

Annual Financial Report

City of Medina
Medina, Minnesota

For the Year Ended
December 31, 2017

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City of Medina, Minnesota
Annual Financial Report
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For the Year Ended December 31, 2017

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INTRODUCTORY SECTION

CITY OF MEDINA
MEDINA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

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City of Medina, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2017

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Bob Mitchell	Mayor	12/31/18
Jeff Pederson	Council Member	12/31/20
Lorie Cousineau	Council Member	12/31/18
John Anderson	Council Member	12/31/20
Kathleen Martin	Council Member	12/31/18

APPOINTED

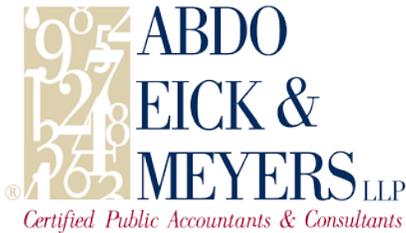
<u>Name</u>	<u>Title</u>
Scott Johnson	City Administrator
Erin Barnhart	Finance Director
Jodi Gallup	Assistant City Administrator/City Clerk

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FINANCIAL SECTION
CITY OF MEDINA
MEDINA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Medina, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Medina, Minnesota (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

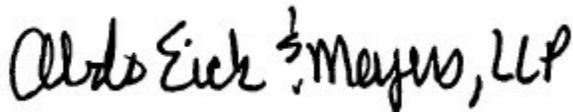
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions, and the Schedule of Funding Progress for Other Post-Employment Benefit Plan starting on page 82 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 30, 2018

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Management's Discussion and Analysis

As management of the City of Medina, Minnesota (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2017.

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 \$38,525,077 (*net position*). Of this amount, \$10,940,044 (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 \$1,053,719 as a result of an increase to building activity and City growth.
- The total net position of governmental activities decreased by \$801,236 and total net position of the business-type activities increased by \$1,854,955. This resulted in an increase to total net position of \$1,053,719 for the City. Governmental activities transferred capital assets of \$1,351,615 to business-type activities.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12,663,054, an increase of \$372,229 in comparison with the prior year. Factors contributing to this variance include positive budget variance in many departments and categories in the General fund, as well as unspent bond proceeds for project expenses expected in the following year..
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$2,890,173, or 71 percent of total General fund expenditures.
- The City's total debt decreased \$1,385,658, or 9 percent during the current fiscal year mainly due to regularly scheduled principal and interest payments and a crossover date during the year for previously refunded bonds. A general obligation improvement bond was issued during 2017 for \$210,000.

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

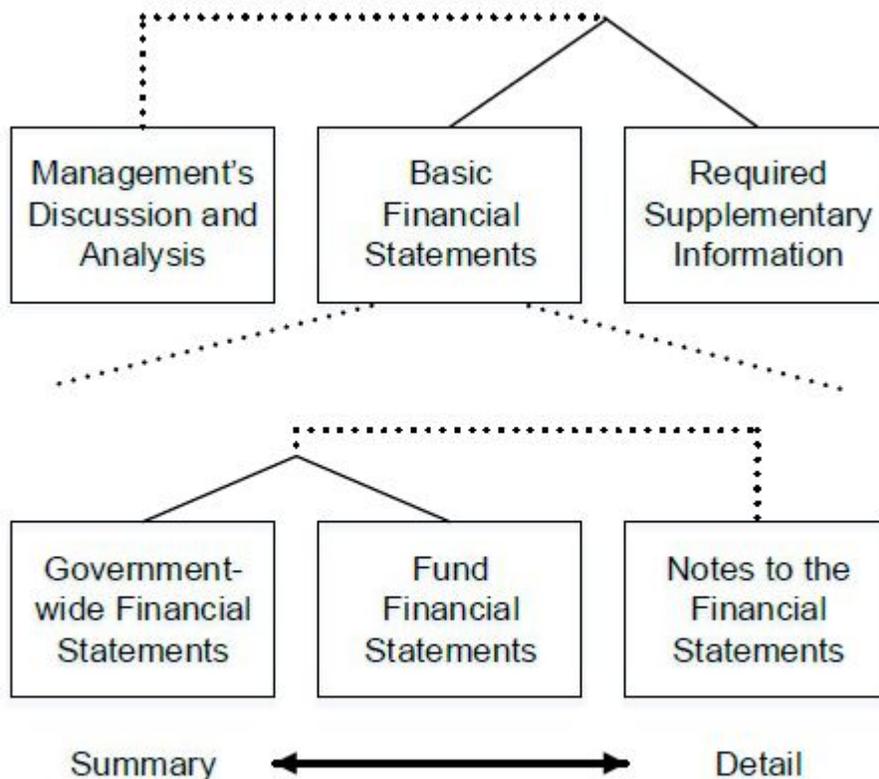


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the 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 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 31 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 numerous 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 and the Road Improvement fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements 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 36 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 three enterprise funds, all of which are considered to be major funds of the City.

The basic proprietary fund financial statements start on page 44 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 50 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 51 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 88 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees. Required supplementary information can be found starting on page 82 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$38,525,077 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (61 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		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Assets						
Current and other assets	\$ 15,052,269	\$ 14,914,930	\$ 137,339	\$ 4,871,284	\$ 4,486,630	\$ 384,654
Capital assets	24,771,140	26,596,854	(1,825,714)	12,275,388	11,411,589	863,799
Total Assets	<u>39,823,409</u>	<u>41,511,784</u>	<u>(1,688,375)</u>	<u>17,146,672</u>	<u>15,898,219</u>	<u>1,248,453</u>
Deferred Outflows of Resources	<u>1,801,661</u>	<u>2,875,057</u>	<u>(1,073,396)</u>	<u>63,675</u>	<u>124,127</u>	<u>(60,452)</u>
Liabilities						
Noncurrent liabilities						
outstanding	14,214,229	17,719,661	(3,505,432)	2,678,416	3,309,012	(630,596)
Other liabilities	1,079,748	1,226,698	(146,950)	36,999	99,071	(62,072)
Total Liabilities	<u>15,293,977</u>	<u>18,946,359</u>	<u>(3,652,382)</u>	<u>2,715,415</u>	<u>3,408,083</u>	<u>(692,668)</u>
Deferred Inflows of Resources	<u>2,241,496</u>	<u>549,649</u>	<u>1,691,847</u>	<u>59,452</u>	<u>33,738</u>	<u>25,714</u>
Net Position						
Net investment in						
capital assets	13,439,969	15,291,518	(1,851,549)	9,938,784	8,519,599	1,419,185
Restricted	4,206,280	3,456,435	749,845	-	-	-
Unrestricted	<u>6,443,348</u>	<u>6,142,880</u>	<u>300,468</u>	<u>4,496,696</u>	<u>4,060,926</u>	<u>435,770</u>
Total Net Position	<u>\$ 24,089,597</u>	<u>\$ 24,890,833</u>	<u>\$ (801,236)</u>	<u>\$ 14,435,480</u>	<u>\$ 12,580,525</u>	<u>\$ 1,854,955</u>

An additional portion of the City's net position (11 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$10,940,044 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 decreased the City's net position by \$801,236 thereby accounting for negative 76.0 percent of the total growth in the net position of the City. Key elements of this decrease are as follows:

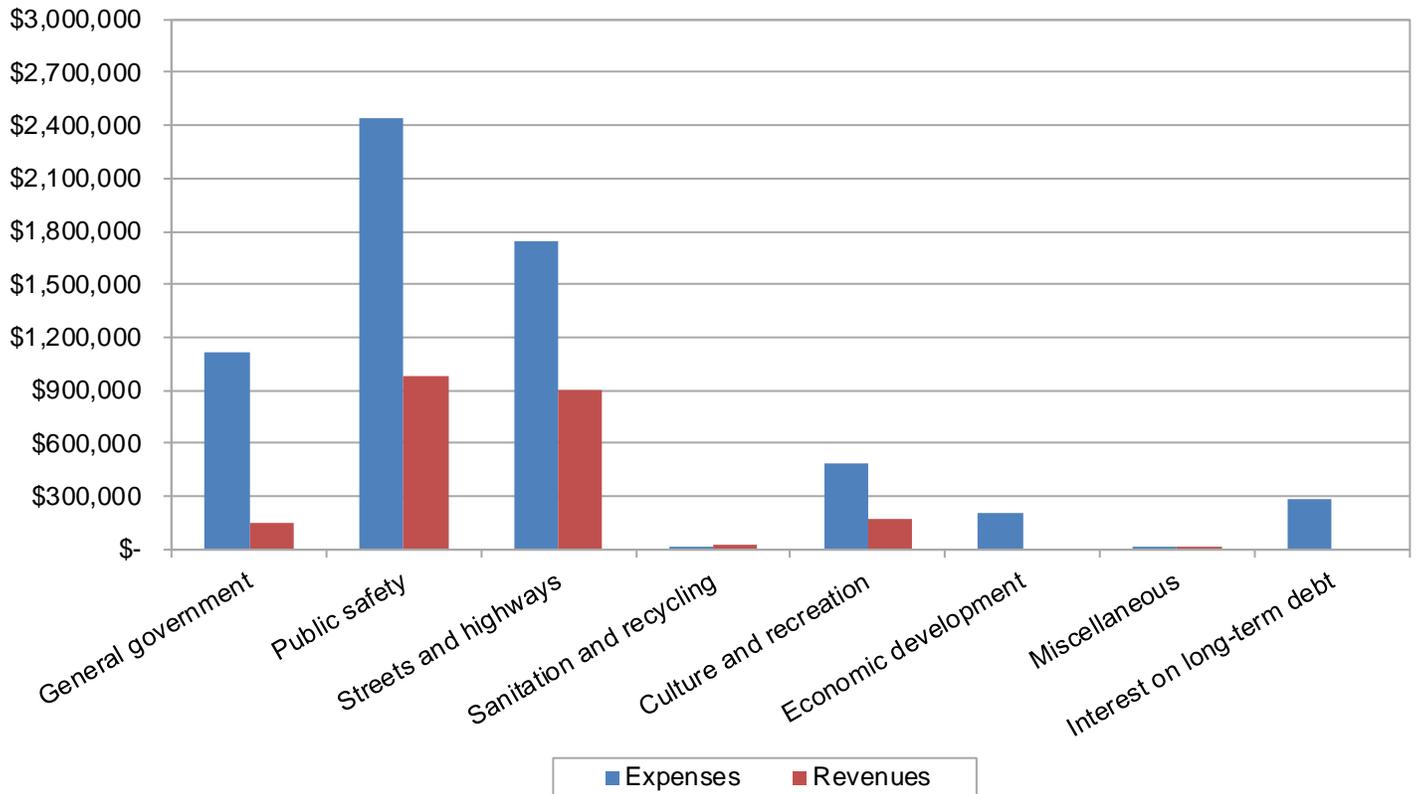
City of Medina's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 982,260	\$ 1,026,058	\$ (43,798)	\$ 2,074,627	\$ 1,954,082	\$ 120,545
Operating grants and contributions	352,592	279,886	72,706	85	-	85
Capital grants and contributions	915,667	1,905,777	(990,110)	75,600	45,925	29,675
General Revenues						
Property taxes	3,902,674	3,863,816	38,858	-	-	-
Tax increments	420,521	345,135	75,386	-	-	-
Franchise taxes	57,603	55,339	2,264	-	-	-
Unrestricted investment earnings	107,858	128,253	(20,395)	38,475	42,676	(4,201)
Gain on sale of capital assets	9,700	4,322	5,378	-	-	-
Total Revenues	<u>6,748,875</u>	<u>7,608,586</u>	<u>(859,711)</u>	<u>2,188,787</u>	<u>2,042,683</u>	<u>146,104</u>
Expenses						
General government	1,119,303	1,369,395	(250,092)	-	-	-
Public safety	2,441,618	2,935,289	(493,671)	-	-	-
Streets and highways	1,739,835	1,387,389	352,446	-	-	-
Sanitation and recycling	13,781	14,923	(1,142)	-	-	-
Culture and recreation	491,390	554,679	(63,289)	-	-	-
Economic development	202,157	146,024	56,133	-	-	-
Miscellaneous	3,838	5,436	(1,598)	-	-	-
Interest on long-term debt	284,870	300,460	(15,590)	-	-	-
Water	-	-	-	783,902	784,626	(724)
Sewer	-	-	-	623,633	547,375	76,258
Storm water	-	-	-	179,616	170,761	8,855
Total Expenses	<u>6,296,792</u>	<u>6,713,595</u>	<u>(416,803)</u>	<u>1,587,151</u>	<u>1,502,762</u>	<u>84,389</u>
Change in Net Position Before Transfers	452,083	894,991	(442,908)	601,636	539,921	61,715
Transfers - Capital Assets	(1,351,615)	(669,453)	(682,162)	1,351,615	669,453	682,162
Transfers	98,296	(70,798)	169,094	(98,296)	70,798	(169,094)
Change in Net Position	(801,236)	154,740	(955,976)	1,854,955	1,280,172	574,783
Net Position, January 1	<u>24,890,833</u>	<u>24,736,093</u>	<u>154,740</u>	<u>12,580,525</u>	<u>11,300,353</u>	<u>1,280,172</u>
Net Position, December 31	<u>\$ 24,089,597</u>	<u>\$ 24,890,833</u>	<u>\$ (801,236)</u>	<u>\$ 14,435,480</u>	<u>\$ 12,580,525</u>	<u>\$ 1,854,955</u>

