



Comprehensive Annual Financial Report

YEAR ENDED DECEMBER 31, 2015

Owatonna, Minnesota

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Parks & Recreation
Department

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CITY OF OWATONNA, MINNESOTA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2015

DEPARTMENT OF FINANCE

Rhonda L. Moen, CPA, CPFO
Finance Director

Member of the Government Finance Officer's Association

Of the United States and Canada

CITY OF OWATONNA, MINNESOTA
Comprehensive Annual Financial Report
For the year ended December 31, 2015

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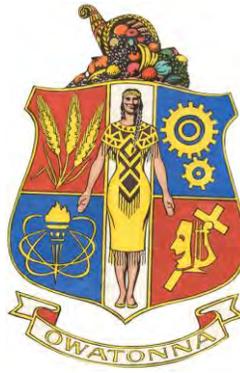
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INTRODUCTORY SECTION

THE CITY OF



OWATONNA

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City Administrator

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Ph. (507) 444-4300
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June 22, 2016

Honorable Mayor and
Members of the City Council

State statutes require that the City publish a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended December 31, 2015.

Management assumes full responsibility for the completeness and reliability of the information contained in this report based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

CliftonLarsonAllen, LLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Owatonna's financial statements for the year ended December 31, 2015. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. The analysis complements this letter of transmittal and should be read in conjunction with it.

Profile of the Government

The City of Owatonna was organized as a municipality in 1854. The City of Owatonna is located on the Straight River in the heart of Southern Minnesota. The City's characteristic beauty, healthy economy, quality lifestyle and proximity to the Twin Cities Metropolitan Area are factors that have contributed to the City's substantial growth over the last ten years. The population has expanded from over 22,000 to over 25,000 in the last ten years. Owatonna is the county seat of Steele County and is located at the crossroads of Interstate 35 and U.S. Highways 14 and 218.

The City of Owatonna operates under a home rule charter form of government. Policy-making and legislative authority are vested in a governing council (Council) consisting of a mayor and seven other members, all elected on a non-partisan basis. The Mayor position is a non-voting position. Council members serve four-year terms, with half of the council up for election every other year. The mayor and one council member are elected at large, and the remaining members of the Council are elected by ward.

The City provides a full range of services. These services include police and fire protection; the construction and maintenance of streets and other infrastructure; and other recreational and cultural activities. The City also provides water, sewer, storm water, gas and electric services along with the operation of the aquatic center. The financial reporting entity (the City) includes all the funds of the primary government (i.e., the City of Owatonna as legally defined), as well as its component units. A component unit is a legally separate entity for which the primary government is financially accountable. The Owatonna Housing & Redevelopment Authority and the Economic Development Authority are included as discretely presented component units.

The Council is required to hold at least one public hearing in early December of each year for discussion of the budget. Following this hearing, they are required to adopt a budget and certify their levy by December 28 of each year. This annual budget serves as the foundation for the City of Owatonna's financial planning and control. The budget is prepared by fund, department (i.e. street) and cost center (i.e. snow & ice removal). Amendments to the budget need approval from the Council.

Local Economy

Owatonna has developed from its agricultural heritage as a community with a diverse economy, including a strong industrial, financial and service base. Owatonna is the home of many nationally renowned firms such as Federated Mutual Insurance Company, Bosch, Jostens, Wenger Company and others. Owatonna is strategically placed at the crossroads of I-35 and two major US highways, giving it one of the most accessible locations in the Midwest. Highway 14 connects half the employment centers in Southern Minnesota and three-quarters of the top employers. Owatonna consistently ranks among the most livable small towns in the country.

The City of Owatonna owns four industrial parks: Crane Creek Industrial Site, Ebeling Industrial Area, Alexander Industrial Park and Sanders Industrial Addition. These four sites total an area of over 200 available acres within 1/2 mile of I-35, fully served by municipal infrastructure and direct rail access to the Dakota, Minnesota and Eastern Railroad, and Union Pacific Railroad.

Owatonna has a total of more than 500 retail, wholesale and professional firms supporting its large industrial base. Boasting over 40 industrial firms, Owatonna's business community provides jobs for a labor force in excess of 17,000 people.

Owatonna is continuing the pattern of steady tax base growth established in 2013-14. The total number of permits issued in 2014 was 1,793; this compares with 1,795 for 2015. The number of Industrial permits remained constant from 2014 at 53 but the valuation was reduced in 2015 from \$11.4 million to \$6.4 million. Commercial permits in 2015 totaled a respectable \$10.8 million. 2014 permits totaled \$20.7 million. Residential permits were down somewhat; 12 permits were issued in 2015 as compared to 15 permits in 2014. Many of the industrial and commercial permits were the first phases of multi-year projects. These projects will continue into 2016.

Local Government Aid (LGA) in 2015 increased by \$116,000 thanks to additional monies appropriated during the 2014 legislative session. The City Council places a high priority on using these funds for necessary infrastructure investments.

The City continued its investment in capital improvement projects that reflect the priorities established in the strategic plan of infrastructure, quality of life, economic vitality, and residential redevelopment. Key items included: computer/technology replacements, police patrol vehicle, T hangar pavement reconstruction, tennis court and basketball court resurfacing, carpet replacement in the children's area of the library, fitness equipment and a park pavilion with restrooms and concession area. Funds were once again used from the Imprellis settlement money to purchase golf carts and a Toro multi pro sprayer. Major capital projects completed in 2015 included: street reconstructions of Mineral Springs Parkway and Lemond Road, bituminous reconstruction on the following streets: Lincoln Avenue, Austin Road, Havana Road, 7th Avenue NE, Cherry Street. Overlays were completed on 20th Street NE and 15th Street SE.

Highway 14, a key component of Owatonna's economic development success, received a Corridors of Commerce grant from the State of Minnesota. As a result of the grant, construction was completed on 2.18 miles of 4-lane east of Owatonna. Other improvements were made to I-35, an important transportation link, by adding a north bound auxiliary lane. Through the Small Cities Development Grant, many downtown buildings were improved by new windows, tuck pointing, roof repairs and structural renovations.

Once again the City of Owatonna had the advantage of a number of new commercial and industrial developments in 2015. Viracon, a major employer, continues to add onto their flagship facility. 90,000 square feet was added for manufacturing and storage space. Site work was completed in 2015 for another 240,000 square foot addition planned for the spring of 2016. Due to the expansion projects, Viracon is planning to hire 100 additional employees. Bushel Boy has completed construction of a 170,000 square foot greenhouse addition which has increased their production area by 4 acres. Plans also include an additional 170,000 square foot addition in 2016. Bushel Boy will add 10 jobs when complete. SMMPA, Southern Minnesota Municipal Power Agency is constructing a 38 megawatt power generating station. Construction will continue into 2016 and 2017 with plans to open the facility in 2018. This will have a very positive impact on electric reliability.

Other commercial projects included the construction of a 10,000 square foot professional building for Horizon Eye Care and a new Hardees restaurant at 3,200 square feet. Gold Cross Ambulance also completed a new 2600 square foot facility. The City saw some major reinvestment in two commercial properties. Starbucks completed a significant remodeling while adding additional space. Spare Time Entertainment invested \$450,000 to bring in additional entertainment options. Major residential projects include the Cottages, a memory care facility. 24 units were constructed at a cost of \$1.9 million. Gateway II is constructing a 36-unit apartment building with underground parking in the downtown area at a cost of \$ 5.4 million.

Long-term Financial Planning

Assigned and unassigned fund balance in the general fund is within the recommendation by the Office of the State Auditor. It is recommended that the City maintain a balance between thirty and fifty percent of next year's expenditures.

Included as part of the City's guiding principles are: exercise fiscal responsibility by ensuring the best use of tax dollars; empower employees and boards of the City of Owatonna to perform their duties with efficiency, quality, and the highest regard for the public trust; and accept only the highest standard of legal and ethical behavior by all who are elected or appointed to public office.

Major Initiatives

City council members and department directors met, reviewed and revised the City's three-year strategic plan for the City of Owatonna. After a thorough review of the existing objectives, progress made to date, and mission and vision, a revised plan was developed. Some key focus areas were revised to better fit the Council's current priorities. The strategic objectives for 2014 -2016 include: infrastructure, economic vitality, quality of life, and residential redevelopment.

Infrastructure

The objective identified was to develop and implement fiscal sustainability policies to support core services that proactively ensure the health, safety, and welfare of our citizens; attract, develop and retain a high performing municipal workforce; and fund infrastructure needs. Excellent progress was made in this area. Council priorities were reflected in the levy and CIP allocation. 2015 budget included funding the vehicle replacement fund at 80% with funding increasing to 100% in the 2016 budget. Funding costs for vehicles in this way will more accurately reflect the true costs in their respective department/program. The sanitary sewer lining program implemented in 2013, completed 14,500 linear feet of sewer and 25 manhole repairs. This important program reduces the amount of inflow and infiltration (I & I) from entering the sanitary sewer system. Reducing I&I secures the WWTP capacity for treatment of sanitary waste and prolongs the timeframe for a capacity expansion of the facility.

A 10-year long-term facility plan was completed and integrated with 5 year CIP which helps the city focus on longer term issues/needs. The new storm water rate adjustment was implemented January 1st. This new rate will provide a funding source for flood mitigation projects. Several projects were completed in 2015 that will improve water quality. They include remediation of the Sunnydale and Kriesl Pond, installation of Mineral Spring Bio-retention cell and Morehouse Dam dredging. The City also continued with flood mitigation efforts. Phase I of 4th Avenue SE project was completed. Phase II is scheduled for 2016. This project will relieve localized flooding due to undersized storm water pipes. A total of four homes were removed from the flood plain.

Economic Vitality

This key focus area supports economic development efforts through collaboration with city enterprises, other public entities, Owatonna Partners for Economic Development (OPED) and private entities that attract, retain, and create quality jobs to ensure a diverse economic base, a resilient and growing tax base, and thriving neighborhoods. As detailed previously, staff completed work on two major commercial/industrial projects which added a minimum of 110 jobs to Owatonna and over 275,000 square feet of commercial/industrial space. Owatonna once again hosted an area lenders meeting. Local bankers were updated on Owatonna Partners for Economic Development activities, challenges and prospects. A tour was also provided to showcase city development opportunities. A key area of focus this year centered on downtown development and redevelopment. Through the Small Cities Development grant, significant structural repairs were made at a downtown business. The city also partnered with the HRA and EDA to purchase and repair the roof of a central downtown building which had fallen into disrepair. Another business was provided funding from an HRA grant and EDA loan to demolish a dilapidated home and remodel an existing commercial building in order to start a new downtown business. Staff continues to work on beautifying key entrances to the City. A new sidewalk and grassy median was installed along Hoffman Drive in 2015.

Quality of Life

The objective is to maximize resources that provide quality of life city services and programs, including adherence to the aforementioned city services and economic vitality goals; enhancing conveniences for our citizens, and providing the art, cultural and recreational amenities befitting the size and geographic location of Owatonna. Strong progress was made in this area. Construction began on a 2800 square foot \$1.5 million dollar art center addition. It will provide a handicap accessible entrance with an elevator and additional gallery space. Another exciting development is the construction of a park pavilion at Jaycee Park. This pavilion replaces an old outdated facility. The new pavilion was the result of partnership with a local business who donated funds to aid in the construction and a donation from the softball association to fund the concession area. Utilizing in-kind labor to construct the pavilion allowed the city to provide the community with a beautiful park amenity in a cost effective way. Jaguar Communications, the City of Owatonna's 2nd cable provider, has installed fiber optic cable to 500 plus homes in the community. Access is now available to over 3000 homes in Owatonna.

Residential Redevelopment

The objective is to encourage and make effective use of vacant infill properties to blend with existing neighborhoods. The City will proactively pursue redevelopment projects of distressed properties to result in highest and best use. To achieve progress in this focus area, staff acquired and demolished a dilapidated triplex across from the newly repurposed Owatonna Public Utilities building. In its place is a new municipal parking lot. Another distressed property was purchased along Mineral Springs Road, adjacent to Darrrts Park. The home was demolished and the property added to the park. A third project involved a rundown home and commercial building. The home was demolished and the commercial building was rehabbed allowing a new business to take over the space. The 36-unit work force housing project is nearing completion and generating strong interest from potential tenants.

Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Owatonna for its comprehensive annual financial report for the fiscal year ended December 31, 2014. This was the fourth year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance and administration department. Credit is also due to the auditing firm of CliftonLarsonAllen, LLP for their valuable contributions and advice. I would also like to thank the Mayor and City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Owatonna's finances.

Respectfully submitted,

A handwritten signature in cursive script that reads "Kris M. Busse".

Kris M. Busse
City Administrator

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Government Finance Officers Association

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

Presented to

**City of Owatonna
Minnesota**

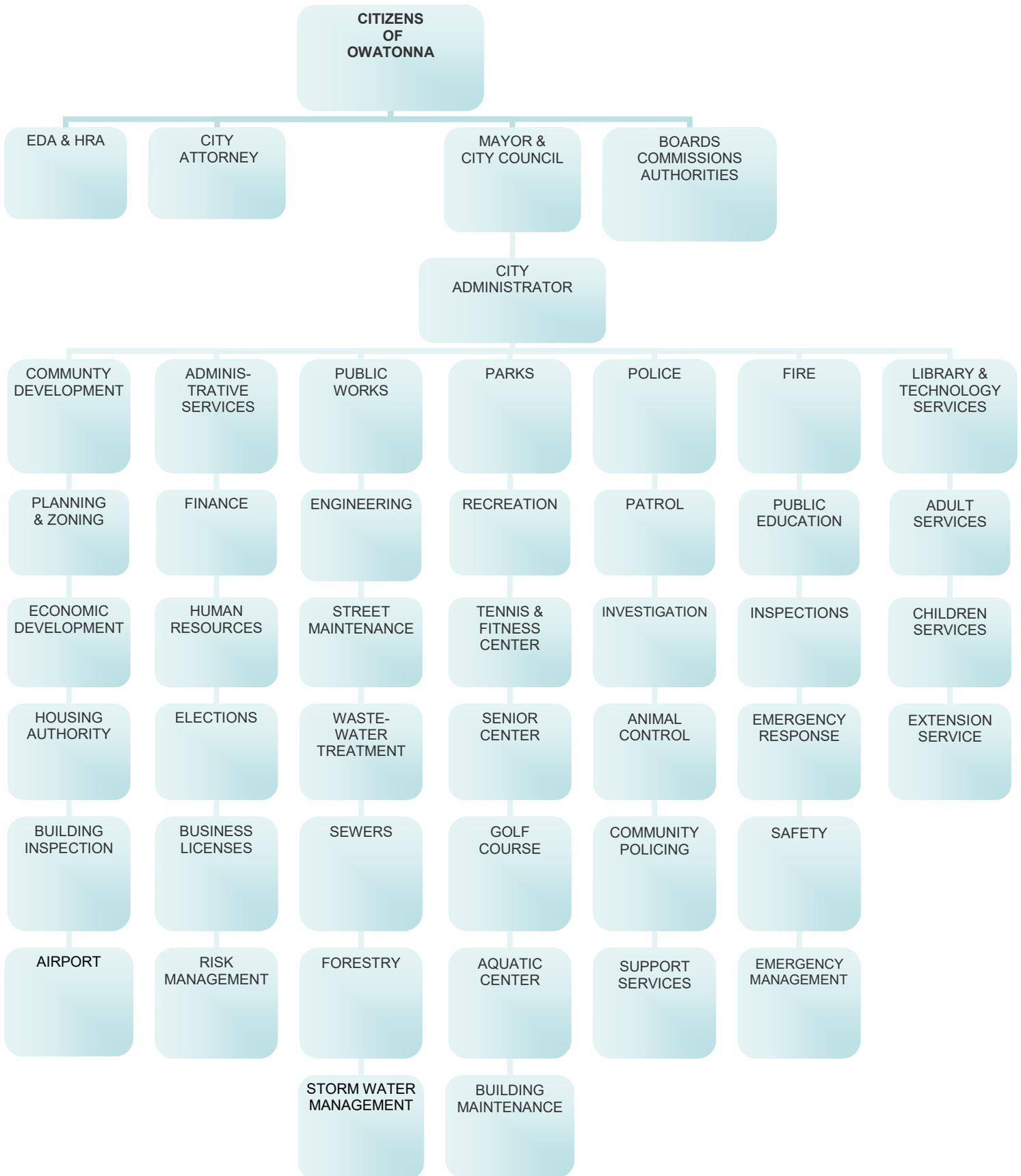
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2014

Executive Director/CEO

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City of Owatonna, Minnesota Organization Chart



City of Owatonna, Minnesota

Elected and Appointed Officials

December 31, 2015

City Council:

Thomas A. Kuntz	Mayor
Les Abraham	Council member at large
Jeff Okerberg	Council member at large
Nathan Dotson	Council member First Ward
Greg Schultz	Council member Second Ward
Dave Burbank	Council member Third Ward
Kevin Raney	Council member Fourth Ward
Brent Svenby	Council member Fifth Ward

City Officials:

Kris Busse	City Administrator
Kyle Skov	City Engineer/Director of Public Works
Keith Hiller	Chief of Police
Rhonda Moen	Finance Director
Michael J. Johnson	Fire Chief
Troy Klecker	Director of Community Development
Mary Kay Feltes	Director of Library Services
James "Corky" Ebeling	Director of Parks & Recreation
Mark M. Walbran	City Attorney

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and
Members of the City Council
City of Owatonna

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Owatonna, Minnesota as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the entity'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.

Auditors' Responsibility

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

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

Honorable Mayor and
Members of the City Council
City of Owatonna

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Owatonna, Minnesota as of December 31, 2015, and the respective changes in financial position and, where applicable, cash flows, and budgetary comparison for the General Fund, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

For the year ended December 31, 2015, the City adopted the provisions of Governmental Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68*. As a result of the implementation of these standards, the City reported a restatement for the change in accounting principle (see Note I.D.16). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Owatonna, Minnesota's basic financial statements. The introductory section, combining statements, capital assets used in the operation of governmental funds and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Honorable Mayor and
Members of the City Council
City of Owatonna

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 22, 2016, on our consideration of the City of Owatonna, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Owatonna, Minnesota's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Austin, Minnesota
June 22, 2016

Management's Discussion and Analysis

This discussion and analysis is intended to be an easily readable analysis of the City of Owatonna's (City) financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the Transmittal Letter found on pages 1-5 and with the financial statements that follow.

Financial Highlights

- The assets and deferred outflows of resources of the City of Owatonna exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$224,407,410 (net position). Of this amount, \$45,686,838 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$3,496,365. While net position for the year increased, a new accounting standard requires the City's share of unfunded pension liability now be recorded on the Statement of Net Position along with related deferred outflows and inflows of resources. GASB 68 was implemented during 2015 and resulted in a restatement of \$10,323,044 that reduced beginning net position.
- As of the end of the current fiscal year, the City of Owatonna's governmental funds reported combined ending fund balances of \$24,671,487, a decrease of \$57,508 from the previous year. Over 60% of this amount, \$14,929,523, is available for spending at the government's discretion (assigned, committed and unassigned fund balance).
- At the end of the current fiscal year, the assigned, committed and unassigned fund balance for the general fund was \$10,126,348, or 59.9% of total general fund expenditures for 2015.
- The City of Owatonna's long-term debt declined. The City of Owatonna made payments on their existing debt totaling approximately \$3.5 million.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Owatonna's basic financial statements. The City of Owatonna's basic financial statements are comprised of three components:

- 1) Government-wide financial statements
- 2) Fund financial statements
- 3) Notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

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

- The Statement of Net Position presents information on all of the City of Owatonna's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the differences between them 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 of Owatonna is improving or deteriorating.

- The Statement of Activities presents information showing how the City's net position changed during the most recent 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 periods (e.g. uncollected taxes and earned, but unused absences).

Both of the government-wide financial statements distinguish functions of the City of Owatonna that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Owatonna include general government, public safety, public works, culture and recreation, and housing and economic development. The business-type activities of the City of Owatonna include a sewer utility, storm water utility, aquatic center, and a municipal electric, water, and gas utility. The electric, water and gas utility, comprising the Owatonna Public Utilities, are under the direction of their Board of Commissioners.

The government-wide financial statements include not only the City of Owatonna itself (known as the primary government), but also a legally separate Housing and Redevelopment Authority (HRA) and Economic Development Authority (EDA) for which the City of Owatonna is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 26-29 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 of Owatonna, 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 of Owatonna can be divided into two 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 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 of 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 functions and governmental activities.

The City of Owatonna maintains 17 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and the capital projects fund, all of which are considered major funds. Data from the other 14 funds are combined into a single, aggregate presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 32-41 of this report.

Proprietary funds. The City of Owatonna maintains six different proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Owatonna uses enterprise funds to account for its sewer utility, storm water utility, aquatic center, and electric, water and gas utilities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Owatonna's various functions. The City of Owatonna uses internal service funds to account for its risk management program and its vehicle replacement program. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The proprietary fund statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the sewer fund, storm water fund, and the municipal electric, water, and gas funds, which are considered to be major funds of the City of Owatonna. Also included is data from the aquatic center which is the only nonmajor enterprise fund of the City of Owatonna.

The basic proprietary fund financial statements can be found on pages 42-47 of this report.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 49-82 of this report.

Other information. Readers desiring additional information on nonmajor funds can find it in the Combining Statements of Nonmajor Funds section of this report. Completing the financial section of the report are schedules on capital assets and other financial schedules. Finally, the statistical section presents trend information, revenue capacity information, debt capacity information, demographics and economic information, and operating information.

