

CITY OF WAITE PARK, MINNESOTA
AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

DECEMBER 31, 2016

Conway, Deuth & Schmiesing, PLLP
Certified Public Accountants & Consultants
Litchfield, Minnesota

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CITY OF WAITE PARK, MINNESOTA

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CITY OF WAITE PARK, MINNESOTA

ELECTED OFFICIALS AND ADMINISTRATION
DECEMBER 31, 2016

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Richard E. Miller	Mayor	December 31, 2016
Vic Schulz	Council Member	December 31, 2018
Charles S. Schneider	Council Member	December 31, 2016
Michael J. Linqvist	Council Member	December 31, 2016
Frank Theisen	Council Member	December 31, 2018
<u>Administration</u>		
Shaunna Johnson	City Administrator/ Clerk/Treasurer	
Karla Virnig	Deputy Clerk/Treasurer	
Keith Lindberg	Finance Director	

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Waite Park
Waite Park, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waite Park, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 entity'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 entity'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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Waite Park, Minnesota, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Proportionate Share of the Net Pension Liability and Employer Contributions, Schedule of Funding Changes in the City Fire Relief Association's Net Pension Liability and Related Ratios, and the Schedule of Funding Progress and Employer Contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The statements and schedules as listed in the table of contents as supplementary information and the Elected Officials and Administration section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Elected Officials and Administration 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 the information presented.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2017, 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 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 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 City's internal control over financial reporting and compliance.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
Certified Public Accountants & Consultants
Litchfield, Minnesota

September 29, 2017

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REQUIRED SUPPLEMENTARY INFORMATION

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BASIC FINANCIAL STATEMENTS

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CITY OF WAITE PARK, MINNESOTA

STATEMENT OF NET POSITION
DECEMBER 31, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Cash and Investments	\$ 22,874,579	\$ 2,525,604	\$ 25,400,183
Receivables			
Accounts	73,299	597	73,896
Utilities		743,229	743,229
Interest	5,171		5,171
Delinquent Taxes	85,858		85,858
Special Assessments Receivable			
Delinquent	25,281		25,281
Deferred	3,465,630		3,465,630
Prepaid Items	107,884	14,190	122,074
Due from Other Governments	329,493		329,493
Internal Balances	198,614	(198,614)	
Capital Assets			
Assets Not Being Depreciated	8,679,245	3,413,728	12,092,973
Other Capital Assets, Net of Depreciation	28,206,767	27,207,042	55,413,809
Net Pension Asset	145,237		145,237
Total Assets	<u>64,197,058</u>	<u>33,705,776</u>	<u>97,902,834</u>
Deferred Outflows of Resources			
Related to Pensions	4,112,216	214,336	4,326,552
Total Assets and Deferred Outflows of Resources	<u>\$ 68,309,274</u>	<u>\$ 33,920,112</u>	<u>\$ 102,229,386</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 208,466	\$ 100,979	\$ 309,445
Contracts Payable	851,008		851,008
Salaries and Benefits Payable	94,907	18,251	113,158
Interest Payable	31,722	3,684	35,406
Due to Other Governments	4,507		4,507
Noncurrent Liabilities			
Due Within One Year	2,257,814	424,534	2,682,348
Due in More Than One Year	25,963,622	3,529,363	29,492,985
Total Liabilities	<u>29,412,046</u>	<u>4,076,811</u>	<u>33,488,857</u>
Deferred Inflows of Resources			
Related to Pensions	766,394	69,268	835,662
Net Position			
Net Investment in Capital Assets	23,315,595	27,410,690	50,726,285
Restricted for			
Debt Service	5,587,026		5,587,026
Tax Increment	2,856,775		2,856,775
Regional Capital Improvement Projects	2,617,686		2,617,686
Unrestricted	3,753,752	2,363,343	6,117,095
Total Net Position	<u>38,130,834</u>	<u>29,774,033</u>	<u>67,904,867</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 68,309,274</u>	<u>\$ 33,920,112</u>	<u>\$ 102,229,386</u>

See Accompanying Notes to the Financial Statements

CITY OF WAITE PARK, MINNESOTA

STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
GOVERNMENTAL ACTIVITIES							
General Government	\$ 1,809,175	\$ 92,549	\$ 77,252	\$	\$ (1,639,374)	\$	\$ (1,639,374)
Public Safety	3,732,332	445,813	116,738		(3,169,781)		(3,169,781)
Public Works	1,863,750	89,235	2,750	39,702	(1,732,063)		(1,732,063)
Sanitation	372,671				(372,671)		(372,671)
Culture and Recreation	345,693	5,896	951		(338,846)		(338,846)
Interest on Long-Term Debt	535,347				(535,347)		(535,347)
Total Governmental Activities	8,658,968	633,493	197,691	39,702	(7,788,082)	0	(7,788,082)
BUSINESS-TYPE ACTIVITIES							
Water	1,509,477	1,976,489				467,012	467,012
Sewer	1,749,832	1,719,032				(30,800)	(30,800)
Stormwater	33,826	48,824				14,998	14,998
Total Business-Type Activities	3,293,135	3,744,345	0	0	0	451,210	451,210
Total	\$ 11,952,103	\$ 4,377,838	\$ 197,691	\$ 39,702	(7,788,082)	451,210	(7,336,872)
GENERAL REVENUES							
Taxes							
Property					6,872,008		6,872,008
Gravel					149,339		149,339
Franchise					100,774		100,774
Local Sales Tax					1,300,829		1,300,829
Special Assessments					130,756		130,756
Grants and Contributions Not Restricted to Specific Programs					40,562		40,562
Refunds and Reimbursements					901,847		901,847
Unrestricted Investment Earnings					63,399	2,227	65,626
Other					4,633		4,633
Gain (Loss) on Sale of Assets					(27,270)		(27,270)
CAPITAL CONTRIBUTIONS					(279,755)	279,755	
Total General Revenues and Capital Contributions					9,257,122	281,982	9,539,104
Change in Net Position					1,469,040	733,192	2,202,232
NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED					27,639,119	29,028,607	56,667,726
PRIOR PERIOD ADJUSTMENT					9,022,675	12,234	9,034,909
NET POSITION, BEGINNING OF YEAR, AS RESTATED					36,661,794	29,040,841	65,702,635
NET POSITION, END OF YEAR					\$ 38,130,834	\$ 29,774,033	\$ 67,904,867

See Accompanying Notes to the Financial Statements

CITY OF WAITE PARK, MINNESOTA

BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	General (101)	\$6,885,000 G.O. Improvement Crossover Refunding Bonds of 2010A (320)	\$4,720,000 G.O. Improvement Bonds of 2013 (324)	\$9,505,000 G.O. Improvement Bonds of 2016B (327)	Public Works Facility (443)	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and Investments	\$ 6,210,195	\$ 799,142	\$ 411,578	\$ 6,620,521	\$ 351,879	\$ 8,481,264	\$ 22,874,579
Receivables							
Accounts	56,912					16,387	73,299
Interest	5,171						5,171
Delinquent Taxes	76,342	410	4,056			5,050	85,858
Special Assessments Receivable							
Delinquent		13,769				11,512	25,281
Deferred	554,252	1,101,388	950,459			859,531	3,465,630
Prepaid Items	107,884						107,884
Due from Other Governments	45,301	1,590	843			281,759	329,493
Due from Other Funds	200,000						200,000
Total Assets	\$ 7,256,057	\$ 1,916,299	\$ 1,366,936	\$ 6,620,521	\$ 351,879	\$ 9,655,503	\$ 27,167,195
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE							
Liabilities							
Accounts Payable	\$ 188,019	\$ 196	\$ 196	\$	\$ 16,982	\$ 3,073	\$ 208,466
Contracts Payable	10,000				780,894	60,114	851,008
Salaries and Benefits Payable	94,907						94,907
Due to Other Governments	4,507						4,507
Due to Other Funds	1,386						1,386
Total Liabilities	298,819	196	196	0	797,876	63,187	1,160,274
Deferred Inflows of Resources							
Unavailable Revenue							
Delinquent Taxes	76,342	410	4,056			5,050	85,858
Special Assessments	554,252	1,115,157	950,459			871,043	3,490,911
Total Deferred Inflows of Resources	630,594	1,115,567	954,515	0	0	876,093	3,576,769
Fund Balance							
Nonspendable	107,884						107,884
Restricted							
Tax Increment						2,856,775	2,856,775
Loan Program						2,001	2,001
Debt Service		800,536	412,225			1,459,812	2,672,573
Regional Capital Improvement Projects				6,620,521		3,475,397	10,095,918
Assigned							
Capital Outlay	2,038,904					9,572	2,048,476
Park Land Development						304,779	304,779
Regional Capital Improvement Projects						541,329	541,329
Fund Operations						66,640	66,640
Unassigned	4,179,856				(445,997)	(82)	3,733,777
Total Fund Balance	6,326,644	800,536	412,225	6,620,521	(445,997)	8,716,223	22,430,152
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 7,256,057	\$ 1,916,299	\$ 1,366,936	\$ 6,620,521	\$ 351,879	\$ 9,655,503	\$ 27,167,195

See Accompanying Notes to the Financial Statements

CITY OF WAITE PARK, MINNESOTA

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

	<u>2016</u>
Total Fund Balances - Governmental Funds	\$ 22,430,152
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets and Net Pension Assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	
Capital Assets	59,998,428
Less: Accumulated Depreciation	(23,112,416)
Net Pension Asset	145,237
Certain receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	
Delinquent Taxes	85,858
Special Assessments	
Delinquent	25,281
Deferred	3,465,630
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred Outflows of Resources Related to Pensions	4,112,216
Deferred Inflows of Resources Related to Pensions	(766,394)
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.	
Bonds Payable	(20,045,000)
G.O. Certificate of Indebtedness Payable	(110,000)
Bond Premium	(893,649)
Net Pension Liability	(5,917,102)
Compensated Absences Payable	(1,021,516)
Other Postemployment Benefits Payable	(234,169)
Interest Payable	<u>(31,722)</u>
Total Net Position - Governmental Activities	<u>\$ 38,130,834</u>

CITY OF WAITE PARK, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2016

	General (101)	\$6,885,000 G.O. Improvement Crossover Refunding Bonds of 2010A (320)	\$4,720,000 G.O. Improvement Bonds of 2013 (324)	\$9,505,000 G.O. Improvement Bonds of 2016B (327)	Public Works Facility (443)	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 6,490,383	\$ 26,434	\$ 349,143	\$	\$	\$ 250,717	\$ 7,116,677
Sales Tax						1,300,829	1,300,829
Special Assessments		296,121	142,630			175,334	614,085
Licenses and Permits	77,594						77,594
Intergovernmental	236,482					1,384	237,866
Charges for Services	466,664						466,664
Fines and Forfeitures	85,876					3,359	89,235
Miscellaneous							
Investment Income	18,810	1,801	10,802	16,305		15,681	63,399
Contributions and Donations	5,201					75,752	80,953
Refunds and Reimbursements	901,847						901,847
Other	4,633						4,633
Total Revenues	8,287,490	324,356	502,575	16,305	0	1,823,056	10,953,782
EXPENDITURES							
Current							
General Government	1,791,281						1,791,281
Public Safety	2,878,606					25,539	2,904,145
Public Works	1,049,285						1,049,285
Sanitation	373,919						373,919
Culture and Recreation	285,727					30,095	315,822
Debt Service							
Principal	50,239	825,000	380,000			545,000	1,800,239
Interest and Other Charges	2,551	114,030	105,395	173,750		142,794	538,520
Capital Outlay							
General Government	100,919						100,919
Public Safety	866,239					4,398	870,637
Public Works	535,036				2,745,997	1,612,001	4,893,034
Culture and Recreation	403,018						403,018
Total Expenditures	8,336,820	939,030	485,395	173,750	2,745,997	2,359,827	15,040,819
Excess (Deficiency) of Revenues Over (Under) Expenditures	(49,330)	(614,674)	17,180	(157,445)	(2,745,997)	(536,771)	(4,087,037)
OTHER FINANCING SOURCES (USES)							
Proceeds from Sale of Capital Assets	5,400						5,400
Bond Proceeds				10,077,966		2,375,721	12,453,687
Transfers In	674,891	678,000			3,300,000	3,254,967	7,907,858
Transfers Out				(3,300,000)	(1,000,000)	(3,607,858)	(7,907,858)
Total Other Financing Sources (Uses)	680,291	678,000	0	6,777,966	2,300,000	2,022,830	12,459,087
Net Change in Fund Balances	630,961	63,326	17,180	6,620,521	(445,997)	1,486,059	8,372,050
FUND BALANCE, BEGINNING OF YEAR, AS ORIGINALLY STATED	5,604,718	737,210	395,045			7,230,164	13,967,137
PRIOR PERIOD ADJUSTMENT	90,965						90,965
FUND BALANCE, BEGINNING OF YEAR, RESTATED	5,695,683	737,210	395,045	0	0	7,230,164	14,058,102
FUND BALANCE, END OF YEAR	\$ 6,326,644	\$ 800,536	\$ 412,225	\$ 6,620,521	\$ (445,997)	\$ 8,716,223	\$ 22,430,152

See Accompanying Notes to the Financial Statements

CITY OF WAITE PARK, MINNESOTA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2016

