



CITY OF  
*Otsego*  
MINNESOTA

**Comprehensive Annual Financial Report**  
For the Year Ended December 31, 2018





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# City of Otsego, Minnesota



## Comprehensive Annual Financial Report

For the Year Ended  
December 31, 2018

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 29, 2019

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, 2018.

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 16,605, 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 48 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 2018 and 2019.

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 300 new residential construction permits issued during 2018. The average number of new residential construction permits through the past five years is 225. The latest estimates from the State Demographer's office show total households at 5,787 or a growth of 24 percent since 2009.

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 2018, there were more than 300 additional residential lots platted, with more than 140 for year-to-date 2019.

The taxable market value of property within the City increased \$181 million to a total of \$1,695,884,100 for taxes payable 2019. According to Wright County, for taxes payable 2019, 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 2019 is 36.060.

Wright County is currently working on the 2019 Assessment, for taxes payable 2020 and has informed the City that it was the first City within Wright County to obtain an estimated market value in excess of \$2 billion.

During 2018, the City welcomed Guardian Angels Senior Services, who finished construction of the 142 unit Riverview Landing Senior Housing project, which is the first multi-family residential housing within the City.

During 2018, the City approved another multi-family housing project, Riverbend North, which will be a market rate 164 unit apartment complex. The first phase of this project broke ground in the spring of 2019 and will include 97 apartment units with commercial mini-storage as an adjacent project.

In 2018, Independent School District No. 728 broke ground on an expansion project to the Prairie View Elementary and Middle School to provide additional space for public education opportunities from early childhood through 8<sup>th</sup> grade. This expansion has been completed during the spring of 2019. The City is working closely with School District officials to plan for the future of public schools within the City to serve the rapid residential growth.

Notable activity in 2019 has been the City focusing efforts on marketing property owned by the City which is to be used for future commercial and industrial development. The City is committed to efforts in growing the commercial, retail and industrial sectors within the City to provide employment, services and tax base within the community.

## **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 City has identified the need to expand our future planning, and beginning in 2018 has illustrated this by developing a Strategic Plan. Within this Plan, the City has developed a practical vision of what Otsego should be in three to five years. The following list outlines the City's practical vision statements with certain examples of initiatives that have been accomplished in 2018 or set as goals in 2019.

- Is a strong organization that is committed to leading the community through innovative communication.
  - *Complete redesign of the City's website with enhanced mobile viewing*
  - *Increasing the City's presence on social media.*
- Has proactively expanded infrastructure to responsibly provide core services.
  - *Construction of 85<sup>th</sup> Street and Maciver Avenue street extensions*
  - *Initiation and design of Sanitary Sewer Biosolids Processing Facility*
- Is committed to delivery of quality emergency service responsive to community needs and expectations in a cost-effective manner.
  - *Commissioned a Response Time Improvement & Fire Service Model*
  - *Adjusted the Fire Service Area Boundaries*
- Is a social community with diverse housing, service options and employment opportunities.
  - *Approval of multi-family housing developments*
  - *Commitment to attracting commercial, retail and industrial development*
- Is a distinctive community known for its beauty and natural resources.
  - *Construction of Norin Landing on the Mississippi River*

## 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 2017 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 2018 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**

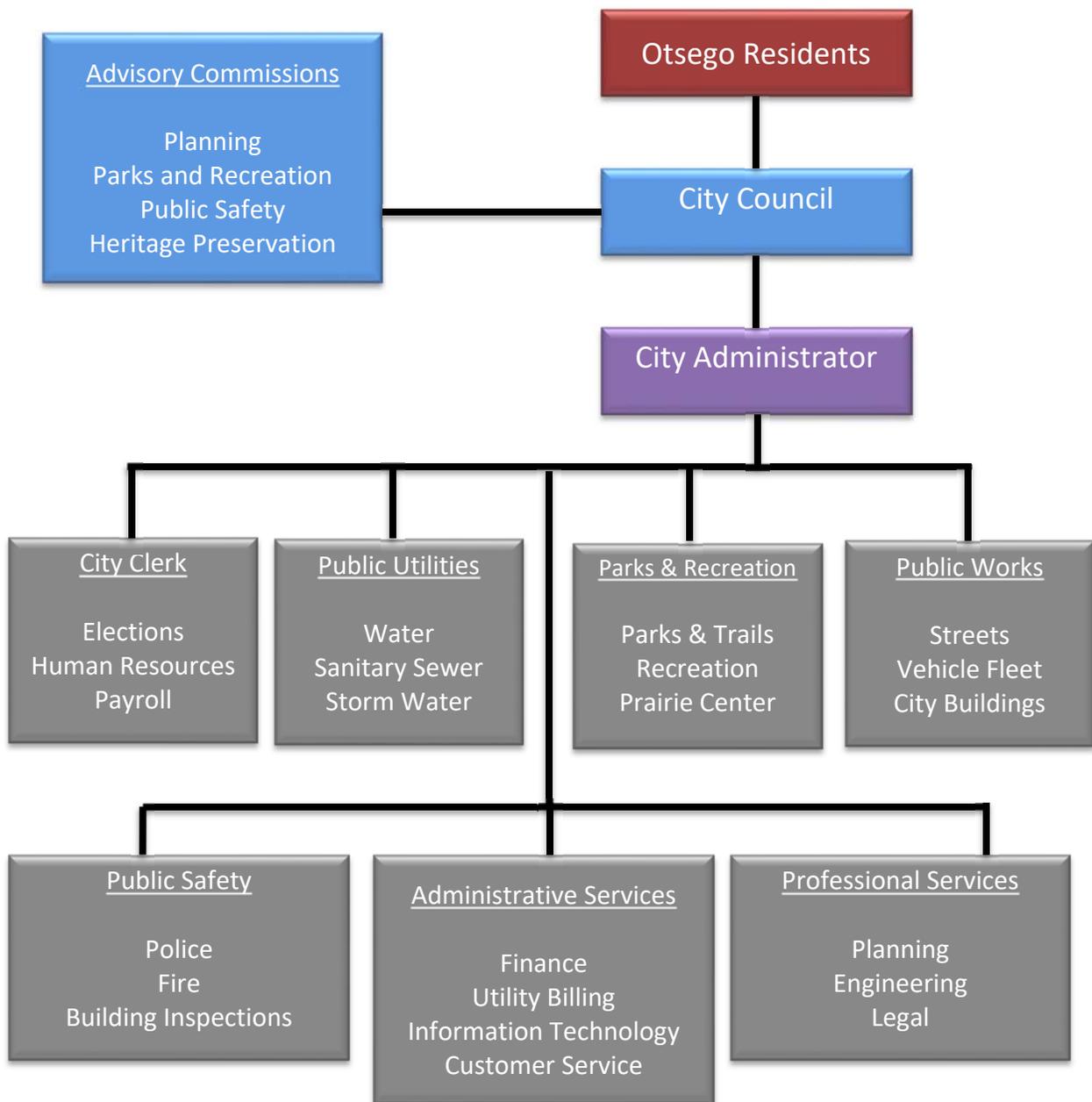
| <u>Name</u>      | <u>Position</u> | <u>Term Expires</u> |
|------------------|-----------------|---------------------|
| Jessica Stockamp | Mayor           | December 31, 2020   |
| Vern Heidner     | Council Member  | December 31, 2018   |
| Tom Darkenwald   | Council Member  | December 31, 2018   |
| 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, 2017**

*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, 2018, 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, 2018, 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.

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.

## Other Matters (Continued)

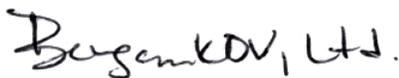
### *Other Information (Continued)*

The supplementary information contains prior year comparative information taken from the City's 2017 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, 2017, which are not presented with the accompanying financial statements. In our report dated May 21, 2018, 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 2017 supplementary information is fairly stated in all material respects in relation to the basic financial statements for the year ended December 31, 2017, 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 29, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Otsego's internal control over financial reporting and compliance.



St. Cloud, Minnesota  
May 29, 2019

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, 2018. 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 and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$88,876,212 (net position). Of this amount, \$31,914,129 (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 \$12,883,589 (16.95%) from the previous year. The net position of the governmental activities increased \$6,077,997 (15.27%). The increase is primarily attributable to the investment in public assets and infrastructure by the City and housing developers in the community. This infrastructure consists of streets, trail systems and park additions. The business type activities increased \$6,805,592 (18.81%) due to a combination of connection fees to the City's public utility system, and similar to the governmental activities, the investment in public assets and infrastructure.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$17,467,095, which is an increase of \$1,065,965 (6.50%) from the previous year. The single largest fund balance increase occurred within the Park Development fund, which collects development fees from housing developers for future expansion of the City's parks system. Of the total fund balance, \$1,797,095 (10.29%) is unassigned, which is free from any internal or external constraints upon its use.
- The General fund has a fund balance of \$4,113,667 at the close of the current fiscal year. During 2018, the fund balance increased \$223,022 (5.73%) from the previous year. The primary reason for the increase is that licenses and permits revenue exceeded budgeted expectations by \$796,668. In accordance with the City's fund balance policy, a transfer of \$948,076 was made to the Revolving Capital Improvement 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 \$320,887 (7.80%) 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, \$205,449 (4.99%) or is unassigned, \$3,587,331 (87.21%).
- The City issued \$2,305,000 of General Obligation bonded debt during the year to finance certain street improvement and construction projects. However, with the repayment of scheduled debt service payments, the City's total outstanding bonded debt decreased by \$985,000 (3.18%) during the current fiscal year.

### **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, the Pavement Management Fund, the MSA Construction Fund, and the Kadler Avenue Improvements 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 Revolving Loan and Tax Increment District No. 1 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 37 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 38 through 41 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 42 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 43 through 69 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 71 through 73 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 76 through 106 of this CAFR.

**CITY OF OTSEGO, MINNESOTA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**DECEMBER 31, 2018**

**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 \$88,876,212 at the close of the most recent fiscal year.

The largest portion of the City's net position (\$50,032,395 or 56.29%) 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 |                      |                        |
|----------------------------------|-------------------------|----------------------|------------------------|--------------------------|----------------------|------------------------|
|                                  | 2018                    | 2017                 | Increase<br>(Decrease) | 2018                     | 2017                 | Increase<br>(Decrease) |
| Current Assets                   | \$ 24,502,771           | \$ 19,638,154        | \$ 4,864,617           | \$ 18,726,845            | \$ 16,178,940        | \$ 2,547,905           |
| Capital Assets                   | 33,905,496              | 28,875,268           | 5,030,228              | 46,827,944               | 44,839,688           | 1,988,256              |
| Total Assets                     | <u>58,408,267</u>       | <u>48,513,422</u>    | <u>9,894,845</u>       | <u>65,554,789</u>        | <u>61,018,628</u>    | <u>4,536,161</u>       |
| Deferred Outflows of Resources   | 209,301                 | 331,471              | (122,170)              | 55,334                   | 86,308               | (30,974)               |
| Long-term Liabilities            | 8,403,225               | 7,371,260            | 1,031,965              | 20,170,179               | 22,499,723           | (2,329,544)            |
| Other Liabilities                | 2,219,154               | 1,457,750            | 761,404                | 2,387,442                | 2,367,112            | 20,330                 |
| Total Liabilities                | <u>10,622,379</u>       | <u>8,829,010</u>     | <u>1,793,369</u>       | <u>22,557,621</u>        | <u>24,866,835</u>    | <u>(2,309,214)</u>     |
| Deferred Inflows of Resources    | 2,108,676               | 207,367              | 1,901,309              | 62,803                   | 53,994               | 8,809                  |
| Net Investment in Capital Assets | 25,330,507              | 21,496,582           | 3,833,925              | 24,701,888               | 20,504,751           | 4,197,137              |
| Restricted                       | 6,929,688               | 4,973,536            | 1,956,152              | -                        | -                    | -                      |
| Unrestricted                     | 13,626,318              | 13,338,398           | 287,920                | 18,287,811               | 15,679,356           | 2,608,455              |
| Total Net Position               | <u>\$ 45,886,513</u>    | <u>\$ 39,808,516</u> | <u>\$ 6,077,997</u>    | <u>\$ 42,989,699</u>     | <u>\$ 36,184,107</u> | <u>\$ 6,805,592</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 (7.80%) represents resources that are subject to external restrictions on how they may be used. The unrestricted portion (35.91%) may be used to meet the City's ongoing obligations to citizens and creditors.

The governmental activities experienced significant increases in both current and capital assets. The increase of current assets is mostly within special assessment receivables and due from other governments related to a combination of projects for Mississippi Shores, Kadler Avenue Improvements and 85th Street and Maciver Avenue street extensions. The increase in capital assets can also be explained by the projects previously mentioned as well as infrastructure contributions for housing developers. The increases in liabilities are also related to the project activity, with debt being issued to finance the improvements and accounts payables increasing for construction pay requests.

The business-type activities had a large fluctuation in long-term liabilities and current assets. During 2018, the City made scheduled principal payments in the amount of \$2,130,000. The City saw continued growth in residential development, which generates revenues such as water and sewer access fees which are currently in cash assets, to be used for future debt service or infrastructure costs.

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

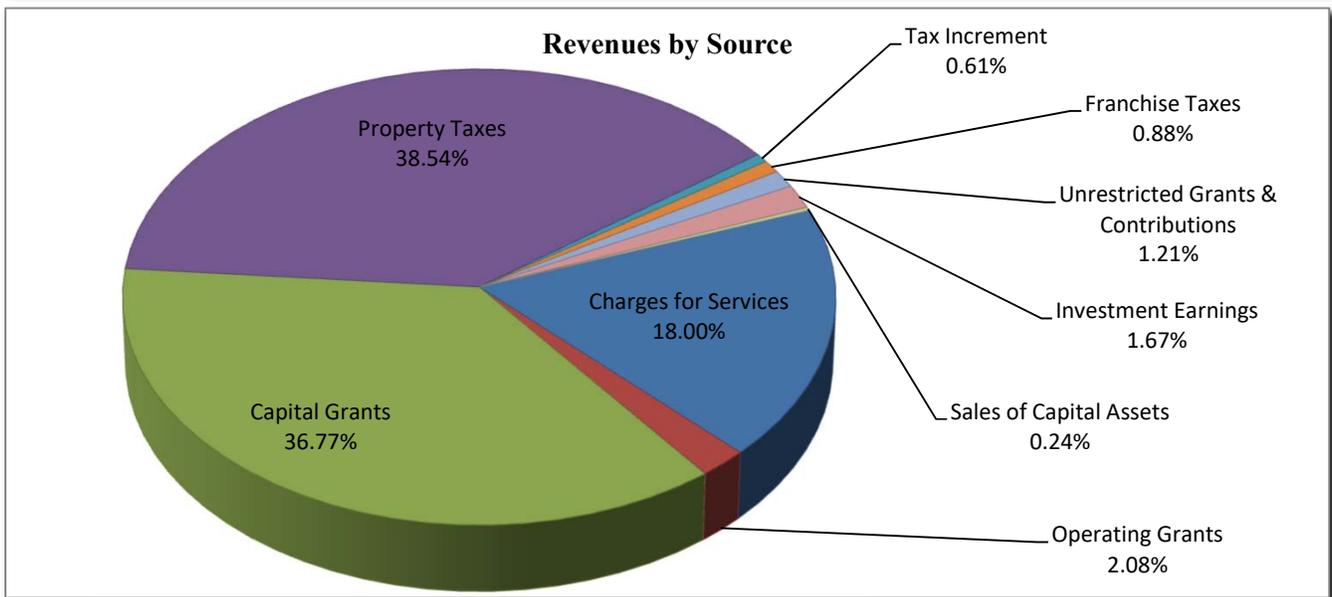
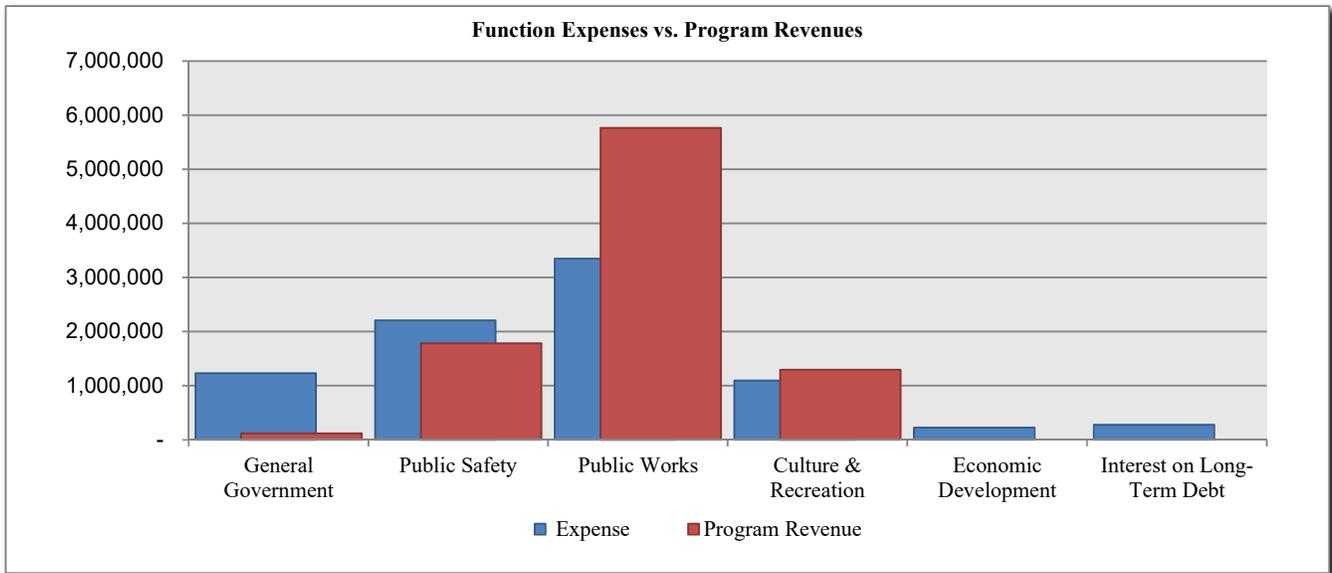
|                                                                 | Governmental Activities |                      |                        | Business-type Activities |                      |                        |
|-----------------------------------------------------------------|-------------------------|----------------------|------------------------|--------------------------|----------------------|------------------------|
|                                                                 | 2018                    | 2017                 | Increase<br>(Decrease) | 2018                     | 2017                 | Increase<br>(Decrease) |
| <b>Program Revenues</b>                                         |                         |                      |                        |                          |                      |                        |
| Charges for Services                                            | \$ 2,838,830            | \$ 2,357,111         | \$ 481,719             | \$ 3,792,748             | \$ 3,368,113         | \$ 424,635             |
| Operating Grants and Contributions                              | 328,410                 | 261,814              | 66,596                 | -                        | -                    | -                      |
| Capital Grants and Contributions                                | 5,800,583               | 3,957,672            | 1,842,911              | 5,500,794                | 5,591,332            | (90,538)               |
| <b>General Revenues</b>                                         |                         |                      |                        |                          |                      |                        |
| Property Taxes                                                  | 6,078,341               | 5,572,250            | 506,091                | 26,000                   | 25,000               | 1,000                  |
| Tax Increment                                                   | 96,938                  | -                    | 96,938                 | -                        | -                    | -                      |
| Franchise Taxes                                                 | 139,161                 | 135,652              | 3,509                  | -                        | -                    | -                      |
| Grants and Contributions not<br>Restricted to Specific Programs | 191,570                 | 231,683              | (40,113)               | -                        | -                    | -                      |
| Unrestricted Investment Earnings                                | 263,784                 | 124,052              | 139,732                | 260,833                  | 154,321              | 106,512                |
| Other General Revenues                                          | 37,563                  | 38,373               | (810)                  | 7,884                    | -                    | 7,884                  |
| <b>Total Revenues</b>                                           | <b>15,775,180</b>       | <b>12,678,607</b>    | <b>3,096,573</b>       | <b>9,588,259</b>         | <b>9,138,766</b>     | <b>449,493</b>         |
| <b>Expenses</b>                                                 |                         |                      |                        |                          |                      |                        |
| General Government                                              | 1,228,607               | 1,085,554            | 143,053                | -                        | -                    | -                      |
| Public Safety                                                   | 2,207,699               | 1,906,843            | 300,856                | -                        | -                    | -                      |
| Public Works                                                    | 3,348,200               | 2,618,584            | 729,616                | -                        | -                    | -                      |
| Culture and Recreation                                          | 1,095,151               | 1,013,252            | 81,899                 | -                        | -                    | -                      |
| Economic Development                                            | 223,175                 | 365,768              | (142,593)              | -                        | -                    | -                      |
| Interest on Long-term Debt                                      | 276,423                 | 197,282              | 79,141                 | -                        | -                    | -                      |
| Water Utility                                                   | -                       | -                    | -                      | 1,468,485                | 1,377,537            | 90,948                 |
| Sanitary Sewer Utility                                          | -                       | -                    | -                      | 2,561,070                | 2,477,995            | 83,075                 |
| Storm Water Utility                                             | -                       | -                    | -                      | 71,040                   | 62,172               | 8,868                  |
| <b>Total Expenses</b>                                           | <b>8,379,255</b>        | <b>7,187,283</b>     | <b>1,191,972</b>       | <b>4,100,595</b>         | <b>3,917,704</b>     | <b>182,891</b>         |
| Increase (Decrease) Before Transfers                            | 7,395,925               | 5,491,324            | 1,904,601              | 5,487,664                | 5,221,062            | 266,602                |
| Transfers                                                       | 207,840                 | 195,686              | 12,154                 | (207,840)                | (195,686)            | (12,154)               |
| Transfers - Capital Assets                                      | (1,525,768)             | (20,643)             | (1,505,125)            | 1,525,768                | 20,643               | 1,505,125              |
| Change in Net Position                                          | 6,077,997               | 5,666,367            | 411,630                | 6,805,592                | 5,046,019            | 1,759,573              |
| Net Position - January 1                                        | 39,808,516              | 34,142,149           | 5,666,367              | 36,184,107               | 31,138,088           | 5,046,019              |
| Net Position - December 31                                      | <b>\$ 45,886,513</b>    | <b>\$ 39,808,516</b> | <b>\$ 6,077,997</b>    | <b>\$ 42,989,699</b>     | <b>\$ 36,184,107</b> | <b>\$ 6,805,592</b>    |

**Governmental Activities**

Governmental activities resulted in an increase of the City's net position by \$6,077,997. Key elements of this change is as follows:

- Revenues increased \$3,096,573 (24.42%) from the previous year; with the most notable increase within capital grants and contributions which are the result of special assessments. Another notable increase was within property taxes, which continue to increase to support both operational and future capital expenditures, necessary to support the growth within the City.
- Expenses increased \$1,191,972 (16.58%) from the previous year. The most notable increase was within the public works function which in part was due to a payment to Wright County for the City's local share contribution to road improvements within the City. The other notable increase was within the public safety function, and represents increased costs for police and fire protection.

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

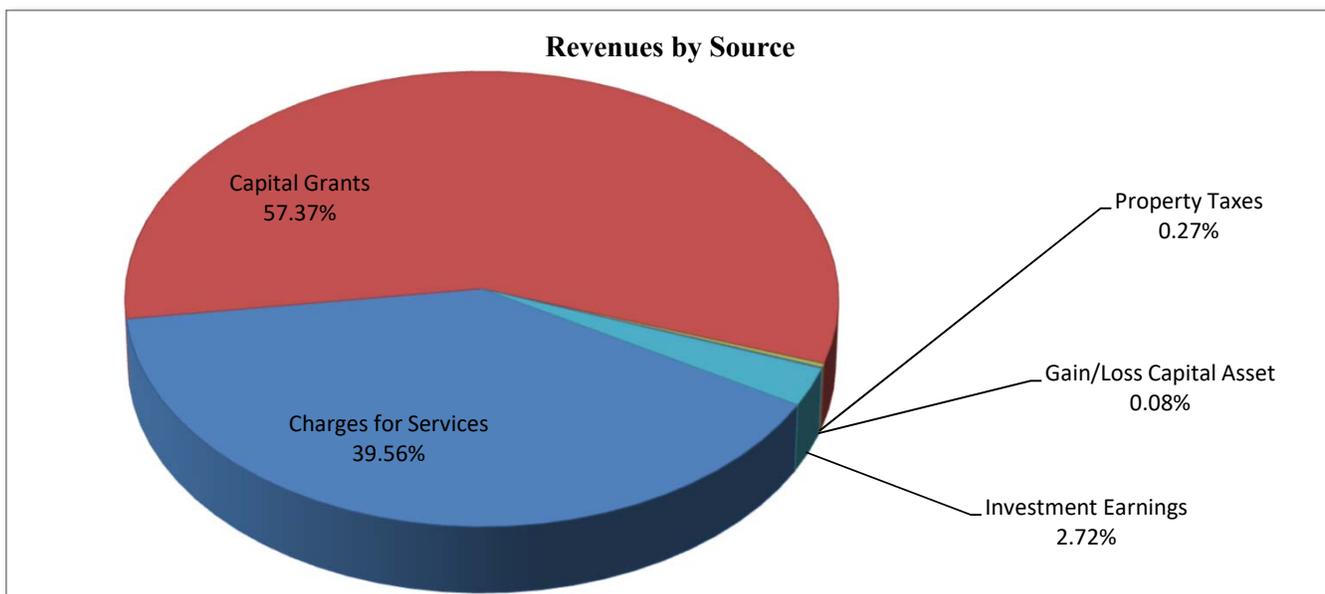
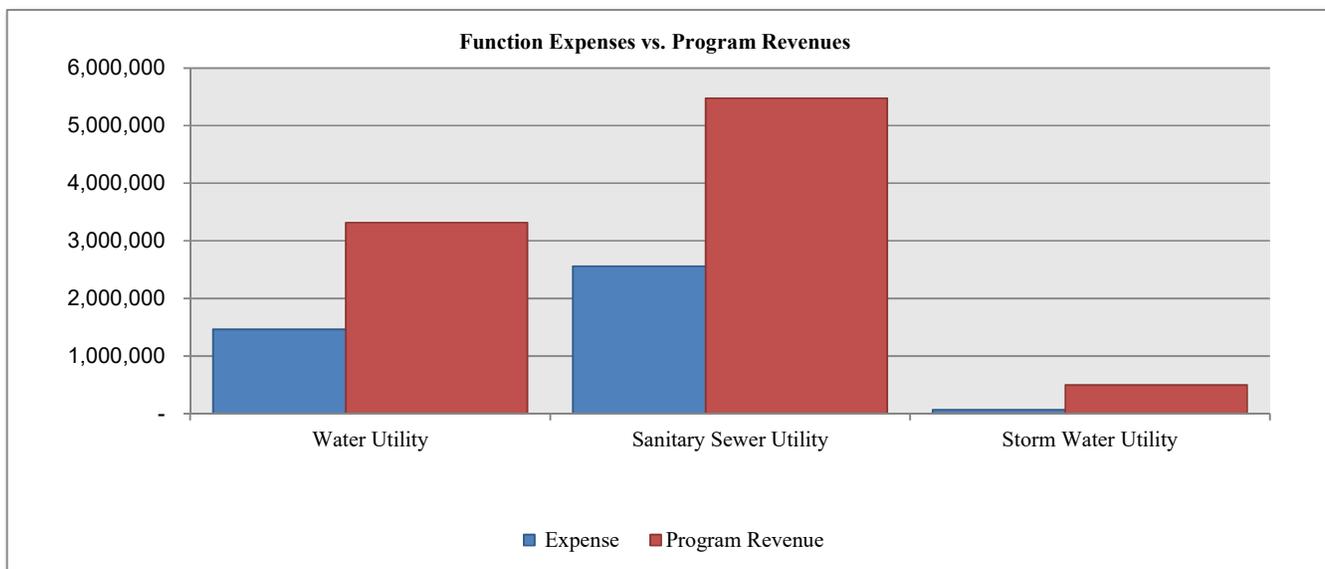


**Business-type Activities**

Business-type activities resulted in an increase of net position by \$6,805,592. Key elements of this change are as follows:

- Increases were noted in both revenues, \$449,493 (4.92%) and expenses, \$182,891 (4.67%) from the prior year.
- Capital asset contributions from governmental activities totalled \$1,525,768 and mostly represents storm water infrastructure from the 85th Street and Maciver Avenue extension project.
- Revenues exceeded expenses by \$5,487,664 primarily the result of the continued residential growth within the City. This housing growth generates connection fees to the public utility system, which is used to retire debt service and for future capital costs.