City as a Whole

Government-wide Financial Statements

Net Position serves as a useful indicator of a government's financial position. For the City of Owatonna, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$224.4 million at the end of the current year. The largest portion of the City's net position are invested in capital assets (e.g. land, building, equipment and streets) and reported net of related outstanding debt (\$166.8 million, or 74.3%). The City uses these capital assets to provide services to its citizens; thus they do not represent resources available for future spending. An additional portion of the City of Owatonna's net position (\$11.9 million or 5.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$45.7 million or 20.4%) may be used to meet the government's ongoing obligations to citizens and creditors.

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

The City's financial position improved during 2015 with their net position increasing by \$3.5 million from \$220.9 million, as restated, to \$224.4 million.

A condensed version of the Statement of Net Position at December 31, 2015 follows:

Net Position at Year-end
(in millions)

	Governmental Activities		Business-type Activities		Total Government
	2015	2014	2015	2014	2015
Cash and investments	\$25.9	\$24.9	\$38.1	\$33.3	\$64.0
Other assets	6.7	6.7	9.5	15.9	16.2
Capital assets	86.2	85.6	98.7	96.3	184.9
Total assets	<u>118.8</u>	<u>117.2</u>	<u>146.3</u>	<u>145.5</u>	<u>265.1</u>
Deferred outflows of resources	<u>1.5</u>		<u>.6</u>		<u>2.1</u>
Other liabilities	1.6	1.7	7.0	7.9	8.6
Long term outstanding	20.3	12.2	12.4	9.7	32.7
Total liabilities	<u>21.9</u>	<u>13.9</u>	<u>19.4</u>	<u>17.6</u>	<u>41.3</u>
Deferred inflows of resources	<u>1.1</u>		<u>.4</u>		<u>1.5</u>
Net position:					
Net investment in capital assets	76.0	75.2	90.8	86.8	166.8
Restricted	11.9	12.2		.9	11.9
Unrestricted	9.4	15.9	36.3	40.2	45.7
Total net position	<u>\$97.3</u>	<u>\$103.3</u>	<u>\$127.1</u>	<u>\$127.9</u>	<u>\$224.4</u>

Governmental activities. Governmental activities provided a \$0.4 million increase to the City's net position following a restatement of \$(6.4) million due to the implementation of GASB 68. A key element of this increase is as follows:

- The City received a contribution from the Art Center of \$1.0 million for the Art Center entrance project. The project was only partially completed in the current year resulting in the contribution exceeding expenditures by \$0.5 million.

A condensed version of the Statement of Activities follows:

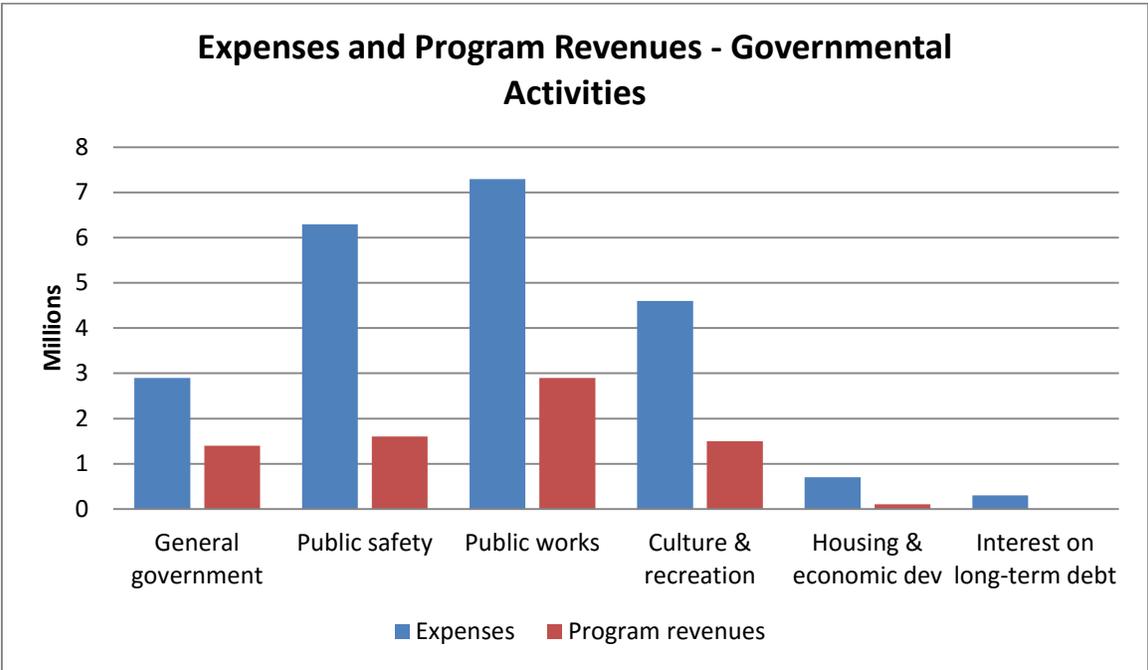
Governmental and Proprietary Activities
For the year ended December 31, 2015
(in millions)

	Governmental Activities		Business-type Activities		Total Government
	2015	2014	2015	2014	2015
Revenues					
Program revenues					
Charges for services	\$2.7	\$2.6	\$56.8	\$64.2	\$59.5
Grants and contributions					
Operating	1.4	1.7			1.4
Capital	3.4	2.6			3.4
General revenues					
Taxes	10.6	10.0	.3	.3	10.9
Interest	.2	.5	.3	.5	.5
Sale of capital assets		.2			
Grants and contributions	4.1	4.2			4.1
Total revenues	22.4	21.8	57.4	65.0	79.8
Expenses					
General government	2.9	2.6			2.9
Public safety	6.3	6.3			6.3
Public works	7.3	6.9			7.3
Culture and recreation	4.6	4.3			4.6
Housing & economic dev	.7	.6			.7
Miscellaneous					
Interest on long-term debt	.3	.3			.3
Sewer			2.5	2.5	2.5
Storm water			.5	.5	.5
Aquatic center			.3	.2	.3
Electric			34.6	34.3	34.6
Water			3.2	2.7	3.2
Gas			13.1	20.6	13.1
Total expenses	22.1	21.0	54.2	60.8	76.3
Excess (deficiency) before transfers	.3	.8	3.2	4.2	3.5
Transfers	.1	(.2)	(.1)	.2	
Change in net position	.4	.6	3.1	4.4	3.5
Beginning net position	103.3	102.7	127.9	123.5	231.2
Restatement	(6.4)		(3.9)		(10.3)
Ending net position	\$97.3	\$103.3	\$127.1	\$127.9	\$224.4

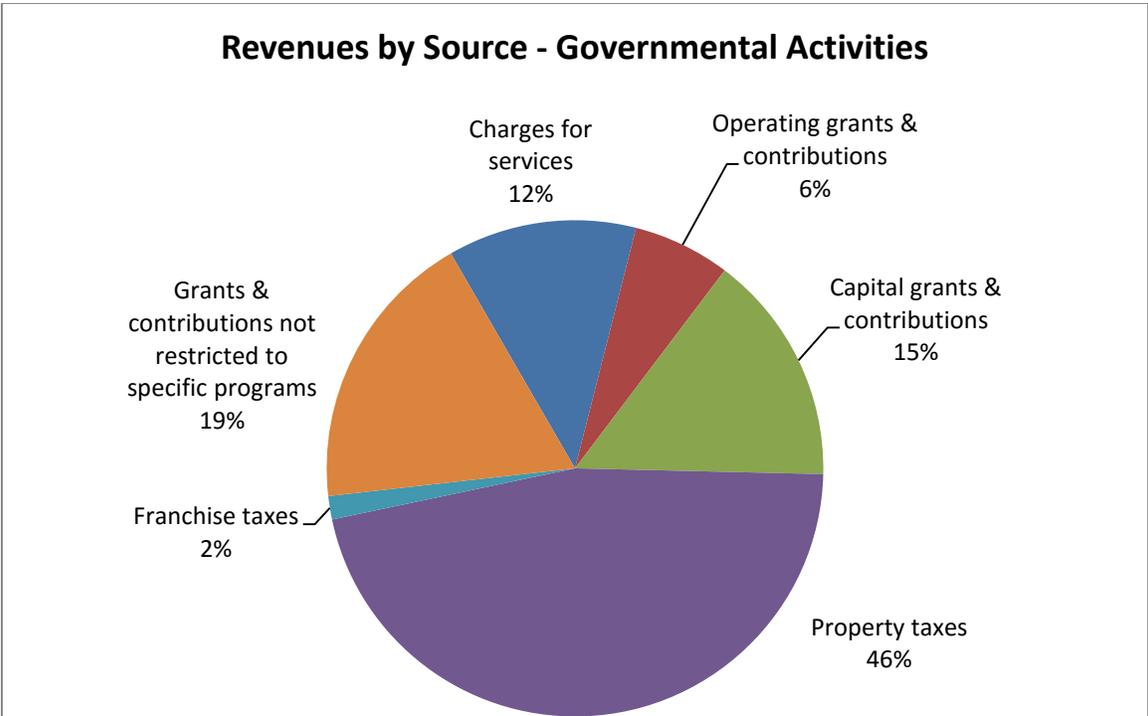
Business-type activities. Business-type activities provided a \$3.1 million increase to the City's total net position following a restatement of \$(3.9) million due to the implementation of GASB 68. Key elements of this increase are as follows:

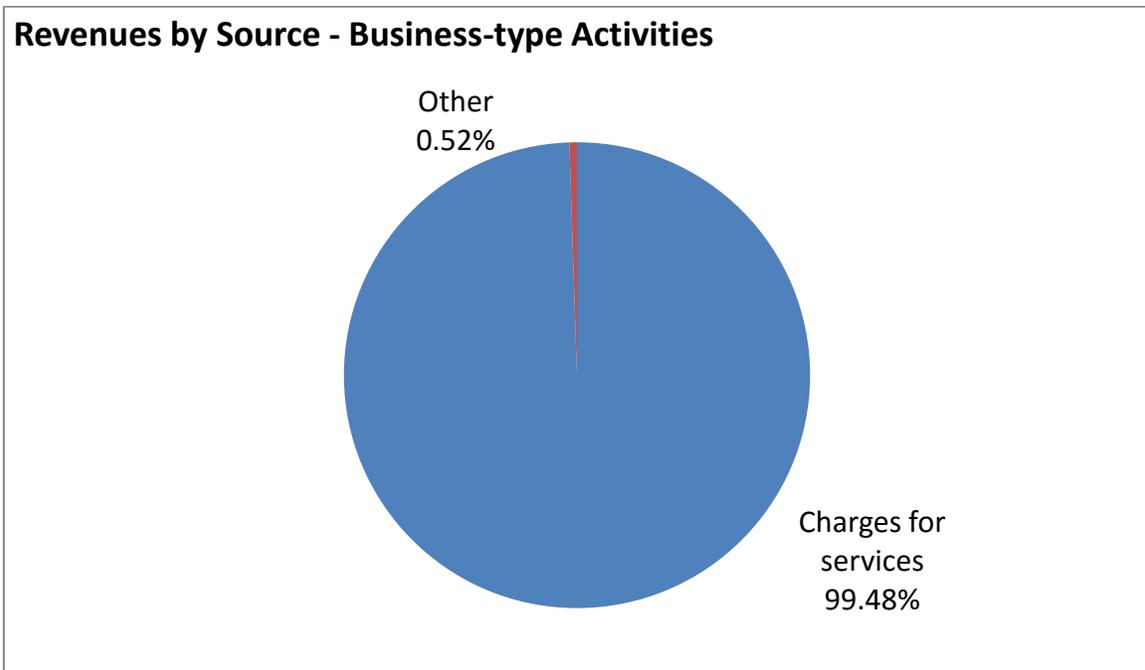
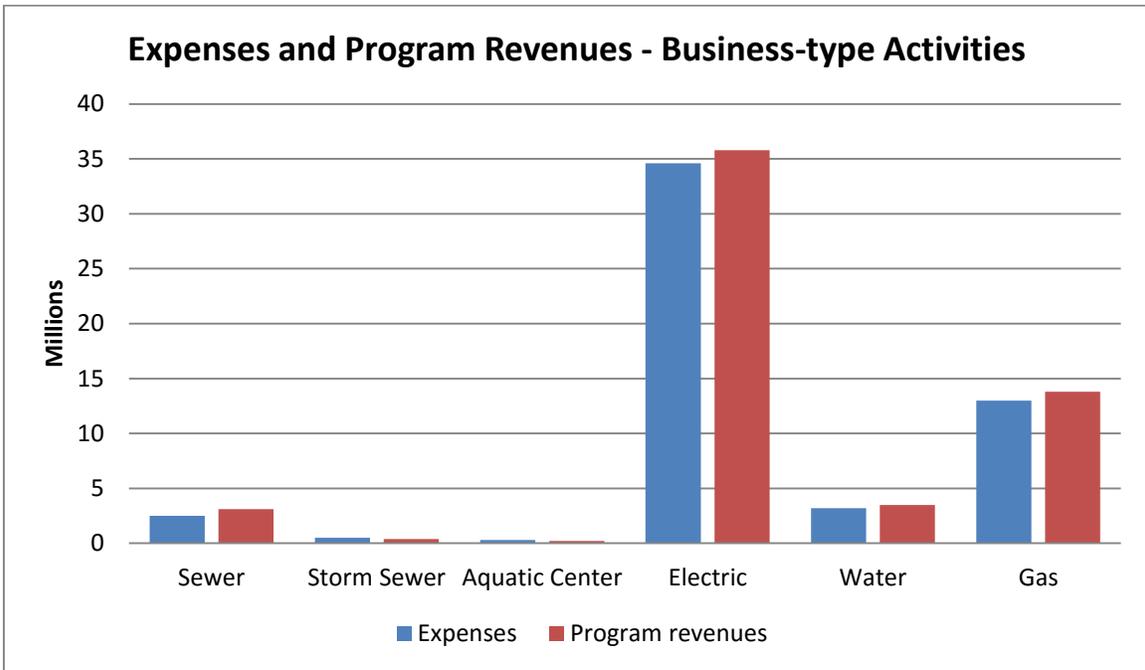
- \$2.3 million increase is attributable to the operations of the municipal electric, gas, and water utilities.
- The Sewer fund had a gain from operations of \$0.6 million.
- The acquisition of capital assets for the storm water fund were funded by governmental activities in 2015. These capital contributions totaled \$0.3 million.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities





Financial Analysis of the Government's Funds

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

Governmental funds. The focus of the City of Owatonna'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 of Owatonna's financing requirements. In particular, the City's assigned and 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 of Owatonna's governmental funds reported combined ending fund balances of \$24.7 million, approximately the same in comparison with the prior year. Over half of this total amount (\$15.0 million) constitutes assigned, committed and unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is not available for new spending because it has already been either in nonspendable form, or restricted for 1) various capital projects (\$3.2 million), or 2) debt service (\$6.1 million), or 3) a variety of other restricted purposes (\$0.1 million).

The general fund is the chief operating fund of the City of Owatonna. At the end of the current fiscal year, assigned and unassigned fund balance of the general fund was \$10.1 million, while total fund balance was \$10.5 million. As a measure of the general fund's liquidity, it may be useful to compare assigned and unassigned fund balance and total fund balance to total fund expenditures for 2015. Assigned and unassigned fund balance represents 59.9% of total general fund expenditures, while total fund balance represents 61.9% of that same amount.

The fund balance of the City of Owatonna's general fund increased by \$0.4 million during the current fiscal year. Key factors in this growth are as follows:

- The City continues to operate conservatively including evaluating all vacant positions for alternatives prior to proceeding with the hiring process.
- Several of the City's general fund revenue sources saw increases in the current year including property tax revenue, charges for services (recreation), and intergovernmental revenue (fire aid and airport maintenance).

The debt service fund has a fund balance of \$6.1 million, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year was \$0.1 million. The government collected \$1.1 million in debt service levy and \$1.0 million in assessments. \$1.9 million in debt was retired in 2015 plus \$0.2 million in interest costs. The debt service fund received a transfer from a non-major governmental fund which represented tax increment collected for the purpose of paying TIF bonds.

The capital projects fund has a fund balance of \$5.4 million, of which \$0.4 million is restricted for specific capital projects, \$3.9 million has been assigned for future capital projects and the council has committed \$1.1 million for specific capital projects. There was a decrease of \$1.0 million in fund balance during the current year. \$0.4 million was spent of the Imprelis funds during 2015. The capital projects fund received improvement bond proceeds, including premium, of \$1.3 million in 2015. The capital projects fund also received equipment certificate proceeds, including premium, of \$0.5 million in 2015.

The most significant changes in fund balance for the nonmajor governmental funds was in the Sales Tax fund. The Owatonna Art Center sales tax project was started in 2015. This project was to be financed partly with sales tax revenue and partly from a contribution from the Art Center. The sales tax fund received a contribution of \$1.1 million for the Owatonna Art Center's portion of the project. Capital outlay related to this capital project was \$0.5 million in 2015. This project was in process at the end of the year.

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

Unrestricted net position at the end of the year was \$15.5 million for the sewer fund, \$0.8 million for the storm water fund, \$20.2 million for the municipal electric, water and gas utilities. The total change in net position was \$0.4 million for the sewer fund, \$0.4 million for the storm water fund, \$2.4 million for the municipal electric, water and gas utilities. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Owatonna's business-type activities.

Budgetary Highlights

The current year budget included revenues equal to expenditures for the general fund. Actual expenditures were within the budgeted amount. Additional information on the budget can be found in note III.A. on page 59 of the basic financial statements.

General fund revenues and other financing sources were \$0.4 million over budget primarily due to taxes, intergovernmental revenues, and charges for services.

Capital Assets and Debt Administration

Capital Assets. The City of Owatonna's investment in capital assets for its governmental and business-type activities as of December 31, 2015, amounts to \$184.9 million (net of accumulated depreciation). This investment in capital assets includes land and other rights, building, improvements, equipment, park facilities, roads, bridges, and utility systems. The total increase in the City of Owatonna's investment in capital assets for the current fiscal year was 1.6% (a 0.7% increase for governmental activities and a 2.5% increase for business-type activities).

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

- Construction of the Brooktree bridge at hole number 10 for \$0.2 million.
- Vehicle acquisitions of \$1.0 million.
- Street reconstruction projects including Lemond Road and the 2015 Street and Utility project for \$1.1 million.
- Airport t-hangar pavement reconstruction project at a cost of \$0.5 million.
- There were \$0.3 million in storm water improvements completed as part of the current year street improvement projects.
- Various system improvements were completed for the municipal water, electric and gas utilities at cost of \$2.8 million.

Capital Assets at Year-end

(in millions)

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land and other rights	\$7.7	\$7.6	\$2.8	\$2.6	\$10.5	\$10.2
Buildings	17.1	17.0	51.3	37.1	68.4	54.1
Improvements	1.0	.7			1.0	.7
Equipment	12.6	12.3	17.3	16.5	29.9	28.8
Infrastructure	108.4	106.7	87.5	85.2	195.9	191.9
Construction in Progress	1.4	.2	3.3	14.6	4.7	14.8
Subtotal	148.2	144.5	162.2	156.0	310.4	300.5
Accumulated depreciation	62.0	58.9	63.5	59.7	125.5	118.6
Capital assets, net	<u>\$86.2</u>	<u>\$85.6</u>	<u>\$98.7</u>	<u>\$96.3</u>	<u>\$184.9</u>	<u>\$181.9</u>

Additional information on the City's capital assets can be found in note IV.D. on pages 63-64 of the basic financial statements.

Long-term Debt. At year-end, the City had \$17.9 million in bonds and notes outstanding. There was \$1.7 million of debt issued in 2015. There was a total of \$3.5 million in debt retired during the year.

Debt Outstanding at Year-end

(in millions)

	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
G. O. Bonds	\$1.8	\$1.5			1.8	1.5
G.O. Improvement Bonds	7.1	7.6			7.1	7.6
G.O Tax Increment Bonds	1.1	1.1			1.1	1.1
G. O. Revenue Bonds			\$2.4	\$2.6	2.4	2.6
Revenue Bonds			5.5	6.9	5.5	6.9
Total bonds payable	<u>\$10.0</u>	<u>\$10.2</u>	<u>\$7.9</u>	<u>\$9.5</u>	<u>\$17.9</u>	<u>\$19.7</u>

The City's bond rating is Aa2 from Moody's Investor Services. Other obligations include compensated absences. More detailed information on the City's long-term liabilities is presented in note IV.G. on pages 66-69 of the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

- The State of Minnesota is now forecasting surpluses. What this will mean for LGA funding in the future is uncertain. LGA funding continues to be a contentious issue each legislative session. Recent increases have aided in the budgeting process, but the uncertainty of future LGA does create a challenge.
- The City of Owatonna has established an internal service fund to serve as a vehicle replacement fund. This has resulted in an increase to the operating budget of the general fund with the intention of eventually decreasing the demands on the capital projects funds.
- The City of Owatonna has seen its population increase 14.1% since the 2000 census.
- The City of Owatonna has seen local unemployment rates improve as well as development activity has resumed.

Unrestricted fund balance in the general fund is within the recommendation by the Office of the State Auditor. It is recommended that the city maintain a balance between thirty and fifty percent of fund operating revenues or no less than 5 months of operating expenditures. The committed, assigned and unassigned fund balance of the general fund, which is the equivalent of "unrestricted fund balance" at the end of the current fiscal year equaled 56.6% of next years' budgeted expenditures.

Financial Contact

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City's Finance Director at 540 West Hills Circle, Owatonna, Minnesota 55060.

