CITY OF MANKATO
MANKATO, MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2017

PREPARED BY:

FINANCE DEPARTMENT

Daniel Scott
Director of Finance

Member GFOA of U.S. and Canada
Published June 25, 2018

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City of Mankato
Mankato, Minnesota
Comprehensive Annual Financial Report
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INTRODUCTORY SECTION

CITY OF MANKATO
MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

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June 25, 2018

To the Honorable Mayor, Members of the City Council, and Citizens of the City of Mankato:

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of audited financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Mankato (the City) for the fiscal year ended December 31, 2017.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of the information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material aspects.

The City's financial statements have been audited by Abdo, Eick, & Meyers, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2017 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended December 31, 2017 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in this report in the Single Audit and Other Required Reports section.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD & A). This letter of transmittal is designed to complement the MD & A and should be read in conjunction with it. The City's MD & A can be found immediately following the report of the independent auditors.

Profile of the Government

The City, incorporated in 1868, is located in the south central region of Minnesota and is approximately 75 miles south of the Minneapolis / Saint Paul metropolitan area. Mankato is considered to be a regional center that services Southern Minnesota and Northern Iowa. The region is considered to be a prime area in the state for agriculture with corn and soybeans being the major cash crops. Mankato is home to Ridley, Inc / Hubbard Feeds, Archer Daniels Midland, and CENEX / Harvest States / Honeymead. All three corporations are well known in the agribusiness community. Archer Daniels and CHS (CENEX / Harvest States) are major entities in the soybean processing industry. The City currently occupies a land area of 11 square miles and has a population of 42,799. The community serves a regional market estimated at 327,700 people. The City is empowered to levy a property tax on real property located within its corporate limits It is also empowered by state statute to extend its corporate limits by orderly annexation, which occurs periodically when deemed appropriate by the City Council.

The City operated under the council-manager form of government since 1952. Policy making and legislative authority is vested in a governing council consisting of the mayor and six council members. The Mayor and City Council are responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Manager. The City Manager is responsible for carrying out the policies and ordinances of the Council, for overseeing the day to day operations of the government, and for appointing the heads of various departments. The Mayor and Council are elected on a non-partisan basis. Council members serve four-year staggered terms. The Mayor is elected to serve a four-year term. Five Council members are elected by ward. The Mayor and the one remaining Council member are elected at large.

The City provides a full range of services:

The City Manager's Office provides services to the City Council, citizens of Mankato, and guidance for the various City departments. Services provided include preparation of materials for all City Council meetings as well as all City Council work sessions, development of strategic initiatives for review and implementation, and providing for the overall leadership of the organization structure. The Department is also responsible for the position of the City Clerk and all of the duties within that position. The staff consists of four full-time employees.

The Community Development Department provides services in the area of planning and zoning, building code enforcement and inspection, and economic development. The economic development programs are aimed at stimulating commercial and industrial growth. In addition, a variety of programs have been utilized, over the years, for the intent of providing citizens with adequate and affordable housing. Among these programs are the Housing & Urban Development (HUD) Public Housing, HUD Voucher Program, Minnesota Housing Finance Agency Programs (Home Stretch and Rental Rehab), and deferred loan programs that target specific neighborhoods such as Lincoln Park, Washington Park, and the Neighborhood Improvement fund. In addition, the Department also utilizes Tax Increment Financing and Industrial Development Revenue Bonds for economic development tools.

The Department of Public Safety - Police Division provides residents with a 57 member force that operates from the Public Safety Center. The City has a 17 member trained and licensed part-time force. In addition, the City has a 7 member police reserve unit. The department has three full-time community service officers and five part-time community service officers. In addition, the department has eight full-time administrative clerical positions and five part-time community service officers. The department is actively engaged in the concept of community orientated policing. The community orientated governance concept is now shared throughout the organization.

The Department of Public Safety - Fire Division has 18 full-time and 35 part-time personnel on staff in three fire stations throughout the community. The City also provides specialty services throughout the region in the form of a Chemical Assessment Team and Hazardous Materials Team. The community has an ISO fire insurance rating of 3.

The Department of Public Works - Street Division has 14 full-time personnel and three part-time positions. The department is responsible for maintaining 241 miles of streets with approximately 838 lane miles. In addition, the department provides maintenance for 242 miles of storm water infrastructure.

The Department of Public Works - Parks Division has 11 full-time staff. Parks Division maintains 23 parks that encompass 472 acres. The park facilities have 12 baseball diamonds, 10 basketball courts, 18 miles of bike trails, 3 outdoor hockey rinks, 8 softball diamonds, 2 outdoor swimming areas, 6 tennis courts, 4 volleyball courts, 6 pickle ball courts, 1 outdoor swimming pool, and a 92 acre camping facility with 39 camp sites. In addition, the City operates an indoor park pavilion at the Land of Memories Park. The City also operates a 4,800 seat arena / civic center.

The Department of Public Utilities staffs 26 full-time employees and one part-time employee. The department services 11,340 residential customers, 1,507 commercial customers, 51 industrial customers, and 308 governmental customers. The average daily water consumption in gallons is 4,886,000. The water storage capacity is 10,900,000 gallons. This includes two elevated water tanks and five ground water storage tanks. The maximum water production capacity is 12,000,000 gallons. The department also serves over 15,100 wastewater users in Mankato, North Mankato, Eagle Lake, Madison Lake, Skyline, South Bend Township, and the Lake Washington Sanitary District. The wastewater treatment plant has a maximum design capacity of 11.25 million gallons per day and an average daily use of 7.7 million gallons per day.

The Department of Public Works - Infrastructure Division staffs 7 full-time employees. The department services 257 miles of water mains, 207 miles of sanitary sewer mains, and 244 miles of storm water drains. In addition, there are 14 sewer lift stations, 82 storm water retention ponds, and 5 flood control pumping stations.

The Department of Public Works - Transit Division staffs 12 full-time and 42 part-time employees. The Transit System began operation in 1976. The system provides fixed route and para-transit mobility services in Mankato and North Mankato. Services are provided to Minnesota State University and North Mankato through a contractual arrangement. The Transit System provides 29,075 service hours to 697,142 riders. There are 9,099 mobility riders, 688043 fixed route riders. There are 18 established transit routes.

The Department of Public Works - Airport Division staffs 1 full-time and 3 part-time employees. The airport is located approximately five miles north east of the City on 650 acres of City owned land. The airport has 2 paved runways, TVOR navigational aids, approach lights, and a routing beacon. In 1997, the City built a new terminal building that includes office space for the business operation of the airport as well as a concourse serving four gates. The paved and marked parking lot area has a capacity of 120 parking stalls. In 2007, the City completed a seven million dollar expansion of a runway providing for a 6,600 foot runway. The project also included additional land acquisition, drainage improvements, and rehabilitation of existing runways.

The Department of Public Works - Garage Division employs 9 full-time staff and one part-time position. The division provides for the maintenance of City owned vehicles. The division operates the City owned garage and dispenses bulk petroleum to all City owned vehicles.

The Department of Engineering consists of 13 staff members. The department designs and inspects all infrastructure projects within the City.

The Parking Operations System (City owned ramps and surface parking lots) is operated and maintained by the Public Works staff. They operate, maintain, and enforce parking in the City owned ramps and nearby city owned off street surface parking. The parking system consists of seven ramps with 1,775 parking spaces. In addition, there are 237 off street surface parking spaces.

The Department of Human Resources employs 6 full-time staff and provides recruitment, screening, compliance, and payroll services for the organization. In addition, this department provides Human Resource services for Blue Earth County.

The Legal Department has been merged with the Blue Earth County Attorney's Office. The City has begun executing contractual payments to Blue Earth County for legal services in lieu of staffing and maintaining a legal department. Blue Earth County has assumed the prosecution of misdemeanor offenses. Other required legal services will be a part of the contractual payment. Moving forward, this area will no longer be reported as part of the City of Mankato organization.

The Finance Department consists of 6 full-time staff. The department is responsible for all accounting and financial reporting for the organization. In addition, the department handles the cash management and investments of funds, cash flow forecasting, the risk management for the entire organization, coordinates the issuance of debt structures to finance the various infrastructure improvements, tax increment financing reporting, processes the annual grant funding for the transit system, maintains numerous operational statistics for the transit system, provides financial information for the Capital Improvement Plan and coordinates the City Budget Process.

The Information Technology Department consists of 9 full-time staff and two part-time staff. They provide in house programming for the IBM AS 400, customized programming for Munis software, as well as server support for the information network. The department provides technical support for personal computers, printers, phone based technology and printer copiers. The department is responsible for all Geographic Information Systems (GIS) activity for the City.

The Department of Public Information / Customer Service have 6 full-time staff. This area provides assistance in the area of informational marketing efforts to the community. The department has evolved to provide a 311 Call Center. The purpose of this Call Center is to provide quality customer service for citizen calls of a non-emergency nature. This department serves both the City and Independent School District 77.

The Council is required to adopt a final budget prior to the close of the fiscal year. The annual budget serves as the foundation for the City's financial planning and control. The City Manager's Office and Director of Finance prepare the annual budget each summer. A preliminary budget is presented to the City Council in August, prior to consideration of the preliminary property tax levy. Under Minnesota Statutes, a preliminary property tax levy must be adopted no later than September 15 of each year for the ensuing years' collection. This action establishes a maximum levy. Subsequent Council action may lower this preliminary levy but must not raise the levy. In addition, the City Council reviews the budgets for the enterprise funds and all other funds on an annual basis as part of the budgetary process. In November, citizens receive a notice of proposed property taxes based upon the preliminary levies established by all taxing districts. Citizens are invited to a public hearing known as Truth in Taxation hearings for each taxing jurisdiction. The City's hearing includes a presentation that addresses the budget, proposed property tax levy, other City operations, and the priorities of the City Council for the upcoming year. There is an opportunity for public comment, on these topics, at this public hearing as well as the following meeting at which the final property tax levy is adopted. The final appropriated budget is prepared by fund, function, and departmental program. The City Manager may make transfers of appropriations within a fund or department. Budget amendments, that reduce the amount of an appropriation, require approval of the City Council. Budget to actual comparisons are provided for each individual governmental fund for which an appropriated annual budget has been adopted. This is the basis for the budget process and the framework for the completion of the annual budget.

Local economy

The region has a mix of manufacturing and industrial base that complements the agricultural base. Major industries with headquarters or divisions located with the City or close proximity include wireless cellular telephone and communications, specialty and commercial printing, soybean processing, microcircuit and electronic assembly, and plastics production. This combined with Mankato being the County Seat of Blue Earth County adds further diversification. In addition, the community serves as a regional health care provider. Mayo Health Systems operates the hospital and medical care facility that provides an employment base of approximately 2,386 health care professionals and staff. The community is also the home of Minnesota State University - Mankato (MSU-M). The University has a student population of approximately 14,000 students and an employment base of 2,000 educational professionals and staff. The region (which includes the City and the surrounding area) has an employed labor force of approximately 59,488 which is anticipating a slight increase in the upcoming year by a rate of 1 percent.

The City anticipates a continuing of the leveling off of growth rates in residential housing. The market value of all residential permits in fiscal year 2017 was $59,746,200. This represents an increase of 69.2 percent when compared to fiscal year 2016 permits issued. The market value of all new residential, commercial and industrial permits in fiscal year 2017 was $73,163,400. This represents an increase of 38.1 percent when compared to fiscal year 2016.

Unemployment has been at a relatively modest rate due to the diverse economic base. The unemployment rate is 2.4 percent which represents a decrease from the previous year rate of 3.2 percent. Unemployment is expected to remain relatively stable in the near term due to the overall economic conditions.

The hospitality industry makes a significant contribution to the Mankato economy. The lodging tax generated $616,818 for fiscal year 2017. This represents an increase of 15.4 percent when compared to fiscal year 2016. The food and beverage tax generated $775,940 for fiscal year 2017. This represents an increase of 2.36 percent when compared to fiscal year 2016.

The retail sales are a significant contribution to the Mankato economy as well. The city sales tax generated $5,403,168 in fiscal year 2017. This represents an increase of 1.77 percent when compared to fiscal year 2016.

Long-term financial planning

Unassigned fund balance in the General fund is 30.73 percent of the subsequent fiscal year total General fund expenditures. Fund balance policy guidelines, set by the City Council, allow up to 50 percent of the subsequent fiscal year total General fund expenditures. The policy has been set for budgetary and planning purposes. The Council and staff plan to increase the actual percentage towards the maximum for the purpose of achieving a higher bond rating and potentially reducing future borrowing costs. Assigned fund balance in the General fund is 10.40 percent of total General fund expenditures.

Financial planning and control for the City is also based upon the five-year Capital Investment Program. The Capital Investment Program is reviewed and revised during the budget process each year. This includes projects for which the City must issue debt and/or assess portions of the cost to adjacent or benefited property owners. Since the Council has set limits upon the funds available each year and the City does not wish to issue excessive amounts of debt, these projects need to be reviewed and (on occasion) reprioritized annually as part of the Capital Investment Program. The specific projects under consideration are identified in the City Budget.

Relevant financial policies

Cash management and investment policies have been drafted and are on file in the City Finance Department. Cash temporarily idle during the year was invested in certificates of deposit, commercial paper, or obligations of the U.S. Treasury, or a state approved money market investment fund. The maturities of investments range from 30 days to 7 years. The total value of maturities of one year or less is 32.28 percent of the total portfolio. The value of maturities from 1 year to five years is 53.74 percent of the portfolio. The value of the maturities greater than five years is 13.98 percent of the total portfolio. All obligations of the U.S. Treasury have call features which, in effect, will likely serve to reduce the maximum maturity date of the securities in the six year to twelve year instruments. The City utilizes the 4M Fund as a “sweep” account paying interest on overnight deposits. The rate on this daily sweep during 2017 was 0.37 percent to 0.98 percent. All other funds were invested in FDIC backed certificates of deposit with yields from 1.00 percent to 2.55 percent; U.S. Treasuries, U.S. Agency Bonds with yields from 0.875 percent to 2.73 percent and Municipal Bonds with yields of 0.80 percent to 5.898 percent. Money Market Funds represented 20.22 percent of the total portfolio. U S Government Securities represented 32.36 percent of the total portfolio. Certificates of Deposit represented 30.54 percent of the portfolio. Municipal Bonds represent 16.88 percent of the portfolio. All municipal bonds have ratings of A+ to AAA.

These types of investment instruments are deemed to have acceptable investment risks and are consistent with the Investment Policy of the City. All investment instruments are consistent with Minnesota Statutes 118.A. Investment income includes any appreciation or decrease in the fair value of investments. Any increase or decrease in fair value does not necessarily indicate a trend that will continue; nor is it always possible to realize such amounts. The City purchases government fixed income securities with the intent of holding them to full maturity or to their call date. As such, in the long term, the City does not expect to realize any loss in value due to changes in the interest rate market. The City exercises the Mark To Market of its investments on a quarterly basis. As a result, the city may experience a gain or a loss for the respective quarter based upon the prevailing interest rate market conditions. A thorough review of cash flow needs is performed prior to investing funds. This requires examining the various stages of construction for each project identified within the Capital Improvement Program of the City. The City utilizes cash flow practices with the intent of assuring sufficient liquidity to eliminate or significantly reduce the need to redeem fixed income instruments prior to maturity or their call date.

The Department of Finance updated the Internal Control manual in 2007. The department identified key areas of activity and drafted controls for each area. With the addition of various e-commerce activities over the past few years, it was necessary to identify several areas and document the necessary practices and controls. The department maintains this document as a continuing work in progress.

The Department of Finance engaged an actuarial study for Other Post-Employment Benefits (OPEB) in order to comply with Governmental Accounting Standards Board Pronouncement 45 (GASB 45). GASB 45 is directed towards public sector employers providing certain OPEB benefits. The City implemented GASB 45 in the fiscal year 2008 comprehensive annual financial report. Updated actuarial studies were performed throughout the fiscal years of 2011, 2013, 2015, and 2017. For fiscal year 2017, the net OPEB obligation for the City is $1,360,781. The City's OPEB liability is relatively minor when compared to other Minnesota cities. Unlike other governmental agencies, the issuance of debt for the purposes of funding OPEB liabilities "will not" be required. Additional information regarding OPEB liability can be found in the Notes to the Financial Statements (pages 123 through 125).

The City participates in a comprehensive risk management strategy through the League of Minnesota Cities Insurance Trust (LMCIT). The risk management plan is in coordination with the statutory limits for insurance coverage as identified for political subdivisions of the State of Minnesota.

Specific area of insurance coverage include, property, supplemental flood coverage, crime, employee dishonesty bonds, employee faithful performance bonds, police professional liability, municipal liability, automobile and equipment liability, automobile physical damage, Minnesota Petrofund liability, boiler coverage, Open Meeting Law coverage, and workers compensation coverage. The City established a self-insurance fund for health insurance in 1991. Under this program, the health insurance claims are administered by Blue Cross & Blue Shield of Minnesota. Additional information regarding risk management activity can be found in the notes to the financial statements.

Pension and other post-employment benefits. The City participates in the Minnesota Public Employees Retirement Association (PERA) as required by state law. The City participates in three PERA funds. They are the PERA Police & Firefighters Fund, the PERA Coordinated Fund, and Public Employees Defined Contribution Plan (PEDCP) for elected officials. Additional information regarding pension activity can be found in the notes to the financial statements.

Major initiatives

The City authorized improvements for Franklin Rogers Park in the amount of an estimated $1,500,000. The improvements include the installation of artificial turf, enhanced field drainage, new dugouts, new concession area, new restrooms, additional seating, and a new electronic scoreboard. Partial funding will be provided through a Public / Private Partnership lease agreement will finance the balance of funding through the city sales tax.

The City authorized improvements to Riverfront Park in the amount of an estimated $ 876,000. The improvements include amphitheater enhancements, stage repair, and seating enhancements. Funding will be provided through the allocation of city sales tax proceeds.

The City authorized improvements to the Verizon Center arena in the amount of an estimated $2,400,000. The improvements center upon an enhanced de-humidification process for the arena. In addition, sealed doorways adjacent to the arena area will be installed along with computerized climate control system to maintain the dew point and humidity levels in the arena.

Mayo Clinic Health Systems are adding approximately $37,334,000 of improvements to the hospital and health care campuses. A new surgical center and entrance will be constructed at the hospital estimated at $32,722,000. An Orthopedic and Dialysis Center is being added to the hospital campus at an estimated $1,700,000. In addition, the Eastridge Clinic Campus will have an estimated $1,715,000 of improvements.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City of Mankato for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2016. The City has received the prestigious award since 1985. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the Finance Department who assisted and contributed to the preparation of this report. We would also like to acknowledge the Mayor and the City Council for their support for maintaining the highest standards of professionalism in the management of the City's finances.

Respectfully submitted,

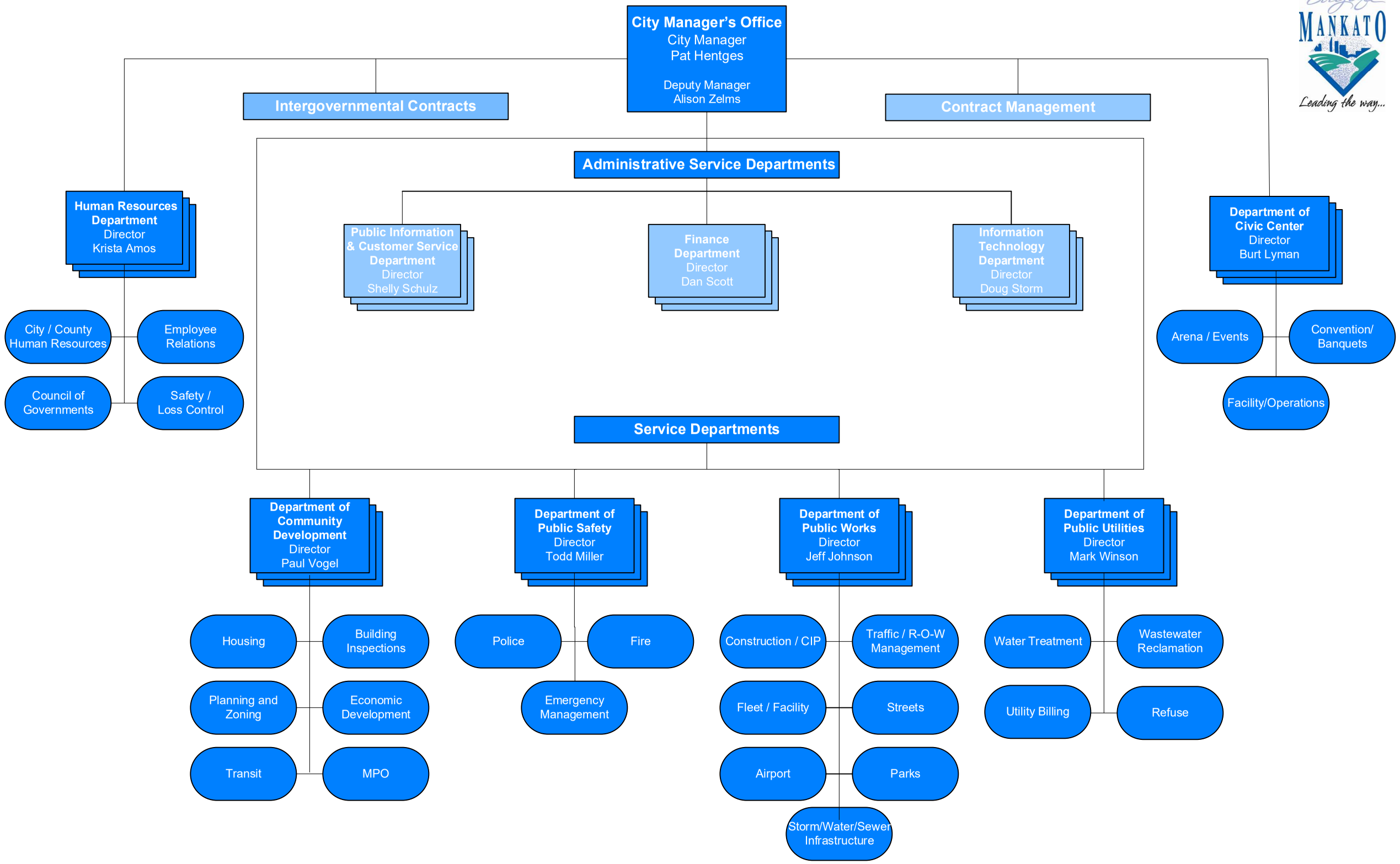
Patrick Hentges
City Manager

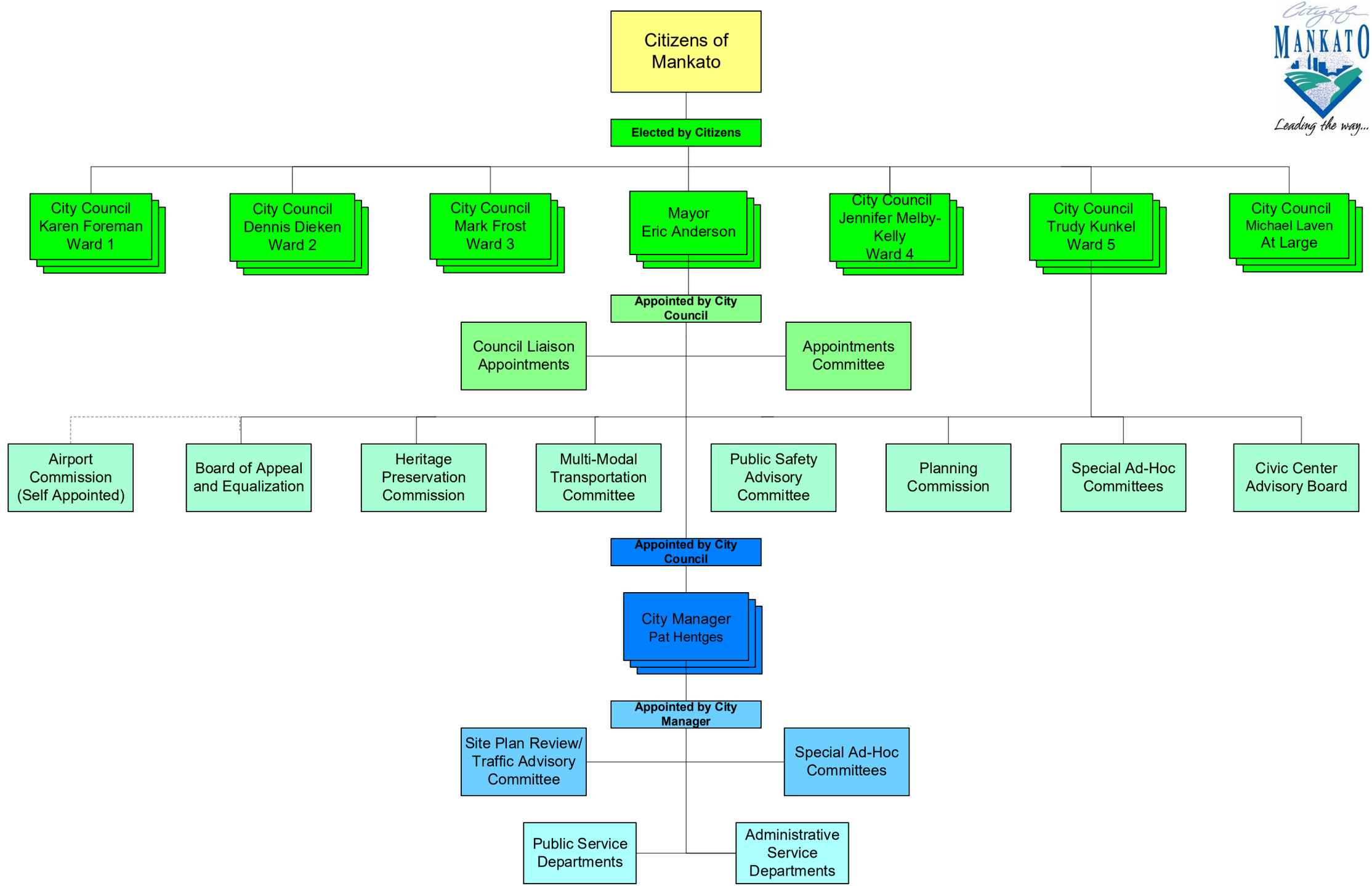
Alison Zelms
Deputy City Manager

Daniel Scott
Director of Finance

City of Mankato, Minnesota
Listing of Officials
For the Year Ended December 31, 2017

Name	Title	Term Ends
Eric Anderson	Mayor	12/31/18
Mike Laven	At Large	12/31/20
Karen Foreman	Council Member 1st Ward	12/31/18
Dennis Dieken	Council Member 2nd Ward	12/31/20
Mark Frost	Council Member 3rd Ward	12/31/18
Jenn Melby-Kelly	Council Member 4th Ward	12/31/20
Trudy Kunkel	Council Member 5th Ward	12/31/18
Patrick Hentges	City Manager	
Alison Zelms	Deputy City Manager	
Daniel Scott	Director of Finance	
Paul Vogel	Director of Community Development	
Jeff Johnson	Director of Public Works	
Todd Miller	Director of Public Safety	
Krista Amos	Director of Human Resources	
Shelly Schulz	Director of Public Information	
Doug Storm	Director of Information Technology	
Mark Winson	Director of Public Utilities	


City Manager's Office
City Manager
Pat Hentges
Deputy Manager
Alison Zelms
Intergovernmental Contracts
Contract Management
Administrative Service Departments
Human Resources Department
Director
Krista Amos
City / County Human Resources
Employee Relations
Council of Governments
Safety / Loss Control
Public Information & Customer Service Department
Director
Shelly Schulz
Finance Department
Director
Dan Scott
Information Technology Department
Director
Doug Storm
Department of Civic Center
Director
Burt Lyman
Arena / Events
Convention/ Banquets
Facility/Operations
Service Departments
Department of Community Development
Director
Paul Vogel
Housing
Building Inspections
Planning and Zoning
Economic Development
Transit
MPO
Department of Public Safety
Director
Todd Miller
Police
Fire
Emergency Management
Department of Public Works
Director
Jeff Johnson
Construction / CIP
Traffic / R-O-W Management
Fleet / Facility
Streets
Airport
Parks
Storm/Water/Sewer Infrastructure
Department of Public Utilities
Director
Mark Winson
Water Treatment
Wastewater Reclamation
Utility Billing
Refuse


Citizens of Mankato
Elected by Citizens
City Council Karen Foreman Ward 1
City Council Dennis Dieken Ward 2
City Council Mark Frost Ward 3
Mayor Eric Anderson
City Council Jennifer Melby-Kelly Ward 4
City Council Trudy Kunkel Ward 5
City Council Michael Laven At Large
Appointed by City Council
Council Liaison Appointments
Appointments Committee
Airport Commission (Self Appointed)
Board of Appeal and Equalization
Heritage Preservation Commission
Multi-Modal Transportation Committee
Public Safety Advisory Committee
Planning Commission
Special Ad-Hoc Committees
Civic Center Advisory Board
Appointed by City Council
City Manager Pat Hentges
Appointed by City Manager
Site Plan Review/ Traffic Advisory Committee
Special Ad-Hoc Committees
Public Service Departments
Administrative Service Departments

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Mankato

Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2016

Christopher P. Morrill

Executive Director/CEO

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Financial Section

FINANCIAL SECTION

CITY OF MANKATO
MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

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ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Mankato, Minnesota

Report on 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 Mankato, Minnesota (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's 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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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P.O. Box 3166
Mankato, MN 56002-3166
507.625.2727 | Fax 507.388.9139

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 27 and the Schedules of Employer's Share of the Net Pension Liability, the Schedules of Employer's Contributions and the Schedule of Funding Progress for Other Post-Employment Benefit Plan starting on page 131 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.

Report on Summarized Comparative Information

We have previously audited the City's 2016 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information in our report dated June 21, 2017. In our opinion, the summarized comparative information presented herein for the respective proprietary fund financial statements as of and for the year ended December 31, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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 introductory section, combining and individual fund financial statements and schedules, statistical section and schedules of sources and uses of public funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements.

The combining and individual fund financial statements and schedules and the Schedule of Expenditures of Federal Awards are the responsibility of management and were derived from and relate 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 combining and individual fund financial statements and schedules and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory, statistical sections and schedules of sources and uses of public funds have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2018, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 25, 2018

People + Process. Going Beyond the Numbers

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Management's Discussion and Analysis

As management of the City of Mankato (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found starting on page 9 of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $310,613,858 (*net position* on page 47). Of this amount, $17,048,973 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.

- The City's total net position increased by $8,923,423 in 2017 (on page 48) compared to an increase of $5,845,668 in 2016. Major factors for the current year increase were the business-type activity profits of $5,828,829 before transfers and total charges for services of $35,528,680 increased by $2,846,790 from 2016. Also, total capital grants and contributions for the year were $14,382,576.

- At the end of the current fiscal year, unassigned fund balance for the General fund was $8,870,449, or 33.8 percent of total General fund expenditures (page 58).

Overview of the Financial Statements

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

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

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

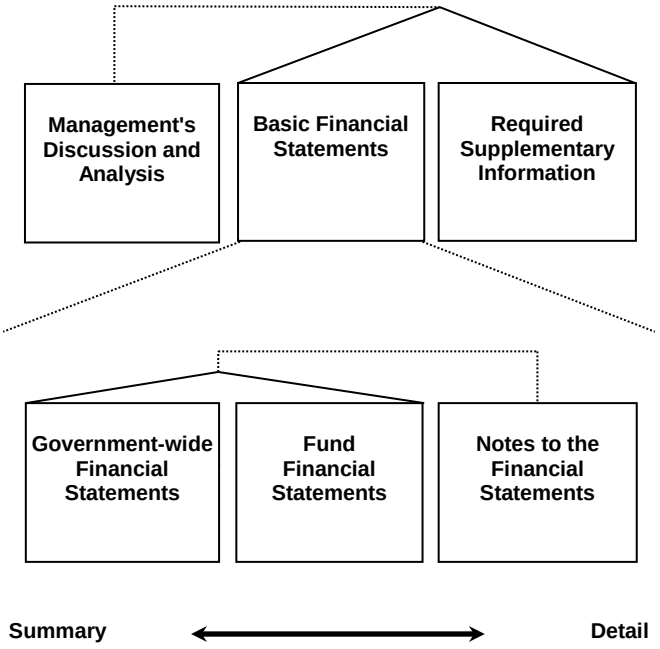


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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

		Fund Financial Statements	
	Government-wide Statements	**Governmental Funds**	**Proprietary Funds**
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	• Statement of Net Position • Statement of Activities	• Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances	• Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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

The *statement of net position* presents information on all of the City's assets and deferred outflows of resources less liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, community development, housing and economic development, and culture and recreation. The business-type activities of the City include housing and economic development, water, wastewater, sewer, refuse, utility operations and administration, storm water, street lighting, mass transit, airport, parking and civic center operations.

The government-wide financial statements include the City itself (known as the *primary government*), as well as an economic development authority for which the City is financially accountable. Financial information for the economic development authority is classified as a *blended component unit* and is reported separately from the financial information presented for the primary government itself. The economic development authority functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found starting on page 47 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local government, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact by the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains numerous individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund, the Debt Service fund, the Tailwind Tax Increment fund, the Municipal State Aid Street Project fund, the Improvement Bond Redemption fund and the 2014, 2015, 2016, 2017 and 2018 Improvements funds. All of these funds are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found starting on page 54 of this report.

Proprietary Funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the enterprise funds to account for its water operations, wastewater plant operations, sewer collection, utility operations/administration, refuse operations, Eastwood industrial park, storm water utility operations, street lighting operation, transit operations, parking system, airport operations, civic center, economic development, and the housing funds of the Mankato Economic Development Authority (EDA). The housing funds of the EDA are presented as a blended component unit of the City. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its central garage, administrative services fund including information technology, equipment replacement, central insurance operations and capital replacement. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water fund, Wastewater Plant fund, Sewer Collection fund, Airport fund, Civic Center fund and the Mankato EDA fund. These are considered to be major funds of the City. Conversely, other proprietary funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found starting on page 62 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found starting on page 82 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 83 of this report.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Mankato's share of net pension liabilities for defined benefits plans, schedules of contributions, and progress in funding its obligation to provide pension and other postemployment benefits to its employees. Required supplementary information can be found starting on page 131 of this report.

Other Information. The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented following the notes to the financial statements. Combining and individual fund financial statements and schedules can be found starting on page 137 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $310,613,858 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (88.3 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Mankato's Net Position

	Governmental Activities			Business-type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Assets						
Current and other assets	$ 60,729,616	$ 58,674,107	$ 2,055,509	$ 18,837,767	$ 15,954,818	$ 2,882,949
Capital assets	163,656,975	170,058,903	(6,401,928)	222,429,344	215,911,645	6,517,699
Total Assets	224,386,591	228,733,010	(4,346,419)	241,267,111	231,866,463	9,400,648
Deferred Outflows of Resources	13,323,366	19,184,046	(5,860,680)	1,193,205	2,314,823	(1,121,618)
Liabilities						
Long-term liabilities outstanding	82,489,172	97,425,715	(14,936,543)	56,674,223	64,963,702	(8,289,479)
Other liabilities	10,708,186	10,486,905	221,281	3,130,781	3,238,430	(107,649)
Total Liabilities	93,197,358	107,912,620	(14,715,262)	59,805,004	68,202,132	(8,397,128)
Deferred Inflows of Resources	15,403,149	3,594,637	11,808,512	1,150,904	698,518	452,386
Net position						
Net investment in capital assets	101,941,446	110,565,540	(8,624,094)	172,507,213	159,282,527	13,224,686
Restricted	17,570,445	17,333,882	236,563	1,545,781	1,621,790	(76,009)
Unrestricted	9,597,559	8,510,377	1,087,182	7,451,414	4,376,319	3,075,095
Total Net Position	$ 129,109,450	$ 136,409,799	$ (7,300,349)	$ 181,504,408	$ 165,280,636	$ 16,223,772

An additional portion of the City's net position (6.2 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (5.5 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

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

Governmental Activities. Governmental activities decreased the City's net position by $7,300,349. Transfers of capital assets of $13,410,318 to the business-type activities were a major factor in this decrease. Other key elements of this decrease are as follows:

City of Mankato's Changes in Net Position

	Governmental Activities			Business-type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	$ 4,404,505	$ 3,845,865	$ 558,640	$ 31,124,175	$ 28,836,025	$ 2,288,150
Operating grants and contributions	1,687,363	1,709,401	(22,038)	3,616,802	3,518,467	98,335
Capital grants and contributions	9,699,635	7,836,216	1,863,419	4,682,941	4,746,420	(63,479)
General revenues						
Property taxes/tax increments	17,713,019	16,932,288	780,731	669,095	680,074	(10,979)
Other taxes	2,340,808	2,205,773	135,035	6,178,779	6,067,592	111,187
Grants and contributions not restricted to specific programs	7,048,678	6,978,457	70,221	-	-	-
Unrestricted investments earnings	417,292	341,858	75,434	131,166	102,251	28,915
Other	165,952	721,694	(555,742)	415,063	149,170	265,893
Total Revenues	43,477,252	40,571,552	2,905,700	46,818,021	44,099,999	2,718,022
Expenses						
General government	2,246,913	2,031,948	214,965	-	-	-
Public safety	15,403,251	16,433,824	(1,030,573)	-	-	-
Public works/streets	15,139,426	13,948,882	1,190,544	-	-	-
Culture and recreation	4,148,693	3,869,272	279,421	-	-	-
Community development	983,128	897,656	85,472	-	-	-
Housing and economic development	773,993	776,666	(2,673)	-	-	-
Interest on long-term debt	1,687,254	1,663,645	23,609	-	-	-
Housing and economic development	-	-	-	6,203,104	6,778,791	(575,687)
Water	-	-	-	6,987,612	6,702,415	285,197
Wastewater plant	-	-	-	4,288,383	4,613,522	(325,139)
Sewer collection	-	-	-	2,030,859	1,943,202	87,657
Refuse	-	-	-	1,755,936	1,584,680	171,256
Utility operations and administration	-	-	-	1,442,752	1,714,572	(271,820)
Storm water	-	-	-	2,294,482	1,130,538	1,163,944
Street lighting	-	-	-	488,450	463,482	24,968
Mass transit	-	-	-	3,356,825	2,969,748	387,077
Parking	-	-	-	1,349,815	1,280,481	69,334
Airport	-	-	-	2,066,455	1,725,826	340,629
Civic center/arena	-	-	-	8,724,519	8,296,733	427,786
Total Expenses	40,382,658	39,621,893	760,765	40,989,192	39,203,990	1,785,202
Change in Net Position Before Transfers	3,094,594	949,659	2,144,935	5,828,829	4,896,009	932,820
Transfers	(10,394,943)	617,779	(11,012,722)	10,394,943	(617,779)	11,012,722
Change in Net Position	(7,300,349)	1,567,438	(8,867,787)	16,223,772	4,278,230	11,945,542
Net Position - January 1,	136,409,799	134,842,361	1,567,438	165,280,636	161,002,406	4,278,230
Net Position - December 31	$ 129,109,450	$ 136,409,799	$ (7,300,349)	$ 181,504,408	$ 165,280,636	$ 16,223,772

- Governmental property taxes and tax increments increased by $780,731 during the year. This is attributable to an increase in the property tax levy and subsequent collections.

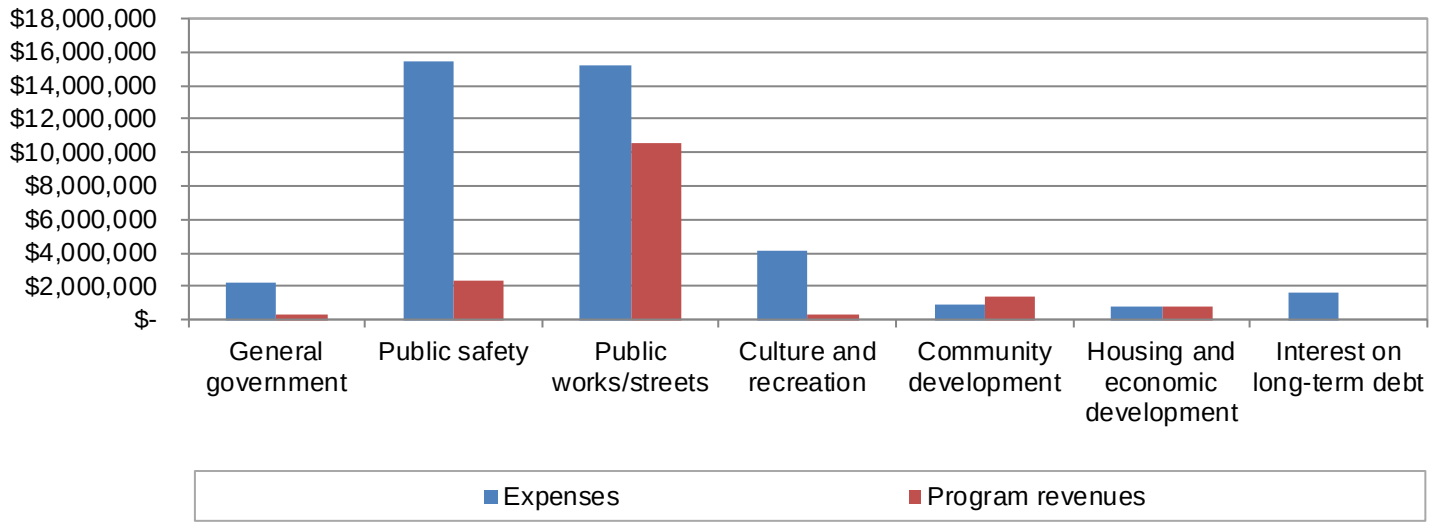
- Governmental capital grants attributed for a net increase of $1,863,419 from the previous year. The primary factor for this was an increase in funding for municipal state aid (MSA). Other factors were an increase in Civic Center capital grants and Housing and Economic Development capital grants.

- Governmental other taxes increased $135,035 in fiscal year 2017. This was due primarily to the increase in lodging tax collections of $82,109. In addition, franchise fees for electric, natural gas, and cable television also increased.

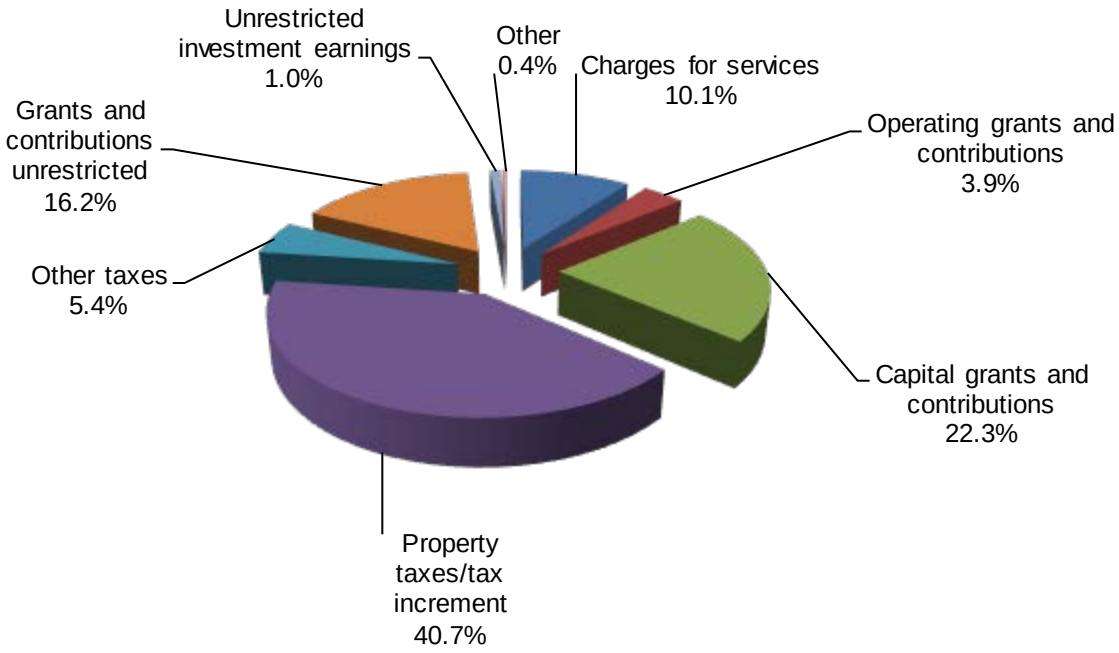
- Total governmental expenses increased a total of $760,765 or 1.92 percent. The cost of public works operations was the primary factor for the increase. Specific areas were vehicle depreciation, vehicle maintenance, asphalt, and personal services.