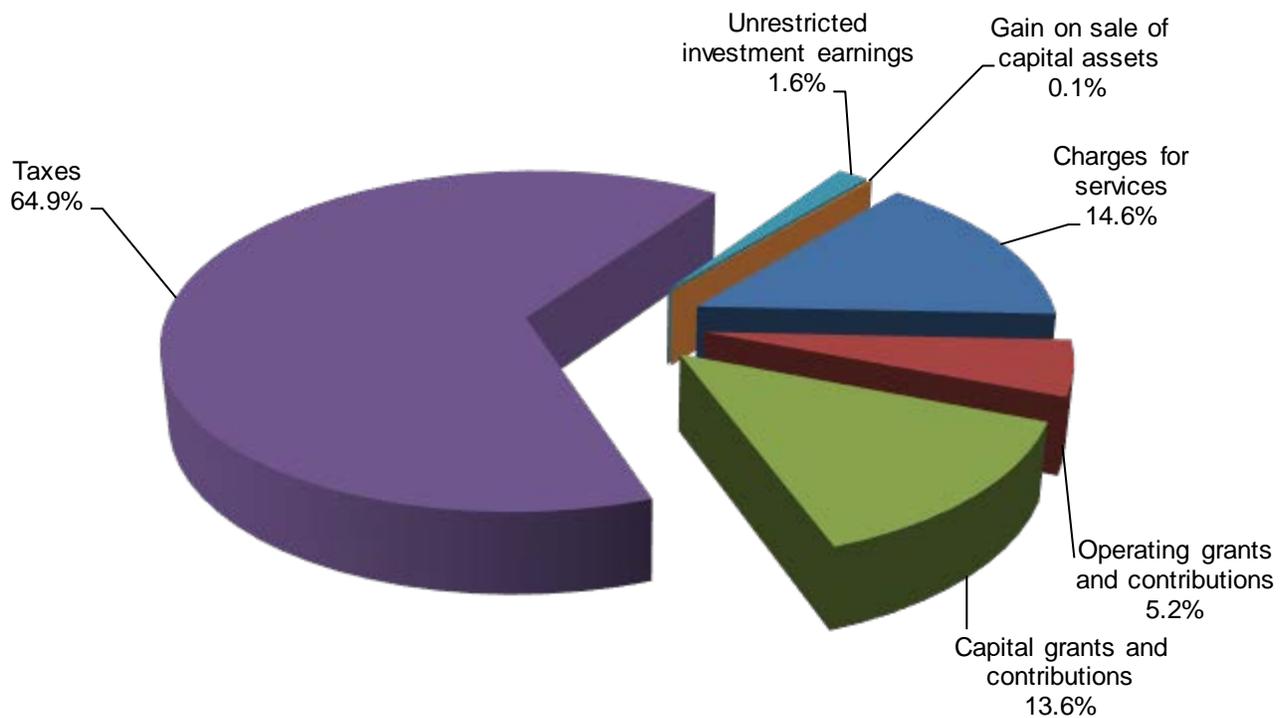
Property taxes represent 57.8 percent of total revenues in 2017 in governmental activities.

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

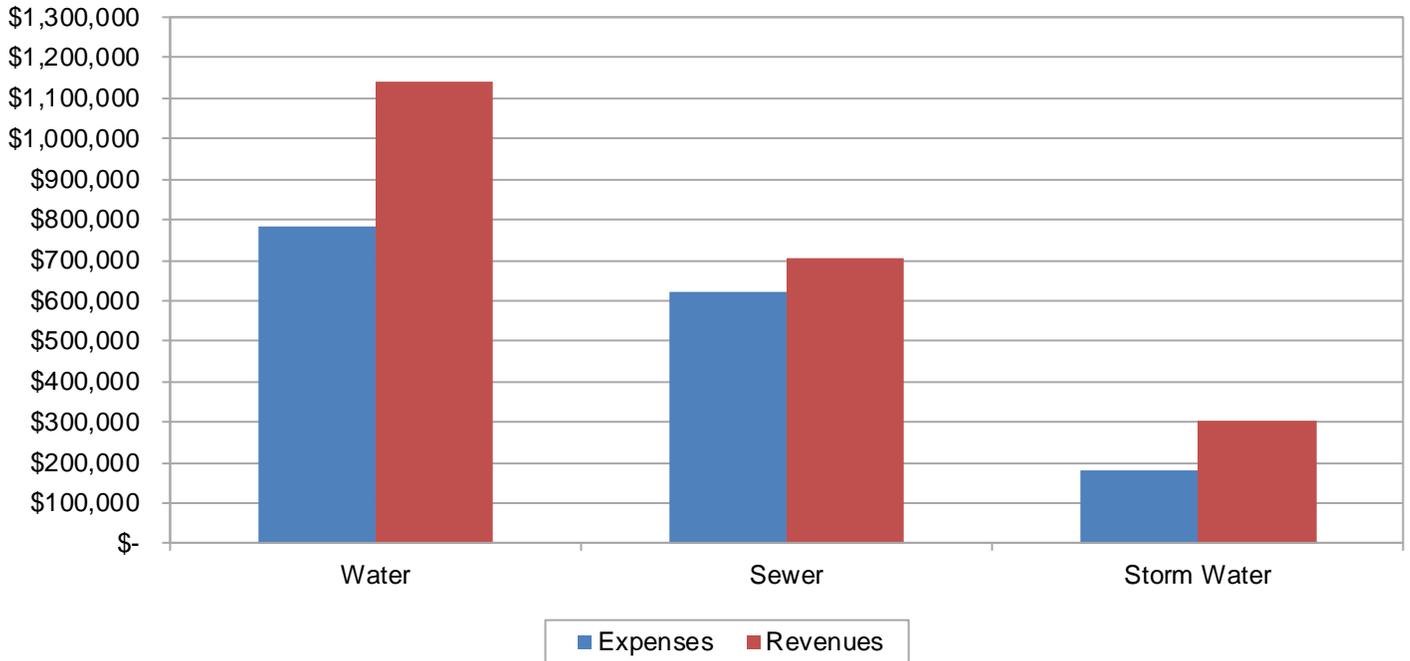


Business-type Activities. Business-type activities increased the City's net position by \$1,854,955. Key elements of this increase are as follows:

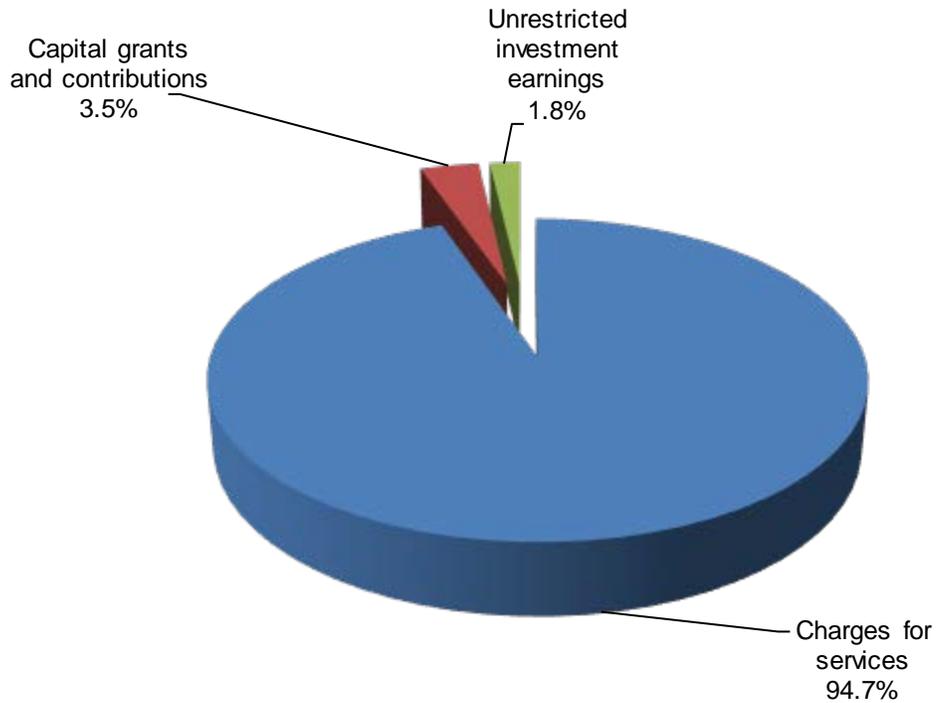
- Expenses for the business-type activities were \$1,587,151. The net revenue of the business-type activities was \$563,161. This essentially points out that utility charges are sufficient to cover expenses incurred during the operations of the utilities.
- The governmental funds transferred \$1,351,615 in capital assets to the business-type activities.

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)
	2017	2016	
General	\$ 3,136,438	\$ 2,525,094	\$ 611,344
The fund balance of the General fund increased by \$611,344 as a result of taxes, building permits and building plan review revenues exceeding the budget, as well as less than budgeted expenditures in all departments.			
Debt Service	\$ 1,712,015	\$ 2,469,940	\$ (757,925)
The Debt Service fund balance decreased \$757,925 as a result of payments for bond principal and interest.			
Park Dedication	\$ 1,600,992	\$ 1,582,293	\$ 18,699
The Park Dedication fund balance increased by \$18,699 mainly due to the receipt of a \$45,000 Hennepin County Youth Baseball and Softball Facility grant program.			
Water Capital Improvement	\$ 1,338,140	\$ 1,242,343	\$ 95,797
The Water Capital Improvement fund balance increased by \$95,797 mainly as a result of transfers in of approximately			
Sewer Capital Improvements	\$ 2,780,852	\$ 2,519,662	\$ 261,190
The Sewer Capital Improvement fund balance increased \$261,190 as a result of revenues exceeding expenditures and a transfer in of \$167,500. There were no expenditures in 2017.			
Road Improvement	\$ 693,556	\$ 670,115	\$ 23,441
The Road Improvement fund balance increased by \$23,441 during the year. The increase can be attributed to resources exceeding improvement expenses during the year.			

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 \$4,496,696. The total increase in net position for the funds was \$1,854,955. 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 \$399,769, primarily due to licenses and permits and charges for services exceeding budget by \$131,694 and \$121,487, respectively. Expenditures were under budget by \$211,875 during the year. All departments had a positive budget variance in total. The largest positive budget variance occurred in streets and highways with expenditures \$89,894 less than budget.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2017, amounts to \$37,046,528 (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:

- Deerhill Preserve road improvements
- Tower Drive Improvement project completion
- Sioux Drive turn lane project
- City Hall renovation
- Water tower rehabilitation project
- Willow Drive overlay and Clydesdale Trail improvement projects

Additional information on the City's capital assets can be found in Note 3B starting on page 63 of this report.

City of Medina's Capital Assets (Net of Depreciation)

	Governmental Activities			Business-type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Land	\$ 786,779	\$ 786,779	\$ -	\$ 56,393	\$ 56,393	\$ -
Infrastructure	12,268,147	11,936,060	332,087	4,778,387	4,368,023	410,364
Buildings	7,999,641	7,892,928	106,713	5,043,224	5,238,935	(195,711)
Improvements	1,924,920	1,831,530	93,390	951,249	413,511	537,738
Machinery and Equipment	812,775	938,582	(125,807)	1,096,232	1,182,734	(86,502)
Construction in Progress	978,878	3,210,975	(2,232,097)	349,903	151,993	197,910
Total	\$ 24,771,140	\$ 26,596,854	\$ (1,825,714)	\$ 12,275,388	\$ 11,411,589	\$ 863,799

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$13,810,000.

