

Annual Financial Report

City of Medina

Medina, Minnesota

For the Year Ended
December 31, 2018

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Annual Financial Report
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For the Year Ended December 31, 2018

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INTRODUCTORY SECTION

CITY OF MEDINA
MEDINA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

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City of Medina, Minnesota
Elected and Appointed Officials
For the Year Ended December 31, 2018

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Kathleen Martin	Mayor	12/31/20
Jeff Pederson	Council Member	12/31/20
Todd Albers	Council Member	12/31/22
John Anderson	Council Member	12/31/20
Dino DesLauriers	Council Member	12/31/22

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, 2018

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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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Change in Accounting Standards

As described in Note 7 to the financial statements, the City adopted the provisions of Governmental Accounting Standard Board (GASB) Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans and Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, for the year ended December 31, 2018. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 17 and the Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions, the related note disclosures, and the Schedule of Changes in the City's OPEB liability 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

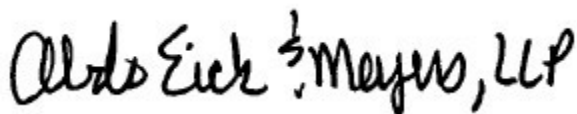
Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the City's basis financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 13, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
May 13, 2019

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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, 2018.

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 \$40,817,326 (*net position*). Of this amount, \$11,952,464 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The total net position of governmental activities increased by \$2,015,335 and total net position of the business-type activities increased by \$67,565. This resulted in an increase to total net position of \$2,082,900 for the City. Capital grants related to assessments is the main reason for the increase during the year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12,384,287, a decrease of \$278,767 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$2,900,221, or 64.0 percent of total General fund expenditures.
- The City's total debt decreased \$1,410,656, or 10.1 percent during the current fiscal year mainly due to regularly scheduled principal payments made on outstanding debt.

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

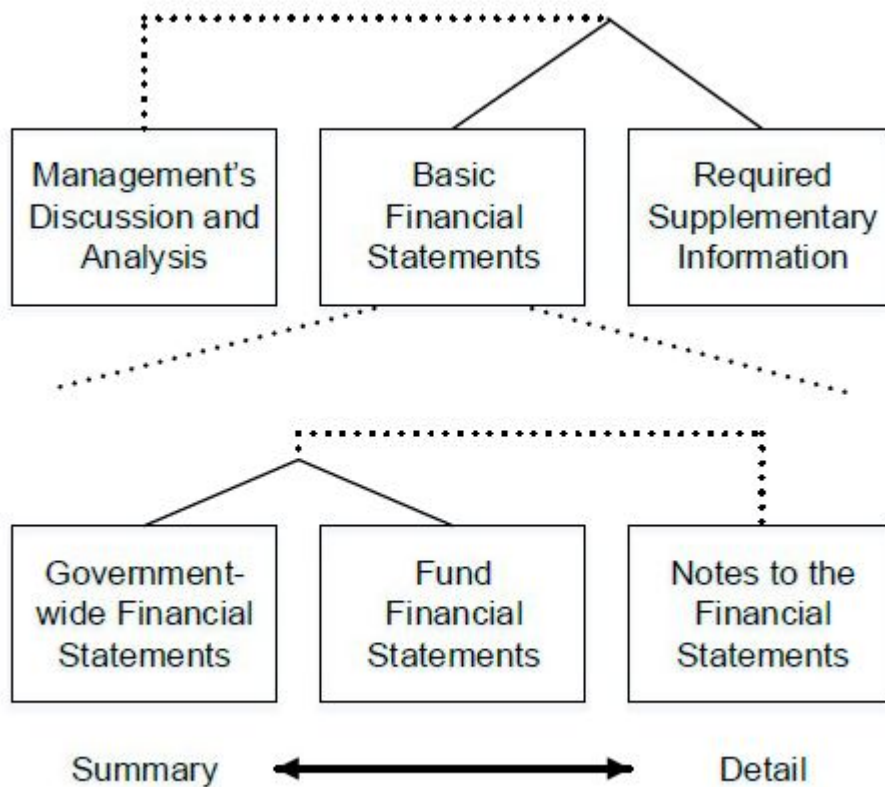


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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

	Government-wide Statements	Fund Financial 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/outflow 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, 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 \$40,817,326 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (59.7 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		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
Assets						
Current and other assets	\$ 15,808,067	\$ 15,052,269	\$ 755,798	\$ 4,734,941	\$ 4,871,284	\$ (136,343)
Capital assets	25,089,057	24,771,140	317,917	11,914,762	12,275,388	(360,626)
Total Assets	40,897,124	39,823,409	1,073,715	16,649,703	17,146,672	(496,969)
Deferred Outflows of Resources	1,349,562	1,801,661	(452,099)	42,383	63,675	(21,292)
Liabilities						
Noncurrent liabilities						
outstanding	12,876,608	14,214,229	(1,337,621)	2,056,802	2,678,416	(621,614)
Other liabilities	1,153,143	1,079,748	73,395	46,338	36,999	9,339
Total Liabilities	14,029,751	15,293,977	(1,264,226)	2,103,140	2,715,415	(612,275)
Deferred Inflows of Resources	1,932,839	2,241,496	(308,657)	55,716	59,452	(3,736)
Net Position						
Net investment in						
capital assets	14,239,264	13,439,969	799,295	10,143,543	9,938,784	204,759
Restricted	4,482,055	4,206,280	275,775	-	-	-
Unrestricted	7,562,777	6,443,348	1,119,429	4,389,687	4,496,696	(107,009)
Total Net Position	\$ 26,284,096	\$ 24,089,597	\$ 2,194,499	\$ 14,533,230	\$ 14,435,480	\$ 97,750

An additional portion of the City's net position (11.0 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$11,952,464 may be used to meet the City's ongoing obligations to citizens and creditors.

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

Governmental Activities. Governmental activities increased the City's net position by \$2,015,335. Key elements of this increase are as follows:

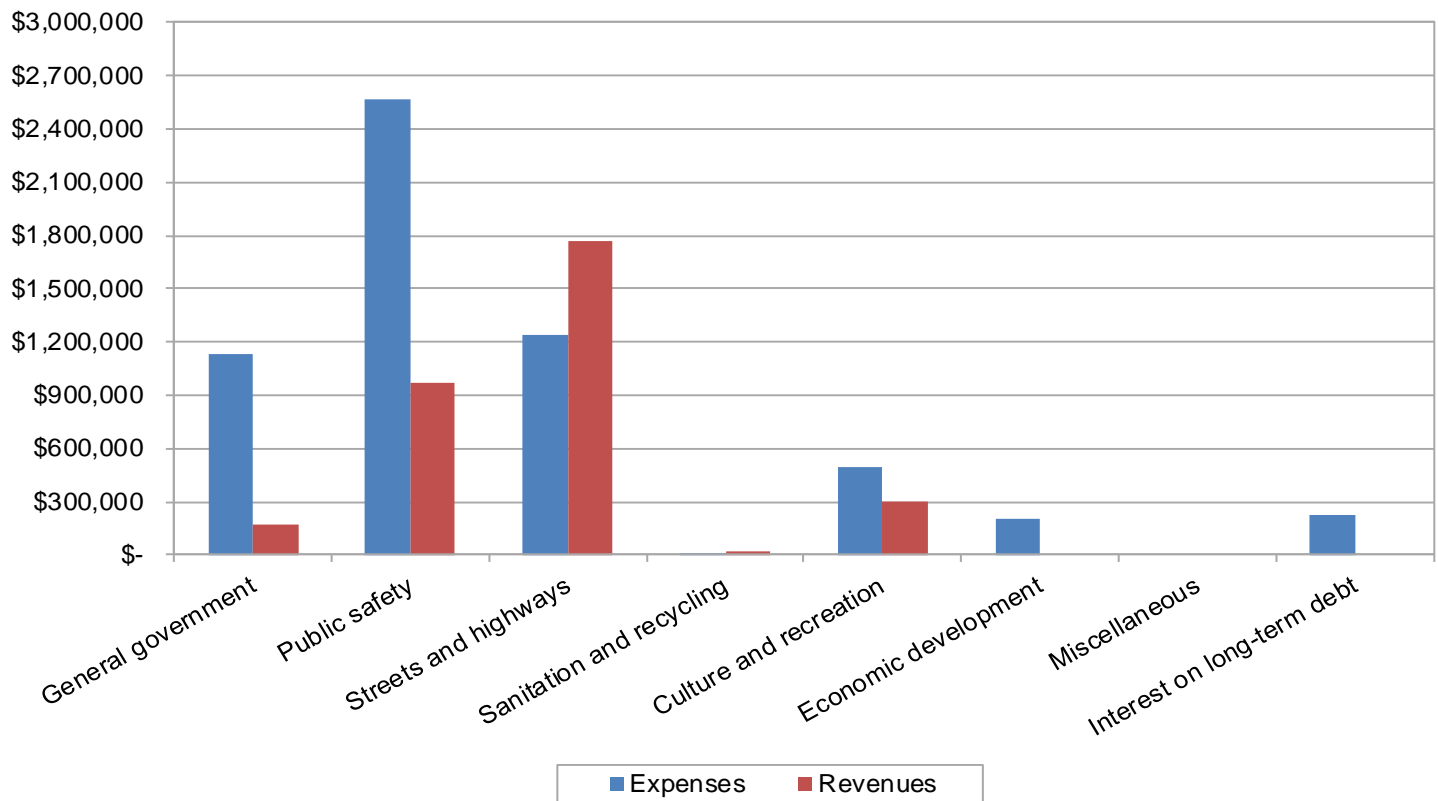
City of Medina's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 983,365	\$ 982,260	\$ 1,105	\$ 2,105,158	\$ 2,074,627	\$ 30,531
Operating grants and contributions	366,506	352,592	13,914	1,586	85	1,501
Capital grants and contributions	1,883,427	915,667	967,760	11,555	75,600	(64,045)
General Revenues						
Property taxes	3,914,577	3,902,674	11,903	-	-	-
Tax increments	436,528	420,521	16,007	-	-	-
Franchise taxes	57,688	57,603	85	-	-	-
Grants and contributions not restricted to specific programs	17,869	-	17,869	-	-	-
Unrestricted investment earnings	153,109	107,858	45,251	48,816	38,475	10,341
Gain on sale of capital assets	39,173	9,700	29,473	-	-	-
Total Revenues	<u>7,852,242</u>	<u>6,748,875</u>	<u>1,103,367</u>	<u>2,167,115</u>	<u>2,188,787</u>	<u>(21,672)</u>
Expenses						
General government	1,133,831	1,119,303	14,528	-	-	-
Public safety	2,563,683	2,441,618	122,065	-	-	-
Streets and highways	1,239,728	1,739,835	(500,107)	-	-	-
Sanitation and recycling	12,415	13,781	(1,366)	-	-	-
Culture and recreation	499,008	491,390	7,618	-	-	-
Economic development	208,617	202,157	6,460	-	-	-
Miscellaneous	-	3,838	(3,838)	-	-	-
Interest on long-term debt	226,983	284,870	(57,887)	-	-	-
Water	-	-	-	983,624	783,902	199,722
Sewer	-	-	-	888,224	623,633	264,591
Storm water	-	-	-	180,344	179,616	728
Total Expenses	<u>5,884,265</u>	<u>6,296,792</u>	<u>(412,527)</u>	<u>2,052,192</u>	<u>1,587,151</u>	<u>465,041</u>
Change in Net Position Before Transfers	1,967,977	452,083	1,515,894	114,923	601,636	(486,713)
Transfers - Capital Assets	(132,082)	(1,351,615)	1,219,533	132,082	1,351,615	(1,219,533)
Transfers	<u>179,440</u>	<u>98,296</u>	<u>81,144</u>	<u>(179,440)</u>	<u>(98,296)</u>	<u>(81,144)</u>
Change in Net Position	2,015,335	(801,236)	2,816,571	67,565	1,854,955	(1,787,390)
Net Position, January 1, as Restated (Note 7)	<u>24,268,761</u>	<u>24,890,833</u>	<u>(622,072)</u>	<u>14,465,665</u>	<u>12,580,525</u>	<u>1,885,140</u>
Net Position, December 31	<u>\$ 26,284,096</u>	<u>\$ 24,089,597</u>	<u>\$ 2,194,499</u>	<u>\$ 14,533,230</u>	<u>\$ 14,435,480</u>	<u>\$ 97,750</u>

