



CITY OF  
*Otsego*  
MINNESOTA

**Comprehensive Annual Financial Report**  
For the Year Ended December 31, 2017





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# City of Otsego, Minnesota



## Comprehensive Annual Financial Report

For the Year Ended  
December 31, 2017

Adam Flaherty  
City Administrator

Prepared by:  
Finance Department

Member of the:

Government Finance Officers' Association  
of the United States and Canada



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May 21, 2018

Honorable Mayor and Members of the City Council  
City of Otsego

Transmitted herewith is the Comprehensive Annual Financial Report of the City of Otsego for the fiscal year ended December 31, 2017.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City following the policies and procedures specified by the City's system of internal control. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

To the best of our knowledge and belief, the enclosed data is accurate, in all material respects, and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures deemed necessary to enable the reader to gain an understanding of the City's financial activities have been included.

Minnesota Statutes require that the financial statements of the City be audited annually by the State Auditor or a Certified Public Accountant selected by the City Council. These financial statements have been audited by BerganKDV (the Auditors). The Auditors expressed an unmodified opinion on the financial statements, and their opinion letter is included as the first component within the financial section of this report.

The Auditors have also issued a number of other reports on compliance with Government Auditing Standards and Minnesota Legal Compliance. These reports have been issued under separate cover.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a 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 auditors.

## **PROFILE OF THE CITY**

The first town site in Otsego was originally platted in 1857 in what was once known as the Big Woods, heavily laden with deciduous trees, and interspersed with rivers, ponds, and prairies. The first settlers to the area were of European descent settling the area in 1852. On April 5, 1858, Otsego Township was established. The area remained a township until 1990 when it was incorporated into the City of Otsego to more fully serve its residents and to manage growth.

Otsego is located at the confluence of the Mississippi and Crow Rivers approximately thirty miles northwest of Minneapolis. The Mississippi River runs along the northern and eastern borders of the City and the Crow River runs along the southern border in the far eastern part of the City until it enters the Mississippi River.

The City is located in the northeast corner of Wright County and covers an area of about 30.5 square miles. The State Demographer's most recent population estimate was 16,019, compared with 6,389 from the 2000 US Census. Otsego is the fastest growing City in Wright County and outpaces growth in neighboring cities outside Wright County.

The City operates under the "Optional Plan A" form of government as defined in Minnesota Statutes. Under this plan, the government of the City is directed by a City Council consisting of an elected mayor and four elected councilmembers at large. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City. The mayor and councilmembers serve four year terms with two councilmembers elected to four year terms every two years. The mayor is also elected to a four year term.

The City provides its residents and businesses a full range of municipal services consisting of the construction & maintenance of highways, streets, and other infrastructure, park facilities, recreational opportunities, and general administrative services. The City services also provide public utilities including water, sanitary sewer and storm water services accounted for in enterprise funds. Police protection has been provided for more than 25 years through an agreement with the Wright County Sheriff's department which provides 40 hours of service each and every day. Fire suppression and emergency response services are provided through agreements with the neighboring cities of Albertville, Elk River and Rogers. Each agreement has geographical boundaries based upon response times, however; all three of the departments have great relationships and provide for mutual aid whenever the instance warrants.

Financial planning and control for the City of Otsego are based on the annual Operating Budget and the multi-year Capital Improvement Plan. Under Minnesota Statutes, a preliminary property tax levy must be adopted by the City Council no later than September 30th of each year for the ensuing year's collection. This establishes a maximum levy that may subsequently be lowered but may not be increased at time of final adoption. A ceiling on the increase of the annual property tax levy is established from time to time by the Minnesota Legislature. Such a limit was not in place for taxes payable 2017 and 2018.

Effective establishment of this levy means that a preliminary operating budget must be prepared. The City Administrator, with the assistance of the Finance Director and management staff, prepares such a budget each year and presents it along with the preliminary levy for City Council review. The City Council is required to adopt a final tax levy and annual budget each December for the subsequent year, which begins on January 1. Departments may make transfers of appropriations within their department. However, transfers of budget appropriations between departments needs authorization of the City Administrator. The legal level of budgetary control is at the fund level, so any appropriation transfers between funds needs the approval of the City Council.

In addition, a Capital Improvement Plan covering a ten year period is reviewed and revised during the annual budget process. This includes projects for which the City may issue debt and/or assess portions of the cost to adjacent or benefitting property owners. Because there are limited funds available each year and the City does not wish to issue excessive amounts of debt, these projects are reviewed and reprioritized each year.

## **ECONOMIC CONDITION**

Otsego continues to experience strong residential and commercial growth due to its ideal location. The City is 30 miles from downtown Minneapolis, the center of the Twin Cities metropolitan area and has excellent transportation access with Interstate 94 and State Highway 101. The City maintains a Comprehensive Plan document for land use and development to manage and encourage growth.

The residential growth can be expressed with the 210 new residential construction permits issued during 2017. The average number of new residential construction permits through the past five years is 203. The latest estimates from the State Demographer's office show total households at 5,580 or a growth of 23 percent since 2008.

The City is expecting for this trend in residential housing growth to continue into the future as well. There have been a number of builders continuing to develop properties and go through the final platting process. During 2017, there were more than 500 additional residential lots platted, with more than 100 for year-to-date 2018.

The taxable market value of property within the City increased \$166 million to a total of \$1,514,316,600 for taxes payable 2018. According to Wright County, for taxes payable 2018, there was approximately \$64 million of value added for new residential and commercial / industrial development. The remaining portion of the growth would be due to market driven factors. The increased taxable value translates into increased tax capacity and has allowed the City to maintain or slightly decrease the property tax rate in five consecutive years. The City's tax rate for payable 2018 is 36.556.

The City continued to see commercial development in 2017. Nystrom & Associates constructed an office building in the Waterfront East development.

During 2017, the City also approved its first multi-family housing project. Guardian Angels, a senior services provider started construction of a 142 unit senior housing project. This project is still under construction but is expected to be open in the fall of 2018. This project will be the first senior housing option in the community and will bring more than 100 jobs to the Otsego community.

In the fall of 2017, the City welcomed the opening of the third school within the City. Prairie View Elementary and Middle School will serve early childhood through 8<sup>th</sup> grade students from School District 728. The School District will begin an expansion project to this school, which is expected to begin in spring 2018.

Notable activity for 2018 includes an 80-acre industrial park which would create new industrial building sites including the ability to have outdoor storage, which is a use in high demand in the area. The City received a grant from the Minnesota Department of Employment and Economic Development to help facilitate the construction of urban standard streets to access the proposed industrial development.

## **LONG-TERM FINANCIAL PLANNING**

The City has adopted and annually updates a ten-year Capital Improvement Plan (CIP) to facilitate the growth and maintenance of public infrastructure, community facilities and capital equipment. Projects in the CIP demonstrate the importance of developing long range financial planning strategies to facilitate the growth and prosperity of the City. The process assists with both short and long range financial planning needs by:

- Prioritizing capital projects and equipment acquisitions
- Estimating resource needs and related cash flows
- Identifying adequate and sustainable funding sources

## **MAJOR INITIATIVES**

With all of the growth that has been experienced in Otsego, the major initiatives for the City are currently to build upon the infrastructure, services and amenities available in the community.

The City is near commencement for the construction of 85<sup>th</sup> Street and Maciver Avenue. This infrastructure project would extend the existing 85<sup>th</sup> Street from Nashua Avenue on a westerly course for roughly 1.50 miles. The project also includes the extension of existing Maciver Avenue from 80<sup>th</sup> Street on a northerly course to intersect the 85<sup>th</sup> street extension mentioned above. This route is especially important to the community as it will connect existing infrastructure to the new Prairie View Elementary and Middle School location. Construction of this project is expected to begin in the summer of 2018 and be completed in the summer of 2019.

The City Council and City staff participated in a strategic planning session in the spring of 2018. The sessions sought to develop a practical vision of what Otsego should be in three to five years, identify obstacles blocking the community from realizing that vision, and to define innovative substantial actions to address these obstacles. The outcome of the sessions included a two-year implementation plan and created a framework for an ongoing effort of what collectively (residents, businesses, staff, advisory commissions and City Council) needs to happen to move Otsego successfully into the future.

## **RELEVANT FINANCIAL POLICIES**

The City Council has approved a fund balance policy that established the minimum fund balance requirements of the General Fund at forty-five percent of the subsequent year's expenditures. The policy also includes the annual review of the fund balance reserves of all other funds and the criteria for the use of reserves. Reserve balances are reviewed annually as part of the budget/financial planning process and at the time the Capital Improvement Plan is approved by the City Council.

Financial management staff of the City of Otsego have developed and implemented internal controls designed to protect the City's assets from loss, abuse, theft or other misappropriation. These controls provide reasonable assurance of the safety of the City's assets while recognizing that management estimates and judgements as to the cost of such controls are also important to deriving maximum benefit from these controls.

Policies relating to investment of City funds, billing and collection of public utility charges, management of long term debt, purchasing, fund balances and general accounting procedures have been developed. In addition, goals and objectives have been established for internal and external financial reporting and for long-term financial planning strategies.

## **FINANCIAL REPORTING AWARD**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Otsego for its 2016 Comprehensive Annual Financial Report (CAFR). The City first applied for this award in 2012, and has received the award every year since.

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. The report must satisfy both accounting principles generally accepted in the United States and applicable federal, state and local legal requirements.

A Certificate of Achievement is valid for a period of one year. It is expected that the 2017 report conforms to the Certificate of Achievement program requirements. It will be submitted to the GFOA to determine the City's eligibility for another Certificate.

## **ACKNOWLEDGEMENTS**

The preparation of this report would not have been possible without the expertise and dedication of the City's staff. Further, the City Council's support to promote and sustain the highest standards of professionalism in the financial management of the City of Otsego are acknowledged and appreciated.

Respectfully submitted,



Adam Flaherty  
City Administrator & Finance Director



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**CITY OF OTSEGO, MINNESOTA**  
ELECTED OFFICIALS AND ADMINISTRATION

**ELECTED OFFICIALS**

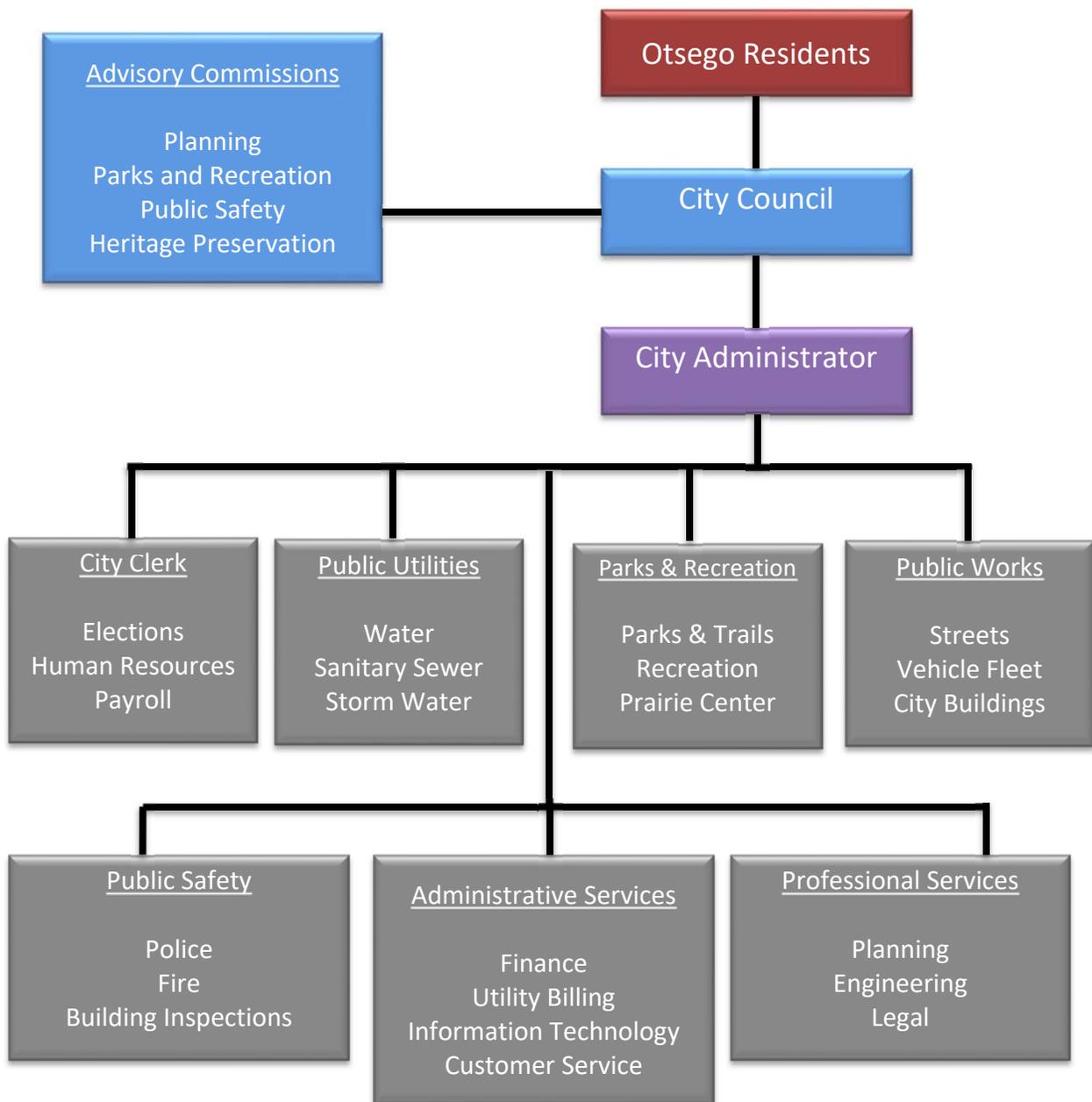
<u>Name</u>	<u>Position</u>	<u>Term Expires</u>
Jessica Stockamp	Mayor	December 31, 2020
Vern Heidner	Council Member	December 31, 2018
Tom Darkenwald	Council Member	December 31, 2018
Jason Warehime	Council Member	December 31, 2020
Corey Tanner	Council Member	December 31, 2020

**ADMINISTRATION**

<u>Name</u>	<u>Position</u>
Tami Loff	City Clerk
Adam Flaherty	City Administrator & Finance Director
Kevin Lamson	Public Works Supervisor
Ross Demant	Parks & Recreation Supervisor
Kurt Neidermeier	Public Utilities Supervisor
Andrew MacArthur	City Attorney
Daniel Licht	City Planner
Ron Wagner	City Engineer



# Organizational Chart





Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**City of Otsego  
Minnesota**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**December 31, 2016**

*Christopher P. Morill*

Executive Director/CEO

## Independent Auditor's Report

Honorable Mayor and Members  
of the City Council  
City of Otsego  
Otsego, Minnesota

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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



## **Opinions**

In our opinion, the financial statements referred to in the first paragraph 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 of Otsego, Minnesota, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgeting comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), 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.

### *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 and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.



## **Other Matters (Continued)**

### *Other Information (Continued)*

The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The supplementary information contains prior year comparative information taken from the City's 2016 financial statements. We also have previously audited, in accordance with auditing standards generally accepted in the United States of America, the City's basic financial statements for the year ended December 31, 2016, which are not presented with the accompanying financial statements. In our report dated May 24, 2017, we expressed unmodified opinions on the respective financial statements of governmental activities, business type activities, each major fund, and the aggregate remaining fund information. In our opinion, the 2016 supplementary information is fairly stated in all material respects in relation to the basic financial statements for the year ended December 31, 2016, taken as a whole.

The introductory section and statistical section 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 May 21, 2018, on our consideration of the City of Otsego's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Otsego's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "BerganKDV, Ltd." in a cursive, stylized font.

St. Cloud, Minnesota  
May 21, 2018

As management of the City of Otsego, Minnesota, (the City), we offer readers of the City's Comprehensive Annual Financial Report (CAFR), 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 on pages 1-6 of this CAFR.

### **Financial Highlights**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$75,992,623 (net position). Of this amount, \$29,017,754 (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 \$10,712,386 (16.41%) from the previous year. The net position of the governmental activities increased \$5,666,367 (16.60%). The City received contributed infrastructure from housing and industrial developers in the amount of \$1,280,932, which mostly consists of streets. The City also made an investment in public infrastructure totaling \$1,412,517, consisting of streets, trail systems and park additions. The business-type activities increased \$5,046,019 (16.21%), with the primary reason for the increase being fees received for new connections to the City's public utility system.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$16,401,130, which is an increase of \$3,461,358 (26.75%) from the previous year. This increase was primarily driven by the activity within the capital project funds. Of the total fund balance, \$3,013,041 (18.37%) is unassigned, which is free from any internal or external constraints upon its use.
- The General fund has a fund balance of \$3,890,645 at the close of the current fiscal year. During 2017, the fund balance increased \$244,443 (6.70%) from the previous year. The primary reason for the increase is that licenses and permits revenue exceeded budgeted expectations by \$574,484. In accordance with the City's fund balance policy, a transfer of \$1,074,567 was made to the Pavement Management fund. That policy indicates that any fund balance exceeding 45% of the subsequent years budget will be transferred, and set aside for future capital expenditures. There is \$317,197 (8.15%) of fund balance that is nonspendable, which is a combination of prepaid items and land held for resale. The remaining fund balance is either assigned, \$205,257 (5.28%) or is unassigned, \$3,368,191 (86.57%).
- The City's total outstanding bonded debt decreased by \$3,160,000 (9.26%) during the current fiscal year, to an ending amount of \$30,975,000. The decrease was the result of scheduled debt service payments.

### **Overview of the Financial Statements**

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

**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, liabilities and deferred inflows/outflows 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 City's overall financial position is stable, 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 the 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, special assessments and earned but unused personal time off).

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, culture & recreation, economic development, and interest on long-term debt. The business-type activities of the City include: water utility, sanitary sewer utility and storm water utility.

The government-wide financial statements can be found on pages 28 through 29 of this CAFR.

**Fund Financial Statements:** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. 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 financial 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 of the City's near-term financial decisions. Both the governmental funds balance sheet and governmental funds 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 20 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the following: General fund, the Debt Service Fund, and the Park Development Fund, which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements or schedules, elsewhere in this CAFR.

The City adopts an annual appropriated budget for the General Fund, the Debt Service Fund, and the Street Lighting and Revolving Loan special revenue funds. A budgetary comparison statement has been provided in the basic financial statements for the General fund.

The basic governmental fund financial statements can be found on pages 30 through 34 of this CAFR.

**Proprietary Funds:** Proprietary funds provide similar information to the government-wide financial statements, but in more detail. The City maintains one type of proprietary fund.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sanitary sewer and storm water utilities. All of the City's enterprise funds are considered to be major funds, and separate information is provided for each of them in the basic financial statements.

The basic proprietary fund financial statements can be found on pages 36 through 38 of this CAFR.

**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 fiduciary fund financial statements can be found on page 40 of this CAFR.

**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 on pages 41 through 65 of this CAFR.

**Other Information:** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information in relation to the City's net pension liability. The schedules can be found on pages 67 through 69 of this CAFR.

The combining statements referred to earlier in connection with nonmajor governmental funds and agency funds are presented immediately following the required supplementary information. Combining statements can be found on pages 72 through 106 of this CAFR.

**CITY OF OTSEGO, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2017**

**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 \$75,992,623 at the close of the most recent fiscal year.

The largest portion of the City's net position (\$42,001,333 or 55.27%) reflects its investment in capital assets, which includes: land, infrastructure, buildings, and machinery & equipment, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CITY OF OTSEGO - SUMMARY OF NET POSITION**

	Governmental Activities			Business-type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Current Assets	\$ 19,638,154	\$ 16,718,830	\$ 2,919,324	\$ 16,178,940	\$ 15,641,034	\$ 537,906
Capital Assets	28,875,268	27,614,559	1,260,709	44,839,688	42,338,114	2,501,574
Total Assets	<u>48,513,422</u>	<u>44,333,389</u>	<u>4,180,033</u>	<u>61,018,628</u>	<u>57,979,148</u>	<u>3,039,480</u>
Deferred Outflows of Resources	331,471	551,448	(219,977)	86,308	127,317	(41,009)
Long-term Liabilities	7,371,260	8,748,903	(1,377,643)	22,499,723	24,724,575	(2,224,852)
Other Liabilities	1,457,750	1,836,587	(378,837)	2,367,112	2,207,509	159,603
Total Liabilities	<u>8,829,010</u>	<u>10,585,490</u>	<u>(1,756,480)</u>	<u>24,866,835</u>	<u>26,932,084</u>	<u>(2,065,249)</u>
Deferred Inflows of Resources	207,367	157,198	50,169	53,994	36,293	17,701
Net Investment in Capital Assets	21,496,582	19,103,702	2,392,880	20,504,751	15,889,294	4,615,457
Restricted	4,973,536	4,292,589	680,947	-	-	-
Unrestricted	13,338,398	10,745,858	2,592,540	15,679,356	15,248,794	430,562
Total Net Position	<u>\$ 39,808,516</u>	<u>\$ 34,142,149</u>	<u>\$ 5,666,367</u>	<u>\$ 36,184,107</u>	<u>\$ 31,138,088</u>	<u>\$ 5,046,019</u>

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 government as a whole, as well as for its separate governmental and business-type activities.

A portion of the City's net position (6.54%) represents resources that are subject to external restrictions on how they may be used. The unrestricted portion (38.18%) may be used to meet the City's ongoing obligations to citizens and creditors.

The governmental activities had the largest fluctuations in current assets and long-term liabilities. During 2017, the City saw a significant increase in residential development activity, which generates revenues such as park dedication fees and collector street access fees which are currently in cash assets. These revenues will be used to offset future expenditures for park and street infrastructure. The City made scheduled principal payments in the amount of \$1,125,000 and issued no new long-term debt, therefore decreasing the respective liability.

The business-type activities had a large fluctuation in long-term liabilities and capital assets. During 2017, the City made scheduled principal payments in the amount of \$2,035,000. The City received contributed infrastructure from housing and commercial developers totaling \$2,014,293 for a combination of water, sanitary sewer and storm water utility assets.

**CITY OF OTSEGO - CHANGES IN NET POSITION**

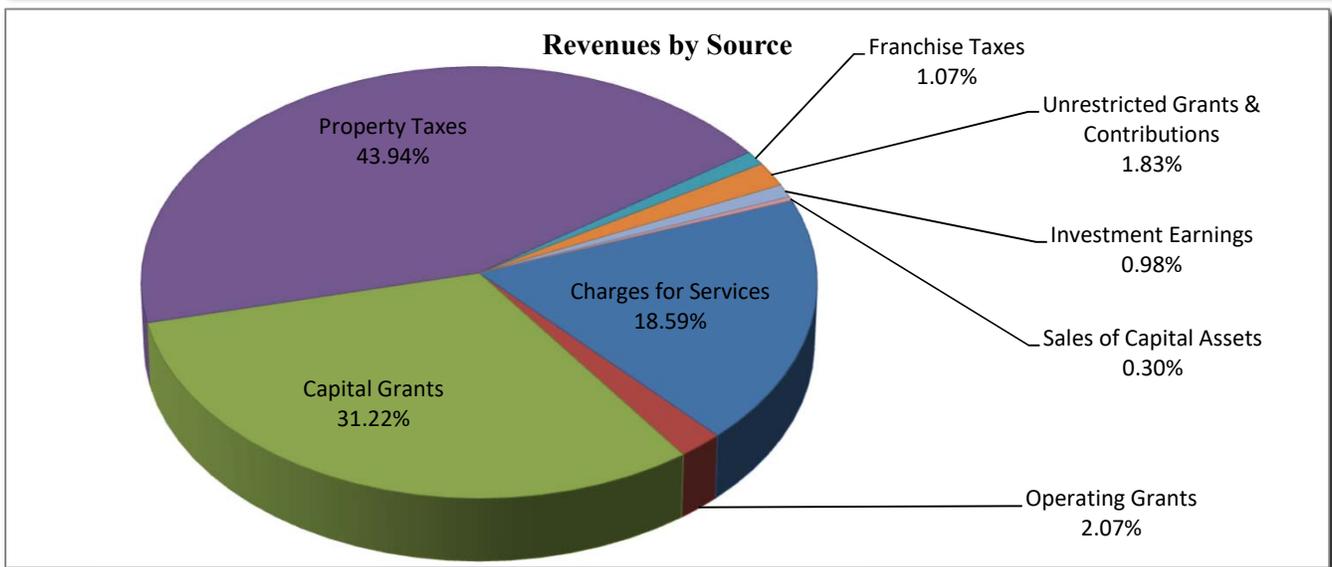
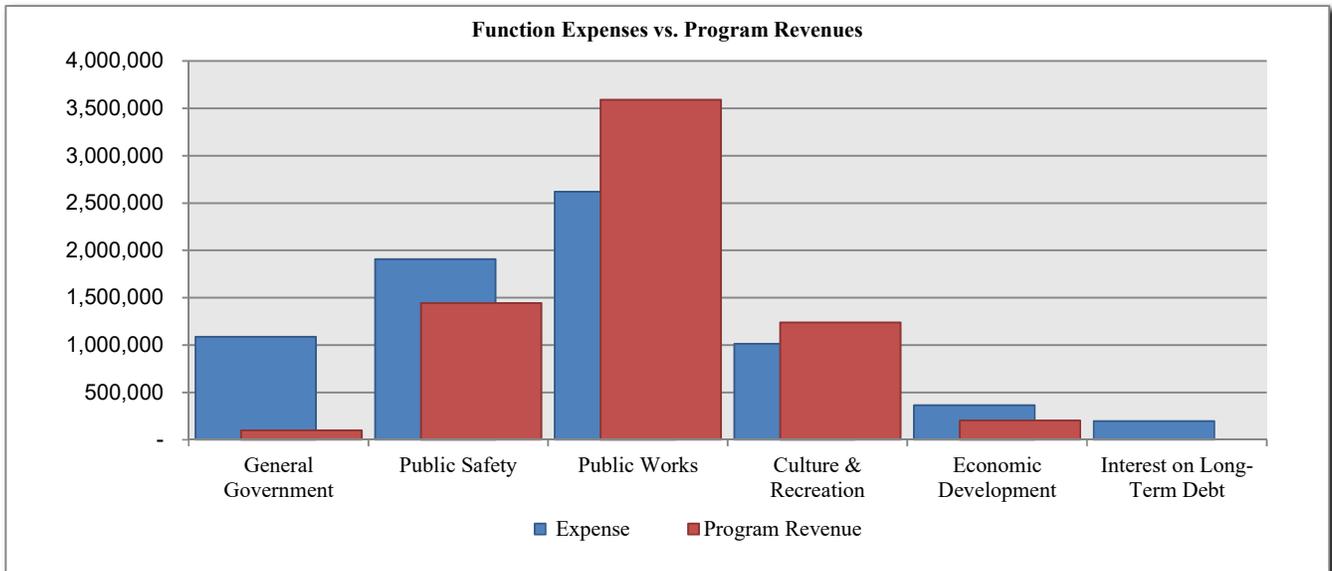
	Governmental Activities			Business-type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
<b>Program Revenues</b>						
Charges for Services	\$ 2,357,111	\$ 2,475,470	\$ (118,359)	\$ 3,368,113	\$ 3,011,546	\$ 356,567
Operating Grants and Contributions	261,814	248,910	12,904	-	-	-
Capital Grants and Contributions	3,957,672	4,437,611	(479,939)	5,591,332	4,766,947	824,385
<b>General Revenues</b>						
Property Taxes	5,572,250	4,963,787	608,463	25,000	25,000	-
Franchise Taxes	135,652	131,229	4,423	-	-	-
Grants and Contributions not Restricted to Specific Programs	231,683	255,951	(24,268)	-	-	-
Unrestricted Investment Earnings	124,052	82,385	41,667	154,321	129,442	24,879
Other General Revenues	38,373	31,160	7,213	-	-	-
<b>Total Revenues</b>	<b>12,678,607</b>	<b>12,626,503</b>	<b>52,104</b>	<b>9,138,766</b>	<b>7,932,935</b>	<b>1,205,831</b>
<b>Expenses</b>						
General Government	1,085,554	1,376,793	(291,239)	-	-	-
Public Safety	1,906,843	1,846,459	60,384	-	-	-
Public Works	2,618,584	3,389,909	(771,325)	-	-	-
Culture and Recreation	1,013,252	847,553	165,699	-	-	-
Economic Development	365,768	302,296	63,472	-	-	-
Interest on Long-term Debt	197,282	223,938	(26,656)	-	-	-
Water Utility	-	-	-	1,377,537	1,276,338	101,199
Sanitary Sewer Utility	-	-	-	2,477,995	2,480,519	(2,524)
Storm Water Utility	-	-	-	62,172	42,342	19,830
<b>Total Expenses</b>	<b>7,187,283</b>	<b>7,986,948</b>	<b>(799,665)</b>	<b>3,917,704</b>	<b>3,799,199</b>	<b>118,505</b>
Increase (Decrease) Before Transfers	5,491,324	4,639,555	851,769	5,221,062	4,133,736	1,087,326
Transfers	195,686	186,755	8,931	(195,686)	(186,755)	(8,931)
Transfers - Capital Assets	(20,643)	(162,876)	142,233	20,643	162,876	(142,233)
Change in Net Position	5,666,367	4,663,434	1,002,933	5,046,019	4,109,857	936,162
Net Position - January 1	34,142,149	29,478,715	4,663,434	31,138,088	27,028,231	4,109,857
Net Position - December 31	<b>\$ 39,808,516</b>	<b>\$ 34,142,149</b>	<b>\$ 5,666,367</b>	<b>\$ 36,184,107</b>	<b>\$ 31,138,088</b>	<b>\$ 5,046,019</b>

**Governmental Activities**

Governmental activities resulted in an increase of the City's net position by \$5,666,367. Key elements of this change is as follows:

- Revenues increased \$52,104 (0.41%) from the previous year; however, these revenues exceeded expenses by \$5,491,324. Typical of new development within the City, the expenses to support that new development, whether operating or capital will lag behind the initial revenue stream. Revenues such as park dedication fees and collector street access fees will be used to offset future capital investments within the City's parks, trails and street infrastructure system.
- Expenses decreased \$799,665 (10.01%) from the previous year. This decrease is the result of fewer capital project expenditures during 2017 compared to the prior year. The City's capital project expenditures can vary greatly in an given year depending on both the quantity and type of project being undertaken that year.