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 \$17,467,095, which is an increase of \$1,065,965 (6.5%) from the previous year. The unassigned fund balance, which is not subject to internal or external constraints upon its use, is \$1,797,095 (10.29% 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 \$4,113,667, an increase of \$223,022 (5.73%). The increase in fund balance was largely the result of revenues exceeding expenditures by \$1,010,823, made possible with favorable budget variances in both revenues and expenditures. In accordance with the City's fund balance policy, a transfer out of \$948,076 was made to the Capital Improvements fund for future capital needs. 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 \$3,587,331, represents 67.75% of the current year General fund expenditures. Total General fund balance represents 77.69% of those same expenditures.

The Debt Service fund has a total fund balance of \$1,723,407 at the end of the year, a decrease of \$191,480 (10.00%) from the previous year. The City retired \$1,160,000 of principal on the outstanding bonded debt during 2018.

The Pavement Management fund has a total fund balance of \$2,341,164 at the end of the year. This is an increase of \$458,676 (24.37%) from the previous year. There were capital expenditures of \$1,989,502 during the year which accounted for general street maintenance and a reconstruction project within Mississippi Shores subdivision.

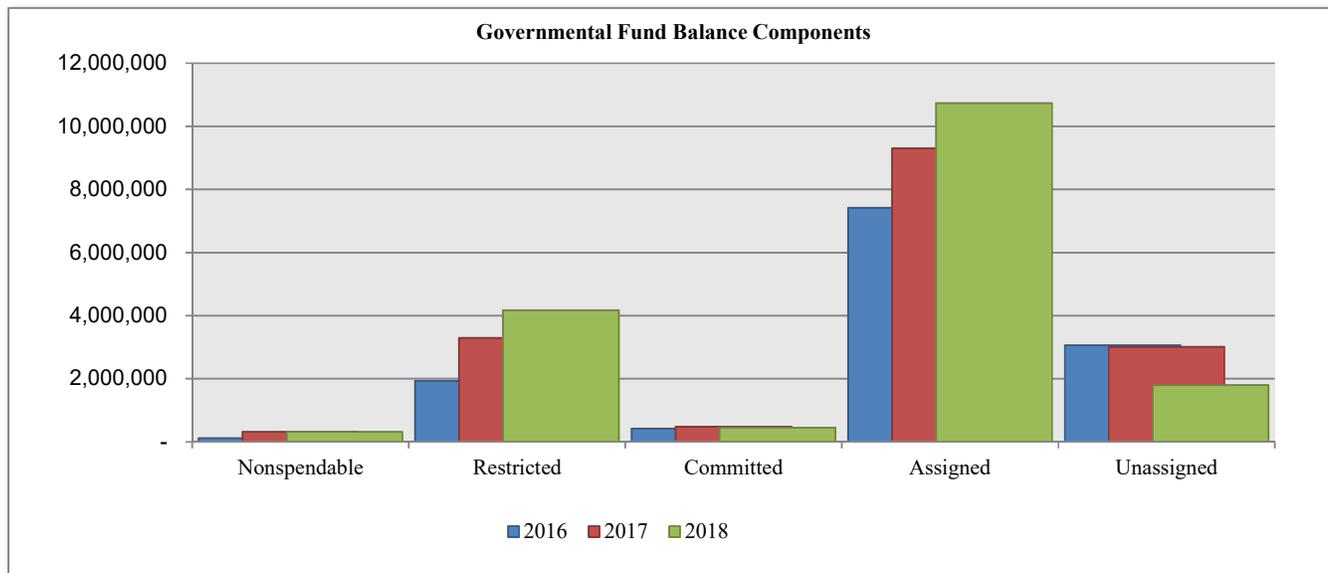
The MSA Construction fund has a deficit fund balance of \$1,100,275 and is the result of ongoing capital expenditures for the 85th Street and Maciver Avenue street extension project, which totaled \$2,956,213 during the year. The fund balance deficit will be reduced over the next five years, as municipal-state-aid for construction revenue will reimburse the City for the project costs.

The Kadler Avenue Improvements fund has a deficit fund balance of \$625,735 and is the result of ongoing capital expenditures for the respective project. The fund balance deficit will be repaid with infrastructure grant monies from the Minnesota Department of Employment and Economic Development, and additionally with reimbursements from an industrial developer.

**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 \$42,989,699, an increase of \$6,805,592 (18.81%). There are two components to net position in the enterprise funds, unrestricted (\$18,287,811 or 42.54%) and net investment in capital assets (\$24,701,888 or 57.46%). As a measure of liquidity, the unrestricted net position amounts to 554.09% 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 2016, 2017 and 2018:



The City's Unassigned fund balance represents 10.29% of total governmental fund balance. The City also has four other components of fund balance, including Nonspendable (1.84%), Restricted (23.86%), Committed (2.57%) and Assigned (61.44%).

- 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 \$223,022 (5.73%). The key elements of this change are as follows:

- Actual revenues exceeded the budget by \$1,087,596 (20.84%). The largest revenue variance was provided by licenses and permits, which were over budget by \$796,688. The City projected 150 new residential construction permits when preparing the budget with actuals results being 300 new residential construction permits, which was 90 more than 2017. Another significant variance was within charges for services, which exceeded the budget by \$204,124, again being driven by conservative development budgets.
- Actual expenditures were less than budget by \$83,067 (1.54%). The largest variance was within the general government function and is mostly the result of an unused contingency budget within the City Council department. The Streets Maintenance department was the only other significant variance, which was under budget in supplies and charges for services.
- 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 2018. The actual transfer out of \$948,076 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 (\$3,587,331) represents 66.70% of the adopted 2019 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 \$80,733,440 (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 \$7,018,484 (9.52%) 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) two light/medium duty trucks; 2) a crane truck; 3) a bucket lift truck; and 4) a large area mower.
- The City received contributed infrastructure from housing 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 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 new industrial park.
- A street renewal project was completed within the Mississippi Shores subdivisions.
- The City completed construction of Lefebvre Creek Park, which is the newest neighborhood park located within the Boulder Creek subdivisions. The park includes a gazebo, a playground, a water misting feature, basketball hoop, landscaping and pedestrian trails.
- The City initiated construction of Norin Landing, which is a community feature located on the shores of the Mississippi River. The City received a grant from the Minnesota DNR to assist with construction of a boat landing, gazebo, natural trails and landscaping.

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

|                            | Governmental Activities |                      |                        | Business-type Activities |                      |                        |
|----------------------------|-------------------------|----------------------|------------------------|--------------------------|----------------------|------------------------|
|                            | 2018                    | 2017                 | Increase<br>(Decrease) | 2018                     | 2017                 | Increase<br>(Decrease) |
| Land                       | \$ 2,694,199            | \$ 2,046,664         | \$ 647,535             | \$ 631,739               | \$ 631,739           | \$ -                   |
| Construction in Progress   | 3,125,257               | 560,302              | 2,564,955              | 1,830,806                | 1,153,177            | 677,629                |
| Buildings and Improvements | 4,578,217               | 4,702,865            | (124,648)              | 172,129                  | -                    | 172,129                |
| Land Improvements          | 3,403,746               | 3,208,993            | 194,753                | -                        | -                    | -                      |
| Machinery and Equipment    | 1,718,933               | 1,499,549            | 219,384                | 1,054,905                | 887,199              | 167,706                |
| Infrastructure             | 18,385,144              | 16,856,895           | 1,528,249              | 43,138,365               | 42,167,573           | 970,792                |
|                            | <u>\$ 33,905,496</u>    | <u>\$ 28,875,268</u> | <u>\$ 5,030,228</u>    | <u>\$ 46,827,944</u>     | <u>\$ 44,839,688</u> | <u>\$ 1,988,256</u>    |

Additional information on the City's capital assets can be found in Note 3 (B) on pages 55 through 56 of this CAFR.

**Long-Term Debt:** At the end of the current year, the City had outstanding long-term bonded debt of \$29,990,000.

**CITY OF OTSEGO - OUTSTANDING DEBT**

|                                  | Governmental Activities |                     |                        | Business-type Activities |                      |                        |
|----------------------------------|-------------------------|---------------------|------------------------|--------------------------|----------------------|------------------------|
|                                  | 2018                    | 2017                | Increase<br>(Decrease) | 2018                     | 2017                 | Increase<br>(Decrease) |
| General Obligation Bonds         | \$ 8,455,000            | \$ 7,265,000        | \$ 1,190,000           | \$ -                     | \$ -                 | \$ -                   |
| Equipment Certificates           | 40,000                  | 85,000              | (45,000)               | -                        | -                    | -                      |
| General Obligation Revenue Bonds | -                       | -                   | -                      | 21,495,000               | 23,625,000           | (2,130,000)            |
| Unamortized Premiums             | 79,989                  | 28,686              | 51,303                 | 631,056                  | 709,937              | (78,881)               |
| Compensated Absences             | 87,373                  | 79,474              | 7,899                  | 18,412                   | 14,043               | 4,369                  |
| Total                            | <u>\$ 8,662,362</u>     | <u>\$ 7,458,160</u> | <u>\$ 1,204,202</u>    | <u>\$ 22,144,468</u>     | <u>\$ 24,348,980</u> | <u>\$ (2,204,512)</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.

During 2018, the City issued \$2,305,000 of General Obligation Bonds to finance the Mississippi Shores street renewal project and a portion of the Kadler Avenue Improvements project. The City made scheduled principal payments in the amount of \$3,290,000, which provided a net reduction of \$985,000 (3.18%) in the total outstanding long-term debt.

The City's bond rating was upgraded during 2018 from AA to AA+ with a stable outlook by S&P Global Ratings.

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 \$45,429,498, with \$4,090,309 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 59 through 61 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 2019 operating budgets and capital improvement plans.

- The Taxable Market Value of real estate and personal property within the City increased 11.99% for taxes payable 2019. 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 2018, the City issued 300 building permits for new residential construction. The City also continues to see builders final platting new developments for future years construction.
- During 2018, Guardian Angels Senior Services finished construction of their 142 unit Riverview Landing Senior Housing project, which is the first multi-family residential housing within the City. Later in 2018, the City Council approved another multi-family housing project, Riverbend North, which will be a market rate 164 unit apartment complex. The first phase is underway, and will include 97 apartment units with a commercial mini-storage project to accompany it. Commercial ready lots are also part of the project.
- In 2018, Independent School District No. 728 broke ground on an expansion project to the Prairie View Elementary and Middle School to provide additional space for public education opportunities from early childhood through 8th grade. The City is working closely with School District officials to plan for the future of public schools within the City to serve the rapid residential growth.
- The City is initiating a project at the City's East Wastewater Treatment Facility. The project, first identified in the City's Master Sewer Plan, will provide for not only expansion of the facility, but will change the way the City completes the biosolids processing within sanitary sewer operations. The City expects to complete the design phase of this project in 2019 and expects construction in 2020.
- The City is actively looking forward into the future and conducting planning efforts for many core services within the City; including the completion of a Response Time Improvement & Fire Service Model, with Parks & Recreation and Water Utility Master Plans in process, with expected completion during 2019.
- The City continues to expand upon and make improvements to the Capital Improvement Plan (CIP). The adopted CIP for 2019 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, 2018**

|                                                       | Governmental<br>Activities | Business-Type<br>Activities | Total                |
|-------------------------------------------------------|----------------------------|-----------------------------|----------------------|
| <b>ASSETS</b>                                         |                            |                             |                      |
| Cash and Investments                                  | \$ 17,812,336              | \$ 17,543,870               | \$ 35,356,206        |
| Receivables                                           |                            |                             |                      |
| Interest                                              | 123,485                    | -                           | 123,485              |
| Accounts                                              | 7,375                      | 505,179                     | 512,554              |
| Taxes                                                 | 72,237                     | -                           | 72,237               |
| Special Assessments                                   | 3,574,423                  | 616,766                     | 4,191,189            |
| Due from Other Governments                            | 2,591,378                  | 18,204                      | 2,609,582            |
| Land Held for Resale                                  | 202,200                    | -                           | 202,200              |
| Prepaid Items                                         | 119,337                    | 42,826                      | 162,163              |
| Capital Assets                                        |                            |                             |                      |
| Nondepreciable                                        | 5,819,456                  | 2,462,545                   | 8,282,001            |
| Depreciable, Net of Accumulated Depreciation          | 28,086,040                 | 44,365,399                  | 72,451,439           |
| Total Assets                                          | <u>58,408,267</u>          | <u>65,554,789</u>           | <u>123,963,056</u>   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                 |                            |                             |                      |
| General Employees Retirement Plan Pension Resources   | 209,301                    | 55,334                      | 264,635              |
| Total Deferred Outflows of Resources                  | <u>209,301</u>             | <u>55,334</u>               | <u>264,635</u>       |
| <b>LIABILITIES</b>                                    |                            |                             |                      |
| Accounts Payable                                      | 908,534                    | 93,743                      | 1,002,277            |
| Due to Other Governments                              | 16,391                     | 1,255                       | 17,646               |
| Accrued Salaries Payable                              | 9,241                      | 2,135                       | 11,376               |
| Accrued Interest Payable                              | 82,513                     | 66,626                      | 149,139              |
| Compensated Absences Payable                          |                            |                             |                      |
| Due Within One Year                                   | 17,475                     | 3,683                       | 21,158               |
| Due in More than One Year                             | 69,898                     | 14,729                      | 84,627               |
| Bonds Payable                                         |                            |                             |                      |
| Due Within One Year                                   | 1,185,000                  | 2,220,000                   | 3,405,000            |
| Due in More than One Year                             | 7,389,989                  | 19,906,056                  | 27,296,045           |
| General Employees Retirement Plan Net Pension Payable | 943,338                    | 249,394                     | 1,192,732            |
| Total Liabilities                                     | <u>10,622,379</u>          | <u>22,557,621</u>           | <u>33,180,000</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                  |                            |                             |                      |
| Unavailable Revenue - Intergovernmental               | 1,871,123                  | -                           | 1,871,123            |
| General Employees Retirement Plan Pension Resources   | 237,553                    | 62,803                      | 300,356              |
| Total Deferred Inflows of Resources                   | <u>2,108,676</u>           | <u>62,803</u>               | <u>2,171,479</u>     |
| <b>NET POSITION</b>                                   |                            |                             |                      |
| Net Investment in Capital Assets                      | 25,330,507                 | 24,701,888                  | 50,032,395           |
| Restricted                                            |                            |                             |                      |
| Debt Service                                          | 4,484,680                  | -                           | 4,484,680            |
| Tax Increment Financing                               | 33,598                     | -                           | 33,598               |
| Park Development                                      | 2,411,410                  | -                           | 2,411,410            |
| Unrestricted                                          | 13,626,318                 | 18,287,811                  | 31,914,129           |
| Total Net Position                                    | <u>\$ 45,886,513</u>       | <u>\$ 42,989,699</u>        | <u>\$ 88,876,212</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, 2018

| 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                                           | \$ 1,228,607         | \$ 118,219           | \$ -                               | \$ -                             | \$ (1,110,388)                                    | \$ -                     | \$ (1,110,388)       |
| Public Safety                                                | 2,207,699            | 1,698,522            | 87,150                             | -                                | (422,027)                                         | -                        | (422,027)            |
| Public Works                                                 | 3,348,200            | 942,042              | 218,569                            | 4,605,497                        | 2,417,908                                         | -                        | 2,417,908            |
| Culture and Recreation                                       | 1,095,151            | 80,047               | 22,691                             | 1,195,086                        | 202,673                                           | -                        | 202,673              |
| Economic Development                                         | 223,175              | -                    | -                                  | -                                | (223,175)                                         | -                        | (223,175)            |
| Interest on Long-Term Debt                                   | 276,423              | -                    | -                                  | -                                | (276,423)                                         | -                        | (276,423)            |
| Total Government Activities                                  | <u>8,379,255</u>     | <u>2,838,830</u>     | <u>328,410</u>                     | <u>5,800,583</u>                 | <u>588,568</u>                                    | <u>-</u>                 | <u>588,568</u>       |
| <b>Business-Type Activities</b>                              |                      |                      |                                    |                                  |                                                   |                          |                      |
| Water Utility                                                | 1,468,485            | 1,754,947            | -                                  | 1,562,460                        | -                                                 | 1,848,922                | 1,848,922            |
| Sanitary Sewer Utility                                       | 2,561,070            | 1,932,885            | -                                  | 3,545,004                        | -                                                 | 2,916,819                | 2,916,819            |
| Storm Water Utility                                          | 71,040               | 104,916              | -                                  | 393,330                          | -                                                 | 427,206                  | 427,206              |
| Total Business-Type Activities                               | <u>4,100,595</u>     | <u>3,792,748</u>     | <u>-</u>                           | <u>5,500,794</u>                 | <u>-</u>                                          | <u>5,192,947</u>         | <u>5,192,947</u>     |
| Total                                                        | <u>\$ 12,479,850</u> | <u>\$ 6,631,578</u>  | <u>\$ 328,410</u>                  | <u>\$ 11,301,377</u>             | <u>588,568</u>                                    | <u>5,192,947</u>         | <u>5,781,515</u>     |
| <b>General Revenues</b>                                      |                      |                      |                                    |                                  |                                                   |                          |                      |
| Property Taxes                                               |                      |                      |                                    |                                  | 6,078,341                                         | 26,000                   | 6,104,341            |
| Tax Increments                                               |                      |                      |                                    |                                  | 96,938                                            | -                        | 96,938               |
| Franchise Taxes                                              |                      |                      |                                    |                                  | 139,161                                           | -                        | 139,161              |
| Grants and Contributions Not Restricted to Specific Programs |                      |                      |                                    |                                  | 191,570                                           | -                        | 191,570              |
| Unrestricted Investment Earnings                             |                      |                      |                                    |                                  | 263,784                                           | 260,833                  | 524,617              |
| Gain on Disposal of Capital Assets                           |                      |                      |                                    |                                  | 37,563                                            | 7,884                    | 45,447               |
| Transfers                                                    |                      |                      |                                    |                                  | 207,840                                           | (207,840)                | -                    |
| Transfers - Capital Assets                                   |                      |                      |                                    |                                  | (1,525,768)                                       | 1,525,768                | -                    |
| Total General Revenues and Transfers                         |                      |                      |                                    |                                  | <u>5,489,429</u>                                  | <u>1,612,645</u>         | <u>7,102,074</u>     |
| Change in Net Position                                       |                      |                      |                                    |                                  | 6,077,997                                         | 6,805,592                | 12,883,589           |
| Net Position - January 1                                     |                      |                      |                                    |                                  | <u>39,808,516</u>                                 | <u>36,184,107</u>        | <u>75,992,623</u>    |
| Net Position - December 31                                   |                      |                      |                                    |                                  | <u>\$ 45,886,513</u>                              | <u>\$ 42,989,699</u>     | <u>\$ 88,876,212</u> |

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

**CITY OF OTSEGO, MINNESOTA**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**DECEMBER 31, 2018**

|                                                                                  | <u>General</u>      | <u>Debt<br/>Service</u> |
|----------------------------------------------------------------------------------|---------------------|-------------------------|
| <b>ASSETS</b>                                                                    |                     |                         |
| Cash and Investments                                                             | \$ 3,756,206        | \$ 1,731,362            |
| Receivables                                                                      |                     |                         |
| Interest                                                                         | 123,485             | -                       |
| Accounts                                                                         | 5,200               | -                       |
| Taxes                                                                            |                     |                         |
| Current                                                                          | 39,384              | -                       |
| Delinquent                                                                       | 32,853              | -                       |
| Special Assessments                                                              |                     |                         |
| Current                                                                          | -                   | 4,574                   |
| Deferred                                                                         | 6,120               | 2,843,786               |
| Delinquent                                                                       | 520                 | -                       |
| Due from Other Governments                                                       | 1,339               | -                       |
| Due from Other Funds                                                             | 400                 | -                       |
| Land Held for Resale                                                             | 202,200             | -                       |
| Prepaid Items                                                                    | 118,687             | 650                     |
|                                                                                  | <u>4,286,394</u>    | <u>4,580,372</u>        |
| Total Assets                                                                     |                     |                         |
| <b>LIABILITIES</b>                                                               |                     |                         |
| Accounts Payable                                                                 | 107,602             | 1,032                   |
| Accrued Salaries Payable                                                         | 9,241               | -                       |
| Due to Other Governments                                                         | 16,391              | -                       |
| Due to Other Funds                                                               | -                   | 12,147                  |
| Total Liabilities                                                                | <u>133,234</u>      | <u>13,179</u>           |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                             |                     |                         |
| Unavailable Revenue - Property Taxes                                             | 32,853              | -                       |
| Unavailable Revenue - Special Assessments                                        | 6,640               | 2,843,786               |
| Intergovernmental                                                                | -                   | -                       |
| Total Deferred Inflows of Resources                                              | <u>39,493</u>       | <u>2,843,786</u>        |
| <b>FUND BALANCES</b>                                                             |                     |                         |
| Nonspendable                                                                     | 320,887             | 650                     |
| Restricted                                                                       | -                   | 1,722,757               |
| Committed                                                                        | -                   | -                       |
| Assigned                                                                         | 205,449             | -                       |
| Unassigned                                                                       | 3,587,331           | -                       |
| Total Fund Balances (Deficits)                                                   | <u>4,113,667</u>    | <u>1,723,407</u>        |
|                                                                                  |                     |                         |
| Total Liabilities, Deferred Inflows of<br>Resources and Fund Balances (Deficits) | <u>\$ 4,286,394</u> | <u>\$ 4,580,372</u>     |

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

| <u>Pavement Management</u> | <u>MSA Construction</u> | <u>Kadler Avenue Improvements</u> | <u>Other Nonmajor Governmental</u> | <u>Total Governmental</u> |
|----------------------------|-------------------------|-----------------------------------|------------------------------------|---------------------------|
| \$ 2,409,330               | \$ -                    | \$ -                              | \$ 9,915,438                       | \$ 17,812,336             |
| -                          | -                       | -                                 | -                                  | 123,485                   |
| -                          | -                       | -                                 | 2,175                              | 7,375                     |
| -                          | -                       | -                                 | -                                  | 39,384                    |
| -                          | -                       | -                                 | -                                  | 32,853                    |
| -                          | -                       | -                                 | 737                                | 5,311                     |
| 147,229                    | -                       | -                                 | 567,048                            | 3,564,183                 |
| 359                        | -                       | -                                 | 4,050                              | 4,929                     |
| -                          | 1,955,546               | 628,422                           | 6,071                              | 2,591,378                 |
| -                          | -                       | -                                 | 1,406,480                          | 1,406,880                 |
| -                          | -                       | -                                 | -                                  | 202,200                   |
| -                          | -                       | -                                 | -                                  | 119,337                   |
| <u>2,556,918</u>           | <u>1,955,546</u>        | <u>628,422</u>                    | <u>11,901,999</u>                  | <u>25,909,651</u>         |
| 68,166                     | 143,707                 | 274,318                           | 313,709                            | 908,534                   |
| -                          | -                       | -                                 | -                                  | 9,241                     |
| -                          | -                       | -                                 | -                                  | 16,391                    |
| -                          | 1,040,991               | 351,417                           | 2,325                              | 1,406,880                 |
| <u>68,166</u>              | <u>1,184,698</u>        | <u>625,735</u>                    | <u>316,034</u>                     | <u>2,341,046</u>          |
| -                          | -                       | -                                 | -                                  | 32,853                    |
| 147,588                    | -                       | -                                 | 571,098                            | 3,569,112                 |
| -                          | 1,871,123               | 628,422                           | -                                  | 2,499,545                 |
| <u>147,588</u>             | <u>1,871,123</u>        | <u>628,422</u>                    | <u>571,098</u>                     | <u>6,101,510</u>          |
| -                          | -                       | -                                 | -                                  | 321,537                   |
| -                          | -                       | -                                 | 2,445,008                          | 4,167,765                 |
| -                          | -                       | -                                 | 448,699                            | 448,699                   |
| 2,341,164                  | -                       | -                                 | 8,185,386                          | 10,731,999                |
| -                          | (1,100,275)             | (625,735)                         | (64,226)                           | 1,797,095                 |
| <u>2,341,164</u>           | <u>(1,100,275)</u>      | <u>(625,735)</u>                  | <u>11,014,867</u>                  | <u>17,467,095</u>         |
| <u>\$ 2,556,918</u>        | <u>\$ 1,955,546</u>     | <u>\$ 628,422</u>                 | <u>\$ 11,901,999</u>               | <u>\$ 25,909,651</u>      |



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**CITY OF OTSEGO, MINNESOTA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2018**

|                                                                                                                                                                                               |                      |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| <hr style="border: 2px solid black;"/>                                                                                                                                                        |                      |
| Fund Balances - Governmental Funds                                                                                                                                                            | \$ 17,467,095        |
| 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                                                                                                                                                                        | 47,041,259           |
| Accumulated Depreciation                                                                                                                                                                      | (13,135,763)         |
| 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                                                                                                                                                                                 | (8,495,000)          |
| Unamortized Premium on Bonds Payable                                                                                                                                                          | (79,989)             |
| Accrued Interest Payable                                                                                                                                                                      | (82,513)             |
| Compensated Absences Payable                                                                                                                                                                  | (87,373)             |
| GERF Pension Payable                                                                                                                                                                          | (943,338)            |
| 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                                                                                                                                                          | 32,853               |
| Special Assessments Receivable                                                                                                                                                                | 3,569,112            |
| Due from Other Governments                                                                                                                                                                    | 628,422              |
| 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                                                                                                                                                   | 209,301              |
| GERF Pension Deferred Inflows of Resources                                                                                                                                                    | (237,553)            |
| Total Net Position - Governmental Activities                                                                                                                                                  | <u>\$ 45,886,513</u> |

*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 (DEFICITS)**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

|                                       | General             | Debt<br>Service     |
|---------------------------------------|---------------------|---------------------|
| <b>REVENUES</b>                       |                     |                     |
| Property Taxes                        | \$ 3,992,749        | \$ 655,000          |
| Tax Increments                        | -                   | -                   |
| Franchise Taxes                       | 139,161             | -                   |
| Licenses and Permits                  | 1,672,906           | -                   |
| Intergovernmental                     | 78,437              | -                   |
| Charges for Services                  | 315,699             | -                   |
| Special Assessments                   | 6,403               | 403,669             |
| Fines and Forfeitures                 | 25,616              | -                   |
| Investment Earnings (net)             | 48,761              | 8,254               |
| Miscellaneous                         | 26,058              | -                   |
| Total Revenues                        | <u>6,305,790</u>    | <u>1,066,923</u>    |
| <b>EXPENDITURES</b>                   |                     |                     |
| Current                               |                     |                     |
| General Government                    | 1,182,959           | -                   |
| Public Safety                         | 2,168,187           | -                   |
| Public Works                          | 1,170,464           | -                   |
| Culture and Recreation                | 654,786             | -                   |
| Economic Development                  | 113,311             | -                   |
| Capital Outlay                        |                     |                     |
| General Government                    | 5,260               | -                   |
| Public Safety                         | -                   | -                   |
| Public Works                          | -                   | -                   |
| Culture and Recreation                | -                   | -                   |
| Debt Service                          |                     |                     |
| Principal                             | -                   | 1,160,000           |
| Interest                              | -                   | 182,875             |
| Fiscal Agent Fees                     | -                   | 74,512              |
| Total Expenditures                    | <u>5,294,967</u>    | <u>1,417,387</u>    |
| Excess (Deficiency) of Revenues       |                     |                     |
| Over (Under) Expenditures             | <u>1,010,823</u>    | <u>(350,464)</u>    |
| <b>OTHER FINANCING SOURCES (USES)</b> |                     |                     |
| Transfers In                          | 159,840             | 48,000              |
| Proceeds of Bonds Issued              | -                   | 52,509              |
| Premium on Bonds Issued               | -                   | 58,475              |
| Sales of Capital Assets               | 435                 | -                   |
| Transfers Out                         | (948,076)           | -                   |
| Total Other Financing Sources (Uses)  | <u>(787,801)</u>    | <u>158,984</u>      |
| Net Change in Fund Balance            | 223,022             | (191,480)           |
| Fund Balance (Deficit) - January 1    | <u>3,890,645</u>    | <u>1,914,887</u>    |
| Fund Balance (Deficit) - December 31  | <u>\$ 4,113,667</u> | <u>\$ 1,723,407</u> |

