

CITY OF MAPLE PLAIN, MINNESOTA  
ANNUAL FINANCIAL REPORT  
TABLE OF CONTENTS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Page No.</u>
<b>INTRODUCTORY SECTION</b>	
Elected and Appointed Officials	5
<b>FINANCIAL SECTION</b>	
Independent Auditor's Report	9
Management's Discussion and Analysis	13
<b>Basic Financial Statements</b>	
Government-wide Financial Statements	
Statement of Net Position	27
Statement of Activities	28
Fund Financial Statements	
Governmental Funds	
Balance Sheet	32
Reconciliation of the Balance Sheet to the Statement of Net Position	35
Statement of Revenues, Expenditures and Changes in Fund Balances	36
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	39
General and Fire Partnership Funds	
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	40
Proprietary Funds	
Statement of Net Position	42
Statement of Revenues, Expenses and Changes in Net Position	44
Statement of Cash Flows	45
Notes to the Financial Statements	47
<b>Required Supplementary Information</b>	
Schedule of Employer's Share of Public Employees Retirement Association Net Pension Liability - General Employees Retirement Fund	74
Schedule of Employer's Public Employees Retirement Association Contributions - General Employees Retirement Fund	74
Schedule of Changes in the Fire Relief Association's Net Pension Liability (Asset) and Related Ratios	75
Schedule of Employer's Fire Relief Association Contributions	76
<b>Combining and Individual Fund Financial Statements and Schedules</b>	
Nonmajor Governmental Funds	
Combining Balance Sheet	78
Statement of Revenues, Expenditures and Changes in Fund Balances	79
Nonmajor Capital Projects Funds	
Combining Balance Sheet	80
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	81
General Fund	
Schedules of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual	82
Debt Service Funds	
Combining Balance Sheet	86
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	87
Summary Financial Report	
Revenues and Expenditures for General Operations - Governmental Funds	88
<b>OTHER REPORTS</b>	
Independent Auditor's Report on Minnesota Legal Compliance	91
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	92
Schedule of Findings and Responses	94

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

**INTRODUCTORY SECTION**

**CITY OF MAPLE PLAIN  
MAPLE PLAIN, MINNESOTA**

**FOR THE YEAR ENDED  
DECEMBER 31, 2016**

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

CITY OF MAPLE PLAIN, MINNESOTA  
ELECTED AND APPOINTED OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**ELECTED**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Fay	Council Member	12/31/16
Dave Eisinger	Council Member	12/31/16
Michael DeLuca	Council Member	12/31/18
Julie Maas-Kusske	Council Member	12/31/18

**APPOINTED**

Jerry Young	Mayor	12/31/16
Bobby Schoen	City Administrator	

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

**FINANCIAL SECTION**  
**CITY OF MAPLE PLAIN**  
**MAPLE PLAIN, MINNESOTA**

**FOR THE YEAR ENDED**  
**DECEMBER 31, 2016**

THIS PAGE IS LEFT BLANK  
INTENTIONALLY



## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Maple Plain, Minnesota

### Report on Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### Opinion

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

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 13 and the Schedule of Employer's Share of the Net Pension Liability, the Schedule of Employer's Contributions and the Schedule of Changes in Net Pension Liability (Asset) and Related Ratios starting on page 78 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the City's basic financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Abdo Eick & Meyers, LLP*

ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
March 23, 2017

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

## Management's Discussion and Analysis

As management of the City of Maple Plain, Minnesota (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2016.

### Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$11,574,311 (*net position*). Of this amount, \$4,603,363 (*unrestricted net position*) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased \$56,977 from 2015. The decrease was the cause of an overall decrease in the enterprise funds net position..
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,598,976, an increase of \$321,920 in comparison with the prior year. Approximately 23 percent of this total amount, \$835,478, is available for spending at the City's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$985,131, or 68 percent of total 2016 General fund expenditures. The General fund balance increased \$40,824 over the prior year.
- The City's total outstanding debt increased by \$1,267,575 during the current fiscal year. This was due to a combination of scheduled bond payments and the issuance of the 2016A Bond.

## Overview of the Financial Statements

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

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

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

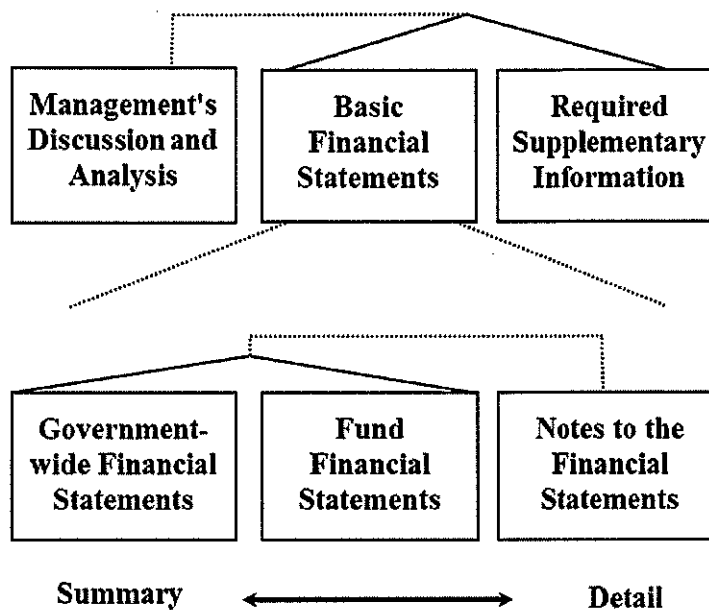


Figure 2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the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

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

	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Positions</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statements of Net Positions</li> <li>• Statements of Revenues, Expenses and Changes in Fund Net Positions</li> <li>• Statements of Cash Flows</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of in flow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation, economic development and interest on long-term debt. The business-type activities of the City include water, sewer and storm water.

The government-wide financial statements start on page 27 of this report.

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

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

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

The City maintains 10 individual governmental funds, three of which are debt service funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Fire Partnership fund, Capital Project fund and the Debt Service fund, which are considered to be major funds. Data from the other four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

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

The basic governmental fund financial statements start on page 32 of this report.

**Proprietary funds.** The City maintains one type of proprietary funds. *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, sewer and storm water operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds which are considered to be major funds of the City.

The basic proprietary fund financial statements start on page 42 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 47 of this report.

**Other information.** The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining and individual fund statements and schedules start on page 78 of this report.



## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$11,574,311 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (56 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### City of Maple Plain's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$4,066,632	\$3,919,874	\$ 146,758	\$2,715,006	\$2,247,320	\$ 467,686
Capital assets	6,314,414	5,922,953	391,461	7,956,142	7,824,908	131,234
Total assets	10,381,046	9,842,827	538,219	10,671,148	10,072,228	598,920
Deferred outflows of resources	261,827	95,379	166,448	35,111	4,889	30,222
<b>Liabilities</b>						
Noncurrent liabilities	3,959,880	3,393,058	566,822	5,095,299	4,394,546	700,753
Other liabilities	594,259	477,590	116,669	84,360	74,429	9,931
Total liabilities	4,554,139	3,870,648	683,491	5,179,659	4,468,975	710,684
Deferred inflows of resources	30,962	35,615	(4,653)	10,061	8,797	1,264
<b>Net position</b>						
Net investment in capital assets	2,707,141	2,697,751	9,390	3,731,401	3,751,106	(19,705)
Restricted	532,406	542,465	(10,059)	-	-	-
Unrestricted	2,818,225	2,791,727	26,498	1,785,138	1,848,239	(63,101)
Total net position	\$6,057,772	\$6,031,943	\$ 25,829	\$5,516,539	\$5,599,345	\$ (82,806)

The remaining balance of *unrestricted* (\$4,603,363) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City reported positive balances in all categories of net position, both for the City as a whole, as well as for its separate governmental and business-type activities. The City's net position decreased \$56,977 during the current fiscal year. The governmental activities increased net position by \$25,829 and the business-type activities decreased the net position by \$82,806.

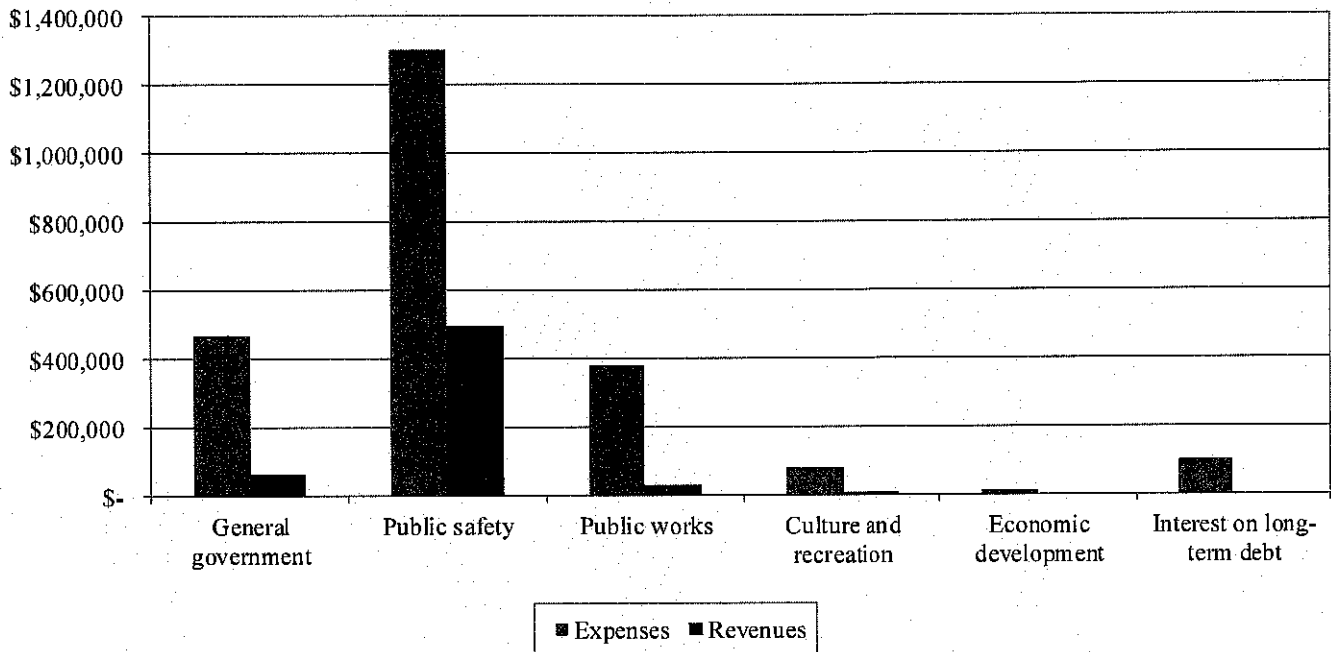
**Governmental activities.** Governmental activities increased the City's net position by \$25,829. The statement of activities starts on page 28. Key elements of these changes are as follows:

