

Annual Financial Report

City of Medina

Medina, Minnesota

For the Year Ended

December 31, 2016

CITY OF MEDINA
MEDINA, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2016

CITY OF MEDINA, MINNESOTA
 ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

CITY OF MEDINA
MEDINA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016

CITY OF MEDINA, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2016

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

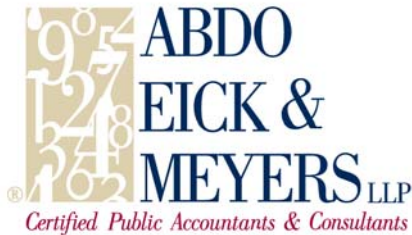
APPOINTED

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

FINANCIAL SECTION

CITY OF MEDINA
MEDINA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016



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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

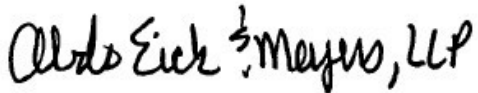
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 15 and the Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions, and the Schedule of Funding Progress for Other Post-Employment Benefit Plan starting on page 80 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
May 2, 2017

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, 2016.

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 \$37,471,358 (*net position*). Of this amount, \$10,203,806 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1,434,912 as a result of an increase to building activity and City growth.
- The total net position of governmental activities increased by \$154,740 and total net position of the business-type activities increased by \$1,280,172. This resulted in an increase to total net position of \$1,434,912 for the City. Governmental activities transferred capital assets of \$669,453 to business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12,290,825, an increase of \$653,149 in comparison with the prior year. Factors contributing to this variance include higher expenditures related to legal fees in the General fund, capital related activity, 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 \$2,297,257, or 53 percent of total General fund expenditures.
- The City's total debt increased \$3,149,626, or 18 percent during the current fiscal year mainly due to the increase in pension liability related to GASB 68.

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

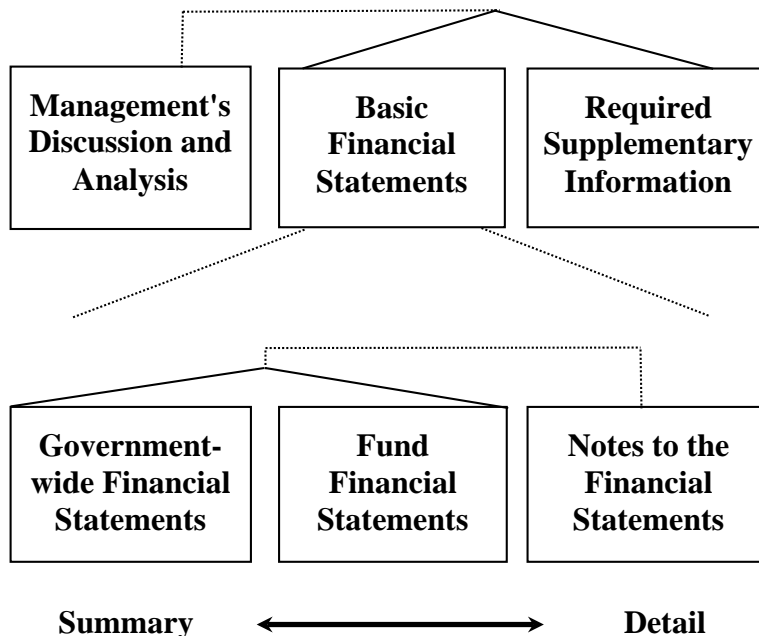


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the 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"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statements of Net Position • Statements of Revenues, Expenses and Changes in Fund Net Position • Statements of Cash Flows 	<ul style="list-style-type: none"> • Statements of fiduciary Net Position
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 deferred outflows of resources and liabilities and deferred inflows of resources, 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 14 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 2016, 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 84 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 \$37,471,358 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (64 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		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Assets						
Current and other assets	\$ 14,914,930	\$ 14,242,789	\$ 672,141	\$ 4,486,630	\$ 4,029,641	\$ 456,989
Capital assets	26,596,854	25,954,172	642,682	11,411,589	11,136,328	275,261
Total assets	41,511,784	40,196,961	1,314,823	15,898,219	15,165,969	732,250
Deferred outflows of resources	2,875,057	345,365	2,529,692	124,127	23,445	100,682
Liabilities						
Noncurrent liabilities						
outstanding	17,719,661	14,138,442	3,581,219	3,309,012	3,740,605	(431,593)
Other liabilities	1,226,698	1,189,844	36,854	99,071	110,363	(11,292)
Total liabilities	18,946,359	15,328,286	3,618,073	3,408,083	3,850,968	(442,885)
Deferred inflows of resources	549,649	477,947	71,702	33,738	38,093	(4,355)
Net position						
Net investment in						
capital assets	15,291,518	14,028,162	1,263,356	8,519,599	7,688,952	830,647
Restricted	3,456,435	3,648,712	(192,277)	-	-	-
Unrestricted	6,142,880	7,059,219	(916,339)	4,060,926	3,611,401	449,525
Total net position	\$ 24,890,833	\$ 24,736,093	\$ 154,740	\$ 12,580,525	\$ 11,300,353	\$ 1,280,172

An additional portion of the City's net position (9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$10,203,806 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 \$154,740 thereby accounting for 10.8 percent of the total growth in the net position of the City. Key elements of this increase are as follows:

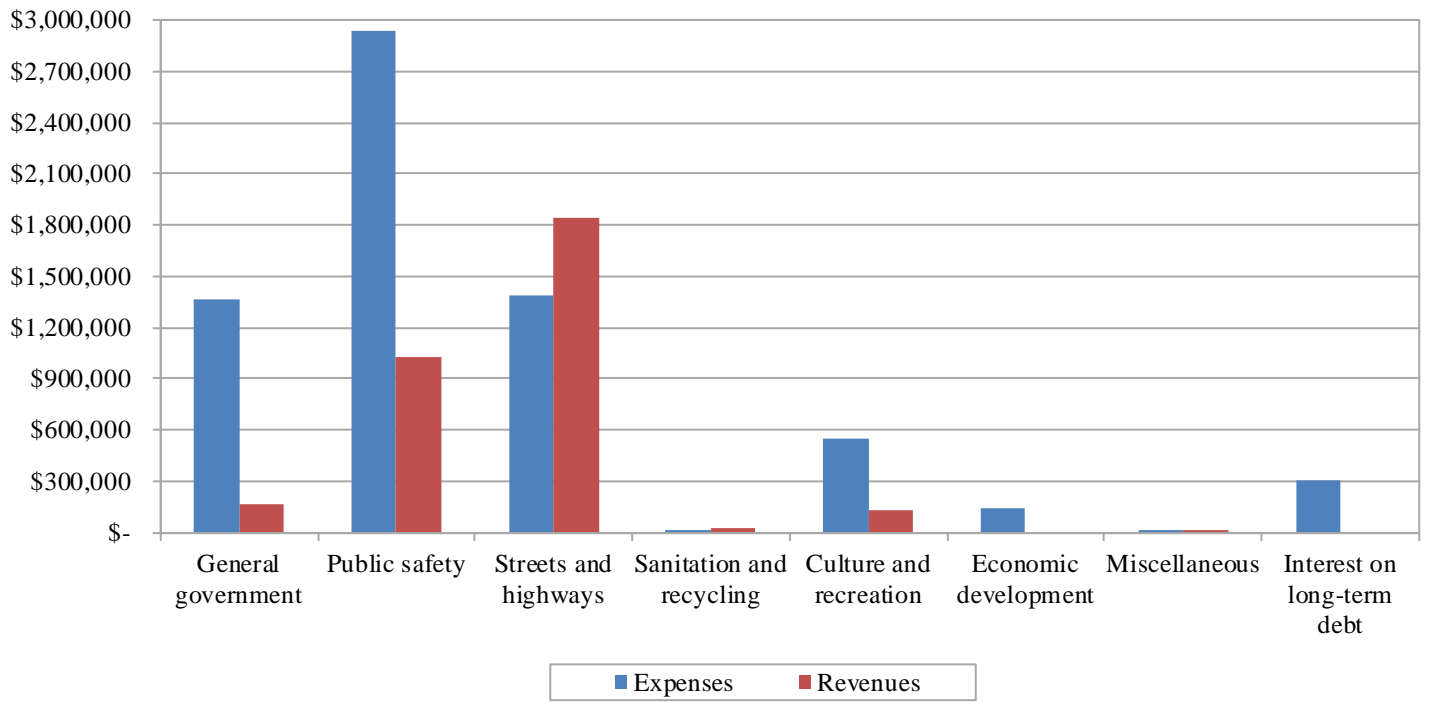
City of Medina's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 1,026,058	\$ 1,049,123	\$ (23,065)	\$ 1,954,082	\$ 1,789,563	\$ 164,519
Operating grants and contributions	279,886	312,473	(32,587)	-	3,316	(3,316)
Capital grants and contributions	1,905,777	2,659,351	(753,574)	45,925	29,173	16,752
General revenues						
Property taxes	3,863,816	3,525,215	338,601	-	-	-
Tax increments	345,135	339,571	5,564	-	-	-
Franchise taxes	55,339	53,254	2,085	-	-	-
Unrestricted investment earnings	128,253	94,945	33,308	42,676	27,774	14,902
Gain on sale of capital assets	4,322	21,057	(16,735)	-	-	-
Total revenues	7,608,586	8,054,989	(446,403)	2,042,683	1,849,826	192,857
Expenses						
General government	1,369,395	1,078,268	291,127	-	-	-
Public safety	2,935,289	2,632,002	303,287	-	-	-
Streets and highways	1,387,389	1,209,722	177,667	-	-	-
Sanitation and recycling	14,923	11,677	3,246	-	-	-
Culture and recreation	554,679	440,848	113,831	-	-	-
Economic development	146,024	221,882	(75,858)	-	-	-
Miscellaneous	5,436	5,107	329	-	-	-
Interest on long-term debt	300,460	323,161	(22,701)	-	-	-
Water	-	-	-	784,626	727,265	57,361
Sewer	-	-	-	547,375	514,079	33,296
Storm water	-	-	-	170,761	145,909	24,852
Total expenses	6,713,595	5,922,667	790,928	1,502,762	1,387,253	115,509
Change in net position before transfers	894,991	2,132,322	(1,237,331)	539,921	462,573	77,348
Transfers - capital assets	(669,453)	(343,778)	(325,675)	669,453	343,778	325,675
Transfers	(70,798)	(35,167)	(35,631)	70,798	35,167	35,631
Change in net position	154,740	1,753,377	(1,598,637)	1,280,172	841,518	438,654
Net position, January 1	24,736,093	22,982,716	1,753,377	11,300,353	10,458,835	841,518
Net position, December 31	\$24,890,833	\$24,736,093	\$ 154,740	\$12,580,525	\$11,300,353	\$ 1,280,172