The following graphs depict various governmental activities and show the revenue and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities



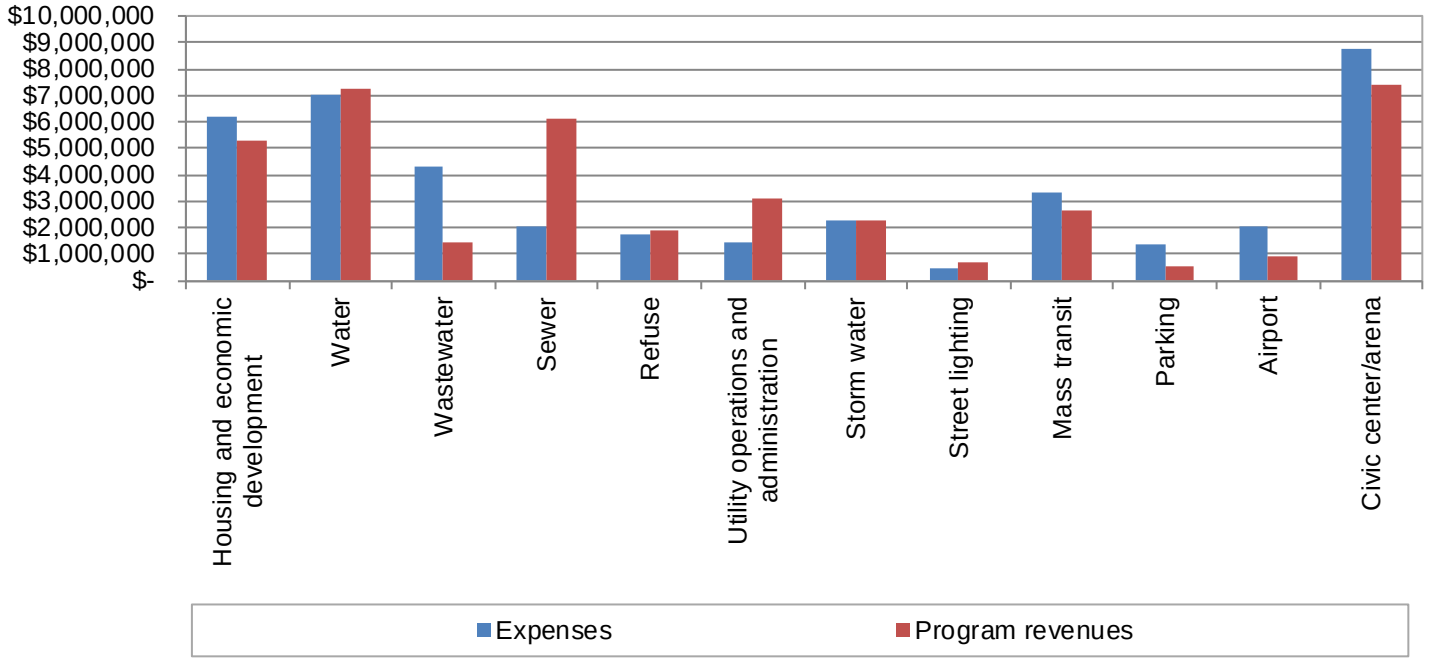
Revenues by Source - Governmental Activities



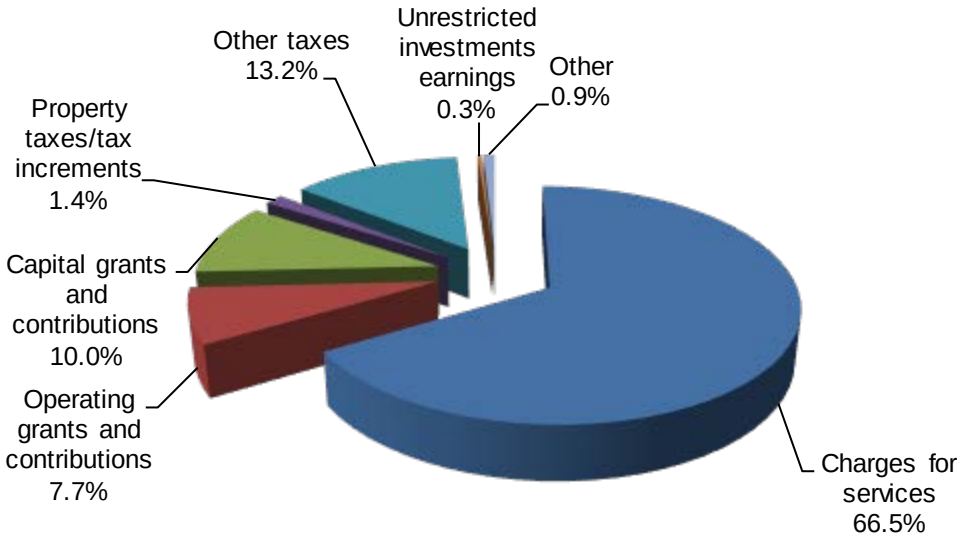
Business-type Activities. Business-type activities increased the City's net position by $16,223,772 for 2017. Key elements of this increase are as follows:

- Charges for services increased by $2,288,150. This was due primarily to an increase in fixed cost of service and consumption for both water utility rate and wastewater rate collections.
- Transfers of capital assets of $13,410,318 from the governmental activities was a major factor in this increase.
- Other taxes increased by $111,187. This was due primarily to an increases in vehicle excise tax, the food and beverage tax and the city sales tax collections.
- Other revenues increased by $265,893 due to gains on asset sales of land in the economic development fund.
- Total expenses increased a total of $1,785,202 or 4.55 percent. This was due to increased expenses in storm water utilities, civic center operations, mass transit, and airport operations.

Expenses and Program Revenues - Business - type Activities



Revenues by Source - Business - type Activities



Financial Analysis of the City's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $11,239,577, an increase of $1,068,853 in comparison with the prior year. A major factor in this change is the receipt of bond proceeds in the amount of $10,060,000. A deficit of $8,596,633 constitutes *unassigned fund balance.* The remainder of fund balance is comprised of *nonspendable* balance of $165,520, *restricted* balance of $7,427,663, *committed* balance of $3,021,247 and *assigned* balance of $9,221,780. The *restricted* balance consists of: 1) tax increment financing activities ($21,067) 2) loans ($1,413,036), and 3) municipal street projects ($5,993,560). The *committed* balance consists of 1) loans ($2,922,804), and 2) community involvement ($98,443). The *assigned* balance consists of: 1) capital projects ($4,527,584), 2) emergencies ($2,400,000) and 3) for a variety of other assigned purposes ($2,294,196).

The General fund is the chief operating fund of the City. At the end of the current year, fund balance of the General fund was $12,035,922. During the current fiscal year, fund balance in the General fund increased by $498,122. The increase was a result of increased property tax collections and franchise fees. The City had planned for a General fund decrease of $21,896 for fiscal year 2017. As a measure of the General fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 33.8 percent of total General fund expenditures, while total fund balance represented 45.8 percent of total General fund expenditures.

The City does assign portions of its unrestricted General fund balance. The City is authorized by City Council action to: 1) assign fund balance in an amount up to 45 percent of General fund expenditures for a cash flow restriction, 2) assign fund balance in an amount up to 5 percent of General fund expenditures for an emergency restriction, and 3) assign fund balance in an amount up to 5 percent of the tax levy amount for a property tax adjustment restriction. Any remaining amount of the General fund balance is considered unrestricted and unassigned. As of December 31, 2017, the respective fund balances in the General fund were:

- $2,400,000 for an emergency restriction or 9.1 percent of General fund expenditures.
- $600,000 for a property tax adjustment restriction or 4.5 percent of the property tax levy.
- $165,473 for prepaid items.
- $8,870,449 of the remaining fund balance is categorized as unassigned or 33.8 percent of the General fund expenditures.

The fund balance of the City's General fund increased by $498,122 during the current fiscal year. Key factors in this increase and key strategies contributing to the increase were as follows:

- Taxes, in total, were under budget by $298,937.
- Licenses and permits exceeded budget by $342,174.
- Intergovernmental revenues exceeded budget by $138,626.
- Charges for service revenues were under budget by $131,272.
- Investment income revenues exceeded budget by $12,611.
- Franchise fee revenues exceeded budget by 197,920.
- Public safety expenditures were under budget by $288,815.
- Public works expenditures were under budget by $403,849.
- Culture and recreation expenditures were under budget by $111,538.
- Community development expenditures were under budget by $57,790.

The *Debt Service fund* has a total fund balance deficit of $2,378,694. The net decrease in the deficit during the current year in the Debt Service fund was $1,870,598. Of this amount, $1,510,774 is allocated for vacation and sick leave balances per accounting standards. The remaining results in an unassigned deficit amount of $3,889,468. City Engineering staff and Finance staff are reviewing all revenue streams, in particular assessment collections and incoming transfers to assure that the deficit is addressed. Staff anticipates that all future collection of non-current special assessments will assist in eliminating the deficit. In addition, future tax levies will contribute to deficit reduction. The fund has $15,655,574 in non-current special assessments receivable.

The *Tailwind Tax Increment fund* had an increase in fund balance of $1,360,789 to a fund deficit of $0. This is due to incoming transfers of $1,019,180.

The *Municipal State Aid Project fund* had a decrease in fund balance of $1,580,577 to a fund balance of $5,993,560 at year end. This is attributed to the programmed outgoing transfers of $3,358,694 in 2017.

The *Improvement Bond Redemption fund* had a decrease in fund balance of $893,883 to a fund balance of $1,231,550 at year end. This is primarily related to transfer of collected assessment amounts to the debt service fund.

The *Improvements 2014 fund* had an increase in fund balance of $220,076 ending in a fund balance deficit of $1,029,882 at year end. This is attributed to a developer contribution of $170,076 and abatement collections in 2017

The *Improvements 2015 fund* had an increase in fund balance of $230,076 ending in a fund balance deficit of $162,187 at year end. This is due to the receipt of $243,065 in federal aid for Safe Routes to Schools in 2017

The *Improvements 2016 fund* had a decrease in fund balance of $33,797 ending in a fund balance of $0 at year end. This was due to the receipt of transfers of municipal state aid, storm water utility funds, and bike lane grant funding to offset capital costs in the amount of $290,533 that occurred in 2017.

The *Improvements 2017 fund* had an increase in fund balance of $10,849,387 ending in a fund balance of $351,726 at year end. This was due to the receipt of bond proceeds and bond premiums in the amount of $7,745,308 in 2017. In addition, the fund received transfers of $2,993,412.

The *Improvements 2018 fund* had a decrease in fund balance of $6,758,020 ending in a fund balance deficit of $6,802,211 at year end. This was due to the fund incurring capital costs for projects associated with the 2017 Capital Investment Plan. Future bond proceeds will assist in offsetting these costs.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the business-type activities at the end of the year amounted to $606,245. The total increase in net position for business-type activities was $15,969,450. The Water fund, Wastewater Plant fund, Sewer Collection fund and Riverfront 2000 fund experienced increases in net position of $468,253, $1,135,589, $62,003 and $5,438,335, respectively. The City sales tax generated $5,175,401 in fiscal year 2017. The food and beverage tax generated $775,938 in fiscal year 2017. The total local sales tax generated was $6,178,779 in fiscal year 2017. This represented a combined increase of $111,187 or 1.8 percent above 2016. City sales tax collections continue to exceed their initial projections. The Airport fund and EDA fund decreased in net position of $671,294 and $362,416, respectively. The other enterprise funds increased $9,898,980 in net position for 2017, mainly due to capital contributions from governmental activities of $9,213,332 into the Parking System fund.

General Fund Budgetary Highlights

The City did amend its General fund budget for 2017. Significant budget variances are summarized below:

- Property tax collections were under budget by $584,745.
- Building permit revenues exceeded budget by $428,514.
- Rental housing license revenue were under budget by $84,618.
- State aid insurance revenue exceeded budget by $38,504.
- Engineering service charge revenues were under budget by $162,855.
- Franchise fee revenues exceeded budget by $197,921.
- General government costs were over budget by $10,579.
- Community development expenditures were under budget by $57,790.
- Public safety expenditures were under budget by $288,815.
- Parks expenditures were under budget by $111,538.
- Public works expenditures were under budget by $403,849.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2017 amounts to $386,086,319 (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings, equipment, vehicles, office equipment, infrastructure, storm sewer systems and improvements. The total increase in the City's investment in capital assets for the current fiscal year was $115,771 which represents a 0.0 percent overall increase (a 3.8 percent decrease for governmental activities and a 3.0 percent increase for business-type activities).

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

- Cost of improvements for the Energy Improvements initiative were $4,550,509 in 2017. This will be a multi-year project designed to establish long-term energy savings throughout the city organization.
- Construction on improvements at Franklin Rogers Parks began in 2017. The value of these improvements at year end were $1,410,131.
- Construction on various municipal projects such as infrastructure in new residential developments, street reconstruction, street overlays, alley improvements, and critical link sidewalks continued in 2017. Projects associated with the 2017 Capital Investment Plan were valued at $7,203,885.
- The construction in progress for the governmental type activities as of the end of the current fiscal year had reached $22,287,541 and $507,319 for the business type activities.

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

	Governmental Activities			Business-type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Land	$ 4,298,021	$ 4,298,021	$ -	$ 5,110,155	$ 5,055,496	$ 54,659
Land Improvements	1,992,640	1,884,517	108,123	3,197,854	2,471,519	726,335
Buildings and Structures	22,569,394	21,698,638	870,756	165,823,790	123,265,265	42,558,525
Machinery and Vehicles	10,742,277	8,857,710	1,884,567	11,607,536	5,895,901	5,711,635
Office Equipment	294,769	518,377	(223,608)	-	-	-
Infrastructure and Other Improvements	101,472,333	93,892,201	7,580,132	36,182,690	36,262,347	(79,657)
Construction in Progress	22,287,541	38,909,439	(16,621,898)	507,319	42,961,117	(42,453,798)
Total	$ 163,656,975	$170,058,903	$ (6,401,928)	$222,429,344	$215,911,645	$ 6,517,699

Additional information on the City of Mankato's capital assets can be found in Note 3D starting on page 99 of this report.

Long-term Debt. At the end of the current fiscal year, the City had total bonded debt outstanding of $107,487,462. Of this amount, $4,515,000 comprises debt backed by the full faith and credit of the City, $3,335,000 represents general obligation tax increment bonds, and $51,785,000 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment. The remainder of the City's bonded debt ($47,852,462) represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

City of Mankato's Outstanding Debt
General Obligation and Revenue Bonds

	Governmental Activities			Business-type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
General Obligation Bonds	$ 4,515,000	$ 5,315,000	$ (800,000)	$ -	$ -	$ -
G.O. Tax Increment Bonds	3,335,000	3,500,000	(165,000)	-	-	-
G.O. Improvement Bonds	51,785,000	51,845,000	(60,000)	-	-	-
G.O. Revenue Bonds	-	-	-	47,852,462	54,327,803	(6,475,341)
Loans	-	-	-	468,183	506,583	(38,400)
Capital Lease	2,555,000	-	2,555,000	484,284	672,758	(188,474)
Total	$ 62,190,000	$ 60,660,000	$ 1,530,000	$ 48,804,929	$ 55,507,144	$ (6,702,215)

The City's total debt decreased by $5,172,215 (4.5 percent) during the current fiscal year. The City issued $10,119,894 in new debt and retired $15,292,109 of existing debt principal. Of the new issuances, $7,265,000 represents G.O. Improvement Bonds designed to finance various street construction, overlay projects, and petition projects. The amount of $240,000 represents the City share for financing the costs at the Augusta Fire Station site and the Transit Garage Facility. In addition, there were general obligation revenue bonds financed through the Minnesota Public Facilities Authority. This provided funding of $59,894 for the PFA Backwash Project. In 2017, the City also incurred $1,255,000 for a tax exempt lease purchase agreement and $1,300,000 for a taxable lease purchase agreement. Both of these leases were for the Energy Savings project entered into by the City.

The City received an AA bond rating from Standard & Poors' rating agency in November of 2009 and has maintained its rating. In addition, Moody's Investors Service reaffirmed Aa2 bond rating. The City has received four bond rating upgrades in the past thirteen fiscal years.

Minnesota statutes limit the amount of net general obligation debt a City may issue to three percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt limitation for the City is $102,161,124. The net debt applicable to the debt limitation is $4,734,909. The legal debt margin is $97,426,215, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City of Mankato's long-term debt can be found in Note 3F starting on page 106 of this report as well as Table 14 in the Statistical Section of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the City is currently 2.4 percent, which is a decrease from of 3.2 percent a year ago. This compares favorably to the State's average annual unemployment rate of 3.3 percent and the national annual average rate of 4.1 percent.

- Inflationary trends in the region compare favorably to national indices.

All of these factors were considered in preparing the City's budget for the 2018 fiscal year.

- The 2018 General fund budget is expected to be balanced.

- The 2018 General fund portion of the property tax levy will increase by $1,289,000.

- General fund expenditures are expected to increase by 6.1 percent in 2018.

- 2018 budgeted funding from Local Government Aid (LGA) is expected to increase by $163,548 or 2.36 percent.

Utility rates for water, wastewater, refuse, and storm water were increased for fiscal year 2017. Rates for street lighting remained constant for fiscal year 2017. Finance staff reviews the utility rates annually to ensure that adequate coverage exists to satisfy the bond covenants with the State of Minnesota Public Facilities Authority. The City completed a utility rate study with the firm of Short Elliott Hendrickson to review the various utility rate structures and to ensure compliance with water conservation standards. This study provides structural modifications to the fixed cost of service for water and wastewater rates.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, City of Mankato, Ten Civic Center Plaza, P.O. Box 3368, Mankato, MN 56002-3368.

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Government-wide
Financial Statements

GOVERNMENT - WIDE FINANCIAL STATEMENTS

CITY OF MANKATO
MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

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

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 24,689,372	$ 15,772,266	$ 40,461,638
Restricted assets	-	116,587	116,587
Receivables			
Interest	214,211	15,570	229,781
Delinquent taxes	331,637	32	331,669
Accounts	1,132,637	3,454,981	4,587,618
Notes	1,450,364	2,524,116	3,974,480
Special assessments	22,978,460	298,782	23,277,242
Intergovernmental	3,091,772	1,858,491	4,950,263
Internal balances	6,314,753	(6,314,753)	-
Inventories	416,955	431,796	848,751
Prepaid items	109,455	104,094	213,549
Land held for resale	-	575,805	575,805
Capital assets			
Nondepreciable	26,585,562	5,617,474	32,203,036
Depreciable, net of accumulated depreciation	137,071,413	216,811,870	353,883,283
Total Assets	224,386,591	241,267,111	465,653,702
Deferred Outflows of Resources			
Deferred pension resources	13,323,366	1,193,205	14,516,571
Liabilities			
Accounts and contracts payable	3,016,488	1,245,518	4,262,006
Due to other governments	1,286	194,533	195,819
Accrued interest payable	816,242	606,854	1,423,096
Accrued salaries payable	749,600	273,689	1,023,289
Deposits payable	6,103,170	60,493	6,163,663
Unearned revenue	21,400	749,694	771,094
Noncurrent liabilities			
Due within one year	9,578,787	7,603,694	17,182,481
Due in more than one year	72,910,385	49,070,529	121,980,914
Total Liabilities	93,197,358	59,805,004	153,002,362
Deferred Inflows of Resources			
Deferred pension resources	15,403,149	1,150,904	16,554,053
Net Position			
Net investment in capital assets	101,941,446	172,507,213	274,448,659
Restricted for			
Debt service	10,142,782	1,500,000	11,642,782
Tax increment financing activities	21,067	-	21,067
Loans	1,413,036	-	1,413,036
Municipal street projects	5,993,560	-	5,993,560
Economic development	-	45,781	45,781
Unrestricted	9,597,559	7,451,414	17,048,973
Total Net Position	$ 129,109,450	$ 181,504,408	$ 310,613,858

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

City of Mankato, Minnesota
Statement of Activities
For the Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental Activities				
General government	$ 2,246,913	$ 302,194	$ 47,163	$ 454
Public safety	15,403,251	1,304,091	972,579	80,494
Public works	15,139,426	1,171,461	272,187	9,112,624
Culture and recreation	4,148,693	174,024	32,353	83,077
Community development	983,128	1,408,187	-	-
Housing and economic development	773,993	44,548	363,081	422,986
Interest on long-term debt	1,687,254	-	-	-
Total Governmental Activities	40,382,658	4,404,505	1,687,363	9,699,635
Business-type Activities				
Housing and economic development	6,203,104	1,756,903	3,271,662	254,564
Water	6,987,612	7,222,928	-	-
Wastewater plant	4,288,383	1,416,702	-	-
Sewer collection	2,030,859	6,087,338	-	-
Refuse	1,755,936	1,887,512	13,013	-
Utility operations and administration	1,442,752	3,109,481	-	-
Storm water	2,294,482	2,217,398	-	72,084
Street lighting	488,450	644,975	-	-
Mass transit	3,356,825	721,241	248,800	1,691,760
Airport	2,066,455	486,005	83,327	322,254
Parking	1,349,815	510,558	-	-
Civic center/arena	8,724,519	5,063,134	-	2,342,279
Total Business-type Activities	40,989,192	31,124,175	3,616,802	4,682,941
Totals	$ 81,371,850	$ 35,528,680	$ 5,304,165	$ 14,382,576
General Revenues				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Tax increments				
Sales tax				
Hotel-motel tax				
Gambling tax				
Franchise taxes				
Grants and contributions not restricted to specific programs				
Unrestricted investment earnings				
Other revenues				
Gain on sale of capital assets				
Transfers				
Total General Revenues and Transfers				
Change in Net Position				
Net Position, January 1				
Net Position, December 31				

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

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$ (1,897,102)		$ (1,897,102)
(13,046,087)		(13,046,087)
(4,583,154)		(4,583,154)
(3,859,239)		(3,859,239)
425,059		425,059
56,622		56,622
(1,687,254)		(1,687,254)
(24,591,155)		(24,591,155)
-	$ (919,975)	(919,975)
-	235,316	235,316
-	(2,871,681)	(2,871,681)
-	4,056,479	4,056,479
-	144,589	144,589
-	1,666,729	1,666,729
-	(5,000)	(5,000)
-	156,525	156,525
-	(695,024)	(695,024)
-	(1,174,869)	(1,174,869)
-	(839,257)	(839,257)
-	(1,319,106)	(1,319,106)
-	(1,565,274)	(1,565,274)
(24,591,155)	(1,565,274)	(26,156,429)
12,324,959	390,000	12,714,959
4,778,752	-	4,778,752
609,308	279,095	888,403
-	6,178,779	6,178,779
616,818	-	616,818
96,069	-	96,069
1,627,921	-	1,627,921
7,048,678	-	7,048,678
417,292	131,166	548,458
127,506	-	127,506
38,446	415,063	453,509
(10,394,943)	10,394,943	-
17,290,806	17,789,046	35,079,852
(7,300,349)	16,223,772	8,923,423
136,409,799	165,280,636	301,690,435
$ 129,109,450	$ 181,504,408	$ 310,613,858

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

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Fund Financial Statements

FUND FINANCIAL STATEMENTS

CITY OF MANKATO
MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

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

	1010	3010	Capital Projects 4100	4020	5020
	General	Debt Service	Tailwind Tax Increment	Municipal State Aid Project	Improvement Bond Redemption
Assets					
Cash and temporary investments	$ 12,445,445	$ 28,571	$ 512	$ 59,574	$ 31,550
Receivables					
Interest	131,435	-	-	-	-
Delinquent taxes	204,545	127,092	-	-	-
Accounts	524,716	-	375,488	-	-
Loans	-	16,518	-	-	-
Special assessments	-	16,545,626	-	-	5,089,546
Intergovernmental	318,940	73,791	-	983,986	-
Due from other funds	825,000	-	-	4,950,000	1,200,000
Advances to other funds	-	-	-	-	-
Inventories	133,699	-	-	-	-
Prepaid items	31,774	-	-	-	-
Total Assets	$ 14,615,554	$ 16,791,598	$ 376,000	$ 5,993,560	$ 6,321,096
Liabilities					
Accounts payable	$ 354,503	$ -	$ -	$ -	$ -
Due to other funds	-	2,000,000	376,000	-	-
Advances from other funds	-	-	-	-	-
Due to other governments	1,286	-	-	-	-
Accrued salaries payable	546,874	-	-	-	-
Deposits payable	1,472,424	497,574	-	-	-
Unearned revenue	-	-	-	-	-
Total Liabilities	2,375,087	2,497,574	376,000	-	-
Deferred Inflows of Resources					
Unavailable revenue - taxes	204,545	127,092	-	-	-
Unavailable revenue - special assessments	-	16,545,626	-	-	5,089,546
Total Deferred Inflows of Resources	204,545	16,672,718	-	-	5,089,546
Fund Balances					
Nonspendable	165,473	-	-	-	-
Restricted	-	-	-	5,993,560	-
Committed	-	-	-	-	-
Assigned	3,000,000	-	-	-	1,231,550
Unassigned	8,870,449	(2,378,694)	-	-	-
Total Fund Balances	12,035,922	(2,378,694)	-	5,993,560	1,231,550
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 14,615,554	$ 16,791,598	$ 376,000	$ 5,993,560	$ 6,321,096

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

Capital Projects						
5114	**5115**	**5116**	**5117**	**5118**		
Improvements 2014	Improvements 2015	Improvements 2016	Improvements 2017	Improvements 2018	Other Governmental Funds	Total Governmental Funds
$ 118	$ 313	$ -	$ 76	$ 1,400	$ 8,841,782	$ 21,409,341
-	-	-	-	-	-	131,435
-	-	-	-	-	-	331,637
-	-	-	-	-	140,478	1,040,682
-	-	-	-	-	1,433,846	1,450,364
-	-	-	-	-	1,343,288	22,978,460
-	-	-	1,074,133	381,059	129,169	2,961,078
-	-	-	-	-	1,590,000	8,565,000
-	-	-	-	-	1,070,026	1,070,026
-	-	-	-	-	-	133,699
-	-	-	-	-	47	31,821
$ 118	$ 313	$ -	$ 1,074,209	$ 382,459	$ 14,548,636	$ 60,103,543
$ -	$ -	$ -	$ 27,233	$ 684,670	$ 319,102	$ 1,385,508
1,030,000	162,500	-	695,250	6,500,000	5,590,000	16,353,750
-	-	-	-	-	2,172,357	2,172,357
-	-	-	-	-	-	1,286
-	-	-	-	-	4,120	550,994
-	-	-	-	-	3,098,576	5,068,574
-	-	-	-	-	21,400	21,400
1,030,000	162,500	-	722,483	7,184,670	11,205,555	25,553,869
-	-	-	-	-	-	331,637
-	-	-	-	-	1,343,288	22,978,460
-	-	-	-	-	1,343,288	23,310,097
-	-	-	-	-	47	165,520
-	-	-	-	-	1,434,103	7,427,663
-	-	-	-	-	3,021,247	3,021,247
-	-	-	351,726	-	4,638,504	9,221,780
(1,029,882)	(162,187)	-	-	(6,802,211)	(7,094,108)	(8,596,633)
(1,029,882)	(162,187)	-	351,726	(6,802,211)	1,999,793	11,239,577
$ 118	$ 313	$ -	$ 1,074,209	$ 382,459	$ 14,548,636	$ 60,103,543

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

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

Amounts reported for governmental activities in the statement of net position are different because	
Total Fund Balances - Governmental Funds	$ 11,239,577
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	152,155,087
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
Severance payable	(1,510,774)
Other postemployment benefits obligation	(901,620)
Bonds payable	(59,635,000)
Bond discounts, net of accumulated amortization	590
Bond premiums, net of accumulated amortization	(2,861,119)
Capital leases payable	(2,555,000)
Pension liability	(11,281,635)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	331,637
Special assessments receivable	22,978,460
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	12,570,601
Deferred inflows of pension resources	(14,677,066)
Governmental funds do not report a liability for accrued interest until due and payable.	(816,242)
Internal service funds are used by management to charge the costs of various services to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.	24,071,954
Total Net Position - Governmental Activities	$ 129,109,450

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

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

			Capital Projects		
	1010	**3010**	**4100**	**4020**	**5020**
	General	Debt Service	Tailwind Tax Increment	Municipal State Aid Project	Improvement Bond Redemption
Revenues					
Taxes	$ 13,916,063	$ 4,921,506	$ 139,419	$ -	$ -
Special assessments	-	4,267,716	-	-	-
Licenses and permits	1,894,224	-	-	-	-
Intergovernmental	8,201,277	-	-	1,770,456	-
Charges for services	1,179,278	-	-	-	-
Fines and forfeits	280,885	-	-	-	-
Investment income	48,611	-	-	18,562	6,117
Miscellaneous	511,049	96,900	375,488	-	-
Total Revenues	26,031,387	9,286,122	514,907	1,789,018	6,117
Expenditures					
Current					
General government	1,412,946	660,000	-	-	-
Public safety	14,050,719	-	-	-	-
Public works	5,777,744	-	-	-	-
Culture and recreation	3,945,199	-	-	-	-
Community development	958,326	-	-	-	-
Housing and economic development	-	45,628	-	-	-
Capital outlay					
Public safety	380	-	-	-	-
Public works	15,826	-	173,298	10,901	-
Culture and recreation	96,207	-	-	-	-
Housing and economic development	-	-	-	-	-
Debt service					
Principal	-	8,530,000	-	-	-
Interest and other	-	1,847,987	-	-	-
Bond issuance costs	-	44,849	-	-	-
Total Expenditures	26,257,347	11,128,464	173,298	10,901	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(225,960)	(1,842,342)	341,609	1,778,117	6,117
Other Financing Sources (Uses)					
Transfers in	1,094,598	4,202,550	1,019,180	-	-
Bonds issued	-	-	-	-	-
Premium on bonds issued	-	-	-	-	-
Transfers out	(370,516)	(489,610)	-	(3,358,694)	(900,000)
Total Other Financing Sources (Uses)	724,082	3,712,940	1,019,180	(3,358,694)	(900,000)
Net Change in Fund Balances	498,122	1,870,598	1,360,789	(1,580,577)	(893,883)
Fund Balances, January 1	11,537,800	(4,249,292)	(1,360,789)	7,574,137	2,125,433
Fund Balances, December 31	$ 12,035,922	$ (2,378,694)	$ -	$ 5,993,560	$ 1,231,550

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

Capital Projects						
5114	**5115**	**5116**	**5117**	**5118**		
Improvements 2014	Improvements 2015	Improvements 2016	Improvements 2017	Improvements 2018	Other Governmental Funds	Total Governmental Funds
$ 50,000	$ -	$ -	$ -	$ -	$ 996,339	$ 20,023,327
-	-	-	-	-	603,218	4,870,934
-	-	-	-	-	-	1,894,224
-	243,065	-	1,074,133	283,167	429,872	12,001,970
-	-	-	-	-	-	1,179,278
-	-	-	-	-	-	280,885
-	-	-	-	-	73,013	146,303
170,076	-	-	5,450	112,698	900,791	2,172,452
220,076	243,065	-	1,079,583	395,865	3,003,233	42,569,373
-	-	-	-	-	97,876	2,170,822
-	-	-	-	-	82,589	14,133,308
-	-	-	-	-	-	5,777,744
-	-	-	-	-	-	3,945,199
-	-	-	-	-	-	958,326
-	-	-	-	-	554,022	599,650
-	-	-	-	-	50,434	50,814
-	12,989	290,533	896,030	7,203,885	6,106,561	14,710,023
-	-	-	-	-	1,655,156	1,751,363
-	-	-	-		19,971	19,971
-	-	-	-	-	-	8,530,000
-	-	-	-	-	80,686	1,928,673
-	-	-	72,886	-	15,157	132,892
-	12,989	290,533	968,916	7,203,885	8,662,452	54,708,785
220,076	230,076	(290,533)	110,667	(6,808,020)	(5,659,219)	(12,139,412)
-	-	380,385	2,993,412	50,000	848,253	10,588,378
-	-	-	7,265,000	-	2,795,000	10,060,000
-	-	-	480,308	-	15,743	496,051
-	-	(123,649)	-	-	(2,693,695)	(7,936,164)
-	-	256,736	10,738,720	50,000	965,301	13,208,265
220,076	230,076	(33,797)	10,849,387	(6,758,020)	(4,693,918)	1,068,853
(1,249,958)	(392,263)	33,797	(10,497,661)	(44,191)	6,693,711	10,170,724
$ (1,029,882)	$ (162,187)	$ -	$ 351,726	$ (6,802,211)	$ 1,999,793	$ 11,239,577

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

City of Mankato, Minnesota
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statements of Activities
For the Year Ended December 31, 2017

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

Net change in fund balances - governmental funds	$	1,068,853
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.		
Capital outlay		15,756,706
Depreciation expense		(10,090,008)
Capital contributions to business-type activities		(13,410,318)
The statement of activities reports losses arising from sales or trade-in of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on a sale or trade-in of capi		(4,747)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Principal repayments		8,530,000
Debt issued or incurred		(10,060,000)
Discount on bonds issued, net of amortization expense		(1,434)
Premium on bonds issued, net of amortization expense		(201,935)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.		81,629
Long-term pension activity is not reported in governmental funds.		
Pension expense		(546,178)
Direct aid contribution		53,368
Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.		
Property taxes		30,500
Special assessments		(320,951)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Other postemployment benefit costs		(169,623)
Compensated absences		(45,764)
Internal service funds are used by management to charge the costs of various services to individual funds. The net revenues of certain activities of internal service funds is reported with governmental activities.		2,029,553
Change in Net Position - Governmental Activities	$	(7,300,349)

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

City of Mankato, Minnesota

Statement of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
General Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
Revenues				
Taxes	$ 14,215,000	$ 14,215,000	$ 13,916,063	$ (298,937)
Licenses and permits	1,552,050	1,552,050	1,894,224	342,174
Intergovernmental	8,062,651	8,062,651	8,201,277	138,626
Charges for services	1,310,550	1,310,550	1,179,278	(131,272)
Fines and forfeits	311,000	311,000	280,885	(30,115)
Investment income	36,000	36,000	48,611	12,611
Miscellaneous	385,000	385,000	511,049	126,049
Total Revenues	25,872,251	25,872,251	26,031,387	159,136
Expenditures				
Current				
General government	1,402,367	1,402,367	1,412,946	(10,579)
Public safety	14,339,534	14,339,534	14,050,719	288,815
Public works	6,181,593	6,181,593	5,777,744	403,849
Culture and recreation	4,056,737	4,056,737	3,945,199	111,538
Community development	1,016,116	1,016,116	958,326	57,790
Capital outlay				
Public safety	1,000	1,000	380	620
Public works	17,800	17,800	15,826	1,974
Culture and recreation	22,500	22,500	96,207	(73,707)
Total Expenditures	27,037,647	27,037,647	26,257,347	780,300
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,165,396)	(1,165,396)	(225,960)	939,436
Other Financing Sources (Uses)				
Transfers in	1,360,000	1,360,000	1,094,598	(265,402)
Transfers out	(216,500)	(216,500)	(370,516)	(154,016)
Total Other Financing Sources (Uses)	1,143,500	1,143,500	724,082	(419,418)
Net Change in Fund Balances	(21,896)	(21,896)	498,122	520,018
Fund Balances, January 1	11,537,800	11,537,800	11,537,800	-
Fund Balances, December 31	$ 11,515,904	$ 11,515,904	$ 12,035,922	$ 520,018

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

City of Mankato, Minnesota
Statements of Net Position (Continued on Following Pages)
Proprietary Funds
December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds			
	Water		6020 Wastewater Plant	
	2017	2016	2017	2016
Assets				
Current Assets				
Cash and temporary investments	$ 462,725	$ 114,458	$ 67,927	$ 370,240
Investments - held by escrow	-	-	-	-
Receivables				
Interest	-	-	-	-
Delinquent taxes	-	-	-	-
Loans - current portion	-	-	-	-
Accounts, net of allowance for doubtful accounts of $172,500 for 2017 and $170,000 for 2016	425,093	358,830	21,022	92,719
Due from employees	-	-	-	-
Sponsorship rights - current portion	-	-	-	-
Intergovernmental	-	18,688	14,504	355,541
Due from other funds	-	-	1,850,000	750,000
Advances to other funds - current portion	-	-	-	-
Special assessments receivable - current portion	-	-	-	-
Inventories	191,642	234,608	-	-
Prepaid items	6,835	6,170	2,946	2,511
Total Current Assets	1,086,295	732,754	1,956,399	1,571,011
Noncurrent Assets				
Restricted assets				
Cash and cash equivalents	-	-	-	-
Loans receivable - net of current portion	-	-	-	-
Sponsorship rights receivable - net of current portion	-	-	-	-
Land held for resale	-	-	-	-
Advances to other funds - net of current portion	-	-	-	-
Capital assets				
Land	89,159	89,159	64,368	64,368
Land improvements	1,909,349	1,909,349	-	-
Buildings and structures	49,243,925	48,009,587	44,273,045	37,632,920
Machinery and vehicles	6,161,472	5,716,559	3,597,991	3,597,991
Office equipment	11,060	11,060	-	-
Infrastructure and other improvements	21,865,284	21,408,826	-	-
Construction in progress	-	1,179,915	-	6,637,160
Less accumulated depreciation	(23,170,139)	(21,090,994)	(22,229,394)	(21,079,024)
Total Capital Assets, Net of Accumulated Depreciation	56,110,110	57,233,461	25,706,010	26,853,415
Total Noncurrent Assets	56,110,110	57,233,461	25,706,010	26,853,415
Total Assets	57,196,405	57,966,215	27,662,409	28,424,426
Deferred Outflows of Resources				
Deferred pension resources	258,893	456,011	168,247	376,309

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

Business-type Activities - Enterprise Funds								
6026 Sewer Collection		**6120** Airport		**6200** Riverfront 2000/ Civic Center		Mankato EDA	
2017	2016	2017	2016	2017	2016	2017	2016
$ 420,653	$ 763	$ 631,265	$ 811,373	$ 6,410,627	$ 2,272,635	$ 1,668,765	$ 1,995,117
-	-	-	-	-	-	-	-
6,588	7,122	-	-	-	-	-	-
-	-	-	-	-	-	-	-
69,424	68,134	2,707	2,707	-	-	-	-
479,162	365,045	48,689	88,583	446,882	1,015,568	27,970	3,142
-	-	-	-	-	-	-	-
-	-	-	-	135,000	125,000	-	-
701	1,012	32,514	75,888	648,926	738,186	52,815	-
-	-	250,000	-	1,300,000	10,610,250	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
12,502	15,550	-	-	51,315	39,294	-	-
4,528	4,296	511	468	47,294	72,565	31,849	31,465
993,558	461,922	965,686	979,019	9,040,044	14,873,498	1,781,399	2,029,724
-	-	-	-	-	-	116,587	193,819
770,687	840,111	29,781	32,489	-	-	-	-
-	-	-	-	115,000	250,000	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	1,351,688	1,351,688	463,810	463,810	1,299,055	1,299,055
-	-	-	-	861,178	-	-	-
556,640	556,640	32,400,290	32,336,501	58,833,546	27,631,044	13,489,652	13,489,652
857,102	857,102	459,566	179,335	7,087,036	3,152,963	-	-
-	-	60,727	60,727	146,824	146,824	5,706	5,706
30,733,012	30,446,163	-	-	-	-	5,819,704	5,575,887
-	-	247,570	138,828	-	34,756,212	259,749	249,002
(13,275,733)	(12,596,377)	(11,592,687)	(10,650,633)	(14,022,458)	(12,605,171)	(9,376,885)	(8,878,567)
18,871,021	19,263,528	22,927,154	23,416,446	53,369,936	53,545,682	11,496,981	11,740,735
19,641,708	20,103,639	22,956,935	23,448,935	53,484,936	53,795,682	11,613,568	11,934,554
20,635,266	20,565,561	23,922,621	24,427,954	62,524,980	68,669,180	13,394,967	13,964,278
97,480	148,385	20,775	39,596	101,789	184,206	134,425	272,037

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

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City of Mankato, Minnesota
Statements of Net Position (Continued)
Proprietary Funds
December 31, 2017 and 2016

	Bueinsee-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Other Enterprise Funds		Totals		
	2017	2016	2017	2016	2017
Assets					
Current Assets					
Cash and temporary investments	$ 6,110,304	$ 5,366,213	$ 15,772,266	$ 10,930,799	$ 3,280,031
Investments - held by escrow	-	48,315	-	48,315	-
Receivables					
Interest	8,982	9,035	15,570	16,157	82,776
Delinquent taxes	32	32	32	32	-
Loans - current portion	149,046	172,889	221,177	243,730	-
Accounts, net of allowance for doubtful accounts of $172,500 for 2017 and $170,000 for 2016	1,756,163	1,692,875	3,204,981	3,616,762	33,634
Due from employees	-	-	-	-	58,321
Sponsorship rights - current portion	-	-	135,000	125,000	-
Intergovernmental	1,109,031	1,411,425	1,858,491	2,600,740	130,694
Due from other funds	2,077,956	1,750,000	5,477,956	13,110,250	16,375,000
Advances to other funds - current portion	34,330	32,226	34,330	32,226	293,495
Special assessments receivable - current portion	298,782	294,871	298,782	294,871	-
Inventories	176,337	119,137	431,796	408,589	283,256
Prepaid items	10,131	8,887	104,094	126,362	77,634
Total Current Assets	11,731,094	10,905,905	27,554,475	31,553,833	20,614,841
Noncurrent Assets					
Restricted assets					
Cash and cash equivalents	-	-	116,587	193,819	-
Loans receivable - net of current portion	1,502,471	1,861,887	2,302,939	2,734,487	-
Sponsorship rights receivable - net of current portion	-	-	115,000	250,000	-
Land held for resale	575,805	1,312,705	575,805	1,312,705	-
Advances to other funds - net of current portion	1,068,001	1,076,567	1,068,001	1,076,567	5,382,508
Capital assets					
Land	1,842,075	1,787,416	5,110,155	5,055,496	197,223
Land improvements	1,061,967	1,061,967	3,832,494	2,971,316	174,328
Buildings and structures	36,898,485	28,579,988	235,695,583	188,236,332	2,888,465
Machinery and vehicles	3,742,101	1,857,776	21,905,268	15,361,726	21,046,311
Office equipment	47,716	47,716	272,033	272,033	1,723,037
Infrastructure and other improvements	3,292,851	2,969,995	61,710,851	60,400,871	-
Construction in progress	-	-	507,319	42,961,117	383,792
Less accumulated depreciation	(12,937,063)	(12,446,480)	(106,604,359)	(99,347,246)	(14,911,268)
Total Capital Assets, Net of Accumulated Depreciation	33,948,132	23,858,378	222,429,344	215,911,645	11,501,888
Total Noncurrent Assets	37,094,409	28,109,537	226,607,676	221,479,223	16,884,396
Total Assets	48,825,503	39,015,442	254,162,151	253,033,056	37,499,237
Deferred Outflows of Resources					
Deferred pension resources	411,596	838,279	1,193,205	2,314,823	752,765

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

City of Mankato, Minnesota
Statements of Net Position (Continued)
Proprietary Funds
December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds			
	6010 Water		**6020** Wastewater Plant	
	2017	2016	2017	2016
Liabilities				
Current Liabilities				
Accounts payable	$ 99,782	$ 12,720	$ 62,265	$ 33,486
Due to other funds	615,500	-	-	10,250
Advances from other funds - current portion	-	-	-	-
Due to other governments	8,960	-	77,335	27,487
Accrued interest payable	203,382	222,944	56,809	75,299
Accrued salaries payable	54,446	49,633	50,060	45,977
Compensated absences payable - current portion	66,385	35,227	56,598	37,800
Deposits payable	-	-	-	-
Unearned revenue	-	-	-	-
Other current liabilities	-	-	-	-
Lease payable - current portion	-	-	-	-
Loans payable - current portion	-	-	-	-
Bonds payable - current portion	2,197,140	2,154,000	1,921,887	1,889,234
Total Current Liabilities	3,245,595	2,474,524	2,224,954	2,119,533
Noncurrent Liabilities				
Advances from other funds - net of current portion	-	-	-	-
Compensated absences payable	61,754	91,508	29,604	46,176
Other postemployment benefit obligation	114,895	92,529	81,720	68,269
Pension liability	1,091,656	1,265,385	709,392	1,044,194
Lease payable - net of current portion	-	-	-	-
Loans payable - net of current portion	-	-	-	-
Bonds payable - net of current portion	19,981,248	22,118,494	6,950,187	8,872,075
Total Noncurrent Liabilities	21,249,553	23,567,916	7,770,903	10,030,714
Total Liabilities	24,495,148	26,042,440	9,995,857	12,150,247
Deferred Inflows of Resources				
Deferred pension resources	249,717	137,606	162,274	113,552
Net Position				
Net investment in capital assets	33,931,722	32,960,967	16,833,936	16,092,106
Restricted for				
Debt service	-	-	-	-
Economic development	-	-	-	-
Unrestricted	(1,221,289)	(718,787)	838,589	444,830
Total Net Position	$ 32,710,433	$32,242,180	$ 17,672,525	$ 16,536,936