City of Medina's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
General Obligation						
Improvement Bonds	\$ 11,185,000	\$ 11,915,000	\$ (730,000)	\$ -	\$ -	\$ -
G.O. Tax Increment Bonds	340,000	420,000	(80,000)	-	-	-
General Obligation Revenue Bonds	-	-	-	2,285,000	2,825,000	(540,000)
Unamortized Premium on Bonds	170,064	190,336	(20,272)	51,604	66,990	(15,386)
Total	\$ 11,695,064	\$ 12,525,336	\$ (830,272)	\$ 2,336,604	\$ 2,891,990	\$ (555,386)

The City's total debt decreased \$1,385,658 (9 percent) during the current fiscal year mainly due to regularly schedule principal payments and refunded debt net of bond issuance costs. Additional information on the City's long-term debt can be found in Note 3D starting on page 67 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Hennepin County is currently 2.3 percent (April 2018). This compares favorably to the State of Minnesota's average unemployment rate of 3.1 percent and the national average rate of 3.9 percent.
- Property valuations increased 6.0 percent within the City from 2017 to 2018.

The City's total property tax levy will increase in 2018 by 2.5 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 22.27% for 2017 to 21.52% for 2018.

A water rate increase of 3.0 percent was approved for the three individual water systems for 2018. 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 2018 fiscal year.

Requests for Information

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

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF MEDINA
MEDINA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

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City of Medina, Minnesota
Statement of Net Position
December 31, 2017

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and temporary investments	\$ 13,391,714	\$ 4,707,272	\$ 18,098,986
Receivables			
Accounts	115,948	96,143	212,091
Taxes	44,390	-	44,390
Special assessments	1,367,156	29,867	1,397,023
Due from other governments	66,693	2,572	69,265
Prepaid items	66,368	35,430	101,798
Capital assets			
Nondepreciable	1,765,657	406,296	2,171,953
Depreciable, net of accumulated depreciation	23,005,483	11,869,092	34,874,575
Total Assets	<u>39,823,409</u>	<u>17,146,672</u>	<u>56,970,081</u>
Deferred Outflows of Resources			
Deferred pension resources	<u>1,801,661</u>	<u>63,675</u>	<u>1,865,336</u>
Liabilities			
Accounts payable	262,576	15,273	277,849
Salaries payable	42,271	5,450	47,721
Accrued interest payable	102,079	16,276	118,355
Deposits payable	551,057	-	551,057
Unearned revenue	121,765	-	121,765
Noncurrent liabilities			
Due within one year	912,735	564,301	1,477,036
Due in more than one year	13,301,494	2,114,115	15,415,609
Total Liabilities	<u>15,293,977</u>	<u>2,715,415</u>	<u>18,009,392</u>
Deferred Inflows of Resources			
Deferred pension resources	<u>2,241,496</u>	<u>59,452</u>	<u>2,300,948</u>
Net Position			
Net investment in capital assets	13,439,969	9,938,784	23,378,753
Restricted for			
Debt service	2,403,412	-	2,403,412
Capital improvements	363,893	-	363,893
Park improvements	1,300,584	-	1,300,584
Police expenditures	138,391	-	138,391
Unrestricted	<u>6,443,348</u>	<u>4,496,696</u>	<u>10,940,044</u>
Total Net Position	<u>\$ 24,089,597</u>	<u>\$ 14,435,480</u>	<u>\$ 38,525,077</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, 2017

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 1,119,303	\$ 140,697	\$ -	\$ 12,545
Public safety	2,441,618	765,564	219,092	-
Streets and highways	1,739,835	9,081	75,328	817,267
Sanitation and recycling	13,781	-	22,187	-
Culture and recreation	491,390	46,648	35,985	85,855
Economic development	202,157	-	-	-
Miscellaneous	3,838	20,270	-	-
Interest on long-term debt	284,870	-	-	-
Total governmental activities	<u>6,296,792</u>	<u>982,260</u>	<u>352,592</u>	<u>915,667</u>
Business-type Activities				
Water	783,902	1,130,009	38	13,100
Sewer	623,633	705,188	31	-
Storm water	179,616	239,430	16	62,500
Total Business-type Activities	<u>1,587,151</u>	<u>2,074,627</u>	<u>85</u>	<u>75,600</u>
Total	<u>\$ 7,883,943</u>	<u>\$ 3,056,887</u>	<u>\$ 352,677</u>	<u>\$ 991,267</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

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

Net (Expenses) Revenues and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (966,061)	\$ -	\$ (966,061)
(1,456,962)	-	(1,456,962)
(838,159)	-	(838,159)
8,406	-	8,406
(322,902)	-	(322,902)
(202,157)	-	(202,157)
16,432	-	16,432
(284,870)	-	(284,870)
<u>(4,046,273)</u>	<u>-</u>	<u>(4,046,273)</u>
-	359,245	359,245
-	81,586	81,586
-	122,330	122,330
<u>-</u>	<u>563,161</u>	<u>563,161</u>
<u>(4,046,273)</u>	<u>563,161</u>	<u>(3,483,112)</u>
3,354,632	-	3,354,632
548,042	-	548,042
420,521	-	420,521
57,603	-	57,603
107,858	38,475	146,333
9,700	-	9,700
(1,351,615)	1,351,615	-
98,296	(98,296)	-
<u>3,245,037</u>	<u>1,291,794</u>	<u>4,536,831</u>
(801,236)	1,854,955	1,053,719
<u>24,890,833</u>	<u>12,580,525</u>	<u>37,471,358</u>
<u>\$ 24,089,597</u>	<u>\$ 14,435,480</u>	<u>\$ 38,525,077</u>

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

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FUND FINANCIAL STATEMENTS

CITY OF MEDINA
MEDINA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

City of Medina, Minnesota
Balance Sheet
Governmental Funds
December 31, 2017

	101		225	402
	General	Debt Service	Park Dedication	Water Capital Improvements
Assets				
Cash and temporary investments	\$ 3,615,886	\$ 1,701,064	\$ 1,603,700	\$ 1,377,025
Receivables				
Accounts	6,958	-	-	95,445
Delinquent taxes	36,243	8,147	-	-
Special assessments	46,097	785,329	-	38,872
Due from other governments	53,269	10,951	-	-
Due from other funds	180,000	-	-	-
Prepaid items	66,265	-	-	-
	<u>4,004,718</u>	<u>2,505,491</u>	<u>1,603,700</u>	<u>1,511,342</u>
Total Assets	\$ 4,004,718	\$ 2,505,491	\$ 1,603,700	\$ 1,511,342
Liabilities				
Accounts payable	\$ 179,837	\$ -	\$ 2,708	\$ 38,885
Due to other funds	-	-	-	-
Salaries payable	42,271	-	-	-
Deposits payable	551,057	-	-	-
Unearned revenue	12,775	-	-	95,445
Total Liabilities	<u>785,940</u>	<u>-</u>	<u>2,708</u>	<u>134,330</u>
Deferred Inflows of Resources				
Unavailable revenue - taxes	36,243	8,147	-	-
Unavailable revenue - assessments	46,097	785,329	-	38,872
Total Deferred Inflows of Resources	<u>82,340</u>	<u>793,476</u>	<u>-</u>	<u>38,872</u>
Fund Balances				
Nonspendable	246,265	-	-	-
Restricted	-	1,712,015	1,300,584	-
Committed	-	-	300,408	-
Assigned	-	-	-	1,338,140
Unassigned	2,890,173	-	-	-
Total Fund Balances	<u>3,136,438</u>	<u>1,712,015</u>	<u>1,600,992</u>	<u>1,338,140</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 4,004,718	\$ 2,505,491	\$ 1,603,700	\$ 1,511,342

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

403 Sewer Capital Improvements	420 Road Improvement	Other Governmental Funds	Total Governmental Funds
\$ 2,620,078	\$ 693,382	\$ 1,780,579	\$ 13,391,714
13,545	-	-	115,948
-	-	-	44,390
38,872	457,986	-	1,367,156
-	174	2,299	66,693
160,774	-	-	340,774
-	-	103	66,368
<u>\$ 2,833,269</u>	<u>\$ 1,151,542</u>	<u>\$ 1,782,981</u>	<u>\$ 15,393,043</u>
\$ -	\$ -	\$ 41,146	\$ 262,576
-	-	340,774	340,774
-	-	-	42,271
-	-	-	551,057
13,545	-	-	121,765
<u>13,545</u>	<u>-</u>	<u>381,920</u>	<u>1,318,443</u>
-	-	-	44,390
38,872	457,986	-	1,367,156
<u>38,872</u>	<u>457,986</u>	<u>-</u>	<u>1,411,546</u>
-	-	103	246,368
-	-	502,284	3,514,883
-	-	663,487	963,895
2,780,852	693,556	490,414	5,302,962
-	-	(255,227)	2,634,946
<u>2,780,852</u>	<u>693,556</u>	<u>1,401,061</u>	<u>12,663,054</u>
<u>\$ 2,833,269</u>	<u>\$ 1,151,542</u>	<u>\$ 1,782,981</u>	<u>\$ 15,393,043</u>

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

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City of Medina, Minnesota
 Reconciliation of the Balance Sheet
 to the Statement of Net Position
 Governmental Funds
 December 31, 2017

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

Total Fund Balances - Governmental Funds	\$ 12,663,054
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	33,491,619
Less accumulated depreciation	(8,720,479)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
Bonds payable	(11,525,000)
Plus premium on bonds	(170,064)
Compensated absences payable	(337,198)
Other postemployment benefits payable	(260,305)
Pension liability	(1,921,662)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Taxes receivable	44,390
Special assessments receivable	1,367,156
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	1,801,661
Deferred inflows of pension resources	(2,241,496)
Governmental funds do not report a liability for accrued interest until due and payable.	(102,079)
Total Net Position - Governmental Activities	\$ 24,089,597

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, 2017

	101		225	402
	General	Debt Service	Park Dedication	Water Capital Improvements
Revenues				
Taxes	\$ 3,205,770	\$ 548,042	\$ -	\$ -
Licenses and permits	414,494	-	-	-
Intergovernmental	256,432	-	45,000	-
Charges for services	324,317	-	40,855	473,050
Fines and forfeitures	96,050	-	-	-
Special assessments	12,545	231,981	-	-
Interest on investments	30,493	12,775	14,198	11,728
Miscellaneous	152,060	-	5,920	-
Total Revenues	<u>4,492,161</u>	<u>792,798</u>	<u>105,973</u>	<u>484,778</u>
Expenditures				
Current				
General government	1,060,780	-	-	-
Public safety	2,205,635	-	-	-
Streets and highways	618,318	-	-	-
Sanitation and recycling	13,516	-	-	-
Culture and recreation	197,617	-	3,308	-
Miscellaneous	-	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Streets and highways	-	-	-	200,663
Culture and recreation	-	-	82,542	-
Economic development	-	-	-	-
Debt service				
Principal	-	800,000	-	-
Interest and other charges	-	273,025	-	-
Total Expenditures	<u>4,095,866</u>	<u>1,073,025</u>	<u>85,850</u>	<u>200,663</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>396,295</u>	<u>(280,227)</u>	<u>20,123</u>	<u>284,115</u>
Other Financing Sources (Uses)				
Sale of capital assets	-	-	-	-
Transfers in	217,049	695,681	-	167,500
Bonds issued	-	46,621	-	-
Payment of refunded bonds	-	(1,220,000)	-	-
Transfers out	(2,000)	-	(1,424)	(355,818)
Total Other Financing Sources (Uses)	<u>215,049</u>	<u>(477,698)</u>	<u>(1,424)</u>	<u>(188,318)</u>
Net Change in Fund Balances	611,344	(757,925)	18,699	95,797
Fund Balances, January 1	<u>2,525,094</u>	<u>2,469,940</u>	<u>1,582,293</u>	<u>1,242,343</u>
Fund Balances, December 31	<u>\$ 3,136,438</u>	<u>\$ 1,712,015</u>	<u>\$ 1,600,992</u>	<u>\$ 1,338,140</u>

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

403 Sewer Capital Improvements	420 Road Improvement	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 614,648	\$ 4,368,460
-	-	-	414,494
-	75,328	-	376,760
70,917	-	19,215	928,354
-	-	23,323	119,373
-	80,452	-	324,978
22,773	10,665	5,226	107,858
-	-	31,818	189,798
<u>93,690</u>	<u>166,445</u>	<u>694,230</u>	<u>6,830,075</u>
-	-	-	1,060,780
-	-	2,016	2,207,651
-	-	-	618,318
-	-	-	13,516
-	-	145,925	346,850
-	-	3,838	3,838
-	-	46,085	46,085
-	-	134,600	134,600
-	143,004	397,678	741,345
-	-	-	82,542
-	-	189,795	189,795
-	-	-	800,000
-	-	42,497	315,522
<u>-</u>	<u>143,004</u>	<u>962,434</u>	<u>6,560,842</u>
<u>93,690</u>	<u>23,441</u>	<u>(268,204)</u>	<u>269,233</u>
-	-	14,700	14,700
167,500	-	391,841	1,639,571
-	-	1,163,379	1,210,000
-	-	-	(1,220,000)
-	-	(1,182,033)	(1,541,275)
<u>167,500</u>	<u>-</u>	<u>387,887</u>	<u>102,996</u>
261,190	23,441	119,683	372,229
<u>2,519,662</u>	<u>670,115</u>	<u>1,281,378</u>	<u>12,290,825</u>
<u>\$ 2,780,852</u>	<u>\$ 693,556</u>	<u>\$ 1,401,061</u>	<u>\$ 12,663,054</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, 2017