Below are specific graphs which provide comparisons of the governmental activities revenues and expenses:

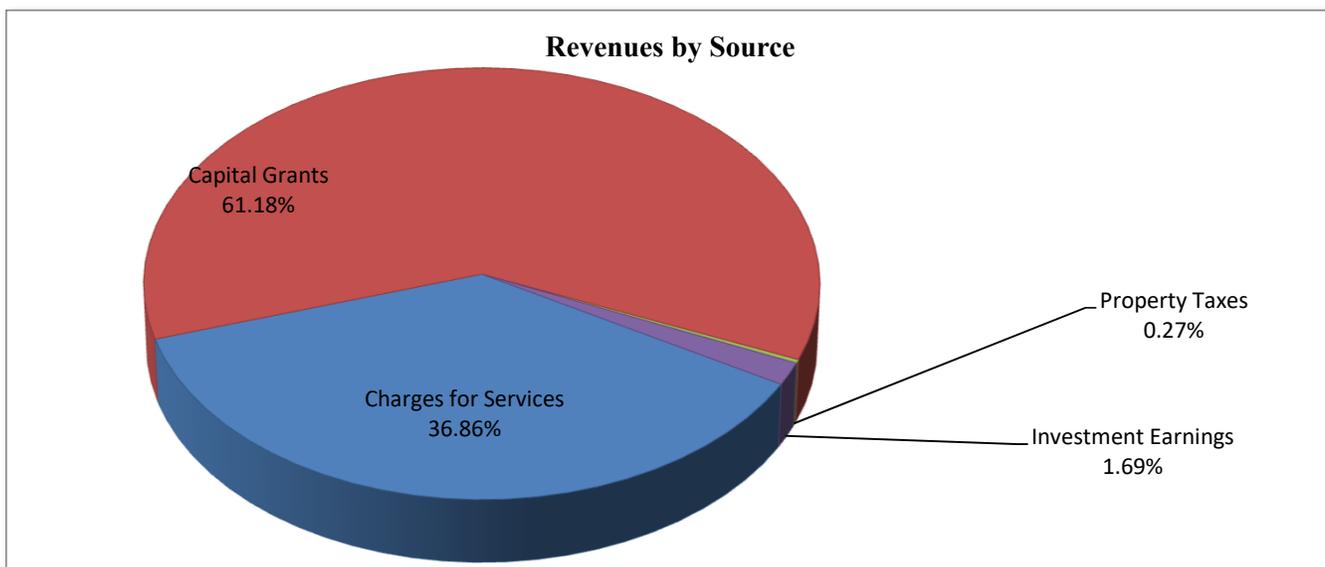
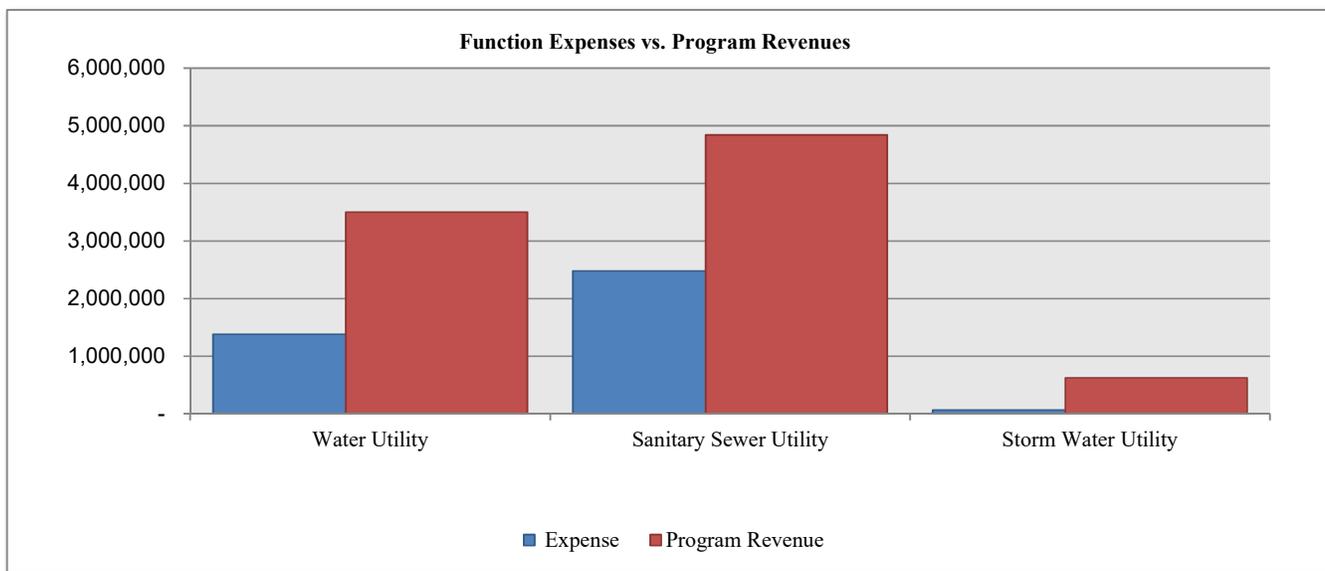


**Business-type Activities**

Business-type activities resulted in an increase of net position by \$5,046,019. Key elements of this change are as follows:

- Revenues increased \$1,205,831 (15.20%) from the prior year, with this increase being the result of three significant factors, 1) fees collected on new connections to the public utility system; 2) the operating revenues from new customers on the public utility system; and 3) infrastructure contributions from housing and industrial developers.
- Expenses increased \$118,505 (3.12%) from the prior year. Typical of new development activity, the expenses will lag behind the revenue sources but will increase as customer growth drives operational expense and either maintenance or capacity drive capital equipment and infrastructure related expense.

Below are specific graphs which provide comparisons of the business-type activities revenues and expenses:



### **Financial Analysis of the Government's Funds**

**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 useful measure of a government's net resources available at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$16,401,130, which is an increase of \$3,461,358 (26.75%) from the previous year. The unassigned fund balance, which is not subject to internal or external constraints upon its use, is \$3,013,041 (18.37% of total).

#### ***Major Funds***

The General fund is the primary operating fund of the City. At the end of the current fiscal year, total fund balance is \$3,890,645, an increase of \$244,443 (6.70%). The increase in fund balance was the result of the following factors: 1) licenses and permits exceeding the budgeted by \$574,484; 2) charges for services exceeding the budget by \$170,190; 3) the City receiving land assets contributed from developers of \$202,200; and 4) total expenditures being less than budgeted by \$308,238. The offset to the budget surplus was a transfer out of \$1,074,567 in accordance with the City's fund balance policy. As a measure of the General fund's liquidity, it may be useful to compare both unassigned and total fund balance, to total fund expenditures. The unassigned fund balance, which is \$3,368,191, represents 71.17% of the current year General fund expenditures. Total General fund balance represents 82.21% of those same expenditures. Both of these are improvements over the prior year.

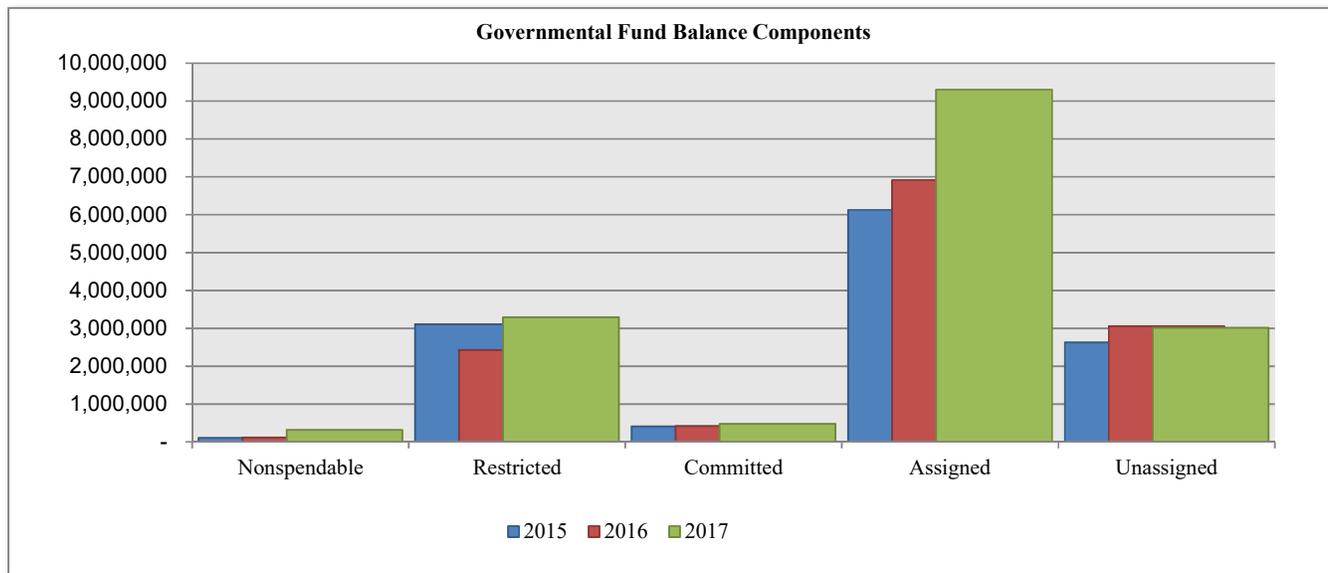
The Debt Service fund has a total fund balance of \$1,914,887 at the end of the year, a decrease of \$18,870 (0.98%) from the previous year. The City retired \$1,125,000 of principal on the outstanding bonded debt during 2017.

The Park Development fund has a total fund balance of \$1,377,188 at the end of 2017. This was an increase of \$878,088 (175.93%) over the prior year. The increase was the result of significant development activity during the year. When new development is created, the City will sometimes collect park dedication fees in lieu of land dedication. During 2017, this revenue source accounted to \$1,165,374 and will be used for future park infrastructure.

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

The enterprise funds have a combined ending net position of \$36,184,107, an increase of \$5,046,019 (16.21%). There are two components to net position in the enterprise funds, unrestricted (\$15,679,356 or 43.33%) and net investment in capital assets (\$20,504,751 or 56.67%). As a measure of liquidity, the unrestricted net position amounts to 516.52% of the current year operating expenses. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

Below is a graph with comparative amounts for each fund balance component for fiscal years 2015, 2016 and 2017:



The City's Unassigned fund balance represents 18.37% of total governmental fund balance. The City also has four other components of fund balance, including Nonspendable (1.94%), Restricted (20.06%), Committed (2.90%) and Assigned (56.73%).

- Nonspendable fund balance represents the amount of assets the City has invested in prepaid items and land assets held for resale. This fund balance component can largely fluctuate with the timing of certain payments (e.g. insurance premiums) and the net realizable value of the land assets being held by the City for future resale.
- The City's restricted fund balance is the result of external constraints placed upon it. The source of that constraint includes debt service and park development. The debt service component has decreased slightly over the past three years as the bonds payable balance has declined, while the park dedication component has increased due to revenues exceeding expenditures.
- The committed fund balances are within the City's special revenue funds for Street Lighting and Revolving Loans. This fund balance component has stayed consistent over the past three years.
- Assigned fund balances are primarily associated with the City's capital project funds. The fund balance in this component has been increasing each of the past three years, and is the result of the City accumulating resources for future capital improvement projects and capital equipment purchases.

A more detailed breakdown of the fund balance components can be found in the basic financial statements and accompanying financial statement footnotes.

**General Fund Budgetary Highlights**

During the year, there were no amendments to the General fund budget. The budgeted revenues and expenditures resulted in no change in fund balance. Actual results for the fiscal year were an increase of \$244,443 (6.70%). The key elements of this change are as follows:

- Actual revenues exceeded the budget by \$1,010,467 (20.68%). The largest revenue variance was provided by licenses and permits, which were over budget by \$574,484. The City has routinely budgeted for building permits at a conservative number ever since the housing crash in the late 2000's. During 2017, there were 210 new residential construction permits issued. Other revenue variances included \$202,200 for land assets contributed to the City; and \$170,190 within charges for services.
- Actual expenditures were less than budget by \$308,238 (6.12%). The largest variance was within the general government function, and was primarily the result of combined staffing for the City Administrator & Finance Director positions. Other general government departments that were under budget include: city council, administration, information technology and legal. The public works function also had a large variance, and was under budget by \$80,763.
- Transfers in resulted in no variance from the budget. These transfers are from the Water and Sanitary Sewer utility funds, and are annual contributions to help manage the property tax levy.
- Transfers out were not budgeted for during 2017. The actual transfer out of \$1,074,567 is in accordance with the City's fund balance policy. That policy outlines that any General fund balance exceeding 45% of the subsequent year's expenditure budget will be transferred, and assigned for future capital items.

The ending unassigned fund balance of the General fund (\$3,368,191) represents 62.63% of the adopted 2018 budget.

**Capital Asset and Debt Administration**

**Capital Assets:** The City's investment in capital assets for its governmental and business-type activities at the end of the current year, amounts to \$73,714,956 (net of accumulated depreciation). This investment in capital assets includes: land, buildings, street and utility infrastructure, parks equipment, trails, machinery and equipment and construction in progress. The City's investment in capital assets increased \$3,762,283 (5.38%) from the previous year.

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

- The City updated its machinery & equipment fleet with several new pieces of equipment. The majority of these acquisitions were replacements of existing assets, however; a few items were new assets. These assets include: 1) three light/medium duty trucks; 2) front-end loader; 3) compact utility tractor; and 4) asphalt roller.
- The City received contributed infrastructure from housing and industrial developers. These assets include: streets, trail systems, and public utility infrastructure. These assets are paid for and installed by the developer, are inspected by the City Engineer to City standards, and are later accepted by the City, who is responsible for future maintenance and replacement.
- A street renewal project was completed on 85th Street between CSAH 42 and Page Avenue. This stretch of roadway was one of the first collector street sections within the City and is the most heavily travelled section of City roadway.
- Water Tower #1 received both interior and exterior rehabilitation. With increasing demand on the City's water utility system, the City needed to improve the interior structure to safely hold drinking water. The exterior of the tower received a new coat of paint that also displays the newer version of the City's logo.
- Within the City's west public water system, an extension of watermain along Kadler Avenue made a connection between 70th Street and the existing well and pumphouse located near Riverwood National golf course.
- A road extension project was initiated that will extend 85th Street from Nashua Avenue to the west for approximately 1.50 miles and will extend Maciver Avenue from 80th Street to the north for approximately 0.50 miles. This important road corridor has been in the planning stages for many years, and when completed will provide an important east-west travel route, and will provide easier access to the new Prairie View Elementary and Middle School.
- A road improvement project was initiated on Kadler Avenue. The improvement project will improve the current gravel roadway to an urban style collector street capable of handling the volume and type of traffic associated with the proposed industrial park.

**CITY OF OTSEGO - CAPITAL ASSETS**  
*(net of depreciation)*

	Governmental Activities			Business-type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
Land	\$ 2,046,664	\$ 1,959,823	\$ 86,841	\$ 631,739	\$ 550,079	\$ 81,660
Construction in Progress	560,302	2,267,436	(1,707,134)	1,153,177	2,522,568	(1,369,391)
Buildings and Improvements	4,702,865	4,818,512	(115,647)	-	-	-
Land Improvements	3,208,993	2,710,260	498,733	-	-	-
Machinery and Equipment	1,499,549	1,518,206	(18,657)	887,199	271,381	615,818
Infrastructure	16,856,895	14,340,322	2,516,573	42,167,573	38,994,086	3,173,487
	<u>\$ 28,875,268</u>	<u>\$ 27,614,559</u>	<u>\$ 1,260,709</u>	<u>\$ 44,839,688</u>	<u>\$ 42,338,114</u>	<u>\$ 2,501,574</u>

Additional information on the City's capital assets can be found in Note 3 (B) on pages 52 through 53 of this CAFR.

**Long-Term Debt:** At the end of the current year, the City had outstanding long-term bonded debt of \$30,975,000.

**CITY OF OTSEGO - OUTSTANDING DEBT**

	Governmental Activities			Business-type Activities		
	2017	2016	Increase (Decrease)	2017	2016	Increase (Decrease)
General Obligation Bonds	\$ 7,265,000	\$ 8,345,000	\$ (1,080,000)	\$ -	\$ -	\$ -
Equipment Certificates	85,000	130,000	(45,000)	-	-	-
General Obligation Revenue Bonds	-	-	-	23,625,000	25,660,000	(2,035,000)
Unamortized Premiums	28,686	35,857	(7,171)	709,937	788,820	(78,883)
Compensated Absences	79,474	71,167	8,307	14,043	11,506	2,537
Total	<u>\$ 7,458,160</u>	<u>\$ 8,582,024</u>	<u>\$ (1,123,864)</u>	<u>\$ 24,348,980</u>	<u>\$ 26,460,326</u>	<u>\$ (2,111,346)</u>

Revenue streams for the repayment of the outstanding debt liabilities include: special assessments upon benefitting properties, fees from new connections to the water and sanitary sewer utility systems, and property tax levies. Should any of these sources of revenues prove inadequate, all outstanding bonds are backed by the full faith and credit of the City.

The City did not issue any bonds during 2017, and made principal payments in the amount of \$3,160,000, which reduced the total outstanding long-term debt by 9.26% from the previous year.

The City's bond rating is AA, with a stable outlook from Standard & Poor's Ratings Services.

State statutes limit the amount of general obligation debt a Minnesota city may issue to 3% of total Estimated Market Value. The current debt limitation for the City is \$40,449,402, with \$3,782,338 in debt outstanding that is applicable to the limit.

Additional information on the City's long-term debt can be found in Note 3 (E) on pages 56 through 58 of this CAFR.

**Economic Factors and Next Year's Budget and Rates**

The following economic factors were identified by the City as potentially having an impact on the financial future of the City, and were considered in preparation of the 2018 operating budgets and capital improvement plans.

- The Taxable Market Value of real estate and personal property within the City increased 12.31% for taxes payable 2018. This increase is driven by both new construction within the City as well as market driven valuation increases.
- New construction in the residential sector continues within the City. During 2017, the City issued 210 building permits for new residential construction. The City also continues to see builders final platting new developments for future years construction.
- The City had significant real estate activity within the Waterfront East development. During 2017, Nystrom & Associates completed construction and celebrated the grand opening of their new office building. Also in 2017, Guardian Angels Senior Services began construction of a 142 unit senior housing project. This will be the first senior housing option in the City and is expected to be ready for occupancy in the fall of 2018.
- In the fall of 2017, the City welcomed the opening of the third school within the City. Prairie View Elementary and Middle School will provide public education opportunities from early childhood through 8th grade within School District 728. The School District, in the spring of 2018 has broken ground on an expansion project to this school, which is indicative of the population growth in the City.
- The City is in the project design and specification stages of a road improvement project to Kadler Avenue. This project became a priority to the City in 2017 when approached with an industrial park development covering approximately 80 acres. This development will provide additional developable lots within industrial zoning districts which will increase both employment opportunities and the taxable market value in the City. The City has obtained \$704 thousand in grant dollars from MN DEED to help finance this project.
- The City continues to expand upon and make improvements to the Capital Improvement Plan (CIP). The adopted CIP for 2018 plans for capital purchasing ten years into the future. These long range planning efforts assure that the City is always looking into the future and that the City is adequately planning from a financial resources standpoint.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Otsego's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the: Finance Director, 13400 90th Street NE, Otsego, MN 55330.



