increase in net OPEB obligation	39,291
Net OPEB obligation - beginning of year	<u>220,045</u>
Net OPEB obligation - end of year	<u><u>\$ 259,336</u></u>

CITY OF MEDINA, MINNESOTA  
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**Note 5: 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 the year ended December 31, 2015, 2014 and 2013 follows:

Year Ending	Trend Information		
	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/15	\$ 42,319	7.2 %	\$ 259,336
12/31/14	40,692	13.8	220,045
12/31/13	43,731	12.2	184,972

**B. Funded status and funding progress**

As of January 1, 2015, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$335,177, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,684,815 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 20 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.

**C. Actuarial 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 benefit costs between the employer and plan members to that point. The actuarial 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.

In the January 1, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return, which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments. The initial healthcare trend rate was 9 percent, reduced by decrements to an ultimate rate of 5 percent after twelve years. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2015 was thirty years.

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**Note 6: OTHER INFORMATION**

**A. Risk management**

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

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

**B. Legal debt margin**

The City's statutory debt limit is computed as 2.722 percent of the taxable market value of property within the City. Long-term debt issued and financed partially or entirely by special assessments or the net revenues of enterprise fund operations is excluded from the debt limit computation. The 2015 taxable market value of property was \$1,394,945,600 and the debt limit was \$41,848,368. The City has no debt applicable to this limit at year end.

**C. Tax increment districts**

The City's tax increment district is 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.

CITY OF MEDINA, MINNESOTA  
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**Note 7: CHANGE IN ACCOUNTING STANDARDS**

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

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

Fund	December 31, 2015		
	Net Position January 1, 2015 as Previously Reported	Prior Period Restatement (1)	Net Position January 1, 2015 as Restated
Governmental activities	<u>\$ 24,830,753</u>	<u>\$ (1,848,037)</u>	<u>\$ 22,982,716</u>
Business-type activities	<u>\$ 10,676,015</u>	<u>\$ (217,180)</u>	<u>\$ 10,458,835</u>
Business-type activities			
Water	\$ 5,805,733	\$ (99,810)	\$ 5,705,923
Sanitary Sewer	4,049,142	(80,784)	3,968,358
Storm Water	<u>821,140</u>	<u>(36,586)</u>	<u>784,554</u>
Total business-type activities	<u>\$ 10,676,015</u>	<u>\$ (217,180)</u>	<u>\$ 10,458,835</u>

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



**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF MEDINA  
MEDINA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2015

CITY OF MEDINA, MINNESOTA  
REQUIRED SUPPLEMENTAL INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

Required Supplementary Information							
Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/15	0.0166 %	\$ 860,298	\$ -	\$ 860,298	\$ 977,959	88.0 %	78.2 %

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

Required Supplementary Information					
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)
12/31/15	\$ 77,467	\$ 77,467	\$ -	\$ 1,032,893	7.5 %

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

Required Supplementary Information							
Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/15	0.0900 %	\$ 1,022,611	\$ -	\$ 1,022,611	\$ 876,130	116.7 %	86.6 %

CITY OF MEDINA, MINNESOTA  
REQUIRED SUPPLEMENTAL INFORMATION - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015

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

Year Ending	Required Supplementary Information				
	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)
12/31/15	\$ 130,345	\$ 130,345	\$ -	\$ 804,599	16.2 %

**Schedule of funding progress for the postemployment benefit plan**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
01/01/15	\$ -	\$ 335,177	\$ 335,177	- %	\$ 1,684,815	20 %
01/01/14	-	298,780	298,780	-	1,623,918	18
01/01/13	-	309,844	309,844	-	1,566,920	20

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

CITY OF MEDINA  
MEDINA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2015

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

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and temporary investments	\$ 949,936	\$ 725,829	\$ 1,675,765
Due from other governments	-	7,395	7,395
Prepaid items	103	-	103
	<u>103</u>	<u>-</u>	<u>103</u>
 TOTAL ASSETS	 <u>\$ 950,039</u>	 <u>\$ 733,224</u>	 <u>\$ 1,683,263</u>
LIABILITIES			
Accounts payable	\$ 150	\$ 990	\$ 1,140
Due to other funds	180,000	-	180,000
	<u>180,000</u>	<u>-</u>	<u>180,000</u>
 TOTAL LIABILITIES	 <u>180,150</u>	 <u>990</u>	 <u>181,140</u>
FUND BALANCES			
Nonspendable	103	-	103
Restricted	142,362	-	142,362
Committed	627,424	-	627,424
Assigned	-	815,598	815,598
Unassigned	-	(83,364)	(83,364)
	<u>-</u>	<u>(83,364)</u>	<u>(83,364)</u>
 TOTAL FUND BALANCES	 <u>769,889</u>	 <u>732,234</u>	 <u>1,502,123</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 950,039</u>	 <u>\$ 733,224</u>	 <u>\$ 1,683,263</u>