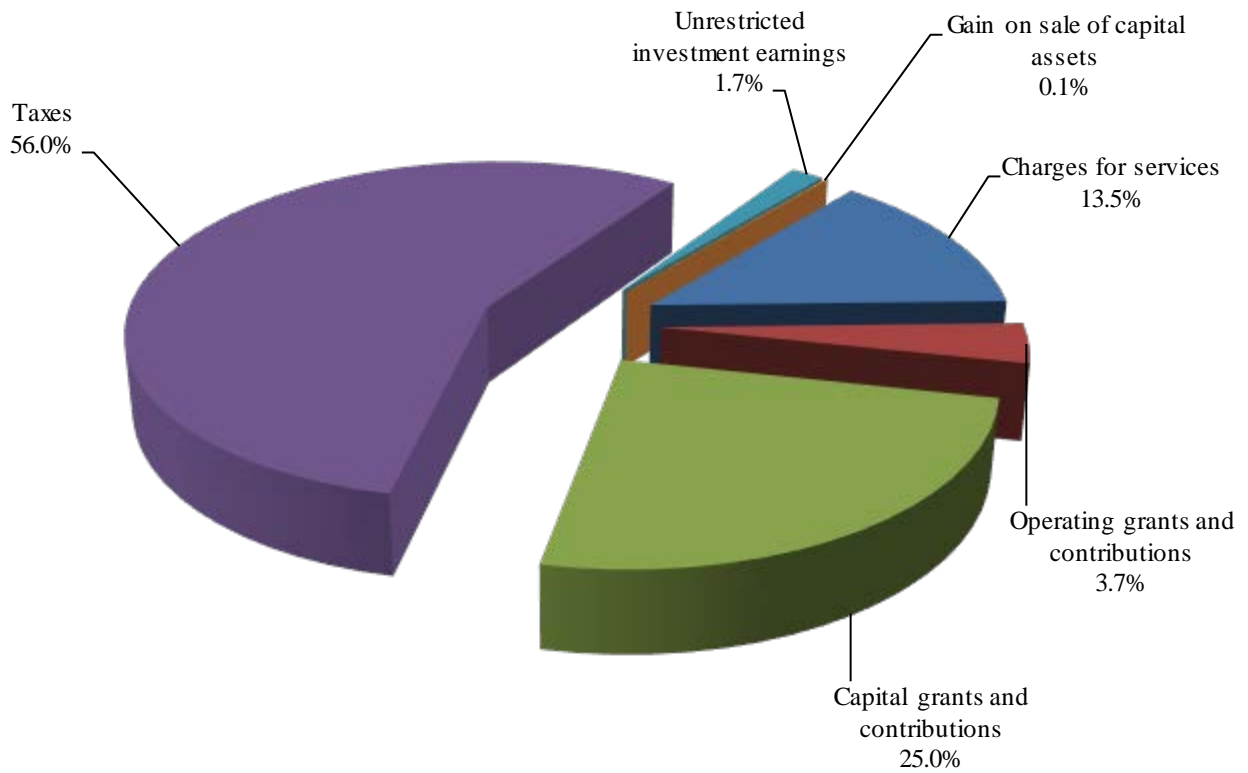
Property taxes represent 56.2 percent of total revenues in 2016 in governmental activities.

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

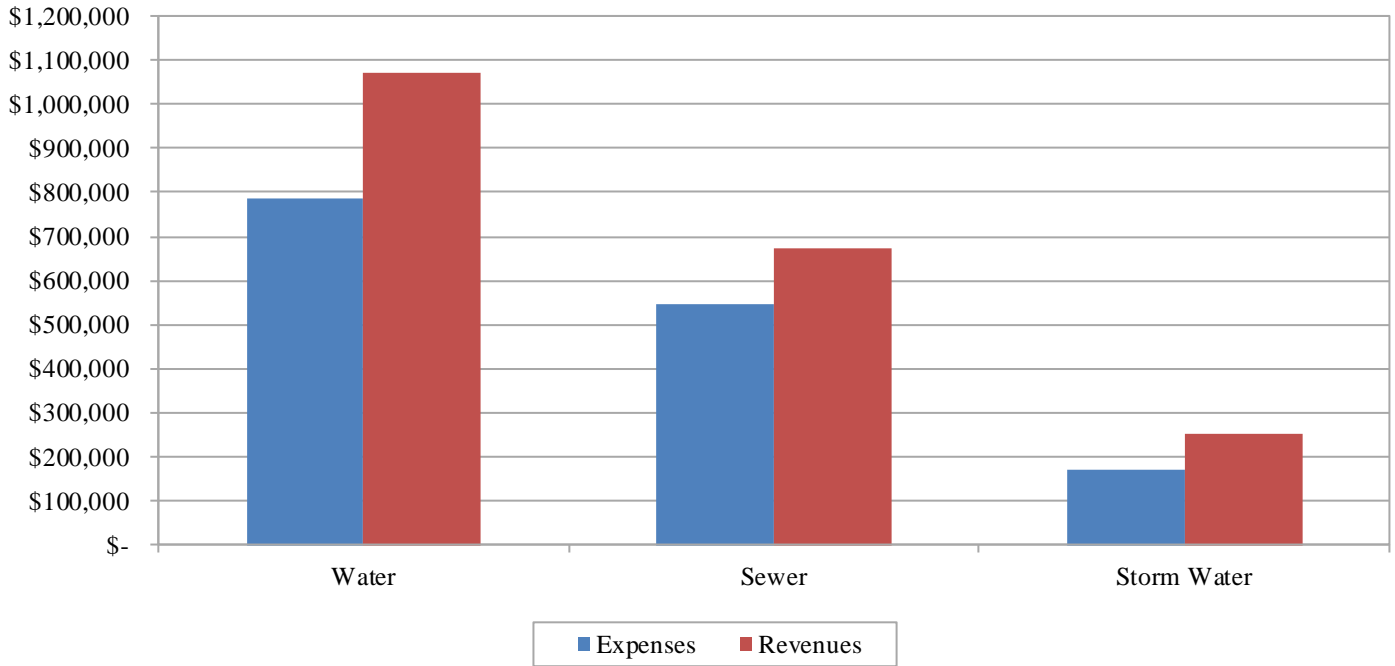


Business-type activities. Business-type activities increased the City’s net position by \$1,280,172, accounting for 89.2 percent of the growth in the City’s net position. Key elements of this increase are as follows:

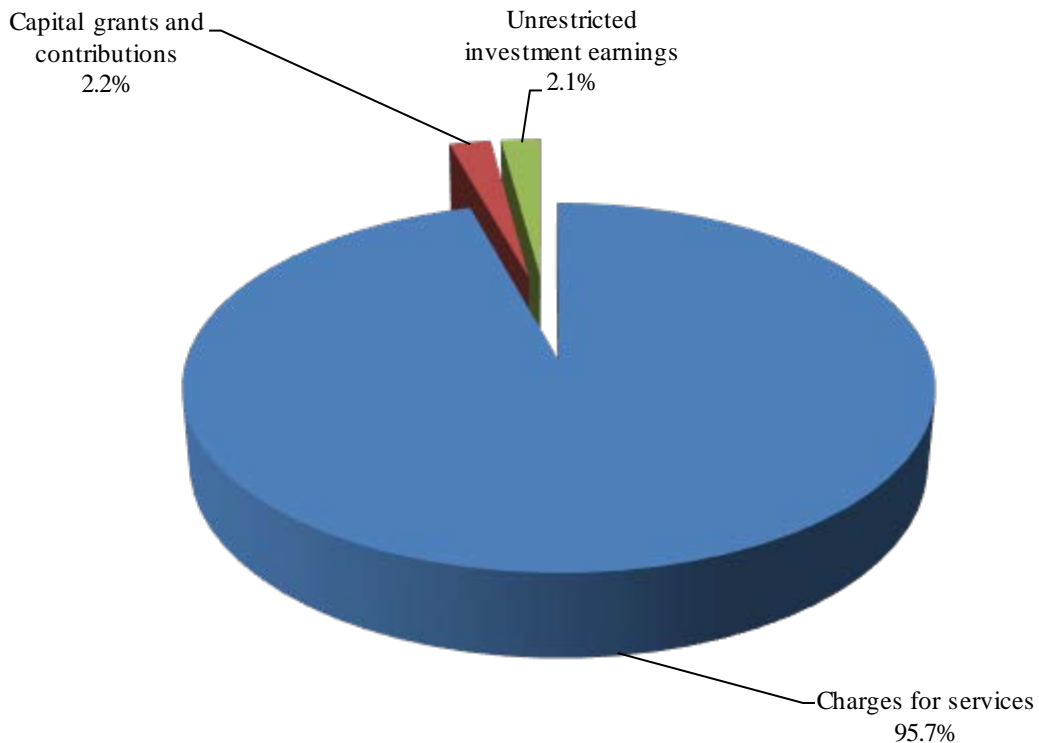
- Expenses for the business-type activities were \$1,502,762. The net revenue of the business-type activities was \$497,245. This essentially points out that utility charges are sufficient to cover expenses incurred during the operations of the utilities.

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)
	2016	2015	
General	\$ 2,525,094	\$ 2,391,059	\$ 134,035
The fund balance of the General fund increased by \$134,035 as a result of taxes, building permits and building plan review revenues exceeding the budget.			
Debt Service	\$ 2,469,940	\$ 1,058,753	\$ 1,411,187
The Debt Service fund balance increased \$1,411,187 as a result of bond proceeds and transfers in exceeding schedule principal and interest payments.			
Park Dedication	\$ 1,582,293	\$ 1,842,290	\$ (259,997)
The Park Dedication fund balance decreased by \$259,997 as a result of current year expenditures exceeding park dedication fees and other revenues.			
Water Capital Improvement	\$ 1,242,343	\$ 1,741,483	\$ (499,140)
The Water Capital Improvement fund balance decreased by \$499,140 mainly as a result of transfers out of approximately \$360,000.			
Sewer Capital Improvements	\$ 2,519,662	\$ 2,411,955	\$ 107,707
The Sewer Capital Improvement fund balance increased \$107,707 as a result of revenues exceeding expenditures. There were no expenditures in 2016.			
Tower Drive Improvements	\$ 578,544	\$ -	\$ 578,544
The Tower Drive Improvement fund was new in 2016 and ended the current year with a fund balance of \$578,544 as a result of receipts of intergovernmental revenue exceeding expenditures.			
Road Improvement	\$ 670,115	\$ 690,013	\$ (19,898)
The Road Improvement fund balance decreased by \$19,898 mainly due expenditures exceeding revenues.			

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 \$4,060,926. The total increase in net position for the funds was \$1,280,172. 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 \$460,557, primarily due to licenses and permits and charges for services exceeding budget by \$161,880 and \$138,504, respectively. Expenditures were over budget by \$117,045 during the year with the largest variance in the general government program/function mainly as a result of legal fees.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2016, amounts to \$38,008,443 (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
- 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		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Land	\$ 786,779	\$ 774,778	\$ 12,001	\$ 56,393	\$ 56,393	\$ -
Infrastructure	11,936,060	11,971,316	(35,256)	4,368,023	3,514,639	853,384
Buildings	7,892,928	8,129,238	(236,310)	5,238,935	5,376,130	(137,195)
Improvements	1,831,530	1,682,324	149,206	413,511	391,528	21,983
Machinery and equipment	938,582	963,419	(24,837)	1,182,734	1,214,593	(31,859)
Construction in progress	3,210,975	2,433,097	777,878	151,993	583,045	(431,052)
Total	\$ 26,596,854	\$ 25,954,172	\$ 642,682	\$ 11,411,589	\$ 11,136,328	\$ 275,261

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$15,160,000.

City of Medina's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
General obligation improvement bonds	\$11,915,000	\$11,275,000	\$ 640,000	\$ -	\$ -	\$ -
G.O. tax increment bonds	420,000	495,000	(75,000)	-	-	-
General obligation revenue bonds	-	-	-	2,825,000	3,365,000	(540,000)
Unamortized premium on bonds	190,336	156,010	34,326	66,990	82,376	(15,386)
Other postemployment benefits payable	253,247	222,395	30,852	42,873	36,941	5,932
Compensated absences	317,453	301,439	16,014	61,041	61,977	(936)
Net pension liability	4,623,625	1,688,598	2,935,027	313,108	194,311	118,797
Total	\$17,719,661	\$14,138,442	\$ 3,581,219	\$ 3,309,012	\$ 3,740,605	\$ (431,593)

The City's total debt decreased \$3,149,626 (18 percent) during the current fiscal year mainly due to the increase in pension liability related to GASB 68.

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 66 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Hennepin County is currently 3.7 percent (April 2017). This compares favorably to the State of Minnesota's average unemployment rate of 4.0 percent and the national average rate of 4.7 percent.
- Property valuations increased 6.3 percent within the City from 2016 to 2017.