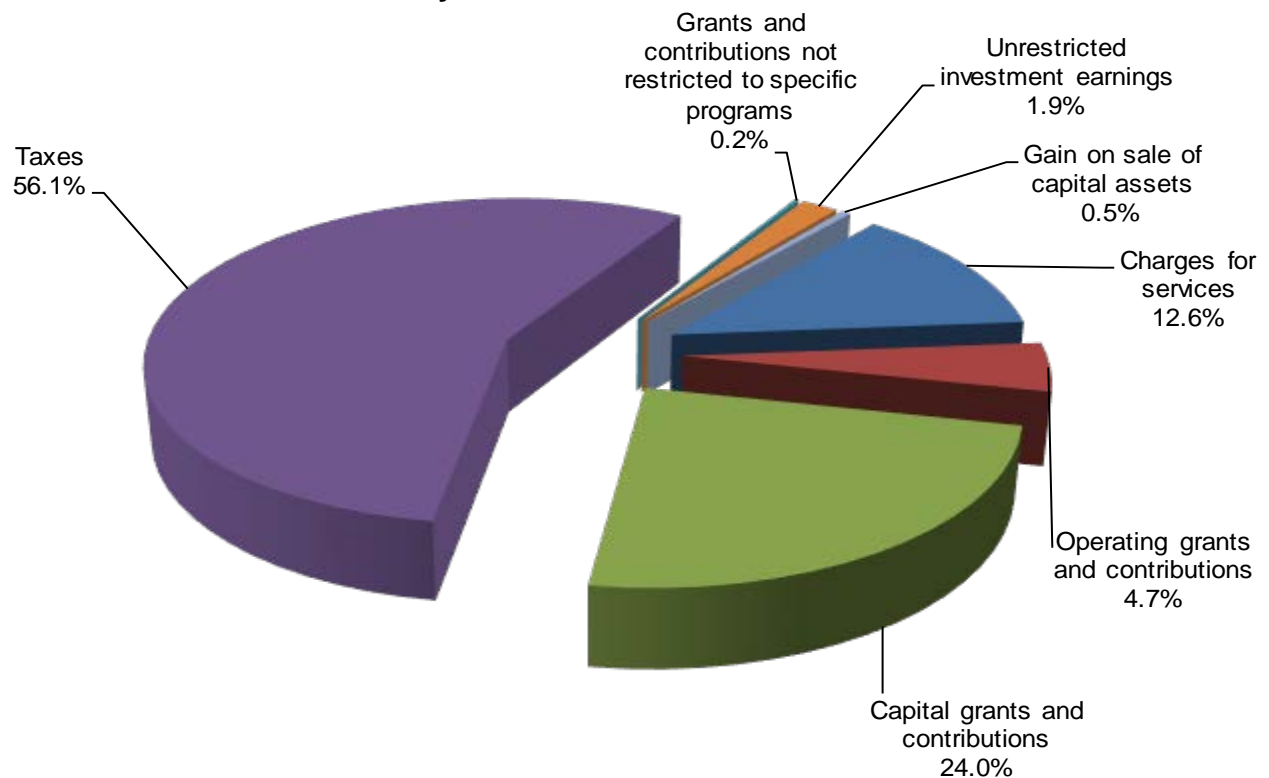
Capital grants increased \$967,760 during the year related to special assessments. Property taxes represent 49.9 percent of total revenues in 2018 in governmental activities.

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

Expenses and Program Revenue - Governmental Activities



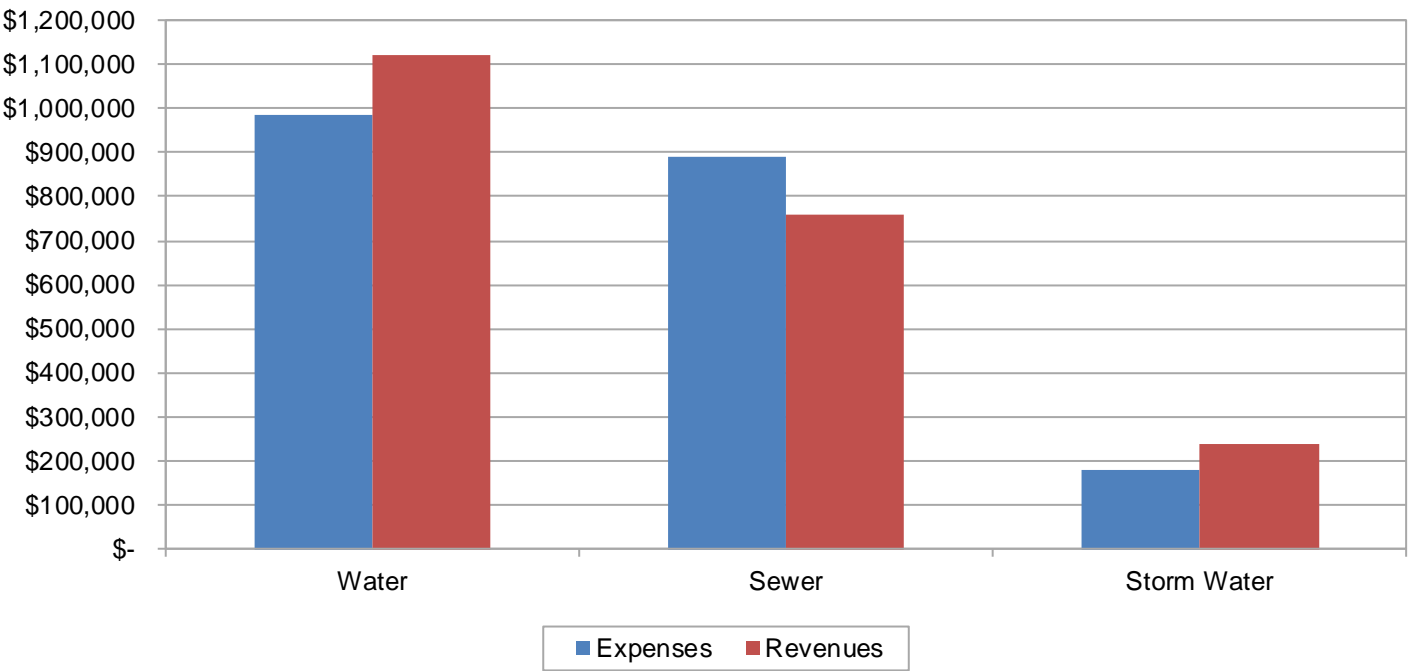
Revenue by Source - Governmental Activities



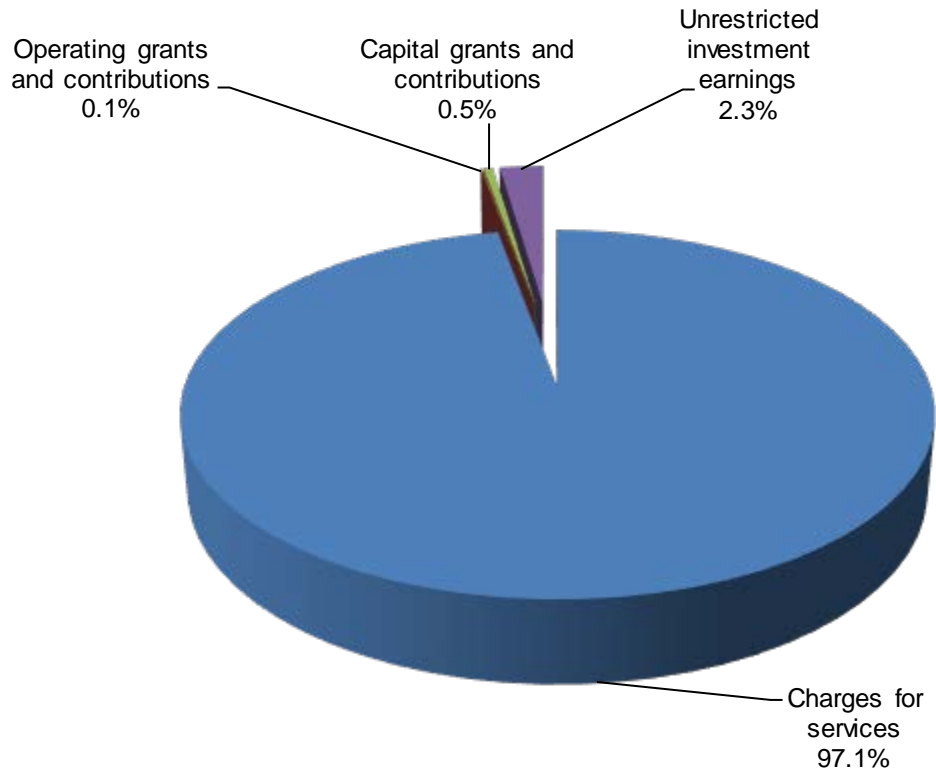
Business-type Activities. Business-type activities increased the City's net position by \$67,565.

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)
	2018	2017	
General	\$ 3,262,310	\$ 3,136,438	\$ 125,872
The fund balance of the General fund increased by \$125,872 as a result of taxes, and intergovernmental aid revenues exceeding the budget, as well as less than budgeted expenditures in several departments.			
Debt Service	\$ 1,457,144	\$ 1,712,015	\$ (254,871)
The Debt Service fund balance decreased \$254,871 mainly due to transfers out in the current year.			
Park Dedication	\$ 1,531,033	\$ 1,600,992	\$ (69,959)
The Park Dedication fund balance decreased by \$69,959 mainly due to an increase in current expenditures in culture and recreation and capital outlay.			
Sewer Capital Improvements	\$ 2,868,180	\$ 2,780,852	\$ 87,328
The Sewer Capital Improvement fund balance increased \$87,328 mainly due to an increase in interest revenue from investments and special assessment revenue received in the current year.			
Road Improvement	\$ 1,069,868	\$ 693,556	\$ 376,312
The Road Improvement fund balance decreased by \$566,888 during the year. The decrease can be attributed to expenses for capital related street and highway improvements exceeding resources 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 \$4,389,687. The total increase in net position for the funds was \$67,565. 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 were over the budget by \$302,745, primarily due to licenses and permits and charges for services exceeding the budget by \$130,683 and \$94,677, respectively. Expenditures were over budget by \$110,211 during the year. The budget variance can be attributed mainly to public safety and culture and recreation of \$114,365 and \$71,290, respectively.

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, 2018, amounts to \$24,382,807 (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:

- Pinto Trail Extension project
- Hickory Drive reconstruction and overlay project
- Corcoran Interconnect project
- New ballfield lights
- Water tower rehabilitation project
- Buckskin 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		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
Land	\$ 813,779	\$ 786,779	\$ 27,000	\$ 56,393	\$ 56,393	\$ -
Infrastructure	12,663,785	12,268,147	395,638	4,774,389	4,778,387	(3,998)
Buildings	7,749,307	7,999,641	(250,334)	4,847,513	5,043,224	(195,711)
Improvements	2,029,013	1,924,920	104,093	1,214,707	951,249	263,458
Machinery and Equipment	902,000	812,775	89,225	1,019,733	1,096,232	(76,499)
Construction in Progress	931,173	978,878	(47,705)	2,027	349,903	(347,876)
Total	<u>\$ 25,089,057</u>	<u>\$ 24,771,140</u>	<u>\$ 317,917</u>	<u>\$ 11,914,762</u>	<u>\$ 12,275,388</u>	<u>\$ (360,626)</u>

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		
	2018	2017	Increase (Decrease)	2018	2017	Increase (Decrease)
General Obligation						
Improvement Bonds	\$ 10,445,000	\$ 11,185,000	\$ (740,000)	\$ -	\$ -	\$ -
G.O. Tax Increment Bonds	255,000	340,000	(85,000)	-	-	-
General Obligation Revenue Bonds	-	-	-	1,735,000	2,285,000	(550,000)
Unamortized Premium on Bonds	149,793	170,064	(20,271)	36,219	51,604	(15,385)
Total	<u>\$ 10,849,793</u>	<u>\$ 11,695,064</u>	<u>\$ (845,271)</u>	<u>\$ 1,771,219</u>	<u>\$ 2,336,604</u>	<u>\$ (565,385)</u>

The City's total debt decreased \$1,410,656 (10.1 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 2.9 percent (Feb 2019). This compares favorably to the State of Minnesota's average unemployment rate of 3.1 percent and the national average rate of 3.8 percent.
- Property valuations increased 2.7 percent within the City from 2018 to 2019.

The City's total property tax levy will increase in 2019 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 21.52% for 2018 to 21.50% for 2019.