	<u>2016</u>
Total Net Change in Fund Balances - Governmental Funds	\$ 8,372,050
Amounts reported for governmental activities in the Statement of Activities are different because:	
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 Outlays	5,890,563
Depreciation Expense	(1,106,145)
Loss on Disposal of Assets	(32,670)
Certain receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	
Delinquent Taxes	5,444
Special Assessments	
Delinquent	(14,850)
Deferred	(468,479)
Postemployment benefits payable in the Statement of Activities differs from the amount reported in the governmental funds because this benefit is recognized as an expenditure in the funds when due. In the Statement of Activities, postemployment benefits payable is recognized when accrued.	
Compensated Absences	(59,526)
Other Postemployment Benefits Payable	(16,956)
In the Statement of Activities, pension expenses are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	
	(450,116)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on the net position. In the current period these amounts are:	
Amortization of Bond Discount	(26,788)
Amortization of Bond Premium	44,920
Issuance of Long-Term Debt	(12,453,687)
Principal Retirement of Long-Term Debt	1,750,000
Change in Accrued Interest Payable	(14,959)
Capital lease principal payments are recognized as expenditures in the governmental funds but as an increase in the net position in the Statement of Activities.	
	<u>50,239</u>
Change in Net Position - Governmental Activities	<u>\$ 1,469,040</u>

See Accompanying Notes to the Financial Statements

CITY OF WAITE PARK, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 6,600,723	\$ 6,600,723	\$ 6,490,383	\$ (110,340)
Licenses and Permits	68,700	68,700	77,594	8,894
Intergovernmental	130,283	130,283	236,482	106,199
Charges for Services	171,550	171,550	466,664	295,114
Fines and Forfeitures	84,300	84,300	85,876	1,576
Miscellaneous				
Investment Income	15,000	15,000	18,810	3,810
Contributions and Donations	3,100	3,100	5,201	2,101
Refunds and Reimbursements	70,800	70,800	901,847	831,047
Other	800	800	4,633	3,833
Total Revenues	<u>7,145,256</u>	<u>7,145,256</u>	<u>8,287,490</u>	<u>1,142,234</u>
EXPENDITURES				
Current				
General Government	1,019,105	1,019,105	1,791,281	772,176
Public Safety	2,980,710	2,980,710	2,878,606	(102,104)
Public Works	1,330,875	1,330,875	1,049,285	(281,590)
Sanitation	351,900	351,900	373,919	22,019
Culture and Recreation	293,125	293,125	285,727	(7,398)
Debt Service				
Principal	50,240	50,240	50,239	(1)
Interest and Other Charges	2,551	2,551	2,551	
Capital Outlay				
General Government	91,000	91,000	100,919	9,919
Public Safety	895,100	895,100	866,239	(28,861)
Public Works	84,850	84,850	535,036	450,186
Culture and Recreation	227,000	227,000	403,018	176,018
Total Expenditures	<u>7,326,456</u>	<u>7,326,456</u>	<u>8,336,820</u>	<u>1,010,364</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(181,200)	(181,200)	(49,330)	131,870

CITY OF WAITE PARK, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	\$ 1,200	\$ 1,200	\$ 5,400	\$ 4,200
Transfers In			674,891	674,891
Total Other Financing Sources (Uses)	<u>1,200</u>	<u>1,200</u>	<u>680,291</u>	<u>679,091</u>
Net Change in Fund Balances	<u>\$ (180,000)</u>	<u>\$ (180,000)</u>	630,961	<u>\$ 810,961</u>
FUND BALANCE, BEGINNING OF YEAR, AS ORIGINALLY STATED			5,604,718	
PRIOR PERIOD ADJUSTMENT			<u>90,965</u>	
FUND BALANCE, BEGINNING OF YEAR, RESTATED			<u>5,695,683</u>	
FUND BALANCE, END OF YEAR			<u>\$ 6,326,644</u>	

CITY OF WAITE PARK, MINNESOTA

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2016

	Business-Type Activities - Enterprise Funds			
	Water (703)	Sewer (709)	Stormwater (715)	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
Assets				
Current Assets				
Cash and Investments	\$ 1,119,120	\$ 1,379,409	\$ 27,075	\$ 2,525,604
Receivables				
Accounts	597			597
Utilities	356,802	375,085	11,342	743,229
Prepaid Items	8,829	5,361		14,190
Due from Other Funds	683	820		1,503
Total Current Assets	<u>1,486,031</u>	<u>1,760,675</u>	<u>38,417</u>	<u>3,285,123</u>
Noncurrent Assets				
Capital Assets				
Assets Not Being Depreciated	1,717,864	1,695,864		3,413,728
Other Capital Assets, Net of Depreciation	14,012,603	13,194,439		27,207,042
Total Noncurrent Assets	<u>15,730,467</u>	<u>14,890,303</u>	<u>0</u>	<u>30,620,770</u>
Total Assets	<u>17,216,498</u>	<u>16,650,978</u>	<u>38,417</u>	<u>33,905,893</u>
Deferred Outflows of Resources				
Related to Pensions	<u>152,396</u>	<u>55,587</u>	<u>6,353</u>	<u>214,336</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 17,368,894</u>	<u>\$ 16,706,565</u>	<u>\$ 44,770</u>	<u>\$ 34,120,229</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION				
Liabilities				
Current Liabilities				
Accounts Payable	\$ 17,347	\$ 83,624	\$ 8	\$ 100,979
Salaries and Benefits Payable	15,445	2,806		18,251
Due to Other Funds	200,000	117		200,117
Interest Payable	3,684			3,684
Compensated Absences Due Within One Year	35,000	20,000		55,000
Bonds Payable Due Within One Year	369,534			369,534
Total Current Liabilities	<u>641,010</u>	<u>106,547</u>	<u>8</u>	<u>747,565</u>
Noncurrent Liabilities				
Net Pension Liability	366,802	133,793	15,291	515,886
Compensated Absences, Net of Current Amount	90,453	50,546		140,999
Other Postemployment Benefits Payable	23,949	7,983		31,932
Bonds Payable, Net of Current Amount	2,840,546			2,840,546
Total Noncurrent Liabilities	<u>3,321,750</u>	<u>192,322</u>	<u>15,291</u>	<u>3,529,363</u>
Total Liabilities	<u>3,962,760</u>	<u>298,869</u>	<u>15,299</u>	<u>4,276,928</u>
Deferred Inflows of Resources				
Related to Pensions	49,251	17,964	2,053	69,268
Net Position				
Net Investment in Capital Assets	12,520,387	14,890,303		27,410,690
Unrestricted	836,496	1,499,429	27,418	2,363,343
Total Net Position	<u>13,356,883</u>	<u>16,389,732</u>	<u>27,418</u>	<u>29,774,033</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 17,368,894</u>	<u>\$ 16,706,565</u>	<u>\$ 44,770</u>	<u>\$ 34,120,229</u>

See Accompanying Notes to the Financial Statements

CITY OF WAITE PARK, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 PROPRIETARY FUNDS
 YEAR ENDED DECEMBER 31, 2016

	Business-Type Activities - Enterprise Funds			Total
	Water (703)	Sewer (709)	Stormwater (715)	
OPERATING REVENUES				
Charges for Services	\$ 1,758,298	\$ 1,501,032	\$ 48,824	\$ 3,308,154
Service Availability Charge	218,000	218,000		436,000
Total Operating Revenues	1,976,298	1,719,032	48,824	3,744,154
OPERATING EXPENSES				
Wages and Salaries	579,407	220,198	23,825	823,430
Supplies	6,482	5,786	625	12,893
Repairs and Maintenance	150,930	44,811	4,387	200,128
Utilities	188,675	3,749		192,424
Contractual Services	7,493	994,439	226	1,002,158
Depreciation	395,408	458,862		854,270
Professional Services	4,168	3,972	1,281	9,421
Miscellaneous	91,045	18,015	3,482	112,542
Total Operating Expenses	1,423,608	1,749,832	33,826	3,207,266
Operating Income (Loss)	552,690	(30,800)	14,998	536,888
NONOPERATING REVENUES (EXPENSES)				
Miscellaneous	191			191
Investment Income	980	1,229	18	2,227
Interest and Fiscal Agent Fees	(85,869)			(85,869)
Total Nonoperating Revenues (Expenses)	(84,698)	1,229	18	(83,451)
Income (Loss) Before Contributions	467,992	(29,571)	15,016	453,437
CONTRIBUTIONS				
Capital Contributions	173,416	106,339		279,755
Change in Net Position	641,408	76,768	15,016	733,192
NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED				
	12,707,780	16,308,425	12,402	29,028,607
PRIOR PERIOD ADJUSTMENT				
	7,695	4,539		12,234
NET POSITION, BEGINNING OF YEAR, AS RESTATED				
	12,715,475	16,312,964	12,402	29,040,841
NET POSITION, END OF YEAR				
	\$ 13,356,883	\$ 16,389,732	\$ 27,418	\$ 29,774,033

See Accompanying Notes to the Financial Statements

CITY OF WAITE PARK, MINNESOTA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED DECEMBER 31, 2016

	Business-Type Activities - Enterprise Funds			Total
	Water (703)	Sewer (709)	Stormwater (715)	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers and Users	\$ 1,990,708	\$ 1,716,308	\$ 48,766	\$ 3,755,782
Payments to Suppliers	(462,141)	(1,111,739)	(10,001)	(1,583,881)
Payments to Employees	(402,540)	(150,766)	(17,044)	(570,350)
Net Cash Provided (Used) by Operating Activities	1,126,027	453,803	21,721	1,601,551
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Other Income	191			191
Net Cash Provided (Used) by Noncapital Financing Activities	191	0	0	191
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Principal Paid on Debt	(364,534)			(364,534)
Interest Paid on Debt	(86,200)			(86,200)
Net Cash Provided (Used) by Capital and Related Financing Activities	(450,734)	0	0	(450,734)
CASH FLOW FROM INVESTING ACTIVITIES				
Interest and Dividends Received	980	1,229		2,209
Net Increase (Decrease) in Cash and Cash Equivalents	676,464	455,032	21,721	1,153,217
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	442,656	924,377	5,354	1,372,387
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 1,119,120	\$ 1,379,409	\$ 27,075	\$ 2,525,604

See Accompanying Notes to the Financial Statements

CITY OF WAITE PARK, MINNESOTA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED DECEMBER 31, 2016

	Business-Type Activities - Enterprise Funds			
	Water (703)	Sewer (709)	Stormwater (715)	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 552,690	\$ (30,800)	\$ 14,998	\$ 536,888
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Depreciation	395,408	458,862		854,270
Pension Related Adjustments	179,660	73,542	6,781	259,983
(Increase) Decrease in Assets				
Accounts Receivable	(91)			(91)
Utilities Receivable	(6,555)	(2,517)	(58)	(9,130)
Prepaid Items	(1,134)	(822)		(1,956)
Due from Other Funds	21,056	(207)		20,849
Increase (Decrease) in Liabilities				
Accounts Payable	9,021	(40,198)		(31,177)
Salaries and Benefits Payable	5,006	382		5,388
Due to Other Funds	(21,235)	53		(21,182)
Compensated Absences	(9,533)	(5,070)		(14,603)
Other Postemployment Benefits Payable	1,734	578		2,312
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,126,027</u>	<u>\$ 453,803</u>	<u>\$ 21,721</u>	<u>\$ 1,601,551</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Capital Contributions	<u>\$ 173,416</u>	<u>\$ 106,339</u>	<u>\$ 0</u>	<u>\$ 279,755</u>

See Accompanying Notes to the Financial Statements

CITY OF WAITE PARK, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2016

	<u>Agency Fund</u>
ASSETS	
Cash and Investments	<u>\$ 14,440</u>
LIABILITIES	
Accounts Payable	\$ 5,276
Due to Employees	<u>9,164</u>
Total Liabilities	<u>\$ 14,440</u>

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CITY OF WAITE PARK, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The City of Waite Park is a statutory city governed by an elected mayor and four council members. The accompanying financial statements present the government entities for which the City is considered to be financially accountable.

The financial statements present the City and its component units. The City includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate from such. Component units are legally separate entities for which the City is financially accountable, or for which the exclusion of the component unit would render the financial statements of the City misleading.

The criteria used to determine if the City is financially accountable for a component unit includes whether or not 1) the City appoints the voting majority of the potential component unit's governing body and is able to impose its will on the potential component unit or is in a relationship of financial benefit or burden with the potential component unit, or 2) the potential component unit is fiscally dependent on and there is a potential for the potential component unit to provide specific financial benefits to, or impose specific financial burdens on, the City.

As a result of applying the component unit definition criteria above, certain organizations have been defined and are presented in this report as follows:

Blended Component Unit - Reported as if they were part of the City.

Blended Component Unit

The Waite Park Economic Development Authority (EDA) is a legal entity separate from the City. Although legally separate, the Waite Park EDA is reported as if it were part of the primary government because its governing body is substantially the same as the governing body of the primary government. Separate financial statements are not prepared for the Waite Park EDA.

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 segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. 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. Internally dedicated revenues are reported as general revenues rather than program revenues.

CITY OF WAITE PARK, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Cont'd)

Separate financial statements are provided for governmental, proprietary and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The Private Purpose Trust and Agency Funds are presented in the fiduciary fund financial statements. Since, by definition, these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements.

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 City considers revenues to be available if they are collected within 60 days after 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, special assessments, intergovernmental revenue, charges for services, 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. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. This accounts for all financial resources of the general City, except those required to be accounted for in another fund.

The \$6,885,000 G.O. Improvement Crossover Refunding Bonds of 2010A Debt Service Fund is used to account for the accumulation of resources for, and the payment of the debt principal, interest, and related costs.