### City of Maple Plain's Changes in Net Position

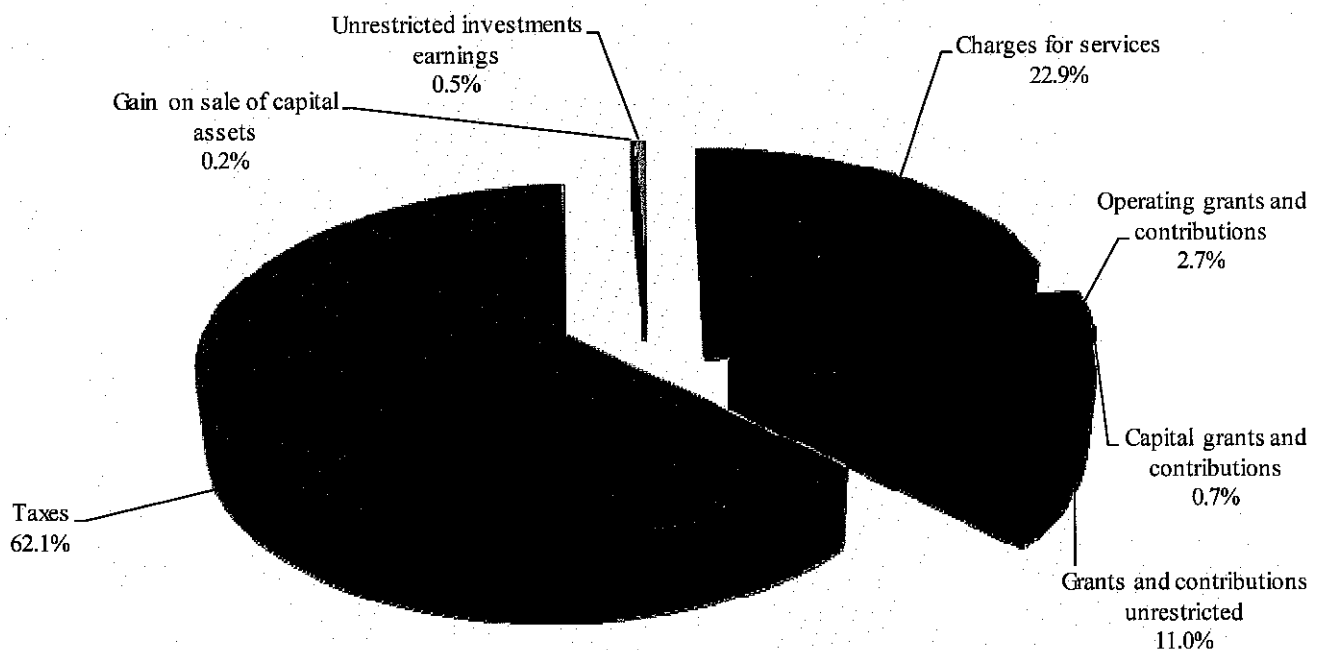
	Governmental Activities			Business-type Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 526,244	\$ 488,537	\$ 37,707	\$ 859,446	\$ 864,029	\$ (4,583)
Operating grants and contributions	61,366	42,991	18,375	-	-	-
Capital grants and contributions	15,657	579,027	(563,370)	43,027	31,809	11,218
General revenues						
Taxes	1,456,223	1,433,677	22,546	-	-	-
Grants and contributions not restricted to specific programs	252,408	251,902	506	-	-	-
Unrestricted investment earnings	10,913	11,838	(925)	6,883	5,518	1,365
Gain on sale of capital assets	3,535	-	3,535	-	-	-
<b>Total revenues</b>	<b>2,326,346</b>	<b>2,807,972</b>	<b>(481,626)</b>	<b>909,356</b>	<b>901,356</b>	<b>8,000</b>
<b>Expenses</b>						
General government	470,984	444,733	26,251	-	-	-
Public safety	1,306,399	1,417,946	(111,547)	-	-	-
Public works	379,238	463,115	(83,877)	-	-	-
Culture and recreation	83,406	116,886	(33,480)	-	-	-
Economic development	15,908	6,125	9,783	-	-	-
Interest on long-term debt	102,994	85,186	17,808	-	-	-
Water	-	-	-	457,153	392,384	64,769
Sewer	-	-	-	390,390	395,505	(5,115)
Storm sewer	-	-	-	86,207	52,318	33,889
<b>Total expenses</b>	<b>2,358,929</b>	<b>2,533,991</b>	<b>(175,062)</b>	<b>933,750</b>	<b>840,207</b>	<b>93,543</b>
<b>Increase in net position before transfers</b>	<b>(32,583)</b>	<b>273,981</b>	<b>(306,564)</b>	<b>(24,394)</b>	<b>61,149</b>	<b>(85,543)</b>
Transfer of capital assets	-	-	-	-	-	-
Transfers	58,412	59,638	(1,226)	(58,412)	(59,638)	1,226
<b>Change in net position</b>	<b>25,829</b>	<b>333,619</b>	<b>(307,790)</b>	<b>(82,806)</b>	<b>1,511</b>	<b>(84,317)</b>
<b>Net position, January 1</b>	<b>6,031,943</b>	<b>5,698,324</b>	<b>333,619</b>	<b>5,599,345</b>	<b>5,597,834</b>	<b>1,511</b>
<b>Net position, December 31</b>	<b>\$ 6,057,772</b>	<b>\$ 6,031,943</b>	<b>\$ 25,829</b>	<b>\$ 5,516,539</b>	<b>\$ 5,599,345</b>	<b>\$ (82,806)</b>

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

### Expenses and Program Revenues - Governmental Activities

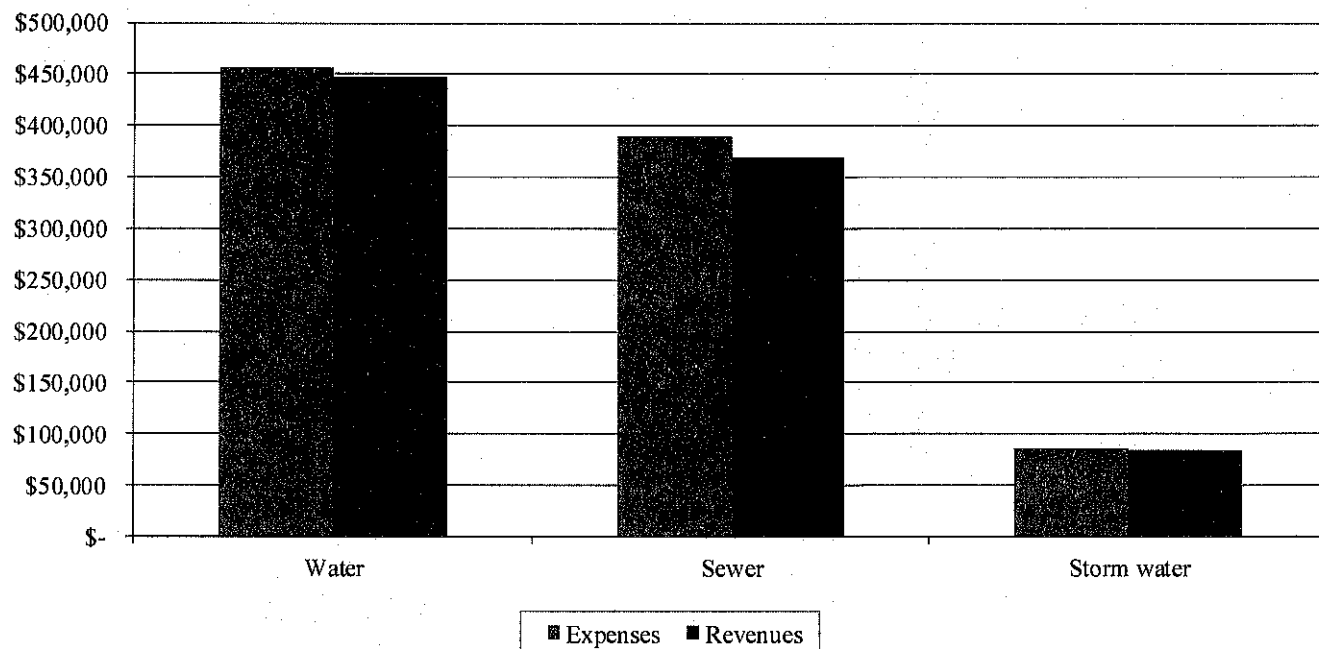


### Revenues by Source - Governmental Activities

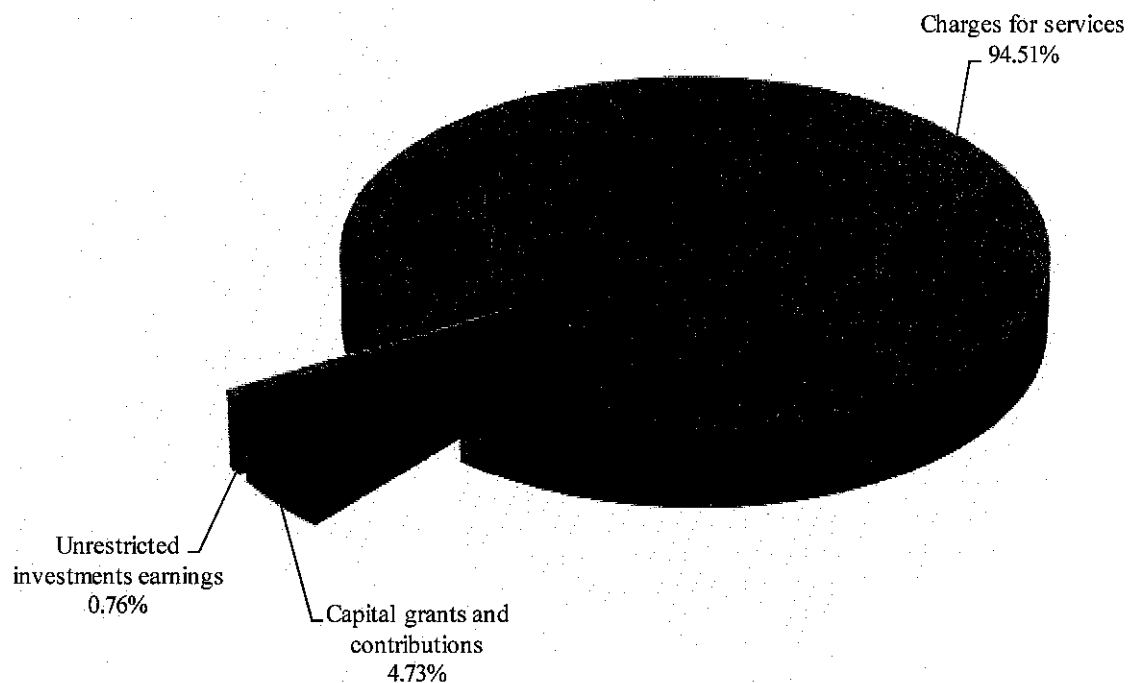


**Business-type activities.** Business-type activities decreased the City's net position by \$82,806. Key elements of this decrease are as follows:

### Expenses and Program Revenues - Business-type Activities



### Revenues by Source - Business-type Activities



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

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

**Governmental funds.** The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable* resources. Such information is useful in assessing the City's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$3,598,976. The remainder of fund balance (\$2,763,498) is not available for new spending because it is either 1) nonspendable (\$60,284) 2) restricted (\$343,230) 3) committed (\$660,312) or 4) assigned (\$1,699,672) for the purposes described in the notes to the financial statements.

The General fund is the chief operating fund of the City. At the end of the current year, the unassigned fund balance of the General fund was \$985,131. As a measure of the General fund's liquidity, it may be useful to compare total unassigned fund balance to the following years' budgeted expenditures. Total fund balance represents 58.4 percent of that same amount.

The fund balance of the City's General fund increased \$40,824 during the current fiscal year. The increase was a result of revenues in excess of expenditures.

The Fire Partnership has a total fund balance of \$596,561, an increase of \$1,456 from the prior year. The increase was a result of revenues in excess of expenditures.

The Capital Project fund has a total fund balance of \$1,402,652, an increase of \$224,701 from the prior year. The key factor of this increase were proceeds from a general obligation bond.

The Debt Service fund has a total fund balance of \$259,969, an increase of \$9,236 from the prior year. The increase was a result of revenues in excess of expenditures.

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$1,785,138. The total increase in net position for the funds was \$82,806. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

### **General Fund Budgetary Highlights**

The City's General fund budget called for no change in fund balance, but actual amounts for 2016 resulted in an increase in fund balance in the amount of \$40,824. This was mainly due to an excess of permit revenue over budget.

Overall, revenues were over the budgeted amount by \$31,456. This was due in large part to licences and permits and miscellaneous revenues being over budget by \$31,124 and \$16,461. Other items with negative budget variances include charges for services which were under budget by \$13,972.

Expenditures were \$31,058 over budget. The general government department was the main contributor to this negative variance and was over budget by \$38,000. Other services and charges for financial administration within the general government department was the largest contributor to the negative variance, which was \$19,422 over budget due to unbudgeted consulting and legal services.

### **Fire Partnership Budgetary Highlights**

The Fire Partnership budget called for an increase in fund balance of \$54,659, but actual amounts for 2016 resulted in an increase in fund balance in the amount of \$1,456. This difference was largely due to an unbudgeted expenditure towards bond principal in the amount of \$55,000. Motor vehicle expenditures were also over budgeted by \$43,113.

## Capital Asset and Debt Administration

**Capital assets.** The City's investment in capital assets for its governmental and business type activities as of December 31, 2016 amount to \$14,270,556 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, and roads and other infrastructure.

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

- The City started construction on the Budd Avenue Street and Utility Improvement project. The City spent \$997,407 in 2015.
- The City purchased and installed street signs for a total cost of \$11,059.
- The City purchased and installed technology updates for the council chambers for a total cost of \$9,085.
- The Fire Partnership purchased a new GMC truck for a total cost of \$45,695.

Additional information on the City's capital assets can be found in Note 3B starting on page 57 of this report.