The City's total property tax levy will increase in 2017 by 1.6 percent. The General fund levy increase amounts to 3.0%, with the remaining decrease attributable to decreases in debt service levy. The City's tax capacity rate decreased from 23.3% for 2016 to 22.23% for 2017.

A water rate increase of 3.0 percent was approved for the three individual water systems for 2017. 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 2017 fiscal year.

Requests for Information

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF MEDINA
MEDINA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016

CITY OF MEDINA, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and temporary investments	\$ 11,910,902	\$ 4,318,595	\$ 16,229,497
Cash with fiscal agent	1,229,178	-	1,229,178
Receivables			
Accounts	155,542	113,975	269,517
Taxes	32,050	-	32,050
Special assessments	1,477,814	24,286	1,502,100
Due from other governments	61,504	2,825	64,329
Prepaid items	47,940	26,949	74,889
Capital assets			
Nondepreciable	3,997,754	208,386	4,206,140
Depreciable, net of accumulated depreciation	<u>22,599,100</u>	<u>11,203,203</u>	<u>33,802,303</u>
TOTAL ASSETS	<u>41,511,784</u>	<u>15,898,219</u>	<u>57,410,003</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension resources	<u>2,875,057</u>	<u>124,127</u>	<u>2,999,184</u>
LIABILITIES			
Accounts payable	517,170	73,166	590,336
Salaries payable	39,128	5,879	45,007
Accrued interest payable	112,457	20,026	132,483
Deposits payable	392,462	-	392,462
Unearned revenue	165,481	-	165,481
Noncurrent liabilities			
Due within one year	2,101,324	553,921	2,655,245
Due in more than one year	<u>15,618,337</u>	<u>2,755,091</u>	<u>18,373,428</u>
TOTAL LIABILITIES	<u>18,946,359</u>	<u>3,408,083</u>	<u>22,354,442</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension resources	<u>549,649</u>	<u>33,738</u>	<u>583,387</u>
NET POSITION			
Net investment in capital assets	15,291,518	8,519,599	23,811,117
Restricted for			
Debt service	2,027,537	-	2,027,537
Park improvements	1,296,083	-	1,296,083
Police expenditures	132,815	-	132,815
Unrestricted	<u>6,142,880</u>	<u>4,060,926</u>	<u>10,203,806</u>
TOTAL NET POSITION	<u>\$ 24,890,833</u>	<u>\$ 12,580,525</u>	<u>\$ 37,471,358</u>

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, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 1,369,395	\$ 169,737	\$ -	\$ 356
Public safety	2,935,289	792,310	232,816	4,060
Streets and highways	1,387,389	9,757	-	1,828,468
Sanitation and recycling	14,923	-	26,920	-
Culture and recreation	554,679	40,496	20,150	72,893
Economic development	146,024	-	-	-
Miscellaneous	5,436	13,758	-	-
Interest on long-term debt	300,460	-	-	-
Total governmental activities	<u>6,713,595</u>	<u>1,026,058</u>	<u>279,886</u>	<u>1,905,777</u>
Business-type activities				
Water	784,626	1,050,696	-	21,053
Sewer	547,375	673,415	-	-
Storm water	170,761	229,971	-	24,872
Total business-type activities	<u>1,502,762</u>	<u>1,954,082</u>	<u>-</u>	<u>45,925</u>
Total	<u>\$ 8,216,357</u>	<u>\$ 2,980,140</u>	<u>\$ 279,886</u>	<u>\$ 1,951,702</u>

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

Net position, December 31

Net (Expenses) Revenues and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (1,199,302)	\$ -	\$ (1,199,302)
(1,906,103)	-	(1,906,103)
450,836	-	450,836
11,997	-	11,997
(421,140)	-	(421,140)
(146,024)	-	(146,024)
8,322	-	8,322
(300,460)	-	(300,460)
<u>(3,501,874)</u>	<u>-</u>	<u>(3,501,874)</u>
-	287,123	287,123
-	126,040	126,040
-	84,082	84,082
<u>-</u>	<u>497,245</u>	<u>497,245</u>
<u>(3,501,874)</u>	<u>497,245</u>	<u>(3,004,629)</u>
3,276,779	-	3,276,779
587,037	-	587,037
345,135	-	345,135
55,339	-	55,339
128,253	42,676	170,929
4,322	-	4,322
(669,453)	669,453	-
(70,798)	70,798	-
<u>3,656,614</u>	<u>782,927</u>	<u>4,439,541</u>
154,740	1,280,172	1,434,912
<u>24,736,093</u>	<u>11,300,353</u>	<u>36,036,446</u>
<u>\$ 24,890,833</u>	<u>\$ 12,580,525</u>	<u>\$ 37,471,358</u>

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

FUND FINANCIAL STATEMENTS

CITY OF MEDINA
MEDINA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016

CITY OF MEDINA, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	101	Debt	225	402
	General	Service	Park Dedication	Water Capital Improvements
ASSETS				
Cash and temporary investments	\$ 2,922,821	\$ 1,232,816	\$ 1,584,982	\$ 1,280,647
Cash with fiscal agent	-	1,229,178	-	-
Receivables				
Accounts	4,455	-	-	132,310
Delinquent taxes	25,299	6,751	-	-
Special assessments	46,070	883,303	-	38,872
Due from other governments	48,070	7,946	-	-
Due from other funds	180,000	-	-	-
Prepaid items	47,837	-	-	-
TOTAL ASSETS	<u>\$ 3,274,552</u>	<u>\$ 3,359,994</u>	<u>\$ 1,584,982</u>	<u>\$ 1,451,829</u>
LIABILITIES				
Accounts payable	\$ 232,105	\$ -	\$ 2,689	\$ 38,304
Due to other funds	-	-	-	-
Salaries payable	39,128	-	-	-
Deposits payable	392,462	-	-	-
Unearned revenue	14,394	-	-	132,310
TOTAL LIABILITIES	<u>678,089</u>	<u>-</u>	<u>2,689</u>	<u>170,614</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - taxes	25,299	6,751	-	-
Unavailable revenue - assessments	46,070	883,303	-	38,872
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>71,369</u>	<u>890,054</u>	<u>-</u>	<u>38,872</u>
FUND BALANCES				
Nonspendable	227,837	-	-	-
Restricted	-	2,469,940	1,296,083	-
Committed	-	-	286,210	-
Assigned	-	-	-	1,242,343
Unassigned	2,297,257	-	-	-
TOTAL FUND BALANCES	<u>2,525,094</u>	<u>2,469,940</u>	<u>1,582,293</u>	<u>1,242,343</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 3,274,552</u>	<u>\$ 3,359,994</u>	<u>\$ 1,584,982</u>	<u>\$ 1,451,829</u>

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

403 Sewer Capital Improvements	409 Tower Drive Improvements	420 Road Improvement	Other Governmental Funds	Total Governmental Funds
\$ 2,465,276	\$ 675,449	\$ 677,778	\$ 1,071,133	\$ 11,910,902
-	-	-	-	1,229,178
18,777	-	-	-	155,542
-	-	-	-	32,050
38,872	-	470,697	-	1,477,814
406	2,014	115	2,953	61,504
54,503	-	-	-	234,503
-	-	-	103	47,940
<u>\$ 2,577,834</u>	<u>\$ 677,463</u>	<u>\$ 1,148,590</u>	<u>\$ 1,074,189</u>	<u>\$ 15,149,433</u>
\$ 523	\$ 98,919	\$ 7,778	\$ 136,852	\$ 517,170
-	-	-	234,503	234,503
-	-	-	-	39,128
-	-	-	-	392,462
18,777	-	-	-	165,481
<u>19,300</u>	<u>98,919</u>	<u>7,778</u>	<u>371,355</u>	<u>1,348,744</u>
-	-	-	-	32,050
38,872	-	470,697	-	1,477,814
<u>38,872</u>	<u>-</u>	<u>470,697</u>	<u>-</u>	<u>1,509,864</u>
-	-	-	103	227,940
-	-	-	132,815	3,898,838
-	-	-	630,913	917,123
2,519,662	578,544	670,115	535,280	5,545,944
-	-	-	(596,277)	1,700,980
<u>2,519,662</u>	<u>578,544</u>	<u>670,115</u>	<u>702,834</u>	<u>12,290,825</u>
<u>\$ 2,577,834</u>	<u>\$ 677,463</u>	<u>\$ 1,148,590</u>	<u>\$ 1,074,189</u>	<u>\$ 15,149,433</u>

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

CITY OF MEDINA, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

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

Total fund balances - governmental funds	\$ 12,290,825
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	34,208,466
Less accumulated depreciation	(7,611,612)
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	(12,335,000)
Plus premium on bonds	(190,336)
Compensated absences payable	(317,453)
Other postemployment benefits payable	(253,247)
Net pension liability	(4,623,625)
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	32,050
Special assessments receivable	1,477,814
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	2,875,057
Deferred inflows of pension resources	(549,649)
Governmental funds do not report a liability for accrued interest until due and payable.	(112,457)
Total net position - governmental activities	\$ 24,890,833

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, 2016

	101		225	402
	General	Debt Service	Park Dedication	Water Capital Improvements
REVENUES				
Taxes	\$ 3,165,703	\$ 587,037	\$ -	\$ -
Licenses and permits	443,680	-	-	-
Intergovernmental	256,925	-	-	-
Charges for services	343,468	-	72,893	504,362
Fines and forfeitures	88,792	-	-	-
Special assessments	356	181,359	-	-
Interest on investments	31,857	6,364	20,046	18,326
Miscellaneous	171,706	-	12,500	-
TOTAL REVENUES	4,502,487	774,760	105,439	522,688
EXPENDITURES				
Current				
General government	1,228,385	-	-	-
Public safety	2,270,806	-	-	-
Streets and highways	620,654	-	-	739
Sanitation and recycling	14,228	-	-	-
Culture and recreation	198,540	-	65,372	-
Miscellaneous	2,100	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	33,726	-	-	-
Streets and highways	-	-	-	659,511
Culture and recreation	-	-	300,064	-
Economic development	-	-	-	-
Debt service				
Principal	-	655,000	-	-
Interest and other charges	-	331,599	-	-
TOTAL EXPENDITURES	4,368,439	986,599	365,436	660,250
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	134,048	(211,839)	(259,997)	(137,562)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	-	-
Transfers in	201,987	352,147	-	-
Bonds issued	-	1,220,000	-	-
Premium on bonds issued	-	51,220	-	-
Transfers out	(202,000)	(341)	-	(361,578)
TOTAL OTHER FINANCING SOURCES (USES)	(13)	1,623,026	-	(361,578)
NET CHANGE IN FUND BALANCES	134,035	1,411,187	(259,997)	(499,140)
FUND BALANCES, JANUARY 1	2,391,059	1,058,753	1,842,290	1,741,483
FUND BALANCES, DECEMBER 31	\$ 2,525,094	\$ 2,469,940	\$ 1,582,293	\$ 1,242,343