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

| <u>Pavement Management</u> | <u>MSA Construction</u> | <u>Kadler Avenue Improvements</u> | <u>Other Nonmajor Governmental</u> | <u>Total Governmental</u> |
|----------------------------|-------------------------|-----------------------------------|------------------------------------|---------------------------|
| \$ 600,000                 | \$ -                    | \$ -                              | \$ 836,302                         | \$ 6,084,051              |
| -                          | -                       | -                                 | 96,938                             | 96,938                    |
| -                          | -                       | -                                 | -                                  | 139,161                   |
| -                          | -                       | -                                 | -                                  | 1,672,906                 |
| 361,999                    | 1,878,615               | -                                 | 20,235                             | 2,339,286                 |
| -                          | -                       | -                                 | 2,013,292                          | 2,328,991                 |
| 33,875                     | -                       | -                                 | 64,918                             | 508,865                   |
| -                          | -                       | -                                 | -                                  | 25,616                    |
| 33,463                     | -                       | -                                 | 173,306                            | 263,784                   |
| -                          | -                       | 175,709                           | 32,179                             | 233,946                   |
| <u>1,029,337</u>           | <u>1,878,615</u>        | <u>175,709</u>                    | <u>3,237,170</u>                   | <u>13,693,544</u>         |
| -                          | -                       | -                                 | -                                  | 1,182,959                 |
| -                          | -                       | -                                 | -                                  | 2,168,187                 |
| -                          | -                       | -                                 | 35,000                             | 1,205,464                 |
| -                          | -                       | -                                 | -                                  | 654,786                   |
| -                          | -                       | -                                 | 109,864                            | 223,175                   |
| -                          | -                       | -                                 | 100,357                            | 105,617                   |
| -                          | -                       | -                                 | 29,706                             | 29,706                    |
| 1,989,502                  | 2,956,213               | 1,566,518                         | 787,149                            | 7,299,382                 |
| -                          | -                       | -                                 | 988,091                            | 988,091                   |
| -                          | -                       | -                                 | -                                  | 1,160,000                 |
| -                          | -                       | -                                 | -                                  | 182,875                   |
| -                          | -                       | -                                 | -                                  | 74,512                    |
| <u>1,989,502</u>           | <u>2,956,213</u>        | <u>1,566,518</u>                  | <u>2,050,167</u>                   | <u>15,274,754</u>         |
| <u>(960,165)</u>           | <u>(1,077,598)</u>      | <u>(1,390,809)</u>                | <u>1,187,003</u>                   | <u>(1,581,210)</u>        |
| -                          | 241,294                 | -                                 | 948,076                            | 1,397,210                 |
| 1,418,841                  | -                       | 833,650                           | -                                  | 2,305,000                 |
| -                          | -                       | -                                 | -                                  | 58,475                    |
| -                          | -                       | -                                 | 75,425                             | 75,860                    |
| -                          | -                       | -                                 | (241,294)                          | (1,189,370)               |
| <u>1,418,841</u>           | <u>241,294</u>          | <u>833,650</u>                    | <u>782,207</u>                     | <u>2,647,175</u>          |
| 458,676                    | (836,304)               | (557,159)                         | 1,969,210                          | 1,065,965                 |
| <u>1,882,488</u>           | <u>(263,971)</u>        | <u>(68,576)</u>                   | <u>9,045,657</u>                   | <u>16,401,130</u>         |
| <u>\$ 2,341,164</u>        | <u>\$ (1,100,275)</u>   | <u>\$ (625,735)</u>               | <u>\$ 11,014,867</u>               | <u>\$ 17,467,095</u>      |

**CITY OF OTSEGO, MINNESOTA**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES (DEFICITS) OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2018**

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                     |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Total Net Change in Fund Balances - Governmental Funds                                                                                                                                                                                                                                                                                                                                                                                                                                           | \$ 1,065,965        |
| 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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | 7,228,833           |
| Depreciation Expense                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | (1,459,700)         |
| Assets Contributed by Developers                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | 825,160             |
| 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.                                                                                                                                                                                                                                                                                             | (1,525,768)         |
| 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.                                                                                                                                                                                            | (38,297)            |
| The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. |                     |
| Principal Repayments                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | 1,160,000           |
| Proceeds of Bonds Issued                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | (2,305,000)         |
| Premium on Bonds Issued                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | (58,475)            |
| 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.                                                                                                      | (19,036)            |
| 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                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   | (5,710)             |
| Special Assessments                                                                                                                                                                                                                                                                                                                                                                                                                                                                              | 1,026,990           |
| Intergovernmental                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | 197,633             |
| 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                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | (7,899)             |
| GERF Pension                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | (6,699)             |
| Change in Net Position - Governmental Activities                                                                                                                                                                                                                                                                                                                                                                                                                                                 | <u>\$ 6,077,997</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, 2018**

|                                                              | Budgeted Amounts    |                     | Actual<br>Amounts   | Variance with<br>Final Budget -<br>Over<br>(Under) |
|--------------------------------------------------------------|---------------------|---------------------|---------------------|----------------------------------------------------|
|                                                              | Original            | Final               |                     |                                                    |
| <b>REVENUES</b>                                              |                     |                     |                     |                                                    |
| Property Taxes                                               | \$ 3,981,581        | \$ 3,981,581        | \$ 3,992,749        | \$ 11,168                                          |
| Franchise Taxes                                              | 136,000             | 136,000             | 139,161             | 3,161                                              |
| Licenses and Permits                                         | 876,238             | 876,238             | 1,672,906           | 796,668                                            |
| Intergovernmental                                            | 58,800              | 58,800              | 78,437              | 19,637                                             |
| Charges for Services                                         | 111,575             | 111,575             | 315,699             | 204,124                                            |
| Special Assessments                                          | -                   | -                   | 6,403               | 6,403                                              |
| Fines and Forfeitures                                        | 12,000              | 12,000              | 25,616              | 13,616                                             |
| Investment Earnings (net)                                    | 42,000              | 42,000              | 48,761              | 6,761                                              |
| Miscellaneous                                                | -                   | -                   | 26,058              | 26,058                                             |
| Total Revenues                                               | <u>5,218,194</u>    | <u>5,218,194</u>    | <u>6,305,790</u>    | <u>1,087,596</u>                                   |
| <b>EXPENDITURES</b>                                          |                     |                     |                     |                                                    |
| Current                                                      |                     |                     |                     |                                                    |
| General Government                                           | 1,301,716           | 1,301,716           | 1,182,959           | (118,757)                                          |
| Public Safety                                                | 2,132,164           | 2,132,164           | 2,168,187           | 36,023                                             |
| Public Works                                                 | 1,204,155           | 1,204,155           | 1,170,464           | (33,691)                                           |
| Culture and Recreation                                       | 615,039             | 615,039             | 654,786             | 39,747                                             |
| Economic Development                                         | 115,860             | 115,860             | 113,311             | (2,549)                                            |
| Capital Outlay                                               |                     |                     |                     |                                                    |
| General Government                                           | 9,100               | 9,100               | 5,260               | (3,840)                                            |
| Total Expenditures                                           | <u>5,378,034</u>    | <u>5,378,034</u>    | <u>5,294,967</u>    | <u>(83,067)</u>                                    |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>(159,840)</u>    | <u>(159,840)</u>    | <u>1,010,823</u>    | <u>1,170,663</u>                                   |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                     |                     |                     |                                                    |
| Transfers In                                                 | 159,840             | 159,840             | 159,840             | -                                                  |
| Sales of Capital Assets                                      | -                   | -                   | 435                 | 435                                                |
| Transfers Out                                                | -                   | -                   | (948,076)           | (948,076)                                          |
| Total Other Financing Sources (Uses)                         | <u>159,840</u>      | <u>159,840</u>      | <u>(787,801)</u>    | <u>(947,641)</u>                                   |
| Net Change in Fund Balance                                   | -                   | -                   | 223,022             | 223,022                                            |
| Fund Balance - January 1                                     | <u>3,890,645</u>    | <u>3,890,645</u>    | <u>3,890,645</u>    | -                                                  |
| Fund Balance - December 31                                   | <u>\$ 3,890,645</u> | <u>\$ 3,890,645</u> | <u>\$ 4,113,667</u> | <u>\$ 223,022</u>                                  |

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

**CITY OF OTSEGO, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2018**

|                                                       | Water<br>Utility     | Sanitary<br>Sewer<br>Utility | Storm<br>Water<br>Utility | Total<br>Enterprise  |
|-------------------------------------------------------|----------------------|------------------------------|---------------------------|----------------------|
| <b>ASSETS</b>                                         |                      |                              |                           |                      |
| <b>Current Assets</b>                                 |                      |                              |                           |                      |
| Cash and Cash Equivalents                             | \$ 8,007,602         | \$ 9,288,707                 | \$ 247,561                | \$ 17,543,870        |
| Receivables                                           |                      |                              |                           |                      |
| Accounts                                              | 174,379              | 321,998                      | 8,802                     | 505,179              |
| Special Assessments                                   |                      |                              |                           |                      |
| Current                                               | 4                    | -                            | 174                       | 178                  |
| Delinquent                                            | 10,552               | -                            | 128                       | 10,680               |
| Due from Other Governments                            | -                    | 18,204                       | -                         | 18,204               |
| Prepaid Items                                         | 10,119               | 32,707                       | -                         | 42,826               |
| Total Current Assets                                  | <u>8,202,656</u>     | <u>9,661,616</u>             | <u>256,665</u>            | <u>18,120,937</u>    |
| <b>Noncurrent Assets</b>                              |                      |                              |                           |                      |
| Special Assessments                                   |                      |                              |                           |                      |
| Deferred                                              | 236,923              | 325,164                      | 43,821                    | 605,908              |
| Capital Assets                                        |                      |                              |                           |                      |
| Land                                                  | 98,222               | 533,517                      | -                         | 631,739              |
| Buildings and Building Improvements                   | 109,096              | 68,508                       | -                         | 177,604              |
| Machinery and Equipment                               | 345,784              | 1,027,476                    | -                         | 1,373,260            |
| Infrastructure                                        | 21,554,331           | 35,521,791                   | 2,220,227                 | 59,296,349           |
| Construction in Progress                              | 177,922              | 294,907                      | 1,357,977                 | 1,830,806            |
| Total Capital Assets                                  | <u>22,285,355</u>    | <u>37,446,199</u>            | <u>3,578,204</u>          | <u>63,309,758</u>    |
| Less: Accumulated Depreciation                        | <u>(5,678,789)</u>   | <u>(10,580,246)</u>          | <u>(222,779)</u>          | <u>(16,481,814)</u>  |
| Net Capital Assets                                    | <u>16,606,566</u>    | <u>26,865,953</u>            | <u>3,355,425</u>          | <u>46,827,944</u>    |
| Total Noncurrent Assets                               | <u>16,843,489</u>    | <u>27,191,117</u>            | <u>3,399,246</u>          | <u>47,433,852</u>    |
| Total Assets                                          | <u>25,046,145</u>    | <u>36,852,733</u>            | <u>3,655,911</u>          | <u>65,554,789</u>    |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                 |                      |                              |                           |                      |
| General Employees Retirement Plan Pension Resources   | <u>13,834</u>        | <u>41,500</u>                | <u>-</u>                  | <u>55,334</u>        |
| <b>LIABILITIES</b>                                    |                      |                              |                           |                      |
| <b>Current Liabilities</b>                            |                      |                              |                           |                      |
| Accounts Payable                                      | 52,299               | 39,343                       | 2,101                     | 93,743               |
| Due to Other Governments                              | 1,255                | -                            | -                         | 1,255                |
| Accrued Salaries Payable                              | 534                  | 1,601                        | -                         | 2,135                |
| Accrued Interest Payable                              | 23,985               | 42,641                       | -                         | 66,626               |
| Bonds Payable                                         | 799,200              | 1,420,800                    | -                         | 2,220,000            |
| Compensated Absences Payable                          | 921                  | 2,762                        | -                         | 3,683                |
| Total Current Liabilities                             | <u>878,194</u>       | <u>1,507,147</u>             | <u>2,101</u>              | <u>2,387,442</u>     |
| <b>Noncurrent Liabilities</b>                         |                      |                              |                           |                      |
| Bonds Payable (net)                                   | 7,166,180            | 12,739,876                   | -                         | 19,906,056           |
| Compensated Absences Payable                          | 3,682                | 11,047                       | -                         | 14,729               |
| General Employees Retirement Plan Net Pension Payable | 62,349               | 187,045                      | -                         | 249,394              |
| Total Noncurrent Liabilities                          | <u>7,232,211</u>     | <u>12,937,968</u>            | <u>-</u>                  | <u>20,170,179</u>    |
| Total Liabilities                                     | <u>8,110,405</u>     | <u>14,445,115</u>            | <u>2,101</u>              | <u>22,557,621</u>    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                  |                      |                              |                           |                      |
| General Employees Retirement Plan Pension Resources   | <u>15,701</u>        | <u>47,102</u>                | <u>-</u>                  | <u>62,803</u>        |
| Total Deferred Inflows of Resources                   | <u>15,701</u>        | <u>47,102</u>                | <u>-</u>                  | <u>62,803</u>        |
| <b>NET POSITION</b>                                   |                      |                              |                           |                      |
| Net Investment in Capital Assets                      | 8,641,186            | 12,705,277                   | 3,355,425                 | 24,701,888           |
| Unrestricted                                          | 8,292,687            | 9,696,739                    | 298,385                   | 18,287,811           |
| Total Net Position                                    | <u>\$ 16,933,873</u> | <u>\$ 22,402,016</u>         | <u>\$ 3,653,810</u>       | <u>\$ 42,989,699</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, 2018**

|                                                          | Water<br>Utility     | Sanitary<br>Sewer<br>Utility | Storm<br>Water<br>Utility | Total<br>Enterprise  |
|----------------------------------------------------------|----------------------|------------------------------|---------------------------|----------------------|
| <b>OPERATING REVENUES</b>                                |                      |                              |                           |                      |
| Charges for Services                                     | \$ 1,666,629         | \$ 1,921,402                 | \$ 70,010                 | \$ 3,658,041         |
| <b>OPERATING EXPENSES</b>                                |                      |                              |                           |                      |
| Personal Services                                        | 109,051              | 327,144                      | 6,606                     | 442,801              |
| Supplies                                                 | 257,015              | 167,892                      | -                         | 424,907              |
| Insurance                                                | 10,119               | 33,128                       | -                         | 43,247               |
| Utilities                                                | 105,150              | 236,895                      | -                         | 342,045              |
| Services and Other Charges                               | 153,930              | 322,901                      | 16,990                    | 493,821              |
| Depreciation                                             | 545,149              | 961,119                      | 47,444                    | 1,553,712            |
| Total Operating Expenses                                 | <u>1,180,414</u>     | <u>2,049,079</u>             | <u>71,040</u>             | <u>3,300,533</u>     |
| Operating Income (Loss)                                  | <u>486,215</u>       | <u>(127,677)</u>             | <u>(1,030)</u>            | <u>357,508</u>       |
| <b>NONOPERATING REVENUES (EXPENSES)</b>                  |                      |                              |                           |                      |
| Antenna Rental                                           | 73,287               | -                            | -                         | 73,287               |
| Property Taxes                                           | -                    | -                            | 26,000                    | 26,000               |
| Special Assessments                                      | -                    | -                            | 34,906                    | 34,906               |
| Investment Earnings (net)                                | 117,691              | 140,182                      | 2,960                     | 260,833              |
| Sales of Capital Assets                                  | 4,603                | 3,281                        | -                         | 7,884                |
| Miscellaneous Revenue                                    | 15,031               | 11,483                       | -                         | 26,514               |
| Interest and Fiscal Agent Fees                           | (288,071)            | (511,991)                    | -                         | (800,062)            |
| Total Nonoperating Revenues (Expenses)                   | <u>(77,459)</u>      | <u>(357,045)</u>             | <u>63,866</u>             | <u>(370,638)</u>     |
| Income (Loss) Before Capital Contributions and Transfers | 408,756              | (484,722)                    | 62,836                    | (13,130)             |
| Connection Fees                                          | 1,062,360            | 3,132,994                    | -                         | 4,195,354            |
| Capital Contributions - Developer Assets                 | 500,100              | 412,010                      | 393,330                   | 1,305,440            |
| Capital Contributions - Governmental Funds               | 81,593               | 86,198                       | 1,357,977                 | 1,525,768            |
| Transfers Out                                            | (49,560)             | (158,280)                    | -                         | (207,840)            |
| Change in Net Position                                   | 2,003,249            | 2,988,200                    | 1,814,143                 | 6,805,592            |
| Net Position - January 1                                 | <u>14,930,624</u>    | <u>19,413,816</u>            | <u>1,839,667</u>          | <u>36,184,107</u>    |
| Net Position - December 31                               | <u>\$ 16,933,873</u> | <u>\$ 22,402,016</u>         | <u>\$ 3,653,810</u>       | <u>\$ 42,989,699</u> |

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



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**CITY OF OTSEGO, MINNESOTA**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

|                                                                                                      | Water<br>Utility    | Sanitary<br>Sewer<br>Utility | Storm<br>Water<br>Utility | Total<br>Enterprise  |
|------------------------------------------------------------------------------------------------------|---------------------|------------------------------|---------------------------|----------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                                                          |                     |                              |                           |                      |
| Receipts from Customers and Users                                                                    | \$ 1,627,648        | \$ 1,842,956                 | \$ 66,088                 | \$ 3,536,692         |
| Other Operating Receipts                                                                             | 71,360              | 14,764                       | 36,800                    | 122,924              |
| Payments to Suppliers                                                                                | (523,169)           | (755,605)                    | (16,571)                  | (1,295,345)          |
| Payments to Employees                                                                                | (109,258)           | (327,772)                    | (6,606)                   | (443,636)            |
| Net Cash Flows Provided by Operating Activities                                                      | <u>1,066,581</u>    | <u>774,343</u>               | <u>79,711</u>             | <u>1,920,635</u>     |
| <b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>                                               |                     |                              |                           |                      |
| Property Taxes                                                                                       | -                   | -                            | 26,000                    | 26,000               |
| Principal Paid on Revenue Bonds                                                                      | (766,800)           | (1,363,200)                  | -                         | (2,130,000)          |
| Interest Paid on Revenue Bonds                                                                       | (319,024)           | (567,019)                    | -                         | (886,043)            |
| Transfers Out                                                                                        | (49,560)            | (158,280)                    | -                         | (207,840)            |
| Net Cash Flows Provided (Used) by Noncapital Financing Activities                                    | <u>(1,135,384)</u>  | <u>(2,088,499)</u>           | <u>26,000</u>             | <u>(3,197,883)</u>   |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>                                      |                     |                              |                           |                      |
| Acquisition and Construction of Capital Assets                                                       | (241,135)           | (452,117)                    | (81,452)                  | (774,704)            |
| Connection Fees                                                                                      | 988,162             | 3,038,110                    | -                         | 4,026,272            |
| Net Cash Flows Provided (Used) by Capital and Related Financing Activities                           | <u>747,027</u>      | <u>2,585,993</u>             | <u>(81,452)</u>           | <u>3,251,568</u>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                                                          |                     |                              |                           |                      |
| Interest on Investments                                                                              | 117,691             | 140,182                      | 2,960                     | 260,833              |
| Net Increase in Cash and Cash Equivalents                                                            | 795,915             | 1,412,019                    | 27,219                    | 2,235,153            |
| Cash and Cash Equivalents - January 1                                                                | 7,211,687           | 7,876,688                    | 220,342                   | 15,308,717           |
| Cash and Cash Equivalents - December 31                                                              | <u>\$ 8,007,602</u> | <u>\$ 9,288,707</u>          | <u>\$ 247,561</u>         | <u>\$ 17,543,870</u> |
| <b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES</b>  |                     |                              |                           |                      |
| Operating Income (Loss)                                                                              | \$ 486,215          | \$ (127,677)                 | \$ (1,030)                | \$ 357,508           |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows Provided by Operating Activities: |                     |                              |                           |                      |
| Depreciation                                                                                         | 545,149             | 961,119                      | 47,444                    | 1,553,712            |
| GERF Pension Activity                                                                                | 1,408               | 4,218                        | -                         | 5,626                |
| Other Income Related to Operations                                                                   | 92,921              | 14,764                       | 34,906                    | 142,591              |
| (Increase) Decrease in Assets & Deferred Outflows of Resources:                                      |                     |                              |                           |                      |
| Accounts Receivable                                                                                  | (38,981)            | (77,088)                     | (3,922)                   | (119,991)            |
| Special Assessments                                                                                  | (21,561)            | -                            | 1,894                     | (19,667)             |
| Due from Other Governments                                                                           | -                   | (1,358)                      | -                         | (1,358)              |
| Prepaid Items                                                                                        | (556)               | (2,099)                      | -                         | (2,655)              |
| Increase (Decrease) in Liabilities & Deferred Inflows of Resources                                   |                     |                              |                           |                      |
| Accounts Payable                                                                                     | 3,068               | 7,310                        | 419                       | 10,797               |
| Due to Other Governments                                                                             | 533                 | -                            | -                         | 533                  |
| Accrued Salaries Payable                                                                             | (2,707)             | (8,123)                      | -                         | (10,830)             |
| Compensated Absences Payable                                                                         | 1,092               | 3,277                        | -                         | 4,369                |
| Net Cash Flows Provided by Operating Activities                                                      | <u>\$ 1,066,581</u> | <u>\$ 774,343</u>            | <u>\$ 79,711</u>          | <u>\$ 1,920,635</u>  |
| <b>NONCASH FINANCING ACTIVITIES</b>                                                                  |                     |                              |                           |                      |
| Amortization of Premium on Bonds Payable                                                             | \$ 28,397           | \$ 50,484                    | \$ -                      | \$ 78,881            |
| Acquisition of Capital Assets on Account                                                             | \$ 34,188           | \$ -                         | \$ -                      | \$ 34,188            |
| Contribution of Capital Assets - Developer                                                           | \$ 500,100          | \$ 412,010                   | \$ 393,330                | \$ 1,305,440         |
| Contribution of Capital Assets - Governmental Funds                                                  | \$ 81,593           | \$ 86,198                    | \$ 1,357,977              | \$ 1,525,768         |

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

**CITY OF OTSEGO, MINNESOTA**  
STATEMENT OF FIDUCIARY NET POSITION  
AGENCY FUNDS  
DECEMBER 31, 2018

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|                           | <u>Agency<br/>Funds</u> |
|---------------------------|-------------------------|
| <b>ASSETS</b>             |                         |
| Current Assets            |                         |
| Cash and Cash Equivalents | <u>\$ 2,017,179</u>     |
| <b>LIABILITIES</b>        |                         |
| Current Liabilities       |                         |
| Accounts Payable          | 37,864                  |
| Escrow Deposits           | <u>1,979,315</u>        |
| Total Liabilities         | <u>\$ 2,017,179</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.

**Pavement Management Fund** - 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.

**Municipal State-Aid for Construction Fund** - 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.

**Kadler Avenue Improvements Fund** - This fund was established to track the expenditures incurred for infrastructure improvements being completed on 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.

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, 2018 are planned to be eliminated in 2019. 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, 2018, 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, 2018 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. The General fund is typically used to liquidate the net pension liability for governmental activities. The Water Utility and Sanitary Sewer Utility funds would be used to liquidate the net pension liability for business-type activities.

**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 and special assessments not collected within 60 days of year-end. The governmental funds also report deferred inflows for intergovernmental revenues due to timing requirements not being met at 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.

**Q. 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 the Revolving Loan and Tax Increment District 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.

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

**A. DEFICIT FUND EQUITY**

Deficit fund equity exists at December 31, 2018 in the following funds:

|                              |              |
|------------------------------|--------------|
| Major Governmental Funds:    |              |
| Capital Project Funds        |              |
| MSA Construction             | \$ 1,100,275 |
| Kadler Avenue Improvements   | 625,735      |
| Nonmajor Governmental Funds: |              |
| Special Revenue Funds        |              |
| Tax Increment District #3    | 400          |
| Capital Project Funds        |              |
| Community Facilities         | 61,901       |
| Odean Improvements           | 1,925        |

The deficits are being funded through internal borrowing. The MSA Construction fund deficit will be repaid with State-Aid funding from 2020 through 2024, which has been advanced to the City for the 85th Street and Maciver Avenue street extension project. The Kadler Avenue Improvements fund deficit will be repaid with project funding sources such as grant monies and reimbursements from an industrial developer. The Tax Increment District No. 3 fund deficit will be repaid with future collections of tax increment, which is expected to begin generating in 2020. The Community Facilities fund deficit will be repaid with project funding sources such as grant monies and an interfund transfer from the Park Development fund upon completion of the project. The Odean Improvements fund deficit will be repaid with future collections of special assessments against the benefitting property owners.

**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 \$496,981, and a bank balance of \$830,355.

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, 2018 the City had the following investments:

| Investment Type                    | Fair Value           | Investment Maturities (In Years) |                      |                     |
|------------------------------------|----------------------|----------------------------------|----------------------|---------------------|
|                                    |                      | < 1                              | 1 - 3                | 3 - 5               |
| Negotiable Certificates of Deposit | \$ 14,037,746        | \$ 2,166,052                     | \$ 10,172,240        | \$ 1,699,454        |
| U.S. Government Agency Securities  | 9,426,644            | 3,042,575                        | 5,943,290            | 440,779             |
| Municipal Bonds                    | 6,897,253            | 2,054,941                        | 4,842,312            | -                   |
| External Investment Pool           | 3,996,344            | 3,996,344                        | -                    | -                   |
| Brokered Money Market Accounts     | 2,517,817            | 2,517,817                        | -                    | -                   |
| <b>Total</b>                       | <b>\$ 36,875,804</b> | <b>\$ 13,777,729</b>             | <b>\$ 20,957,842</b> | <b>\$ 2,140,233</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, 2018**

As of December 31, 2018, 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<br>Rating | S & P<br>Rating | Fair<br>Value | Portfolio<br>Concentration % |
|------------------------------------------------|-------------------|-----------------|---------------|------------------------------|
| U.S. Government Agency Securities              |                   |                 |               |                              |
| Federal Farm Credit Bank (FFCB)                | Aaa               | AA+             | \$ 3,393,133  | 9.20%                        |
| Federal Home Loan Bank (FHLB)                  | Aaa               | AA+             | 2,273,727     | 6.17%                        |
| Federal Home Loan Mortgage Corporation (FHLMC) | Aaa               | AA+             | 2,230,554     | 6.05%                        |
| Federal National Mortgage Association (FNMA)   | Aaa               | AA+             | 1,529,230     | 4.15%                        |
| Total                                          |                   |                 | \$ 9,426,644  | 25.56%                       |

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

**Municipal Bonds**

|                                                  |     |     |              |        |
|--------------------------------------------------|-----|-----|--------------|--------|
| State of Connecticut                             | A1  | A   | \$ 908,250   | 2.46%  |
| State of New Mexico Finance Authority            | Aa2 | AAA | 550,652      | 1.49%  |
| State of Florida Board of Administrative Finance | Aa3 | AA  | 498,550      | 1.35%  |
| Metropolitan Council, Minnesota                  | Aaa | AAA | 471,257      | 1.28%  |
| Katonah School District, New York                | Aa1 | NR  | 110,163      | 0.30%  |
| Lake County School District, Illinois            | Aa2 | AA+ | 695,368      | 1.89%  |
| Lincoln Consolidated School District, Michigan   | NR  | AA  | 495,745      | 1.34%  |
| City of Portsmouth, Virginia                     | Aa2 | AA  | 493,705      | 1.34%  |
| Swift County, Minnesota                          | NR  | AA- | 318,666      | 0.86%  |
| State of California                              | Aa3 | AA- | 485,530      | 1.32%  |
| Pinckney School District, Michigan               | NR  | AA  | 172,134      | 0.47%  |
| Milan School District, Michigan                  | NR  | AA  | 498,385      | 1.35%  |
| City of Kaukauna, Wisconsin                      | NR  | AA- | 203,818      | 0.55%  |
| Milwaukee County, Wisconsin                      | Aa2 | AA  | 491,350      | 1.33%  |
| City of Oklahoma City, Oklahoma                  | Aaa | AAA | 503,680      | 1.37%  |
| Total                                            |     |     | \$ 6,897,253 | 18.70% |

The following is a summary of total deposits and investments as of December 31, 2018:

|                             |               |
|-----------------------------|---------------|
| Deposits                    | \$ 496,981    |
| Investments                 | 36,875,804    |
| Petty Cash and Change Funds | 600           |
| Total                       | \$ 37,373,385 |

The City's deposits and investments as of December 31, 2018 are presented in the basic financial statements as follows:

|                                     |               |
|-------------------------------------|---------------|
| Statement of Net Position           | \$ 35,356,206 |
| Statement of Fiduciary Net Position | 2,017,179     |
| Total                               | \$ 37,373,385 |