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

Total Net Change in Fund Balances - Governmental Funds	\$ 372,229
<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	683,682
Depreciation expense	(1,152,781)
<p>A gain or loss on the disposal of capital assets, including the difference between carrying value and any related sales proceeds, is included in net position. However, only the sales proceeds are included in the change in the change in fund balance.</p>	
	(5,000)
<p>Capital assets constructed in capital projects funds but intended for enterprise fund use are transferred in the government-wide financial statements.</p>	
	(1,351,615)
<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	(1,210,000)
Amortization of bond premium	20,272
Principal repayments	2,020,000
<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>	
	10,380
<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	12,338
Special assessments	(110,658)
<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	(7,058)
Compensated absences	(19,745)
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	(70,700)
Pension revenue	7,420
	(70,700)
	\$ (801,236)

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 3,164,977	\$ 3,164,977	\$ 3,205,770	\$ 40,793
Licenses and permits	282,800	282,800	414,494	131,694
Intergovernmental	207,618	207,618	256,432	48,814
Charges for services	202,830	202,830	324,317	121,487
Fines and forfeitures	105,000	105,000	96,050	(8,950)
Special assessments	1,000	1,000	12,545	11,545
Interest on investments	5,000	5,000	30,493	25,493
Miscellaneous	123,167	123,167	152,060	28,893
Total Revenues	<u>4,092,392</u>	<u>4,092,392</u>	<u>4,492,161</u>	<u>399,769</u>
Expenditures				
Current				
General government	1,106,680	1,106,680	1,060,780	45,900
Public safety				
Police	1,578,647	1,578,647	1,538,536	40,111
Building inspection	300,006	300,006	240,837	59,169
Fire	394,172	394,172	426,262	(32,090)
Streets and highways	708,212	708,212	618,318	89,894
Sanitation and recycling	15,112	15,112	13,516	1,596
Culture and recreation	202,612	202,612	197,617	4,995
Miscellaneous	2,300	2,300	-	2,300
Total Expenditures	<u>4,307,741</u>	<u>4,307,741</u>	<u>4,095,866</u>	<u>211,875</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(215,349)</u>	<u>(215,349)</u>	<u>396,295</u>	<u>611,644</u>
Other Financing Sources (Uses)				
Sale of capital assets	300	300	-	(300)
Transfers in	217,049	217,049	217,049	-
Transfers out	(2,000)	(2,000)	(2,000)	-
Total Other Financing Sources (Uses)	<u>215,349</u>	<u>215,349</u>	<u>215,049</u>	<u>(300)</u>
Net Change in Fund Balances	-	-	611,344	611,344
Fund Balances, January 1	<u>2,525,094</u>	<u>2,525,094</u>	<u>2,525,094</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 2,525,094</u>	<u>\$ 2,525,094</u>	<u>\$ 3,136,438</u>	<u>\$ 611,344</u>

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

City of Medina, Minnesota
Statement of Net Position
Proprietary Funds
December 31, 2017

Business-type Activities - Enterprise funds

	601	602	603	
	Water	Sewer	Storm Water	Totals
Assets				
Current Assets				
Cash and temporary investments	\$ 2,360,985	\$ 1,816,475	\$ 529,812	\$ 4,707,272
Receivables				
Accounts	30,311	62,252	3,580	96,143
Special assessments	12,187	12,187	5,493	29,867
Due from other governments	2,439	422	(289)	2,572
Prepaid items	1,422	33,670	338	35,430
Total Current Assets	2,407,344	1,925,006	538,934	4,871,284
Noncurrent Assets				
Capital assets				
Land	7,393	49,000	-	56,393
Infrastructure	5,527,776	2,050,641	47,811	7,626,228
Buildings	8,216,454	192,000	-	8,408,454
Improvements	-	-	1,087,315	1,087,315
Machinery and equipment	1,164,212	2,921,472	44,174	4,129,858
Construction in progress	219,003	130,900	-	349,903
Less accumulated depreciation	(6,156,138)	(3,054,051)	(172,574)	(9,382,763)
Total Noncurrent Assets	8,978,700	2,289,962	1,006,726	12,275,388
Total Assets	11,386,044	4,214,968	1,545,660	17,146,672
Deferred Outflows of Resources				
Deferred pension resources	28,844	23,392	11,439	63,675

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, 2017

Business-type Activities - Enterprise funds

	601	602	603	
	Water	Sewer	Storm Water	Totals
Liabilities				
Current Liabilities				
Accounts payable	\$ 7,877	\$ 5,045	\$ 2,351	\$ 15,273
Accrued interest payable	16,276	-	-	16,276
Salaries payable	2,468	1,997	985	5,450
Compensated absences payable - current	6,476	5,114	2,711	14,301
Bonds payable - current	550,000	-	-	550,000
Total Current Liabilities	583,097	12,156	6,047	601,300
Noncurrent Liabilities				
Other postemployment benefits payable	21,469	16,246	6,436	44,151
Compensated absences payable	20,630	17,648	8,497	46,775
Pension liability	107,172	86,915	42,498	236,585
Bonds payable	1,786,604	-	-	1,786,604
Total Noncurrent Liabilities	1,935,875	120,809	57,431	2,114,115
Total Liabilities	2,518,972	132,965	63,478	2,715,415
Deferred Inflows of Resources				
Deferred pension resources	26,931	21,841	10,680	59,452
Net Position				
Net investment in capital assets	6,642,096	2,289,962	1,006,726	9,938,784
Unrestricted	2,226,889	1,793,592	476,215	4,496,696
Total Net Position	\$ 8,868,985	\$ 4,083,554	\$ 1,482,941	\$ 14,435,480

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

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City of Medina, Minnesota
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2017

Business-type Activities - Enterprise funds

	601	602	603	
	Water	Sewer	Storm Water	Totals
Operating Revenues				
Charges for services	\$ 1,130,009	\$ 705,188	\$ 239,430	\$ 2,074,627
Operating Expenses				
Wages and salaries	164,711	133,061	67,275	365,047
Materials and supplies	84,722	7,644	198	92,564
Professional services	32,767	21,207	50,219	104,193
Repairs and maintenance	52,863	44,227	338	97,428
Insurance	6,745	7,503	412	14,660
Utilities	92,050	8,404	-	100,454
Depreciation	324,534	92,108	61,174	477,816
Sewer treatment charges	-	309,479	-	309,479
Total Operating Expenses	<u>758,392</u>	<u>623,633</u>	<u>179,616</u>	<u>1,561,641</u>
Operating Income	<u>371,617</u>	<u>81,555</u>	<u>59,814</u>	<u>512,986</u>
Nonoperating Revenues (Expenses)				
Interest on investments	17,250	16,728	4,497	38,475
Miscellaneous	38	31	16	85
Interest and service charges	(25,510)	-	-	(25,510)
Total Nonoperating Revenues (Expenses)	<u>(8,222)</u>	<u>16,759</u>	<u>4,513</u>	<u>13,050</u>
Income Before Contributions and Transfers	363,395	98,314	64,327	526,036
Capital Contributions from Other Funds	573,012	186,499	592,104	1,351,615
Capital Contributions	13,100	-	62,500	75,600
Transfers In	355,818	-	230,900	586,718
Transfers Out	<u>(199,886)</u>	<u>(214,272)</u>	<u>(270,856)</u>	<u>(685,014)</u>
Change in Net Position	1,105,439	70,541	678,975	1,854,955
Net Position, January 1	<u>7,763,546</u>	<u>4,013,013</u>	<u>803,966</u>	<u>12,580,525</u>
Net Position, December 31	<u>\$ 8,868,985</u>	<u>\$ 4,083,554</u>	<u>\$ 1,482,941</u>	<u>\$ 14,435,480</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, 2017

	Business-type Activities - Enterprise funds			
	601 Water	602 Sewer	603 Storm Water	Totals
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 1,142,339	\$ 706,993	\$ 237,884	\$ 2,087,216
Payments to suppliers	(285,032)	(449,249)	(50,871)	(785,152)
Payments to employees	(160,691)	(129,579)	(64,250)	(354,520)
Net Cash Provided by Operating Activities	696,616	128,165	122,763	947,544
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	355,818	-	230,900	586,718
Transfers to other funds	(199,886)	(214,272)	(270,856)	(685,014)
Net Cash Provided (Used) by Noncapital Financing Activities	155,932	(214,272)	(39,956)	(98,296)
Cash Flows from Capital and Related Financing Activities				
Connection fees received	13,100	-	-	13,100
Intergovernmental	-	-	62,500	62,500
Sale of capital assets	10,000	-	-	10,000
Principal paid on bonds	(540,000)	-	-	(540,000)
Interest paid on bonds	(44,646)	-	-	(44,646)
Net Cash Provided (Used) by Capital and Related Financing Activities	(561,546)	-	62,500	(499,046)
Cash Flows from Investing Activities				
Interest received on investments	17,252	16,726	4,497	38,475
Net Increase (Decrease) in Cash and Cash Equivalents	308,254	(69,381)	149,804	388,677
Cash and Cash Equivalents, January 1	2,052,731	1,885,856	380,008	4,318,595
Cash and Cash Equivalents, December 31	\$ 2,360,985	\$ 1,816,475	\$ 529,812	\$ 4,707,272

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, 2017

	Business-type Activities - Enterprise funds			
	601 Water	602 Sewer	603 Storm Water	Totals
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	\$ 371,617	\$ 81,555	\$ 59,814	\$ 512,986
Adjustments to reconcile operating income to net cash provided by operating activities				
Other items related to operations	38	31	16	85
Depreciation	324,534	92,108	61,174	477,816
(Increase) decrease in assets and deferred outflows				
Accounts receivable	14,798	4,786	(1,752)	17,832
Due from other governments	160	(346)	439	253
Special assessments receivable	(2,666)	(2,666)	(249)	(5,581)
Prepaid items	(499)	(7,644)	(338)	(8,481)
Pension resources	27,650	22,333	10,469	60,452
Increase (decrease) in liabilities and deferred inflows				
Accounts payable	(15,386)	(43,141)	634	(57,893)
Salaries payable	(216)	(186)	(27)	(429)
Compensated absences payable	(223)	(125)	383	35
Pension liability	(35,334)	(28,428)	(12,761)	(76,523)
Pension resources	11,576	9,412	4,726	25,714
Other postemployment benefits payable	567	476	235	1,278
Net Cash Provided by Operating Activities	<u>\$ 696,616</u>	<u>\$ 128,165</u>	<u>\$ 122,763</u>	<u>\$ 947,544</u>
Schedule of Noncash Capital Financing Activities				
Contribution of assets from other funds	<u>\$ 573,012</u>	<u>\$ 186,499</u>	<u>\$ 592,104</u>	<u>\$ 1,351,615</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, 2017

	Agency
	810
	Escrow
Assets	
Cash and temporary investments	\$ 324,408
Accounts receivable	116,532
Total Assets	\$ 440,940
Liabilities	
Accounts payable	\$ 440,940

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

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.

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.

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.

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 *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.

The *Storm Sewer fund* accounts for the activities of the City's storm sewer system, which are financed by the storm 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.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

The City has the following recurring fair value measurements as of December 31, 2017:

- U.S. Government Agency securities of \$2,680,321 are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposit of \$10,593,082 are values using a matrix pricing model (Level 2 inputs)

The Minnesota Municipal Money Market Fund is regulated by Minnesota statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the regulatory rules of the SEC. In accordance with GASB Statement No. 79, the City's investment in this pool is valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawals prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption. Financial statements of the 4M Fund can be obtained by contracting RBC Global Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

At December 31, 2017, 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 2017. 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.

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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. Donated capital assets are recorded at acquisition value at the time of donation.

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

Assets	Useful Lives in Years
Buildings	20 to 40
Land Improvements	20
Building Improvements	20
Furniture and Equipment	5 to 10
Light Vehicles	3 to 5
Machinery and Equipment	5 to 10
Heavy Trucks	7 to 10
Infrastructure	25 to 40

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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, 2017. The General fund is typically used to liquidate the governmental liability.