BASIC FINANCIAL STATEMENTS

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CITY OF OWATONNA, MINNESOTA
Statement of Net Position
December 31, 2015

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Housing & Redevelopment Activities	Economic Development Activities
ASSETS					
Cash and cash equivalents	\$5,095,484	\$12,436,431	\$17,531,915	\$286,734	\$1,160,950
Investments	20,760,322	25,719,322	46,479,644		1,300,000
Interest receivable	94,432		94,432		120
Taxes receivable - delinquent	129,665		129,665	1,680	
Accounts receivable	137,326	5,994,284	6,131,610	24,990	23,048
Assessments receivable	3,180,033	69,337	3,249,370		
Due from other governments	1,116,482		1,116,482	38,267	142,045
Due from component units	1,848		1,848		
Inventories	45,347	768,314	813,661		
Other current assets		2,420,703	2,420,703		1,993,105
Loans receivable	68,653		68,653	6,170	941,807
Prepaid expenses	245,230		245,230		
Internal balances	512,157	(512,157)			
Restricted assets:					
Cash and cash equivalents				1,110	
Other assets		660,266	660,266		
Net Pension Asset	1,149,886		1,149,886		
Capital assets:					
Land and land rights	7,698,945	2,782,281	10,481,226		252,156
Buildings	17,143,269	51,329,839	68,473,108	95,362	
Improvements other than buildings	983,998		983,998		
Equipment	12,658,677	17,307,567	29,966,244		
Infrastructure	108,373,460	87,545,657	195,919,117		
Construction in progress	1,368,053	3,264,417	4,632,470		
Less: accumulated depreciation	(61,986,626)	(63,507,603)	(125,494,229)	(13,471)	
Total assets	118,776,641	146,278,658	265,055,299	440,842	5,813,231
DEFERRED OUTFLOWS OF RESOURCES					
Pension related	1,530,062	590,976	2,121,038		
Loss on bond refunding	3,985		3,985		
	<u>1,534,047</u>	<u>590,976</u>	<u>2,125,023</u>		

LIABILITIES					
Accounts payable	1,240,869	6,001,167	7,242,036	42,138	105,762
Accrued wages	141,047	7,504	148,551		
Accrued interest payable	90,921	61,607	152,528		
Deposits	23,000		23,000	244	
Surcharges payable	15,103		15,103		
Unearned revenue	47,540	915,551	963,091	277	
Due to other governments				30,169	
Due to primary government					1,848
Noncurrent liabilities:					
Due within one year	2,517,441	793,000	3,310,441		
Due in more than one year	17,811,334	11,578,982	29,390,316		
	<u>21,887,255</u>	<u>19,357,811</u>	<u>41,245,066</u>	<u>72,828</u>	<u>107,610</u>
Total liabilities					
DEFERRED INFLOWS OF RESOURCES					
Pension related	<u>1,100,189</u>	<u>427,657</u>	<u>1,527,846</u>		
NET POSITION					
Net investment in capital assets	75,953,125	90,824,949	166,778,074	81,891	252,156
Restricted for:					
Library Hunewill	16,500		16,500		
Library memorials	10,755		10,755		
Debt service	8,603,302		8,603,302		
Dam repair	42,557		42,557		
Grant projects	8,089		8,089		
Capital projects	3,255,128		3,255,128		
Economic development	6,167		6,167		5,458,505
Unrestricted	<u>9,427,621</u>	<u>36,259,217</u>	<u>45,686,838</u>	<u>286,123</u>	<u>(5,040)</u>
Total Net Position	<u><u>\$97,323,244</u></u>	<u><u>\$127,084,166</u></u>	<u><u>\$224,407,410</u></u>	<u><u>\$368,014</u></u>	<u><u>\$5,705,621</u></u>

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

CITY OF OWATONNA, MINNESOTA
Statement of Activities
For the year ended December 31, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Governmental activities:				
General government	\$2,856,561	\$325,810	\$7,089	\$1,073,754
Public safety	6,348,914	646,479	917,464	
Public works	7,270,857	583,402	186,384	2,172,010
Culture and recreation	4,652,758	1,167,819	300,738	
Housing & economic development	747,447	9,640		105,578
Interest on long-term debt	288,678			
Total governmental activities	<u>22,165,215</u>	<u>2,733,150</u>	<u>1,411,675</u>	<u>3,351,342</u>
Business-type activities:				
Sewer	2,492,185	3,106,003		
Storm water	516,915	397,464		
Aquatic center	291,201	195,018		
Electric	34,612,064	35,805,919		
Water	3,159,786	3,489,771		50,000
Gas	13,066,535	13,795,668		
Total business-type activities	<u>54,138,686</u>	<u>56,789,843</u>		<u>50,000</u>
Total primary government	<u>\$76,303,901</u>	<u>\$59,522,993</u>	<u>\$1,411,675</u>	<u>\$3,401,342</u>
Component Units:				
Housing & redevelopment authority	\$1,111,418	\$40,997	\$804,678	
Economic development authority	1,016,913	367,730	400,000	\$142,045
Component Unit	<u>\$2,128,331</u>	<u>\$408,727</u>	<u>\$1,204,678</u>	<u>\$142,045</u>

General revenues:
Property taxes
Lodging tax
Franchise taxes
Grants and contributions not restricted to specific programs
Unrestricted investment earnings
Restricted investment earnings
Transfers
Total general revenues and transfers

Change in net position

Net position – beginning
As previously reported
Restatement
As restated

Net position – ending

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

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Housing & Redevelopment Authority	Economic Development Authority
\$ (1,449,908)		\$ (1,449,908)		
(4,784,971)		(4,784,971)		
(4,329,061)		(4,329,061)		
(3,184,201)		(3,184,201)		
(632,229)		(632,229)		
(288,678)		(288,678)		
<u>(14,669,048)</u>		<u>(14,669,048)</u>		
	\$613,818	\$613,818		
	(119,451)	(119,451)		
	(96,183)	(96,183)		
	1,193,855	1,193,855		
	379,985	379,985		
	729,133	729,133		
	<u>2,701,157</u>	<u>2,701,157</u>		
			\$ (265,743)	\$ (107,138)
			<u>(265,743)</u>	<u>(107,138)</u>
10,298,632	248,410	10,547,042	131,062	150,000
339,322		339,322		249,451
4,103,313		4,103,313	3	
190,031	284,548	474,579	2,140	21,907
			64	
90,441	(90,441)			
<u>15,021,739</u>	<u>442,517</u>	<u>15,464,256</u>	<u>133,269</u>	<u>421,358</u>
352,691	3,143,674	3,496,365	(132,474)	314,220
\$103,364,271	\$127,869,818	\$231,234,089	\$500,488	\$5,391,401
(6,393,718)	(3,929,326)	(10,323,044)		
<u>96,970,553</u>	<u>123,940,492</u>	<u>220,911,045</u>	<u>500,488</u>	<u>5,391,401</u>
<u>\$97,323,244</u>	<u>\$127,084,166</u>	<u>\$224,407,410</u>	<u>\$368,014</u>	<u>\$5,705,621</u>

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Major Funds

Governmental

General Fund

This fund accounts for the financial operations of the City that are not accounted for in any other fund. Principal sources of revenue are state and county shared revenue and property taxes.

Debt Service Fund

This fund was established to account for the accumulation of special assessments levied against property for improvements which are a benefit to such property, the debt service tax levy for the non-assessable portion of projects, and any other source of funding related to debt service. These resources are used for the payment of principal and interest on the debt of the City.

Capital Projects Fund

This fund was established to account for financial resources to be used for the acquisition or construction of major capital assets. This includes street improvement projects as well as capital asset purchases.

Proprietary

The City's enterprise funds are used to account for self-supporting activities that render services to the general public on a user charge basis.

Sewer Fund

This fund accounts for the income and expenses in the operation of the sanitary sewer collection function and wastewater treatment.

Storm Water Fund

This fund accounts for the income and expenses in the operation of the storm water management function.

Electric Utility Fund

This fund accounts for the income and expenses in the operation of the electric distribution function.

Water Utility Fund

This fund accounts for the income and expenses in the operation of the water distribution function.

Gas Utility Fund

This fund accounts for the income and expenses in the operation of the gas distribution function.

CITY OF OWATONNA, MINNESOTA
Balance Sheet
Governmental Funds
December 31, 2015

	General Fund	Debt Service Fund	Capital Projects Fund
ASSETS			
Cash	\$561,724	\$2,211,472	\$29,431
Investments	9,980,322	3,900,000	4,450,000
Interest receivable	94,432		
Taxes receivable – delinquent	122,217		
Accounts receivable	111,993		
Assessments receivable		2,596,621	583,412
Due from other funds	2,071		328,973
Due from other governments	218,809		839,616
Inventories	45,347		
Advance to other funds	184,136		193,332
Loans receivable	60		68,593
Prepaid expenses	54,221		
	\$11,375,332	\$8,708,093	\$6,493,357
LIABILITIES			
Accounts payable	\$602,968	\$1,200	\$355,967
Accrued wages	141,047		
Surcharges payable	15,103		
Deposits	23,000		
Unearned revenue	44,690		
Due to other funds		12,670	
Advance from other funds			121,136
Total liabilities	826,808	13,870	477,103
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	94,980	2,575,219	651,949
Total deferred inflows of resources	94,980	2,575,219	651,949
FUND BALANCES			
Fund Balances			
Nonspendable:			
Prepaid expenses	54,221		
Inventories	45,347		
Loans receivable	60		
Advance to other funds	184,136		
Restricted for:			
Library Hunewill			
Library memorials			
Debt service		6,119,004	
Dam repair	42,557		
Airport programs	875		
Grant projects			
Capital projects			344,541
Economic development			
Committed for:			
Capital projects			1,114,534
Assigned for:			
Capital projects			3,905,230
Compensated absences/OPEB	2,050,503		
Unassigned	8,075,845		
Total fund balances	10,453,544	6,119,004	5,364,305
Total liabilities, deferred inflows of resources and fund balances	\$11,375,332	\$8,708,093	\$6,493,357

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

Nonmajor Governmental Funds	Total Governmental Funds
\$984,138	\$3,786,765
2,150,000	20,480,322
	94,432
7,448	129,665
	111,993
	3,180,033
	331,044
58,057	1,116,482
	45,347
	377,468
	68,653
	54,221
<u>\$3,199,643</u>	<u>\$29,776,425</u>
\$237,005	\$1,197,140
	141,047
	15,103
	23,000
2,850	47,540
24,374	37,044
193,332	314,468
<u>457,561</u>	<u>1,775,342</u>
7,448	3,329,596
<u>7,448</u>	<u>3,329,596</u>
	54,221
	45,347
	60
	184,136
16,500	16,500
10,755	10,755
	6,119,004
	42,557
	875
8,089	8,089
2,909,712	3,254,253
6,167	6,167
	1,114,534
	3,905,230
	2,050,503
(216,589)	7,859,256
<u>2,734,634</u>	<u>24,671,487</u>
<u>\$3,199,643</u>	<u>\$29,776,425</u>

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CITY OF OWATONNA, MINNESOTA
Reconciliation of the Balance Sheet of
Governmental Funds to the
Statement of Net Position
December 31, 2015

Fund balance – total governmental funds	\$24,671,487
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets (net of depreciation) used in governmental activities are not financial resources and therefore are not reported in the funds.	83,448,915
The loss on refunding is reported as a deferred outflow on the statement of net position and amortized over the life of the bonds.	3,985
Net Pension Asset is included in the Statement of Net Position	1,149,886
Deferred pension outflows of \$1,530,062 and inflows of \$(1,100,189) are included in the Statement of Net Position	429,873
Long-term liabilities, including bonds payable, are not due and payable in the current period and are therefore not reported in the funds.	(20,419,696)
Internal service fund assets and liabilities are included in governmental activities in the Statement of Net Position.	4,709,198
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds.	3,329,596
Net Position of Governmental Activities	<u>\$97,323,244</u>

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

CITY OF OWATONNA, MINNESOTA
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the year ended December 31, 2015

	General Fund	Debt Service Fund	Capital Projects Fund
REVENUES			
Taxes	\$8,628,692	\$1,150,319	\$350,000
Licenses and permits	292,628		
Intergovernmental revenue	5,481,606		1,732,078
Charges for service	1,857,471		
Fines and forfeits	157,719		
Special assessments		961,311	176,001
Interest on investments	72,448	41,111	48,999
Miscellaneous	316,086		28,354
Total revenues	16,806,650	2,152,741	2,335,432
EXPENDITURES			
Current:			
General government	2,528,782		
Public safety	6,200,216		
Public works	3,681,956		
Culture and recreation	4,035,671		
Housing & economic development	222,476		
Miscellaneous		2,750	
Capital outlay	229,479		5,076,117
Debt service:			
Principal retired		1,890,000	
Interest and service charges		244,802	48,818
Total expenditures	16,898,580	2,137,552	5,124,935
Excess of revenues over (under) expenditures	(91,930)	15,189	(2,789,503)
OTHER FINANCING SOURCES (USES)			
Bond issuance		3,503	1,681,497
Premium on bonds			98,893
Capital lease proceeds	110,979		
Transfers out			
Transfers in	402,500	128,000	
Sales of capital assets			5,584
Total other financing sources (uses)	513,479	131,503	1,785,974
Net change in fund balance	421,549	146,692	(1,003,529)
Fund balance – beginning	10,031,995	5,972,312	6,367,834
Fund balance – ending	\$10,453,544	\$6,119,004	\$5,364,305

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

Non-major Governmental Funds	Total Governmental Funds
\$529,534	\$10,658,545
	292,628
77,289	7,290,973
	1,857,471
	157,719
27,473	1,137,312
1,107,749	190,031
<u>1,742,045</u>	<u>1,452,189</u>
	<u>23,036,868</u>
	2,528,782
	6,200,216
	3,681,956
	4,035,671
511,934	734,410
124,830	127,580
599,501	5,905,097
	1,890,000
	293,620
<u>1,236,265</u>	<u>25,397,332</u>
<u>505,780</u>	<u>(2,360,464)</u>
	1,685,000
	98,893
	110,979
(128,000)	(128,000)
	530,500
	5,584
<u>(128,000)</u>	<u>2,302,956</u>
377,780	(57,508)
<u>2,356,854</u>	<u>24,728,995</u>
<u>\$2,734,634</u>	<u>\$24,671,487</u>

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CITY OF OWATONNA, MINNESOTA
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental
Funds to the Statement of Activities
For the year ended December 31, 2015

Net change in fund balances – total governmental funds	\$(57,508)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. This is the amount by which capital outlays (\$4,706,012) exceeded depreciation (\$3,503,721) in the current period.	1,202,291
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	(718,649)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	11,389
The loss on refunding is amortized over the life of the bonds in the statement of activities. There is no impact on the governmental funds.	(8,588)
Net changes in the net pension asset/liability and the additions and amortization of deferred inflows and outflows related to pensions in the Statement of Activities.	(14,159)
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 the governmental funds	(124,091)
The net revenue (expense) of the internal service funds is reported with governmental activities.	<u>62,006</u>
Change in Net Position of Governmental Activities	<u><u>\$352,691</u></u>

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

CITY OF OWATONNA, MINNESOTA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – General Fund
For the year ended December 31, 2015

	<u>Budget</u>		<u>(Budgetary Basis) Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$8,510,098	\$8,510,098	\$8,628,692	\$118,594
Licenses and permits	307,575	307,575	292,628	(14,947)
Intergovernmental revenue	5,375,493	5,375,493	5,481,606	106,113
Charges for service	1,825,824	1,825,824	1,857,471	31,647
Fines and forfeits	174,900	174,900	157,719	(17,181)
Interest on investments	75,000	75,000	72,448	(2,552)
Miscellaneous	301,930	301,930	316,086	14,156
Total revenues	<u>16,570,820</u>	<u>16,570,820</u>	<u>16,806,650</u>	<u>235,830</u>
EXPENDITURES				
Current:				
General government				
Mayor & council	406,932	406,932	271,197	135,735
Administrative services	1,134,351	1,134,351	1,126,251	8,100
City attorney	234,776	234,776	220,403	14,373
Government buildings	854,376	854,376	910,931	(56,555)
Total general government	<u>2,630,435</u>	<u>2,630,435</u>	<u>2,528,782</u>	<u>101,653</u>
Public safety				
Police	4,563,827	4,563,827	4,441,614	122,213
Fire	1,433,512	1,433,512	1,411,182	22,330
Building inspection	363,201	363,201	347,420	15,781
Total public safety	<u>6,360,540</u>	<u>6,360,540</u>	<u>6,200,216</u>	<u>160,324</u>
Public works				
Engineering	914,644	914,644	904,892	9,752
Street maintenance	2,445,156	2,445,156	2,386,131	59,025
Airport	479,201	479,201	390,933	88,268
Total public works	<u>3,839,001</u>	<u>3,839,001</u>	<u>3,681,956</u>	<u>157,045</u>
Culture and recreation				
Library	1,198,977	1,198,977	1,228,023	(29,046)
Park & rec administration	194,056	194,056	260,142	(66,086)
Park maintenance	1,169,669	1,169,669	1,198,667	(28,998)
Recreation – adult	93,373	93,373	85,264	8,109
Recreation – youth	310,007	310,007	296,780	13,227
Tennis & fitness center	261,830	261,830	264,738	(2,908)
Senior center	124,757	124,757	128,351	(3,594)
Brooktree golf course	548,524	548,524	573,706	(25,182)
Total culture and recreation	<u>3,901,193</u>	<u>3,901,193</u>	<u>4,035,671</u>	<u>(134,478)</u>
Housing & economic development				
Planning & zoning	242,151	242,151	222,476	19,675
Total housing & economic develop	<u>242,151</u>	<u>242,151</u>	<u>222,476</u>	<u>19,675</u>

(Continued)

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

CITY OF OWATONNA, MINNESOTA
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual – General Fund (Continued)
For the year ended December 31, 2015

	<u>Budget</u>		<u>(Budgetary Basis) Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Capital outlay			\$229,479	\$(229,479)
Total expenditures	<u>\$16,973,320</u>	<u>\$16,973,320</u>	<u>16,898,580</u>	<u>74,740</u>
Excess of revenues over (under) expenditures	(402,500)	(402,500)	(91,930)	310,570
OTHER FINANCING SOURCES (USES)				
Capital lease proceeds			110,979	110,979
Transfers in	<u>402,500</u>	<u>402,500</u>	<u>402,500</u>	
Total other financing sources and uses	<u>402,500</u>	<u>402,500</u>	<u>513,479</u>	<u>110,979</u>
Net change in fund balance			421,549	421,549
Fund balance – beginning	<u>10,031,995</u>	<u>10,031,995</u>	<u>10,031,995</u>	
Fund balance – ending	<u><u>\$10,031,995</u></u>	<u><u>\$10,031,995</u></u>	<u><u>\$10,453,544</u></u>	<u><u>\$421,549</u></u>

CITY OF OWATONNA, MINNESOTA
Statement of Net Position
Proprietary Funds
December 31, 2015

	Business-type Activities		
	Sewer Fund	Storm Water Fund	Electric Fund
ASSETS			
Current assets:			
Cash and cash equivalents	\$699,622	\$725,862	\$2,838,960
Investments	15,000,000	200,000	3,344,923
Accounts receivable	10,265		3,474,867
Assessments receivable	69,337		
Due from other funds	290,282		37,044
Inventories at cost			546,960
Other assets			1,403,187
Total current assets	16,069,506	925,862	11,645,941
Noncurrent assets:			
Capital assets – net	24,679,222	7,713,037	37,759,837
Land held for future use			
Total noncurrent assets	24,679,222	7,713,037	37,759,837
Total assets	40,748,728	8,638,899	49,405,778
DEFERRED OUTFLOWS OF RESOURCES			
Pension related	55,915	6,476	237,863
LIABILITIES			
Current liabilities:			
Accounts payable	51,910	37,405	3,782,136
Accrued wages	6,581	923	
Accrued interest payable	28,455	33,152	
Due to other funds			341,353
Unearned revenue			617,921
Accrued compensated absences	50,000		
Notes and bonds payable – net	513,000	230,000	
Total current liabilities	649,946	301,480	4,741,410
Noncurrent liabilities:			
Notes and bonds payable – net	4,954,928	2,199,281	
Net pension liability	392,852	45,498	1,697,793
Advance from other funds			
Accrued compensated absences	74,310	2,123	
Accrued OPEB liability	11,002		59,588
Total noncurrent liabilities	5,433,092	2,246,902	1,757,381
Total liabilities	6,083,038	2,548,382	6,498,791
DEFERRED INLFOWS OF RESOURCES			
Pension related	32,820	3,801	175,966
NET POSITION			
Net investment in capital assets	19,211,294	5,283,756	37,759,837
Unrestricted	15,477,491	809,436	5,209,047
Total net position	\$34,688,785	\$6,093,192	\$42,968,884

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
Net Position of Business-type Activities