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

	Business-type Activities - Enterprise Funds							
	6026 Sewer Collection		**6120** Airport		**6200** Riverfront 2000/ Civic Center		Mankato EDA	
	2017	2016	2017	2016	2017	2016	2017	2016
	$ 130,199	$ 86,686	$ 81,634	$ 20,315	$ 133,868	$ 263,692	$ 16,784	$ 2,496
	414,500	261,000	135,000	-	11,770,000	20,617,000	55,706	-
	-	-	-	-	-	-	-	-
	-	-	-	-	29,648	33,527	63,065	58,590
	25,194	26,957	-	-	237,281	274,365	-	-
	17,094	19,691	6,280	6,258	21,427	16,716	29,633	33,098
	32,937	16,511	7,828	1,973	30,210	10,638	42,242	50,415
	-	-	-	-	-	-	49,381	50,734
	-	-	-	-	748,286	981,593	1,408	241,297
	-	-	-	-	-	-	21,425	21,295
	-	-	-	-	-	-	-	-
	-	-	38,400	38,400	-	-	-	-
	297,000	292,000	-	-	2,495,000	2,200,000	-	-
	916,924	702,845	269,142	66,946	15,465,720	24,397,531	279,644	457,925
	-	-	-	-	-	-	-	-
	38,226	55,959	13,086	16,841	49,398	64,960	17,362	43,106
	47,238	38,319	6,980	5,699	70,143	60,124	-	-
	411,036	411,753	87,604	109,876	429,206	511,153	566,821	754,875
	-	-	-	-	-	-	-	-
	-	-	154,416	192,816	-	-	118,500	118,500
	3,855,000	4,152,000	-	-	11,913,353	14,601,599	-	-
	4,351,500	4,658,031	262,086	325,232	12,462,100	15,237,836	702,683	916,481
	5,268,424	5,360,876	531,228	392,178	27,927,820	39,635,367	982,327	1,374,406
	94,025	44,776	20,039	11,949	98,181	55,586	129,662	82,090
	14,719,021	14,819,528	22,734,338	23,185,230	38,961,583	36,744,083	11,378,481	11,622,235
	-	-	-	-	1,500,000	1,500,000	-	-
	-	-	-	-	-	-	45,781	121,790
	651,276	488,766	657,791	878,193	(5,860,815)	(9,081,650)	993,141	1,035,794
	$ 15,370,297	$ 15,308,294	$ 23,392,129	$24,063,423	$ 34,600,768	$29,162,433	$ 12,417,403	$12,779,819

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

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City of Mankato, Minnesota
Statements of Net Position (Continued)
Proprietary Funds
December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Other Enterprise Funds		Totals		
	2017	2016	2017	2016	2017
Liabilities					
Current Liabilities					
Accounts payable	$ 720,986	$ 444,194	$ 1,245,518	$ 863,589	$ 1,630,980
Due to other funds	1,073,500	909,700	14,064,206	21,797,950	-
Advances from other funds - current portion	293,495	283,486	293,495	283,486	-
Due to other governments	15,525	-	194,533	119,604	-
Accrued interest payable	84,188	88,871	606,854	688,436	-
Accrued salaries payable	73,324	89,397	252,264	260,770	198,606
Compensated absences payable - current portion	69,755	61,731	305,955	214,295	256,122
Deposits payable	11,112	11,112	60,493	61,846	1,034,596
Unearned revenue	-	-	749,694	1,222,890	-
Other current liabilities	-	-	21,425	21,295	-
Lease payable - current portion	191,445	188,474	191,445	188,474	-
Loans payable - current portion	156,867	-	195,267	38,400	-
Bonds payable - current portion	-	-	6,911,027	6,535,234	-
Total Current Liabilities	2,690,197	2,076,965	25,092,176	32,296,269	3,120,304
Noncurrent Liabilities					
Advances from other funds - net of current portion	5,382,508	5,676,004	5,382,508	5,676,004	-
Compensated absences payable	105,137	172,735	314,567	491,285	314,366
Other postemployment benefit obligation	138,185	111,060	459,161	376,000	-
Pension liability	1,735,543	2,326,143	5,031,258	6,423,379	3,174,126
Lease payable - net of current portion	292,839	484,284	292,839	484,284	-
Loans payable - net of current portion	-	156,867	272,916	468,183	-
Bonds payable - net of current portion	-	-	42,699,788	49,744,168	-
Total Noncurrent Liabilities	7,654,212	8,927,093	54,453,037	63,663,303	3,488,492
Total Liabilities	10,344,409	11,004,058	79,545,213	95,959,572	6,608,796
Deferred Inflows of Resources					
Deferred pension resources	397,006	252,959	1,150,904	698,518	726,083
Net Position					
Net investment in capital assets	33,948,132	23,858,378	172,507,213	159,282,527	11,501,888
Restricted for					
Debt service	-	-	1,500,000	1,500,000	-
Economic development	-	-	45,781	121,790	-
Unrestricted	4,547,552	4,738,326	606,245	(2,214,528)	19,415,235
Total Net Position	$ 38,495,684	$ 28,596,704	174,659,239	158,689,789	$ 30,917,123
	Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.		6,845,169	6,590,847	
	Net position of business-type activities		$ 181,504,408	$ 165,280,636	

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

City of Mankato, Minnesota

Statements of Revenues, Expenses and Changes in Net Position (Continued on the Following Pages)

Proprietary Funds

For the Years Ended December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds			
	6010 Water		**6020** Wastewater Plant	
	2017	2016	2017	2016
Operating Revenues				
Sales	$ -	$ -	$ -	$ -
Cost of sales	-	-	-	-
Gross Profit	-	-	-	-
Charges for services	7,154,293	6,663,588	1,416,597	1,518,721
Total Operating Revenues	7,154,293	6,663,588	1,416,597	1,518,721
Operating Expenses				
Salaries and benefits	1,908,295	1,695,123	1,040,557	1,266,850
Supplies	877,749	972,389	437,721	511,998
Other services and charges	805,383	524,685	1,399,260	1,282,743
Vehicle operation	252,057	194,162	67,751	97,857
Insurance	7,744	8,085	-	-
Utilities	428,396	456,413	-	-
Depreciation	2,090,656	2,216,172	1,150,370	1,219,165
Total Operating Expenses	6,370,280	6,067,029	4,095,659	4,378,613
Operating Income (Loss)	784,013	596,559	(2,679,062)	(2,859,892)
Nonoperating Revenues (Expenses)				
Taxes	-	-	-	-
Special assessments	-	-	-	-
Intergovernmental				
Federal	-	-	-	-
State	-	-	-	-
Local	-	-	-	-
Investment income	135	769	5,689	334
Rental income	46,597	64,719	-	-
Miscellaneous income	22,038	26,478	105	-
Gain (loss) on sale of assets	(8,633)	(26,250)	-	(41,686)
Interest expense	(597,655)	(649,431)	(178,364)	(228,025)
Amortization	-	-	-	-
Total Nonoperating Revenues (Expenses)	(537,518)	(583,715)	(172,570)	(269,377)
Income (Loss) Before Contributions and Transfers	246,495	12,844	(2,851,632)	(3,129,269)
Capital Contributions From Other Funds	582,403	546,920	-	-
Capital Grants and Contributions	-	20,105	-	103,831
Transfers In	-	100,000	3,987,221	4,214,349
Transfers Out	(360,645)	(658,480)	-	-
Change in Net Position	468,253	21,389	1,135,589	1,188,911
Net Position, January 1	32,242,180	32,220,791	16,536,936	15,348,025
Net Position, December 31	$ 32,710,433	$ 32,242,180	$ 17,672,525	$ 16,536,936

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

Business-type Activities - Enterprise Funds								
6026 Sewer Collection		**6120** Airport		**6200** Riverfront 2000/ Civic Center		Mankato EDA	
2017	2016	2017	2016	2017	2016	2017	2016
$ -	$ -	$ -	$ -	$ 2,191,765	$ 1,896,726	$ -	$ -
-	-	-	-	(1,154,644)	(999,075)	-	-
-	-	-	-	1,037,121	897,651	-	-
6,085,496	5,668,533	420,303	465,884	2,892,818	2,534,067	876,059	834,730
6,085,496	5,668,533	420,303	465,884	3,929,939	3,431,718	876,059	834,730
752,449	435,063	172,083	211,960	749,108	671,859	765,568	1,148,709
63,180	122,310	61,605	38,877	166,422	140,552	6,349	20,134
324,038	229,212	749,843	396,571	4,357,819	4,243,759	2,861,485	2,886,949
139,454	117,035	73,861	69,417	1,876	2,291	-	-
-	-	28,442	29,030	101,924	91,522	55,973	57,144
-	-	79,434	79,173	483,332	540,276	163,291	185,109
679,356	964,981	942,054	907,176	1,417,287	988,524	498,318	500,570
1,958,477	1,868,601	2,107,322	1,732,204	7,277,768	6,678,783	4,350,984	4,798,615
4,127,019	3,799,932	(1,687,019)	(1,266,320)	(3,347,829)	(3,247,065)	(3,474,925)	(3,963,885)
-	-	-	-	6,178,779	6,067,592	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	2,853,181	3,047,280
-	-	83,327	83,327	-	-	-	-
-	-	-	-	-	-	-	-
16,242	22,281	2,841	1,166	28,939	14,015	4,764	4,584
-	-	43,706	43,518	-	-	-	-
1,842	-	21,996	1,082	5,291	49,745	-	-
-	(12,681)	-	-	-	-	-	-
(72,824)	(77,648)	-	-	(576,892)	(661,063)	-	-
-	-	-	-	193,246	20,426	-	-
(54,740)	(68,048)	151,870	129,093	5,829,363	5,490,715	2,857,945	3,051,864
4,072,279	3,731,884	(1,535,149)	(1,137,227)	2,481,534	2,243,650	(616,980)	(912,021)
286,849	371,018	241,601	-	1,057,000	-	-	-
-	-	322,254	119,545	2,342,279	1,695,447	254,564	174,883
-	-	300,000	200,000	538,923	-	-	-
(4,297,125)	(4,733,874)	-	-	(981,401)	(1,266,173)	-	-
62,003	(630,972)	(671,294)	(817,682)	5,438,335	2,672,924	(362,416)	(737,138)
15,308,294	15,939,266	24,063,423	24,881,105	29,162,433	26,489,509	12,779,819	13,516,957
$ 15,370,297	$ 15,308,294	$ 23,392,129	$ 24,063,423	$ 34,600,768	$ 29,162,433	$ 12,417,403	$ 12,779,819

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

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City of Mankato, Minnesota
Statements of Revenues, Expenses and Changes in Net Position (Continued)
Proprietary Funds
For the Years Ended December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds				Governmental Activities-Internal Service Funds
	Other Enterprise Funds		Totals		
	2017	2016	2017	2016	2017
Operating Revenues					
Sales	$ -	$ -	$ 2,191,765	$ 1,896,726	$ -
Cost of sales	-	-	(1,154,644)	(999,075)	-
Gross Profit	-	-	1,037,121	897,651	-
Charges for services	9,430,197	8,574,150	28,275,763	26,259,673	17,909,143
Total Operating Revenues	9,430,197	8,574,150	29,312,884	27,157,324	17,909,143
Operating Expenses					
Salaries and benefits	2,690,834	2,739,322	8,078,894	8,168,886	5,135,072
Supplies	645,974	289,692	2,259,000	2,095,952	1,239,658
Other services and charges	6,620,345	5,611,685	17,118,173	15,175,604	8,800,713
Vehicle operation	1,024,860	1,011,731	1,559,859	1,492,493	77,532
Insurance	111,340	134,875	305,423	320,656	158,828
Utilities	210,496	170,677	1,364,949	1,431,648	115,057
Depreciation	1,198,884	933,779	7,976,925	7,730,367	1,606,531
Total Operating Expenses	12,502,733	10,891,761	38,663,223	36,415,606	17,133,391
Operating Income (Loss)	(3,072,536)	(2,317,611)	(9,350,339)	(9,258,282)	775,752
Nonoperating Revenues (Expenses)					
Taxes	669,095	680,074	6,847,874	6,747,666	-
Special assessments	285,280	236,976	285,280	236,976	-
Intergovernmental					
Federal	263,439	387,860	3,116,620	3,435,140	-
State	430,861	15,000	514,188	98,327	10,588
Local	994	-	994	-	-
Investment income	72,556	59,102	131,166	102,251	270,989
Rental income	24,902	23,972	115,205	132,209	288,889
Miscellaneous income	216,630	243,876	267,902	321,181	57,888
Gain (loss) on sale of assets	415,063	149,170	406,430	68,553	38,446
Interest expense	(211,265)	(224,006)	(1,637,000)	(1,840,173)	-
Amortization	-	-	193,246	20,426	-
Total Nonoperating Revenues (Expenses)	2,167,555	1,572,024	10,241,905	9,322,556	666,800
Income (Loss) Before Contributions and Transfers	(904,981)	(745,587)	891,566	64,274	1,442,552
Capital Contributions From Other Funds	11,242,465	557,963	13,410,318	1,475,901	-
Capital Grants and Contributions	1,763,844	2,632,609	4,682,941	4,746,420	478,162
Transfers In	1,144,793	1,722,122	5,970,937	6,236,471	1,415,000
Transfers Out	(3,347,141)	(1,671,624)	(8,986,312)	(8,330,151)	(1,051,839)
Change in Net Position	9,898,980	2,495,483	15,969,450	4,192,915	2,283,875
Net Position, January 1	28,596,704	26,101,221	158,689,789	154,496,874	28,633,248
Net Position, December 31	$ 38,495,684	$ 28,596,704	$ 174,659,239	$ 158,689,789	$ 30,917,123

Change in net position as shown above	$ 15,969,450	$ 4,192,915
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	254,322	85,315
Change in net position of business-type activities	$ 16,223,772	$ 4,278,230

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

City of Mankato, Minnesota
Statements of Cash Flows (Continued on Following Pages)
Proprietary Funds
For the Years Ended December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds			
	6010 Water		**6020** Wastewater Plant	
	2017	2016	2017	2016
Cash Flows from Operating Activities				
Receipts from interfund services provided	$ -	$ -	$ -	$ -
Receipts from customers and users	7,088,030	6,671,364	1,829,331	1,546,405
Other cash receipts	68,635	91,197	105	-
Payments to suppliers	(2,359,729)	(2,483,574)	(1,986,620)	(2,039,264)
Payments to and on behalf of employees	(1,365,370)	(1,175,881)	(870,984)	(964,013)
Payments for interfund services provided	(252,119)	(194,176)	(67,751)	(97,857)
Net Cash Provided (Used) by Operating Activities	3,179,447	2,908,930	(1,095,919)	(1,554,729)
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	-	100,000	3,987,221	4,214,349
Transfers to other funds	(360,645)	(658,480)	-	-
Increase in due from other funds	-	-	(1,100,000)	(750,000)
Decrease in due from other funds	-	-	-	-
Increase in due to other funds	615,500	-	-	4,115
Decrease in due to other funds	-	(482,469)	(10,250)	-
Increase in advance to other funds	-	-	-	-
Decrease in advance to other funds	-	-	-	-
Decrease in advance from other funds	-	-	-	-
Principal received on advances to other funds	-	-	-	-
Tax receipts	-	-	-	-
Intergovernmental operating grants received	-	-	-	-
Interest paid on advances from other funds	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	254,855	(1,040,949)	2,876,971	3,468,464
Cash Flows from Capital and Related Financing Activities				
Acquisitions of capital assets	(393,535)	(312,911)	(2,965)	(260,170)
Intergovernmental contributions for capital assets	18,688	466,032	-	103,831
Proceeds from issuances of long-term debt	59,894	257,755	-	131,037
Proceeds from sale of capital assets	-	-	-	-
Proceeds from land held for resale	-	-	-	-
Principal paid on long-term debt	(2,154,000)	(2,089,264)	(1,889,235)	(1,837,406)
Interest paid on long-term debt	(617,217)	(665,716)	(196,854)	(244,738)
Net Cash Provided (Used) by Capital and Related Financing Activities	(3,086,170)	(2,344,104)	(2,089,054)	(2,107,446)
Cash Flows from Investing Activities				
Payment received on loans	-	-	-	-
Loans issued	-	-	-	-
Interest received on investments	135	766	5,689	335
Net Cash Provided (Used) by Investing Activities	135	766	5,689	335

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

Business-type Activities - Enterprise Funds								
6026 Sewer Collection		**6120** Airport		**6200** Riverfront 2000/ Civic Center		Mankato EDA	
2017	2016	2017	2016	2017	2016	2017	2016
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
5,971,690	5,570,656	460,197	429,764	5,544,962	4,500,812	755,620	749,865
1,842	-	65,702	44,600	5,291	49,745	95,767	90,997
(494,989)	(419,116)	(485,214)	(358,735)	(5,568,297)	(5,509,297)	(3,065,698)	(3,189,084)
(496,929)	(370,217)	(142,347)	(132,174)	(517,600)	(475,951)	(805,820)	(785,745)
(136,422)	(117,035)	(468,389)	(249,417)	(937,877)	(818,294)	-	-
4,845,192	4,664,288	(570,051)	(265,962)	(1,473,521)	(2,252,985)	(3,020,131)	(3,133,967)
-	-	300,000	200,000	538,923	-	-	-
(4,297,125)	(4,733,874)	-	-	(981,401)	(1,266,173)	-	-
-	-	(250,000)	-	-	(3,110,250)	-	-
-	-	-	-	9,310,250	-	-	-
153,500	252,503	135,000	-	-	13,546,999	-	-
-	-	-	(535,497)	(8,847,000)	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	6,268,039	6,084,356	-	-
-	-	83,327	83,327	-	-	2,611,783	3,283,937
-	-	-	-	-	-	-	-
(4,143,625)	(4,481,371)	268,327	(252,170)	6,288,811	15,254,932	2,611,783	3,283,937
-	(29,577)	(211,161)	(118,377)	(234,540)	(16,328,599)	(254,564)	(174,883)
-	-	365,628	1,004,651	2,342,279	3,416,590	254,564	174,883
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(292,000)	(287,173)	(38,400)	(67,216)	(2,200,000)	(1,035,000)	-	-
(74,587)	(79,370)	-	-	(613,976)	(674,000)	-	-
(366,587)	(396,120)	116,067	819,058	(706,237)	(14,621,009)	-	-
68,134	66,871	2,708	2,707	-	-	-	-
-	-	-	-	-	-	-	-
16,776	22,807	2,841	1,166	28,939	14,015	4,764	4,584
84,910	89,678	5,549	3,873	28,939	14,015	4,764	4,584

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

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City of Mankato, Minnesota
Statements of Cash Flows (Continued)
Proprietary Funds
For the Years Ended December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Other Enterprise Funds		Totals		
	2017	2016	2017	2016	2017
Cash Flows from Operating Activities					
Receipts from interfund services provided	$ -	$ -	$ -	$ -	$ 17,909,143
Receipts from customers and users	9,394,040	8,778,754	31,043,870	28,247,620	655
Other cash receipts	522,901	521,842	760,243	798,381	346,777
Payments to suppliers	(6,302,392)	(4,900,797)	(20,262,939)	(18,899,867)	(8,597,788)
Payments to and on behalf of employees	(2,300,829)	(2,125,363)	(6,499,879)	(6,029,344)	(3,872,317)
Payments for interfund services provided	(2,529,147)	(2,551,296)	(4,391,705)	(4,028,075)	(1,936,616)
Net Cash Provided (Used) by Operating Activities	(1,215,427)	(276,860)	649,590	88,715	3,849,854
Cash Flows from Noncapital Financing Activities					
Transfers from other funds	1,144,793	1,722,122	5,970,937	6,236,471	1,415,000
Transfers to other funds	(3,347,141)	(1,671,624)	(8,986,312)	(8,330,151)	(1,051,839)
Increase in due from other funds	(872,250)	(1,750,000)	(2,222,250)	(5,610,250)	(1,475,000)
Decrease in due from other funds	544,294	-	9,854,544	-	-
Increase in due to other funds	191,200	3,800	1,095,200	13,807,417	-
Decrease in due to other funds	(27,400)	(641,021)	(8,884,650)	(1,658,987)	-
Increase in advance to other funds	-	-	-	-	1
Decrease in advance to other funds	6,462	2,642	6,462	2,642	-
Decrease in advance from other funds	(283,487)	(273,818)	(283,487)	(273,818)	-
Principal received on advances to other funds	-	-	-	-	283,486
Tax receipts	669,031	679,891	6,937,070	6,764,247	-
Intergovernmental operating grants received	1,179,082	409,809	3,874,192	3,777,073	10,588
Interest paid on advances from other funds	(206,123)	(215,790)	(206,123)	(215,790)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(1,001,539)	(1,733,989)	7,155,583	14,498,854	(817,764)
Cash Flows from Capital and Related Financing Activities					
Acquisitions of capital assets	(54,660)	(1,350,445)	(1,151,425)	(18,574,962)	(3,411,852)
Intergovernmental contributions for capital assets	1,555,383	3,029,318	4,536,542	8,195,305	464,268
Proceeds from issuances of long-term debt	-	-	59,894	388,792	-
Proceeds from sale of capital assets	-	149,170	-	149,170	38,446
Proceeds from land held for resale	1,160,450	-	1,160,450	-	-
Principal paid on long-term debt	(188,474)	(185,550)	(6,762,109)	(5,501,609)	-
Interest paid on long-term debt	(9,825)	(12,751)	(1,512,459)	(1,676,575)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	2,462,874	1,629,742	(3,669,107)	(17,019,879)	(2,909,138)
Cash Flows from Investing Activities					
Payment received on loans	377,259	199,610	448,101	269,188	-
Loans issued	-	(65,239)	-	(65,239)	-
Interest received on investments	72,609	59,125	131,753	102,798	275,122
Net Cash Provided (Used) by Investing Activities	449,868	193,496	579,854	306,747	275,122

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

City of Mankato, Minnesota
Statements of Cash Flows (Continued)
Proprietary Funds
For the Years Ended December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds			
	6010 Water		**6020** Wastewater Plant	
	2017	2016	2017	2016
Net Increase (Decrease) in Cash and Cash Equivalents	$ 348,267	$ (475,357)	$ (302,313)	$ (193,376)
Cash and Cash Equivalents, January 1	114,458	589,815	370,240	563,616
Cash and Cash Equivalents, December 31	$ 462,725	$ 114,458	$ 67,927	$ 370,240
Reconciliation of Cash and Cash Equivalents				
Unrestricted	$ 462,725	$ 114,458	$ 67,927	$ 370,240
Restricted	-	-	-	-
Total Cash and Cash Equivalents	$ 462,725	$ 114,458	$ 67,927	$ 370,240
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	$ 784,013	$ 596,559	$ (2,679,062)	$ (2,859,892)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Other income related to operations	68,635	91,197	105	-
Loan write-off	-	-	-	-
Depreciation	2,090,656	2,216,172	1,150,370	1,219,165
(Increase) decrease in assets				
Accounts receivable	(66,263)	7,776	71,697	273,711
Sponsorship rights receivable	-	-	-	-
Due from employees	-	-	-	-
Due from other governments	-	-	341,037	(246,027)
Inventories	42,966	(9,249)	-	-
Prepaid items	(665)	8,299	(435)	17,995
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	197,118	(366,295)	208,062	(295,099)
Increase (decrease) in liabilities				
Accounts payable	87,062	(167,118)	28,779	(3,388)
Due to other governments	8,960	-	49,848	(9,212)
Accrued salaries payable	4,813	17,080	4,083	9,920
Compensated absences payable	1,404	14,545	2,226	2,878
Pension liability	(173,729)	494,046	(334,802)	345,985
Other postemployment benefit obligation	22,366	25,687	13,451	18,137
Deposits payable	-	-	-	-
Other current liabilities	-	-	-	-
Unearned revenue	-	-	-	-
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	112,111	(19,769)	48,722	(28,902)
Net Cash Provided (Used) by Operating Activities	$ 3,179,447	$ 2,908,930	$ (1,095,919)	$ (1,554,729)
Schedule of Noncash Investing, Capital and Financing Activities				
Book value of disposed/traded capital assets	$ 8,633	$ 26,250	$ -	$ -
Capital assets acquired on account	-	-	-	-
Capital assets acquired with grants (due from other governments)	-	-	-	-
Capital assets contributed by (to) other funds	582,403	546,920	-	-
Capital assets contributed by others	-	-	-	-
Loans written off	-	-	-	-
Amortization of bond (premium) discount	-	-	-	-

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

Business-type Activities - Enterprise Funds								
6026 Sewer Collection		**6120** Airport		**6200** Riverfront 2000/ Civic Center		Mankato EDA	
2017	2016	2017	2016	2017	2016	2017	2016
$ 419,890	$ (123,525)	$ (180,108)	$ 304,799	$ 4,137,992	$(1,605,047)	$ (403,584)	$ 154,554
763	124,288	811,373	506,574	2,272,635	3,877,682	2,188,936	2,034,382
$ 420,653	$ 763	$ 631,265	$ 811,373	$ 6,410,627	$ 2,272,635	$ 1,785,352	$ 2,188,936
$ 420,653	$ 763	$ 631,265	$ 811,373	$ 6,410,627	$ 2,272,635	$ 1,668,765	$ 1,995,117
-	-	-	-	-	-	116,587	193,819
$ 420,653	$ 763	$ 631,265	$ 811,373	$ 6,410,627	$ 2,272,635	$ 1,785,352	$ 2,188,936
$ 4,127,019	$ 3,799,932	$ (1,687,019)	$ (1,266,320)	$ (3,347,829)	$(3,247,065)	$ (3,474,925)	$(3,963,885)
1,842	-	65,702	44,600	5,291	49,745	-	-
-	-	-	-	-	-	-	-
679,356	964,981	942,054	907,176	1,417,287	988,524	498,318	500,570
(114,117)	(98,738)	39,894	(36,120)	568,686	(328,887)	(24,828)	2,710
-	-	-	-	125,000	125,000	-	-
-	-	-	-	-	-	-	-
311	861	-	-	-	-	241,398	(236,657)
3,048	27,450	-	-	(12,021)	(14,694)	-	-
(232)	5,289	(43)	24,328	25,271	(11,733)	(384)	860
50,905	(109,745)	18,821	(36,538)	82,417	(144,694)	137,612	(248,108)
43,513	24,726	61,319	1,417	(79,825)	(121,810)	17,179	(15,553)
-	-	-	-	(3,879)	4,823	4,475	5,591
(2,597)	2,364	22	223	4,711	2,591	(3,465)	15,580
(1,307)	(18,448)	2,100	3,594	4,010	1,488	(33,917)	6,215
(717)	79,544	(22,272)	83,582	(81,947)	171,447	(188,054)	549,144
8,919	9,076	1,281	1,512	10,019	12,098	-	-
-	-	-	-	-	-	(1,353)	2,621
-	-	-	-	-	-	130	(30,646)
-	-	-	-	(233,307)	273,906	(239,889)	237,458
49,249	(23,004)	8,090	6,584	42,595	(13,724)	47,572	40,133
$ 4,845,192	$ 4,664,288	$ (570,051)	$ (265,962)	$ (1,473,521)	$(2,252,985)	$ (3,020,131)	$(3,133,967)
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	49,999	-	-
-	-	-	-	-	-	-	-
286,849	371,018	241,601	-	1,057,000	-	-	-
-	-	-	-	2,342,279	1,695,447	-	-
-	-	-	-	-	-	-	-
-	-	-	-	(193,246)	(20,426)	-	-

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

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City of Mankato, Minnesota
Statements of Cash Flows (Continued)
Proprietary Funds
For the Years Ended December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds				Governmental Activities- Internal Service Funds
	Other Enterprise Funds		Totals		
	2017	2016	2017	2016	2017
Net Increase (Decrease) in Cash and Cash Equivalents	$ 695,776	$ (187,611)	$ 4,715,920	$ (2,125,563)	$ 398,074
Cash and Cash Equivalents, January 1	5,414,528	5,602,139	11,172,933	13,298,496	2,881,957
Cash and Cash Equivalents, December 31	$ 6,110,304	$ 5,414,528	$ 15,888,853	$ 11,172,933	$ 3,280,031
Reconciliation of Cash and Cash Equivalents					
Unrestricted	$ 6,110,304	$ 5,366,213	$ 15,772,266	$ 10,930,799	$ 3,280,031
Restricted	-	48,315	116,587	242,134	-
Total Cash and Cash Equivalents	$ 6,110,304	$ 5,414,528	$ 15,888,853	$ 11,172,933	$ 3,280,031
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities					
Operating income (loss)	$ (3,072,536)	$(2,317,611)	$ (9,350,339)	$ (9,258,282)	$ 775,752
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Other income related to operations	522,901	521,842	664,476	707,384	346,777
Loan write-off	6,000	2,361	6,000	2,361	-
Depreciation	1,198,884	933,779	7,976,925	7,730,367	1,606,531
(Increase) decrease in assets					
Accounts receivable	(63,288)	203,037	411,781	23,489	9,612
Sponsorship rights receivable	-	-	125,000	125,000	-
Due from employees	-	-	-	-	(8,957)
Due from other governments	27,131	1,067	609,877	(480,756)	-
Inventories	(57,200)	(66,344)	(23,207)	(62,837)	(30,570)
Prepaid items	(1,244)	172,720	22,268	217,758	(55)
(Increase) decrease in deferred outflows of resources					
Deferred pension resources	426,683	(663,747)	1,121,618	(1,864,226)	654,626
Increase (decrease) in liabilities					
Accounts payable	276,792	74,472	434,819	(207,254)	162,794
Due to other governments	15,525	-	74,929	1,202	-
Accrued salaries payable	(16,073)	30,588	(8,506)	78,346	8,875
Compensated absences payable	(59,574)	27,837	(85,058)	38,109	66,316
Pension liability	(590,600)	825,596	(1,392,121)	2,549,344	(731,248)
Other postemployment benefit obligation	27,125	30,238	83,161	96,748	-
Deposits payable	-	500	(1,353)	3,121	688,012
Other current liabilities	-	-	130	(30,646)	-
Unearned revenue	-	-	(473,196)	511,364	-
Increase (decrease) in deferred inflows of resources					
Deferred pension resources	144,047	(53,195)	452,386	(91,877)	301,389
Net Cash Provided (Used) by Operating Activities	$ (1,215,427)	$ (276,860)	$ 649,590	$ 88,715	$ 3,849,854
Schedule of Noncash Investing, Capital and Financing Activities					
Book value of disposed/traded capital assets	$ 8,487	$ -	$ 17,120	$ 26,250	$ -
Capital assets acquired on account	-	-	-	49,999	72,792
Capital assets acquired with grants (due from other governments)	725,125	516,664	725,125	516,664	130,694
Capital assets contributed by (to) other funds	11,242,465	557,963	13,410,318	1,475,901	-
Capital assets contributed by others	-	-	2,342,279	1,695,447	-
Loans written off	6,000	2,361	6,000	2,361	-
Amortization of bond (premium) discount	-	-	(193,246)	(20,426)	-

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

City of Mankato, Minnesota
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2017

	Agency
Assets	
Cash and temporary investments	$ 1,303,409
Cash held by fiscal agent	37,735
Receivables	
Accounts	34,745
Loans	50,000
Intergovernmental	9,507
Prepaid items	21,604
Total Assets	$ 1,457,000
Liabilities	
Accounts payable	$ 18,832
Due to other governments	1,219,398
Salaries payable	6,547
Compensated absences payable	255
Deposits payable	37,576
Other current liabilities	174,392
Total Liabilities	$ 1,457,000

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

Note 1: Summary of Significant Accounting Policies

A. Reporting Entity

The City of Mankato (the City) operates under its own Home Rule Charter. The City is governed by an elected Mayor and a six-member Council. The Council exercises legislative authority and determines all matters of policy. The Council appoints the City Manager. The City Manager appoints the personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Blended component units, although legally separate entities, are in substance, part of the City's operations and so data from these units are combined with the data of the primary government.

Blended Component Unit. The Mankato Economic Development Authority (EDA) was created pursuant to Minnesota statutes 469.090 through 469.108 for the purpose of providing housing and redevelopment services to the Mankato area. The governing body of the EDA consists of the Mayor and the six members of the Council. The City can impose its will on the EDA. As a result, its operations are blended and reported as an enterprise fund.

The complete financial statements of the EDA may be obtained from the EDA Executive Director at Mankato Economic Development Authority, 10 Civic Center Plaza, Mankato, MN 56001.

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 primary government and its component units. *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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

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

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 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.

Note 1: Summary of Significant Accounting Policies (Continued)

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 of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants, entitlement and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as unavailable revenue in the governmental fund financial statements.

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

The City reports the following major governmental funds:

The G*eneral fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Tailwind Tax Increment fund* accounts for costs associated with the Tailwind Tax Increment project and downtown parking ramp construction.

The *Municipal State Aid Project fund* accounts for funds received from the State of Minnesota for improving and maintaining MSA highways within City limits.

The *Improvement Bond Redemption fund* accounts for costs associated with deferred assessments.

The *Improvements 2014* fund accounts for costs associated with major street projects with construction starting in 2013.

Note 1: Summary of Significant Accounting Policies (Continued)

The *Improvements 2015* fund accounts for costs associated with major street projects with construction starting in 2014.

The *Improvements 2016* fund accounts for costs associated with major street projects with construction starting in 2015.

The *Improvements 2017* fund accounts for costs associated with major street projects with construction starting in 2016.

The *Improvements 2018* fund accounts for costs associated with major street projects with construction starting in 2017.

The City reports the following major proprietary funds:

The *Water fund* accounts for costs associated with the City's water and to insurance that user charges are sufficient to pay for those costs.

The *Wastewater Plant fund* accounts for costs associated with the City's wastewater and to insure that user charges are sufficient to pay for those costs.

The *Sewer Collection fund* accounts for costs associated with the City's sewer and to insure that user charges are sufficient to pay for those costs.

The *Airport fund* accounts for the costs associated with the operation of the Mankato Municipal Airport.

The *Riverfront 2000/Civic Center fund* accounts for the costs associated with the construction and operations of an arena/civic center in the downtown area.

The *Mankato EDA fund* accounts for the activity of providing housing and redevelopment services in the Mankato area.

Additionally, the City reports the following fund types:

Internal Service funds account for central garage, administrative, equipment replacement, insurance and capital replacement services provided to other departments or agencies of the City, or to other governments, on a cost reimbursement basis.

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others.

The *Agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity. The City accounts for the following agency activities: Blue Earth County EDA and Minnesota Valley Council of Governments (MVCOG).

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

As a general rule the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's utility function 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.

Note 1: Summary of Significant Accounting Policies (Continued)

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and of the City's internal service funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service 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.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Certain restricted assets are included in cash and cash equivalents. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the statement of cash flows.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings on investments are allocated to the individual funds based upon the average of month-end cash and investment balances.

The City may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.

2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.

3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.

4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.

5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.

6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.

7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.

8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

9. Guaranteed investment contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

- US government and agency securities of $19,306,573 are valued using quoted market prices (Level 1 inputs)
- Negotiable certificates of deposits of $13,303,355 are valued using a matrix pricing model (Level 2 inputs)

The Minnesota Municipal Money Market Fund is regulated by Minnesota statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the regulatory rules of the SEC. The City's investment in this trust is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value. Financial statements of the 4M Fund can be obtained by contracting RBC Global Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

Investment Policy

Funds of the City will be invested in accordance with Minnesota statutes 118 A. The objectives (and priorities) of the investment policy shall be safety, liquidity, yield, and marketability (in that order). The investment portfolio shall be managed in a manner consistent with these objectives and priorities.

For diversification purposes, the assigned percentage reflects the maximum percentage allowed (for each category) within the total investment portfolio. There is no mandated requirement for assets to be invested in any of the categories as listed below:

* Demand Deposits (FDIC or NCUSIF backed) checking accounts	75%
* Time Deposits (FDIC or NCUSIF backed)	100%
* Municipal Depository Funds (Local Government Investment Pool)	50%
* Super NOW Accounts (FDIC or NCUSIF backed)	50%
* Certificates of Deposit (FDIC or NCUSIF backed)	50%
* Sweep Accounts	50%
* Commercial Paper (Rating of A1, P1, or F1)	50%
* Repurchase Agreements (30 day maturity & FDIC backed)	50%
* Federal Government Direct Obligations	100%
* Federal Financing Bank Obligations	100%
* Government Sponsored Securities	100%

The Director of Finance will select a preferred maturity period when evaluating a potential investment. This date will consider either potential cash flow requirements or conformance to a maturity guideline. When selecting certificates of deposit, the Director of Finance will inform the financial institution if pledged collateral will be required prior to obtaining an interest rate quotation. If no specific maturity or cash flow need is required, then the market trend or yield curve may be used to determine an advantageous maturity.

The Director of Finance will attempt to maintain a minimum of thirty days cash flow requirement in the master checking account or a government approved money market fund. Available funds exceeding the thirty day cash flow requirement will be defined as "available excess funds" subject to the following desired maturity schedule. The following guidelines may be deviated from if so directed by the City Manager. The available excess funds shall be scheduled to coincide with projected cash flow needs.

Note 1: Summary of Significant Accounting Policies (Continued)

Maturities in this category shall be timed to comply with the following minimum guidelines:

Under 1 year	10 % minimum
Under 2 years	30 % minimum
Under 3 years	50 % minimum
Under 4 years	60 % minimum
Under 5 years	70 % minimum
Under 10 years	80 % minimum
Under 15 years	90 % minimum
Under 20 years	100 % minimum

If at the year of any fiscal year, the above minimum percentages are exceeded, then the Director of Finance shall execute all new investment transactions in shorter term instruments until the minimum standards are met.

Investments for the City, as well as for its component units, are reported at fair value. The broker cash funds operate in accordance with appropriate state laws and regulations. The reported value of these funds is the same as the fair value of the shares.

The Minnesota Municipal Money Market Fund is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The City's investment in this trust is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance nonspendable account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Accounts Receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2017. All trade receivables are shown net of an allowance for uncollectible accounts. The allowance for doubtful accounts as of December 31, 2017 was $172,500.

Property Taxes

The Council annually adopts a tax levy and certifies it to the County in December for collection the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments in May and October. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, June and November each year.

Delinquent taxes receivable include the past thirteen years' uncollected taxes. Delinquent taxes have been offset by deferred inflows of resources for delinquent taxes not received within 60 days after year-end in the governmental fund financial statements.

Note 1: Summary of Significant Accounting Policies (Continued)

Special Assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are received in cash or within 60 days after year-end. All governmental special assessments receivable are offset by deferred inflows of resources in the fund financial statements.

Inventories and Prepaid Items

All inventories are stated at the lower of cost or market on the first-in, first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors (such as service and maintenance agreements) reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expense when consumed rather than when purchased.

Land Held for Resale

Land held for resale is valued at cost which approximates fair value.

Restricted Assets

Restricted assets consist of customers' deposits and monies escrowed for the payment of bond principal and interest. These assets are offset by related liabilities.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $10,000 (amount not rounded) and an estimated useful life in excess of one year. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include all items previously accounted for. The City had already accounted for its prior infrastructure at historical cost for the initial reporting of these assets. As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the acquisition value of the item at the date of its donation. 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.

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

Assets	Years
Buildings and Structures	12 - 50
System Infrastructure and Improvements	10 - 50
Machinery, Equipment and Vehicles	5 - 40

Note 1: Summary of Significant Accounting Policies (Continued)

Deferred Outflows of Resources

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

Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is recorded for unpaid accumulated sick leave. However, a liability is recognized for that portion of accumulated sick leave that is estimated will be taken as “terminal leave” prior to retirement. All vacation and sick pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. For the most part, the General fund is typically used to liquidate governmental compensated absences payable.

Postemployment Benefits Other Than Pensions

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 45, at January 1, 2016.

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

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

Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA’s fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA’s fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The General fund is typically used to liquidate the governmental net pension liability.

Deferred Inflows of Resources

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

Note 1: Summary of Significant Accounting Policies (Continued)

The City has an additional item which qualifies for reporting in this category. The item, deferred pension resources, is reported only in the statements of net position and results from actuarial calculations.

Fund Balance

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

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

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

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

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

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

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

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unrestricted fund balance of 40-55 percent of the next year's budgeted expenditures. This will assist in maintaining adequate level of fund balance to provide for cash flow requirements and contingency needs because major revenues, including property taxes and other government aids are received in the second half of the City's fiscal year.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position is displayed in three components:

a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.

b. Restricted net position - Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

c. Unrestricted net position - All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

Comparative Data/Reclassifications

Comparative total data for the prior year have been presented only for individual enterprise funds in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds.

Note 2: Stewardship, Compliance and Accountability

A. Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund, Revolving Loan - Federal, Revolving Loan - City, Highway #14 Partnership, Neighborhood Improvement, Metropolitan Planning Organization, Community Investment, Risk Management and the MHFA special revenue funds. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

In June of each even numbered year, all departments of the City submit requests for appropriations to the City Manager and of Finance, so that a bi-annual budget may be prepared. Before September 30, a preliminary budget is presented to the City Council for review. The Council holds public work sessions and hearings, and a final budget is adopted in early December.

The appropriated budget is prepared by fund, function and department. The City Manager may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control is the department level. Budgeted amounts are as originally adopted, or as amended by the Council. Budget amendments made during the year were for 1) transit capital grant expenditures, 2) new State Department of Economic Development loan, 3) storm water capital expenditures and 4) water nitrate study.

B. Excess of Expenditures Over Appropriations

For the year ended December 31, 2017 expenditures exceeded appropriations in the following funds:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
Special Revenue			
Community Investment	$ -	$ 4,998	$ 4,998

The over-expenditures were funded by revenues in excess of budget and available fund balance.

Note 2: Stewardship, Compliance and Accountability (Continued)

C. Deficit Fund Equity

The following funds had fund equity deficits at December 31, 2017:

Fund	Amount
Debt Service	$ 2,378,694
Capital Projects	
Sibley Park Tax Increment Phase I	1,102,331
Mankato Design Busters Tax Increment	36,723
HECO Tax Increment	175,953
South Riverfront Tax Increment	857,350
Curling Club	69,565
Garage Demolition	46,694
Energy Improvements	1,837,355
Franklin Rogers Park Improvements	1,410,131
Aquatic Center	28,255
Improvements 2014	1,029,882
Improvements 2015	162,187
Improvements 2018	6,802,211
Improvements 2019	1,529,751
Proprietary	
Refuse	649,457

The Debt Service fund deficit will be funded by future tax levies and assessment collections.

The capital projects fund deficits will be funded by bond proceeds, future tax increments and abatements, contributions, grants, sales tax and transfers from other funds.

The proprietary fund deficit will be funded by future utility revenues and transfers from other funds.

Note 3: Detailed Notes on All Funds

A. Deposits and Investments

Deposits

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

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

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

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

At year-end, the City's carrying amount of deposits was $1,033,640 including $35,007 reported in Agency funds. The bank balance was $3,370,355. The bank balance was covered by federal depository insurance of $603,072 and $2,767,283 was collateralized with securities held by the pledging financial institution's trust department in the City's name.

Note 3: Detailed Notes on All Funds (Continued)

Investments

The City's investment policy follows Minnesota statutes, which reduces the City exposure to credit, custodial credit and interest rate risks. Specific risk information for the City is as follows:

- *Credit Risk*. The credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. State law limits investments in commercial paper that is rated in the highest quality category by at least two nationally recognized rating agencies. The City's investment policy does not further limit the ratings of their investments. Minnesota Statutes limit the City's investments to the list on page 86 of the notes.

- *Custodial Credit Risk*. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. The City typically limits its exposure by purchasing insured or registered investments. As of December 31, 2017 all investments were insured or registered, or securities were held by the City or tis agent in the City's name.

- *Concentration of Credit Risk.* The concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At December 31, 2017, there were no investments in one issuer (other than investments issued by or explicitly guaranteed by U.S. government, mutual funds, external investment pools, and other pooled investments) that represent 5 percent or more of the City's investment.

- *Interest Rate Risk.* The interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City diversifies its investment portfolio to eliminate the risk of loss resulting from the over-concentration of assets in a specific maturity. The maturities selected shall provide for stability of income and reasonable liquidity.