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**CITY OF OTSEGO, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2017**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash and Investments	\$ 15,768,068	\$ 15,308,718	\$ 31,076,786
Receivables			
Interest	95,675	-	95,675
Accounts	25,008	385,188	410,196
Taxes	83,556	-	83,556
Special Assessments	2,542,823	428,017	2,970,840
Due from Other Governments	804,502	16,846	821,348
Land Held for Resale	202,200	-	202,200
Prepaid Items	116,322	40,171	156,493
Capital Assets			
Nondepreciable	2,606,966	1,784,916	4,391,882
Depreciable, Net of Accumulated Depreciation	26,268,302	43,054,772	69,323,074
Total Assets	<u>48,513,422</u>	<u>61,018,628</u>	<u>109,532,050</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
General Employees Retirement Plan Pension Resources	331,471	86,308	417,779
Total Deferred Outflows of Resources	<u>331,471</u>	<u>86,308</u>	<u>417,779</u>
<b>LIABILITIES</b>			
Accounts Payable	152,596	146,891	299,487
Due to Other Governments	25,195	722	25,917
Accrued Salaries Payable	47,760	12,965	60,725
Accrued Interest Payable	56,304	73,726	130,030
Compensated Absences Payable			
Due Within One Year	15,895	2,808	18,703
Due in More than One Year	63,579	11,235	74,814
Bonds Payable			
Due Within One Year	1,160,000	2,130,000	3,290,000
Due in More than One Year	6,218,686	22,204,937	28,423,623
General Employees Retirement Plan Net Pension Payable	1,088,995	283,551	1,372,546
Total Liabilities	<u>8,829,010</u>	<u>24,866,835</u>	<u>33,695,845</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
General Employees Retirement Plan Pension Resources	207,367	53,994	261,361
Total Deferred Inflows of Resources	<u>207,367</u>	<u>53,994</u>	<u>261,361</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	21,496,582	20,504,751	42,001,333
Restricted			
Debt Service	3,596,348	-	3,596,348
Park Development	1,377,188	-	1,377,188
Unrestricted	13,338,398	15,679,356	29,017,754
Total Net Position	<u>\$ 39,808,516</u>	<u>\$ 36,184,107</u>	<u>\$ 75,992,623</u>

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

CITY OF OTSEGO, MINNESOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges For Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Government Activities</b>							
General Government	\$ 1,085,554	\$ 100,125	\$ -	\$ -	\$ (985,429)	\$ -	\$ (985,429)
Public Safety	1,906,843	1,384,626	60,239	-	(461,978)	-	(461,978)
Public Works	2,618,584	805,248	196,495	2,590,098	973,257	-	973,257
Culture and Recreation	1,013,252	67,112	5,080	1,165,374	224,314	-	224,314
Economic Development	365,768	-	-	202,200	(163,568)	-	(163,568)
Interest on Long-Term Debt	197,282	-	-	-	(197,282)	-	(197,282)
Total Government Activities	<u>7,187,283</u>	<u>2,357,111</u>	<u>261,814</u>	<u>3,957,672</u>	<u>(610,686)</u>	<u>-</u>	<u>(610,686)</u>
<b>Business-Type Activities</b>							
Water Utility	1,377,537	1,529,127	-	1,973,489	-	2,125,079	2,125,079
Sanitary Sewer Utility	2,477,995	1,744,067	-	3,091,395	-	2,357,467	2,357,467
Storm Water Utility	62,172	94,919	-	526,448	-	559,195	559,195
Total Business-Type Activities	<u>3,917,704</u>	<u>3,368,113</u>	<u>-</u>	<u>5,591,332</u>	<u>-</u>	<u>5,041,741</u>	<u>5,041,741</u>
Total	<u>\$ 11,104,987</u>	<u>\$ 5,725,224</u>	<u>\$ 261,814</u>	<u>\$ 9,549,004</u>	<u>(610,686)</u>	<u>5,041,741</u>	<u>4,431,055</u>
<b>General Revenues</b>							
Property Taxes					5,572,250	25,000	5,597,250
Franchise Taxes					135,652	-	135,652
Grants and Contributions Not Restricted to Specific Programs					231,683	-	231,683
Unrestricted Investment Earnings					124,052	154,321	278,373
Gain on Disposal of Capital Assets					38,373	-	38,373
Transfers					195,686	(195,686)	-
Transfers - Capital Assets					(20,643)	20,643	-
Total General Revenues and Transfers					<u>6,277,053</u>	<u>4,278</u>	<u>6,281,331</u>
Change in Net Position					5,666,367	5,046,019	10,712,386
Net Position - January 1					<u>34,142,149</u>	<u>31,138,088</u>	<u>65,280,237</u>
Net Position - December 31					<u>\$ 39,808,516</u>	<u>\$ 36,184,107</u>	<u>\$ 75,992,623</u>

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

**CITY OF OTSEGO, MINNESOTA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2017**

	General	Debt Service	Park Development	Other Nonmajor Governmental	Total Governmental
<b>ASSETS</b>					
Cash and Investments	\$ 3,570,019	\$ 1,940,381	\$ 1,386,648	\$ 8,871,020	\$ 15,768,068
Receivables					
Interest	95,675	-	-	-	95,675
Accounts	4,600	-	-	20,408	25,008
Taxes					
Current	44,993	-	-	-	44,993
Delinquent	38,563	-	-	-	38,563
Special Assessments					
Current	-	-	-	702	702
Deferred	6,054	1,733,452	-	792,224	2,531,730
Delinquent	518	4,313	-	5,560	10,391
Due from Other Governments	2,390	-	-	802,112	804,502
Due from Other Funds	17,178	-	-	716,586	733,764
Land Held for Resale	202,200	-	-	-	202,200
Prepaid Items	114,997	1,325	-	-	116,322
<b>Total Assets</b>	<b>4,097,187</b>	<b>3,679,471</b>	<b>1,386,648</b>	<b>11,208,612</b>	<b>20,371,918</b>
<b>LIABILITIES</b>					
Accounts Payable	88,452	1,785	9,460	52,899	152,596
Accrued Salaries Payable	47,760	-	-	-	47,760
Due to Other Governments	25,195	-	-	-	25,195
Due to Other Funds	-	25,034	-	708,730	733,764
<b>Total Liabilities</b>	<b>161,407</b>	<b>26,819</b>	<b>9,460</b>	<b>761,629</b>	<b>959,315</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Unavailable Revenue - Property Taxes	38,563	-	-	-	38,563
Unavailable Revenue - Special Assessments	6,572	1,737,765	-	797,784	2,542,121
Unavailable Revenue - Intergovernmental	-	-	-	430,789	430,789
<b>Total Deferred Inflows of Resources</b>	<b>45,135</b>	<b>1,737,765</b>	<b>-</b>	<b>1,228,573</b>	<b>3,011,473</b>
<b>FUND BALANCES</b>					
Nonspendable	317,197	1,325	-	-	318,522
Restricted	-	1,913,562	1,377,188	-	3,290,750
Committed	-	-	-	474,863	474,863
Assigned	205,257	-	-	9,098,697	9,303,954
Unassigned (Deficits)	3,368,191	-	-	(355,150)	3,013,041
<b>Total Fund Balances</b>	<b>3,890,645</b>	<b>1,914,887</b>	<b>1,377,188</b>	<b>9,218,410</b>	<b>16,401,130</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<b>\$ 4,097,187</b>	<b>\$ 3,679,471</b>	<b>\$ 1,386,648</b>	<b>\$ 11,208,612</b>	<b>\$ 20,371,918</b>

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

**CITY OF OTSEGO, MINNESOTA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2017**

Fund Balances - Governmental Funds	\$	16,401,130
Amounts reported for the governmental activities within the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported as assets in governmental funds.		
Cost of Capital Assets		40,849,850
Accumulated Depreciation		(11,974,582)
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore, are not reported as liabilities in governmental funds.		
Bonds Payable		(7,350,000)
Unamortized Premium on Bonds Payable		(28,686)
Accrued Interest Payable		(56,304)
Compensated Absences Payable		(79,474)
GERF Pension Payable		(1,088,995)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore, are unavailable in governmental funds.		
Delinquent Property Taxes Receivable		38,563
Special Assessments Receivable		2,542,121
Due from Other Governments		430,789
Deferred resources from pensions reported in governmental activities are not financial resources and are not payable in the current period, therefore are not reported in governmental funds.		
GERF Pension Deferred Outflows of Resources		331,471
GERF Pension Deferred Inflows of Resources		(207,367)
Total Net Position - Governmental Activities	\$	39,808,516

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

**CITY OF OTSEGO, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	General	Debt Service	Park Development	Other Nonmajor Governmental	Total Governmental
<b>REVENUES</b>					
Property Taxes	\$ 3,756,375	\$ 655,000	\$ -	\$ 1,183,745	\$ 5,595,120
Franchise Taxes	135,652	-	-	-	135,652
Licenses and Permits	1,363,384	-	-	-	1,363,384
Intergovernmental	74,080	-	-	1,019,074	1,093,154
Charges for Services	275,740	-	1,165,374	688,400	2,129,514
Special Assessments	8,495	612,145	-	113,882	734,522
Fines and Forfeitures	21,092	-	-	-	21,092
Investment Earnings (net)	31,343	-	13,102	79,607	124,052
Miscellaneous	229,829	-	-	65,080	294,909
Total Revenues	<u>5,895,990</u>	<u>1,267,145</u>	<u>1,178,476</u>	<u>3,149,788</u>	<u>11,491,399</u>
<b>EXPENDITURES</b>					
Current					
General Government	1,072,195	-	-	-	1,072,195
Public Safety	1,886,661	-	-	-	1,886,661
Public Works	1,055,965	-	-	10,384	1,066,349
Culture and Recreation	587,739	-	-	-	587,739
Economic Development	113,579	-	-	82,137	195,716
Capital Outlay					
General Government	7,382	-	-	19,596	26,978
Public Safety	8,806	-	-	-	8,806
Public Works	-	-	-	1,530,825	1,530,825
Culture and Recreation	-	-	300,388	123,808	424,196
Economic Development	-	-	-	170,052	170,052
Debt Service					
Principal	-	1,125,000	-	-	1,125,000
Interest	-	206,748	-	-	206,748
Fiscal Agent Fees	-	3,267	-	-	3,267
Total Expenditures	<u>4,732,327</u>	<u>1,335,015</u>	<u>300,388</u>	<u>1,936,802</u>	<u>8,304,532</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,163,663</u>	<u>(67,870)</u>	<u>878,088</u>	<u>1,212,986</u>	<u>3,186,867</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	155,042	49,000	-	1,074,567	1,278,609
Sales of Capital Assets	305	-	-	78,500	78,805
Transfers Out	<u>(1,074,567)</u>	<u>-</u>	<u>-</u>	<u>(8,356)</u>	<u>(1,082,923)</u>
Total Other Financing Sources (Uses)	<u>(919,220)</u>	<u>49,000</u>	<u>-</u>	<u>1,144,711</u>	<u>274,491</u>
Net Change in Fund Balance	244,443	(18,870)	878,088	2,357,697	3,461,358
Fund Balance - January 1	<u>3,646,202</u>	<u>1,933,757</u>	<u>499,100</u>	<u>6,860,713</u>	<u>12,939,772</u>
Fund Balance - December 31	<u>\$ 3,890,645</u>	<u>\$ 1,914,887</u>	<u>\$ 1,377,188</u>	<u>\$ 9,218,410</u>	<u>\$ 16,401,130</u>

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

**CITY OF OTSEGO, MINNESOTA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2017**

Total Net Change in Fund Balances - Governmental Funds	\$ 3,461,358
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives as depreciation.	
Capital Outlays	1,412,517
Depreciation Expense	(1,371,665)
Assets Contributed by Developers	1,280,932
Contributions of capital assets to the proprietary funds decrease net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	(20,643)
In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus the change in net position differs from the change in fund balance by the cost of the capital assets sold.	(40,432)
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.	
Principal Repayments	1,125,000
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities; however, interest expense is recognized as the interest accrues, regardless of when it is due.	12,733
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	(22,870)
Special Assessments	(540,016)
Intergovernmental	430,789
In the statement of activities, personnel expenses are recognized as they are accrued, however these expenses do not consume current financial resources, and under the modified accrual basis of accounting, are not reported in the governmental funds until they are due.	
Compensated Absences	(8,307)
GERF Pension	(53,029)
Change in Net Position - Governmental Activities	<u>\$ 5,666,367</u>

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

**CITY OF OTSEGO, MINNESOTA**  
**GENERAL FUND - STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 3,763,273	\$ 3,763,273	\$ 3,756,375	\$ (6,898)
Franchise Taxes	132,000	132,000	135,652	3,652
Licenses and Permits	788,900	788,900	1,363,384	574,484
Intergovernmental	56,800	56,800	74,080	17,280
Charges for Services	105,550	105,550	275,740	170,190
Special Assessments	-	-	8,495	8,495
Fines and Forfeitures	6,000	6,000	21,092	15,092
Investment Earnings (net)	33,000	33,000	31,343	(1,657)
Miscellaneous	-	-	229,829	229,829
Total Revenues	<u>4,885,523</u>	<u>4,885,523</u>	<u>5,895,990</u>	<u>1,010,467</u>
<b>EXPENDITURES</b>				
Current				
General Government	1,325,349	1,325,349	1,072,195	(253,154)
Public Safety	1,867,138	1,867,138	1,886,661	19,523
Public Works	1,136,728	1,136,728	1,055,965	(80,763)
Culture and Recreation	584,490	584,490	587,739	3,249
Economic Development	109,860	109,860	113,579	3,719
Capital Outlay				
General Government	9,000	9,000	7,382	(1,618)
Public Safety	8,000	8,000	8,806	806
Total Expenditures	<u>5,040,565</u>	<u>5,040,565</u>	<u>4,732,327</u>	<u>(308,238)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(155,042)</u>	<u>(155,042)</u>	<u>1,163,663</u>	<u>1,318,705</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	155,042	155,042	155,042	-
Sales of Capital Assets	-	-	305	305
Transfers Out	-	-	(1,074,567)	(1,074,567)
Total Other Financing Sources (Uses)	<u>155,042</u>	<u>155,042</u>	<u>(919,220)</u>	<u>(1,074,262)</u>
Net Change in Fund Balance	-	-	244,443	244,443
Fund Balance - January 1	<u>3,646,202</u>	<u>3,646,202</u>	<u>3,646,202</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 3,646,202</u>	<u>\$ 3,646,202</u>	<u>\$ 3,890,645</u>	<u>\$ 244,443</u>

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



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**CITY OF OTSEGO, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2017**

	Water Utility	Sanitary Sewer Utility	Storm Water Utility	Total Enterprise
<b>ASSETS</b>				
<b>Current Assets</b>				
Cash and Cash Equivalents	\$ 7,211,688	\$ 7,876,688	\$ 220,342	\$ 15,308,718
Receivables				
Accounts	135,398	244,910	4,880	385,188
Special Assessments				
Current	-	-	142	142
Delinquent	6,894	-	109	7,003
Due from Other Governments	-	16,846	-	16,846
Prepaid Items	9,563	30,608	-	40,171
Total Current Assets	<u>7,363,543</u>	<u>8,169,052</u>	<u>225,473</u>	<u>15,758,068</u>
<b>Noncurrent Assets</b>				
Special Assessments				
Deferred	144,826	230,280	45,766	420,872
Capital Assets				
Land	98,222	533,517	-	631,739
Machinery and Equipment	255,590	850,682	-	1,106,272
Infrastructure	19,939,924	35,109,781	1,826,897	56,876,602
Construction in Progress	1,151,283	1,894	-	1,153,177
Total Capital Assets	<u>21,445,019</u>	<u>36,495,874</u>	<u>1,826,897</u>	<u>59,767,790</u>
Less: Accumulated Depreciation	<u>(5,133,640)</u>	<u>(9,619,127)</u>	<u>(175,335)</u>	<u>(14,928,102)</u>
Net Capital Assets	<u>16,311,379</u>	<u>26,876,747</u>	<u>1,651,562</u>	<u>44,839,688</u>
Total Noncurrent Assets	<u>16,456,205</u>	<u>27,107,027</u>	<u>1,697,328</u>	<u>45,260,560</u>
Total Assets	<u>23,819,748</u>	<u>35,276,079</u>	<u>1,922,801</u>	<u>61,018,628</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
General Employees Retirement Plan Pension Resources	<u>21,577</u>	<u>64,731</u>	<u>-</u>	<u>86,308</u>
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Accounts Payable	31,724	32,033	83,134	146,891
Due to Other Governments	722	-	-	722
Accrued Salaries Payable	3,241	9,724	-	12,965
Accrued Interest Payable	26,541	47,185	-	73,726
Bonds Payable	766,800	1,363,200	-	2,130,000
Compensated Absences Payable	702	2,106	-	2,808
Total Current Liabilities	<u>829,730</u>	<u>1,454,248</u>	<u>83,134</u>	<u>2,367,112</u>
<b>Noncurrent Liabilities</b>				
Bonds Payable (net)	7,993,777	14,211,160	-	22,204,937
Compensated Absences Payable	2,809	8,426	-	11,235
General Employees Retirement Plan Net Pension Payable	70,887	212,664	-	283,551
Total Noncurrent Liabilities	<u>8,067,473</u>	<u>14,432,250</u>	<u>-</u>	<u>22,499,723</u>
Total Liabilities	<u>8,897,203</u>	<u>15,886,498</u>	<u>83,134</u>	<u>24,866,835</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
General Employees Retirement Plan Pension Resources	<u>13,498</u>	<u>40,496</u>	<u>-</u>	<u>53,994</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	7,550,802	11,302,387	1,651,562	20,504,751
Unrestricted	7,379,822	8,111,429	188,105	15,679,356
Total Net Position	<u>\$ 14,930,624</u>	<u>\$ 19,413,816</u>	<u>\$ 1,839,667</u>	<u>\$ 36,184,107</u>

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

**CITY OF OTSEGO, MINNESOTA**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Water Utility	Sanitary Sewer Utility	Storm Water Utility	Total Enterprise
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 1,459,868	\$ 1,737,618	\$ 61,540	\$ 3,259,026
<b>OPERATING EXPENSES</b>				
Personal Services	104,860	314,583	15,313	434,756
Supplies	203,591	134,062	727	338,380
Insurance	9,836	31,836	-	41,672
Utilities	83,155	212,690	-	295,845
Services and Other Charges	152,230	307,661	10,998	470,889
Depreciation	506,191	912,688	35,134	1,454,013
Total Operating Expenses	<u>1,059,863</u>	<u>1,913,520</u>	<u>62,172</u>	<u>3,035,555</u>
Operating Income (Loss)	<u>400,005</u>	<u>(175,902)</u>	<u>(632)</u>	<u>223,471</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Antenna Rental	67,215	-	-	67,215
Property Taxes	-	-	25,000	25,000
Special Assessments	-	-	33,379	33,379
Investment Earnings (net)	77,866	74,377	2,078	154,321
Miscellaneous Revenue	2,044	6,449	-	8,493
Interest and Fiscal Agent Fees	(317,674)	(564,475)	-	(882,149)
Total Nonoperating Revenues (Expenses)	<u>(170,549)</u>	<u>(483,649)</u>	<u>60,457</u>	<u>(593,741)</u>
Income (Loss) Before Capital Contributions and Transfers	229,456	(659,551)	59,825	(370,270)
Connection Fees	1,036,919	2,540,120	-	3,577,039
Transfers In	-	14,536	-	14,536
Capital Contributions - Developer Assets	936,570	551,275	526,448	2,014,293
Capital Contributions - Governmental Funds	-	20,643	-	20,643
Transfers Out	(54,741)	(155,481)	-	(210,222)
Change in Net Position	2,148,204	2,311,542	586,273	5,046,019
Net Position - January 1	<u>12,782,420</u>	<u>17,102,274</u>	<u>1,253,394</u>	<u>31,138,088</u>
Net Position - December 31	<u>\$ 14,930,624</u>	<u>\$ 19,413,816</u>	<u>\$ 1,839,667</u>	<u>\$ 36,184,107</u>

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

CITY OF OTSEGO, MINNESOTA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Water Utility	Sanitary Sewer Utility	Storm Water Utility	Total Enterprise
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from Customers and Users	\$ 1,447,140	\$ 1,721,082	\$ 60,518	\$ 3,228,740
Other Operating Receipts	74,697	6,449	33,998	115,144
Payments to Suppliers	(448,013)	(692,118)	(11,828)	(1,151,959)
Payments to Employees	(93,837)	(281,509)	(15,313)	(390,659)
Net Cash Flows Provided by Operating Activities	<u>979,987</u>	<u>753,904</u>	<u>67,375</u>	<u>1,801,266</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers In	-	14,536	-	14,536
Property Taxes	-	-	25,000	25,000
Principal Paid on Revenue Bonds	(732,600)	(1,302,400)	-	(2,035,000)
Interest Paid on Revenue Bonds	(348,514)	(619,301)	-	(967,815)
Transfers Out	(54,741)	(155,481)	-	(210,222)
Net Cash Flows Provided (Used) by Noncapital Financing Activities	<u>(1,135,855)</u>	<u>(2,062,646)</u>	<u>25,000</u>	<u>(3,173,501)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Acquisition and Construction of Capital Assets	(1,665,460)	(148,864)	(33,204)	(1,847,528)
Connection Fees	1,075,408	2,596,702	-	3,672,110
Net Cash Flows Provided by Capital and Related Financing Activities	<u>(590,052)</u>	<u>2,447,838</u>	<u>(33,204)</u>	<u>1,824,582</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest on Investments	77,866	74,377	2,078	154,321
Net Increase (Decrease) in Cash and Cash Equivalents	(668,054)	1,213,473	61,249	606,668
Cash and Cash Equivalents - January 1	7,879,742	6,663,215	159,093	14,702,050
Cash and Cash Equivalents - December 31	<u>\$ 7,211,688</u>	<u>\$ 7,876,688</u>	<u>\$ 220,342</u>	<u>\$ 15,308,718</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>				
Operating Income (Loss)	\$ 400,005	\$ (175,902)	\$ (632)	\$ 223,471
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Provided by Operating Activities:				
Depreciation	506,191	912,688	35,134	1,454,013
GERF Pension Activity	10,176	30,535	-	40,711
Other Income Related to Operations	69,259	6,449	33,379	109,087
(Increase) Decrease in Assets & Deferred Outflows of Resources:				
Accounts Receivable	(12,728)	(18,322)	(1,022)	(32,072)
Special Assessments	5,438	-	619	6,057
Due from Other Governments	-	1,786	-	1,786
Prepaid Items	(448)	(1,632)	-	(2,080)
Increase (Decrease) in Liabilities & Deferred Inflows of Resources				
Accounts Payable	953	(4,237)	(103)	(3,387)
Due to Other Governments	294	-	-	294
Accrued Salaries Payable	212	637	-	849
Compensated Absences Payable	635	1,902	-	2,537
Net Cash Flows Provided by Operating Activities	<u>\$ 979,987</u>	<u>\$ 753,904</u>	<u>\$ 67,375</u>	<u>\$ 1,801,266</u>
<b>NONCASH FINANCING ACTIVITIES</b>				
Amortization of Premium on Bonds Payable	\$ 28,398	\$ 50,485	\$ -	\$ 78,883
Acquisition of Capital Assets on Account	\$ 16,681	\$ -	\$ 81,452	\$ 98,133
Contribution of Capital Assets - Developer	\$ 936,570	\$ 551,275	\$ 526,448	\$ 2,014,293
Contribution of Capital Assets - Governmental Funds	\$ -	\$ 20,643	\$ -	\$ 20,643

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



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**CITY OF OTSEGO, MINNESOTA**  
STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUNDS  
DECEMBER 31, 2017

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	<u>Agency Funds</u>
<b>ASSETS</b>	
Current Assets	
Cash and Cash Equivalents	<u>\$ 1,437,507</u>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	34,933
Escrow Deposits	<u>1,402,574</u>
Total Liabilities	<u>\$ 1,437,507</u>

*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 Otsego, Minnesota (the City) was incorporated in 1990 after being an established township since 1858. The City operates under the "Optional Plan A" form of government, as defined in Minnesota statutes. The governing body of the City (City Council) consists of an elected Mayor, and four elected Council members, all of which are elected at-large and serve four year staggered terms. The City Council exercises legislative authority and determines all matters of policy.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as applied to governmental units by the Governmental Accounting Standards Board (GASB).

The City includes all funds, organizations, institutions, agencies, departments, boards, and offices that are not legally separate from the City. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the basic financial statements of the City because of the significance of their operational or financial relationships with the City.

The City is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City.

Blended component units, although legally separate, are, in substance, part of the government's operations. A blended component unit is reported as if it were a fund of the City throughout the year. It is included at both the government-wide and fund financial reporting levels.

A description of the City's blended component unit follows:

The City of Otsego Economic Development Authority (EDA) – The EDA is a legal entity separate from the City. Although legally separate, the EDA is reported as if it were part of the primary government because the Board of Commissioners is made up of the Mayor and four Council members and the City has operational responsibility over the EDA. It is this criterion that results in the EDA being reported as a blended component unit within the primary government, although there is currently no financial activity for the EDA. Separate financial statements would not be prepared for the EDA, even if there was financial activity.

**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 non-fiduciary activities of the City 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 business-type activity and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business-type activity. Taxes and other items not included among program revenues are reported instead as *general revenues*.

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

The Agency funds are presented in the fiduciary fund financial statements, including the Statement of Fiduciary Net Position. Since by definition, these assets are being held for the benefit of a third party, and cannot be used to address activities or obligations of the City, these funds are not incorporated into the government-wide statements.

### C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes and special assessments are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, compensated absences, as well as expenditures related to claims and judgements, are recorded only when payment is due.

Property taxes, special assessments, intergovernmental revenues, charges for services and interest associated with the current fiscal year are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal year. Only the portion of special assessments receivable due within the current fiscal year 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.

The City reports the following major governmental funds:

**General Fund** - This is the City's primary operating fund, and accounts for all of the general financial resources of the City, except those required to be accounted for in another fund. Most of the current day-to-day operations of the City are financed from this fund.

**Debt Service Fund** - This fund is used to account for the collection of property taxes, special assessments and other resources which are used to repay the principal and interest on debt issued for various improvements in the City.

**Park Development Fund** - This fund was established to accumulate funds that will be used to provide for the acquisition and construction of new park sites, buildings and facilities throughout our growing City.

The City reports the following major enterprise funds:

**Water Utility Fund** - This fund accounts for the operations of the public water utility system. The resources accumulated are primarily from system user charges and system connection fees. The accumulated funds are then used to pay for the operational costs of pumping and distributing water to the system customers. The fund also accumulates resources to finance certain capital improvements and to pay the debt service associated with the water utility.

**Sanitary Sewer Utility Fund** - This fund accounts for the operations of the public sewer utility system. The resources accumulated are primarily from system user charges and system connection fees. The accumulated funds are then used to pay for the operational costs of collection and treatment of sewage from the system. The fund also accumulates resources to finance certain capital improvements and to pay the debt service associated with the sewer utility.

**Storm Water Utility Fund** - This fund accounts for the operations of the storm water collection system. The resources accumulated are primarily from system user charges and property taxes. The accumulated funds are then used to pay for the operational costs of collection and treatment of surface water runoff that does not require treatment.

The City reports the following fiduciary funds:

**Agency Funds** - These funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets from residents, builders and developers that are deposited with the City as part of specific projects.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenue and expenses.

#### D. DEPOSITS AND INVESTMENTS

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and investments with a maturity of three months or less when from the date of acquisition. All of the deposits and investments allocated to the proprietary funds are considered to meet this criteria.

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

Minnesota statute §118A.04 governs the investment of public funds and outlines the allowable investment types. The City's investment policy is more restrictive than statute, and authorizes the City to invest in the following:

- a] Securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress.
- b] Shares of investment companies registered under the Federal Securities Act of 1940, and received the highest credit rating and is rated in one of the two highest categories by at least one nationally recognized statistical rating agency.
- c] Obligations of any state or local government with taxing powers rated "A" for general obligations or with a rating of "AA" or better for revenue backed obligations, with the ratings being provided by a national bond rating service.
- d] Commercial paper issued by a United States corporation or their Canadian subsidiaries that is rated in the highest quality by at least two nationally recognized rating agencies.
- e] Time deposits that are fully insured by the Federal Deposit Insurance Corporation.

Certain investments for the City are reported at fair value as disclosed in Note 3 (A). 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; and Level 3 inputs are significant unobservable inputs.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 79, the Minnesota Municipal Investment Pool (4M) securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund.

**E. RECEIVABLES AND PAYABLES**

***Accounts Receivable***

Receivables include amounts billed for services provided by the City before year-end. Receivables within the enterprise funds do include unbilled charges for services provided from the middle of December to the end of the year, as the City bills for those services mid-month. The City currently has not established an allowance for doubtful accounts for either trade or utility charge receivables. The City annually certifies unpaid trade and utility charge receivable to Wright County for collection in the following year, and is the primary factor in reporting the receivables at a gross amount, rather than net of allowance.

***Property Taxes***

The City Council annually adopts a property tax levy and certifies it to Wright County in December. The County allocates this levy across taxable properties in the City based on valuations assessed in the prior year. These taxes become an enforceable lien against the property on January 1st, and are recorded as receivables by the City as of that date.

Tax statements are generated and mailed by the County to the respective taxpayers, with half of the total due on May 15th and the second half due on October 15th. The County is also the collecting agency, and remits the amounts collected to the City with primary settlements in June and December, and a minor settlement in January.

Property taxes that are unpaid as of December 31st, are then classified as delinquent. Delinquent taxes receivable include the past six years of uncollected taxes and are fully offset by a deferred inflow of resources for those collections not received within 60 days of year-end in the governmental fund financial statements.

***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 have been offset by a deferred inflow of resources for those collections not received within 60 days after year end in the governmental fund financial statements.

***Interfund Receivables and Payables***

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as "due to/from other funds." All short-term interfund receivables and payables at December 31, 2017 are planned to be eliminated in 2018. Long-term interfund loans are classified as "advances 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".

**F. PREPAID ITEMS**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are reported using the consumption method and recorded as expenditures/expenses at the time of consumption rather than when purchased.

**G. ASSETS HELD FOR RESALE**

Assets held for resale represent various parcels of land that are currently owned by the City with the intent to sell in the future to create economic development activity within the City. The assets are reported at their net realizable value in the General fund. During the year ended December 31, 2017, management has reviewed the reported values of the assets.