A water rate increase of 2.0 percent was approved for the three individual water systems for 2019. 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 2019 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, 2018

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City of Medina, Minnesota
Statement of Net Position
December 31, 2018

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and temporary investments	\$ 13,252,648	\$ 4,547,524	\$ 17,800,172
Receivables			
Accounts	73,487	116,699	190,186
Taxes	84,936	-	84,936
Special assessments	2,283,788	33,349	2,317,137
Due from other governments	36,119	2,378	38,497
Prepaid items	77,089	34,991	112,080
Capital assets			
Nondepreciable	1,744,952	58,420	1,803,372
Depreciable, net of accumulated depreciation	23,344,105	11,856,342	35,200,447
Total Assets	<u>40,897,124</u>	<u>16,649,703</u>	<u>57,546,827</u>
Deferred Outflows of Resources			
Deferred pension resources	<u>1,349,562</u>	<u>42,383</u>	<u>1,391,945</u>
Liabilities			
Accounts payable	262,310	26,618	288,928
Due to other governments	18,617	1,442	20,059
Salaries payable	100,956	5,814	106,770
Accrued interest payable	98,087	12,464	110,551
Deposits payable	587,738	-	587,738
Unearned revenue	85,435	-	85,435
Noncurrent liabilities			
Due within one year	918,586	579,303	1,497,889
Due in more than one year	11,958,022	1,477,499	13,435,521
Total Liabilities	<u>14,029,751</u>	<u>2,103,140</u>	<u>16,132,891</u>
Deferred Inflows of Resources			
Deferred pension resources	1,927,695	55,002	1,982,697
Deferred other post employment benefits	5,144	714	5,858
Total Deferred Inflows of Resources	<u>1,932,839</u>	<u>55,716</u>	<u>1,988,555</u>
Net Position			
Net investment in capital assets	14,239,264	10,143,543	24,382,807
Restricted for			
Debt service	3,118,596	-	3,118,596
Park improvements	1,212,652	-	1,212,652
Police expenditures	150,807	-	150,807
Unrestricted	<u>7,562,777</u>	<u>4,389,687</u>	<u>11,952,464</u>
Total Net Position	<u>\$ 26,284,096</u>	<u>\$ 14,533,230</u>	<u>\$ 40,817,326</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, 2018

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 1,133,831	\$ 164,551	\$ 403	\$ 1,761
Public safety	2,563,683	753,672	206,907	5,500
Streets and highways	1,239,728	9,918	-	1,761,248
Sanitation and recycling	12,415	-	23,801	-
Culture and recreation	499,008	55,224	135,395	114,918
Economic development	208,617	-	-	-
Interest on long-term debt	226,983	-	-	-
Total Governmental Activities	<u>5,884,265</u>	<u>983,365</u>	<u>366,506</u>	<u>1,883,427</u>
Business-type Activities				
Water	983,624	1,108,695	722	11,555
Sewer	888,224	757,921	585	-
Storm water	180,344	238,542	279	-
Total Business-type Activities	<u>2,052,192</u>	<u>2,105,158</u>	<u>1,586</u>	<u>11,555</u>
Total	<u>\$ 7,936,457</u>	<u>\$ 3,088,523</u>	<u>\$ 368,092</u>	<u>\$ 1,894,982</u>

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Tax increments

Franchise taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on sale of capital assets

Transfers - Capital Assets

Transfers

Total General Revenues and Transfers

Change in Net Position

Net Position - January 1 as Restated (Note 7)

Net Position, December 31

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

Net (Expenses) Revenues and
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (967,116)	\$ -	\$ (967,116)
(1,597,604)	-	(1,597,604)
531,438	-	531,438
11,386	-	11,386
(193,471)	-	(193,471)
(208,617)	-	(208,617)
(226,983)	-	(226,983)
<u>(2,650,967)</u>	<u>-</u>	<u>(2,650,967)</u>
-	137,348	137,348
-	(129,718)	(129,718)
-	58,477	58,477
<u>-</u>	<u>66,107</u>	<u>66,107</u>
<u>(2,650,967)</u>	<u>66,107</u>	<u>(2,584,860)</u>
3,380,327	-	3,380,327
534,250	-	534,250
436,528	-	436,528
57,688	-	57,688
17,869	-	17,869
153,109	48,816	201,925
39,173	-	39,173
(132,082)	132,082	-
179,440	(179,440)	-
<u>4,666,302</u>	<u>1,458</u>	<u>4,667,760</u>
2,015,335	67,565	2,082,900
<u>24,268,761</u>	<u>14,465,665</u>	<u>38,734,426</u>
<u>\$ 26,284,096</u>	<u>\$ 14,533,230</u>	<u>\$ 40,817,326</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, 2018

City of Medina, Minnesota
Balance Sheet
Governmental Funds
December 31, 2018

	101		225	403
	General	Debt Service	Park Dedication	Sewer Capital Improvements
Assets				
Cash and temporary investments	\$ 3,899,316	\$ 1,453,272	\$ 1,531,805	\$ 2,698,589
Receivables				
Accounts	827	-	-	9,030
Delinquent taxes	71,168	13,768	-	-
Special assessments	43,895	1,745,771	-	37,333
Due from other governments	28,171	3,872	-	-
Due from other funds	180,000	-	-	174,233
Prepaid items	77,089	-	-	-
Total Assets	<u>\$ 4,300,466</u>	<u>\$ 3,216,683</u>	<u>\$ 1,531,805</u>	<u>\$ 2,919,185</u>
Liabilities				
Accounts payable	\$ 219,296	\$ -	\$ 772	\$ 4,642
Due to other funds	-	-	-	-
Due to other governments	2,328	-	-	-
Salaries payable	100,956	-	-	-
Deposits payable	587,738	-	-	-
Unearned revenue	12,775	-	-	9,030
Total Liabilities	<u>923,093</u>	<u>-</u>	<u>772</u>	<u>13,672</u>
Deferred Inflows of Resources				
Unavailable revenue - taxes	71,168	13,768	-	-
Unavailable revenue - assessments	43,895	1,745,771	-	37,333
Total Deferred Inflows of Resources	<u>115,063</u>	<u>1,759,539</u>	<u>-</u>	<u>37,333</u>
Fund Balances				
Nonspendable	257,089	-	-	-
Restricted	-	1,457,144	1,212,652	-
Committed	-	-	318,381	-
Assigned	105,000	-	-	2,868,180
Unassigned	2,900,221	-	-	-
Total Fund Balances	<u>3,262,310</u>	<u>1,457,144</u>	<u>1,531,033</u>	<u>2,868,180</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,300,466</u>	<u>\$ 3,216,683</u>	<u>\$ 1,531,805</u>	<u>\$ 2,919,185</u>

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

420 Road Improvement	Other Governmental Funds	Total Governmental Funds
\$ 1,080,991	\$ 2,588,675	\$ 13,252,648
-	63,630	73,487
-	-	84,936
419,456	37,333	2,283,788
329	3,747	36,119
-	-	354,233
-	-	77,089
<u>\$ 1,500,776</u>	<u>\$ 2,693,385</u>	<u>\$ 16,162,300</u>
\$ 11,452	\$ 26,148	\$ 262,310
-	354,233	354,233
-	16,289	18,617
-	-	100,956
-	-	587,738
-	63,630	85,435
<u>11,452</u>	<u>460,300</u>	<u>1,409,289</u>
-	-	84,936
419,456	37,333	2,283,788
<u>419,456</u>	<u>37,333</u>	<u>2,368,724</u>
-	-	257,089
-	150,807	2,820,603
-	750,116	1,068,497
1,069,868	1,500,308	5,543,356
-	(205,479)	2,694,742
<u>1,069,868</u>	<u>2,195,752</u>	<u>12,384,287</u>
<u>\$ 1,500,776</u>	<u>\$ 2,693,385</u>	<u>\$ 16,162,300</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, 2018

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

Total Fund Balances - Governmental Funds	\$ 12,384,287
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	34,936,359
Less accumulated depreciation	(9,847,302)
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	(10,700,000)
Plus premium on bonds	(149,793)
Compensated absences payable	(335,783)
Other postemployment benefits payable	(85,034)
Pension liability	(1,605,998)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Taxes receivable	84,936
Special assessments receivable	2,283,788
Governmental funds do not report long-term amounts related to pensions and other postemployment benefits.	
Deferred outflows of pension resources	1,349,562
Deferred inflows of pension resources	(1,927,695)
Deferred inflows of other postemployment benefit resources	(5,144)
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(98,087)</u>
Total Net Position - Governmental Activities	<u><u>\$ 26,284,096</u></u>

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

City of Medina, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

	101		225	403
	General	Debt Service	Park Dedication	Sewer Capital Improvements
Revenues				
Taxes	\$ 3,206,239	\$ 534,250	\$ -	\$ -
Licenses and permits	409,983	-	-	-
Intergovernmental	271,965	-	-	-
Charges for services	312,441	-	114,918	67,085
Fines and forfeitures	88,044	-	-	-
Special assessments	1,761	175,857	-	10,535
Interest on investments	45,460	8,410	17,973	31,084
Miscellaneous	170,085	-	62,000	-
Total Revenues	<u>4,505,978</u>	<u>718,517</u>	<u>194,891</u>	<u>108,704</u>
Expenditures				
Current				
General government	1,103,139	-	-	-
Public safety	2,482,914	-	-	-
Streets and highways	641,714	-	-	-
Sanitation and recycling	12,568	-	-	-
Culture and recreation	279,387	-	20,597	-
Capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Streets and highways	-	-	-	4,642
Culture and recreation	15,132	-	244,253	-
Economic development	-	-	-	-
Debt service				
Principal	-	825,000	-	-
Interest and other charges	-	251,246	-	-
Total Expenditures	<u>4,534,854</u>	<u>1,076,246</u>	<u>264,850</u>	<u>4,642</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(28,876)</u>	<u>(357,729)</u>	<u>(69,959)</u>	<u>104,062</u>
Other Financing Sources (Uses)				
Sale of capital assets	-	-	-	-
Transfers in	208,110	343,558	-	-
Transfers out	(53,362)	(240,700)	-	(16,734)
Total Other Financing Sources (Uses)	<u>154,748</u>	<u>102,858</u>	<u>-</u>	<u>(16,734)</u>
Net Change in Fund Balances	125,872	(254,871)	(69,959)	87,328
Fund Balances, January 1	<u>3,136,438</u>	<u>1,712,015</u>	<u>1,600,992</u>	<u>2,780,852</u>
Fund Balances, December 31	<u>\$ 3,262,310</u>	<u>\$ 1,457,144</u>	<u>\$ 1,531,033</u>	<u>\$ 2,868,180</u>

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

420 Road Improvement	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 627,758	\$ 4,368,247
-	-	409,983
-	-	271,965
-	417,395	911,839
-	33,873	121,917
84,672	10,535	283,360
18,204	31,978	153,109
-	90,415	322,500
<u>102,876</u>	<u>1,211,954</u>	<u>6,842,920</u>
-	-	1,103,139
-	3,229	2,486,143
-	-	641,714
-	-	12,568
-	51,835	351,819
-	47,427	47,427
-	251,886	251,886
548,512	333,267	886,421
-	31,974	291,359
-	196,255	196,255
-	-	825,000
-	-	251,246
<u>548,512</u>	<u>915,873</u>	<u>7,344,977</u>
<u>(445,636)</u>	<u>296,081</u>	<u>(502,057)</u>
-	43,850	43,850
821,948	95,686	1,469,302
-	(979,066)	(1,289,862)
<u>821,948</u>	<u>(839,530)</u>	<u>223,290</u>
376,312	(543,449)	(278,767)
<u>693,556</u>	<u>2,739,201</u>	<u>12,663,054</u>
<u>\$ 1,069,868</u>	<u>\$ 2,195,752</u>	<u>\$ 12,384,287</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, 2018

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

Total Net Change in Fund Balances - Governmental Funds	\$ (278,767)
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlay	1,679,013
Depreciation expense	(1,224,338)
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.	(4,677)
Capital assets constructed in capital projects funds but intended for enterprise fund use are transferred in the government-wide financial statements.	(132,082)
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.	
Amortization of bond premium	20,271
Principal repayments	825,000
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	3,992
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.	
Property taxes	40,546
Special assessments	916,633
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Other postemployment benefits costs	(9,037)
Compensated absences	1,414
Long-term pension activity is not reported in governmental funds.	
Pension expense	164,397
Pension revenue	12,970
Change in Net Position - Governmental Activities	<u><u>\$ 2,015,335</u></u>