### City of Maple Plain's Capital Assets (net of depreciation)

	Governmental Activities			Business-type Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Land	\$ 2,190,661	\$ 2,190,661	\$ -	\$ -	\$ -	\$ -
Construction in progress	607,851	-	607,851	389,556	-	389,556
Buildings and structures	70,366	85,627	(15,261)	-	-	-
Improvements other than buildings	967,533	1,028,812	(61,279)	-	-	-
Machinery and equipment	658,163	723,006	(64,843)	97,566	100,628	(3,062)
Infrastructure	1,819,840	1,894,847	(75,007)	7,469,020	7,724,280	(255,260)
Total	<u>\$ 6,314,414</u>	<u>\$ 5,922,953</u>	<u>\$ 391,461</u>	<u>\$ 7,956,142</u>	<u>\$ 7,824,908</u>	<u>\$ 131,234</u>

**Long-term debt.** At the end of the current fiscal year, the City had outstanding G.O. Revenue bonds of \$5,007,000, G.O. Special Assessment bonds of \$3,385,000 and G.O. bonds of \$285,000. It also had an outstanding capital lease payable totaling \$20,534.

Additional information on the City's long-term debt can be found in Note 3E starting on page 59 of this report.

### City of Maple Plain's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2016	2015	Increase (Decrease)	2016	2015	Increase (Decrease)
Notes payable	\$ 20,534	\$ 40,202	\$ (19,668)	\$ -	\$ -	\$ -
G.O. bonds	285,000	375,000	(90,000)	-	-	-
G.O. special assessment bonds	3,385,000	2,810,000	575,000	-	-	-
G.O. revenue bonds	-	-	-	5,007,000	4,353,500	653,500
Net pension liability	263,508	162,083	101,425	85,631	40,034	45,597
Compensated absences payable	5,838	5,773	65	2,668	1,012	1,656
Total	<u>\$ 3,959,880</u>	<u>\$ 3,393,058</u>	<u>\$ 566,822</u>	<u>\$ 5,095,299</u>	<u>\$ 4,394,546</u>	<u>\$ 700,753</u>

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The City's applicable outstanding debt at year end is well below the statutory limit.

### Economic Factors And Next Year's Budgets And Rates

- The City levied \$197,502 for debt services in 2016, which increased taxes for residents 1.42%
- The 2017 workplan includes:
  - Completing a Vehicle Maintenance and Capital Improvement Plan. (This will help in long-term planning)
  - Making Water and Sewer Enterprise Funds, Money making enterprise funds.
  - Identify and create a plan for unused previous bond proceeds.
- Major projects in 2017 will include:
  - Upgrade Water Treatment Plant Technology with Well number 4 going online
  - Water Towner Cleaning and Inspection
  - Parkview Road and Maple Ridge Drive Mini Street Project

### Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Clerk-Treasurer, City of Maple Plain, 5050 Independence Street, Maple Plain, MN 55359.

THIS PAGE IS LEFT BLANK  
INTENTIONALLY



**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CITY OF MAPLE PLAIN  
MAPLE PLAIN, MINNESOTA**

**FOR THE YEAR ENDED  
DECEMBER 31, 2016**

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

CITY OF MAPLE PLAIN, MINNESOTA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2016

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and temporary investments	\$ 3,580,793	\$ 1,509,318	\$ 5,090,111
Restricted cash and temporary investments	-	782,259	782,259
Receivables			
Delinquent taxes	59,144	-	59,144
Accounts	8,281	117,132	125,413
Special assessments	311,437	269,687	581,124
Due from other governments, net	43,742	-	43,742
Prepays	60,284	16,606	76,890
Inventories	-	20,004	20,004
Pension asset	2,951	-	2,951
Capital assets			
Nondepreciable	2,798,512	389,556	3,188,068
Depreciable, net of accumulated depreciation	3,515,902	7,566,586	11,082,488
<b>TOTAL ASSETS</b>	<b>10,381,046</b>	<b>10,671,148</b>	<b>21,052,194</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred pension resources	261,827	35,111	296,938
<b>LIABILITIES</b>			
Accounts payable	71,795	32,186	103,981
Accrued salaries payable	4,100	1,630	5,730
Due to other governments	13,391	367	13,758
Unearned revenue	335	-	335
Accrued interest payable	37,510	50,177	87,687
Investment in joint venture deficit	467,128	-	467,128
Noncurrent liabilities			
Due within one year	211,372	296,668	508,040
Due in more than one year	3,748,508	4,798,631	8,547,139
<b>TOTAL LIABILITIES</b>	<b>4,554,139</b>	<b>5,179,659</b>	<b>9,733,798</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred pension resources	30,962	10,061	41,023
<b>NET POSITION</b>			
Net investment in capital assets	2,707,141	3,731,401	6,438,542
Restricted for debt service	532,406	-	532,406
Unrestricted	2,818,225	1,785,138	4,603,363
<b>TOTAL NET POSITION</b>	<b>\$ 6,057,772</b>	<b>\$ 5,516,539</b>	<b>\$ 11,574,311</b>

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

CITY OF MAPLE PLAIN, MINNESOTA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 470,984	\$ 50,922	\$ 15,028	\$ -
Public safety	1,306,399	464,707	33,403	-
Public works	379,238	-	12,935	15,657
Culture and recreation	83,406	10,615	-	-
Economic development	15,908	-	-	-
Interest on long-term debt	102,994	-	-	-
Total governmental activities	2,358,929	526,244	61,366	15,657
Business-type activities				
Water	457,153	426,016	-	22,671
Sewer	390,390	351,891	-	17,191
Storm water	86,207	81,539	-	3,165
Total business-type activities	933,750	859,446	-	43,027
Total	\$ 3,292,679	\$ 1,385,690	\$ 61,366	\$ 58,684

General revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Property taxes, levied for special purpose

Grants and contributions not restricted to specific programs

Unrestricted investment earnings

Gain on sale of capital assets

Transfers

Total general revenues and transfers

Change in net position

Net position, January 1

Net position, December 31

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

Net (Expense) Revenue and  
Changes in Net Position

Governmental Activities	Business-type Activities	Total
\$ (405,034)	\$ -	\$ (405,034)
(808,289)	-	(808,289)
(350,646)	-	(350,646)
(72,791)	-	(72,791)
(15,908)	-	(15,908)
(102,994)	-	(102,994)
<u>(1,755,662)</u>	<u>-</u>	<u>(1,755,662)</u>
-	(8,466)	(8,466)
-	(21,308)	(21,308)
-	(1,503)	(1,503)
<u>-</u>	<u>(31,277)</u>	<u>(31,277)</u>
<u>(1,755,662)</u>	<u>(31,277)</u>	<u>(1,786,939)</u>
1,255,885	-	1,255,885
172,838	-	172,838
27,500	-	27,500
252,408	-	252,408
10,913	6,883	17,796
3,535	-	3,535
58,412	(58,412)	-
<u>1,781,491</u>	<u>(51,529)</u>	<u>1,729,962</u>
25,829	(82,806)	(56,977)
<u>6,031,943</u>	<u>5,599,345</u>	<u>11,631,288</u>
<u>\$ 6,057,772</u>	<u>\$ 5,516,539</u>	<u>\$ 11,574,311</u>

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

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

**FUND FINANCIAL STATEMENTS**

**CITY OF MAPLE PLAIN  
MAPLE PLAIN, MINNESOTA**

**FOR THE YEAR ENDED  
DECEMBER 31, 2016**

CITY OF MAPLE PLAIN, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016

	101	801/802/803	451
	General	Fire Partnership	Capital Project Fund
<b>ASSETS</b>			
Cash and temporary investments	\$ 1,003,704	\$ 601,539	\$ 1,448,416
Receivables			
Delinquent taxes	59,144	-	-
Accounts	8,281	-	-
Special assessments	1,490	-	-
Due from other governments	15,809	6,949	-
Prepaid items	60,284	-	-
<b>TOTAL ASSETS</b>	<b>\$ 1,148,712</b>	<b>\$ 608,488</b>	<b>\$ 1,448,416</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 24,762	\$ 1,269	\$ 45,764
Accrued salaries payable	4,002	98	-
Due to other governments	2,831	10,560	-
Unearned revenue	335	-	-
<b>TOTAL LIABILITIES</b>	<b>31,930</b>	<b>11,927</b>	<b>45,764</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - taxes	63,647	-	-
Unavailable revenue - special assessments	1,490	-	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>65,137</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCES</b>			
Nonspendable	60,284	-	-
Restricted	-	-	83,261
Committed	-	596,561	-
Assigned	6,230	-	1,319,391
Unassigned	985,131	-	-
<b>TOTAL FUND BALANCES</b>	<b>1,051,645</b>	<b>596,561</b>	<b>1,402,652</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 1,148,712</b>	<b>\$ 608,488</b>	<b>\$ 1,448,416</b>

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



Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 259,969	\$ 267,165	\$ 3,580,793
-	-	59,144
-	-	8,281
309,947	-	311,437
-	20,984	43,742
-	-	60,284
<u>\$ 569,916</u>	<u>\$ 288,149</u>	<u>\$ 4,063,681</u>
\$ -	\$ -	\$ 71,795
-	-	4,100
-	-	13,391
-	-	335
-	-	89,621
-	-	63,647
309,947	-	311,437
309,947	-	375,084
-	-	60,284
259,969	-	343,230
-	63,751	660,312
-	374,051	1,699,672
-	(149,653)	835,478
<u>259,969</u>	<u>288,149</u>	<u>3,598,976</u>
<u>\$ 569,916</u>	<u>\$ 288,149</u>	<u>\$ 4,063,681</u>

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

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

CITY OF MAPLE PLAIN, MINNESOTA  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016

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

Total fund balances - governmental	\$ 3,598,976
Governmental funds do not report a liability for equity interest in the joint venture deficit	(467,128)
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Cost of capital assets	8,602,735
Less: accumulated depreciation	(2,288,321)
Long-term assets from pensions reported in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	2,951
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
Bond principal payable	(3,670,000)
Notes payable	(20,534)
Pension liability	(263,508)
Compensated absences payable	(5,838)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are reported as unavailable revenues in the funds.	
Taxes receivable	63,647
Special assessments receivable	311,437
Governmental funds do not report long-term amounts related to pensions.	
Deferred outflows of pension resources	261,827
Deferred inflows of pension resources	(30,962)
Governmental funds do not report a liability for accrued interest until due and payable.	(37,510)
Total net position - governmental activities	<u>\$ 6,057,772</u>

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

CITY OF MAPLE PLAIN, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	101	801/802/803	451
	General	Fire Partnership	Capital Project Fund
REVENUES			
Taxes	\$ 1,271,636	\$ -	\$ -
Licenses and permits	73,044	-	-
Intergovernmental	264,643	33,403	-
Charges for services	11,778	370,489	-
Fines and forfeitures	22,078	-	-
Special assessments	1,664	-	-
Interest on investments	4,525	5	4,901
Miscellaneous	59,226	2,993	700
TOTAL REVENUES	1,708,594	406,890	5,601
EXPENDITURES			
Current			
General government	439,230	-	-
Public safety	693,260	278,551	-
Public works	202,037	-	-
Culture and recreation	55,225	-	-
Economic development	5,009	-	-
Capital outlay			
General government	9,360	-	-
Public safety	-	74,263	-
Public works	-	-	645,628
Culture and recreation	17,996	-	-
Economic development	-	-	-
Debt service			
Principal	19,669	55,000	-
Interest and other	1,769	1,155	-
Bond issuance costs	-	-	18,887
TOTAL EXPENDITURES	1,443,555	408,969	664,515
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	265,039	(2,079)	(658,914)
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	173,615
Bonds issued	-	-	710,000
Sale of capital assets	-	3,535	-
Transfers out	(224,215)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(224,215)	3,535	883,615
NET CHANGE IN FUND BALANCES	40,824	1,456	224,701
FUND BALANCES, JANUARY 1	1,010,821	595,105	1,177,951
FUND BALANCES, DECEMBER 31	\$ 1,051,645	\$ 596,561	\$ 1,402,652

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

Debt Service	Other Governmental Funds	Total Governmental Funds
\$ 142,738	\$ 27,500	\$ 1,441,874
-	-	73,044
-	2,720	300,766
-	-	382,267
-	-	22,078
29,832	-	31,496
-	1,482	10,913
-	-	62,919
<u>172,570</u>	<u>31,702</u>	<u>2,325,357</u>
-	-	439,230
-	-	971,811
-	-	202,037
-	-	55,225
-	-	5,009
-	-	9,360
-	-	74,263
-	-	645,628
-	-	17,996
-	10,899	10,899
170,000	-	244,669
77,446	-	80,370
-	-	18,887
<u>247,446</u>	<u>10,899</u>	<u>2,775,384</u>
<u>(74,876)</u>	<u>20,803</u>	<u>(450,027)</u>
84,112	24,900	282,627
-	-	710,000
-	-	3,535
-	-	(224,215)
<u>84,112</u>	<u>24,900</u>	<u>771,947</u>
9,236	45,703	321,920
<u>250,733</u>	<u>242,446</u>	<u>3,277,056</u>
<u>\$ 259,969</u>	<u>\$ 288,149</u>	<u>\$ 3,598,976</u>