**H. CAPITAL ASSETS**

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets such as easements and computer software, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund financial statements. Capital assets are defined by the City as assets with an initial, individual cost in excess of the amounts in the table below and with an estimated useful life in excess of three years. All land assets are recorded by the City with no assigned cost threshold. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Infrastructure	\$ 100,000
Buildings and Building Improvements	50,000
Land Improvements	25,000
Machinery and Equipment	5,000

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed . For the year ended December 31, 2017 no interest was capitalized in connection with construction in progress.

Capital assets of the City, are depreciated using the straight line method over the following estimated useful lives:

Infrastructure	25 - 40 years
Buildings and Building Improvements	10 - 40 years
Land Improvements	5 - 20 years
Machinery and Equipment	3 - 15 years

**I. DEFERRED OUTFLOWS OF RESOURCES**

In addition to assets, the statement of financial 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 presents deferred outflows of resources on the Statement of Net Position for deferred outflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

**J. COMPENSATED ABSENCES**

It is the City's policy to permit employees to accumulate earned but unused personal time-off (PTO) benefits. All PTO pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental fund financial statements only if they have matured, for example, as a result of an employee retirement or resignation. The General fund is typically used to liquidate the compensated absences payable for governmental activities.

**K. 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 amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount.

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

**L. PENSIONS**

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to or 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.

**M. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

In August 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions, effective for the City year-end 2009. Statement No. 45 requires accrual based measurement, recognition and disclosure of other postemployment benefits (OPEB) expense, such as retiree medical and dental costs, over the employees' years of service, along with the related liability, net of any plan assets. The City has no plans that would result in an OPEB liability and, therefore, the City anticipates it will not incur any future explicit or implicit OPEB costs for its employees, and therefore, no liability will be recorded.

**N. DEFERRED INFLOWS OF RESOURCES**

In addition to liabilities, statements of financial position or balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items which qualify for reporting in this category. One item, unavailable revenue, which arises only under a modified accrual basis of accounting, therefore, is reported only in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from sources such as: property taxes, special assessments and intergovernmental not collected within 60 days of year-end. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available. The second item presented by the City are deferred inflows of resources on the Statement of Net Position for deferred inflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

## O. FUND EQUITY

Fund equity in the fund financial statements is classified as fund balance for governmental funds and net position for proprietary funds. Fund equity in the government-wide financial statements is classified as net position for both governmental and business-type activities.

**Fund Balance** – In the fund financial statements, governmental funds report fund balance in classifications that disclose restraints for which amounts in those funds can be spent. These classifications are as follows:

*Nonspendable* – consists of amounts that are not in spendable form or are required to be maintained intact.

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

*Committed* – consists of internally imposed constraints. These constraints are imposed by formal action (resolution) of the City Council, which is the highest level of decision making authority.

*Assigned* – consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the City's intended use. These constraints are established by the City Council or, pursuant to council resolution, the City Administrator or the Finance Director.

*Unassigned* – is the residual classification for the General fund and also reflects negative residual amounts in other funds.

When committed, assigned, or unassigned resources are available for an allowable use, it is the City's policy to use resources in the following order; 1) committed, 2) assigned, and 3) unassigned.

The City has formally adopted a fund balance policy for the General Fund. The policy establishes a year-end target fund balance amount of 45% of the next year's operating budget for cash flow needs.

**Net Position** – Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position can be displayed in the three following classifications:

*Net Investment in Capital Assets* – consists of capital assets, net of accumulated depreciation, and further reduced by the outstanding balance of any long-term debt used to build or acquire the respective capital assets.

*Restricted* – reported when there are limitations of use through external restrictions imposed by creditors, grantors, or laws and regulations of other governments.

*Unrestricted* – all remaining net position is reported in this classification.

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

## P. USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP), requires management to make estimates and assumptions that affect amounts reported in the financial statements and accompanying notes. Actual results could differ from such estimates.

**NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. BUDGETARY INFORMATION**

An annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP) for the General fund, the Debt Service fund, and Street Lighting and Revolving Loan special revenue funds. All annual appropriations lapse at year-end. The City does not use encumbrance accounting.

In June of each year, General fund departments submit requests for appropriations to the City Administrator so that a budget may be prepared. The requested budget appropriations are presented and reviewed with the City Council. The proposed General fund budget and preliminary property tax levy must be certified to Wright County prior to September 30. The City Council holds public hearings and a final budget is adopted in early December, with the final property tax levy required to be certified to Wright County prior to the end of December.

The appropriated budget is prepared by fund and department. The City's department heads are authorized to make transfers of budgeted appropriations within a department. Any transfers of appropriations between a department needs authorization of the City Administrator. The legal level of budgetary control is at the fund level, so any appropriations transfers between funds needs the approval of the City Council. There were no transfers of budgeted appropriations or budget amendments during the year.

**B. DEFICIT FUND EQUITY**

Deficit fund equity exists at December 31, 2017 in the following funds:

Nonmajor Governmental Funds:	
Special Revenue Funds	
Tax Increment District #1	\$ 17,178
Capital Project Funds	
Municipal State-Aid for Construction	263,971
Odean Improvements	5,425
Kadler Avenue Improvements	68,576

The deficits are being funded through internal borrowing. The Tax Increment District No. 1 fund deficit will be repaid with future collections of tax increment, which is expected to begin generating in 2018. The Municipal State-Aid for Construction fund deficit will be repaid with State-Aid funding for the 85th Street reconstruction and 70th Street & CSAH 37 construction projects. The Odean Improvements fund deficit will be repaid with future collections of special assessments against the benefitting property owners. The Kadler Avenue Improvements fund deficit will be repaid with project funding sources which are expected to include: grant monies, special assessments and bond proceeds.

**NOTE 3 DETAILED NOTES ON ALL FUNDS**

**A. DEPOSITS AND INVESTMENTS**

In accordance with Minnesota Statutes, the City maintains deposits at only those depository banks authorized by the City Council. All such depositories are members of the Federal Reserve System.

Minnesota Statutes require that all City deposits with financial institutions be protected by federal deposit insurance, corporate surety bonds or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. Minnesota Statutes require that all securities pledged as collateral be placed in safekeeping in a restricted account at the 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.

At year-end, the City's carrying amount of deposits was \$1,003,849, and a bank balance of \$1,326,456.

Custodial credit risk for the City's deposits would arise in the event of a bank failure, where the City's deposits may not be returned to it. As of year-end, the City's bank balance was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.

As of December 31, 2017 the City had the following investments:

Investment Type	Fair Value	Investment Maturities (In Years)			
		< 1	1 - 3	3 - 5	> 5
Negotiable Certificates of Deposit	\$ 13,203,291	\$ 6,156,705	\$ 4,114,328	\$ 2,687,341	\$ 244,917
U.S. Government Agency Securities	6,722,588	1,646,458	5,076,130	-	-
Municipal Bonds	7,846,704	889,691	6,957,013	-	-
External Investment Pool	2,907,117	2,907,117	-	-	-
Brokered Money Market Accounts	830,144	830,144	-	-	-
<b>Total</b>	<b>\$ 31,509,844</b>	<b>\$ 12,430,115</b>	<b>\$ 16,147,471</b>	<b>\$ 2,687,341</b>	<b>\$ 244,917</b>

The external investment pool and brokered money market investments are valued at amortized cost. All of the remaining City investments have recurring fair value measurements using a matrix pricing model (level 2 inputs).

**CITY OF OTSEGO, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

As of December 31, 2017, the City's investments in U.S. Government Agency Securities and Municipal Bonds carried the following ratings as well as their respective concentration percentage when compared to the total investment portfolio. An indication of "NR" in the ratings below mean that the respective rating organization has not provided a rating on the respective investment.

Investment Type	Moody's Rating	S & P Rating	Fair Value	Portfolio Concentration %
U.S. Government Agency Securities				
Federal Farm Credit Bank (FFCB)	Aaa	AA+	\$ 3,055,798	9.70%
Federal Home Loan Bank (FHLB)	Aaa	AA+	988,899	3.14%
Federal Home Loan Mortgage Corporation (FHLMC)	Aaa	AA+	1,240,174	3.94%
Federal National Mortgage Association (FNMA)	Aaa	AA+	1,437,717	4.56%
Total			\$ 6,722,588	21.33%

None of the U.S. Government Agency Securities investments are individually over 5% of the total investment portfolio.

Municipal Bonds				
City of Ennis, Texas	NR	AA-	424,779	1.35%
State of Connecticut	A1	A+	898,341	2.85%
State of New Mexico Finance Authority	Aa2	AA+	567,241	1.80%
State of Florida Board of Administrative Finance	Aa3	AA	499,840	1.59%
Metropolitan Council, Minnesota	Aaa	AAA	471,167	1.50%
Katonah School District, New York	Aa1	NR	111,800	0.35%
Lake County School District, Illinois	Aa2	AA+	716,162	2.27%
Lincoln Consolidated School District, Michigan	NR	AA-	501,280	1.59%
City of Portsmouth, Virginia	Aa2	AA+	497,270	1.58%
Swift County, Minnesota	NR	AA-	320,115	1.02%
State of California	Aa3	AA-	488,350	1.55%
Pinckney School District, Michigan	NR	AA-	173,303	0.55%
Milan School District, Michigan	NR	AA-	502,470	1.59%
City of Kaukauna, Wisconsin	NR	AA-	206,994	0.66%
Milwaukee County, Wisconsin	Aa2	AA	490,365	1.56%
State of Virginia Infrastructure Authority	Aa2	A	464,912	1.48%
City of Oklahoma City, Oklahoma	Aaa	AAA	512,315	1.63%
Total			\$ 7,846,704	24.90%

The following is a summary of total deposits and investments as of December 31, 2017:

Deposits	\$ 1,003,849
Investments	31,509,844
Petty Cash and Change Funds	600
Total	\$ 32,514,293

The City's deposits and investments as of December 31, 2017 are presented in the basic financial statements as follows:

Statement of Net Position	\$ 31,076,786
Statement of Fiduciary Net Position	1,437,507
Total	\$ 32,514,293

Interest Rate Risk – This is the risk that the market values of the securities in the City's investment portfolio would decrease due to changes in market interest rates. The City identifies interest rate risk within the second and fourth objectives of the City's investment policy, which are liquidity and return on investment. The City attempts to limit its exposure to interest rate risk by keeping the investment portfolio sufficiently liquid to meet cash flow requirements, while still attempting to obtain a reasonable return on investment. The City also addresses interest rate risk by attempting to create proportions in the maturities of the City's investment portfolio which places longer term investments higher on the yield curve than those shorter term investments.

Credit Risk – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limits allowable investments to those that are in the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy also addresses credit risk by further limiting investments to the list provided within Note 1-D.

Concentration of Credit Risk – This is the risk of loss attributed to the magnitude of the City's investment in any single issuer. The first objective of the City's investment policy is safety. To obtain this objective, diversification is to be considered in the type of investment, maturity and the issuer of the respective investments. Each of the City's certificates of deposit are purchased in amounts not exceeding federal deposit insurance. The tables above outline the concentrations of the City's other investment types, including U.S. Government Agency Securities and Municipal Bonds.

Custodial Credit Risk – This is the risk that in the event of the failure of a counterparty to an investment, the City will not be able to recover the value of an investment or collateral securities that are in possession of an outside party. In accordance with the City's investment policy, all investment securities shall be held by a single safekeeping agent in the name of the City.

**CITY OF OTSEGO, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**B. CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities:</b>				
Capital Assets, not Being Depreciated:				
Land	\$ 1,959,823	\$ 86,841	\$ -	\$ 2,046,664
Construction in Progress	2,267,436	627,939	(2,335,073)	560,302
<b>Total Capital Assets, not Being Depreciated</b>	<b>4,227,259</b>	<b>714,780</b>	<b>(2,335,073)</b>	<b>2,606,966</b>
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	6,471,210	42,068	-	6,513,278
Land Improvements	4,885,041	725,138	-	5,610,179
Machinery and Equipment	3,316,590	308,895	(232,301)	3,393,184
Infrastructure	19,509,245	3,216,998	-	22,726,243
<b>Total Capital Assets, Being Depreciated</b>	<b>34,182,086</b>	<b>4,293,099</b>	<b>(232,301)</b>	<b>38,242,884</b>
Less Accumulated Depreciation for:				
Buildings and Building Improvements	1,652,698	157,715	-	1,810,413
Land Improvements	2,174,781	226,405	-	2,401,186
Machinery and Equipment	1,798,384	287,120	(191,869)	1,893,635
Infrastructure	5,168,923	700,425	-	5,869,348
<b>Total Accumulated Depreciation</b>	<b>10,794,786</b>	<b>1,371,665</b>	<b>(191,869)</b>	<b>11,974,582</b>
<b>Total Capital Assets Being Depreciated - Net</b>	<b>23,387,300</b>	<b>2,921,434</b>	<b>(40,432)</b>	<b>26,268,302</b>
<b>Governmental Activities Capital Assets - Net</b>	<b>\$ 27,614,559</b>	<b>\$ 3,636,214</b>	<b>\$ (2,375,505)</b>	<b>\$ 28,875,268</b>

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

<b>Governmental Activities:</b>	
General Government	\$ 20,138
Public Safety	3,985
Public Works	1,017,096
Culture and Recreation	330,446
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 1,371,665</b>

**CITY OF OTSEGO, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type Activities:</b>				
Capital Assets, not Being Depreciated:				
Land	\$ 550,079	\$ 81,660	\$ -	\$ 631,739
Construction in progress	2,522,568	1,630,111	(2,999,502)	1,153,177
<b>Total Capital Assets, not Being Depreciated</b>	<b>3,072,647</b>	<b>1,711,771</b>	<b>(2,999,502)</b>	<b>1,784,916</b>
Capital Assets, Being Depreciated:				
Machinery and Equipment	431,473	674,799	-	1,106,272
Infrastructure	52,308,083	4,568,519	-	56,876,602
<b>Total Capital Assets, Being Depreciated</b>	<b>52,739,556</b>	<b>5,243,318</b>	<b>-</b>	<b>57,982,874</b>
Less Accumulated Depreciation for:				
Machinery and Equipment	160,092	58,981	-	219,073
Infrastructure	13,313,997	1,395,032	-	14,709,029
<b>Total Accumulated Depreciation</b>	<b>13,474,089</b>	<b>1,454,013</b>	<b>-</b>	<b>14,928,102</b>
<b>Total Capital Assets Being Depreciated - Net</b>	<b>39,265,467</b>	<b>3,789,305</b>	<b>-</b>	<b>43,054,772</b>
<b>Business-type Activities Capital Assets - Net</b>	<b>\$ 42,338,114</b>	<b>\$ 5,501,076</b>	<b>\$ (2,999,502)</b>	<b>\$ 44,839,688</b>

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

Business-type Activities:	
Water Utility	\$ 506,191
Sanitary Sewer Utility	912,688
Storm Water Utility	35,134
<b>Total Depreciation Expense - Business-type Activities</b>	<b>\$ 1,454,013</b>

**C. CONSTRUCTION COMMITMENTS**

At December 31, 2017 the City had construction project contracts in progress. The commitments related to remaining contract balances are summarized as follows:

Project	Contract Amount	Remaining Commitment
Lefebvre Creek Park	\$ 104,851	\$ 36,170

**D. INTERFUND BALANCES AND TRANSFERS**

At December 31, 2017, the composition of balances for due to/from other funds of the City were as follows:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Major Governmental Funds:		
General	\$ 17,178	\$ -
Debt Service	-	25,034
Nonmajor Governmental Funds:		
Special Revenue Funds		
Tax Increment District No. 1	-	17,178
Capital Project Funds		
MSA Construction	-	626,753
Odean Improvements	-	5,425
Capital Improvements	716,586	-
Kadler Avenue Improvements	-	59,374
Total	<u>\$ 733,764</u>	<u>\$ 733,764</u>

Interfund due to/from balances are representative of lending/borrowing arrangements to cover deficit cash balances at the end of the fiscal year. Balances in both the Debt Service and Odean Improvements funds will be repaid with the future collection of special assessments on benefiting property owners. The balance in the Tax Increment District No. 1 fund will be repaid with future collections of tax increment, which is expected to begin in 2018. The balance in the Municipal State-Aid for Construction fund will be repaid with State-Aid funding for the 85th Street reconstruction and 70th Street & CSAH 37 construction projects. The balance in the Kadler Avenue Improvements fund will be repaid with project funding sources, which are expected to include: grant monies, special assessments and bond proceeds.

**CITY OF OTSEGO, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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Transfers between funds made during the year ended December 31, 2017 were as follows:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
Major Governmental Funds:		
General	\$ 155,042	\$ 1,074,567
Debt Service	49,000	-
Nonmajor Governmental Funds:		
Pavement Management	1,074,567	-
80th Street Improvements	-	8,356
Total Governmental Funds	<u>1,278,609</u>	<u>1,082,923</u>
Major Proprietary Funds:		
Water Utility	-	54,741
Sanitary Sewer Utility	14,536	155,481
Total Proprietary Funds	<u>14,536</u>	<u>210,222</u>
 Total All Funds	 <u>\$ 1,293,145</u>	 <u>\$ 1,293,145</u>

Interfund transfers allow the City to allocate financial resources to the funds that receive benefit from services provided by another fund or to provide additional capital and infrastructure funding. In addition, interfund transfers are occasionally authorized to allow redistribution of resources between funds for the most efficient use of funds. In 2017, the following transfers were made between funds:

- The General fund transferred \$1,074,567 to the Pavement Management fund in accordance with the City's fund balance policy, where any balance exceeding the minimum fund balance is set aside for future capital items.
- The Water and Sanitary Sewer funds transferred \$38,761 and \$116,281 respectively to the General fund as an annual contribution to help manage the property tax levy.
- The Water and Sanitary Sewer funds transferred \$9,800 and \$39,200 to the Debt Service fund to contribute their portion of the debt service associated with the purchase of the Jet Vac truck.
- The Water fund transferred \$6,180 to the Sanitary Sewer fund to contribute towards outstanding debt service.
- The 80th Street Improvements fund transferred \$8,356 to the Sanitary Sewer fund to close out the completed project.

**E. LONG-TERM DEBT**

**Governmental Activities**

The City issued general obligation bonds to provide funding for the acquisition and construction of major capital facilities and construction of infrastructure in the governmental activities. General obligation bonds have also been issued to refinance general obligation improvement bonds, which were originally intended to be fully repaid with collections of special assessments. All long-term indebtedness outstanding is backed by the full faith and credit of the City. Bonds in the governmental activities will be retired with future property tax levies and collections of special assessments. In the event that a deficiency exists because of unpaid or delinquent taxes or special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other resources are available. At the end of the current year, there are \$3,679,471 of assets accumulated in the debt service funds for future debt service. Included within those accumulated assets, there are \$4,313 of delinquent special assessments receivable, of which collection is uncertain.

	Interest Rates	Date	Final Maturity Date	Original Issue	Payable 12/31/17
<b>General Obligation Bonds:</b>					
Equipment Certificates, Series 2010A	2.00 - 3.25%	1/28/2010	7/15/2019	\$ 385,000	\$ 85,000
Refunding Bonds, Series 2010B	2.00 - 3.00%	11/30/2010	12/1/2021	3,705,000	1,850,000
Refunding Bonds, Series 2010D	2.00 - 3.60%	11/30/2010	2/1/2028	1,220,000	1,060,000
Refunding Bonds, Series 2011A	2.00 - 3.20%	12/21/2011	2/1/2028	4,640,000	3,540,000
Refunding Bonds, Series 2012A	2.00%	3/14/2012	12/1/2021	1,400,000	815,000
<b>Total - Bonded Indebtedness</b>				<b>\$ 11,350,000</b>	<b>7,350,000</b>
<b>Other Liabilities:</b>					
Unamortized Bond Premium					28,686
Compensated Absences Payable					79,474
<b>Total Governmental Activities</b>				<b>\$ 7,458,160</b>	

Annual debt service requirements to maturity for governmental activities long-term indebtedness are as follows:

Year Ending December 31	Governmental Activities			
	General Obligation Bonds		Equipment Certificates	
	Principal	Interest	Principal	Interest
2018	\$ 1,115,000	\$ 180,225	\$ 45,000	\$ 2,650
2019	1,145,000	155,655	40,000	1,300
2020	1,160,000	129,344	-	-
2021	1,180,000	100,925	-	-
2022	520,000	70,311	-	-
2023 - 2027	1,800,000	183,388	-	-
2028	345,000	5,740	-	-
<b>Total</b>	<b>\$ 7,265,000</b>	<b>\$ 825,588</b>	<b>\$ 85,000</b>	<b>\$ 3,950</b>

**CITY OF OTSEGO, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

***Business-type Activities***

The City issued general obligation bonds to provide funding for the acquisition and construction of major capital facilities and construction of infrastructure in the business-type activities. All long-term indebtedness outstanding is backed by the full faith and credit of the City. Bonds in the business-type activities will be retired with the net revenues of the Water and Sanitary Sewer funds. (Net revenues are defined as the excess of gross revenues and earnings over the normal, reasonable and current costs of operating and maintenance). In the event that a deficiency exists because of inadequate net revenues at the time a debt service payment is due, the City must provide resources to cover the deficiency until other resources are available. At the end of the current year, the Water and Sanitary Sewer funds provided net revenues of \$3,719,482, which accounts for a debt-service coverage ratio of 123.87%.

	Interest Rates	Date	Final Maturity Date	Original Issue	Payable 12/31/17
General Obligation Bonds:					
Revenue Bonds, Series 2009A	4.00 - 4.13%	12/1/2009	12/1/2027	\$ 6,360,000	\$ 6,360,000
Revenue Bonds, Series 2010C	2.00 - 5.00%	11/30/2010	12/1/2026	21,300,000	17,265,000
				<u>\$ 27,660,000</u>	23,625,000
Total - Bonded Indebtedness					
Other Liabilities:					
Unamortized Bond Premium					709,937
Compensated Absences Payable					<u>14,043</u>
Total Business-type Activities					
					<u>\$ 24,348,980</u>

Annual debt service requirements to maturity for business-type activities long-term indebtedness are as follows:

Year Ending December 31	Business-type Activities	
	General Obligation Bonds	
	Principal	Interest
2018	\$ 2,130,000	\$ 884,710
2019	2,220,000	799,510
2020	2,335,000	710,710
2021	2,410,000	640,660
2022	2,550,000	520,160
2023 - 2027	11,980,000	1,369,183
	<u>\$ 23,625,000</u>	<u>\$ 4,924,933</u>
Total		

***Changes in Long-Term Liabilities***

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Bonds Payable:					
General Obligation Bonds	\$ 8,345,000	\$ -	\$ (1,080,000)	\$ 7,265,000	\$ 1,115,000
Equipment Certificates	130,000	-	(45,000)	85,000	45,000
<b>Total Bonded Indebtedness</b>	<b>8,475,000</b>	<b>-</b>	<b>(1,125,000)</b>	<b>7,350,000</b>	<b>1,160,000</b>
Unamortized Bond Premium	35,857	-	(7,171)	28,686	-
Compensated Absences	71,167	106,246	(97,939)	79,474	15,895
<b>Total - Governmental</b>	<b>8,582,024</b>	<b>106,246</b>	<b>(1,230,110)</b>	<b>7,458,160</b>	<b>1,175,895</b>
<b>Business-type Activities:</b>					
Bonds Payable:					
General Obligation Bonds	25,660,000	-	(2,035,000)	23,625,000	2,130,000
Unamortized Bond Premium	788,820	-	(78,883)	709,937	-
Compensated Absences	11,506	24,703	(22,166)	14,043	2,808
<b>Total - Business-type</b>	<b>26,460,326</b>	<b>24,703</b>	<b>(2,136,049)</b>	<b>24,348,980</b>	<b>2,132,808</b>
<b>Grand Total Long-Term Liabilities</b>	<b>\$ 35,042,350</b>	<b>\$ 130,949</b>	<b>\$ (3,366,159)</b>	<b>\$ 31,807,140</b>	<b>\$ 3,308,703</b>

The General fund is typically used to liquidate the compensated absences payable for governmental activities.

**F. CONDUIT DEBT OBLIGATIONS**

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

As of December 31, 2017, the City's conduit debt consisted of the following:

Guardian Angels Senior Services Revenue Bonds, Series 2017	\$ 29,320,000
Guardian Angels Senior Services Revenue Refunding Bonds, Series 2017A	10,010,000
Revenue Refunding Bonds, Series 2017B	6,930,000
Revenue Refunding Bonds, Series 2017C	165,000
Kaleidoscope Charter School Revenue Bonds, Series 2014A	15,580,000

## G. TAX ABATEMENTS

The City has entered into certain agreements for economic development purposes to either attract new businesses or retain existing business operations within the City. The authority for the City to enter into such agreements comes from *Minnesota Statute §469*. The City further has an established Business Subsidy Policy that provides evaluation criteria for any business subsidy requests. As of December 31, 2017, the City has entered into two types of agreements.

### *Property Tax Abatements*

For the year ended December 31, 2017, the City abated property taxes totaling \$81,237. Details of each agreement and the abatement for the current year are as follows:

- The City has entered into a tax abatement agreement with Duke Realty for land acquisition costs paid by the developer that ultimately allowed for the City to construct street infrastructure within the Gateway North industrial park. The agreement outlines that 30 percent of taxes payable in 2008-2017 will be abated by the City, to a maximum value of \$160,000. The abatement amounted to \$14,904 in the current year.
- The City has entered into a tax abatement agreement with Duke Realty for land acquisition costs paid by the developer that ultimately allowed for the City to construct street infrastructure within the Gateway North industrial park. The agreement outlines that 50 percent of taxes payable in 2016-2022 will be abated by the City, to a maximum value of \$340,000. The abatement amounted to \$61,620 in the current year.
- The City has entered into a tax abatement agreement with Family Speech & Therapy Services for costs to upgrade and provide rehabilitation of an existing commercial building within the City. The agreement outlines that 100 percent of taxes payable in 2014-2019 will be abated by the City, to a maximum value of \$25,000. The abatement amounted to \$4,713 in the current year.

### *Tax Increment Financing*

For the year ended December 31, 2017, the Tax Increment Financing Districts within the City did not generate any increment and respectively the City did not make any payments to the developers. Details of the agreement are as follows:

- Tax Increment Financing District No. 1 was established in 2015 for the purpose of promoting industrial development on a parcel owned by the City which had been obtained through the tax forfeiture process. The parcel would not have been developed but-for tax increment financing given the existing special assessments and the extraordinary amount of soil improvements. Under the agreement, up to \$694,487 of costs incurred by the developer will be reimbursed through a tax increment revenue note, payable beginning in 2018 and concluding in 2027. Payments on the tax increment revenue note are only made to the extent of increment generated by the district. The improvements to the site have just recently been completed, and the City anticipates increment generation will begin with taxes payable 2018.
- Tax Increment Financing District No. 2 was established in 2017 for the purpose of promoting industrial development on two parcels along Kadler Avenue. In order for the industrial development to be accessible to the type and volume of traffic associated with industrial users, the Kadler Avenue street infrastructure would have to be improved. The City intended to retain the increment generated from the industrial park to pay for a portion of the street improvement costs. Prior to the City awarding a construction contract for the project, the developer requested the project be delayed until the private development was ready to move forward. Due to this project delay, the tax increment financing district was decertified.
- Tax Increment Financing District No. 3 was established in 2017 for the purpose of facilitating the development of a 142 unit senior housing facility, consisting of independent living, assisted living and memory care. The tax increment district is a housing district, and is intended for occupancy, in part, by persons or families of low and moderate income. In order to qualify as a housing district, the senior housing facility is required to provide at least 20% of the residential units to persons whose incomes do not exceed 50% of the County median income. By providing the affordable housing, the City believes that such a project was in the best interests of the City and its residents and agreed to reimburse the developer the lesser of \$2,389,400 or the costs of the site improvements actually incurred. The reimbursements will be made through a tax increment revenue note, payable beginning in 2020 and concluding in 2047. Payments of the tax increment revenue note are only made to the extent of increment generated by the district.