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

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Taxes			
Property taxes	\$ -	\$ 133,388	\$ 133,388
Tax increments	-	339,571	339,571
Franchise fees	53,254	-	53,254
Charges for services	11,265	-	11,265
Fines and forfeitures	50,260	-	50,260
Interest on investments	7,137	5,692	12,829
Miscellaneous	105,450	50	105,500
	<u>227,366</u>	<u>478,701</u>	<u>706,067</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
General government	-	2,178	2,178
Public safety	4,959	-	4,959
Culture and recreation	38,377	484	38,861
Economic development	-	209,520	209,520
Miscellaneous	2,652	-	2,652
Capital outlay			
General government	-	37,677	37,677
Public safety	13,795	390,291	404,086
Streets and highways	-	134,622	134,622
Culture and recreation	13,311	32,692	46,003
	<u>73,094</u>	<u>807,464</u>	<u>880,558</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>154,272</u>	<u>(328,763)</u>	<u>(174,491)</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	-	49,450	49,450
Transfers in	2,000	38,139	40,139
Transfers out	(15,000)	(144,075)	(159,075)
	<u>(13,000)</u>	<u>(56,486)</u>	<u>(69,486)</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	141,272	(385,249)	(243,977)
FUND BALANCES, JANUARY 1	<u>628,617</u>	<u>1,117,483</u>	<u>1,746,100</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 769,889</u></u>	<u><u>\$ 732,234</u></u>	<u><u>\$ 1,502,123</u></u>

CITY OF MEDINA, MINNESOTA  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2015

	<b>204</b>	<b>226</b>	<b>227</b>	<b>235</b>
	Environmental	Municipal Park	Field House	Police Forfeiture
<b>ASSETS</b>				
Cash and temporary investments	\$ 381,468	\$ 55,989	\$ 14,845	\$ 170,817
Prepaid items	-	-	-	-
<b>TOTAL ASSETS</b>	<u><u>\$ 381,468</u></u>	<u><u>\$ 55,989</u></u>	<u><u>\$ 14,845</u></u>	<u><u>\$ 170,817</u></u>
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 150
Due to other funds	-	-	-	-
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	-
Restricted	-	-	-	142,362
Committed	381,468	55,989	14,845	28,305
<b>TOTAL FUND BALANCES</b>	<u>381,468</u>	<u>55,989</u>	<u>14,845</u>	<u>170,667</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 381,468</u></u>	<u><u>\$ 55,989</u></u>	<u><u>\$ 14,845</u></u>	<u><u>\$ 170,817</u></u>



<b>236</b> Police Reserve Equipment	<b>238</b> German Liberal Cemetery	<b>240</b> Community Event	<b>250</b> Cable Franchise	Total
\$ 15,357	\$ 117,690	\$ 7,849	\$ 185,921	\$ 949,936
-	103	-	-	103
<u>\$ 15,357</u>	<u>\$ 117,793</u>	<u>\$ 7,849</u>	<u>\$ 185,921</u>	<u>\$ 950,039</u>
\$ -	\$ -	\$ -	\$ -	\$ 150
-	-	-	180,000	180,000
-	-	-	180,000	180,150
-	103	-	-	103
-	-	-	-	142,362
15,357	117,690	7,849	5,921	627,424
15,357	117,793	7,849	5,921	769,889
<u>\$ 15,357</u>	<u>\$ 117,793</u>	<u>\$ 7,849</u>	<u>\$ 185,921</u>	<u>\$ 950,039</u>