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.

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

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.

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.

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

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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. Deficit Fund Equity

The following funds had deficit fund balances at December 31, 2017:

Fund	Amount
Nonmajor	
Community event	\$ 843
Cable franchise	73,712
Tax increment 1-9	164,014
Highway 55 intersections	16,658

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

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

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

Authorized collateral in lieu of a corporate surety bond includes:

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

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

As of December 31, 2017 the City's carrying amount of deposits was \$418,120 and the bank balance was \$598,147. 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, 2017

Note 3: Detailed Notes on All Funds (Continued)

Investments

As of December 31, 2017, 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	\$ 563,932		
4M Money Market Fund	N/A	less than 6 months	3,565,167		
Mutual Fund	N/A	less than 6 months	602,472		
Nonpooled Investments					
U.S. Government Agencies	AAA	more than 3 years	2,680,321	\$ 2,680,321	\$ -
Brokered Certificates of Deposit	N/A	less than 6 months	1,487,281	-	1,487,281
Brokered Certificates of Deposit	N/A	6 months to 1 year	1,234,669	-	1,234,669
Brokered Certificates of Deposit	N/A	1 year to 3 years	5,670,549	-	5,670,549
Brokered Certificates of Deposit	N/A	more than 3 years	2,200,583	-	2,200,583
Total Investments			\$ 18,004,974	\$ 2,680,321	\$ 10,593,082

(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, 2017

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	\$ 418,120
Investments	18,004,974
Cash on Hand	<u>300</u>
Total	<u><u>\$ 18,423,394</u></u>
Government-wide	
Cash and temporary investments	\$ 18,098,986
Fiduciary - Agency	<u>324,408</u>
Total	<u><u>\$ 18,423,394</u></u>

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

Note 3: Detailed Notes on All Funds (Continued)

B. Capital Assets

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

	Beginning Balance	Transfers	Increases	Decreases	Ending Balance
Governmental Activities					
Capital Assets, not being Depreciated					
Land	\$ 786,779	\$ -	\$ -	\$ -	\$ 786,779
Construction in progress	3,210,975	-	365,393	(2,597,490)	978,878
Total Capital Assets, not being Depreciated	<u>3,997,754</u>	<u>-</u>	<u>365,393</u>	<u>(2,597,490)</u>	<u>1,765,657</u>
Capital Assets, being Depreciated					
Infrastructure	16,427,501	(320,104)	1,234,631	-	17,342,028
Buildings	9,145,840	320,104	34,747	-	9,500,691
Improvements	2,271,164	-	222,178	-	2,493,342
Machinery and equipment	2,366,207	-	72,608	(48,914)	2,389,901
Total Capital Assets being Depreciated	<u>30,210,712</u>	<u>-</u>	<u>1,564,164</u>	<u>(48,914)</u>	<u>31,725,962</u>
Less Accumulated Depreciation for					
Infrastructure	(4,491,441)	-	(582,440)	-	(5,073,881)
Buildings	(1,252,912)	-	(248,138)	-	(1,501,050)
Improvements	(439,634)	-	(128,788)	-	(568,422)
Machinery and equipment	(1,427,625)	-	(193,415)	43,914	(1,577,126)
Total Accumulated Depreciation	<u>(7,611,612)</u>	<u>-</u>	<u>(1,152,781)</u>	<u>43,914</u>	<u>(8,720,479)</u>
Total Capital Assets, being Depreciated, Net	<u>22,599,100</u>	<u>-</u>	<u>411,383</u>	<u>(5,000)</u>	<u>23,005,483</u>
Governmental Activities Capital Assets, Net	<u>\$ 26,596,854</u>	<u>\$ -</u>	<u>\$ 776,776</u>	<u>\$ (2,602,490)</u>	<u>\$ 24,771,140</u>

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

Governmental Activities	
General government	\$ 24,686
Public safety	66,031
Streets and highways	909,795
Culture and recreation	139,907
Economic development	12,362
Total Depreciation Expense - Governmental Activities	<u>\$ 1,152,781</u>

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

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	151,993	200,663	(2,753)	349,903
Total Capital Assets, not being Depreciated	<u>208,386</u>	<u>200,663</u>	<u>(2,753)</u>	<u>406,296</u>
Capital Assets being Depreciated				
Infrastructure	7,064,627	561,601	-	7,626,228
Buildings	8,408,454	-	-	8,408,454
Improvements	495,211	592,104	-	1,087,315
Machinery and equipment	4,186,513	-	(56,655)	4,129,858
Total Capital Assets being Depreciated	<u>20,154,805</u>	<u>1,153,705</u>	<u>(56,655)</u>	<u>21,251,855</u>
Less Accumulated Depreciation for				
Infrastructure	(2,696,604)	(151,237)	-	(2,847,841)
Buildings	(3,169,519)	(195,711)	-	(3,365,230)
Improvements	(81,700)	(54,366)	-	(136,066)
Machinery and equipment	(3,003,779)	(76,502)	46,655	(3,033,626)
Total Accumulated Depreciation	<u>(8,951,602)</u>	<u>(477,816)</u>	<u>46,655</u>	<u>(9,382,763)</u>
Total Capital Assets, being Depreciated, Net	<u>11,203,203</u>	<u>675,889</u>	<u>(10,000)</u>	<u>11,869,092</u>
Business-type Activities Capital Assets, Net	<u>\$ 11,411,589</u>	<u>\$ 876,552</u>	<u>\$ (12,753)</u>	<u>\$ 12,275,388</u>

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

Business-type Activities	
Water	\$ 324,534
Sewer	92,108
Storm Water	<u>61,174</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 477,816</u>

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

Note 3: Detailed Notes on All Funds (Continued)

Construction Commitments

As of December 31, 2017, the City has signed contracts in place for the construction projects listed below:

Project	Spent to Date	Remaining Commitment
2017 Sanitary Sewer Lining Project	\$ 74,829	\$ 129,003
2017 Water Tower Rehabilitation	158,000	109,250
Deerhill Preserve	719,235	194,542
Total	<u>\$ 952,064</u>	<u>\$ 432,795</u>

C. Interfund Receivables, Payables and Transfers

Interfund Balances

The composition of interfund balances at December 31, 2017 is as follows:

Receivable Fund	Payable Fund	Purpose	Amount
Sewer Capital Improvements Fund	Nonmajor governmental	Cash flow purposes	\$ 160,774
General Fund	Nonmajor governmental	Capital financing	<u>180,000</u>
Total			<u>\$ 340,774</u>

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

Note 3: Detailed Notes on All Funds (Continued)

Interfund Transfers

The composition of interfund transfers for the year ended December 31, 2017 is as follows:

Fund	Transfer in							Total
	General	Debt Service	Water Capital Improvements	Sewer Capital Improvements	Nonmajor Governmental	Water	Sanitary Sewer	
Transfer Out								
General	\$ -	\$ -	\$ -	\$ -	\$ 2,000	\$ -	\$ -	\$ 2,000
Park Dedication	-	-	-	-	1,424	-	-	1,424
Water Capital Improvement	-	-	-	-	-	355,818	-	355,818
Nonmajor governmental	15,000	601,133	167,500	167,500	-	-	230,900	1,182,033
Water	75,854	42,547	-	-	81,485	-	-	199,886
Sewer	71,346	52,001	-	-	90,925	-	-	214,272
Storm Water	54,849	-	-	-	216,007	-	-	270,856
Total	\$ 217,049	\$ 695,681	\$ 167,500	\$ 167,500	\$ 391,841	\$ 355,818	\$ 230,900	\$ 2,226,289

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, 2017:

- The non-major governmental fund transferred \$343,394 to close the fund to the Debt Service fund for future debt service. The non-major governmental fund also transferred \$230,900 to the Storm Sewer fund to re-allocate funding received from MSA outlined in project summaries.
- The nonmajor governmental fund also transferred \$355,000 to the Water Capital (\$167,500) and Sewer Capital (\$167,500) funds. Transfer was made in prior years in estimation of future costs for those funds that did not occur.
- The Water fund (\$81,485), Sewer fund (\$90,925) and the Storm Water fund (\$216,007) transferred money to the non-major governmental fund (Tower Drive) to reimburse additional funds for construction costs incurred.

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

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	\$ 40,000
G.O. Improvement Bonds, Series 2011B	870,000	0.75 - 4.00	07/12/11	02/01/22	470,000
G.O. Improvement Bonds, Series 2010A	315,000	1.50 - 3.85	07/07/10	02/01/21	120,000
G.O. Improvement Bonds, Series 2012A	6,100,000	1.50 - 2.75	11/07/12	02/01/34	5,585,000
G.O. Crossover Refunding Bonds, Series 2013A	1,170,000	1.75 - 2.00	04/25/13	02/01/23	900,000
G.O. Improvement Bonds, Series 2015A	1,765,000	2.00 - 3.00	06/24/15	02/01/31	1,640,000
G.O. Refunding Bond Series 2016A	1,220,000	2.00	08/11/16	02/01/24	1,220,000
G.O. Improvement Bonds, Series 2017A	1,210,000	2.00 - 3.00	06/24/15	02/01/31	<u>1,210,000</u>
Total General Obligation Improvement Bonds					<u><u>\$ 11,185,000</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
2018	\$ 740,000	\$ 236,716	\$ 976,716
2019	740,000	223,850	963,850
2020	830,000	207,561	1,037,561
2021	855,000	190,049	1,045,049
2022	820,000	172,716	992,716
2023-2027	3,285,000	650,888	3,935,888
2027-2031	2,995,000	298,428	3,293,428
2032-2034	920,000	25,153	945,153
Total	<u><u>\$ 11,185,000</u></u>	<u><u>\$ 2,005,361</u></u>	<u><u>\$ 13,190,361</u></u>

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

Note 3: Detailed Notes on All Funds (Continued)

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 one of the TIF district. The bonds will be repaid with future tax increments collections.

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>\$ 340,000</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
2018	\$ 85,000	\$ 4,462	\$ 89,462
2019	80,000	3,225	83,225
2020	85,000	1,988	86,988
2021	90,000	675	90,675
Total	<u>\$ 340,000</u>	<u>\$ 10,350</u>	<u>\$ 350,350</u>

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

Note 3: Detailed Notes on All Funds (Continued)

G.O. Revenue Bonds

The following bonds were issued to finance capital improvements, 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 50 percent of net revenues from the Water fund. For 2017, principal and interest paid and total customer net revenues for the Water fund were \$584,646 and \$1,130,009, 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	\$ 1,125,000
G.O. Water Revenue Crossover Refunding Bonds, Series 2013A	1,520,000	1.75 - 2.00	04/25/13	02/01/23	<u>1,160,000</u>
 Total G.O. Revenue Bonds					 <u><u>\$ 2,285,000</u></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
2018	\$ 550,000	\$ 34,488	\$ 584,488
2019	565,000	25,200	590,200
2020	570,000	15,738	585,738
2021	195,000	9,038	204,038
2022	200,000	5,338	205,338
2023	<u>205,000</u>	<u>1,792</u>	<u>206,792</u>
 Total	 <u><u>\$ 2,285,000</u></u>	 <u><u>\$ 91,594</u></u>	 <u><u>\$ 2,376,594</u></u>

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

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities					
Bonds Payable					
General obligation					
improvement bonds	\$ 11,915,000	\$ 1,210,000	\$ (1,940,000)	\$ 11,185,000	\$ 740,000
General obligation tax					
increment bonds	420,000	-	(80,000)	340,000	85,000
Unamortized premium on bonds	190,336	-	(20,272)	170,064	-
Total Bonds Payable	<u>12,525,336</u>	<u>1,210,000</u>	<u>(2,040,272)</u>	<u>11,695,064</u>	<u>825,000</u>
Compensated Absences					
Payable	317,453	229,846	(210,101)	337,198	87,735
Pension Liability					
GERF	1,132,163	115	(277,211)	855,067	-
PEPFF	3,491,462	-	(2,424,867)	1,066,595	-
Other Postemployment					
Benefits Payable	<u>253,247</u>	<u>8,522</u>	<u>(1,464)</u>	<u>260,305</u>	<u>-</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 17,719,661</u>	<u>\$ 1,448,483</u>	<u>\$ (4,953,915)</u>	<u>\$ 14,214,229</u>	<u>\$ 912,735</u>
Business-type Activities					
Bonds Payable					
General obligations					
revenue bonds	\$ 2,825,000	\$ -	\$ (540,000)	\$ 2,285,000	\$ 550,000
Unamortized premium on bonds	66,990	-	(15,386)	51,604	-
Total Bonds Payable	<u>2,891,990</u>	<u>-</u>	<u>(555,386)</u>	<u>2,336,604</u>	<u>550,000</u>
Compensated Absences					
Payable	61,041	28,910	(28,875)	61,076	14,301
Pension Liability					
GERF	313,108	725	(77,248)	236,585	-
Other Postemployment					
Benefits Payable	<u>42,873</u>	<u>1,445</u>	<u>(167)</u>	<u>44,151</u>	<u>-</u>
Business-type Activities					
Long-term Liabilities	<u>\$ 3,309,012</u>	<u>\$ 31,080</u>	<u>\$ (661,676)</u>	<u>\$ 2,678,416</u>	<u>\$ 564,301</u>