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

- Enterprise Funds				Governmental Activities
Water Fund	Gas Fund	Nonmajor Fund Aquatic Center Fund	Total Enterprise Funds	Internal Service Funds
\$3,059,847	\$5,111,384	\$756	\$12,436,431	\$1,308,719
2,987,713	4,186,686		25,719,322	280,000
324,498	2,184,654		5,994,284	25,333
			69,337	
			327,326	
46,584	174,770		768,314	
351,098	666,418		2,420,703	191,009
<u>6,769,740</u>	<u>12,323,912</u>	<u>756</u>	<u>47,735,717</u>	<u>1,805,061</u>
13,921,388	11,559,694	3,088,980	98,722,158	2,790,861
	660,266		660,266	
<u>13,921,388</u>	<u>12,219,960</u>	<u>3,088,980</u>	<u>99,382,424</u>	<u>2,790,861</u>
<u>20,691,128</u>	<u>24,543,872</u>	<u>3,089,736</u>	<u>147,118,141</u>	<u>4,595,922</u>
116,289	174,433		590,976	
317,112	1,811,463	1,141	6,001,167	43,729
			7,504	
			61,607	
279,973			621,326	
75,418	222,212		915,551	
			50,000	
			743,000	
<u>672,503</u>	<u>2,033,675</u>	<u>1,141</u>	<u>8,400,155</u>	<u>43,729</u>
830,032	1,245,048		7,154,209	
			4,211,223	
		63,000	63,000	
			76,433	
26,327	40,200		137,117	
<u>856,359</u>	<u>1,285,248</u>	<u>63,000</u>	<u>11,641,982</u>	
<u>1,528,862</u>	<u>3,318,923</u>	<u>64,141</u>	<u>20,042,137</u>	<u>43,729</u>
86,028	129,042		427,657	
13,921,388	11,559,694	3,088,980	90,824,949	2,790,861
5,271,139	9,710,646	(63,385)	36,414,374	1,761,332
<u>\$19,192,527</u>	<u>\$21,270,340</u>	<u>\$3,025,595</u>	127,239,323	<u>\$4,552,193</u>
			(155,157)	
			<u>\$127,084,166</u>	

CITY OF OWATONNA, MINNESOTA
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the year ended December 31, 2015

	Business-type Activities		
	Sewer Fund	Storm Water Fund	Electric Fund
OPERATING REVENUES:			
Charges for service	\$3,103,911	\$397,464	\$35,805,919
Miscellaneous	2,092		
Total operating revenues	3,106,003	397,464	35,805,919
OPERATING EXPENSES:			
Operation and maintenance	1,263,640	229,302	28,988,930
Depreciation	980,107	188,122	2,073,009
Utility service contributed to city			1,003,214
Capitalized internal costs			(297,309)
Administrative costs	174,431		2,844,160
Total operating expenses	2,418,178	417,424	34,612,004
Operating income (loss)	687,825	(19,960)	1,193,915
Non-operating revenues (expenses)			
Property taxes		248,410	
Income (loss) on investments	136,448	8,044	45,481
Sale of capital assets			
Interest expense and fiscal charges	(82,595)	(99,701)	(60)
Total non-operating revenues (expenses)	53,853	156,753	45,421
Income (loss) before contributions & transfers	741,678	136,793	1,239,336
Capital contributions		312,059	
Transfer out	(370,500)	(32,000)	
Total contributions & transfers	(370,500)	280,059	
Change in net position	371,178	416,852	1,239,336
Total net position – beginning			
As previously reported	34,675,133	5,717,747	43,318,225
Restatement	(357,526)	(41,407)	(1,588,677)
As restated	34,317,607	5,676,340	41,729,548
Total net position – ending	\$34,688,785	\$6,093,192	\$42,968,884

Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds
Change in Net Position of Business-type Activities

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

- Enterprise Funds				Governmental Activities
Water Fund	Gas Fund	Nonmajor Fund Aquatic Center Fund	Total Enterprise Funds	Internal Service Funds
\$3,489,771	\$13,795,668	\$195,018	\$56,787,751	\$2,725,594
			2,092	
<u>3,489,771</u>	<u>13,795,668</u>	<u>195,018</u>	<u>56,789,843</u>	<u>2,725,594</u>
1,709,068	10,738,844	214,678	43,144,462	2,145,061
466,697	498,145	78,517	4,284,597	512,855
90,675	230,556		1,324,445	
(14,980)	(108,080)		(420,369)	
908,317	1,706,971		5,633,879	
<u>3,159,777</u>	<u>13,066,436</u>	<u>293,195</u>	<u>53,967,014</u>	<u>2,657,916</u>
<u>329,994</u>	<u>729,232</u>	<u>(98,177)</u>	<u>2,822,829</u>	<u>67,678</u>
			248,410	
33,611	60,964		284,548	
				5,120
(9)	(99)		(182,464)	
<u>33,602</u>	<u>60,865</u>		<u>350,494</u>	<u>5,120</u>
363,596	790,097	(98,177)	3,173,323	72,798
50,000			362,059	1,020,118
			(402,500)	
<u>50,000</u>			<u>(40,441)</u>	<u>1,020,118</u>
413,596	790,097	(98,177)	3,132,882	1,092,916
19,555,617	21,645,273	3,123,772		3,459,277
(776,686)	(1,165,030)			
<u>18,778,931</u>	<u>20,480,243</u>	<u>3,123,772</u>		<u>3,459,277</u>
<u>\$19,192,527</u>	<u>\$21,270,340</u>	<u>\$3,025,595</u>		<u>\$4,552,193</u>
			10,792	
			<u>\$3,143,674</u>	

CITY OF OWATONNA, MINNESOTA
Statement of Cash Flows
Proprietary Funds
For the year ended December 31, 2015

	Business-type Activities		
	Sewer Fund	Storm Water Fund	Electric Fund
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$3,184,953	\$397,464	\$34,027,515
Cash payments to suppliers for goods and services	(873,981)	(135,318)	(29,980,391)
Cash payments to employees for services	(661,835)	(88,404)	(2,297,169)
Other cash receipts			2,259,261
Net cash provided by (used for) operating activities	<u>1,649,137</u>	<u>173,742</u>	<u>4,009,216</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Advance from other funds			(2,000,000)
Advance to other funds			
Transfer to other funds	<u>(370,500)</u>	<u>(32,000)</u>	
Net cash provided by (used for) noncapital financing activities	<u>(370,500)</u>	<u>(32,000)</u>	<u>(2,000,000)</u>
CASH FLOWS FROM CAPITAL AND REL. FIN. ACTIVITIES			
Acquisition of capital assets	(225,682)	(276,373)	(3,736,636)
Contribution for capital assets			3,957,291
Cost of removal, net of salvage			41,273
Intergovernmental	28,125		
Taxes levied for debt service		248,410	
Principal paid on revenue bonds/notes payable	(506,000)	(225,000)	(146,873)
Interest expense and fiscal charges	<u>(85,009)</u>	<u>(103,673)</u>	<u>(3,732)</u>
Net cash provided by (used for) capital and rel. fin. activities	<u>(788,566)</u>	<u>(356,636)</u>	<u>111,323</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investment securities	(1,000,000)		(2,715,693)
Proceeds from sale of investment securities			2,687,292
Interest on investments	<u>136,448</u>	<u>8,044</u>	<u>35,434</u>
Net cash provided by (used for) investing activities	<u>(863,552)</u>	<u>8,044</u>	<u>7,033</u>
Net increase (decrease) in cash and cash equivalents	(373,481)	(206,850)	2,127,572
Cash and cash equivalents – beginning of the year	<u>1,073,103</u>	<u>932,712</u>	<u>711,388</u>
Cash and Cash Equivalents – end of the year	<u><u>\$699,622</u></u>	<u><u>\$725,862</u></u>	<u><u>\$2,838,960</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	\$687,825	\$(19,960)	\$1,193,915
Adjustments			
Depreciation	980,107	188,122	2,073,009
Net changes in assets and deferred outflows and liabilities and deferred inflows:			
Accounts receivable	2,899		490,382
Assessments receivable	(2,259)		
Inventories at cost			7,420
Other current assets	78,310		61,348
Accounts payable and accrued expenses	(115,277)	3,934	(309,186)
Unearned revenue			432,872
OPEB and compensated absences	5,301	230	12,237
Pension related	<u>12,231</u>	<u>1,416</u>	<u>47,219</u>
Net cash provided by (used for) operating activities	<u>\$1,649,137</u>	<u>\$173,742</u>	<u>\$4,009,216</u>
Noncash investing, capital, and financing activities:			
Amortization of bond discount (premium)		\$(1,160)	
Capital Contribution		312,059	

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

- Enterprise Funds				Governmental
Water	Gas	Nonmajor Fund	Total	Internal
Fund	Fund	Aquatic Center	Enterprise	Service
		Fund	Funds	Funds
\$3,288,682	\$14,027,976	\$195,018	\$55,121,608	\$2,717,993
(1,581,875)	(11,920,156)	(87,376)	(44,579,097)	(2,132,234)
(1,000,621)	(1,366,018)	(127,087)	(5,541,134)	
248,614	464,642		2,972,517	
954,800	1,206,444	(19,445)	7,973,894	585,759
		18,000	2,018,000	
	2,000,000		(2,000,000)	
			(402,500)	
	2,000,000	18,000	(384,500)	
(510,951)	(1,711,703)		(6,461,345)	
50,000			4,007,291	
2,500	18,052		61,825	15,479
			28,125	
			248,410	
(378,097)	(360,030)		(1,616,000)	
(9,461)	(9,100)		(210,975)	
(846,009)	(2,062,781)		(3,942,669)	15,479
(1,290,957)	(2,613,570)		(7,620,220)	
1,257,830	1,605,748		5,550,870	
33,023	41,434		254,383	
(104)	(966,388)		(1,814,967)	
108,687	177,275	(1,445)	1,831,758	601,238
2,951,160	4,934,109	2,201	10,604,673	707,481
\$3,059,847	\$5,111,384	\$756	\$12,436,431	\$1,308,719
\$329,994	\$729,232	\$(98,177)	\$2,822,829	\$67,678
466,697	498,145	78,517	4,284,597	512,855
48,852	558,524		1,100,657	(7,601)
			(2,259)	
1,078	6,649		15,147	
10,550	154,164		304,372	(5,632)
90,947	(796,271)	215	(1,125,638)	18,459
(22,386)	12,400		422,886	
5,983	8,974		32,725	
23,085	34,627		118,578	
\$954,800	\$1,206,444	\$(19,445)	\$7,973,894	\$585,759
			\$(1,160)	
			312,059	\$1,020,118

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CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2015

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City have been prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States. GAAP statements include all relevant Governmental Accounting Standards Board (GASB) pronouncements. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The most significant of the City's policies are described below.

A. Reporting Entity

The City of Owatonna (the City) operates under a Home Rule Charter form of government allowed by Minnesota statutes. The City is governed by an elected Mayor and seven-member Council. The Council exercises legislative authority and determines all matter of policy. The 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. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

Individual Component Unit Disclosures

Discretely Presented Component Units – The Owatonna Housing and Redevelopment Authority (HRA) and Economic Development Authority (EDA) serve all the citizens of the City and are governed by City appointed boards.

The HRA was created by the City to carry out certain redevelopment projects. The five-member board is appointed by the Council. The Council reviews and approves HRA tax levies, and the City provides major community development financing for HRA activities. Debt issued for HRA activities are City general obligations. The HRA consists of two separate operations: general operations and housing programs. Separately issued financial statements as of December 31 are available upon request from the Executive Director of the HRA at 540 West Hills Circle, Owatonna, MN.

The EDA was created pursuant to Minnesota statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment within the City in accordance with policies established by the Council. The seven-member board consists of three Council members and four other Council approved members. The EDA may not exercise any of the powers enumerated by the authorizing statutes without prior approval of the Council. The EDA has a December 31 year end. Separate financial statements are not issued.

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2015

B. Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial level. Both levels of statements categorize primary activities as either governmental or business-type. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

Government-wide financial statements report information about the reporting government as a whole. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated as this would distort the direct costs and program revenues reported for the various functions concerned. These statements focus on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the year. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

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

Fund financial statements report information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified as governmental and proprietary. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major funds are consolidated into a single column in the financial section of the basic financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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 measurable when the amount of the transaction can be determined. Revenues are considered to be available when they are collectible with the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred. 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 OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2015

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

The City reports the following major governmental funds:

General fund

This is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be reported in another fund.

Debt service fund

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

Capital projects fund

This fund accounts for the financial resources to be used for the acquisition or construction of major capital assets. This includes street improvement projects as well as capital asset purchases.

The City reports the following major proprietary funds:

Sewer fund

This accounts for the operating, maintenance, and capital improvement of the City's sewer utility.

Storm water fund

This accounts for the operating, maintenance, and capital improvement of the City's storm water utility.

Electric fund

This accounts for the operating, maintenance, and capital improvement of the municipally owned electric utility in the City.

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2015

Water fund

This accounts for the operating, maintenance, and capital improvement of the municipally owned water utility in the City.

Gas fund

This accounts for the operating, maintenance, and capital improvement of the municipally owned gas utility in the City.

Additionally, the City reports the following fund types:

Internal service funds account for services and/or commodities provided to other departments of the City on a cost reimbursement basis. The City has two internal service funds. One fund accounts for payroll and risk management activities for workers compensation insurance, the activities of the group health plan, and property and liability insurance. The other fund accounts for the cost of purchasing vehicles.

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

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 and expenses of the City's enterprise funds and internal service funds are charges to customers for sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

1. Deposits and Investments

Cash balances from all funds are pooled and invested to the extent available in investments authorized by Minnesota State Statute and as further authorized by the Council. Earnings from investments are allocated monthly to each fund based on month end balances of cash and investments.

The City's investment policy states funds are to be invested to the maximum extent possible at the highest rates obtainable after considering safety, liquidity, yield and risk factors.

Investments are stated at fair value as of the end of the year, except for non-negotiable certificates of deposit, which are stated at cost. Broker money market funds operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the shares.

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2015

For purposes of the statement of cash flows, the enterprise and internal service funds consider cash on hand, demand deposits, and short-term investments with original maturities of three months or less when purchased to be cash and cash equivalents.

2. Property Tax Receivables

The City levies its property tax for the subsequent year in December. This levy is certified to Steele County as they are the collection agency for taxes within the County. Taxes are recognized as receivables in the current year when the City is notified by the County of the amounts. They become a lien against the property on the date of levy. Taxes are due and payable at the County on May 15 and October 15, and collections are remitted to the City in July and December. Adjustments are made to delinquent taxes based on the records of the County Auditor.

Delinquent taxes represent unpaid taxes for the past nine years. Delinquent taxes have been offset by an unavailable revenue for delinquent taxes not received within 60 days after year end in the fund financial statements.

3. Special Assessments

Special assessments are certified to Steele County for collection annually. Noncertified assessments represent assessments to be certified annually in the future. Special assessments are recognized as revenue when they are received in cash or within 60 days after year end. All governmental special assessments receivable are offset by an unavailable revenue in fund financial statements.

4. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Short-term interfund loans are classified as "due to/from other funds." All short-term interfund receivables and payables at year end are planned to be eliminated in the subsequent year. Long-term interfund loans are classified as "advances to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

5. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The cost of inventories are recorded as an expenditure/expense when consumed rather than when purchased.

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

6. Restricted Assets

Restricted assets consist of cash and temporary investments restricted for specific purposes by agreements.

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2015

7. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, sidewalks, street lights, 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 cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated assets are recorded at estimated fair market value as of the date of the donation. The City reports infrastructure assets on a network or subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements. 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.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (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 or estimated acquisition year). The cost of infrastructure acquired prior to implementation of GASB 34 is included at estimated historical costs based on the current replacement cost of a similar asset and deflated through the use of price-level indexes.

The costs of normal maintenance and repairs that do not add to the value or capacity of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Depreciation on exhaustible assets is recorded as an allocated expense in the Statement of Activities with accumulated depreciation reflected in the Statement of Net Position. A composite depreciation rate is used for infrastructure assets. Depreciation on the remaining capital assets is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-50 years
Improvements Other than Buildings	15-50 years
Equipment and vehicles	3-20 years
Infrastructure	20-50 years

Capital assets not being depreciated consist of land and construction in progress.

Electric and Gas Utility Plant is recorded at original cost. Water Utility Plant is recorded at cost less funds provided from municipal special assessments. When units of property are sold, retired or otherwise disposed of in the ordinary course of business, their average book cost less net salvage is charged to accumulated depreciation. Repairs and the replacement and renewal of items determined to be less than units of property are charged to maintenance expense.

Depreciation is computed using the straight-line method which expenses the cost of the plant over its estimated useful life. The composite depreciation rates of the utilities range between 2% and 20%.

8. Credit Risk

As of December 31, 2015 the enterprise funds had no significant concentration of credit risk with respect to consumer accounts receivable due to the large number of customers and their dispersion across many different residential and industrial customers.

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2015

9. Deferred Inflows of Resources

In addition to liabilities, the statement of financial 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 two types of this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources; property taxes, special assessments, and a long-term receivable. These amounts are recognized as an inflow of resources in the period that the amounts become available. Pension related deferred inflows are recorded in the current year, but the revenue will be recorded in subsequent years.

10. Pension

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 when due and payable in accordance with the benefit terms. Investments are reported at fair value.

For purposes of measuring the net pension asset, deferred outflows/inflows of resources, and expense associated with the City's requirement to contribute to the Owatonna Firefighters Relief Association Plan, information about the Plan's fiduciary net position and additions to/deductions from the Owatonna Firefighters Relief Association Plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, plan contributions are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Deferred Outflows of Resources

The City's governmental activities and proprietary fund financial statements report a separate section for deferred outflows of resources. This separate financial statement element reflects a decrease in net position or fund balance, that relates to future periods. The City will not recognize the related outflow until a future event occurs. The City reports a deferred outflow for a loss on a bond refunding which will be amortized over the life of the bonds. Pension related deferred outflows are recorded in the current year, but the expenses will be recorded in subsequent years.

12. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, sick leave and paid time off (PTO). Vacation and PTO are paid upon separation. Sick leave is only payable at 50% and only upon retirement. Employees hired prior to 1980 are paid the current year accrual annually. The General Fund is used to liquidate governmental compensated absences payable.

All vacation, PTO and the portion of sick pay allowable at retirement is accrued when incurred in the government-wide and proprietary fund financial statements. The current portion for these amounts is calculated based on historical trends. There is an assigned fund balance for the entire amount of these compensated absences in the general fund.

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2015

13. 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 statements of net position. Bond premiums and discounts are amortized over the life of the bonds using the effective interest rate method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued and premiums 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.

14. Fund Balance/Net Position

The City of Owatonna reports the following categories of fund balance:

- Nonspendable Fund Balance – These are amounts that cannot be spent because they are not in spendable form (i.e. inventories, prepaids and advances to other funds)
- Restricted Fund Balance – These are amounts that are restricted to specific purposes either by constraints placed on the use of resources by creditors, grantors, contributors, laws, or regulations, or other governments
- Committed Fund Balance – These are amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council (highest level of decision making authority) through resolution.
- Assigned Fund Balance – These are amounts that are constrained by the City's intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by the City Administrator as permitted by policy.
- Unassigned Fund Balance – these are residual amounts in the General Fund, not reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other funds would report a negative unassigned fund balance should the total of nonspendable, restricted and committed fund balances exceed the total net resources of that fund.

The City's fund balance policy provides that the City maintain a minimum general fund balance of 50% of budgeted operating expenditures.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, it is the City's policy to use restricted first and then unrestricted. The order of use for unrestricted fund balance shall be committed, assigned, and then unassigned.

In the government-wide financial statements, net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets, adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Unrestricted net position consists of all other items that do not meet the definitions of "restricted" or "net investment in capital assets".

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2015

15. Use of Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

16. Restatement Due to a Change in Accounting Principle

During the year ended December 31, 2015, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and related Statement No. 71. These pronouncements require the restatement of the December 31, 2014 net position in the Proprietary Fund statements and the government-wide statements as follows:

	Sewer
Net Position, December 31, 2014, as Previously Reported	\$34,675,133
Cumulative Affect of Application of GASB 68, Net Pension Liability	(373,437)
Cumulative Affect of Application of GASB 71, Deferred Outflow of Resources for Contributions Made to the Plan After June 30, 2014	<u>15,911</u>
Net Position, December 31, 2014, as Restated	<u>\$34,317,607</u>

	Storm Water
Net Position, December 31, 2014, as Previously Reported	\$5,717,747
Cumulative Affect of Application of GASB 68, Net Pension Liability	(43,250)
Cumulative Affect of Application of GASB 71, Deferred Outflow of Resources for Contributions Made to the Plan After June 30, 2014	<u>1,843</u>
Net Position, December 31, 2014, as Restated	<u>\$5,676,340</u>

	Electric
Net Position, December 31, 2014, as Previously Reported	\$43,318,225
Cumulative Affect of Application of GASB 68, Net Pension Liability	(1,659,392)
Cumulative Affect of Application of GASB 71, Deferred Outflow of Resources for Contributions Made to the Plan After June 30, 2014	<u>70,715</u>
Net Position, December 31, 2014, as Restated	<u>\$41,729,548</u>

	Water
Net Position, December 31, 2014, as Previously Reported	\$19,555,617
Cumulative Affect of Application of GASB 68, Net Pension Liability	(811,258)
Cumulative Affect of Application of GASB 71, Deferred Outflow of Resources for Contributions Made to the Plan After June 30, 2014	<u>34,572</u>
Net Position, December 31, 2014, as Restated	<u>\$18,778,931</u>

	Gas
Net Position, December 31, 2014, as Previously Reported	\$21,645,273
Cumulative Affect of Application of GASB 68, Net Pension Liability	(1,216,887)
Cumulative Affect of Application of GASB 71, Deferred Outflow of Resources for Contributions Made to the Plan After June 30, 2014	<u>51,857</u>
Net Position, December 31, 2014, as Restated	<u>\$20,480,243</u>

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2015

	Governmental	Business-type
Net Position, December 31, 2014, as Previously Reported	\$103,364,271	\$127,869,818
Cumulative Affect of Application of GASB 68, Net Pension Liability/Asset	(6,795,102)	(4,104,224)
Cumulative Affect of Application of GASB 71, Deferred Outflow of Resources for Contributions Made to the Plan After June 30, 2014	<u>401,384</u>	<u>174,898</u>
Net Position, December 31, 2014, as Restated	<u>\$96,970,553</u>	<u>\$123,940,492</u>

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide Statement of Net Position. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this (\$20,419,696) difference are as follows:

Bonds and notes payable	\$(10,290,636)
Net Pension liability	(7,987,636)
Accrued OPEB liability	(172,369)
Accrued compensated absences	(1,878,134)
Accrued interest payable	<u>(90,921)</u>
Total difference	<u><u>\$(20,419,696)</u></u>

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities.