CITY OF MEDINA, MINNESOTA  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUE, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	<b>204</b>	<b>226</b>	<b>227</b>	<b>235</b>
	<u>Environmental</u>	<u>Municipal Park</u>	<u>Field House</u>	<u>Police Forfeiture</u>
REVENUES				
Taxes				
Franchise fees	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	50,260
Interest on investments	2,772	432	126	1,314
Miscellaneous	98,000	-	1,400	-
	<u>100,772</u>	<u>432</u>	<u>1,526</u>	<u>51,574</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Public safety	-	-	-	2,149
Culture and recreation	5,715	373	4,621	-
Miscellaneous	-	-	-	-
Capital outlay				
Public safety	-	-	-	13,795
Culture and recreation	-	-	-	-
	<u>5,715</u>	<u>373</u>	<u>4,621</u>	<u>15,944</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>95,057</u>	<u>59</u>	<u>(3,095)</u>	<u>35,630</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	(15,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCES	95,057	59	(3,095)	20,630
FUND BALANCES, JANUARY 1	<u>286,411</u>	<u>55,930</u>	<u>17,940</u>	<u>150,037</u>
FUND BALANCES, DECEMBER 31	<u>\$ 381,468</u>	<u>\$ 55,989</u>	<u>\$ 14,845</u>	<u>\$ 170,667</u>

<b>236</b> Police Reserve Equipment	<b>238</b> German Liberal Cemetery	<b>240</b> Community Event	<b>250</b> Cable Franchise	Total
\$ -	\$ -	\$ -	\$ 53,254	\$ 53,254
75	11,190	-	-	11,265
-	-	-	-	50,260
124	871	66	1,432	7,137
400	-	5,650	-	105,450
<u>599</u>	<u>12,061</u>	<u>5,716</u>	<u>54,686</u>	<u>227,366</u>
2,810	-	-	-	4,959
-	-	6,759	20,909	38,377
-	2,652	-	-	2,652
-	-	-	-	13,795
-	-	-	13,311	13,311
<u>2,810</u>	<u>2,652</u>	<u>6,759</u>	<u>34,220</u>	<u>73,094</u>
<u>(2,211)</u>	<u>9,409</u>	<u>(1,043)</u>	<u>20,466</u>	<u>154,272</u>
-	-	2,000	-	2,000
-	-	-	-	(15,000)
-	-	2,000	-	(13,000)
(2,211)	9,409	957	20,466	141,272
17,568	108,384	6,892	(14,545)	628,617
<u>\$ 15,357</u>	<u>\$ 117,793</u>	<u>\$ 7,849</u>	<u>\$ 5,921</u>	<u>\$ 769,889</u>

CITY OF MEDINA, MINNESOTA  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2015

	<b>401</b> General Capital Improvement	<b>406</b> Tax Increment 1-9	<b>411</b> Equipment Replacement	<b>419</b> Loretto Ponds
<b>ASSETS</b>				
Cash and temporary investments	\$ 560,271	\$ (89,186)	\$ 249,324	\$ -
Due from other governments	<u>-</u>	<u>6,172</u>	<u>1,223</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 560,271</u></u>	<u><u>\$ (83,014)</u></u>	<u><u>\$ 250,547</u></u>	<u><u>\$ -</u></u>
<b>LIABILITIES</b>				
Accounts payable	<u>\$ 640</u>	<u>\$ 350</u>	<u>\$ -</u>	<u>\$ -</u>
<b>FUND BALANCES</b>				
Assigned	559,631	-	250,547	-
Unassigned	<u>-</u>	<u>(83,364)</u>	<u>-</u>	<u>-</u>
<b>TOTAL FUND BALANCES</b>	<u>559,631</u>	<u>(83,364)</u>	<u>250,547</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 560,271</u></u>	<u><u>\$ (83,014)</u></u>	<u><u>\$ 250,547</u></u>	<u><u>\$ -</u></u>

421 Lake Independence Outlet		Total
\$	5,420	\$ 725,829
	-	7,395
<u>\$</u>	<u>5,420</u>	<u>\$ 733,224</u>
\$	-	\$ 990
	5,420	815,598
	-	(83,364)
<u></u>	<u>5,420</u>	<u>732,234</u>
<u>\$</u>	<u>5,420</u>	<u>\$ 733,224</u>