**H. FUND EQUITY**

Net position reported in the government-wide statement of net position at December 31, 2017 include the following:

**Governmental Activities**

Net Investment in Capital Assets:	
Cost of Capital Assets	\$ 40,849,850
Less: Accumulated Depreciation	(11,974,582)
Less: Related Long-Term Debt Outstanding	(7,378,686)
Total Net Investment in Capital Assets	<u>21,496,582</u>
Restricted for Debt Service	
Fund Balance - Governmental Fund Financial Statements	1,914,887
Add: Unavailable Revenue - Special Assessments	1,737,765
Less: Accrued Interest Payable	(56,304)
Total Restricted for Debt Service	<u>3,596,348</u>
Restricted for Park Development	<u>1,377,188</u>
Unrestricted	<u>13,338,398</u>
Total Governmental Activities Net position	<u>\$ 39,808,516</u>

**Business-type Activities**

Net Investment in Capital Assets:	
Cost of Capital Assets	\$ 59,767,790
Less: Accumulated Depreciation	(14,928,102)
Less: Related Long-Term Debt Outstanding	(24,334,937)
Total Net Investment in Capital Assets	<u>20,504,751</u>
Unrestricted	<u>15,679,356</u>
Total Business-type Activities Net Position	<u>\$ 36,184,107</u>

Aggregated funds balances reported in the governmental funds balance sheet at December 31, 2017 include the following:

**Governmental Funds**

	Nonspendable	Restricted	Committed	Assigned
General Fund				
Prepaid Items	\$ 114,997	\$ -	\$ -	\$ -
Assets Held for Resale	202,200	-	-	-
Insurance Deductibles	-	-	-	185,066
Educational Programs	-	-	-	20,191
Debt Service				
Prepaid Items	1,325	-	-	-
Debt Service	-	1,913,562	-	-
Park Development				
City Parks	-	1,377,188	-	-
Nonmajor Governmental Funds				
Street Light Replacement	-	-	125,396	-
Business Development Loans	-	-	349,467	-
City Buildings & Infrastructure	-	-	-	8,844,833
City Parks	-	-	-	253,864
Total Fund Balances	<u>\$ 318,522</u>	<u>\$ 3,290,750</u>	<u>\$ 474,863</u>	<u>\$ 9,303,954</u>

**NOTE 4 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 and natural disasters.

Property and casualty insurance is provided through the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through member premiums and reinsures through commercial companies for excess claims. The City is covered through the pool for any claims incurred but unreported, however, retains risk for the deductible portions of the insurance policies. The amount of those deductibles is considered immaterial to the financial statements.

Workers' compensation coverage is provided through a pooled self-insurance program through the LMCIT. The respective insurance policy is retrospectively rated. With this type of coverage, final premiums are determined after loss experience is known. The amount of premium adjustment, if any, is considered immaterial and not recorded until received or paid. This coverage is not subject to a deductible.

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

The City is subject to certain legal claims in the normal course of business. Management does not expect the resolution of these claims will have a material impact on the City's financial condition or results of operations.

**NOTE 5 PENSION PLAN**

*Public Employee's Retirement Association*

**A. PLAN DESCRIPTION**

The City participates in the following cost-sharing multiple-employer defined benefit pension plan 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 Plan*

All full-time and certain part-time employees of the City are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

**B. BENEFITS PROVIDED**

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

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 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.

*General Employees Plan 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 or service. Two methods are used to compute benefits for PERA's Coordinated Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or level accrual formula (Method 2). Under Method 1, 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 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.

**C. CONTRIBUTIONS**

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

**General Employees Fund Contributions**

Coordinated Plan members were required to contribute 6.5 percent of their annual covered salary in calendar year 2017. The City was required to contribute 7.5 percent for Coordinated Plan members in calendar year 2017. The City's contributions to the General Employees Fund for years ended December 31, 2017, 2016 and 2015 were \$98,542, \$96,567, and \$83,256. The City's contributions were equal to the required contributions as set by state statute.

**D. PENSION COSTS**

**General Employees Fund Pension Costs**

At December 31, 2017, the City reported a liability of \$1,372,546 for its proportionate share of the General Employees Fund'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 \$17,254. 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 proportion share was 0.0215 percent which was an increase of 0.0017 percent from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City recognized pension expense of \$192,780 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$498 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

At December 31, 2017, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources, related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 45,234	\$ 81,056
Changes in Actuarial Assumptions	209,854	137,598
Differences Between Projected and Actual Investment Earnings	-	10,999
Changes in Proportion	111,298	31,708
Contributions Paid Subsequent to the Measurement Date	51,393	-
Totals	<u>\$ 417,779</u>	<u>\$ 261,361</u>

Deferred outflows totaling \$51,393 related to pensions resulting from the City's contributions 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 deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2018	\$ 55,533
2019	104,225
2020	3,529
2021	(58,262)
2022	-
Thereafter	-
Total	<u>\$ 105,025</u>

**E. ACTUARIAL ASSUMPTIONS**

The total pension liability in the June 30, 2017, actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on the RP-2014 tables for all plans, males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees in the General Employees Plan are assumed to be 1 percent through the year 2044 and then 2.50 percent thereafter.

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 General Employees Plan was completed in 2015.

The following changes in actuarial assumptions occurred in 2017:

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for both vested and non-vested deferred members. The revised CSA loads are now 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044, and 2.50% percent thereafter.

**CITY OF OTSEGO, MINNESOTA**  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2017

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Stocks	39.00%	5.10%
International Stocks	19.00%	5.30%
Bonds	20.00%	0.75%
Alternative Assets	20.00%	5.90%
Cash	2.00%	0.00%
Total	<u>100.00%</u>	

**F. DISCOUNT RATE**

The discount rate used to measure the total pension liability in 2017 was 7.5 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 those assumptions, the fiduciary net position of the General Employees Fund 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 rate.

<u>City's Proportionate Share of the Net Pension Liability</u>	<u>6.50% One Point Decrease</u>	<u>7.50% Current Rate</u>	<u>8.50% One Point Increase</u>
General Employees Fund	\$ 2,128,921	\$ 1,372,546	\$ 753,316

**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 at [www.mnpera.org](http://www.mnpera.org).



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**CITY OF OTSEGO, MINNESOTA**  
**REQUIRED SUPPLEMENTARY INFORMATION (LAST TEN YEARS\*)**  
**SCHEDULE OF CITY'S PROPORTIONATE SHARE OF NET PENSION LIABILITY**  
**GENERAL EMPLOYEE'S RETIREMENT FUND**

<u>Fiscal Year Ending</u>	<u>City's Proportionate (%) Share of Net Pension Liability</u>	<u>City's Proportionate (\$) Share of Net Pension Liability</u>	<u>State's Proportionate (\$) Share of the Net Pension Liability Associated With the City</u>	<u>City's Proportionate (\$) Share of the Net Pension Liability and the State's Proportionate (\$) Share of the Net Pension Liability Associated With the City</u>	<u>City's Covered Payroll</u>	<u>City's Proportionate (%) Share of Net Pension Liability Compared With Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2017	0.0215%	\$ 1,372,546	\$ 17,254	\$ 1,389,800	\$ 1,384,680	99.12%	75.89%
June 30, 2016	0.0198%	1,607,662	20,935	1,628,597	1,136,013	141.52%	68.91%
June 30, 2015	0.0195%	1,010,592	-	1,010,592	1,124,606	89.86%	78.19%

*This supplementary information is provided prospectively beginning with the Year Ended December 31, 2015.*

**CITY OF OTSEGO, MINNESOTA**  
 REQUIRED SUPPLEMENTARY INFORMATION (LAST TEN YEARS\*)  
 SCHEDULE OF CITY'S CONTRIBUTIONS  
 GENERAL EMPLOYEE'S RETIREMENT FUND

Year Ending	Statutorily Required Contributions	Contributions in Relation to Statutorily Required Contributions	Contribution (Excess) Deficiency	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2017	\$ 98,542	\$ 98,542	\$ -	\$ 1,313,893	7.50%
December 31, 2016	96,567	96,567	-	1,287,564	7.50%
December 31, 2015	83,256	83,256	-	1,110,085	7.50%

*This supplementary information is provided prospectively beginning with the Year Ended December 31, 2015.*

**NOTE 1 GENERAL EMPLOYEES FUND**

**A. CHANGES FOR 2017**

*Changes in Actuarial Assumptions*

- The Combined Service Annuity (CSA) loads were changed from 0.80 percent for active members and 60 percent for both vested and non-vested deferred members. The revised CSA loads are now 0.00 percent for active member liability, 15 percent for vested deferred member liability, and 3.00 percent for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00 percent per year for all years to 1.00 percent per year through 2044, and 2.50% percent thereafter.

**B. CHANGES FOR 2016**

*Changes in Actuarial Assumptions*

- The assumed post-retirement benefit increase was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all future years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases and payroll growth were decreased by 0.25% to 3.25%. Inflation was decreased 0.25% to 2.50%.

**C. CHANGES FOR 2015**

*Changes in Plan Provisions*

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.10 billion, and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

*Changes in Actuarial Assumptions*

- The assumed post-retirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2035 and 2.50% per year thereafter.



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**CITY OF OTSEGO, MINNESOTA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2017**

	Special Revenue	Capital Project	Total Nonmajor Governmental
<b>ASSETS</b>			
Cash and Investments	\$ 468,056	\$ 8,402,964	\$ 8,871,020
Receivables			
Accounts	6,807	13,601	20,408
Special Assessments			
Current	-	702	702
Deferred	-	792,224	792,224
Delinquent	-	5,560	5,560
Due from Other Governments	-	802,112	802,112
Due from Other Funds	-	716,586	716,586
	<u>474,863</u>	<u>10,733,749</u>	<u>11,208,612</u>
Total Assets			
<b>LIABILITIES</b>			
Accounts Payable	-	52,899	52,899
Due to Other Funds	17,178	691,552	708,730
Total Liabilities	<u>17,178</u>	<u>744,451</u>	<u>761,629</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Special Assessments	-	797,784	797,784
Unavailable Revenue - Intergovernmental	-	430,789	430,789
Total Deferred Inflows of Resources	<u>-</u>	<u>1,228,573</u>	<u>1,228,573</u>
<b>FUND BALANCES</b>			
Committed			
Street Light Replacement	125,396	-	125,396
Business Development Loans	349,467	-	349,467
Assigned			
City Buildings & Infrastructure	-	8,844,833	8,844,833
City Parks	-	253,864	253,864
Unassigned (Deficits)	(17,178)	(337,972)	(355,150)
Total Fund Balances	<u>457,685</u>	<u>8,760,725</u>	<u>9,218,410</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 474,863</u>	<u>\$ 10,733,749</u>	<u>\$ 11,208,612</u>

**CITY OF OTSEGO, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Special Revenue	Capital Project	Total Nonmajor Governmental
<b>REVENUES</b>			
Property Taxes	\$ 81,385	\$ 1,102,360	\$ 1,183,745
Intergovernmental	-	1,019,074	1,019,074
Charges for Services	11,323	677,077	688,400
Special Assessments	-	113,882	113,882
Investment Earnings (net)	3,947	75,660	79,607
Miscellaneous	50,000	15,080	65,080
Total Revenues	146,655	3,003,133	3,149,788
<b>EXPENDITURES</b>			
Current			
Public Works	10,384	-	10,384
Economic Development	82,137	-	82,137
Capital Outlay			
General Government	-	19,596	19,596
Public Works	-	1,530,825	1,530,825
Culture and Recreation	-	123,808	123,808
Economic Development	-	170,052	170,052
Total Expenditures	92,521	1,844,281	1,936,802
Excess of Revenues			
Over Expenditures	54,134	1,158,852	1,212,986
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	1,074,567	1,074,567
Sales of Capital Assets	-	78,500	78,500
Transfers Out	-	(8,356)	(8,356)
Total Other Financing Sources (Uses)	-	1,144,711	1,144,711
Net Change in Fund Balance	54,134	2,303,563	2,357,697
Fund Balance - January 1	403,551	6,457,162	6,860,713
Fund Balance - December 31	\$ 457,685	\$ 8,760,725	\$ 9,218,410



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A special revenue fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Street Lighting

This fund accounts for the electrical service, maintenance, repair and replacement of street lights within the City's above standard street-lighting district for commercially developed areas. The primary funding source of the fund is generated through charges for services imposed upon the benefitting properties in the district.

Revolving Loans

This fund was established to provide for economic development subsidies and loans to be provided to business entities in the City through the City's Economic Development Authority (EDA).

Tax Increment District No. 1 - Great River Centre

This fund was established to account for the collection of tax increment generated revenues for parcels within the District. The District encompasses two parcels in the Great River Centre commercial and industrial area. The increment generated is used for specific economic development incentives within the District.

**CITY OF OTSEGO, MINNESOTA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**DECEMBER 31, 2017**

	Street Lighting	Revolving Loans	Tax Increment District No. 1	Total Nonmajor Special Revenue
<b>ASSETS</b>				
Cash and Investments	\$ 118,589	\$ 349,467	\$ -	\$ 468,056
Receivables				
Accounts	6,807	-	-	6,807
Total Assets	<u>125,396</u>	<u>349,467</u>	<u>-</u>	<u>474,863</u>
<b>LIABILITIES</b>				
Due to Other Funds	-	-	17,178	17,178
<b>FUND BALANCES</b>				
Committed				
Street Light Replacement	125,396	-	-	125,396
Business Development Loans	-	349,467	-	349,467
Unassigned	-	-	(17,178)	(17,178)
Total Fund Balances (Deficits)	<u>125,396</u>	<u>349,467</u>	<u>(17,178)</u>	<u>457,685</u>
Total Liabilities and Fund Balances (Deficits)	<u>\$ 125,396</u>	<u>\$ 349,467</u>	<u>\$ -</u>	<u>\$ 474,863</u>

**CITY OF OTSEGO, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES (DEFICITS)**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Street Lighting	Revolving Loans	Tax Increment District No. 1	Total Nonmajor Special Revenue
<b>REVENUES</b>				
Property Taxes	\$ -	\$ 81,385	\$ -	\$ 81,385
Charges for Services	11,323	-	-	11,323
Investment Earnings (net)	1,118	2,829	-	3,947
Miscellaneous	-	50,000	-	50,000
Total Revenues	<u>12,441</u>	<u>134,214</u>	<u>-</u>	<u>146,655</u>
<b>EXPENDITURES</b>				
Current				
Public Works	10,384	-	-	10,384
Economic Development	-	81,237	900	82,137
Total Expenditures	<u>10,384</u>	<u>81,237</u>	<u>900</u>	<u>92,521</u>
Net Change in Fund Balance	2,057	52,977	(900)	54,134
Fund Balance (Deficit) - January 1	<u>123,339</u>	<u>296,490</u>	<u>(16,278)</u>	<u>403,551</u>
Fund Balance (Deficit) - December 31	<u>\$ 125,396</u>	<u>\$ 349,467</u>	<u>\$ (17,178)</u>	<u>\$ 457,685</u>

**CITY OF OTSEGO, MINNESOTA**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**STREET LIGHTING FUND - STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES</b>				
Charges for Services	\$ 10,000	\$ 10,000	\$ 11,323	\$ 1,323
Investment Earnings (net)	-	-	1,118	1,118
Total Revenues	<u>10,000</u>	<u>10,000</u>	<u>12,441</u>	<u>2,441</u>
<b>EXPENDITURES</b>				
Current				
Public Works				
Services and Other Charges	<u>10,000</u>	<u>10,000</u>	<u>10,384</u>	<u>384</u>
Net Change in Fund Balance	-	-	2,057	2,057
Fund Balance - January 1	<u>123,339</u>	<u>123,339</u>	<u>123,339</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 123,339</u>	<u>\$ 123,339</u>	<u>\$ 125,396</u>	<u>\$ 2,057</u>

**CITY OF OTSEGO, MINNESOTA**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**REVOLVING LOANS FUND - STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 81,385	\$ 81,385	\$ 81,385	\$ -
Investment Earnings (net)	-	-	2,829	2,829
Miscellaneous	-	-	50,000	50,000
Total Revenues	<u>81,385</u>	<u>81,385</u>	<u>134,214</u>	<u>52,829</u>
<b>EXPENDITURES</b>				
Current				
Economic Development				
Services and Other Charges	<u>81,385</u>	<u>81,385</u>	<u>81,237</u>	<u>(148)</u>
Net Change in Fund Balance	-	-	52,977	52,977
Fund Balance - January 1	<u>296,490</u>	<u>296,490</u>	<u>296,490</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 296,490</u>	<u>\$ 296,490</u>	<u>\$ 349,467</u>	<u>\$ 52,977</u>

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

Pavement Management

This fund was established to provide funds and to account for the expenditure of such funds, for costs associated with the City's street maintenance and replacement plan adopted annually within the Capital Improvement Plan. Annual projects may include: fog & seal coating, crack filling, paint striping, patching and asphalt overlays.

Trails Management

This fund was established to provide funds and to account for the expenditure of such funds, for costs associated with the City's trail maintenance plan adopted annually within the Capital Improvement Plan. Annual projects will typically include: crack filling, patching and seal coating.

Parks Capital Equipment

This fund was established to accumulate funds for major maintenance and future replacement of equipment within the City's park system.

Revolving Capital Equipment

This fund was established to provide funds and to account for the expenditure of such funds, for costs associated with the replacement of capital equipment, most significantly the City's machinery and vehicle fleet.

Community Facilities

This fund was established to accumulate funds that will be used to provide for the costs associated with the improvements of existing City facilities and the acquisition and construction of additional City facilities.

Collector Streets

This fund was established to accumulate funds derived from ongoing residential and commercial development that will provide for the costs associated with the construction of future arterial collector street infrastructure.

Fire Reserve

This fund was established to accumulate funds that will be used to finance the costs associated with the future construction of a fire department building and the capital equipment that will be housed within.

Municipal State-Aid for Construction

This fund was established to account for the State allotment of construction aid. The source of the State funding is provided for through collection of gasoline taxes. The funds accumulated are used on transportation related construction projects.

Watershed Districts

This fund was established to provide funds and to account for the expenditure of such funds, for costs associated with the maintenance of major water drainage system ditches throughout the City.

Odean Improvements

This fund was established to track the expenditures incurred for major improvements made to Odean Avenue in 1998. The outstanding special assessments to the benefitting property owners provide the funding for the costs.

Capital Improvements

This fund was established to accumulate resources that may be used to internally finance future City projects.

Slabtown Improvements

This fund was established to track the expenditures incurred for infrastructure improvements to the Slabtown area. The outstanding special assessments to the benefitting property owners provide the funding for the costs.

80th Street Improvements

This fund was established to track the expenditures incurred for infrastructure improvements currently ongoing on 80th Street, from Marlowe to MacIver. Independent School District 728 is constructing a school near this location and is the driver for the improvement to occur. The School District will be providing the funds necessary.

Kadler Avenue Improvements

This fund was established to track the expenditures incurred for infrastructure improvements being planned for Kadler Avenue. The improvements will provide for an urban style street capable of handling the volumes and type of traffic associated with an industrial park, of which has received preliminary development approvals.

CITY OF OTSEGO, MINNESOTA  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECT FUNDS  
 DECEMBER 31, 2017

	Pavement Management	Trails Management	Parks Capital Equipment	Revolving Capital Equipment
<b>ASSETS</b>				
Cash and Investments	\$ 1,905,894	\$ 7,590	\$ 250,263	\$ 624,018
Receivables				
Accounts	-	-	3,601	-
Special Assessments				
Current	-	-	-	-
Deferred	174,478	-	-	-
Delinquent	599	-	-	-
Due from Other Governments	-	-	-	-
Due from Other Funds	-	-	-	-
	<u>2,080,971</u>	<u>7,590</u>	<u>253,864</u>	<u>624,018</u>
<b>LIABILITIES</b>				
Accounts Payable	23,406	-	-	-
Due to Other Funds	-	-	-	-
Total Liabilities	<u>23,406</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Special Assessments	175,077	-	-	-
Unavailable Revenue - Intergovernmental	-	-	-	-
Total Deferred Inflows of Resources	<u>175,077</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>				
Assigned				
City Buildings & Infrastructure	1,882,488	7,590	-	624,018
City Parks	-	-	253,864	-
Unassigned	-	-	-	-
Total Fund Balances (Deficits)	<u>1,882,488</u>	<u>7,590</u>	<u>253,864</u>	<u>624,018</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 2,080,971</u>	<u>\$ 7,590</u>	<u>\$ 253,864</u>	<u>\$ 624,018</u>

(CONTINUED)

Community Facilities	Collector Streets	Fire Reserve	MSA Construction	Watershed Districts	Odean Improvements	Capital Improvements
\$ 451,434	\$ 1,321,403	\$ 2,235,834	\$ -	\$ 839,004	\$ -	\$ 750,880
10,000	-	-	-	-	-	-
-	-	702	-	-	-	-
-	175,243	-	-	-	17,500	414,417
-	3,874	1,087	-	-	-	-
-	-	-	802,112	-	-	-
-	-	-	-	-	-	716,586
<u>461,434</u>	<u>1,500,520</u>	<u>2,237,623</u>	<u>802,112</u>	<u>839,004</u>	<u>17,500</u>	<u>1,881,883</u>
1,696	-	-	8,541	-	-	10,054
-	-	-	626,753	-	5,425	-
<u>1,696</u>	<u>-</u>	<u>-</u>	<u>635,294</u>	<u>-</u>	<u>5,425</u>	<u>10,054</u>
-	179,117	1,087	-	-	17,500	414,417
-	-	-	430,789	-	-	-
<u>-</u>	<u>179,117</u>	<u>1,087</u>	<u>430,789</u>	<u>-</u>	<u>17,500</u>	<u>414,417</u>
459,738	1,321,403	2,236,536	-	839,004	-	1,457,412
-	-	-	-	-	-	-
-	-	-	(263,971)	-	(5,425)	-
<u>459,738</u>	<u>1,321,403</u>	<u>2,236,536</u>	<u>(263,971)</u>	<u>839,004</u>	<u>(5,425)</u>	<u>1,457,412</u>
<u>\$ 461,434</u>	<u>\$ 1,500,520</u>	<u>\$ 2,237,623</u>	<u>\$ 802,112</u>	<u>\$ 839,004</u>	<u>\$ 17,500</u>	<u>\$ 1,881,883</u>

	Slabtown Improvements	80th Street Improvements	Kadler Avenue Improvements	Total Nonmajor Capital Projects
<b>ASSETS</b>				
Cash and Investments	\$ 16,644	\$ -	\$ -	\$ 8,402,964
Receivables				
Accounts	-	-	-	13,601
Special Assessments				
Current	-	-	-	702
Deferred	10,586	-	-	792,224
Delinquent	-	-	-	5,560
Due from Other Governments	-	-	-	802,112
Due from Other Funds	-	-	-	716,586
	<u>27,230</u>	<u>-</u>	<u>-</u>	<u>10,733,749</u>
<b>LIABILITIES</b>				
Accounts Payable	-	-	9,202	52,899
Due to Other Funds	-	-	59,374	691,552
Total Liabilities	<u>-</u>	<u>-</u>	<u>68,576</u>	<u>744,451</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue - Special Assessments	10,586	-	-	797,784
Unavailable Revenue - Intergovernmental	-	-	-	430,789
Total Deferred Inflows of Resources	<u>10,586</u>	<u>-</u>	<u>-</u>	<u>1,228,573</u>
<b>FUND BALANCES</b>				
Assigned				
City Buildings & Infrastructure	16,644	-	-	8,844,833
City Parks	-	-	-	253,864
Unassigned	-	-	(68,576)	(337,972)
Total Fund Balances (Deficits)	<u>16,644</u>	<u>-</u>	<u>(68,576)</u>	<u>8,760,725</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u>\$ 27,230</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,733,749</u>



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**CITY OF OTSEGO, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES (DEFICITS)**  
**NONMAJOR CAPITAL PROJECT FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Pavement Management	Trails Management	Parks Capital Equipment	Revolving Capital Equipment
<b>REVENUES</b>				
Property Taxes	\$ 475,960	\$ 26,000	\$ 55,000	\$ 235,200
Intergovernmental	325,599	-	-	-
Charges for Services	-	-	-	-
Special Assessments	32,405	-	-	-
Investment Earnings (net)	6,604	31	2,204	5,493
Miscellaneous	-	-	5,080	-
Total Revenues	<u>840,568</u>	<u>26,031</u>	<u>62,284</u>	<u>240,693</u>
<b>EXPENDITURES</b>				
Capital Outlay				
General Government	-	-	-	-
Public Works	501,983	-	-	275,671
Culture and Recreation	-	21,701	39,315	33,222
Economic Development	-	-	-	-
Total Expenditures	<u>501,983</u>	<u>21,701</u>	<u>39,315</u>	<u>308,893</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>338,585</u>	<u>4,330</u>	<u>22,969</u>	<u>(68,200)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	1,074,567	-	-	-
Sales of Capital Assets	-	-	-	78,500
Transfers Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>1,074,567</u>	<u>-</u>	<u>-</u>	<u>78,500</u>
Net Change in Fund Balance	1,413,152	4,330	22,969	10,300
Fund Balance (Deficit) - January 1	<u>469,336</u>	<u>3,260</u>	<u>230,895</u>	<u>613,718</u>
Fund Balance (Deficit) - December 31	<u>\$ 1,882,488</u>	<u>\$ 7,590</u>	<u>\$ 253,864</u>	<u>\$ 624,018</u>

(CONTINUED)