The \$4,720,000 G.O. Improvement Bonds of 2013 Debt Service Fund is used to account for the accumulation of resources for, and the payment of the debt principal, interest, and related costs.

The \$9,505,000 G.O. Improvement Bonds of 2016B Debt Service Fund is used to account for the accumulation of resources for, and the payment of the debt principal, interest, and related costs.

CITY OF WAITE PARK, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION
(Cont'd)

The Public Works Facility Fund is used to account for the costs incurred related to the Public Works Facility Project.

The City reports the following major enterprise funds:

The Water Fund accounts for the operations of the City's water utility.

The Sewer Fund accounts for the operations of the City's sewer utility.

The Stormwater Fund accounts for the operations related to protecting and improving the quality of local water resources and to maintain compliance with requirements of the Federal Clean Water Act.

Additionally, the City reports the following fiduciary fund:

The Agency Fund is custodial in nature and does not present results of operations or have a measurement focus. This fund accounts for assets the City holds for others in an agent capacity.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's utility functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the 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.

It is generally the City's policy to use restricted resources first, then unrestricted resources as they are needed when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

CITY OF WAITE PARK, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. DEPOSITS AND INVESTMENTS

The City's cash and cash equivalents are considered to be cash on hand, deposits and highly liquid debt instruments purchased with original maturities of three months or less from the date of acquisition.

The City may invest in the following types of investments as authorized by Minn. Stat. §§118A.04 and 118A.05:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. §118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) time deposits that are fully insured by the Federal Deposit Insurance Corporation or bankers acceptances of United States bank;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Cash and investments were comprised of deposits, brokered certificates of deposit and money market accounts, and the 4M Fund.

The City invests in an external investment pool, the Minnesota Municipal Money Market Fund (4M Fund), which is created under a joint powers agreement pursuant to Minn. Stat. §471.59. The 4M Fund is not registered with the Securities Exchange Commission (SEC), but does satisfy the requirements of Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 CFR §270.2a-7), as amended. The investment in the pool is measured at the net asset value per share provided by the pool.

The City has an investment policy in place that addresses interest rate risk, credit risk, concentration of credit risk and custodial credit risk as follows:

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 minimizes custodial credit risk by obtaining collateral or bonds for all uninsured amounts on deposit and by obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law.

CITY OF WAITE PARK, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. DEPOSITS AND INVESTMENTS (Cont'd)

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 minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations thereby avoiding the need to sell securities on the open market prior to maturity.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy states it will comply with Minnesota Statutes Chapter 118A.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. Investments should be diversified to avoid incurring unreasonable risk inherent in over investing in specific instruments, individual financial institutions or maturities. The City's investment policy states the City will attempt to diversify their investments according to type and maturity.

Custodial Credit Risk - Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy states when investments purchased by the City are held in safekeeping by a broker/dealer, they must provide insurance through the Securities Investor Protection Corporation (SIPC).

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation of 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.

E. 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 noncurrent 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."

All trade and property tax receivables are shown at a gross amount since both are assessable to the property and are collectible upon the sale of the property.

The City levies its property tax for the subsequent year during the month of December. December 30th is the last day the City can certify a tax levy to the County Auditor for collection the following year. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. The property tax is recorded as revenue when it becomes measurable and available. Stearns County is the collecting agency for the levy and remits the collections to the City three times a year. The tax levy notice is mailed in March with the first half payment due on May 15 and the second half payment is due on October 15. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

CITY OF WAITE PARK, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

E. RECEIVABLES AND PAYABLES (Cont'd)

The County Auditor prepares the tax list for all taxable property in the City, applying the applicable tax rate to the tax capacity of individual properties, to arrive at the actual tax for each property. The County Auditor also collects all special assessments, except for certain prepayments paid directly to the City.

The County Auditor submits the list of taxes and special assessments to be collected on each parcel of property to the County Treasurer in January of each year.

F. 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.

G. CAPITAL ASSETS

Capital assets, both tangible and intangible, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks and similar items) and easements, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Tangible and intangible capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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. During the current period, the City did not have any capitalized interest.

Tangible and intangible assets of the City are depreciated using the straight-line, full month convention method over the following estimated useful lives:

Assets	Years
Buildings	5-30
Land Improvements	10-60
Vehicles	5-10
Machinery and Equipment	3-15
Infrastructure	10-50

CITY OF WAITE PARK, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

G. CAPITAL ASSETS (Cont'd)

Capital assets not being depreciated include land, easements and construction in progress, if any.

H. DEFERRED OUTFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future reporting period. During that future period, it will be recognized as an outflow of resources (expense/expenditure). The City has one item that qualifies for reporting in this category on the government-wide Statement of Net Position which is related to pensions.

I. COMPENSATED ABSENCES

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. The government-wide and proprietary funds Statement of Net Position reports both current and noncurrent portions of compensated absences using full accrual accounting. The current portion consists of an amount based on expected or known retirements coming in the next fiscal year. The noncurrent portion consists of the remaining amount of vacation and total vested sick leave.

Employees are granted vacation based on their years of service. Maximum vacation accumulation shall be equal to the number of hours earned in the preceding year plus hours earned to date in the current year.

Employees hired as of December 12, 1989, can accumulate up to 10 days of unused sick leave in the first year of employment and 15 days thereafter, not to exceed 150 days. Subsequent to having accumulated 150 days, they are reimbursed in the year the sick leave is earned, for half of the days accrued in excess of 150 days up to a maximum of 165 days. Nonunion employees hired after December 12, 1989, are not entitled to payment of sick leave upon retirement.

Unpaid sick and vacation pay earned, is estimated to be approximately \$1,021,516 in the governmental funds and \$195,999 in the enterprise funds.

CITY OF WAITE PARK, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

J. PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and the City of Waite Park's Fire Relief Association and additions to/deductions from PERA's and the City of Waite Park's Fire Relief Association's fiduciary net position have been determined on the same basis as they are reported by PERA and the City of Waite Park's Fire Relief Association. 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.

K. OTHER POSTEMPLOYMENT BENEFITS

Employees of the City pay premiums based on amounts negotiated in union contracts. Since the insurance rates are not age based, the City has an implicit rate subsidy factor in postemployment health care expenses. Additionally, Minnesota Statutes require the City to allow retired employees to stay on the health care plan with the retiree responsible to pay the entire premium for continuation coverage. The City's personnel policy and union contracts do not provide for any contributions upon employee retirement.

L. 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.

In the fund financial statements, governmental fund types recognize 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.

M. DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period. During that future period, it will be recognized as an inflow of resources (revenue). The City has items that qualify for reporting in this category on both the government-wide Statement of Net Position and the governmental fund financial statements related to property taxes, special assessments and pensions.

N. FUND BALANCE

In the governmental 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 governmental funds. These classifications are as follows:

Nonspendable - consists of amounts that cannot be spent because it is not in spendable form or are legally or contractually required to be maintained intact, such as inventories and prepaid items.

CITY OF WAITE PARK, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

N. FUND BALANCE (Cont'd)

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

Committed - consists of amounts that are constrained for specific purposes that are internally imposed by formal action of the City Council. Those committed amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. These constraints are established by Resolution of the City Council.

Assigned - consists of amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to City Council Resolution, the Finance Director and City Administrator are authorized to establish assignments of fund balance.

Unassigned - is the residual classification for the General Fund and also reflects negative residual amounts in the remaining governmental funds.

The City requires 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.

O. NET POSITION

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources in the government-wide, proprietary fund, and fiduciary fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide, proprietary fund, and fiduciary fund financial statements when there are limitations on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position consists of all other net position that does not meet the definition of restricted or net investment in capital assets.

P. USE OF ESTIMATES

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

CITY OF WAITE PARK, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

The City Council adopts an annual budget. The amounts shown in the financial statements as "budget" represent the original budgeted amounts and all revisions made during the year. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Budget requests are submitted by all department heads to the City finance department and City Administrator. The finance department and City Administrator compile the budget requests into an overall preliminary City budget, balancing budget requests with available revenue.
2. In August, the finance department and City Administrator present the proposed budget for the fiscal year commencing the following January 1 to the City Council which in turn holds a public hearing on the proposed budget. The budget resolution adopted by the City Council sets forth the budget at the function level for the General and Special Revenue Funds prior to December 31.
3. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue Funds. Formal budgetary integration is not employed for Debt Service Funds because effective budgetary control is alternatively achieved through general obligation bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project controls.
4. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The budget presented is the original budget; there were no amendments during the year. Annual appropriations lapse at year-end.

Encumbrances outstanding at year-end expire and outstanding purchase orders are canceled and not reported in the financial statements.

B. DEFICIT FUND BALANCES AND NET POSITION

The following funds had deficit fund balances/net position:

Major Funds

Capital Projects	
Public Works Facility Fund	\$ (445,997)

Nonmajor Funds

Capital Projects	
River's Edge Fund	\$ (82)

Deficits will be eliminated by transfers, use of local sales tax and tax increment financing, and future bond issuances.

CITY OF WAITE PARK, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Cont'd)

C. EXPENDITURES EXCEEDING APPROPRIATIONS

The following funds had expenditures that exceeded appropriations:

	<u>Appropriations</u>	<u>Expenditures</u>
Major Funds		
General Fund	\$ 7,326,456	\$ 8,336,820

NOTE 3. DEPOSITS AND INVESTMENTS

A. DEPOSITS

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council.

Custodial Credit Risk - Deposits: The City's bank balances were not exposed to custodial credit risk because they were fully insured through the FDIC as well as collateralized with securities held by the pledging financial institution's trust department or agent and in the City's name.

Checking	\$ 136,714
Flex Account	8,517
Petty Cash	<u>200</u>
Total Deposits	<u>\$ 145,431</u>

B. INVESTMENTS

The City had the following investments:

	<u>Fair Value or Amortized Cost</u>	<u>Interest Rate Risk Weighted Average Maturity (Years)</u>	<u>Credit Risk</u>	<u>Concentration Risk</u>
			Credit Ratings	Over 5 Percent of Portfolio
Brokered Certificates of Deposit	\$ 1,625,700	0.39	N/A	6.43%
External Investment Pool	22,812,699	N/A	Not Rated	N/A
Money Market Accounts	<u>830,793</u>	N/A	N/A	3.29%
Total Investments	<u>\$ 25,269,192</u>			

CITY OF WAITE PARK, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 3. DEPOSITS AND INVESTMENTS (Cont'd)

B. INVESTMENTS (Cont'd)

	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments at fair value:				
Brokered Certificates of Deposit	\$ 1,625,700	\$	\$ 1,625,700	\$
Investments at amortized cost:				
External Investment Pool	22,812,699			
Money Market Accounts	<u>830,793</u>			
Total Investments at Amortized Cost	<u>23,643,492</u>			
Total Investments	<u>\$ 25,269,192</u>			

The following is a summary of total deposits and investments:

Deposits (Note 3.A.)	\$ 145,431
Investments (Note 3.B.)	<u>25,269,192</u>
Total Deposits and Investments	<u>\$ 25,414,623</u>

Deposits and investments are presented in the basic financial statements as follows:

Statement of Net Position	
Cash and Investments	\$ 25,400,183
Statement of Fiduciary Net Position	
Cash and Investments	<u>14,440</u>
	<u>\$ 25,414,623</u>

Concentration of Credit Risk: The concentration of credit risk is the risk of loss that may be caused by the City's investment in a single issuer.

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

NOTE 4. RECEIVABLES

Receivables are as follows:

	Total Receivables	Amounts not Scheduled for Collection During the Subsequent Year
Governmental Activities		
Accounts	\$ 73,299	\$
Interest	5,171	
Delinquent Taxes	85,858	
Special Assessments	3,490,911	3,133,353
Total Governmental Activities	\$ 3,655,239	\$ 3,133,353
Business-Type Activities		
Accounts	\$ 597	\$
Utilities	743,229	
Total Business-Type Activities	\$ 743,826	\$ 0

CITY OF WAITE PARK, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 5. CAPITAL ASSETS

Capital asset activity is as follows:

Governmental Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 384,118	\$ 714,800	\$	\$ 1,098,918
Easements	1,373,343		(473,200)	900,143
Construction in Progress	2,572,065	4,451,461	(343,342)	6,680,184
Total Capital Assets, Not Being Depreciated	4,329,526	5,166,261	(816,542)	8,679,245
Capital Assets, Being Depreciated				
Buildings	4,631,637	64,275		4,695,912
Improvements Other than Buildings	40,362,889	1,065,953		41,428,842
Machinery and Equipment	4,959,995	410,616	(176,182)	5,194,429
Total Capital Assets, Being Depreciated	49,954,521	1,540,844	(176,182)	51,319,183
Less Accumulated Depreciation for				
Buildings	2,873,540	47,748		2,921,288
Improvements Other than Buildings	15,555,237	779,340		16,334,577
Machinery and Equipment	3,721,006	279,057	(143,512)	3,856,551
Total Accumulated Depreciation	22,149,783	1,106,145	(143,512)	23,112,416
Total Capital Assets, Being Depreciated, Net	27,804,738	434,699	(32,670)	28,206,767
Governmental Activities Net Capital Assets	\$ 32,134,264	\$ 5,600,960	\$ (849,212)	\$ 36,886,012

CITY OF WAITE PARK, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 5. CAPITAL ASSETS (Cont'd)

Business-Type Activities	Beginning Balance	Increase	Decrease	Ending Balance
Capital Assets, Not Being Depreciated				
Land	\$ 22,000	\$	\$	\$ 22,000
Easement	1,872,231		(473,199)	1,399,032
Construction in Progress	2,056,281	279,756	(343,341)	1,992,696
Total Capital Assets, Not Being Depreciated	3,950,512	279,756	(816,540)	3,413,728
Capital Assets, Being Depreciated				
Improvements Other than Buildings	40,449,569	816,542		41,266,111
Machinery and Equipment	504,123			504,123
Total Capital Assets, Being Depreciated	40,953,692	816,542	0	41,770,234
Less Accumulated Depreciation for				
Improvements Other than Buildings	13,211,800	852,028		14,063,828
Machinery and Equipment	497,122	2,242		499,364
Total Accumulated Depreciation	13,708,922	854,270	0	14,563,192
Total Capital Assets, Being Depreciated, Net	27,244,770	(37,728)	0	27,207,042
Business-Type Activities Net Capital Assets	<u>\$ 31,195,282</u>	<u>\$ 242,028</u>	<u>\$ (816,540)</u>	<u>\$ 30,620,770</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities	
General Government	\$ 48,697
Public Safety	176,419
Public Works	868,626
Culture and Recreation	12,403
Total Depreciation Expense - Governmental Activities	<u>\$ 1,106,145</u>
Business-Type Activities	
Water	\$ 395,408
Sewer	458,862
Total Depreciation Expense - Business-Type Activities	<u>\$ 854,270</u>

CITY OF WAITE PARK, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General	Water	\$ 200,000
Water	General	566
Sewer	General	820
Water	Sewer	117
Total Interfund Balances		<u>\$ 201,503</u>

Interfund loans exists between the General, Water and Sewer Funds for operating purposes.