Note 3: Detailed Notes on All Funds (Continued)

As of December 31, 2017, the City had the following investments that are insured or registered, or securities held by the City or it's agent in the City's name:

Types of Investments	Credit Quality Ratings (1)	Segmented Time Distribution (2)	Amount	Fair Value Measurement Using Level 1	Level 2	Level 3
Pooled Investments at Amortized Costs						
4M Fund	N/A	less than 6 months	$ 8,235,349			
Non-pooled Investments at Fair Value						
Government Agency Securities	AAA	less than 6 months	793,810	$ 793,810	$ -	$ -
Government Agency Securities	AA+	less than 6 months	3,496,937	3,496,937	-	-
Government Agency Securities	AA-	less than 6 months	115,055	115,055	-	-
Government Agency Securities	A	less than 6 months	14,309	14,309	-	-
Government Agency Securities	AA2	less than 6 months	500,135	500,135	-	-
Government Agency Securities	AAA	6 months to 1 year	636,809	636,809	-	-
Government Agency Securities	AA+	6 months to 1 year	2,985,590	2,985,590	-	-
Government Agency Securities	AA	6 months to 1 year	250,088	250,088	-	-
Government Agency Securities	AAA	1 to 3 years	2,401,843	2,401,843	-	-
Government Agency Securities	AA	1 to 3 years	649,394	649,394	-	-
Government Agency Securities	AA+	1 to 3 years	5,146,734	5,146,734	-	-
Government Agency Securities	A+	1 to 3 years	174,141	174,141	-	-
Government Agency Securities	AAA	more than 3 years	252,915	252,915	-	-
Government Agency Securities	AA+	more than 3 years	1,633,525	1,633,525	-	-
Government Agency Securities	N/R	more than 3 years	255,288	255,288	-	-
Negotiable certificates of deposit	N/A	less than 6 months	489,897	-	489,897	
Negotiable certificates of deposit	N/A	6 months to 1 year	1,178,892	-	1,178,892	-
Negotiable certificates of deposit	N/A	1 to 3 years	7,186,334	-	7,186,334	-
Negotiable certificates of deposit	N/A	more than 3 years	4,448,232	-	4,448,232	-
Total Investments			$ 40,845,277	$ 19,306,573	$ 13,303,355	$ -

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

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

N/A N/A indicates not applicable or available.

Note 3: Detailed Notes on All Funds (Continued)

Cash on Hand

Cash in the possession of the City consisting of petty cash and change funds totals $40,452.

Cash and Investments Summary

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

	Primary Government	Agency Funds	Totals
Deposits	$ 998,633	$ 35,007	$ 1,033,640
Investments	39,539,140	1,306,137	40,845,277
Cash on Hand	40,452	-	40,452
Total	$ 40,578,225	$ 1,341,144	$ 41,919,369
Cash and Cash Equivalents	$ 40,461,638	$ 1,303,409	$ 41,765,047
Cash Held by Fiscal Agent	-	37,735	37,735
Restricted Assets	116,587	-	116,587
Total	$ 40,578,225	$ 1,341,144	$ 41,919,369

B. Notes Receivable

Economic Development

The City has received Federal and State grants to be used for economic development. The proceeds of these grants were loaned to businesses and are to be paid back to the City with interest rates ranging from 4 percent to 10 percent over 6 to 20 years. The balance of these notes in the special revenue funds at December 31, 2017 is $366,140.

The City has loaned funds to various private businesses for development and improvement purposes. These notes are to be paid back to the City with interest rates ranging from 4 percent to 10 percent over 6 to 20 years. The balance of these notes in the special revenue funds and capital project funds at December 31, 2017 are $698,586 and $216,652 respectively.

Small Cities Development Loans

The City has loaned funds to citizens in conjunction with the Mankato Housing Rehabilitation Project. These notes are to be paid back to the City with an interest rate of 3 percent over 10 years. The balance of these notes in the special revenue funds at December 31, 2017 is $30,836.

Minnesota Housing Finance Agency

The City has received state grants to be loaned to citizens in conjunction with the Mankato Home Ownership Program. The notes are to be paid back in full in the event of sale or transfer of property; otherwise, 10 years after the initial note was executed at equal installments for 20 years at 0 percent interest. The balance of these notes in the special revenue funds at December 31, 2017 is $121,632.

Note 3: Detailed Notes on All Funds (Continued)

Other

The City has loaned funds to various private businesses that have privatized specific City services for start-up funds, housing and economic development and to fund the purchase of property. These notes are to be paid back to the City with interest rates ranging from 0 percent to 8 percent over 10 to 30 years. The balance of these notes in the enterprise funds at December 31, 2017 is $363,678.

The City has loaned funds to individuals in conjunction with the Store Front Improvement and the City Center Renaissance Programs. These notes are to be paid back to the City with interest rates ranging from 0 percent to 3 percent over 10 to 15 years. The balance of these notes in the enterprise funds at December 31, 2017 are $30,303 and $1,204,560 respectively.

The City has also loaned funds to citizens in conjunction with the Mankato Home Ownership Program. The notes are to be paid back in full in the event of sale or transfer of property; otherwise, 10 years after the initial note was executed at equal installments for 20 years at 0 percent interest. The balance of these notes in the enterprise funds at December 31, 2017 is $85,464.

The City of Mankato (the City) entered into a Sanitary Sewer System Interconnection agreement with the City of Madison Lake. The City is required to operate and maintain the interconnection and is owned by the City. The City of Madison Lake is making payments to the City to help with the construction costs; total cost to the City is $1,210,829. The City of Madison Lake will also reimburse the City for all costs associated with maintenance of the lift station and forcemain based on the City's flow percentage received at the lift station. During 2012, the City loaned the City of Madison Lake $1,210,829 for the rights to hook up with the City's sewer system. This note will be paid back in annual payments of $84,909 at 1.88 percent interest until August 1, 2028. The balance of this note in the enterprise funds at December 31, 2017 is $840,111.

The City has loaned funds to a local business in lieu of an annual assessment. This note is to be paid back to the City with 4 percent interest over 10 years. The balance of this loan in the debt service fund at December 31, 2017 is $16,518.

C. Sponsorship Rights Receivable

The City has entered into agreements with two sponsors for the pouring and naming rights in conjunction with the Civic Center. Pepsi has committed annual payments of $25,000 for 2015 - 2019 for the exclusive rights to sell or distribute beverages at the facility. Also, Verizon Communications has committed payments of $100,000 annually through April 2020 for the exclusive naming rights of the facility. The balance of these receivables in the enterprise funds at December 31, 2017 is $250,000, which is partially offset by unearned revenue.

Note 3: Detailed Notes on All Funds (Continued)

D. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated				
Land	$ 4,298,021	$ -	$ -	$ 4,298,021
Construction in progress	38,909,439	16,623,068	(33,244,966)	22,287,541
Total Capital Assets not Being Depreciated	43,207,460	16,623,068	(33,244,966)	26,585,562
Capital Assets Being Depreciated				
Land improvements	4,012,492	257,289	-	4,269,781
Buildings and structures	35,940,058	1,905,154	(1,329,906)	36,515,306
Machinery and vehicles	25,005,964	3,506,977	(943,388)	27,569,553
Office equipment	2,262,426	-	-	2,262,426
Infrastructure	242,502,922	14,670,442	-	257,173,364
Storm sewer systems	5,536,216	1,581,394	-	7,117,610
Total Capital Assets Being Depreciated	315,260,078	21,921,256	(2,273,294)	334,908,040
Less Accumulated Depreciation for				
Land improvements	(2,127,975)	(149,166)	-	(2,277,141)
Buildings and structures	(14,241,420)	(1,029,651)	1,325,159	(13,945,912)
Machinery and vehicles	(16,148,254)	(1,622,410)	943,388	(16,827,276)
Office equipment	(1,744,049)	(223,608)	-	(1,967,657)
Infrastructure	(150,627,495)	(8,563,487)	-	(159,190,982)
Storm sewer systems	(3,519,442)	(108,217)	-	(3,627,659)
Total Accumulated Depreciation	(188,408,635)	(11,696,539)	2,268,547	(197,836,627)
Total Capital Assets Being Depreciated, net	126,851,443	10,224,717	(4,747)	137,071,413
Governmental Activities Capital Assets, Net	$ 170,058,903	$ 26,847,785	$ (33,249,713)	$ 163,656,975

During the year, capital assets of $13,410,318 were contributed to business-type activities.

Note 3: Detailed Notes on All Funds (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated				
Land	$ 5,055,496	$ 54,659	$ -	$ 5,110,155
Construction in progress	42,961,117	697,024	(43,150,822)	507,319
Total Capital Assets not Being Depreciated	48,016,613	751,683	(43,150,822)	5,617,474
Capital Assets Being Depreciated				
Land improvements	2,971,316	861,178	-	3,832,494
Buildings and structures	188,236,332	48,067,022	(607,771)	235,695,583
Machinery and vehicles	15,361,726	6,672,703	(129,161)	21,905,268
Office equipment	272,033	-	-	272,033
Infrastructure and other improvements	60,400,871	1,309,980	-	61,710,851
Total Capital Assets Being Depreciated	267,242,278	56,910,883	(736,932)	323,416,229
Less Accumulated Depreciation for				
Land improvements	(499,797)	(134,843)	-	(634,640)
Buildings and structures	(64,971,067)	(5,500,010)	599,284	(69,871,793)
Machinery and vehicles	(9,465,825)	(952,435)	120,528	(10,297,732)
Office equipment	(272,033)	-	-	(272,033)
Infrastructure and other improvements	(24,138,524)	(1,389,637)	-	(25,528,161)
Total Accumulated Depreciation	(99,347,246)	(7,976,925)	719,812	(106,604,359)
Total Capital Assets Being Depreciated, Net	167,895,032	48,933,958	(17,120)	216,811,870
Business-type Activities Capital Assets, Net	$ 215,911,645	$ 49,685,641	$ (43,167,942)	$ 222,429,344

Note 3: Detailed Notes on All Funds (Continued)

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

Governmental Activities	
General government	$ 159,298
Public safety	554,776
Streets and highways, including depreciation of general infrastructure assets	8,801,786
Culture and recreation	421,259
Housing and economic development	152,889
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	1,606,531
Total Depreciation Expense - Governmental Activities	$ 11,696,539
Business-type Activities	
Housing and economic development	$ 642,812
Water	2,090,656
Wastewater plant	1,150,370
Sewer collection	679,356
Storm water	90,210
Street lighting	18,526
Mass transit	216,998
Airport	942,054
Parking	728,656
Civic center arena	1,417,287
Total Depreciation Expense - Business-type Activities	$ 7,976,925

Construction Commitments

The City has active construction projects as of December 31, 2017. The projects include street construction, utility and sanitary sewer improvements, fire townhomes construction and remodeling projects. At year end the City's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
Energy Improvements	$ 4,533,353	$ 77,780
Franklin Rogers Park Improvements	1,121,828	1,506,532
2017 Street Improvements	574,466	27,233
2018 Street Improvements	2,813,076	1,873,856
2019 Street Improvements	963,949	434,726
Total	$ 10,006,672	$ 3,920,127

The special assessment portion of the commitment for street construction is being financed by special assessment bonds that will be repaid by the benefiting property owners.

Note 3: Detailed Notes on All Funds (Continued)

E. Interfund Receivables, Payables and Transfers

Due to/from Other Funds

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

Fund	Due from Other Funds	Due to Other Funds
General	$ 825,000	$ -
Debt Service	-	2,000,000
Tailwind Tax Increment	-	376,000
Municipal State Aid Project	4,950,000	-
Improvement Bond Redemption	1,200,000	-
Improvements 2014	-	1,030,000
Improvements 2015	-	162,500
Improvements 2017	-	695,250
Improvements 2018	-	6,500,000
Nonmajor Governmental	1,590,000	5,590,000
Utility	-	615,500
Wastewater Plant	1,850,000	-
Sewer Collection	-	414,500
Airport	250,000	135,000
Riverfront 2000/Civic Center	1,300,000	11,770,000
Mankato Eda	-	55,706
Nonmajor Enterprise	2,077,956	1,073,500
Internal Service		
Central Garage	850,000	-
Administrative Services	3,725,000	-
Equipment Replacement	9,800,000	-
Central Insurance	1,000,000	-
Capital Replacement	1,000,000	
Total	$ 30,417,956	$ 30,417,956

The outstanding balance between funds result mainly from the time lag between the dates the (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The majority of the interfund balances represent temporary funding for cash deficits.

Note 3: Detailed Notes on All Funds (Continued)

Advances from/to Other Funds

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

Receivable Fund	Payable Fund	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Revolving Loan - Federal	Mankato Design Busters Tax Increment	4.00 %	12/09/13	08/01/36	$ 36,723
Revolving Loan - Federal	HECO Tax Increment	4.00	12/09/13	08/01/38	175,953
Economic Development	Sibley Park Tax Increment Phase I	4.00	12/09/13	02/01/38	1,102,331
Revolving Loan - City	South Riverfront Tax Increment	4.00	12/09/13	08/01/26	857,350
Equipment Replacement	Economic Development	3.50	06/30/11	08/01/32	5,676,003
Totals					$ 7,848,360

A summary of total future interfund advance repayments follows:

Year Ending December 31,	Principal	Interest	Total
2018	$ 408,706	$ 273,360	$ 682,066
2019	423,722	258,344	682,066
2020	439,293	242,773	682,066
2021	455,438	226,628	682,066
2022	476,095	213,406	689,501
2023 - 2027	2,568,348	810,416	3,378,764
2028 - 2032	2,574,209	359,746	2,933,955
2033 - 2037	416,742	63,988	480,730
2038	85,807	2,538	88,345
Total	$ 7,848,360	$ 2,451,199	$ 10,299,559

Note 3: Detailed Notes on All Funds (Continued)

Interfund Transfers

Interfund transfers for the year ended December 31, 2017 are as follows:

	Transfer In						
Fund	General	Debt Service	Tailwind Tax Increment	Improvements 2016	Improvements 2017	Improvements 2018	Nonmajor Governmental
Transfer Out							
General	$ -	$ -	$ -	$ 20,392	$ -	$ -	$ -
Debt Service	-	-	-	-	-	-	-
Municipal State Aid Project	170,000	-	-	300,000	2,888,694	-	-
Improvement Bond Redemption	-	900,000	-	-	-	-	-
Improvements 2016	-	-	-	-	-	-	123,649
Nonmajor governmental	-	1,382,562	106,472	-	-	-	661,134
Water	-	360,645	-	-	-	-	-
Sewer Collections	-	309,904	-	-	-	-	-
Riverfront 2000/Civic Center enterprise	155,000	-	-	-	-	-	49,127
Nonmajor enterprise	769,598	1,249,439	912,708	59,993	104,718	50,000	6,343
Central Garage internal service	-	-	-	-	-	-	-
Administrative Services internal service	-	-	-	-	-	-	8,000
Total Transfers Out	$ 1,094,598	$ 4,202,550	$ 1,019,180	$ 380,385	$ 2,993,412	$ 50,000	$ 848,253

	Transfer In					
Fund	Wastewater Plant	Civic Center	Airport	Nonmajor Enterprise	Internal Service	Total
Transfer Out						
General	$ -	$ -	$ -	$ 90,124	$ 260,000	$ 370,516
Debt Service	-	-	-	489,610	-	489,610
Municipal State Aid Project	-	-	-	-	-	3,358,694
Improvement Bond Redemption	-	-	-	-	-	900,000
Improvements 2016	-	-	-	-	-	123,649
Nonmajor governmental	-	538,923	-	4,604	-	2,693,695
Water	-	-	-	-	-	360,645
Sewer Collections	3,987,221	-	-	-	-	4,297,125
Riverfront 2000/Civic Center enterprise	-	-	300,000	477,274	-	981,401
Nonmajor enterprise	-	-	-	54,342	140,000	3,347,141
Central Garage internal service	-	-	-	-	525,000	525,000
Administrative Services internal service	-	-	-	28,839	490,000	526,839
Total Transfers Out	$ 3,987,221	$ 538,923	$ 300,000	$ 1,144,793	$ 1,415,000	$ 17,974,315

Note 3: Detailed Notes on All Funds (Continued)

Transfers are used to 1) move revenues from the fund with collection authorization to the Debt Service fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the Debt Service fund to establish mandatory reserve accounts, 3) move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary/council authorizations, including amounts provided as subsidies or matching funds for various grant programs, 4) move unrestricted revenues to cover capital costs incurred in bond improvement/construction funds. Further, during the year ended December 31, 2017, the City made the following one-time transfers:

- From the Economic Development fund to the Johnson Tax Increment Complex fund to close the fund ($6,343).
- From the Construction Revolving fund to the Improvements 2013 fund to close the fund ($167,606).
- From the Construction Revolving fund to the Improvements 2016 fund to close the fund ($380,385).

Note 3: Detailed Notes on All Funds (Continued)

F. Long-term Debt

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund general obligation bonds.

General obligation bonds are direct obligations and pledge the full faith and credit of the government. General obligation bonds currently outstanding are as follows:

General Obligation Bonds

The following bonds are direct obligations and pledge the full faith and credit of the City. These bond issues will be repaid primarily from ad valorem taxes.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Capital Improvement Bonds of 2007B	$ 735,000	4.00 %	11/28/07	02/01/18	$ 90,000
G.O. Capital Improvement Bonds of 2008B	815,000	3.50 - 4.25	12/15/08	02/01/19	195,000
G.O. Capital Improvement Bonds of 2009B	845,000	2.00 - 4.00	12/01/09	02/01/20	275,000
G.O. Capital Improvement Bonds of 2010A	880,000	2.00 - 3.25	12/15/10	02/01/21	370,000
G.O. Capital Improvement Bonds of 2012A	810,000	2.00 - 3.00	02/01/12	02/01/22	425,000
G.O. Capital Improvement Bonds of 2013A	815,000	2.00	02/01/13	02/01/24	575,000
G.O. Capital Improvement Bonds of 2014A	815,000	2.00 - 5.00	02/15/14	02/01/24	665,000
G.O. Capital Improvement Bonds of 2015A	850,000	2.00 - 3.00	03/12/15	02/01/25	765,000
G.O. Capital Improvement Bonds of 2016A	915,000	2.00 - 4.00	04/14/16	02/01/27	915,000
G.O. Capital Improvement Bonds of 2017A	240,000	2.25 - 4.00	04/06/17	02/01/28	240,000
Total General Obligation Bonds					$ 4,515,000

Note 3: Detailed Notes on All Funds (Continued)

The annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending December 31,	General Obligation Bonds Governmental Activities Principal	Interest	Total
2018	$ 775,000	$ 123,867	$ 898,867
2019	725,000	95,856	820,856
2020	640,000	73,781	713,781
2021	560,000	55,938	615,938
2022	485,000	40,869	525,869
2023 - 2027	1,300,000	60,197	1,360,197
2028	30,000	375	30,375
Total	$ 4,515,000	$ 450,883	$ 4,965,883

General Obligation Tax Increment Bonds

The following bonds were issued for redevelopment projects. The additional tax increments resulting from increased tax capacity of the redeveloped properties will be used to retire the related debt.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Tax Increment Bonds of 2015C	$ 3,335,000	1.30 - 3.80 %	03/12/15	02/01/37	$ 3,335,000

The annual debt service requirements to maturity for general obligation tax increment bonds are as follows:

Year Ending December 31,	G.O. Tax Increment Bonds Governmental Activities Principal	Interest	Total
2018	$ 130,000	$ 101,632	$ 231,632
2019	130,000	99,812	229,812
2020	135,000	97,690	232,690
2021	135,000	95,260	230,260
2022	140,000	92,508	232,508
2023 - 2027	750,000	407,987	1,157,987
2028 - 2032	870,000	317,395	1,187,395
2033 - 2037	1,045,000	66,120	1,111,120
Total	$ 3,335,000	$ 1,278,404	$ 4,613,404

Note 3: Detailed Notes on All Funds (Continued)

General Obligation Improvement Bonds

The following bonds were issued to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. Some issues, however, are partly financed by ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds of 2007A	$ 10,440,000	3.40 - 4.00 %	11/28/07	02/01/18	$ 1,055,000
G.O. Improvement Bonds of 2008A	8,915,000	3.50 - 4.25	12/15/08	02/01/19	1,875,000
G.O. Improvement Bonds of 2009A	7,615,000	2.00 - 4.00	02/01/09	02/01/20	2,325,000
G.O. Improvement Bonds of 2010A	6,160,000	2.00 - 3.25	12/15/10	02/01/21	2,470,000
G.O. Improvement Bonds of 2012A	5,505,000	2.00 - 3.00	02/01/12	02/01/22	2,780,000
G.O. Improvement Bonds of 2013A	6,905,000	2.00	02/01/13	02/01/24	4,840,000
G.O. Improvement Bonds of 2014A	9,565,000	2.00 - 5.00	02/15/14	02/01/24	7,315,000
G.O. Improvement Bonds of 2015A	5,745,000	2.00 - 3.00	03/12/15	02/01/25	4,930,000
G.O. Improvement Bonds of 2016A	17,175,000	2.00 - 4.00	04/14/16	02/01/27	16,930,000
G.O. Improvement Bonds of 2017A	7,265,000	2.25 - 4.00	04/06/17	02/01/28	7,265,000
Total G.O. Special Assessment Bonds					$ 51,785,000

The annual debt service requirements to maturity for general obligation improvement bonds are as follows:

Year Ending December 31,	G.O. Special Assessment Bonds Governmental Activities Principal	Interest	Total
2018	$ 7,740,000	$ 1,477,687	$ 9,217,687
2019	7,490,000	1,132,750	8,622,750
2020	6,695,000	901,556	7,596,556
2021	6,010,000	716,575	6,726,575
2022	5,330,000	554,994	5,884,994
2023 - 2027	17,855,000	973,447	18,828,447
2028	665,000	8,312	673,312
Total	$ 51,785,000	$ 5,765,321	$ 57,550,321

Note 3: Detailed Notes on All Funds (Continued)

General Obligation Revenue Bonds

The following bonds were issued to finance capital improvements to the enterprise funds. They will be retired from net revenue of the enterprise funds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Public Facilities Authority I - Wastewater	$24,682,000	3.07 %	05/01/98	08/20/19	$ 3,197,668
Public Facilities Authority II - Wastewater	678,000	3.07	11/09/00	08/20/19	91,000
Public Facilities Authority I - Water	2,309,300	2.31	12/12/05	08/20/25	1,074,300
Public Facilities Authority II - Water	37,729,870	2.63	04/09/07	08/20/26	19,993,948
Public Facilities Authority III - Madison Lake	1,194,071	1.88	06/13/09	08/20/29	683,000
G.O. Sales Tax Revenue Refunding Bonds of 2009C	9,050,000	2.50 - 3.25	12/01/09	02/01/18	1,070,000
Public Facilities Authority IV - 42" Line	5,520,000	1.656	10/01/10	08/20/30	3,379,000
Public Facilities Authority V - Wastewater	6,495,931	1.007	08/26/14	08/20/34	5,583,406
Public Facilties Authority VI - 42" Line 2	111,173	1.00	05/01/15	08/20/25	90,000
Public Facilitiies Authority III - Water Reuse	1,233,405	1.093	08/10/15	08/20/35	1,110,140
G.O. Sales Tax Revenue Bonds of 2015B	12,730,000	4.00 - 5.00	03/12/15	02/01/23	11,580,000
Total G.O. Revenue Bonds					$47,852,462

The annual debt service requirements to maturity for general obligation revenue bonds are as follows:

Year Ending December 31,	G.O. Revenue Bonds Business-type Activities Principal *	Interest	Total
2018	$ 6,911,027	$ 1,294,134	$ 8,205,161
2019	6,216,188	1,084,400	7,300,588
2020	4,897,000	888,019	5,785,019
2021	5,065,000	719,285	5,784,285
2022	5,235,000	554,733	5,789,733
2023 - 2027	15,623,247	1,056,100	16,679,347
2028 - 2032	2,998,000	140,690	3,138,690
2033 - 2035	907,000	15,077	922,077
Total	$ 47,852,462	$ 5,752,438	$ 53,604,900

Note 3: Detailed Notes on All Funds (Continued)

The G.O. revenue bonds were issued to finance capital improvements. The bonds are payable from future revenues pledged from the Utility and Civic Center funds and are backed by the full faith and credit of the City. Annual revenues from charges for services, principal and interest payments, and percentage of revenue required to cover principal and interest payments are as follows:

	Water	Wastewater Plant	Sewer Collection	Refuse	Riverfront 2000/ Civic Center
Revenues	$ 7,154,293	$ 1,416,597	$ 6,085,496	$ 1,878,858	$ 5,084,583
Principal and Interest	2,771,217	2,086,089	366,587	198,299	2,813,976
Percentage of Revenues	38.7%	147.3%	6.0%	10.6%	55.3%

Loans Payable

The following loans issued to finance capital improvements to the enterprise funds. They will be retired from net revenue of the enterprise funds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Airport T-hangar Loan (State)	$ 381,616	0.00 %	02/07/12	02/01/23	$ 192,816
MHFA Loan	156,867	0.00	02/01/02	02/01/18	156,867
Southwest Minnesota Housing Partnership Loan	118,500	0.00	10/01/12	10/01/40	118,500
Total Loans Payable					$ 468,183

The annual debt service requirements to maturity for loans payable are as follows:

Year Ending December 31,	Loans Payable Business-type Activities Principal	Interest	Total
2018	$ 195,267	$ -	$ 195,267
2019	38,400	-	38,400
2020	38,400	-	38,400
2021	38,400	-	38,400
2022	39,216	-	39,216
2040	118,500	-	118,500
Total	$ 468,183	$ -	$ 468,183

Note 3: Detailed Notes on All Funds (Continued)

Capital Leases

During 2015 the City entered into a capital lease for recycling and refuse carts. These lease agreements qualify as capital leases for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date. The refuse equipment was not capitalized because the individual items were under the City's capitalization threshold.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Refuse Equipment Lease	$ 950,000	1.57 %	08/01/15	04/24/20	$ 484,284
Tax-exempt Lease Purchase Agreement	1,255,000	2.62	04/24/17	04/01/33	1,255,000
Taxable Lease Purchase Agreement	1,300,000	3.72	05/24/17	10/01/28	1,300,000
Total Capital Leases Payable					$ 3,039,284

The annual debt service requirements to maturity for capital leases payable are as follows:

Year Ending December 31,	Capital Leases Payable Governmental Activities Principal	Interest	Total	Capital Leases Payable Business-type Activities Principal	Interest	Total
2018	$ 17,506	$ 112,453	$ 129,959	$ 191,445	$ 6,855	$ 198,300
2019	180,179	79,740	259,919	194,462	3,837	198,299
2020	186,185	73,734	259,919	98,377	773	99,150
2021	192,397	67,522	259,919	-	-	-
2022	198,821	61,097	259,918	-	-	-
2023 - 2027	1,098,469	201,125	1,299,594	-	-	-
2028 - 2032	630,054	46,390	676,444	-	-	-
2033	51,389	677	52,066	-	-	-
Total	$ 2,555,000	$ 642,738	$ 3,197,738	$ 484,284	$ 11,465	$ 495,749

Note 3: Detailed Notes on All Funds (Continued)

Changes in Long-term Liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
G.O. bonds	$ 5,315,000	$ 240,000	$ (1,040,000)	$ 4,515,000	$ 775,000
G.O. tax increment bonds	3,500,000	-	(165,000)	3,335,000	130,000
G.O. special assessment bonds	51,845,000	7,265,000	(7,325,000)	51,785,000	7,740,000
Bond discounts	(2,024)	-	1,434	(590)	-
Bond premiums	2,659,184	496,051	(294,116)	2,861,119	-
Total Bonds Payable Capital	63,317,160	8,001,051	(8,822,682)	62,495,529	8,645,000
Leases Payable	-	2,555,000	-	2,555,000	17,506
Other Postemployment Benefits Obligation	731,997	355,902	(186,279)	901,620	-
Pension Liability					
GERF	8,492,152	124,111	(1,977,691)	6,638,572	-
PEPEFF	22,915,224	-	(15,098,035)	7,817,189	-
Compensated Absences Payable	1,969,182	1,338,569	(1,226,489)	2,081,262	916,281
Governmental Activity Long-term Liabilities	$ 97,425,715	$ 12,374,633	$ (27,311,176)	$ 82,489,172	$ 9,578,787
Business-type Activities					
Bonds Payable					
G.O. revenue bonds	$ 54,327,803	$ 59,894	$ (6,535,235)	$ 47,852,462	$ 6,911,027
Bond premiums	1,951,599	-	(193,246)	1,758,353	-
Total Bonds Payable	56,279,402	59,894	(6,728,481)	49,610,815	6,911,027
Loans Payable	506,583	-	(38,400)	468,183	195,267
Capital Leases Payable	672,758	-	(188,474)	484,284	191,445
Other Postemployment Benefits Obligation	376,000	182,815	(99,654)	459,161	-
Pension Liability					
GERF	6,423,379	314,869	(1,706,990)	5,031,258	-
Compensated Absences Payable	705,580	272,203	(357,261)	620,522	305,955
Business-type Activity Long-term Liabilities	$ 64,963,702	$ 829,781	$ (9,119,260)	$ 56,674,223	$ 7,603,694

Note 3: Detailed Notes on All Funds (Continued)

Conduit Debt Obligation

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

Issued to	Issue Date	Amount Issued	Balance at Year End
MRCI	11/15/13	$ 2,025,000	$ 1,653,981

Note 3: Detailed Notes on All Funds (Continued)

G. Components of Fund Balance

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

	General	Debt Service	Tailwind Tax Increment	Municipal State Aid Project	Improvement Bond Redemption	Improvements 2014
Nonspendable for						
Prepaid items	$ 31,774	$ -	$ -	$ -	$ -	$ -
Inventories	133,699	-	-	-	-	-
Total Nonspendable	$ 165,473	$ -	$ -	$ -	$ -	$ -
Restricted for						
Tax increment financing activities	$ -	$ -	$ -	$ -	$ -	$ -
Loans	-	-	-	-	-	-
Municipal street projects	-	-	-	5,993,560	-	-
Total Restricted	$ -	$ -	$ -	$ 5,993,560	$ -	$ -
Committed to						
Loans	$ -	$ -	$ -	$ -	$ -	$ -
Community investment	-	-	-	-	-	-
Total Committed	$ -	$ -	$ -	$ -	$ -	$ -
Assigned to						
Tax adjustments	$ 600,000	$ -	$ -	$ -	$ -	$ -
Emergencies	2,400,000	-	-	-	-	-
Neighborhood improvement	-	-	-	-	-	-
Highway #14 enhancement and promotion	-	-	-	-	-	-
Metropolitan planning	-	-	-	-	-	-
Public safety programs	-	-	-	-	-	-
Downtown safe and clean	-	-	-	-	-	-
Insurance	-	-	-	-	-	-
Capital projects	-	-	-	-	1,231,550	-
Total Assigned	$ 3,000,000	$ -	$ -	$ -	$ 1,231,550	$ -
Unassigned	$ 8,870,449	$ (2,378,694)	$ -	$ -	$ -	$ (1,029,882)

Note 3: Detailed Notes on All Funds (Continued)

	Improvements 2015	Improvements 2016	Improvements 2017	Improvements 2018	Other Governmental Funds	Total Governmental Funds
Nonspendable for						
Prepaid items	$ -	$ -	$ -	$ -	$ 47	$ 31,821
Inventories	-	-	-	-	-	133,699
Total Nonspendable	$ -	$ -	$ -	$ -	$ 47	$ 165,520
Restricted for						
Tax increment financing activities	$ -	$ -	$ -	$ -	$ 21,067	$ 21,067
Loans	-	-	-	-	1,413,036	1,413,036
Municipal street projects	-	-	-	-	-	5,993,560
Total Restricted	$ -	$ -	$ -	$ -	$ 1,434,103	$ 7,427,663
Committed to						
Loans	$ -	$ -	$ -	$ -	$ 2,922,804	$ 2,922,804
Community investment	-	-	-	-	98,443	98,443
Total Committed	$ -	$ -	$ -	$ -	$ 3,021,247	$ 3,021,247
Assigned to						
Tax adjustments	$ -	$ -	$ -	$ -	$ -	$ 600,000
Emergencies	-	-	-	-	-	2,400,000
Neighborhood improvement	-	-	-	-	38,002	38,002
Highway #14 enhancement and promotion	-	-	-	-	11,664	11,664
Metropolitan planning	-	-	-	-	22,717	22,717
Public safety programs	-	-	-	-	280,272	280,272
Downtown safe and clean	-	-	-	-	19,414	19,414
Insurance	-	-	-	-	1,322,127	1,322,127
Capital projects	-	-	351,726	-	2,944,308	4,527,584
Total Assigned	$ -	$ -	$ 351,726	$ -	$ 4,638,504	$ 9,221,780
Unassigned	$ (162,187)	$ -	$ -	$ (6,802,211)	$ (7,094,108)	$ (8,596,633)

Note 4: Defined Benefit Pension Plans - Statewide

A. Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota statutes, chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Fund (GERF)

All full-time and certain part-time employees of the City, are covered by the General Employees Retirement Fund (GERF). GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. The Basic Plan was closed to new members in 1967. All new members must participate in the Coordinated Plan.

Public Employees Police and Fire Fund (PEPFF)

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

B. Benefits Provided

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

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

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

GERF Benefits

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

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

PEPFF Benefits

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

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

C. Contributions

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

GERF Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2017. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2017. The City's contributions to the GERF for the years ending December 31, 2017, 2016 and 2015 were $888,279, $859,978 and $823,522, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

PEPFF Contributions

Plan members were required to contribute 10.8 percent of their annual covered salary in calendar year 2017. The City was required to contribute 16.20 percent of pay for PEPFF members in calendar year 2017. The City's contributions to the PEPFF for the years ending December 31, 2017, 2016 and 2015 were $976,949, $926,281 and $864,592, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

D. Pension Costs

GERF Pension Costs

At December 31, 2017, the City reported a liability of $11,669,830 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of $6 million to the fund in 2017. The State of Minnesota is considered a non-employer contributing entity and the State's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled $146,777. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportionate share was 0.1828 percent which was a decrease of 0.0009 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of $1,297,630 for its proportionate share of GERF's pension expense. In addition, the City recognized an additional $4,239 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of $6 million to the GERF.

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 384,522	$ 751,560
Changes in Actuarial Assumptions	1,936,907	1,169,901
Net Difference Between Projected and Actual Earnings on Plan Investments	-	502,617
Changes in Proportion	11,057	245,407
Contributions to GERF Subsequent to the Measurement Date	435,090	-
Total	$ 2,767,576	$ 2,669,485

Deferred outflows of resources totaling $435,090 related to pensions resulting from the City's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2018	$ (276,934)
2019	669,373
2020	(234,056)
2021	(495,382)

PEPFF Pension Costs

At December 31, 2017, the City reported a liability of $7,817,189 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City's proportionate share was 0.5790 percent which was an increase of 0.0170 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of $1,519,152 for its proportionate share of PEPFF's pension expense. The City also recognized $52,110 for the year ended December 31, 2017, as pension expense (and an offsetting reduction of net pension liability) for its proportionate share of the State of Minnesota's on-behalf contributions to the 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.

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ 183,475	$ 2,089,650
Changes in Actuarial Assumptions	10,859,219	11,098,469
Net Difference Between Projected and Actual Earnings on Plan Investments	-	676,328
Changes in Proportion	195,374	20,121
Contributions to PEPFF Subsequent to the Measurement Date	510,927	-
Total	$ 11,748,995	$ 13,884,568

Deferred outflows of resources totaling $510,927 related to pensions resulting from the City's contributions to PEPFF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to PEPFF pensions will be recognized in pension expense as follows:

2018	$ (279,275)
2019	469,490
2020	(114,092)
2021	(562,335)
2022	(2,160,288)

E. Actuarial Assumptions

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

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

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

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

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

The following changes in actuarial assumptions occurred in 2017:

GERF

- The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability.

- The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

PEPFF

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.

- Assumed rates of retirement were changed, resulting in fewer retirements.

- The Combined Service Annuity (CSA) load was 30 percent for vested and non-vested deferred members. The CSA has been changed to 33 percent for vested members and 2 percent for non-vested members.

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.

- Assumed termination rates were decreased to 3.0 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.

- Assumed percentage of married female members was decreased from 65 percent to 60 percent.

- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.

- The assumed percentage of female members electing joint and survivor annuities was increased.

- The assumed post-retirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter.

- The single discount rate was changed from 5.6 percent to 7.5 percent.

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic Stocks	39.00 %	5.10 %
International Stocks	19.00	5.30
Bonds	20.00	0.75
Alternative Assets	20.00	5.90
Cash	2.00	-
Total	100.00 %	

F. Discount Rate

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

G. Pension Liability Sensitivity

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

	City Proportionate Share of NPL		
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
GERF	$ 18,100,776	$ 11,669,830	$ 6,404,935

	City Proportionate Share of NPL		
	1 Percent Decrease (6.50%)	Current (7.50%)	1 Percent Increase (8.50%)
PEPFF	$ 14,722,048	$ 7,817,189	$ 2,116,847

H. Pension Plan Fiduciary Net Position

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

Note 5: Defined Contribution Plan

There are six City Council members of the City covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by PERA. The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

The defined contribution plan consists of individual accounts paying a lump-sum benefit. Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses, therefore, there is no future liability to the employer. Minnesota statutes, chapter 353d.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and twenty-five hundredths of 1 percent (.0025) of the assets in each member's account annually.

Pension expense for the year is equal to contributions made. Total contributions made by the City during the fiscal year 2017 were:

Contribution Amount		Percentage of Covered Payroll		
Employee	Employer	Employee	Employer	Required Rate
$ 3,385	$ 3,385	5.00%	5.00%	5.00%

The City and council member’s contributions to the PEDCP for the years ended December 31, 2017, 2016 and 2015 were $3,385, $3,792 and $3,663, respectively.

Note 6: Other Information

A. Risk Management

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

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

During fiscal year 1991, the City established a self-insurance fund for health benefits to account for and finance its uninsured risks of loss. Under this program, the plan, which is administered by Blue Cross/Blue Shield, Inc., provides coverage for up to a maximum of $30,000 for each individual claim. Annual claims in excess of $30,000 per individual and $5,291,437 in aggregate are covered through reinsurance with Blue Cross/Blue Shield, Inc.

Note 6: Other Information (Continued)

All funds of the City participate in the program and make payments to the Central Insurance internal service fund based on actuarial estimates of the amounts needed to pay prior and current-year claims and to establish a reserve for future claims. The fund has net position of $2,557,688 at December 31, 2017. An estimated claims liability of $-334,896 reported in the fund at December 31, 2017 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that 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. The City believes the liability is adequate to cover incurred but not remitted claims at year-end. The changes in the Central Insurance internal service fund's claims liability for the past three years are as follows:

Year	January 1 Claims Liability	Current Year Claims and Changes in Estimates	Current Year Claim Payments	December 31 Claims Liability
2017	$ 167,752	$6,142,161	$(5,975,017)	$ 334,896
2016	341,450	5,033,725	(5,207,423)	167,752
2015	131,722	5,179,716	(4,969,988)	341,450

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

The City's tax increment districts are subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

C. Postemployment Benefits Other Than Pensions

Plan Description. The City administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the City and the union representing employees and are renegotiated each three-year bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

Funding Policy. Contribution requirements also are negotiated between the City and union representatives. The City does not contribute to the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2017, the City contributed $285,933 to the plan. The General fund is typically used to liquidate the net OPEB obligation.

Note 6: Other Information (Continued)

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 of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Retiree Health Plan.

Annual Required Contribution	$ 596,929
Interest on Net OPEB Obligation	33,240
Adjustment to Annual Required Contribution	(91,452)
Annual OPEB cost (expense)	538,717
Contributions Made	(285,933)
Increase in Net OPEB Obligation	252,784
Net OPEB Obligation - Beginning of Year	1,107,997
Net OPEB Obligation - End of Year	$ 1,360,781

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017 and the two preceding fiscal years were as follows:

	Three Year Trend Information		
Year Ending	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/17	$ 538,717	53.1 %	$ 1,360,781
12/31/16	547,942	45.9	1,107,997
12/31/15	545,970	54.1	811,776

Funded Status and Funding Progress. As of January 1, 2016, the City's share of the actuarial accrued liability for benefits was $4,968,392, all of which was unfunded. The City's share of covered payroll (annual payroll of active employees covered by the plan) was $15,304,130, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 32.5 percent.

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

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 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.

Note 6: Other Information (Continued)

For the City, in the January 1, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 3.0 percent investment rate of return and an annual healthcare cost trend rate of 7.0 percent initially, reduced incrementally to an ultimate rate of 4.0 percent after 12 years. The actuarial value of assets was not determined as the City has not advance-funded its obligation. The plan's unfunded actuarial accrued liability was amortized as a level dollar amount over a closed basis of thirty years.

The following simplifying assumptions were made:

Retirement age for active employees - Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 54.6, or at the first subsequent year in which the member would qualify for benefits.

Marital status - Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality - Life expectancies were based on mortality tables from the Society of Actuaries. The 2000 Group Annuity Mortality Rates for Males and for Females were used.

Turnover - Non-group-specific age-based turnover data from GASB Statement 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 7.0 percent initially, reduced to an ultimate rate of 4.0 percent after twelve years, was used.

Health insurance premiums - 2015 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate - The expected long-term inflation assumption of 2.0 percent was used based on an intermediate growth scenario.

Actuarial method - Projected unit credit with 15-year amortization of the unfunded liability.

Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 3.0 percent was used. In addition, the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized on a level dollar closed basis. The remaining amortization period at December 31, 2017 was 15 years.

D. Subsequent Events

On April 26, 2018, the City issued 2018A General Obligation Improvements Bonds for $3,485,000 at interest rates of 3.0 - 5.0 percent. The bonds will mature on February 1, 2029. These bonds will be used to complete street and capital improvements.

E. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA) program. The amount received in 2017 was $6,954,200 for LGA. This accounted for 27 percent of General fund revenues.

Note 7: Tax Abatements

As of December 31, 2017, the City has six agreements entered into by the City listed below that abate City property taxes. Below is information specific to each agreement:

The City entered into a tax increment financing agreement (TIF #6f) on March 29, 2011 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the City collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of $547,651 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #33-2) on February 25, 2010 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the City collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of $178,881 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #34-1) on April 28, 2008 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the City collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of $312,399 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #35-1) on February 23, 2009 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the City collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of $388,691 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #37-1) on March 8, 2010 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the City collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of $808,405 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

The City entered into a tax increment financing agreement (TIF #38-1) on February 11, 2013 with a developer on in which the developer incurs costs for property improvements. In return, the City will reimburse the developer for some costs as the City collects future tax increment for the increased property value and tax capacity related to the economic development. The pay-as-you-go agreement has a maximum return to the developer of $721,934 over the life of the agreement. The agreement was negotiated under state law (Minnesota Statute 469.174-469.179). The calculation of taxes abated during the fiscal year is noted in the chart below.