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

City of Medina, Minnesota
Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	\$ 3,259,026	\$ 3,259,026	\$ 3,206,239	\$ (52,787)
Licenses and permits	279,300	279,300	409,983	130,683
Intergovernmental	232,118	232,118	271,965	39,847
Charges for services	217,764	217,764	312,441	94,677
Fines and forfeitures	105,000	105,000	88,044	(16,956)
Special assessments	-	-	1,761	1,761
Interest on investments	5,000	5,000	45,460	40,460
Miscellaneous	105,025	105,025	170,085	65,060
Total Revenues	<u>4,203,233</u>	<u>4,203,233</u>	<u>4,505,978</u>	<u>302,745</u>
Expenditures				
Current				
General government	1,123,396	1,123,396	1,103,139	20,257
Public safety				
Police	1,631,820	1,631,820	1,660,174	(28,354)
Building inspection	312,013	312,013	409,365	(97,352)
Fire	424,716	424,716	413,375	11,341
Streets and highways	706,455	706,455	641,714	64,741
Sanitation and recycling	18,146	18,146	12,568	5,578
Culture and recreation	208,097	208,097	279,387	(71,290)
Capital outlay	-	-	15,132	(15,132)
Total Expenditures	<u>4,424,643</u>	<u>4,424,643</u>	<u>4,534,854</u>	<u>(110,211)</u>
Deficiency of Revenues				
Under Expenditures	<u>(221,410)</u>	<u>(221,410)</u>	<u>(28,876)</u>	<u>192,534</u>
Other Financing Sources (Uses)				
Sale of capital assets	300	300	-	(300)
Transfers in	223,110	223,110	208,110	(15,000)
Transfers out	(2,000)	(2,000)	(53,362)	(51,362)
Total Other Financing Sources (Uses)	<u>221,410</u>	<u>221,410</u>	<u>154,748</u>	<u>(66,662)</u>
Net Change in Fund Balances	-	-	125,872	125,872
Fund Balances, January 1	<u>3,136,438</u>	<u>3,136,438</u>	<u>3,136,438</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 3,136,438</u>	<u>\$ 3,136,438</u>	<u>\$ 3,262,310</u>	<u>\$ 125,872</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, 2018

	Business-type Activities - Enterprise funds			
	601 Water	602 Sewer	Nonmajor	Totals
			603 Storm Water	
Assets				
Current Assets				
Cash and temporary investments	\$ 2,520,309	\$ 1,658,824	\$ 368,391	\$ 4,547,524
Receivables				
Accounts	40,588	72,087	4,024	116,699
Special assessments	15,049	15,049	3,251	33,349
Due from other governments	2,313	-	65	2,378
Prepaid items	1,422	33,231	338	34,991
Total Current Assets	<u>2,579,681</u>	<u>1,779,191</u>	<u>376,069</u>	<u>4,734,941</u>
Noncurrent Assets				
Capital assets				
Land	7,393	49,000	-	56,393
Infrastructure	5,544,534	2,181,539	47,811	7,773,884
Buildings	8,216,454	192,000	-	8,408,454
Improvements	334,328	-	1,087,315	1,421,643
Machinery and equipment	1,164,212	2,921,472	44,174	4,129,858
Construction in progress	-	-	2,027	2,027
Less accumulated depreciation	(6,497,595)	(3,146,154)	(233,748)	(9,877,497)
Total Noncurrent Assets	<u>8,769,326</u>	<u>2,197,857</u>	<u>947,579</u>	<u>11,914,762</u>
Total Assets	<u>11,349,007</u>	<u>3,977,048</u>	<u>1,323,648</u>	<u>16,649,703</u>
Deferred Outflows of Resources				
Deferred pension resources	<u>19,277</u>	<u>15,633</u>	<u>7,473</u>	<u>42,383</u>

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, 2018

Business-type Activities - Enterprise funds

	601	602	603	
	Water	Sewer	Storm Water	Totals
Liabilities				
Current Liabilities				
Accounts payable	\$ 15,683	\$ 3,823	\$ 7,112	\$ 26,618
Accrued interest payable	12,464	-	-	12,464
Salaries payable	2,651	2,159	1,004	5,814
Due to other governments	1,442	-	-	1,442
Compensated absences payable - current	6,326	5,184	2,793	14,303
Bonds payable - current	565,000	-	-	565,000
Total Current Liabilities	<u>603,566</u>	<u>11,166</u>	<u>10,909</u>	<u>625,641</u>
Noncurrent Liabilities				
Other postemployment benefits payable	5,505	4,165	2,138	11,808
Compensated absences payable	22,785	19,488	9,244	51,517
Pension liability	94,585	76,708	36,662	207,955
Bonds payable	1,206,219	-	-	1,206,219
Total Noncurrent Liabilities	<u>1,329,094</u>	<u>100,361</u>	<u>48,044</u>	<u>1,477,499</u>
Total Liabilities	<u>1,932,660</u>	<u>111,527</u>	<u>58,953</u>	<u>2,103,140</u>
Deferred Inflows of Resources				
Deferred pension resources	25,016	20,289	9,697	55,002
Deferred other post employment benefits	333	252	129	714
Total Deferred Inflows of Resources	<u>25,349</u>	<u>20,541</u>	<u>9,826</u>	<u>55,716</u>
Net Position				
Net investment in capital assets	6,998,107	2,197,857	947,579	10,143,543
Unrestricted	2,412,168	1,662,756	314,763	4,389,687
Total Net Position	<u>\$ 9,410,275</u>	<u>\$ 3,860,613</u>	<u>\$ 1,262,342</u>	<u>\$ 14,533,230</u>

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, 2018

	Business-type Activities - Enterprise funds			
	601 Water	602 Sewer	Nonmajor	Totals
			603 Storm Water	
Operating Revenues				
Charges for services	\$ 1,108,695	\$ 757,921	\$ 238,542	\$ 2,105,158
Operating Expenses				
Wages and salaries	164,845	132,228	62,319	359,392
Materials and supplies	110,070	5,401	1,132	116,603
Professional services	58,807	22,413	54,966	136,186
Repairs and maintenance	189,981	226,254	338	416,573
Insurance	6,590	4,770	415	11,775
Utilities	95,219	9,492	-	104,711
Depreciation	341,454	92,106	61,174	494,734
Sewer treatment charges	-	395,560	-	395,560
Total Operating Expenses	966,966	888,224	180,344	2,035,534
Operating Income (Loss)	141,729	(130,303)	58,198	69,624
Nonoperating Revenues (Expenses)				
Interest on investments	23,473	20,840	4,503	48,816
Miscellaneous income	722	585	279	1,586
Interest and service charges	(16,658)	-	-	(16,658)
Total Nonoperating Revenues (Expenses)	7,537	21,425	4,782	33,744
Income (Loss) Before Contributions and Transfers	149,266	(108,878)	62,980	103,368
Capital Contributions from Other Funds	132,082	-	-	132,082
Capital Contributions	11,555	-	-	11,555
Transfers In	354,028	-	-	354,028
Transfers Out	(120,636)	(125,438)	(287,394)	(533,468)
Change in Net Position	526,295	(234,316)	(224,414)	67,565
Net Position - January 1 as Restated (Note 7)	8,883,980	4,094,929	1,486,756	14,465,665
Net Position, December 31	\$ 9,410,275	\$ 3,860,613	\$ 1,262,342	\$ 14,533,230

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, 2018

	Business-type Activities - Enterprise funds			Totals
	601 Water	602 Sewer	Nonmajor 603 Storm Water	
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 1,096,404	\$ 746,231	\$ 240,265	\$ 2,082,900
Payments to suppliers	(451,419)	(664,673)	(52,090)	(1,168,182)
Payments to employees	(168,228)	(134,610)	(64,678)	(367,516)
Net Cash Provided (Used) by Operating Activities	476,757	(53,052)	123,497	547,202
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	354,028	-	-	354,028
Transfers to other funds	(120,636)	(125,438)	(287,394)	(533,468)
Net Cash Provided (Used) by Noncapital Financing Activities	233,392	(125,438)	(287,394)	(179,440)
Cash Flows from Capital and Related Financing Activities				
Acquisition of capital assets	-	-	(2,027)	(2,027)
Connection fees received	11,555	-	-	11,555
Principal paid on bonds	(550,000)	-	-	(550,000)
Interest paid on bonds	(35,855)	-	-	(35,855)
Net Cash Provided (Used) by Capital and Related Financing Activities	(574,300)	-	(2,027)	(576,327)
Cash Flows from Investing Activities				
Interest received on investments	23,475	20,839	4,503	48,817
Net Increase (Decrease) in Cash and Cash Equivalents	159,324	(157,651)	(161,421)	(159,748)
Cash and Cash Equivalents, January 1	2,360,985	1,816,475	529,812	4,707,272
Cash and Cash Equivalents, December 31	<u>\$ 2,520,309</u>	<u>\$ 1,658,824</u>	<u>\$ 368,391</u>	<u>\$ 4,547,524</u>

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, 2018

	Business-type Activities - Enterprise funds			Totals
	601 Water	602 Sewer	Nonmajor 603 Storm Water	
Reconciliation of Operating Income to Net				
Cash Provided (Used) by Operating Activities				
Operating income	\$ 141,729	\$ (130,303)	\$ 58,198	\$ 69,624
Adjustments to reconcile operating income to net cash provided by operating activities				
Other items related to operations	722	585	279	1,586
Depreciation	341,454	92,106	61,174	494,734
(Increase) decrease in assets and deferred outflows				
Accounts receivable	(10,277)	(9,835)	(444)	(20,556)
Due from other governments	126	422	(354)	194
Special assessments receivable	(2,862)	(2,862)	2,242	(3,482)
Prepaid items	-	439	-	439
Pension resources	9,567	7,759	3,966	21,292
Increase (decrease) in liabilities and deferred inflows				
Accounts payable	7,806	(1,222)	4,761	11,345
Due to other governments	1,442	-	-	1,442
Salaries payable	183	162	19	364
Compensated absences payable	2,005	1,910	829	4,744
Pension liability	2,408	1,168	(2,021)	1,555
Pension resources	(1,915)	(1,552)	(983)	(4,450)
Other postemployment benefits payable	(15,631)	(11,829)	(4,169)	(31,629)
Net Cash Provided (Used) by Operating Activities	<u>\$ 476,757</u>	<u>\$ (53,052)</u>	<u>\$ 123,497</u>	<u>\$ 547,202</u>
Schedule of Noncash				
Capital Financing Activities				
Contribution of assets from other funds	<u>\$ 132,082</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 132,082</u>
Amortization of bond premium	<u>\$ 15,385</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,385</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, 2018

	Agency
	810
	Escrow
Assets	
Cash and temporary investments	\$ 942,815
Accounts receivable	76,286
Total Assets	<u><u>\$ 1,019,101</u></u>
Liabilities	
Accounts payable	<u><u>\$ 1,019,101</u></u>

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

City of Medina, Minnesota
Notes to the Financial Statements
December 31, 2018

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 *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.

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.

City of Medina, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

The City has the following recurring fair value measurements as of December 31, 2018:

- U.S. Government Agency securities of \$2,919,075 are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposit of \$10,750,725 are valued 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 contacting RBC Global Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

At December 31, 2018, 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 2018. 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 two items which qualify for reporting in this category. Accordingly, the items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position. These items result from actuarial calculations and current year pension contributions and OPEB contributions made subsequent to the measurement dates.

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 75, at January 1, 2018. 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.

Note 1: Summary of Significant Accounting Policies (Continued)

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.

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.

The total pension expense for the pension plans with the City is \$68,792.

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.

Furthermore, the City has additional items which qualify for reporting in this category on the statement of net position. The items, deferred pension resources and deferred other postemployment benefit resources, are reported only in the statement of net position and results from actuarial calculations involving net differences between projected and actual earnings on plan investments and changes in proportions.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

Fund Balance

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

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

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

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

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

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

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

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain an unrestricted fund balance in the General fund of the greater of (1) 50 percent of the next year's General fund property tax levy, or (2) a minimum of five months of the next year's budgeted expenditures of the General fund.

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.

City of Medina, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 2: Stewardship, Compliance and Accountability (Continued)

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2018, expenditures exceeded appropriations in the following fund:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess of Expenditures Over Appropriations</u>
General	<u>\$ 4,426,643</u>	<u>\$ 4,534,854</u>	<u>\$ 108,211</u>

The excess expenditures were funded with greater than anticipated revenues.

C. Deficit Fund Equity

The following funds had deficit fund balances at December 31, 2018:

<u>Fund</u>	<u>Amount</u>
Nonmajor	
Cable franchise	\$ 32,638
Tax increment 1-9	172,841

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

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.

City of Medina, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

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, 2018 the City's carrying amount of deposits was \$1,070,465 and the bank balance was \$1,298,085. 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.