B. INTERFUND TRANSFERS

The composition of interfund transfers is as follows:

	Transfers Out			Total
	G.O. Improvement Bonds of 2016B	Public Works Facility	Nonmajor Governmental Funds	
Transfers In				
General Fund	\$	\$	\$ 674,891	\$ 674,891
G.O. Improvement Crossover Refunding Bond of 2010A			678,000	678,000
Public Works Facility	3,300,000			3,300,000
Nonmajor Governmental Funds		1,000,000	2,254,967	3,254,967
Total Interfund Transfers	<u>\$ 3,300,000</u>	<u>\$ 1,000,000</u>	<u>\$ 3,607,858</u>	<u>\$ 7,907,858</u>

The purpose of the transfers was to close funds and to provide funding for capital improvement projects, capital outlay, and operating purposes.

CITY OF WAITE PARK, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 7. LONG-TERM LIABILITIES

A. GENERAL OBLIGATION BONDS

The City issues General Obligation (G.O.) Bonds to provide financing for street improvements, facility construction and tax increment projects. Debt service is covered respectively by special assessments, property taxes and tax increments against benefited properties with any shortfalls being paid from general taxes.

G.O. Bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 15 year Serial Bonds with equal debt service payments each year.

B. COMPONENTS OF LONG-TERM LIABILITIES

	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Balance Outstanding</u>
<u>Governmental Activities</u>			
Tax Abatement Bonds			
G.O. Tax Abatement Bonds, Series 2016A	2.00%-3.00%	12/15/31	\$ 2,275,000
Tax Increment Bonds			
G.O. Tax Increment Crossover Refunding Bonds, Series 2014A	2.00%-2.50%	12/15/24	1,515,000
Special Assessment Bonds			
G.O. Improvement Crossover Refunding Bonds, Series 2010A	3.00%-3.50%	12/01/23	2,865,000
G.O. Improvement Crossover Refunding Bonds, Series 2011A	2.00%	12/01/17	115,000
G.O. Improvement Bonds, Series 2013B	2.00%-3.10%	12/01/26	3,770,000
CIP Bonds			
G.O. Capital Improvement Plan Bonds, Series 2016B			9,505,000
G.O. Equipment Certificates of Indebtedness, Series 2013C	0.90%-1.60%	12/15/18	110,000
Net Pension Liability			5,917,102
Compensated Absences			1,021,516
Other Postemployment Benefits Payable			234,169
Unamortized Bond Premium			893,649
			<u>893,649</u>
Total Governmental Activities			<u>\$ 28,221,436</u>

CITY OF WAITE PARK, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

B. COMPONENTS OF LONG-TERM LIABILITIES (Cont'd)

	<u>Interest Rates</u>	<u>Final Maturity</u>	<u>Balance Outstanding</u>
<u>Business-Type Activities</u>			
G.O. Revenue Bonds			
G.O. Refunding Bonds, Series 2013A	2.00%-3.00%	12/01/24	\$ 3,135,000
Unamortized Bond Premium			75,080
Net Pension Liability			515,886
Compensated Absences			195,999
Other Postemployment Benefits Payable			<u>31,932</u>
			<u><u>\$ 3,953,897</u></u>

On April 1, 2010, the City issued \$6,885,000 G.O. Improvement Crossover Refunding Bonds, Series 2010A, with an interest rate of 3.00% to 3.50%. The City issued the Bonds to crossover refund the G.O. Improvement Bonds, Series 2008A, totaling \$6,760,000. The City completed the refunding to reduce its debt service payment over the next 13 years by \$286,836. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$237,608.

On December 15, 2011, the City issued \$1,395,000 G.O. Improvement Crossover Refunding Bonds, Series 2011A, with an interest rate of 2.00%. The City issued the Bonds to crossover refund the G.O. Improvement Bonds, Series 2006A, totaling \$750,000 and the G.O. Improvement Bonds, Series 2007A, totaling \$625,000. The City completed the refunding to reduce its debt service payment over the next 6 years by \$51,223. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$46,974.

On November 15, 2013, the City issued \$4,170,000 G.O. Refunding Bonds, Series 2013A, with an interest rate of 2.00% to 3.00%. The City issued the bonds to refund the G.O. Refunding Bonds of 2005, totaling \$4,205,000. The City completed the refunding to limit the annual increases in the debt service payments over the next 11 years. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$189,360.

On November 15, 2013, the City issued \$4,720,000 G.O. Improvement Bonds, Series 2013B, with an interest rate of 2.00% to 3.10%. The City issued the Bonds to fund street improvements.

On November 15, 2013, the City issued \$250,000 G.O. Equipment Certificates of Indebtedness, Series 2013C, with an interest rate of 0.90% to 1.60%. The City issued the Certificates to fund the acquisition of public works equipment.

On August 13, 2014, the City issued \$1,685,000 G.O. Tax Increment Crossover Refunding Bonds, Series 2014A, with an interest rate of 2.00% to 2.5%. The City issued the Bonds to crossover refund the G.O. TIF Bonds of 2009C, totaling \$1,615,000. The City completed the refunding to reduce its debt service payment over the next 10 years by \$70,394. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$63,067.

CITY OF WAITE PARK, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

B. COMPONENTS OF LONG-TERM LIABILITIES (Cont'd)

On May 1, 2016, the City issued \$2,275,000 G.O. Tax Abatement Bonds, Series 2016A, with an interest rate of 2.00% to 3.00%. The City issued the bonds to fund street improvements.

On October 15, 2016, the City issued \$9,505,000 G.O. Capital Improvement Plan Bonds, Series 2016B, with an interest rate of 2.00% to 4.00%. The City issued the Bonds to construct a new public works facility.

Debt service funds are used to liquidate the governmental activities outstanding bonded indebtedness, loan payable, and certificates of indebtedness. The General Fund has historically been used to liquidate the outstanding governmental activities compensated absences and other postemployment benefits payable. The Water and Sewer Funds are used to liquidate the outstanding business-type activities compensated absences and other postemployment benefits payable.

C. MINIMUM DEBT PAYMENTS

Annual debt service requirements to maturity for all bonded debt, loan and certificates of indebtedness outstanding are as follows:

Year Ending December 31	Governmental Activities			
	G.O. Tax Abatement Bonds		G.O. Tax Increment Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 140,000	\$ 59,800	\$ 175,000	\$ 32,415
2018	140,000	57,000	180,000	28,915
2019	140,000	54,200	185,000	25,315
2020	140,000	51,400	185,000	21,615
2021	140,000	48,600	190,000	17,915
2022-2026	745,000	190,125	600,000	29,065
2027-2031	830,000	75,900		
	<u>\$ 2,275,000</u>	<u>\$ 537,025</u>	<u>\$ 1,515,000</u>	<u>\$ 155,240</u>

CITY OF WAITE PARK, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

C. MINIMUM DEBT PAYMENTS (Cont'd)

Year Ending December 31	Governmental Activities			
	Special Assessment Bonds		C.I.P. Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 1,365,000	\$ 188,985	\$ 215,000	\$ 351,342
2018	1,245,000	153,035	265,000	296,850
2019	640,000	119,585	275,000	291,550
2020	630,000	104,335	280,000	286,050
2021	625,000	86,975	285,000	280,450
2022-2026	2,245,000	174,050	1,555,000	1,262,850
2027-2031			1,830,000	983,800
2032-2036			2,220,000	528,100
2037-2041			2,580,000	237,000
	<u>\$ 6,750,000</u>	<u>\$ 826,965</u>	<u>\$ 9,505,000</u>	<u>\$ 4,517,992</u>
Year Ending December 31	Governmental Activities		Business-Type Activities	
	G.O. Certificates of Indebtedness		G.O. Revenue Bonds	
	Principal	Interest	Principal	Interest
2017	\$ 55,000	\$ 1,760	\$ 360,000	\$ 79,100
2018	55,000	880	370,000	71,900
2019			375,000	64,500
2020			385,000	57,000
2021			395,000	47,375
2022-2024			1,250,000	75,750
	<u>\$ 110,000</u>	<u>\$ 2,640</u>	<u>\$ 3,135,000</u>	<u>\$ 395,625</u>

CITY OF WAITE PARK, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

D. CHANGES IN LONG-TERM LIABILITIES

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities</u>					
G.O. Tax Abatement					
Bonds	\$	\$ 2,275,000	\$	\$ 2,275,000	\$ 140,000
G.O. Tax Increment					
Bonds	1,685,000		(170,000)	1,515,000	175,000
Special					
Assessment Bonds	8,280,000		(1,530,000)	6,750,000	1,365,000
C.I.P. Bonds		9,505,000		9,505,000	215,000
Total Bonds Payable	9,965,000	11,780,000	(1,700,000)	20,045,000	1,895,000
G.O. Certificates of					
Indebtedness	160,000		(50,000)	110,000	55,000
Net Pension Liability	2,304,819	5,382,272	(1,769,989)	5,917,102	
Compensated					
Absences	961,990	285,276	(225,750)	1,021,516	241,000
Other Postemployment					
Benefits Payable	217,213	16,956		234,169	
Capital Leases Payable	50,239		(50,239)		
Unamortized Bond					
Discount	(26,788)		26,788		
Unamortized Bond					
Premium	264,882	673,687	(44,920)	893,649	66,814
Total Governmental Activities	<u>\$ 13,897,355</u>	<u>\$ 18,138,191</u>	<u>\$ (3,814,110)</u>	<u>\$ 28,221,436</u>	<u>\$ 2,257,814</u>
	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Business-Type Activities</u>					
Bonds Payable					
G.O. Water Revenue					
Bonds, Net of					
Premium/Discount	\$ 3,574,614	\$	\$ (364,534)	\$ 3,210,080	\$ 369,534
Net Pension Liability	112,103	720,395	(316,612)	515,886	
Compensated					
Absences	210,602	53,993	(68,596)	195,999	55,000
Other Postemployment					
Benefits Payable	29,620	2,312		31,932	
Total Business-Type Activities	<u>\$ 3,926,939</u>	<u>\$ 776,700</u>	<u>\$ (749,742)</u>	<u>\$ 3,953,897</u>	<u>\$ 424,534</u>

CITY OF WAITE PARK, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 7. LONG-TERM LIABILITIES (Cont'd)

E. CONDUIT DEBT OBLIGATIONS

Conduit debt obligations are certain limited-obligation revenue bonds or similar debt instruments issued for the express purpose of providing capital financing for a specific third party. The City has issued various revenue bonds to provide funding to private-sector entities for projects deemed to be in the public interest. Although these bonds bear the name of the City, the City has no obligation for such debt. Accordingly, the bonds are not reported as liabilities in the financial statements of the City.

The City's conduit debt consisted of the following:

Name	Date of Issue	Original Amount of Issue	Balance as of December 31, 2016
WACOSA			
Commercial Development Revenue Note, Series 2012	09/17/12	\$ 1,500,000	\$ 1,264,420
McDowall Company			
Industrial Development Revenue Bonds, Series 2006	10/03/06	3,485,000	2,350,000
Goodwill Industries, Inc.			
Revenue Note, Series 2007	01/29/07	2,053,000	1,295,823
Park Villa Apartments			
Multifamily Housing Revenue Bonds, Series 2007	10/17/07	5,550,000	5,257,396

NOTE 8. RISK MANAGEMENT

The City purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT), which is a public entity risk pool currently operating as a common risk management and insurance program, with other cities in the state. The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through commercial companies for excess claims. The City is covered through the pool for any claims incurred but unreported, but retains risk for the deductible portion of its insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

There were no significant reductions in insurance from the previous year or settlements in excess of insurance coverage for any of the past three fiscal years.

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment is estimated to be immaterial based on workers' compensation rates and salaries for the year.