Note 7: Tax Abatements (Continued)

Lost revenue as it relates to tax abatements for the year ended December 31, 2017 was as follows:

	City Tax Rate (Year of Establishment)	District Tax Capacity	Amount of taxes abated this fiscal year
Tax Increment Districts (PAYGO)			
TIF District #6f	39.557%	$ 79,689	$ 31,522
TIF District #33-2	37.997%	10,147	3,856
TIF District #34-1	36.561%	32,344	11,825
TIF District #35-1	36.561%	25,198	9,213
TIF District #37-1	37.997%	34,843	13,239
TIF District #38-1	43.994%	168,512	74,135
Total			$ 143,790

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MANKATO
MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

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City of Mankato, Minnesota
Required Supplementary Information
For the Year Ended December 31, 2017

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

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/17	0.1828 %	$ 11,669,830	$ 146,777	$ 11,816,607	$ 11,779,590	99.1 %	75.9 %
06/30/16	0.1837	14,915,531	194,803	15,110,334	11,277,176	132.3	68.9
06/30/15	0.1833	9,499,557	-	9,499,557	10,365,453	91.6	78.2

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

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

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered-Employee Payroll (c)	Contributions as a Percentage of Covered-Employee Payroll (b/c)
12/31/17	$ 888,279	$ 888,279	$ -	$ 11,843,718	7.5 %
12/31/16	859,978	859,978	-	11,465,972	7.5
12/31/15	823,522	823,522	-	10,980,293	7.5

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

Notes to the Required Supplementary Information - General Employee Retirement Fund

Changes in Actuarial Assumptions

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

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

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

Changes in Plan Provisions

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

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

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered-Employee Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/17	0.5790 %	$ 7,817,189	$ -	$ 7,817,189	$ 5,941,530	131.6 %	85.4 %
06/30/16	0.5620	22,915,224	-	22,915,224	5,497,049	416.9	63.9
06/30/15	0.5620	6,385,635	-	6,385,635	5,004,685	127.6	86.6

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

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

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered-Employee Payroll (c)	Contributions as a Percentage of Covered-Employee Payroll (b/c)
12/31/17	$ 976,949	$ 976,949	$ -	$ 6,030,552	16.2 %
12/31/16	926,281	926,281	-	5,717,785	16.2
12/31/15	864,592	864,592	-	5,336,988	16.2

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

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

Changes in Actuarial Assumptions

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

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

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

Changes in Plan Provisions

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

Schedule of Funding Progress for Other Post-employment Benefit Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability - Projected Unit Credit (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/16	$ -	$ 4,968,392	$ 4,968,392	- %	$ 15,304,130	32.5 %
01/01/14	-	5,038,644	5,038,644	-	13,755,280	36.6
01/01/12	-	5,695,027	5,695,027	-	12,684,000	44.9
01/01/10	-	3,846,056	3,846,056	-	12,582,000	30.6
01/01/08	-	3,965,548	3,965,548	-	11,946,000	33.2

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Combining and Individual Fund Statements & Schedules

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF MANKATO
MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

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

	Nonmajor Special Revenue	Nonmajor Capital Projects	Nonmajor Governmental Funds
Assets			
Cash and temporary investments	$ 7,155,005	$ 1,686,777	$ 8,841,782
Receivables			
Accounts	39,366	101,112	140,478
Loans	1,217,194	216,652	1,433,846
Special assessments	56,039	1,287,249	1,343,288
Intergovernmental	127,667	1,502	129,169
Due from other funds	300,000	1,290,000	1,590,000
Advances to other funds	1,070,026	-	1,070,026
Prepaid items	47	-	47
Total Assets	$ 9,965,344	$ 4,583,292	$ 14,548,636
Liabilities			
Accounts payable	$ 2,183	$ 316,919	$ 319,102
Due to other funds	654,500	4,935,500	5,590,000
Advances from other funds	-	2,172,357	2,172,357
Wages payable	4,120	-	4,120
Deposits payable	3,098,576	-	3,098,576
Unearned revenue	21,400	-	21,400
Total Liabilities	3,780,779	7,424,776	11,205,555
Deferred Inflows of Resources			
Unavailable revenue - special assessments	56,039	1,287,249	1,343,288
Fund Balances			
Nonspendable	47	-	47
Restricted	1,413,036	21,067	1,434,103
Committed	3,021,247	-	3,021,247
Assigned	1,694,196	2,944,308	4,638,504
Unassigned	-	(7,094,108)	(7,094,108)
Total Fund Balances	6,128,526	(4,128,733)	1,999,793
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 9,965,344	$ 4,583,292	$ 14,548,636

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

	Nonmajor Special Revenue	Nonmajor Capital Projects	Nonmajor Governmental Funds
Revenues			
Taxes			
Tax increments	$ 52,361	$ 243,753	$ 296,114
Tax abatement	-	700,225	700,225
Special assessments	47,498	555,720	603,218
Intergovernmental			
Federal			
Other	310,953	-	310,953
State			
MSA - street construction	-	5,559	5,559
Other	37,198	-	37,198
Local			
Other	76,162	-	76,162
Investment income	61,500	11,513	73,013
Miscellaneous			
Contributions and donations	14,525	536,204	550,729
Refunds and reimbursements	142,776	-	142,776
Loan payments	35,103	6,668	41,771
Other	9,565	155,950	165,515
Total Revenues	787,641	2,215,592	3,003,233
Expenditures			
Current			
General government	97,876	-	97,876
Public safety	82,589	-	82,589
Housing and economic development	480,569	73,453	554,022
Capital outlay			
Public safety	-	50,434	50,434
Public works	-	6,106,561	6,106,561
Culture and recreation	-	1,655,156	1,655,156
Housing and economic development	19,971	-	19,971
Debt service			
Interest and other	-	80,686	80,686
Bond issue costs	-	15,157	15,157
Total Expenditures	681,005	7,981,447	8,662,452
Excess (Deficiency) of Revenues Over (Under) Expenditures	106,636	(5,765,855)	(5,659,219)
Other Financing Sources (Uses)			
Transfers in	8,000	840,253	848,253
Bonds issued	-	2,795,000	2,795,000
Premium on bonds issued	-	15,743	15,743
Transfers out	-	(2,693,695)	(2,693,695)
Total Other Financing Sources (Uses)	8,000	957,301	965,301
Net Change in Fund Balances	114,636	(4,808,554)	(4,693,918)
Fund Balance, January 1	6,013,890	679,821	6,693,711
Fund Balances, December 31	$ 6,128,526	$ (4,128,733)	$ 1,999,793

NONMAJOR SPECIAL REVENUE FUNDS

Special revenue funds are created to account for specific revenues that are legally restricted to expenditure for particular purposes.

Revolving Loan - Federal: The purpose of this fund is to account for the activity of the economic development loans that have been financed with Federal funds.

Revolving Loan - State: The purpose of this fund is to account for the activity of economic development loans that have been financed with State funds.

Revolving Loan - City: The purpose of this fund is to account for the activity of economic development loans that have been financed internally.

Shared Records System: The purpose of this fund is to account for the activity of enhanced electronic public safety technology for a seven county area. The 7 county member group and municipalities located within these counties provide the financial support for this fund.

Highway #14 Partnership: The purpose of this fund is to account for the activity to promote and enhance Highway 14. Funding is derived from cities, counties, and townships located along the Highway 14 corridor. In addition, individuals, corporations and civic groups are dues paying members. Funds are expended promoting education and lobbying at the State legislature for highway improvements.

Neighborhood Improvement: The purpose of the fund is to account for the repayment of SCDP loans. These funds can be expended anywhere in the City considered necessary for renewal and revitalization.

Metropolitan Planning Organization: The purpose of the fund is to account for all activities related to the Metropolitan Planning Organization. This will primarily consist of activities associated with the Long Range Transportation Plan. The fund will also account for Federal, State, and Local Aid contributions.

Community Investment: The purpose of this fund is to account for deposits received from developers and sub dividers to be used to finance future capital improvements in accordance with the sub dividers agreement.

Public Safety Grants and Donations: The purpose of this fund is to account for all Public Safety grants and donations that are beyond the scope of the Public Safety operating budget.

Downtown Special Services District: The purpose of this fund is to account for expenditures such as snow removal, sidewalk maintenance, and summer time plantings within the prescribed downtown area. Affected property owners have agreed to compensate the city via an assessment for expenditures defined in the Special Services District Budget.

Risk Management: The purpose of this fund is to account for all rebates received from the insurance carrier for property, liability and workers compensation. The funds are intended to be used for any and all retroactive premium adjustments based upon experience modifications or any other risk management expenditures.

MHFA: The purpose of this fund is to account for the costs associated with a first time home buyers education program and to account for all State loan funds originally received from MHFA that are being recycled through this Revolving Loan Fund. This program has been designed by the Minnesota Housing Finance Agency (MHFA).

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

	6802 Revolving Loan-Federal	6804 Revolving Loan-State	6806 Revolving Loan-City	2250 Shared Records System	2270 Highway #14 Partnership
Assets					
Cash and temporary investments	$ 609,327	$ 259	$ 1,330,063	$ -	$ 33,064
Receivables					
Accounts	2,762	3,366	5,969	-	-
Loans	177,186	188,954	698,586	-	-
Special assessments	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Due from other funds	-	-	-	-	-
Advances to other funds	212,676	-	857,350	-	-
Prepaid items	-	-	-	-	-
Total Assets	$ 1,001,951	$ 192,579	$ 2,891,968	$ -	$ 33,064
Liabilities					
Accounts payable	$ -	$ -	$ -	$ -	$ -
Due to other funds	-	147,500	-	-	-
Wages payable	-	-	-	-	-
Deposits payable	-	-	-	-	-
Unearned revenue	-	-	-	-	21,400
Total Liabilities	-	147,500	-	-	21,400
Deferred Inflows of Resources					
Unavailable revenue - special assessments	-	-	-	-	-
Fund Balances					
Nonspendable	-	-	-	-	-
Restricted	1,001,951	45,079	-	-	-
Committed	-	-	2,891,968	-	-
Assigned	-	-	-	-	11,664
Total Fund Balances	1,001,951	45,079	2,891,968	-	11,664
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 1,001,951	$ 192,579	$ 2,891,968	$ -	$ 33,064

6809 Neighborhood Improvement	2300 Metropolitan Planning Organization	2320 Community Investment	2260 Public Safety Grants and Donations	6114 Downtown Special Services District	7062 Risk Management	6808 MHFA	Total Nonmajor Special Revenue
$ 17,172	$ 4,053	$ 3,000,461	$ 866,330	$ 21,597	$ 1,022,127	$ 250,552	$ 7,155,005
20,830	-	-	-	-	-	6,439	39,366
30,836	-	-	-	-	-	121,632	1,217,194
-	-	-	-	56,039	-	-	56,039
-	127,667	-	-	-	-	-	127,667
-	-	-	-	-	300,000	-	300,000
-	-	-	-	-	-	-	1,070,026
-	47	-	-	-	-	-	47
$ 68,838	$ 131,767	$ 3,000,461	$ 866,330	$ 77,636	$ 1,322,127	$ 378,623	$ 9,965,344
$ -	$ -	$ -	$ -	$ 2,183	$ -	$ -	$ 2,183
-	105,000	402,000	-	-	-	-	654,500
-	4,003	-	-	-	-	117	4,120
-	-	2,500,018	586,058	-	-	12,500	3,098,576
-	-	-	-	-	-	-	21,400
-	109,003	2,902,018	586,058	2,183	-	12,617	3,780,779
-	-	-	-	56,039	-	-	56,039
-	47	-	-	-	-	-	47
-	-	-	-	-	-	366,006	1,413,036
30,836	-	98,443	-	-	-	-	3,021,247
38,002	22,717	-	280,272	19,414	1,322,127	-	1,694,196
68,838	22,764	98,443	280,272	19,414	1,322,127	366,006	6,128,526
$ 68,838	$ 131,767	$ 3,000,461	$ 866,330	$ 77,636	$ 1,322,127	$ 378,623	$ 9,965,344

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

	6802 Revolving Loan-Federal	6804 Revolving Loan-State	6806 Revolving Loan-City	2250 Shared Records System	2270 Highway #14 Partnership
Revenues					
Taxes					
Tax increments	$ -	$ -	$ 52,361	$ -	$ -
Special assessments	-	-	-	-	-
Intergovernmental					
Federal					
Other	-	-	-	-	-
State					
Other	-	-	-	-	-
Local					
Other	-	-	-	-	46,700
Investment income	1,805	-	40,573	-	-
Miscellaneous					
Refunds and reimbursements	-	-	-	-	-
Contributions	-	-	-	-	14,525
Loan payments	7,676	320	26,736	-	-
Other	-	-	-	120	-
Total Revenues	9,481	320	119,670	120	61,225
Expenditures					
Current					
General government	-	-	-	-	69,401
Public safety	-	-	-	72,817	-
Housing and economic development	-	-	49,346	-	-
Capital outlay					
Housing and economic development	-	-	-	-	-
Total Expenditures	-	-	49,346	72,817	69,401
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,481	320	70,324	(72,697)	(8,176)
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	8,000
Net Change in Fund Balances	9,481	320	70,324	(72,697)	(176)
Fund Balances, January 1	992,470	44,759	2,821,644	72,697	11,840
Fund Balances, December 31	$ 1,001,951	$ 45,079	$ 2,891,968	$ -	$ 11,664

6809 Neighborhood Improvement	2300 Metropolitan Planning Organization	2320 Community Investment	2260 Public Safety Grants and Donations	2340 Downtown Special Services District	7062 Risk Management	6808 MHFA	Total Nonmajor Special Revenue
$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 52,361
-	-	-	-	47,498	-	-	47,498
-	296,421	-	14,532	-	-	-	310,953
-	32,698	-	-	-	-	4,500	37,198
-	29,462	-	-	-	-	-	76,162
86	-	10,648	2,645	47	4,796	900	61,500
-	-	-	80,494	-	62,282	-	142,776
-	-	-	-	-	-	-	14,525
371	-	-	-	-	-	-	35,103
4,000	-	-	-	2,225	-	3,220	9,565
4,457	358,581	10,648	97,671	49,770	67,078	8,620	787,641
-	-	-	-	-	28,475	-	97,876
-	-	-	9,772	-	-	-	82,589
137	384,455	4,998	-	35,082	-	6,551	480,569
19,971	-	-	-	-	-	-	19,971
20,108	384,455	4,998	9,772	35,082	28,475	6,551	681,005
(15,651)	(25,874)	5,650	87,899	14,688	38,603	2,069	106,636
-	-	-	-	-	-	-	8,000
(15,651)	(25,874)	5,650	87,899	14,688	38,603	2,069	114,636
84,489	48,638	92,793	192,373	4,726	1,283,524	363,937	6,013,890
$ 68,838	$ 22,764	$ 98,443	$ 280,272	$ 19,414	$ 1,322,127	$ 366,006	$ 6,128,526

City of Mankato, Minnesota
Revolving Loan - Federal Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2017

	Final Budget	Actual	Variance with Final Budget
Revenues			
Investment income	$ 500	$ 1,805	$ 1,305
Miscellaneous			
Loan repayments	10,296	7,676	(2,620)
Total Revenues	10,796	9,481	(1,315)
Fund Balances, January 1	992,470	992,470	-
Fund Balances, December 31	$ 1,003,266	$ 1,001,951	$ (1,315)

City of Mankato, Minnesota
Revolving Loan - City Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2017

	Final Budget	Actual	Variance with Final Budget
Revenues			
Tax increments	$ 56,000	$ 52,361	$ (3,639)
Investment income	50,000	40,573	(9,427)
Miscellaneous			
Loan repayments	27,238	26,736	(502)
Total Revenues	133,238	119,670	(13,568)
Expenditures			
Current			
Housing and economic development			
Other services and charges	56,000	49,346	6,654
Net Change in Fund Balances	77,238	70,324	(6,914)
Fund Balances, January 1	2,821,644	2,821,644	-
Fund Balances, December 31	$ 2,898,882	$ 2,891,968	$ (6,914)

City of Mankato, Minnesota
Highway #14 Partnership Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended December 31, 2017

	Final Budget	Actual	Variance with Final Budget
Revenues			
Intergovernmental			
Local - other aids	$ 55,000	$ 46,700	$ (8,300)
Miscellaneous			
Contributions	20,000	14,525	(5,475)
Other	500	-	(500)
Total Revenues	75,500	61,225	(14,275)
Expenditures			
Current			
General government			
Other services and charges	80,000	69,401	10,599
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,500)	(8,176)	(3,676)
Other Financing Sources (Uses)			
Transfers in	10,000	8,000	(2,000)
Net Change in Fund Balances	5,500	(176)	(5,676)
Fund Balances, January 1	11,840	11,840	-
Fund Balances, December 31	$ 17,340	$ 11,664	$ (5,676)

City of Mankato, Minnesota
Neighborhood Improvement Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2017

	Final Budget	Actual	Variance with Final Budget
Revenues			
Investment income	$ -	$ 86	$ 86
Miscellaneous			
Loan repayments	4,992	371	(4,621)
Other	-	4,000	4,000
Total Revenues	4,992	4,457	(535)
Expenditures			
Current			
Housing and economic development			
Other services and charges	21,910	137	21,773
Capital outlay			
Housing and economic development	3,492	19,971	(16,479)
Total Expenditures	25,402	20,108	5,294
Excess (Deficiency) of Revenues Over (Under) Expenditures	(20,410)	(15,651)	4,759
Other Financing Sources (Uses)			
Transfers in	20,910	-	(20,910)
Net Change in Fund Balances	500	(15,651)	(16,151)
Fund Balances, January 1	84,489	84,489	-
Fund Balances, December 31	$ 84,989	$ 68,838	$ (16,151)

City of Mankato, Minnesota
Metropolitan Planning Organization Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2017

	Final Budget	Actual	Variance with Final Budget
Revenues			
Intergovernmental			
Federal - other aids	$ 359,975	$ 296,421	$ (63,554)
State - other aids	32,698	32,698	-
Local - other aids	29,462	29,462	-
Total Revenues	422,135	358,581	(63,554)
Expenditures			
Current			
Housing and economic development			
Personal services	165,295	148,795	16,500
Supplies	750	570	180
Other services and charges	297,507	235,090	62,417
Total Expenditures	463,552	384,455	79,097
Net Change in Fund Balances	(41,417)	(25,874)	15,543
Fund Balances, January 1	48,638	48,638	-
Fund Balances, December 31	$ 7,221	$ 22,764	$ 15,543

City of Mankato, Minnesota
Community Investment Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2017

	Final Budget	Actual	Variance with Final Budget
Revenues			
Investment income	$ 3,200	$ 10,648	$ 7,448
Expenditures			
Current			
Housing and economic development			
Other services and charges	-	4,998	(4,998)
Net Change in Fund Balances	3,200	5,650	2,450
Fund Balances, January 1	92,793	92,793	-
Fund Balances, December 31	$ 95,993	$ 98,443	$ 2,450

City of Mankato, Minnesota
Risk Management Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2017

	Final Budget	Actual	Variance with Final Budget
Revenues			
Investment income	$ 2,000	$ 4,796	$ 2,796
Miscellaneous			
Refunds and reimbursements	500,000	62,282	(437,718)
Total Revenues	502,000	67,078	(434,922)
Expenditures			
Current			
General government			
Other services and charges	574,000	28,475	545,525
Excess (Deficiency) of Revenues Over (Under) Expenditures	(72,000)	38,603	110,603
Other Financing Sources (Uses)			
Transfers in	300,000	-	(300,000)
Transfers out	(200,000)	-	200,000
Total Other Financing Sources (Uses)	100,000	-	(100,000)
Net Change in Fund Balances	28,000	38,603	10,603
Fund Balances, January 1	1,283,524	1,283,524	-
Fund Balances, December 31	$ 1,311,524	$ 1,322,127	$ 10,603

City of Mankato, Minnesota
MHFA Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual
For the Year Ended December 31, 2017

	Final Budget	Actual	Variance with Final Budget
Revenues			
Intergovernmental			
State - other aids	$ 8,000	$ 4,500	$ (3,500)
Investment income	510	900	390
Miscellaneous			
Loan repayments	17,244	-	(17,244)
Other	2,627	3,220	593
Total Revenues	28,381	8,620	(19,761)
Expenditures			
Current			
Housing and economic development			
Personal services	4,935	5,058	(123)
Supplies	2,502	1,454	1,048
Other services and charges	203,200	39	203,161
Total Expenditures	210,637	6,551	204,086
Excess (Deficiency) of Revenues Over (Under) Expenditures	(182,256)	2,069	184,325
Other Financing Sources (Uses)			
Transfers in	182,256	-	(182,256)
Net Change in Fund Balances	-	2,069	2,069
Fund Balances, January 1	363,937	363,937	-
Fund Balances, December 31	$ 363,937	$ 366,006	$ 2,069

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NONMAJOR CAPITAL PROJECTS FUNDS

Capital projects funds are created to account for all resources used for the acquisition of capital facilities by a governmental unit except those financed by enterprise funds.

Sibley Park Tax Increment Phase I: The purpose of this fund is to account for costs associated with the redevelopment of the Sibley Parkway Project located along the river between the downtown area and West Mankato.

Graif Building Tax Increment: The purpose of this fund is to account for costs associated with the redevelopment of the Graif building.

Mankato Design Busters Tax Increment: The purpose of this fund is to account for costs associated with the Mankato Design Busters Tax Increment project.

HECO Tax Increment: The purpose of this fund is to account for costs associated with the HECO Building Tax Increment project.

City Center Renaissance: The purpose of this fund is to account for costs associated with the improvements to the City Center.

South Riverfront Tax Increment: The purpose of this fund is to account for costs associated with the infrastructure in relation to Cub Foods.

Riverside Park Construction: The purpose of this fund is to account for all activity related to the acquisition and development of the Riverside Park Project. The park is located adjacent to the Minnesota River along the north end of the City. The Park is being financed through the use of City Charter Bonds.

Downtown Development: The purpose of this fund is to account for all activity related to the proposed improvements in the Core Area of the Downtown property. The activities include, but are not limited to, 1) the design and construction of an additional downtown parking ramp; 2) the design and construction of improvements to the existing stair towers located in the Mankato Place Ramp; 3) the design and development of a skywalk system connecting various structures to the Midwest Wireless Civic Center.

All Seasons Arena Construction: The purpose of this fund is to account for all construction costs and improvements to the All Seasons Arena. The City of Mankato will act as the lead financing agent for the project. The costs associated with this project will be shared by the City of Mankato, the City of North Mankato, the City of Skyline, and Blue Earth County.

Johnson Tax Increment: The purpose of this fund is to account for costs associated with the development of a facility for Johnson Outdoors.

Fire Townhomes Construction: The purpose of this fund is to account for costs associated with the construction of firefighter townhomes at Fire Station #2.

Curling Club: The purpose of this fund is to account for costs associated with the installation of concrete and a curling rink ice plant at the Mankato Caledonia Community Center.

Garage Demolition: The purpose of this fund is to account for costs associated with the demolition of the old public works site.

Energy Improvements: The purpose of this fund is to account for costs associated with energy improvements to city facilities. These improvements will be funded by taxable and non-taxable leases; repayments anticipated from energy savings from these improvements.

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NONMAJOR CAPITAL PROJECTS FUNDS (CONTINUED)

Franklin Rogers Park Improvements: The purpose of this fund is to account for costs associated with the improvements to Franklin Rogers Park. These improvements consist of new synthetic turf, fence, scoreboard and facility improvements. These improvements are being financed through the use of the City local option sales tax.

Aquatic Center: The purpose of this fund is to account for costs associated with the preliminary study to expand Tourtellotte Pool.

Downtown Abatement: The purpose of this fund is to account for costs associated with the Downtown tax abatement project.

Wal-Mart Distribution Center: The purpose of this fund is to account for all infrastructure costs associated with the construction of the Wal-Mart Distribution Site located on the east end of the community. This fund will also account for all related costs identified in the DEED (Minnesota Department of Employment and Economic Development) grant awarded by the State of Minnesota for the Wal-Mart Distribution Center.

Construction Revolving: The purpose of this fund is to account for planning costs associated with street projects being developed.

Improvements 2006: The purpose of this fund is to account for costs associated with major street projects identified in the 2006 Capital Investment Plan.

Improvements 2008: The purpose of this fund is to account for costs associated with major street projects identified in the 2008 Capital Investment Plan.

Minor Street Repair: The purpose of this fund is to account for costs associated with the street overlay program.

Improvements 2013: The purpose of this fund is to account for costs associated with major street projects identified in the 2012 Capital Investment Plan.

Improvements 2019: The purpose of this fund is to account for costs associated with major street projects with construction starting in 2017.

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City of Mankato, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet (Continued on Following Pages)
December 31, 2017

	4050 Sibley Park Tax Increment Phase I	4060 Graif Building Tax Increment	4070 Mankato Design Busters Tax Increment	4090 HECO Tax Increment	4800 City Center Renaissance	4110 South Riverfront Tax Increment
Assets						
Cash and temporary investments	$ -	$ 21,067	$ -	$ -	$ 276,650	$ -
Receivables						
Accounts	-	-	-	-	-	-
Loans	-	-	-	-	-	-
Special assessments						
Delinquent	-	-	-	-	-	-
Noncurrent	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Due from other funds	-	-	-	-	-	-
Total Assets	$ -	$ 21,067	$ -	$ -	$ 276,650	$ -
Liabilities						
Accounts payable	$ -	$ -	$ -	$ -	$ -	$ -
Due to other funds	-	-	-	-	-	-
Advance from other funds	1,102,331	-	36,723	175,953	-	857,350
Total Liabilities	1,102,331	-	36,723	175,953	-	857,350
Deferred Inflows of Resources						
Unavailable revenue - special assessments	-	-	-	-	-	-
Fund Balances						
Restricted	-	21,067	-	-	-	-
Assigned	-	-	-	-	276,650	-
Unassigned	(1,102,331)	-	(36,723)	(175,953)	-	(857,350)
Total Fund Balances	(1,102,331)	21,067	(36,723)	(175,953)	276,650	(857,350)
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ -	$ 21,067	$ -	$ -	$ 276,650	$ -

4610	4150	4620	4120	4750	4760	4770
Riverside Park Construction	Downtown Development	All Seasons Arena Construction	Johnson Tax Increment	Fire Townhomes Construction	Curling Club	Garage Demolition
$ -	$ -	$ -	$ -	$ -	$ 283	$ 306
-	-	-	-	-	-	-
-	-	-	-	-	216,652	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
$ -	$ -	$ -	$ -	$ -	$ 216,935	$ 306
$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	286,500	47,000
-	-	-	-	-	-	-
-	-	-	-	-	286,500	47,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	(69,565)	(46,694)
-	-	-	-	-	(69,565)	(46,694)
$ -	$ -	$ -	$ -	$ -	$ 216,935	$ 306

City of Mankato, Minnesota
Nonmajor Capital Projects Funds
Combining Balance Sheet (Continued)
December 31, 2017

	4780	4785	4790	4130	4140	5030
	Energy Improvements	Franklin Rogers Park Improvements	Aquatic Center	Downtown Abatement	Wal-Mart Distribution Center	Construction Revolving
Assets						
Cash and temporary investments	$ 13,441	$ 464	$ 245	$ -	$ -	$ 1,140,540
Receivables						
Accounts	99,204	-	-	-	-	1,908
Loans	-	-	-	-	-	-
Special assessments						
Delinquent	-	-	-	-	-	-
Noncurrent	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	1,502
Due from other funds	-	-	-	-	-	190,000
Total Assets	$ 112,645	$ 464	$ 245	$ -	$ -	$ 1,333,950
Liabilities						
Accounts payable	$ -	$ 191,095	$ -	$ -	$ -	$ -
Due to other funds	1,950,000	1,219,500	28,500	-	-	-
Advance from other funds	-	-	-	-	-	-
Total Liabilities	1,950,000	1,410,595	28,500	-	-	-
Deferred Inflows of Resources						
Unavailable revenue - special assessments	-	-	-	-	-	-
Fund Balances						
Restricted	-	-	-	-	-	-
Assigned	-	-	-	-	-	1,333,950
Unassigned	(1,837,355)	(1,410,131)	(28,255)	-	-	-
Total Fund Balances	(1,837,355)	(1,410,131)	(28,255)	-	-	1,333,950
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 112,645	$ 464	$ 245	$ -	$ -	$ 1,333,950

5106	5108	5040	5113	5119	
Improvements 2006	Improvements 2008	Minor Street Repair	Improvements 2013	Improvements 2019	Total Nonmajor Capital Projects
$ 122,369	$ 65,664	$ 45,675	$ -	$ 73	$ 1,686,777
-	-	-	-	-	101,112
-	-	-	-	-	216,652
-	-	35,565	-	-	35,565
-	-	1,251,684	-	-	1,251,684
-	-	-	-	-	1,502
-	-	1,100,000	-	-	1,290,000
$ 122,369	$ 65,664	$ 2,432,924	$ -	$ 73	$ 4,583,292
$ -	$ -	$ -	$ -	$ 125,824	$ 316,919
-	-	-	-	1,404,000	4,935,500
-	-	-	-	-	2,172,357
-	-	-	-	1,529,824	7,424,776
-	-	1,287,249	-	-	1,287,249
-	-	-	-	-	21,067
122,369	65,664	1,145,675	-	-	2,944,308
-	-	-	-	(1,529,751)	(7,094,108)
122,369	65,664	1,145,675	-	(1,529,751)	(4,128,733)
$ 122,369	$ 65,664	$ 2,432,924	$ -	$ 73	$ 4,583,292

City of Mankato, Minnesota
Nonmajor Capital Projects Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
(Continued on Following Pages)
For the Year Ended December 31, 2017

	4050 Sibley Park Tax Increment Phase I	4060 Graif Building Tax Increment	4070 Mankato Design Busters Tax Increment	4090 HECO Tax Increment	4800 City Center Renaissance	4110 South Riverfront Tax Increment
Revenues						
Taxes						
Tax increments	$ 50,737	$ 29,247	$ 22,786	$ 34,196	$ -	$ 106,787
Tax abatement	-	-	-	-	-	-
Special assessments	-	-	-	-	-	-
Intergovernmental						
State						
MSA - street construction	-	-	-	-	-	-
Investment income	-	-	-	-	1,007	-
Miscellaneous						
Contributions and donations	-	-	-	-	-	-
Loan payments	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total Revenues	50,737	29,247	22,786	34,196	1,007	106,787
Expenditures						
Current						
Housing and economic development	-	20,826	21,340	31,287	-	-
Capital outlay						
Public safety	-	-	-	-	-	-
Public works	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Debt service						
Interest and other	44,275	-	-	-	-	36,411
Bond issue costs	-	-	-	-	-	-
Total Expenditures	44,275	20,826	21,340	31,287	-	36,411
Excess (Deficiency) of Revenues Over (Under) Expenditures	6,462	8,421	1,446	2,909	1,007	70,376
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	-	-
Bonds issued	-	-	-	-	-	-
Premium on bonds issued	-	-	-	-	-	-
Transfers out	-	(1,755)	(1,139)	(1,710)	-	-
Total Other Financing Sources (Uses)	-	(1,755)	(1,139)	(1,710)	-	-
Net Change in Fund Balances	6,462	6,666	307	1,199	1,007	70,376
Fund Balances, January 1	(1,108,793)	14,401	(37,030)	(177,152)	275,643	(927,726)
Fund Balances, December 31	$(1,102,331)	$ 21,067	$ (36,723)	$ (175,953)	$ 276,650	$ (857,350)

4610	4150	4620	4120	4750	4760	4770
Riverside Park Construction	Downtown Development	All Seasons Arena Construction	Johnson Tax Increment	Fire Townhomes Construction	Curling Club	Garage Demolition
$ -	$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	63,272	-	-	-	-
-	-	-	-	-	6,668	-
-	-	-	-	-	-	-
-	-	63,272	-	-	6,668	-
-	-	-	-	-	-	-
-	-	-	-	50,434	-	-
-	-	-	-	-	-	46,694
149,244	-	-	-	-	67,526	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
149,244	-	-	-	50,434	67,526	46,694
(149,244)	-	63,272	-	(50,434)	(60,858)	(46,694)
49,127	-	-	6,343	-	-	-
-	-	-	-	101,900	138,100	-
-	-	-	-	6,674	9,069	-
-	(143,097)	(63,272)	(169,290)	-	-	-
49,127	(143,097)	(63,272)	(162,947)	108,574	147,169	-
(100,117)	(143,097)	-	(162,947)	58,140	86,311	(46,694)
100,117	143,097	-	162,947	(58,140)	(155,876)	-
$ -	$ -	$ -	$ -	$ -	$ (69,565)	$ (46,694)

City of Mankato, Minnesota
Nonmajor Capital Projects Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
For the Year Ended December 31, 2017

	4780	4785	4790	4130	4140	5030
	Energy Improvements	Franklin Rogers Park Improvements	Aquatic Center	Downtown Abatement	Wal-Mart Distribution Center	Construction Revolving
Revenues						
Taxes						
Tax increments	$ -	$ -	$ -	$ -	$ -	$ -
Tax abatement	-	-	-	43,199	240,760	-
Special assessments	-	-	-	-	-	-
Intergovernmental						
State						
MSA - street construction	-	-	-	-	-	5,559
Investment income	951	-	-	-	-	3,745
Miscellaneous						
Contributions and donations	-	-	-	-	-	-
Loan payments	-	-	-	-	-	-
Other	157,204	-	-	-	-	(1,254)
Total Revenues	158,155	-	-	43,199	240,760	8,050
Expenditures						
Current						
Housing and economic development	-	-	-	-	-	-
Capital outlay						
Public safety	-	-	-	-	-	-
Public works	4,535,353	-	-	-	-	-
Culture and recreation	-	1,410,131	28,255	-	-	-
Debt service						
Interest and other	-	-	-	-	-	-
Bond issue costs	15,157	-	-	-	-	-
Total Expenditures	4,550,510	1,410,131	28,255	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,392,355)	(1,410,131)	(28,255)	43,199	240,760	8,050
Other Financing Sources (Uses)						
Transfers in	-	-	-	-	-	784,783
Bonds issued	2,555,000	-	-	-	-	-
Premium on bonds issued	-	-	-	-	-	-
Transfers out	-	-	-	(395,826)	-	(250,000)
Total Other Financing Sources (Uses)	2,555,000	-	-	(395,826)	-	534,783
Net Change in Fund Balances	(1,837,355)	(1,410,131)	(28,255)	(352,627)	240,760	542,833
Fund Balances, January 1	-	-	-	352,627	(240,760)	791,117
Fund Balances, December 31	$ (1,837,355)	$ (1,410,131)	$ (28,255)	$ -	$ -	$ 1,333,950

5106	5108	5040	5113	5119	
Improvements 2006	Improvements 2008	Minor Street Repair	Improvements 2013	Improvements 2019	Total Nonmajor Capital Projects
$ -	$ -	$ -	$ -	$ -	$ 243,753
208,133	208,133	-	-	-	700,225
-	-	555,720	-	-	555,720
-	-	-	-	-	5,559
793	223	4,794	-	-	11,513
-	-	-	472,932	-	536,204
-	-	-	-	-	6,668
-	-	-	-	-	155,950
208,926	208,356	560,514	472,932	-	2,215,592
-	-	-	-	-	73,453
-	-	-	-	-	50,434
-	-	-	-	1,524,514	6,106,561
-	-	-	-	-	1,655,156
-	-	-	-	-	80,686
-	-	-	-	-	15,157
-	-	-	-	1,524,514	7,981,447
208,926	208,356	560,514	472,932	(1,524,514)	(5,765,855)
-	-	-	-	-	840,253
-	-	-	-	-	2,795,000
-	-	-	-	-	15,743
(400,000)	(200,000)	(900,000)	(167,606)	-	(2,693,695)
(400,000)	(200,000)	(900,000)	(167,606)	-	957,301
(191,074)	8,356	(339,486)	305,326	(1,524,514)	(4,808,554)
313,443	57,308	1,485,161	(305,326)	(5,237)	679,821
$ 122,369	$ 65,664	$ 1,145,675	$ -	$(1,529,751)	$(4,128,733)

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NONMAJOR ENTERPRISE FUNDS

Enterprise funds are established to account for the financing for self-supporting activities of governmental units which render services on a user charge basis to the general public. The most universal type of government enterprise is the public utility engaged in the provision of such basic services as water, electricity, and natural gas.

Sanitary sewer systems financed by user charges have also assumed the status of public utility operations in many urban areas, and many cities have combined water and sewer systems under the same management.

Eastwood Park: The purpose of this fund is to account for the investment in streets and utilities in the Park and to account for the sale of lots.

Utility Operations/Administration: The purpose of this fund is to account for the utility operations/administration costs. This activity is funded via a monthly user fee charged on each utility billing account.

Refuse: The purpose of this fund is to account for the refuse costs. This activity is funded via a monthly user fee charged on each utility billing account.

Storm Water Utility: The purpose of this fund is to account for the storm water utility costs as well as all of the flood control costs of the City. This activity is funded via a monthly user fee charged on each utility billing account.

Street Lighting: The purpose of this fund is to account for the establishment of a street lighting utility inventory, to account for all costs associated with the maintenance of the street lighting utility, and to account for all electrical use associated with the street lighting system.

Mass Transit: The purpose of this fund is to account for the costs associated with the City-owned mass transit operations and to insure that user charges are sufficient to pay for those costs.

Parking System: The purpose of this fund is to account for the costs associated with the City-owned parking facilities and to insure that user charges are sufficient to pay for those costs.

Economic Development: The purpose of this fund is to account accounts for the costs associated with the efforts to attract additional economic development in the City.

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City of Mankato, Minnesota
Nonmajor Proprietary Funds
Combining Statements of Net Position (Continued on Following Pages)
December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds			
	6810 Eastwood Park		**6000** Utility Operations/ Administration	
	2017	2016	2017	2016
Assets				
Current Assets				
Cash and temporary investments	$ 166,408	$ 165,803	$ 225,948	$ 586,682
Investments - held by escrow	-	-	-	-
Receivables				
Interest	-	-	-	-
Delinquent taxes	-	-	-	-
Accounts	-	-	1,325,039	1,308,684
Loans - current portion	-	-	-	-
Intergovernmental	-	-	-	-
Due from other funds	-	-	940,000	750,000
Advances to other funds - current portion	-	-	-	-
Special assessments receivable - current portion	-	-	-	-
Inventories	-	-	-	-
Prepaid items	-	-	570	447
Total Current Assets	166,408	165,803	2,491,557	2,645,813
Noncurrent Assets				
Loans receivable - net of current portion	-	-	-	-
Land held for resale	-	-	-	-
Advances to other funds - net of current portion	-	-	-	-
Capital assets				
Land	-	-	-	-
Land improvements	-	-	-	-
Buildings and structures	21,105	21,105	-	-
Machinery and vehicles	-	-	-	-
Office equipment	-	-	-	-
Other improvements	-	-	-	-
Less accumulated depreciation	(11,256)	(9,849)	-	-
Total Capital Assets	9,849	11,256	-	-
Total Noncurrent Assets	9,849	11,256	-	-
Total Assets	176,257	177,059	2,491,557	2,645,813
Deferred Outflows of Resources				
Deferred pension resources	-	-	40,635	142,215

Business-type Activities - Enterprise Funds								
6030		**6060**		**6080**		**6100**	
Refuse		Storm Water Utility		Street Lighting		Mass Transit	
2017	2016	2017	2016	2017	2016	2017	2016
$ 40,419	$ 22	$ 1,983,086	$ 2,381,105	$ 731,646	$ 707,205	$ 254	$ 20,122
-	48,315	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	32	32
120,688	100,822	157,131	169,645	65,380	35,209	5,554	14,536
-	-	-	-	-	-	-	-
13,013	-	-	80,664	-	-	1,056,934	1,230,920
-	-	182,250	-	-	-	-	-
-	-	-	-	-		-	-
-	-	-	-	-		-	-
-	-	33,123	39,263	143,214	79,874	-	-
-	-	367	287	5	4	4,891	3,895
174,120	149,159	2,355,957	2,670,964	940,245	822,292	1,067,665	1,269,505
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	64,659	10,000	-	-	-	-
-	-	-	-	-	-	-	-
-	-	179,279	179,279	-	-	6,855,139	7,435,702
24,850	24,850	251,029	251,029	1,504,369	68,074	685,358	783,225
-	-	-	-	-	-	47,716	47,716
-	-	3,292,851	2,969,995	-	-	-	-
(24,850)	(24,850)	(529,181)	(438,971)	(43,461)	(24,935)	(637,650)	(1,090,595)
-	-	3,258,637	2,971,332	1,460,908	43,139	6,950,563	7,176,048
-	-	3,258,637	2,971,332	1,460,908	43,139	6,950,563	7,176,048
174,120	149,159	5,614,594	5,642,296	2,401,153	865,431	8,018,228	8,445,553
-	-	52,652	113,245	838	1,194	265,988	490,725

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City of Mankato, Minnesota
Nonmajor Proprietary Funds
Combining Statements of Net Position (Continued)
December 31, 2017 and 2016

	Business-type - Enterprise Funds					
	6110 Parking System		**6800** Economic Development		Totals	
	2017	2016	2017	2016	2017	2016
Assets						
Current Assets						
Cash and temporary investments	$ 1,363,907	$ 1,445,022	$ 1,598,636	$ 60,252	$ 6,110,304	$ 5,366,213
Investments - held by escrow	-	-	-	-	-	48,315
Receivables						
Interest	-	-	8,982	9,035	8,982	9,035
Delinquent taxes	-	-	-	-	32	32
Accounts	12,191	9,399	70,180	54,580	1,756,163	1,692,875
Loans - current portion	-	-	149,046	172,889	149,046	172,889
Intergovernmental	80	100	39,004	99,741	1,109,031	1,411,425
Due from other funds	500,000	-	455,706	1,000,000	2,077,956	1,750,000
Advances to other funds - current portion	-	-	34,330	32,226	34,330	32,226
Special assessments receivable - current portion	298,782	294,871	-	-	298,782	294,871
Inventories	-	-	-	-	176,337	119,137
Prepaid items	2,348	2,317	1,950	1,937	10,131	8,887
Total Current Assets	2,177,308	1,751,709	2,357,834	1,430,660	11,731,094	10,905,905
Noncurrent Assets						
Loans receivable - net of current portion	23,330	23,330	1,479,141	1,838,557	1,502,471	1,861,887
Land held for resale	-	-	575,805	1,312,705	575,805	1,312,705
Advances to other funds - net of current portion	-	-	1,068,001	1,076,567	1,068,001	1,076,567
Capital assets						
Land	872,429	872,429	904,987	904,987	1,842,075	1,787,416
Land improvements	276,799	276,799	785,168	785,168	1,061,967	1,061,967
Buildings and structures	25,151,486	16,522,409	4,691,476	4,421,493	36,898,485	28,579,988
Machinery and vehicles	1,276,495	730,598	-	-	3,742,101	1,857,776
Office equipment	-	-	-	-	47,716	47,716
Other improvements	-	-	-	-	3,292,851	2,969,995
Less accumulated depreciation	(7,531,963)	(6,841,665)	(4,158,702)	(4,015,615)	(12,937,063)	(12,446,480)
Total Capital Assets	20,045,246	11,560,570	2,222,929	2,096,033	33,948,132	23,858,378
Total Noncurrent Assets	20,068,576	11,583,900	5,345,876	6,323,862	37,094,409	28,109,537
Total Assets	22,245,884	13,335,609	7,703,710	7,754,522	48,825,503	39,015,442
Deferred Outflows of Resources						
Deferred pension resources	11,001	12,507	40,482	78,393	411,596	838,279

City of Mankato, Minnesota
Nonmajor Proprietary Funds
Combining Statements of Net Position (Continued)
December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds			
	6810 Eastwood Park		**6000** Utility Operations/ Administration	
	2017	2016	2017	2016
Liabilities				
Current Liabilities				
Accounts payable	$ -	$ -	$ 6,527	$ 22,840
Due to other funds	-	-	-	-
Advances from other funds - current	-	-	-	-
Accrued interest payable	-	-	-	-
Due to other governments	-	-	-	-
Accrued salaries payable	-	-	12,116	21,707
Compensated absences payable - current portion	-	-	5,204	16,509
Lease payable - current portion	-	-	-	-
Loans payable - current portion	-	-	-	-
Deposits payable	-	-	-	-
Total Current Liabilities	-	-	23,847	61,056
Long-Term Liabilities				
Advances from other funds - net of current portion	-	-	-	-
Compensated absences payable	-	-	3,467	52,113
Other postemployment benefit obligation	-	-	31,623	26,942
Pension liability	-	-	171,341	394,634
Lease payable - net of current portion	-	-	-	-
Loans payable - net of current portion	-	-	-	-
Total Long-Term Liabilities	-	-	206,431	473,689
Total Liabilities	-	-	230,278	534,745
Deferred Inflows of Resources				
Deferred pension resources	-	-	39,194	42,915
Net Position				
Investment in capital assets	9,849	11,256	-	-
Unrestricted	166,408	165,803	2,262,720	2,210,368
Total Net Postion	$ 176,257	$ 177,059	$ 2,262,720	$ 2,210,368

Business-type Activities - Enterprise Funds

6030 Refuse		6060 Storm Water Utility		6080 Street Lighting		6100 Mass Transit	
2017	2016	2017	2016	2017	2016	2017	2016
$ 127,548	$ 97,812	$ 355,957	$ 152,680	$ -	$ 56,519	$ 117,795	$ 42,338
195,000	3,800	-	-	100,000	100,000	778,500	788,000
-	-	-	-	-	-	-	-
1,413	1,962	-	-	-	-	-	-
15,332	-	-	-	-	-	-	-
-	-	11,974	12,541	-	119	36,380	40,283
-	-	12,963	6,297	-	-	30,627	25,909
191,445	188,474	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
530,738	292,048	380,894	171,518	100,000	156,638	963,302	896,530
-	-	-	-	-	-	-	-
-	-	8,266	15,054	-	-	69,702	71,949
-	-	20,650	16,867	-	-	66,694	51,325
-	-	222,013	314,243	3,532	3,313	1,121,569	1,361,715
292,839	484,284	-	-	-	-	-	-
-	-	-	-	-	-	-	-
292,839	484,284	250,929	346,164	3,532	3,313	1,257,965	1,484,989
823,577	776,332	631,823	517,682	103,532	159,951	2,221,267	2,381,519
-	-	50,786	34,173	808	360	256,560	148,081
-	-	3,258,637	2,971,332	1,460,908	43,139	6,950,563	7,176,048
(649,457)	(627,173)	1,726,000	2,232,354	836,743	663,175	(1,144,174)	(769,370)
$ (649,457)	$ (627,173)	$ 4,984,637	$ 5,203,686	$ 2,297,651	$ 706,314	$ 5,806,389	$ 6,406,678