Community Facilities	Collector Streets	Fire Reserve	MSA Construction	Watershed Districts	Odean Improvements	Capital Improvements
\$ -	\$ -	\$ 150,000	\$ -	\$ -	\$ -	\$ 160,200
-	-	-	463,564	-	-	26,157
-	457,670	-	-	219,407	-	-
-	10,096	1,109	-	-	-	67,196
4,333	12,462	20,421	-	10,416	-	13,696
10,000	-	-	-	-	-	-
<u>14,333</u>	<u>480,228</u>	<u>171,530</u>	<u>463,564</u>	<u>229,823</u>	<u>-</u>	<u>267,249</u>
-	-	-	-	-	-	19,596
-	-	-	574,277	-	-	21,232
29,570	-	-	-	-	-	-
-	-	-	-	-	-	170,052
<u>29,570</u>	<u>-</u>	<u>-</u>	<u>574,277</u>	<u>-</u>	<u>-</u>	<u>210,880</u>
<u>(15,237)</u>	<u>480,228</u>	<u>171,530</u>	<u>(110,713)</u>	<u>229,823</u>	<u>-</u>	<u>56,369</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>(15,237)</u>	<u>480,228</u>	<u>171,530</u>	<u>(110,713)</u>	<u>229,823</u>	<u>-</u>	<u>56,369</u>
<u>474,975</u>	<u>841,175</u>	<u>2,065,006</u>	<u>(153,258)</u>	<u>609,181</u>	<u>(5,425)</u>	<u>1,401,043</u>
<u>\$ 459,738</u>	<u>\$ 1,321,403</u>	<u>\$ 2,236,536</u>	<u>\$ (263,971)</u>	<u>\$ 839,004</u>	<u>\$ (5,425)</u>	<u>\$ 1,457,412</u>

**CITY OF OTSEGO, MINNESOTA**  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES (DEFICITS)  
 NONMAJOR CAPITAL PROJECT FUNDS  
 FOR THE YEAR ENDED DECEMBER 31, 2017

(CONTINUED)

	Slabtown Improvements	80th Street Improvements	Kadler Avenue Improvements	Total Nonmajor Capital Projects
<b>REVENUES</b>				
Property Taxes	\$ -	\$ -	\$ -	\$ 1,102,360
Intergovernmental	-	203,754	-	1,019,074
Charges for Services	-	-	-	677,077
Special Assessments	3,076	-	-	113,882
Investment Earnings (net)	-	-	-	75,660
Miscellaneous	-	-	-	15,080
Total Revenues	<u>3,076</u>	<u>203,754</u>	<u>-</u>	<u>3,003,133</u>
<b>EXPENDITURES</b>				
Capital Outlay				
General Government	-	-	-	19,596
Public Works	-	89,086	68,576	1,530,825
Culture and Recreation	-	-	-	123,808
Economic Development	-	-	-	170,052
Total Expenditures	<u>-</u>	<u>89,086</u>	<u>68,576</u>	<u>1,844,281</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>3,076</u>	<u>114,668</u>	<u>(68,576)</u>	<u>1,158,852</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	-	1,074,567
Sales of Capital Assets	-	-	-	78,500
Transfers Out	-	(8,356)	-	(8,356)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(8,356)</u>	<u>-</u>	<u>1,144,711</u>
Net Change in Fund Balance	3,076	106,312	(68,576)	2,303,563
Fund Balance (Deficit) - January 1	<u>13,568</u>	<u>(106,312)</u>	<u>-</u>	<u>6,457,162</u>
Fund Balance (Deficit) - December 31	<u>\$ 16,644</u>	<u>\$ -</u>	<u>\$ (68,576)</u>	<u>\$ 8,760,725</u>



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CITY OF OTSEGO, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017			Variance with Final Budget - Over (Under)	2016
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
<b>REVENUES</b>					
Property Taxes					
Current	\$ 3,728,273	\$ 3,728,273	\$ 3,725,853	\$ (2,420)	\$ 3,477,971
Delinquent	30,000	30,000	29,344	(656)	16,346
Penalties and interest	5,000	5,000	1,178	(3,822)	347
Total Property Taxes	<u>3,763,273</u>	<u>3,763,273</u>	<u>3,756,375</u>	<u>(6,898)</u>	<u>3,494,664</u>
Franchise Taxes	<u>132,000</u>	<u>132,000</u>	<u>135,652</u>	<u>3,652</u>	<u>131,229</u>
Licenses and Permits					
Business Licenses	34,750	34,750	34,012	(738)	35,470
Rental Licenses	56,000	56,000	46,700	(9,300)	59,350
Other Licenses	100	100	1,693	1,593	1,780
Right of Way Permits	10,000	10,000	45,950	35,950	49,110
Building Permits	681,750	681,750	1,222,229	540,479	1,492,001
Other Permits	6,300	6,300	12,800	6,500	23,854
Total Licenses and Permits	<u>788,900</u>	<u>788,900</u>	<u>1,363,384</u>	<u>574,484</u>	<u>1,661,565</u>
Intergovernmental					
State					
Police Aid	55,000	55,000	59,130	4,130	57,260
Other Aid & Grants	1,800	1,800	12,079	10,279	12,307
Local					
Other Aid & Grants	-	-	2,871	2,871	-
Total Intergovernmental	<u>56,800</u>	<u>56,800</u>	<u>74,080</u>	<u>17,280</u>	<u>69,567</u>
Charges for Services					
General Government	11,500	11,500	91,630	80,130	77,697
Public Works	37,500	37,500	116,998	79,498	149,681
Culture and Recreation	56,550	56,550	67,112	10,562	59,236
Total Charges for Services	<u>105,550</u>	<u>105,550</u>	<u>275,740</u>	<u>170,190</u>	<u>286,614</u>
Special Assessments	<u>-</u>	<u>-</u>	<u>8,495</u>	<u>8,495</u>	<u>4,179</u>
Fines and Forfeitures	<u>6,000</u>	<u>6,000</u>	<u>21,092</u>	<u>15,092</u>	<u>16,223</u>
Investment Earnings (net)	<u>33,000</u>	<u>33,000</u>	<u>31,343</u>	<u>(1,657)</u>	<u>21,233</u>
Miscellaneous					
Refunds and Reimbursements	-	-	21,848	21,848	63,753
Contributions and Donations	-	-	206,956	206,956	25,250
Other	-	-	1,025	1,025	17,219
Total Miscellaneous	<u>-</u>	<u>-</u>	<u>229,829</u>	<u>229,829</u>	<u>106,222</u>
<b>Total Revenues</b>	<u>4,885,523</u>	<u>4,885,523</u>	<u>5,895,990</u>	<u>1,010,467</u>	<u>5,791,496</u>

CITY OF OTSEGO, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017			Variance with Final Budget - Over (Under)	2016
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
<b>EXPENDITURES</b>					
General Government					
City Council					
Personal Services	36,734	36,734	34,800	(1,934)	32,637
Supplies	375	375	453	78	-
Services and Other Charges	85,184	85,184	64,426	(20,758)	43,995
Total	<u>122,293</u>	<u>122,293</u>	<u>99,679</u>	<u>(22,614)</u>	<u>76,632</u>
City Administrator					
Personal Services	160,746	160,746	144,311	(16,435)	-
Services and Other Charges	-	-	1,208	1,208	-
Total	<u>160,746</u>	<u>160,746</u>	<u>145,519</u>	<u>(15,227)</u>	<u>-</u>
Administration					
Personal Services	245,062	245,062	235,598	(9,464)	385,165
Supplies	11,000	11,000	6,791	(4,209)	10,412
Services and Other Charges	40,356	40,356	41,716	1,360	39,276
Total	<u>296,418</u>	<u>296,418</u>	<u>284,105</u>	<u>(12,313)</u>	<u>434,853</u>
Elections					
Personal Services	-	-	33	33	12,660
Supplies	1,924	1,924	1,207	(717)	4,970
Services and Other Charges	-	-	24	24	2,386
Total	<u>1,924</u>	<u>1,924</u>	<u>1,264</u>	<u>(660)</u>	<u>20,016</u>
Assessing					
Services and Other Charges	81,623	81,623	80,589	(1,034)	76,623
Finance					
Personal Services	257,867	257,867	127,829	(130,038)	247,226
Supplies	3,000	3,000	619	(2,381)	551
Services and Other Charges	57,533	57,533	53,803	(3,730)	58,950
Total	<u>318,400</u>	<u>318,400</u>	<u>182,251</u>	<u>(136,149)</u>	<u>306,727</u>
Information Technology					
Supplies	5,000	5,000	2,640	(2,360)	2,616
Services and Other Charges	83,500	83,500	64,128	(19,372)	79,525
Total	<u>88,500</u>	<u>88,500</u>	<u>66,768</u>	<u>(21,732)</u>	<u>82,141</u>
Legal					
Services and Other Charges	114,000	114,000	80,084	(33,916)	107,499
Prairie Center					
Supplies	10,300	10,300	10,360	60	9,806
Services and Other Charges	18,849	18,849	23,100	4,251	19,315
Total	<u>29,149</u>	<u>29,149</u>	<u>33,460</u>	<u>4,311</u>	<u>29,121</u>

CITY OF OTSEGO, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017			Variance with Final Budget - Over (Under)	2016
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
<b>EXPENDITURES (CONTINUED)</b>					
General Government (Continued)					
City Hall & Public Works Garage					
Supplies	12,800	12,800	11,838	(962)	11,563
Services and Other Charges	96,856	96,856	84,033	(12,823)	86,631
Total	109,656	109,656	95,871	(13,785)	98,194
Old Town Hall					
Services and Other Charges	2,640	2,640	2,605	(35)	1,874
Total General Government	1,325,349	1,325,349	1,072,195	(253,154)	1,233,680
Public Safety					
Police Services					
Services and Other Charges	1,020,700	1,020,700	1,032,192	11,492	991,403
Public Safety Commission					
Personal Services	750	750	710	(40)	690
Supplies	600	600	56	(544)	39
Services and Other Charges	1,500	1,500	-	(1,500)	-
Total	2,850	2,850	766	(2,084)	729
Fire Protection					
Supplies	500	500	174	(326)	-
Services and Other Charges	538,594	538,594	539,641	1,047	494,831
Total	539,094	539,094	539,815	721	494,831
Building Inspections					
Personal Services	96,303	96,303	94,741	(1,562)	97,291
Supplies	6,000	6,000	2,628	(3,372)	2,653
Services and Other Charges	184,871	184,871	200,369	15,498	208,559
Total	287,174	287,174	297,738	10,564	308,503
Emergency Management					
Supplies	1,000	1,000	-	(1,000)	-
Services and Other Charges	1,920	1,920	486	(1,434)	418
Total	2,920	2,920	486	(2,434)	418
Animal Control					
Services and Other Charges	14,400	14,400	15,664	1,264	12,101
Total Public Safety	1,867,138	1,867,138	1,886,661	19,523	1,807,985

CITY OF OTSEGO, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017			Variance with Final Budget - Over (Under)	2016
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
<b>EXPENDITURES (CONTINUED)</b>					
Public Works					
Streets Maintenance					
Personal Services	478,349	478,349	461,099	(17,250)	449,616
Supplies	171,421	171,421	147,697	(23,724)	136,407
Services and Other Charges	70,556	70,556	62,571	(7,985)	55,171
Total	<u>720,326</u>	<u>720,326</u>	<u>671,367</u>	<u>(48,959)</u>	<u>641,194</u>
Engineering					
Services and Other Charges	86,400	86,400	69,755	(16,645)	74,258
Street Lighting					
Services and Other Charges	117,000	117,000	122,227	5,227	121,163
Fleet Management					
Personal Services	83,660	83,660	84,726	1,066	81,141
Supplies	118,482	118,482	98,660	(19,822)	89,119
Services and Other Charges	10,860	10,860	9,230	(1,630)	3,745
Total	<u>213,002</u>	<u>213,002</u>	<u>192,616</u>	<u>(20,386)</u>	<u>174,005</u>
Total Public Works	<u>1,136,728</u>	<u>1,136,728</u>	<u>1,055,965</u>	<u>(80,763)</u>	<u>1,010,620</u>
Culture and Recreation					
Parks Maintenance					
Personal Services	207,919	207,919	210,972	3,053	182,699
Supplies	77,150	77,150	69,972	(7,178)	67,401
Services and Other Charges	105,742	105,742	109,401	3,659	100,849
Total	<u>390,811</u>	<u>390,811</u>	<u>390,345</u>	<u>(466)</u>	<u>350,949</u>
Recreation					
Personal Services	116,637	116,637	124,491	7,854	121,174
Supplies	16,050	16,050	12,246	(3,804)	10,856
Services and Other Charges	58,542	58,542	59,581	1,039	49,870
Total	<u>191,229</u>	<u>191,229</u>	<u>196,318</u>	<u>5,089</u>	<u>181,900</u>
Heritage Preservation Commission					
Personal Services	450	450	430	(20)	450
Supplies	500	500	170	(330)	498
Services and Other Charges	1,500	1,500	476	(1,024)	325
Total	<u>2,450</u>	<u>2,450</u>	<u>1,076</u>	<u>(1,374)</u>	<u>1,273</u>
Total Culture and Recreation	<u>584,490</u>	<u>584,490</u>	<u>587,739</u>	<u>3,249</u>	<u>534,122</u>

CITY OF OTSEGO, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2017  
(With Comparative Actual Amounts for the Year Ended December 31, 2016)

	2017			Variance with Final Budget - Over (Under)	2016
	Budgeted Amounts		Actual Amounts		Actual Amounts
	Original	Final			
<b>EXPENDITURES (CONTINUED)</b>					
Economic Development					
Planning Commission					
Personal Services	2,500	2,500	1,760	(740)	2,170
Services and Other Charges	1,500	1,500	-	(1,500)	270
Total	4,000	4,000	1,760	(2,240)	2,440
Planning					
Services and Other Charges	91,200	91,200	105,639	14,439	87,218
Economic Development					
Supplies	-	-	70	70	-
Services and Other Charges	14,660	14,660	6,110	(8,550)	8,667
Total	14,660	14,660	6,180	(8,480)	8,667
Total Economic Development	109,860	109,860	113,579	3,719	98,325
Capital Outlay					
General Government	9,000	9,000	7,382	(1,618)	6,325
Public Safety	8,000	8,000	8,806	806	21,303
Total	17,000	17,000	16,188	(812)	27,628
Total Expenditures	5,040,565	5,040,565	4,732,327	(308,238)	4,712,360
Excess (Deficiency) of Revenues Over (Under) Expenditures	(155,042)	(155,042)	1,163,663	1,318,705	1,079,136
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	155,042	155,042	155,042	-	136,755
Sales of Capital Assets	-	-	305	305	-
Transfers Out	-	-	(1,074,567)	(1,074,567)	(460,212)
Total Other Financing Sources (Uses)	155,042	155,042	(919,220)	(1,074,262)	(323,457)
Net Change in Fund Balance	-	-	244,443	244,443	755,679
Fund Balance - January 1	3,646,202	3,646,202	3,646,202	-	2,890,523
Fund Balance - December 31	\$ 3,646,202	\$ 3,646,202	\$ 3,890,645	\$ 244,443	\$ 3,646,202



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**CITY OF OTSEGO, MINNESOTA**  
**COMBINING BALANCE SHEET**  
**DEBT SERVICE FUND BY ACCOUNT**  
**DECEMBER 31, 2017**

	Series 2003A	Series 2004	Series 2012A
<b>ASSETS</b>			
Cash and Investments	\$ -	\$ -	\$ 656,775
Receivables			
Special Assessments			
Deferred	-	-	200,849
Delinquent	-	-	-
Prepaid Items	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>857,624</u></u>
<b>LIABILITIES</b>			
Accounts Payable	-	-	357
Due to Other Funds	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>357</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable Revenue - Special Assessments	-	-	200,849
	<u>-</u>	<u>-</u>	<u>200,849</u>
<b>FUND BALANCES</b>			
Nonspendable	-	-	-
Restricted	-	-	656,418
Total Fund Balances (Deficits)	<u>-</u>	<u>-</u>	<u>656,418</u>
	<u>-</u>	<u>-</u>	<u>656,418</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 857,624</u></u>

Series 2010D & 2011A	Series 2010B	Series 2007B	Series 2010A	Total Debt Service
\$ 1,108,207	\$ 175,399	\$ -	\$ -	\$ 1,940,381
1,491,234	-	41,369	-	1,733,452
4,313	-	-	-	4,313
-	-	-	1,325	1,325
<u>2,603,754</u>	<u>175,399</u>	<u>41,369</u>	<u>1,325</u>	<u>3,679,471</u>
714	357	-	357	1,785
-	-	24,714	320	25,034
<u>714</u>	<u>357</u>	<u>24,714</u>	<u>677</u>	<u>26,819</u>
<u>1,495,547</u>	<u>-</u>	<u>41,369</u>	<u>-</u>	<u>1,737,765</u>
-	-	-	1,325	1,325
<u>1,107,493</u>	<u>175,042</u>	<u>(24,714)</u>	<u>(677)</u>	<u>1,913,562</u>
<u>1,107,493</u>	<u>175,042</u>	<u>(24,714)</u>	<u>648</u>	<u>1,914,887</u>
<u>\$ 2,603,754</u>	<u>\$ 175,399</u>	<u>\$ 41,369</u>	<u>\$ 1,325</u>	<u>\$ 3,679,471</u>

**CITY OF OTSEGO, MINNESOTA**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES (DEFICITS)**  
**DEBT SERVICE FUND BY ACCOUNT**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Series 2003A	Series 2004	Series 2012A
<b>REVENUES</b>			
Property Taxes	\$ -	\$ -	\$ -
Special Assessments	-	-	384,480
Total Revenues	<u>-</u>	<u>-</u>	<u>384,480</u>
<b>EXPENDITURES</b>			
Debt Service			
Principal	-	-	190,000
Interest	-	-	20,100
Fiscal Agent Fees	-	-	852
Total Expenditures	<u>-</u>	<u>-</u>	<u>210,952</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>173,528</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers In	-	149,233	-
Transfers Out	(2,007)	-	(149,233)
Total Other Financing Sources (Uses)	<u>(2,007)</u>	<u>149,233</u>	<u>(149,233)</u>
Net Change in Fund Balance	(2,007)	149,233	24,295
Fund Balance (Deficit) - January 1	<u>2,007</u>	<u>(149,233)</u>	<u>632,123</u>
Fund Balance (Deficit) - December 31	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 656,418</u>

Series 2010D & 2011A	Series 2010B	Series 2007B	Series 2010A	Total Debt Service
\$ 225,000	\$ 430,000	\$ -	\$ -	\$ 655,000
64,183	-	163,482	-	612,145
<u>289,183</u>	<u>430,000</u>	<u>163,482</u>	<u>-</u>	<u>1,267,145</u>
455,000	435,000	-	45,000	1,125,000
123,225	59,423	-	4,000	206,748
1,207	356	-	852	3,267
<u>579,432</u>	<u>494,779</u>	<u>-</u>	<u>49,852</u>	<u>1,335,015</u>
<u>(290,249)</u>	<u>(64,779)</u>	<u>163,482</u>	<u>(49,852)</u>	<u>(67,870)</u>
2,007	-	-	49,000	200,240
-	-	-	-	(151,240)
<u>2,007</u>	<u>-</u>	<u>-</u>	<u>49,000</u>	<u>49,000</u>
(288,242)	(64,779)	163,482	(852)	(18,870)
<u>1,395,735</u>	<u>239,821</u>	<u>(188,196)</u>	<u>1,500</u>	<u>1,933,757</u>
<u>\$ 1,107,493</u>	<u>\$ 175,042</u>	<u>\$ (24,714)</u>	<u>\$ 648</u>	<u>\$ 1,914,887</u>

**CITY OF OTSEGO, MINNESOTA**  
**DEBT SERVICE FUND - SERIES 2012A**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES</b>				
Special Assessments	\$ 152,608	\$ 152,608	\$ 384,480	\$ 231,872
Total Revenues	<u>152,608</u>	<u>152,608</u>	<u>384,480</u>	<u>231,872</u>
<b>EXPENDITURES</b>				
Debt Service				
Principal	190,000	190,000	190,000	-
Interest	20,100	20,100	20,100	-
Fiscal Agent Fees	500	500	852	352
Total Expenditures	<u>210,600</u>	<u>210,600</u>	<u>210,952</u>	<u>352</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(57,992)	(57,992)	173,528	231,520
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	<u>-</u>	<u>-</u>	<u>(149,233)</u>	<u>(149,233)</u>
Net Change in Fund Balance	(57,992)	(57,992)	24,295	82,287
Fund Balance - January 1	<u>632,123</u>	<u>632,123</u>	<u>632,123</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 574,131</u>	<u>\$ 574,131</u>	<u>\$ 656,418</u>	<u>\$ 82,287</u>

**CITY OF OTSEGO, MINNESOTA**  
DEBT SERVICE FUND - SERIES 2010D & 2011A  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 225,000	\$ 225,000	\$ 225,000	\$ -
Special Assessments	76,835	76,835	64,183	(12,652)
Total Revenues	<u>301,835</u>	<u>301,835</u>	<u>289,183</u>	<u>(12,652)</u>
<b>EXPENDITURES</b>				
Debt Service				
Principal	455,000	455,000	455,000	-
Interest	123,226	123,226	123,225	(1)
Fiscal Agent Fees	1,000	1,000	1,207	207
Total Expenditures	<u>579,226</u>	<u>579,226</u>	<u>579,432</u>	<u>206</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(277,391)	(277,391)	(290,249)	(12,858)
<b>OTHER FINANCING SOURCES</b>				
Transfers In	-	-	2,007	2,007
Net Change in Fund Balance	(277,391)	(277,391)	(288,242)	(10,851)
Fund Balance - January 1	<u>1,395,735</u>	<u>1,395,735</u>	<u>1,395,735</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 1,118,344</u>	<u>\$ 1,118,344</u>	<u>\$ 1,107,493</u>	<u>\$ (10,851)</u>

**CITY OF OTSEGO, MINNESOTA**  
**DEBT SERVICE FUND - SERIES 2010B**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES</b>				
Property Taxes	\$ 430,000	\$ 430,000	\$ 430,000	\$ -
<b>EXPENDITURES</b>				
Debt Service				
Principal	435,000	435,000	435,000	-
Interest	59,423	59,423	59,423	-
Fiscal Agent Fees	500	500	356	(144)
Total Expenditures	494,923	494,923	494,779	(144)
Net Change in Fund Balance	(64,923)	(64,923)	(64,779)	144
Fund Balance - January 1	239,821	239,821	239,821	-
Fund Balance - December 31	\$ 174,898	\$ 174,898	\$ 175,042	\$ 144

**CITY OF OTSEGO, MINNESOTA**  
DEBT SERVICE FUND - SERIES 2007B  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>REVENUES</b>				
Special Assessments	\$ 56,341	\$ 56,341	\$ 163,482	\$ 107,141
Fund Balance (Deficit) - January 1	<u>(188,196)</u>	<u>(188,196)</u>	<u>(188,196)</u>	<u>-</u>
Fund Balance (Deficit) - December 31	<u><u>\$ (131,855)</u></u>	<u><u>\$ (131,855)</u></u>	<u><u>\$ (24,714)</u></u>	<u><u>\$ 107,141</u></u>

**CITY OF OTSEGO, MINNESOTA**  
**DEBT SERVICE FUND - SERIES 2010A**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Over (Under)
	Original	Final		
<b>EXPENDITURES</b>				
Debt Service				
Principal	\$ 45,000	\$ 45,000	\$ 45,000	\$ -
Interest	4,000	4,000	4,000	-
Fiscal Agent Fees	500	500	852	352
Total Expenditures	<u>49,500</u>	<u>49,500</u>	<u>49,852</u>	<u>352</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(49,500)	(49,500)	(49,852)	(352)
<b>OTHER FINANCING SOURCES</b>				
Transfers In	<u>49,000</u>	<u>49,000</u>	<u>49,000</u>	<u>-</u>
Net Change in Fund Balance	(500)	(500)	(852)	(352)
Fund Balance - January 1	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>	<u>-</u>
Fund Balance - December 31	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 648</u>	<u>\$ (352)</u>



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**CITY OF OTSEGO, MINNESOTA**  
**STATEMENT OF CHANGES IN AGENCY FUND ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

	<b>Development Escrows Fund (701)</b>			12/31/2017
	1/1/2017	Additions	Deductions	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,775,533	\$ 876,666	\$ (2,378,192)	\$ 1,274,007
<b>LIABILITIES</b>				
Accounts Payable	\$ 16,851	\$ 34,933	\$ (16,851)	\$ 34,933
Escrow Deposit	2,758,682	876,666	(2,396,274)	1,239,074
Total Liabilities	\$ 2,775,533	\$ 911,599	\$ (2,413,125)	\$ 1,274,007

	<b>Builders Escrow (702)</b>			12/31/2017
	1/1/2017	Additions	Deductions	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 132,261	\$ 359,000	\$ (327,761)	\$ 163,500
<b>LIABILITIES</b>				
Escrow Deposit	\$ 132,261	\$ 359,000	\$ (327,761)	\$ 163,500

	<b>Totals</b>			12/31/2017
	1/1/2017	Additions	Deductions	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,907,794	\$ 1,235,666	\$ (2,705,953)	\$ 1,437,507
<b>LIABILITIES</b>				
Accounts Payable	\$ 16,851	\$ 34,933	\$ (16,851)	\$ 34,933
Escrow Deposit	2,890,943	1,235,666	(2,724,035)	1,402,574
Total Liabilities	\$ 2,907,794	\$ 1,270,599	\$ (2,740,886)	\$ 1,437,507

This part of the City of Otsego's comprehensive annual financial report (CAFR) presents detailed information as a context for understanding what the financial statements, note disclosures, and required supplementary information say about the City's overall financial health.

	<u>Page No.</u>
<u>Financial Trends</u> These tables contain trend information to help the readers of the CAFR understand the City's financial performance by comparing the current year with a historical perspective.	108
<u>Revenue Capacity</u> These tables contain information to help the readers of the CAFR assess the City's most significant revenue source, which is property taxes.	122
<u>Debt Capacity</u> These tables present information to help the readers of the CAFR assess the affordability of the City's current levels of outstanding debt and the City's ability to issue debt in the future.	128
<u>Demographic and Economic Information</u> These tables offer demographic and economic indicators to help the readers of the CAFR to understand the environment in which the City's financial activities take place.	135
<u>Operating Information</u> These tables contain service and infrastructure data to assist the readers of the CAFR to understand how the City's financial report relates to the services the City provides.	137

Sources: Unless otherwise noted, the information in these tables is derived from the CAFR for each respective year.