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

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

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

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

Net change in fund balances - governmental funds	\$ 321,920
Governmental funds do not report income or loss in a joint venture	(137,445)
Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlay	673,690
Depreciation expense	(282,229)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	
Principal repayments	244,669
Issuance of long-term debt	(710,000)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however interest expense is recognized as the interest accrues, regardless of when it is due.	(3,737)
Long-term pension activity is not reported in governmental funds.	
Pension expense	(78,428)
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	14,349
Special assessments	(16,895)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	
Compensated absences	(65)
Change in net position - governmental activities	<u>\$ 25,829</u>

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

CITY OF MAPLE PLAIN, MINNESOTA  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
GENERAL AND FIRE PARTNERSHIP FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	General			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 1,295,985	\$ 1,295,985	\$ 1,271,636	\$ (24,349)
Licenses and permits	41,920	41,920	73,044	31,124
Intergovernmental	261,023	261,023	264,643	3,620
Charges for services	25,750	25,750	11,778	(13,972)
Fines and forfeitures	11,400	11,400	22,078	10,678
Special assessments	-	-	1,664	1,664
Interest on investments	4,000	4,000	4,525	525
Miscellaneous	37,060	37,060	59,226	22,166
TOTAL REVENUES	1,677,138	1,677,138	1,708,594	31,456
EXPENDITURES				
Current				
General government	401,230	401,230	439,230	(38,000)
Public safety	700,259	700,259	693,260	6,999
Public works	204,320	204,320	202,037	2,283
Culture and recreation	58,670	58,670	55,225	3,445
Economic development	6,580	6,580	5,009	1,571
Capital outlay				
General government	-	-	9,360	(9,360)
Public safety	-	-	-	-
Culture and recreation	20,000	20,000	17,996	2,004
Debt service				
Principal	19,669	19,669	19,669	-
Interest and other	1,769	1,769	1,769	-
TOTAL EXPENDITURES	1,412,497	1,412,497	1,443,555	(31,058)
EXCESS OF REVENUES OVER EXPENDITURES	264,641	264,641	265,039	398
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	-	-
Transfers out	(264,641)	(264,641)	(224,215)	40,426
TOTAL OTHER FINANCING SOURCES (USES)	(264,641)	(264,641)	(224,215)	40,426
NET CHANGE IN FUND BALANCES	-	-	40,824	40,824
FUND BALANCES, JANUARY 1	1,010,821	1,010,821	1,010,821	-
FUND BALANCES, DECEMBER 31	\$ 1,010,821	\$ 1,010,821	\$ 1,051,645	\$ 40,824

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



Fire Partnership

Budgeted Amounts		Actual Amounts	Variance with Final Budget
Original	Final		
\$ -	\$ -	\$ -	\$ -
-	-	-	-
18,540	18,540	33,403	14,863
363,420	363,420	370,489	7,069
-	-	-	-
-	-	-	-
-	-	5	5
-	-	2,993	2,993
<u>381,960</u>	<u>381,960</u>	<u>406,890</u>	<u>24,930</u>
-	-	-	-
302,711	302,711	278,551	24,160
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
24,590	24,590	74,263	(49,673)
-	-	-	-
-	-	55,000	(55,000)
-	-	1,155	(1,155)
<u>327,301</u>	<u>327,301</u>	<u>408,969</u>	<u>(81,668)</u>
<u>54,659</u>	<u>54,659</u>	<u>(2,079)</u>	<u>(56,738)</u>
-	-	3,535	3,535
-	-	-	-
-	-	3,535	3,535
54,659	54,659	1,456	(53,203)
<u>595,105</u>	<u>595,105</u>	<u>595,105</u>	<u>-</u>
<u>\$ 649,764</u>	<u>\$ 649,764</u>	<u>\$ 596,561</u>	<u>\$ (53,203)</u>

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

CITY OF MAPLE PLAIN, MINNESOTA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and temporary investments	\$ 1,004,174	\$ 89,514	\$ 415,630	\$ 1,509,318
Restricted cash and temporary investments	753,483	12,487	16,289	782,259
Receivables				
Accounts	56,198	48,950	11,984	117,132
Special assessments	26,170	26,096	7,479	59,745
Inventories	20,004	-	-	20,004
Prepaid items	-	16,606	-	16,606
<b>TOTAL CURRENT ASSETS</b>	<b>1,860,029</b>	<b>193,653</b>	<b>451,382</b>	<b>2,505,064</b>
<b>NONCURRENT ASSETS</b>				
Special assessments receivable	86,715	68,460	54,767	209,942
Capital assets				
Construction in progress	179,805	102,735	107,016	389,556
Equipment and machinery	-	124,689	-	124,689
Infrastructure	6,484,353	2,312,372	900,985	9,697,710
Less accumulated depreciation	(1,627,204)	(545,044)	(83,565)	(2,255,813)
<b>NET CAPITAL ASSETS</b>	<b>5,036,954</b>	<b>1,994,752</b>	<b>924,436</b>	<b>7,956,142</b>
<b>TOTAL NONCURRENT ASSETS</b>	<b>5,123,669</b>	<b>2,063,212</b>	<b>979,203</b>	<b>8,166,084</b>
<b>TOTAL ASSETS</b>	<b>6,983,698</b>	<b>2,256,865</b>	<b>1,430,585</b>	<b>10,671,148</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred pension resources	23,741	10,125	1,245	35,111
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	4,105	28,022	59	32,186
Accrued interest payable	34,118	8,421	7,638	50,177
Accrued salaries payable	1,066	564	-	1,630
Due to other governments	367	-	-	367
Compensated absences payable - current	1,601	1,067	-	2,668
Bonds payable - current	239,000	30,000	25,000	294,000
<b>TOTAL CURRENT LIABILITIES</b>	<b>280,257</b>	<b>68,074</b>	<b>32,697</b>	<b>381,028</b>

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

CITY OF MAPLE PLAIN, MINNESOTA  
STATEMENT OF NET POSITION - CONTINUED  
PROPRIETARY FUNDS  
DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
NONCURRENT LIABILITIES				
Bonds payable	\$ 3,373,000	\$ 695,000	\$ 645,000	\$ 4,713,000
Net pension liability	57,901	24,693	3,037	85,631
TOTAL NONCURRENT LIABILITIES	3,430,901	719,693	648,037	4,798,631
TOTAL LIABILITIES	3,711,158	787,767	680,734	5,179,659
DEFERRED INFLOWS OF RESOURCES				
Deferred pension resources	6,803	2,901	357	10,061
NET POSITION				
Net investment in capital assets	2,178,437	1,282,239	270,725	3,731,401
Unrestricted	1,111,041	194,083	480,014	1,785,138
TOTAL NET POSITION	\$ 3,289,478	\$ 1,476,322	\$ 750,739	\$ 5,516,539

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

CITY OF MAPLE PLAIN, MINNESOTA  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
OPERATING REVENUES				
Charges for services	\$ 425,976	\$ 351,891	\$ 81,539	\$ 859,406
OPERATING EXPENSES				
Personal services	63,394	34,228	3,690	101,312
Supplies	35,106	600	-	35,706
Repairs and maintenance	4,639	-	-	4,639
Depreciation	172,393	57,285	28,644	258,322
Professional services	31,573	214,317	2,431	248,321
Contracted services	-	53,822	23,139	76,961
Insurance	2,180	120	-	2,300
Utilities	47,512	2,159	-	49,671
Other	5,610	3,985	9,791	19,386
TOTAL OPERATING EXPENSES	362,407	366,516	67,695	796,618
OPERATING INCOME (LOSS)	63,569	(14,625)	13,844	62,788
NONOPERATING REVENUES (EXPENSES)				
Investment earnings	5,460	-	1,423	6,883
Miscellaneous	40	-	-	40
Interest expense	(75,405)	(19,097)	(16,817)	(111,319)
Bond issuance costs	(19,341)	(4,777)	(1,695)	(25,813)
TOTAL NONOPERATING REVENUES (EXPENSES)	(89,246)	(23,874)	(17,089)	(130,209)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(25,677)	(38,499)	(3,245)	(67,421)
CAPITAL CONTRIBUTIONS				
Connection fees and special assessments	22,671	17,191	3,165	43,027
TRANSFERS IN	30,600	-	-	30,600
TRANSFERS OUT	(56,002)	(33,010)	-	(89,012)
CHANGE IN NET POSITION	(28,408)	(54,318)	(80)	(82,806)
NET POSITION, JANUARY 1	3,317,886	1,530,640	750,819	5,599,345
NET POSITION, DECEMBER 31	\$ 3,289,478	\$ 1,476,322	\$ 750,739	\$ 5,516,539

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

CITY OF MAPLE PLAIN, MINNESOTA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-type Activities - Enterprise Funds			
	Water	Sewer	Storm Water	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 475,037	\$ 391,962	\$ 92,416	\$ 959,415
Payments to suppliers	(117,188)	(287,793)	(35,302)	(440,283)
Payments to employees	(55,783)	(25,187)	(1,819)	(82,789)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>302,066</b>	<b>78,982</b>	<b>55,295</b>	<b>436,343</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfer from other funds	30,600	-	-	30,600
Transfer to other funds	(56,002)	(33,010)	-	(89,012)
(Payment) receipt on interfund loan	7,563	(7,563)	-	-
<b>NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>(17,839)</b>	<b>(40,573)</b>	<b>-</b>	<b>(58,412)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Connection fees	28,789	12,676	-	41,465
Acquisition of capital assets	(179,805)	(102,735)	(107,016)	(389,556)
Proceeds from bonds issued, net of issuance costs	710,659	115,223	123,305	949,187
Principal payments on revenue bonds	(235,000)	(61,500)	(25,000)	(321,500)
Interest paid on bonds	(71,020)	(18,751)	(15,913)	(105,684)
Special assessments received	10,354	8,397	6,271	25,022
<b>NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>263,977</b>	<b>(46,690)</b>	<b>(18,353)</b>	<b>198,934</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received on investments	5,460	-	1,423	6,883
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>553,664</b>	<b>(8,281)</b>	<b>38,365</b>	<b>583,748</b>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<b>1,203,993</b>	<b>110,282</b>	<b>393,554</b>	<b>1,707,829</b>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>\$ 1,757,657</b>	<b>\$ 102,001</b>	<b>\$ 431,919</b>	<b>\$ 2,291,577</b>

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

THIS PAGE IS LEFT BLANK  
INTENTIONALLY

CITY OF MAPLE PLAIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting entity**

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

*Blended Component Unit.* The Economic Development Authority (EDA) of the City was created in 2006 pursuant to Minnesota statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment consistent with policies established by the City Council. It is comprised of the members of the City Council and two members at large with a December 31 year end. The EDA activities are blended and reported as a special revenue fund due to substantively the same governing board and the financial benefit/burden relationship. Separate financial statements are not issued for this component unit.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

**C. Measurement focus, basis of accounting, and financial statement presentation**

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

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

CITY OF MAPLE PLAIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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

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

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

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as unearned revenue.

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

The City reports the following major governmental funds:

The *General fund (101)* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Fire Partnership fund (801/802/803)* is a special revenue fund which accounts for charges for service that are committed for activities of the fire partnership agreement with the City of Independence.

The *Capital Project fund (451)* accounts for the resources accumulated and payments made for purchases of capital projects.

The *Debt Service fund (351/352/353)* accounts for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

The City reports the following major proprietary funds:

The *Water fund (601/621)* account for costs associated with the City's water system and ensures that user charges are sufficient to pay for those costs.

The *Sewer fund (602/622)* account for the costs associated with the City's sewer system and ensures that user charges are sufficient to pay for those costs.

The *Storm Water fund (603/623)* account for the costs associated with the City's storm water system and ensures that user charges are sufficient to pay for those costs.



CITY OF MAPLE PLAIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**D. Assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position/ fund balance**

***Deposits and investments***

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

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

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Earnings on investments are allocated to the individual funds based upon the average cash and investment balances.

CITY OF MAPLE PLAIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Property taxes***

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

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

***Accounts receivable***

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2016. The City annually certifies delinquent water, sewer and storm water accounts to the County for collection in the following year.