CITY OF MEDINA, MINNESOTA  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	<b>401</b> General Capital Improvement	<b>406</b> Tax Increment 1-9	<b>411</b> Equipment Replacement	<b>419</b> Loretto Ponds
REVENUES				
Taxes				
Property taxes	\$ -	\$ -	\$ 133,388	\$ -
Tax increments	-	339,571	-	-
Interest on investments	4,441	(1,436)	2,941	(299)
Miscellaneous	50	-	-	-
	<u>4,491</u>	<u>338,135</u>	<u>136,329</u>	<u>(299)</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
General government	2,178	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	209,520	-	-
Capital outlay				
General government	26,164	-	11,513	-
Public safety	-	-	390,291	-
Streets and highways	-	-	134,622	-
Culture and recreation	-	-	-	32,692
	<u>28,342</u>	<u>209,520</u>	<u>536,426</u>	<u>32,692</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(23,851)</u>	<u>128,615</u>	<u>(400,097)</u>	<u>(32,991)</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	49,450	-
Transfers in	-	-	-	38,139
Transfer out	-	(144,075)	-	-
	<u>-</u>	<u>(144,075)</u>	<u>49,450</u>	<u>38,139</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCES	(23,851)	(15,460)	(350,647)	5,148
FUND BALANCES, JANUARY 1	<u>583,482</u>	<u>(67,904)</u>	<u>601,194</u>	<u>(5,148)</u>
FUND BALANCES, DECEMBER 31	<u>\$ 559,631</u>	<u>\$ (83,364)</u>	<u>\$ 250,547</u>	<u>\$ -</u>

421 Lake Independence Outlet		Total
\$	-	\$ 133,388
	-	339,571
	45	5,692
	-	50
	45	478,701
	-	2,178
	484	484
	-	209,520
	-	37,677
	-	390,291
	-	134,622
	-	32,692
	484	807,464
	(439)	(328,763)
	-	49,450
	-	38,139
	-	(144,075)
	-	(56,486)
	(439)	(385,249)
	5,859	1,117,483
\$	5,420	\$ 732,234

CITY OF MEDINA, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - CONTINUED ON THE FOLLOWING PAGES  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(With comparative actual amounts for the year ended December 31, 2014)

	2015				2014
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Taxes					
Property taxes	\$ 2,922,139	\$ 2,922,139	\$ 2,926,592	\$ 4,453	\$ 2,814,421
Licenses and permits	281,800	281,800	437,751	155,951	478,385
Intergovernmental					
Federal	30,000	30,000	31,255	1,255	38,308
State					
Property tax credits	2,000	2,000	4,624	2,624	2,636
Police state aid	76,500	76,500	83,542	7,042	79,393
Fire state aid	30,000	30,000	44,973	14,973	40,393
PERA aid	1,773	1,773	1,773	-	1,773
Other grants and aids	54,345	54,345	61,641	7,296	61,845
County					
Other grants and aids	13,000	13,000	17,839	4,839	14,770
Total	207,618	207,618	245,647	38,029	239,118
Charges for services					
General government	15,400	15,400	27,544	12,144	18,097
Public safety	157,300	157,300	260,403	103,103	248,718
Public works	4,200	4,200	4,377	177	3,605
Culture and recreation	23,000	23,000	34,414	11,414	28,795
Total	199,900	199,900	326,738	126,838	299,215
Fines and forfeitures	163,000	163,000	97,441	(65,559)	114,365
Special assessments	1,000	1,000	-	(1,000)	15
Interest on investments	5,000	5,000	20,038	15,038	27,482
Miscellaneous					
Contributions and donations	20,000	20,000	20,754	754	18,935
Other	113,300	113,300	119,899	6,599	149,497
Total	133,300	133,300	140,653	7,353	168,432
TOTAL REVENUES	3,913,757	3,913,757	4,194,860	281,103	4,141,433



CITY OF MEDINA, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(With comparative actual amounts for the year ended December 31, 2014)