**CITY OF OTSEGO, MINNESOTA**  
**STATISTICAL SECTION (UNAUDITED)**  
**NET POSITION BY COMPONENT**  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>Governmental Activities</b>				
Net Investment in Capital Assets	\$ 10,402,950	\$ 12,113,710	\$ 12,600,418	\$ 13,039,318
Restricted	8,576,073	8,604,122	7,506,642	6,547,412
Unrestricted	8,335,206	8,085,402	8,568,988	8,490,450
<b>Total Governmental Activities Net Position</b>	<u><u>\$ 27,314,229</u></u>	<u><u>\$ 28,803,234</u></u>	<u><u>\$ 28,676,048</u></u>	<u><u>\$ 28,077,180</u></u>
<b>Business-type activities</b>				
Net Investment in Capital Assets	\$ 18,721,350	\$ 19,658,076	\$ 17,255,564	\$ 16,017,362
Restricted	6,302,993	6,462,497	-	-
Unrestricted	313,037	1,519,450	9,661,840	8,220,490
<b>Total Business-type Activities Net Position</b>	<u><u>\$ 25,337,380</u></u>	<u><u>\$ 27,640,023</u></u>	<u><u>\$ 26,917,404</u></u>	<u><u>\$ 24,237,852</u></u>
<b>Primary Government</b>				
Net Investment in Capital Assets	\$ 29,124,300	\$ 31,771,786	\$ 29,855,982	\$ 29,056,680
Restricted	14,879,066	15,066,619	7,506,642	6,547,412
Unrestricted	8,648,243	9,604,852	18,230,828	16,710,940
<b>Total Primary Government Net Position</b>	<u><u>\$ 52,651,609</u></u>	<u><u>\$ 56,443,257</u></u>	<u><u>\$ 55,593,452</u></u>	<u><u>\$ 52,315,032</u></u>

Sources: The data for this table has been extracted from the respective years CAFR document.

**Table 1**

2012	2013	2014	2015	2016	2017
\$ 13,673,424	\$ 14,709,024	\$ 15,515,291	\$ 15,303,426	\$ 19,103,702	\$ 21,496,582
6,570,533	5,882,912	5,430,795	4,547,327	4,292,589	4,973,536
7,850,150	7,313,054	9,601,854	9,627,962	10,745,858	13,338,398
<u>\$ 28,094,107</u>	<u>\$ 27,904,990</u>	<u>\$ 30,547,940</u>	<u>\$ 29,478,715</u>	<u>\$ 34,142,149</u>	<u>\$ 39,808,516</u>
\$ 14,795,965	\$ 13,694,517	\$ 12,619,305	\$ 11,553,869	\$ 15,889,294	\$ 20,504,751
-	-	-	-	-	-
9,054,217	10,546,291	13,487,231	15,474,362	15,248,794	15,679,356
<u>\$ 23,850,182</u>	<u>\$ 24,240,808</u>	<u>\$ 26,106,536</u>	<u>\$ 27,028,231</u>	<u>\$ 31,138,088</u>	<u>\$ 36,184,107</u>
\$ 28,469,389	\$ 28,403,541	\$ 28,134,596	\$ 26,857,295	\$ 34,992,996	\$ 42,001,333
6,570,533	5,882,912	5,430,795	4,547,327	4,292,589	4,973,536
16,904,367	17,859,345	23,089,085	25,102,324	25,994,652	29,017,754
<u>\$ 51,944,289</u>	<u>\$ 52,145,798</u>	<u>\$ 56,654,476</u>	<u>\$ 56,506,946</u>	<u>\$ 65,280,237</u>	<u>\$ 75,992,623</u>

**CITY OF OTSEGO, MINNESOTA**  
 STATISTICAL SECTION (UNAUDITED)  
 CHANGES IN NET POSITION - CONTINUED ON THE FOLLOWING PAGES  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
<b>Expenses</b>				
General Government	\$ 892,100	\$ 916,692	\$ 910,830	\$ 956,651
Public Safety	1,781,953	1,786,889	1,615,763	1,647,285
Public Works	1,660,742	2,043,980	2,029,922	2,114,975
Sanitation	10,095	-	-	-
Culture and Recreation	570,456	374,019	401,563	569,431
Economic Development	7,268	58,293	17,096	12,353
Interest on Long-term Debt	721,924	611,384	919,907	661,447
<b>Total Expenses</b>	<u>5,644,538</u>	<u>5,791,257</u>	<u>5,895,081</u>	<u>5,962,142</u>
<b>Program Revenues</b>				
Charges for Services				
General Government	45,222	117,955	109,349	109,686
Public Safety	592,768	474,185	889,878	819,537
Public Works	7,939	58,430	24,082	111,873
Culture and Recreation	330	250	360	3,101
Operating Grants and Contributions	196,232	182,205	191,850	197,325
Capital Grants and Contributions	1,714,984	2,843,309	563,690	233,832
<b>Total Program Revenues</b>	<u>2,557,475</u>	<u>3,676,334</u>	<u>1,779,209</u>	<u>1,475,354</u>
<b>Net (Expense) / Revenue</b>	<u>(3,087,063)</u>	<u>(2,114,923)</u>	<u>(4,115,872)</u>	<u>(4,486,788)</u>
<b>General Revenues and Transfers</b>				
Taxes				
Property	3,270,875	3,505,575	3,587,177	3,719,778
Franchise Taxes	82,420	87,807	97,228	100,176
Unrestricted Grants and Contributions	106,320	141,892	29,797	26,051
Investment Earnings (net)	430,239	293,497	227,484	290,962
Gain on Disposal of Capital Assets	-	-	37,000	16,500
Transfers	(5,696)	-	10,000	44,000
Transfers - Capital Assets	(249,113)	(424,843)	-	-
<b>Total General Revenues and Transfers</b>	<u>3,635,045</u>	<u>3,603,928</u>	<u>3,988,686</u>	<u>4,197,467</u>
<b>Change in Net Position</b>	<u>\$ 547,982</u>	<u>\$ 1,489,005</u>	<u>\$ (127,186)</u>	<u>\$ (289,321)</u>

**Table 2**  
**Page 1 of 3**

2012	2013	2014	2015	2016	2017
\$ 1,002,690	\$ 906,102	\$ 1,230,335	\$ 1,174,510	\$ 1,376,793	\$ 1,085,554
1,445,397	1,447,887	1,499,538	1,670,627	1,846,459	1,906,843
2,486,553	2,760,130	2,383,890	6,521,708	3,389,909	2,618,584
-	-	-	-	-	-
575,592	573,581	792,525	792,936	847,553	1,013,252
103,884	75,303	45,024	145,771	302,296	365,768
631,129	543,821	347,503	231,242	223,938	197,282
<u>6,245,245</u>	<u>6,306,824</u>	<u>6,298,815</u>	<u>10,536,794</u>	<u>7,986,948</u>	<u>7,187,283</u>
54,674	36,735	119,757	36,235	81,876	100,125
588,894	784,038	1,159,073	1,191,134	1,677,788	1,384,626
50,906	106,913	724,009	247,260	656,570	805,248
8,840	28,600	43,606	52,075	59,236	67,112
203,645	220,790	233,606	244,497	248,910	261,814
620,574	485,533	1,619,209	3,154,662	4,437,611	3,957,672
<u>1,527,533</u>	<u>1,662,609</u>	<u>3,899,260</u>	<u>4,925,863</u>	<u>7,161,991</u>	<u>6,576,597</u>
<u>(4,717,712)</u>	<u>(4,644,215)</u>	<u>(2,399,555)</u>	<u>(5,610,931)</u>	<u>(824,957)</u>	<u>(610,686)</u>
4,271,751	4,333,972	4,476,810	4,602,153	4,963,787	5,572,250
106,547	83,681	120,964	128,722	131,229	135,652
54,601	10,954	132,104	242,970	255,951	231,683
212,731	(17,852)	157,640	55,909	82,385	124,052
40,009	44,343	32,355	35,600	31,160	38,373
49,000	-	122,632	284,586	186,755	195,686
-	-	-	-	(162,876)	(20,643)
<u>4,734,639</u>	<u>4,455,098</u>	<u>5,042,505</u>	<u>5,349,940</u>	<u>5,488,391</u>	<u>6,277,053</u>
<u>\$ 16,927</u>	<u>\$ (189,117)</u>	<u>\$ 2,642,950</u>	<u>\$ (260,991)</u>	<u>\$ 4,663,434</u>	<u>\$ 5,666,367</u>

**CITY OF OTSEGO, MINNESOTA**  
**STATISTICAL SECTION (UNAUDITED)**  
**CHANGES IN NET POSITION - CONTINUED**  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

	2008	2009	2010	2011
<b>BUSINESS-TYPE ACTIVITIES</b>				
<b>Expenses</b>				
Water Utility	\$ 962,806	\$ 968,217	\$ 1,314,133	\$ 1,530,108
Sanitary Sewer Utility	2,101,478	2,395,561	2,307,213	2,778,657
Storm Water Utility	-	41,196	68,903	61,024
<b>Total Expenses</b>	<b>3,064,284</b>	<b>3,404,974</b>	<b>3,690,249</b>	<b>4,369,789</b>
<b>Program Revenues</b>				
Charges for Services				
Water Utility	745,635	739,062	745,395	736,448
Sanitary Sewer Utility	786,885	873,480	989,847	1,067,088
Storm Water Utility	-	33,861	72,081	98,873
Capital Grants and Contributions	605,104	3,465,839	990,041	333,151
<b>Total Program Revenues</b>	<b>2,137,624</b>	<b>5,112,242</b>	<b>2,797,364</b>	<b>2,235,560</b>
<b>Net (Expense) / Revenue</b>	<b>(926,660)</b>	<b>1,707,268</b>	<b>(892,885)</b>	<b>(2,134,229)</b>
<b>General Revenues and Transfers</b>				
Property Taxes	-	-	-	-
Investment Earnings (net)	315,762	170,532	180,266	-
Gain on Disposal of Capital Assets	-	-	-	-
Transfers	5,696	-	(10,000)	(44,000)
Transfers - Capital Assets	249,113	424,843	-	-
<b>Total General Revenues and Transfers</b>	<b>570,571</b>	<b>595,375</b>	<b>170,266</b>	<b>191,166</b>
<b>Change in Net Position</b>	<b>\$ (356,089)</b>	<b>\$ 2,302,643</b>	<b>\$ (722,619)</b>	<b>\$ (1,943,063)</b>

2012	2013	2014	2015	2016	2017
\$ 1,301,990	\$ 1,241,343	\$ 1,187,553	\$ 1,246,064	\$ 1,276,338	\$ 1,377,537
2,326,550	2,123,381	2,052,493	2,207,811	2,480,519	2,477,995
69,834	72,944	57,977	95,533	42,342	62,172
<u>3,698,374</u>	<u>3,437,668</u>	<u>3,298,023</u>	<u>3,549,408</u>	<u>3,799,199</u>	<u>3,917,704</u>
1,049,531	1,259,942	1,167,066	1,261,303	1,334,442	1,529,127
1,055,557	1,186,523	1,325,181	1,479,703	1,601,172	1,744,067
69,608	41,831	45,570	76,211	75,932	94,919
1,032,687	1,267,189	2,560,270	2,020,299	4,766,947	5,591,332
<u>3,207,383</u>	<u>3,755,485</u>	<u>5,098,087</u>	<u>4,837,516</u>	<u>7,778,493</u>	<u>8,959,445</u>
<u>(490,991)</u>	<u>317,817</u>	<u>1,800,064</u>	<u>1,288,108</u>	<u>3,979,294</u>	<u>5,041,741</u>
-	57,739	24,824	25,000	25,000	25,000
152,321	(34,717)	168,320	85,259	129,442	154,321
-	18,733	28,440	-	-	-
(49,000)	-	(122,632)	(284,586)	(186,755)	(195,686)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>162,876</u>	<u>20,643</u>
<u>103,321</u>	<u>41,755</u>	<u>98,952</u>	<u>(174,327)</u>	<u>130,563</u>	<u>4,278</u>
<u>\$ (387,670)</u>	<u>\$ 359,572</u>	<u>\$ 1,899,016</u>	<u>\$ 1,113,781</u>	<u>\$ 4,109,857</u>	<u>\$ 5,046,019</u>

**CITY OF OTSEGO, MINNESOTA**  
**STATISTICAL SECTION (UNAUDITED)**  
**CHANGES IN NET POSITION - CONTINUED**  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
<b>TOTAL PRIMARY GOVERNMENT</b>				
<b>Expenses</b>				
Governmental Activities	\$ 5,644,538	\$ 5,791,257	\$ 5,895,081	\$ 5,962,142
Business-type Activities	<u>3,064,284</u>	<u>3,404,974</u>	<u>3,690,249</u>	<u>4,369,789</u>
<b>Total Expenses</b>	<u>8,708,822</u>	<u>9,196,231</u>	<u>9,585,330</u>	<u>10,331,931</u>
<b>Program Revenues</b>				
Governmental Activities	2,557,475	3,676,334	1,779,209	1,475,354
Business-type Activities	<u>2,137,624</u>	<u>5,112,242</u>	<u>2,797,364</u>	<u>2,235,560</u>
<b>Total Program Revenues</b>	<u>4,695,099</u>	<u>8,788,576</u>	<u>4,576,573</u>	<u>3,710,914</u>
<b>Net (Expense) / Revenue</b>	<u>(4,013,723)</u>	<u>(407,655)</u>	<u>(5,008,757)</u>	<u>(6,621,017)</u>
<b>General Revenues and Transfers</b>				
Governmental Activities	3,635,045	3,603,928	3,988,686	4,197,467
Business-type Activities	<u>570,571</u>	<u>595,375</u>	<u>170,266</u>	<u>191,166</u>
<b>Total General Revenues and Transfers</b>	<u>4,205,616</u>	<u>4,199,303</u>	<u>4,158,952</u>	<u>4,388,633</u>
<b>Change in Net Position</b>	<u>\$ 191,893</u>	<u>\$ 3,791,648</u>	<u>\$ (849,805)</u>	<u>\$ (2,232,384)</u>

Sources: The data for this table has been extracted from the respective years CAFR document.

2012	2013	2014	2015	2016	2017
\$ 6,245,245	\$ 6,306,824	\$ 6,298,815	\$ 10,536,794	\$ 7,986,948	\$ 7,187,283
3,698,374	3,437,668	3,298,023	3,549,408	3,799,199	3,917,704
9,943,619	9,744,492	9,596,838	14,086,202	11,786,147	11,104,987
1,527,533	1,662,609	3,899,260	4,925,863	7,161,991	6,576,597
3,207,383	3,755,485	5,098,087	4,837,516	7,778,493	8,959,445
4,734,916	5,418,094	8,997,347	9,763,379	14,940,484	15,536,042
(5,208,703)	(4,326,398)	(599,491)	(4,322,823)	3,154,337	4,431,055
4,734,639	4,455,098	5,042,505	5,349,940	5,488,391	6,277,053
103,321	41,755	98,952	(174,327)	130,563	4,278
4,837,960	4,496,853	5,141,457	5,175,613	5,618,954	6,281,331
\$ (370,743)	\$ 170,455	\$ 4,541,966	\$ 852,790	\$ 8,773,291	\$ 10,712,386

**CITY OF OTSEGO, MINNESOTA**  
 STATISTICAL SECTION (UNAUDITED)  
 GOVERNMENTAL ACTIVITIES TAX REVENUE BY SOURCE  
 Last Ten Fiscal Years  
 (accrual basis of accounting)

**Table 3**

	Property Taxes	Franchise Taxes		Total
2008	3,270,875	82,420	\$	3,353,295
2009	3,505,575	87,807		3,593,382
2010	3,587,177	97,228		3,684,405
2011	3,719,778	100,176		3,819,954
2012	4,271,751	106,547		4,378,298
2013	4,333,972	83,681		4,417,653
2014	4,476,810	120,964		4,597,774
2015	4,602,153	128,722		4,730,875
2016	4,963,787	131,229		5,095,016
2017	5,572,250	135,652		5,707,902

Sources: The data for this table has been extracted from the respective years CAFR document.



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**CITY OF OTSEGO, MINNESOTA**  
**STATISTICAL SECTION (UNAUDITED)**  
**FUND BALANCES - GOVERNMENTAL FUNDS**  
 Last Ten Fiscal Years  
 (modified accrual basis of accounting)

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
General Fund				
Reserved	\$ 6,069	\$ -	\$ -	\$ -
Unreserved	1,538,650	1,685,623	1,713,440	-
Nonspendable	-	-	-	-
Assigned	-	-	-	81,168
Unassigned	-	-	-	1,622,430
Total General Fund	<u>\$ 1,544,719</u>	<u>\$ 1,685,623</u>	<u>\$ 1,713,440</u>	<u>\$ 1,703,598</u>
All Other Governmental Funds				
Reserved	\$ 8,120,203	\$ 8,343,014	\$ 1,197,967	\$ -
Unreserved, Reported in:				
Special Revenue Funds	3,356,320	2,684,192	2,811,289	-
Capital Project Funds	2,228,379	1,960,421	2,157,424	-
Nonspendable	-	-	-	-
Restricted	-	-	-	5,985,647
Committed	-	-	-	39,142
Assigned	-	-	-	6,517,609
Unassigned	-	-	-	(700,854)
Total All Other Governmental Funds	<u>\$ 13,704,902</u>	<u>\$ 12,987,627</u>	<u>\$ 6,166,680</u>	<u>\$ 11,841,544</u>

Sources: The data for this table has been extracted from the respective years CAFR document.

Note: During 2011, the City implemented GASB Statement No. 54, *Fund Balance and Governmental Fund Type Definitions*.

Table 4

2012	2013	2014	2015	2016	2017
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
11,254	11,254	80,423	105,547	110,973	317,197
87,971	103,418	101,833	128,646	192,408	205,257
1,665,366	1,797,403	3,211,382	2,656,330	3,342,821	3,368,191
<u>\$ 1,764,591</u>	<u>\$ 1,912,075</u>	<u>\$ 3,393,638</u>	<u>\$ 2,890,523</u>	<u>\$ 3,646,202</u>	<u>\$ 3,890,645</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
4,601	351	-	2,675	2,000	1,325
7,898,825	8,805,554	2,576,729	2,278,379	1,931,757	3,290,750
52,360	595,191	387,033	406,683	419,829	474,863
5,605,265	4,267,012	5,218,020	6,825,237	7,221,257	9,098,697
(341,194)	(9,555)	(10,584)	(26,070)	(281,273)	(355,150)
<u>\$ 13,219,857</u>	<u>\$ 13,658,553</u>	<u>\$ 8,171,198</u>	<u>\$ 9,486,904</u>	<u>\$ 9,293,570</u>	<u>\$ 12,510,485</u>

**CITY OF OTSEGO, MINNESOTA**  
**STATISTICAL SECTION (UNAUDITED)**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
Last Ten Fiscal Years  
(modified accrual basis of accounting)

	2008	2009	2010	2011
<b>Revenues</b>				
Property Taxes	\$ 3,368,516	\$ 3,560,656	\$ 3,671,320	\$ 3,886,919
Franchise Taxes	-	-	-	-
Licenses and Permits	604,818	433,080	339,568	303,059
Intergovernmental	915,934	336,937	191,784	375,703
Charges for Services	533,967	561,860	126,453	200,256
Special Assessments	1,567,265	1,309,711	1,511,510	2,055,623
Fines and Forfeitures	-	-	-	1,000
Investment Earnings (net)	727,395	447,109	227,484	290,962
Miscellaneous	119,515	152,416	33,153	25,302
<b>Total Revenues</b>	<b>7,837,410</b>	<b>6,801,769</b>	<b>6,101,272</b>	<b>7,138,824</b>
<b>Expenditures</b>				
General Government	834,755	872,067	802,632	887,847
Public Safety	1,744,043	1,759,415	1,604,062	1,586,504
Public Works	860,594	1,255,099	962,329	974,557
Sanitation	10,095	-	-	-
Culture and Recreation	379,246	240,047	201,080	246,075
Economic Development	7,268	58,293	17,096	12,353
Capital Outlay	3,357,334	561,037	1,533,354	1,178,526
Debt Service				
Principal	2,380,000	2,780,000	1,345,000	745,000
Interest	1,731,089	1,872,249	989,718	489,184
Bond Issuance & Fiscal Agent Fee's	-	233,028	125,275	86,285
<b>Total Expenditures</b>	<b>11,304,424</b>	<b>9,631,235</b>	<b>7,580,546</b>	<b>6,206,331</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(3,467,014)</u>	<u>(2,829,466)</u>	<u>(1,479,274)</u>	<u>932,493</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	1,723,793	1,553,570	931,682	2,069,009
Issuance of Debt	-	6,360,000	5,310,000	4,640,000
Premium on Issuance of Debt	-	-	-	48,529
Sales of Capital Assets	-	-	56,000	-
Refunded Bonds Redeemed	-	(4,195,000)	(4,325,000)	-
Insurance Recovery	-	-	-	-
Transfers Out	(1,445,342)	(1,465,475)	(917,937)	(2,025,009)
<b>Total Other Financing Sources (Uses)</b>	<b>278,451</b>	<b>2,253,095</b>	<b>1,054,745</b>	<b>4,732,529</b>
Net Change in Fund Balances	<u>\$ (3,188,563)</u>	<u>\$ (576,371)</u>	<u>\$ (424,529)</u>	<u>\$ 5,665,022</u>
Debt Service as a Percentage of Noncapital Expenditures	<u>41.80%</u>	<u>50.98%</u>	<u>36.16%</u>	<u>22.68%</u>

Sources: The data for this table has been extracted from the respective years CAFR document.

Table 5

	2012	2013	2014	2015	2016	2017
\$	4,344,415	\$ 4,564,068	\$ 4,524,092	\$ 4,651,453	\$ 4,960,518	\$ 5,595,120
	-	-	120,964	128,722	131,229	135,652
	553,577	819,493	1,238,823	1,179,136	1,661,565	1,363,384
	621,447	241,996	1,034,552	3,570,630	2,111,727	1,093,154
	86,655	170,194	1,142,453	555,660	1,274,578	2,129,514
	875,822	1,987,647	905,441	560,748	575,155	734,522
	2,000	-	4,000	11,998	16,223	21,092
	209,984	(17,852)	157,640	55,909	82,385	124,052
	56,625	78,457	50,286	105,573	119,732	294,909
	<u>6,750,525</u>	<u>7,844,003</u>	<u>9,178,251</u>	<u>10,819,829</u>	<u>10,933,112</u>	<u>11,491,399</u>
	918,055	923,255	1,169,697	1,141,113	1,233,680	1,072,195
	1,440,908	1,447,182	1,495,008	1,664,031	1,807,985	1,886,661
	1,009,827	1,121,981	1,023,693	1,044,024	1,019,946	1,066,349
	-	-	-	-	-	-
	277,605	313,023	464,840	466,205	534,122	587,739
	103,884	75,303	45,024	145,771	196,534	195,716
	1,707,346	1,984,531	1,688,847	4,477,153	4,349,555	2,160,857
	810,000	840,000	6,965,000	1,130,000	1,210,000	1,125,000
	554,245	574,715	454,566	256,148	233,498	206,748
	42,900	-	-	2,979	3,362	3,267
	<u>6,864,770</u>	<u>7,279,990</u>	<u>13,306,675</u>	<u>10,327,424</u>	<u>10,588,682</u>	<u>8,304,532</u>
	<u>(114,245)</u>	<u>564,013</u>	<u>(4,128,424)</u>	<u>492,405</u>	<u>344,430</u>	<u>3,186,867</u>
	997,325	-	612,433	1,574,500	648,087	1,278,609
	1,400,000	-	-	-	-	-
	64,542	-	-	-	-	-
	40,009	-	-	35,600	31,160	78,805
	-	-	-	-	-	-
	-	22,167	-	-	-	-
	<u>(948,325)</u>	<u>-</u>	<u>(489,801)</u>	<u>(1,289,914)</u>	<u>(461,332)</u>	<u>(1,082,923)</u>
	<u>1,553,551</u>	<u>22,167</u>	<u>122,632</u>	<u>320,186</u>	<u>217,915</u>	<u>274,491</u>
\$	<u>1,439,306</u>	<u>\$ 586,180</u>	<u>\$ (4,005,792)</u>	<u>\$ 812,591</u>	<u>\$ 562,345</u>	<u>\$ 3,461,358</u>
	<u>23.13%</u>	<u>23.32%</u>	<u>60.23%</u>	<u>14.22%</u>	<u>18.40%</u>	<u>19.32%</u>

**CITY OF OTSEGO, MINNESOTA**  
**STATISTICAL SECTION (UNAUDITED)**  
**ESTIMATED ACTUAL VALUE, TAXABLE MARKET VALUE AND TAX CAPACITY OF TAXABLE PROPERTY**  
**Last Ten Fiscal Years**

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Estimated Actual Value	<u>\$ 1,333,105,057</u>	<u>\$ 1,359,891,000</u>	<u>\$ 1,297,319,800</u>	<u>\$ 1,122,091,900</u>
Taxable Market Value				
Real Estate	\$ 1,192,244,800	\$ 1,254,432,100	\$ 1,163,465,900	\$ 1,045,413,800
Personal Property	<u>11,325,900</u>	<u>12,488,100</u>	<u>13,099,300</u>	<u>14,203,900</u>
Total Taxable Market Value	<u>\$ 1,203,570,700</u>	<u>\$ 1,266,920,200</u>	<u>\$ 1,176,565,200</u>	<u>\$ 1,059,617,700</u>
Taxable Market Value as a Percentage of Estimated Actual Value	90.28%	93.16%	90.69%	94.43%
Tax Capacity				
Real Estate	\$ 12,698,297	\$ 13,545,272	\$ 12,750,856	\$ 11,376,627
Personal Property	<u>226,018</u>	<u>249,252</u>	<u>261,328</u>	<u>283,499</u>
Net Tax Capacity for Direct Rate	<u>\$ 12,924,315</u>	<u>\$ 13,794,524</u>	<u>\$ 13,012,184</u>	<u>\$ 11,660,126</u>
Net Tax Capacity as a Percentage of Estimated Actual Value	0.97%	1.01%	1.00%	1.04%
Property Tax Levies				
General Revenues	\$ 2,967,000	\$ 3,402,090	\$ 3,252,000	\$ 3,500,000
Debt Service	<u>458,000</u>	<u>318,600</u>	<u>566,000</u>	<u>466,000</u>
Total Property Taxes Levied	<u>\$ 3,425,000</u>	<u>\$ 3,720,690</u>	<u>\$ 3,818,000</u>	<u>\$ 3,966,000</u>
Tax Rates				
General Revenues	22.957	24.663	24.992	30.017
Debt Service	<u>3.544</u>	<u>2.310</u>	<u>4.350</u>	<u>3.997</u>
Total Direct Tax Rate	<u>26.500</u>	<u>26.972</u>	<u>29.342</u>	<u>34.013</u>

Sources: The data for this table has been provided by the Wright County Auditor / Treasurer's Office.