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City of Mankato, Minnesota
Nonmajor Proprietary Funds
Combining Statements of Net Position (Continued)
December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds					
	6110 Parking System		**6800** Economic Development		Totals	
	2017	2016	2017	2016	2017	2016
Liabilities						
Current Liabilities						
Accounts payable	$ 27,832	$ 25,137	$ 85,327	$ 46,868	$ 720,986	$ 444,194
Due to other funds	-	17,900	-	-	1,073,500	909,700
Advances from other funds - current	-	-	293,495	283,486	293,495	283,486
Accrued interest payable	-	-	82,775	86,909	84,188	88,871
Due to other governments	193	-	-	-	15,525	-
Accrued salaries payable	1,907	1,763	10,947	12,984	73,324	89,397
Compensated absences payable - current portion	1,431	1,745	19,530	11,271	69,755	61,731
Lease payable - current portion	-	-	-	-	191,445	188,474
Loans payable - current portion	-	-	156,867	-	156,867	-
Deposits payable	-	-	11,112	11,112	11,112	11,112
Total Current Liabilities	31,363	46,545	660,053	452,630	2,690,197	2,076,965
Long-Term Liabilities						
Advances from other funds - net of current portion	-	-	5,382,508	5,676,004	5,382,508	5,676,004
Compensated absences payable	-	121	23,702	33,498	105,137	172,735
Other postemployment benefit obligation	4,261	2,980	14,957	12,946	138,185	111,060
Pension liability	46,389	34,706	170,699	217,532	1,735,543	2,326,143
Lease payable - net of current portion	-	-	-	-	292,839	484,284
Loans payable - net of current portion	-	-	-	156,867	-	156,867
Total Long-Term Liabilities	50,650	37,807	5,591,866	6,096,847	7,654,212	8,927,093
Total Liabilities	82,013	84,352	6,251,919	6,549,477	10,344,409	11,004,058
Deferred Inflows of Resources						
Deferred pension resources	10,611	3,774	39,047	23,656	397,006	252,959
Net Position						
Investment in capital assets	20,045,246	11,560,570	2,222,929	2,096,033	33,948,132	23,858,378
Unrestricted	2,119,015	1,699,420	(769,703)	(836,251)	4,547,552	4,738,326
Total Net Postion	$ 22,164,261	$13,259,990	$ 1,453,226	$ 1,259,782	$ 38,495,684	$ 28,596,704

City of Mankato, Minnesota
Nonmajor Proprietary Funds
Combining Statements of Revenues, Expenses, and Changes in Net Position -
For the Years Ended December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds			
	6810 Eastwood Park		**6000** Utility Operations/ Administration	
	2017	2016	2017	2016
Operating Revenues				
Charges for services	$ -	$ -	$ 2,966,315	$ 2,741,007
Operating Expenses				
Salaries and benefits	-	-	305,438	492,620
Supplies	-	-	29,183	31,568
Other services and charges	-	-	1,166,823	1,169,207
Vehicle operation	-	-	1,005	4,237
Insurance	-	-	-	-
Utilities	-	-	-	-
Depreciation	1,407	1,407	-	-
Total Operating Expenses	1,407	1,407	1,502,449	1,697,632
Operating Income (Loss)	(1,407)	(1,407)	1,463,866	1,043,375
Nonoperating Revenues (Expenses)				
Taxes	-	-	-	-
Special assessments	-	-	-	-
Intergovernmental				
Federal	-	-	-	-
State	-	-	-	-
Local	-	-	-	-
Rental income	-	-	24,902	23,972
Investment income	605	386	5,162	2,840
Miscellaneous income	-	-	118,264	129,321
Gain (loss) on sale of assets	-	-	-	-
Interest expense	-	-	-	-
Total Nonoperating Revenues (Expenses)	605	386	148,328	156,133
Income (Loss) Before Contributions and Transfers	(802)	(1,021)	1,612,194	1,199,508
Capital Contributions From Other Funds	-	-	-	-
Capital Grants and Contributions	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	-	(1,559,842)	(1,030,532)
Change in Net Position	(802)	(1,021)	52,352	168,976
Net Position, January 1	177,059	178,080	2,210,368	2,041,392
Net Position, December 31	$ 176,257	$ 177,059	$ 2,262,720	$ 2,210,368

Business-type Activities - Enterprise Funds								
6030		**6060**		**6080**		**6100**	
Refuse		Storm Water Utility		Street Lighting		Mass Transit	
2017	2016	2017	2016	2017	2016	2017	2016
$ 1,878,858	$ 1,764,301	$ 2,197,051	$ 1,822,588	$ 615,593	$ 564,496	$ 685,597	$ 714,572
-	-	327,036	376,840	5,091	(2,864)	1,740,000	1,607,300
791	-	565,432	208,533	24,012	26,548	19,794	15,891
1,716,806	1,569,220	1,140,504	266,776	443,015	423,747	491,285	290,787
41,440	-	137,921	136,070	1,910	4,040	833,358	848,086
-	-	-	-	-	-	67,034	88,438
-	-	46,868	58,900	-	-	62,634	27,649
-	-	90,210	79,443	18,526	10,546	216,998	84,301
1,759,037	1,569,220	2,307,971	1,126,562	492,554	462,017	3,431,103	2,962,452
119,821	195,081	(110,920)	696,026	123,039	102,479	(2,745,506)	(2,247,880)
-	-	-	-	-	-	165,000	167,000
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
13,013	-	-	-	-	-	263,800	15,000
-	-	-	-	-	-	-	-
-	-	-		-		-	-
29	263	8,362	4,891	2,621	1,480	-	-
8,654	3,499	20,347	26,005	29,382	6,369	20,644	51,481
-	-	-	-	-	-	(8,487)	-
(9,276)	(12,209)	-	-	-	-	-	-
12,420	(8,447)	28,709	30,896	32,003	7,849	440,957	233,481
132,241	186,634	(82,211)	726,922	155,042	110,328	(2,304,549)	(2,014,399)
-	-	322,855	557,963	1,436,295	-	-	-
-	-	72,084	216,724	-	-	1,691,760	2,415,885
77,624	-	-	-	-	-	12,500	600,015
(232,149)	(205,266)	(531,777)	(326,066)	-	-	-	-
(22,284)	(18,632)	(219,049)	1,175,543	1,591,337	110,328	(600,289)	1,001,501
(627,173)	(608,541)	5,203,686	4,028,143	706,314	595,986	6,406,678	5,405,177
$ (649,457)	$ (627,173)	$ 4,984,637	$ 5,203,686	$ 2,297,651	$ 706,314	$ 5,806,389	$ 6,406,678

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City of Mankato, Minnesota
Nonmajor Proprietary Funds
Combining Statements of Revenues, Expenses, and Changes in Net Position -
For the Years Ended December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds					
	6110 Parking System		**6800** Economic Development		Totals	
	2017	2016	2017	2016	2017	2016
Operating Revenues						
Charges for services	$ 218,638	$ 157,963	$ 868,145	$ 809,223	$ 9,430,197	$ 8,574,150
Operating Expenses						
Salaries and benefits	74,284	31,282	238,985	234,144	2,690,834	2,739,322
Supplies	6,255	5,232	507	1,920	645,974	289,692
Other services and charges	459,955	545,601	1,201,957	1,346,347	6,620,345	5,611,685
Vehicle operation	9,123	18,951	103	347	1,024,860	1,011,731
Insurance	6,000	6,348	38,306	40,089	111,340	134,875
Utilities	70,171	83,686	30,823	442	210,496	170,677
Depreciation	728,656	586,495	143,087	171,587	1,198,884	933,779
Total Operating Expenses	1,354,444	1,277,595	1,653,768	1,794,876	12,502,733	10,891,761
Operating Income (Loss)	(1,135,806)	(1,119,632)	(785,623)	(985,653)	(3,072,536)	(2,317,611)
Nonoperating Revenues (Expenses)						
Taxes	-	-	504,095	513,074	669,095	680,074
Special assessments	285,280	236,976	-	-	285,280	236,976
Intergovernmental						
Federal	-	-	263,439	387,860	263,439	387,860
State	-	-	154,048	-	430,861	15,000
Local	-	-	994	-	994	-
Rental income	-	-	-	-	24,902	23,972
Investment income	6,127	3,032	49,650	46,210	72,556	59,102
Miscellaneous income	6,640	10,980	12,699	16,221	216,630	243,876
Gain (loss) on sale of assets	-	-	423,550	149,170	415,063	149,170
Interest expense	-	-	(201,989)	(211,797)	(211,265)	(224,006)
Total Nonoperating Revenues (Expenses)	298,047	250,988	1,206,486	900,738	2,167,555	1,572,024
Income (Loss) Before Contributions and Transfers	(837,759)	(868,644)	420,863	(84,915)	(904,981)	(745,587)
Capital Contributions From Other Funds	9,213,332	-	269,983	-	11,242,465	557,963
Capital Grants and Contributions	-	-	-	-	1,763,844	2,632,609
Transfers In	560,455	627,893	494,214	494,214	1,144,793	1,722,122
Transfers Out	(31,757)	-	(991,616)	(109,760)	(3,347,141)	(1,671,624)
Change in Net Position	8,904,271	(240,751)	193,444	299,539	9,898,980	2,495,483
Net Position, January 1	13,259,990	13,500,741	1,259,782	960,243	28,596,704	26,101,221
Net Position, December 31	$ 22,164,261	$ 13,259,990	$ 1,453,226	$ 1,259,782	$ 38,495,684	$ 28,596,704

City of Mankato, Minnesota
Nonmajor Proprietary Funds
Combining Statements of Cash Flows (Continued on the Following Pages)
For the Years Ended December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds			
	6810 Eastwood Park		**6000** Utility Operations/ Administration	
	2017	2016	2017	2016
Cash Flows from Operating Activities				
Receipts from customers and users	$ -	$ -	$ 2,949,960	$ 2,805,759
Other cash receipts	-	-	143,166	153,293
Payments to suppliers	-	-	(511,723)	(526,402)
Payments to and on behalf of employees	-	-	(416,452)	(362,800)
Payments for interfund services provided	-	-	(781,005)	(812,237)
Net Cash Provided (Used) by Operating Activities	-	-	1,383,946	1,257,613
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	-	-	-	-
Transfers to other funds	-	-	(1,559,842)	(1,030,532)
Increase in due from other funds	-	-	(190,000)	(750,000)
Decrease in due from other funds	-	-	-	-
Increase in due to other funds	-	-	-	-
Decrease in due to other funds	-	-	-	(3,958)
Tax receipts	-	-	-	-
Interest paid on advances from other funds	-	-	-	-
Decrease in advance to other funds	-	-	-	-
Decrease in advance from other funds	-	-	-	-
Intergovernmental operating grants received	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	-	-	(1,749,842)	(1,784,490)
Cash Flows from Capital and Related Financing Activities				
Acquisitions of capital assets	-	-	-	-
Intergovernmental contributions for capital assets	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Proceeds from land held for resale	-	-	-	-
Principal paid on long-term debt	-	-	-	-
Interest paid on debt	-	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	-	-
Cash Flows from Investing Activities				
Payment received on loans	-	-	-	-
Loans issued	-	-	-	-
Interest received on investments	605	386	5,162	2,842
Net Cash Provided (Used) by Investing Activities	605	386	5,162	2,842

Business-type Activities - Enterprise Funds								
6030		**6060**		**6080**		**6100**	
Refuse		Storm Water Utility		Street Lighting		Mass Transit	
2017	2016	2017	2016	2017	2016	2017	2016
$ 1,858,992	$ 1,764,828	$ 2,209,565	$ 1,791,120	$ 585,422	$ 567,096	$ 721,690	$ 707,739
8,654	3,499	20,347	26,005	29,382	6,369	20,644	51,481
(1,569,969)	(1,478,758)	(1,465,849)	(511,118)	(538,887)	(390,856)	(682,613)	(336,356)
-	-	(274,893)	(292,518)	(4,187)	(2,758)	(1,372,665)	(1,262,534)
(144,000)	(90,000)	(279,612)	(220,070)	(49,910)	(34,040)	(977,359)	(1,016,101)
153,677	199,569	209,558	793,419	21,820	145,811	(2,290,303)	(1,855,771)
77,624	-	-	-	-	-	12,500	600,015
(232,149)	(205,266)	(531,777)	(326,066)	-	-	-	-
-	-	(182,250)	-	-	-	-	-
-	-	-	-	-	-	-	-
191,200	3,800	-	-	-	-	-	-
-	-	-	(6,180)	-	(117)	(9,500)	(456,697)
-	-	-	-	-	-	165,000	167,001
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	699,800	15,000
36,675	(201,466)	(714,027)	(332,246)	-	(117)	867,800	325,319
-	-	(54,660)	-	-	-	-	(1,350,445)
-	-	152,748	139,518	-	-	1,402,635	2,889,800
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(188,474)	(185,550)	-	-	-	-	-	-
(9,825)	(12,751)	-	-	-	-	-	-
(198,299)	(198,301)	98,088	139,518	-	-	1,402,635	1,539,355
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
29	263	8,362	4,891	2,621	1,480	-	-
29	263	8,362	4,891	2,621	1,480	-	-

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City of Mankato, Minnesota
Nonmajor Proprietary Funds
Combining Statements of Cash Flows (Continued)
For the Years Ended December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds					
	6110		6800			
	Parking System		Economic Development		Totals	
	2017	2016	2017	2016	2017	2016
Cash Flows from Operating Activities						
Receipts from customers and users	$ 215,866	$ 158,557	$ 852,545	$ 983,655	$ 9,394,040	$ 8,778,754
Other cash receipts	288,009	264,974	12,699	16,221	522,901	521,842
Payments to suppliers	(513,218)	(607,560)	(1,020,133)	(1,049,747)	(6,302,392)	(4,900,797)
Payments to and on behalf of employees	(31,574)	(9,407)	(201,058)	(195,346)	(2,300,829)	(2,125,363)
Payments for interfund services provided	(57,123)	(78,845)	(240,138)	(300,003)	(2,529,147)	(2,551,296)
Net Cash Provided (Used) by Operating Activities	(98,040)	(272,281)	(596,085)	(545,220)	(1,215,427)	(276,860)
Cash Flows from Noncapital Financing Activities						
Transfers from other funds	560,455	627,893	494,214	494,214	1,144,793	1,722,122
Transfers to other funds	(31,757)	-	(991,616)	(109,760)	(3,347,141)	(1,671,624)
Increase in due from other funds	(500,000)	-	-	(1,000,000)	(872,250)	(1,750,000)
Decrease in due from other funds	-	-	544,294	-	544,294	-
Increase in due to other funds	-	-	-	-	191,200	3,800
Decrease in due to other funds	(17,900)	(174,069)	-	-	(27,400)	(641,021)
Tax receipts	-	-	504,031	512,890	669,031	679,891
Interest paid on advances from other funds	-	-	(206,123)	(215,790)	(206,123)	(215,790)
Decrease in advance to other funds	-	-	6,462	2,642	6,462	2,642
Decrease in advance from other funds	-	-	(283,487)	(273,818)	(283,487)	(273,818)
Intergovernmental operating grants received	-	-	479,282	394,809	1,179,082	409,809
Net Cash Provided (Used) by Noncapital Financing Activities	10,798	453,824	547,057	(194,813)	(1,001,539)	(1,733,989)
Cash Flows from Capital and Related Financing Activities						
Acquisitions of capital assets	-	-	-	-	(54,660)	(1,350,445)
Intergovernmental contributions for capital assets	-	-	-	-	1,555,383	3,029,318
Proceeds from sale of capital assets	-	-	-	149,170	-	149,170
Proceeds from land held for resale	-	-	1,160,450	-	1,160,450	-
Principal paid on long-term debt	-	-	-	-	(188,474)	(185,550)
Interest paid on debt	-	-	-	-	(9,825)	(12,751)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	1,160,450	149,170	2,462,874	1,629,742
Cash Flows from Investing Activities						
Payment received on loans	-	-	377,259	199,610	377,259	199,610
Loans issued	-	-	-	(65,239)	-	(65,239)
Interest received on investments	6,127	3,032	49,703	46,231	72,609	59,125
Net Cash Provided (Used) by Investing Activities	6,127	3,032	426,962	180,602	449,868	193,496

City of Mankato, Minnesota
Nonmajor Proprietary Funds
Combining Statements of Cash Flows (Continued)
For the Years Ended December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds			
	6810 Eastwood Park		**6000** Utility Operations/ Administration	
	2017	2016	2017	2016
Net Increase (Decrease) in Cash and Cash Equivalents	$ 605	$ 386	$ (360,734)	$ (524,035)
Cash and Cash Equivalents, January 1	165,803	165,417	586,682	1,110,717
Cash and Cash Equivalents, December 31	$ 166,408	$ 165,803	$ 225,948	$ 586,682
Reconciliation of Cash and Cash Equivalents				
Unrestricted	$ 166,408	$ 165,803	$ 225,948	$ 586,682
Cash held with fiscal agent	-	-	-	-
Total Cash and Cash Equivalents	$ 166,408	$ 165,803	$ 225,948	$ 586,682
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	$ (1,407)	$ (1,407)	$ 1,463,866	$ 1,043,375
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Other income related to operations	-	-	143,166	153,293
Loan write-off	-	-	-	-
Depreciation	1,407	1,407	-	-
(Increase) decrease in assets				
Accounts receivable	-	-	(16,355)	63,947
Due from other governments	-	-	-	805
Inventories	-	-	-	-
Prepaid items	-	-	(123)	29,200
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	-	-	101,580	(112,977)
Increase (decrease) in liabilities				
Accounts payable	-	-	(16,313)	(79,416)
Due to other governments	-	-	-	-
Accrued salaries payable	-	-	(9,591)	8,132
Compensated absences payable	-	-	(59,951)	10,317
Pension liability	-	-	(223,293)	143,257
Other postemployment benefits obligation	-	-	4,681	6,053
Deposits payable	-	-	-	-
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	-	-	(3,721)	(8,373)
Net Cash Provided (Used) by Operating Activities	$ -	$ -	$ 1,383,946	$ 1,257,613
Noncash Investing, Capital And Financing Activities				
Book value of disposed/traded capital assets	$ -	$ -	$ -	$ -
Capital assets acquired with grants (due from other governments)	-	-	-	-
Capital assets contributed by (to) other funds	-	-	-	-
Loans written off	-	-	-	-

Business-type Activities - Enterprise Funds								
6030		**6060**		**6080**		**6100**	
Refuse		Storm Water Utility		Street Lighting		Mass Transit	
2017	2016	2017	2016	2017	2016	2017	2016
$ (7,918)	$ (199,935)	$ (398,019)	$ 605,582	$ 24,441	$ 147,174	$ (19,868)	$ 8,903
48,337	248,272	2,381,105	1,775,523	707,205	560,031	20,122	11,219
$ 40,419	$ 48,337	$ 1,983,086	$ 2,381,105	$ 731,646	$ 707,205	$ 254	$ 20,122
$ 40,419	$ 22	$ 1,983,086	$ 2,381,105	$ 731,646	$ 707,205	$ 254	$ 20,122
-	48,315	-	-	-	-	-	-
$ 40,419	$ 48,337	$ 1,983,086	$ 2,381,105	$ 731,646	$ 707,205	$ 254	$ 20,122
$ 119,821	$ 195,081	$ (110,920)	$ 696,026	$ 123,039	$ 102,479	$ (2,745,506)	$ (2,247,880)
8,654	3,499	20,347	26,005	29,382	6,369	20,644	51,481
-	-	-	-	-	-	-	-
-	-	90,210	79,443	18,526	10,546	216,998	84,301
(19,866)	527	12,514	(31,468)	(30,171)	2,600	8,982	(6,195)
-	-	-	-	-	-	27,111	(638)
-	-	6,140	(39,263)	(63,340)	(27,081)	-	-
-	-	(80)	34	(1)	1	(996)	84,321
-	-	60,593	(89,172)	356	(315)	224,737	(391,895)
29,736	462	203,277	40,802	(56,519)	56,519	75,457	42,338
15,332	-	-	-	-	-	-	-
-	-	(567)	4,708	(119)	119	(3,903)	14,818
-	-	(122)	2,553	-	-	2,471	11,720
-	-	(92,230)	107,271	219	(4,244)	(240,146)	512,023
-	-	3,783	4,535	-	-	15,369	15,115
-	-	-	-	-	-	-	-
-	-	16,613	(8,055)	448	(1,182)	108,479	(25,280)
$ 153,677	$ 199,569	$ 209,558	$ 793,419	$ 21,820	$ 145,811	$ (2,290,303)	$ (1,855,771)
$ -	$ -	$ -	$ -	$ -	$ -	$ 8,487	$ -
-	-	-	80,664	-	-	725,125	436,000
-	-	322,855	557,963	1,436,295	-	-	-
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City of Mankato, Minnesota
Nonmajor Proprietary Funds
Combining Statements of Cash Flows (Continued)
For the Years Ended December 31, 2017 and 2016

	Business-type Activities - Enterprise Funds					
	6110		6800			
	Parking System		Economic Development		Totals	
	2017	2016	2017	2016	2017	2016
Net Increase (Decrease) in Cash and Cash Equivalents	$ (81,115)	$ 184,575	$ 1,538,384	$ (410,261)	$ 695,776	$ (187,611)
Cash and Cash Equivalents, January 1	1,445,022	1,260,447	60,252	470,513	5,414,528	5,602,139
Cash and Cash Equivalents, December 31	$ 1,363,907	$ 1,445,022	$ 1,598,636	$ 60,252	$ 6,110,304	$ 5,414,528
Reconciliation of Cash and Cash Equivalents						
Unrestricted	$ 1,363,907	$ 1,445,022	$ 1,598,636	$ 60,252	$ 6,110,304	$ 5,366,213
Cash held with fiscal agent	-	-	-	-	-	48,315
Total Cash and Cash Equivalents	$ 1,363,907	$ 1,445,022	$ 1,598,636	$ 60,252	$ 6,110,304	$ 5,414,528
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Operating income (loss)	$ (1,135,806)	$ (1,119,632)	$ (785,623)	$ (985,653)	$ (3,072,536)	$ (2,317,611)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Other income related to operations	288,009	264,974	12,699	16,221	522,901	521,842
Loan write-off	-	-	6,000	2,361	6,000	2,361
Depreciation	728,656	586,495	143,087	171,587	1,198,884	933,779
(Increase) decrease in assets						
Accounts receivable	(2,792)	(306)	(15,600)	173,932	(63,288)	203,037
Due from other governments	20	900	-	-	27,131	1,067
Inventories	-	-	-	-	(57,200)	(66,344)
Prepaid items	(31)	27,343	(13)	31,821	(1,244)	172,720
(Increase) decrease in deferred outflows of resources						
Deferred pension resources	1,506	(9,449)	37,911	(59,939)	426,683	(663,747)
Increase (decrease) in liabilities						
Accounts payable	2,695	(33,101)	38,459	46,868	276,792	74,472
Due to other governments	193	-	-	-	15,525	-
Accrued salaries payable	144	296	(2,037)	2,515	(16,073)	30,588
Compensated absences payable	(435)	1,866	(1,537)	1,381	(59,574)	27,837
Pension liability	11,683	8,412	(46,833)	58,877	(590,600)	825,596
Other postemployment benefits obligation	1,281	1,512	2,011	3,023	27,125	30,238
Deposits payable	-	-	-	500	-	500
Increase (decrease) in deferred inflows of resources						
Deferred pension resources	6,837	(1,591)	15,391	(8,714)	144,047	(53,195)
Net Cash Provided (Used) by Operating Activities	$ (98,040)	$ (272,281)	$ (596,085)	$ (545,220)	$ (1,215,427)	$ (276,860)
Noncash Investing, Capital And Financing Activities						
Book value of disposed/traded capital assets	$ -	$ -	$ -	$ -	$ 8,487	$ -
Capital assets acquired with grants (due from other governments)	-	-	-	-	725,125	516,664
Capital assets contributed by (to) other funds	9,213,332	-	269,983	-	11,242,465	557,963
Loans written off	-	-	6,000	2,361	6,000	2,361

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General Fund

THE GENERAL FUND

The General fund accounts for all revenues and expenditures of a governmental unit which are not accounted for in other funds, and it is usually the largest and most important accounting activity for state and local governments. It normally receives a greater variety and number of taxes and other general revenues than any other fund. This fund has flowing into it such revenues as general property taxes, licenses and permits, fines and penalties, rents and charges for current services, state-shared taxes, and interest earnings. The fund's resources also finance a wider range of activities than any other fund. Most of the current operations of governmental units will be financed from this fund.

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City of Mankato, Minnesota
General Fund
Comparative Balance Sheets
December 31, 2017 and 2016

	2017	2016
Assets		
Cash and temporary investments	$ 12,445,445	$ 11,733,766
Receivables		
Interest	131,435	90,547
Delinquent taxes	204,545	205,066
Accounts	524,716	489,312
Intergovernmental	318,940	274,101
Due from other funds	825,000	1,100,000
Inventories	133,699	126,780
Prepaid items	31,774	26,366
Total Assets	$ 14,615,554	$ 14,045,938
Liabilities		
Accounts payable	$ 354,503	$ 573,264
Due to other governments	1,286	-
Wages payable	546,874	464,607
Deposits payable	1,472,424	1,265,201
Total Liabilities	2,375,087	2,303,072
Deferred Inflows of Resources		
Unavailable revenue - taxes	204,545	205,066
Fund Balances		
Nonspendable	165,473	153,146
Assigned for		
Tax adjustment	600,000	600,000
Emergencies	2,400,000	2,400,000
Unassigned	8,870,449	8,384,654
Total Fund Balances	12,035,922	11,537,800
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 14,615,554	$ 14,045,938

City of Mankato, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued on Following Pages)
For the Year Ended December 31, 2017
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017				2016
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Revenues					
Taxes					
General	$ 12,160,000	$ 12,160,000	$ 11,575,255	$ (584,745)	$ 10,686,134
Lodging	550,000	550,000	616,818	66,818	534,709
Gambling	75,000	75,000	96,069	21,069	88,192
Franchise fees	1,430,000	1,430,000	1,627,921	197,921	1,582,872
Total taxes	14,215,000	14,215,000	13,916,063	(298,937)	12,891,907
Licenses and permits	1,552,050	1,552,050	1,894,224	342,174	1,444,038
Intergovernmental					
Federal					
Other	82,000	82,000	80,242	(1,758)	135,921
State					
Local governmental aid	6,938,495	6,938,495	6,954,200	15,705	6,938,495
Property tax credits and aids	600	600	134	(466)	139
PERA aid	40,000	40,000	39,823	(177)	39,823
Police and fire pension	9,500	9,500	34,632	25,132	11,822
Police and fire insurance premiums	575,000	575,000	613,504	38,504	619,274
Other	337,976	337,976	359,506	21,530	372,544
Total state	7,901,571	7,901,571	8,001,799	100,228	7,982,097
Local					
Other	79,080	79,080	119,236	40,156	150,435
Total intergovernmental	8,062,651	8,062,651	8,201,277	138,626	8,268,453
Charges for services					
General government	21,000	21,000	15,471	(5,529)	20,279
Public safety	157,850	157,850	149,923	(7,927)	128,791
Public works	1,054,000	1,054,000	870,077	(183,923)	1,062,264
Culture and recreation	77,700	77,700	143,807	66,107	155,988
Total charges for services	1,310,550	1,310,550	1,179,278	(131,272)	1,367,322
Fines and forfeits	311,000	311,000	280,885	(30,115)	259,746
Investment income	36,000	36,000	48,611	12,611	30,155
Miscellaneous					
Rents	28,000	28,000	19,815	(8,185)	3,437
Contributions	41,000	41,000	60,042	19,042	32,922
Refunds and reimbursements	250,000	250,000	216,340	(33,660)	365,713
Other	66,000	66,000	214,852	148,852	77,953
Total miscellaneous	385,000	385,000	511,049	126,049	480,025
Total Revenues	25,872,251	25,872,251	26,031,387	159,136	24,741,646

City of Mankato, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended December 31, 2017
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017				2016
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures					
Current					
General government					
General government					
Personal services	$ -	$ -	$ 869	$ (869)	$ 59,836
Supplies	-	-	81	(81)	1
Other services and charges	-	-	2,007	(2,007)	1,697
Total general government	-	-	2,957	(2,957)	61,534
Grants					
Other services and charges	1,402,367	1,402,367	1,409,989	(7,622)	1,145,477
Total general government	1,402,367	1,402,367	1,412,946	(10,579)	1,207,011
Public safety					
Police					
Personal services	7,160,529	7,160,529	7,080,648	79,881	6,628,608
Supplies	137,310	137,310	118,207	19,103	101,632
Other services and charges	461,992	461,992	656,632	(194,640)	528,107
Vehicle charges	782,100	782,100	629,321	152,779	605,195
Total police	8,541,931	8,541,931	8,484,808	57,123	7,863,542
Administration					
Personal services	772,830	772,830	761,524	11,306	897,159
Supplies	55,905	55,905	40,931	14,974	45,974
Other services and charges	657,794	657,794	639,260	18,534	662,206
Vehicle charges	7,200	7,200	5,504	1,696	22,078
Total administration	1,493,729	1,493,729	1,447,219	46,510	1,627,417
Building facilities					
Other services and charges	261,500	261,500	209,599	51,901	285,248
Vehicle charges	-	-	33	(33)	-
Total building facilities	261,500	261,500	209,632	51,868	285,248
Emergency management					
Personal services	229,135	229,135	222,424	6,711	175,339
Supplies	26,000	26,000	19,617	6,383	13,172
Other services and charges	32,440	32,440	13,318	19,122	6,899
Vehicle charges	18,300	18,300	18,631	(331)	15,811
Total emergency management	305,875	305,875	273,990	31,885	211,221
Fire					
Personal services	2,527,009	2,527,009	2,507,838	19,171	2,331,355
Supplies	222,000	222,000	168,756	53,244	165,319
Other services and charges	663,490	663,490	639,073	24,417	657,816
Vehicle charges	324,000	324,000	319,403	4,597	280,894
Total fire	3,736,499	3,736,499	3,635,070	101,429	3,435,384
Total public safety	14,339,534	14,339,534	14,050,719	288,815	13,422,812

City of Mankato, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended December 31, 2017
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017				2016
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Expenditures (Continued)					
Current (continued)					
Public works					
Engineering					
Personal services	$ 1,270,131	$ 1,270,131	$ 1,218,039	$ 52,092	$ 1,262,998
Supplies	19,500	19,500	21,757	(2,257)	13,329
Other services and charges	314,535	314,535	238,305	76,230	174,107
Vehicle charges	49,300	49,300	54,425	(5,125)	41,749
Total engineering	1,653,466	1,653,466	1,532,526	120,940	1,492,183
Streets					
Personal services	1,615,677	1,615,677	1,350,596	265,081	1,346,603
Supplies	721,200	721,200	630,612	90,588	432,006
Other services and charges	1,104,850	1,104,850	1,122,140	(17,290)	1,133,313
Vehicle charges	1,086,400	1,086,400	1,141,870	(55,470)	1,061,195
Total streets	4,528,127	4,528,127	4,245,218	282,909	3,973,117
Total public works	6,181,593	6,181,593	5,777,744	403,849	5,465,300
Culture and recreation					
Parks					
Personal services	1,505,572	1,505,572	1,499,559	6,013	1,435,276
Supplies	380,400	380,400	270,828	109,572	257,528
Other services and charges	1,476,565	1,476,565	1,541,359	(64,794)	1,435,077
Vehicle charges	694,200	694,200	633,453	60,747	570,407
Total culture and recreation	4,056,737	4,056,737	3,945,199	111,538	3,698,288
Community development					
Personal services	818,016	818,016	794,799	23,217	772,567
Supplies	3,300	3,300	3,278	22	2,018
Other services and charges	166,800	166,800	127,458	39,342	116,940
Vehicle charges	28,000	28,000	32,791	(4,791)	29,557
Total community development	1,016,116	1,016,116	958,326	57,790	921,082
Total current	26,996,347	26,996,347	26,144,934	851,413	24,714,493
Capital outlay					
Public safety	1,000	1,000	380	620	235
Public works	17,800	17,800	15,826	1,974	80,134
Culture and recreation	22,500	22,500	96,207	(73,707)	220,585
Total capital outlay	41,300	41,300	112,413	(71,113)	300,954
Total Expenditures	27,037,647	27,037,647	26,257,347	780,300	25,015,447

City of Mankato, Minnesota
General Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances -
Budget and Actual (Continued)
For the Year Ended December 31, 2017
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017				2016
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
Excess (Deficiency) of Revenues Over (Under) Expenditures	$ (1,165,396)	$ (1,165,396)	$ (225,960)	$ 939,436	$ (273,801)
Other Financing Sources (Uses)					
Transfers in	1,360,000	1,360,000	1,094,598	(265,402)	951,183
Transfers out	(216,500)	(216,500)	(370,516)	(154,016)	(389,919)
Total Other Financing Sources (Uses)	1,143,500	1,143,500	724,082	(419,418)	561,264
Net Change in Fund Balances	(21,896)	(21,896)	498,122	520,018	287,463
Fund Balances, January 1	11,537,800	11,537,800	11,537,800	-	11,250,337
Fund Balances, December 31	$ 11,515,904	$ 11,515,904	$ 12,035,922	$ 520,018	$ 11,537,800

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Internal Service Funds

INTERNAL SERVICE FUNDS

Internal service funds are created to account for the financing of goods and services provided by one department of government to other departments on a cost - reimbursement basis.

Central Garage: This fund accounts for the cost of maintaining the City's vehicle fleet. All City vehicles are assigned to this fund and users are charged a mileage rate.

Administrative Services: This fund accounts for the cost of providing Administrative Services to the other activities of the City. Administrative Services provided include Accounting, Data Processing, Payroll, Personnel, Purchasing, Accounts Payable, and Graphics. Other City activities are billed based on usage for the services provided.

Equipment Replacement: The purpose of this fund is to provide the resources necessary to replace the City's major items of equipment when necessary. Users are charged a mileage or hourly rate and these charges are transferred into the equipment replacement fund.

Central Insurance: This fund accounts for the costs of the City's Health Insurance Self Insurance Programs. Premiums are paid to the fund by benefiting funds and Health Insurance Claims are paid from the fund.

Capital Replacement: The purpose of this fund is to provide a funding source for the anticipated costs to replace existing building facilities and equipment and major upkeep of existing building facilities. Designated fund to fund budgeted transfers have been established to provide adequate funding.

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City of Mankato, Minnesota
Internal Service Funds
Combining Statements of Net Position
December 31, 2017 and 2016

	7010 Central Garage		7020 Administrative Services	
	2017	2016	2017	2016
Assets				
Current Assets				
Cash and temporary investments	$ 1,035,389	$ 126,843	$ 210,700	$ 282,756
Receivables				
Interest	-	-	-	-
Accounts	-	1,464	33,634	41,782
Due from employees	-	-	58,321	49,364
Intergovernmental	-	-	-	-
Due from other funds	850,000	2,000,000	3,725,000	2,200,000
Advances to other funds - current portion	-	-	-	-
Inventories	280,296	246,660	2,960	6,026
Prepaid items	3,213	2,931	74,421	74,648
Total Current Assets	2,168,898	2,377,898	4,105,036	2,654,576
Noncurrent Assets				
Advances to other funds - net of current portion	-	-	-	-
Capital assets				
Land	-	-	-	-
Land improvements	-	-	-	-
Buildings and structures	99,880	1,249,744	1,442,803	1,442,803
Machinery and vehicles	146,571	146,571	408,694	357,416
Office equipment	-	-	1,723,037	1,723,037
Construction in progress	-	-	-	-
Less accumulated depreciation	(161,826)	(1,291,988)	(2,677,299)	(2,382,941)
Total Capital Assets, Net of Accumulated Depreciation	84,625	104,327	897,235	1,140,315
Total Noncurrent Assets	84,625	104,327	897,235	1,140,315
Total Assets	2,253,523	2,482,225	5,002,271	3,794,891
Deferred Outflows of Resources				
Deferred pension resources	162,062	317,302	590,703	1,090,089
Liabilities				
Current Liabilities				
Accounts payable	35,962	54,153	713,654	961,616
Wages payable	48,282	41,913	150,324	147,818
Compensated absences payable - current portion	55,849	33,489	200,273	89,684
Deposits payable	-	-	1,034,596	346,584
Total Current Liabilities	140,093	129,555	2,098,847	1,545,702
Noncurrent Liabilities				
Compensated absences payable	48,995	70,096	265,371	310,903
Pension liability	683,354	880,482	2,490,772	3,024,892
Total Noncurrent Liabilities	732,349	950,578	2,756,143	3,335,795
Total Liabilities	872,442	1,080,133	4,854,990	4,881,497
Deferred Inflows of Resources				
Deferred pension resources	156,317	95,749	569,766	328,945
Net Position				
Investment in capital assets	84,625	104,327	897,235	1,140,315
Unrestricted	1,302,201	1,519,318	(729,017)	(1,465,777)
Total Net Position	$ 1,386,826	$ 1,623,645	$ 168,218	$ (325,462)

7030 Equipment Replacement		7060 Central Insurance		7070 Capital Replacement		Totals	
2017	2016	2017	2016	2017	2016	2017	2016
$ 17,296	$ 675,551	$ 1,993,311	$ 1,065,795	$ 23,335	$ 731,012	$ 3,280,031	$ 2,881,957
82,776	86,909	-	-	-	-	82,776	86,909
-	-	-	-	-	-	33,634	43,246
-	-	-	-	-	-	58,321	49,364
130,694	116,800	-	-	-	-	130,694	116,800
9,800,000	8,500,000	1,000,000	2,200,000	1,000,000	-	16,375,000	14,900,000
293,495	283,486	-	-	-	-	293,495	283,486
-	-	-	-	-	-	283,256	252,686
-	-	-	-	-	-	77,634	77,579
10,324,261	9,662,746	2,993,311	3,265,795	1,023,335	731,012	20,614,841	18,692,027
5,382,508	5,676,004	-	-	-	-	5,382,508	5,676,004
197,223	197,223	-	-	-	-	197,223	197,223
-	-	-	-	174,328	-	174,328	-
-	-	-	-	1,345,782	374,416	2,888,465	3,066,963
20,491,046	19,365,614	-	-	-	-	21,046,311	19,869,601
-	-	-	-	-	-	1,723,037	1,723,037
72,792	531,674	-	-	311,000	153,900	383,792	685,574
(12,048,480)	(11,710,460)	-	-	(23,663)	(1,560)	(14,911,268)	(15,386,949)
8,712,581	8,384,051	-	-	1,807,447	526,756	11,501,888	10,155,449
14,095,089	14,060,055	-	-	1,807,447	526,756	16,884,396	15,831,453
24,419,350	23,722,801	2,993,311	3,265,795	2,830,782	1,257,768	37,499,237	34,523,480
-	-	-	-	-	-	752,765	1,407,391
72,792	531,674	435,623	318,332	372,949	61,293	1,630,980	1,927,068
-	-	-	-	-	-	198,606	189,731
-	-	-	-	-	-	256,122	123,173
-	-	-	-	-	-	1,034,596	346,584
72,792	531,674	435,623	318,332	372,949	61,293	3,120,304	2,645,533
-	-	-	-	-	-	314,366	380,999
-	-	-	-	-	-	3,174,126	3,905,374
-	-	-	-	-	-	3,488,492	4,227,396
72,792	531,674	435,623	318,332	372,949	61,293	6,608,796	6,872,929
-	-	-	-	-	-	726,083	424,694
8,712,581	8,384,051	-	-	1,807,447	526,756	11,501,888	10,155,449
15,633,977	14,807,076	2,557,688	2,947,463	650,386	669,719	19,415,235	18,477,799
$ 24,346,558	$ 23,191,127	$ 2,557,688	$ 2,947,463	$ 2,457,833	$ 1,196,475	$ 30,917,123	$ 28,633,248

City of Mankato, Minnesota
Internal Service Funds
Combining Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2017 and 2016

	7010 Central Garage		7020 Administrative Services	
	2017	2016	2017	2016
Operating Revenues				
Billings to departments	$ 2,555,666	$ 2,615,945	$ 6,730,356	$ 5,971,945
Operating Expenses				
Salaries and benefits	1,105,276	1,230,551	4,029,796	3,765,323
Supplies	879,132	956,958	309,567	297,596
Other services and charges	372,416	702,885	1,522,205	1,547,515
Vehicle operation	73,452	75,285	4,080	3,652
Insurance	100,184	102,694	58,644	98,230
Utilities	33,966	67,025	81,091	94,656
Depreciation	19,702	19,702	294,358	326,703
Total Operating Expenses	2,584,128	3,155,100	6,299,741	6,133,675
Operating Income (Loss)	(28,462)	(539,155)	430,615	(161,730)
Nonoperating Revenues (Expenses)				
Intergovernmental	-	-	-	-
Investment income	7,314	5,950	12,456	5,081
Miscellaneous income	19,329	27,786	38,559	10,300
Rental income	-	-	288,889	332,918
Gain (loss) on sale of assets	-	-	-	-
Total Nonoperating Revenues (Expenses)	26,643	33,736	339,904	348,299
Income (Loss) Before Contributions and Transfers	(1,819)	(505,419)	770,519	186,569
Capital Grants and Contributions	-	-	-	-
Transfers				
Transfers in	290,000	-	250,000	38,000
Transfers out	(525,000)	(469,997)	(526,839)	(36,839)
Total Transfers	(235,000)	(469,997)	(276,839)	1,161
Change in Net Position	(236,819)	(975,416)	493,680	187,730
Net Position, January 1	1,623,645	2,599,061	(325,462)	(513,192)
Net Position, December 31	$ 1,386,826	$ 1,623,645	$ 168,218	$ (325,462)

7030		7060		7070			
Equipment Replacement		Central Insurance		Capital Replacement		Totals	
2017	2016	2017	2016	2017	2016	2017	2016
$ 1,963,557	$ 1,636,500	$ 6,207,064	$ 6,029,609	$ 452,500	$ 1,309,376	$ 17,909,143	$ 17,563,375
-	-	-	-	-	-	5,135,072	4,995,874
50,959	76,071	-	-	-	-	1,239,658	1,330,625
240,000	144,000	6,618,857	5,368,900	47,235	111,341	8,800,713	7,874,641
-	-	-	-	-	-	77,532	78,937
-	-	-	-	-	-	158,828	200,924
-	-	-	-	-	-	115,057	161,681
1,270,368	1,147,800	-	-	22,103	1,560	1,606,531	1,495,765
1,561,327	1,367,871	6,618,857	5,368,900	69,338	112,901	17,133,391	16,138,447
402,230	268,629	(411,793)	660,709	383,162	1,196,475	775,752	1,424,928
-	-	10,588	11,560	-	-	10,588	11,560
236,593	231,400	11,430	7,095	3,196	-	270,989	249,526
-	-	-	-	-	-	57,888	38,086
-	-	-	-	-	-	288,889	332,918
38,446	42,635	-	-	-	-	38,446	42,635
275,039	274,035	22,018	18,655	3,196	-	666,800	674,725
677,269	542,664	(389,775)	679,364	386,358	1,196,475	1,442,552	2,099,653
478,162	-	-	-	-	-	478,162	-
-	-	-	-	875,000	-	1,415,000	38,000
-	-	-	-	-	-	(1,051,839)	(506,836)
-	-	-	-	875,000	-	363,161	(468,836)
1,155,431	542,664	(389,775)	679,364	1,261,358	1,196,475	2,283,875	1,630,817
23,191,127	22,648,463	2,947,463	2,268,099	1,196,475	-	28,633,248	27,002,431
$ 24,346,558	$ 23,191,127	$ 2,557,688	$ 2,947,463	$ 2,457,833	$ 1,196,475	$ 30,917,123	$ 28,633,248

City of Mankato, Minnesota
Internal Service Funds
Combining Statements of Cash Flows (Continued on the Following Pages)
For the Years Ended December 31, 2017 and 2016

	7010 Central Garage		7020 Administrative Services	
	2017	2016	2017	2016
Cash Flows from Operating Activities				
Receipts from interfund services provided	$ 2,555,666	$ 2,615,945	$ 6,730,356	$ 5,971,945
Receipts from customers and users	1,464	614	(809)	12,932
Other cash receipts	19,329	27,786	327,448	343,218
Payments to suppliers	(1,177,672)	(1,300,958)	(1,528,012)	(2,244,692)
Payments to and on behalf of employees	(839,607)	(839,630)	(3,032,710)	(2,855,051)
Payments for interfund services provided	(572,948)	(665,487)	(727,668)	(203,908)
Net Cash Provided (Used) by Operating Activities	(13,768)	(161,730)	1,768,605	1,024,444
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	290,000	-	250,000	38,000
Transfers to other funds	(525,000)	(469,997)	(526,839)	(36,839)
(Increase) decrease in due from other funds	1,150,000	729,074	(1,525,000)	(700,140)
Increase (decrease) in due to other funds	-	(9,623)	-	-
Increase in advance to other funds	-	-	-	-
Intergovernmental operating grants received	-	-	-	-
Payment received on advances to other funds	-	-	-	-
Net Cash Provided (Used) by Noncapital Financing Activities	915,000	249,454	(1,801,839)	(698,979)
Cash Flows from Capital and Related Financing Activities				
Acquisitions of capital assets	-	-	(51,278)	(77,196)
Proceeds from capital grant	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Net Cash Provided (Used) by Capital and Related Financing Activities	-	-	(51,278)	(77,196)
Cash Flows from Investing Activities				
Interest received on investments	7,314	5,950	12,456	5,081
Net Increase (Decrease) in Cash and Cash Equivalents	908,546	93,674	(72,056)	253,350
Cash and Cash Equivalents, January 1	126,843	33,169	282,756	29,406
Cash and Cash Equivalents, December 31	$ 1,035,389	$ 126,843	$ 210,700	$ 282,756

7030 Equipment Replacement		7060 Central Insurance		7070 Capital Replacement		Totals	
2017	2016	2017	2016	2017	2016	2017	2016
$ 1,963,557	$ 1,636,500	$ 6,207,064	$ 6,029,609	$ 452,500	$ 1,309,376	$ 17,909,143	$ 17,563,375
-	1,268	-	-	-	-	655	14,814
-	-	-	-	-	-	346,777	371,004
(50,959)	(76,071)	(6,105,566)	(5,344,735)	264,421	(50,048)	(8,597,788)	(9,016,504)
-	-	-	-	-	-	(3,872,317)	(3,694,681)
(240,000)	(144,000)	(396,000)	(250,000)	-	-	(1,936,616)	(1,263,395)
1,672,598	1,417,697	(294,502)	434,874	716,921	1,259,328	3,849,854	3,974,613
-	-	-	-	875,000	-	1,415,000	38,000
-	-	-	-	-	-	(1,051,839)	(506,836)
(1,300,000)	(860,756)	1,200,000	(700,000)	(1,000,000)	-	(1,475,000)	(1,531,822)
-	-	-	-	-	(210,000)	-	(219,623)
1	(1)	-	-	-	-	1	(1)
-	-	10,588	11,560	-	-	10,588	11,560
283,486	273,819	-	-	-	-	283,486	273,819
(1,016,513)	(586,938)	1,210,588	(688,440)	(125,000)	(210,000)	(817,764)	(1,934,903)
(2,057,780)	(565,496)	-	-	(1,302,794)	(318,368)	(3,411,852)	(961,060)
464,268	-	-	-	-	-	464,268	-
38,446	42,635	-	-	-	-	38,446	42,635
(1,555,066)	(522,861)	-	-	(1,302,794)	(318,368)	(2,909,138)	(918,425)
240,726	235,393	11,430	7,095	3,196	-	275,122	253,519
(658,255)	543,291	927,516	(246,471)	(707,677)	730,960	398,074	1,374,804
675,551	132,260	1,065,795	1,312,266	731,012	52	2,881,957	1,507,153
$ 17,296	$ 675,551	$ 1,993,311	$ 1,065,795	$ 23,335	$ 731,012	$ 3,280,031	$ 2,881,957

City of Mankato, Minnesota
Internal Service Funds
Combining Statements of Cash Flows (Continued)
For the Years Ended December 31, 2017 and 2016

	7010 Central Garage		7020 Administrative Services	
	2017	2016	2017	2016
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities				
Operating income (loss)	$ (28,462)	$ (539,155)	$ 430,615	$ (161,730)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities				
Other income related to operations	19,329	27,786	327,448	343,218
Depreciation	19,702	19,702	294,358	326,703
(Increase) decrease in assets				
Accounts receivable	1,464	(1,383)	8,148	260
Due from employees	-	-	(8,957)	12,672
Due from other governments	-	1,997	-	-
Inventories	(33,636)	53,167	3,066	(393)
Prepaid items	(282)	85,972	227	84,567
(Increase) decrease in deferred outflows of resources				
Deferred pension resources	155,240	(258,089)	499,386	(865,740)
Increase (decrease) in liabilities				
Accounts payable	(18,191)	28,242	(247,962)	177,953
Wages payable	6,369	12,905	2,506	38,311
Compensated absences payable	1,259	43,845	65,057	18,898
Deposits payable	-	-	688,012	18,274
Pension liability	(197,128)	371,399	(534,120)	1,096,045
Increase (decrease) in deferred inflows of resources				
Deferred pension resources	60,568	(8,118)	240,821	(64,594)
Net Cash Provided (Used) by Operating Activities	$ (13,768)	$ (161,730)	$ 1,768,605	$ 1,024,444
Noncash Investing, Capital and Financing Activities				
Capital assets acquired on account	$ -	$ -	$ -	$ -
Intergovernmental receivable for capital grant	-	-	-	-

7030 Equipment Replacement		7060 Central Insurance		7070 Capital Replacement		Totals	
2017	2016	2017	2016	2017	2016	2017	2016
$ 402,230	$ 268,629	$ (411,793)	$ 660,709	$ 383,162	$ 1,196,475	$ 775,752	$ 1,424,928
-	-	-	-	-	-	346,777	371,004
1,270,368	1,147,800	-	-	22,103	1,560	1,606,531	1,495,765
-	-	-	-	-	-	9,612	(1,123)
-	-	-	-	-	-	(8,957)	12,672
-	1,268	-	-	-	-	-	3,265
-	-	-	-	-	-	(30,570)	52,774
-	-	-	-	-	-	(55)	170,539
-	-	-	-	-	-	654,626	(1,123,829)
-	-	117,291	(225,835)	311,656	61,293	162,794	41,653
-	-	-	-	-	-	8,875	51,216
-	-	-	-	-	-	66,316	62,743
-	-	-	-	-	-	688,012	18,274
-	-	-	-	-	-	(731,248)	1,467,444
-	-	-	-	-	-	301,389	(72,712)
$ 1,672,598	$ 1,417,697	$ (294,502)	$ 434,874	$ 716,921	$ 1,259,328	$ 3,849,854	$ 3,974,613
$ 72,792	$ 531,674	$ -	$ -	$ -	$ -	$ 72,792	531,674
130,694	116,800	-	-	-	-	130,694	116,800

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Agency Funds

AGENCY FUNDS

Agency funds account for assets held by the City as an agent for individuals, private organizations, and other governmental units.