	2015				2014
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES					
Current					
General government					
Mayor and Council					
Personal services	\$ 18,494	\$ 18,494	\$ 18,296	\$ 198	\$ 18,713
Other services and charges	6,650	6,650	6,883	(233)	7,393
Total	25,144	25,144	25,179	(35)	26,106
City administrator					
Personal services	423,882	423,882	395,926	27,956	373,555
Supplies	6,100	6,100	3,950	2,150	3,775
Other services and charges	129,908	129,908	135,081	(5,173)	189,211
Total	559,890	559,890	534,957	24,933	566,541
Elections					
Personal services	-	-	-	-	10,215
Supplies	800	800	222	578	686
Other services and charges	3,900	3,900	1,069	2,831	3,182
Total	4,700	4,700	1,291	3,409	14,083
Assessing					
Supplies	250	250	103	147	204
Other services and charges	81,050	81,050	85,312	(4,262)	81,996
Total	81,300	81,300	85,415	(4,115)	82,200
Planning and zoning					
Personal services	125,479	125,479	136,315	(10,836)	147,008
Supplies	300	300	-	300	921
Other services and charges	50,425	50,425	72,550	(22,125)	32,727
Total	176,204	176,204	208,865	(32,661)	180,656
PW/PD facility					
Supplies	2,500	2,500	2,222	278	2,249
Other services and charges	97,900	97,900	65,053	32,847	63,181
Total	100,400	100,400	67,275	33,125	65,430

CITY OF MEDINA, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(With comparative actual amounts for the year ended December 31, 2014)

	2015				2014
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
General government - continued					
Other general government					
Supplies	\$ 11,000	\$ 11,000	\$ 5,007	\$ 5,993	\$ 11,019
Other services and charges	94,950	94,950	101,943	(6,993)	95,184
Total	105,950	105,950	106,950	(1,000)	106,203
Total general government	1,053,588	1,053,588	1,029,932	23,656	1,041,219
Public safety					
Police					
Personal services	1,318,585	1,318,585	1,304,512	14,073	1,287,453
Supplies	76,150	76,150	56,560	19,590	61,694
Other services and charges	181,550	181,550	153,818	27,732	145,206
Total	1,576,285	1,576,285	1,514,890	61,395	1,494,353
Building inspection					
Personal services	138,719	138,719	124,782	13,937	92,581
Supplies	-	-	233	(233)	119
Other services and charges	135,398	135,398	208,247	(72,849)	214,707
Total	274,117	274,117	333,262	(59,145)	307,407
Fire					
Other services and charges	360,600	360,600	371,731	(11,131)	341,031
Total public safety	2,211,002	2,211,002	2,219,883	(8,881)	2,142,791
Streets and highways					
Streets					
Personal services	264,313	264,313	259,780	4,533	240,769
Supplies	179,250	179,250	177,922	1,328	175,390
Other services and charges	203,750	203,750	216,496	(12,746)	219,047
Total streets and highways	647,313	647,313	654,198	(6,885)	635,206
Sanitation and recycling					
Personal services	9,593	9,593	9,517	76	9,169
Supplies	-	-	419	(419)	-
Other services and charges	4,950	4,950	1,672	3,278	1,950
Total sanitation and recycling	14,543	14,543	11,608	2,935	11,119

CITY OF MEDINA, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2015  
(With comparative actual amounts for the year ended December 31, 2014)

	2015				2014
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
EXPENDITURES - CONTINUED					
Current - continued					
Culture and recreation					
Personal services	\$ 85,496	\$ 85,496	\$ 83,640	\$ 1,856	\$ 52,921
Supplies	29,650	29,650	27,982	1,668	11,947
Other services and charges	75,915	75,915	71,960	3,955	80,254
Total culture and recreation	191,061	191,061	183,582	7,479	145,122
Miscellaneous					
Unallocated insurance					
Other services and charges	-	-	2,455	(2,455)	49,578
Total current expenditures	4,117,507	4,117,507	4,101,658	15,849	4,025,035
Capital outlay					
General government	-	-	3,575	(3,575)	-
Public safety	-	-	3,749	(3,749)	725
Culture and recreation	-	-	139	(139)	8,013
Total capital outlay	-	-	7,463	(7,463)	8,738
TOTAL EXPENDITURES	4,117,507	4,117,507	4,109,121	8,386	4,033,773
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(203,750)	(203,750)	85,739	289,489	107,660
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	300	300	-	(300)	512
Transfers in	205,450	205,450	205,450	-	199,900
Transfers out	(2,000)	(2,000)	(3,081)	(1,081)	(857,000)
TOTAL OTHER FINANCING SOURCES (USES)	203,750	203,750	202,369	(1,381)	(656,588)
NET CHANGE IN FUND BALANCES	-	-	288,108	288,108	(548,928)
FUND BALANCES, JANUARY 1	2,102,951	2,102,951	2,102,951	-	2,651,879
FUND BALANCES, DECEMBER 31	<u>\$ 2,102,951</u>	<u>\$ 2,102,951</u>	<u>\$ 2,391,059</u>	<u>\$ 288,108</u>	<u>\$ 2,102,951</u>