Investments

As of December 31, 2018, 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	Level 3
Pooled Investments						
Broker money market	N/A	less than 6 months	\$ 169,334	\$ -	\$ -	\$ -
4M Money Market Fund	N/A	less than 6 months	3,662,464	-	-	-
Mutual Fund	N/A	less than 6 months	170,623	-	-	-
Non-pooled Investments						
U.S. Government Agencies	AAA	1 year to 3 years	997,635	997,635	-	-
U.S. Government Agencies	AAA	more than 3 years	1,921,440	1,921,440	-	-
Brokered Certificates of Deposit	N/A	less than 6 months	1,724,934	-	1,724,934	-
Brokered Certificates of Deposit	N/A	6 months to 1 year	2,459,752	-	2,459,752	-
Brokered Certificates of Deposit	N/A	1 year to 3 years	4,648,416	-	4,648,416	-
Brokered Certificates of Deposit	N/A	more than 3 years	1,917,623	-	1,917,623	-
Total Investments			\$ 17,672,222	\$ 2,919,075	\$ 10,750,725	\$ -

(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, 2018

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	\$ 1,070,465
Investments	17,672,222
Cash on Hand	<u>300</u>
Total	<u><u>\$ 18,742,987</u></u>
Cash and temporary investments	
Government-wide	\$ 17,800,172
Fiduciary - Agency	<u>942,815</u>
Total	<u><u>\$ 18,742,987</u></u>

City of Medina, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

B. Capital Assets

Capital asset activity for the year ended December 31, 2018 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated				
Land	\$ 786,779	\$ 27,000	\$ -	\$ 813,779
Construction in progress	978,878	1,038,830	(1,086,535)	931,173
Total Capital Assets, not Being Depreciated	<u>1,765,657</u>	<u>1,065,830</u>	<u>(1,086,535)</u>	<u>1,744,952</u>
Capital Assets Being Depreciated				
Infrastructure	17,342,028	1,018,995	-	18,361,023
Buildings	9,500,690	-	-	9,500,690
Improvements	2,493,342	245,664	-	2,739,006
Machinery and equipment	2,389,902	302,977	(102,191)	2,590,688
Total Capital Assets Being Depreciated	<u>31,725,962</u>	<u>1,567,636</u>	<u>(102,191)</u>	<u>33,191,407</u>
Less Accumulated Depreciation for				
Infrastructure	(5,073,881)	(623,357)	-	(5,697,238)
Buildings	(1,501,050)	(250,333)	-	(1,751,383)
Improvements	(568,422)	(141,571)	-	(709,993)
Machinery and equipment	(1,577,126)	(209,077)	97,515	(1,688,688)
Total Accumulated Depreciation	<u>(8,720,479)</u>	<u>(1,224,338)</u>	<u>97,515</u>	<u>(9,847,302)</u>
Total Capital Assets, Being Depreciated, Net	<u>23,005,483</u>	<u>343,298</u>	<u>(4,676)</u>	<u>23,344,105</u>
Governmental Activities Capital Assets, Net	<u><u>\$ 24,771,140</u></u>	<u><u>\$ 1,409,128</u></u>	<u><u>\$ (1,091,211)</u></u>	<u><u>\$ 25,089,057</u></u>

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

Governmental Activities	
General government	\$ 29,333
Public safety	65,987
Streets and highways	956,880
Culture and recreation	159,776
Economic development	12,362
Total Depreciation Expense - Governmental Activities	<u><u>\$ 1,224,338</u></u>

City of Medina, Minnesota
Notes to the Financial Statements
December 31, 2018

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	349,903	2,027	(349,903)	2,027
Total Capital Assets not Being Depreciated	406,296	2,027	(349,903)	58,420
Capital Assets Being Depreciated				
Infrastructure	7,626,228	147,656	-	7,773,884
Buildings	8,408,454	-	-	8,408,454
Improvements	1,087,315	334,328	-	1,421,643
Machinery and equipment	4,129,858	-	-	4,129,858
Total Capital Assets Being Depreciated	21,251,855	481,984	-	21,733,839
Less Accumulated Depreciation for				
Infrastructure	(2,847,841)	(151,654)	-	(2,999,495)
Buildings	(3,365,230)	(195,711)	-	(3,560,941)
Improvements	(136,066)	(70,870)	-	(206,936)
Machinery and equipment	(3,033,626)	(76,499)	-	(3,110,125)
Total Accumulated Depreciation	(9,382,763)	(494,734)	-	(9,877,497)
Total Capital Assets Being Depreciated, Net	11,869,092	(12,750)	-	11,856,342
Business-type Activities Capital Assets, Net	<u>\$ 12,275,388</u>	<u>\$ (10,723)</u>	<u>\$ (349,903)</u>	<u>\$ 11,914,762</u>

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

Business-type Activities	
Water	\$ 341,454
Sewer	92,106
Storm Water	61,174
Total Depreciation Expense - Business-type Activities	<u>\$ 494,734</u>

City of Medina, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

C. Interfund Receivables, Payables and Transfers

Interfund Balances

The composition of interfund balances at December 31, 2018 is as follows:

Receivable Fund	Payable Fund	Purpose	Amount
Sewer Capital Improvements Fund	Nonmajor governmental	Cash flow purposes	\$ 174,233
General Fund	Nonmajor governmental	Capital financing	180,000
Total			<u>\$ 354,233</u>

Interfund Transfers

The composition of interfund transfers for the year ended December 31, 2018 is as follows:

Fund	Transfer in					Total
	General	Debt Service	Road Improvements	Nonmajor Governmental	Water	
Transfer Out						
General	\$ -	\$ -	\$ -	\$ 53,362	\$ -	\$ 53,362
Debt Service	-	-	240,700	-	-	240,700
Sewer Capital Improvemen	-	-	-	16,734	-	16,734
Nonmajor governmental		249,100	350,348	25,590	354,028	979,066
Water	78,130	42,506	-	-	-	120,636
Sewer	73,486	51,952	-	-	-	125,438
Storm Water	56,494	-	230,900	-	-	287,394
Total	<u>\$ 208,110</u>	<u>\$ 343,558</u>	<u>\$ 821,948</u>	<u>\$ 95,686</u>	<u>\$ 354,028</u>	<u>\$ 1,823,330</u>

During the year, transfers are used to 1) move revenues from the fund with collection authorization to the Debt Service fund as debt service principal and interest payments become due and 2) move General fund resources to provide an annual subsidy to the transit fund. The City made the following one-time transfers for the year ended December 31, 2018:

- The non-major governmental fund transferred \$249,100 to close the fund to the Debt Service funds for future debt service. The non-major governmental fund also transferred \$42,506 to the Water fund and \$51,952 to the Sewer fund to re-allocate funding received from MSA outlined in project summaries.
- Debt Service funds and the Storm Water fund transferred \$240,700 and \$230,900, respectively to the Road Improvements fund during the year to cover costs related to road improvement projects.
- The Sewer Capital fund transferred \$16,734 to nonmajor governmental funds to close the Trunk Highway 55 fund.
- The Water fund (\$78,130), Sewer fund (\$73,486) and the Storm Water fund (\$56,494) transferred money to the General fund for operating costs.
- The General fund and the Environmental fund made budgeted transfers of \$53,362 and \$25,590 to nonmajor governmental funds during the year for park improvements.

City of Medina, Minnesota
Notes to the Financial Statements
December 31, 2018

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	\$ 20,000
G.O. Improvement Bonds, Series 2011B	870,000	0.75 - 4.00	07/12/11	02/01/22	385,000
G.O. Improvement Bonds, Series 2010A	315,000	1.50 - 3.85	07/07/10	02/01/21	85,000
G.O. Improvement Bonds, Series 2012A	6,100,000	1.50 - 2.75	11/07/12	02/01/34	5,410,000
G.O. Crossover Refunding Bonds, Series 2013A	1,170,000	1.75 - 2.00	04/25/13	02/01/23	760,000
G.O. Improvement Bonds, Series 2015A	1,765,000	2.00 - 3.00	06/24/15	02/01/31	1,520,000
G.O. Refunding Bond Series 2016A	1,220,000	2.00	08/11/16	02/01/24	1,055,000
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>\$ 10,445,000</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
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	735,000	157,591	892,591
2024 - 2028	3,165,000	582,966	3,747,966
2029 - 2033	2,835,000	227,519	3,062,519
2034	465,000	6,393	471,393
Total	<u><u>\$ 10,445,000</u></u>	<u><u>\$ 1,768,645</u></u>	<u><u>\$ 12,213,645</u></u>

City of Medina, Minnesota
Notes to the Financial Statements
December 31, 2018

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>\$ 255,000</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
2019	\$ 80,000	\$ 3,225	\$ 83,225
2020	85,000	1,988	86,988
2021	90,000	675	90,675
Total	<u>\$ 255,000</u>	<u>\$ 5,888</u>	<u>\$ 260,888</u>

G.O. Revenue Bonds

The following bonds were issued to finance capital improvements, and finance acquisition and construction of capital facilities. They will be repaid from future net revenues pledged from the Water fund and are backed by the taxing power of the City. Annual principal and interest payments on the bonds are expected to require over 50 percent of net revenues from the Water fund. For 2018, principal and interest paid and total customer net revenues for the Water fund were \$585,855 and 1,108,695 , 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	\$ 755,000
G.O. Water Revenue Crossover Refunding Bonds, Series 2013A	1,520,000	1.75 - 2.00	04/25/13	02/01/23	<u>980,000</u>
Total G.O. Revenue Bonds					<u>\$ 1,735,000</u>

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

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
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	205,000	1,792	206,792
Total	<u>\$ 1,735,000</u>	<u>\$ 57,106</u>	<u>\$ 1,792,106</u>

City of Medina, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
General obligation					
improvement bonds	\$ 11,185,000	\$ -	\$ (740,000)	\$ 10,445,000	\$ 740,000
General obligation tax					
increment bonds	340,000	-	(85,000)	255,000	80,000
Unamortized premium on bonds	170,064	-	(20,271)	149,793	-
Total Bonds Payable	11,695,064	-	(845,271)	10,849,793	820,000
Compensated Absences					
Payable	337,197	247,259	(248,673)	335,783	98,586
Pension Liability					
GERF	855,067	2,629	(94,824)	762,872	-
PEPFF	1,066,595	-	(223,469)	843,126	-
Other Postemployment					
Benefits Payable	81,142	8,883	(4,991)	85,034	-
 Governmental Activities					
Long-term Liabilities	<u>\$ 14,035,065</u>	<u>\$ 258,771</u>	<u>\$ (1,417,228)</u>	<u>\$ 12,876,608</u>	<u>\$ 918,586</u>
 Business-type Activities					
Bonds Payable					
General obligations					
revenue bonds	\$ 2,285,000	\$ -	\$ (550,000)	\$ 1,735,000	\$ 565,000
Unamortized premium on bonds	51,604	-	(15,385)	36,219	-
Total Bonds Payable	2,336,604	-	(565,385)	1,771,219	565,000
Compensated Absences					
Payable	61,076	32,382	(27,638)	65,820	14,303
Pension Liability					
GERF	236,585	27	(28,657)	207,955	-
Other Postemployment					
Benefits Payable	13,966	1,234	(3,392)	11,808	-
 Business-type Activities					
Long-term Liabilities	<u>\$ 2,648,231</u>	<u>\$ 33,643</u>	<u>\$ (625,072)</u>	<u>\$ 2,056,802</u>	<u>\$ 579,303</u>

City of Medina, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 3: Detailed Notes on All Funds (Continued)

E. Components of Fund Balance

At December 31, 2018, 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	Sewer Capital Improvements	Road Improvement	Other Governmental Funds	Total
Nonspendable							
Prepaid items	\$ 77,089	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 77,089
Due from other funds	180,000	-	-	-	-	-	180,000
Total Nonspendable	\$ 257,089	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 257,089
Restricted for							
Park improvements	\$ -	\$ -	\$ 1,212,652	\$ -	\$ -	\$ -	\$ 1,212,652
Debt service	-	1,457,144	-	-	-	-	1,457,144
Police expenditures	-	-	-	-	-	150,807	150,807
Total Restricted	\$ -	\$ 1,457,144	\$ 1,212,652	\$ -	\$ -	\$ 150,807	\$ 2,820,603
Committed to							
Park improvements	\$ -	\$ -	\$ 318,381	\$ -	\$ -	\$ 141,204	\$ 459,585
Police expenditures	-	-	-	-	-	51,449	51,449
Field house	-	-	-	-	-	10,356	10,356
German liberal cemetery	-	-	-	-	-	150,705	150,705
Environmental	-	-	-	-	-	393,947	393,947
Total Committed	\$ -	\$ -	\$ 318,381	\$ -	\$ -	\$ 750,116	\$ 1,068,497
Assigned to							
Capital improvements	\$ -	\$ -	\$ -	\$ 2,868,180	\$ 1,069,868	\$ 1,239,558	\$ 5,177,606
Future benefits	105,000	-	-	-	-	-	105,000
Equipment replacement	-	-	-	-	-	260,750	260,750
Total Assigned	\$ 105,000	\$ -	\$ -	\$ 2,868,180	\$ 1,069,868	\$ 1,500,308	\$ 5,543,356

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 the Coordinated Plan. Coordinated Plan members are covered by Social Security.

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. 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 Plan members. Members hired prior to July 1, 1989 receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for average salary for all years 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.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90 percent funded for two consecutive years, benefit recipients are given a 2.5 percent increase. If the plan has not exceeded 90 percent funded, or have fallen below 80 percent, benefit recipients are given a one percent increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

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. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

City of Medina, Minnesota
Notes to the Financial Statements
December 31, 2018

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

Benefit increases are provided to benefit recipients each January. Police and Fire Plan benefit recipients receive a future annual 1.0 percent increase. An annual adjustment will equal 2.5 percent any time the plan exceeds a 90 percent funded ratio for two consecutive years. If the adjustment is increased to 2.5 percent and the funded ratio falls below 80 percent for one year or 85 percent for two consecutive years, the post-retirement benefit increase will be lowered to one percent. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase. For retirements after May 31, 2014, the first increase will be delayed two years.