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

403	409	420	Other	Total
Sewer Capital	Tower Drive	Road	Governmental	Governmental
Improvements	Improvements	Improvement	Funds	Funds
\$ -	\$ -	\$ -	\$ 538,209	\$ 4,290,949
-	-	-	-	443,680
-	824,123	-	-	1,081,048
76,967	-	-	13,320	1,011,010
-	-	-	6,211	95,003
3,595	-	175,410	-	360,720
27,145	(768)	7,525	17,758	128,253
-	-	-	14,724	198,930
<u>107,707</u>	<u>823,355</u>	<u>182,935</u>	<u>590,222</u>	<u>7,609,593</u>
-	-	-	1,826	1,230,211
-	-	-	2,703	2,273,509
-	-	142,694	1,050	765,137
-	-	-	-	14,228
-	-	-	94,410	358,322
-	-	-	3,336	5,436
-	-	-	373,585	373,585
-	-	-	192,663	226,389
-	244,811	130,139	456,690	1,491,151
-	-	-	-	300,064
-	-	-	138,557	138,557
-	-	-	-	655,000
-	-	-	-	331,599
<u>-</u>	<u>244,811</u>	<u>272,833</u>	<u>1,264,820</u>	<u>8,163,188</u>
<u>107,707</u>	<u>578,544</u>	<u>(89,898)</u>	<u>(674,598)</u>	<u>(553,595)</u>
-	-	-	6,322	6,322
-	-	70,000	132,000	756,134
-	-	-	-	1,220,000
-	-	-	-	51,220
-	-	-	(263,013)	(826,932)
<u>-</u>	<u>-</u>	<u>70,000</u>	<u>(124,691)</u>	<u>1,206,744</u>
107,707	578,544	(19,898)	(799,289)	653,149
<u>2,411,955</u>	<u>-</u>	<u>690,013</u>	<u>1,502,123</u>	<u>11,637,676</u>
<u>\$ 2,519,662</u>	<u>\$ 578,544</u>	<u>\$ 670,115</u>	<u>\$ 702,834</u>	<u>\$ 12,290,825</u>

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

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, 2016

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

Total net change in fund balances - governmental funds	\$ 653,149
<p>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.</p>	
Capital outlay	2,401,207
Depreciation expense	(1,087,072)
<p>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.</p>	
Disposals	(22,960)
Depreciation on disposals	20,960
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.</p>	
Bonds issued	(1,220,000)
Premium on bonds issued	(51,220)
Amortization of bond premium	16,894
Principal repayments	655,000
<p>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.</p>	
	14,245
<p>Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Property taxes	(26,659)
Special assessments	(5,448)
<p>Capital assets constructed in capital projects funds but intended for enterprise fund use are transferred in the government-wide financial statements.</p>	
	(669,453)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Other postemployment benefits costs	(30,852)
Compensated absences	(16,014)
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	(503,815)
Direct aid contribution	26,778
	154,740
Change in net position - governmental activities	\$ 154,740

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 3,073,667	\$ 3,073,667	\$ 3,165,703	\$ 92,036
Licenses and permits	281,800	281,800	443,680	161,880
Intergovernmental	220,618	220,618	256,925	36,307
Charges for services	204,964	204,964	343,468	138,504
Fines and forfeitures	115,000	115,000	88,792	(26,208)
Special assessments	1,000	1,000	356	(644)
Interest on investments	5,000	5,000	31,857	26,857
Miscellaneous	139,881	139,881	171,706	31,825
TOTAL REVENUES	4,041,930	4,041,930	4,502,487	460,557
EXPENDITURES				
Current				
General government	1,096,216	1,096,216	1,228,385	(132,169)
Public safety				
Police	1,599,579	1,599,579	1,543,116	56,463
Building inspection	295,391	295,391	324,626	(29,235)
Fire	373,550	373,550	403,064	(29,514)
Streets and highways	681,533	681,533	620,654	60,879
Sanitation and recycling	15,057	15,057	14,228	829
Culture and recreation	187,768	187,768	198,540	(10,772)
Miscellaneous	2,300	2,300	2,100	200
Capital outlay	-	-	33,726	(33,726)
TOTAL EXPENDITURES	4,251,394	4,251,394	4,368,439	(117,045)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	(209,464)	(209,464)	134,048	343,512
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	300	300	-	(300)
Transfers in	211,164	211,164	201,987	(9,177)
Transfers out	(2,000)	(2,000)	(202,000)	(200,000)
TOTAL OTHER FINANCING SOURCES (USES)	209,464	209,464	(13)	(209,477)
NET CHANGE IN FUND BALANCES	-	-	134,035	134,035
FUND BALANCES, JANUARY 1	2,391,059	2,391,059	2,391,059	-
FUND BALANCES, DECEMBER 31	\$ 2,391,059	\$ 2,391,059	\$ 2,525,094	\$ 134,035

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, 2016

	Business-type Activities - Enterprise funds			Totals
	601	602	Nonmajor 603	
	Water	Sewer	Storm Water	
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 2,052,731	\$ 1,885,856	\$ 380,008	\$ 4,318,595
Receivables				
Accounts	45,109	67,038	1,828	113,975
Special assessments	9,521	9,521	5,244	24,286
Due from other governments	2,599	76	150	2,825
Prepaid items	923	26,026	-	26,949
TOTAL CURRENT ASSETS	2,110,883	1,988,517	387,230	4,486,630
NONCURRENT ASSETS				
Capital assets				
Land	7,393	49,000	-	56,393
Infrastructure	5,152,676	1,864,140	47,811	7,064,627
Buildings	8,216,454	192,000	-	8,408,454
Improvements	-	-	495,211	495,211
Machinery and equipment	1,220,867	2,921,472	44,174	4,186,513
Construction in progress	21,093	130,900	-	151,993
Less accumulated depreciation	(5,878,259)	(2,961,943)	(111,400)	(8,951,602)
TOTAL NONCURRENT ASSETS	8,740,224	2,195,569	475,796	11,411,589
TOTAL ASSETS	10,851,107	4,184,086	863,026	15,898,219
DEFERRED OUTFLOWS OF RESOURCES				
Deferred pension resources	56,494	45,725	21,908	124,127

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, 2016

	Business-type Activities - Enterprise funds			Totals
	601 Water	602 Sewer	Nonmajor	
			603 Storm Water	
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 23,263	\$ 48,186	\$ 1,717	\$ 73,166
Accrued interest payable	20,026	-	-	20,026
Salaries payable	2,684	2,183	1,012	5,879
Compensated absences payable - current	6,327	5,041	2,553	13,921
Bonds payable - current	540,000	-	-	540,000
TOTAL CURRENT LIABILITIES	592,300	55,410	5,282	652,992
NONCURRENT LIABILITIES				
Other postemployment benefits payable	20,902	15,770	6,201	42,873
Compensated absences payable	21,002	17,846	8,272	47,120
Pension liability	142,506	115,343	55,259	313,108
Bonds payable	2,351,990	-	-	2,351,990
TOTAL NONCURRENT LIABILITIES	2,536,400	148,959	69,732	2,755,091
TOTAL LIABILITIES	3,128,700	204,369	75,014	3,408,083
DEFERRED INFLOWS OF RESOURCES				
Deferred pension resources	15,355	12,429	5,954	33,738
NET POSITION				
Net investment in capital assets	5,848,234	2,195,569	475,796	8,519,599
Unrestricted	1,915,312	1,817,444	328,170	4,060,926
TOTAL NET POSITION	\$ 7,763,546	\$ 4,013,013	\$ 803,966	\$ 12,580,525

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

CITY OF MEDINA, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type Activities - Enterprise funds			Totals
	601	602	Nonmajor 603	
	Water	Sewer	Storm Water	
OPERATING REVENUES				
Charges for services	\$ 1,050,696	\$ 673,415	\$ 229,971	\$ 1,954,082
OPERATING EXPENSES				
Wages and salaries	161,188	130,583	66,193	357,964
Materials and supplies	84,732	2,371	200	87,303
Professional services	27,513	20,338	65,575	113,426
Repairs and maintenance	55,200	15,502	6,845	77,547
Insurance	6,588	7,159	380	14,127
Utilities	87,980	8,829	-	96,809
Depreciation	326,967	87,443	31,568	445,978
Sewer treatment charges	-	275,150	-	275,150
TOTAL OPERATING EXPENSES	750,168	547,375	170,761	1,468,304
OPERATING INCOME	300,528	126,040	59,210	485,778
NONOPERATING REVENUES (EXPENSES)				
Interest on investments	17,331	20,831	4,514	42,676
Interest and service charges	(34,458)	-	-	(34,458)
TOTAL NONOPERATING REVENUES (EXPENSES)	(17,127)	20,831	4,514	8,218
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	283,401	146,871	63,724	493,996
CAPITAL CONTRIBUTIONS FROM OTHER FUNDS	669,453	-	-	669,453
CAPITAL CONTRIBUTIONS	21,053	-	24,872	45,925
TRANSFERS IN	361,578	-	-	361,578
TRANSFERS OUT	(116,222)	(121,307)	(53,251)	(290,780)
CHANGE IN NET POSITION	1,219,263	25,564	35,345	1,280,172
NET POSITION, JANUARY 1	6,544,283	3,987,449	768,621	11,300,353
NET POSITION, DECEMBER 31	<u>\$ 7,763,546</u>	<u>\$ 4,013,013</u>	<u>\$ 803,966</u>	<u>\$ 12,580,525</u>

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, 2016

	Business-type Activities - Enterprise funds			Totals
	601	602	Nonmajor 603	
	Water	Sewer	Storm Water	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 1,107,963	\$ 665,411	\$ 228,072	\$ 2,001,446
Payments to suppliers	(252,813)	(307,883)	(107,402)	(668,098)
Payments to employees	(152,388)	(123,323)	(61,042)	(336,753)
NET CASH PROVIDED BY OPERATING ACTIVITIES	702,762	234,205	59,628	996,595
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	361,578	-	-	361,578
Transfers to other funds	(116,222)	(121,307)	(53,251)	(290,780)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	245,356	(121,307)	(53,251)	70,798
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition of capital assets	(24,497)	(60,377)	-	(84,874)
Connection fees received	21,053	-	-	21,053
Intergovernmental	-	-	24,872	24,872
Principal paid on bonds	(540,000)	-	-	(540,000)
Interest paid on bonds	(53,594)	-	-	(53,594)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(597,038)	(60,377)	24,872	(632,543)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	17,332	20,831	4,514	42,677
NET INCREASE IN CASH AND CASH EQUIVALENTS	368,412	73,352	35,763	477,527
CASH AND CASH EQUIVALENTS, JANUARY 1	1,684,319	1,812,504	344,245	3,841,068
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 2,052,731	\$ 1,885,856	\$ 380,008	\$ 4,318,595

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, 2016

	Business-type Activities - Enterprise funds			Totals
	601	602	Nonmajor 603	
	Water	Sewer	Storm Water	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 300,528	\$ 126,040	\$ 59,210	\$ 485,778
Adjustments to reconcile operating income to net cash provided by operating activities				
Other items related to operations	-	-	-	-
Depreciation	326,967	87,443	31,568	445,978
(Increase) decrease in assets and deferred outflows				
Accounts receivable	56,228	(9,681)	(1,828)	44,719
Due from other governments	(714)	(76)	(86)	(876)
Special assessments receivable	1,753	1,753	15	3,521
Prepaid items	(897)	(25,929)	-	(26,826)
Pension resources	(45,750)	(37,025)	(17,907)	(100,682)
Increase (decrease) in liabilities and deferred inflows				
Accounts payable	10,830	47,395	(34,402)	23,823
Due to other governments	(733)	-	-	(733)
Salaries payable	1,073	919	463	2,455
Compensated absences payable	(541)	(387)	(8)	(936)
Pension liability	53,463	43,236	22,098	118,797
Pension resources	(2,101)	(1,707)	(547)	(4,355)
Other postemployment benefits payable	2,656	2,224	1,052	5,932
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 702,762</u>	<u>\$ 234,205</u>	<u>\$ 59,628</u>	<u>\$ 996,595</u>
SCHEDULE OF NONCASH CAPITAL FINANCING ACTIVITIES				
Contribution of assets from other funds	<u>\$ 669,453</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 669,453</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, 2016

	<u>Agency</u>
	810
	<u>Escrow</u>
ASSETS	
Cash and temporary investments	\$ 334,358
Accounts receivable	<u>68,238</u>
TOTAL ASSETS	<u><u>\$ 402,596</u></u>
LIABILITIES	
Accounts payable	<u><u>\$ 402,596</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, 2016

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. 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, 2016

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund 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, 2016

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 *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, 2016

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.

Broker money market funds operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the shares.

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City has the following recurring fair value measurements as of December 31, 2016:

- U.S. Government Agency securities of \$2,705,407 are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposit of \$10,432,068 are valued using a matrix pricing model (Level 2 inputs)

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.