CITY OF MEDINA, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2015

	<b>306</b> G.O. Bonds 2008 Uptown Hamel	<b>312</b> G.O. Improvement Bonds 2010A	<b>313</b> Hunter South Improvement Bonds 2011B	<b>314</b> 2011 Equipment Certificates
<b>ASSETS</b>				
Cash and temporary investments	\$ 24,040	\$ 60,297	\$ 35,984	\$ -
Receivables				
Taxes	-	485	216	2,256
Special assessments	85,612	9,989	2,609	-
Due from other governments	153	349	176	341
<b>TOTAL ASSETS</b>	<u><u>\$ 109,805</u></u>	<u><u>\$ 71,120</u></u>	<u><u>\$ 38,985</u></u>	<u><u>\$ 2,597</u></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - taxes	\$ -	\$ 485	\$ 216	\$ 2,256
Unavailable revenue - special assessments	85,612	9,989	2,609	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	85,612	10,474	2,825	2,256
<b>FUND BALANCES</b>				
Restricted for debt service	24,193	60,646	36,160	341
<b>TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<u><u>\$ 109,805</u></u>	<u><u>\$ 71,120</u></u>	<u><u>\$ 38,985</u></u>	<u><u>\$ 2,597</u></u>

<b>316</b> Hunter North Improvement Bonds 2011B	<b>318</b> G.O. Capital Improvement Bonds 2007A	<b>319</b> G.O. Capital Improvement Bonds 2012A	<b>320</b> G.O. Refunding Bonds 2012B	<b>321</b> G.O. Refunding Bonds 2013A	<b>322</b> G.O. Improvement Bonds 2015A	Total
\$ 333,382	\$ -	\$ 361,132	\$ 17,869	\$ 169,883	\$ 49,656	\$ 1,052,243
966	-	4,249	-	2,349	-	10,521
20,017	-	-	55,880	-	813,545	987,652
1,019	-	2,835	19	1,618	-	6,510
<u>\$ 355,384</u>	<u>\$ -</u>	<u>\$ 368,216</u>	<u>\$ 73,768</u>	<u>\$ 173,850</u>	<u>\$ 863,201</u>	<u>\$ 2,056,926</u>
\$ 966	\$ -	\$ 4,249	\$ -	\$ 2,349	\$ -	\$ 10,521
20,017	-	-	55,880	-	813,545	987,652
20,983	-	4,249	55,880	2,349	813,545	998,173
334,401	-	363,967	17,888	171,501	49,656	1,058,753
<u>\$ 355,384</u>	<u>\$ -</u>	<u>\$ 368,216</u>	<u>\$ 73,768</u>	<u>\$ 173,850</u>	<u>\$ 863,201</u>	<u>\$ 2,056,926</u>

CITY OF MEDINA, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2015

	<b>306</b> G.O. Bonds 2008 Uptown Hamel	<b>312</b> G.O. Improvement Bonds 2010A	<b>313</b> Hunter South Improvement Bonds 2011B	<b>314</b> 2011 Equipment Certificates
REVENUES				
Taxes	\$ -	\$ 29,029	\$ 12,522	\$ 724
Special assessments	19,600	2,697	1,032	-
Interest on investments	(72)	316	219	(2)
TOTAL REVENUES	19,528	32,042	13,773	722
EXPENDITURES				
Debt service				
Principal	140,000	35,000	19,148	120,852
Interest and other charges	63,620	6,825	3,069	2,580
TOTAL EXPENDITURES	203,620	41,825	22,217	123,432
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(184,092)	(9,783)	(8,444)	(122,710)
OTHER FINANCING SOURCES (USES)				
Transfer in	74,075	-	-	1,081
Transfer out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	74,075	-	-	1,081
NET CHANGE IN FUND BALANCES	(110,017)	(9,783)	(8,444)	(121,629)
FUND BALANCES, JANUARY 1	134,210	70,429	44,604	121,970
FUND BALANCES, DECEMBER 31	\$ 24,193	\$ 60,646	\$ 36,160	\$ 341