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, 2018**

**B. CAPITAL ASSETS**

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

|                                                     | Beginning<br>Balance | Increases           | Decreases             | Ending<br>Balance    |
|-----------------------------------------------------|----------------------|---------------------|-----------------------|----------------------|
| <b>Governmental Activities:</b>                     |                      |                     |                       |                      |
| Capital Assets, not Being Depreciated:              |                      |                     |                       |                      |
| Land                                                | \$ 2,046,664         | \$ 647,535          | \$ -                  | \$ 2,694,199         |
| Construction in Progress                            | 560,302              | 4,493,450           | (1,928,495)           | 3,125,257            |
| <b>Total Capital Assets, not Being Depreciated</b>  | <b>2,606,966</b>     | <b>5,140,985</b>    | <b>(1,928,495)</b>    | <b>5,819,456</b>     |
| Capital Assets, Being Depreciated:                  |                      |                     |                       |                      |
| Buildings and Building Improvements                 | 6,513,278            | 33,345              | (46,122)              | 6,500,501            |
| Land Improvements                                   | 5,610,179            | 424,066             | -                     | 6,034,245            |
| Machinery and Equipment                             | 3,393,184            | 562,080             | (290,694)             | 3,664,570            |
| Infrastructure                                      | 22,726,243           | 2,296,244           | -                     | 25,022,487           |
| <b>Total Capital Assets, Being Depreciated</b>      | <b>38,242,884</b>    | <b>3,315,735</b>    | <b>(336,816)</b>      | <b>41,221,803</b>    |
| Less Accumulated Depreciation for:                  |                      |                     |                       |                      |
| Buildings and Building Improvements                 | 1,810,413            | 157,993             | (46,122)              | 1,922,284            |
| Land Improvements                                   | 2,401,186            | 229,313             | -                     | 2,630,499            |
| Machinery and Equipment                             | 1,893,635            | 304,399             | (252,397)             | 1,945,637            |
| Infrastructure                                      | 5,869,348            | 767,995             | -                     | 6,637,343            |
| <b>Total Accumulated Depreciation</b>               | <b>11,974,582</b>    | <b>1,459,700</b>    | <b>(298,519)</b>      | <b>13,135,763</b>    |
| <b>Total Capital Assets Being Depreciated - Net</b> | <b>26,268,302</b>    | <b>1,856,035</b>    | <b>(38,297)</b>       | <b>28,086,040</b>    |
| <b>Governmental Activities Capital Assets - Net</b> | <b>\$ 28,875,268</b> | <b>\$ 6,997,020</b> | <b>\$ (1,966,792)</b> | <b>\$ 33,905,496</b> |

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

|                                                             |                     |
|-------------------------------------------------------------|---------------------|
| <b>Governmental Activities:</b>                             |                     |
| General Government                                          | \$ 17,164           |
| Public Safety                                               | 3,985               |
| Public Works                                                | 1,094,469           |
| Culture and Recreation                                      | 344,082             |
| <b>Total Depreciation Expense - Governmental Activities</b> | <b>\$ 1,459,700</b> |

**CITY OF OTSEGO, MINNESOTA**  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2018

|                                                      | Beginning<br>Balance | Increases           | Decreases             | Ending<br>Balance    |
|------------------------------------------------------|----------------------|---------------------|-----------------------|----------------------|
| <b>Business-type Activities:</b>                     |                      |                     |                       |                      |
| Capital Assets, not Being Depreciated:               |                      |                     |                       |                      |
| Land                                                 | \$ 631,739           | \$ -                | \$ -                  | \$ 631,739           |
| Construction in progress                             | 1,153,177            | 1,941,801           | (1,264,172)           | 1,830,806            |
| <b>Total Capital Assets, not Being Depreciated</b>   | <b>1,784,916</b>     | <b>1,941,801</b>    | <b>(1,264,172)</b>    | <b>2,462,545</b>     |
| Capital Assets, Being Depreciated:                   |                      |                     |                       |                      |
| Buildings and Building Improvements                  | -                    | 177,604             | -                     | 177,604              |
| Machinery and Equipment                              | 1,106,272            | 266,988             | -                     | 1,373,260            |
| Infrastructure                                       | 56,876,602           | 2,419,747           | -                     | 59,296,349           |
| <b>Total Capital Assets, Being Depreciated</b>       | <b>57,982,874</b>    | <b>2,864,339</b>    | <b>-</b>              | <b>60,847,213</b>    |
| Less Accumulated Depreciation for:                   |                      |                     |                       |                      |
| Buildings and Building Improvements                  | -                    | 5,475               | -                     | 5,475                |
| Machinery and Equipment                              | 219,073              | 99,282              | -                     | 318,355              |
| Infrastructure                                       | 14,709,029           | 1,448,955           | -                     | 16,157,984           |
| <b>Total Accumulated Depreciation</b>                | <b>14,928,102</b>    | <b>1,553,712</b>    | <b>-</b>              | <b>16,481,814</b>    |
| <b>Total Capital Assets Being Depreciated - Net</b>  | <b>43,054,772</b>    | <b>1,310,627</b>    | <b>-</b>              | <b>44,365,399</b>    |
| <b>Business-type Activities Capital Assets - Net</b> | <b>\$ 44,839,688</b> | <b>\$ 3,252,428</b> | <b>\$ (1,264,172)</b> | <b>\$ 46,827,944</b> |

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

|                                                              |                     |
|--------------------------------------------------------------|---------------------|
| Business-type Activities:                                    |                     |
| Water Utility                                                | \$ 545,149          |
| Sanitary Sewer Utility                                       | 961,119             |
| Storm Water Utility                                          | 47,444              |
| <b>Total Depreciation Expense - Business-type Activities</b> | <b>\$ 1,553,712</b> |

**C. CONSTRUCTION COMMITMENTS**

At December 31, 2018 the City had construction project contracts in progress. The commitments related to remaining contract balances are summarized as follows:

| Project                                   | Contract<br>Amount | Remaining<br>Commitment |
|-------------------------------------------|--------------------|-------------------------|
| 85th Street and Maciver Avenue Extensions | \$ 5,199,858       | \$ 3,296,647            |
| Kadler Avenue Improvements                | 1,364,062          | 159,843                 |
| Norin Landing                             | 526,663            | 86,397                  |

**D. INTERFUND BALANCES AND TRANSFERS**

At December 31, 2018, the composition of balances for due to/from other funds of the City were as follows:

| Fund                         | Due from<br>Other Funds | Due to<br>Other Funds |
|------------------------------|-------------------------|-----------------------|
| Major Governmental Funds:    |                         |                       |
| General                      | \$ 400                  | \$ -                  |
| Debt Service                 | -                       | 12,147                |
| MSA Construction             | -                       | 1,040,991             |
| Kadler Avenue Improvements   | -                       | 351,417               |
| Nonmajor Governmental Funds: |                         |                       |
| Special Revenue Funds        |                         |                       |
| Tax Increment District No. 3 | -                       | 400                   |
| Capital Project Funds        |                         |                       |
| Odean Improvements           | -                       | 1,925                 |
| Capital Improvements         | 1,406,480               | -                     |
| Total                        | <u>\$ 1,406,880</u>     | <u>\$ 1,406,880</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. 3 fund will be repaid with future collections of tax increment, which is expected to begin in 2020. The balance in the Municipal State-Aid for Construction fund will be repaid with State-Aid funding for the 85th Street and Maciver Avenue extension projects. The balance in the Kadler Avenue Improvements fund will be repaid with project funding sources such as grant monies and reimbursements from an industrial developer.

**CITY OF OTSEGO, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

Transfers between funds made during the year ended December 31, 2018 were as follows:

| Fund                         | Transfer In  | Transfer Out |
|------------------------------|--------------|--------------|
| Major Governmental Funds:    |              |              |
| General                      | \$ 159,840   | \$ 948,076   |
| Debt Service                 | 48,000       | -            |
| MSA Construction             | 241,294      | -            |
| Nonmajor Governmental Funds: |              |              |
| Watershed Districts          | -            | 241,294      |
| Capital Improvements         | 948,076      | -            |
| Total Governmental Funds     | 1,397,210    | 1,189,370    |
| Major Proprietary Funds:     |              |              |
| Water Utility                | -            | 49,560       |
| Sanitary Sewer Utility       | -            | 158,280      |
| Total Proprietary Funds      | -            | 207,840      |
| Total All Funds              | \$ 1,397,210 | \$ 1,397,210 |

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 2018, the following transfers were made between funds:

- The General fund transferred \$948,076 to the Capital Improvements 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 \$39,960 and \$119,880 respectively to the General fund as an annual contribution to help manage the property tax levy.
- The Water and Sanitary Sewer funds transferred \$9,600 and \$38,400 to the Debt Service fund to contribute their portion of the debt service associated with the purchase of the Jet Vac truck.
- The Watershed Districts fund transferred \$241,294 to the MSA Construction fund as a contribution for the portion of trunk stormwater costs not covered by State-Aid for the 85th Street and Maciver Avenue extension 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 \$4,580,372 of assets accumulated in the debt service funds for future debt service. Included within those accumulated assets, there are \$0 of delinquent special assessments receivable, of which collection is uncertain.

|                                      | Interest Rates | Date       | Final Maturity Date | Original Issue       | Payable 12/31/18    |
|--------------------------------------|----------------|------------|---------------------|----------------------|---------------------|
| General Obligation Bonds:            |                |            |                     |                      |                     |
| Equipment Certificates, Series 2010A | 2.00 - 3.25%   | 1/28/2010  | 7/15/2019           | \$ 385,000           | \$ 40,000           |
| Refunding Bonds, Series 2010B        | 2.00 - 3.00%   | 11/30/2010 | 12/1/2021           | 3,705,000            | 1,405,000           |
| Refunding Bonds, Series 2010D        | 2.00 - 3.60%   | 11/30/2010 | 2/1/2028            | 1,220,000            | 975,000             |
| Refunding Bonds, Series 2011A        | 2.00 - 3.20%   | 12/21/2011 | 2/1/2028            | 4,640,000            | 3,160,000           |
| Refunding Bonds, Series 2012A        | 2.00%          | 3/14/2012  | 12/1/2021           | 1,400,000            | 610,000             |
| Improvement Bond, Series 2018A       | 3.00 - 3.13%   | 7/11/2018  | 2/1/2034            | 2,305,000            | 2,305,000           |
| Total - Bonded Indebtedness          |                |            |                     | <u>\$ 13,655,000</u> | 8,495,000           |
| Other Liabilities:                   |                |            |                     |                      |                     |
| Unamortized Bond Premium             |                |            |                     |                      | 79,989              |
| Compensated Absences Payable         |                |            |                     |                      | <u>87,373</u>       |
| Total Governmental Activities        |                |            |                     |                      | <u>\$ 8,662,362</u> |

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

| Year Ending<br>December 31 | Governmental Activities  |                     |                        |                 |
|----------------------------|--------------------------|---------------------|------------------------|-----------------|
|                            | General Obligation Bonds |                     | Equipment Certificates |                 |
|                            | Principal                | Interest            | Principal              | Interest        |
| 2019                       | \$ 1,145,000             | \$ 228,917          | \$ 40,000              | \$ 1,300        |
| 2020                       | 1,330,000                | 196,200             | -                      | -               |
| 2021                       | 1,360,000                | 162,531             | -                      | -               |
| 2022                       | 705,000                  | 126,443             | -                      | -               |
| 2023                       | 720,000                  | 107,441             | -                      | -               |
| 2024 - 2028                | 2,640,000                | 295,699             | -                      | -               |
| 2029 - 2033                | 485,000                  | 38,841              | -                      | -               |
| 2034                       | 70,000                   | 1,094               | -                      | -               |
| Total                      | <u>\$ 8,455,000</u>      | <u>\$ 1,157,166</u> | <u>\$ 40,000</u>       | <u>\$ 1,300</u> |

**CITY OF OTSEGO, MINNESOTA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

***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 \$4,553,892, which accounts for a debt-service coverage ratio of 150.99%.

|                                | Interest<br>Rates | Date       | Final<br>Maturity<br>Date | Original<br>Issue    | Payable<br>12/31/18  |
|--------------------------------|-------------------|------------|---------------------------|----------------------|----------------------|
| 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           | 15,135,000           |
|                                |                   |            |                           | <u>\$ 27,660,000</u> | 21,495,000           |
| Other Liabilities:             |                   |            |                           |                      |                      |
| Unamortized Bond Premium       |                   |            |                           |                      | 631,056              |
| Compensated Absences Payable   |                   |            |                           |                      | 18,412               |
|                                |                   |            |                           |                      | <u>18,412</u>        |
| Total Business-type Activities |                   |            |                           |                      | <u>\$ 22,144,468</u> |

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

| Year Ending<br>December 31 | Business-type Activities |                     |
|----------------------------|--------------------------|---------------------|
|                            | General Obligation Bonds |                     |
|                            | Principal                | Interest            |
| 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                       | 2,650,000                | 442,385             |
| 2024 - 2027                | 9,330,000                | 926,798             |
|                            | <u>\$ 21,495,000</u>     | <u>\$ 4,040,223</u> |
| Total                      | <u>\$ 21,495,000</u>     | <u>\$ 4,040,223</u> |

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

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

|                                   | Beginning<br>Balance | Additions    | Reductions     | Ending<br>Balance | Due Within<br>One Year |
|-----------------------------------|----------------------|--------------|----------------|-------------------|------------------------|
| Governmental Activities:          |                      |              |                |                   |                        |
| Bonds Payable:                    |                      |              |                |                   |                        |
| General Obligation Bonds          | \$ 7,265,000         | \$ 2,305,000 | \$ (1,115,000) | \$ 8,455,000      | \$ 1,145,000           |
| Equipment Certificates            | 85,000               | -            | (45,000)       | 40,000            | 40,000                 |
| Total Bonded Indebtedness         | 7,350,000            | 2,305,000    | (1,160,000)    | 8,495,000         | 1,185,000              |
| Unamortized Bond Premium          | 28,686               | 58,475       | (7,172)        | 79,989            | -                      |
| Compensated Absences              | 79,474               | 117,010      | (109,111)      | 87,373            | 17,475                 |
| Total - Governmental              | 7,458,160            | 2,480,485    | (1,276,283)    | 8,662,362         | 1,202,475              |
| Business-type Activities:         |                      |              |                |                   |                        |
| Bonds Payable:                    |                      |              |                |                   |                        |
| General Obligation Bonds          | 23,625,000           | -            | (2,130,000)    | 21,495,000        | 2,220,000              |
| Unamortized Bond Premium          | 709,937              | -            | (78,881)       | 631,056           | -                      |
| Compensated Absences              | 14,043               | 28,022       | (23,653)       | 18,412            | 3,683                  |
| Total - Business-type             | 24,348,980           | 28,022       | (2,232,534)    | 22,144,468        | 2,223,683              |
| Grand Total Long-Term Liabilities | \$ 31,807,140        | \$ 2,508,507 | \$ (3,508,817) | \$ 30,806,830     | \$ 3,426,158           |

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, 2018, the City's conduit debt consisted of the following:

|                                                                          |               |
|--------------------------------------------------------------------------|---------------|
| Guardian Angels Senior Services<br>Revenue Bonds, Series 2017            | \$ 29,320,000 |
| Guardian Angels Senior Services<br>Revenue Refunding Bonds, Series 2017A | 9,910,000     |
| Revenue Refunding Bonds, Series 2017B                                    | 6,580,000     |
| Kaleidoscope Charter School<br>Revenue Bonds, Series 2014A               | 15,300,000    |

**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, 2018, the City has entered into two types of agreements.

***Property Tax Abatements***

For the year ended December 31, 2018, the City abated property taxes totaling \$63,302. 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 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 \$58,751 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 \$4,551 in the current year.

***Tax Increment Financing***

For the year ended December 31, 2018, the Tax Increment Financing Districts within the City generated increment in the amount of \$96,938 and payments to the developers in the amount of \$46,162. Details of each 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. For 2018, this tax increment financing district generated increment in the amount of \$96,938 and payments to the developer in the amount of \$46,162.
- 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.
- Tax Increment Financing District No. 4 was established in 2018 for the purpose of facilitating the redevelopment of an existing site including the decommissioning of a private wastewater treatment facility. The redevelopment of this site will facilitate the construction of 164 units of market-rate multifamily housing, a mini-storage facility, and will create shovel ready sites for approximately 15,000 square feet of future commercial retail development. The City determined this development will ultimately preserve and enhance the tax base, redevelop sub-standard areas and provide employment opportunities within the City that would not reasonably be expected to occur solely through private investment within the foreseeable future. Under the agreement, up to \$3,359,685 of costs incurred by the developer will be reimbursed through a tax increment revenue note, payable beginning in 2021 and concluding in 2046. Payments on 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, 2018 include the following:

**Governmental Activities**

|                                                       |                      |
|-------------------------------------------------------|----------------------|
| Net Investment in Capital Assets:                     |                      |
| Cost of Capital Assets                                | \$ 47,041,259        |
| Less: Accumulated Depreciation                        | (13,135,763)         |
| Less: Related Long-Term Debt Outstanding              | (8,574,989)          |
| Total Net Investment in Capital Assets                | <u>25,330,507</u>    |
| Restricted for Tax Increment Financing                | <u>33,598</u>        |
| Restricted for Debt Service                           |                      |
| Fund Balance - Governmental Fund Financial Statements | 1,723,407            |
| Add: Unavailable Revenue - Special Assessments        | 2,843,786            |
| Less: Accrued Interest Payable                        | (82,513)             |
| Total Restricted for Debt Service                     | <u>4,484,680</u>     |
| Restricted for Park Development                       | <u>2,411,410</u>     |
| Unrestricted                                          | <u>13,626,318</u>    |
| Total Governmental Activities Net position            | <u>\$ 45,886,513</u> |

**Business-type Activities**

|                                             |                      |
|---------------------------------------------|----------------------|
| Net Investment in Capital Assets:           |                      |
| Cost of Capital Assets                      | \$ 63,309,758        |
| Less: Accumulated Depreciation              | (16,481,814)         |
| Less: Related Long-Term Debt Outstanding    | (22,126,056)         |
| Total Net Investment in Capital Assets      | <u>24,701,888</u>    |
| Unrestricted                                | <u>18,287,811</u>    |
| Total Business-type Activities Net Position | <u>\$ 42,989,699</u> |

**CITY OF OTSEGO, MINNESOTA**  
 NOTES TO THE FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED DECEMBER 31, 2018

Aggregated funds balances reported in the governmental funds balance sheet at December 31, 2018 include the following:

**Governmental Funds**

|                                 | Nonspendable      | Restricted          | Committed         | Assigned             |
|---------------------------------|-------------------|---------------------|-------------------|----------------------|
| General Fund                    |                   |                     |                   |                      |
| Prepaid Items                   | \$ 118,687        | \$ -                | \$ -              | \$ -                 |
| Assets Held for Resale          | 202,200           | -                   | -                 | -                    |
| Insurance Deductibles           | -                 | -                   | -                 | 193,208              |
| Educational Programs            | -                 | -                   | -                 | 12,241               |
| Debt Service                    |                   |                     |                   |                      |
| Prepaid Items                   | 650               | -                   | -                 | -                    |
| Debt Service                    | -                 | 1,722,757           | -                 | -                    |
| Pavement Management             |                   |                     |                   |                      |
| City Buildings & Infrastructure | -                 | -                   | -                 | 2,341,164            |
| Nonmajor Governmental Funds     |                   |                     |                   |                      |
| Street Light Replacement        | -                 | -                   | 91,688            | -                    |
| Business Development Loans      | -                 | -                   | 357,011           | -                    |
| Tax Increment Financing         | -                 | 33,598              | -                 | -                    |
| Park Development                | -                 | 2,411,410           | -                 | -                    |
| City Buildings & Infrastructure | -                 | -                   | -                 | 7,856,787            |
| City Parks                      | -                 | -                   | -                 | 328,599              |
| <b>Total Fund Balances</b>      | <b>\$ 321,537</b> | <b>\$ 4,167,765</b> | <b>\$ 448,699</b> | <b>\$ 10,731,999</b> |

**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. 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, if hired prior to July 1, 1989, receives the higher of a step-rate benefit accrual formula (Method 1) or level accrual formula (Method 2), which is used for members hired after June 30, 1989. Under Method 1, the accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first ten years of service and 1.7 percent for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the Plan. If the Plan is at least 90 percent funded for two consecutive years, benefit recipients are given a 2.5 percent increase. If the Plan has not exceeded 90 percent funded, or have fallen below 80 percent, benefit recipients are given a 1.0 percent increase. A benefit recipient who has been receiving a benefit for at least twelve full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than twelve full months as of June 30, will receive a pro-rata increase.

**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 2018. The City was required to contribute 7.5 percent for Coordinated Plan members in calendar year 2018. The City's contributions to the General Employees Fund for years ended December 31, 2018, 2017 and 2016 were \$110,473 \$98,542, and \$96,567. 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, 2018, the City reported a liability of \$1,192,732 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 \$16 million to the fund in 2018. 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 \$39,115. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City's proportion share was 0.0215 percent which was the same as the City's proportion share measured as of June 30, 2017.

|                                                                                          |                     |
|------------------------------------------------------------------------------------------|---------------------|
| City's proportionate share of the net pension liability                                  | \$ 1,192,732        |
| State of Minnesota's proportionate of the net pension liability associated with the City | <u>39,115</u>       |
| Total                                                                                    | <u>\$ 1,231,847</u> |

For the year ended December 31, 2018, the City recognized pension expense of \$131,919 for its proportionate share of the General Employees Plan's pension expense. Included in that amount, the City recognized an additional \$9,121 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2018, 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<br>Outflows of<br>Resources | Deferred<br>Inflows of<br>Resources |
|--------------------------------------------------------------|--------------------------------------|-------------------------------------|
| Differences Between Expected and Actual Economic Experience  | \$ 31,569                            | \$ 32,036                           |
| Changes in Actuarial Assumptions                             | 104,927                              | 134,017                             |
| Differences Between Projected and Actual Investment Earnings | -                                    | 134,303                             |
| Changes in Proportion                                        | 72,903                               | -                                   |
| Contributions Paid Subsequent to the Measurement Date        | 55,236                               | -                                   |
| Totals                                                       | <u>\$ 264,635</u>                    | <u>\$ 300,356</u>                   |

Deferred outflows totaling \$55,236 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, 2019. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year<br>Ended<br>December 31, | Pension<br>Expense<br>Amount |
|-------------------------------|------------------------------|
| 2019                          | \$ 65,707                    |
| 2020                          | (34,989)                     |
| 2021                          | (96,781)                     |
| 2022                          | (24,894)                     |
| 2023                          | -                            |
| Thereafter                    | -                            |
| Total                         | <u>\$ (90,957)</u>           |

**E. ACTUARIAL ASSUMPTIONS**

The total pension liability in the June 30, 2018, 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 for the plan were based on RP-2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year.

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

The following changes in actuarial assumptions occurred in 2018:

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

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      | 36.00%                   | 5.10%                                         |
| International Stocks | 17.00%                   | 5.30%                                         |
| Bonds                | 20.00%                   | 0.75%                                         |
| Alternative Assets   | 25.00%                   | 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 2018 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.

| City's Proportionate Share<br>of the Net Pension Liability | 6.50%<br>One Point<br>Decrease | 7.50%<br>Current<br>Rate | 8.50%<br>One Point<br>Increase |
|------------------------------------------------------------|--------------------------------|--------------------------|--------------------------------|
| General Employees Fund                                     | \$ 1,938,342                   | \$ 1,192,732             | \$ 577,252                     |

**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).

**NOTE 6 NEW ACCOUNTING PRONOUNCEMENTS**

The Governmental Accounting Standards Board recently approved the following statements which were not implemented in these financial statements. The effect these standards may have on future financial statements has not been determined.

- Statement No. 84, *Fiduciary Activities*.  
 This new standard establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on: 1) whether a government is controlling the assets of the fiduciary activity; and 2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement will be effective for the year ending December 31, 2019.



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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, 2018             | 0.0215%                                                        | \$ 1,192,732                                                    | \$ 39,115                                                                                     | \$ 1,231,847                                                                                                                                                       | \$ 1,365,460                  | 87.35%                                                                                       | 79.50%                                                                            |
| June 30, 2017             | 0.0215%                                                        | 1,372,546                                                       | 17,254                                                                                        | 1,389,800                                                                                                                                                          | 1,332,687                     | 102.99%                                                                                      | 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<br>Ending    | Statutorily<br>Required<br>Contributions | Contributions<br>in Relation to<br>Statutorily<br>Required<br>Contributions | Contribution<br>(Excess)<br>Deficiency | City's<br>Covered<br>Payroll | Contributions<br>as a Percentage<br>of Covered<br>Payroll |
|-------------------|------------------------------------------|-----------------------------------------------------------------------------|----------------------------------------|------------------------------|-----------------------------------------------------------|
| December 31, 2018 | \$ 110,473                               | \$ 110,473                                                                  | \$ -                                   | \$ 1,472,972                 | 7.50%                                                     |
| December 31, 2017 | 98,542                                   | 98,542                                                                      | -                                      | 1,313,896                    | 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 2018**

*Changes in Actuarial Assumptions*

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

**B. 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.

**C. 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%.

**D. 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, 2018**

|                                                                       | Special<br>Revenue | Capital<br>Project   | Total<br>Nonmajor<br>Governmental |
|-----------------------------------------------------------------------|--------------------|----------------------|-----------------------------------|
| <b>ASSETS</b>                                                         |                    |                      |                                   |
| Cash and Investments                                                  | \$ 480,122         | \$ 9,435,316         | \$ 9,915,438                      |
| Receivables                                                           |                    |                      |                                   |
| Accounts                                                              | 2,175              | -                    | 2,175                             |
| Special Assessments                                                   |                    |                      |                                   |
| Current                                                               | -                  | 737                  | 737                               |
| Deferred                                                              | -                  | 567,048              | 567,048                           |
| Delinquent                                                            | -                  | 4,050                | 4,050                             |
| Due from Other Governments                                            | -                  | 6,071                | 6,071                             |
| Due from Other Funds                                                  | -                  | 1,406,480            | 1,406,480                         |
|                                                                       | <u>482,297</u>     | <u>11,419,702</u>    | <u>11,901,999</u>                 |
| <b>LIABILITIES</b>                                                    |                    |                      |                                   |
| Accounts Payable                                                      | -                  | 313,709              | 313,709                           |
| Due to Other Funds                                                    | 400                | 1,925                | 2,325                             |
| Total Liabilities                                                     | <u>400</u>         | <u>315,634</u>       | <u>316,034</u>                    |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                  |                    |                      |                                   |
| Unavailable Revenue - Special Assessments                             | -                  | 571,098              | 571,098                           |
| <b>FUND BALANCES</b>                                                  |                    |                      |                                   |
| Restricted                                                            |                    |                      |                                   |
| Tax Increment Financing                                               | 33,598             | -                    | 33,598                            |
| Park Development                                                      | -                  | 2,411,410            | 2,411,410                         |
| Committed                                                             |                    |                      |                                   |
| Street Light Replacement                                              | 91,688             | -                    | 91,688                            |
| Business Development Loans                                            | 357,011            | -                    | 357,011                           |
| Assigned                                                              |                    |                      |                                   |
| City Buildings & Infrastructure                                       | -                  | 7,856,787            | 7,856,787                         |
| City Parks                                                            | -                  | 328,599              | 328,599                           |
| Unassigned (Deficits)                                                 | (400)              | (63,826)             | (64,226)                          |
| Total Fund Balances                                                   | <u>481,897</u>     | <u>10,532,970</u>    | <u>11,014,867</u>                 |
|                                                                       | <u>\$ 482,297</u>  | <u>\$ 11,419,702</u> | <u>\$ 11,901,999</u>              |
| Total Liabilities, Deferred Inflows of<br>Resources and Fund Balances | <u>\$ 482,297</u>  | <u>\$ 11,419,702</u> | <u>\$ 11,901,999</u>              |

**CITY OF OTSEGO, MINNESOTA**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

|                                       | Special<br>Revenue | Capital<br>Project   | Total<br>Nonmajor<br>Governmental |
|---------------------------------------|--------------------|----------------------|-----------------------------------|
| <b>REVENUES</b>                       |                    |                      |                                   |
| Property Taxes                        | \$ 65,546          | \$ 770,756           | \$ 836,302                        |
| Tax Increments                        | 96,938             | -                    | 96,938                            |
| Intergovernmental                     | -                  | 20,235               | 20,235                            |
| Charges for Services                  | -                  | 2,013,292            | 2,013,292                         |
| Special Assessments                   | -                  | 64,918               | 64,918                            |
| Investment Earnings (net)             | 6,592              | 166,714              | 173,306                           |
| Miscellaneous                         | -                  | 32,179               | 32,179                            |
| Total Revenues                        | <u>169,076</u>     | <u>3,068,094</u>     | <u>3,237,170</u>                  |
| <b>EXPENDITURES</b>                   |                    |                      |                                   |
| Current                               |                    |                      |                                   |
| Public Works                          | 35,000             | -                    | 35,000                            |
| Economic Development                  | 109,864            | -                    | 109,864                           |
| Capital Outlay                        |                    |                      |                                   |
| General Government                    | -                  | 100,357              | 100,357                           |
| Public Safety                         | -                  | 29,706               | 29,706                            |
| Public Works                          | -                  | 787,149              | 787,149                           |
| Culture and Recreation                | -                  | 988,091              | 988,091                           |
| Total Expenditures                    | <u>144,864</u>     | <u>1,905,303</u>     | <u>2,050,167</u>                  |
| Excess of Revenues                    |                    |                      |                                   |
| Over Expenditures                     | <u>24,212</u>      | <u>1,162,791</u>     | <u>1,187,003</u>                  |
| <b>OTHER FINANCING SOURCES (USES)</b> |                    |                      |                                   |
| Transfers In                          | -                  | 948,076              | 948,076                           |
| Sales of Capital Assets               | -                  | 75,425               | 75,425                            |
| Transfers Out                         | -                  | (241,294)            | (241,294)                         |
| Total Other Financing Sources (Uses)  | <u>-</u>           | <u>782,207</u>       | <u>782,207</u>                    |
| Net Change in Fund Balance            | 24,212             | 1,944,998            | 1,969,210                         |
| Fund Balance - January 1              | <u>457,685</u>     | <u>8,587,972</u>     | <u>9,045,657</u>                  |
| Fund Balance - December 31            | <u>\$ 481,897</u>  | <u>\$ 10,532,970</u> | <u>\$ 11,014,867</u>              |



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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.