One element of that reconciliation explains that “Revenues on the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this \$(718,649) difference are as follows:

Delinquent taxes rec. unavailable revenue:	
At December 31, 2014	\$(123,019)
At December 31, 2015	102,428
Special assessments/development receivable unavailable revenue:	
At December 31, 2014	(3,925,226)
At December 31, 2015	<u>3,227,168</u>
	<u><u>\$(718,649)</u></u>

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2015

Another element of that reconciliation states that “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 the governmental funds.” The details of this \$(124,091) difference are as follows:

Amortization of bond premium	\$14,584
Change in accrued OPEB liability	(16,574)
Change in accrued interest	(1,054)
Change in accrued compensated absences	<u>(121,047)</u>
	<u><u>\$(124,091)</u></u>

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds of the City. Only the General Fund’s budget is considered an “annually legally adopted budget”. The remaining funds’ budgets are used as a management tool. The debt service funds are budgeted according to the terms of the original bond issues. Project-length financial plans are adopted for all capital projects funds. Any modification in the adopted budget can be made upon request of and approval by the City Council. Appropriations in all funds lapse at the end of the year.

In July of each year, all departments of the City submit requests for appropriation to the City Administrator so that a budget may be prepared. The budget is prepared for the General Fund by department and cost center and also includes information on the preceding two fiscal years, current year estimates of expenditures and requested appropriations for the next fiscal year.

The proposed budget is presented to the City Council for review prior to September 15. The City Council holds public hearings. A final budget is adopted by December 28 of each year.

Expenditures may not legally exceed budgeted appropriations at the total level for the General Fund. Management cannot amend the adopted budget, but must request the City Council to adopt supplemental appropriations when the need arises.

B. Deficit Fund Balance

At year end 2015, there were two funds that carried deficit fund balances. These funds are tax increment financing funds that were funded by the City through interfund loans. These deficit fund balances will be reduced and eliminated over time as increment from the levies is used to retire the various loans.

The following funds carried deficit fund balances at the end of 2015 in the amounts indicated:

TIF 3-6 Viracon Economic Development Fund	\$81,960
TIF 3-8 Daikin Applied Economic Development Fund	134,629

Discretely Presented Component Unit

The EDA Administration Fund carried a deficit fund balance at the end of 2015 in the amount of \$5,040. This deficit is related to various tax increment funds and will be reduced and eliminated over time as increment from the levies is used to pay initial administrative costs.

CITY OF OWATONNA, MINNESOTA
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December 31, 2015

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The City maintains a cash and investment pool that is available for use by all funds. Earnings from such investments are allocated to the respective funds on the basis of applicable balance participation by each fund. The primary government and component units' cash and investments are pooled.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it in full. In accordance with Minnesota Statutes and as authorized by the City Council, the City of Owatonna 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 the collateral pledged must be equal to 110% of the deposits not covered by insurance or bonds. Authorized collateral includes U.S. government securities, state or local government obligations, and other securities authorized by Minnesota Statute 118A.03. 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.

The City's deposits in banks at December 31, 2015 were entirely covered by federal depository insurance or by collateral held by the City's custodial bank in the City's name.

Investments

The City may also invest idle funds as authorized investments by Minnesota Statutes as follows:

- a. Direct obligations or obligations guaranteed by the United States or its agencies.
- b. 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 all of the investments have a final maturity of thirteen months or less.
- c. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
- d. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
- e. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
- f. Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
- g. Repurchase or reverse repurchase agreements and securities lending agreements 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.
- h. 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, and with a credit quality in one of the top two rating highest categories.

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
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The City's investments as of December 31, 2015 are as follows:

Type of Investment	Credit Quality Rating	Fair Value	Investment Maturity in Years			
			< 1 Year	1-5 Years	6-10 Years	> 10 years
US Govt Agencies	AAA	\$14,265,987		\$8,859,400	\$5,406,587	
US Govt Agencies	N/R	6,849,661	\$6,799,395			\$50,266
Local Govt Obligations	AA2	1,572,799		144,713	1,428,086	
Pooled Investments	N/A	13,002		173		12,829
4M Term Series	N/A	2,750,000	\$2,750,000			
MN Municipal MM	N/A	4,298,342	4,298,342			
Wells Fargo Adv MM	N/A	3,417	3,417			
Wells Fargo Money Mrkt	N/A	1,014,796	1,014,796			
Fed Prime Cash Oblig	AAA	6,503	6,503			
Negotiable CDs	N/A	14,558,873	9,927,471	4,386,767	244,635	
		<u>\$45,333,380</u>	<u>\$24,799,924</u>	<u>\$13,391,053</u>	<u>\$7,079,308</u>	<u>\$63,095</u>

Reconciliation of deposits and investments to Statement of Net Position:

	Primary Government	EDA	HRA	Total Reporting Entity
Cash on hand	\$3,435			\$3,435
Deposits	19,974,744	\$1,160,950	\$287,844	21,423,538
Investments	44,033,380	1,300,000		45,333,380
Total deposits and investments	<u>\$64,011,559</u>	<u>\$2,460,950</u>	<u>\$287,844</u>	<u>\$66,760,353</u>
<u>Per Statement of Net Position:</u>				
Cash and cash equivalents	\$17,531,915	\$1,160,950	\$286,734	\$18,979,599
Investments	46,479,644	1,300,000		47,779,644
Restricted cash & cash equivalents			1,110	1,110
Total cash and investments	<u>\$64,011,559</u>	<u>\$2,460,950</u>	<u>\$287,844</u>	<u>\$66,760,353</u>

Interest rate risk. The City's investment policy requires minimizing interest rate risk by structuring the investment portion so securities mature to meet cash requirements for ongoing operations. Within these parameters, it is the City's practice to stagger portfolio maturities to avoid undue concentration of assets, provide for stability of income, and limit exposure to fair value losses related to rising interest rates.

Credit risk. The City's investment policy limits the level of investments allowed in each category of credit risk. Credit risk is the risk that an issuer to an investment will not fulfill its obligation. State law limits investments in state and local securities and commercial paper to those with specified rating by nationally recognized rating agencies. U.S. Treasury Obligations are not considered to have credit risk. U.S. Government Agencies which are rated all carry a AAA credit rating. The U.S. Government Agencies which are unrated are comprised of "stripped" securities for which the underlying agency notes are all AAA rated. The underlying agency's rating is considered to pass through to the "stripped" bond. The Local Government Obligations carry a AA2 credit rating.

Concentration risk. The City does not have a formal policy limiting the amount of the portfolio that may be invested in any one depository or issuer. The following investments represent at least 5% of the City's investment portfolio: FNMA, FHLMC, 4M Fund term investment, and Minnesota Municipal Money Market.

CITY OF OWATONNA, MINNESOTA
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B. Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major accounts receivable balances for the governmental activities include franchise fees and miscellaneous charges. Business-type activities report utility earnings as their major accounts receivable.

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current year, the three components of unavailable revenue reported in the governmental funds were for delinquent taxes receivable not yet available (general fund and nonmajor capital projects fund) of \$102,428; special assessments receivable not yet available (debt service fund and capital projects fund) of \$3,158,575; and a development receivable not yet available (capital projects fund) of \$68,593.

C. Loans Receivable

The City of Owatonna has loans receivable from various employees in conjunction with an employee computer purchase loan program. The balance of these receivables as of December 31, 2015 is \$60 and is offset by a nonspendable fund balance in the general fund.

The Capital Projects Fund has made a loan to a local business. The balance of this loan at December 31, 2015 was \$68,593 and is offset by an unavailable revenue. This loan matures in fifteen years.

Discretely Presented Component Unit

The EDA Loan Fund has made loans to local businesses with various terms and interest rates for repayment. The balance of these loans at December 31, 2015 was \$230,840 which consists of loans maturing in one to eleven years with interest ranging from 0 to 5 percent. These notes are secured by property, equipment and personal guarantees.

The EDA Loan Fund has made five loans to local businesses with certain conditions attached which would then make the loans forgivable. These loans are not considered receivable and are not included in the loans receivable balance at December 31, 2015. The balance of these forgivable loans was \$225,836 at December 31, 2015.

The EDA Land Fund has entered into various development agreements with local businesses to finance the sale of property to the developer. The balance of these loans at December 31, 2015 was \$710,967 which consists of loans maturing in 1 to 27 years with interest ranging from 0 to 4.75 percent.

The HRA issues notes as their contribution to SCDP housing rehab program. These notes consist of \$1,000 per housing unit. They are deferred for a period of 7 years. The notes will be forgiven as long as the owner continues to rent to low income residents and maintains ownership for the 7 years. If the owner sells before the 7 years the note will need to be repaid in full. These notes are not considered receivable and are not included in the Statement of Net Position. The balance of these notes at December 31, 2015 is \$19,851.

The HRA works with local community housing agencies to provide emergency fix-up deferred loans for home improvements that resolve code emergency deficiencies, energy efficiency, or improve accessibility. The maximum amount of each loan is \$5,000. They are deferred until the property is sold or transferred. The balance of these notes at December 31, 2015 is \$6,170.

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2015

D. Capital Assets

Capital asset activity for governmental activities for the year ended December 31, 2015 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Land	\$7,633,866	\$65,079		\$7,698,945
Construction in Progress	211,110	1,877,514	\$720,571	1,368,053
Total Non-depreciable	<u>7,844,976</u>	<u>1,942,593</u>	<u>720,571</u>	<u>9,066,998</u>
Depreciable capital assets:				
Buildings	17,061,260	82,009		17,143,269
Improvements Other than Bldgs	688,625	295,373		983,998
Equipment	12,285,706	1,390,000	1,017,029	12,658,677
Infrastructure	106,656,852	1,716,608		108,373,460
Total depreciable	<u>136,692,443</u>	<u>3,483,990</u>	<u>1,017,029</u>	<u>139,159,404</u>
Accumulated Depreciation				
Buildings	9,198,120	399,226		9,597,346
Improvements Other than Bldgs	196,166	50,677		246,843
Equipment	8,279,752	842,853	1,006,670	8,115,935
Infrastructure	41,302,682	2,723,820		44,026,502
Total accumulated depreciation	<u>58,976,720</u>	<u>4,016,576</u>	<u>1,006,670</u>	<u>61,986,626</u>
Govtl activities capital assets, net	<u>\$85,560,699</u>	<u>\$1,410,007</u>	<u>\$730,930</u>	<u>\$86,239,776</u>

Depreciation expense for governmental activities is charged to functions as follows:

General government	\$202,695
Public safety	201,385
Public works	2,841,198
Culture and recreation	258,443
Internal service funds	512,855
Total depreciation for governmental activities	<u>\$4,016,576</u>

Capital asset activity for business-type activities for the year ended December 31, 2015 was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Land and other rights	\$2,638,003	\$144,278		\$2,782,281
Construction in Progress	14,612,819	6,204,068	\$17,552,470	3,264,417
Total Non-depreciable	<u>17,250,822</u>	<u>6,348,346</u>	<u>17,552,470</u>	<u>6,046,698</u>
Depreciable capital assets:				
Buildings	37,054,713	14,275,126		51,329,839
Equipment	16,536,301	1,173,182	401,916	17,307,567
Infrastructure	85,159,711	2,500,517	114,571	87,545,657
Total depreciable	<u>138,750,725</u>	<u>17,948,825</u>	<u>516,487</u>	<u>156,183,063</u>
Accumulated Depreciation				
Buildings	12,926,324	873,386		13,799,710
Equipment	12,504,652	1,115,805	399,916	13,220,541
Infrastructure	34,275,395	2,357,230	145,273	36,487,352
Total accumulated depreciation	<u>59,706,371</u>	<u>4,346,421</u>	<u>545,189</u>	<u>63,507,603</u>
Business-type activities capital assets, net	<u>\$96,295,176</u>	<u>\$19,950,750</u>	<u>\$17,523,768</u>	<u>\$98,722,158</u>

Depreciation expense for business-type activities is charged to functions as follows:

CITY OF OWATONNA, MINNESOTA
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Sewer	\$980,107
Storm water	188,122
Electric	2,073,009
Water	466,697
Gas	498,145
Aquatic center	<u>78,517</u>
 Total depreciation for business-type activities	 <u><u>\$4,284,597</u></u>

Discretely Presented Component Units

Capital asset activity for the component units was as follows:

Economic Development Authority

	Beginning Balances 12/31/14	Increases	Decreases	Ending Balances 12/31/15
Land	<u>\$252,156</u>	<u> </u>	<u> </u>	<u>\$252,156</u>

Housing and Redevelopment Authority

	Beginning Balances 12/31/14	Increases	Decreases	Ending Balances 12/31/15
Buildings	\$216,555	\$70,780	\$191,973	\$95,362
Accumulated Depreciation	<u>29,829</u>	<u>5,289</u>	<u>21,647</u>	<u>13,471</u>
Capital assets, net	<u>\$186,726</u>	<u>\$65,491</u>	<u>\$170,326</u>	<u>\$81,891</u>

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

Housing & economic development	\$5,289
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E. Interfund Balances and Transfers

The composition of interfund balances as of December 31, 2015 is as follows:

Due to/from other funds

Several funds have made short-term loans to other funds through normal day-to-day operations. Items such as utility infrastructure associated with street projects, sewer billing and collections performed by another utility fund, and centralized fuel purchases are examples of why these occur. These loans are planned to be eliminated in the subsequent year.

	General Fund	Capital Projects Fund	Sewer Fund	Electric Fund	Total
Due from:					
Debt Service Fund				\$12,670	\$12,670
Nonmajor Govtl Funds				24,374	24,374
Water Fund		\$279,973			279,973
Electric Fund	<u>\$2,071</u>	<u>49,000</u>	<u>\$290,282</u>		<u>341,353</u>
Total Due to:	<u>\$2,071</u>	<u>\$328,973</u>	<u>\$290,282</u>	<u>\$37,044</u>	<u>\$658,370</u>

CITY OF OWATONNA, MINNESOTA
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Advance to/from other funds

During the course of operations, numerous transactions occur between individual funds for goods provided, services rendered, or cash flow purposes. Long-term interfund loans are classified as “advances to/from other funds”.

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Due from:			
Capital Projects Fund	\$121,136		\$121,136
Nonmajor Govtl Funds		\$193,332	193,332
Nonmajor Business Fund	63,000		63,000
Total Due to:	<u>\$184,136</u>	<u>\$193,332</u>	<u>\$377,468</u>

Due to/from primary government and component units

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Primary Govt – ISF	Component Unit – EDA	<u>\$1,848</u>
Total		<u>\$1,848</u>

Interfund transfers

	<u>Nonmajor Govtl Funds</u>	<u>Sewer Fund</u>	<u>Storm Water Fund</u>	<u>Total</u>
Transfers In:				
General Fund		\$370,500	\$32,000	\$402,500
Debt Service Fund	\$128,000			128,000
Total Transfers Out	<u>\$128,000</u>	<u>\$370,500</u>	<u>\$32,000</u>	<u>\$530,500</u>

Throughout the course of the year, the City has to make occasional interfund transfers. The City annually transfers funds from its enterprise operations to its general fund to compensate for the cost of administration. The City annually transfers tax increment from a nonmajor Governmental Fund to its debt service fund for upcoming debt service payments.

Capital Contributions

Occasionally, the acquisitions of capital assets for business-type activities are funded by governmental activities. These capital contributions totaled \$312,059 in 2015.

F. Capital Leases

The City has entered into lease agreements as lessee for financing the acquisition of equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of its future minimum lease payments as of the inception date.

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
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The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Equipment	\$110,979
Less: Accumulated depreciation	<u>(11,098)</u>
Total	<u><u>\$99,881</u></u>

The lease currently outstanding is as follows:

Welch State Bank	2016-2020	3.17%	\$110,979
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The future minimum lease obligations and the net present value of these minimum lease payments as of December 31, 2015, were as follows:

<u>Year ending December 31</u>	<u>Governmental Activities</u>
2016	\$24,359
2017	24,359
2018	24,359
2019	24,359
2020	<u>24,360</u>
Total minimum lease payments	121,796
Less: amount representing interest	<u>(10,817)</u>
Present value of minimum lease payments	<u><u>\$110,979</u></u>

G. Long-term Debt

General Obligation Bonds

General obligation bonds are issued to provide for the acquisition of major capital equipment. These bonds are direct obligations and are backed by the full faith and credit of the City. Four general obligation bonds with an original issue amount of \$2,225,000 are currently outstanding as follows:

G.O. Equipment Certificates Series 2011A	2016-2017	0.85-1.250%	\$310,000
G.O. Equipment Certificates Series 2013A	2016-2019	2.00-2.750%	155,000
G.O. Equipment Certificates Series 2014A	2016-2020	2.00%	810,000
G.O. Equipment Certificates Series 2015A	2017-2021	3.00%	<u>460,000</u>
			<u><u>\$1,735,000</u></u>

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

<u>Year</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2016	\$340,000	\$33,924
2017	435,000	27,169
2018	295,000	19,600
2019	300,000	12,725
2020	265,000	6,125
2021	<u>100,000</u>	<u>1,500</u>
	<u><u>\$1,735,000</u></u>	<u><u>\$101,043</u></u>

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2015

General Obligation Improvement Bonds

General obligation improvement bonds are issued for the construction of major capital improvements having a relatively long life. They are payable from special assessments levied and collected on local improvements to property and are backed by the full faith and credit of the City. Eight bond issues with a total original issue amount of \$13,560,000 are currently outstanding as follows:

G.O. Improvement Series 2006C	2016-2017	3.80-3.875%	\$615,000
G.O. Improvement Series 2007C	2016-2018	4.00-4.000%	900,000
G.O. Improvement Series 2008A	2016-2019	3.75-4.000%	1,060,000
G.O. Refunding Series 2011A	2016	1.050%	100,000
G.O. Improvement Series 2011A	2016-2022	0.85-2.200%	585,000
G.O. Improvement Series 2013A	2016-2024	2.00-2.750%	2,310,000
G.O. Improvement Series 2014A	2016-2021	2.000%	325,000
G.O. Improvement Series 2015A	2017-2026	2.50-3.000%	1,225,000
			\$7,120,000

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

Year	Governmental Activities	
	Principal	Interest
2016	\$1,310,000	\$186,428
2017	1,320,000	144,583
2018	1,045,000	106,178
2019	760,000	78,721
2020	485,000	62,403
2021-2025	2,060,000	128,441
2026	140,000	1,750
	\$7,120,000	\$708,504

G.O. Tax Increment Bonds

The City issued bonds for an economic development project. The tax increments resulting from increased tax capacity of the development property will be used to retire the related debt. These bonds had an original issue amount of \$1,140,000. These bonds are backed by the full faith and credit of the City.

The general obligation tax increment bonds currently outstanding are as follows:

Governmental Activities			
Tax Increment Bonds Series 2013A	2016-2024	2.00-2.75%	\$1,140,000

Annual debt service requirements to maturity for the general obligation revenue bonds are as follows:

Year	Business-type Activities	
	Principal	Interest
2016	\$115,000	\$24,688
2017	120,000	22,338
2018	120,000	19,937
2019	125,000	17,487
2020	125,000	14,987
2021-2024	535,000	29,093
Total	\$1,140,000	\$128,530

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
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G.O. Revenue Bonds

The City issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service in addition to levying a tax. These bonds are recorded in the fund according to the purpose for which they were issued. The Storm Water Fund is currently carrying bonds payable for storm water improvements. These bonds had an original issue amount of \$3,670,000. These bonds are backed by the full faith and credit of the City.

The general obligation revenue bonds currently outstanding are as follows:

Business-type Activities Revenue Bonds Series 2008A	2016-2024	3.75-4.30%	\$2,420,000
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Annual debt service requirements to maturity for the general obligation revenue bonds are as follows:

Year	Business-type Activities	
	Principal	Interest
2016	\$230,000	\$95,143
2017	240,000	86,030
2018	250,000	76,230
2019	255,000	66,130
2020	265,000	55,531
2021-2024	1,180,000	103,476
Total	\$2,420,000	\$482,540

Revenue Bonds

The City also issues bonds where the City pledges income derived from the acquired or constructed assets to pay debt service. These bonds are recorded in the fund according to the purpose for which they were issued. The Sewer Fund is currently carrying bonds payable for the expansion of the Sewage Treatment Plant. These bonds had an original issue amount of \$7,929,333. These bonds are payable from the net revenues of the fund for which they were issued and not from an ad valorem tax, but are backed by the full faith and credit of the City.