***Special assessments***

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

***Inventories***

All inventories are stated at the lower of cost or market on the first-in, first-out (FIFO) method.

***Prepaid items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

***Capital assets***

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are, reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000, or as shown below; (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. For financial statement purposes only, a capitalization threshold is established for each capital asset category as follows:

<u>Assets</u>	<u>Amount</u>
Land and land improvements	\$ 10,000
Other improvements	25,000
Buildings	25,000
Building improvements	25,000
Machinery and equipment	5,000
Vehicles	5,000
Infrastructure	100,000
Other assets	5,000

CITY OF MAPLE PLAIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

In the case of the initial capitalization of general infrastructure assets (i.e, those reported by governmental activities) the City chose to include all such items regardless of their acquisition date or amount. The City was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year). As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated fair value of the item at the date of its donation.

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

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Useful Lives in Years</u>
Land improvements	15 to 30
Other improvements	10 to 20
Buildings	20 to 40
Machinery and equipment	3 to 15
Infrastructure	20 to 60
Vehicles	3 to 15

***Deferred outflows of resources***

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

CITY OF MAPLE PLAIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**Pensions**

***Public Employees Retirement Association***

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

***Fire Relief Association***

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the defined benefit plan administered by Maple Plain Fire Department Relief Association and additions to and deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. Investments are reported at fair value.

***Compensated absences***

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Limited amounts of vacation and sick pay are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. In such an instance, the General fund would be used to liquidate the liability.

***Long-term obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. 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. Bond issuance costs are reported as an expense in the period incurred.

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

***Deferred inflows of resources***

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

CITY OF MAPLE PLAIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Fund balance***

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

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

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

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

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

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

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

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain a minimum unassigned fund balance of 60 percent of budgeted operating expenditures for cash-flow timing needs.

***Net position***

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

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted Net Position - Consists of Net Position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted Net Position - All other Net Position that do not meet the definition of "restricted" or "net investment in capital assets".

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

CITY OF MAPLE PLAIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. Budgetary information**

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund and the Fire Partnership special revenue fund. All annual appropriations lapse at fiscal year-end. The City does not use encumbrance accounting.

On or before July 1 of each year, all departments of the City submit requests for appropriations to the City Administrator so that a budget may be prepared. Before September 30, the proposed budget is presented to the City Council for review. The City Council holds public hearings and a final budget is prepared and adopted in December.

The appropriated budget is prepared by fund, function and department. The City's department heads, with the approval of the City Administrator, may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. There were no budget amendments made during 2016.

**B. Excess of expenditures over appropriations**

For the year ended December 31, 2016 expenditures exceeded appropriations in the following fund:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
General	\$ 1,412,497	\$ 1,443,555	\$ 31,058
Fire Partnership	327,301	408,969	81,668

The excess expenditures were funded by revenues in excess of expectations and available fund balance.

**C. Deficit fund equity**

The following fund had a fund balance deficit at December 31, 2016:

Fund	Amount
Major governmental	
Downtown Development	\$ 149,653

The City plans to fund this deficit with future grant funding and developer contributions.

CITY OF MAPLE PLAIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**Note 3: DETAILED NOTES ON ALL FUNDS**

**A. Deposits and investments**

*Deposits*

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

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

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At year end, the City's carrying amount of deposits was \$5,466,331 and the bank balance was \$5,633,562. Of the bank balance, \$500,000 was covered by federal depository insurance. The remaining balance was collateralized with securities held by the pledging financial institution's trust department in the City's name.

*Cash and investments summary*

A reconciliation of cash and investments as reported on the statement of net position follows:

Carrying amount of deposits	\$ 5,466,331
Investments	<u>406,039</u>
Total	<u><u>\$ 5,872,370</u></u>
Statement of Net Position	
Cash and temporary investments	\$ 5,090,111
Restricted cash and temporary investments	<u>782,259</u>
Total	<u><u>\$ 5,872,370</u></u>

CITY OF MAPLE PLAIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

***Investments***

The Minnesota Municipal Money Market Fund (the 4M Fund) is a customized cash management and investment program for Minnesota public funds. Sponsored and governed by the League of Minnesota Cities since 1987, the 4M Fund is a unique investment alternative designed to address the daily and long term investment needs of Minnesota cities and other municipal entities. Allowable under Minnesota statutes, the 4M Fund is comprised of top quality, rated investments.

The Minnesota Municipal Money Market Fund and broker money market investment pools operate in accordance with appropriate State laws and regulations. The 4M Fund is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under rule 2a7. The reported value of the pool is the same as the fair value of the pool share. Financial statements of the 4M Fund can be obtained by contracting RBC Global Asset Management at 100 South Fifth Street, Suite 2300, Minneapolis, MN 55402-1240.

At year end, the City's investment balances were as follows:

Types of Investments	Credit Quality/ Ratings	Segmented Time Distribution (1)	Amount
Investments at amortized costs			
Minnesota Municipal Money Market Fund	N/A	less than 6 months	\$ <u>406,039</u>

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

N/A Indicated not applicable or available.

The investments of the City are subject to the following risks:

- *Credit Risk.* Is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Ratings are provided by various credit rating agencies and where applicable, indicate associated credit risk. Minnesota statutes limit the City's investments to the list on page 51 of the notes.
- *Custodial Credit Risk.* The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party.
- *Concentration of Credit Risk.* Is the risk of loss attributed to the magnitude of a government's investment in a single issuer.
- *Interest Rate Risk.* Is the risk that changes in interest rates will adversely affect the fair value of an investment.

The City does not currently have a formal investment policy that addresses the above mentioned risks.



CITY OF MAPLE PLAIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**B. Capital assets**

Capital asset activity for the City for the year ended December 31, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 2,190,661	\$ -	\$ -	\$ 2,190,661
Construction in progress	-	607,851	-	607,851
Total capital assets not being depreciated	2,190,661	607,851	-	2,798,512
Capital assets being depreciated				
Buildings	545,200	-	-	545,200
Improvements other than buildings	1,175,295	-	-	1,175,295
Machinery and equipment	2,077,422	65,839	-	2,143,261
Infrastructure	1,940,467	-	-	1,940,467
Total capital assets being depreciated	5,738,384	65,839	-	5,804,223
Less accumulated depreciation				
Buildings	(459,573)	(15,261)	-	(474,834)
Improvements other than buildings	(146,483)	(61,279)	-	(207,762)
Machinery and equipment	(1,354,416)	(130,682)	-	(1,485,098)
Infrastructure	(45,620)	(75,007)	-	(120,627)
Total accumulated depreciation	(2,006,092)	(282,229)	-	(2,288,321)
Total capital assets being depreciated, net	3,732,292	(216,390)	-	3,515,902
Governmental activities capital assets, net	\$ 5,922,953	\$ 391,461	\$ -	\$ 6,314,414

CITY OF MAPLE PLAIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-type activities</b>				
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 389,556	\$ -	\$ 389,556
Capital assets being depreciated				
Machinery and equipment	124,689	-	-	124,689
Infrastructure	9,697,710	-	-	9,697,710
Total capital assets being depreciated	9,822,399	-	-	9,822,399
Less accumulated depreciation for				
Machinery and equipment	(24,061)	(3,062)	-	(27,123)
Infrastructure	(1,973,430)	(255,260)	-	(2,228,690)
Total accumulated depreciation	(1,997,491)	(258,322)	-	(2,255,813)
Total capital assets being depreciated, net	7,824,908	(258,322)	-	7,566,586
Business-type activities capital assets, net	<u>\$ 7,824,908</u>	<u>\$ 131,234</u>	<u>\$ -</u>	<u>\$ 7,956,142</u>

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

<b>Governmental activities</b>	
General government	\$ 24,603
Public safety	98,668
Public works	138,153
Culture and recreation	20,805
Total depreciation expense - governmental activities	<u>\$ 282,229</u>
<b>Business-type activities</b>	
Water	\$ 172,393
Sewer	57,285
Storm Water	28,644
Total depreciation expense - business-type activities	<u>\$ 258,322</u>

CITY OF MAPLE PLAIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**C. Interfund transfers**

The composition of interfund transfers for the year ended December 31, 2016 is as follows:

Fund	Transfers in				Total
	Capital Project	Debt Service	Other Governmental Funds	Water	
Transfers out					
General	\$ 173,615	\$ -	\$ 20,000	\$ 30,600	\$ 224,215
Water	-	53,202	2,800	-	56,002
Sewer	-	30,910	2,100	-	33,010
Total	<u>\$ 173,615</u>	<u>\$ 84,112</u>	<u>\$ 24,900</u>	<u>\$ 30,600</u>	<u>\$ 313,227</u>

The City annually budgets for transfers between funds. These annual budgeted transfers are made to cover administrative fees, fund certain capital improvement projects, and debt service.

**D. Operating lease**

On October 16, 2014, the city entered into a building lease agreement with the Orono Independent School District No. 278 for the period of October 1, 2014 through October 31, 2019. The leased premises consist of City Office Space and Council Chambers. The monthly rent on October 1, 2014 was \$2,621.25. Each October 1 of the next four years (2015, 2016, 2017, 2018) rent shall increase 2.0 percent from the original year's base. Lease expense for 2016 was \$32,190.

Future minimum lease payments are as follows:

Year Ending December 31,	Amount
2017	\$ 32,870
2018	33,500
2019	<u>25,479</u>
Total	<u>\$ 91,849</u>

**E. Long-term debt**

General obligation bonds

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

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds of 2013	\$ 355,000	0.6 - 2.80 %	9/19/13	2/1/23	<u>\$ 285,000</u>

CITY OF MAPLE PLAIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

Annual requirement to maturity for general obligation bonds are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2017	\$ 40,000	\$ 5,580	\$ 45,580
2018	40,000	5,070	45,070
2019	40,000	4,430	44,430
2020	40,000	3,660	43,660
2021	40,000	2,770	42,770
2022 - 2023	85,000	2,410	87,410
Total	<u>\$ 285,000</u>	<u>\$ 23,920</u>	<u>\$ 308,920</u>

General obligation special assessment bonds

The following bonds were used to finance infrastructure improvements. They will be repaid with ad valorem taxes, special assessments levied against the properties. The bonds are backed by the full faith and credit of the City.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds of 2012	\$ 1,465,000	2.00 - 2.60 %	7/24/12	2/1/28	\$ 1,240,000
G.O. Improvement Bonds of 2014	1,495,000	2.00 - 3.375	6/25/14	2/1/35	1,435,000
G.O. Improvement Bonds of 2016	710,000	1.00 - 3.00	7/28/16	2/1/37	710,000
Total G.O. Special Assessment Bonds					<u>\$ 3,385,000</u>

Annual requirement to maturity for general obligation special assessment bonds are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2017	\$ 145,000	\$ 82,290	\$ 227,290
2018	180,000	79,070	259,070
2019	185,000	75,720	260,720
2020	190,000	72,270	262,270
2021	200,000	68,633	268,633
2022 - 2026	1,055,000	272,515	1,327,515
2027 - 2031	815,000	142,273	957,273
2032 - 2036	570,000	45,356	615,356
2037	45,000	675	45,675
Total	<u>\$ 3,385,000</u>	<u>\$ 838,802</u>	<u>\$ 4,223,802</u>

CITY OF MAPLE PLAIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

G.O. revenue bonds

The City issued G.O. revenue bonds for business-type activities to provide funds for the acquisition and construction of major capital facilities. These bonds are reported in the proprietary funds since they are expected to be repaid from proprietary fund revenues.