<b>316</b> Hunter North Improvement Bonds 2011B	<b>318</b> G.O. Capital Improvement Bonds 2007A	<b>319</b> G.O. Capital Improvement Bonds 2012A	<b>320</b> G.O. Refunding Bonds 2012B	<b>321</b> G.O. Refunding Bonds 2013A	<b>322</b> G.O. Improvement Bonds 2015A	Total
\$ 55,080	\$ 464	\$ 246,247	\$ -	\$ 132,128	\$ -	\$ 476,194
44,095	-	-	13,971	-	49,419	130,814
2,186	1,523	1,548	(184)	423	237	6,194
<u>101,361</u>	<u>1,987</u>	<u>247,795</u>	<u>13,787</u>	<u>132,551</u>	<u>49,656</u>	<u>613,202</u>
80,000	1,280,000	170,000	80,000	-	-	1,925,000
21,751	36,399	126,029	8,679	11,967	-	280,919
<u>101,751</u>	<u>1,316,399</u>	<u>296,029</u>	<u>88,679</u>	<u>11,967</u>	<u>-</u>	<u>2,205,919</u>
(390)	(1,314,412)	(48,234)	(74,892)	120,584	49,656	(1,592,717)
-	-	61,567	70,000	51,303	-	258,026
-	(18,201)	-	-	-	-	(18,201)
-	(18,201)	61,567	70,000	51,303	-	239,825
(390)	(1,332,613)	13,333	(4,892)	171,887	49,656	(1,352,892)
334,791	1,332,613	350,634	22,780	(386)	-	2,411,645
<u>\$ 334,401</u>	<u>\$ -</u>	<u>\$ 363,967</u>	<u>\$ 17,888</u>	<u>\$ 171,501</u>	<u>\$ 49,656</u>	<u>\$ 1,058,753</u>

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

	Total		Percent Increase (Decrease)
	2015	2014	
REVENUES			
Taxes	\$ 3,928,999	\$ 3,841,735	2.27 %
Licenses and permits	437,751	478,385	(8.49)
Intergovernmental	437,929	304,169	43.98
Charges for services	1,572,603	1,431,332	9.87
Fines and forfeitures	147,701	163,836	(9.85)
Special assessments	244,237	316,364	(22.80)
Interest on investments	94,945	116,665	(18.62)
Miscellaneous	409,233	192,092	113.04
TOTAL REVENUES	<u>\$ 7,273,398</u>	<u>\$ 6,844,578</u>	6.27 %
Per Capita	<u>\$ 1,247</u>	<u>\$ 1,289</u>	(3.25) %
EXPENDITURES			
Current			
General government	\$ 1,032,110	\$ 1,041,219	(0.87) %
Public safety	2,224,842	2,147,234	3.61
Streets and highways	654,198	635,206	2.99
Sanitation and recycling	11,608	11,119	4.40
Culture and recreation	238,812	237,502	0.55
Economic development	209,520	210,736	(0.58)
Miscellaneous	5,107	51,836	(90.15)
Capital outlay			
General government	41,252	42,192	(2.23)
Public safety	407,835	383,292	6.40
Streets and highways	2,878,253	991,102	190.41
Culture and recreation	448,506	213,503	110.07
Economic development	-	119,401	(100.00)
Debt service			
Principal	1,925,000	580,000	231.90
Interest and other	334,460	322,152	3.82
TOTAL EXPENDITURES	<u>\$ 10,411,503</u>	<u>\$ 6,986,494</u>	49.02 %
Per Capita	<u>\$ 1,786</u>	<u>\$ 1,316</u>	35.68 %
Total Long-term Indebtedness	\$ 11,770,000	\$ 11,930,000	(1.34) %
Per Capita	2,019	2,247	(10.17)
General Fund Balance - December 31	\$ 2,391,059	\$ 2,102,951	13.70 %
Per Capita	410	396	3.52

The purpose of this report is to provide a summary of financial information concerning the City of Medina to interested citizens. The complete financial statements may be examined at City Hall, 2052 County Road 24, Medina, Minnesota 55340-9790. Questions about this report should be directed to the Finance Director at (763) 473-4643.



**OTHER REPORT**

CITY OF MEDINA  
MEDINA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2015

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## INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council  
City of Medina, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Medina, Minnesota (the City), as of and for the year ended December 31, 2015, and the related notes to the financial statements, and have issued our report thereon dated June 1, 2016.

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

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

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

ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
June 1, 2016