The revenue bonds currently outstanding are as follows:

Business-type Activities MPFA Revenue Bonds Series 2011	2016-2025	1.423%	\$5,467,928
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Annual debt service requirements to maturity for the revenue bonds are as follows:

Year	Business-type Activities	
	Principal	Interest
2016	\$513,000	\$77,808
2017	520,000	70,508
2018	527,000	63,109
2019	535,000	55,610
2020	543,000	47,996
2021-2025	2,829,928	121,947
Total	\$5,467,928	\$436,978

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2015

Change in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2015 was as follows:

	Beginning Balance (As Restated)	Increase	Decrease	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
G.O. Bonds	\$1,465,000	\$460,000	\$190,000	\$1,735,000	\$340,000
G.O. Tax Increment Bonds	1,140,000			1,140,000	115,000
G.O. Improvement Bonds	7,595,000	1,225,000	1,700,000	7,120,000	1,310,000
Less: bond discount	(13,599)		(2,504)	(11,095)	
Plus: bond premium	113,947	98,893	17,088	195,752	
Total bonds payable	<u>10,300,348</u>	<u>1,783,893</u>	<u>1,904,584</u>	<u>10,179,657</u>	<u>1,765,000</u>
Capital Leases Payable	16,261	110,979	16,261	110,979	20,822
Accrued Compensated Absences	1,757,087	939,921	818,874	1,878,134	731,619
OPEB liability	155,795	55,407	38,833	172,369	
Net Pension Liability	<u>7,722,369</u>	<u>265,267</u>		<u>7,987,636</u>	
Governmental Activity Long-term liabilities	<u>\$19,951,860</u>	<u>\$3,155,467</u>	<u>\$2,778,552</u>	<u>\$20,328,775</u>	<u>\$2,517,441</u>

	Beginning Balance (As Restated)	Increase	Decrease	Ending Balance	Due Within One Year
Business-type Activities					
Bonds Payable					
G.O. Revenue Bonds	\$2,645,000		\$225,000	\$2,420,000	\$230,000
Revenue Bonds	6,858,928		1,391,000	5,467,928	513,000
Plus: bond premium	10,441		1,160	9,281	
Total notes & bonds payable	<u>9,514,369</u>		<u>1,617,160</u>	<u>7,897,209</u>	<u>743,000</u>
Accrued Compensated Absences	121,960	\$57,580	53,107	126,433	50,000
OPEB liability	108,865	55,436	27,184	137,117	
Net Pension Liability	<u>4,104,224</u>	<u>106,999</u>		<u>4,211,223</u>	
Business-type Activity Long-term liabilities	<u>\$13,849,418</u>	<u>\$220,015</u>	<u>\$1,697,451</u>	<u>\$12,371,982</u>	<u>\$793,000</u>

For the governmental activities, accrued compensated absences and OPEB are generally liquidated by the general fund.

Conduit Debt Obligations

From time to time, the City has issued Industrial Development Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from revenues of the industries to which the bonds were remitted. The City is not obligated in any matter for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2015, there were nine outstanding bond issues with an original issue amount of \$33,152,694 and a balance of \$28,526,727.

Discretely Presented Component Units

The Owatonna Housing and Redevelopment Authority entered into a contract for deed for financing the acquisition of a house on Mineral Springs Road in the amount of \$50,000 payable over a fifteen year period of time at an interest rate of 5.556%. The contract was paid in full in 2015. The interest expense under this contract for deed is considered to be a direct expense of the housing and economic development function in the Statement of Activities.

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V. 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. The City accounts for its risk management activities in an internal service fund. Revenue to this fund is derived from premium charges to user departments, employees, and other funds of the City. These charges are then available to pay claims, administrative costs and insurance premiums.

There has been no significant reduction in insurance coverage from the previous year in any of the City's policies. In addition, there have been no settlements in excess of the City's insurance coverage in any of the prior three fiscal years.

The City is a member of the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool, and has currently placed coverage with them for its general liability and personal property claims. Coverage is provided up to a maximum of \$1,000,000. This coverage has a \$100,000 annual deductible. The City levies funds annually to cover all claims against this deductible.

The City participates in the LMCIT for its workers compensation insurance which is administered by Berkley Administrators. This is a retrospectively rated policy with the premium being based primarily on the City's loss experience.

The LMCIT operates as a common risk management and insurance program for member cities. The LMCIT agreement provides that the LMCIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits for each insured event. The reinsurance point is \$1.2 million per occurrence for general liability and \$850,000 for workers compensation medical and hospitalization.

B. Commitments and Contingent Liabilities

In connection with the normal conduct of its affairs, the City is involved in various claims, litigations and judgments. It is expected that the final settlement of these matters will not materially affect the financial statements of the City.

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

The City had several commitments under construction contracts still in process at the end of the year. The combined total of remaining commitments was \$810,911 at December 31, 2015.

Power Sales Contract - Owatonna Public Utilities (electric, water and gas funds) is a member of the Southern Minnesota Municipal Power Agency (SMMPA). Under the terms of the power sales contract, Owatonna Public Utilities and the other members are committed to purchase 100% of their power requirements from SMMPA through the contract life. After which, Owatonna Public Utilities, and the other member cities, may elect to purchase their future power and energy requirements, from sources other than SMMPA. The contract expires April 2050 and the rates paid are subject to periodic review. Power purchased from SMMPA was \$26,371,525 in 2015.

Capacity Purchase Agreement – On September 1, 1991, the Electric Utility entered into a Capacity Purchase Agreement with SMMPA. Under this agreement, the Utility has agreed to dedicate a gas fired

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electric generating facility owned by the Electric Utility for SMMPA's exclusive use. In order to get the generating units in working order and to operate, SMMPA agreed to reimburse the Electric Utility for operation and maintenance costs and recommissioning costs. The contract remains in effect until the date five years after written notice of termination by either party or until retirement of the facility.

Gas Service Agreement – Under its gas service agreement, the Gas Utility is committed to purchase its natural gas demand requirements from Northern Natural Gas Company until October 2022. The rates paid are in accordance with the Federal Energy Regulatory Commission.

Gas Purchase Commitment – The Gas Utility has entered into forward contracts to purchase a portion of its natural gas at a specified time in the future at a guaranteed price. The Gas Utility enters into these contracts to help plan its natural gas costs for the year and to protect itself against an increase in the market price of the commodity. It is possible that the market price before or at the specified time to purchase natural gas may be lower than the price at which the Utilities is committed to buy. This would reduce the value of the contract. In 2015, the additional savings (loss) related to the contracts was (\$2,046,135). The Gas Utility is committed to purchase 3,935,000 thousand cubic feet of natural gas through October 2019 for a total commitment of \$15,448,760 at December 31, 2015.

C. Lease Commitments

The Utilities entered into an operating lease for a mini excavator and various copier equipment. Lease expense for the year ended December 31, 2015 was \$26,137.

Minimum lease commitments in effect at December 31, 2015 are as follows:

<u>Year ending December 31</u>	<u>Business-type Activities</u>
2016	\$19,977
2017	13,357
2018	5,595
2019	4,042
2020	3,369
	<u>\$46,340</u>

D. Tax Increment Districts

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

E. Deferred Compensation Plan

The City of Owatonna offers its employees two deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all City employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

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F. Other Postemployment Benefits

The City of Owatonna administers a single-employer defined benefit healthcare plan. The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members. The healthcare plan does not issue a publicly available financial report.

The primary government includes amounts for the City and Owatonna Public Utilities (Electric Fund, Water Fund and Gas Fund); however the City and Owatonna Public Utilities had separate actuary reports for which the amounts were taken from and combined.

The City of Owatonna does not contribute to the cost of premiums for eligible retired plan members and their spouses. Because the actual cost for retirees is higher than the average per-person premium for the entire group, the difference gives rise to an implicit rate subsidy. The City pays the difference between the actual and apparent cost.

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC). The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the city's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the city's net OPEB obligation to the health plan:

Annual required contribution	\$100,256
Interest on net OPEB obligation	10,587
Adjustment to annual required contribution	<u>(15,529)</u>
Annual OPEB cost (expense)	95,314
Contributions made	<u>(50,487)</u>
Increase in net OPEB obligation	44,827
Net OPEB obligation – beginning of year	<u>264,660</u>
Net OPEB obligation – end of year	<u><u>\$309,487</u></u>

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2015	\$95,314	53.0%	\$309,487
12/31/2014	95,301	40.0%	264,660
12/31/2013	106,169	59.5%	207,478

As of January 1, 2014, the actuarial accrued liability for benefits was \$824,971, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$11,592,486, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 7.1%.

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

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The following assumptions were made:

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

Marital status – Marital status of members at the calculation date was assumed to continue through retirement.

Mortality – Life expectancies are based on mortality tables at the National Center for Health Statistics. The 2000 United States Life Tables for Males and Females was used.

Turnover – The probability that an employee will remain employed until the assumed retirement age was determined using non-group specific age-based turnover data provided in Table 1 in Paragraph 35b of GASB 45.

Healthcare cost trend rate - The expected rate of increase in healthcare insurance premiums used was 7.5% initial year, 5% ultimate year, with 8 years to the ultimate year.

Health insurance premiums – The premiums represent a blended average cost of both active and retired individuals. Since older, pre-65 retirees generally incur higher claims than younger active employees, GASB requires employers to value retiree liability based on estimated retiree costs rather than premiums. Age-adjusted claims are developed and used to value the retiree medical liability.

Based on the historical and expected returns of the city's short-term investments portfolio, a discount rate of 4.0 percent was used. An inflation rate of 3% has been used. In addition, the projected unit credit actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level dollar amount over 30 years on an open basis. The remaining amortization period at December 31, 2015 does not exceed thirty years.

G. Employee Retirement Systems

Substantially all City employees are members of retirement plans. The following disclosures are made in accordance with requirements of the Governmental Accounting Standards Board:

Public Employees Retirement Association

Cost-sharing Multiple Employer Defined Benefit Pension Plan

1. 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.

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A. General Employees Retirement Fund (GERF)

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

B. Public Employees Police and Fire Fund (PEPFF)

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

2. Benefits Provided

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

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

The benefit provisions stated in the following paragraphs 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.

A. GERF Benefits

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

B. PEPFF Benefits

Benefits for the PEPFF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For PEPFF who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

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3. Contributions

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

A. GERS Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.50%, respectively, of their annual covered salary in calendar year 2015. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2015. The City contributions to the GERS for the year ended December 31, 2015, were \$778,475. The City contributions were equal to the required contributions as set by state statute.

B. PEPFF Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2015. The City was required to contribute 16.20% of pay for PEPFF members in calendar year 2015. The City contributions to the PEPFF for the year ended December 31, 2015, were \$508,708. The City contributions were equal to the required contributions as set by state statute.

4. Pension Costs

A. GERS Pension Costs

At December 31, 2015, the City was allocated by the plan a liability of \$8,665,171 for its proportionate share of the GERS's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City proportion of the net pension liability was based on the City contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City proportion was 0.1672%.

For the year ended December 31, 2015, the City recognized pension expense of \$1,034,086 for its proportionate share of the GERS's pension expense.

At December 31, 2015, the City's proportionate share of GERS's deferred outflows of resources and deferred inflows of resources related to pensions from the following source is as follows:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between Expected and Actual Experience Change of Assumptions		\$436,873
Net Difference between Projected and Actual Earnings on Pension Plan Investments	\$820,292	
Change in Proportion and Differences between City Contributions and Proportionate Share of Contributions		362,882
City Contributions Made Subsequent to Measurement Date	404,624	
Total	<u>\$1,224,916</u>	<u>\$799,755</u>

\$404,624 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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Year Ended December 31,	Pension Expense Amount
2016	(61,512)
2017	(61,512)
2018	(61,512)
2019	205,073

B. PEPFF Pension Costs

At December 31, 2015, the City was allocated by the plan a liability of \$3,533,688 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City proportion of the net pension liability was based on the City contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2014, through June 30, 2015, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2015, the City proportion was 0.311%.

For the year ended December 31, 2015, the City recognized pension expense of \$587,337 for its proportionate share of the PEPFF's pension expense. The City also recognized \$27,990 for the year ended December 31, 2015, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014 for the PEPFF pension expense.

At December 31, 2015, the City's proportionate share of PEPFF's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources is as follows:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience Change of Assumptions		\$573,049
Net Difference between Projected and Actual Earnings on Pension Plan Investments	\$615,687	
Change in Proportion and Differences between City Contributions and Proportionate Share of Contributions		108,004
City Contributions Made Subsequent to Measurement Date	280,435	
Total	\$896,122	\$681,053

\$280,435 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expense Amount
2016	17,711
2017	17,711
2018	17,711
2019	17,711
2020	(136,210)

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5. Actuarial Assumptions

The total pension liability in the June 30, 2015, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.75% per year
Active Member Payroll Growth	3.50% per year
Investment Rate of Return	7.90% per year

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Benefit increases for retirees are assumed to be 1% effective every January 1st through 2026 and 2.5% thereafter.

Actuarial assumptions used in the June 30, 2015, valuation were based on the results of actuarial experience studies. The experience study in the GERP was for the period July 1, 2004, through June 30, 2008, with an update of economic assumptions in 2014. Experience studies have not been prepared for PERA's other plans, but assumptions are reviewed annually.

The following changes in actuarial assumptions occurred in 2015: the discount rate was changed from 8.0% through June 30, 2017 and 8.5% thereafter to 8.0% for all years, the inflation assumption was changed from 3.0% to 2.75%, the payroll growth assumption was changed from 3.75% to 3.5%, assumed increases in member salaries were decreased by 0.25% at all ages and the assumed postretirement benefit increase rate was changed from 1.0% per year through 2026 and 2.5% thereafter to 1.0% per year through 2034 and 2.5% per year thereafter.

The long-term expected rate of return on pension plan investments is 7.9%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return
Domestic Stocks	45%	5.50%
International Stocks	15%	6.00%
Bonds	18%	1.45%
Alternative Assets	20%	6.40%
Cash	2%	0.50%
Totals	100%	

6. Discount Rate

The discount rate used to measure the total pension liability was 7.9%. for GERP and PEPFF. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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7. Pension Liability Sensitivity

The following presents the City 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 proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	<u>1% Decrease (6.9%)</u>	<u>Current Discount Rate (7.9%)</u>	<u>1% Increase (8.9%)</u>
City proportionate share of the GERS net pension liability:	\$13,624,730	\$8,665,171	\$4,569,339
City proportionate share of the PEPFF net pension liability:	6,887,195	3,533,688	763,107

8. 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; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

Defined Contribution Plan

Six council members of the City of Owatonna 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, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. 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.

Total contributions made by the City of Owatonna during fiscal year 2015 were:

<u>Contribution Amount</u>		<u>Percentage of Covered Payroll</u>		<u>Required Rates</u>
<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	
\$2,520	\$2,520	5.0%	5.0%	5.0%

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Owatonna Firefighter's Relief Association

Single Employer Defined Benefit Pension Plan

1. Plan Description

Firefighters of the City of Owatonna are members of the Owatonna Firefighters Relief Association. The Association is the administrator of the single-employer defined benefit pension plan available to firefighters. The plan is administered pursuant to Minnesota Statutes Chapter 69, Chapter 424A and the Association's by-laws. As of December 31, 2014, membership includes 28 active participants and 3 terminated employees entitled to benefit but not yet receiving them. The Plan issues a stand-alone financial statement.

2. Benefits Provided

Authority for payment of pension benefits is established in *Minnesota Statutes* §69.77 and may be amended only by the Minnesota State Legislature. Each member who is at least 50 years of age, has retired from the Fire Department, has served at least 20 years of active service with such department before retirement shall be entitled to a lump sum service pension in the amount of \$5,400 for each year of active Fire Department service (including each year over 20) but not exceeding the maximum amount per year of service allowed by law for the minimum average amount of available financing per firefighter as prescribed by law. The lump sum amount was increased to \$5,750 in 2015 and \$6,100 in 2016.

Pursuant to *Minnesota Statutes* §424A.02, Subds. 2 and 4, members who retire with 20 years of service and have reached the age of 50 years are eligible for a retirement benefit. Members who retire before full retirement age and years of service requirements are eligible for a reduced benefit, based on the vesting schedule as set forth in *Minnesota Statutes* §424A.02, Subd. 2(c). During the time a member is on early vested pension, they will not be eligible for disability benefits.

If a member of the Association shall become permanently or totally disabled, the Association shall pay the sum \$5,400 for each year the member was an active member of the Owatonna Fire Department. If a member who received a disability pension subsequently recovers and returns to active duty, the disability pension is deducted from the service pension. A death benefit is also available, which is payable to a survivor.

Minnesota Statutes Section 424A.10 provides for the payment of a supplemental benefit equal to 10% of a regular lump sum distribution up to a maximum of \$1,000. The supplemental benefit is in lieu of state income tax exclusion for lump sum distributions and will no longer be available if state tax law is modified to exclude lump sum distributions from state income tax. The Association qualifies for these benefits.

3. Contributions

Minnesota Statutes Chapter 69.772 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from state aid are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a 10-year period. The significant actuarial assumptions used to compute the municipal support are the same as those used to compute the accrued pension liability. The association is comprised of volunteers; therefore, there are no payroll expenditures (i.e. there are no covered payroll percentage calculations). The minimum contribution from the City and state aid is determined as follows:

	Normal Cost
+	Amortization Payment on Unfunded Accrued Liability Prior to Any Change
+	Amortization Contribution on Unfunded Accrued Liability Attributed to Any Change
+	Administrative Expenses
-	Anticipated State Aid
-	Projected Investment Earnings
=	Total Contribution Required

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The Plan is funded in part by fire state aid and, if necessary, City contributions. The State of Minnesota distributed to the City \$154,878 in fire state aid paid by the City to the Relief Association for the year ended December 31, 2014. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contribution to the plan for the year ended December 31, 2014 was \$0.

4. Pension Costs

At December 31, 2015, the City reported an asset of \$1,149,886 for the Association's net pension asset. The net pension asset was measured as of December 31, 2014, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date.

As a result of its requirement to contribute to the Relief Association, the City recognized expense of \$(175,581) for the year ended December 31, 2015. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Economic Experience		
Changes of Actuarial Assumptions		
Net Difference between Projected and Actual Earnings on Pension Plan Investments		\$47,038
City Contributions Subsequent to Measurement Date		
Total		\$47,038

Amounts reported as deferred outflows and inflows of resources related to the Association's pension will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Pension Expense Amount</u>
2016	(11,759)
2017	(11,759)
2018	(11,759)
2019	(11,761)

5. Actuarial Assumptions

The actuarial total pension asset was determined as of December 31, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	12/31/14
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar Closed
Actuarial Assumptions:	
Discount Rate	7.50%
Investment Rate of Return	7.50%
20-Year Municipal Bond Yield	3.56%
Age of Service Retirement	50

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Notes to the Basic Financial Statements
December 31, 2015

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These asset class estimates are combined to produce the portfolio long-term expected rate of return by weighting the expected future real rates of return by weighting the expected future real rates of return by the current asset allocation percentage (or target allocation, if available) and by adding expected inflation.

The best-estimate of expected future real rates of return were developed by aggregating data from several published capital market assumption surveys and deriving a single best-estimate based on the average survey values. These capital market assumptions reflect both historical market experience as well as diverse views regarding anticipated future returns. The expected inflation assumption was developed based on an analysis of historical experience blended with forward-looking expectations available in market data.

Best estimates of geometric real and nominal rates of return for each major asset class included in the pension plan's asset allocation as of December 31, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Allocation at December 31, 2014</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Long-Term Expected Nominal Rate of Return</u>
Domestic Equity	82.26%	5.25%	8.00%
International Equity	4.84%	5.25%	8.00%
Fixed Income	11.02%	1.75%	4.50%
Real Estate	0.00%	3.75%	6.50%
Cash Equivalents	1.88%	.25%	3.00%
 Total Portfolio	 <u>100%</u>		 7.50%

6. Discount Rate

The discount rate used to measure the total pension liability was 7.50%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments were discounted by year using expected assets return assumption for years in which the assets were sufficient to pay all benefit payments. Any remaining benefit payments after the trust fund is exhausted are discounted at the municipal bond rate of return. The equivalent single rate is the discount rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members.