The following bonds were issued to finance capital improvements in the enterprise funds. They will be repaid from future revenues pledged from the Water and Sewer funds and are backed by the taxing power of the City. Annual principal and interest payments on the bonds are expected to require over 69 and 20 percent of revenues from the Water and Sewer funds, respectively. For 2016, principal and interest paid and total customer revenues for the Water fund were \$306,020 and \$425,976, respectively. For 2016, principal and interest paid and total customer revenues for the Sewer fund were \$80,024 and \$351,891, respectively.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Water Revenue Note of 2007	\$ 3,468,767	2.15 %	7/9/07	8/20/26	2,027,000
G.O. Improvement Bonds of 2013	655,000	0.6 - 4.0	9/19/13	2/1/28	560,000
G.O. Improvement Bonds of 2014	1,505,000	2.00 - 3.375	6/25/14	2/1/35	1,445,000
G.O. Improvement Bonds of 2016	975,000	1.00 - 3.00	7/28/16	2/1/37	975,000
Total G.O. Revenue Bonds					<u>\$ 5,007,000</u>

Annual requirement to maturity for G.O. revenue bonds are as follows:

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2017	\$ 294,000	\$ 119,383	\$ 413,383
2018	343,000	113,187	456,187
2019	347,000	106,665	453,665
2020	356,000	99,828	455,828
2021	365,000	92,591	457,591
2022 - 2026	1,857,000	335,611	2,192,611
2027 - 2031	720,000	157,238	877,238
2032 - 2036	660,000	55,916	715,916
2037	65,000	975	65,975
Total	<u>\$ 5,007,000</u>	<u>\$ 1,081,394</u>	<u>\$ 6,088,394</u>

CITY OF MAPLE PLAIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

Notes payable

The following notes payable were issued to purchase a lot and building for redevelopment purposes:

Description	Original Asset Amount	Interest Rate	Issue Date	Maturity Date	Balance at Year End
5220 Main Street	\$ 169,000	4.40 %	8/22/07	11/1/17	<u>\$ 20,534</u>

Annual requirement to maturity for notes payable is as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2017	<u>\$ 20,534</u>	<u>\$ 903</u>	<u>\$ 21,437</u>

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2016, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Bonds payable					
G.O. bonds	\$ 375,000	\$ -	\$ (90,000)	\$ 285,000	\$ 40,000
G.O. special assessment bonds	2,810,000	710,000	(135,000)	3,385,000	145,000
Total bonds payable	3,185,000	710,000	(225,000)	3,670,000	185,000
Notes payable	40,202	-	(19,668)	20,534	20,534
Net pension liability	162,083	133,968	(32,543)	263,508	-
Compensated absences payable	5,773	15,506	(15,441)	5,838	5,838
Governmental activities long-term liabilities	<u>\$ 3,393,058</u>	<u>\$ 859,474</u>	<u>\$ (292,652)</u>	<u>\$ 3,959,880</u>	<u>\$ 211,372</u>
<b>Business-type activities</b>					
Bonds payable					
G.O. revenue bonds	\$ 4,353,500	\$ 975,000	\$ (321,500)	\$ 5,007,000	\$ 294,000
Net pension liability	40,034	49,563	(3,966)	85,631	-
Compensated absences payable	1,012	2,717	(1,061)	2,668	2,668
Business-type activities long-term liabilities	<u>\$ 4,394,546</u>	<u>\$ 1,027,280</u>	<u>\$ (326,527)</u>	<u>\$ 5,095,299</u>	<u>\$ 296,668</u>

CITY OF MAPLE PLAIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**F. Fund balance classifications**

The following is a summary of the components of fund balance:

	General	Fire Partnership	Capital Project Fund	Debt Service Fund	Other Governmental Funds	Total
Nonspendable						
Prepaid items	<u>\$ 60,284</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,284</u>
Restricted for						
Debt service	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 259,969</u>	<u>\$ -</u>	<u>\$ 259,969</u>
Capital projects	<u>-</u>	<u>-</u>	<u>83,261</u>	<u>-</u>	<u>-</u>	<u>83,261</u>
Total Restricted	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,261</u>	<u>\$ 259,969</u>	<u>\$ -</u>	<u>\$ 343,230</u>
Committed to						
Fire protection services	<u>\$ -</u>	<u>\$ 596,561</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 596,561</u>
Economic development	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,751</u>	<u>63,751</u>
Total Committed	<u>\$ -</u>	<u>\$ 596,561</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 63,751</u>	<u>\$ 660,312</u>
Assigned to						
Street improvements 250	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,375</u>	<u>\$ 11,375</u>
Equipment 501	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>362,676</u>	<u>362,676</u>
Capital projects 451	<u>-</u>	<u>-</u>	<u>1,319,391</u>	<u>-</u>	<u>-</u>	<u>1,319,391</u>
Special projects 110	<u>6,230</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,230</u>
Total Assigned	<u>\$ 6,230</u>	<u>\$ -</u>	<u>\$ 1,319,391</u>	<u>\$ -</u>	<u>\$ 374,051</u>	<u>\$ 1,699,672</u>
Unassigned	<u>\$ 985,131</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (149,653)</u>	<u>\$ 835,478</u>
Total	<u>\$ 1,051,645</u>	<u>\$ 596,561</u>	<u>\$ 1,402,652</u>	<u>\$ 259,969</u>	<u>\$ 288,149</u>	<u>\$ 3,598,976</u>

CITY OF MAPLE PLAIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE**

**A. Plan description**

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

General Employees Retirement Fund (GERF)

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

**B. Benefits provided**

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

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

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

GERF benefits

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

**C. Contributions**

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

GERF contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.25 percent, respectively, of their annual covered salary in calendar year 2016. The City was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2016. The City's contributions to the GERF for the years ending December 31, 2016, 2015 and 2014 were \$19,011, \$17,983 and \$17,229, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.



CITY OF MAPLE PLAIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED**

**D. Pension costs**

GERF pension costs

At December 31, 2016, the City reported a liability of \$349,139 for its proportionate share of the GERF's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015 through June 30, 2016 relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportion was 0.0043 percent which was a 0.0004 percent increase from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$44,474 for its proportionate share of GERF's pension expense.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,162	\$ 30,203
Changes in actuarial assumptions	75,421	-
Net difference between projected and actual earnings on plan investments	40,734	-
Changes in proportion	16,603	10,820
Contributions to GERF subsequent to the measurement date	9,236	-
Total	<u>\$ 143,156</u>	<u>\$ 41,023</u>

Deferred outflows of resources totaling \$9,236 related to pensions resulting from the City's contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

2017	\$ 24,262
2018	17,032
2019	38,991
2020	12,612

CITY OF MAPLE PLAIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED**

**E. Actuarial assumptions**

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Active member payroll growth	3.25% per year
Investment rate of return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2014 tables for GERP males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1 percent per year for all future years for the GERP and PEPFF.

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

The following changes in actuarial assumptions occurred in 2016:

GERP

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

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Domestic stocks	45.00 %	5.50 %
International stocks	15.00	6.00
Bonds	18.00	1.45
Alternative assets	20.00	6.40
Cash	2.00	0.50
Total	<u>100.00 %</u>	

CITY OF MAPLE PLAIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED**

**F. Discount rate**

The discount rate used to measure the total pension liability was 7.5 percent, a reduction from the 7.9 percent used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota statutes. Based on these assumptions, the fiduciary net position of the GERP was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**G. Pension liability sensitivity**

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

	City Proportionate Share of NPL		
	1 Percent		1 Percent
	Decrease (6.50%)	Current (7.50%)	Increase (8.50%)
GERF	\$ 495,880	\$ 349,139	\$ 228,263

**H. Pension plan fiduciary net position**

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

**I. Defined contribution plan**

Elected officials of the City of Maple Plain are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP is a tax qualified plan under section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota statutes, chapter 353D.03, specify the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and twenty-five hundredths of one percent of the assets in each member's account annually.

The City's contributions to the PEDCP for the years ended December 31, 2016, 2015 and 2014 were \$207, \$231, and \$250, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statutes.

CITY OF MAPLE PLAIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**Note 5: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF ASSOCIATION**

**A. Plan description**

All members of the Maple Plain Fire Department (the Department) are covered by a defined benefit plan administered by the Maple Plain Fire Department Relief Association (the Association). As of December 31, 2015, the plan covered 27 active firefighters and 3 vested terminated fire fighters whose pension benefits are deferred. The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

The Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (chapter 261 as amended by chapter 509 of Minnesota statutes 1980). Funds are also derived from investment income.

**B. Benefits provided**

A fire fighter is entitled to a full service pension upon retirement at the later of age 50 or after completion of 20 years of service.

The bylaws of the Association also provide for an early vested service pension for a retiring member who has completed fewer than 20 years of service. Members who retire with less than 20 years of service and have reached the age of 50 years and have completed at least 10 years of active membership are entitled to a reduced service pension which will be reduced by 4 percent for each year of service less than 20 years.

**C. Contributions**

Minnesota statutes, chapters 424 and 424A authorize pension benefits for volunteer fire relief associations. The plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota statutes and voluntary City contributions (if applicable). The State of Minnesota contributed \$24,714 and \$25,797 in 2016 and 2015, respectively, in fire state aid to the plan on behalf of the City Fire Department, which was recorded as a revenue within the City's financial statements. The City's statutorily-required contributions to the plan for the years ended December 31, 2016 and 2015 were \$31,851 and \$25,131, respectively. The City's contributions were equal to the required contributions as set by Minnesota statute. The City made no voluntary contributions to the plan.

**D. Pension costs**

At December 31, 2016, the City reported a net pension asset of \$2,951 for the plan. The net pension asset was measured as of December 31, 2015. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by Hildi Incorporated applying an actuarial formula to specific census data certified by the Department as of December 31, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$101,815.

CITY OF MAPLE PLAIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**Note 5: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF ASSOCIATION - CONTINUED**

At December 31, 2016, the City reported deferred outflows of resources and its contributions subsequent to the measurement date related to pension from the following sources:

	Deferred Outflows of Resources
Net difference between projected and actual earnings on plan investments	\$ 97,217
Contributions to plan subsequent to the measurement date	<u>56,565</u>
Total	<u>\$ 153,782</u>

Deferred outflows of resources totaling \$56,565 related to pensions resulting from the City's contributions to the plan subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources related to the plan will be recognized in pension expense as follows:

2017	\$ 25,846
2018	25,846
2019	25,843
2020	19,682

**E. Actuarial assumptions**

The total pension liability at December 31, 2015 was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.5% per year
Active member payroll growth	3.25% per year
Investment rate of return	7.50%

There were no changes in actuarial assumptions in 2016.

The 5.00 percent long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using the plan's target investment allocation along with long-term return expectations by asset class. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

CITY OF MAPLE PLAIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**Note 5: DEFINED BENEFIT PENSION PLANS - FIRE RELIEF ASSOCIATION - CONTINUED**

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Cash and equivalents	10.00 %	2.00 %
Fixed income	51.00	3.50
Domestic equity	38.00	7.50
Other	1.00	6.50
Total	<u>100.00 %</u>	

**F. Discount rate**

The discount rate used to measure the total pension liability was 5.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions to the plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**G. Pension asset sensitivity**

The following presents the City's net pension asset for the plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's net pension asset would be if it were calculated using a discount rate 1 percent lower or 1 percent higher than the current discount rate:

	1 Percent Decrease (4.00%)	Current (5.00%)	1 Percent Increase (6.00%)
Defined benefit plan	\$ (18,080)	\$ 2,951	\$ 23,637

**H. Pension plan fiduciary net position**

The Association issues a publicly available financial report. The report may be obtained by writing to the Maple Plain Fire Department Relief Association, 5050 Independence Street, Maple Plain, MN 55359.

CITY OF MAPLE PLAIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**Note 6: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS**

**Joint ventures**

***West Hennepin Public Safety Department***

In 1995, the Cities of Maple Plain and Independence, Minnesota, formed the West Hennepin Public Safety Department (the "Department"). The City participates in a joint powers agreement, which establishes the Department for the purpose of providing police protection within the two communities. The agreement creates a Board of Commissioners (the Board), composed of representatives from each member city, consisting of four members. The Board exercises legislative authority and determines all matters of policy. The Board appoints personnel responsible for the proper administration of all affairs relating to the Department's activities. The Board must, on or before August 15<sup>th</sup> each year, prepare and submit a detailed budget of the Department's needs for the next calendar year to the governing body of each city in the Department with a statement of the proportion of the budget to be provided by each city. The governing body of each city in the Department shall review and approve the budget by November 1st.

The following financial information is taken from the Department's audited financial statements for the year ended December 31, 2016:

Total assets and deferred outflows of resources	\$ 3,439,634
Total liabilities and deferred inflows of resources	4,813,539
Total net position	(1,373,905)
Total revenue	1,750,889
Total expense	2,155,138

The City's equity interest and its share of the net income (loss) of the Department are added to the value of the "Investment in Joint Venture deficit" in the government-wide financial statement under governmental activities. As of December 31, 2016 the amount reported as investment in joint venture deficit was \$467,128.

According to a formula in the agreement, the City's share of the Department's budget is approximately 34 percent. Payments to the Department in 2016 totaled \$483,694. The Department's financial statements for the period ending December 31, 2016 are available at the City's Municipal Center.

***Maple Plain-Independence Fire Services Partnership***

On December 31, 2002 the Maple Plain-Independence Fire Services Partnership (the "Fire Partnership") was established under a joint powers agreement among the Cities of Maple Plain and Independence to provide fire protection in the fire service area of the two cities. Maple Plain is considered the managing partner.