Blue Earth County EDA: This fund accounts for the activity of the Blue Earth County EDA. The City acts as the fiscal agent for the EDA.

Minnesota Valley Council of Governments: This fund accounts for the activity of the Council of Governments (COG). The City acts as the fiscal agent for the COG.

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City of Mankato, Minnesota
Agency Funds
Combining Statement of Fiduciary Net Position
December 31, 2017
(With Comparative Totals for December 31, 2016)

	Blue Earth County EDA	MN Valley Council of Governments	Totals 2017	Totals 2016
Assets				
Cash and temporary investments	$ 1,290,513	$ 12,896	$ 1,303,409	$ 1,352,711
Cash held by fiscal agent	37,735	-	37,735	1,482,366
Receivables				
Accounts receivable	17,203	17,542	34,745	5,707
Loans	50,000	-	50,000	
Intergovernmental	9,507	-	9,507	-
Prepaid items	21,584	20	21,604	21,131
Total Assets	$ 1,426,542	$ 30,458	$ 1,457,000	$ 2,861,915
Liabilities				
Accounts payable	$ 18,832	$ -	$ 18,832	$ 2,977
Due to other governments	1,191,340	28,058	1,219,398	2,549,261
Wages payable	4,402	2,145	6,547	5,764
Compensated absences payable	-	255	255	3,427
Unearned revenue	-	-	-	49,253
Accrued interest payable	-	-	-	47,067
Deposits payable	37,576	-	37,576	29,640
Other current liabilities	174,392	-	174,392	174,526
Total Liabilities	$ 1,426,542	$ 30,458	$ 1,457,000	$ 2,861,915

City of Mankato, Minnesota
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the Year Ended December 31, 2017

	Balance January 1, 2017	Additions	Deletions	Balance December 31, 2017
Blue Earth County EDA				
Assets				
Cash and temporary investments	$ 1,339,689	$ 981,286	$ 1,030,462	$ 1,290,513
Cash held by fiscal agent	1,482,366	525	1,445,156	37,735
Receivables				
Accounts	5,707	359,332	347,836	17,203
Loans	-	50,000	-	50,000
Intergovernmental	-	9,507	-	9,507
Prepaid items	21,115	22,164	21,695	21,584
Total Assets	$ 2,848,877	$ 1,422,814	$ 2,845,149	$ 1,426,542
Liabilities				
Accounts payable	$ 2,977	$ 796,721	$ 780,866	$ 18,832
Due to other governments	2,541,915	1,435,217	2,785,792	1,191,340
Accrued interest payable	47,067	-	47,067	-
Wages payable	3,499	4,402	3,499	4,402
Unearned revenue	49,253	-	49,253	-
Deposits payable	29,640	18,592	10,656	37,576
Other current liabilities	174,526	710	844	174,392
Total Liabilities	$ 2,848,877	$ 2,255,642	$ 3,677,977	$ 1,426,542
MN Valley Council of Governments				
Assets				
Cash and temporary investments	$ 13,022	$ 76,343	$ 76,469	$ 12,896
Receivables				
Accounts	-	87,203	69,661	17,542
Intergovernmental	-	-	-	-
Prepaid items	16	71	67	20
Total Assets	$ 13,038	$ 163,617	$ 146,197	$ 30,458
Liabilities				
Wages payable	$ 2,265	$ 2,145	$ 2,265	$ 2,145
Compensated absences payable	3,427	-	3,172	255
Due to other governments	7,346	86,412	65,700	28,058
Total Liabilities	$ 13,038	$ 88,557	$ 71,137	$ 30,458
Total - All Funds				
Assets				
Cash and temporary investments	$ 1,352,711	$ 1,057,629	$ 1,106,931	$ 1,303,409
Cash held by fiscal agent	1,482,366	525	1,445,156	37,735
Receivables				
Accounts	5,707	446,535	417,497	34,745
Loans	-	50,000	-	50,000
Intergovernmental	-	9,507	-	9,507
Prepaid items	21,131	22,235	21,762	21,604
Total Assets	$ 2,861,915	$ 1,586,431	$ 2,991,346	$ 1,457,000
Liabilities				
Accounts payable	$ 2,977	$ 796,721	$ 780,866	$ 18,832
Wages payable	5,764	6,547	5,764	6,547
Compensated absences payable	3,427	-	3,172	255
Due to other governments	2,549,261	1,521,629	2,851,492	1,219,398
Unearned revenue	49,253	-	49,253	-
Accrued interest payable	47,067	-	47,067	-
Deposits payable	29,640	18,592	10,656	37,576
Other current liabilities	174,526	710	844	174,392
Total Liabilities	$ 2,861,915	$ 2,344,199	$ 3,749,114	$ 1,457,000

City of Mankato, Minnesota

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

	Total		Percent Increase (Decrease)
	2017	2016	
Revenues			
Taxes	$ 20,023,327	$ 19,074,341	4.98 %
Special assessments	4,870,934	5,199,426	(6.32)
Licenses and permits	1,894,224	1,444,038	31.18
Intergovernmental	12,001,970	11,814,810	1.58
Charges for services	1,179,278	1,367,322	(13.75)
Fines and forfeits	280,885	259,746	8.14
Investment earnings	146,303	92,332	58.45
Miscellaneous	2,172,452	2,121,187	2.42
Total Revenues	$ 42,569,373	$ 41,373,202	2.89 %
Per Capita	$ 995	$ 992	0.30 %
Expenditures			
Current			
General government	$ 2,170,822	$ 1,875,492	15.75 %
Public safety	14,133,308	13,550,789	4.30
Public works	5,777,744	5,465,300	5.72
Culture and recreation	3,945,199	3,698,288	6.68
Community development	958,326	921,082	4.04
Housing and economic development	599,650	528,856	13.39
Capital outlay			
Public safety	50,814	645,025	(92.12)
Public works	14,710,023	13,046,397	12.75
Culture and recreation	1,751,363	486,061	260.32
Housing and economic development	19,971	-	n/a
Debt service			
Principal	8,530,000	8,825,000	(3.34)
Interest and other charges	1,928,673	1,660,429	16.16
Bond issuance costs	132,892	101,111	31.43
Total Expenditures	$ 54,708,785	$ 50,803,830	7.69 %
Per Capita	$ 1,278	$ 1,218	4.98 %
Total Long-term Indebtedness	$ 62,190,000	$ 60,660,000	2.52 %
Per Capita	1,453	1,454	(0.05)
General Fund Balance - December 31	$ 12,035,922	$ 11,537,800	4.32 %
Per Capita	281	277	1.69

The purpose of this report is to provide a summary of financial information concerning the City of Mankato to interested citizens. The complete financial statements may be examined at City Hall, 10 Civic Center Plaza, PO Box 3368, Mankato, MN 56002-3368. Questions about this report should be directed to Dan Scott at (507) 387-8670.

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STATISTICAL SECTION (UNAUDITED)

This part of the City of Mankato's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

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City of Mankato, Minnesota
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2017	2016	2015	2014	2013
Governmental Activities					
Net investment in capital assets	$ 101,941,446	$ 110,565,540	$ 118,192,062	$ 110,615,767	$ 104,495,612
Restricted	17,570,445	17,333,882	13,950,167	14,948,225	14,934,488
Unrestricted	9,597,559	8,510,377	2,700,132	18,699,209	16,803,735
Total Governmental Activities Net Position	129,109,450	136,409,799	134,842,361	144,263,201	136,233,835
Business-type Activities					
Net investment in capital assets	172,507,213	159,282,527	144,769,977	133,631,312	130,374,455
Restricted	1,545,781	1,621,790	1,550,383	1,616,447	1,539,668
Unrestricted	7,451,414	4,376,319	14,682,046	11,844,458	11,441,521
Total Business-type Activities Net Position	181,504,408	165,280,636	161,002,406	147,092,217	143,355,644
Primary Government					
Net investment in capital assets	274,448,659	269,848,067	262,962,039	244,247,079	234,870,067
Restricted	19,116,226	18,955,672	15,500,550	16,564,672	16,474,156
Unrestricted	17,048,973	12,886,696	17,382,178	* 30,543,667	28,245,256
Total Primary Government Net Position	$ 310,613,858	$ 301,690,435	$ 295,844,767	$ 291,355,418	$ 279,589,479

* In 2015 the City implemented GASB Statement No. 68 which caused a large decrease in unrestricted net position.

Table 1

Fiscal Year				
2012	2011	2010	2009	2008
$ 99,776,628	$ 80,876,348	$ 71,580,346	$ 66,406,759	$ 58,446,674
14,851,935	16,690,340	21,227,488	23,913,184	26,607,370
16,854,778	25,984,793	25,338,723	26,113,707	26,887,732
131,483,341	123,551,481	118,146,557	116,433,650	111,941,776
123,992,933	118,480,296	104,708,126	97,395,544	93,347,322
1,728,331	1,667,771	1,658,300	1,665,411	1,677,685
14,905,663	14,688,729	24,191,413	25,309,144	23,892,751
140,626,927	134,836,796	130,557,839	124,370,099	118,917,758
223,769,561	199,356,644	176,288,472	163,802,303	151,793,996
16,580,266	18,358,111	22,885,788	25,578,595	28,285,055
31,760,441	40,673,522	49,530,136	51,422,851	50,780,483
$ 272,110,268	$ 258,388,277	$ 248,704,396	$ 240,803,749	$ 230,859,534

City of Mankato, Minnesota
Changes in Net Position
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2017	2016	2015	2014	2013
Expenses					
Governmental Activities					
General government	$ 2,246,913	$ 2,031,948	$ 1,840,077	$ 1,531,723	$ 1,516,610
Public safety	15,403,251	16,433,824	13,854,689	12,635,722	12,124,676
Public works/streets	15,139,426	13,948,882	13,945,987	14,281,217	13,699,207
Culture and recreation	4,148,693	3,869,272	4,151,137	3,489,926	3,142,526
Community development	983,128	897,656	964,341	824,372	737,065
Housing and economic development	773,993	776,666	899,204	726,278	692,735
Interest on long-term debt	1,687,254	1,663,645	1,839,992	1,786,208	1,552,416
Total Governmental Activities Expenses	40,382,658	39,621,893	37,495,427	35,275,446	33,465,235
Business-type Activities					
Housing and economic development	6,203,104	6,778,791	6,634,108	6,564,123	5,933,081
Water	6,987,612	6,702,415 *	6,963,670	5,657,427	5,704,267
Wastewater plant	4,288,383	4,613,522 *	7,994,856	6,576,152	6,349,596
Sewer collection	2,030,859	1,943,202 *	-	-	-
Refuse	1,755,936	1,584,680 *	1,478,244	1,595,558	1,518,051
Utility operations and administration	1,442,752	1,714,572 *	-	-	-
Storm water	2,294,482	1,130,538	1,039,917	1,093,040	746,361
Street lighting	488,450	463,482	537,359	473,791	526,632
Mass transit	3,356,825	2,969,748	2,799,702	2,355,462	2,077,044
Parking	2,066,455	1,725,826	1,704,404	1,650,675	1,488,654
Airport	1,349,815	1,280,481	1,253,425	1,251,951	1,166,252
Civic center/arena	8,724,519	8,296,733	7,533,370	6,674,094	6,486,079
Total Business-type Activities Expenses	40,989,192	39,203,990	37,939,055	33,892,273	31,996,017
Total Primary Government Expenses	$ 81,371,850	$ 78,825,883	$ 75,434,482	$ 69,167,719	$ 65,461,252
Program Revenues					
Governmental activities					
Charges for services					
General government	$ 302,194	$ 138,957	$ 507,071	$ 478,265	$ 297,140
Public safety	1,304,091	1,379,009	696,165	654,190	716,344
Public works/streets	1,171,461	1,190,829	1,300,370	895,996	1,118,932
Culture and recreation	174,024	163,995	210,317	169,124	170,637
Community development	1,408,187	887,801	1,402,855	1,351,616	1,278,058
Housing and economic development	44,548	85,274	128,412	446,837	72,067
Operating grants and contributions	1,687,363	1,709,401	1,517,232	1,420,585	1,196,506
Capital grants and contributions	9,699,635	7,836,216	10,263,893	11,831,916	8,601,386
Total Governmental Activities Program Revenues	15,791,503	13,391,482	16,026,315	17,248,529	13,451,070
Business-type Activities					
Charges for services					
Housing and economic development	1,756,903	1,660,174	1,579,761	1,641,645	1,566,129
Water	7,222,928	6,754,785 *	7,602,348	7,149,823	6,733,488
Wastewater	1,416,702	1,518,721 *	8,064,504	7,709,753	7,381,881
Sewer	6,087,338	5,668,533 *	-	-	-
Refuse	1,887,512	1,767,800 *	1,712,654	1,638,421	1,515,431
Utility operations and administration	3,109,481	2,894,300 *	-	-	-
Storm water	2,217,398	1,848,593	1,775,644	1,403,042	1,294,654
Street lighting	644,975	570,865	564,205	548,957	525,054
Mass transit	721,241	781,053	689,118	603,761	585,109
Parking	486,005	510,484	511,873	460,429	482,899
Airport	510,558	405,919	501,417	416,238	338,868
Civic center/arena	5,063,134	4,454,798	3,766,307	3,397,300	3,538,408
Operating grants and contributions	3,616,802	3,518,467	3,237,800	3,474,719	4,212,825
Capital grants and contributions	4,682,941	4,746,420	18,896,137	4,276,486	1,538,544
Total Business-type Activities Program Revenues	39,423,918	37,100,912	48,901,768	32,720,574	29,713,290
Total Primary Government Program Revenues	$ 55,215,421	$ 50,492,394	$ 64,928,083	$ 49,969,103	$ 43,164,360

Table 2

Fiscal Year				
2012	2011	2010	2009	2008
$ 2,164,119	$ 1,758,385	$ 1,700,795	$ 1,829,194	$ 2,025,186
11,088,280	10,235,082	10,321,759	10,876,267	11,545,066
12,830,170	12,552,180	12,511,847	13,066,913	12,498,794
3,967,360	2,720,460	2,726,903	2,999,405	3,064,000
692,065	712,338	825,489	968,897	1,033,017
835,370	1,186,443	2,262,353	2,247,186	1,413,618
1,667,988	1,900,056	2,306,166	2,529,472	2,588,775
33,245,352	31,064,944	32,655,312	34,517,334	34,168,456
5,618,551	5,556,149	5,377,278	4,625,463	4,664,693
5,699,685	5,628,762	5,007,253	5,189,165	4,917,368
6,367,447	6,278,046	6,805,509	6,242,151	6,437,821
-	-	-	-	-
1,465,029	1,403,140	1,401,632	1,331,834	1,193,159
-	-	-	-	-
779,104	932,310	737,544	688,301	516,860
-	-	-	-	-
2,160,734	1,801,097	1,648,413	1,580,148	1,612,079
1,276,180	1,477,825	1,325,164	1,175,760	1,200,949
1,063,128	1,057,847	1,068,950	1,001,701	953,415
7,068,359	5,774,402	5,355,797	5,131,940	5,498,638
31,498,217	29,909,578	28,727,540	26,966,463	26,994,982
$ 64,743,569	$ 60,974,522	$ 61,382,852	$ 61,483,797	$ 61,163,438
$ 296,949	$ 343,809	$ 408,100	$ 401,394	$ 335,319
628,105	597,126	582,449	598,833	983,666
1,013,960	628,191	598,352	1,052,102	899,129
217,565	253,421	151,608	157,215	134,020
1,163,500	967,478	1,084,076	817,384	900,245
319,541	563,218	528,467	865,859	118,524
1,381,403	1,286,807	983,607	1,573,714	1,299,682
10,308,408	3,985,234	7,419,802	9,230,102	7,935,857
15,329,431	8,625,284	11,756,461	14,696,603	12,606,442
1,762,591	1,122,050	1,126,594	1,322,789	1,383,541
6,832,767	6,639,088	6,198,191	6,308,861	6,190,799
7,319,742	7,763,023	7,479,253	7,241,174	6,718,756
-	-	-	-	-
1,502,100	1,392,027	1,356,772	1,360,947	1,326,540
-	-	-	-	-
1,260,040	1,145,884	1,212,729	1,258,201	1,177,459
-	-	-	-	-
507,570	470,098	461,987	474,178	428,847
449,885	439,215	382,965	339,917	333,242
304,742	316,769	289,253	407,243	334,047
4,297,506	3,055,092	2,884,824	2,850,962	3,150,624
3,908,635	3,958,971	4,830,135	3,876,949	3,360,763
4,860,654	7,127,656	3,875,768	2,548,630	725,697
33,006,232	33,429,873	30,098,471	27,989,851	25,130,315
$ 48,335,663	$ 42,055,157	$ 41,854,932	$ 42,686,454	$ 37,736,757

City of Mankato, Minnesota
Changes in Net Position (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2017	2016	2015	2014	2013
Program Revenues (Continued)					
Net (expense)/revenue					
Governmental activities	$ (24,591,155)	$ (26,230,411)	$ (21,469,112)	$ (18,026,917)	$ (20,014,165)
Business-type activities	(1,565,274)	(2,103,078)	10,962,713	(1,171,699)	(2,282,727)
Total Primary Government Net Expense	$ 26,156,429	$ 28,333,489	$ 10,506,399	$ 19,198,616	$ 22,296,892
General Revenues and Other Changes in Net Position					
Governmental Activities					
Taxes					
Property taxes, levied for general purposes	$ 12,324,959	$ 11,572,743	$ 10,065,551	$ 9,764,558	$ 9,915,583
Property taxes, levied for debt service	4,778,752	4,782,809	4,773,315	4,638,833	4,527,711
Tax increments	609,308	576,736	436,701	381,427	707,867
Hotel-motel tax	616,818	534,709	546,573	477,105	431,100
Gambling tax	96,069	88,192	70,730	56,947	55,224
Franchise taxes	1,627,921	1,582,872	1,401,288	937,473	909,863
Grants and contributions not restricted to specific programs	7,048,678	6,978,457	6,953,808	6,858,121	6,268,648
Unrestricted investment earnings	417,292	341,858	295,049	395,154	172,427
Other revenues	127,506	679,059	463,837	598,469	399,245
Gain on sale of capital assets	38,446	42,635	2,283	23,593	65,200
Transfers	(10,394,943)	617,779	339,690	1,924,603	1,311,791
Total Governmental Activities	17,290,806	27,797,849	25,348,825	26,056,283	24,764,659
Business-type Activities					
Taxes					
Property taxes, levied for general purposes	390,000	392,000	392,000	392,000	387,000
Tax increments	279,095	288,074	273,850	75,831	167,575
Sales tax	6,178,779	6,067,592	6,478,659	5,896,934	5,626,488
Grants and contributions not restricted to specific programs	-	-	-	-	-
Unrestricted investment earnings	131,166	102,251	74,687	114,683	11,422
Other revenues	-	-	212,825	80,899	204
Gain on sale of capital assets	415,063	149,170	65,373	272,528	130,546
Transfers	10,394,943	(617,779)	(339,690)	(1,924,603)	(1,311,791)
Total Business-type Activities	17,789,046	6,381,308	7,157,704	4,908,272	5,011,444
Total Primary Government	$ 35,079,852	$ 34,179,157	$ 32,506,529	$ 30,964,555	$ 29,776,103
Changes in Net Position					
Governmental Activities	$ (7,300,349)	$ 1,567,438	$ 3,879,713	$ 8,029,366	$ 4,750,494
Business-Type Activities	16,223,772	4,278,230	18,120,417	3,736,573	2,728,717
Total Primary Government	$ 8,923,423	$ 5,845,668	$ 22,000,130	$ 11,765,939	$ 7,479,211

* During 2016 the City broke out the utility funds into separate funds.

Table 2 (Continued)

Fiscal Year				
2012	2011	2010	2009	2008
$ (17,915,921)	$ (22,439,660)	$ (20,898,851)	$ (19,820,731)	$ (21,562,014)
1,508,015	3,520,295	1,370,931	1,023,388	(1,864,667)
$ 16,407,906	$ 18,919,365	$ 19,527,920	$ 18,797,343	$ 23,426,681
$ 10,183,057	$ 9,278,959	$ 8,803,137	$ 8,969,272	$ 8,082,387
3,738,151	3,334,688	3,249,774	3,034,199	2,751,508
553,925	705,125	815,467	1,107,298	1,610,490
433,348	387,912	386,686	358,336	379,020
47,908	44,341	47,537	46,633	44,035
884,975	891,247	850,777	899,878	377,724
6,268,599	6,503,440	6,416,702	7,630,725	7,230,581
629,831	842,660	543,382	623,024	1,197,430
457,072	413,400	317,760	409,713	188,710
374,389	39,827	42,404	-	-
2,276,526	5,639,008	1,081,362	1,233,527	(4,936,603)
25,847,781	28,080,607	22,554,988	24,312,605	16,925,282
387,000	427,000	427,500	447,501	437,371
142,807	146,604	143,353	152,707	126,554
5,562,626	5,295,204	5,031,581	4,654,834	4,323,928
-	-	-	2,779	3,147
228,392	551,847	352,507	331,861	544,724
-	-	-	-	-
237,817	-	-	1,172,798	52,538
(2,276,526)	(5,639,008)	(1,081,362)	(1,233,527)	4,936,603
4,282,116	781,647	4,873,579	5,528,953	10,424,865
$ 30,129,897	$ 28,862,254	$ 27,428,567	$ 29,841,558	$ 27,350,147
$ 7,931,860	$ 5,640,947	$ 1,656,137	$ 4,491,874	$ (4,636,732)
5,790,131	4,301,942	6,244,510	6,552,341	8,560,198
$ 13,721,991	$ 9,942,889	$ 7,900,647	$ 11,044,215	$ 3,923,466

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City of Mankato, Minnesota

Governmental Activities Tax Revenues by Source
Last Ten Fiscal Years
(accrual basis of accounting)

Table 3

Fiscal Year	Property Taxes: Levied for General Purposes	Property Taxes: Levied for Debt Service	Tax Increments	Hotel-Motel Tax	Gambling Tax	Franchise Tax	Total
2017	$ 12,324,959	$ 4,778,752	$ 609,308	$ 616,818	$ 96,069	$ 1,627,921	$ 20,053,827
2016	11,572,743	4,782,809	576,736	534,709	88,192	1,582,872	19,138,061
2015	10,065,551	4,773,315	436,701	546,573	70,730	1,401,288	17,294,158
2014	9,764,558	4,638,833	381,427	477,105	56,947	937,473	16,256,343
2013	9,915,583	4,527,711	707,867	431,100	55,224	909,863	16,547,348
2012	10,183,057	3,738,151	553,925	433,348	47,908	884,975	15,841,364
2011	9,278,959	3,334,688	705,125	387,912	44,341	891,247	14,642,272
2010	8,803,137	3,249,774	815,467	386,686	47,537	850,777	14,153,378
2009	8,969,272	3,034,199	1,107,298	358,336	46,633	899,878	14,415,616
2008	8,082,387	2,751,508	1,610,490	379,020	44,035	377,724	13,245,164

City of Mankato, Minnesota
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2017	2016	2015	2014
General Fund				
Nonspendable	$ 165,473	$ 153,146	$ 143,646	$ 22,545
Assigned	3,000,000	3,000,000	3,000,000	2,900,000
Unassigned (Unreserved in 2008 - 2010)	8,870,449	8,384,654	8,106,691	7,952,060
Total General Fund	$12,035,922	$11,537,800	$ 11,250,337	$ 10,874,605
All Other Governmental Funds				
Nonspendable	$ 47	$ 37	$ 24	$ 27
Restricted (Reserved in 2008 - 2010)	7,427,663	9,295,748	6,340,427	4,601,236
Committed	3,021,247	2,950,329	2,891,820	2,822,164
Assigned	6,221,780	7,197,004	7,145,675	6,342,712
Unassigned (Unreserved in 2008 - 2010), reported in				
Debt Service fund	(2,378,694)	(4,249,292)	(5,762,043)	(5,289,623)
Special revenue funds	-	-	(38,270)	(2,429)
Capital projects funds	(15,088,388)	(16,560,902)	(23,394,510)	(19,396,398)
Total All Other Governmental Funds	$ (796,345)	$ (1,367,076)	$ (12,816,877)	$ (10,922,311)

Note: The City implemented GASB 54 in fiscal year 2011, resulting in significant reclassification of the components of fund balance. Years prior to 2011 have not been restated.

Table 4

Fiscal Year					
2013	2012	2011	2010	2009	2008
$ 41,501	$ 35,836	$ 23,855	$ 30,224	$ 28,551	$ 24,557
2,900,000	2,900,000	2,700,000	-	-	-
7,597,750	7,090,014	7,002,340	9,307,516	9,483,149	9,225,492
$ 10,539,251	$ 10,025,850	$ 9,726,195	$ 9,337,740	$ 9,511,700	$ 9,250,049
$ -	$ 1,104	$ -	$ -	$ -	$ -
6,338,136	6,326,789	3,124,776	5,832,830	12,952,237	14,895,264
2,256,215	2,266,144	2,687,410	-	-	-
6,571,529	10,219,483	11,393,774	-	-	-
(5,867,103)	(5,724,531)	(1,766,249)	-	-	-
(780,340)	(753,782)	(651,270)	4,774,018	5,624,933	5,430,678
(23,635,216)	(27,215,625)	(18,875,078)	(7,054,684)	(8,384,416)	(8,062,169)
$ (15,116,779)	$ (14,880,418)	$ (4,086,637)	$ 3,552,164	$ 10,192,754	$ 12,263,773

City of Mankato, Minnesota
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year			
	2017	2016	2015	2014
Revenues				
Taxes	$20,023,327	$19,074,341	$17,507,555	$16,260,912
Special assessments	4,870,934	5,199,426	5,629,972	4,905,110
Licenses and permits	1,894,224	1,444,038	1,656,723	1,653,681
Intergovernmental revenue	12,001,970	11,814,810	11,016,877	15,853,629
Charges for services	1,179,278	1,367,322	1,639,943	1,137,238
Fines and forfeits	280,885	259,746	320,089	286,036
Investment earnings (loss)	146,303	92,332	67,711	119,078
Other revenues	2,172,452	2,121,187	2,861,029	1,179,889
Total Revenues	42,569,373	41,373,202	40,699,899	41,395,573
Expenditures				
General government	2,170,822	1,875,492	1,651,814	1,466,057
Public safety	14,133,308	13,550,789	12,881,448	12,137,728
Public works	5,777,744	5,465,300	5,259,489	5,410,032
Culture and recreation	3,945,199	3,698,288	3,513,213	2,932,316
Community development	958,326	921,082	949,100	813,647
Housing and economic development	599,650	528,856	455,572	395,110
Capital outlay	16,532,171	14,177,483	17,821,659	20,057,460
Debt service				
Principal	8,530,000	8,825,000	8,945,000	8,730,000
Interest	1,928,673	1,660,429	1,830,782	1,776,714
Bond issuance costs	132,892	101,111	249,969	75,421
Total Expenditures	54,708,785	50,803,830	53,558,046	53,794,485
Deficiency of Revenues Under Expenditures	(12,139,412)	(9,430,628)	(12,858,147)	(12,398,912)
Other Financing Sources (Uses)				
Transfers in	10,588,378	6,230,922	5,072,476	11,870,994
Transfers out	(7,936,164)	(3,668,406)	(3,854,634)	(8,558,279)
Sale of capital assets	-	-	-	-
Bonds issued	10,060,000	18,090,000	9,930,000	10,380,000
Payment to refunded bond escrow agent	-	-	-	-
Premium on bonds issued	496,051	515,376	191,471	1,503,593
Total Other Financing Sources (Uses)	13,208,265	21,167,892	11,339,313	15,196,308
Net Change in Fund Balances	$ 1,068,853	$11,737,264	$ (1,518,834)	$ 2,797,396
Debt Service As a Percentage of Noncapital Expenditures	26.85%	28.32%	30.07%	30.44%

Table 5

Fiscal Year					
2013	2012	2011	2010	2009	2008
$16,503,543	$ 15,853,459	$15,128,503	$14,076,010	$14,262,811	$13,060,214
7,444,796	4,593,208	4,421,820	5,344,772	6,703,543	7,853,741
1,558,052	1,427,286	1,175,944	1,309,605	1,071,494	1,155,885
9,825,341	13,835,393	8,349,853	9,257,993	10,585,826	10,007,749
1,282,000	1,315,421	787,003	793,263	1,141,034	1,161,934
249,696	245,021	300,473	340,578	347,219	298,284
(47,414)	272,819	459,904	323,901	382,549	773,677
896,227	1,251,962	1,385,707	1,128,482	1,829,283	1,317,414
37,712,241	38,794,569	32,009,207	32,574,604	36,323,759	35,628,898
1,369,311	2,073,632	1,624,078	1,537,785	1,680,055	2,134,387
11,673,146	10,707,822	10,322,858	10,288,345	10,749,740	10,719,376
4,687,982	4,466,929	4,381,954	5,069,003	4,776,340	4,823,539
2,625,886	3,211,203	2,732,200	2,610,854	2,884,272	2,816,923
746,751	707,280	728,881	843,051	973,540	969,142
482,956	1,173,772	663,397	879,548	1,804,249	1,184,117
16,046,210	24,256,649	12,898,974	12,976,909	16,076,602	18,538,731
9,775,000	10,560,000	9,270,000	17,675,000	14,652,834	10,307,830
1,704,968	1,877,261	2,109,757	2,497,684	2,625,306	2,642,121
88,008	43,872	25,200	-	-	-
49,200,218	59,078,420	44,757,299	54,378,179	56,222,938	54,136,166
(11,487,977)	(20,283,851)	(12,748,092)	(21,803,575)	(19,899,179)	(18,507,268)
7,280,738	10,677,682	14,275,983	10,391,354	14,860,874	5,874,912
(3,553,164)	(7,877,913)	(4,638,237)	(5,706,589)	(12,112,469)	(2,598,451)
-	322,731	-	-	-	-
7,720,000	6,315,000	-	10,130,000	14,955,000	9,730,000
-	-	(4,140,000)	-	-	-
317,443	352,225	-	174,260	386,406	105,653
11,765,017	9,789,725	5,497,746	14,989,025	18,089,811	13,112,114
$ 277,040	$ (10,494,126)	$ (7,250,346)	$ (6,814,550)	$ (1,809,368)	$ (5,395,154)
33.49%	34.26%	35.21%	47.38%	41.22%	34.93%

City of Mankato, Minnesota

General Governmental Tax Revenues by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)

Table 6A

Fiscal Year	Property Taxes	Tax Increments	Hotel-Motel Tax	Gambling Tax	Franchise Tax	Total
2017	$ 17,073,211	$ 609,308	$ 616,818	$ 96,069	$ 1,627,921	$ 20,023,327
2016	16,291,832	576,736	534,709	88,192	1,582,872	19,074,341
2015	15,052,263	436,701	546,573	70,730	1,401,288	17,507,555
2014	14,407,960	381,427	477,105	56,947	937,473	16,260,912
2013	14,399,489	707,867	431,100	55,224	909,863	16,503,543
2012	13,933,303	553,925	433,348	47,908	884,975	15,853,459
2011	13,099,878	705,125	387,912	44,341	891,247	15,128,503
2010	12,085,504	705,506	386,686	47,537	850,777	14,076,010
2009	11,907,446	1,050,518	358,336	46,633	899,878	14,262,811
2008	10,732,406	1,527,029	379,020	44,035	377,724	13,060,214

Proprietary Tax Revenues by Source
Last Ten Fiscal Years
(accrual basis of accounting)

Table 6B

Fiscal Year	Property Taxes	Tax Increments	Vehicle Excise Tax	Local Option Sales Tax	Food and Beverage Tax	Total
2017	$ 390,000	$ 279,095	$ 227,440	$ 5,175,401	$ 775,938	$ 6,847,874
2016	392,000	288,074	211,960	5,097,531	758,101	6,747,666
2015	392,000	273,850	219,240	5,390,465	868,954	7,144,509
2014	392,000	75,831	217,300	4,925,499	754,135	6,364,765
2013	387,000	167,574	205,820	4,783,334	637,335	6,181,063
2012	387,000	142,806	212,640	4,727,513	622,474	6,092,433
2011	427,000	146,604	195,960	4,535,940	563,304	5,868,808
2010	427,501	143,352	180,080	4,321,528	529,973	5,602,434
2009	447,501	154,044	153,200	4,158,045	343,589	5,256,379
2008	437,370	126,555	159,080	4,164,848	-	4,887,853

Note: The City started collecting Food and Beverage Tax in 2009.

City of Mankato, Minnesota
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Table 7

Fiscal Year Ended December 31,	Real Property		Personal Property	Less: Tax Exempt Real Property	Total Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value (1) as a Percentage of Actual Value
	Residential Property	Commercial Property						
2017	$ 22,512,708	$ 20,497,055	$ 811,087	$ -	$ 43,820,850	43.820	$ 3,405,370,800	1.29 %
2016	20,340,351	19,958,545	754,176	-	41,053,072	43.730	3,183,113,900	1.29
2015	19,253,456	19,075,301	613,716	43,134	38,899,339	43.620	3,034,101,000	1.28
2014	17,785,746	16,644,681	591,542	42,846	34,979,123	44.060	2,680,987,800	1.31
2013	16,932,958	16,396,254	542,858	43,032	33,829,038	43.550	2,604,050,400	1.30
2012	16,277,090	16,051,535	530,408	43,032	32,816,001	44.840	2,611,279,900	1.26
2011	16,398,651	15,871,300	508,539	43,248	32,735,242	43.990	2,606,062,600	1.26
2010	17,853,113	16,191,062	495,445	43,434	34,496,186	39.790	3,283,105,200	1.05
2009	18,275,901	16,824,587	449,439	42,508	35,507,419	38.050	2,693,716,100	1.32
2008	18,560,733	16,232,260	491,287	29,862	35,254,418	38.000	2,596,453,300	1.36

Source: Blue Earth County Administrative Services
Note: Property in the County is reassessed annually. The county assesses property at approximately 75 percent of actual value for all types of real and personal property. Estimated actual value is calculated by dividing assessed value by those percentages. Tax rates are per $1,000 of assessed value.
(1) Includes tax-exempt property.

City of Mankato, Minnesota
Property Tax Rates
Direct and Overlapping Governments
Last Ten Fiscal Years

Fiscal Year	City of Mankato			Overlapping Rates County		
	Operating	Debt Service	Total City	City	Debt Service	Total County
2018	31.09	12.73	43.82	38.50	1.42	39.92
2017	30.35	13.38	43.73	37.54	1.49	39.03
2016	29.17	14.45	43.62	36.29	1.78	38.07
2015	29.19	14.87	44.06	35.40	1.77	37.17
2014	29.22	14.33	43.55	36.86	1.89	38.75
2013	32.32	12.52	44.84	40.07	3.92	43.99
2012	31.61	12.38	43.99	39.65	4.25	43.90
2011	28.41	11.38	39.79	39.55	4.11	43.66
2010	27.95	10.10	38.05	36.66	4.02	40.68
2009	28.12	9.88	38.00	39.76	2.00	41.76

Source: Blue Earth County Administrative Services

Table 8

Overlapping Rates						
School District			Region 9			
Operating	Debt Service	Total School	Special Districts	Total Direct Rates	Total Overlapping Rates	Total Direct and Overlapping Rates
9.81	12.42	22.23	0.17	43.82	62.32	106.14
9.91	12.49	22.40	0.17	43.73	61.60	105.33
10.36	13.74	24.10	0.16	43.62	62.33	105.95
10.21	12.36	22.57	0.16	44.06	59.90	103.96
11.56	12.49	24.05	0.17	43.55	62.97	106.52
13.21	5.69	18.90	0.19	44.84	63.08	107.92
10.65	10.31	20.96	0.20	43.99	65.06	109.05
9.36	9.73	19.09	0.19	39.79	62.94	102.73
10.21	9.37	19.58	0.19	38.05	60.45	98.50
7.82	9.79	17.61	0.19	38.00	59.56	97.56

City of Mankato, Minnesota
Principal Property Taxpayers
Current Year and Nine Years Ago

Table 9

Taxpayer	Type of Business	2017 Taxable Assessed Value	2017 Rank	2017 Percentage of Total Taxable Assessed Value	2008 Taxable Assessed Value	2008 Rank	2008 Percentage of Total Taxable Assessed Value
Xcel Energy	Utility	$ 1,294,324	1	2.95 %	$ 800,446	2	2.27 %
River Hills Mall	Shopping Center	1,093,662	2	2.50	953,752	1	2.71
Wal-Mart Stores, Inc.	Retail	705,639	3	1.61	206,576	15	0.59
Highland Hills of Mankato	Apartments	386,107	4	0.88	212,612	14	0.60
Mankato Clinic LTD	Medical	360,878	5	0.82	-		-
Inland Real Estate Corp	Apartments	341,434	6	0.78	323,944	4	0.92
Archer-Daniels Midland	Soybean Processor	282,672	7	0.65	241,184	10	0.68
Minnesota Gas Company	Utility	279,122	8	0.64	-		-
Kearney Properties LTD	Retail	276,162	9	0.63	229,770	11	0.65
Monks Road Associates	Apartments	265,534	10	0.61	-		-
ISJ Mayo Health Systems	Hospital	262,465	11	0.60	304,133	5	0.86
Mills Properties, Inc.	Hardware Distribution	243,520	12	0.56	-		-
Quarter at Mankato LLC	Apartments	236,625	13	0.54	-		-
Verizon Communications	Wireless Telecommunicatior	230,342	14	0.53	294,218	6	0.83
City of Mankato	Government	228,663	15	0.52	-		-
Harvest States	Agriculture	-		-	214,072	13	0.61
GMH Management	Retail/Apartments	-		-	356,308	3	1.01
Atwood Land Company	Commercial Real Estate	-		-	260,068	7	0.74
Ambling Land Company	Apartments	-		-	255,989	8	0.73
MN Financial Development Corp	Apartments	-		-	243,743	9	0.69
Menard, Inc.	Hardware Distribution	-		-	215,116	12	0.61
Total		$ 6,487,149		14.80 %	$ 5,111,931		14.50 %

Source: Blue Earth County Administrative Services

City of Mankato, Minnesota
Property Tax Levies and Collections
Last Ten Fiscal Years

Table 10

Fiscal Year Ended December 31,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2017	$ 17,600,000	$ 17,451,332	99.2 %	$ -	$ 17,451,332	99.2 %
2016	16,620,000	16,448,430	99.0	118,150	16,566,580	99.7
2015	15,132,325	15,019,204	99.3	86,973	15,106,177	99.8
2014	14,536,325	14,359,049	98.8	164,053	14,523,102	99.9
2013	14,349,750	14,204,737	99.0	135,805	14,340,542	99.9
2012	14,100,750	13,924,048	98.7	158,962	14,083,010	99.9
2011	13,429,000	13,265,141	98.8	159,271	13,424,412	100.0
2010	13,171,585	12,905,138	98.0	261,954	13,167,092	100.0
2009	12,639,182	12,302,729	97.3	334,135	12,636,864	100.0
2008	11,731,000	11,440,474	97.5	288,870	11,729,344	100.0

City of Mankato, Minnesota
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities			
	General Obligation Bonds	G.O. Tax Increment Bonds	G.O. Special Assessment Bonds	Capital Lease Payable
2017	$ 4,734,909	$ 3,335,000	$ 54,425,620	$ 2,555,000
2016	5,543,513	3,498,999	54,274,648	-
2015	5,395,081	3,658,028	44,764,042	-
2014	5,146,438	472,118	47,237,128	-
2013	4,977,163	611,268	44,254,156	58,977
2012	4,754,371	745,449	46,252,778	-
2011	4,430,728	869,690	50,525,672	-
2010	4,860,898	988,962	63,534,133	-
2009	4,360,111	1,103,264	71,344,285	-
2008	3,873,525	5,705,461	66,583,060	-

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Table 11

Business-type Activities						
Utility Bonds	General Obligation Revenue Bonds	Loans Payable	Capital Lease Payable	Total Primary Government	Percentage of Personal Income	Per Capita
$ 46,782,462	$ 2,828,353	$ 468,183	$ 484,284	$ 115,613,811	N/A %	$ 2,701
51,152,377	5,127,025	506,583	672,758	120,775,903	4.32	2,894
56,032,854	5,127,025	573,799	858,308	116,409,137	4.02	2,826
42,204,686	4,272,693	646,778	-	99,979,841	3.69	2,454
42,174,729	5,302,626	719,757	-	98,098,676	3.81	2,441
45,386,094	6,312,164	789,537	-	104,240,393	4.07	2,630
48,112,129	7,321,702	324,000	-	111,583,921	4.71	2,839
47,171,622	8,300,649	369,532	-	125,225,796	6.25	3,862
50,555,085	18,358,608	428,605	-	146,149,958	7.45	4,507
48,546,436	10,000,000	504,021	-	135,212,503	6.44	4,170

City of Mankato, Minnesota
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Table 12

Fiscal Year	Governmental Activities: General Obligation Bonds	Governmental Activities: G.O. Tax Increment Bonds	Governmental Activities: G.O. Special Assessment Bonds	Business-type Activities: General Obligation Revenue Bonds	Total General Obligation Debt	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2017	$ 4,734,909	$ 3,335,000	$ 54,425,620	$ 2,828,353	$ 65,323,882	1.92 %	$ 1,526
2016	5,543,513	3,498,999	54,274,648	5,127,025	68,444,185	2.15	1,640
2015	5,395,081	3,658,028	44,764,042	5,127,025	58,944,176	1.94	1,431
2014	5,146,438	472,118	47,237,128	4,272,693	57,128,377	2.13	1,402
2013	4,977,163	611,268	44,254,156	5,302,626	55,145,213	2.12	1,372
2012	4,754,371	745,449	46,252,778	6,312,164	58,064,762	2.22	1,465
2011	4,430,728	869,690	50,525,672	7,321,702	63,147,792	2.42	1,606
2010	4,860,898	988,962	63,534,133	8,300,649	77,684,642	2.37	2,396
2009	4,360,111	1,103,264	71,344,285	18,358,608	95,166,268	3.53	2,935
2008	3,873,525	5,705,461	66,583,060	10,000,000	86,162,046	3.32	2,657

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
There are no amounts available or restricted in debt service funds for payment of general bonded debt.