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

Note 3: Detailed Notes on All Funds (Continued)

E. Components of Fund Balance

At December 31, 2017, portions of the City's fund balance are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), City Council action (Committed), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Debt Service	Park Dedication	Water Capital Improvement	Sewer Capital Improvements	Road Improvement	Other Governmental Funds	Total
Nonspendable								
Prepaid items	\$ 66,265	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 103	\$ 66,368
Due from other funds	180,000	-	-	-	-	-	-	180,000
Total Nonspendable	\$ 246,265	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 103	\$ 246,368
Restricted for								
Capital improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 363,893	\$ 363,893
Park improvements	-	-	1,300,584	-	-	-	-	1,300,584
Debt service	-	1,712,015	-	-	-	-	-	1,712,015
Police expenditures	-	-	-	-	-	-	138,391	138,391
Total Restricted	\$ -	\$ 1,712,015	\$ 1,300,584	\$ -	\$ -	\$ -	\$ 502,284	\$ 3,514,883
Committed to								
Park improvements	\$ -	\$ -	\$ 300,408	\$ -	\$ -	\$ -	\$ 57,173	\$ 357,581
Police expenditures	-	-	-	-	-	-	46,970	46,970
Field house	-	-	-	-	-	-	11,643	11,643
German liberal cemetery	-	-	-	-	-	-	145,706	145,706
Environmental	-	-	-	-	-	-	401,995	401,995
Total Committed	\$ -	\$ -	\$ 300,408	\$ -	\$ -	\$ -	\$ 663,487	\$ 963,895
Assigned to								
Capital improvements	\$ -	\$ -	\$ -	\$ 1,338,140	\$ 2,780,852	\$ 693,556	\$ 170,554	\$ 4,983,102
Equipment replacement	-	-	-	-	-	-	319,860	319,860
Total Assigned	\$ -	\$ -	\$ -	\$ 1,338,140	\$ 2,780,852	\$ 693,556	\$ 490,414	\$ 5,302,962

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.

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 1.0 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.

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

PEPFF Benefits

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

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

C. Contributions

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

GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2017. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2017. The City's contributions to the GERF for the years ending December 31, 2017, 2016 and 2015 were \$85,109, \$81,610 and \$77,467, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

PEPFF Contributions

Plan members were required to contribute 10.8 percent of their annual covered salary in calendar year 2017. The City was required to contribute 16.20 percent of pay for PEPFF members in calendar year 2017. The City's contributions to the PEPFF for the years ending December 31, 2017, 2016 and 2015 were \$133,772, \$131,872 and \$130,345, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

D. Pension Costs

GERF Pension Costs

At December 31, 2017, the City reported a liability of \$1,091,653 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2017. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$13,726. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportionate share was 0.0171 percent which was a decrease of 0.0007 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$130,369 for its proportionate share of GERF's pension expense. In addition, the City recognized an additional \$396 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the GERF.

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

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 36,060	\$ 72,905
Changes in Actuarial Assumptions	181,775	109,438
Net Difference between Projected and Actual Earnings on Plan Investments	-	43,944
Changes in Proportion	33,205	48,241
Contributions to GERS Subsequent to the Measurement Date	43,333	-
Total	\$ 294,373	\$ 274,528

Deferred outflows of resources totaling \$43,333 related to pensions resulting from the City's contributions to GERS subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to GERS pensions will be recognized in pension expense as follows:

2018	\$ (16,004)
2019	69,685
2020	(30,833)
2021	(46,336)

PEPFF Pension Costs

At December 31, 2017, the City reported a liability of \$1,066,594 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportionate share was 0.079 percent which was a decrease of 0.008 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$168,664 for its proportionate share of PEPFF's pension expense. The City also recognized \$7,110 for the year ended December 31, 2017, as pension expense (and an offsetting reduction of net pension liability) for its proportionate share of the State of Minnesota's on-behalf contributions to the plan. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

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

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 25,015	\$ 293,085
Changes in Actuarial Assumptions	1,478,781	1,514,299
Net Difference between Projected and Actual Earnings on Plan Investments	-	75,862
Changes in Proportion	-	143,174
Contributions to PEPFF Subsequent to the Measurement Date	67,167	-
Total	\$ 1,570,963	\$ 2,026,420

Deferred outflows of resources totaling \$67,167 related to pensions resulting from the City's contributions to PEPFF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2018	\$ (77,146)
2019	42,763
2020	(50,541)
2021	(116,340)
2022	(321,360)

E. Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for all plans for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be: 1 percent per year for the GERF through 2044 and PEPFF through 2064 and then 2.5 percent thereafter for both plans.

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

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

The following changes in actuarial assumptions occurred in 2017:

GERF

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

PEPFF

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

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

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	39.00 %	5.10 %
International Stocks	19.00	5.30
Bonds	20.00	0.75
Alternative Assets	20.00	5.90
Cash	<u>2.00</u>	-
Total	<u>100.00 %</u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the GERF and PEPFF was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

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

	<u>City Proportionate Share of NPL</u>		
	<u>1 Percent Decrease (6.50%)</u>	<u>Current (7.50%)</u>	<u>1 Percent Increase (8.50%)</u>
GERF	\$ 1,693,234	\$ 1,091,653	\$ 599,149

	<u>City Proportionate Share of NPL</u>		
	<u>1 Percent Decrease (6.50%)</u>	<u>Current (7.50%)</u>	<u>1 Percent Increase (8.50%)</u>
PEPFF	\$ 2,008,708	\$ 1,066,594	\$ 288,827

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.

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

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	\$ 9,120
Interest on Net OPEB Obligation	11,845
Adjustment to Annual Required Contribution	(10,999)
Annual OPEB Cost (Expense)	9,966
Contributions Made	(1,630)
Increase in Net OPEB Obligation	8,336
Net OPEB Obligation - Beginning of Year	296,120
Net OPEB Obligation - End of Year	\$ 304,456

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, 2017 and the previous years are as follows:

Year Ending	Trend Information		
	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/17	\$ 9,966	16.4 %	\$ 304,456
12/31/16	9,966	16.4	296,120
12/31/15	42,319	7.2	258,635
12/31/14	40,692	13.8	220,045

Funded Status and Funding Progress

As of December 31, 2017, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$82,137, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,840,204 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 4 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 5: Postemployment Benefits Other Than Pensions (Continued)

B. 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 December 31, 2017 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 3.5 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 8.5 percent, reduced by decrements to an ultimate rate of 3.5 percent. 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, 2017 was thirty years.

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 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.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MEDINA
MEDINA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

City of Medina, Minnesota
 Required Supplemental Information
 For the Year Ended December 31, 2017

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

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/17	0.0171 %	\$ 1,091,653	\$ 13,726	\$ 1,105,379	\$ 1,101,593	100.3 %	75.9 %
06/30/16	0.0178	1,445,272	18,946	1,464,218	1,106,840	132.3	68.9
06/30/15	0.0166	860,298	-	860,298	977,965	88.0	78.2

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

Schedule of Employer's PERA Contributions - General Employees Retirement Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/17	\$ 85,109	\$ 85,109	\$ -	\$ 1,134,782	7.5 %
12/31/16	81,610	81,610	-	1,088,133	7.5
12/31/15	77,467	77,467	-	1,032,893	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, 2017

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

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

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

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

Changes in Plan Provisions

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

City of Medina, Minnesota
 Required Supplemental Information (Continued)
 For the Year Ended December 31, 2017

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

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/17	0.0790 %	\$ 1,066,594	\$ -	\$ 1,066,594	\$ 813,313	131.1 %	85.4 %
06/30/16	0.0870	3,491,461	-	3,491,461	841,198	415.1	63.9
06/30/15	0.0900	1,022,611	-	1,022,611	822,038	124.4	86.6

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

Schedule of Employer's PERA Contributions - Public Employees Police and Fire Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/17	\$ 133,772	\$ 133,772	\$ -	\$ 825,751	16.2 %
12/31/16	131,872	131,872	-	814,025	16.2
12/31/15	130,345	130,345	-	804,599	16.2

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, 2017

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

Changes in Actuarial Assumptions

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

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 5.6 percent. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

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

Changes in Plan Provisions

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

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
01/01/17	\$ -	\$ 82,137	82,137	- %	\$ 1,840,204	4 %
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

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COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF MEDINA
MEDINA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

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

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
Assets			
Cash and temporary investments	\$ 908,007	\$ 872,572	\$ 1,780,579
Due from other governments	-	2,299	2,299
Prepaid items	103	-	103
	<u>103</u>	<u>-</u>	<u>103</u>
Total Assets	<u><u>\$ 908,110</u></u>	<u><u>\$ 874,871</u></u>	<u><u>\$ 1,782,981</u></u>
Liabilities			
Accounts payable	\$ 684	\$ 40,462	\$ 41,146
Due to other funds	180,000	160,774	340,774
Total Liabilities	<u>180,684</u>	<u>201,236</u>	<u>381,920</u>
Fund Balances			
Nonspendable	103	-	103
Restricted	138,391	363,893	502,284
Committed	663,487	-	663,487
Assigned	-	490,414	490,414
Unassigned	(74,555)	(180,672)	(255,227)
Total Fund Balances	<u>727,426</u>	<u>673,635</u>	<u>1,401,061</u>
Total Liabilities and Fund Balances	<u><u>\$ 908,110</u></u>	<u><u>\$ 874,871</u></u>	<u><u>\$ 1,782,981</u></u>

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

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues			
Taxes			
Property taxes	\$ -	\$ 136,524	\$ 136,524
Tax increments	-	420,521	420,521
Franchise fees	57,603	-	57,603
Charges for services	19,215	-	19,215
Fines and forfeitures	23,323	-	23,323
Interest on investments	8,351	(3,125)	5,226
Miscellaneous	31,818	-	31,818
Total Revenues	<u>140,310</u>	<u>553,920</u>	<u>694,230</u>
Expenditures			
Current			
Public safety	2,016	-	2,016
Culture and recreation	145,925	-	145,925
Miscellaneous	3,838	-	3,838
Capital outlay			
General government	-	46,085	46,085
Public safety	1,945	132,655	134,600
Streets and highways	-	397,678	397,678
Economic development	-	189,795	189,795
Debt service			
Interest and other	-	42,497	42,497
Total Expenditures	<u>153,724</u>	<u>808,710</u>	<u>962,434</u>
Deficiency of Revenues			
Under Expenditures	<u>(13,414)</u>	<u>(254,790)</u>	<u>(268,204)</u>
Other Financing Sources (Uses)			
Sale of capital assets	-	14,700	14,700
Transfers in	2,000	389,841	391,841
Bonds issued	-	1,163,379	1,163,379
Transfers out	(15,000)	(1,167,033)	(1,182,033)
Total Other Financing Sources (Uses)	<u>(13,000)</u>	<u>400,887</u>	<u>387,887</u>
Net Change in Fund Balances	(26,414)	146,097	119,683
Fund Balances, January 1	<u>753,840</u>	<u>527,538</u>	<u>1,281,378</u>
Fund Balances, December 31	<u>\$ 727,426</u>	<u>\$ 673,635</u>	<u>\$ 1,401,061</u>

City of Medina, Minnesota
 Nonmajor Special Revenue Funds
 Combining Balance Sheet
 December 31, 2017

	204	226	227	235
	<u>Environmental</u>	<u>Municipal Park</u>	<u>Field House</u>	<u>Police Forfeiture</u>
Assets				
Cash and temporary investments	\$ 402,479	\$ 57,173	\$ 11,643	\$ 170,122
Prepaid items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 402,479</u>	<u>\$ 57,173</u>	<u>\$ 11,643</u>	<u>\$ 170,122</u>
Liabilities				
Accounts payable	\$ 484	\$ -	\$ -	\$ -
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>484</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Nonspendable	-	-	-	-
Restricted	-	-	-	138,391
Committed	401,995	57,173	11,643	31,731
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>401,995</u>	<u>57,173</u>	<u>11,643</u>	<u>170,122</u>
Total Liabilities and Fund Balances	<u>\$ 402,479</u>	<u>\$ 57,173</u>	<u>\$ 11,643</u>	<u>\$ 170,122</u>