At December 31, 2016, the City had no investments in one issuer (other than investments issued by or explicitly guaranteed by U.S. government, mutual funds, external investment pools, and other pooled investments) that represent 5 percent or more of the City's investments. The investment in the Minnesota Municipal Money Market Mutual Fund is not subject to the custodial credit risk classifications as noted in paragraph 9 of GASB Statement No. 40.

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 2016. 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, 2016

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:

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

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

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 employees 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, 2016.

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, 2016

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 net position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The 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, 2016

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, 2016

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 30th, 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. Excess of expenditures over appropriations

For the year ended December 31, 2016, expenditures exceeded appropriations in the following funds:

Department	Budget	Actual	Excess of Expenditures Over Appropriations
General fund	\$ 4,251,394	\$ 4,368,439	\$ 117,045

The excess was funded by available fund balances.

C. Deficit fund equity

The following funds had deficit fund balances at December 31, 2016:

Fund	Amount
Nonmajor	
Cable franchise	\$ 9,991
Tax increment 1-9	135,005
Deerhill reserve	450,229
Highway 55 intersections	1,052

The City plans to fund these deficits with future revenues including tax increments, cable revenues and bonds issued.

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

Note 3: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the 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, 2016 the City's carrying amount of deposits was \$870,172 and the bank balance was \$1,030,814. 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, 2016

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Investments

As of December 31, 2016, 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)	Amount	Fair Value Measurement Using	
				Level 1	Level 2
Pooled investments					
Broker money market	N/A	less than 6 months	\$ 1,407,883		
Minnesota Municipal Money Market Fund	N/A	less than 6 months	2,377,303		
Nonpooled investments					
U.S. Government Agencies	AAA	less than 6 months	1,229,177	\$ 1,229,177	\$ -
U.S. Government Agencies	AAA	more than 3 years	1,476,230	1,476,230	-
Brokered Certificates of Deposit	N/A	less than 6 months	2,264,403	-	2,264,403
Brokered Certificates of Deposit	N/A	6 months to 1 year	1,975,450	-	1,975,450
Brokered Certificates of Deposit	N/A	1 year to 3 years	4,475,766	-	4,475,766
Brokered Certificates of Deposit	N/A	more than 3 years	1,716,449	-	1,716,449
Total investments			<u>\$16,922,661</u>	<u>\$ 2,705,407</u>	<u>\$10,432,068</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 Indicates not applicable or available.

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

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	\$ 870,172
Investments	16,922,661
Cash on hand	200
Total	\$ 17,793,033
Government-wide	
Cash and temporary investments	\$ 16,229,497
Cash with fiscal agent	1,229,178
Fiduciary - agency	334,358
Total	\$ 17,793,033

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

B. Capital assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 774,778	\$ 12,001	\$ -	\$ 786,779
Construction in progress	<u>2,433,097</u>	<u>1,267,787</u>	<u>(489,909)</u>	<u>3,210,975</u>
 Total capital assets, not being depreciated	 <u>3,207,875</u>	 <u>1,279,788</u>	 <u>(489,909)</u>	 <u>3,997,754</u>
Capital assets, being depreciated				
Infrastructure	15,937,592	489,909	-	16,427,501
Buildings	9,145,840	-	-	9,145,840
Improvements	2,007,139	264,025	-	2,271,164
Machinery and equipment	<u>2,201,226</u>	<u>187,941</u>	<u>(22,960)</u>	<u>2,366,207</u>
 Total capital assets being depreciated	 <u>29,291,797</u>	 <u>941,875</u>	 <u>(22,960)</u>	 <u>30,210,712</u>
Less accumulated depreciation for				
Infrastructure	(3,966,276)	(525,165)	-	(4,491,441)
Buildings	(1,016,602)	(236,310)	-	(1,252,912)
Improvements	(324,815)	(114,819)	-	(439,634)
Machinery and equipment	<u>(1,237,807)</u>	<u>(210,778)</u>	<u>20,960</u>	<u>(1,427,625)</u>
 Total accumulated depreciation	 <u>(6,545,500)</u>	 <u>(1,087,072)</u>	 <u>20,960</u>	 <u>(7,611,612)</u>
 Total capital assets, being depreciated, net	 <u>22,746,297</u>	 <u>(145,197)</u>	 <u>(2,000)</u>	 <u>22,599,100</u>
 Governmental activities capital assets, net	 <u>\$ 25,954,172</u>	 <u>\$ 1,134,591</u>	 <u>\$ (491,909)</u>	 <u>\$ 26,596,854</u>

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

Governmental activities	
General government	\$ 12,857
Public safety	87,439
Streets and highways	805,779
Culture and recreation	173,530
Economic development	<u>7,467</u>
 Total depreciation expense - governmental activities	 <u>\$ 1,087,072</u>

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 56,393	\$ -	\$ -	\$ 56,393
Construction in progress	583,045	6,999	(438,051)	151,993
Total capital assets, not being depreciated	639,438	6,999	(438,051)	208,386
Capital assets being depreciated				
Infrastructure	6,013,658	1,050,969	-	7,064,627
Buildings	8,408,454	-	-	8,408,454
Improvements	448,467	46,744	-	495,211
Machinery and equipment	4,131,935	54,578	-	4,186,513
Total capital assets being depreciated	19,002,514	1,152,291	-	20,154,805
Less accumulated depreciation for				
Infrastructure	(2,499,019)	(197,585)	-	(2,696,604)
Buildings	(3,032,324)	(137,195)	-	(3,169,519)
Improvements	(56,939)	(24,761)	-	(81,700)
Machinery and equipment	(2,917,342)	(86,437)	-	(3,003,779)
Total accumulated depreciation	(8,505,624)	(445,978)	-	(8,951,602)
Total capital assets, being depreciated, net	10,496,890	706,313	-	11,203,203
Business-type activities capital assets, net	\$ 11,136,328	\$ 713,312	\$ (438,051)	\$ 11,411,589

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

Business-type activities	
Water	\$ 326,967
Sewer	87,443
Storm Water	31,568
Total depreciation expense - business-type activities	\$ 445,978

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Construction commitments

As of December 31, 2016, the City has signed contracts in place for the construction projects listed below:

Project	Spent to date	Remaining Commitment
Tower Drive Improvements	\$ 1,893,617	\$ 239,197
Sioux Drive	130,138	66,924
Deerhill Preserve	449,607	464,170
	\$ 2,473,362	\$ 770,291

C. Interfund receivables, payables and transfers

Interfund balances

The composition of interfund balances at December 31, 2016 is as follows:

Receivable Fund	Payable Fund	Purpose	Amount
Sewer Capital Improvements Fund	Nonmajor governmental	Cash flow purposes	\$ 54,503
General Fund	Nonmajor governmental	Capital financing	180,000
Total			\$ 234,503

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Interfund transfers

The composition of interfund transfers for the year ended December 31, 2016 is as follows:

Fund	Transfer in					Total
	General	Debt Service	Road Improvement	Nonmajor Governmental	Water	
Transfer out						
General	\$ -	\$ -	\$ 70,000	\$ 132,000	\$ -	\$ 202,000
Debt Service	341	-	-	-	-	341
Water Capital Improvements	-	-	-	-	361,578	361,578
Nonmajor governmental	5,482	257,531	-	-	-	263,013
Water	73,645	42,577	-	-	-	116,222
Sewer	69,268	52,039	-	-	-	121,307
Storm Water	53,251	-	-	-	-	53,251
Total	<u>\$ 201,987</u>	<u>\$ 352,147</u>	<u>\$ 70,000</u>	<u>\$ 132,000</u>	<u>\$ 361,578</u>	<u>\$ 1,117,712</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, 2016:

- The General fund transferred \$132,000 to the Non-major Governmental funds and \$70,000 to the Road Improvement fund.
- The Water Capital Improvement fund transferred \$361,578 to the Water fund for a portion of debt service.
- The non-major governmental fund transferred \$257,531 to close the fund to the Debt Service fund for future debt service. The non-major governmental fund also transferred \$5,482 to the General fund to close the fund.
- The General fund received a transfer from the Water fund (\$73,645), Sewer fund (\$69,268), and from the Storm Water fund (\$53,251) for budgeted utility transfers.
- The Water fund (\$42,577) and Sewer fund (\$52,039) transferred to Debt service funds for their portion of debt service payments.

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

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	\$ 55,000
Taxable G.O. Improvement Bonds, Series 2011B	870,000	0.75 - 4.00	07/12/11	02/01/22	555,000
G.O. Improvement Bonds, Series 2010A	315,000	1.50 - 3.85	07/07/10	02/01/21	155,000
G.O. Improvement Bonds, Series 2008A	2,280,000	3.25 - 4.00	06/17/08	02/01/24	1,370,000
G.O. Capital Improvement Plan Bonds, Series 2012A	6,100,000	1.50 - 2.75	11/07/12	02/01/34	5,760,000
G.O. Crossover Refunding Bonds, Series 2013A	1,170,000	1.75 - 2.00	04/25/13	02/01/23	1,035,000
G.O. Improvement Bonds, Series 2015A	1,765,000	2.00 - 3.00	06/24/15	02/01/31	1,765,000
G.O. Refunding Bond Series 2016A	1,220,000	2.00	08/11/16	02/01/24	<u>1,220,000</u>
Total General Obligation Bonds					<u><u>\$ 11,915,000</u></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
2017	\$ 1,940,000	\$ 218,039	\$ 2,158,039
2018	740,000	214,633	954,633
2019	740,000	199,313	939,313
2020	740,000	183,642	923,642
2021	760,000	167,403	927,403
2022-2026	3,010,000	630,734	3,640,734
2027-2031	2,625,000	337,269	2,962,269
2032-2034	<u>1,360,000</u>	<u>55,109</u>	<u>1,415,109</u>
Total	<u><u>\$ 11,915,000</u></u>	<u><u>\$ 2,006,142</u></u>	<u><u>\$ 13,921,142</u></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.

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

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>\$ 420,000</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
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>\$ 420,000</u>	<u>\$ 16,050</u>	<u>\$ 436,050</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 55 percent of net revenues from the Water fund. For 2016, principal and interest paid and total customer net revenues for the Water fund were \$593,594 and \$1,064,955, 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	\$ 1,485,000
G.O. Water Revenue Crossover Refunding Bonds, Series 2013A	1,520,000	1.75 - 2.00	04/25/13	02/01/23	<u>1,340,000</u>
Total G.O. Revenue Bonds					<u>\$ 2,825,000</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
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	195,000	9,038	204,038
2022 - 2023	<u>405,000</u>	<u>7,131</u>	<u>412,131</u>
Total	<u>\$ 2,825,000</u>	<u>\$ 135,157</u>	<u>\$ 2,960,157</u>