The governing body consists of a 5 member Board. Two individuals, the Mayor and another City Council Member from each City, are appointed by their respective City Council to serve on the Board and the fire chief is also a member of the Board. The Fire Partnership does not have any component units.

As provided for in the joint powers agreement, in the event of termination, all real and personal property and cash held by the Fire Partnership would be divided among the members. The managing partner shall, at its sole discretion either sell the capital assets and distribute the net proceeds from the sale to each partner based on the partner's partnership interest or purchase the partnership interest Independence has in any capital assets of the partnership.

The governmental fund financial activity of the Fire Partnership are currently reported in a special revenue fund in the basic financial statements and the capital assets and related long-term liabilities are recorded within the governmental activities in the statement of net position. The City contributed \$178,076 to the Fire Partnership in 2016. The City of Independence holds a 52.65 percent equity interest in the Fire Partnership.

CITY OF MAPLE PLAIN, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**Note 6: JOINT VENTURES AND JOINTLY GOVERNED ORGANIZATIONS - CONTINUED**

**Jointly governed organizations**

***Pioneer-Sarah Creek Watershed Management Commission***

The Pioneer-Sarah Creek Watershed Management Commission is a joint powers watershed management organization formed under Minnesota statutes 103B.201-103B.255 and Minnesota Rules Chapter 8410. The Pioneer-Sarah Creek watershed covers about 70.5 square miles in northwestern Hennepin County. The six cities in the watershed jointly manage the water resources in this area through the Commission. The member cities are Maple Plain, Loretto, Independence, Medina, Minnetrista and Greenfield. The goal of the Commission is to enhance the water quality of the water resources within the watershed. The Commission seeks to carry out this goal through public information and education, analysis of the causes of harmful impacts on the water resources, regulation of the use of water bodies and their beds, regulation of land use, and capital improvement projects.

The City remitted \$9,791 to the Commission in 2016. The contribution was reported in the City's Storm Water fund.

Complete financial statements can be obtained at the Commission's web site: <http://pioneersarahcreek.org>.

**Note 7: OTHER INFORMATION**

**A. Risk management**

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

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

**B. Legal debt margin**

The City's statutory debt limit is computed as 3 percent of the taxable market value of property within the City. Long-term debt issued and financed partially or entirely by special assessments or the net revenues of enterprise fund operations is excluded from the debt limit computation. The City's applicable debt does not exceed the limit.

**C. Concentrations**

The City receives a significant amount of its annual General fund revenue from the State of Minnesota from the Local Government Aid (LGA). The amount received in 2016 was \$251,473. This accounted for 15 percent of General fund revenues.



**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF MAPLE PLAIN  
MAPLE PLAIN, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2016

CITY OF MAPLE PLAIN, MINNESOTA  
REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2016

**Schedule of employer's share of PERA net pension liability - General Employees Retirement Fund**

Required Supplementary Information							
Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/16	0.0043 %	\$ 349,139	\$ -	\$ 349,139	\$ 271,311	128.7 %	68.9 %
06/30/15	0.0039	202,117	-	202,117	228,314	88.5	78.2

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

**Schedule of employer's PERA contributions - General Employees Retirement Fund**

Required Supplementary Information				
Year Ending	Contributions in Relation to the			Contributions as a Percentage of Covered Payroll (b/c)
	Statutorily Required Contribution (a)	Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	
12/31/16	\$ 19,011	\$ 19,011	\$ -	7.5 %
12/31/15	17,983	17,983	-	7.5

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

CITY OF MAPLE PLAIN, MINNESOTA  
REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED  
DECEMBER 31, 2016

**Schedule of changes in the Fire Relief Association's net pension liability (asset) and related ratios**

	<u>2016</u>	<u>2015</u>
<b>Total pension liability</b>		
Service cost	\$ 37,413	\$ 36,500
Interest	43,559	39,747
Plan changes	<u>72,040</u>	<u>-</u>
<b>Net change in total pension liability</b>	153,012	76,247
<b>Total pension liability - January 1</b>	<u>871,180</u>	<u>794,933</u>
 <b>Total pension liability - December 31 (a)</b>	 <u><u>\$1,024,192</u></u>	 <u><u>\$ 871,180</u></u>
 <b>Plan fiduciary net position</b>		
Contributions - employer	\$ 26,520	\$ 25,750
Contributions - state	24,408	17,098
Net investment income	(46,020)	18,371
Administrative expense	<u>-</u>	<u>(2,850)</u>
<b>Net change in plan fiduciary net position</b>	4,908	58,369
<b>Plan fiduciary net position - January 1</b>	<u>1,022,235</u>	<u>963,866</u>
 <b>Plan fiduciary net position - December 31 (b)</b>	 <u><u>\$ 1,027,143</u></u>	 <u><u>\$ 1,022,235</u></u>
 <b>Fire Relief's net pension liability (asset) - December 31 (a-b)</b>	 <u><u>\$ (2,951)</u></u>	 <u><u>\$ (151,055)</u></u>
 <b>Plan fiduciary net position as a percentage of the total pension liability (b/a)</b>	 100.29%	 117.34%
 <b>Covered-employee payroll</b>	 N/A	 N/A
 <b>Fire Relief's net pension liability (asset) as a percentage of covered-employee payroll</b>	 N/A	 N/A

**Notes to Schedule:**

*Benefit changes.* In 2015, the benefit terms were modified to base public safety employee pensions on a final three-year average salary instead of a final five-year average salary. In 2016, the benefit lee increased from \$2,400 to \$2,600.

*Changes of assumptions.* In 2015, amounts reported as changes of assumptions resulted primarily from adjustments to expected retirement ages of general employees. In 2015, amounts reported as changes of assumptions resulted primarily from adjustments to expected retirement ages of public safety employees. In 2015, amounts reported as changes of assumptions resulted primarily from adjustments to assumed life expectancies as a result of adopting the RP-2000 Healthy Annuitant Mortality Table for purposes of developing mortality rates.

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

CITY OF MAPLE PLAIN, MINNESOTA  
REQUIRED SUPPLEMENTARY INFORMATION - CONTINUED  
DECEMBER 31, 2016

**Schedule of employer's Fire Relief Association contributions**

Year Ending	Actuarial Determined Contribution (a)	Actual Contributions Paid (b)	Contribution Deficiency (Excess) (a-b)
12/31/16	\$ 56,565	\$ 56,565	\$ -
12/31/15	52,317	52,317	-
12/31/14	42,849	42,849	-

**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS AND SCHEDULES**

**CITY OF MAPLE PLAIN  
MAPLE PLAIN, MINNESOTA**

**FOR THE YEAR ENDED  
DECEMBER 31, 2016**

CITY OF MAPLE PLAIN, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2016

	Special Revenue Economic Development	Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and temporary investments	\$ 63,751	\$ 203,414	\$ 267,165
Due from other governments	<u>-</u>	<u>20,984</u>	<u>20,984</u>
 TOTAL ASSETS	 <u>\$ 63,751</u>	 <u>\$ 224,398</u>	 <u>\$ 288,149</u>
FUND BALANCES			
Committed	\$ 63,751	\$ -	\$ 63,751
Assigned	-	374,051	374,051
Unassigned	<u>-</u>	<u>(149,653)</u>	<u>(149,653)</u>
 TOTAL FUND BALANCES	 <u>\$ 63,751</u>	 <u>\$ 224,398</u>	 <u>\$ 288,149</u>

CITY OF MAPLE PLAIN, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2016

	Special Revenue Economic Development	Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Taxes	\$ 27,500	\$ -	\$ 27,500
Intergovernmental	-	2,720	2,720
Interest on investments	-	1,482	1,482
TOTAL REVENUES	27,500	4,202	31,702
EXPENDITURES			
Capital outlay			
Economic development	-	10,899	10,899
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	27,500	(6,697)	20,803
OTHER FINANCING SOURCES			
Transfers in	-	24,900	24,900
NET CHANGE IN FUND BALANCES	27,500	18,203	45,703
FUND BALANCES, JANUARY 1	36,251	206,195	242,446
FUND BALANCES, DECEMBER 31	<u>\$ 63,751</u>	<u>\$ 224,398</u>	<u>\$ 288,149</u>

CITY OF MAPLE PLAIN, MINNESOTA  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2016

	<b>250</b> Street Improvement	<b>452</b> Downtown Development	<b>501</b> Equipment Capital	Total
ASSETS				
Cash and temporary investments	\$ 11,375	\$ (170,637)	\$ 362,676	\$ 203,414
Due from other governments	-	20,984	-	20,984
	<u>-</u>	<u>20,984</u>	<u>-</u>	<u>20,984</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 11,375</u></u>	<u><u>\$ (149,653)</u></u>	<u><u>\$ 362,676</u></u>	<u><u>\$ 224,398</u></u>
FUND BALANCES				
Assigned for				
Street improvements	\$ 11,375	\$ -	\$ -	\$ 11,375
Equipment	-	-	362,676	362,676
Unassigned	-	(149,653)	-	(149,653)
	<u>-</u>	<u>(149,653)</u>	<u>-</u>	<u>(149,653)</u>
<b>TOTAL FUND BALANCES</b>	<u><u>\$ 11,375</u></u>	<u><u>\$ (149,653)</u></u>	<u><u>\$ 362,676</u></u>	<u><u>\$ 224,398</u></u>



CITY OF MAPLE PLAIN, MINNESOTA  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2016

	250 Street Improvement	452 Downtown Development	501 Equipment Capital	Total
REVENUES				
Intergovernmental	\$ -	\$ 2,720	\$ -	\$ 2,720
Interest on investments	-	-	1,482	1,482
	<u>-</u>	<u>-</u>	<u>1,482</u>	<u>1,482</u>
TOTAL REVENUES	-	2,720	1,482	4,202
EXPENDITURES				
Capital outlay				
Economic development	-	10,899	-	10,899
	<u>-</u>	<u>10,899</u>	<u>-</u>	<u>10,899</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(8,179)	1,482	(6,697)
OTHER FINANCING SOURCES				
Transfers in	-	-	24,900	24,900
	<u>-</u>	<u>-</u>	<u>24,900</u>	<u>24,900</u>
NET CHANGE IN FUND BALANCES	-	(8,179)	26,382	18,203
FUND BALANCES, JANUARY 1	<u>11,375</u>	<u>(141,474)</u>	<u>336,294</u>	<u>206,195</u>
FUND BALANCES, DECEMBER 31	<u>\$ 11,375</u>	<u>\$ (149,653)</u>	<u>\$ 362,676</u>	<u>\$ 224,398</u>

CITY OF MAPLE PLAIN, MINNESOTA  
GENERAL FUND  
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - CONTINUED ON THE FOLLOWING PAGES  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(With comparative actual amounts for the year ended December 31, 2015)

	2016			2015	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Taxes					
General property	\$ 1,295,985	\$ 1,295,985	\$ 1,271,636	\$ (24,349)	\$ 1,285,935
Licenses and permits					
Business	13,420	13,420	17,770	4,350	19,709
Nonbusiness	28,500	28,500	55,274	26,774	19,397
Total	41,920	41,920	73,044	31,124	39,106
Intergovernmental					
State					
Local government aid	251,473	251,473	251,473	-	251,371
PERA aid	940	940	935	(5)	935
County					
Other county grants	8,610	8,610	12,235	3,625	7,181
Total	261,023	261,023	264,643	3,620	259,487
Charges for services					
General government	-	-	1,163	1,163	5,195
Culture and recreation	25,750	25,750	10,615	(15,135)	35,524
Total	25,750	25,750	11,778	(13,972)	40,719
Fines and forfeitures	11,400	11,400	22,078	10,678	15,014
Special assessments	-	-	1,664	1,664	1,334
Interest on investments	4,000	4,000	4,525	525	5,309
Miscellaneous					
Contributions and donations	-	-	-	-	3,800
Rents and royalties	30,660	30,660	29,953	(707)	35,700
Other	6,400	6,400	29,273	22,873	18,251
Total	37,060	37,060	59,226	22,166	57,751
TOTAL REVENUES	1,677,138	1,677,138	1,708,594	31,456	1,704,655

CITY OF MAPLE PLAIN, MINNESOTA  
GENERAL FUND  
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(With comparative actual amounts for the year ended December 31, 2015)