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

Plan members were required to contribute 6.50 percent of their annual covered salary and the City was required to contribute 7.50 percent of pay for Coordinated Plan members in fiscal year 2018. The City's contributions to the GERF for the years ending December 31, 2018, 2017 and 2016 were \$88,679, \$85,109 and \$81,610, respectively. The City's contributions were equal to the required contributions for each year as set by Minnesota statute.

PEPFF Contributions

Plan members were required to contribute 10.80 percent of their annual covered salary and the City was required to contribute 16.20 percent of pay for members in fiscal year 2018. The City's contributions to the PEPFF for the years ending December 31, 2018, 2017 and 2016 were \$139,304, \$133,772 and \$131,872, respectively. The City's contributions were equal to the required contributions for each year as set by Minnesota statute.

D. Pension Costs

GERF Pension Costs

At December 31, 2018, the City reported a liability of \$970,828 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 \$16 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 \$31,891. The net pension liability was measured as of June 30, 2018, 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 proportionate share 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, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportionate share was 0.0175 percent which was an increase of 0.0004 percent from its proportion measured as of June 30, 2017.

City's Proportionate Share of the Net Pension Liability	\$ 970,828
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>31,891</u>
Total	<u>\$ 1,002,719</u>

For the year ended December 31, 2018, the City recognized pension expense of \$46,520 for its proportionate share of GERF's pension expense. In addition, the City \$7,437 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the GERF.

City of Medina, Minnesota
Notes to the Financial Statements
December 31, 2018

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

At December 31, 2018, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 25,642	\$ 31,057
Changes in Actuarial Assumptions	93,068	109,083
Net Difference Between Projected and Actual Earnings on Plan Investments	-	95,549
Changes in Proportion	35,923	21,340
Contributions to GERS Subsequent to the Measurement Date	<u>43,550</u>	<u>-</u>
Total	<u>\$ 198,183</u>	<u>\$ 257,029</u>

Deferred outflows of resources totaling \$43,550 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to GERS pensions will be recognized in pension expense as follows:

2019	\$ 44,461
2020	(56,057)
2021	(70,536)
2022	(20,264)

PEPFF Pension Costs

At December 31, 2018, the City reported a liability of \$843,125 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2018, 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, 2017 through June 30, 2018 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportionate share was 0.0791 percent which was an increase of 0.0001 percent from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the City recognized negative pension expense of \$7,716 for its proportionate share of PEPFF's pension expense. The City also recognized \$7,119 for the year ended December 31, 2018, 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, 2018

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

At December 31, 2018, the City reported its proportionate share of PEPFF's deferred outflows of resources and deferred inflows of resources, and its contributions subsequent to the measurement date, from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 34,198	\$ 212,571
Changes in Actuarial Assumptions	1,086,614	1,241,190
Net Difference Between Projected and Actual Earnings on Plan Investments	-	158,672
Changes in Proportion	1,530	113,235
Contributions to PEPFF Subsequent to the Measurement Date	<u>71,420</u>	<u>-</u>
Total	<u><u>\$ 1,193,762</u></u>	<u><u>\$ 1,725,668</u></u>

Deferred outflows of resources totaling \$71,420 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to GERP pensions will be recognized in pension expense as follows:

2019	\$ 3,926
2020	(89,378)
2021	(155,177)
2022	(360,223)
2023	(2,474)

E. Actuarial Assumptions

The total pension liability in the June 30, 2018 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 after retirement for retirees are assumed to be 1.25 percent per year for GERP and 1.0 percent per year for PEPFF.

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the GERP plan was completed in 2015. The most recent four-year experience study for PEPFF was completed in 2016. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

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

The following changes in actuarial assumptions occurred in 2018:

GERF

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.0 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

PEPFF

- The mortality projection scale was changed from MP-2016 to MP-2017.
- As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger.

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	36.0 %	5.10 %
International Stocks	17.0	5.30
Bonds (Fixed Income)	20.0	0.75
Alternative Assets (Private Markets)	25.0	5.90
Cash	<u>2.0</u>	-
Total	<u><u>100.0 %</u></u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2018 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 were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Medina, Minnesota
Notes to the Financial Statements
December 31, 2018

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

G. Pension Liability Sensitivity

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

	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
GERF	\$ 1,577,720	\$ 970,828	\$ 469,856
PEPFF	1,807,712	843,125	45,451

H. Pension Plan Fiduciary Net Position

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

Note 5: Postemployment Benefits Other Than Pensions

A. Plan Description

The City operates a single-employer retiree benefit plan ("the Plan") that provides health, life and dental insurance to eligible employees and their families through the City's health insurance plan. The full cost of the benefits is covered by the plan. Benefit and eligibility provisions are established through negotiations between the City and various unions representing City employees and are renegotiated each two-year bargaining period. The Plan does not issue a publicly available report. At December 31, 2018, the following 25 employees were covered by the benefit terms.

B. Funding Policy

Contribution requirements are also negotiated between the City and union representatives. The City contributes a predetermined portion of the cost of current-year premiums for eligible retired plan members and their spouses based on the employment contract in effect at the time of retirement. For the year ended December 31, 2018, the City's average contribution rate was 5.10 percent of covered-employee payroll.

C. Actuarial Methods and Assumptions

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

The City's total OPEB liability of \$96,842 was measured as of December 31, 2017, and the total OPEB liability used to calculate the total OPEB liability was determined by an actuarial valuation as of January 1, 2017. Roll forward procedures were used to roll forward the total OPEB liability to the measurement date.

City of Medina, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 5: Postemployment Benefits Other Than Pensions (Continued)

The total OPEB liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	4.09%
20-Year Municipal Bond Yield	4.09%
Inflation Rate	2.75%
Salary Increases	3.50%
Medical Trend Rate	8.50% in 2017 decreasing 0.50% per year to ultimate rate of 5.00%

The discount rate used to measure the total OPEB liability was 4.09 percent. The plan is not funded. Benefit payments are discounted at the 20-year municipal bond rate. The equivalent single rate is the discount rate. Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale.

The actuarial assumptions used in the December 31, 2018 valuation were based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

D. Changes in the Total OPEB Liability

	Total OPEB Liability (a)
Balances at December 31, 2017	<u>\$ 95,108</u>
Changes for the Year:	
Service cost	6,650
Interest	3,467
Changes in assumptions or other inputs	(6,427)
Benefit payments	<u>(1,956)</u>
Net Changes	<u>1,734</u>
Balances at December 31, 2018	<u><u>\$ 96,842</u></u>

In 2018, the following benefit changes occurred:

- Retirement age is now age 55 for Police and Fire, and age 63 for all others
- Average group premium increased for age differences at 4.00% per year
- Marital status coverage at calculation date assumed to continue through retirement
- 55% of future retirees are assumed to elect health coverage at retirement

City of Medina, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 5: Postemployment Benefits Other Than Pensions (Continued)

E. Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (3.09 percent) or 1-percentage-point higher (5.09 percent) than the current discount rate:

<u>1 Percent Decrease (3.09%)</u>	<u>Current (4.09%)</u>	<u>1 Percent Decrease (5.09%)</u>
\$ 87,744	\$ 96,841	\$ 106,903

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a Healthcare Cost Trend Rates that is 1-percentage point lower (8.5 percent decreasing to 7.50 percent) or 1-percentage-point higher (8.5 percent increasing to 9.50 percent) than the current discount rate:

<u>1 Percent Decrease (7.5% Decreasing to -1%)</u>	<u>Healthcare Cost Trend Rates (8.5% Decreasing to %)</u>	<u>1 Percent Increase (9.5% Decreasing to 1%)</u>
\$ 112,412	\$ 96,841	\$ 83,681

F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the City recognized OPEB expense of \$9,548. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in Actuarial Assumptions	<u>\$ -</u>	<u>\$ 5,858</u>

City of Medina, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 5: Postemployment Benefits Other Than Pensions (Continued)

December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31:

2019	\$	569
2020		569
2021		569
2022		569
2023		569
Thereafter		3,013

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.

City of Medina, Minnesota
Notes to the Financial Statements
December 31, 2018

Note 7: Change in Accounting Principle

During fiscal year 2018, the City implemented a new accounting pronouncement issued by the Government Accounting Standards Board (GASB), Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. These standards required a retroactive implementation which resulted in the restatement of beginning balances in the December 31, 2018 financial statements. Changes related to these standards are reflected in the financial statements and schedules and related disclosures are included in Note 1.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2017 balances to the December 31, 2018 financial statements:

Fund	December 31, 2018		
	Net Position January 1, 2018 as Previously Reported	Prior Period Restatement (1)	Net Position January 1, 2018 as Restated
Governmental Activities	<u>\$ 24,089,597</u>	<u>\$ 179,164</u>	<u>\$ 24,268,761</u>
Business-type Activities	<u>\$ 14,435,480</u>	<u>\$ 30,185</u>	<u>\$ 14,465,665</u>
Business-type Activities			
Water	\$ 8,868,985	\$ 14,995	\$ 8,883,980
Sanitary Sewer	4,083,554	11,375	4,094,929
Storm Water	<u>1,482,941</u>	<u>3,815</u>	<u>1,486,756</u>
Total Business-type Activities	<u>\$ 14,435,480</u>	<u>\$ 30,185</u>	<u>\$ 14,465,665</u>

- (1) To record beginning net pension liability, deferred inflows of resources and deferred outflow of resources at December 31, 2017.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MEDINA
MEDINA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

City of Medina, Minnesota
Required Supplemental Information
For the Year Ended December 31, 2018

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
06/30/18	0.0175 %	\$ 970,828	\$ 31,891	\$ 1,002,719	\$ 1,179,495	85.0 %	79.5 %
06/30/17	0.0171	1,091,653	13,726	1,091,653	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)
12/31/18	\$ 88,679	\$ 88,679	\$ -	\$ 1,182,386	7.5 %
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, 2018

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

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

2017 - The State's special funding contribution increased from \$6 million to \$16 million.

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, 2018

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
06/30/18	0.0791 %	\$ 843,125	\$ -	\$ 843,125	\$ 833,645	101.1 %	88.8 %
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)
12/31/18	\$ 139,304	\$ 139,304	\$ -	\$ 859,900	16.2 %
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, 2018

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

Changes in Actuarial Assumptions

2018 - The mortality projection scale was changed from MP-2016 to MP-2017. As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger.

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

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

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

Changes in Plan Provisions

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

City of Medina, Minnesota
Required Supplemental Information (Continued)
For the Year Ended December 31, 2018

Schedule of Changes in the City's Total OPEB Liability

	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 6,650
Interest	3,467
Changes in benefit terms	
Differences between expected and actual experience	
Changes in assumptions	(6,427)
Benefit payments	<u>(1,956)</u>
Net Change in Total OPEB Liability	1,734
 Total OPEB Liability - Beginning	 <u>95,108</u>
 Total OPEB Liability - Ending	 <u><u>\$ 96,842</u></u>
 Covered - Employee Payroll	 \$ 1,900,000
 City's total OPEB liability as a percentage of covered employee payroll	 5.10 %

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

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF MEDINA
MEDINA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2018

City of Medina, Minnesota
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2018

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
Assets			
Cash and temporary investments	\$ 1,062,795	\$ 1,525,880	\$ 2,588,675
Receivables			
Accounts	-	63,630	63,630
Special assessments	-	37,333	37,333
Due from other governments	-	3,747	3,747
Total Assets	<u>\$ 1,062,795</u>	<u>\$ 1,630,590</u>	<u>\$ 2,693,385</u>
Liabilities			
Accounts payable	\$ 5,866	\$ 20,282	\$ 26,148
Due to other funds	180,000	174,233	354,233
Due to other governments	8,644	7,645	16,289
Unearned revenue	-	63,630	63,630
Total Liabilities	<u>194,510</u>	<u>265,790</u>	<u>460,300</u>
Deferred Inflows of Resources			
Unavailable revenue - assessments	-	37,333	37,333
Fund Balances			
Restricted	150,807	-	150,807
Committed	750,116	-	750,116
Assigned	-	1,500,308	1,500,308
Unassigned	(32,638)	(172,841)	(205,479)
Total Fund Balances	<u>868,285</u>	<u>1,327,467</u>	<u>2,195,752</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 1,062,795</u>	<u>\$ 1,630,590</u>	<u>\$ 2,693,385</u>

City of Medina, Minnesota
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balances
For the Year Ended December 31, 2018