7. Pension Liability Sensitivity

The following presents the City of Owatonna's net pension asset of the Association, calculated using the discount rate of 7.50%, as well as what the Association's net pension asset would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate:

	<u>1% Decrease</u>	<u>Selected Discount Rate</u>	<u>1% Increase</u>
Net Pension Asset	1,104,938	1,149,886	1,193,076
Discount Rate	6.50%	7.50%	8.50%

CITY OF OWATONNA, MINNESOTA
Notes to the Basic Financial Statements
December 31, 2015

8. Plan's Fiduciary Net Position

Information about the Plan's fiduciary net position is as follows:

	2014
Assets	
Cash and Investments	\$2,834,385
Total Assets	\$2,834,385
Net Position	
Unrestricted	\$2,834,385
Revenues	
Fire State Aid	\$154,878
Interest	260,890
Total Revenues	415,768
Expenses	
Pension Distributions	506,107
Administrative	6,218
Total Expenses	512,325
Change in Net Position	(96,557)
Beginning Net Position	2,930,942
Ending Net Position	2,834,385

Information about the changes in the Plan's net pension asset is as follows:

	Measurement Date December 31, 2014
<u>Total Pension Liability</u>	
Service Cost	\$51,753
Interest	135,178
Benefit Payments, Including member refunds	(506,107)
Net Change in Total Pension Liability	(319,176)
Total Pension Liability – Beginning	2,003,675
Total Pension Liability – Ending (a)	\$1,684,499
<u>Plan Fiduciary Net Position</u>	
State Contributions	\$154,878
Net Investment Income	260,890
Benefit Payments	(506,107)
Administrative Expenses	(6,218)
Net Change in Fiduciary Net Position	(96,557)
Fiduciary Net Position – Beginning	2,930,942
Fiduciary Net Position – Ending (b)	\$2,834,385
Association's Net Pension Liability/(Asset) – Ending (a) – (b)	\$(1,149,886)

CITY OF OWATONNA, MINNESOTA
Required Supplementary Information
Schedule of Funding Progress for Postemployment Benefit Plan

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/(c)]
01/01/14	\$0	\$824,971	\$824,971	0.00%	\$11,592,486	7.1%
01/01/11	\$0	945,001	945,001	0.00%	10,710,086	8.8%
01/01/08	\$0	964,497	964,497	0.00%	11,566,995	8.3%

CITY OF OWATONNA, MINNESOTA
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability

PERA General Employees Retirement Fund (GERF)

Measurement Date	6/30/15
Proportion of the Net Pension Liability	0.1672%
Proportionate Share of the Net Pension Liability	\$8,665,171
Covered-Employee Payroll	\$9,826,867
Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	88.18%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.20%

PERA Public Employees Police & Fire Fund (PEPFF)

Measurement Date	6/30/15
Proportion of the Net Pension Liability	0.311%
Proportionate Share of the Net Pension Liability	\$3,533,688
Covered-Employee Payroll	\$2,853,462
Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered-Employee Payroll	123.84%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	86.60%

CITY OF OWATONNA, MINNESOTA
Required Supplementary Information
Schedule of City Contributions

PERA General Employees Retirement Fund (GERF)	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$778,475	\$695,645
Contributions in Relation to the Contractually Required Contribution	<u>(778,475)</u>	<u>(695,645)</u>
Contribution Deficiency (Excess)	<u>0</u>	<u>0</u>
City's Covered-Employee Payroll	\$10,379,740	\$9,595,508
Contributions as a Percentage of Covered-Employee Payroll	7.50%	7.25%
PERA Public Employees Police & Fire Fund (PEPFF)	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$508,708	\$432,074
Contributions in Relation to the Contractually Required Contribution	<u>(508,708)</u>	<u>(432,074)</u>
Contribution Deficiency (Excess)	<u>0</u>	<u>0</u>
City's Covered-Employee Payroll	\$3,140,174	\$2,824,017
Contributions as a Percentage of Covered-Employee Payroll	16.2%	15.3%
Owatonna Firefighters Relief Association	<u>2015</u>	<u>2014</u>
Statutorily Required Contribution	\$ -	\$ -
Contributions in Relation to the Statutorily Required Contribution	<u>-</u>	<u>-</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Association's Covered-Employee Payroll	N/A	N/A
Contributions as a Percentage of Covered-Employee Payroll	N/A	N/A

CITY OF OWATONNA, MINNESOTA
Required Supplementary Information
Schedule of Changes in Net Pension Asset
And Related Ratios – Relief Association

	<u>Measurement Date</u> <u>December 31, 2014</u>
Total Pension Liability	
Service Cost	\$51,753
Interest	135,178
Benefit Payments, Including member refunds	<u>(506,107)</u>
Net Change in Total Pension Liability	(319,176)
Total Pension Liability – Beginning	<u>2,003,675</u>
Total Pension Liability – Ending (a)	\$1,684,499
Plan Fiduciary Net Position	
State Contributions	\$154,878
Net Investment Income	260,890
Benefit Payments	(506,107)
Administrative Expenses	<u>(6,218)</u>
Net Change in Fiduciary Net Position	(96,557)
Fiduciary Net Position – Beginning	<u>2,930,942</u>
Fiduciary Net Position – Ending (b)	\$2,834,385
Association’s Net Pension Liability/(Asset) – Ending (a) – (b)	<u><u>\$(1,149,886)</u></u>
Fiduciary Net Position as a Percentage of the Total Pension Asset	168.26%
Covered Employee Payroll	N/A
Net Pension Liability/(Asset) as a Percentage of Covered-Employee Payroll	N/A

COMBINING STATEMENTS

Nonmajor Governmental Funds

Special Revenue Funds

Library Reserve and Memorial Fund – This fund is used to account for private donations and memorials that are specifically to be used for library activity. The Hunewill Trust principal was set to remain at \$16,500 with interest earnings being used to purchase books as specified by donor.

Small Cities Development Program Fund – This fund was established to account for grants received for commercial and residential development projects.

MIF Fund – This fund was established to account for grants received for flood recovery.

Capital Projects Funds – see fund definitions on page 93

CITY OF OWATONNA, MINNESOTA
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2015

	<u>Library Reserve & Memorial Fund</u>	<u>Small Cities Development Program Fund</u>	<u>Special Revenue MIF Fund</u>
ASSETS			
Cash and cash equivalents	\$51,607	\$4,626	\$21
Investments			
Taxes receivable - delinquent			
Due from other governments		58,057	
	<u>\$51,607</u>	<u>\$62,683</u>	<u>\$21</u>
Total assets			
LIABILITIES			
Accounts payable	\$21,502	\$54,615	
Unearned revenue	2,850		
Due to other funds			
Advance from other funds			
	<u>24,352</u>	<u>54,615</u>	
Total liabilities			
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue			
	<u> </u>	<u> </u>	<u> </u>
Total deferred inflows of resources			
FUND BALANCES			
Restricted for:			
Hunewill	16,500		
Memorials	10,755		
Grant projects		8,068	\$21
Capital projects			
Economic development			
Unassigned			
	<u>27,255</u>	<u>8,068</u>	<u>21</u>
Total fund balances			
	<u>\$51,607</u>	<u>\$62,683</u>	<u>\$21</u>
Total liabilities and fund balances			

<u>Funds</u>	<u>Nonmajor Capital Project Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Total</u>		
\$56,254	\$927,884	\$984,138
	2,150,000	2,150,000
	7,448	7,448
<u>58,057</u>		<u>58,057</u>
<u>\$114,311</u>	<u>\$3,085,332</u>	<u>\$3,199,643</u>
\$76,117	\$160,888	\$237,005
2,850		2,850
	24,374	24,374
	193,332	193,332
<u>78,967</u>	<u>378,594</u>	<u>457,561</u>
	7,448	7,448
	7,448	7,448
16,500		16,500
10,755		10,755
8,089		8,089
	2,909,712	2,909,712
	6,167	6,167
	(216,589)	(216,589)
<u>35,344</u>	<u>2,699,290</u>	<u>2,734,634</u>
<u>\$114,311</u>	<u>\$3,085,332</u>	<u>\$3,199,643</u>

CITY OF OWATONNA, MINNESOTA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the year ended December 31, 2015

	Library Reserve & Memorial Fund	Special Revenue Small Cities Development Program Fund
REVENUES		
Taxes		
Intergovernmental revenue		\$76,611
Interest on investments	\$938	
Miscellaneous	5,028	28,967
Total revenues	5,966	105,578
EXPENDITURES		
Current:		
Housing & economic development		111,715
Miscellaneous	124,830	
Capital outlay		
Total expenditures	124,830	111,715
Excess of revenues over (under) expenditures	(118,864)	(6,137)
OTHER FINANCING SOURCES (USES)		
Transfers out		
Total other financing sources (uses)		
Net change in fund balances	(118,864)	(6,137)
Fund balances – beginning	146,119	14,205
Fund balances – ending	\$27,255	\$8,068

Funds		Nonmajor Capital Projects Funds	Total Nonmajor Governmental Funds
MIF Fund	Total		
		\$529,534	\$529,534
	\$76,611	678	77,289
	938	26,535	27,473
	33,995	1,073,754	1,107,749
	111,544	1,630,501	1,742,045
	111,715	400,219	511,934
	124,830		124,830
		599,501	599,501
	236,545	999,720	1,236,265
	(125,001)	630,781	505,780
		(128,000)	(128,000)
		(128,000)	(128,000)
	(125,001)	502,781	377,780
\$21	160,345	2,196,509	2,356,854
\$21	\$35,344	\$2,699,290	\$2,734,634

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Nonmajor Capital Projects Funds

A Capital Projects Fund is established to account for financial resources to be used for the acquisition or construction of major capital assets.

Sales Tax Capital Projects Fund – was established to account for the capital projects being funded by the special local option sales tax and excise tax.

TIF 1-1 Metro Plains Cedar Run Housing Fund – was established to account for tax increment financing activities relative to project costs associated with the development of rental apartment complexes for low and moderate income persons.

TIF 1-6 Northgate Redevelopment Fund - was established to account for tax increment financing activities relative to property acquisition, building rehabilitation, and site improvements to assist with redevelopment within the district.

TIF 3-2 Cybex, Inc. Economic Development Fund – was established to account for tax increment financing activities relative to property acquisition, infrastructure, and private site improvements to assist with construction of a production/warehouse facility.

TIF 3-3 Gopher Sport Economic Development Fund – was established to account for tax increment financing activities relative to property acquisition and private site improvements to assist with construction of a distribution facility.

TIF 3-4 Rayven, Inc. Economic Development Fund – was established to account for tax increment financing activities relative to property acquisition and private site improvements to assist with construction of a manufacturing facility.

TIF 3-5 Sputtering Components Economic Development Fund – was established to account for tax increment financing activities relative to private site improvements to assist with expansion of the manufacturing facility.

TIF 3-6 Viracon Economic Development Fund – was established to account for tax increment financing activities relative to private site improvements to assist with expansion of the manufacturing facility.

TIF 4-1 Hospital Redevelopment Fund – was established to account for tax increment financing activities relative to site improvements to assist with redevelopment of the old hospital site.

TIF 5-1 Tailwind Redevelopment Fund – was established to account for tax increment financing activities relative to site improvements to assist with redevelopment of the old Hardees/Budgetmart site.

TIF 3-8 Daikin Applied Economic Development Fund – was established to account for tax increment financing activities relative to private site improvements to assist with expansion of the manufacturing facility.

CITY OF OWATONNA, MINNESOTA
Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2015

	Sales Tax Capital Projects Fund	TIF 1-1 Metro Plains Cedar Run Fund	TIF 1-6 Northgate Fund	TIF 3-2 Cybex Inc. Fund
ASSETS				
Cash and cash equivalents	\$920,600		\$1,239	\$4,827
Investments	2,150,000			
Taxes receivable - delinquent				
Total assets	<u>\$3,070,600</u>	<u>\$0</u>	<u>\$1,239</u>	<u>\$4,827</u>
LIABILITIES				
Accounts payable	\$160,888			
Due to other funds				
Advance from other funds				
Total liabilities	<u>160,888</u>			
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue				
Total deferred inflows of resources				
FUND BALANCES				
Restricted for:				
Capital projects	2,909,712			
Economic development			\$1,239	\$4,827
Unassigned				
Total fund balances	<u>2,909,712</u>		<u>1,239</u>	<u>4,827</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$3,070,600</u>	<u>\$0</u>	<u>\$1,239</u>	<u>\$4,827</u>

TIF 3-3 Gopher Sport Fund	TIF 3-4 Rayven Fund	TIF 3-5 Sputtering Fund	TIF 3-6 Viracon Fund	TIF 4-1 Hospital Redevelop Fund	TIF 5-1 Tailwind Fund	TIF 3-8 Daikin Fund	Total Nonmajor Capital Projects Funds
	\$99	\$2	\$546			\$571	\$927,884
					\$7,448		2,150,000
							7,448
<u>\$0</u>	<u>\$99</u>	<u>\$2</u>	<u>\$546</u>	<u>\$0</u>	<u>\$7,448</u>	<u>\$571</u>	<u>\$3,085,332</u>
			\$24,374				\$160,888
			58,132			\$135,200	24,374
			82,506			135,200	193,332
					\$7,448		7,448
					7,448		7,448
	\$99	\$2	(81,960)			(134,629)	2,909,712
	99	2	(81,960)			(134,629)	6,167
							(216,589)
<u>\$0</u>	<u>\$99</u>	<u>\$2</u>	<u>\$546</u>	<u>\$0</u>	<u>\$7,448</u>	<u>\$571</u>	<u>\$3,085,332</u>

CITY OF OWATONNA, MINNESOTA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the year ended December 31, 2015

	<u>Sales Tax Capital Projects Fund</u>	<u>TIF 1-1 Metro Plains Cedar Run Fund</u>	<u>TIF 1-6 Northgate Fund</u>	<u>TIF 3-2 Cybex, Inc Fund</u>
REVENUES				
Taxes		\$15,167	\$51,755	\$116,737
Intergovernmental revenue				
Interest on investments	\$26,540		11	42
Miscellaneous	1,073,754			
Total revenues	<u>1,100,294</u>	<u>15,167</u>	<u>51,766</u>	<u>116,779</u>
EXPENDITURES				
Current				
Housing & economic development		15,167	51,755	116,737
Capital outlay	599,501			
Total expenditures	<u>599,501</u>	<u>15,167</u>	<u>51,755</u>	<u>116,737</u>
Excess of revenues over (under) expenditures	500,793		11	42
OTHER FINANCING SOURCES (USES)				
Transfers out				
Total other financing sources (uses)				
Net change in fund balances	500,793		11	42
Fund balances- beginning	<u>2,408,919</u>		<u>1,228</u>	<u>4,785</u>
Fund balances – ending	<u>\$2,909,712</u>	<u>\$0</u>	<u>\$1,239</u>	<u>\$4,827</u>

TIF 3-3 Gopher Sport Fund	TIF 3-4 Rayven Fund	TIF 3-5 Sputtering Fund	TIF 3-6 Viracon Fund	TIF 4-1 Hospital Redevelop Fund	TIF 5-1 Tailwind Fund	TIF 3-8 Daikin Fund	Total Nonmajor Capital Projects Funds
\$96,831	\$18,028	\$21,314	\$177,822	\$31,880			\$529,534
	8		71			\$678 (137)	678 26,535
<u>96,831</u>	<u>18,036</u>	<u>21,314</u>	<u>177,893</u>	<u>31,880</u>		<u>541</u>	<u>1,073,754</u>
96,831	19,373	21,314	47,162	31,880			400,219
<u>96,831</u>	<u>19,373</u>	<u>21,314</u>	<u>47,162</u>	<u>31,880</u>			<u>599,501</u>
	(1,337)		130,731			541	630,781
			(128,000)				(128,000)
			<u>(128,000)</u>				<u>(128,000)</u>
	(1,337)		2,731			541	502,781
	<u>1,436</u>	<u>2</u>	<u>(84,691)</u>			<u>(135,170)</u>	<u>2,196,509</u>
<u>\$0</u>	<u>\$99</u>	<u>\$2</u>	<u>\$(81,960)</u>	<u>\$0</u>	<u>\$0</u>	<u>\$(134,629)</u>	<u>\$2,699,290</u>

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Nonmajor Discretely Presented Component Unit

The Economic Development Authority (EDA) consists of three funds which are all accounted for as governmental funds.

EDA Administration Fund

This fund accounts for the administrative activities related to economic and industrial development and redevelopment within the City.

EDA Loan Fund

This fund accounts for the activities related to loans for the purpose of economic and industrial development and redevelopment within the City.

EDA Land Fund

This fund accounts for the activities related to the acquisition and sale of land related to economic and industrial development and redevelopment within the City.

CITY OF OWATONNA, MINNESOTA
Combining Balance Sheet
Component Unit – Economic Development Authority
December 31, 2015

	EDA Administration Fund	EDA Loan Fund	EDA Land Fund	Total EDA Funds
ASSETS				
Cash and cash equivalents	\$54,340	\$553,975	\$552,635	\$1,160,950
Investments		600,000	700,000	1,300,000
Interest receivable		120		120
Accounts receivable	23,048			23,048
Advance to other funds			30,000	30,000
Due from other governments			142,045	142,045
Loans receivable		230,840	710,967	941,807
Land held for resale			1,993,105	1,993,105
Total assets	\$77,388	\$1,384,935	\$4,128,752	\$5,591,075
LIABILITIES				
Accounts payable	\$52,428		\$53,334	\$105,762
Advance from other funds	30,000			30,000
Total liabilities	82,428		53,334	135,762
DEFERRED INFLOW OF RESOURCES				
Unavailable revenue			362,975	362,975
Total deferred inflows of resources			362,975	362,975
FUND BALANCES				
Restricted for:				
Economic development		\$1,384,935	3,712,443	5,097,378
Unassigned	(5,040)			(5,040)
Total fund balances	(5,040)	1,384,935	3,712,443	5,092,338
Total liabilities, deferred inflows of resources and fund balances	\$77,388	\$1,384,935	\$4,007,252	\$5,469,575
Fund balances – component unit				\$5,092,338
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds				252,156
Donated land held for resale is not expected to be sold soon enough to provide available resources and therefore, is a deferred inflow in the funds				121,500
Other long-term assets are not available to pay for current expenditures, and therefore, are a deferred inflow in the funds				241,475
Internal service funds are used by management to charge the costs of various services to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position.				(1,848)
Net position – component unit				\$5,705,621

CITY OF OWATONNA, MINNESOTA
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Component Unit – Economic Development Authority
For the year ended December 31, 2015

	EDA Administration Fund	EDA Loan Fund	EDA Land Fund	Total EDA Funds
REVENUES				
Taxes	\$399,451			\$399,451
Intergovernmental revenue	400,000		\$142,045	542,045
Interest on investments	657	\$10,057	11,193	21,907
Interest on loans		2,485	169	2,654
Miscellaneous	28,345	5,000	90,256	123,601
Total revenues	828,453	17,542	243,663	1,089,658
EXPENDITURES				
Current – miscellaneous	813,789	27,898	175,226	1,016,913
Total expenditures	813,789	27,898	175,226	1,016,913
Excess of revenues over (under) Expenditures	14,664	(10,356)	68,437	72,745
Fund balance - beginning	(19,704)	1,395,291	3,644,006	5,019,593
Fund balance – ending	\$(5,040)	\$1,384,935	\$3,712,443	\$5,092,338
Net change in fund balances – component unit				\$72,745
Amounts reported for governmental activities in the statement of activities are different because:				
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.				241,475
Change in net position – component unit				\$314,220

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CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS

CITY OF OWATONNA, MINNESOTA
Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
December 31, 2015

	Land	Buildings	Improv. Other than Buildings	Equipment
General Government				
Administrative Services	\$1,586,880	\$2,731,656		\$895,236
Government Buildings		2,452,840	\$29,349	51,361
Total General Government	<u>1,586,880</u>	<u>5,184,496</u>	<u>29,349</u>	<u>946,597</u>
Public Safety				
Police		940,195		306,035
Fire	40,103	2,407,956		1,074,317
Building Inspection				37,097
Total Public Safety	<u>40,103</u>	<u>3,348,151</u>		<u>1,417,449</u>
Public Works				
Engineering				94,659
Street Maintenance	337,026	1,453,335	55,367	724,632
Airport	4,399,281	1,867,447		445,256
Total Public Works	<u>4,736,307</u>	<u>3,320,782</u>	<u>55,367</u>	<u>1,264,547</u>
Culture and Recreation				
Library	244,940	2,689,853		248,265
Park & Recreation	908,098	1,052,837	726,971	424,632
Tennis & Fitness Center		818,739		16,444
Senior Center		366,033		27,879
Brooktree Golf Course	182,617	362,378	172,311	113,617
Total Culture and Recreation	<u>1,335,655</u>	<u>5,289,840</u>	<u>899,282</u>	<u>830,837</u>
Construction in Progress				
Subtotal	7,698,945	17,143,269	983,998	4,459,430
Internal Service Funds				8,199,247
Total governmental fund capital assets	<u>\$7,698,945</u>	<u>\$17,143,269</u>	<u>\$983,998</u>	<u>\$12,658,677</u>

<u>Infrastructure</u>	<u>Construction In Progress</u>	<u>Total</u>
		\$5,213,772
		2,533,550
		<u>7,747,322</u>
		1,246,230
		3,522,376
		37,097
		<u>4,805,703</u>
		94,659
\$102,557,849		105,128,209
5,406,712		12,118,696
<u>107,964,561</u>		<u>117,341,564</u>
		3,183,058
		3,112,538
		835,183
		393,912
408,899		1,239,822
<u>408,899</u>		<u>8,764,513</u>
	<u>\$1,368,053</u>	<u>1,368,053</u>
108,373,460	1,368,053	140,027,155
		8,199,247
<u>\$108,373,460</u>	<u>\$1,368,053</u>	<u>\$148,226,402</u>

CITY OF OWATONNA, MINNESOTA
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
For the year ended December 31, 2015

	Beginning Balances	Additions	Deletions	Ending Balances
General Government				
Administrative Services	\$5,235,088	\$59,076	\$80,392	\$5,213,772
Government Buildings	2,533,550			2,533,550
Total General Government	<u>7,768,638</u>	<u>59,076</u>	<u>80,392</u>	<u>7,747,322</u>
Public Safety				
Police	1,240,020	27,382	21,172	1,246,230
Fire	3,609,076		86,700	3,522,376
Building Inspection	37,097			37,097
Total Public Safety	<u>4,886,193</u>	<u>27,382</u>	<u>107,872</u>	<u>4,805,703</u>
Public Works				
Engineering	138,754		44,095	94,659
Street Maintenance	103,896,690	1,569,169	337,650	105,128,209
Airport	11,619,965	498,731		12,118,696
Total Public Works	<u>115,655,409</u>	<u>2,067,900</u>	<u>381,745</u>	<u>117,341,564</u>
Culture and Recreation				
Library	3,146,733	45,549	9,224	3,183,058
Park & Recreation	2,979,764	132,774		3,112,538
Tennis & Fitness Center	835,901	5,445	6,163	835,183
Senior Center	393,912			393,912
Brooktree Golf Course	1,048,997	190,825		1,239,822
Total Culture & Recreation	<u>8,405,307</u>	<u>374,593</u>	<u>15,387</u>	<u>8,764,513</u>
Construction in Progress	<u>211,110</u>	<u>1,877,514</u>	<u>720,571</u>	<u>1,368,053</u>
Subtotal	136,926,657	4,406,465	1,305,967	140,027,155
Internal Service Funds	<u>7,610,762</u>	<u>1,020,118</u>	<u>431,633</u>	<u>8,199,247</u>
Total governmental fund capital assets	<u>\$144,537,419</u>	<u>\$5,426,583</u>	<u>\$1,737,600</u>	<u>\$148,226,402</u>

STATISTICAL SECTION

Statistical Section

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

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	108-119
Revenue Capacity These schedules contain information to help the reader assess the City's most significant local revenue source, property taxes.	120-124
Debt Capacity These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	125-130
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	131-132
Operating Information These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the city provides and the activities it performs.	133-135

Source of data: Unless specifically noted, the information on the following tables is derived from the basic financial statements.