	2016				2015
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
EXPENDITURES					
Current					
General government					
Mayor and Council					
Personal services	\$ 28,700	\$ 28,700	\$ 23,597	\$ 5,103	\$ 25,021
Other services and charges	22,900	22,900	36,242	(13,342)	23,629
Total	51,600	51,600	59,839	(8,239)	48,650
Financial administration					
Personal services	170,580	170,580	159,056	11,524	181,832
Supplies	4,680	4,680	3,106	1,574	4,188
Other services and charges	67,920	67,920	87,342	(19,422)	63,950
Total	243,180	243,180	249,504	(6,324)	249,970
Elections					
Other services and charges	5,750	5,750	7,175	(1,425)	758
Recording and reporting					
Other services and charges	3,200	3,200	1,233	1,967	2,187
Assessing					
Other services and charges	16,050	16,050	15,500	550	17,244
Legal					
Other services and charges	28,000	28,000	44,272	(16,272)	29,270
Planning and zoning					
Other services and charges	20,000	20,000	24,695	(4,695)	18,830
General government buildings					
Supplies	-	-	1,175	(1,175)	-
Other services and charges	33,450	33,450	35,837	(2,387)	55,282
Total	33,450	33,450	37,012	(3,562)	55,282
Total general government	401,230	401,230	439,230	(38,000)	422,191
Public safety					
Police					
Other services and charges	506,524	506,524	501,329	5,195	503,568

CITY OF MAPLE PLAIN, MINNESOTA  
GENERAL FUND  
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(With comparative actual amounts for the year ended December 31, 2015)

	2016			2015
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final		
EXPENDITURES - CONTINUED				
Current - continued				
Public safety - continued				
Fire				
Other services and charges	\$ 178,075	\$ 178,075	\$ 178,076	\$ 188,315
Building inspection				
Other services and charges	14,850	14,850	12,578	7,177
Civil defense				
Other services and charges	540	540	1,277	527
Animal control				
Other services and charges	270	270	-	-
Total public safety	700,259	700,259	693,260	699,587
Public works				
Streets and alleys				
Personal services	102,300	102,300	100,206	88,680
Supplies	18,710	18,710	16,528	20,009
Other services and charges	45,810	45,810	62,155	68,539
Total	166,820	166,820	178,889	177,228
Street lighting				
Other services and charges	26,000	26,000	18,436	27,339
Snow and ice removal				
Personal services	6,500	6,500	4,712	3,589
Supplies	5,000	5,000	-	3,145
Total	11,500	11,500	4,712	6,734
Total public works	204,320	204,320	202,037	211,301
Culture and recreation				
Municipal parks				
Personal services	13,880	13,880	12,268	11,095
Supplies	4,260	4,260	5,482	9,460
Other services and charges	11,500	11,500	16,336	15,109
Total	29,640	29,640	34,086	35,664

CITY OF MAPLE PLAIN, MINNESOTA  
GENERAL FUND  
SCHEDULES OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2016  
(With comparative actual amounts for the year ended December 31, 2015)

	2016				2015
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
EXPENDITURES - CONTINUED					
Current - continued					
Culture and recreation - continued					
Community events					
Other services and charges	\$ 29,030	\$ 29,030	\$ 21,139	\$ 7,891	\$ 33,684
Total culture and recreation	58,670	58,670	55,225	3,445	69,348
Economic development					
Other services and charges	6,580	6,580	5,009	1,571	6,125
Total current expenditures	1,371,059	1,371,059	1,394,761	(23,702)	1,408,552
Capital outlay					
General government	-	-	9,360	(9,360)	80,225
Culture and recreation	20,000	20,000	17,996	2,004	26,398
Total capital outlay	20,000	20,000	27,356	(7,356)	106,623
Debt service					
Principal	19,669	19,669	19,669	-	18,840
Interest and other	1,769	1,769	1,769	-	2,598
Total debt service	21,438	21,438	21,438	-	21,438
TOTAL EXPENDITURES	1,412,497	1,412,497	1,443,555	(31,058)	1,536,613
EXCESS OF REVENUES OVER EXPENDITURES	264,641	264,641	265,039	398	168,042
OTHER FINANCING USES					
Transfers out	(264,641)	(264,641)	(224,215)	40,426	(224,215)
NET CHANGE IN FUND BALANCES	-	-	40,824	40,824	(56,173)
FUND BALANCES, JANUARY 1	1,010,821	1,010,821	1,010,821	-	1,066,994
FUND BALANCES, DECEMBER 31	\$ 1,010,821	\$ 1,010,821	\$ 1,051,645	\$ 40,824	\$ 1,010,821

CITY OF MAPLE PLAIN, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2016

	<b>351</b> 2012A G.O. Bonds	<b>352</b> 2013A G.O. Bonds	<b>353</b> 2014A G.O. Bonds	Total
<b>ASSETS</b>				
Cash and temporary investments	\$ 38,273	\$ 12,569	\$ 209,127	\$ 259,969
Special assessments receivable	<u>45,878</u>	<u>-</u>	<u>264,069</u>	<u>309,947</u>
 TOTAL ASSETS	 <u><u>\$ 84,151</u></u>	 <u><u>\$ 12,569</u></u>	 <u><u>\$ 473,196</u></u>	 <u><u>\$ 569,916</u></u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - special assessments	\$ 45,878	\$ -	\$ 264,069	\$ 309,947
 <b>FUND BALANCES</b>				
Restricted for debt service	<u>38,273</u>	<u>12,569</u>	<u>209,127</u>	<u>259,969</u>
 TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	 <u><u>\$ 84,151</u></u>	 <u><u>\$ 12,569</u></u>	 <u><u>\$ 473,196</u></u>	 <u><u>\$ 569,916</u></u>

CITY OF MAPLE PLAIN, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2016

	351 2012A G.O. Bonds	352 2013A G.O. Bonds	353 2014A G.O. Bonds	Total
REVENUES				
Taxes	\$ 16,958	\$ 52,490	\$ 73,290	\$ 142,738
Special assessments	4,540	-	25,292	29,832
TOTAL REVENUES	<u>21,498</u>	<u>52,490</u>	<u>98,582</u>	<u>172,570</u>
EXPENDITURES				
Debt service				
Principal	75,000	35,000	60,000	170,000
Interest and other	29,019	6,389	42,038	77,446
TOTAL EXPENDITURES	<u>104,019</u>	<u>41,389</u>	<u>102,038</u>	<u>247,446</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(82,521)	11,101	(3,456)	(74,876)
OTHER FINANCING SOURCES				
Transfers in	84,112	-	-	84,112
NET CHANGE IN FUND BALANCES	1,591	11,101	(3,456)	9,236
FUND BALANCES, JANUARY 1	<u>36,682</u>	<u>1,468</u>	<u>212,583</u>	<u>250,733</u>
FUND BALANCES, DECEMBER 31	<u>\$ 38,273</u>	<u>\$ 12,569</u>	<u>\$ 209,127</u>	<u>\$ 259,969</u>

CITY OF MAPLE PLAIN, MINNESOTA  
SUPPLEMENTARY INFORMATION  
SUMMARY FINANCIAL REPORT  
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS -  
GOVERNMENTAL FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015

	Totals		Percent Increase (Decrease)
	2016	2015	
REVENUES			
Taxes	\$ 1,441,874	\$ 1,405,209	2.61 %
Special assessments	31,496	61,964	(49.17)
Licenses and permits	73,044	39,106	86.78
Intergovernmental	300,766	847,413	(64.51)
Charges for services	382,267	379,598	0.70
Fines and forfeits	22,078	15,014	47.05
Interest on investments	10,913	11,838	(7.81)
Miscellaneous	62,919	63,094	(0.28)
 TOTAL REVENUES	 \$ 2,325,357	 \$ 2,823,236	 (17.64) %
Per Capita	\$ 1,304	\$ 1,589	(17.91) %
EXPENDITURES			
Current			
General government	\$ 439,230	\$ 422,191	4.04 %
Public safety	971,811	943,762	2.97
Public works	202,037	211,301	(4.38)
Culture and recreation	55,225	69,348	(20.37)
Economic development	5,009	6,125	(18.22)
Capital outlay			
General government	9,360	80,225	(88.33)
Public safety	74,263	22,118	235.76
Public works	645,628	218,497	195.49
Culture and recreation	17,996	26,398	(31.83)
Economic development	10,899	679,489	(98.40)
Debt service			
Principal	244,669	178,840	36.81
Interest and other charges	99,257	90,465	9.72
 TOTAL EXPENDITURES	 \$ 2,775,384	 \$ 2,948,759	 (5.88) %
Per Capita	\$ 1,557	\$ 1,659	(6.20) %
 Total Long-term Indebtedness	 \$ 3,690,534	 \$ 3,225,202	 14.43 %
Per Capita	2,070	1,815	14.04
 General Fund Balance - December 31	 \$ 1,051,645	 \$ 1,010,821	 4.04 %
Per Capita	590	569	3.69

The purpose of this report is to provide a summary of financial information concerning the City of Maple Plain to interested citizens. The complete financial statements may be examined at City Hall, 5050 Independence Street, Maple Plain, MN 55359. Questions about this report should be directed to the City Clerk at (952) 479-0515.



**OTHER REPORTS**  
**CITY OF MAPLE PLAIN**  
**MAPLE PLAIN, MINNESOTA**

**FOR THE YEAR ENDED**  
**DECEMBER 31, 2016**

THIS PAGE IS LEFT BLANK  
INTENTIONALLY



INDEPENDENT AUDITOR'S REPORT  
ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council  
City of Maple Plain, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Maple Plain, Minnesota (the City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, and have issued our report thereon dated March 23, 2017.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota statute §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because the City currently does not have any tax increment financing districts.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

This report is intended solely for the information and use of those charged with governance and management of the City and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

*Abdo Eick & Meyers, LLP*

ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
March 23, 2017

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

Honorable Mayor and City Council  
City of Maple Plain, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Maple Plain, Minnesota (the City), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 23, 2017.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items 2016-001 and 2016-002 that we consider to be significant deficiencies.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

## The City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## Purpose of this Report

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

*Abdo Eick & Meyers, LLP*

ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
March 23, 2017

CITY OF MAPLE PLAIN, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES  
FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Finding</u>	<u>Description</u>
<b>2016-001</b>	<b>Limited segregation of duties</b>
<i>Condition:</i>	During our audit, we reviewed procedures over cash disbursements, cash receipts, payroll and utility billing and found the City to have limited segregation of duties related to these procedures.
<i>Criteria:</i>	There are four general categories of duties: authorization, custody, record keeping and reconciliation. In an ideal system, different employees perform each of these four major functions. In other words, no one person has control of two or more of these responsibilities.
<i>Cause:</i>	As a result of the limited number of staff, in the disbursement cycle, the Deputy Clerk has access to the check stock, prepares the checks, enters transactions into the accounting system, and has access to the City's automated check signing machine. In the receipts cycle, the Deputy Clerk maintains accounts receivable invoices, posts to the general ledger, prepares deposits and brings to the bank, and reconciles the bank statement. In the payroll cycle, the Deputy Clerk has control over the checks, sets up employee records, posts to the general ledger. In the utility billing cycle, the Deputy Clerk prepares and mails customer billing statements, receives and endorses checks/currency, prepares and takes the deposit slip to the bank, and maintains the utility billing register.
<i>Effect:</i>	The existence of this limited segregation of duties increases the risk of fraud.
<i>Recommendation:</i>	While we recognize the number of staff is not large enough to eliminate this deficiency, we recommend that the City evaluate the current procedures and segregate duties where possible and implement any compensating controls. We are aware some compensating controls are in place; however, it is important that the City Council is aware of this condition and monitor all financial information.
<i>Management response:</i>	Management recognizes that it is not economically feasible to correct this finding, is aware of the deficiency and is relying on continued oversight by management and the City Council to monitor this deficiency. Ongoing consideration is given as to how this may be addressed.

CITY OF MAPLE PLAIN, MINNESOTA  
SCHEDULE OF FINDINGS AND RESPONSES - CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 2016

<u>Finding</u>	<u>Description</u>
----------------	--------------------

<b>2016-002</b>	<b>Preparation of financial statements</b>
-----------------	--------------------------------------------

<i>Condition:</i>	As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Auditing standards require auditors to communicate this situation to the City Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organizations of your size. However, based on recent auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.
-------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

<i>Criteria:</i>	Internal controls should be in place to provide reasonable assurance over financial reporting.
------------------	------------------------------------------------------------------------------------------------

<i>Cause:</i>	From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do with organization of your size.
---------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------

<i>Effect:</i>	The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors in financial reporting.
----------------	-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

<i>Recommendation:</i>	It is your responsibility to make the ultimate decision to accept this degree of risk associated with this condition because of cost or other considerations. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for their accuracy; we have answered any questions they might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosure in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements. While the City is reviewing the financial statements we recommend the City agree its financial software to the numbers reported in the financial statements.
------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

*Management response:*

For now, the City's management accepts the degree of risk associated with this deficiency and thoroughly reviews a draft of the financial statements.