Tax Increment District No. 3 - Riverview Landing

This fund was established to account for the collection of tax increment generated revenues for parcels within the District. The District is a housing district and is located in the Waterfront East development area. The increment generated is used to provide 20% of the residential units to persons or families of low and moderate income.

**CITY OF OTSEGO, MINNESOTA**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**DECEMBER 31, 2018**

|                                                | Street<br>Lighting | Revolving<br>Loans | Tax Increment<br>District No. 1 | Tax Increment<br>District No. 3 | Total<br>Nonmajor<br>Special<br>Revenue |
|------------------------------------------------|--------------------|--------------------|---------------------------------|---------------------------------|-----------------------------------------|
| <b>ASSETS</b>                                  |                    |                    |                                 |                                 |                                         |
| Cash and Investments                           | \$ 89,513          | \$ 357,011         | \$ 33,598                       | \$ -                            | \$ 480,122                              |
| Receivables                                    |                    |                    |                                 |                                 |                                         |
| Accounts                                       | 2,175              | -                  | -                               | -                               | 2,175                                   |
| Total Assets                                   | <u>91,688</u>      | <u>357,011</u>     | <u>33,598</u>                   | <u>-</u>                        | <u>482,297</u>                          |
| <b>LIABILITIES</b>                             |                    |                    |                                 |                                 |                                         |
| Due to Other Funds                             | -                  | -                  | -                               | 400                             | 400                                     |
| <b>FUND BALANCES</b>                           |                    |                    |                                 |                                 |                                         |
| Restricted                                     |                    |                    |                                 |                                 |                                         |
| Tax Increment Financing                        | -                  | -                  | 33,598                          | -                               | 33,598                                  |
| Committed                                      |                    |                    |                                 |                                 |                                         |
| Street Light Replacement                       | 91,688             | -                  | -                               | -                               | 91,688                                  |
| Business Development Loans                     | -                  | 357,011            | -                               | -                               | 357,011                                 |
| Unassigned                                     | -                  | -                  | -                               | (400)                           | (400)                                   |
| Total Fund Balances (Deficits)                 | <u>91,688</u>      | <u>357,011</u>     | <u>33,598</u>                   | <u>(400)</u>                    | <u>481,897</u>                          |
| Total Liabilities and Fund Balances (Deficits) | <u>\$ 91,688</u>   | <u>\$ 357,011</u>  | <u>\$ 33,598</u>                | <u>\$ -</u>                     | <u>\$ 482,297</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, 2018**

|                                      | Street<br>Lighting | Revolving<br>Loans | Tax Increment<br>District No. 1 | Tax Increment<br>District No. 3 | Total<br>Nonmajor<br>Special<br>Revenue |
|--------------------------------------|--------------------|--------------------|---------------------------------|---------------------------------|-----------------------------------------|
| <b>REVENUES</b>                      |                    |                    |                                 |                                 |                                         |
| Property Taxes                       | \$ -               | \$ 65,546          | \$ -                            | \$ -                            | \$ 65,546                               |
| Tax Increments                       | -                  | -                  | 96,938                          | -                               | 96,938                                  |
| Investment Earnings (net)            | 1,292              | 5,300              | -                               | -                               | 6,592                                   |
| Total Revenues                       | <u>1,292</u>       | <u>70,846</u>      | <u>96,938</u>                   | <u>-</u>                        | <u>169,076</u>                          |
| <b>EXPENDITURES</b>                  |                    |                    |                                 |                                 |                                         |
| Current                              |                    |                    |                                 |                                 |                                         |
| Public Works                         | 35,000             | -                  | -                               | -                               | 35,000                                  |
| Economic Development                 | -                  | 63,302             | 46,162                          | 400                             | 109,864                                 |
| Total Expenditures                   | <u>35,000</u>      | <u>63,302</u>      | <u>46,162</u>                   | <u>400</u>                      | <u>144,864</u>                          |
| Net Change in Fund Balance           | (33,708)           | 7,544              | 50,776                          | (400)                           | 24,212                                  |
| Fund Balance (Deficit) - January 1   | <u>125,396</u>     | <u>349,467</u>     | <u>(17,178)</u>                 | <u>-</u>                        | <u>457,685</u>                          |
| Fund Balance (Deficit) - December 31 | <u>\$ 91,688</u>   | <u>\$ 357,011</u>  | <u>\$ 33,598</u>                | <u>\$ (400)</u>                 | <u>\$ 481,897</u>                       |

**CITY OF OTSEGO, MINNESOTA**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**REVOLVING LOANS FUND - SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

|                            | Budgeted Amounts  |                   | Actual<br>Amounts | Variance with<br>Final Budget -<br>Over<br>(Under) |
|----------------------------|-------------------|-------------------|-------------------|----------------------------------------------------|
|                            | Original          | Final             |                   |                                                    |
| <b>REVENUES</b>            |                   |                   |                   |                                                    |
| Property Taxes             | \$ 65,546         | \$ 65,546         | \$ 65,546         | \$ -                                               |
| Investment Earnings (net)  | -                 | -                 | 5,300             | 5,300                                              |
| Total Revenues             | <u>65,546</u>     | <u>65,546</u>     | <u>70,846</u>     | <u>5,300</u>                                       |
| <b>EXPENDITURES</b>        |                   |                   |                   |                                                    |
| Current                    |                   |                   |                   |                                                    |
| Economic Development       |                   |                   |                   |                                                    |
| Services and Other Charges | <u>65,546</u>     | <u>65,546</u>     | <u>63,302</u>     | <u>(2,244)</u>                                     |
| Net Change in Fund Balance | -                 | -                 | 7,544             | 7,544                                              |
| Fund Balance - January 1   | <u>349,467</u>    | <u>349,467</u>    | <u>349,467</u>    | <u>-</u>                                           |
| Fund Balance - December 31 | <u>\$ 349,467</u> | <u>\$ 349,467</u> | <u>\$ 357,011</u> | <u>\$ 7,544</u>                                    |

**CITY OF OTSEGO, MINNESOTA**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**TAX INCREMENT DISTRICT NO. 1 - SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

|                                    | Budgeted Amounts |           | Actual<br>Amounts | Variance with<br>Final Budget -<br>Over<br>(Under) |
|------------------------------------|------------------|-----------|-------------------|----------------------------------------------------|
|                                    | Original         | Final     |                   |                                                    |
| <b>REVENUES</b>                    |                  |           |                   |                                                    |
| Tax Increments                     | \$ 95,559        | \$ 95,559 | \$ 96,938         | \$ 1,379                                           |
| <b>EXPENDITURES</b>                |                  |           |                   |                                                    |
| Current                            |                  |           |                   |                                                    |
| Economic Development               |                  |           |                   |                                                    |
| Personal Services                  | -                | -         | 476               | 476                                                |
| Services and Other Charges         | 43,002           | 43,002    | 45,686            | 2,684                                              |
| Total Expenditures                 | 43,002           | 43,002    | 46,162            | 3,160                                              |
| Net Change in Fund Balance         | 52,557           | 52,557    | 50,776            | (1,781)                                            |
| Fund Balance (Deficit) - January 1 | (17,178)         | (17,178)  | (17,178)          | -                                                  |
| Fund Balance - December 31         | \$ 35,379        | \$ 35,379 | \$ 33,598         | \$ (1,781)                                         |



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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.

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.

Park Development

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.

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.

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.

CITY OF OTSEGO, MINNESOTA  
 COMBINING BALANCE SHEET  
 NONMAJOR CAPITAL PROJECT FUNDS  
 DECEMBER 31, 2018

|                                                                               | Trails<br>Management | Park<br>Development | Parks<br>Capital<br>Equipment | Revolving<br>Capital<br>Equipment | Community<br>Facilities |
|-------------------------------------------------------------------------------|----------------------|---------------------|-------------------------------|-----------------------------------|-------------------------|
| <b>ASSETS</b>                                                                 |                      |                     |                               |                                   |                         |
| Cash and Investments                                                          | \$ 3,765             | \$ 2,413,913        | \$ 328,599                    | \$ 586,561                        | \$ 160,893              |
| Receivables                                                                   |                      |                     |                               |                                   |                         |
| Special Assessments                                                           |                      |                     |                               |                                   |                         |
| Current                                                                       | -                    | -                   | -                             | -                                 | -                       |
| Deferred                                                                      | -                    | -                   | -                             | -                                 | -                       |
| Delinquent                                                                    | -                    | -                   | -                             | -                                 | -                       |
| Due from Other Governments                                                    | -                    | -                   | -                             | -                                 | -                       |
| Due from Other Funds                                                          | -                    | -                   | -                             | -                                 | -                       |
|                                                                               | <u>3,765</u>         | <u>2,413,913</u>    | <u>328,599</u>                | <u>586,561</u>                    | <u>160,893</u>          |
| Total Assets                                                                  | <u>3,765</u>         | <u>2,413,913</u>    | <u>328,599</u>                | <u>586,561</u>                    | <u>160,893</u>          |
| <b>LIABILITIES</b>                                                            |                      |                     |                               |                                   |                         |
| Accounts Payable                                                              | 2,025                | 2,503               | -                             | 86,387                            | 222,794                 |
| Due to Other Funds                                                            | -                    | -                   | -                             | -                                 | -                       |
| Total Liabilities                                                             | <u>2,025</u>         | <u>2,503</u>        | <u>-</u>                      | <u>86,387</u>                     | <u>222,794</u>          |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                          |                      |                     |                               |                                   |                         |
| Unavailable Revenue - Special Assessments                                     | -                    | -                   | -                             | -                                 | -                       |
| <b>FUND BALANCES</b>                                                          |                      |                     |                               |                                   |                         |
| Restricted                                                                    |                      |                     |                               |                                   |                         |
| Park Development                                                              | -                    | 2,411,410           | -                             | -                                 | -                       |
| Assigned                                                                      |                      |                     |                               |                                   |                         |
| City Buildings & Infrastructure                                               | 1,740                | -                   | -                             | 500,174                           | -                       |
| City Parks                                                                    | -                    | -                   | 328,599                       | -                                 | -                       |
| Unassigned                                                                    | -                    | -                   | -                             | -                                 | (61,901)                |
| Total Fund Balances (Deficits)                                                | <u>1,740</u>         | <u>2,411,410</u>    | <u>328,599</u>                | <u>500,174</u>                    | <u>(61,901)</u>         |
|                                                                               | <u>\$ 3,765</u>      | <u>\$ 2,413,913</u> | <u>\$ 328,599</u>             | <u>\$ 586,561</u>                 | <u>\$ 160,893</u>       |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances (Deficits) | <u>\$ 3,765</u>      | <u>\$ 2,413,913</u> | <u>\$ 328,599</u>             | <u>\$ 586,561</u>                 | <u>\$ 160,893</u>       |

| Collector Streets   | Fire Reserve        | Watershed Districts | Odean Improvements | Capital Improvements | Slabtown Improvements | Total Nonmajor Capital Projects |
|---------------------|---------------------|---------------------|--------------------|----------------------|-----------------------|---------------------------------|
| \$ 1,903,570        | \$ 2,416,123        | \$ 858,270          | \$ -               | \$ 743,903           | \$ 19,719             | \$ 9,435,316                    |
| -                   | 737                 | -                   | -                  | -                    | -                     | 737                             |
| 171,167             | -                   | -                   | 14,000             | 373,715              | 8,166                 | 567,048                         |
| 3,139               | 911                 | -                   | -                  | -                    | -                     | 4,050                           |
| -                   | 6,071               | -                   | -                  | -                    | -                     | 6,071                           |
| -                   | -                   | -                   | -                  | 1,406,480            | -                     | 1,406,480                       |
| <u>2,077,876</u>    | <u>2,423,842</u>    | <u>858,270</u>      | <u>14,000</u>      | <u>2,524,098</u>     | <u>27,885</u>         | <u>11,419,702</u>               |
| -                   | -                   | -                   | -                  | -                    | -                     | 313,709                         |
| -                   | -                   | -                   | 1,925              | -                    | -                     | 1,925                           |
| -                   | -                   | -                   | 1,925              | -                    | -                     | 315,634                         |
| <u>174,306</u>      | <u>911</u>          | <u>-</u>            | <u>14,000</u>      | <u>373,715</u>       | <u>8,166</u>          | <u>571,098</u>                  |
| -                   | -                   | -                   | -                  | -                    | -                     | 2,411,410                       |
| 1,903,570           | 2,422,931           | 858,270             | -                  | 2,150,383            | 19,719                | 7,856,787                       |
| -                   | -                   | -                   | -                  | -                    | -                     | 328,599                         |
| -                   | -                   | -                   | (1,925)            | -                    | -                     | (63,826)                        |
| <u>1,903,570</u>    | <u>2,422,931</u>    | <u>858,270</u>      | <u>(1,925)</u>     | <u>2,150,383</u>     | <u>19,719</u>         | <u>10,532,970</u>               |
| <u>\$ 2,077,876</u> | <u>\$ 2,423,842</u> | <u>\$ 858,270</u>   | <u>\$ 14,000</u>   | <u>\$ 2,524,098</u>  | <u>\$ 27,885</u>      | <u>\$ 11,419,702</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, 2018**

|                                                              | Trails<br>Management | Park<br>Development | Parks<br>Capital<br>Equipment | Revolving<br>Capital<br>Equipment | Community<br>Facilities |
|--------------------------------------------------------------|----------------------|---------------------|-------------------------------|-----------------------------------|-------------------------|
| <b>REVENUES</b>                                              |                      |                     |                               |                                   |                         |
| Property Taxes                                               | \$ 30,000            | \$ -                | \$ 56,000                     | \$ 242,256                        | \$ -                    |
| Intergovernmental                                            | -                    | -                   | -                             | -                                 | -                       |
| Charges for Services                                         | -                    | 1,195,086           | -                             | -                                 | -                       |
| Special Assessments                                          | -                    | -                   | -                             | -                                 | -                       |
| Investment Earnings (net)                                    | 56                   | 33,993              | 4,319                         | 7,297                             | 6,779                   |
| Miscellaneous                                                | -                    | -                   | 22,179                        | -                                 | 10,000                  |
| Total Revenues                                               | <u>30,056</u>        | <u>1,229,079</u>    | <u>82,498</u>                 | <u>249,553</u>                    | <u>16,779</u>           |
| <b>EXPENDITURES</b>                                          |                      |                     |                               |                                   |                         |
| Capital Outlay                                               |                      |                     |                               |                                   |                         |
| General Government                                           | -                    | -                   | -                             | -                                 | -                       |
| Public Safety                                                | -                    | -                   | -                             | -                                 | -                       |
| Public Works                                                 | -                    | -                   | -                             | 247,718                           | -                       |
| Culture and Recreation                                       | 35,906               | 194,857             | 7,763                         | 201,104                           | 538,418                 |
| Total Expenditures                                           | <u>35,906</u>        | <u>194,857</u>      | <u>7,763</u>                  | <u>448,822</u>                    | <u>538,418</u>          |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>(5,850)</u>       | <u>1,034,222</u>    | <u>74,735</u>                 | <u>(199,269)</u>                  | <u>(521,639)</u>        |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                      |                     |                               |                                   |                         |
| Transfers In                                                 | -                    | -                   | -                             | -                                 | -                       |
| Sales of Capital Assets                                      | -                    | -                   | -                             | 75,425                            | -                       |
| Transfers Out                                                | -                    | -                   | -                             | -                                 | -                       |
| Total Other Financing Sources (Uses)                         | <u>-</u>             | <u>-</u>            | <u>-</u>                      | <u>75,425</u>                     | <u>-</u>                |
| Net Change in Fund Balance                                   | (5,850)              | 1,034,222           | 74,735                        | (123,844)                         | (521,639)               |
| Fund Balance (Deficit) - January 1                           | <u>7,590</u>         | <u>1,377,188</u>    | <u>253,864</u>                | <u>624,018</u>                    | <u>459,738</u>          |
| Fund Balance (Deficit) - December 31                         | <u>\$ 1,740</u>      | <u>\$ 2,411,410</u> | <u>\$ 328,599</u>             | <u>\$ 500,174</u>                 | <u>\$ (61,901)</u>      |

| Collector Streets   | Fire Reserve        | Watershed Districts | Odean Improvements | Capital Improvements | Slabtown Improvements | Total Nonmajor Capital Projects |
|---------------------|---------------------|---------------------|--------------------|----------------------|-----------------------|---------------------------------|
| \$ -                | \$ 160,000          | \$ -                | \$ -               | \$ 282,500           | \$ -                  | \$ 770,756                      |
| -                   | 20,235              | -                   | -                  | -                    | -                     | 20,235                          |
| 548,611             | -                   | 269,595             | -                  | -                    | -                     | 2,013,292                       |
| 6,424               | 1,072               | -                   | 3,500              | 50,847               | 3,075                 | 64,918                          |
| 27,132              | 34,794              | 20,321              | -                  | 32,023               | -                     | 166,714                         |
| -                   | -                   | -                   | -                  | -                    | -                     | 32,179                          |
| <u>582,167</u>      | <u>216,101</u>      | <u>289,916</u>      | <u>3,500</u>       | <u>365,370</u>       | <u>3,075</u>          | <u>3,068,094</u>                |
| -                   | -                   | -                   | -                  | 100,357              | -                     | 100,357                         |
| -                   | 29,706              | -                   | -                  | -                    | -                     | 29,706                          |
| -                   | -                   | 29,356              | -                  | 510,075              | -                     | 787,149                         |
| -                   | -                   | -                   | -                  | 10,043               | -                     | 988,091                         |
| -                   | <u>29,706</u>       | <u>29,356</u>       | -                  | <u>620,475</u>       | -                     | <u>1,905,303</u>                |
| <u>582,167</u>      | <u>186,395</u>      | <u>260,560</u>      | <u>3,500</u>       | <u>(255,105)</u>     | <u>3,075</u>          | <u>1,162,791</u>                |
| -                   | -                   | -                   | -                  | 948,076              | -                     | 948,076                         |
| -                   | -                   | -                   | -                  | -                    | -                     | 75,425                          |
| -                   | -                   | (241,294)           | -                  | -                    | -                     | (241,294)                       |
| -                   | -                   | <u>(241,294)</u>    | -                  | <u>948,076</u>       | -                     | <u>782,207</u>                  |
| 582,167             | 186,395             | 19,266              | 3,500              | 692,971              | 3,075                 | 1,944,998                       |
| <u>1,321,403</u>    | <u>2,236,536</u>    | <u>839,004</u>      | <u>(5,425)</u>     | <u>1,457,412</u>     | <u>16,644</u>         | <u>8,587,972</u>                |
| <u>\$ 1,903,570</u> | <u>\$ 2,422,931</u> | <u>\$ 858,270</u>   | <u>\$ (1,925)</u>  | <u>\$ 2,150,383</u>  | <u>\$ 19,719</u>      | <u>\$ 10,532,970</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, 2018  
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

|                             | 2018             |                  |                   | Variance with<br>Final Budget -<br>Over<br>(Under) | 2017              |
|-----------------------------|------------------|------------------|-------------------|----------------------------------------------------|-------------------|
|                             | Budgeted Amounts |                  | Actual<br>Amounts |                                                    | Actual<br>Amounts |
|                             | Original         | Final            |                   |                                                    |                   |
| <b>REVENUES</b>             |                  |                  |                   |                                                    |                   |
| Property Taxes              |                  |                  |                   |                                                    |                   |
| Current                     | \$ 3,946,581     | \$ 3,946,581     | \$ 3,964,545      | \$ 17,964                                          | \$ 3,725,853      |
| Delinquent                  | 30,000           | 30,000           | 25,362            | (4,638)                                            | 29,344            |
| Penalties and interest      | 5,000            | 5,000            | 2,842             | (2,158)                                            | 1,178             |
| Total Property Taxes        | <u>3,981,581</u> | <u>3,981,581</u> | <u>3,992,749</u>  | <u>11,168</u>                                      | <u>3,756,375</u>  |
| Franchise Taxes             | <u>136,000</u>   | <u>136,000</u>   | <u>139,161</u>    | <u>3,161</u>                                       | <u>135,652</u>    |
| Licenses and Permits        |                  |                  |                   |                                                    |                   |
| Business Licenses           | 30,400           | 30,400           | 36,154            | 5,754                                              | 34,012            |
| Rental Licenses             | 56,250           | 56,250           | 47,900            | (8,350)                                            | 46,700            |
| Other Licenses              | 100              | 100              | 3,865             | 3,765                                              | 1,693             |
| Right of Way Permits        | 20,000           | 20,000           | 62,800            | 42,800                                             | 45,950            |
| Building Permits            | 762,188          | 762,188          | 1,510,077         | 747,889                                            | 1,222,229         |
| Other Permits               | 7,300            | 7,300            | 12,110            | 4,810                                              | 12,800            |
| Total Licenses and Permits  | <u>876,238</u>   | <u>876,238</u>   | <u>1,672,906</u>  | <u>796,668</u>                                     | <u>1,363,384</u>  |
| Intergovernmental           |                  |                  |                   |                                                    |                   |
| State                       |                  |                  |                   |                                                    |                   |
| Police Aid                  | 57,000           | 57,000           | 65,843            | 8,843                                              | 59,130            |
| Other Aid & Grants          | 1,800            | 1,800            | 12,594            | 10,794                                             | 12,079            |
| Local                       |                  |                  |                   |                                                    |                   |
| Other Aid & Grants          | -                | -                | -                 | -                                                  | 2,871             |
| Total Intergovernmental     | <u>58,800</u>    | <u>58,800</u>    | <u>78,437</u>     | <u>19,637</u>                                      | <u>74,080</u>     |
| Charges for Services        |                  |                  |                   |                                                    |                   |
| General Government          | 11,200           | 11,200           | 111,816           | 100,616                                            | 91,630            |
| Public Works                | 37,500           | 37,500           | 123,836           | 86,336                                             | 116,998           |
| Culture and Recreation      | 62,875           | 62,875           | 80,047            | 17,172                                             | 67,112            |
| Total Charges for Services  | <u>111,575</u>   | <u>111,575</u>   | <u>315,699</u>    | <u>204,124</u>                                     | <u>275,740</u>    |
| Special Assessments         | <u>-</u>         | <u>-</u>         | <u>6,403</u>      | <u>6,403</u>                                       | <u>8,495</u>      |
| Fines and Forfeitures       | <u>12,000</u>    | <u>12,000</u>    | <u>25,616</u>     | <u>13,616</u>                                      | <u>21,092</u>     |
| Investment Earnings (net)   | <u>42,000</u>    | <u>42,000</u>    | <u>48,761</u>     | <u>6,761</u>                                       | <u>31,343</u>     |
| Miscellaneous               |                  |                  |                   |                                                    |                   |
| Refunds and Reimbursements  | -                | -                | 16,621            | 16,621                                             | 21,848            |
| Contributions and Donations | -                | -                | 4,756             | 4,756                                              | 206,956           |
| Other                       | -                | -                | 4,681             | 4,681                                              | 1,025             |
| Total Miscellaneous         | <u>-</u>         | <u>-</u>         | <u>26,058</u>     | <u>26,058</u>                                      | <u>229,829</u>    |
| <b>Total Revenues</b>       | <u>5,218,194</u> | <u>5,218,194</u> | <u>6,305,790</u>  | <u>1,087,596</u>                                   | <u>5,895,990</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, 2018  
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

|                            | 2018             |                |                   | Variance with<br>Final Budget -<br>Over<br>(Under) | 2017              |
|----------------------------|------------------|----------------|-------------------|----------------------------------------------------|-------------------|
|                            | Budgeted Amounts |                | Actual<br>Amounts |                                                    | Actual<br>Amounts |
|                            | Original         | Final          |                   |                                                    |                   |
| <b>EXPENDITURES</b>        |                  |                |                   |                                                    |                   |
| General Government         |                  |                |                   |                                                    |                   |
| City Council               |                  |                |                   |                                                    |                   |
| Personal Services          | 36,668           | 36,668         | 32,904            | (3,764)                                            | 34,800            |
| Supplies                   | 375              | 375            | 240               | (135)                                              | 453               |
| Services and Other Charges | 104,444          | 104,444        | 53,201            | (51,243)                                           | 64,426            |
| Total                      | <u>141,487</u>   | <u>141,487</u> | <u>86,345</u>     | <u>(55,142)</u>                                    | <u>99,679</u>     |
| City Administrator         |                  |                |                   |                                                    |                   |
| Personal Services          | 153,978          | 153,978        | 151,124           | (2,854)                                            | 144,311           |
| Supplies                   | -                | -              | 45                | 45                                                 | -                 |
| Services and Other Charges | 5,985            | 5,985          | 3,194             | (2,791)                                            | 1,208             |
| Total                      | <u>159,963</u>   | <u>159,963</u> | <u>154,363</u>    | <u>(5,600)</u>                                     | <u>145,519</u>    |
| Administration             |                  |                |                   |                                                    |                   |
| Personal Services          | 253,906          | 253,906        | 239,311           | (14,595)                                           | 235,598           |
| Supplies                   | 11,000           | 11,000         | 8,010             | (2,990)                                            | 6,791             |
| Services and Other Charges | 58,236           | 58,236         | 55,241            | (2,995)                                            | 41,716            |
| Total                      | <u>323,142</u>   | <u>323,142</u> | <u>302,562</u>    | <u>(20,580)</u>                                    | <u>284,105</u>    |
| Elections                  |                  |                |                   |                                                    |                   |
| Personal Services          | 15,000           | 15,000         | 10,527            | (4,473)                                            | 33                |
| Supplies                   | 6,200            | 6,200          | 5,682             | (518)                                              | 1,207             |
| Services and Other Charges | 2,800            | 2,800          | 2,192             | (608)                                              | 24                |
| Total                      | <u>24,000</u>    | <u>24,000</u>  | <u>18,401</u>     | <u>(5,599)</u>                                     | <u>1,264</u>      |
| Assessing                  |                  |                |                   |                                                    |                   |
| Services and Other Charges | 94,111           | 94,111         | 101,911           | 7,800                                              | 80,589            |
| Finance                    |                  |                |                   |                                                    |                   |
| Personal Services          | 141,434          | 141,434        | 148,174           | 6,740                                              | 127,829           |
| Supplies                   | 3,000            | 3,000          | 948               | (2,052)                                            | 619               |
| Services and Other Charges | 57,956           | 57,956         | 57,830            | (126)                                              | 53,803            |
| Total                      | <u>202,390</u>   | <u>202,390</u> | <u>206,952</u>    | <u>4,562</u>                                       | <u>182,251</u>    |
| Information Technology     |                  |                |                   |                                                    |                   |
| Supplies                   | 5,000            | 5,000          | 1,310             | (3,690)                                            | 2,640             |
| Services and Other Charges | 86,080           | 86,080         | 65,297            | (20,783)                                           | 64,128            |
| Total                      | <u>91,080</u>    | <u>91,080</u>  | <u>66,607</u>     | <u>(24,473)</u>                                    | <u>66,768</u>     |
| Legal                      |                  |                |                   |                                                    |                   |
| Services and Other Charges | 111,600          | 111,600        | 86,249            | (25,351)                                           | 80,084            |
| Prairie Center             |                  |                |                   |                                                    |                   |
| Supplies                   | 6,300            | 6,300          | 7,728             | 1,428                                              | 10,360            |
| Services and Other Charges | 28,841           | 28,841         | 29,414            | 573                                                | 23,100            |
| Total                      | <u>35,141</u>    | <u>35,141</u>  | <u>37,142</u>     | <u>2,001</u>                                       | <u>33,460</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, 2018**  
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

|                                 | 2018             |           |                   | Variance with<br>Final Budget -<br>Over<br>(Under) | 2017              |
|---------------------------------|------------------|-----------|-------------------|----------------------------------------------------|-------------------|
|                                 | Budgeted Amounts |           | Actual<br>Amounts |                                                    | Actual<br>Amounts |
|                                 | Original         | Final     |                   |                                                    |                   |
| <b>EXPENDITURES (CONTINUED)</b> |                  |           |                   |                                                    |                   |
| General Government (Continued)  |                  |           |                   |                                                    |                   |
| City Hall & Public Works Garage |                  |           |                   |                                                    |                   |
| Supplies                        | 12,400           | 12,400    | 10,481            | (1,919)                                            | 11,838            |
| Services and Other Charges      | 102,802          | 102,802   | 108,432           | 5,630                                              | 84,033            |
| Total                           | 115,202          | 115,202   | 118,913           | 3,711                                              | 95,871            |
| Old Town Hall                   |                  |           |                   |                                                    |                   |
| Services and Other Charges      | 3,600            | 3,600     | 3,514             | (86)                                               | 2,605             |
| Total General Government        | 1,301,716        | 1,301,716 | 1,182,959         | (118,757)                                          | 1,072,195         |
| Public Safety                   |                  |           |                   |                                                    |                   |
| Police Services                 |                  |           |                   |                                                    |                   |
| Services and Other Charges      | 1,168,320        | 1,168,320 | 1,177,836         | 9,516                                              | 1,032,192         |
| Public Safety Commission        |                  |           |                   |                                                    |                   |
| Personal Services               | 960              | 960       | 670               | (290)                                              | 710               |
| Supplies                        | 600              | 600       | 12                | (588)                                              | 56                |
| Services and Other Charges      | 1,500            | 1,500     | -                 | (1,500)                                            | -                 |
| Total                           | 3,060            | 3,060     | 682               | (2,378)                                            | 766               |
| Fire Protection                 |                  |           |                   |                                                    |                   |
| Supplies                        | 500              | 500       | -                 | (500)                                              | 174               |
| Services and Other Charges      | 573,417          | 573,417   | 581,458           | 8,041                                              | 539,641           |
| Total                           | 573,917          | 573,917   | 581,458           | 7,541                                              | 539,815           |
| Building Inspections            |                  |           |                   |                                                    |                   |
| Personal Services               | 106,438          | 106,438   | 112,451           | 6,013                                              | 94,741            |
| Supplies                        | 4,500            | 4,500     | 4,086             | (414)                                              | 2,628             |
| Services and Other Charges      | 258,429          | 258,429   | 275,731           | 17,302                                             | 200,369           |
| Total                           | 369,367          | 369,367   | 392,268           | 22,901                                             | 297,738           |
| Emergency Management            |                  |           |                   |                                                    |                   |
| Supplies                        | 1,000            | 1,000     | 29                | (971)                                              | -                 |
| Services and Other Charges      | 2,100            | 2,100     | 534               | (1,566)                                            | 486               |
| Total                           | 3,100            | 3,100     | 563               | (2,537)                                            | 486               |
| Animal Control                  |                  |           |                   |                                                    |                   |
| Services and Other Charges      | 14,400           | 14,400    | 15,380            | 980                                                | 15,664            |
| Total Public Safety             | 2,132,164        | 2,132,164 | 2,168,187         | 36,023                                             | 1,886,661         |