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
Revenues			
Taxes			
Property taxes	\$ -	\$ 133,542	\$ 133,542
Tax increments	-	436,528	436,528
Franchise fees	57,688	-	57,688
Charges for services	6,830	410,565	417,395
Fines and forfeitures	33,873	-	33,873
Special assessments	-	10,535	10,535
Interest on investments	11,255	20,723	31,978
Miscellaneous	83,955	6,460	90,415
Total Revenues	<u>193,601</u>	<u>1,018,353</u>	<u>1,211,954</u>
Expenditures			
Current			
Public safety	3,229	-	3,229
Culture and recreation	51,835	-	51,835
Capital outlay			
General government	-	47,427	47,427
Public safety	19,066	232,820	251,886
Streets and highways	-	333,267	333,267
Culture and recreation	31,974	-	31,974
Economic development	-	196,255	196,255
Total Expenditures	<u>106,104</u>	<u>809,769</u>	<u>915,873</u>
Excess of Revenues Over Expenditures	<u>87,497</u>	<u>208,584</u>	<u>296,081</u>
Other Financing Sources (Uses)			
Sale of capital assets	-	43,850	43,850
Transfers in	78,952	16,734	95,686
Transfers out	(25,590)	(953,476)	(979,066)
Total Other Financing Sources (Uses)	<u>53,362</u>	<u>(892,892)</u>	<u>(839,530)</u>
Net Change in Fund Balances	140,859	(684,308)	(543,449)
Fund Balances, January 1	<u>727,426</u>	<u>2,011,775</u>	<u>2,739,201</u>
Fund Balances, December 31	<u><u>\$ 868,285</u></u>	<u><u>\$ 1,327,467</u></u>	<u><u>\$ 2,195,752</u></u>

City of Medina, Minnesota
Nonmajor Special Revenue Funds
Combining Balance Sheet
December 31, 2018

	204	226	227	235
	Environmental	Municipal Park	Field House	Police Forfeiture
Assets				
Cash and temporary investments	<u>\$ 395,067</u>	<u>\$ 141,204</u>	<u>\$ 10,356</u>	<u>\$ 193,214</u>
Liabilities				
Accounts payable	\$ 1,120	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Due to other governments	-	-	-	8,644
Total Liabilities	<u>1,120</u>	<u>-</u>	<u>-</u>	<u>8,644</u>
Fund Balances				
Restricted	-	-	-	150,807
Committed	393,947	141,204	10,356	33,763
Unassigned	-	-	-	-
Total Fund Balances	<u>393,947</u>	<u>141,204</u>	<u>10,356</u>	<u>184,570</u>
 Total Liabilities and Fund Balances	 <u>\$ 395,067</u>	 <u>\$ 141,204</u>	 <u>\$ 10,356</u>	 <u>\$ 193,214</u>

236 Police Reserve Equipment	238 German Liberal Cemetery	240 Community Event	250 Cable Franchise	Total
<u>\$ 17,873</u>	<u>\$ 151,505</u>	<u>\$ 2,455</u>	<u>\$ 151,121</u>	<u>\$ 1,062,795</u>
\$ 187	\$ 800	\$ -	\$ 3,759	\$ 5,866
-	-	-	180,000	180,000
-	-	-	-	8,644
<u>187</u>	<u>800</u>	<u>-</u>	<u>183,759</u>	<u>194,510</u>
-	-	-	-	150,807
17,686	150,705	2,455	-	750,116
-	-	-	(32,638)	(32,638)
<u>17,686</u>	<u>150,705</u>	<u>2,455</u>	<u>(32,638)</u>	<u>868,285</u>
<u>\$ 17,873</u>	<u>\$ 151,505</u>	<u>\$ 2,455</u>	<u>\$ 151,121</u>	<u>\$ 1,062,795</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, 2018

	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	-	-	-	33,873
Interest on investments	4,703	914	130	2,032
Miscellaneous	34,080	33,420	1,660	-
Total Revenues	<u>38,783</u>	<u>34,334</u>	<u>1,790</u>	<u>35,905</u>
Expenditures				
Current				
Public safety	-	-	-	2,391
Culture and recreation	21,241	-	3,077	-
Capital outlay				
Public safety	-	-	-	19,066
Culture and recreation	-	27,255	-	-
Total Expenditures	<u>21,241</u>	<u>27,255</u>	<u>3,077</u>	<u>21,457</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>17,542</u>	<u>7,079</u>	<u>(1,287)</u>	<u>14,448</u>
Other Financing Sources (Uses)				
Transfers in	-	76,952	-	-
Transfers out	(25,590)	-	-	-
Total Other Financing Sources (Uses)	<u>(25,590)</u>	<u>76,952</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(8,048)	84,031	(1,287)	14,448
Fund Balances, January 1	<u>401,995</u>	<u>57,173</u>	<u>11,643</u>	<u>170,122</u>
Fund Balances, December 31	<u><u>\$ 393,947</u></u>	<u><u>\$ 141,204</u></u>	<u><u>\$ 10,356</u></u>	<u><u>\$ 184,570</u></u>

236 Police Reserve Equipment	238 German Liberal Cemetery	240 Community Event	250 Cable Franchise	Total
\$ -	\$ -	\$ -	\$ 57,688	\$ 57,688
-	6,830	-	-	6,830
-	-	-	-	33,873
195	1,694	18	1,569	11,255
3,090	-	11,705	-	83,955
<u>3,285</u>	<u>8,524</u>	<u>11,723</u>	<u>59,257</u>	<u>193,601</u>
838	-	-	-	3,229
-	3,628	10,425	13,464	51,835
-	-	-	-	19,066
-	-	-	4,719	31,974
<u>838</u>	<u>3,628</u>	<u>10,425</u>	<u>18,183</u>	<u>106,104</u>
<u>2,447</u>	<u>4,896</u>	<u>1,298</u>	<u>41,074</u>	<u>87,497</u>
-	-	2,000	-	78,952
-	-	-	-	(25,590)
<u>-</u>	<u>-</u>	<u>2,000</u>	<u>-</u>	<u>53,362</u>
2,447	4,896	3,298	41,074	140,859
<u>15,239</u>	<u>145,809</u>	<u>(843)</u>	<u>(73,712)</u>	<u>727,426</u>
<u>\$ 17,686</u>	<u>\$ 150,705</u>	<u>\$ 2,455</u>	<u>\$ (32,638)</u>	<u>\$ 868,285</u>

City of Medina, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet
December 31, 2018

	401	402	406	407
	General Capital Improvement	Water Capital Improvement	Tax Increment 1-9	Highway 55 Intersections
Assets				
Cash and temporary investments	\$ 130,420	\$ 1,129,420	\$ -	\$ -
Receivables				
Accounts	-	63,630	-	-
Special assessments receivable	-	37,333	-	-
Due from other governments	-	-	2,822	-
Total Assets	<u><u>\$ 130,420</u></u>	<u><u>\$ 1,230,383</u></u>	<u><u>\$ 2,822</u></u>	<u><u>\$ -</u></u>
Liabilities				
Accounts payable	\$ -	\$ 20,282	\$ -	\$ -
Due to other funds	-	-	174,233	-
Due to other governments	-	-	1,430	-
Unearned revenue	-	63,630	-	-
Total Liabilities	<u><u>-</u></u>	<u><u>83,912</u></u>	<u><u>175,663</u></u>	<u><u>-</u></u>
Deferred Inflows of Resources				
Unavailable revenue - assessments	<u>-</u>	<u>37,333</u>	<u>-</u>	<u>-</u>
Fund Balances				
Assigned	130,420	1,109,138	-	-
Unassigned	-	-	(172,841)	-
Total Fund Balances	<u><u>130,420</u></u>	<u><u>1,109,138</u></u>	<u><u>(172,841)</u></u>	<u><u>-</u></u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u><u>\$ 130,420</u></u>	<u><u>\$ 1,230,383</u></u>	<u><u>\$ 2,822</u></u>	<u><u>\$ -</u></u>

410	411	
Deerhill Reserve	Equipment Replacement	Total
\$ -	\$ 266,040	\$ 1,525,880
-	-	63,630
-	-	37,333
-	925	3,747
<u>\$ -</u>	<u>\$ 266,965</u>	<u>\$ 1,630,590</u>
\$ -	\$ -	\$ 20,282
-	-	174,233
-	6,215	7,645
-	-	63,630
<u>-</u>	<u>6,215</u>	<u>265,790</u>
-	-	37,333
-	260,750	1,500,308
-	-	(172,841)
<u>-</u>	<u>260,750</u>	<u>1,327,467</u>
<u>\$ -</u>	<u>\$ 266,965</u>	<u>\$ 1,630,590</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, 2018

	401 General Capital Improvement	402 Water Capital Improvement	406 Tax Increment 1-9	407 Highway 55 Intersections
Revenues				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Tax increments	-	-	436,528	-
Charges for services	-	410,565	-	-
Special assessments	-	10,535	-	-
Interest on investments	1,705	16,215	-	-
Miscellaneous	-	-	-	-
Total Revenues	<u>1,705</u>	<u>437,315</u>	<u>436,528</u>	<u>-</u>
Expenditures				
Capital outlay				
General government	41,839	-	-	-
Public safety	-	-	-	-
Streets and highways	-	312,289	-	76
Economic development	-	-	196,255	-
Total Expenditures	<u>41,839</u>	<u>312,289</u>	<u>196,255</u>	<u>76</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(40,134)</u>	<u>125,026</u>	<u>240,273</u>	<u>(76)</u>
Other Financing Sources (Uses)				
Sale of capital assets	-	-	-	-
Transfers in	-	-	-	16,734
Transfer out	-	(354,028)	(249,100)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(354,028)</u>	<u>(249,100)</u>	<u>16,734</u>
Net Change in Fund Balances	(40,134)	(229,002)	(8,827)	16,658
Fund Balances, January 1	<u>170,554</u>	<u>1,338,140</u>	<u>(164,014)</u>	<u>(16,658)</u>
Fund Balances, December 31	<u>\$ 130,420</u>	<u>\$ 1,109,138</u>	<u>\$ (172,841)</u>	<u>\$ -</u>

410	411	
Deerhill Reserve	Equipment Replacement	Total
\$ -	\$ 133,542	\$ 133,542
-	-	436,528
-	-	410,565
-	-	10,535
-	2,803	20,723
-	6,460	6,460
-	142,805	1,018,353
-	5,588	47,427
-	232,820	232,820
13,545	7,357	333,267
-	-	196,255
13,545	245,765	809,769
(13,545)	(102,960)	208,584
-	43,850	43,850
-	-	16,734
(350,348)	-	(953,476)
(350,348)	43,850	(892,892)
(363,893)	(59,110)	(684,308)
363,893	319,860	2,011,775
\$ -	\$ 260,750	\$ 1,327,467

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, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018				2017
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Taxes					
Property taxes	\$ 3,259,026	\$ 3,259,026	\$ 3,206,239	\$ (52,787)	\$ 3,205,770
Licenses and permits	279,300	279,300	409,983	130,683	414,494
Intergovernmental					
Federal	35,000	35,000	22,701	(12,299)	24,573
State					
Property tax credits	4,000	4,000	4,059	59	4,185
Police state aid	80,000	80,000	88,354	8,354	85,100
Fire state aid	35,000	35,000	45,332	10,332	47,089
PERA aid	1,773	1,773	1,773	-	1,773
Other grants and aids	63,345	63,345	93,592	30,247	76,867
County					
Other grants and aids	13,000	13,000	16,154	3,154	16,845
Total intergovernmental	232,118	232,118	271,965	39,847	256,432
Charges for services					
General government	21,500	21,500	19,617	(1,883)	28,938
Public safety	167,064	167,064	248,948	81,884	253,390
Public works	4,200	4,200	4,593	393	4,791
Culture and recreation	25,000	25,000	39,283	14,283	37,198
Total charges for services	217,764	217,764	312,441	94,677	324,317
Fines and forfeitures	105,000	105,000	88,044	(16,956)	96,050
Special assessments	-	-	1,761	1,761	12,545
Interest on investments	5,000	5,000	45,460	40,460	30,493
Miscellaneous					
Contributions and donations	31,000	31,000	30,250	(750)	51,100
Other	74,025	74,025	139,835	65,810	100,960
Total miscellaneous	105,025	105,025	170,085	65,060	152,060
Total Revenues	4,203,233	4,203,233	4,505,978	302,745	4,492,161