CITY OF WAITE PARK, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 8. RISK MANAGEMENT (Cont'd)

There are no other claims liabilities reported in the funds based on the requirements of accounting standards, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 9. CITY OF WAITE PARK FIRE RELIEF ASSOCIATION - SUPPLEMENTAL PENSION PLAN

The City engaged an actuary to determine the City's liability for its supplemental pension plan in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68 as of December 31, 2014.

A. GENERAL INFORMATION ABOUT THE PENSION PLAN

Plan Description:

The Waite Park Fire Department participates in the Statewide Volunteer Firefighter Retirement Plan (SVF), an agent multiple-employer lump-sum defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The SVF plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2015, the plan covered 29 active firefighters and 2 vested terminated fire fighters whose pension benefits are deferred. The plan is established and administered in accordance with Minnesota Statutes, Chapter 353 G.

Benefits Provided:

The SVF provides lump-sum retirement, death, and supplemental benefits to covered firefighters and survivors. Benefits are paid based on the number of years of service multiplied by a benefit level per year of service approved by the City. The benefit is selected from 71 possible levels in \$100 increments ranging from \$500 to \$7,500 per year of service. Members are eligible for a lump-sum retirement benefit at 50 years of age with five years of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40% through 20 years at 100%.

Contributions:

The SVF is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota Statutes, and voluntary City contributions. The State of Minnesota contributed \$41,574 in fire state aid to the plan on behalf of the Waite Park Fire Department for the year ended December 31, 2015, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City's contributions were equal to the required contributions as set by state statute, if applicable.

Pension Costs:

At December 31, 2016, the City reported a net pension asset of \$145,237 for the SVF plan. The net pension asset was measured as of December 31, 2015. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the fire department as of December 31, 2015. The following table presents the changes in net pension liability during the year.

CITY OF WAITE PARK, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 9. CITY OF WAITE PARK FIRE RELIEF ASSOCIATION - SUPPLEMENTAL PENSION PLAN (Cont'd)

B. NET PENSION LIABILITY (ASSET) AND OTHER RELATED AMOUNTS

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at 1/1/2015	\$ 595,122	\$ 786,412	\$ (191,290)
Changes for the Year:			
Service Cost	22,624		22,624
Interest	33,909		33,909
Differences Between Expected and Actual Experience	45,272		45,272
Contributions - City		10,896	(10,896)
Contributions - State		41,574	(41,574)
Asset (Gain)/Loss		4,014	(4,014)
Benefit Payments, Including Refunds of Employee Contributions	(104,900)	(104,900)	
Administrative Expense		(732)	732
Net Change	(3,095)	(49,148)	46,053
Balances at 12/31/2015	<u>\$ 592,027</u>	<u>\$ 737,264</u>	<u>\$ (145,237)</u>

For the year ended December 31, 2015, the City recognized pension expense of (\$37,352). At December 31, 2015, the City reported deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 36,217	\$ 22,842
Differences between projected and actual investment earnings	32,289	
Contributions paid to plan subsequent to measurement date	45,862	
State revenue received for the plan subsequent to measurement date		40,862
Totals	<u>\$ 114,368</u>	<u>\$ 63,704</u>

CITY OF WAITE PARK, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 9. CITY OF WAITE PARK FIRE RELIEF ASSOCIATION - SUPPLEMENTAL PENSION PLAN (Cont'd)

B. NET PENSION LIABILITY (ASSET) AND OTHER RELATED AMOUNTS (Cont'd)

\$45,862 reported as deferred outflows of resources and \$40,862 reported as deferred inflows of resources related to pension resulting from City contributions to the pension plan subsequent to the measurement date and State fire aid received subsequent to the measurement date, respectively, will be recognized as a net reduction of the net pension liability in the year ended December 31, 2017. Amounts reported as deferred inflows of resources related to pension plans will be recognized in pension expense as follows:

Year ended December 31,	<u>Expense</u>
2017	\$ 9,325
2018	9,325
2019	9,325
2020	17,689

Actuarial Assumptions:

The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement:

Inflation	3.00 percent
Retirement Eligibility	Later of age 50 or 20 years of service
Investment Rate of Return	6.00 percent

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2015 - December 31, 2015.

Discount Rate:

The discount rate used to measure the total pension liability was 6.0%. The projection of cash flows used to determine the discount rate assumed that contributions to the SVF plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF WAITE PARK, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 9. CITY OF WAITE PARK FIRE RELIEF ASSOCIATION - SUPPLEMENTAL PENSION PLAN (Cont'd)

B. NET PENSION LIABILITY (ASSET) AND OTHER RELATED AMOUNTS (Cont'd)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate:

The following presents the net pension liability calculated using the discount rate of 6.00 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (5.00%)	Discount Rate (6.00%)	1% Increase in Discount Rate (7.00%)
City's Net Pension Liability (Asset)	\$ (132,298)	\$ (145,237)	\$ (157,524)

Plan Investments Investment Policy:

The Minnesota State Board of Investment (SBI) is established by Article XI of the Minnesota Constitution to invest all state funds. Its membership as specified in the Constitution is comprised of the Governor (who is designated as chair of the Board), State Auditor, Secretary of State and State Attorney General.

All investments undertaken by the SBI are governed by the prudent person rule and other standards codified in Minnesota Statutes, Chapter 11A and Chapter 356A.

Within the requirements defined by state law, the SBI, with assistance of the SBI staff and the Investment Advisory Council, establishes investment policy for all funds under its control. These investments policies are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure and specific performance standards. Studies guide the on-going management of the funds and are updated periodically.

Asset Allocation:

To match the long-term nature of the pension obligations, the SBI maintains a strategic asset allocation for the Statewide Volunteer Firefighter Retirement Plan (VOLP) that includes allocations to domestic equity, international equity, bonds and cash equivalents. The long-term target asset allocation and long-term expected real rate of return is the following:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	35%	5.50%
International Equity	15%	6.00%
Fixed Income	45%	1.45%
Cash	5%	0.50%

CITY OF WAITE PARK, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 9. CITY OF WAITE PARK FIRE RELIEF ASSOCIATION - SUPPLEMENTAL PENSION PLAN (Cont'd)

B. NET PENSION LIABILITY (ASSET) AND OTHER RELATED AMOUNTS (Cont'd)

Asset Allocation: (Cont'd)

The 6% long-term expected rate of return on pension plan investments was determined using a building-block method. Best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations. The asset class estimates and the target allocations were then combined to produce a geometric, long-term expected real rate of return for the portfolio. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

Description of Significant Investment Policy Changes During the Year:

The SBI made no significant changes to their investment policy during Fiscal Year 2015 for the Statewide Volunteer Firefighter Retirement Plan.

Pension Plan Fiduciary Net Position:

Detailed information about the SVF plan's fiduciary net position as of June 30, 2015, 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; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

NOTE 10. DEFINED BENEFIT PENSION PLAN - STATEWIDE

A. PLAN DESCRIPTION

The City participates in the following cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association (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 GERF. GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

Public Employees Police and Fire Fund (PEPFF):

The PEPFF, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the PEPFF also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

CITY OF WAITE PARK, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

B. BENEFITS PROVIDED

PERA provides retirement, disability and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90% funded for two consecutive years are given 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following paragraphs are current provisions and apply to active plan participants. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

GERF Benefits:

Benefits are based on a member's highest average salary for any five successive years of allowable service, age and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% of average salary for each of the first ten years and 1.7% for each remaining year. Under Method 2, the annuity accrual rate is 2.7% of average salary for Basic Plan members and 1.7% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66. Disability benefits are available for vested members, and are based upon years of service and average high-five salary.

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% after five years up to 100% after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For PEPFF who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

C. CONTRIBUTIONS

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

CITY OF WAITE PARK, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

C. CONTRIBUTIONS (Cont'd)

GERF Contributions:

Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.50%, respectively, of their annual covered salary in calendar year 2016. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2016. The City's contributions to the GERF for the year ended December 31, 2016, were \$101,440. The City's contributions were equal to the required contributions for each year as set by state statute.

PEPFF Contributions:

Plan members were required to contribute 10.80% of their annual covered salary in calendar year 2016. The City was required to contribute 16.20% of pay for PEPFF members in calendar year 2016. The City's contributions to the PEPFF for the year ended December 31, 2016, were \$182,244. The City's contributions were equal to the required contributions for each year as set by state statute.

D. PENSION COSTS

GERF Pension Costs:

At December 31, 2016, the City reported a liability of \$1,737,574 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$22,610. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015 through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportion was 0.0214% at the end of the measurement period and 0.0223% at the beginning of the period.

For the year ended December 31, 2016, the City recognized pension expense of \$229,173 for its proportionate share of GERF's pension expense. In addition, the City recognized an additional \$6,742 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

CITY OF WAITE PARK, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

D. PENSION COSTS (Cont'd)

GERF Pension Costs: (Cont'd)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$	\$ 141,152
Changes in actuarial assumptions	340,219	
Differences between projected and actual investment earnings	329,799	
Changes in proportion		92,153
Contributions paid to PERA subsequent to measurement date	<u>51,897</u>	
Totals	<u>\$ 721,915</u>	<u>\$ 233,305</u>

\$51,897 reported as deferred outflows of resources related to pensions resulting from City contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

<u>Year ended December 31,</u>	<u>Expense</u>
2017	\$ 108,650
2018	108,650
2019	156,648
2020	62,765

PEPFF Pension Costs:

At December 31, 2016, the City reported a liability of \$4,695,414 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportion was 0.1170% at the end of the measurement period and 0.1110% at the beginning of the period.

For the year ended December 31, 2016, the City recognized pension expense of \$809,768 for its proportionate share of the PEPFF's pension expense. The City also recognized \$10,530 for the year ended December 31, 2016, of pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

CITY OF WAITE PARK, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

D. PENSION COSTS (Cont'd)

PEPFF Pension Costs: (Cont'd)

At December 31, 2016 the City reported its proportionate share of the PEPFF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$	\$ 538,653
Changes in actuarial assumptions	2,584,091	
Differences between projected and actual investment earnings	716,552	
Changes in proportion	99,328	
Contributions paid to PERA subsequent to measurement date	<u>90,298</u>	
Totals	<u>\$ 3,490,269</u>	<u>\$ 538,653</u>

\$90,298 reported as deferred outflows of resources related to pensions resulting from City contributions to PEPFF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to PEPFF will be recognized in pension expense as follows:

<u>Year ended December 31,</u>	<u>Expense</u>
2017	\$ 616,105
2018	616,105
2019	616,105
2020	558,198
2021	454,805

E. ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2016 actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.5% per year

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 General Employees Plan and RP-2000 tables for the Police and Fire Plan for males or females, as appropriate, with slight adjustments. Benefit increases for retirees are assumed to be: one percent per year for all future years for the General Employees Plan and Police and Fire Plan.

CITY OF WAITE PARK, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

E. ACTUARIAL ASSUMPTIONS (Cont'd)

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

The following changes in actuarial assumptions occurred in 2016:

GERP:

The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.

The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.

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% to 3.25% for payroll growth and 2.50% for inflation.

PEPFF:

The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% per year thereafter to 1.0% per year for all future years.

The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 5.6%.

The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%

CITY OF WAITE PARK, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 10. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

F. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2016 was 7.50%, a reduction from the 7.90% used in 2015. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at a rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the PEPFF, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056 and June 30, 2058, respectively. Beginning in fiscal years ended June 30, 2057 for the PEPFF, when projected benefit payments exceed the funds' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85% based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60% for the PEPFF was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50% applied to all years of projected benefits through the point of asset depletion and 2.85% after.

G. PENSION LIABILITY SENSITIVITY

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

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
GERF Discount Rate	6.50%	7.50%	8.50%
City's proportionate share of the GERF net pension liability	\$ 2,467,870	\$ 1,737,574	\$ 1,136,009
PEPFF Discount Rate	4.60%	5.60%	6.60%
City's proportionate share of the PEPFF net pension liability	6,572,956	4,695,414	3,161,319

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 report may be obtained on the internet at www.mnpera.org.

CITY OF WAITE PARK, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

A. PLAN DESCRIPTION

The City operates a single-employer retiree benefit plan ("the Plan") that provides health insurance to eligible employees and their families through the City's commercial health insurance plan. There are 34 active participants and 1 retired participant. Benefit and eligibility provisions are established through negotiations between the City and employee groups including various unions. The union contracts are renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report.

B. FUNDING POLICY

Contribution requirements are also negotiated between the City and employees and union representatives. The City contributes 0% of the cost of current-year premiums for eligible retired plan members and their spouses. For the year ended December 31, 2016, the City contributed \$13,230 to the Plan. The Plan is financed on a pay-as-you-go basis.

C. ANNUAL OPEB COST AND NET OPEB OBLIGATION

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually paid from the plan, and changes in the City's net OPEB obligation.

Annual Required Contribution	\$ 36,899
Interest on Net OPEB Obligation	9,873
Adjustment to Annual Required Contribution	<u>(14,274)</u>
Annual OPEB Cost (Expense)	32,498
Contributions Made	<u>(13,230)</u>
Increase (Decrease) in Net OPEB Obligation	19,268
Net OPEB Obligation - Beginning of Year	<u>246,833</u>
Net OPEB Obligation - End of Year	<u><u>\$ 266,101</u></u>

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan and the net OPEB obligation for 2016 and the preceding two years was:

Fiscal Year Ended	Annual OPEB Cost	Annual Plan Sponsor Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2016	\$ 32,498	\$ 13,230	41%	\$ 266,101
12/31/2015	31,412	3,424	11%	246,833
12/31/2014	38,157	10,919	29%	218,845

CITY OF WAITE PARK, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 11. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Cont'd)

D. FUNDED STATUS AND FUNDING PROGRESS

As of January 1, 2015, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$247,056 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$247,056. The annual payroll for active employees covered by the Plan in the actuarial valuation was \$2,218,541 for a ratio of UAAL to covered payroll of 11.1%.