CITY OF OTSEGO, MINNESOTA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

|                                  | 2018             |                  |                   | Variance with<br>Final Budget -<br>Over<br>(Under) | 2017              |
|----------------------------------|------------------|------------------|-------------------|----------------------------------------------------|-------------------|
|                                  | Budgeted Amounts |                  | Actual<br>Amounts |                                                    | Actual<br>Amounts |
|                                  | Original         | Final            |                   |                                                    |                   |
| <b>EXPENDITURES (CONTINUED)</b>  |                  |                  |                   |                                                    |                   |
| Public Works                     |                  |                  |                   |                                                    |                   |
| Streets Maintenance              |                  |                  |                   |                                                    |                   |
| Personal Services                | 495,332          | 495,332          | 503,063           | 7,731                                              | 461,099           |
| Supplies                         | 163,636          | 163,636          | 133,829           | (29,807)                                           | 147,697           |
| Services and Other Charges       | 92,618           | 92,618           | 81,968            | (10,650)                                           | 62,571            |
| Total                            | <u>751,586</u>   | <u>751,586</u>   | <u>718,860</u>    | <u>(32,726)</u>                                    | <u>671,367</u>    |
| Engineering                      |                  |                  |                   |                                                    |                   |
| Services and Other Charges       | 91,350           | 91,350           | 91,493            | 143                                                | 69,755            |
| Street Lighting                  |                  |                  |                   |                                                    |                   |
| Services and Other Charges       | 142,400          | 142,400          | 148,217           | 5,817                                              | 122,227           |
| Fleet Management                 |                  |                  |                   |                                                    |                   |
| Personal Services                | 85,485           | 85,485           | 93,614            | 8,129                                              | 84,726            |
| Supplies                         | 122,284          | 122,284          | 109,702           | (12,582)                                           | 98,660            |
| Services and Other Charges       | 11,050           | 11,050           | 8,578             | (2,472)                                            | 9,230             |
| Total                            | <u>218,819</u>   | <u>218,819</u>   | <u>211,894</u>    | <u>(6,925)</u>                                     | <u>192,616</u>    |
| Total Public Works               | <u>1,204,155</u> | <u>1,204,155</u> | <u>1,170,464</u>  | <u>(33,691)</u>                                    | <u>1,055,965</u>  |
| Culture and Recreation           |                  |                  |                   |                                                    |                   |
| Parks Maintenance                |                  |                  |                   |                                                    |                   |
| Personal Services                | 225,902          | 225,902          | 245,610           | 19,708                                             | 210,972           |
| Supplies                         | 71,330           | 71,330           | 72,762            | 1,432                                              | 69,972            |
| Services and Other Charges       | 111,376          | 111,376          | 120,257           | 8,881                                              | 109,401           |
| Total                            | <u>408,608</u>   | <u>408,608</u>   | <u>438,629</u>    | <u>30,021</u>                                      | <u>390,345</u>    |
| Recreation                       |                  |                  |                   |                                                    |                   |
| Personal Services                | 129,376          | 129,376          | 143,112           | 13,736                                             | 124,491           |
| Supplies                         | 14,550           | 14,550           | 11,563            | (2,987)                                            | 12,246            |
| Services and Other Charges       | 60,025           | 60,025           | 60,585            | 560                                                | 59,581            |
| Total                            | <u>203,951</u>   | <u>203,951</u>   | <u>215,260</u>    | <u>11,309</u>                                      | <u>196,318</u>    |
| Heritage Preservation Commission |                  |                  |                   |                                                    |                   |
| Personal Services                | 480              | 480              | 380               | (100)                                              | 430               |
| Supplies                         | 500              | 500              | 5                 | (495)                                              | 170               |
| Services and Other Charges       | 1,500            | 1,500            | 512               | (988)                                              | 476               |
| Total                            | <u>2,480</u>     | <u>2,480</u>     | <u>897</u>        | <u>(1,583)</u>                                     | <u>1,076</u>      |
| Total Culture and Recreation     | <u>615,039</u>   | <u>615,039</u>   | <u>654,786</u>    | <u>39,747</u>                                      | <u>587,739</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, 2018**  
(With Comparative Actual Amounts for the Year Ended December 31, 2017)

|                                                              | 2018                |                     |                     | Variance with<br>Final Budget -<br>Over<br>(Under) | 2017                |
|--------------------------------------------------------------|---------------------|---------------------|---------------------|----------------------------------------------------|---------------------|
|                                                              | Budgeted Amounts    |                     | Actual<br>Amounts   |                                                    | Actual<br>Amounts   |
|                                                              | Original            | Final               |                     |                                                    |                     |
| <b>EXPENDITURES (CONTINUED)</b>                              |                     |                     |                     |                                                    |                     |
| Economic Development                                         |                     |                     |                     |                                                    |                     |
| Planning Commission                                          |                     |                     |                     |                                                    |                     |
| Personal Services                                            | 2,500               | 2,500               | 1,000               | (1,500)                                            | 1,760               |
| Supplies                                                     | -                   | -                   | 12                  | 12                                                 | -                   |
| Services and Other Charges                                   | 1,500               | 1,500               | -                   | (1,500)                                            | -                   |
| Total                                                        | <u>4,000</u>        | <u>4,000</u>        | <u>1,012</u>        | <u>(2,988)</u>                                     | <u>1,760</u>        |
| Planning                                                     |                     |                     |                     |                                                    |                     |
| Services and Other Charges                                   | 97,200              | 97,200              | 99,962              | 2,762                                              | 105,639             |
| Economic Development                                         |                     |                     |                     |                                                    |                     |
| Supplies                                                     | 100                 | 100                 | -                   | (100)                                              | 70                  |
| Services and Other Charges                                   | 14,560              | 14,560              | 12,337              | (2,223)                                            | 6,110               |
| Total                                                        | <u>14,660</u>       | <u>14,660</u>       | <u>12,337</u>       | <u>(2,323)</u>                                     | <u>6,180</u>        |
| Total Economic Development                                   | <u>115,860</u>      | <u>115,860</u>      | <u>113,311</u>      | <u>(2,549)</u>                                     | <u>113,579</u>      |
| Capital Outlay                                               |                     |                     |                     |                                                    |                     |
| General Government                                           | 9,100               | 9,100               | 5,260               | (3,840)                                            | 7,382               |
| Public Safety                                                | -                   | -                   | -                   | -                                                  | 8,806               |
| Total                                                        | <u>9,100</u>        | <u>9,100</u>        | <u>5,260</u>        | <u>(3,840)</u>                                     | <u>16,188</u>       |
| Total Expenditures                                           | <u>5,378,034</u>    | <u>5,378,034</u>    | <u>5,294,967</u>    | <u>(83,067)</u>                                    | <u>4,732,327</u>    |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>(159,840)</u>    | <u>(159,840)</u>    | <u>1,010,823</u>    | <u>1,170,663</u>                                   | <u>1,163,663</u>    |
| <b>OTHER FINANCING SOURCES (USES)</b>                        |                     |                     |                     |                                                    |                     |
| Transfers In                                                 | 159,840             | 159,840             | 159,840             | -                                                  | 155,042             |
| Sales of Capital Assets                                      | -                   | -                   | 435                 | 435                                                | 305                 |
| Transfers Out                                                | -                   | -                   | (948,076)           | (948,076)                                          | (1,074,567)         |
| Total Other Financing Sources (Uses)                         | <u>159,840</u>      | <u>159,840</u>      | <u>(787,801)</u>    | <u>(947,641)</u>                                   | <u>(919,220)</u>    |
| Net Change in Fund Balance                                   | -                   | -                   | 223,022             | 223,022                                            | 244,443             |
| Fund Balance - January 1                                     | <u>3,890,645</u>    | <u>3,890,645</u>    | <u>3,890,645</u>    | -                                                  | <u>3,646,202</u>    |
| Fund Balance - December 31                                   | <u>\$ 3,890,645</u> | <u>\$ 3,890,645</u> | <u>\$ 4,113,667</u> | <u>\$ 223,022</u>                                  | <u>\$ 3,890,645</u> |



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**CITY OF OTSEGO, MINNESOTA**  
**COMBINING BALANCE SHEET**  
**DEBT SERVICE FUND BY ACCOUNT**  
**DECEMBER 31, 2018**

|                                                                                  | Series<br>2012A   | Series<br>2018A     | Series<br>2010D<br>& 2011A |
|----------------------------------------------------------------------------------|-------------------|---------------------|----------------------------|
| <b>ASSETS</b>                                                                    |                   |                     |                            |
| Cash and Investments                                                             | \$ 490,308        | \$ 147,254          | \$ 974,323                 |
| Receivables                                                                      |                   |                     |                            |
| Special Assessments                                                              |                   |                     |                            |
| Current                                                                          | -                 | -                   | 4,574                      |
| Deferred                                                                         | 156,574           | 1,326,683           | 1,329,502                  |
| Prepaid Items                                                                    | -                 | -                   | -                          |
| Total Assets                                                                     | <u>646,882</u>    | <u>1,473,937</u>    | <u>2,308,399</u>           |
| <b>LIABILITIES</b>                                                               |                   |                     |                            |
| Accounts Payable                                                                 | 172               | 172                 | 344                        |
| Due to Other Funds                                                               | -                 | -                   | -                          |
| Total Liabilities                                                                | <u>172</u>        | <u>172</u>          | <u>344</u>                 |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                                             |                   |                     |                            |
| Unavailable Revenue - Special Assessments                                        | <u>156,574</u>    | <u>1,326,683</u>    | <u>1,329,502</u>           |
| <b>FUND BALANCES</b>                                                             |                   |                     |                            |
| Nonspendable                                                                     | -                 | -                   | -                          |
| Restricted                                                                       | <u>490,136</u>    | <u>147,082</u>      | <u>978,553</u>             |
| Total Fund Balances (Deficits)                                                   | <u>490,136</u>    | <u>147,082</u>      | <u>978,553</u>             |
| Total Liabilities, Deferred Inflows of<br>Resources and Fund Balances (Deficits) | <u>\$ 646,882</u> | <u>\$ 1,473,937</u> | <u>\$ 2,308,399</u>        |

| Series<br>2010B   | Series<br>2007B  | Series<br>2010A | Total<br>Debt<br>Service |
|-------------------|------------------|-----------------|--------------------------|
| \$ 119,477        | \$ -             | \$ -            | \$ 1,731,362             |
| -                 | -                | -               | 4,574                    |
| -                 | 31,027           | -               | 2,843,786                |
| -                 | -                | 650             | 650                      |
| <u>119,477</u>    | <u>31,027</u>    | <u>650</u>      | <u>4,580,372</u>         |
| 172               | -                | 172             | 1,032                    |
| -                 | 12,000           | 147             | 12,147                   |
| <u>172</u>        | <u>12,000</u>    | <u>319</u>      | <u>13,179</u>            |
| -                 | 31,027           | -               | 2,843,786                |
| -                 | -                | 650             | 650                      |
| 119,305           | (12,000)         | (319)           | 1,722,757                |
| <u>119,305</u>    | <u>(12,000)</u>  | <u>331</u>      | <u>1,723,407</u>         |
| \$ <u>119,477</u> | \$ <u>31,027</u> | \$ <u>650</u>   | \$ <u>4,580,372</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, 2018**

|                                                              | Series<br>2012A   | Series<br>2018A   | Series<br>2010D<br>& 2011A |
|--------------------------------------------------------------|-------------------|-------------------|----------------------------|
| <b>REVENUES</b>                                              |                   |                   |                            |
| Property Taxes                                               | \$ -              | \$ -              | \$ 215,000                 |
| Special Assessments                                          | 55,686            | 99,515            | 235,754                    |
| Investment Earnings (net)                                    | -                 | 8,254             | -                          |
| Total Revenues                                               | <u>55,686</u>     | <u>107,769</u>    | <u>450,754</u>             |
| <b>EXPENDITURES</b>                                          |                   |                   |                            |
| Debt Service                                                 |                   |                   |                            |
| Principal                                                    | 205,000           | -                 | 465,000                    |
| Interest                                                     | 16,300            | -                 | 113,855                    |
| Fiscal Agent Fees                                            | 668               | 71,671            | 839                        |
| Total Expenditures                                           | <u>221,968</u>    | <u>71,671</u>     | <u>579,694</u>             |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>(166,282)</u>  | <u>36,098</u>     | <u>(128,940)</u>           |
| <b>OTHER FINANCING SOURCES</b>                               |                   |                   |                            |
| Transfers In                                                 | -                 | -                 | -                          |
| Proceeds of Bonds Issued                                     | -                 | 52,509            | -                          |
| Premium on Bonds Issued                                      | -                 | 58,475            | -                          |
| Total Other Financing Sources                                | <u>-</u>          | <u>110,984</u>    | <u>-</u>                   |
| Net Change in Fund Balance                                   | (166,282)         | 147,082           | (128,940)                  |
| Fund Balance (Deficit) - January 1                           | <u>656,418</u>    | <u>-</u>          | <u>1,107,493</u>           |
| Fund Balance (Deficit) - December 31                         | <u>\$ 490,136</u> | <u>\$ 147,082</u> | <u>\$ 978,553</u>          |

| Series<br>2010B   | Series<br>2007B    | Series<br>2010A | Total<br>Debt<br>Service |
|-------------------|--------------------|-----------------|--------------------------|
| \$ 440,000        | \$ -               | \$ -            | \$ 655,000               |
| -                 | 12,714             | -               | 403,669                  |
| -                 | -                  | -               | 8,254                    |
| <u>440,000</u>    | <u>12,714</u>      | <u>-</u>        | <u>1,066,923</u>         |
| 445,000           | -                  | 45,000          | 1,160,000                |
| 50,070            | -                  | 2,650           | 182,875                  |
| 667               | -                  | 667             | 74,512                   |
| <u>495,737</u>    | <u>-</u>           | <u>48,317</u>   | <u>1,417,387</u>         |
| <u>(55,737)</u>   | <u>12,714</u>      | <u>(48,317)</u> | <u>(350,464)</u>         |
| -                 | -                  | 48,000          | 48,000                   |
| -                 | -                  | -               | 52,509                   |
| -                 | -                  | -               | 58,475                   |
| <u>-</u>          | <u>-</u>           | <u>48,000</u>   | <u>158,984</u>           |
| (55,737)          | 12,714             | (317)           | (191,480)                |
| <u>175,042</u>    | <u>(24,714)</u>    | <u>648</u>      | <u>1,914,887</u>         |
| <u>\$ 119,305</u> | <u>\$ (12,000)</u> | <u>\$ 331</u>   | <u>\$ 1,723,407</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, 2018**

|                            | Budgeted Amounts  |                   | Actual<br>Amounts | Variance with<br>Final Budget -<br>Over<br>(Under) |
|----------------------------|-------------------|-------------------|-------------------|----------------------------------------------------|
|                            | Original          | Final             |                   |                                                    |
| <b>REVENUES</b>            |                   |                   |                   |                                                    |
| Special Assessments        | \$ 129,078        | \$ 129,078        | \$ 55,686         | \$ (73,392)                                        |
| <b>EXPENDITURES</b>        |                   |                   |                   |                                                    |
| Debt Service               |                   |                   |                   |                                                    |
| Principal                  | 205,000           | 205,000           | 205,000           | -                                                  |
| Interest                   | 16,300            | 16,300            | 16,300            | -                                                  |
| Fiscal Agent Fees          | 500               | 500               | 668               | 168                                                |
| Total Expenditures         | <u>221,800</u>    | <u>221,800</u>    | <u>221,968</u>    | <u>168</u>                                         |
| Net Change in Fund Balance | (92,722)          | (92,722)          | (166,282)         | (73,560)                                           |
| Fund Balance - January 1   | <u>656,418</u>    | <u>656,418</u>    | <u>656,418</u>    | <u>-</u>                                           |
| Fund Balance - December 31 | <u>\$ 563,696</u> | <u>\$ 563,696</u> | <u>\$ 490,136</u> | <u>\$ (73,560)</u>                                 |

**CITY OF OTSEGO, MINNESOTA**  
**DEBT SERVICE FUND - SERIES 2018A**  
**SCHEDULE OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

|                                         | Budgeted Amounts |       | Actual<br>Amounts | Variance with<br>Final Budget -<br>Over<br>(Under) |
|-----------------------------------------|------------------|-------|-------------------|----------------------------------------------------|
|                                         | Original         | Final |                   |                                                    |
| <b>REVENUES</b>                         |                  |       |                   |                                                    |
| Special Assessments                     | \$ -             | \$ -  | \$ 99,515         | \$ 99,515                                          |
| Investment Earnings (net)               | -                | -     | 8,254             | 8,254                                              |
| Total Revenues                          | -                | -     | 107,769           | 107,769                                            |
| <b>EXPENDITURES</b>                     |                  |       |                   |                                                    |
| Debt Service                            |                  |       |                   |                                                    |
| Fiscal Agent Fees                       | -                | -     | 71,671            | 71,671                                             |
| Excess of Revenues<br>Over Expenditures | -                | -     | 36,098            | 36,098                                             |
| <b>OTHER FINANCING SOURCES</b>          |                  |       |                   |                                                    |
| Proceeds of Bonds Issued                | -                | -     | 52,509            | 52,509                                             |
| Premium on Bonds Issued                 | -                | -     | 58,475            | 58,475                                             |
| Total Other Financing Sources           | -                | -     | 110,984           | 110,984                                            |
| Net Change in Fund Balance              | -                | -     | 147,082           | 147,082                                            |
| Fund Balance - January 1                | -                | -     | -                 | -                                                  |
| Fund Balance - December 31              | \$ -             | \$ -  | \$ 147,082        | \$ 147,082                                         |

**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, 2018

|                            | Budgeted Amounts  |                   | Actual<br>Amounts | Variance with<br>Final Budget -<br>Over<br>(Under) |
|----------------------------|-------------------|-------------------|-------------------|----------------------------------------------------|
|                            | Original          | Final             |                   |                                                    |
| <b>REVENUES</b>            |                   |                   |                   |                                                    |
| Property Taxes             | \$ 215,000        | \$ 215,000        | \$ 215,000        | \$ -                                               |
| Special Assessments        | 132,094           | 132,094           | 235,754           | 103,660                                            |
| Total Revenues             | <u>347,094</u>    | <u>347,094</u>    | <u>450,754</u>    | <u>103,660</u>                                     |
| <b>EXPENDITURES</b>        |                   |                   |                   |                                                    |
| Debt Service               |                   |                   |                   |                                                    |
| Principal                  | 465,000           | 465,000           | 465,000           | -                                                  |
| Interest                   | 113,856           | 113,856           | 113,855           | (1)                                                |
| Fiscal Agent Fees          | 1,000             | 1,000             | 839               | (161)                                              |
| Total Expenditures         | <u>579,856</u>    | <u>579,856</u>    | <u>579,694</u>    | <u>(162)</u>                                       |
| Net Change in Fund Balance | (232,762)         | (232,762)         | (128,940)         | 103,822                                            |
| Fund Balance - January 1   | <u>1,107,493</u>  | <u>1,107,493</u>  | <u>1,107,493</u>  | <u>-</u>                                           |
| Fund Balance - December 31 | <u>\$ 874,731</u> | <u>\$ 874,731</u> | <u>\$ 978,553</u> | <u>\$ 103,822</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, 2018**

|                            | Budgeted Amounts |            | Actual<br>Amounts | Variance with<br>Final Budget -<br>Over<br>(Under) |
|----------------------------|------------------|------------|-------------------|----------------------------------------------------|
|                            | Original         | Final      |                   |                                                    |
| <b>REVENUES</b>            |                  |            |                   |                                                    |
| Property Taxes             | \$ 440,000       | \$ 440,000 | \$ 440,000        | \$ -                                               |
| <b>EXPENDITURES</b>        |                  |            |                   |                                                    |
| Debt Service               |                  |            |                   |                                                    |
| Principal                  | 445,000          | 445,000    | 445,000           | -                                                  |
| Interest                   | 50,070           | 50,070     | 50,070            | -                                                  |
| Fiscal Agent Fees          | 500              | 500        | 667               | 167                                                |
| Total Expenditures         | 495,570          | 495,570    | 495,737           | 167                                                |
| Net Change in Fund Balance | (55,570)         | (55,570)   | (55,737)          | (167)                                              |
| Fund Balance - January 1   | 175,042          | 175,042    | 175,042           | -                                                  |
| Fund Balance - December 31 | \$ 119,472       | \$ 119,472 | \$ 119,305        | \$ (167)                                           |

**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, 2018**

|                                      | <u>Budgeted Amounts</u> |                  | <u>Actual<br/>Amounts</u> | <u>Variance with<br/>Final Budget -<br/>Over<br/>(Under)</u> |
|--------------------------------------|-------------------------|------------------|---------------------------|--------------------------------------------------------------|
|                                      | <u>Original</u>         | <u>Final</u>     |                           |                                                              |
| <b>REVENUES</b>                      |                         |                  |                           |                                                              |
| Special Assessments                  | \$ 48,116               | \$ 48,116        | \$ 12,714                 | \$ (35,402)                                                  |
| Fund Balance (Deficit) - January 1   | <u>(24,714)</u>         | <u>(24,714)</u>  | <u>(24,714)</u>           | <u>-</u>                                                     |
| Fund Balance (Deficit) - December 31 | <u>\$ 23,402</u>        | <u>\$ 23,402</u> | <u>\$ (12,000)</u>        | <u>\$ (35,402)</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, 2018**

|                                 | Budgeted Amounts |               | Actual<br>Amounts | Variance with<br>Final Budget -<br>Over<br>(Under) |
|---------------------------------|------------------|---------------|-------------------|----------------------------------------------------|
|                                 | Original         | Final         |                   |                                                    |
| <b>EXPENDITURES</b>             |                  |               |                   |                                                    |
| Debt Service                    |                  |               |                   |                                                    |
| Principal                       | \$ 45,000        | \$ 45,000     | \$ 45,000         | \$ -                                               |
| Interest                        | 2,650            | 2,650         | 2,650             | -                                                  |
| Fiscal Agent Fees               | 500              | 500           | 667               | 167                                                |
| Total Expenditures              | <u>48,150</u>    | <u>48,150</u> | <u>48,317</u>     | <u>167</u>                                         |
| Excess (Deficiency) of Revenues |                  |               |                   |                                                    |
| Over (Under) Expenditures       | (48,150)         | (48,150)      | (48,317)          | (167)                                              |
| <b>OTHER FINANCING SOURCES</b>  |                  |               |                   |                                                    |
| Transfers In                    | <u>48,000</u>    | <u>48,000</u> | <u>48,000</u>     | <u>-</u>                                           |
| Net Change in Fund Balance      | (150)            | (150)         | (317)             | (167)                                              |
| Fund Balance - January 1        | <u>648</u>       | <u>648</u>    | <u>648</u>        | <u>-</u>                                           |
| Fund Balance - December 31      | <u>\$ 498</u>    | <u>\$ 498</u> | <u>\$ 331</u>     | <u>\$ (167)</u>                                    |

**CITY OF OTSEGO, MINNESOTA**  
**STATEMENT OF CHANGES IN AGENCY FUND ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**

|                           | <b>Development Escrows Fund (701)</b> |              |                | 12/31/2018   |
|---------------------------|---------------------------------------|--------------|----------------|--------------|
|                           | 1/1/2018                              | Additions    | Deductions     |              |
| <b>ASSETS</b>             |                                       |              |                |              |
| Cash and Cash Equivalents | \$ 1,274,007                          | \$ 1,587,469 | \$ (1,249,797) | \$ 1,611,679 |
| <b>LIABILITIES</b>        |                                       |              |                |              |
| Accounts Payable          | \$ 34,933                             | \$ 37,864    | \$ (34,933)    | \$ 37,864    |
| Escrow Deposit            | 1,239,074                             | 1,587,469    | (1,252,728)    | 1,573,815    |
| Total Liabilities         | \$ 1,274,007                          | \$ 1,625,333 | \$ (1,287,661) | \$ 1,611,679 |

|                           | <b>Builders Escrow (702)</b> |            |              | 12/31/2018 |
|---------------------------|------------------------------|------------|--------------|------------|
|                           | 1/1/2018                     | Additions  | Deductions   |            |
| <b>ASSETS</b>             |                              |            |              |            |
| Cash and Cash Equivalents | \$ 163,500                   | \$ 671,000 | \$ (429,000) | \$ 405,500 |
| <b>LIABILITIES</b>        |                              |            |              |            |
| Escrow Deposit            | \$ 163,500                   | \$ 671,000 | \$ (429,000) | \$ 405,500 |

|                           | <b>Totals</b> |              |                | 12/31/2018   |
|---------------------------|---------------|--------------|----------------|--------------|
|                           | 1/1/2018      | Additions    | Deductions     |              |
| <b>ASSETS</b>             |               |              |                |              |
| Cash and Cash Equivalents | \$ 1,437,507  | \$ 2,258,469 | \$ (1,678,797) | \$ 2,017,179 |
| <b>LIABILITIES</b>        |               |              |                |              |
| Accounts Payable          | \$ 34,933     | \$ 37,864    | \$ (34,933)    | \$ 37,864    |
| Escrow Deposit            | 1,402,574     | 2,258,469    | (1,681,728)    | 1,979,315    |
| Total Liabilities         | \$ 1,437,507  | \$ 2,296,333 | \$ (1,716,661) | \$ 2,017,179 |