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, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018				2017
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures					
Current					
General government					
Mayor and council					
Personal services	\$ 19,694	\$ 19,694	\$ 17,494	\$ 2,200	\$ 17,544
Other services and charges	7,550	7,550	7,780	(230)	7,779
Total mayor and council	27,244	27,244	25,274	1,970	25,323
Administration					
Personal services	493,765	493,765	485,876	7,889	459,656
Supplies	4,100	4,100	4,043	57	4,902
Other services and charges	104,606	104,606	109,417	(4,811)	104,402
Total administration	602,471	602,471	599,336	3,135	568,960
Elections					
Personal services	6,000	6,000	10,039	(4,039)	-
Supplies	800	800	939	(139)	137
Other services and charges	3,950	3,950	4,257	(307)	1,364
Total elections	10,750	10,750	15,235	(4,485)	1,501
Assessing					
Supplies	250	250	-	250	-
Other services and charges	90,243	90,243	91,229	(986)	90,514
Total assessing	90,493	90,493	91,229	(736)	90,514
Planning and zoning					
Personal services	138,099	138,099	131,486	6,613	139,505
Supplies	300	300	249	51	1,995
Other services and charges	63,441	63,441	38,156	25,285	50,450
Total planning and zoning	201,840	201,840	169,891	31,949	191,950
PW/PD facility					
Supplies	-	-	690	(690)	834
Other services and charges	69,915	69,915	80,843	(10,928)	68,685
Total PW/PD facility	69,915	69,915	81,533	(11,618)	69,519

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, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018			2017	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
General government (continued)					
Other general government					
Supplies	\$ 18,500	\$ 18,500	\$ 21,680	\$ (3,180)	\$ 12,272
Other services and charges	102,183	102,183	98,961	3,222	100,741
Total other general government	120,683	120,683	120,641	42	113,013
Total general government	1,123,396	1,123,396	1,103,139	20,257	1,060,780
Public safety					
Police					
Personal services	1,396,520	1,396,520	1,446,047	(49,527)	1,324,423
Supplies	60,150	60,150	58,506	1,644	47,525
Other services and charges	175,150	175,150	155,621	19,529	166,588
Total police	1,631,820	1,631,820	1,660,174	(28,354)	1,538,536
Building inspection					
Personal services	173,262	173,262	147,638	25,624	129,323
Supplies	-	-	606	(606)	381
Other services and charges	138,751	138,751	261,121	(122,370)	111,133
Total building inspection	312,013	312,013	409,365	(97,352)	240,837
Fire					
Other services and charges	424,716	424,716	413,375	11,341	426,262
Total public safety	2,368,549	2,368,549	2,482,914	(114,365)	2,205,635
Streets and highways					
Streets					
Personal services	290,325	290,325	296,210	(5,885)	276,749
Supplies	210,080	210,080	216,163	(6,083)	197,276
Other services and charges	206,050	206,050	129,341	76,709	144,293
Total streets and highways	706,455	706,455	641,714	64,741	618,318
Sanitation and recycling					
Personal services	10,696	10,696	10,558	138	10,030
Supplies	3,000	3,000	580	2,420	1,000
Other services and charges	4,450	4,450	1,430	3,020	2,486
Total sanitation and recycling	18,146	18,146	12,568	5,578	13,516

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, 2018
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

	2018				2017
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
Expenditures (Continued)					
Current (continued)					
Culture and recreation					
Personal services	\$ 83,122	\$ 83,122	\$ 126,349	\$ (43,227)	\$ 95,957
Supplies	28,920	28,920	47,044	(18,124)	10,290
Other services and charges	96,055	96,055	105,994	(9,939)	91,370
Total culture and recreation	<u>208,097</u>	<u>208,097</u>	<u>279,387</u>	<u>(71,290)</u>	<u>197,617</u>
Total current	4,424,643	4,424,643	4,519,722	(95,079)	4,095,866
Capital outlay					
Culture and recreation	<u>-</u>	<u>-</u>	<u>15,132</u>	<u>(15,132)</u>	<u>-</u>
Total Expenditures	<u>4,424,643</u>	<u>4,424,643</u>	<u>4,534,854</u>	<u>(110,211)</u>	<u>4,095,866</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(221,410)</u>	<u>(221,410)</u>	<u>(28,876)</u>	<u>192,534</u>	<u>396,295</u>
Other Financing Sources (Uses)					
Sale of capital assets	300	300	-	(300)	-
Transfers in	223,110	223,110	208,110	(15,000)	217,049
Transfers out	<u>(2,000)</u>	<u>(2,000)</u>	<u>(53,362)</u>	<u>(51,362)</u>	<u>(2,000)</u>
Total Other Financing Sources (Uses)	<u>221,410</u>	<u>221,410</u>	<u>154,748</u>	<u>(66,662)</u>	<u>215,049</u>
Net Change in Fund Balances	-	-	125,872	125,872	611,344
Fund Balances, January 1	<u>3,136,438</u>	<u>3,136,438</u>	<u>3,136,438</u>	<u>-</u>	<u>2,525,094</u>
Fund Balances, December 31	<u>\$ 3,136,438</u>	<u>\$ 3,136,438</u>	<u>\$ 3,262,310</u>	<u>\$ 125,872</u>	<u>\$ 3,136,438</u>

City of Medina, Minnesota
Debt Service Funds
Combining Balance Sheet
December 31, 2018

	312 G.O. Improvement Bonds 2010A	313 Hunter South Improvement Bonds 2011A	316 Hunter North Improvement Bonds 2011B	319 G.O. Capital Improvement Bonds 2012A
Assets				
Cash and temporary investments	\$ 36,832	\$ 21,290	\$ 229,774	\$ 419,984
Receivables				
Taxes	640	299	1,234	5,995
Special assessments	5,024	-	994	-
Due from other governments	203	96	353	1,678
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u><u>\$ 42,699</u></u>	<u><u>\$ 21,685</u></u>	<u><u>\$ 232,355</u></u>	<u><u>\$ 427,657</u></u>
Deferred Inflows of Resources				
Unavailable revenue - taxes	\$ 640	\$ 299	\$ 1,234	\$ 5,995
Unavailable revenue - special assessments	5,024	-	994	-
Total Deferred Inflows of Resources	<u>5,664</u>	<u>299</u>	<u>2,228</u>	<u>5,995</u>
Fund Balances				
Restricted for debt service	<u>37,035</u>	<u>21,386</u>	<u>230,127</u>	<u>421,662</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources and Fund Balances	<u><u>\$ 42,699</u></u>	<u><u>\$ 21,685</u></u>	<u><u>\$ 232,355</u></u>	<u><u>\$ 427,657</u></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
\$ 14,422	\$ 205,056	\$ 304,637	\$ 40,787	\$ 180,490	\$ 1,453,272
-	3,629	1,971	-	-	13,768
23,314	-	641,614	41,898	1,032,927	1,745,771
15	921	481	125	-	3,872
<u>\$ 37,751</u>	<u>\$ 209,606</u>	<u>\$ 948,703</u>	<u>\$ 82,810</u>	<u>\$ 1,213,417</u>	<u>\$ 3,216,683</u>
\$ -	\$ 3,629	\$ 1,971	\$ -	\$ -	\$ 13,768
23,314	-	641,614	41,898	1,032,927	1,745,771
23,314	3,629	643,585	41,898	1,032,927	1,759,539
14,437	205,977	305,118	40,912	180,490	1,457,144
<u>\$ 37,751</u>	<u>\$ 209,606</u>	<u>\$ 948,703</u>	<u>\$ 82,810</u>	<u>\$ 1,213,417</u>	<u>\$ 3,216,683</u>

City of Medina, Minnesota
Debt Service Funds
Combining Schedule of Revenues, Expenditures and
Changes in Fund Balances
For the Year Ended December 31, 2018

	312 G.O. Improvement Bonds 2010A	313 Hunter South Improvement Bonds 2011A	316 Hunter North Improvement Bonds 2011B	319 G.O. Capital Improvement Bonds 2012A	320 G.O. Refunding Bonds 2012B
Revenues					
Taxes	\$ 29,166	\$ 13,845	\$ 57,352	\$ 240,825	\$ -
Special assessments	-	789	3,899	-	9,197
Interest on investments	229	144	2,266	2,909	-
Total Revenues	<u>29,395</u>	<u>14,778</u>	<u>63,517</u>	<u>243,734</u>	<u>9,197</u>
Expenditures					
Debt service					
Principal	35,000	20,000	85,000	175,000	85,000
Interest and other charges	3,754	1,360	15,959	117,616	5,154
Total Expenditures	<u>38,754</u>	<u>21,360</u>	<u>100,959</u>	<u>292,616</u>	<u>90,154</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(9,359)</u>	<u>(6,582)</u>	<u>(37,442)</u>	<u>(48,882)</u>	<u>(80,957)</u>
Other Financing Sources (Uses)					
Transfer in	-	-	-	60,978	75,000
Transfer out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,978</u>	<u>75,000</u>
Net Change in Fund Balances	(9,359)	(6,582)	(37,442)	12,096	(5,957)
Fund Balances, January 1	<u>46,394</u>	<u>27,968</u>	<u>267,569</u>	<u>409,566</u>	<u>20,394</u>
Fund Balances, December 31	<u>\$ 37,035</u>	<u>\$ 21,386</u>	<u>\$ 230,127</u>	<u>\$ 421,662</u>	<u>\$ 14,437</u>

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
\$ 132,075	\$ 60,987	\$ -	\$ -	\$ 534,250
-	88,304	10,819	62,849	175,857
1,162	-	-	1,700	8,410
<u>133,237</u>	<u>149,291</u>	<u>10,819</u>	<u>64,549</u>	<u>718,517</u>
140,000	120,000	165,000	-	825,000
16,503	44,236	23,652	23,012	251,246
<u>156,503</u>	<u>164,236</u>	<u>188,652</u>	<u>23,012</u>	<u>1,076,246</u>
(23,266)	(14,945)	(177,833)	41,537	(357,729)
33,480	-	174,100	-	343,558
-	(240,700)	-	-	(240,700)
<u>33,480</u>	<u>(240,700)</u>	<u>174,100</u>	<u>-</u>	<u>102,858</u>
10,214	(255,645)	(3,733)	41,537	(254,871)
<u>195,763</u>	<u>560,763</u>	<u>44,645</u>	<u>138,953</u>	<u>1,712,015</u>
<u>\$ 205,977</u>	<u>\$ 305,118</u>	<u>\$ 40,912</u>	<u>\$ 180,490</u>	<u>\$ 1,457,144</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	\$ 324,408	\$ 1,311,197	\$ (692,790)	\$ 942,815
Accounts receivable	<u>116,532</u>	<u>-</u>	<u>(40,246)</u>	<u>76,286</u>
Total Assets	<u><u>\$ 440,940</u></u>	<u><u>\$ 1,311,197</u></u>	<u><u>\$ (733,036)</u></u>	<u><u>\$ 1,019,101</u></u>
Liabilities				
Accounts payable	<u><u>\$ 44,940</u></u>	<u><u>\$ 1,626,705</u></u>	<u><u>\$ (652,544)</u></u>	<u><u>\$ 1,019,101</u></u>

City of Medina, Minnesota
Summary Financial Report
Revenues and Expenditures For General Operations
Governmental Funds
For the Years Ended December 31, 2018 and 2017

	Total		Percent Increase (Decrease)
	2018	2017	
Revenues			
Taxes	\$ 4,368,247	\$ 4,368,460	- %
Licenses and permits	409,983	414,494	(1.09)
Intergovernmental	271,965	376,760	(27.81)
Charges for services	911,839	928,354	(1.78)
Fines and forfeitures	121,917	119,373	2.13
Special assessments	283,360	324,978	(12.81)
Interest on investments	153,109	107,858	41.95
Miscellaneous	322,500	189,798	69.92
Total Revenues	<u>\$ 6,842,920</u>	<u>\$ 6,830,075</u>	0.19 %
Per Capita	<u>\$ 1,080</u>	<u>\$ 1,114</u>	(3.04) %
Expenditures			
Current			
General government	\$ 1,103,139	\$ 1,060,780	3.99 %
Public safety	2,486,143	2,207,651	12.61
Streets and highways	641,714	618,318	3.78
Sanitation and recycling	12,568	13,516	(7.01)
Culture and recreation	351,819	346,850	1.43
Miscellaneous	-	3,838	(100.00)
Capital outlay			
General government	47,427	46,085	2.91
Public safety	251,886	134,600	87.14
Streets and highways	886,421	741,345	19.57
Culture and recreation	291,359	82,542	252.98
Economic development	196,255	189,795	3.40
Debt service			
Principal	825,000	800,000	3.13
Interest and other	251,246	315,522	(20.37)
Total Expenditures	<u>\$ 7,344,977</u>	<u>\$ 6,560,842</u>	11.95 %
Per Capita	<u>\$ 1,159</u>	<u>\$ 1,070</u>	8.35 %
Total Long-term Indebtedness	\$ 10,700,000	\$ 11,525,000	(7.16) %
Per Capita	1,689	1,880	(10.15)
General Fund Balance - December 31	\$ 3,262,310	\$ 3,136,438	4.01 %
Per Capita	515	512	0.66

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, 2018

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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, 2018, and the related notes to the financial statements, and have issued our report thereon dated May 13, 2019.

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 13, 2019