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

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

	<u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u>	<u>One Year</u>
Governmental activities					
Bonds payable					
General obligation					
improvement bonds	\$ 11,275,000	\$ 1,220,000	\$ (580,000)	\$ 11,915,000	\$ 1,940,000
General obligation tax					
increment bonds	495,000	-	(75,000)	420,000	80,000
Unamortized premium on bonds	156,010	51,220	(16,894)	190,336	-
	<u>11,926,010</u>	<u>1,271,220</u>	<u>(671,894)</u>	<u>12,525,336</u>	<u>2,020,000</u>
Total bonds payable					
Compensated absences					
payable	301,439	210,606	(194,592)	317,453	81,324
Pension liability					
GERF	665,987	530,518	(64,342)	1,132,163	-
PEPFF	1,022,611	2,612,457	(143,606)	3,491,462	-
Other postemployment					
benefits payable	222,395	31,483	(631)	253,247	-
	<u>222,395</u>	<u>31,483</u>	<u>(631)</u>	<u>253,247</u>	<u>-</u>
Governmental activities					
Long-term liabilities	<u>\$ 14,138,442</u>	<u>\$ 4,656,284</u>	<u>\$ (1,075,065)</u>	<u>\$ 17,719,661</u>	<u>\$ 2,101,324</u>
Business-type activities					
Bonds payable					
General obligations					
revenue bonds	\$ 3,365,000	\$ -	\$ (540,000)	\$ 2,825,000	\$ 540,000
Unamortized premium on bonds	82,376	-	(15,386)	66,990	-
	<u>3,447,376</u>	<u>-</u>	<u>(555,386)</u>	<u>2,891,990</u>	<u>540,000</u>
Total bonds payable					
Compensated absences					
payable	61,977	27,399	(28,335)	61,041	13,921
Pension liability					
GERF	194,311	150,875	(32,078)	313,108	-
Other postemployment					
benefits payable	36,941	6,039	(107)	42,873	-
	<u>36,941</u>	<u>6,039</u>	<u>(107)</u>	<u>42,873</u>	<u>-</u>
Business-type activities					
Long-term liabilities	<u>\$ 3,740,605</u>	<u>\$ 184,313</u>	<u>\$ (615,906)</u>	<u>\$ 3,309,012</u>	<u>\$ 553,921</u>

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

E. Components of fund balance

At December 31, 2016, portions of the City's fund balance are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), City Council action (Committed), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Debt Service	Park Dedication	Water Capital Improvement	Sewer Capital Improvements	Tower Drive Improvements	Road Improvement	Other Governmental Funds	Total
Nonspendable									
Prepaid items	\$ 47,837	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 103	\$ 47,940
Due from other funds	180,000	-	-	-	-	-	-	-	180,000
Total nonspendable	\$ 227,837	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 103	\$ 227,940
Restricted for									
Park improvements	\$ -	\$ -	\$ 1,296,083	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,296,083
Debt service	-	2,469,940	-	-	-	-	-	-	2,469,940
Police expenditures	-	-	-	-	-	-	-	132,815	132,815
Total restricted	\$ -	\$ 2,469,940	\$ 1,296,083	\$ -	\$ -	\$ -	\$ -	\$ 132,815	\$ 3,898,838
Committed to									
Park improvements	\$ -	\$ -	\$ 286,210	\$ -	\$ -	\$ -	\$ -	\$ 56,662	\$ 342,872
Police expenditures	-	-	-	-	-	-	-	46,477	46,477
Field house	-	-	-	-	-	-	-	12,851	12,851
German liberal cemetery	-	-	-	-	-	-	-	129,035	129,035
Community event	-	-	-	-	-	-	-	3,334	3,334
Environmental	-	-	-	-	-	-	-	382,554	382,554
Total committed	\$ -	\$ -	\$ 286,210	\$ -	\$ -	\$ -	\$ -	\$ 630,913	\$ 917,123
Assigned to									
Capital improvements	\$ -	\$ -	\$ -	\$ 1,242,343	\$ 2,519,662	\$ 578,544	\$ 670,115	\$ 211,664	\$ 5,222,328
Equipment replacement	-	-	-	-	-	-	-	323,616	323,616
Total assigned	\$ -	\$ -	\$ -	\$ 1,242,343	\$ 2,519,662	\$ 578,544	\$ 670,115	\$ 535,280	\$ 5,545,944

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.

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

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

C. Contributions

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

GERF contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2016. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2016. The City's contributions to the GERF for the years ending December 31, 2016, 2015 and 2014 were \$83,013, \$72,077, and \$67,677, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

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

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 2016. The City was required to contribute 16.20 percent of pay for PEPFF members in calendar year 2016. The City's contributions to the PEPFF for the years ending December 31, 2016, 2015 and 2014 were \$136,273, \$129,149, and \$118,850, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

D. Pension costs

GERF pension costs

At December 31, 2016, the City reported a liability of \$1,445,272 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$18,946. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015 through June 30, 2016 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportionate share was 0.0178 percent which was an increase of 0.0012 percent from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$30,352 for its proportionate share of GERF's pension expense. In addition, the City recognized an additional \$5,649 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the GERF.

At December 31, 2016, the City reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 4,663	\$ 122,932
Changes in actuarial assumptions	312,066	-
Net difference between projected and actual earnings on plan investments	166,618	-
Changes in proportion	49,808	32,462
Contributions to GERF subsequent to the measurement date	<u>40,844</u>	<u>-</u>
Total	<u>\$ 573,999</u>	<u>\$ 155,394</u>

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

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

Deferred outflows of resources totaling \$40,844 related to pensions resulting from the City's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2017	\$ (100,473)
2018	(69,696)
2019	(155,385)
2020	(52,207)

PEPPF pension costs

At December 31, 2016, the City reported a liability of \$3,491,461 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015 through June 30, 2016 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportionate share was 0.087 percent which was an increase of 0.003 percent from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$593,686 for its proportionate share of PEPFF's pension expense. The City also recognized \$18,946 for the year ended December 31, 2016, 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, 2016, the City reported its proportionate share of PEPFF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 787	\$ 395,366
Changes in actuarial assumptions	2,062,096	-
Net difference between projected and actual earnings on plan investments	297,150	-
Changes in proportion	-	32,627
Contributions to PEPFF subsequent to the measurement date	<u>65,152</u>	<u>-</u>
Total	<u>\$ 2,425,185</u>	<u>\$ 427,993</u>

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

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

Deferred outflows of resources totaling \$65,152 related to pensions resulting from the City's contributions to PEPFF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

2017	\$ (365,553)
2018	(365,553)
2019	(485,462)
2020	(392,158)
2021	(323,314)

E. Actuarial assumptions

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

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

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

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

The following changes in actuarial assumptions occurred in 2016:

GERP

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

PEPFF

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

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

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return 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 geometric real rates of return for each major asset class are summarized in the following table:

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

F. Discount rate

The discount rate used to measure the total pension liability was 7.50 percent, a reduction from the 7.90 percent used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the GERP was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

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 Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
	GERF	\$ 2,052,714	\$ 1,445,272

	City Proportionate Share of NPL		
	1 Percent Decrease (4.60%)	Current (5.60%)	1 Percent Increase (6.60%)
	PEPFF	\$ 4,887,583	\$ 3,491,461

H. Pension plan fiduciary net position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

Note 5: 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	\$ 35,976
Interest on net OPEB obligation	11,670
Adjustment to annual required contribution	(10,124)
Annual OPEB cost (expense)	37,522
Contributions made	(738)
Increase in net OPEB obligation	36,784
Net OPEB obligation - beginning of year	259,336
Net OPEB obligation - end of year	\$ 296,120

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

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, 2016, 2015 and 2014 follows:

Year Ending	Trend Information		
	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/16	\$ 37,522	2.0 %	\$ 296,120
12/31/15	42,319	7.2	259,336
12/31/14	40,692	13.8	220,045

B. Funded status and funding progress

As of January 1, 2016, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$258,635, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,802,000 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, 2016 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, 2016 was thirty years.

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

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

In accordance with Minnesota statutes, the City may not incur or be subject to net debt in excess of 3 percent of the market value of taxable property within the City. The 2016 taxable market value of property was \$1,501,906,000 and the debt limit was \$45,057,180. 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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MEDINA
MEDINA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016

CITY OF MEDINA, MINNESOTA
 REQUIRED SUPPLEMENTAL INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2016

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

Required Supplementary Information							
Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/16	0.0178 %	\$ 1,445,272	\$ -	\$ 1,445,272	\$ 1,106,840	130.6 %	68.9 %
06/30/15	0.0166	860,298	-	860,298	961,013	89.5	78.2

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

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

Required Supplementary Information					
Year Ending	Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/16	\$ 83,013	\$ 83,013	\$ -	\$ 1,106,840	7.5 %
12/31/15	72,077	72,077	-	961,027	7.5

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

CITY OF MEDINA, MINNESOTA
 REQUIRED SUPPLEMENTAL INFORMATION - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 2016

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

Required Supplementary Information							
Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/16	0.0870 %	\$ 3,491,461	\$ 5,649	\$ 3,497,110	\$ 841,198	415.1 %	63.9 %
06/30/15	0.0900	1,022,611	-	1,022,611	797,216	128.3	86.6

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

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

Required Supplementary Information					
Year Ending	Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/16	\$ 136,273	\$ 136,273	\$ -	\$ 841,191	16.2 %
12/31/15	129,149	129,149	-	797,216	16.2

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

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
01/01/16	\$ -	\$ 258,635	\$ 258,635	-	\$ 1,802,000	14 %
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

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

CITY OF MEDINA
MEDINA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2016

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

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and temporary investments	\$ 934,153	\$ 136,980	\$ 1,071,133
Due from other governments	-	2,953	2,953
Prepaid items	103	-	103
	<u>103</u>	<u>-</u>	<u>103</u>
TOTAL ASSETS	<u>\$ 934,256</u>	<u>\$ 139,933</u>	<u>\$ 1,074,189</u>
LIABILITIES			
Accounts payable	\$ 416	\$ 136,436	\$ 136,852
Due to other funds	180,000	54,503	234,503
	<u>180,000</u>	<u>54,503</u>	<u>234,503</u>
TOTAL LIABILITIES	<u>180,416</u>	<u>190,939</u>	<u>371,355</u>
FUND BALANCES			
Nonspendable	103	-	103
Restricted	132,815	-	132,815
Committed	630,913	-	630,913
Assigned	-	535,280	535,280
Unassigned	(9,991)	(586,286)	(596,277)
	<u>(9,991)</u>	<u>(586,286)</u>	<u>(596,277)</u>
TOTAL FUND BALANCES	<u>753,840</u>	<u>(51,006)</u>	<u>702,834</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 934,256</u>	<u>\$ 139,933</u>	<u>\$ 1,074,189</u>

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

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
REVENUES			
Taxes			
Property taxes	\$ -	\$ 137,735	\$ 137,735
Tax increments	-	345,135	345,135
Franchise fees	55,339	-	55,339
Charges for services	13,320	-	13,320
Fines and forfeitures	6,211	-	6,211
Interest on investments	10,883	6,875	17,758
Miscellaneous	10,664	4,060	14,724
	<u>96,417</u>	<u>493,805</u>	<u>590,222</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
General government	-	1,826	1,826
Public safety	2,703	-	2,703
Streets and highways	-	1,050	1,050
Culture and recreation	94,410	-	94,410
Economic development	-	-	-
Miscellaneous	3,336	-	3,336
Capital outlay			
General government	-	373,585	373,585
Public safety	14,017	178,646	192,663
Streets and highways	-	456,690	456,690
Economic development	-	138,557	138,557
	<u>114,466</u>	<u>1,150,354</u>	<u>1,264,820</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES			
	<u>(18,049)</u>	<u>(656,549)</u>	<u>(674,598)</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	-	6,322	6,322
Transfers in	2,000	130,000	132,000
Transfers out	-	(263,013)	(263,013)
	<u>2,000</u>	<u>(126,691)</u>	<u>(124,691)</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES			
	(16,049)	(783,240)	(799,289)
FUND BALANCES, JANUARY 1			
	<u>769,889</u>	<u>732,234</u>	<u>1,502,123</u>
FUND BALANCES, DECEMBER 31			
	<u><u>\$ 753,840</u></u>	<u><u>\$ (51,006)</u></u>	<u><u>\$ 702,834</u></u>

CITY OF MEDINA, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2016

	204	226	227	235
	Environmental	Municipal Park	Field House	Police Forfeiture
ASSETS				
Cash and temporary investments	\$ 382,554	\$ 56,662	\$ 12,851	\$ 163,153
Prepaid items	-	-	-	-
TOTAL ASSETS	<u>\$ 382,554</u>	<u>\$ 56,662</u>	<u>\$ 12,851</u>	<u>\$ 163,153</u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 170
Due to other funds	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>170</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	-	-	132,815
Committed	382,554	56,662	12,851	30,168
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>382,554</u>	<u>56,662</u>	<u>12,851</u>	<u>162,983</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 382,554</u>	<u>\$ 56,662</u>	<u>\$ 12,851</u>	<u>\$ 163,153</u>