236 Police Reserve Equipment	238 German Liberal Cemetery	240 Community Event	250 Cable Franchise	Total
\$ 15,239	\$ 145,906	\$ (843)	\$ 106,288	\$ 908,007
-	103	-	-	103
<u>\$ 15,239</u>	<u>\$ 146,009</u>	<u>\$ (843)</u>	<u>\$ 106,288</u>	<u>\$ 908,110</u>
\$ -	\$ 200	\$ -	\$ -	\$ 684
-	-	-	180,000	180,000
-	200	-	180,000	180,684
-	103	-	-	103
-	-	-	-	138,391
15,239	145,706	-	-	663,487
-	-	(843)	(73,712)	(74,555)
<u>15,239</u>	<u>145,809</u>	<u>(843)</u>	<u>(73,712)</u>	<u>727,426</u>
<u>\$ 15,239</u>	<u>\$ 146,009</u>	<u>\$ (843)</u>	<u>\$ 106,288</u>	<u>\$ 908,110</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, 2017

	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	-	-	-	23,323
Interest on investments	3,420	511	110	1,563
Miscellaneous	25,590	-	1,708	-
Total Revenues	<u>29,010</u>	<u>511</u>	<u>1,818</u>	<u>24,886</u>
Expenditures				
Current				
Public safety	-	-	-	802
Culture and recreation	9,569	-	3,026	-
Miscellaneous	-	-	-	-
Capital outlay				
Public safety	-	-	-	1,945
Total Expenditures	<u>9,569</u>	<u>-</u>	<u>3,026</u>	<u>2,747</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>19,441</u>	<u>511</u>	<u>(1,208)</u>	<u>22,139</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	(15,000)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,000)</u>
Net Change in Fund Balances	19,441	511	(1,208)	7,139
Fund Balances, January 1	<u>382,554</u>	<u>56,662</u>	<u>12,851</u>	<u>162,983</u>
Fund Balances, December 31	<u>\$ 401,995</u>	<u>\$ 57,173</u>	<u>\$ 11,643</u>	<u>\$ 170,122</u>

236 Police Reserve Equipment	238 German Liberal Cemetery	240 Community Event	250 Cable Franchise	Total
\$ -	\$ -	\$ -	\$ 57,603	\$ 57,603
-	19,215	-	-	19,215
-	-	-	-	23,323
144	1,249	29	1,325	8,351
-	45	4,475	-	31,818
<u>144</u>	<u>20,509</u>	<u>4,504</u>	<u>58,928</u>	<u>140,310</u>
1,214	-	-	-	2,016
-	-	10,681	122,649	145,925
-	3,838	-	-	3,838
-	-	-	-	1,945
<u>1,214</u>	<u>3,838</u>	<u>10,681</u>	<u>122,649</u>	<u>153,724</u>
<u>(1,070)</u>	<u>16,671</u>	<u>(6,177)</u>	<u>(63,721)</u>	<u>(13,414)</u>
-	-	2,000	-	2,000
-	-	-	-	(15,000)
<u>-</u>	<u>-</u>	<u>2,000</u>	<u>-</u>	<u>(13,000)</u>
(1,070)	16,671	(4,177)	(63,721)	(26,414)
<u>16,309</u>	<u>129,138</u>	<u>3,334</u>	<u>(9,991)</u>	<u>753,840</u>
<u>\$ 15,239</u>	<u>\$ 145,809</u>	<u>\$ (843)</u>	<u>\$ (73,712)</u>	<u>\$ 727,426</u>

City of Medina, Minnesota
 Nonmajor Capital Projects Funds
 Combining Balance Sheet
 December 31, 2017

	401	406	407	409
	General Capital Improvement	Tax Increment 1-9	Highway 55 Intersections	Tower Drive Improvements
Assets				
Cash and temporary investments	\$ 171,814	\$ -	\$ (16,658)	\$ -
Due from other governments	-	-	-	-
Total Assets	<u>\$ 171,814</u>	<u>\$ -</u>	<u>\$ (16,658)</u>	<u>\$ -</u>
Liabilities				
Accounts payable	\$ 1,260	\$ 3,240	\$ -	\$ -
Due to other funds	-	160,774	-	-
Total Liabilities	<u>1,260</u>	<u>164,014</u>	<u>-</u>	<u>-</u>
Fund Balances				
Restricted	-	-	-	-
Assigned	170,554	-	-	-
Unassigned	-	(164,014)	(16,658)	-
Total Fund Balances	<u>170,554</u>	<u>(164,014)</u>	<u>(16,658)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 171,814</u>	<u>\$ -</u>	<u>\$ (16,658)</u>	<u>\$ -</u>

410	411	
Deerhill Reserve	Equipment Replacement	Total
\$ 399,855	\$ 317,561	\$ 872,572
-	2,299	2,299
<u>\$ 399,855</u>	<u>\$ 319,860</u>	<u>\$ 874,871</u>
\$ 35,962	\$ -	\$ 40,462
-	-	160,774
<u>35,962</u>	<u>-</u>	<u>201,236</u>
363,893	-	363,893
-	319,860	490,414
-	-	(180,672)
<u>363,893</u>	<u>319,860</u>	<u>673,635</u>
<u>\$ 399,855</u>	<u>\$ 319,860</u>	<u>\$ 874,871</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, 2017

	401	406	407	409
	General Capital Improvement	Tax Increment 1-9	Highway 55 Intersections	Tower Drive Improvements
Revenues				
Taxes				
Property taxes	\$ -	\$ -	\$ -	
Tax increments	-	420,521	-	-
Interest on investments	1,696	(1,996)	(56)	-
Total Revenues	<u>1,696</u>	<u>418,525</u>	<u>(56)</u>	<u>-</u>
Expenditures				
Capital outlay				
General government	42,806	-	-	-
Public safety	-	-	-	-
Streets and highways	-	-	15,550	59,091
Economic development	-	189,795	-	-
Debt service				
Interest and other	-	-	-	-
Total Expenditures	<u>42,806</u>	<u>189,795</u>	<u>15,550</u>	<u>59,091</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(41,110)</u>	<u>228,730</u>	<u>(15,606)</u>	<u>(59,091)</u>
Other Financing Sources (Uses)				
Sale of capital assets	-	-	-	-
Bonds issued	-	-	-	-
Transfers in	-	-	-	389,841
Transfer out	-	(257,739)	-	(909,294)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(257,739)</u>	<u>-</u>	<u>(519,453)</u>
Net Change in Fund Balances	(41,110)	(29,009)	(15,606)	(578,544)
Fund Balances, January 1	<u>211,664</u>	<u>(135,005)</u>	<u>(1,052)</u>	<u>578,544</u>
Fund Balances, December 31	<u>\$ 170,554</u>	<u>\$ (164,014)</u>	<u>\$ (16,658)</u>	<u>\$ -</u>

410	411	
Deerhill Reserve	Equipment Replacement	Total
\$ -	\$ 136,524	\$ 136,524
-	-	420,521
<u>(5,329)</u>	<u>2,560</u>	<u>(3,125)</u>
<u>(5,329)</u>	<u>139,084</u>	<u>553,920</u>
-	3,279	46,085
-	132,655	132,655
301,431	21,606	397,678
-	-	189,795
42,497	-	42,497
<u>343,928</u>	<u>157,540</u>	<u>808,710</u>
<u>(349,257)</u>	<u>(18,456)</u>	<u>(254,790)</u>
-	14,700	14,700
1,163,379	-	1,163,379
-	-	389,841
-	-	(1,167,033)
<u>1,163,379</u>	<u>14,700</u>	<u>400,887</u>
814,122	(3,756)	146,097
<u>(450,229)</u>	<u>323,616</u>	<u>527,538</u>
<u>\$ 363,893</u>	<u>\$ 319,860</u>	<u>\$ 673,635</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, 2017
 (With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017			2016	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Revenues					
Taxes					
Property taxes	\$ 3,164,977	\$ 3,164,977	\$ 3,205,770	\$ 40,793	\$ 3,165,703
Licenses and permits	282,800	282,800	414,494	131,694	443,680
Intergovernmental					
Federal	35,000	35,000	24,573	(10,427)	29,805
State					
Property tax credits	2,000	2,000	4,185	2,185	4,359
Police state aid	79,500	79,500	85,100	5,600	84,345
Fire state aid	35,000	35,000	47,089	12,089	41,658
PERA aid	1,773	1,773	1,773	-	1,773
Other grants and aids	54,345	54,345	76,867	22,522	77,141
County					
Other grants and aids	-	-	16,845	16,845	17,844
Total intergovernmental	207,618	207,618	256,432	48,814	256,925
Charges for services					
General government	15,200	15,200	28,938	13,738	31,566
Public safety	160,430	160,430	253,390	92,960	275,743
Public works	4,200	4,200	4,791	591	4,342
Culture and recreation	23,000	23,000	37,198	14,198	31,817
Total charges for services	202,830	202,830	324,317	121,487	343,468
Fines and forfeitures	105,000	105,000	96,050	(8,950)	88,792
Special assessments	1,000	1,000	12,545	11,545	356
Interest on investments	5,000	5,000	30,493	25,493	31,857
Miscellaneous					
Contributions and donations	20,000	20,000	51,100	31,100	48,500
Other	103,167	103,167	100,960	(2,207)	123,206
Total miscellaneous	123,167	123,167	152,060	28,893	171,706
Total Revenues	4,092,392	4,092,392	4,492,161	399,769	4,502,487

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

	2017				2016
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and council					
Personal services	\$ 18,494	\$ 18,494	\$ 17,544	\$ 950	\$ 17,656
Other services and charges	7,800	7,800	7,779	21	7,720
Total mayor and council	<u>26,294</u>	<u>26,294</u>	<u>25,323</u>	<u>971</u>	<u>25,376</u>
Administration					
Personal services	475,230	475,230	459,656	15,574	447,093
Supplies	1,600	1,600	4,902	(3,302)	3,351
Other services and charges	115,109	115,109	104,402	10,707	246,020
Total administration	<u>591,939</u>	<u>591,939</u>	<u>568,960</u>	<u>22,979</u>	<u>696,464</u>
Elections					
Personal services	6,000	6,000	-	6,000	8,667
Supplies	800	800	137	663	717
Other services and charges	3,950	3,950	1,364	2,586	2,979
Total elections	<u>10,750</u>	<u>10,750</u>	<u>1,501</u>	<u>9,249</u>	<u>12,363</u>
Assessing					
Supplies	250	250	-	250	270
Other services and charges	88,622	88,622	90,514	(1,892)	88,523
Total assessing	<u>88,872</u>	<u>88,872</u>	<u>90,514</u>	<u>(1,642)</u>	<u>88,793</u>
Planning and zoning					
Personal services	134,850	134,850	139,505	(4,655)	143,264
Supplies	300	300	1,995	(1,695)	860
Other services and charges	63,000	63,000	50,450	12,550	97,893
Total planning and zoning	<u>198,150</u>	<u>198,150</u>	<u>191,950</u>	<u>6,200</u>	<u>242,017</u>
PW/PD facility					
Supplies	2,000	2,000	834	1,166	2,635
Other services and charges	67,915	67,915	68,685	(770)	57,862
Total PW/PD facility	<u>69,915</u>	<u>69,915</u>	<u>69,519</u>	<u>396</u>	<u>60,497</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, 2017
 (With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017			Variance with Final Budget	2016
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
General government (continued)					
Other general government					
Supplies	\$ 11,500	\$ 11,500	\$ 12,272	\$ (772)	\$ 6,077
Other services and charges	109,260	109,260	100,741	8,519	96,798
Total other general government	<u>120,760</u>	<u>120,760</u>	<u>113,013</u>	<u>7,747</u>	<u>102,875</u>
Total general government	<u>1,106,680</u>	<u>1,106,680</u>	<u>1,060,780</u>	<u>45,900</u>	<u>1,228,385</u>
Public safety					
Police					
Personal services	1,342,497	1,342,497	1,324,423	18,074	1,342,329
Supplies	60,650	60,650	47,525	13,125	45,044
Other services and charges	175,500	175,500	166,588	8,912	155,743
Total police	<u>1,578,647</u>	<u>1,578,647</u>	<u>1,538,536</u>	<u>40,111</u>	<u>1,543,116</u>
Building inspection					
Personal services	161,556	161,556	129,323	32,233	131,953
Supplies	-	-	381	(381)	22
Other services and charges	138,450	138,450	111,133	27,317	192,651
Total building inspection	<u>300,006</u>	<u>300,006</u>	<u>240,837</u>	<u>59,169</u>	<u>324,626</u>
Fire					
Other services and charges	394,172	394,172	426,262	(32,090)	403,064
Total public safety	<u>2,272,825</u>	<u>2,272,825</u>	<u>2,205,635</u>	<u>67,190</u>	<u>2,270,806</u>
Streets and highways					
Streets					
Personal services	297,282	297,282	276,749	20,533	264,944
Supplies	210,280	210,280	197,276	13,004	113,360
Other services and charges	200,650	200,650	144,293	56,357	242,350
Total streets and highways	<u>708,212</u>	<u>708,212</u>	<u>618,318</u>	<u>89,894</u>	<u>620,654</u>
Sanitation and recycling					
Personal services	10,162	10,162	10,030	132	10,101
Supplies	500	500	1,000	(500)	1,519
Other services and charges	4,450	4,450	2,486	1,964	2,608
Total sanitation and recycling	<u>15,112</u>	<u>15,112</u>	<u>13,516</u>	<u>1,596</u>	<u>14,228</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, 2017
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017				2016
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Culture and recreation					
Personal services	\$ 80,398	\$ 80,398	\$ 95,957	\$ (15,559)	\$ 92,891
Supplies	28,570	28,570	10,290	18,280	23,784
Other services and charges	93,644	93,644	91,370	2,274	81,865
Total culture and recreation	<u>202,612</u>	<u>202,612</u>	<u>197,617</u>	<u>4,995</u>	<u>198,540</u>
Miscellaneous					
Unallocated insurance					
Other services and charges	2,300	2,300	-	2,300	2,100
Total current	4,307,741	4,307,741	4,095,866	211,875	4,334,713
Capital outlay					
Public safety	-	-	-	-	33,726
Total Expenditures	<u>4,307,741</u>	<u>4,307,741</u>	<u>4,095,866</u>	<u>211,875</u>	<u>4,368,439</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(215,349)</u>	<u>(215,349)</u>	<u>396,295</u>	<u>611,644</u>	<u>134,048</u>
Other Financing Sources (Uses)					
Sale of capital assets	300	300	-	(300)	-
Transfers in	217,049	217,049	217,049	-	201,987
Transfers out	(2,000)	(2,000)	(2,000)	-	(202,000)
Total Other Financing Sources (Uses)	<u>215,349</u>	<u>215,349</u>	<u>215,049</u>	<u>(300)</u>	<u>(13)</u>
Net Change in Fund Balances	-	-	611,344	611,344	134,035
Fund Balances, January 1	<u>2,525,094</u>	<u>2,525,094</u>	<u>2,525,094</u>	<u>-</u>	<u>2,391,059</u>
Fund Balances, December 31	<u>\$ 2,525,094</u>	<u>\$ 2,525,094</u>	<u>\$ 3,136,438</u>	<u>\$ 611,344</u>	<u>\$ 2,525,094</u>