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

E. ACTUARIAL METHODS AND ASSUMPTIONS

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing 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 and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumption included a 4.0% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The initial healthcare trend rate was 7.2% reduced by decrements to an ultimate rate of 5% after seven years. The inflation rate was 2.75%. The UAAL is being amortized as a level dollar amount on an open basis. The remaining amortization period at December 31, 2016 was 30 years.

CITY OF WAITE PARK, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016

NOTE 12. PRIOR PERIOD ADJUSTMENT

Prepaid Items:

The beginning fund balance of the general fund and beginning net position of governmental activities, business-type activities, water fund, and sewer fund have been adjusted to reflect a correction of an error. The adjustment reflects the recording of prepaid items on an accrual basis. Beginning fund balance in the general fund has been restated from \$5,604,718 to \$5,695,683 (an increase of \$90,965). Beginning net position for governmental activities has been increased by \$90,965. Beginning net position for business-type activities has been restated from \$29,028,607 to \$29,040,841 (an increase of \$12,234). Beginning net position for the water fund has been restated from \$12,707,780 to \$12,715,475 (an increase of \$7,695). Beginning net position for the sewer fund has been restated from \$16,308,425 to \$16,312,964 (an increase of \$4,539).

Capital Assets:

The beginning net position of the governmental activities has been increased to reflect a correction of an error. The adjustment reflects the City capitalizing infrastructure in accordance with GASB 34, which requires the capitalization of capital assets on the City's government-wide financial statements. Beginning governmental activities net position has been increased by \$8,931,710, which represents an additional \$22,078,133 of infrastructure and \$13,146,423 of accumulated depreciation. Together, with the prior period adjustment for prepaid items, the governmental activities net position has been restated from \$27,639,119 to \$36,661,791 (an increase of \$9,022,675).

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF WAITE PARK, MINNESOTA

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
DECEMBER 31, 2016

Actuarial Valuation Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) and the State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (a+b)	Employer's Covered-Employee Payroll (c)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
<u>Pension</u>							
<u>PERA - GERF</u>							
6/30/2016	0.0214%	\$ 1,737,574	\$ 22,610	\$ 1,760,184	\$ 1,325,400	132.80%	68.91%
6/30/2015	0.0223%	1,155,702		1,155,702	1,303,378	88.67%	78.19%
<u>PERA - PEPFF</u>							
6/30/2016	0.1170%	4,695,414		4,695,414	1,124,159	417.68%	63.88%
6/30/2015	0.1110%	1,261,220		1,261,220	1,012,580	124.56%	86.61%

The City implemented GASB Statement No. 68 for fiscal year ended December 31, 2015. Information for prior years is not available.

CITY OF WAITE PARK, MINNESOTA

SCHEDULE OF EMPLOYER CONTRIBUTIONS
DECEMBER 31, 2016

Year Ended December 31,	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered- Employee Payroll (d)	Contributions as a Percentage of Covered- Employee Payroll (b/d)
<u>Pension</u>					
<u>PERA - GERF</u>					
2016	\$ 101,440	\$ 101,440	\$	\$ 1,352,535	7.50%
2015	99,153	99,153		1,322,039	7.50%
<u>PERA - PEPFF</u>					
2016	182,244	182,244		1,124,964	16.20%
2015	174,007	174,007		1,074,119	16.20%

The City implemented GASB Statement No. 68 for fiscal year ended December 31, 2015. Information for prior years is not available.

CITY OF WAITE PARK, MINNESOTA

SCHEDULE OF CHANGES IN THE CITY FIRE RELIEF ASSOCIATION'S
NET PENSION LIABILITY AND RELATED RATIOS
DECEMBER 31, 2016

	<u>12/31/2015</u>	<u>12/31/2014</u>
Service Cost	\$ 22,624	\$ 18,618
Interest	33,909	38,625
Differences Between Expected and Actual Experience	45,272	(38,070)
Benefit Payments, Including Refunds of Member Contributions	<u>(104,900)</u>	<u>(98,344)</u>
Net Change in Total Pension Liability	(3,095)	(79,171)
Total Pension Liability - Beginning of Year	<u>595,122</u>	<u>674,293</u>
Total Pension Liability - End of Year	<u>\$ 592,027</u>	<u>\$ 595,122</u>
Fire State Aid	\$ 31,795	\$ 30,650
Fire Supplemental Aid	7,779	7,416
Supplemental Benefit Reimbursement	2,000	2,000
Contributions - Employer	10,896	
Net Investment Income	4,014	51,482
Benefit Payments, Including Refunds of Member Contributions	(104,900)	(98,344)
Administrative Expense	(863)	(930)
Other	<u>131</u>	<u>(1,450)</u>
Net Change in Plan Fiduciary Net Position	(49,148)	(9,176)
Total Plan Fiduciary Net Position - Beginning of Year	<u>786,412</u>	<u>795,588</u>
Total Plan Fiduciary Net Position - End of Year	<u>\$ 737,264</u>	<u>\$ 786,412</u>
Fire Relief Association's Net Pension Asset	<u>\$ 145,237</u>	<u>\$ 191,290</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	125%	132%

The City implemented GASB Statement No. 68 for the year ended December 31, 2015. Information for prior years is not available.

CITY OF WAITE PARK, MINNESOTA

SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
DECEMBER 31, 2016

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/15	\$	\$ 247,056	\$ 247,056	0.0%	\$ 2,218,541	11.1%
01/01/12		239,673	239,673	0.0%	2,106,040	11.4%
12/31/09		316,988	316,988	0.0%	1,843,874	17.2%

Schedule of Employer Contributions

Year Ended December 31,	Annual Required Contribution	Employer Contribution	Percentage Contributed	Net Obligation
2016	\$ 32,498	\$ 13,230	40.7%	\$ 266,101
2015	31,412	3,424	10.9%	246,833
2014	41,574	10,919	26.3%	218,845
2013	40,195	11,293	28.1%	191,607
2012	38,422	3,419	8.9%	165,658
2011	55,714	12,125	21.8%	133,027
2010	53,125	7,534	14.2%	91,062
2009	50,448	4,152	8.2%	46,296

The City implemented GASB Statement No. 45 for the year ended December 31, 2009. Information for prior years is not available.

SUPPLEMENTARY INFORMATION

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CITY OF WAITE PARK, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2016

	Special Revenue	Debt Service	Capital Projects	Total
ASSETS				
Cash and Investments	\$ 5,561,375	\$ 1,458,666	\$ 1,461,223	\$ 8,481,264
Receivables				
Accounts	16,387			16,387
Delinquent Taxes		5,050		5,050
Special Assessments				
Delinquent		11,512		11,512
Deferred		859,531		859,531
Due from Other Governments	279,829	1,930		281,759
	<u>5,857,591</u>	<u>2,336,689</u>	<u>1,461,223</u>	<u>9,655,503</u>
Total Assets	\$ 5,857,591	\$ 2,336,689	\$ 1,461,223	\$ 9,655,503
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
Liabilities				
Accounts Payable	\$ 138	\$ 784	\$ 2,151	\$ 3,073
Contracts Payable			60,114	60,114
Total Liabilities	<u>138</u>	<u>784</u>	<u>62,265</u>	<u>63,187</u>
Deferred Inflows of Resources				
Unavailable Revenue				
Delinquent Taxes		5,050		5,050
Special Assessments		871,043		871,043
Total Deferred Inflows of Resources	<u>0</u>	<u>876,093</u>	<u>0</u>	<u>876,093</u>
Fund Balance				
Restricted				
Tax Increment	2,856,775			2,856,775
Loan Program	2,001			2,001
Debt Service		1,459,812		1,459,812
Regional Capital Improvement Projects	2,617,686		857,711	3,475,397
Assigned				
Capital Outlay	9,572			9,572
Park Land Development	304,779			304,779
Regional Capital Improvement Projects			541,329	541,329
Fund Operations	66,640			66,640
Unassigned				
Total Fund Balance	<u>5,857,453</u>	<u>1,459,812</u>	<u>1,398,958</u>	<u>8,716,223</u>
	<u>5,857,591</u>	<u>2,336,689</u>	<u>1,461,223</u>	<u>9,655,503</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 5,857,591	\$ 2,336,689	\$ 1,461,223	\$ 9,655,503

CITY OF WAITE PARK, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2016

	Special Revenue	Debt Service	Capital Projects	Total
REVENUES				
Property Taxes	\$	\$ 250,717	\$	\$ 250,717
Sales Tax	1,300,829			1,300,829
Special Assessments		175,334		175,334
Intergovernmental			1,384	1,384
Fines and Forfeitures	3,359			3,359
Miscellaneous				
Investment Income	6,794	8,320	567	15,681
Contributions and Donations	75,752			75,752
Total Revenues	<u>1,386,734</u>	<u>434,371</u>	<u>1,951</u>	<u>1,823,056</u>
EXPENDITURES				
Current				
Public Safety	25,539			25,539
Culture and Recreation	30,095			30,095
Debt Service				
Principal		545,000		545,000
Interest and Other Charges		142,794		142,794
Capital Outlay				
Public Safety	4,398			4,398
Public Works			1,612,001	1,612,001
Total Expenditures	<u>60,032</u>	<u>687,794</u>	<u>1,612,001</u>	<u>2,359,827</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,326,702	(253,423)	(1,610,050)	(536,771)
OTHER FINANCING SOURCES (USES)				
Bond Proceeds		2,375,721		2,375,721
Transfers In		202,560	3,052,407	3,254,967
Transfers Out	(1,605,972)	(2,001,886)		(3,607,858)
Total Other Financing Sources (Uses)	<u>(1,605,972)</u>	<u>576,395</u>	<u>3,052,407</u>	<u>2,022,830</u>
Net Change in Fund Balances	(279,270)	322,972	1,442,357	1,486,059
FUND BALANCE, BEGINNING OF YEAR	<u>6,136,723</u>	<u>1,136,840</u>	<u>(43,399)</u>	<u>7,230,164</u>
FUND BALANCE, END OF YEAR	<u>\$ 5,857,453</u>	<u>\$ 1,459,812</u>	<u>\$ 1,398,958</u>	<u>\$ 8,716,223</u>

CITY OF WAITE PARK, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
DECEMBER 31, 2016

	2002 DTED Rehabilitation Grant (103)	Park Land Development (807)	Charitable Gambling (815)	Drug Forfeiture (816)	DWI Forfeiture (817)	Forfeitures (818, 820)	Local Sales Tax (821)	Tax Increment District No. 2 (902)	Total
ASSETS									
Cash and Investments	\$ 2,001	\$ 288,392	\$ 66,640	\$ 1,765	\$ 2,325	\$ 5,620	\$ 2,337,857	\$ 2,856,775	\$ 5,561,375
Receivables		16,387							16,387
Due from Other Governments							279,829		279,829
Total Assets	\$ 2,001	\$ 304,779	\$ 66,640	\$ 1,765	\$ 2,325	\$ 5,620	\$ 2,617,686	\$ 2,856,775	\$ 5,857,591
LIABILITIES									
Accounts Payable	\$	\$	\$	\$	\$ 48	\$ 90	\$	\$	\$ 138
FUND BALANCE									
Restricted									
Tax Increment								2,856,775	2,856,775
Loan Program	2,001								2,001
Regional Capital Improvement Projects							2,617,686		2,617,686
Assigned									
Capital Outlay				1,765	2,277	5,530			9,572
Park Land Development		304,779							304,779
Fund Operations			66,640						66,640
Total Fund Balance	2,001	304,779	66,640	1,765	2,277	5,530	2,617,686	2,856,775	5,857,453
Total Liabilities And Fund Balance	\$ 2,001	\$ 304,779	\$ 66,640	\$ 1,765	\$ 2,325	\$ 5,620	\$ 2,617,686	\$ 2,856,775	\$ 5,857,591

CITY OF WAITE PARK, MINNESOTA

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
DECEMBER 31, 2016

	\$2,425,000 G.O. TIF Bonds of 2009C (916)	\$1,685,000 G.O. Tax Increment Crossover Refunding Bonds of 2014A (917)	\$215,000 G.O. Equipment Certificates of Indebtedness of 2010B (321)	\$1,810,000 G.O. Improvement Refunding Bonds of 2010C (322)	\$1,395,000 G.O. Improvement Crossover Refunding Bonds of 2011A (323)	G.O. Equipment Certificates of 2013C (325)	\$2,275,000 G.O. Tax Abatement Bonds of 2016A (326)	Total
ASSETS								
Cash and Investments	\$	\$	\$ 4,978	\$ 710,632	\$ 438,203	\$ 14,985	\$ 289,868	\$ 1,458,666
Receivables								
Delinquent Taxes			327	1,360	2,743	620		5,050
Special Assessments								
Delinquent		11,512						11,512
Deferred		312,164		304,834	242,533			859,531
Due from Other Governments		330	11	73	1,388	128		1,930
Total Assets	\$ 0	\$ 324,006	\$ 5,316	\$ 1,016,899	\$ 684,867	\$ 15,733	\$ 289,868	\$ 2,336,689
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE								
Liabilities								
Accounts Payable	\$	\$ 196	\$	\$	\$ 196	\$ 196	\$ 196	\$ 784
Deferred Inflows of Resources								
Unavailable Revenue								
Delinquent Taxes			327	1,360	2,743	620		5,050
Special Assessments		323,676		304,834	242,533			871,043
Total Deferred Inflows of Resources	0	323,676	327	306,194	245,276	620	0	876,093
Fund Balance								
Restricted for Debt Service		134	4,989	710,705	439,395	14,917	289,672	1,459,812
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 0	\$ 324,006	\$ 5,316	\$ 1,016,899	\$ 684,867	\$ 15,733	\$ 289,868	\$ 2,336,689