236	238	240	250	
Police Reserve Equipment	German Liberal Cemetery	Community Event	Cable Franchise	Total
\$ 16,555	\$ 129,035	\$ 3,334	\$ 170,009	\$ 934,153
-	103	-	-	103
<u>\$ 16,555</u>	<u>\$ 129,138</u>	<u>\$ 3,334</u>	<u>\$ 170,009</u>	<u>\$ 934,256</u>
\$ 246	-	-	-	\$ 416
-	-	-	180,000	180,000
246	-	-	180,000	180,416
-	103	-	-	103
-	-	-	-	132,815
16,309	129,035	3,334	-	630,913
-	-	-	(9,991)	(9,991)
<u>16,309</u>	<u>129,138</u>	<u>3,334</u>	<u>(9,991)</u>	<u>753,840</u>
<u>\$ 16,555</u>	<u>\$ 129,138</u>	<u>\$ 3,334</u>	<u>\$ 170,009</u>	<u>\$ 934,256</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, 2016

	204	226	227	235
	<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	-	-	-	6,211
Interest on investments	4,346	673	153	1,863
Miscellaneous	2,400	-	1,284	-
TOTAL REVENUES	<u>6,746</u>	<u>673</u>	<u>1,437</u>	<u>8,074</u>
EXPENDITURES				
Current				
Public safety	-	-	-	1,741
Culture and recreation	5,660	-	3,431	-
Miscellaneous	-	-	-	-
Capital outlay				
Public safety	-	-	-	14,017
TOTAL EXPENDITURES	<u>5,660</u>	<u>-</u>	<u>3,431</u>	<u>15,758</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,086	673	(1,994)	(7,684)
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
NET CHANGE IN FUND BALANCES	1,086	673	(1,994)	(7,684)
FUND BALANCES, JANUARY 1	<u>381,468</u>	<u>55,989</u>	<u>14,845</u>	<u>170,667</u>
FUND BALANCES, DECEMBER 31	<u>\$ 382,554</u>	<u>\$ 56,662</u>	<u>\$ 12,851</u>	<u>\$ 162,983</u>

236 Police Reserve Equipment	238 German Liberal Cemetery	240 Community Event	250 Cable Franchise	Total
\$ -	\$ -	\$ -	\$ 55,339	\$ 55,339
-	13,320	-	-	13,320
-	-	-	-	6,211
184	1,361	90	2,213	10,883
<u>1,730</u>	<u>-</u>	<u>5,250</u>	<u>-</u>	<u>10,664</u>
<u>1,914</u>	<u>14,681</u>	<u>5,340</u>	<u>57,552</u>	<u>96,417</u>
962	-	-	-	2,703
-	-	11,855	73,464	94,410
-	3,336	-	-	3,336
-	-	-	-	14,017
<u>962</u>	<u>3,336</u>	<u>11,855</u>	<u>73,464</u>	<u>114,466</u>
952	11,345	(6,515)	(15,912)	(18,049)
-	-	2,000	-	2,000
<u>952</u>	<u>11,345</u>	<u>(4,515)</u>	<u>(15,912)</u>	<u>(16,049)</u>
<u>15,357</u>	<u>117,793</u>	<u>7,849</u>	<u>5,921</u>	<u>769,889</u>
<u>\$ 16,309</u>	<u>\$ 129,138</u>	<u>\$ 3,334</u>	<u>\$ (9,991)</u>	<u>\$ 753,840</u>

CITY OF MEDINA, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2016

	401 General Capital Improvement	406 Tax Increment 1-9	407 Highway 55 Intersections	410 Deerhill Reserve
ASSETS				
Cash and temporary investments	\$ 243,759	\$ -	\$ (1,052)	\$ (427,749)
Due from other governments	-	1,359	-	-
TOTAL ASSETS	<u>\$ 243,759</u>	<u>\$ 1,359</u>	<u>\$ (1,052)</u>	<u>\$ (427,749)</u>
LIABILITIES				
Accounts payable	\$ 32,095	\$ 81,861	\$ -	\$ 22,480
Due to other funds	-	54,503	-	-
TOTAL LIABILITIES	<u>32,095</u>	<u>136,364</u>	<u>-</u>	<u>22,480</u>
FUND BALANCES				
Assigned	211,664	-	-	-
Unassigned	-	(135,005)	(1,052)	(450,229)
TOTAL FUND BALANCES	<u>211,664</u>	<u>(135,005)</u>	<u>(1,052)</u>	<u>(450,229)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 243,759</u>	<u>\$ 1,359</u>	<u>\$ (1,052)</u>	<u>\$ (427,749)</u>

411	421 Lake Independence Outlet	<u>Total</u>
Equipment Replacement		
\$ 322,022	\$ -	\$ 136,980
<u>1,594</u>	<u>-</u>	<u>2,953</u>
<u>\$ 323,616</u>	<u>\$ -</u>	<u>\$ 139,933</u>
\$ -	\$ -	\$ 136,436
<u>-</u>	<u>-</u>	<u>54,503</u>
<u>-</u>	<u>-</u>	<u>190,939</u>
323,616	-	535,280
<u>-</u>	<u>-</u>	<u>(586,286)</u>
<u>323,616</u>	<u>-</u>	<u>(51,006)</u>
<u>\$ 323,616</u>	<u>\$ -</u>	<u>\$ 139,933</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, 2016

	401	406	407	410
	General Capital Improvement	Tax Increment 1-9	Highway 55 Intersections	Deerhill Reserve
REVENUES				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Tax increments	-	345,135	-	-
Interest on investments	5,214	(688)	(2)	(408)
Miscellaneous	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>5,214</u>	<u>344,447</u>	<u>(2)</u>	<u>(408)</u>
EXPENDITURES				
Current				
General government	1,826	-	-	-
Streets and highways	-	-	1,050	-
Capital outlay				
General government	351,355	-	-	-
Public safety	-	-	-	-
Streets and highways	-	-	-	449,821
Economic development	-	138,557	-	-
	<u>-</u>	<u>138,557</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>353,181</u>	<u>138,557</u>	<u>1,050</u>	<u>449,821</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(347,967)</u>	<u>205,890</u>	<u>(1,052)</u>	<u>(450,229)</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfer out	-	(257,531)	-	-
	<u>-</u>	<u>(257,531)</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(257,531)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(347,967)	(51,641)	(1,052)	(450,229)
FUND BALANCES, JANUARY 1	<u>559,631</u>	<u>(83,364)</u>	<u>-</u>	<u>-</u>
FUND BALANCES, DECEMBER 31	<u>\$ 211,664</u>	<u>\$ (135,005)</u>	<u>\$ (1,052)</u>	<u>\$ (450,229)</u>

411	421	
Equipment Replacement	Lake Independence Outlet	Total
\$ 137,735	\$ -	\$ 137,735
-	-	345,135
2,697	62	6,875
4,060	-	4,060
<u>144,492</u>	<u>62</u>	<u>493,805</u>
-	-	1,826
-	-	1,050
22,230	-	373,585
178,646	-	178,646
6,869	-	456,690
-	-	138,557
<u>207,745</u>	<u>-</u>	<u>1,150,354</u>
<u>(63,253)</u>	<u>62</u>	<u>(656,549)</u>
6,322	-	6,322
130,000	-	130,000
-	(5,482)	(263,013)
<u>136,322</u>	<u>(5,482)</u>	<u>(126,691)</u>
73,069	(5,420)	(783,240)
<u>250,547</u>	<u>5,420</u>	<u>732,234</u>
<u>\$ 323,616</u>	<u>\$ -</u>	<u>\$ (51,006)</u>

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, 2016
(With comparative actual amounts for the year ended December 31, 2015)

	2016				2015
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
REVENUES					
Taxes					
Property taxes	\$ 3,073,667	\$ 3,073,667	\$ 3,165,703	\$ 92,036	\$ 2,926,592
Licenses and permits	281,800	281,800	443,680	161,880	437,751
Intergovernmental					
Federal	35,000	35,000	29,805	(5,195)	31,255
State					
Property tax credits	2,000	2,000	4,359	2,359	4,624
Police state aid	79,500	79,500	84,345	4,845	83,542
Fire state aid	35,000	35,000	41,658	6,658	44,973
PERA aid	1,773	1,773	1,773	-	1,773
Other grants and aids	54,345	54,345	77,141	22,796	61,641
County					
Other grants and aids	13,000	13,000	17,844	4,844	17,839
Total	220,618	220,618	256,925	36,307	245,647
Charges for services					
General government	18,400	18,400	31,566	13,166	27,544
Public safety	159,364	159,364	275,743	116,379	260,403
Public works	4,200	4,200	4,342	142	4,377
Culture and recreation	23,000	23,000	31,817	8,817	34,414
Total	204,964	204,964	343,468	138,504	326,738
Fines and forfeitures	115,000	115,000	88,792	(26,208)	97,441
Special assessments	1,000	1,000	356	(644)	-
Interest on investments	5,000	5,000	31,857	26,857	20,038
Miscellaneous					
Contributions and donations	20,000	20,000	48,500	28,500	20,754
Other	119,881	119,881	123,206	3,325	119,899
Total	139,881	139,881	171,706	31,825	140,653
TOTAL REVENUES	4,041,930	4,041,930	4,502,487	460,557	4,194,860

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, 2016
(With comparative actual amounts for the year ended December 31, 2015)

	2016				2015
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES					
Current					
General government					
Mayor and Council					
Personal services	\$ 18,494	\$ 18,494	\$ 17,656	\$ 838	\$ 18,296
Other services and charges	6,650	6,650	7,720	(1,070)	6,883
Total	25,144	25,144	25,376	(232)	25,179
City administrator					
Personal services	452,740	452,740	447,093	5,647	395,926
Supplies	2,100	2,100	3,351	(1,251)	3,950
Other services and charges	132,125	132,125	246,020	(113,895)	135,081
Total	586,965	586,965	696,464	(109,499)	534,957
Elections					
Personal services	12,000	12,000	8,667	3,333	-
Supplies	800	800	717	83	222
Other services and charges	3,950	3,950	2,979	971	1,069
Total	16,750	16,750	12,363	4,387	1,291
Assessing					
Supplies	250	250	270	(20)	103
Other services and charges	85,250	85,250	88,523	(3,273)	85,312
Total	85,500	85,500	88,793	(3,293)	85,415
Planning and zoning					
Personal services	133,107	133,107	143,264	(10,157)	136,315
Supplies	300	300	860	(560)	-
Other services and charges	63,000	63,000	97,893	(34,893)	72,550
Total	196,407	196,407	242,017	(45,610)	208,865
PW/PD facility					
Supplies	3,000	3,000	2,635	365	2,222
Other services and charges	67,900	67,900	57,862	10,038	65,053
Total	70,900	70,900	60,497	10,403	67,275

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, 2016
(With comparative actual amounts for the year ended December 31, 2015)