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><br>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><br>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><br>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><br>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><br>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>2009</u>          | <u>2010</u>          | <u>2011</u>          | <u>2012</u>          |
|----------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
| <b>Governmental Activities</b>                     |                      |                      |                      |                      |
| Net Investment in Capital Assets                   | \$ 12,113,710        | \$ 12,600,418        | \$ 13,039,318        | \$ 13,673,424        |
| Restricted                                         | 8,604,122            | 7,506,642            | 6,547,412            | 6,570,533            |
| Unrestricted                                       | 8,085,402            | 8,568,988            | 8,490,450            | 7,850,150            |
| <b>Total Governmental Activities Net Position</b>  | <u>\$ 28,803,234</u> | <u>\$ 28,676,048</u> | <u>\$ 28,077,180</u> | <u>\$ 28,094,107</u> |
| <b>Business-type activities</b>                    |                      |                      |                      |                      |
| Net Investment in Capital Assets                   | \$ 19,658,076        | \$ 17,255,564        | \$ 16,017,362        | \$ 14,795,965        |
| Restricted                                         | 6,462,497            | -                    | -                    | -                    |
| Unrestricted                                       | 1,519,450            | 9,661,840            | 8,220,490            | 9,054,217            |
| <b>Total Business-type Activities Net Position</b> | <u>\$ 27,640,023</u> | <u>\$ 26,917,404</u> | <u>\$ 24,237,852</u> | <u>\$ 23,850,182</u> |
| <b>Primary Government</b>                          |                      |                      |                      |                      |
| Net Investment in Capital Assets                   | \$ 31,771,786        | \$ 29,855,982        | \$ 29,056,680        | \$ 28,469,389        |
| Restricted                                         | 15,066,619           | 7,506,642            | 6,547,412            | 6,570,533            |
| Unrestricted                                       | 9,604,852            | 18,230,828           | 16,710,940           | 16,904,367           |
| <b>Total Primary Government Net Position</b>       | <u>\$ 56,443,257</u> | <u>\$ 55,593,452</u> | <u>\$ 52,315,032</u> | <u>\$ 51,944,289</u> |

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

Table 1

| 2013                 | 2014                 | 2015                 | 2016                 | 2017                 | 2018                 |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 14,709,024        | \$ 15,515,291        | \$ 15,303,426        | \$ 19,103,702        | \$ 21,496,582        | \$ 25,330,507        |
| 5,882,912            | 5,430,795            | 4,547,327            | 4,292,589            | 4,973,536            | 6,929,688            |
| 7,313,054            | 9,601,854            | 9,627,962            | 10,745,858           | 13,338,398           | 13,626,318           |
| <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> | <u>\$ 45,886,513</u> |
| \$ 13,694,517        | \$ 12,619,305        | \$ 11,553,869        | \$ 15,889,294        | \$ 20,504,751        | \$ 24,701,888        |
| -                    | -                    | -                    | -                    | -                    | -                    |
| 10,546,291           | 13,487,231           | 15,474,362           | 15,248,794           | 15,679,356           | 18,287,811           |
| <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> | <u>\$ 42,989,699</u> |
| \$ 28,403,541        | \$ 28,134,596        | \$ 26,857,295        | \$ 34,992,996        | \$ 42,001,333        | \$ 50,032,395        |
| 5,882,912            | 5,430,795            | 4,547,327            | 4,292,589            | 4,973,536            | 6,929,688            |
| 17,859,345           | 23,089,085           | 25,102,324           | 25,994,652           | 29,017,754           | 31,914,129           |
| <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> | <u>\$ 88,876,212</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)

|                                             | 2009                | 2010                | 2011                | 2012               |
|---------------------------------------------|---------------------|---------------------|---------------------|--------------------|
| <b>GOVERNMENTAL ACTIVITIES</b>              |                     |                     |                     |                    |
| <b>Expenses</b>                             |                     |                     |                     |                    |
| General Government                          | \$ 916,692          | \$ 910,830          | \$ 956,651          | \$ 1,002,690       |
| Public Safety                               | 1,786,889           | 1,615,763           | 1,647,285           | 1,445,397          |
| Public Works                                | 2,043,980           | 2,029,922           | 2,114,975           | 2,486,553          |
| Culture and Recreation                      | 374,019             | 401,563             | 569,431             | 575,592            |
| Economic Development                        | 58,293              | 17,096              | 12,353              | 103,884            |
| Interest on Long-term Debt                  | 611,384             | 919,907             | 661,447             | 631,129            |
| <b>Total Expenses</b>                       | <u>5,791,257</u>    | <u>5,895,081</u>    | <u>5,962,142</u>    | <u>6,245,245</u>   |
| <b>Program Revenues</b>                     |                     |                     |                     |                    |
| Charges for Services                        |                     |                     |                     |                    |
| General Government                          | 117,955             | 109,349             | 109,686             | 54,674             |
| Public Safety                               | 474,185             | 889,878             | 819,537             | 588,894            |
| Public Works                                | 58,430              | 24,082              | 111,873             | 50,906             |
| Culture and Recreation                      | 250                 | 360                 | 3,101               | 8,840              |
| Operating Grants and Contributions          | 182,205             | 191,850             | 197,325             | 203,645            |
| Capital Grants and Contributions            | 2,843,309           | 563,690             | 233,832             | 620,574            |
| <b>Total Program Revenues</b>               | <u>3,676,334</u>    | <u>1,779,209</u>    | <u>1,475,354</u>    | <u>1,527,533</u>   |
| <b>Net (Expense) / Revenue</b>              | <u>(2,114,923)</u>  | <u>(4,115,872)</u>  | <u>(4,486,788)</u>  | <u>(4,717,712)</u> |
| <b>General Revenues and Transfers</b>       |                     |                     |                     |                    |
| Taxes                                       |                     |                     |                     |                    |
| Property                                    | 3,505,575           | 3,587,177           | 3,719,778           | 4,271,751          |
| Tax Increments                              | -                   | -                   | -                   | -                  |
| Franchise Taxes                             | 87,807              | 97,228              | 100,176             | 106,547            |
| Unrestricted Grants and Contributions       | 141,892             | 29,797              | 26,051              | 54,601             |
| Investment Earnings (net)                   | 293,497             | 227,484             | 290,962             | 212,731            |
| Gain on Disposal of Capital Assets          | -                   | 37,000              | 16,500              | 40,009             |
| Transfers                                   | -                   | 10,000              | 44,000              | 49,000             |
| Transfers - Capital Assets                  | (424,843)           | -                   | -                   | -                  |
| <b>Total General Revenues and Transfers</b> | <u>3,603,928</u>    | <u>3,988,686</u>    | <u>4,197,467</u>    | <u>4,734,639</u>   |
| <b>Change in Net Position</b>               | <u>\$ 1,489,005</u> | <u>\$ (127,186)</u> | <u>\$ (289,321)</u> | <u>\$ 16,927</u>   |

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

| 2013         | 2014         | 2015         | 2016         | 2017         | 2018         |
|--------------|--------------|--------------|--------------|--------------|--------------|
| \$ 906,102   | \$ 1,230,335 | \$ 1,174,510 | \$ 1,376,793 | \$ 1,085,554 | \$ 1,228,607 |
| 1,447,887    | 1,499,538    | 1,670,627    | 1,846,459    | 1,906,843    | 2,207,699    |
| 2,760,130    | 2,383,890    | 6,521,708    | 3,389,909    | 2,618,584    | 3,348,200    |
| 573,581      | 792,525      | 792,936      | 847,553      | 1,013,252    | 1,095,151    |
| 75,303       | 45,024       | 145,771      | 302,296      | 365,768      | 223,175      |
| 543,821      | 347,503      | 231,242      | 223,938      | 197,282      | 276,423      |
| 6,306,824    | 6,298,815    | 10,536,794   | 7,986,948    | 7,187,283    | 8,379,255    |
| 36,735       | 119,757      | 36,235       | 81,876       | 100,125      | 118,219      |
| 784,038      | 1,159,073    | 1,191,134    | 1,677,788    | 1,384,626    | 1,698,522    |
| 106,913      | 724,009      | 247,260      | 656,570      | 805,248      | 942,042      |
| 28,600       | 43,606       | 52,075       | 59,236       | 67,112       | 80,047       |
| 220,790      | 233,606      | 244,497      | 248,910      | 261,814      | 328,410      |
| 485,533      | 1,619,209    | 3,154,662    | 4,437,611    | 3,957,672    | 5,800,583    |
| 1,662,609    | 3,899,260    | 4,925,863    | 7,161,991    | 6,576,597    | 8,967,823    |
| (4,644,215)  | (2,399,555)  | (5,610,931)  | (824,957)    | (610,686)    | 588,568      |
| 4,333,972    | 4,476,810    | 4,602,153    | 4,963,787    | 5,572,250    | 6,078,341    |
| -            | -            | -            | -            | -            | 96,938       |
| 83,681       | 120,964      | 128,722      | 131,229      | 135,652      | 139,161      |
| 10,954       | 132,104      | 242,970      | 255,951      | 231,683      | 191,570      |
| (17,852)     | 157,640      | 55,909       | 82,385       | 124,052      | 263,784      |
| 44,343       | 32,355       | 35,600       | 31,160       | 38,373       | 37,563       |
| -            | 122,632      | 284,586      | 186,755      | 195,686      | 207,840      |
| -            | -            | -            | (162,876)    | (20,643)     | (1,525,768)  |
| 4,455,098    | 5,042,505    | 5,349,940    | 5,488,391    | 6,277,053    | 5,489,429    |
| \$ (189,117) | \$ 2,642,950 | \$ (260,991) | \$ 4,663,434 | \$ 5,666,367 | \$ 6,077,997 |

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

|                                             | <u>2009</u>         | <u>2010</u>         | <u>2011</u>           | <u>2012</u>         |
|---------------------------------------------|---------------------|---------------------|-----------------------|---------------------|
| <b>BUSINESS-TYPE ACTIVITIES</b>             |                     |                     |                       |                     |
| <b>Expenses</b>                             |                     |                     |                       |                     |
| Water Utility                               | \$ 968,217          | \$ 1,314,133        | \$ 1,530,108          | \$ 1,301,990        |
| Sanitary Sewer Utility                      | 2,395,561           | 2,307,213           | 2,778,657             | 2,326,550           |
| Storm Water Utility                         | 41,196              | 68,903              | 61,024                | 69,834              |
| <b>Total Expenses</b>                       | <u>3,404,974</u>    | <u>3,690,249</u>    | <u>4,369,789</u>      | <u>3,698,374</u>    |
| <b>Program Revenues</b>                     |                     |                     |                       |                     |
| Charges for Services                        |                     |                     |                       |                     |
| Water Utility                               | 739,062             | 745,395             | 736,448               | 1,049,531           |
| Sanitary Sewer Utility                      | 873,480             | 989,847             | 1,067,088             | 1,055,557           |
| Storm Water Utility                         | 33,861              | 72,081              | 98,873                | 69,608              |
| Capital Grants and Contributions            | 3,465,839           | 990,041             | 333,151               | 1,032,687           |
| <b>Total Program Revenues</b>               | <u>5,112,242</u>    | <u>2,797,364</u>    | <u>2,235,560</u>      | <u>3,207,383</u>    |
| <b>Net (Expense) / Revenue</b>              | <u>1,707,268</u>    | <u>(892,885)</u>    | <u>(2,134,229)</u>    | <u>(490,991)</u>    |
| <b>General Revenues and Transfers</b>       |                     |                     |                       |                     |
| Property Taxes                              | -                   | -                   | -                     | -                   |
| Unrestricted Grants and Contributions       | -                   | -                   | 235,166               | -                   |
| Investment Earnings (net)                   | 170,532             | 180,266             | -                     | 152,321             |
| Gain on Disposal of Capital Assets          | -                   | -                   | -                     | -                   |
| Transfers                                   | -                   | (10,000)            | (44,000)              | (49,000)            |
| Transfers - Capital Assets                  | 424,843             | -                   | -                     | -                   |
| <b>Total General Revenues and Transfers</b> | <u>595,375</u>      | <u>170,266</u>      | <u>191,166</u>        | <u>103,321</u>      |
| <b>Change in Net Position</b>               | <u>\$ 2,302,643</u> | <u>\$ (722,619)</u> | <u>\$ (1,943,063)</u> | <u>\$ (387,670)</u> |

| 2013              | 2014                | 2015                | 2016                | 2017                | 2018                |
|-------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| \$ 1,241,343      | \$ 1,187,553        | \$ 1,246,064        | \$ 1,276,338        | \$ 1,377,537        | \$ 1,468,485        |
| 2,123,381         | 2,052,493           | 2,207,811           | 2,480,519           | 2,477,995           | 2,561,070           |
| 72,944            | 57,977              | 95,533              | 42,342              | 62,172              | 71,040              |
| <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>    | <u>4,100,595</u>    |
| 1,259,942         | 1,167,066           | 1,261,303           | 1,334,442           | 1,529,127           | 1,754,947           |
| 1,186,523         | 1,325,181           | 1,479,703           | 1,601,172           | 1,744,067           | 1,932,885           |
| 41,831            | 45,570              | 76,211              | 75,932              | 94,919              | 104,916             |
| 1,267,189         | 2,560,270           | 2,020,299           | 4,766,947           | 5,591,332           | 5,500,794           |
| <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>9,293,542</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>    | <u>5,192,947</u>    |
| 57,739            | 24,824              | 25,000              | 25,000              | 25,000              | 26,000              |
| -                 | -                   | -                   | -                   | -                   | -                   |
| (34,717)          | 168,320             | 85,259              | 129,442             | 154,321             | 260,833             |
| 18,733            | 28,440              | -                   | -                   | -                   | 7,884               |
| -                 | (122,632)           | (284,586)           | (186,755)           | (195,686)           | (207,840)           |
| -                 | -                   | -                   | 162,876             | 20,643              | 1,525,768           |
| <u>41,755</u>     | <u>98,952</u>       | <u>(174,327)</u>    | <u>130,563</u>      | <u>4,278</u>        | <u>1,612,645</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> | <u>\$ 6,805,592</u> |

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

|                                             | <u>2009</u>         | <u>2010</u>         | <u>2011</u>           | <u>2012</u>         |
|---------------------------------------------|---------------------|---------------------|-----------------------|---------------------|
| <b>TOTAL PRIMARY GOVERNMENT</b>             |                     |                     |                       |                     |
| <b>Expenses</b>                             |                     |                     |                       |                     |
| Governmental Activities                     | \$ 5,791,257        | \$ 5,895,081        | \$ 5,962,142          | \$ 6,245,245        |
| Business-type Activities                    | <u>3,404,974</u>    | <u>3,690,249</u>    | <u>4,369,789</u>      | <u>3,698,374</u>    |
| <b>Total Expenses</b>                       | <u>9,196,231</u>    | <u>9,585,330</u>    | <u>10,331,931</u>     | <u>9,943,619</u>    |
| <b>Program Revenues</b>                     |                     |                     |                       |                     |
| Governmental Activities                     | 3,676,334           | 1,779,209           | 1,475,354             | 1,527,533           |
| Business-type Activities                    | <u>5,112,242</u>    | <u>2,797,364</u>    | <u>2,235,560</u>      | <u>3,207,383</u>    |
| <b>Total Program Revenues</b>               | <u>8,788,576</u>    | <u>4,576,573</u>    | <u>3,710,914</u>      | <u>4,734,916</u>    |
| <b>Net (Expense) / Revenue</b>              | <u>(407,655)</u>    | <u>(5,008,757)</u>  | <u>(6,621,017)</u>    | <u>(5,208,703)</u>  |
| <b>General Revenues and Transfers</b>       |                     |                     |                       |                     |
| Governmental Activities                     | 3,603,928           | 3,988,686           | 4,197,467             | 4,734,639           |
| Business-type Activities                    | <u>595,375</u>      | <u>170,266</u>      | <u>191,166</u>        | <u>103,321</u>      |
| <b>Total General Revenues and Transfers</b> | <u>4,199,303</u>    | <u>4,158,952</u>    | <u>4,388,633</u>      | <u>4,837,960</u>    |
| <b>Change in Net Position</b>               | <u>\$ 3,791,648</u> | <u>\$ (849,805)</u> | <u>\$ (2,232,384)</u> | <u>\$ (370,743)</u> |

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

| 2013         | 2014         | 2015          | 2016         | 2017          | 2018          |
|--------------|--------------|---------------|--------------|---------------|---------------|
| \$ 6,306,824 | \$ 6,298,815 | \$ 10,536,794 | \$ 7,986,948 | \$ 7,187,283  | \$ 8,379,255  |
| 3,437,668    | 3,298,023    | 3,549,408     | 3,799,199    | 3,917,704     | 4,100,595     |
| 9,744,492    | 9,596,838    | 14,086,202    | 11,786,147   | 11,104,987    | 12,479,850    |
| 1,662,609    | 3,899,260    | 4,925,863     | 7,161,991    | 6,576,597     | 8,967,823     |
| 3,755,485    | 5,098,087    | 4,837,516     | 7,778,493    | 8,959,445     | 9,293,542     |
| 5,418,094    | 8,997,347    | 9,763,379     | 14,940,484   | 15,536,042    | 18,261,365    |
| (4,326,398)  | (599,491)    | (4,322,823)   | 3,154,337    | 4,431,055     | 5,781,515     |
| 4,455,098    | 5,042,505    | 5,349,940     | 5,488,391    | 6,277,053     | 5,489,429     |
| 41,755       | 98,952       | (174,327)     | 130,563      | 4,278         | 1,612,645     |
| 4,496,853    | 5,141,457    | 5,175,613     | 5,618,954    | 6,281,331     | 7,102,074     |
| \$ 170,455   | \$ 4,541,966 | \$ 852,790    | \$ 8,773,291 | \$ 10,712,386 | \$ 12,883,589 |



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

**Table 3**

|      | Property<br>Taxes | Tax<br>Increments | Franchise<br>Taxes | Total        |
|------|-------------------|-------------------|--------------------|--------------|
| 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    |
| 2018 | 6,078,341         | 96,938            | 139,161            | 6,314,440    |

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

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

|                                    | <u>2009</u>          | <u>2010</u>         | <u>2011</u>          | <u>2012</u>          |
|------------------------------------|----------------------|---------------------|----------------------|----------------------|
| General Fund                       |                      |                     |                      |                      |
| Unreserved                         | \$ 1,685,623         | \$ 1,713,440        | \$ -                 | \$ -                 |
| Nonspendable                       | -                    | -                   | -                    | 11,254               |
| Assigned                           | -                    | -                   | 81,168               | 87,971               |
| Unassigned                         | -                    | -                   | 1,622,430            | 1,665,366            |
| Total General Fund                 | <u>\$ 1,685,623</u>  | <u>\$ 1,713,440</u> | <u>\$ 1,703,598</u>  | <u>\$ 1,764,591</u>  |
| All Other Governmental Funds       |                      |                     |                      |                      |
| Reserved                           | \$ 8,343,014         | \$ 1,197,967        | \$ -                 | \$ -                 |
| Unreserved, Reported in:           |                      |                     |                      |                      |
| Special Revenue Funds              | 2,684,192            | 2,811,289           | -                    | -                    |
| Capital Project Funds              | 1,960,421            | 2,157,424           | -                    | -                    |
| Nonspendable                       | -                    | -                   | -                    | 4,601                |
| Restricted                         | -                    | -                   | 5,985,647            | 7,898,825            |
| Committed                          | -                    | -                   | 39,142               | 52,360               |
| Assigned                           | -                    | -                   | 6,517,609            | 5,605,265            |
| Unassigned                         | -                    | -                   | (700,854)            | (341,194)            |
| Total All Other Governmental Funds | <u>\$ 12,987,627</u> | <u>\$ 6,166,680</u> | <u>\$ 11,841,544</u> | <u>\$ 13,219,857</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

| 2013                 | 2014                | 2015                | 2016                | 2017                 | 2018                 |
|----------------------|---------------------|---------------------|---------------------|----------------------|----------------------|
| \$ -                 | \$ -                | \$ -                | \$ -                | \$ -                 | \$ -                 |
| 11,254               | 80,423              | 105,547             | 110,973             | 317,197              | 320,887              |
| 103,418              | 101,833             | 128,646             | 192,408             | 205,257              | 205,449              |
| 1,797,403            | 3,211,382           | 2,656,330           | 3,342,821           | 3,368,191            | 3,587,331            |
| <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>  | <u>\$ 4,113,667</u>  |
| \$ -                 | \$ -                | \$ -                | \$ -                | \$ -                 | \$ -                 |
| -                    | -                   | -                   | -                   | -                    | -                    |
| -                    | -                   | -                   | -                   | -                    | -                    |
| 351                  | -                   | 2,675               | 2,000               | 1,325                | 650                  |
| 8,805,554            | 2,576,729           | 2,278,379           | 1,931,757           | 3,290,750            | 4,167,765            |
| 595,191              | 387,033             | 406,683             | 419,829             | 474,863              | 448,699              |
| 4,267,012            | 5,218,020           | 6,825,237           | 7,221,257           | 9,098,697            | 10,526,550           |
| (9,555)              | (10,584)            | (26,070)            | (281,273)           | (355,150)            | (1,790,236)          |
| <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> | <u>\$ 13,353,428</u> |

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

|                                                              | 2009                | 2010                | 2011                | 2012                |
|--------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Revenues</b>                                              |                     |                     |                     |                     |
| Property Taxes                                               | \$ 3,560,656        | \$ 3,671,320        | \$ 3,886,919        | \$ 4,344,415        |
| Tax Increments                                               | -                   | -                   | -                   | -                   |
| Franchise Taxes                                              | -                   | -                   | -                   | -                   |
| Licenses and Permits                                         | 433,080             | 339,568             | 303,059             | 553,577             |
| Intergovernmental                                            | 336,937             | 191,784             | 375,703             | 621,447             |
| Charges for Services                                         | 561,860             | 126,453             | 200,256             | 86,655              |
| Special Assessments                                          | 1,309,711           | 1,511,510           | 2,055,623           | 875,822             |
| Fines and Forfeitures                                        | -                   | -                   | 1,000               | 2,000               |
| Investment Earnings (net)                                    | 447,109             | 227,484             | 290,962             | 209,984             |
| Miscellaneous                                                | 152,416             | 33,153              | 25,302              | 56,625              |
| <b>Total Revenues</b>                                        | <b>6,801,769</b>    | <b>6,101,272</b>    | <b>7,138,824</b>    | <b>6,750,525</b>    |
| <b>Expenditures</b>                                          |                     |                     |                     |                     |
| General Government                                           | 872,067             | 802,632             | 887,847             | 918,055             |
| Public Safety                                                | 1,759,415           | 1,604,062           | 1,586,504           | 1,440,908           |
| Public Works                                                 | 1,255,099           | 962,329             | 974,557             | 1,009,827           |
| Culture and Recreation                                       | 240,047             | 201,080             | 246,075             | 277,605             |
| Economic Development                                         | 58,293              | 17,096              | 12,353              | 103,884             |
| Capital Outlay                                               | 561,037             | 1,533,354           | 1,178,526           | 1,707,346           |
| Debt Service                                                 |                     |                     |                     |                     |
| Principal                                                    | 2,780,000           | 1,345,000           | 745,000             | 810,000             |
| Interest                                                     | 1,872,249           | 989,718             | 489,184             | 554,245             |
| Bond Issuance & Fiscal Agent Fee's                           | 233,028             | 125,275             | 86,285              | 42,900              |
| <b>Total Expenditures</b>                                    | <b>9,631,235</b>    | <b>7,580,546</b>    | <b>6,206,331</b>    | <b>6,864,770</b>    |
| Excess (Deficiency) of Revenues<br>Over (Under) Expenditures | <u>(2,829,466)</u>  | <u>(1,479,274)</u>  | <u>932,493</u>      | <u>(114,245)</u>    |
| <b>Other Financing Sources (Uses)</b>                        |                     |                     |                     |                     |
| Transfers In                                                 | 1,553,570           | 931,682             | 2,069,009           | 997,325             |
| Issuance of Debt                                             | 6,360,000           | 5,310,000           | 4,640,000           | 1,400,000           |
| Premium on Issuance of Debt                                  | -                   | -                   | 48,529              | 64,542              |
| Sales of Capital Assets                                      | -                   | 56,000              | -                   | 40,009              |
| Refunded Bonds Redeemed                                      | (4,195,000)         | (4,325,000)         | -                   | -                   |
| Insurance Recovery                                           | -                   | -                   | -                   | -                   |
| Transfers Out                                                | (1,465,475)         | (917,937)           | (2,025,009)         | (948,325)           |
| <b>Total Other Financing Sources (Uses)</b>                  | <b>2,253,095</b>    | <b>1,054,745</b>    | <b>4,732,529</b>    | <b>1,553,551</b>    |
| Net Change in Fund Balances                                  | <u>\$ (576,371)</u> | <u>\$ (424,529)</u> | <u>\$ 5,665,022</u> | <u>\$ 1,439,306</u> |
| Debt Service as a Percentage of<br>Noncapital Expenditures   | <u>50.98%</u>       | <u>36.16%</u>       | <u>22.68%</u>       | <u>22.37%</u>       |

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

Table 5

| 2013              | 2014                  | 2015              | 2016              | 2017                | 2018                |
|-------------------|-----------------------|-------------------|-------------------|---------------------|---------------------|
| \$ 4,564,068      | \$ 4,524,092          | \$ 4,651,453      | \$ 4,960,518      | \$ 5,595,120        | \$ 6,084,051        |
| -                 | -                     | -                 | -                 | -                   | 96,938              |
| -                 | 120,964               | 128,722           | 131,229           | 135,652             | 139,161             |
| 819,493           | 1,238,823             | 1,179,136         | 1,661,565         | 1,363,384           | 1,672,906           |
| 241,996           | 1,034,552             | 3,570,630         | 2,111,727         | 1,093,154           | 2,339,286           |
| 170,194           | 1,142,453             | 555,660           | 1,274,578         | 2,129,514           | 2,328,991           |
| 1,987,647         | 905,441               | 560,748           | 575,155           | 734,522             | 508,865             |
| -                 | 4,000                 | 11,998            | 16,223            | 21,092              | 25,616              |
| (17,852)          | 157,640               | 55,909            | 82,385            | 124,052             | 263,784             |
| 78,457            | 50,286                | 105,573           | 119,732           | 294,909             | 233,946             |
| <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>   | <u>13,693,544</u>   |
| 923,255           | 1,169,697             | 1,141,113         | 1,233,680         | 1,072,195           | 1,182,959           |
| 1,447,182         | 1,495,008             | 1,664,031         | 1,807,985         | 1,886,661           | 2,168,187           |
| 1,121,981         | 1,023,693             | 1,044,024         | 1,019,946         | 1,066,349           | 1,205,464           |
| 313,023           | 464,840               | 466,205           | 534,122           | 587,739             | 654,786             |
| 75,303            | 45,024                | 145,771           | 196,534           | 195,716             | 223,175             |
| 1,984,531         | 1,688,847             | 4,477,153         | 4,349,555         | 2,160,857           | 8,422,796           |
| 840,000           | 6,965,000             | 1,130,000         | 1,210,000         | 1,125,000           | 1,160,000           |
| 574,715           | 454,566               | 256,148           | 233,498           | 206,748             | 182,875             |
| -                 | -                     | 2,979             | 3,362             | 3,267               | 74,512              |
| <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>15,274,754</u>   |
| <u>564,013</u>    | <u>(4,128,424)</u>    | <u>492,405</u>    | <u>344,430</u>    | <u>3,186,867</u>    | <u>(1,581,210)</u>  |
| -                 | 612,433               | 1,574,500         | 648,087           | 1,278,609           | 1,397,210           |
| -                 | -                     | -                 | -                 | -                   | 2,305,000           |
| -                 | -                     | -                 | -                 | -                   | 58,475              |
| -                 | -                     | 35,600            | 31,160            | 78,805              | 75,860              |
| -                 | -                     | -                 | -                 | -                   | -                   |
| 22,167            | -                     | -                 | -                 | -                   | -                   |
| -                 | (489,801)             | (1,289,914)       | (461,332)         | (1,082,923)         | (1,189,370)         |
| <u>22,167</u>     | <u>122,632</u>        | <u>320,186</u>    | <u>217,915</u>    | <u>274,491</u>      | <u>2,647,175</u>    |
| <u>\$ 586,180</u> | <u>\$ (4,005,792)</u> | <u>\$ 812,591</u> | <u>\$ 562,345</u> | <u>\$ 3,461,358</u> | <u>\$ 1,065,965</u> |
| <u>23.32%</u>     | <u>60.23%</u>         | <u>14.22%</u>     | <u>18.40%</u>     | <u>19.32%</u>       | <u>16.69%</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>2009</u>             | <u>2010</u>             | <u>2011</u>             | <u>2012</u>             |
|-------------------------------------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Estimated Actual Value                                            | <u>\$ 1,359,891,000</u> | <u>\$ 1,297,319,800</u> | <u>\$ 1,122,091,900</u> | <u>\$ 1,070,068,000</u> |
| Taxable Market Value                                              |                         |                         |                         |                         |
| Real Estate                                                       | \$ 1,254,432,100        | \$ 1,163,465,900        | \$ 1,045,413,800        | \$ 913,874,900          |
| Personal Property                                                 | <u>12,488,100</u>       | <u>13,099,300</u>       | <u>14,203,900</u>       | <u>14,003,900</u>       |
| Total Taxable Market Value                                        | <u>\$ 1,266,920,200</u> | <u>\$ 1,176,565,200</u> | <u>\$ 1,059,617,700</u> | <u>\$ 927,878,800</u>   |
| Taxable Market Value as a Percentage<br>of Estimated Actual Value | 93.16%                  | 90.69%                  | 94.43%                  | 86.71%                  |
| Tax Capacity                                                      |                         |                         |                         |                         |
| Real Estate                                                       | \$ 13,545,272           | \$ 12,750,856           | \$ 11,376,627           | \$ 9,999,046            |
| Personal Property                                                 | <u>249,252</u>          | <u>261,328</u>          | <u>283,499</u>          | <u>279,502</u>          |
| Net Tax Capacity for Direct Rate                                  | <u>\$ 13,794,524</u>    | <u>\$ 13,012,184</u>    | <u>\$ 11,660,126</u>    | <u>\$ 10,278,548</u>    |
| Net Tax Capacity as a Percentage<br>of Estimated Actual Value     | 1.01%                   | 1.00%                   | 1.04%                   | 0.96%                   |
| Property Tax Levies                                               |                         |                         |                         |                         |
| General Revenues                                                  | \$ 3,402,090            | \$ 3,252,000            | \$ 3,500,000            | \$ 3,836,000            |
| Debt Service                                                      | <u>318,600</u>          | <u>566,000</u>          | <u>466,000</u>          | <u>425,000</u>          |
| Total Property Taxes Levied                                       | <u>\$ 3,720,690</u>     | <u>\$ 3,818,000</u>     | <u>\$ 3,966,000</u>     | <u>\$ 4,261,000</u>     |
| Tax Rates                                                         |                         |                         |                         |                         |
| General Revenues                                                  | 24.663                  | 24.992                  | 30.017                  | 37.320                  |
| Debt Service                                                      | <u>2.310</u>            | <u>4.350</u>            | <u>3.997</u>            | <u>4.135</u>            |
| Total Direct Tax Rate                                             | <u>26.972</u>           | <u>29.342</u>           | <u>34.013</u>           | <u>41.455</u>           |