Table 6

2012	2013	2014	2015	2016	2017
<u>\$ 1,070,068,000</u>	<u>\$ 989,365,300</u>	<u>\$ 1,051,543,200</u>	<u>\$ 1,177,857,500</u>	<u>\$ 1,340,579,000</u>	<u>\$ 1,473,986,500</u>
\$ 913,874,900 14,003,900	\$ 839,428,800 14,305,700	\$ 908,532,000 14,513,300	\$ 1,039,579,100 14,952,700	\$ 1,195,720,700 16,476,000	\$ 1,327,925,100 20,388,300
<u>\$ 927,878,800</u>	<u>\$ 853,734,500</u>	<u>\$ 923,045,300</u>	<u>\$ 1,054,531,800</u>	<u>\$ 1,212,196,700</u>	<u>\$ 1,348,313,400</u>
86.71%	86.29%	87.78%	89.53%	90.42%	91.47%
\$ 9,999,046 279,502	\$ 9,184,748 285,540	\$ 9,805,499 290,266	\$ 11,060,135 298,480	\$ 12,909,476 328,948	\$ 14,465,922 407,194
<u>\$ 10,278,548</u>	<u>\$ 9,470,288</u>	<u>\$ 10,095,765</u>	<u>\$ 11,358,615</u>	<u>\$ 13,238,424</u>	<u>\$ 14,873,116</u>
0.96%	0.96%	0.96%	0.96%	0.99%	1.01%
\$ 3,836,000 425,000	\$ 3,952,910 425,000	\$ 4,024,715 475,285	\$ 4,070,000 610,000	\$ 4,380,206 640,000	\$ 4,974,745 655,000
<u>\$ 4,261,000</u>	<u>\$ 4,377,910</u>	<u>\$ 4,500,000</u>	<u>\$ 4,680,000</u>	<u>\$ 5,020,206</u>	<u>\$ 5,629,745</u>
37.320 4.135	41.740 4.488	39.865 4.708	35.832 5.370	33.087 4.834	33.448 4.404
<u>41.455</u>	<u>46.228</u>	<u>44.573</u>	<u>41.202</u>	<u>37.921</u>	<u>37.852</u>

**CITY OF OTSEGO, MINNESOTA**  
**STATISTICAL SECTION (UNAUDITED)**  
**TAX CAPACITY OF REAL ESTATE & PERSONAL PROPERTY**  
 Last Ten Fiscal Years

**Table 7**

	Residential		Commercial & Industrial	Agricultural	Personal Property	Other	Total
	Homestead	Non Homestead					
2008	\$ 8,390,152 64.92%	\$ 1,998,030 15.46%	\$ 1,435,171 11.10%	\$ 800,803 6.20%	\$ 226,018 1.75%	\$ 74,141 0.57%	\$ 12,924,315 100.00%
2009	8,666,112 62.82%	2,120,456 15.37%	1,878,314 13.62%	805,387 5.84%	249,252 1.81%	75,003 0.54%	13,794,524 100.00%
2010	8,126,189 62.45%	1,661,573 12.77%	2,164,323 16.63%	719,579 5.53%	261,328 2.01%	79,192 0.61%	13,012,184 100.00%
2011	7,547,244 64.73%	1,251,967 10.74%	1,893,120 16.24%	606,587 5.20%	283,499 2.43%	77,709 0.67%	11,660,126 100.00%
2012	6,460,276 62.85%	1,097,107 10.67%	1,821,302 17.72%	543,596 5.29%	279,502 2.72%	76,765 0.75%	10,278,548 100.00%
2013	5,906,265 62.37%	903,006 9.54%	1,788,872 18.89%	533,264 5.63%	285,540 3.02%	53,341 0.56%	9,470,288 100.00%
2014	6,607,296 65.45%	918,439 9.10%	1,664,605 16.49%	536,842 5.32%	290,266 2.88%	78,317 0.78%	10,095,765 100.00%
2015	7,732,867 68.08%	1,057,409 9.31%	1,633,988 14.39%	582,530 5.13%	298,480 2.63%	53,341 0.47%	11,358,615 100.00%
2016	8,878,089 67.06%	1,183,843 8.94%	2,166,341 16.36%	627,666 4.74%	328,948 2.48%	53,537 0.40%	13,238,424 100.00%
2017	9,942,548 66.85%	1,232,700 8.29%	2,627,164 17.66%	597,483 4.02%	407,194 2.74%	66,027 0.44%	14,873,116 100.00%

Sources: The data for this table has been provided by the Wright County Auditor / Treasurer's Office.

**CITY OF OTSEGO, MINNESOTA**  
**STATISTICAL SECTION (UNAUDITED)**  
**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS**  
 Last Ten Fiscal Years

**Table 8**

	Overlapping Rates				Total Direct & Overlapping			
	City	School District 728	School District 882	School District 885	County	School District 728	School District 882	School District 885
2008	26.500	32.344	25.254	46.192	31.648	90.492	83.402	104.340
2009	26.972	36.136	26.083	46.714	32.567	95.675	85.622	106.253
2010	29.342	39.967	24.948	52.062	35.819	105.128	90.109	117.223
2011	34.013	43.489	27.029	51.369	39.306	116.808	100.348	124.688
2012	41.455	45.548	28.262	52.646	43.452	130.455	113.169	137.553
2013	46.228	50.058	26.229	57.213	44.288	140.574	116.745	147.729
2014	44.573	51.286	28.269	51.570	43.450	139.309	116.292	139.593
2015	41.202	42.483	22.882	51.082	40.593	124.278	104.677	132.877
2016	37.921	39.266	20.857	49.102	39.970	117.157	98.748	126.993
2017	37.852	36.659	16.242	46.893	39.599	114.110	93.693	124.344

Sources: The data for this table has been provided by the Wright County Auditor / Treasurer's Office.

**CITY OF OTSEGO, MINNESOTA**  
 STATISTICAL SECTION (UNAUDITED)  
 PRINCIPAL PROPERTY TAXPAYERS  
 Current Year and Nine Years Ago

**Table 9**

Taxpayer	Classification	2017			2008		
		Net Tax Capacity	Rank	Percentage of Total Tax Capacity Value	Net Tax Capacity	Rank	Percentage of Total Tax Capacity Value
Duke Realty	Industrial	\$ 1,131,708	1	7.61%	\$ 101,152	6	0.78%
Minnegasco, Inc	Utility	247,374	2	1.66%	115,620	3	0.89%
Target Corporation	Commercial	205,390	3	1.38%			
Wright-Hennepin Electric Co-Op	Utility	104,097	4	0.70%	78,434	8	0.61%
Elk Inn Partners LP	Commercial	99,250	5	0.67%			
Apex Business Center, LLC	Industrial	73,924	6	0.50%	74,578	10	0.58%
WFCIII LLC	Commercial	59,250	7	0.40%			
21st Century Bank	Commercial	49,602	8	0.33%			
WFCII LLC	Commercial	45,734	9	0.31%			
Darkenwald's Riverbend Co. LLC	Residential	40,734	10	0.27%			
Geneva Exchange Fund XXII LLC	Commercial				172,930	1	1.34%
Martin Farms Development, LLC	Residential				126,007	2	0.97%
OHW, LLC	Residential				106,965	4	0.83%
Land Funding I LLC	Commercial				105,912	5	0.82%
Appello Group LLC	Commercial				91,374	7	0.71%
Darrel Farr Development Corp.	Commercial				77,444	9	0.60%
Totals		<u>\$ 2,057,063</u>		<u>13.83%</u>	<u>\$ 1,050,416</u>		<u>8.13%</u>

Sources: The data for this table has been provided by the Wright County Auditor / Treasurer's Office.

**CITY OF OTSEGO, MINNESOTA**  
**STATISTICAL SECTION (UNAUDITED)**  
**PROPERTY TAX LEVIES AND COLLECTIONS**  
 Last Ten Fiscal Years

**Table 10**

	Certified Property Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage to Date
2008	\$ 3,425,000	\$ 3,241,928	94.65%	\$ 183,072	\$ 3,425,000	100.00%
2009	3,720,690	3,498,865	94.04%	221,825	3,720,690	100.00%
2010	3,818,000	3,610,870	94.57%	207,130	3,818,000	100.00%
2011	3,966,000	3,820,747	96.34%	145,253	3,966,000	100.00%
2012	4,261,000	4,111,857	96.50%	143,387	4,255,244	99.86%
2013	4,377,910	4,306,802	98.38%	70,221	4,377,023	99.98%
2014	4,500,000	4,444,153	98.76%	53,689	4,497,842	99.95%
2015	4,680,000	4,641,720	99.18%	35,790	4,677,510	99.95%
2016	5,020,206	4,979,508	99.19%	37,071	5,016,579	99.93%
2017	5,629,745	5,606,101	99.58%	-	5,606,101	99.58%

Sources: The data for this table has been provided by Wright County and from City financial maintenance documents.

Note: The components of the Certified Property Tax Levy can be viewed in table 6 of the statistical section.

**CITY OF OTSEGO, MINNESOTA**  
**STATISTICAL SECTION (UNAUDITED)**  
**RATIOS OF OUTSTANDING DEBT BY TYPE**  
 Last Ten Fiscal Years

**Table 11**

	Governmental Activities			Business-Type Activities	Total Debt	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Equipment Certificates	Lease Revenue	General Obligation Revenue Bonds			
2008	\$ 12,655,000	\$ -	\$ 3,430,000	26,765,000	\$ 42,850,000	9.32%	\$ 3,217
2009	11,265,000	-	3,230,000	27,740,000	42,235,000	9.26%	3,114
2010	13,750,000	385,000	-	28,922,111	43,057,111	9.24%	3,173
2011	17,728,529	350,000	-	28,843,229	46,921,758	9.17%	3,396
2012	18,413,438	310,000	-	28,764,347	47,487,785	8.82%	3,384
2013	17,601,634	265,000	-	28,685,465	46,552,099	8.26%	3,220
2014	10,664,830	220,000	-	28,606,583	39,491,413	6.33%	2,638
2015	9,553,029	175,000	-	28,527,701	38,255,730	5.61%	2,473
2016	8,380,857	130,000	-	26,448,820	34,959,677	4.82%	2,182
2017	7,293,686	85,000	-	24,334,937	31,713,623	4.20%	1,903

Sources: The data for this table has been provided from City financial maintenance documents.

Note: More detailed information for Population and Personal Income can be viewed in table 16 of the statistical section.

**CITY OF OTSEGO, MINNESOTA**  
 STATISTICAL SECTION (UNAUDITED)  
 RATIOS OF GENERAL BONDED DEBT OUTSTANDING  
 Last Ten Fiscal Years

**Table 12**

	<u>General Obligation Bonds</u>	<u>Equipment Certificates</u>	<u>Total General Bonded Debt Outstanding</u>	<u>Less: Amounts Restricted to Debt Service</u>	<u>Net General Obligation Debt</u>	<u>Percentage of Estimated Actual Value of Property</u>	<u>Per Capita</u>
2008	\$ 12,655,000	\$ -	\$ 12,655,000	\$ 1,864,069	\$ 10,790,931	0.81%	\$ 810
2009	11,265,000	-	11,265,000	1,092,787	10,172,213	0.75%	750
2010	13,750,000	385,000	14,135,000	6,962,030	7,172,970	0.55%	529
2011	17,728,529	350,000	18,078,529	6,547,412	11,531,117	1.03%	835
2012	18,413,438	310,000	18,723,438	6,570,533	12,152,905	1.14%	866
2013	17,601,634	265,000	17,866,634	5,882,912	11,983,722	1.21%	829
2014	10,664,830	220,000	10,884,830	5,430,795	5,454,035	0.52%	364
2015	9,553,029	175,000	9,728,029	4,506,243	5,221,786	0.44%	337
2016	8,380,857	130,000	8,510,857	4,292,589	4,218,268	0.31%	263
2017	7,293,686	85,000	7,378,686	3,596,348	3,782,338	0.26%	227

Sources: The data for this table has been provided from City financial maintenance documents.

Note: More detailed information for Population can be viewed in table 16 of the statistical section.

Note: More detailed information for Estimated Property Values can be viewed in table 6 of the statistical section.

**CITY OF OTSEGO, MINNESOTA**  
 STATISTICAL SECTION (UNAUDITED)  
 COMPUTATION OF DIRECT AND OVERLAPPING  
 GOVERNMENTAL ACTIVITIES DEBT  
 DECEMBER 31, 2017

**Table 13**

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Overlapping Debt
Overlapping Debt:			
School Districts:			
No. 728 - Elk River	\$ 229,745,000	19.53%	\$ 44,869,199
No. 882 - Monticello	49,330,000	3.50%	1,726,550
No. 885 - St. Michael-Albertville	219,335,000	4.16%	9,124,336
Wright County	<u>53,685,000</u>	10.66%	<u>5,722,821</u>
Total Overlapping Debt	<u>\$ 552,095,000</u>		61,442,906
City of Otsego Direct Debt			<u>7,378,686</u>
Total Direct and Overlapping Debt			<u>\$ 68,821,592</u>

Sources: The majority of the data for this table has been provided by Wright County Auditor / Treasurer's Office.

Sources: The remaining data for this table was provided by School District No. 728.

Note: More detailed information for the City's outstanding debt can be viewed in table 11 of the statistical section.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. The schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City'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.

Note: The percentage of overlapping debt applicable is estimated using tax capacity values. Applicable percentages were estimated by determining the portion of each entity's tax capacity that is within the City's boundaries, and dividing it by the entity's total tax capacity.



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**CITY OF OTSEGO, MINNESOTA**  
**STATISTICAL SECTION (UNAUDITED)**  
**LEGAL DEBT MARGIN INFORMATION**  
 Last Ten Fiscal Years

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Taxable Market Value	\$ 1,203,570,700	\$ 1,266,920,200	\$ 1,176,565,200	\$ 1,059,617,700
Debt Limit Percentage	<u>3.00%</u>	<u>3.00%</u>	<u>3.00%</u>	<u>3.00%</u>
Debt Limit	36,107,121	38,007,606	35,296,956	31,788,531
Total Net Debt Applicable to Limit	<u>10,790,931</u>	<u>10,172,213</u>	<u>7,172,970</u>	<u>11,531,117</u>
Legal Debt Margin	<u>\$ 25,316,190</u>	<u>\$ 27,835,393</u>	<u>\$ 28,123,986</u>	<u>\$ 20,257,414</u>
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	29.89%	26.76%	20.32%	36.27%

Sources: The data for this table has been provided by Wright County and from City financial maintenance documents.

**Table 14**

2012	2013	2014	2015	2016	2017
\$ 927,878,800	\$ 853,734,500	\$ 923,045,300	\$ 1,054,531,800	\$ 1,212,196,700	\$ 1,348,313,400
3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
27,836,364	25,612,035	27,691,359	31,635,954	36,365,901	40,449,402
12,152,905	11,983,722	5,454,035	5,221,786	4,218,268	3,782,338
<u>\$ 15,683,459</u>	<u>\$ 13,628,313</u>	<u>\$ 22,237,324</u>	<u>\$ 26,414,168</u>	<u>\$ 32,147,633</u>	<u>\$ 36,667,064</u>
43.66%	46.79%	19.70%	16.51%	11.60%	9.35%

General Obligation Revenue Bonds							
	Water and Sanitary Sewer Utility Charges	Water and Sanitary Sewer Connection Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
					Principal	Interest	
2008	\$ 1,819,479	\$ 501,798	\$ 1,015,506	\$ 1,305,771	\$ 1,155,000	\$ 1,083,466	58.33%
2009	1,783,074	498,326	1,039,988	1,241,412	1,190,000	1,264,930	50.57%
2010	1,915,508	990,041	1,109,346	1,796,203	-	1,214,508	147.90%
2011	2,038,433	333,151	1,228,236	1,143,348	-	1,343,403	85.11%
2012	2,256,616	1,032,687	1,148,605	2,140,698	-	1,006,961	212.59%
2013	2,429,661	1,233,224	1,136,790	2,526,095	-	1,007,100	250.83%
2014	2,687,572	2,435,460	1,016,382	4,106,650	-	1,007,585	407.57%
2015	2,641,566	2,020,299	2,524,073	2,137,792	-	1,007,762	212.13%
2016	2,857,174	3,662,097	2,831,346	3,687,925	2,000,000	1,007,725	122.62%
2017	3,197,486	3,577,039	2,973,383	3,801,142	2,035,000	967,815	126.59%

Lease Revenue Bonds				
	Property Taxes	Debt Service		Coverage
		Principal	Interest	
2008	\$ 235,763	\$ 95,000	\$ 140,763	100.00%
2009	337,200	200,000	137,200	100.00%
2010	-	-	-	n/a
2011	-	-	-	n/a
2012	-	-	-	n/a
2013	-	-	-	n/a
2014	-	-	-	n/a
2015	-	-	-	n/a
2016	-	-	-	n/a
2017	-	-	-	n/a

Sources: The data for this table has been provided from City financial maintenance documents.



	Population	No. of Households	Personal Income	Per Capita Personal Income	Unemployment Rate	Median Age	School Enrollments		
							No. 728 Elk River	No. 882 Monticello	No. 885 St. Michael Albertville
2008	13,319	4,553	\$ 459,612,052	34,508	6.1%		12,544	4,036	4,873
2009	13,562	4,660	455,886,630	33,615	8.9%	33.8	12,702	4,057	5,094
2010	13,571	4,736	465,770,291	34,321	8.0%	32.2	12,932	4,073	5,326
2011	13,816	4,826	511,523,584	37,024	6.8%	32.4	12,801	4,110	5,497
2012	14,034	4,894	538,231,968	38,352	5.8%	33.4	12,753	4,137	5,645
2013	14,457	5,035	563,823,000	39,000	5.0%	33.4	13,123	4,137	5,747
2014	14,968	5,218	623,821,336	41,677	4.2%	33.8	13,076	4,193	5,904
2015	15,472	5,394	682,361,616	44,103	3.7%	34.1	13,136	4,096	6,096
2016	16,019	5,580	724,779,655	45,245	4.3%	33.2	13,219	4,094	6,286
2017	16,669	5,790	754,193,942	45,245	3.5%	33.2	13,461	4,168	6,335

Sources: Population & Households - Minnesota State Demographer [2017 Estimated by City]  
 Personal Income - Calculated by the City  
 Per Capita Personal Income - US Department of Commerce; Bureau of Economic Analysis  
 Unemployment Rate - Minnesota Department of Employment and Economic Development  
 Median Age - US Department of Commerce, Bureau of the Census  
 School Enrollment - Minnesota Department of Education

Note: Median age was added in 2015. Information prior to 2009 was not available. This will be updated on a go-forward basis.  
 Note: Some data was not yet available for 2017. In those instances, 2016 data was shown for the current year.

**CITY OF OTSEGO, MINNESOTA**  
**STATISTICAL SECTION (UNAUDITED)**  
**PRINCIPAL EMPLOYMENT SECTORS**  
 Current Year and Nine Years Ago

**Table 17**

Employment Industry	2017			2008		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Education & Health Services	1,451	1	42.89%	105	5	8.44%
Trade, Transportation & Utilities	718	2	21.22%	305	2	24.52%
Leisure & Hospitality	350	3	10.35%	318	1	25.56%
Construction	338	4	9.99%	161	3	12.94%
Professional & Business Services	250	5	7.39%	138	4	11.09%
Other Services	79	6	2.34%	60	7	4.82%
Public Administration	38	7	1.12%	21	8	1.69%
Financial Activities				91	6	7.32%
Totals	<u>3,224</u>		<u>95.30%</u>	<u>1,199</u>		<u>96.38%</u>

Sources: The data for this table has been provided from the Minnesota Department of Employment and Economic Development.

Note: Due to data privacy within the State, data for principal employers of the City is not available. Given this limitation, the City determined it was appropriate to provide data regarding employment industry data. The City felt that this data would still provide the user information to understand the degree to which the City's economy is or is not dependent on a certain employment sector.

CITY OF OTSEGO, MINNESOTA  
 STATISTICAL SECTION (UNAUDITED)  
 FULL TIME CITY GOVERNMENT POSITIONS BY FUNCTION  
 Last Ten Fiscal Years

Table 18

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
Administration	4.0	3.0	3.0	3.0	3.0	3.0	3.0	4.0	3.5	3.6
Finance	3.7	3.8	3.9	3.9	3.9	3.7	3.9	3.0	3.0	3.0
Total General Government	<u>7.7</u>	<u>6.8</u>	<u>6.9</u>	<u>6.9</u>	<u>6.9</u>	<u>6.7</u>	<u>6.9</u>	<u>7.0</u>	<u>6.5</u>	<u>6.6</u>
Public Safety										
Police	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-
Building Inspections	4.0	2.6	1.6	1.0	1.0	1.0	1.0	1.0	1.5	1.5
Total Public Safety	<u>4.0</u>	<u>2.6</u>	<u>1.6</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.5</u>	<u>1.5</u>
Public Works										
Street Maintenance	5.9	5.9	6.9	6.9	5.9	5.8	5.8	6.9	6.9	6.9
Mechanic	-	-	-	-	1.0	1.0	1.0	1.0	1.0	1.0
Total Public Works	<u>5.9</u>	<u>5.9</u>	<u>6.9</u>	<u>6.9</u>	<u>6.9</u>	<u>6.8</u>	<u>6.8</u>	<u>7.9</u>	<u>7.9</u>	<u>7.9</u>
Culture and Recreation										
Parks Maintenance	1.0	1.0	1.0	1.0	1.4	1.4	1.4	3.5	3.5	3.5
Recreation	-	-	-	-	0.6	1.1	1.1	1.4	1.4	1.4
Total Culture and Recreation	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>1.0</u>	<u>2.0</u>	<u>2.5</u>	<u>2.5</u>	<u>4.9</u>	<u>4.9</u>	<u>4.9</u>
Public Utilities										
Water Utility	-	-	-	-	-	2.0	2.0	1.3	1.3	1.3
Sanitary Sewer Utility	-	-	-	-	-	2.0	2.0	3.7	3.7	3.7
Total Public Utilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4.0</u>	<u>4.0</u>	<u>5.0</u>	<u>5.0</u>	<u>5.0</u>
<b>Total</b>	<u><u>18.6</u></u>	<u><u>16.3</u></u>	<u><u>16.4</u></u>	<u><u>15.8</u></u>	<u><u>16.8</u></u>	<u><u>21.0</u></u>	<u><u>21.2</u></u>	<u><u>25.8</u></u>	<u><u>25.7</u></u>	<u><u>25.9</u></u>

Sources: The data for this table has been provided from City financial maintenance documents.

Note: Police and Fire services are contracted services with Wright County and neighboring Cities respectively, therefore no City employees.

Note: Public Utilities staffing were contracted with a service provider through 2012. In 2013, the City hired a staff and assumed operations.

CITY OF OTSEGO, MINNESOTA  
 STATISTICAL SECTION (UNAUDITED)  
 OPERATING INDICATORS BY FUNCTION  
 Last Ten Fiscal Years

Table 19

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Administration</b>										
Rental Licenses Issued	89	199	180	246	292	337	372	372	387	351
Code Enforcement Citations			11	60	89	20	16	31	41	30
Registered Voters					7,168		7,329		9,324	
Actual Votes Tallied	6,688		4,737		7,126		4,693		7,362	
<b>Police</b>										
Total Calls for Service		4,217	3,905	4,111	4,234	3,856	4,060	3,575	3,619	4,310
<b>Fire</b>										
Calls - Albertville Department							82	76	93	129
Calls - Elk River Department							74	73	80	92
Calls - Rogers Department								18	15	12
<b>Building Inspections</b>										
Number of Permits - All Types	2,480	839	617	570	645	699	692	893	968	722
New Homes Constructed	80	94	73	58	143	190	188	207	219	210
<b>Public Works</b>										
Miles of Streets Constructed	-	0.25	-	-	0.45	1.33	2.30	1.66	2.59	3.93
Miles of Streets Reconstructed									0.35	1.80
Snow Plowing Events	15	26	55	40	46	37	22	16	16	22
<b>Culture and Recreation</b>										
Parks Acres Maintained	158.7	158.7	161.5	167.8	167.8	184.3	184.3	184.3	190.3	160.0
Prairie Festival Attendance						4,900	5,100	6,200	5,000	4,000
Recreation Programs Offered					17	60	106	132	100	127
Recreation Programs Participants					550	9,875	14,958	12,662	12,662	17,341
<b>Water Utility</b>										
Connections	2,131	2,222	2,321	2,379	2,517	2,678	2,829	3,023	3,155	3,278
Gallons Delivered	339,394,000	348,947,070	348,498,610	353,515,800	429,293,500	409,492,730	375,299,840	389,118,330	393,795,210	491,484,000
<b>Sanitary Sewer Utility</b>										
Average Daily Gallons Treated	416,000	474,000	509,000	512,000	485,000	543,000	539,000	551,000	600,000	627,000

Sources: The data for this table has been provided by each respective City department.

Note: The City made significant changes to the indicators included in this table for 2015. Not all historical data was able to be compiled, and this table will be updated on a go-forward basis.

CITY OF OTSEGO, MINNESOTA  
 STATISTICAL SECTION (UNAUDITED)  
 CAPITAL ASSET STATISTICS BY FUNCTION  
 Last Ten Fiscal Years

Table 20

Function	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
<b>Public Works</b>										
Street Miles (MSA)	113.10	112.85	112.85	112.85	113.30	114.63	116.93	118.59	120.88	124.81
Heavy Duty Trucks	7	7	7	8	8	8	8	8	8	8
Light Duty Vehicles	9	10	10	10	11	15	15	15	15	17
Tractors & Grading Equipment	4	4	7	8	8	8	8	8	8	8
<b>Culture and Recreation</b>										
Trail Miles	17.90	19.68	19.68	19.68	19.68	19.68	19.68	19.96	21.13	25.11
Number of Parks	7	7	7	8	8	10	10	10	11	12
Playgrounds	6	6	6	7	7	7	7	7	8	9
Park Shelters	7	7	7	9	9	9	9	9	10	10
Ball Fields	4	4	4	5	5	5	5	5	6	6
Soccer Fields	-	-	-	-	-	-	-	3	3	3
Basketball Courts	4	4	4	5	5	5	5	5	5	5
Tennis Courts	6	6	6	7	7	7	7	7	8	8
Outdoor Ice Rinks	-	-	-	-	-	1	1	1	2	2
Mowing Equipment	2	2	3	4	5	5	5	5	6	6
<b>Water Utility</b>										
Water Towers	3	3	3	3	3	3	3	3	3	3
Wells	8	8	8	8	8	8	8	8	8	8
Miles of Water Main						63	63	74	77	79
Hydrants						717	722	794	846	871
Water Valves						1,555	1,603	1,659	1,841	1,881
<b>Sanitary Sewer Utility</b>										
Treatment Facilities	2	2	2	2	2	2	2	2	2	2
Lift Stations	9	9	9	9	9	9	9	9	10	10
Miles of Sanitary Sewer Lines						69	-	73.6	75.8	79.5
Manholes						1,257	1,257	1,366	1,480	1,524
Miles of Sanitary Forcemain						20	20	20	20	20

Sources: The data for this table has been provided by each respective City department.

Note: The City made significant changes to the statistics included in this table for 2015. Not all historical data was able to be compiled, and this table will be updated on a go-forward basis.



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