	2016			Variance with Final Budget	2015
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
EXPENDITURES - CONTINUED					
Current - continued					
General government - continued					
Other general government					
Supplies	\$ 11,000	\$ 11,000	\$ 6,077	\$ 4,923	\$ 5,007
Other services and changes	103,550	103,550	96,798	6,752	101,943
Total	<u>114,550</u>	<u>114,550</u>	<u>102,875</u>	<u>11,675</u>	<u>106,950</u>
Total general government	<u>1,096,216</u>	<u>1,096,216</u>	<u>1,228,385</u>	<u>(132,169)</u>	<u>1,029,932</u>
Public safety					
Police					
Personal services	1,355,579	1,355,579	1,342,329	13,250	1,304,512
Supplies	64,150	64,150	45,044	19,106	56,560
Other services and charges	179,850	179,850	155,743	24,107	153,818
Total	<u>1,599,579</u>	<u>1,599,579</u>	<u>1,543,116</u>	<u>56,463</u>	<u>1,514,890</u>
Building inspection					
Personal services	156,941	156,941	131,953	24,988	124,782
Supplies	-	-	22	(22)	233
Other services and charges	138,450	138,450	192,651	(54,201)	208,247
Total	<u>295,391</u>	<u>295,391</u>	<u>324,626</u>	<u>(29,235)</u>	<u>333,262</u>
Fire					
Other services and charges	373,550	373,550	403,064	(29,514)	371,731
Total public safety	<u>2,268,520</u>	<u>2,268,520</u>	<u>2,270,806</u>	<u>(2,286)</u>	<u>2,219,883</u>
Streets and highways					
Streets					
Personal services	275,783	275,783	264,944	10,839	259,780
Supplies	205,900	205,900	113,360	92,540	177,922
Other services and charges	199,850	199,850	242,350	(42,500)	216,496
Total streets and highways	<u>681,533</u>	<u>681,533</u>	<u>620,654</u>	<u>60,879</u>	<u>654,198</u>
Sanitation and recycling					
Personal services	10,107	10,107	10,101	6	9,517
Supplies	-	-	1,519	(1,519)	419
Other services and charges	4,950	4,950	2,608	2,342	1,672
Total sanitation and recycling	<u>15,057</u>	<u>15,057</u>	<u>14,228</u>	<u>829</u>	<u>11,608</u>

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, 2016
(With comparative actual amounts for the year ended December 31, 2015)

	2016				2015
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
EXPENDITURES - CONTINUED					
Current - continued					
Culture and recreation					
Personal services	\$ 64,308	\$ 64,308	\$ 92,891	\$ (28,583)	\$ 83,640
Supplies	29,650	29,650	23,784	5,866	27,982
Other services and charges	93,810	93,810	81,865	11,945	71,960
Total culture and recreation	<u>187,768</u>	<u>187,768</u>	<u>198,540</u>	<u>(10,772)</u>	<u>183,582</u>
Miscellaneous					
Unallocated insurance					
Other services and charges	2,300	2,300	2,100	200	2,455
Total current expenditures	<u>4,251,394</u>	<u>4,251,394</u>	<u>4,334,713</u>	<u>(83,319)</u>	<u>4,101,658</u>
Capital outlay					
General government	-	-	-	-	3,575
Public safety	-	-	33,726	(33,726)	3,749
Culture and recreation	-	-	-	-	139
Total capital outlay	<u>-</u>	<u>-</u>	<u>33,726</u>	<u>(33,726)</u>	<u>7,463</u>
TOTAL EXPENDITURES	<u>4,251,394</u>	<u>4,251,394</u>	<u>4,368,439</u>	<u>(117,045)</u>	<u>4,109,121</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(209,464)</u>	<u>(209,464)</u>	<u>134,048</u>	<u>343,512</u>	<u>85,739</u>
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	300	300	-	(300)	-
Transfers in	211,164	211,164	201,987	(9,177)	205,450
Transfers out	(2,000)	(2,000)	(202,000)	(200,000)	(3,081)
TOTAL OTHER FINANCING SOURCES (USES)	<u>209,464</u>	<u>209,464</u>	<u>(13)</u>	<u>(209,477)</u>	<u>202,369</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>-</u>	<u>134,035</u>	<u>134,035</u>	<u>288,108</u>
FUND BALANCES, JANUARY 1	<u>2,391,059</u>	<u>2,391,059</u>	<u>2,391,059</u>	<u>-</u>	<u>2,102,951</u>
FUND BALANCES, DECEMBER 31	<u>\$ 2,391,059</u>	<u>\$ 2,391,059</u>	<u>\$ 2,525,094</u>	<u>\$ 134,035</u>	<u>\$ 2,391,059</u>

CITY OF MEDINA, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2016

	306 G.O. Bonds 2008 Uptown Hamel	312 G.O. Improvement Bonds 2010A	313 Hunter South Improvement Bonds 2011B	314 2011 Equipment Certificates
ASSETS				
Cash and temporary investments	\$ 28,747	\$ 52,835	\$ 30,419	\$ -
Cash with fiscal agent	1,229,178	-	-	-
Receivables				
Taxes	-	217	105	-
Special assessments	70,496	7,550	1,580	-
Due from other governments	226	398	175	-
TOTAL ASSETS	<u>\$ 1,328,647</u>	<u>\$ 61,000</u>	<u>\$ 32,279</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - taxes	\$ -	\$ 217	\$ 105	\$ -
Unavailable revenue - special assessments	70,496	7,550	1,580	-
TOTAL DEFERRED INFLOWS OF RESOURCES	70,496	7,767	1,685	-
FUND BALANCES				
Restricted for debt service	<u>1,258,151</u>	<u>53,233</u>	<u>30,594</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,328,647</u>	<u>\$ 61,000</u>	<u>\$ 32,279</u>	<u>\$ -</u>

316 Hunter North Improvement Bonds 2011B	319 G.O. Capital Improvement Bonds 2012A	320 G.O. Refunding Bonds 2012B	321 G.O. Refunding Bonds 2013A	322 G.O. Improvement Bonds 2015A	Total
\$ 305,417	\$ 388,006	\$ 18,208	\$ 180,144	\$ 229,040	\$ 1,232,816
-	-	-	-	-	1,229,178
446	2,767	-	1,884	1,332	6,751
8,946	-	46,182	-	748,549	883,303
755	3,348	28	1,755	1,261	7,946
<u>\$ 315,564</u>	<u>\$ 394,121</u>	<u>\$ 64,418</u>	<u>\$ 183,783</u>	<u>\$ 980,182</u>	<u>\$ 3,359,994</u>
\$ 446	\$ 2,767	\$ -	\$ 1,884	\$ 1,332	\$ 6,751
8,946	-	46,182	-	748,549	883,303
9,392	2,767	46,182	1,884	749,881	890,054
306,172	391,354	18,236	181,899	230,301	2,469,940
<u>\$ 315,564</u>	<u>\$ 394,121</u>	<u>\$ 64,418</u>	<u>\$ 183,783</u>	<u>\$ 980,182</u>	<u>\$ 3,359,994</u>

CITY OF MEDINA, MINNESOTA
DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2016

	306 G.O. Bonds 2008 Uptown Hamel	312 G.O. Improvement Bonds 2010A	313 Hunter South Improvement Bonds 2011B	314 2011 Equipment Certificates
REVENUES				
Taxes	\$ -	\$ 30,303	\$ 13,395	\$ -
Special assessments	20,256	2,850	1,187	-
Interest on investments	(905)	358	257	-
TOTAL REVENUES	<u>19,351</u>	<u>33,511</u>	<u>14,839</u>	<u>-</u>
EXPENDITURES				
Debt service				
Principal	145,000	35,000	15,000	-
Interest and other charges	99,144	5,924	5,405	-
TOTAL EXPENDITURES	<u>244,144</u>	<u>40,924</u>	<u>20,405</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(224,793)</u>	<u>(7,413)</u>	<u>(5,566)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	187,531	-	-	-
Bond issued	1,220,000	-	-	-
Premium on bonds issued	51,220	-	-	-
Transfer out	-	-	-	(341)
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,458,751</u>	<u>-</u>	<u>-</u>	<u>(341)</u>
NET CHANGE IN FUND BALANCES	1,233,958	(7,413)	(5,566)	(341)
FUND BALANCES, JANUARY 1	<u>24,193</u>	<u>60,646</u>	<u>36,160</u>	<u>341</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 1,258,151</u></u>	<u><u>\$ 53,233</u></u>	<u><u>\$ 30,594</u></u>	<u><u>\$ -</u></u>

316 Hunter North Improvement Bonds 2011B	319 G.O. Capital Improvement Bonds 2012A	320 G.O. Refunding Bonds 2012B	321 G.O. Refunding Bonds 2013A	322 G.O. Improvement Bonds 2015A	Total
\$ 57,712	\$ 255,907	\$ -	\$ 133,820	\$ 95,900	\$ 587,037
11,128	-	13,062	-	132,876	181,359
3,007	2,330	(335)	835	817	6,364
<u>71,847</u>	<u>258,237</u>	<u>12,727</u>	<u>134,655</u>	<u>229,593</u>	<u>774,760</u>
80,000	170,000	75,000	135,000	-	655,000
20,076	122,932	7,379	21,791	48,948	331,599
<u>100,076</u>	<u>292,932</u>	<u>82,379</u>	<u>156,791</u>	<u>48,948</u>	<u>986,599</u>
<u>(28,229)</u>	<u>(34,695)</u>	<u>(69,652)</u>	<u>(22,136)</u>	<u>180,645</u>	<u>(211,839)</u>
-	62,082	70,000	32,534	-	352,147
-	-	-	-	-	1,220,000
-	-	-	-	-	51,220
-	-	-	-	-	(341)
<u>-</u>	<u>62,082</u>	<u>70,000</u>	<u>32,534</u>	<u>-</u>	<u>1,623,026</u>
(28,229)	27,387	348	10,398	180,645	1,411,187
<u>334,401</u>	<u>363,967</u>	<u>17,888</u>	<u>171,501</u>	<u>49,656</u>	<u>1,058,753</u>
<u>\$ 306,172</u>	<u>\$ 391,354</u>	<u>\$ 18,236</u>	<u>\$ 181,899</u>	<u>\$ 230,301</u>	<u>\$ 2,469,940</u>

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

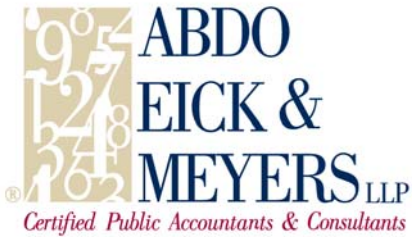
	Total		Percent Increase (Decrease)
	2016	2015	
REVENUES			
Taxes	\$ 4,290,949	\$ 3,928,999	9.21 %
Licenses and permits	443,680	437,751	1.35
Intergovernmental	1,081,048	437,929	146.85
Charges for services	1,011,010	1,572,603	(35.71)
Fines and forfeitures	95,003	147,701	(35.68)
Special assessments	360,720	244,237	47.69
Interest on investments	128,253	94,945	35.08
Miscellaneous	198,930	409,233	(51.39)
TOTAL REVENUES	\$ 7,609,593	\$ 7,273,398	4.62 %
Per Capita	\$ 1,275	\$ 1,247	2.24 %
EXPENDITURES			
Current			
General government	\$ 1,230,211	\$ 1,032,110	19.19 %
Public safety	2,273,509	2,224,842	2.19
Streets and highways	765,137	654,198	16.96
Sanitation and recycling	14,228	11,608	22.57
Culture and recreation	358,322	238,812	50.04
Economic development	-	209,520	(100.00)
Miscellaneous	5,436	5,107	6.44
Capital outlay			
General government	373,585	41,252	805.62
Public safety	226,389	407,835	(44.49)
Streets and highways	1,491,151	2,878,253	(48.19)
Culture and recreation	300,064	448,506	(33.10)
Economic development	138,557	-	100.00
Debt service			
Principal	655,000	1,925,000	(65.97)
Interest and other	331,599	334,460	(0.86)
TOTAL EXPENDITURES	\$ 8,163,188	\$ 10,411,503	(21.59) %
Per Capita	\$ 1,368	\$ 1,786	(23.38) %
Total Long-term Indebtedness	\$ 12,335,000	\$ 11,770,000	4.80 %
Per Capita	2,067	2,019	2.41
General Fund Balance - December 31	\$ 2,525,094	\$ 2,391,059	5.61 %
Per Capita	423	410	3.20

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, 2016



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, 2016, and the related notes to the financial statements, and have issued our report thereon dated May 2, 2017.

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

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

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

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
May 2, 2017