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

Table 6

| 2013                         | 2014                         | 2015                           | 2016                           | 2017                           | 2018                           |
|------------------------------|------------------------------|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| \$ 989,365,300               | \$ 1,051,543,200             | \$ 1,177,857,500               | \$ 1,340,579,000               | \$ 1,473,986,500               | \$ 1,644,926,700               |
| \$ 839,428,800<br>14,305,700 | \$ 908,532,000<br>14,513,300 | \$ 1,039,579,100<br>14,952,700 | \$ 1,195,720,700<br>16,476,000 | \$ 1,327,925,100<br>20,388,300 | \$ 1,490,919,200<br>23,397,400 |
| \$ 853,734,500               | \$ 923,045,300               | \$ 1,054,531,800               | \$ 1,212,196,700               | \$ 1,348,313,400               | \$ 1,514,316,600               |
| 86.29%                       | 87.78%                       | 89.53%                         | 90.42%                         | 91.47%                         | 92.06%                         |
| \$ 9,184,748<br>285,540      | \$ 9,805,499<br>290,266      | \$ 11,060,135<br>298,480       | \$ 12,909,476<br>328,948       | \$ 14,465,922<br>407,194       | \$ 16,315,625<br>467,378       |
| \$ 9,470,288                 | \$ 10,095,765                | \$ 11,358,615                  | \$ 13,238,424                  | \$ 14,873,116                  | \$ 16,783,003                  |
| 0.96%                        | 0.96%                        | 0.96%                          | 0.99%                          | 1.01%                          | 1.02%                          |
| \$ 3,952,910<br>425,000      | \$ 4,024,715<br>475,285      | \$ 4,070,000<br>610,000        | \$ 4,380,206<br>640,000        | \$ 4,974,745<br>655,000        | \$ 5,448,302<br>655,000        |
| \$ 4,377,910                 | \$ 4,500,000                 | \$ 4,680,000                   | \$ 5,020,206                   | \$ 5,629,745                   | \$ 6,103,302                   |
| 41.740<br>4.488              | 39.865<br>4.708              | 35.832<br>5.370                | 33.087<br>4.834                | 33.448<br>4.404                | 32.653<br>3.903                |
| 46.228                       | 44.573                       | 41.202                         | 37.921                         | 37.852                         | 36.556                         |

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

**Table 7**

|      | Residential            |                        | Commercial<br>& Industrial | Agricultural        | Personal<br>Property | Other              | Total                    |
|------|------------------------|------------------------|----------------------------|---------------------|----------------------|--------------------|--------------------------|
|      | Homestead              | Non<br>Homestead       |                            |                     |                      |                    |                          |
| 2009 | \$ 8,666,112<br>62.82% | \$ 2,120,456<br>15.37% | \$ 1,878,314<br>13.62%     | \$ 805,387<br>5.84% | \$ 249,252<br>1.81%  | \$ 75,003<br>0.54% | \$ 13,794,524<br>100.00% |
| 2010 | 8,126,189<br>62.45%    | 1,661,573<br>12.77%    | 2,164,323<br>16.63%        | 719,579<br>5.53%    | 261,328<br>2.01%     | 79,192<br>0.61%    | 13,012,184<br>100.00%    |
| 2011 | 7,547,244<br>64.73%    | 1,251,967<br>10.74%    | 1,893,120<br>16.24%        | 606,587<br>5.20%    | 283,499<br>2.43%     | 77,709<br>0.67%    | 11,660,126<br>100.00%    |
| 2012 | 6,460,276<br>62.85%    | 1,097,107<br>10.67%    | 1,821,302<br>17.72%        | 543,596<br>5.29%    | 279,502<br>2.72%     | 76,765<br>0.75%    | 10,278,548<br>100.00%    |
| 2013 | 5,906,265<br>62.37%    | 903,006<br>9.54%       | 1,788,872<br>18.89%        | 533,264<br>5.63%    | 285,540<br>3.02%     | 53,341<br>0.56%    | 9,470,288<br>100.00%     |
| 2014 | 6,607,296<br>65.45%    | 918,439<br>9.10%       | 1,664,605<br>16.49%        | 536,842<br>5.32%    | 290,266<br>2.88%     | 78,317<br>0.78%    | 10,095,765<br>100.00%    |
| 2015 | 7,732,867<br>68.08%    | 1,057,409<br>9.31%     | 1,633,988<br>14.39%        | 582,530<br>5.13%    | 298,480<br>2.63%     | 53,341<br>0.47%    | 11,358,615<br>100.00%    |
| 2016 | 8,878,089<br>67.06%    | 1,183,843<br>8.94%     | 2,166,341<br>16.36%        | 627,666<br>4.74%    | 328,948<br>2.48%     | 53,537<br>0.40%    | 13,238,424<br>100.00%    |
| 2017 | 9,942,548<br>66.85%    | 1,232,700<br>8.29%     | 2,627,164<br>17.66%        | 597,483<br>4.02%    | 407,194<br>2.74%     | 66,027<br>0.44%    | 14,873,116<br>100.00%    |
| 2018 | 11,298,428<br>67.32%   | 1,276,749<br>7.61%     | 3,067,571<br>18.28%        | 612,928<br>3.65%    | 467,378<br>2.78%     | 59,949<br>0.36%    | 16,783,003<br>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 |
| 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             |
| 2018 | 36.556            | 36.137              | 15.621              | 47.950              | 39.946 | 112.639                    | 92.123              | 124.452             |

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 | 2018                |      |                                        | 2009                |      |                                        |
|--------------------------------|----------------|---------------------|------|----------------------------------------|---------------------|------|----------------------------------------|
|                                |                | Net Tax Capacity    | Rank | Percentage of Total Tax Capacity Value | Net Tax Capacity    | Rank | Percentage of Total Tax Capacity Value |
| Duke Realty                    | Industrial     | \$ 1,249,372        | 1    | 7.44%                                  | \$ 294,160          | 1    | 2.13%                                  |
| Centerpoint Energy             | Utility        | 297,234             | 2    | 1.77%                                  | 120,134             | 6    | 0.87%                                  |
| Target Corporation             | Commercial     | 203,430             | 3    | 1.21%                                  | 90,166              | 8    | 0.65%                                  |
| Wagner Spray Tech Corporation  | Industrial     | 173,718             | 4    | 1.04%                                  |                     |      |                                        |
| Wright-Hennepin Electric Co-Op | Utility        | 107,727             | 5    | 0.64%                                  | 88,178              | 9    | 0.64%                                  |
| Elk Inn Partners LP            | Commercial     | 99,250              | 6    | 0.59%                                  | 137,250             | 3    | 0.99%                                  |
| P & F Properties Inc           | Industrial     | 87,662              | 7    | 0.52%                                  |                     |      |                                        |
| Apex Business Center, LLC      | Industrial     | 73,924              | 8    | 0.44%                                  | 74,578              | 10   | 0.54%                                  |
| Kwik Trip Inc                  | Commercial     | 64,182              | 9    | 0.38%                                  |                     |      |                                        |
| WFCIII LLC                     | Commercial     | 59,250              | 10   | 0.35%                                  |                     |      |                                        |
| Wells Fargo Bank NA            | Residential    |                     |      |                                        | 143,775             | 2    | 1.04%                                  |
| Land Funding I LLC             | Commercial     |                     |      |                                        | 130,809             | 4    | 0.95%                                  |
| OHW LLC                        | Residential    |                     |      |                                        | 129,167             | 5    | 0.94%                                  |
| Appello Group LLC              | Commercial     |                     |      |                                        | 118,180             | 7    | 0.86%                                  |
| Totals                         |                | <u>\$ 2,415,749</u> |      | <u>14.38%</u>                          | <u>\$ 1,326,397</u> |      | <u>9.61%</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<br>Property<br>Tax Levy | Collected within the<br>Fiscal Year of the Levy |                       | Collections in<br>Subsequent<br>Years | Total Collections to Date |                       |
|------|-----------------------------------|-------------------------------------------------|-----------------------|---------------------------------------|---------------------------|-----------------------|
|      |                                   | Amount                                          | Percentage<br>of Levy |                                       | Amount                    | Percentage<br>to Date |
| 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%                | 149,143                               | 4,261,000                 | 100.00%               |
| 2013 | 4,377,910                         | 4,306,802                                       | 98.38%                | 66,479                                | 4,373,281                 | 99.89%                |
| 2014 | 4,500,000                         | 4,444,153                                       | 98.76%                | 54,592                                | 4,498,745                 | 99.97%                |
| 2015 | 4,680,000                         | 4,641,720                                       | 99.18%                | 36,880                                | 4,678,600                 | 99.97%                |
| 2016 | 5,020,206                         | 4,979,508                                       | 99.19%                | 38,286                                | 5,017,794                 | 99.95%                |
| 2017 | 5,629,745                         | 5,606,101                                       | 99.58%                | 19,089                                | 5,625,190                 | 99.92%                |
| 2018 | 6,103,302                         | 6,084,700                                       | 99.70%                | -                                     | 6,084,700                 | 99.70%                |

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<br>Activities            | Total<br>Debt | Percentage<br>of Personal<br>Income | Per<br>Capita |
|------|--------------------------------|---------------------------|------------------|----------------------------------------|---------------|-------------------------------------|---------------|
|      | General<br>Obligation<br>Bonds | Equipment<br>Certificates | Lease<br>Revenue | General<br>Obligation<br>Revenue Bonds |               |                                     |               |
| 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    | 4.01%                               | 1,910         |
| 2018 | 8,534,989                      | 40,000                    | -                | 22,126,056                             | 30,701,045    | 3.69%                               | 1,756         |

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<br/>Obligation<br/>Bonds</u> | <u>Equipment<br/>Certificates</u> | <u>Total<br/>General<br/>Bonded Debt<br/>Outstanding</u> | <u>Less: Amounts<br/>Restricted to<br/>Debt Service</u> | <u>Net General<br/>Obligation<br/>Debt</u> | <u>Percentage of<br/>Estimated<br/>Actual Value<br/>of Property</u> | <u>Per<br/>Capita</u> |
|------|-----------------------------------------|-----------------------------------|----------------------------------------------------------|---------------------------------------------------------|--------------------------------------------|---------------------------------------------------------------------|-----------------------|
| 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%                                                               | 228                   |
| 2018 | 8,534,989                               | 40,000                            | 8,574,989                                                | 4,484,680                                               | 4,090,309                                  | 0.25%                                                               | 234                   |

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.



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**CITY OF OTSEGO, MINNESOTA**  
 STATISTICAL SECTION (UNAUDITED)  
 COMPUTATION OF DIRECT AND OVERLAPPING  
 GOVERNMENTAL ACTIVITIES DEBT  
 DECEMBER 31, 2018

**Table 13**

| Governmental Unit                 | Debt<br>Outstanding   | Estimated<br>Percentage<br>Applicable | Estimated Share<br>of Overlapping<br>Debt |
|-----------------------------------|-----------------------|---------------------------------------|-------------------------------------------|
| Overlapping Debt:                 |                       |                                       |                                           |
| School Districts:                 |                       |                                       |                                           |
| No. 728 - Elk River               | \$ 211,600,000        | 20.21%                                | \$ 42,764,360                             |
| No. 882 - Monticello              | 47,345,000            | 3.77%                                 | 1,784,907                                 |
| No. 885 - St. Michael-Albertville | 175,610,000           | 4.22%                                 | 7,410,742                                 |
| Wright County                     | <u>95,840,000</u>     | 11.22%                                | <u>10,753,248</u>                         |
| Total Overlapping Debt            | <u>\$ 530,395,000</u> |                                       | 62,713,257                                |
| City of Otsego Direct Debt        |                       |                                       | <u>8,574,989</u>                          |
| Total Direct and Overlapping Debt |                       |                                       | <u>\$ 71,288,246</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.

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

|                                                                         | <u>2009</u>          | <u>2010</u>          | <u>2011</u>          | <u>2012</u>          |
|-------------------------------------------------------------------------|----------------------|----------------------|----------------------|----------------------|
| Taxable Market Value                                                    | \$ 1,266,920,200     | \$ 1,176,565,200     | \$ 1,059,617,700     | \$ 927,878,800       |
| Debt Limit Percentage                                                   | <u>3.00%</u>         | <u>3.00%</u>         | <u>3.00%</u>         | <u>3.00%</u>         |
| Debt Limit                                                              | 38,007,606           | 35,296,956           | 31,788,531           | 27,836,364           |
| Total Net Debt Applicable to Limit                                      | <u>10,172,213</u>    | <u>7,172,970</u>     | <u>11,531,117</u>    | <u>12,152,905</u>    |
| Legal Debt Margin                                                       | <u>\$ 27,835,393</u> | <u>\$ 28,123,986</u> | <u>\$ 20,257,414</u> | <u>\$ 15,683,459</u> |
| Total Net Debt Applicable to the Limit<br>as a Percentage of Debt Limit | 26.76%               | 20.32%               | 36.27%               | 43.66%               |

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

**Table 14**

| 2013                 | 2014                 | 2015                 | 2016                 | 2017                 | 2018                 |
|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| \$ 853,734,500       | \$ 923,045,300       | \$ 1,054,531,800     | \$ 1,212,196,700     | \$ 1,348,313,400     | \$ 1,514,316,600     |
| 3.00%                | 3.00%                | 3.00%                | 3.00%                | 3.00%                | 3.00%                |
| 25,612,035           | 27,691,359           | 31,635,954           | 36,365,901           | 40,449,402           | 45,429,498           |
| 11,983,722           | 5,454,035            | 5,221,786            | 4,218,268            | 3,782,338            | 4,090,309            |
| <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> | <u>\$ 41,339,189</u> |
| 46.79%               | 19.70%               | 16.51%               | 11.60%               | 9.35%                | 9.00%                |

| General Obligation Revenue Bonds |                                                   |                                                      |                                |                             |              |              |          |
|----------------------------------|---------------------------------------------------|------------------------------------------------------|--------------------------------|-----------------------------|--------------|--------------|----------|
|                                  | Water and<br>Sanitary Sewer<br>Utility<br>Charges | Water and<br>Sanitary Sewer<br>Connection<br>Charges | Less:<br>Operating<br>Expenses | Net<br>Available<br>Revenue | Debt Service |              | Coverage |
|                                  |                                                   |                                                      |                                |                             | Principal    | Interest     |          |
| 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%  |
| 2018                             | 3,588,031                                         | 4,195,354                                            | 3,229,493                      | 4,553,892                   | 2,130,000    | 886,043      | 150.99%  |

| Lease Revenue Bonds |                   |              |            |          |
|---------------------|-------------------|--------------|------------|----------|
|                     | Property<br>Taxes | Debt Service |            | Coverage |
|                     |                   | Principal    | Interest   |          |
| 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      |
| 2018                | -                 | -            | -          | 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 |
| 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 | 16,605     | 5,787             | 790,016,085     | 47,577                     | 3.5%              | 34.3       | 13,461             | 4,168              | 6,335                           |
| 2018 | 17,486     | 6,087             | 831,946,185     | 47,577                     | 3.4%              | 34.3       | 13,670             | 4,125              | 6,463                           |

Sources: Population & Households - Minnesota State Demographer [2018 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: Some data was not yet available for 2018. In those instances, 2017 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               | 2018         |      |                                     | 2009         |      |                                     |
|-----------------------------------|--------------|------|-------------------------------------|--------------|------|-------------------------------------|
|                                   | Employees    | Rank | Percentage of Total City Employment | Employees    | Rank | Percentage of Total City Employment |
| Education & Health Services       | 1,234        | 1    | 36.54%                              | 137          | 4    | 9.71%                               |
| Trade, Transportation & Utilities | 784          | 2    | 23.22%                              | 475          | 1    | 33.66%                              |
| Leisure & Hospitality             | 437          | 3    | 12.94%                              | 344          | 2    | 24.38%                              |
| Construction                      | 311          | 4    | 9.21%                               | 146          | 3    | 10.35%                              |
| Professional & Business Services  | 252          | 5    | 7.46%                               | 127          | 5    | 9.00%                               |
| Other Services                    | 95           | 6    | 2.81%                               |              |      |                                     |
| Public Administration             | 39           | 7    | 1.15%                               | 20           | 7    | 1.42%                               |
| Financial Activities              |              |      |                                     | 88           | 6    | 6.24%                               |
| Totals                            | <u>3,152</u> |      | <u>93.34%</u>                       | <u>1,337</u> |      | <u>94.76%</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

|                              | 2009        | 2010        | 2011        | 2012        | 2013        | 2014        | 2015        | 2016        | 2017        | 2018        |
|------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| General Government           |             |             |             |             |             |             |             |             |             |             |
| Administration               | 3.0         | 3.0         | 3.0         | 3.0         | 3.0         | 3.0         | 4.0         | 3.5         | 3.6         | 3.6         |
| Finance                      | 3.8         | 3.9         | 3.9         | 3.9         | 3.7         | 3.9         | 3.0         | 3.0         | 3.0         | 3.0         |
| Total General Government     | 6.8         | 6.9         | 6.9         | 6.9         | 6.7         | 6.9         | 7.0         | 6.5         | 6.6         | 6.6         |
| Public Safety                |             |             |             |             |             |             |             |             |             |             |
| Police                       | -           | -           | -           | -           | -           | -           | -           | -           | -           | -           |
| Fire                         | -           | -           | -           | -           | -           | -           | -           | -           | -           | -           |
| Building Inspections         | 2.6         | 1.6         | 1.0         | 1.0         | 1.0         | 1.0         | 1.0         | 1.5         | 1.5         | 1.8         |
| Total Public Safety          | 2.6         | 1.6         | 1.0         | 1.0         | 1.0         | 1.0         | 1.0         | 1.5         | 1.5         | 1.8         |
| Public Works                 |             |             |             |             |             |             |             |             |             |             |
| Street Maintenance           | 5.9         | 6.9         | 6.9         | 5.9         | 5.8         | 5.8         | 6.9         | 6.9         | 6.9         | 6.8         |
| Mechanic                     | -           | -           | -           | 1.0         | 1.0         | 1.0         | 1.0         | 1.0         | 1.0         | 1.0         |
| Total Public Works           | 5.9         | 6.9         | 6.9         | 6.9         | 6.8         | 6.8         | 7.9         | 7.9         | 7.9         | 7.8         |
| Culture and Recreation       |             |             |             |             |             |             |             |             |             |             |
| Parks Maintenance            | 1.0         | 1.0         | 1.0         | 1.4         | 1.4         | 1.4         | 3.5         | 3.5         | 3.5         | 3.9         |
| Recreation                   | -           | -           | -           | 0.6         | 1.1         | 1.1         | 1.4         | 1.4         | 1.4         | 1.5         |
| Total Culture and Recreation | 1.0         | 1.0         | 1.0         | 2.0         | 2.5         | 2.5         | 4.9         | 4.9         | 4.9         | 5.4         |
| Public Utilities             |             |             |             |             |             |             |             |             |             |             |
| Water Utility                | -           | -           | -           | -           | 2.0         | 2.0         | 1.3         | 1.3         | 1.3         | 1.4         |
| Sanitary Sewer Utility       | -           | -           | -           | -           | 2.0         | 2.0         | 3.7         | 3.7         | 3.7         | 4.1         |
| Total Public Utilities       | -           | -           | -           | -           | 4.0         | 4.0         | 5.0         | 5.0         | 5.0         | 5.5         |
| <b>Total</b>                 | <b>16.3</b> | <b>16.4</b> | <b>15.8</b> | <b>16.8</b> | <b>21.0</b> | <b>21.2</b> | <b>25.8</b> | <b>25.7</b> | <b>25.9</b> | <b>27.0</b> |

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                         | 2009        | 2010        | 2011        | 2012        | 2013        | 2014        | 2015        | 2016        | 2017        | 2018        |
|----------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| <b>Administration</b>            |             |             |             |             |             |             |             |             |             |             |
| Rental Licenses Issued           | 199         | 180         | 246         | 292         | 337         | 372         | 372         | 387         | 351         | 329         |
| Code Enforcement Citations       |             | 11          | 60          | 89          | 20          | 16          | 31          | 41          | 30          | 68          |
| Registered Voters                |             |             |             | 7,168       |             | 7,329       |             | 9,324       |             | 9,754       |
| Actual Votes Tallied             |             | 4,737       |             | 7,126       |             | 4,693       |             | 7,362       |             | 6,228       |
| <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       | 4,279       |
| <b>Fire</b>                      |             |             |             |             |             |             |             |             |             |             |
| Calls - Albertville Department   |             |             |             |             |             | 82          | 76          | 93          | 129         | 131         |
| Calls - Elk River Department     |             |             |             |             |             | 74          | 73          | 80          | 92          | 96          |
| Calls - Rogers Department        |             |             |             |             |             |             | 18          | 15          | 12          | 27          |
| <b>Building Inspections</b>      |             |             |             |             |             |             |             |             |             |             |
| Number of Permits - All Types    | 839         | 617         | 570         | 645         | 699         | 692         | 893         | 968         | 722         | 1,147       |
| New Homes Constructed            | 94          | 73          | 58          | 143         | 190         | 188         | 207         | 219         | 210         | 300         |
| <b>Public Works</b>              |             |             |             |             |             |             |             |             |             |             |
| Miles of Streets Constructed     | 0.25        | -           | -           | 0.45        | 1.33        | 2.30        | 1.66        | 2.59        | 3.93        | 7.80        |
| Miles of Streets Reconstructed   |             |             |             |             |             |             |             | 0.35        | 1.80        | 5.30        |
| Snow Plowing Events              | 26          | 55          | 40          | 46          | 37          | 22          | 16          | 16          | 22          | 37          |
| <b>Culture and Recreation</b>    |             |             |             |             |             |             |             |             |             |             |
| Parks Acres Maintained           | 158.7       | 161.5       | 167.8       | 167.8       | 184.3       | 184.3       | 184.3       | 190.3       | 160.0       | 173.0       |
| Prairie Festival Attendance      |             |             |             |             | 4,900       | 5,100       | 6,200       | 5,000       | 4,000       | 4,800       |
| Recreation Programs Offered      |             |             |             | 17          | 60          | 106         | 132         | 100         | 127         | 231         |
| Recreation Programs Participants |             |             |             | 550         | 9,875       | 14,958      | 12,662      | 12,662      | 17,341      | 20,885      |
| <b>Water Utility</b>             |             |             |             |             |             |             |             |             |             |             |
| Connections                      | 2,222       | 2,321       | 2,379       | 2,517       | 2,678       | 2,829       | 3,023       | 3,155       | 3,278       | 3,748       |
| Gallons Delivered                | 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 | 527,795,004 |
| <b>Sanitary Sewer Utility</b>    |             |             |             |             |             |             |             |             |             |             |
| Average Daily Gallons Treated    | 474,000     | 509,000     | 512,000     | 485,000     | 543,000     | 539,000     | 551,000     | 600,000     | 627,000     | 673,000     |

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                      | 2009   | 2010   | 2011   | 2012   | 2013   | 2014   | 2015   | 2016   | 2017   | 2018   |
|-------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Public Works</b>           |        |        |        |        |        |        |        |        |        |        |
| Street Miles (MSA)            | 112.85 | 112.85 | 112.85 | 113.30 | 114.63 | 116.93 | 118.59 | 120.88 | 124.81 | 131.00 |
| Heavy Duty Trucks             | 7      | 7      | 8      | 8      | 8      | 8      | 8      | 8      | 8      | 9      |
| Light Duty Vehicles           | 10     | 10     | 10     | 11     | 15     | 15     | 15     | 15     | 17     | 17     |
| Tractors & Grading Equipment  | 4      | 7      | 8      | 8      | 8      | 8      | 8      | 8      | 8      | 7      |
| <b>Culture and Recreation</b> |        |        |        |        |        |        |        |        |        |        |
| Trail Miles                   | 19.68  | 19.68  | 19.68  | 19.68  | 19.68  | 19.68  | 19.96  | 21.13  | 25.11  | 25.60  |
| Number of Parks               | 7      | 7      | 8      | 8      | 10     | 10     | 10     | 11     | 12     | 14     |
| Playgrounds                   | 6      | 6      | 6      | 7      | 7      | 7      | 7      | 8      | 9      | 10     |
| Park Shelters                 | 7      | 7      | 9      | 9      | 9      | 9      | 9      | 10     | 10     | 12     |
| Ball Fields                   | 4      | 4      | 5      | 5      | 5      | 5      | 5      | 6      | 6      | 7      |
| Soccer Fields                 | -      | -      | -      | -      | -      | -      | 3      | 3      | 3      | 4      |
| Basketball Courts             | 4      | 4      | 5      | 5      | 5      | 5      | 5      | 5      | 5      | 6      |
| Tennis Courts                 | 6      | 6      | 7      | 7      | 7      | 7      | 7      | 8      | 8      | 8      |
| Outdoor Ice Rinks             | -      | -      | -      | -      | 1      | 1      | 1      | 2      | 2      | 1      |
| Mowing Equipment              | 2      | 3      | 4      | 5      | 5      | 5      | 5      | 6      | 6      | 4      |
| <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     | 83     |
| Hydrants                      |        |        |        |        | 717    | 722    | 794    | 846    | 871    | 923    |
| Water Valves                  |        |        |        |        | 1,555  | 1,603  | 1,659  | 1,841  | 1,881  | 1,983  |
| <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      | 10     | 10     | 10     |
| Miles of Sanitary Sewer Lines |        |        |        |        | 69     | -      | 73.6   | 75.8   | 79.5   | 81.8   |
| Manholes                      |        |        |        |        | 1,257  | 1,257  | 1,366  | 1,480  | 1,524  | 1,594  |
| Miles of Sanitary Forcemain   |        |        |        |        | 20     | 20     | 20     | 20     | 20     | 21     |

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.