CITY OF WAITE PARK, MINNESOTA

COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
 DECEMBER 31, 2016

	River's Edge (434)	18th Ave South (440)	2013 Capital Improvements (441)	17th Ave South (442)	Total
ASSETS					
Cash and Investments	\$	\$ 139,686	\$ 401,643	\$ 919,894	\$ 1,461,223
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts Payable	\$ 82	\$	\$	\$ 2,069	\$ 2,151
Contracts Payable				60,114	60,114
Total Liabilities	82	0	0	62,183	62,265
Fund Balance					
Restricted					
Regional Capital Improvement Projects				857,711	857,711
Assigned					
Regional Capital Improvement Projects		139,686	401,643		541,329
Unassigned	(82)				(82)
Total Fund Balance	(82)	139,686	401,643	857,711	1,398,958
Total Liabilities and Fund Balance	\$ 0	\$ 139,686	\$ 401,643	\$ 919,894	\$ 1,461,223

CITY OF WAITE PARK, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE
YEAR ENDED DECEMBER 31, 2016

	2002 DTED Rehabilitation Grant (103)	Park Land Development (807)	Charitable Gambling (815)	Drug Forfeiture (816)	DWI Forfeiture (817)	Forfeitures (818, 820)	Local Sales Tax (821)	Tax Increment District No. 2 (902)	Total
REVENUES									
Sales Tax	\$	\$	\$	\$	\$	\$	\$ 1,300,829	\$	\$ 1,300,829
Fines and Forfeitures					1,535	1,824			3,359
Miscellaneous									
Investment Income	2	287	57	2	9	6	3,236	3,195	6,794
Contributions and Donations		17,608	53,439	4,705					75,752
Total Revenues	2	17,895	53,496	4,707	1,544	1,830	1,304,065	3,195	1,386,734
EXPENDITURES									
Current									
Public Safety			5,094	1,546	17,804	1,095			25,539
Culture and Recreation			30,095						30,095
Total Current	0	0	35,189	1,546	17,804	1,095	0	0	55,634
Capital Outlay									
Public Safety				4,398					4,398
Total Expenditures	0	0	35,189	5,944	17,804	1,095	0	0	60,032
Excess (Deficiency) of Revenues Over (Under) Expenditures	2	17,895	18,307	(1,237)	(16,260)	735	1,304,065	3,195	1,326,702
OTHER FINANCING SOURCES (USES)									
Transfers Out							(1,405,298)	(200,674)	(1,605,972)
Total Other Financing Sources (Uses)	0	0	0	0	0	0	(1,405,298)	(200,674)	(1,605,972)
Net Change in Fund Balances	2	17,895	18,307	(1,237)	(16,260)	735	(101,233)	(197,479)	(279,270)
FUND BALANCE, BEGINNING OF YEAR	1,999	286,884	48,333	3,002	18,537	4,795	2,718,919	3,054,254	6,136,723
FUND BALANCE, END OF YEAR	\$ 2,001	\$ 304,779	\$ 66,640	\$ 1,765	\$ 2,277	\$ 5,530	\$ 2,617,686	\$ 2,856,775	\$ 5,857,453

CITY OF WAITE PARK, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS - DEBT SERVICE
YEAR ENDED DECEMBER 31, 2016

	\$2,425,000 G.O. TIF Bonds of 2009C (916)	\$1,685,000 G.O. Tax Increment Crossover Refunding Bonds of 2014A (917)	\$215,000 G.O. Equipment Certificates of Indebtedness of 2010B (321)	\$1,810,000 G.O. Improvement Refunding Bonds of 2010C (322)	\$1,395,000 G.O. Improvement Crossover Refunding Bonds of 2011A (323)	G.O. Equipment Certificates of 2013C (325)	\$2,275,000 G.O. Tax Abatement Bonds of 2016A (326)	Total
REVENUES								
Property Taxes	\$	\$	\$ 208	\$ 775	\$ 196,780	\$ 52,954	\$	\$ 250,717
Special Assessments		4,526		27,750	143,058			175,334
Miscellaneous								
Investment Income		2	5	726	534	27	7,026	8,320
Total Revenues	0	4,528	213	29,251	340,372	52,981	7,026	434,371
EXPENDITURES								
Debt Service								
Principal		170,000			325,000	50,000		545,000
Interest and Other Charges		37,823			9,491	2,405	93,075	142,794
Total Expenditures	0	207,823	0	0	334,491	52,405	93,075	687,794
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(203,295)	213	29,251	5,881	576	(86,049)	(253,423)
OTHER FINANCING SOURCES (USES)								
Bond Proceeds							2,375,721	2,375,721
Transfers In		202,560						202,560
Transfers Out	(1,886)						(2,000,000)	(2,001,886)
Total Other Financing Sources (Uses)	(1,886)	202,560	0	0	0	0	375,721	576,395
Net Change in Fund Balances	(1,886)	(735)	213	29,251	5,881	576	289,672	322,972
FUND BALANCE, BEGINNING OF YEAR	1,886	869	4,776	681,454	433,514	14,341		1,136,840
FUND BALANCE, END OF YEAR	\$ 0	\$ 134	\$ 4,989	\$ 710,705	\$ 439,395	\$ 14,917	\$ 289,672	\$ 1,459,812

CITY OF WAITE PARK, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS - CAPITAL PROJECTS
 YEAR ENDED DECEMBER 31, 2016

	River's Edge (434)	18th Ave South (440)	2013 Capital Improvements (441)	17th Ave South (442)	Total
REVENUES					
Intergovernmental	\$	\$ 1,384	\$	\$	\$ 1,384
Miscellaneous					
Investment Income		147	420		567
Total Revenues	0	1,531	420	0	1,951
EXPENDITURES					
Capital Outlay					
Public Works	52,489	3,990		1,555,522	1,612,001
Excess (Deficiency) of Revenues Over (Under) Expenditures	(52,489)	(2,459)	420	(1,555,522)	(1,610,050)
OTHER FINANCING SOURCES (USES)					
Transfers In	52,407			3,000,000	3,052,407
Net Change in Fund Balances	(82)	(2,459)	420	1,444,478	1,442,357
FUND BALANCE, BEGINNING OF YEAR		142,145	401,223	(586,767)	(43,399)
FUND BALANCE, END OF YEAR	\$ (82)	\$ 139,686	\$ 401,643	\$ 857,711	\$ 1,398,958

CITY OF WAITE PARK, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Over (Under)
	Original	Final		Final Budget
REVENUES				
Taxes				
Property	\$ 6,410,723	\$ 6,410,723	\$ 6,240,270	\$ (170,453)
Gravel	90,000	90,000	149,339	59,339
Franchise	100,000	100,000	100,774	774
Total Taxes	<u>6,600,723</u>	<u>6,600,723</u>	<u>6,490,383</u>	<u>(110,340)</u>
Licenses and Permits	68,700	68,700	77,594	8,894
Intergovernmental				
Police Aid	90,000	90,000	123,343	33,343
COPS Grant			28,944	28,944
Highway Maintenance Aid	12,977	12,977	29,892	16,915
PERA Aid	3,052	3,052	3,052	
Other Grants and Aids	24,254	24,254	51,251	26,997
Total Intergovernmental	<u>130,283</u>	<u>130,283</u>	<u>236,482</u>	<u>106,199</u>
Charges for Services				
General Government	17,050	17,050	20,851	3,801
Public Safety	154,500	154,500	445,813	291,313
Total Charges for Services	<u>171,550</u>	<u>171,550</u>	<u>466,664</u>	<u>295,114</u>
Fines and Forfeitures	84,300	84,300	85,876	1,576
Miscellaneous				
Investment Income	15,000	15,000	18,810	3,810
Contributions and Donations	3,100	3,100	5,201	2,101
Refunds and Reimbursements	70,800	70,800	901,847	831,047
Other	800	800	4,633	3,833
Total Miscellaneous	<u>89,700</u>	<u>89,700</u>	<u>930,491</u>	<u>840,791</u>
Total Revenues	<u>7,145,256</u>	<u>7,145,256</u>	<u>8,287,490</u>	<u>1,142,234</u>

CITY OF WAITE PARK, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
EXPENDITURES				
Current				
General Government				
Mayor and Council	\$ 47,090	\$ 47,090	\$ 56,699	\$ 9,609
Administrative and Finance	892,060	892,060	1,637,617	745,557
Elections	18,425	18,425	14,347	(4,078)
Other	61,530	61,530	82,618	21,088
Total General Government	1,019,105	1,019,105	1,791,281	772,176
Public Safety				
Police	2,487,875	2,487,875	2,409,314	(78,561)
Fire	226,400	226,400	211,908	(14,492)
Other	266,435	266,435	257,384	(9,051)
Total Public Safety	2,980,710	2,980,710	2,878,606	(102,104)
Public Works				
Streets and Highways	1,330,875	1,330,875	1,049,285	(281,590)
Sanitation				
Garbage and Other Refuse	325,900	325,900	352,202	26,302
Weed Control	26,000	26,000	21,717	(4,283)
Total Sanitation	351,900	351,900	373,919	22,019
Culture and Recreation				
Total Current	5,975,715	5,975,715	6,378,818	403,103
Debt Service				
Principal	50,240	50,240	50,239	(1)
Interest and Other Charges	2,551	2,551	2,551	
Total Debt Service	52,791	52,791	52,790	(1)
Capital Outlay				
General Government	91,000	91,000	100,919	9,919
Public Safety	895,100	895,100	866,239	(28,861)
Public Works	84,850	84,850	535,036	450,186
Culture and Recreation	227,000	227,000	403,018	176,018
Total Capital Outlay	1,297,950	1,297,950	1,905,212	607,262
Total Expenditures	7,326,456	7,326,456	8,336,820	1,010,364
Excess (Deficiency) of Revenues Over (Under) Expenditures	(181,200)	(181,200)	(49,330)	131,870

CITY OF WAITE PARK, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	\$ 1,200	\$ 1,200	\$ 5,400	\$ 4,200
Transfers In			674,891	674,891
Total Other Financing Sources (Uses)	<u>1,200</u>	<u>1,200</u>	<u>680,291</u>	<u>679,091</u>
Net Change in Fund Balances	<u>\$ (180,000)</u>	<u>\$ (180,000)</u>	630,961	<u>\$ 810,961</u>
FUND BALANCE, BEGINNING OF YEAR, AS ORIGINALLY STATED			5,604,718	
PRIOR PERIOD ADJUSTMENT			<u>90,965</u>	
FUND BALANCE, BEGINNING OF YEAR, RESTATED			<u>5,695,683</u>	
FUND BALANCE, END OF YEAR			<u>\$ 6,326,644</u>	

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FINANCIAL SCHEDULES

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CITY OF WAITE PARK, MINNESOTA

STATEMENT OF LONG-TERM LIABILITIES
DECEMBER 31, 2016

	Issue Date	Interest Rates	Original Issue	Final Maturity	Balance Outstanding	Due Within One Year
Governmental Activities						
Tax Abatement Bonds						
G.O. Tax Abatement Bonds, Series 2016A	05/19/16	2.00%-3.00%	\$ 2,275,000	12/15/31	\$ 2,275,000	\$ 140,000
Tax Increment Bonds						
G.O. Tax Increment Crossover Refunding Bonds, Series 2014A	08/15/14	2.00%-2.50%	1,685,000	12/15/24	1,515,000	175,000
Special Assessment Bonds						
G.O. Improvement Crossover Refunding Bonds, Series 2010A	04/01/10	3.00%-3.50%	6,885,000	12/01/23	2,865,000	865,000
G.O. Improvement Crossover Refunding Bonds, Series 2011A	12/15/11	2.00%	1,395,000	12/01/17	115,000	115,000
G.O. Improvement Bonds, Series 2013B	11/15/13	2.00%-3.10%	4,720,000	12/01/26	3,770,000	385,000
C.I.P. Bonds						
G.O. Capital Improvement Plan Bonds, Series 2016B	10/26/16	2.00%-3.00%	9,505,000	12/15/41	9,505,000	215,000
G.O. Certificates of Indebtedness						
G.O. Equipment Certificates of Indebtedness, Series 2013C	11/15/13	0.90%-1.60%	250,000	12/15/18	110,000	55,000
Net Pension Liability					5,917,102	
Compensated Absences					1,021,516	241,000
Other Postemployment Benefits Payable					234,169	
Unamortized Bond Premium					893,649	66,814
Total Governmental Activities					<u>28,221,436</u>	<u>2,257,814</u>
Business-Type Activities						
G.O. Revenue Bonds						
G.O. Refunding Bonds, Series 2013A	11/15/13	2.00%-3.00%	4,170,000	12/01/24	3,135,000	360,000
Unamortized Bond Premium					75,080	9,534
Net Pension Liability					515,886	
Compensated Absences					195,999	55,000
Other Postemployment Benefits Payable					31,932	
Total Business-Type Activities					<u>3,953,897</u>	<u>424,534</u>
Total All Long-Term Liabilities					<u>\$ 32,175,333</u>	<u>\$ 2,682,348</u>