City of Mankato, Minnesota
Computation of Direct and Overlapping Debt
December 31, 2017

Table 13

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Direct Debt			
City of Mankato	$ 65,050,529	100.00 %	$ 65,050,529
Overlapping Debt			
Blue Earth County	9,780,376	42.75	4,181,111
Nicollet County	15,525,000	0.14	21,735
Independent School Dist. 77	88,680,000	76.43	67,778,124
Total Overlapping Debt	113,985,376		71,980,970
Total Direct and Overlapping Debt	$ 179,035,905		$ 137,031,499

(1) Source: Blue Earth County Administrative Services
(2) Source: Nicollet County Auditor
(3) Source: I.S.D. #77

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. 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 Mankato. This process recognized that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

City of Mankato, Minnesota
Legal Debt Margin Information
Last Ten Fiscal Years

	2017	2016	2015	2014	2013
Debt Limit	$ 102,161,124	$ 95,493,417	$ 91,023,030	$ 83,178,351	$ 80,429,634
Total Net Debt Applicable to Limit	4,734,909	5,543,513	5,395,081	5,146,438	4,977,163
Legal Debt Margin	$ 97,426,215	$ 89,949,904	$ 85,627,949	$ 78,031,913	$ 75,452,471
Total Net Debt Applicable to the Limit	4.63%	5.81%	5.93%	6.19%	6.19%

Legal Debt Margin Calculation for Fiscal Year 2017

Assessed Value - Nonexempt	$ 43,820,850
Assessed Value - Exempt	-
Total Assessed Value	43,820,850
Debt Limit (3 Percent of Total Assessed Value)	102,161,124
Debt Applicable to Limit	
General obligation bonds	4,734,909
Less: Amount set aside for repayment of general obligation debt	-
Total Net Debt Applicable to Limit	4,734,909
Legal Debt Margin	$ 97,426,215

Note: Under state finance law, the City of Mankato's outstanding general obligation debt should not exceed 3 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Table 14

2012	2011	2010	2009	2008
$ 78,121,512	$ 78,338,937	$ 78,181,878	$ 98,493,156	$ 80,811,483
4,754,371	4,430,728	4,860,898	4,360,111	3,873,525
$ 73,367,141	$ 73,908,209	$ 73,320,980	$ 94,133,045	$ 76,937,958
6.09%	5.66%	6.22%	4.43%	4.79%

City of Mankato, Minnesota
Pledged-Revenue Coverage - Utility Revenue Bonds
Last Ten Fiscal Years

Table 15A

Year	Utility Revenue Bonds						
	Gross Revenue	Direct Operating Expenses[2]	Net Revenue Available for Debt Service	Debt Service Requirements [1] Principal	Interest	Total	Coverage
2017	$ 14,656,386	$ 8,504,034	$ 6,152,352	$ 5,314,484	$ 1,364,582	$ 6,679,066	0.92
2016	13,850,842	7,913,925	5,936,917	4,996,544	1,350,409	6,346,953	0.94
2015	17,166,230	11,325,392	5,840,838	4,859,978	1,270,239	6,130,217	0.95
2014	16,257,803	10,248,379	6,009,424	4,485,502	1,316,858	5,802,360	1.04
2013	15,456,830	9,921,219	5,535,611	4,485,659	1,405,325	5,890,984	0.94
2012	15,509,911	9,844,929	5,664,982	4,598,156	1,511,516	6,109,672	0.93
2011	15,077,755	9,530,557	5,547,198	4,598,156	1,511,516	6,109,672	0.91
2010	14,765,066	9,169,669	5,595,397	4,900,935	1,546,168	6,447,103	0.87
2009	14,736,296	8,861,894	5,874,402	4,607,457	1,637,881	6,245,338	0.94
2008	14,108,793	8,352,967	5,755,826	4,395,577	1,514,370	5,909,947	0.97

Source: City of Mankato Financial Records.
Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Sewer charges and other includes investment earnings but not tap fees. Operating expenses do not include interest or depreciation.

(1) The revenues of the utility are pledged to payment of debt service but bonds are backed by the full faith and credit of the City.
(2) Does not include depreciation.

City of Mankato, Minnesota

Pledged-Revenue Coverage - Riverfront 2000/Civic Center Revenue Bonds

Last Ten Fiscal Years

Table 15B

	Riverfront 2000/Civic Center Revenue Bonds					
		Direct Operating	Net Revenue Available for	Debt Service Requirements[2]		
Year	Revenues[1]	Expenses[3]	Debt Service	Principal	Interest	Total	Coverage
2017	$ 10,108,718 [4]	$ 5,860,481	$ 4,248,237	$ 2,200,000	$ 576,892	$ 2,776,892	1.53
2016	9,499,310 [4]	5,690,259	3,809,051	1,035,000	661,063	1,696,063	2.25
2015	8,712,210 [4]	5,455,506	3,256,704	1,035,000	575,318	1,610,318	2.02
2014	7,197,628 [4]	4,702,516	2,495,112	1,010,000	131,325	1,141,325	2.19
2013	8,247,565 [4]	4,613,472	3,634,093	990,000	161,775	1,151,775	3.16
2012	8,853,136 [4]	5,184,940	3,668,196	990,000	191,062	1,181,062	3.11
2011	7,477,147 [4]	4,030,557	3,446,590	960,000	215,325	1,175,325	2.93
2010	7,097,111 [4]	3,585,873	3,511,238	910,000 [5]	237,578	1,147,573	3.06
2009	6,914,206 [4]	3,711,595	3,202,611	870,000	52,336	922,336	3.47
2008	6,617,745 [4]	3,590,630	3,027,115	940,000	233,522	1,173,522	2.58

Source: City of Mankato Financial Records.

(1) Revenues include sales tax revenue.
(2) The revenues of the Civic Center are pledged to payment of debt service, but bonds are backed by the full faith and credit of the City.
(3) Does not include depreciation.
(4) Net of cost of goods sold.
(5) Does not include variable civic center bonds.

City of Mankato, Minnesota
Demographic and Economic Statistics
Last Ten Fiscal Years

Table 16

Fiscal Year	Population	Personal Income	Median Household Income	Median Age	School Enrollment	Unemployment Rate
2017	42,799	N/A	$ 40,484	27.0	8,780	2.4 %
2016	41,727	2,795,045,681	39,212	27.0	8,381	2.7
2015	41,198	2,895,018,752	39,012	27.0	8,076	3.2
2014	40,743	2,706,198,400	37,835	27.0	7,718	3.6
2013	40,183	2,575,167,280	35,337	27.0	7,598	4.3
2012	39,628	2,559,313,029	31,689	27.0	7,534	5.1
2011	39,309	2,369,809,464	30,617	27.0	7,392	4.1
2010	32,427	2,002,838,744	29,582	27.0	7,273	5.4
2009	32,427	1,961,625,033	27,911	25.3	7,127	6.3
2008	32,427	2,098,754,541	26,484	25.3	7,087	4.8

City of Mankato, Minnesota
Principal Employers
Current Year and Nine Years Ago

Table 17

	2017			2008		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Immanuel St. Joseph's - Mayo Health System	2,300	1	9.18 %	2,700	1	14.52 %
Minnesota State University, Mankato	1,816	2	7.25	1,731	2	9.31
Independent School District 77	1,450	3	5.79	1,200	3	6.45
Mankato Clinic	750	4	2.99	749	4	4.03
MRCI Industrial Operation	438	5	1.75	-	11	-
Monarch Healthcare Management (Formerly Thro Co)	436	6	1.74	630	5	3.39
Blue Earth County	400	7	1.60	450	7	2.42
City of Mankato	382	8	1.52	370	9	1.99
Walmart Distribution Center	350	9	1.40	-		-
Verizon Wireless	312	10	1.25	422	8	2.27
Bethany Lutheran College	-		-	458	6	2.46
Southern Minnesota Construction	-		-	311	10	1.67
Total	8,634		34.47 %	9,021		48.51 %

Source: State Department of Commerce.

City of Mankato, Minnesota
Full-Time Equivalent City Government Employees by Function
Last Ten Fiscal Years

Function	Full-time Equivalent Employees as of December 31				
	2017	2016	2015	2014	2013
General government	-	1	3	3	3
Public safety					
Administration	8	8	8	8	9
Police	67	77	63	55	53
Fire	18	18	18	17	18
Building inspectors	4	4	4	4	4
Streets and highways					
Engineering	14	17	12	12	12
Maintenance	13	15	14	14	14
Culture and recreation					
Parks	13	12	12	12	9
Housing and economic development	17	13	14	14	13
Water	17	17	15	14	15
Sewer	19	21	20	20	20
Utility administration	3	5	5	5	5
Storm water	3	3	3	3	3
Transit	30	39	31	25	25
Airport	2	2	2	2	2
Parking	1	-	-	-	-
Civic center	9	7	8	8	12
Garage	12	9	10	9	11
Administrative services	34	31	31	28	29
Total	284	299	273	253	257

Source: Human Resources Department

Table 18

Full-time Equivalent Employees as of December 31

2012	2011	2010	2009	2008
3	3	3	3	3
9	9	8	7	10
53	54	54	56	58
18	18	16	16	19
3	3	5	5	7
14	13	11	13	14
13	13	15	16	16
12	12	12	14	14
12	12	12	5	6
15	15	15	13	15
18	18	19	21	19
6	6	6	6	7
2	2	2	2	2
17	17	17	17	14
2	2	2	-	-
-	-	-	-	-
12	12	12	12	12
10	10	10	10	10
28	27	26	25	26
247	246	245	241	252

City of Mankato, Minnesota
Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year 2017	2016	2015	2014	2013
Police					
Physical arrests	3,773	3,333	3,763	3,435	3,075
Parking violations	2,717	4,167	3,567	4,316	2,957
Traffic violations	2,221	1,948	2,784	2,390	1,741
Fire					
Number of calls answered	2,878	2,852	2,706	2,633	2,221
Inspections	191	178	178	178	110
Building Permits					
Residential	180	123	110	83	151
Industrial, construction and commercial	53	43	28	27	35
Highways and Streets					
Street resurfacing (miles)	3.03	1.55	2.29	1.19	0.44
Potholes repaired	853	673	702	736	712
Culture and Recreation					
Swimming pool attendance	15,176	15,875	18,534	21,084	17,226
Campground rentals	2,330	2,368	2,229	1,308	2,178
Park shelter rentals	894	1,559	832	710	402
Water					
New connections	259	566	373	276	316
Water main breaks	28	11	27	38	33

Sources: Various government departments.
Note: Indicators are not available for the general government function.

Table 19

Fiscal Year				
2012	2011	2010	2009	2008
3,005	3,229	3,415	4,385	4,829
3,354	3,400	4,743	5,516	4,789
1,158	970	1,479	2,154	2,103
2,117	2,206	2,168	2,217	2,351
154	71	132	439	422
114	100	100	123	94
26	33	25	25	33
4.66	5.14	4.36	3.09	3.05
637	564	786	943	867
19,359	18,367	21,784	19,227	23,555
1,367	1,494	1,399	882	781
249	228	183	218	218
220	173	107	159	244
31	25	38	38	49

City of Mankato, Minnesota
Capital Asset Statistics by Function (Continued on the Following Pages)
Last Ten Fiscal Years

Function	Fiscal Year 2017	2016	2015	2014
Public safety				
Police				
Stations	1	1	1	1
Fire				
Stations	3	3	3	3
Hydrants	2,271	2,255	2,192	2,164
I.S.O. Rating	3	3	3	3
Public works				
Street division				
Miles of street	241.77	238.35	238.35	202.30
Lane miles of street	838.89	834.73	834.73	692.04
Percent of paved streets	100%	100%	100%	100%
Miles of alleys	23.12	23.12	23.12	23.12
Signalized intersections	59	59	59	61
Parks division				
Neighborhood parks	23	23	23	21
Area in acres	147.5	147.5	148	137
Regional parks	7	7	7	7
Area in acres	472	472	472	472
Arena/civic center	1 with 6,800 seating capacity	1 with 6,800 seating capacity	1 with 4,800 seating capacity	1 with 4,800 seating capacity
Baseball diamonds	12	12	12	12
Basketball courts	10	10	10	10
Bike trails in miles	18	18	18	18
Campground	1w/39 sites	1w/39 sites	1w/39 sites	1 with 39 sites
Hockey rinks/outdoor	3	3	3	3
Softball diamonds	8	8	8	8
Swimming areas	2	2	2	2
Tennis courts	6	6	6	6
Volleyball courts	4	4	4	4
Pickelball courts	6	6	6	6
Utilities				
Municipal water				
Type of treatment	Lime softening	Lime softening	Lime softening	Lime softening
Consumers				
Residential	11,340	11,102	10,417	10,200
Commercial	1,507	1,499	1,444	1,399
Industrial	51	17	17	17
Government	352	259	230	229
Average daily consumption in gallons	4,886,000	4,811,928	-	5,051,381
Maximum daily consumption	7,380,000	7,113,000	7,665,000	8,026,000
Maximum production capacity	12,000,000	12,000,000	12,000,000	12,000,000
Storage capacity	10,900,000	10,900,000	10,900,000	10,900,000
Miles of water main	257	256	251	247

Table 20

Fiscal Year					
2013	2012	2011	2010	2009	2008
1	1	1	1	1	1
3	2	2	2	3	3
2,144	2,105	2,057	2,054	2,022	2,023
3	3	3	3	3	3
176.75	158.20	188.74	188.74	188.26	187.73
424.53	422.11	520.14	520.14	519.18	518.13
100%	100%	100%	100%	100%	100%
19.94	11.58	11.58	11.58	11.58	11.58
59	59	57	56	55	55
20	20	18	17	17	17
136	136	128	96	96	96
7	7	6	5	5	4
472	472	455	455	455	455
1 with 4,800 seating capacity	1 with 4,800 seating capacity	1 with 4,800 seating capacity	1 with 4,800 seating capacity	1 with 4,800 seating capacity	1 with 4,800 seating capacity
12	12	6	6	6	6
10	10	10	9	9	9
18	18	18	15	14	14
1 with 39 sites	1 with 39 sites	1 with 22 sites	1 with 30 sites	1 with 42 sites	1 with 42 sites
3	3	3	3	3	3
8	8	8	8	8	8
2	2	2	2	2	2
8	8	8	8	10	10
4	4	4	4	4	4
-	-	-	-	-	-
Lime softening	Lime softening	Lime softening	Lime softening	Lime softening	Lime softening
10,060	9,917	9,769	9,673	9,493	9,418
1,372	1,341	1,322	1,304	1,300	1,294
17	17	14	14	14	14
224	230	218	215	201	195
4,977,205	5,433,419	5,110,564	4,929,403	5,181,748	4,925,575
7,983,000	9,325,000	7,779,000	7,372,000	7,372,000	7,783,000
12,000,000	12,000,000	12,000,000	12,000,000	9,000,000	9,000,000
10,900,000	10,900,000	10,900,000	10,900,000	10,900,000	10,900,000
244	242	236	234	230	202

City of Mankato, Minnesota
Capital Asset Statistics by Function (Continued)
Last Ten Fiscal Years

Function	Fiscal Year 2017	2016	2015	2014
Utilities - Continued				
Municipal water treatment				
Type of treatment	Activated sludge and anaerobic digestion	Activated sludge and anaerobic digestion	Activated sludge and anaerobic digestion	Activated sludge and anaerobic digestion
Users				
City of Mankato, gal/year	2,114,450,000	2,398,963,855	2,326,311,000	2,348,652,000
City of North Mankato, gal/year	509,051,000	547,156,211	408,810,000	422,613,000
City of Eagle Lake, gal/year	107,551,000	98,229,900	80,312,000	87,963,000
South Bend Township, gal/year	16,060,000	18,058,897	13,538,000	14,929,000
LWSSD- Lake Washington, gal/year	19,220,500	19,853,237	18,023,000	19,056,000
LWSSD- Duck/ Balantyne, gal/year	8,911,000	9,499,500	8,986,000	2,727,000
Skyline, gal/year	7,886,000	8,143,400	8,104,000	8,904,000
Madison Lake, gal/year	35,739,000	36,551,000	33,901,000	34,436,000
Average daily sewage treatment in gallons	7,719,800	8,570,000	7,939,685	8,052,822
Maximum design capacity (millions of gallons/day)	11.25	11.25	11.25	11.25
Miles of sanitary sewer	207	206	203	201
Storm drains				
Lift stations	14	13	13	13
Holding ponds	82	80	78	78
Flood control pumping stations	5	5	5	5
Miles of storm drains	244	242	240	238
Ramps				
Ramps	6	6	6	5
Ramp spaces				
Mankato Place	596	596	596	596
Cherry Street	197	197	197	170
Depot	334	334	334	449
Holiday Inn	98	98	98	110
Second Street	179	179	179	197
Public Safety Center	56	56	56	56
City Center	315	315	315	-
Total ramp spaces	1,775	1,775	1,775	1,578
Employees				
Supervisors				
Union employees	145	144	144	134
Other employees	144	144	144	130
Total employees	289	288	288	264

Source: City of Mankato Financial Records.
Note: No capital asset indicators are available for the general government function.

Table 20 (Continued)

Fiscal Year					
2013	2012	2011	2010	2009	2008
Activated sludge and anaerobic digestion	Activated sludge and anaerobic digestion	Activated sludge and anaerobic digestion	Activated sludge and anaerobic digestion	Activated sludge and anaerobic digestion	Activated sludge and anaerobic digestion
2,103,854,000	1,893,800,000	2,427,777,000	2,239,189,000	1,850,257,400	1,950,221,000
363,231,000	363,389,000	551,771,000	467,357,000	439,948,000	413,114,000
75,802,000	61,439,000	87,378,000	89,093,000	52,432,000	53,237,000
14,399,000	14,820,000	24,148,000	18,455,000	13,648,000	14,479,000
18,528,000	18,525,000	19,611,000	18,134,000	17,559,600	17,422,000
-	-	-	-	-	-
11,145,000	11,452,000	10,257,000	14,059,000	6,155,000	10,727,000
36,741,000	33,035,000	33,035,000	37,552,000	28,913,000	180,000
7,188,219	6,545,000	8,593,863	7,871,000	6,522,000	6,738,000
11.25	11.25	11.25	11.25	11.25	11.25
198	196	191	168	168	163
13	13	13	13	13	13
75	54	54	54	40	41
5	5	5	5	5	5
-	-	-	-	-	-
5	5	5	4	4	4
596	596	596	596	596	596
170	170	170	170	170	170
449	449	449	449	449	449
110	110	110	110	110	110
197	197	197	-	-	-
56	-	-	-	-	-
-	-	-	-	-	-
1,578	1,522	1,522	1,325	1,325	1,325
147	123	122	128	128	128
117	132	126	118	134	142
264	255	248	246	262	270

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Schedule of Sources and Uses of Public Funds

SCHEDULES OF SOURCES AND USES OF PUBLIC FUNDS (UNAUDITED)

CITY OF MANKATO
MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

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City of Mankato, Minnesota
Schedule of Sources and Uses of Public Funds
For (South Riverfront Tax Increment), a Tax Increment Financing District
For the Year Ended December 31, 2017

Name of District: South Riverfront - Fund 4110

Type of District: Redevelopment

Original Net Tax Capacity	$ 39,819
Current Net Tax Capacity	139,293
Captured Net Tax Capacity	$ 99,474
Retained By Authority	$ 99,474

	Modified Budget	Accounted for in Prior Years	Current Year	Amount Remaining
Sources of Funds				
Assessments	$ 365,000	$ 329,607	$ 106,787	$ (71,394)
Tax Increments Received	2,305,937	1,222,990	-	1,082,947
State Grant	280,000	282,260	-	(2,260)
City Utility Fund	195,000	135,560	-	59,440
Total Sources of Funds	3,145,937	1,970,417	106,787	1,068,733
Uses of Funds				
Acquisition	275,750	232,616	-	43,134
Relocation	-	414,568	-	(414,568)
Site Improvements	35,000	31,679	-	3,321
Public Utilities	491,168	491,168	-	-
Public Streets	1,963,813	1,568,917	-	394,896
Interest	330,206	109,195	36,411	184,600
Administrative Cost	50,000	50,000	-	-
Total Uses of Funds	3,145,937	2,898,143	36,411	211,383
District Balance (or Deficiency)	-	(927,726)	70,376	857,350
Funds Remaining (or Deficient)	$ -	$ (927,726)	$ 70,376	$ (857,350)

City of Mankato, Minnesota
Schedule of Sources and Uses of Public Funds
For (Brennan - Landkammer Tax Increment), a Tax Increment Financing District
For the Year Ended December 31, 2017

Name of District: Brennan - Landkammer - Fund 6806

Type of District: Redevelopment

Original Net Tax Capacity	$ 3,512	
Current Net Tax Capacity	55,562	
Captured Net Tax Capacity	$ 52,050	
Retained By Authority	$ 52,050	
Total Loans Incurred		$ 200,000
Amounts Redeemed		128,352
Outstanding Loans at 12/31/17		$ 71,648

	Original Budget	Accounted for in Prior Years	Current Year	Amount Remaining
Sources of Funds				
Tax Increments Received	$ 599,600	$ 437,345	$ 52,361	$ 109,894
Total Sources of Funds	599,600	437,345	52,361	109,894
Uses of Funds				
Site Improvements	204,400	112,443	-	91,957
Loan Payments				
Principal	200,000	84,376	43,976	71,648
Interest	155,200	136,361	5,370	13,469
Interest	-	70,453	-	(70,453)
Administrative Cost	40,000	30,943	3,015	6,042
Total Uses of Funds	599,600	434,576	52,361	112,663
District Balance (or Deficiency)	-	2,769	-	(2,769)
Funds Remaining (or Deficient)	$ -	$ 2,769	$ -	$ 2,769

City of Mankato, Minnesota
Schedule of Sources and Uses of Public Funds
For (Johnson Worldwide Tax Increment), a Tax Increment Financing District
For the Year Ended December 31, 2017

Name of District: Johnson Worldwide Associates - Fund 4120

Type of District: Economic Development

Original Net Tax Capacity	$ -	
Current Net Tax Capacity	-	
Captured Net Tax Capacity	$ -	
Retained By Authority	$ -	
Total General Obligation Tax Increment		
Bonds Issued		$ 1,215,000
Amounts Redeemed		1,215,000
Outstanding bonds at 12/31/17		$ -

	Original Budget	Accounted for in Prior Years	Current Year	Amount Remaining
Sources of Funds				
Bond Proceeds	$ 1,255,000	$ 1,215,000	$ -	$ 40,000
Tax Increment Received	1,757,702	1,396,648	-	361,054
Developer Shortfall Payment	-	91,081	-	(91,081)
Interest on Invested Funds	-	27,622	-	(27,622)
Total Sources of Funds	3,012,702	2,730,351	-	282,351
Uses of Funds				
Site Improvements	737,600	737,600	-	-
Public Infrastructure	362,400	301,788	-	60,612
City Financing Costs	113,233	26,762	-	86,471
Bond Payments				
Principal	1,255,000	1,050,000	165,000	40,000
Interest	479,743	403,150	4,290	72,303
Issuance Costs	25,000	18,003	-	6,997
Discount	13,805	7,373	-	6,432
Other	3,421	-	-	3,421
Administrative Costs	22,500	22,500	-	-
Tax Increment Remitted to County	-	228	-	(228)
Total Uses of Funds	3,012,702	2,567,404	169,290	276,008
District Balance (or Deficiency)	-	162,947	(169,290)	6,343
Funds Remaining (or Deficient)	$ -	$ 162,947	$ (169,290)	$ (6,343)

City of Mankato, Minnesota
Schedule of Sources and Uses of Public Funds
For (Sibley Parkway Phase I Tax Increment), a Tax Increment Financing District
For the Year Ended December 31, 2017

Name of District: Sibley Parkway Phase I - Fund 4050

Type of District: Redevelopment

Original Net Tax Capacity	$ 34,176
Current Net Tax Capacity	85,694
Captured Net Tax Capacity	$ 51,518
Retained By Authority	$ 51,518

	Original Budget	Accounted for in Prior Years	Current Year	Amount Remaining
Sources of Funds				
Bond Proceeds	$ 350,000	$ 1,270,477	$ -	$ (920,477)
Market Value Homestead Credit	-	54	-	(54)
Tax Increment Received	6,848,154	165,022	50,737	6,632,395
Assessments	288,240	10,213	-	278,027
Grants	1,000,000	918,000	-	82,000
City Storm Water Utility Fund	388,000	354,285	-	33,715
City Water Utility Fund	334,660	865,435	-	(530,775)
Miscellaneous Revenue	-	2,565	-	(2,565)
Total Sources of Funds	9,209,054	3,586,051	50,737	5,572,266
Uses of Funds				
Public Utilities	433,821	362,807	-	71,014
Storm Drainage & Rerouting	409,036	404,925	-	4,111
Public Streets	1,416,114	1,735,759	-	(319,645)
Lighting/plantings/sidewalk	542,313	541,515	-	798
Redevelopment Costs	971,518	609,277	-	362,241
Closure of Lime Pond	334,660	459,370	-	(124,710)
Riverbank Stabilization	450,000	242,202	-	207,798
Finance Costs	3,934,080	300,465	44,275	3,589,340
Administrative Costs	717,512	38,524	-	678,988
Total Uses of Funds	9,209,054	4,694,844	44,275	4,469,935
District Balance (or Deficiency)	-	(1,108,793)	6,462	1,102,331
Funds Remaining (or Deficient)	$ -	$ (1,108,793)	$ 6,462	$ (1,102,331)

City of Mankato, Minnesota
Schedule of Sources and Uses of Public Funds
For (Graif Building Tax Increment), a Tax Increment Financing District
For the Year Ended December 31, 2017

Name of District: Graif Building - Fund 4060

Type of District: Redevelopment

Original Net Tax Capacity	$ 14,750
Current Net Tax Capacity	47,094
Captured Net Tax Capacity	$ 32,344
Retained By Authority	$ 32,344

	Original Budget	Accounted for in Prior Years	Current Year	Amount Remaining
Sources of Funds				
Tax Increments Received	$ 332,339	$ 158,562	$ 29,247	$ 144,530
Interest on Invested Funds	-	39	-	(39)
Total Sources of Funds	332,339	158,601	29,247	144,491
Uses of Funds				
Site Improvements	312,399	127,398	20,826	164,175
Administrative Costs	19,940	16,802	1,755	1,383
Total Uses of Funds	332,339	144,200	22,581	165,558
District Balance (or Deficiency)	-	14,401	6,666	(21,067)
Funds Remaining (or Deficient)	$ -	$ 14,401	$ 6,666	$ 21,067

City of Mankato, Minnesota
Schedule of Sources and Uses of Public Funds
For (Mankato Design / Busters Tax Increment), a Tax Increment Financing District
For the Year Ended December 31, 2017

Name of District: Mankato Design / Busters - Fund 4070

Type of District: Redevelopment

Original Net Tax Capacity	$ 29,250
Current Net Tax Capacity	54,448
Captured Net Tax Capacity	$ 25,198
Retained By Authority	$ 25,198

	Original Budget	Accounted for in Prior Years	Current Year	Amount Remaining
Sources of Funds				
Tax Increments Received	$ 409,149	$ 117,318	$ 22,786	$ 269,045
Total Sources of Funds	409,149	117,318	22,786	269,045
Uses of Funds				
Streets and Sidewalks	216,403	84,764	13,009	118,630
Interest	172,289	63,718	8,331	100,240
Administrative Costs	20,457	5,866	1,139	13,452
Total Uses of Funds	409,149	154,348	22,479	232,322
District Balance (or Deficiency)	-	(37,030)	307	36,723
Funds Remaining (or Deficient)	$ -	$ (37,030)	$ 307	$ (36,723)

City of Mankato, Minnesota
Schedule of Sources and Uses of Public Funds
For (Brennan-Embers Tax Increment), a Tax Increment Financing District
For the Year Ended December 31, 2017

Name of District: Brennan-Embers - Fund 4080

Type of District: Redevelopment

Original Net Tax Capacity	$ -
Current Net Tax Capacity	-
Captured Net Tax Capacity	$ -
Retained By Authority	$ -

	Original Budget	Accounted for in Prior Years	Current Year	Amount Remaining
Sources of Funds				
Bond Proceeds	$ 1,846,502	$ -	$ -	$ 1,846,502
Tax Increments Received	1,601,548	-	-	1,601,548
Total Sources of Funds	3,448,050	-	-	3,448,050
Uses of Funds				
Land Write-down	100,000	-	-	100,000
Site Improvements	50,000	-	-	50,000
Parking Improvements	100,000	-	-	100,000
Public Streets	2,117,825	-	-	2,117,825
Interest	895,575	-	-	895,575
Administrative Costs	184,650	-	-	184,650
Total Uses of Funds	3,448,050	-	-	3,448,050
District Balance (or Deficiency)	-	-	-	-
Funds Remaining (or Deficient)	$ -	$ -	$ -	$ -

City of Mankato, Minnesota
Schedule of Sources and Uses of Public Funds
For (HECO Building Tax Increment), a Tax Increment Financing District
For the Year Ended December 31, 2017

Name of District: Heco Building - Fund 4090

Type of District: Redevelopment

Original Net Tax Capacity	$ 38,952
Current Net Tax Capacity	73,795
Captured Net Tax Capacity	$ 34,843
Retained By Authority	$ 34,843

	Original Budget	Accounted for in Prior Years	Current Year	Amount Remaining
Sources of Funds				
Tax Increments Received	$ 853,085	$ 109,510	$ 34,196	$ 709,379
Total Sources of Funds	853,085	109,510	34,196	709,379
Uses of Funds				
Redevelopment Costs	250,000	57,547	21,935	170,518
Parking Facilities	167,539	167,539	-	-
Interest	390,865	56,099	9,352	325,414
Administrative Costs	44,681	5,477	1,710	37,494
Total Uses of Funds	853,085	286,662	32,997	533,426
District Balance (or Deficiency)	-	(177,152)	1,199	175,953
Funds Remaining (or Deficient)	$ -	$ (177,152)	$ 1,199	$ (175,953)

City of Mankato, Minnesota
Schedule of Sources and Uses of Public Funds
For (Habitat for Humanity Tax Increment), a Tax Increment Financing District
For the Year Ended December 31, 2017

Name of District: Habitat for Humanity - Fund 6800

Type of District: Housing

Original Net Tax Capacity	$ 4,073
Current Net Tax Capacity	14,220
Captured Net Tax Capacity	$ 10,147
Retained By Authority	$ 10,147

	Original Budget	Accounted for in Prior Years	Current Year	Amount Remaining
Sources of Funds				
Tax Increments Received	$ 289,913	$ 25,413	$ 9,709	$ 254,791
Total Sources of Funds	289,913	25,413	9,709	254,791
Uses of Funds				
Public Utilities	275,417	24,142	9,224	242,051
Administrative Costs	14,496	1,271	485	12,740
Total Uses of Funds	289,913	25,413	9,709	254,791
District Balance (or Deficiency)	-	-	-	-
Funds Remaining (or Deficient)	$ -	$ -	$ -	$ -

City of Mankato, Minnesota
Schedule of Sources and Uses of Public Funds
For (Volk Transfer Tax Increment), a Tax Increment Financing District
For the Year Ended December 31, 2017

Name of District: Volk Transfer - Fund 6800

Type of District: Economic Development

Original Net Tax Capacity	$ 4,077
Current Net Tax Capacity	83,766
Captured Net Tax Capacity	$ 79,689
Retained By Authority	$ 79,689

	Original Budget	Accounted for in Prior Years	Current Year	Amount Remaining
Sources of Funds				
Tax Increments Received	$ 576,475	$ 255,213	$ 80,554	$ 240,708
Total Sources of Funds	576,475	255,213	80,554	240,708
Uses of Funds				
Land Acquisition and Site Improvements	386,355	130,650	60,741	194,964
Interest	161,296	109,114	14,445	37,737
Administrative Costs	28,824	12,691	4,028	12,105
Total Uses of Funds	576,475	252,455	79,214	244,806
District Balance (or Deficiency)	-	2,758	1,340	(4,098)
Funds Remaining (or Deficient)	$ -	$ 2,758	$ 1,340	$ 4,098

City of Mankato, Minnesota
Schedule of Sources and Uses of Public Funds
For (South Front Street -Tailwind Tax Increment), a Tax Increment Financing District
For the Year Ended December 31, 2017

Name of District: South Front Street - Tailwind - Fund 3010 & 4100

Type of District: Redevelopment

Original Net Tax Capacity	$ 59,840	
Current Net Tax Capacity	360,424	
Captured Net Tax Capacity	$ 300,584	
Retained By Authority	$ 300,584	
Total General Obligation Tax Increment		
Bonds Issued		$ 3,335,000
Amounts Redeemed		-
Outstanding bonds at 12/31/17		$ 3,335,000

	Original Budget	Accounted for in Prior Years	Current Year	Amount Remaining
Sources of Funds				
Bond Proceeds	$ 3,335,000	$ 3,335,000	$ -	$ -
Tax Increment Received	7,407,032	136,346	278,342	6,992,344
Total Sources of Funds	10,742,032	3,471,346	278,342	6,992,344
Uses of Funds				
Site Improvements	695,000	-	-	695,000
Public Infrastructure	-	250,000	-	(250,000)
Public Parking Ramp/Lots	3,181,535	3,085,000	-	96,535
Bond Payments				
Principal	3,335,000	-	-	3,335,000
Interest	3,160,143	145,177	102,478	2,912,488
Capitalized Interest	-	51,263	-	(51,263)
Interest on Advance	-	-	7,190	(7,190)
Administrative Costs	370,354	79,325	8,500	282,529
Total Uses of Funds	10,742,032	3,610,765	118,168	7,013,099
District Balance (or Deficiency)	-	(139,419)	160,174	(20,755)
Funds Remaining (or Deficient)	$ -	$ (139,419)	$ 160,174	$ 20,755

City of Mankato, Minnesota
Schedule of Sources and Uses of Public Funds
For (Imperial Plastics, Inc. Tax Increment), a Tax Increment Financing District
For the Year Ended December 31, 2017

Name of District: Imperial Plastics, Inc. - Fund 6800

Type of District: Redevelopment

Original Net Tax Capacity	$ 2,686
Current Net Tax Capacity	171,198
Captured Net Tax Capacity	$ 168,512
Retained By Authority	$ 168,512

	Original Budget	Accounted for in Prior Years	Current Year	Amount Remaining
Sources of Funds				
Tax Increment Received	$ 1,026,276	$ 354,138	$ 176,852	$ 495,286
Total Sources of Funds	1,026,276	354,138	176,852	495,286
Uses of Funds				
Site Improvements	471,684	169,355	-	302,329
Public Improvements and Utilities	250,250	-	-	250,250
Interest	253,028	82,571	-	170,457
Administrative Costs	51,314	17,707	8,843	24,764
Tax Increment Remitted to County	-	-	84,505	(84,505)
Total Uses of Funds	1,026,276	269,633	93,348	663,295
District Balance (or Deficiency)	-	84,505	83,504	(168,009)
Funds Remaining (or Deficient)	$ -	$ 84,505	$ 83,504	$ 168,009

Single Audit and Other Required Reports

SINGLE AUDIT AND OTHER
REQUIRED REPORTS

CITY OF MANKATO
MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2017

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ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Mankato
Mankato, 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, the business-type activities, each major fund and the aggregate remaining fund information of the City of Mankato, Minnesota (the City) as of and for the year ended December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated June 25, 2018.

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

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

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.

Abdo Eick & Meyers, LLP

ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 25, 2018

100 Warren Street, Suite 600
P.O. Box 3166
Mankato, MN 56002-3166
507.625.2727 | Fax 507.388.9139

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

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 City Council
City of Mankato, Minnesota

We have audited, in accordance with the 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, the business-type activities, each major fund and the aggregate remaining fund information of the City of Mankato, Minnesota (the City), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 25, 2018.

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.

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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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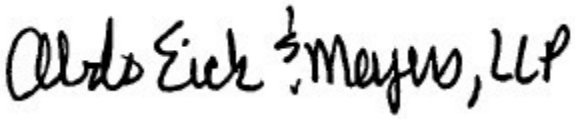
Purpose of this Report

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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 25, 2018

People + Process®
Going Beyond the Numbers

ABDO EICK & MEYERS LLP
Certified Public Accountants & Consultants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE

Honorable Mayor and City Council
City of Mankato
Mankato, Minnesota

Report on Compliance for Each Major Federal Program

We have audited the City of Mankato's, Minnesota (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2017. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

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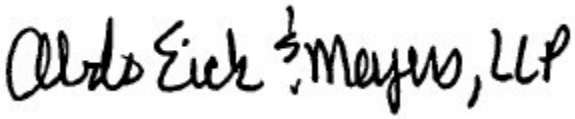
Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



ABDO, EICK & MEYERS, LLP
Mankato, Minnesota
June 25, 2018

People + Process. Going Beyond the Numbers

City of Mankato, Minnesota
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2017

Federal Grantor	Pass-Through Grantor	Program Title	Catalog of Federal Domestic Assistance Number	State or Other Contract Number	Total Federal Expenditures
U.S. Department of Housing and Urban Development	Minnesota Department of Trade and Economic Development	Community Development Block Grants - State's Program and Non-Entitlement Grants in Hawaii	14.228	CCGP-15-0005-Z-FY16	$ 263,439
U.S. Department of Housing and Urban Development		Shelter Care Plus	14.238		49,110
U.S. Department of Housing and Urban Development		Public and Indian Housing (Low Rent)	14.850	C-4119	129,865
U.S. Department of Housing and Urban Development		Section 8 Housing Choice Vouchers	14.871	C-4037V	2,598,561
U.S. Department of Housing and Urban Development		Public Housing Capital Fund (CFP)	14.872	MN46PO63501-15 MN46PO63501-16 MN46PO63501-17	277,134
U.S. Department of Housing and Urban Development		Public Housing Family Self-Sufficiency Under Resident Opportunity and Supportive Services	14.877		53,075
		Total U.S. Department of Housing and Urban Development			3,371,184
U.S. Department of Justice		Bulletproof Vest Partnership Program	16.607		7,342
U.S. Department of Justice	Minnesota Department of Public Safety	Public Safety Partnership and Community Policing Grants	16.710	2014-UM-WX-0093	70,000
		Total U.S. Department of Justice			77,342
U.S. Department of Transportation	Minnesota Department of Transportation	Airport Improvement Program	20.106	3-27-0055-20-13	172,430
U.S. Department of Transportation	Minnesota Department of Transportation	Highway Planning and Construction	20.205	TMN20505-201601	530,292
U.S. Department of Transportation	Minnesota Department of Transportation	Metropolitan Transportation Planning	20.505	TMN810010	281,658
U.S. Department of Transportation	Minnesota Department of Transportation	Public Transportation for Other Than Urbanized Areas	20.509	TMN85X007	517,500
U.S. Department of Transportation	Minnesota Department of Transportation	Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703		1,700
		Total U.S. Department of Transportation			1,503,580
U.S. Department of Environmental Protection Agency	Minnesota Public Facilities Authority	Capitalization Grants for Clean Water State Revolving Funds	66.458	MPFA-15-0041-R-FY16	59,895
U.S. Department of Health and Human Services	Minnesota Department of Human Services	Block Grants for Prevention and Treatment of Substance Abuse	93.959		1,200
	Total Expended				$ 5,013,201

Note 1: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Mankato, Minnesota, (the City) for the year ended December 31, 2017. The City's reporting entity is defined in Note 1A to the City's financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the schedule presents only a selected portion of operations of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

Note 2: Summary of Significant Accounting Policies for Expenditures

Expenditures reported on this schedule are reported on both the accrual basis and modified accrual basis of accounting.

Note 3: Pass-through Entity Identifying Numbers

Pass-through entity identifying numbers, if any, are presented where available.

Note 4: Subrecipients

No federal expenditures presented in this schedule were provided to subrecipients.

Note 5: Indirect Cost Rate

During the year ended December 31, 2017, the City did not elect to use the 10% de minimis indirect cost rate.

City of Mankato, Minnesota
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs	
Material weaknesses identified?	No
Significant deficiencies identified not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No

Identification of Major Programs/Projects	**CFDA No.**
Section 8 Housing Vouchers	14.871
Metropolitan Transportation Planning	20.505
Dollar threshold used to distinguish between Type A and Type B Programs	$ 750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

None

Section III - Major Federal Award Findings and Questioned Costs

There are no significant deficiencies, material weaknesses, or instances of noncompliance including questioned costs that are required to be reported in accordance with the Uniform Guidance.

2016-001 **Collateral Coverage**

Condition: Auditing of legal compliance requires a review of the City's deposits and investments. Our study indicated an instance of non-compliance that we believe is required to be remedied.

Criteria: In accordance with Minnesota Statute, section 118A.03, the City is required to have pledged collateral equal to 110 percent of the deposit not covered with insurance.

Cause: The City had $57,168 of deposits uncollateralized on December 31, 2016 due to the Civic Center deposits not having sufficient collateral.

Effect: The City is not in compliance with this statute.

Recommendation: We recommend the City establish a more specific understanding with the bank for the needed collateral. Ultimately, it is the City's responsibility to have adequate coverage regardless of the bank's process.

Management Response:

The Civic Center accountant will be keeping a work paper tracking tool for the collateral that allows them to easily see the amount they are insured. Each week when the bank balancing is done they will verify the collateral is at an appropriate level. If necessary, they will transfer up to $250,000 to the savings account to ensure proper coverage. If additional coverage is needed, it can be added in under 24 hours.

In addition, the monthly statements for pledged collateral, from First National Bank, will be sent to both the Director of Finance and the Civic Center Accountant. This will be done to assure that appropriate action may be taken should an absence occur.

Updated Progress Since Prior Year:

The City has sufficient collateral as of December 31, 2017.