City of Medina, Minnesota
Debt Service Funds
Combining Balance Sheet
December 31, 2017

	306	312	313	316
	G.O. Bonds 2008 Uptown Hamel	G.O. Improvement Bonds 2010A	Hunter South Improvement Bonds 2011B	Hunter North Improvement Bonds 2011B
Assets				
Cash and temporary investments	\$ (275)	\$ 45,930	\$ 27,757	\$ 266,677
Receivables				
Taxes	-	324	145	613
Special assessments	-	5,024	724	4,639
Due from other governments	275	464	211	892
	<u>275</u>	<u>464</u>	<u>211</u>	<u>892</u>
Total Assets	<u>\$ -</u>	<u>\$ 51,742</u>	<u>\$ 28,837</u>	<u>\$ 272,821</u>
Deferred Inflows of Resources				
Unavailable revenue - taxes	\$ -	\$ 324	\$ 145	\$ 613
Unavailable revenue - special assessments	-	5,024	724	4,639
Total Deferred Inflows of Resources	<u>-</u>	<u>5,348</u>	<u>869</u>	<u>5,252</u>
Fund Balances				
Restricted for debt service	<u>-</u>	<u>46,394</u>	<u>27,968</u>	<u>267,569</u>
Total Deferred Inflows of Resources and Fund Balances	<u>\$ -</u>	<u>\$ 51,742</u>	<u>\$ 28,837</u>	<u>\$ 272,821</u>

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	323 G.O. Refunding Bonds 2016A	324 G.O. Improvement Bonds 2017A	Total
\$ 405,869	\$ 20,205	\$ 193,852	\$ 557,451	\$ 44,645	\$ 138,953	\$ 1,701,064
3,469	-	2,259	1,337	-	-	8,147
-	30,343	-	695,081	49,518	-	785,329
<u>3,697</u>	<u>189</u>	<u>1,911</u>	<u>3,312</u>	<u>-</u>	<u>-</u>	<u>10,951</u>
<u>\$ 413,035</u>	<u>\$ 50,737</u>	<u>\$ 198,022</u>	<u>\$ 1,257,181</u>	<u>\$ 94,163</u>	<u>\$ 138,953</u>	<u>\$ 2,505,491</u>
\$ 3,469	\$ -	\$ 2,259	\$ 1,337	\$ -	\$ -	\$ 8,147
-	30,343	-	695,081	49,518	-	785,329
<u>3,469</u>	<u>30,343</u>	<u>2,259</u>	<u>696,418</u>	<u>49,518</u>	<u>-</u>	<u>793,476</u>
<u>409,566</u>	<u>20,394</u>	<u>195,763</u>	<u>560,763</u>	<u>44,645</u>	<u>138,953</u>	<u>1,712,015</u>
<u>\$ 413,035</u>	<u>\$ 50,737</u>	<u>\$ 198,022</u>	<u>\$ 1,257,181</u>	<u>\$ 94,163</u>	<u>\$ 138,953</u>	<u>\$ 2,505,491</u>

City of Medina, Minnesota
Debt Service Funds
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2017

	306	312	313	316	319
	G.O. Bonds 2008 Uptown Hamel	G.O. Improvement Bonds 2010A	Hunter South Improvement Bonds 2011B	Hunter North Improvement Bonds 2011B	G.O. Capital Improvement Bonds 2012A
Revenues					
Taxes	\$ -	\$ 29,961	\$ 13,712	\$ 57,891	\$ 250,002
Special assessments	25,221	2,875	964	4,786	-
Interest on investments	1,906	216	164	2,037	2,075
Total Revenues	<u>27,127</u>	<u>33,052</u>	<u>14,840</u>	<u>64,714</u>	<u>252,077</u>
Expenditures					
Debt service					
Principal	150,000	35,000	15,000	85,000	175,000
Interest and other charges	45,663	4,891	2,466	18,317	120,396
Total Expenditures	<u>195,663</u>	<u>39,891</u>	<u>17,466</u>	<u>103,317</u>	<u>295,396</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(168,536)</u>	<u>(6,839)</u>	<u>(2,626)</u>	<u>(38,603)</u>	<u>(43,319)</u>
Other Financing Sources (Uses)					
Transfer in	187,739	-	-	-	61,531
Bond issued	-	-	-	-	-
Payment of refunded bonds	(1,220,000)	-	-	-	-
Transfer out	(57,354)	-	-	-	-
Total Other Financing Sources (Uses)	<u>(1,089,615)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,531</u>
Net Change in Fund Balances	(1,258,151)	(6,839)	(2,626)	(38,603)	18,212
Fund Balances, January 1	<u>1,258,151</u>	<u>53,233</u>	<u>30,594</u>	<u>306,172</u>	<u>391,354</u>
Fund Balances, December 31	<u>\$ -</u>	<u>\$ 46,394</u>	<u>\$ 27,968</u>	<u>\$ 267,569</u>	<u>\$ 409,566</u>

320 G.O. Refunding Bonds 2012B	321 G.O. Refunding Bonds 2013A	322 G.O. Improvement Bonds 2015A	323 G.O. Refunding Bonds 2016A	324 G.O. Improvement Bonds 2017A	Total
\$ -	\$ 134,169	\$ 62,307	\$ -	\$ -	\$ 548,042
18,621	-	90,977	-	88,537	231,981
(221)	795	2,067	(59)	3,795	12,775
<u>18,400</u>	<u>134,964</u>	<u>155,351</u>	<u>(59)</u>	<u>92,332</u>	<u>792,798</u>
80,000	135,000	125,000	-	-	800,000
6,242	19,117	43,283	12,650	-	273,025
<u>86,242</u>	<u>154,117</u>	<u>168,283</u>	<u>12,650</u>	<u>-</u>	<u>1,073,025</u>
<u>(67,842)</u>	<u>(19,153)</u>	<u>(12,932)</u>	<u>(12,709)</u>	<u>92,332</u>	<u>(280,227)</u>
70,000	33,017	343,394	57,354	-	753,035
-	-	-	-	46,621	46,621
-	-	-	-	-	(1,220,000)
-	-	-	-	-	(57,354)
<u>70,000</u>	<u>33,017</u>	<u>343,394</u>	<u>57,354</u>	<u>46,621</u>	<u>(477,698)</u>
2,158	13,864	330,462	44,645	138,953	(757,925)
<u>18,236</u>	<u>181,899</u>	<u>230,301</u>	<u>-</u>	<u>-</u>	<u>2,469,940</u>
<u>\$ 20,394</u>	<u>\$ 195,763</u>	<u>\$ 560,763</u>	<u>\$ 44,645</u>	<u>\$ 138,953</u>	<u>\$ 1,712,015</u>

City of Medina, Minnesota
 Agency Fund
 Statement of Changes in Assets and Liabilities
 For the Year Ended December 31, 2017

	<u>Balance January 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance December 31</u>
Assets				
Cash and temporary investments	\$ 334,358	\$ 1,333,423	\$ (1,343,373)	\$ 324,408
Accounts receivable	<u>68,238</u>	<u>289,291</u>	<u>(240,997)</u>	<u>116,532</u>
Total Assets	<u><u>\$ 402,596</u></u>	<u><u>\$ 1,622,714</u></u>	<u><u>\$ (1,584,370)</u></u>	<u><u>\$ 440,940</u></u>
Liabilities				
Accounts payable	<u><u>\$ 402,596</u></u>	<u><u>\$ 1,448,694</u></u>	<u><u>\$ (1,410,350)</u></u>	<u><u>\$ 440,940</u></u>

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

	Total		Percent Increase (Decrease)
	2017	2016	
Revenues			
Taxes	\$ 4,368,460	\$ 4,290,949	1.81 %
Licenses and permits	414,494	443,680	(6.58)
Intergovernmental	376,760	1,081,048	(65.15)
Charges for services	928,354	1,011,010	(8.18)
Fines and forfeitures	119,373	95,003	25.65
Special assessments	324,978	360,720	(9.91)
Interest on investments	107,858	128,253	(15.90)
Miscellaneous	189,798	198,930	(4.59)
	<u>\$ 6,830,075</u>	<u>\$ 7,609,593</u>	(10.24) %
Total Revenues			
Per Capita	\$ 1,114	\$ 1,275	(12.65) %
Expenditures			
Current			
General government	\$ 1,060,780	\$ 1,230,211	(13.77) %
Public safety	2,207,651	2,273,509	(2.90)
Streets and highways	618,318	765,137	(19.19)
Sanitation and recycling	13,516	14,228	(5.00)
Culture and recreation	346,850	358,322	(3.20)
Miscellaneous	3,838	5,436	(29.40)
Capital outlay			
General government	46,085	373,585	(87.66)
Public safety	134,600	226,389	(40.54)
Streets and highways	741,345	1,491,151	(50.28)
Culture and recreation	82,542	300,064	(72.49)
Economic development	189,795	138,557	36.98
Debt service			
Principal	800,000	655,000	22.14
Interest and other	315,522	331,599	(4.85)
	<u>\$ 6,560,842</u>	<u>\$ 8,163,188</u>	(19.63) %
Total Expenditures			
Per Capita	\$ 1,070	\$ 1,368	(21.78) %
Total Long-term Indebtedness	\$ 11,525,000	\$ 12,335,000	(6.57) %
Per Capita	1,880	2,067	(9.07)
General Fund Balance - December 31	\$ 3,136,438	\$ 2,525,094	24.21 %
Per Capita	512	423	20.89

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.

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OTHER REQUIRED REPORT

CITY OF MEDINA
MEDINA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

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INDEPENDENT AUDITOR'S REPORT
ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of 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, 2017, and the related notes to the financial statements, and have issued our report thereon dated May 30, 2018.

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

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

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

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
May 30, 2018