CITY OF WAITE PARK, MINNESOTA

STATEMENT OF BOND AND INTEREST MATURITIES AND TAX LEVIES/SALES TAX
DECEMBER 31, 2016

	Maturities			Year Collectible	Tax Levies/ Sales Tax
	Principal	Interest	Total		
TAX ABATEMENT BONDS:					
2016A G.O. Tax Abatement					
Bonds (326):					
06/15/17	\$	\$ 29,900	\$ 29,900		\$
12/15/17	140,000	29,900	169,900	2017	209,790
06/15/18		28,500	28,500		
12/15/18	140,000	28,500	168,500	2018	206,850
06/15/19		27,100	27,100		
12/15/19	140,000	27,100	167,100	2019	203,910
06/15/20		25,700	25,700		
12/15/20	140,000	25,700	165,700	2020	200,970
06/15/21		24,300	24,300		
12/15/21	140,000	24,300	164,300	2021	198,030
06/15/22		22,900	22,900		
12/15/22	145,000	22,900	167,900	2022	200,340
06/15/23		21,088	21,088		
12/15/23	145,000	21,087	166,087	2023	196,534
06/15/24		19,275	19,275		
12/15/24	150,000	19,275	169,275	2024	197,978
06/15/25		17,025	17,025		
12/15/25	150,000	17,025	167,025	2025	193,253
06/15/26		14,775	14,775		
12/15/26	155,000	14,775	169,775	2026	193,778
06/15/27		12,450	12,450		
12/15/27	160,000	12,450	172,450	2027	194,145
06/15/28		10,050	10,050		
12/15/28	160,000	10,050	170,050	2028	189,105
06/15/29		7,650	7,650		
12/15/29	165,000	7,650	172,650	2029	189,315
06/15/30		5,175	5,175		
12/15/30	170,000	5,175	175,175	2030	189,368
06/15/31		2,625	2,625		
12/15/31	175,000	2,625	177,625	2031	189,263
Total 2016A G.O. Tax Abatement Refunding Bonds	<u>\$ 2,275,000</u>	<u>\$ 537,025</u>	<u>\$ 2,812,025</u>		<u>\$ 2,952,629</u>

CITY OF WAITE PARK, MINNESOTA

STATEMENT OF BOND AND INTEREST MATURITIES AND TAX LEVIES/SALES TAX
DECEMBER 31, 2016

	Maturities			Year Collectible	Tax Levies/ Sales Tax
	Principal	Interest	Total		
TAX INCREMENT BONDS:					
2014A G.O. Tax Increment Refunding Bonds (917):					
06/15/17	\$	\$ 16,207	\$ 16,207		\$
12/15/17	175,000	16,208	191,208	2017	
06/15/18		14,457	14,457		
12/15/18	180,000	14,458	194,458	2018	
06/15/19		12,657	12,657		
12/15/19	185,000	12,658	197,658	2019	
06/15/20		10,807	10,807		
12/15/20	185,000	10,808	195,808	2020	
06/15/21		8,957	8,957		
12/15/21	190,000	8,958	198,958	2021	
06/15/22		7,057	7,057		
12/15/22	195,000	7,058	202,058	2022	
06/15/23		4,912	4,912		
12/15/23	200,000	4,913	204,913	2023	
06/15/24		2,562	2,562		
12/15/24	205,000	2,563	207,563	2024	
Total 2014A G.O. Tax Increment Refunding Bonds	<u>\$ 1,515,000</u>	<u>\$ 155,240</u>	<u>\$ 1,670,240</u>		<u>\$ 0</u>
SPECIAL ASSESSMENT BONDS:					
2010A G.O. Refunding Bonds (320):					
06/01/17	\$	\$ 44,542	\$ 44,542		\$
12/01/17	865,000	44,543	909,543	2017	705,000
06/01/18		31,567	31,567		
12/01/18	855,000	31,568	886,568	2018	705,000
06/01/19		18,742	18,742		
12/01/19	245,000	18,743	263,743	2019	25,000
06/01/20		15,067	15,067		
12/01/20	230,000	15,068	245,068	2020	25,000
06/01/21		11,387	11,387		
12/01/21	225,000	11,388	236,388	2021	25,000
06/01/22		7,675	7,675		
12/01/22	225,000	7,675	232,675	2022	25,000
06/01/23		3,850	3,850		
12/01/23	220,000	3,850	223,850	2023	25,200
Total 2010A G.O. Refunding Bonds	<u>\$ 2,865,000</u>	<u>\$ 265,665</u>	<u>\$ 3,130,665</u>		<u>\$ 1,535,200</u>
2011A G.O. Crossover Refunding Bonds (323):					
06/01/17	\$	\$ 1,150	\$ 1,150		\$
12/01/17	115,000	1,150	116,150	2017	18,000
Total 2011A G.O. Crossover Refunding Bonds	<u>\$ 115,000</u>	<u>\$ 2,300</u>	<u>\$ 117,300</u>		<u>\$ 18,000</u>

CITY OF WAITE PARK, MINNESOTA

STATEMENT OF BOND AND INTEREST MATURITIES AND TAX LEVIES/SALES TAX
DECEMBER 31, 2016

	Maturities			Year Collectible	Tax Levies/ Sales Tax
	Principal	Interest	Total		
SPECIAL ASSESSMENT BONDS					
(Cont'd):					
2013B G.O. Improvement Bonds (324):					
06/15/17	\$	\$ 48,800	\$ 48,800		\$
12/30/17	385,000	48,800	433,800	2017	356,000
06/15/18		44,950	44,950		
12/30/18	390,000	44,950	434,950	2018	356,000
06/15/19		41,050	41,050		
12/30/19	395,000	41,050	436,050	2019	356,000
06/15/20		37,100	37,100		
12/30/20	400,000	37,100	437,100	2020	300,000
06/15/21		32,100	32,100		
12/30/21	400,000	32,100	432,100	2021	300,000
06/15/22		27,100	27,100		
12/30/22	400,000	27,100	427,100	2022	300,000
06/15/23		21,100	21,100		
12/30/23	400,000	21,100	421,100	2023	275,000
06/15/24		15,100	15,100		
12/30/24	400,000	15,100	415,100	2024	275,000
06/15/25		9,100	9,100		
12/30/25	400,000	9,100	409,100	2025	275,000
06/15/26		3,100	3,100		
12/30/26	200,000	3,100	203,100	2026	70,000
Total 2013B G.O. Improvement Bonds	<u>\$ 3,770,000</u>	<u>\$ 559,000</u>	<u>\$ 4,329,000</u>		<u>\$ 2,863,000</u>

CITY OF WAITE PARK, MINNESOTA

STATEMENT OF BOND AND INTEREST MATURITIES AND TAX LEVIES/SALES TAX
DECEMBER 31, 2016

	Maturities			Year Collectible	Tax Levies/ Sales Tax
	Principal	Interest	Total		
CIP BONDS:					
2016B G.O. Capital Improvement Plan					
Bonds (327):					
06/15/17	\$	\$ 200,767	\$ 200,767		\$
12/15/17	215,000	150,575	365,575	2017	594,659
06/15/18		148,425	148,425		
12/15/18	265,000	148,425	413,425	2018	589,943
06/15/19		145,775	145,775		
12/15/19	275,000	145,775	420,775	2019	594,878
06/15/20		143,025	143,025		
12/15/20	280,000	143,025	423,025	2020	594,353
06/15/21		140,225	140,225		
12/15/21	285,000	140,225	425,225	2021	593,723
06/15/22		137,375	137,375		
12/15/22	290,000	137,375	427,375	2022	592,988
06/15/23		131,575	131,575		
12/15/23	300,000	131,575	431,575	2023	591,308
06/15/24		125,575	125,575		
12/15/24	315,000	125,575	440,575	2024	594,458
06/15/25		120,850	120,850		
12/15/25	320,000	120,850	440,850	2025	589,785
06/15/26		116,050	116,050		
12/15/26	330,000	116,050	446,050	2026	590,205
06/15/27		111,100	111,100		
12/15/27	340,000	111,100	451,100	2027	590,310
06/15/28		106,000	106,000		
12/15/28	350,000	106,000	456,000	2028	590,100
06/15/29		99,000	99,000		
12/15/29	365,000	99,000	464,000	2029	591,150
06/15/30		91,700	91,700		
12/15/30	380,000	91,700	471,700	2030	591,570
06/15/31		84,100	84,100		
12/15/31	395,000	84,100	479,100	2031	591,360
06/15/32		76,200	76,200		
12/15/32	410,000	76,200	486,200	2032	590,520
06/15/33		68,000	68,000		
12/15/33	430,000	68,000	498,000	2033	594,300
06/15/34		59,400	59,400		
12/15/34	445,000	59,400	504,400	2034	591,990
06/15/35		52,725	52,725		
12/15/35	460,000	52,725	512,725	2035	593,723
06/15/36		45,825	45,825		
12/15/36	475,000	45,825	520,825	2036	594,983
06/15/37		38,700	38,700		
12/15/37	485,000	38,700	523,700	2037	590,520
06/15/38		31,425	31,425		
12/15/38	500,000	31,425	531,425	2038	590,993

CITY OF WAITE PARK, MINNESOTA

STATEMENT OF BOND AND INTEREST MATURITIES AND TAX LEVIES/SALES TAX
DECEMBER 31, 2016

	Maturities			Year Collectible	Tax Levies/ Sales Tax
	Principal	Interest	Total		
CIP BONDS (Cont'd):					
2016B G.O. Capital Improvement Plan					
Bonds (327) (Cont'd):					
06/15/39	\$	\$ 23,925	\$ 23,925		\$
12/15/39	515,000	23,925	538,925	2039	590,993
06/15/40		16,200	16,200		
12/15/40	530,000	16,200	546,200	2040	590,520
06/15/41		8,250	8,250		
12/15/41	550,000	8,250	558,250	2041	594,825
Total 2016B G.O. Capital Improvement Plan Bonds	<u>\$ 9,505,000</u>	<u>\$ 4,594,192</u>	<u>\$ 14,099,192</u>		<u>\$ 14,804,157</u>
G.O. EQUIPMENT CERTIFICATES:					
2013C G.O. Equipment					
Certificates (325):					
06/15/17	\$	\$ 880	\$ 880		\$
12/15/17	55,000	880	55,880	2017	54,000
06/15/18		440	440		
12/15/18	55,000	440	55,440	2018	54,000
Total 2013C G.O. Equipment Certificates	<u>\$ 110,000</u>	<u>\$ 2,640</u>	<u>\$ 112,640</u>		<u>\$ 108,000</u>
G.O. REVENUE BONDS:					
2013A G.O. Refunding Bonds (703):					
06/15/17	\$	\$ 39,550	\$ 39,550		\$
12/15/17	360,000	39,550	399,550	2017	
06/15/18		35,950	35,950		
12/15/18	370,000	35,950	405,950	2018	
06/15/19		32,250	32,250		
12/15/19	375,000	32,250	407,250	2019	
06/15/20		28,500	28,500		
12/15/20	385,000	28,500	413,500	2020	
06/15/21		23,687	23,687		
12/15/21	395,000	23,688	418,688	2021	
06/15/22		18,750	18,750		
12/15/22	405,000	18,750	423,750	2022	
06/15/23		12,675	12,675		
12/15/23	415,000	12,675	427,675	2023	
06/15/24		6,450	6,450		
12/15/24	430,000	6,450	436,450	2024	
Total 2013A G.O. Refunding Bonds (Water Fund Portion)	<u>\$ 3,135,000</u>	<u>\$ 395,625</u>	<u>\$ 3,530,625</u>		<u>\$ 0</u>

CITY OF WAITE PARK, MINNESOTA

STATEMENT OF DIRECT AND OVERLAPPING DEBT
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2016

Governmental Unit	Debt Outstanding	City's Share	
		Estimated Percentage (1)	Amount
School District 742	\$ 94,115,000	15.80%	\$ 14,870,170
Stearns County	18,135,000	7.10%	<u>1,287,585</u>
Total Overlapping Debt			16,157,755
City of Waite Park Direct Debt			<u>23,180,000</u>
Total Direct and Overlapping Debt			<u>\$ 39,337,755</u>

Source: Stearns County Auditor

(1) The percentage of overlapping debt is estimated by taking the City's tax capacity divided by the overlapping governmental units' tax capacity.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City of Waite Park. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Waite Park. This process recognizes that, when considering the City of Waite Park's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account.

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COMPLIANCE SECTION

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and Members of the City Council
City of Waite Park
Waite Park, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the City of Waite Park, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, and have issued our report thereon dated September 29, 2017.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 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.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
Certified Public Accountants & Consultants
Litchfield, Minnesota

September 29, 2017

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Honorable Mayor and Members of the City Council
City of Waite Park
Waite Park, Minnesota

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Waite Park, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 29, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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Sartell, MN 56377
P (320) 252-7565
T (800) 862-1337

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
Certified Public Accountants & Consultants
Litchfield, Minnesota

September 29, 2017

CITY OF WAITE PARK, MINNESOTA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>Year Finding Initially Occurred</u>	<u>If not corrected, Provide Planned Corrective Action or Other Explanation</u>
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Financial Statement Findings:

None

Minnesota Legal Compliance Findings:

None