CITY OF OWATONNA, MINNESOTA
Net Position by Component
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Governmental activities				
Net investment in capital assets	\$75,953,125	\$75,256,663	\$75,121,100	\$76,286,230
Restricted	11,942,498	12,177,716	12,189,560	13,584,152
Unrestricted	<u>9,427,621</u>	<u>15,929,892</u>	<u>15,409,299</u>	<u>11,575,794</u>
Total governmental activities	<u>\$97,323,244</u>	<u>\$103,364,271</u>	<u>\$102,719,959</u>	<u>\$101,446,176</u>
Business-type activities				
Net investment in capital assets	\$90,824,949	\$86,780,807	\$77,397,242	\$70,537,639
Restricted		910,766	876,365	866,194
Unrestricted	<u>36,259,217</u>	<u>40,178,245</u>	<u>45,231,887</u>	<u>44,381,688</u>
Total business-type activities	<u>\$127,084,166</u>	<u>\$127,869,818</u>	<u>\$123,505,494</u>	<u>\$115,785,521</u>
Primary government				
Net investment in capital assets	\$166,778,074	\$162,037,470	\$152,518,342	\$146,823,868
Restricted	11,942,498	13,088,482	13,065,925	14,450,347
Unrestricted	<u>45,686,838</u>	<u>56,108,137</u>	<u>60,641,186</u>	<u>55,957,482</u>
Total primary government net assets	<u>\$224,407,410</u>	<u>\$231,234,089</u>	<u>\$226,225,453</u>	<u>\$217,231,697</u>

Note: In 2015 GASB 68 was implemented

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$73,223,353	\$71,148,324	\$64,771,533	\$57,430,717	\$55,883,520	\$51,561,626
12,010,707	1,758,332	5,338,162	3,586,636	2,742,792	1,561,230
15,319,157	26,151,601	27,342,921	29,369,502	31,950,611	31,589,144
<u>\$100,553,217</u>	<u>\$99,058,257</u>	<u>\$97,452,616</u>	<u>\$90,386,855</u>	<u>\$90,576,923</u>	<u>\$84,712,000</u>
\$68,259,836	\$65,941,057	\$70,989,086	\$61,033,066	\$60,220,680	\$58,434,089
829,580	1,077,453	1,195,898	1,161,106	1,079,874	1,133,699
43,050,203	41,050,837	32,907,465	34,952,820	32,063,855	30,128,586
<u>\$112,106,619</u>	<u>\$108,069,347</u>	<u>\$105,092,449</u>	<u>\$97,146,992</u>	<u>\$93,364,409</u>	<u>\$89,696,374</u>
\$141,483,189	\$137,089,381	\$135,760,619	\$118,463,783	\$116,104,200	\$102,862,344
12,840,287	2,835,785	6,534,060	4,747,742	3,822,666	1,987,911
58,369,360	67,202,438	60,250,386	64,322,322	64,014,466	62,700,854
<u>\$212,692,836</u>	<u>\$207,127,604</u>	<u>\$202,545,065</u>	<u>\$187,533,847</u>	<u>\$183,941,332</u>	<u>\$167,551,109</u>

CITY OF OWATONNA, MINNESOTA
Changes in Net Position
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$325,810	\$353,387	\$343,280	\$277,682
Public safety	646,479	704,699	778,934	672,500
Public works	583,402	433,409	849,117	675,880
Culture and recreation	1,167,819	1,147,686	1,108,691	1,136,581
Other activities	9,640	13,121	12,794	8,579
Operating grants & contributions	1,411,675	1,692,420	1,253,133	1,095,946
Capital grants & contributions	3,351,342	2,596,415	5,401,249	3,305,708
Total governmental activities	<u>7,496,167</u>	<u>6,941,137</u>	<u>9,747,198</u>	<u>7,172,876</u>
Business-type activities:				
Charges for services:				
Sewer	3,106,003	2,995,373	2,467,088	2,022,730
Storm water	397,464	399,983	344,831	397,888
Electric	35,805,919	35,756,468	34,586,900	34,651,139
Water	3,489,771	3,433,348	3,509,578	3,602,180
Gas	13,795,668	21,471,393	15,776,954	13,008,829
Aquatic center	195,018	174,787	164,532	198,191
Operating grants and contributions	50,000	25,688	4,449,193	749,465
Capital grants and contributions	50,000	25,688	4,449,193	749,465
Total business-type activities	<u>56,839,843</u>	<u>64,257,040</u>	<u>61,299,076</u>	<u>54,630,422</u>
Total primary government	<u>\$64,336,010</u>	<u>\$71,198,177</u>	<u>\$71,046,274</u>	<u>\$61,803,298</u>
Expenses				
Governmental activities:				
General government	\$2,856,561	\$2,680,256	\$2,496,706	\$2,190,496
Public safety	6,348,914	6,310,828	5,999,244	5,770,904
Public works	7,270,857	6,925,355	7,301,740	6,640,567
Culture and recreation	4,652,758	4,279,720	4,229,251	4,051,046
Other activities	747,447	570,317	627,951	627,678
Interest on long-term debt	288,678	300,765	409,891	307,253
Total governmental activities	<u>22,165,215</u>	<u>21,067,241</u>	<u>21,064,783</u>	<u>19,587,944</u>
Business-type activities:				
Sewer	2,492,185	2,452,577	2,191,955	2,479,096
Storm water	516,915	508,608	457,454	367,752
Electric	34,612,064	34,319,736	34,455,128	33,341,909
Water	3,159,786	2,734,692	2,767,320	2,531,144
Gas	13,066,535	20,613,979	14,962,607	12,513,597
Aquatic center	291,201	249,672	268,532	264,385
Total business-type activities	<u>54,138,686</u>	<u>60,879,264</u>	<u>55,102,996</u>	<u>51,497,883</u>
Total primary government	<u>\$76,303,901</u>	<u>\$81,946,505</u>	<u>\$76,167,779</u>	<u>\$71,085,827</u>

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$190,330	\$132,361	\$222,588	\$273,331	\$264,959	\$296,800
806,155	744,927	584,890	807,735	781,429	820,128
561,208	502,500	203,771	310,690	583,940	447,627
1,082,618	1,182,280	1,344,399	1,412,107	1,454,560	1,499,096
15,442	9,179	125,554	80,032	319,066	485,045
1,058,672	1,333,288	1,015,913	908,405	1,919,661	1,675,426
4,209,760	3,676,916	5,431,043	5,053,373	3,892,654	3,387,459
<u>7,924,185</u>	<u>7,581,451</u>	<u>8,928,158</u>	<u>8,845,673</u>	<u>9,216,269</u>	<u>8,611,581</u>
2,163,278	2,237,337	2,169,847	2,152,952	2,347,183	2,142,438
339,905	330,000	301,712	253,814	251,316	230,814
34,252,624	34,486,785	31,884,063	31,880,134	32,008,441	28,555,378
3,413,443	3,695,706	3,318,519	3,247,419	3,020,615	2,942,332
15,727,297	17,369,887	19,090,971	24,133,450	22,888,305	23,285,318
173,984	183,781	171,217			
				579,514	502,029
205,115	563,437	3,761,930	74,000	184,000	212,000
<u>56,275,646</u>	<u>58,866,933</u>	<u>60,698,259</u>	<u>61,741,769</u>	<u>61,279,374</u>	<u>57,870,309</u>
<u>\$64,199,831</u>	<u>\$66,448,384</u>	<u>\$69,626,417</u>	<u>\$70,587,442</u>	<u>\$70,495,643</u>	<u>\$66,481,890</u>
\$2,214,779	\$2,584,345	\$2,350,230	\$2,671,970	\$2,438,113	\$2,152,378
5,760,579	5,656,846	5,898,353	6,011,315	5,936,716	5,694,280
6,905,658	7,006,584	4,949,913	5,758,426	3,913,635	4,861,870
4,020,572	4,193,364	4,416,540	4,817,582	4,817,514	4,479,107
840,271	1,230,376	695,768	453,832	2,416,313	1,910,296
447,757	660,324	852,329	994,414	942,152	947,650
<u>20,189,616</u>	<u>21,331,839</u>	<u>19,163,133</u>	<u>20,707,539</u>	<u>20,464,443</u>	<u>20,045,581</u>
2,408,860	2,319,607	1,817,628	1,855,646	1,683,066	1,778,157
333,266	338,878	239,802	72,103	43,882	129,345
32,751,288	34,139,463	31,599,411	31,673,356	31,465,992	27,916,641
2,441,081	2,857,315	2,458,048	2,466,784	2,299,862	2,176,521
14,532,831	16,670,867	17,201,803	22,432,645	22,919,882	22,193,951
232,096	244,399	297,848		522,738	502,029
<u>52,699,422</u>	<u>56,570,529</u>	<u>53,614,540</u>	<u>58,500,534</u>	<u>58,935,422</u>	<u>54,696,644</u>
<u>\$72,889,038</u>	<u>\$77,902,368</u>	<u>\$72,777,673</u>	<u>\$79,208,073</u>	<u>\$79,399,865</u>	<u>\$74,742,225</u>

CITY OF OWATONNA, MINNESOTA
Changes in Net Position - Continued
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Net (Expense)/Revenue				
Governmental activities	\$(14,669,968)	\$(14,126,104)	\$(11,317,585)	\$(12,415,068)
Business-type activities	2,701,157	3,377,776	6,196,080	3,132,539
Total primary government	<u>\$(11,968,811)</u>	<u>\$(10,748,328)</u>	<u>\$(5,121,505)</u>	<u>\$(9,282,529)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
Property taxes, (general purposes)	\$9,148,313	\$8,620,566	\$8,753,451	\$8,436,179
Property taxes, (debt service)	1,150,319	1,096,471	923,671	1,037,055
Sales & excise tax				
Franchise tax	339,322	342,607	324,401	307,594
Lodging tax				
Unrestricted grants and contributions	4,103,313	4,253,144	3,357,405	3,428,021
Investment earnings	190,031	511,958	(308,037)	137,539
Other		195,095		
Transfers	90,441	(249,425)	(1,351,736)	(38,361)
Total governmental activities	<u>15,021,739</u>	<u>14,770,416</u>	<u>11,699,155</u>	<u>13,308,027</u>
Business-type activities:				
Property taxes, (debt service)	248,410	251,775	253,885	252,521
Unrestricted grants and contributions				
Investment earnings	284,548	485,348	(81,728)	222,481
Other				
Transfers	(90,441)	249,425	1,351,736	38,361
Total business-type activities	<u>442,517</u>	<u>986,548</u>	<u>1,523,893</u>	<u>513,363</u>
Total primary government	<u>\$15,464,256</u>	<u>\$15,756,964</u>	<u>\$13,223,048</u>	<u>\$13,821,390</u>
Change in Net Position				
Governmental activities	\$352,691	\$644,312	\$381,570	\$892,959
Business-type activities	3,143,674	4,364,324	7,719,973	3,645,902
Total primary government	<u>\$3,496,365</u>	<u>\$5,008,636</u>	<u>\$8,101,543</u>	<u>\$4,538,861</u>

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$(12,265,431)	\$(13,750,388)	\$(10,234,975)	\$(11,861,866)	\$(11,248,174)	\$(11,434,000)
<u>3,577,556</u>	<u>2,296,404</u>	<u>7,083,719</u>	<u>3,241,235</u>	<u>2,343,952</u>	<u>3,173,665</u>
<u>\$(8,687,875)</u>	<u>\$(11,453,984)</u>	<u>\$(3,151,256)</u>	<u>\$(8,620,631)</u>	<u>\$(8,904,222)</u>	<u>\$(8,260,335)</u>
\$7,517,394	\$7,181,958	\$7,058,666	\$6,876,626	\$6,156,067	\$5,231,774
1,308,435	1,549,154	1,663,077	1,610,922	1,350,983	1,423,562
888,740	1,878,549	1,934,293	1,941,014	1,412,930	
303,642	303,946	295,786	294,382	277,208	266,374
				232,063	207,139
3,624,122	4,224,944	4,498,163	4,308,299	5,121,043	5,688,386
360,304	377,409	654,023	1,229,733	1,436,457	985,659
			760	15,721	10,577
<u>212,002</u>	<u>(159,931)</u>	<u>264,121</u>	<u>506,600</u>	<u>506,600</u>	<u>355,500</u>
<u>14,214,639</u>	<u>15,356,029</u>	<u>16,368,129</u>	<u>16,768,336</u>	<u>16,509,072</u>	<u>14,168,971</u>
233,499	238,628	232,808			
		17,460			
421,654	281,935	764,205	1,141,828	1,746,452	1,304,129
			50,000		
<u>(212,002)</u>	<u>159,931</u>	<u>(264,121)</u>	<u>(506,600)</u>	<u>(506,600)</u>	<u>(355,500)</u>
<u>443,151</u>	<u>680,494</u>	<u>750,352</u>	<u>685,228</u>	<u>1,239,852</u>	<u>948,629</u>
<u>\$14,657,790</u>	<u>\$16,036,523</u>	<u>\$17,118,481</u>	<u>\$17,453,564</u>	<u>\$17,748,924</u>	<u>\$15,117,600</u>
\$1,949,208	\$1,605,641	\$6,133,154	\$4,906,470	\$5,260,898	\$2,734,971
4,020,707	2,976,898	7,834,071	3,926,463	3,583,804	4,122,294
<u>\$5,969,915</u>	<u>\$4,582,539</u>	<u>\$13,967,225</u>	<u>\$8,832,933</u>	<u>\$8,844,702</u>	<u>\$6,857,265</u>

CITY OF OWATONNA, MINNESOTA
Fund Balance – Governmental Funds
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
General Fund				
Reserved				
Unreserved				
Nondspendable	\$283,764	\$224,489	\$78,276	\$86,340
Restricted	43,432	43,058	42,066	42,066
Committed				
Assigned	2,050,503	1,912,882	1,843,366	2,164,701
Unassigned	8,075,845	7,851,566	7,731,961	7,348,001
Total general fund	<u>10,453,544</u>	<u>10,031,995</u>	<u>9,695,669</u>	<u>9,641,108</u>
All Other Governmental Funds				
Reserved				
Unreserved, reported in:				
Special revenue funds				
Debt service funds				
Capital projects funds				
Nondspendable		74,064	549,915	
Restricted	9,414,768	8,953,592	8,312,438	9,084,236
Committed	1,114,534	1,528,371	2,644,186	
Assigned	3,905,230	4,360,834	2,446,348	2,324,410
Unassigned	(216,589)	(219,861)		
Total all other governmental funds	<u>14,217,943</u>	<u>14,697,000</u>	<u>13,952,887</u>	<u>11,408,646</u>
Total governmental funds	<u>\$24,671,487</u>	<u>\$24,728,995</u>	<u>\$23,648,556</u>	<u>\$21,049,754</u>

Note: GASB Statement No. 54 was adopted in 2011

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$122,709	\$100,103	\$6,173	\$52,936	\$47,547	\$43,249
41,791	8,373,093	5,718,264	5,405,100	5,772,381	4,341,402
2,145,826					
6,620,420					
<u>8,930,746</u>	<u>8,473,196</u>	<u>5,724,437</u>	<u>5,458,036</u>	<u>5,819,928</u>	<u>4,384,651</u>
	7,859,383	13,072,081	12,252,765	14,081,237	8,269,688
	397,564	(132,268)	(121,136)		
	5,571,539	5,167,651	6,349,032	1,227,428	1,084,308
				6,087,424	7,085,406
11,734,213					
4,167,721					
<u>15,901,934</u>	<u>13,828,486</u>	<u>18,107,464</u>	<u>18,480,661</u>	<u>21,396,089</u>	<u>16,439,402</u>
<u>\$24,832,680</u>	<u>22,301,682</u>	<u>\$23,831,901</u>	<u>\$23,938,697</u>	<u>\$27,216,017</u>	<u>\$20,824,053</u>

CITY OF OWATONNA, MINNESOTA
Changes in Fund Balance of Governmental Funds
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues				
Taxes	\$10,658,545	\$10,089,188	\$9,999,651	\$9,820,395
Licenses and permits	292,628	349,311	350,707	279,645
Intergovernmental revenue	7,290,973	7,755,657	7,562,657	6,434,010
Charges for service	1,857,471	1,704,610	2,084,835	1,899,600
Fines and forfeits	157,719	172,951	172,778	206,517
Special assessments	1,137,312	1,099,194	1,361,391	1,444,022
Interest on investments	190,031	511,958	(308,037)	137,539
Miscellaneous	1,452,189	853,621	667,413	332,307
Total revenues	<u>23,036,868</u>	<u>22,536,490</u>	<u>21,891,395</u>	<u>20,554,035</u>
Expenditures				
Current operating				
General government	2,528,782	2,338,333	2,131,704	2,086,672
Public safety	6,200,216	6,094,080	5,645,420	5,566,365
Public works	3,681,956	3,444,217	3,091,860	3,267,360
Culture and recreation	4,035,671	3,796,924	3,770,340	3,813,868
Housing & economic development	734,410	462,086	453,050	405,640
Miscellaneous	127,580	294,163	380,217	359,119
Capital outlay	5,905,097	4,615,949	7,234,554	4,145,253
Debt service:				
Principal retired	1,890,000	1,845,000	2,175,000	4,720,000
Interest and service charges	293,620	313,028	302,980	339,625
Total all other governmental funds	<u>25,397,332</u>	<u>23,203,780</u>	<u>25,185,125</u>	<u>24,703,902</u>
Excess of revenues over (under) expenditures	<u>(2,360,464)</u>	<u>(667,290)</u>	<u>(3,293,730)</u>	<u>(4,149,867)</u>
Other finance sources (uses)				
Bond issuance	1,685,000	1,135,000	3,845,000	
Premium(Discount) on bonds	98,893	32,211	71,433	
Other	110,979		1,858,593	46,941
Sale of capital assets	5,584	215,518		
Transfers out	(128,000)	(564,000)	(2,963,221)	(50,000)
Transfers in	530,500	929,000	3,278,221	370,000
Total other financing sources (uses)	<u>2,302,956</u>	<u>1,747,729</u>	<u>6,090,026</u>	<u>366,941</u>
Net change in fund balance	<u>\$(57,508)</u>	<u>\$1,080,439</u>	<u>\$2,796,296</u>	<u>\$(3,782,926)</u>
Debt service as a percentage of noncapital expenditures	10.93%	10.84%	11.87%	23.99%

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$9,981,547	\$10,977,977	\$10,720,490	\$10,477,266	\$9,218,552	\$6,918,591
374,415	328,385	334,968	558,158	576,978	665,911
7,617,353	7,569,590	10,354,028	8,654,117	7,991,776	8,122,471
2,167,578	1,747,190	1,646,622	1,840,757	2,257,674	2,355,571
231,901	251,339	255,549	290,100	315,777	277,189
1,467,016	1,720,604	1,870,284	2,000,535	1,974,527	2,160,976
360,304	377,401	654,023	1,229,733	1,436,457	985,659
443,774	809,623	483,842	431,412	2,210,212	1,934,717
<u>22,643,858</u>	<u>23,782,109</u>	<u>26,319,806</u>	<u>25,482,078</u>	<u>25,981,953</u>	<u>23,421,085</u>
2,065,066	2,337,400	2,380,507	2,380,529	2,214,716	1,998,172
5,604,482	5,427,133	5,630,424	5,661,694	5,530,872	5,147,860
3,151,255	3,384,887	2,747,184	3,349,834	3,530,135	3,357,539
3,976,416	3,902,203	4,142,220	4,442,696	4,498,755	4,292,052
494,299	655,547	226,572	62,279	1,108,450	1,202,451
532,355	702,863	257,405	193,267	216,922	205,854
4,758,793	4,351,521	7,068,675	8,695,416	6,929,902	6,405,104
3,085,000	7,100,000	3,360,337	5,592,826	3,594,506	3,236,723
512,999	666,210	873,063	945,023	995,278	967,113
<u>24,180,665</u>	<u>28,527,764</u>	<u>26,686,387</u>	<u>31,323,564</u>	<u>28,619,536</u>	<u>26,812,868</u>
<u>(1,536,807)</u>	<u>(4,745,655)</u>	<u>(366,581)</u>	<u>(5,841,486)</u>	<u>(2,637,583)</u>	<u>(3,391,783)</u>
3,325,000			3,585,000	8,053,214	2,790,000
(14,963)			(30,939)	38,733	(12,100)
				301,000	17,120
(1,403,508)	(6,649,225)	(1,199,781)	(708,105)	(1,466,210)	(558,373)
1,663,508	9,349,779	1,561,781	1,214,705	1,972,810	913,873
<u>3,570,037</u>	<u>2,700,554</u>	<u>362,000</u>	<u>4,060,661</u>	<u>8,899,547</u>	<u>3,150,520</u>
<u>\$2,033,230</u>	<u>\$(2,045,101)</u>	<u>\$(4,581)</u>	<u>\$(1,780,825)</u>	<u>\$6,261,964</u>	<u>\$(241,263)</u>
17.99%	30.34%	21.82%	28.86%	21.54%	20.48%

CITY OF OWATONNA, MINNESOTA
Program Revenues and Expenses by Function
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$325,810	\$353,387	\$343,280	\$277,682
Public safety	646,479	704,699	778,934	672,500
Public works	583,402	433,409	849,117	675,880
Culture and recreation	1,167,819	1,147,686	1,108,691	1,136,581
Other activities	9,640	13,121	12,794	8,579
Operating grants & contributions	1,411,675	1,692,420	1,253,133	1,095,946
Capital grants & contributions	3,351,342	2,596,415	5,401,249	3,305,708
Total governmental activities	<u>7,496,167</u>	<u>6,941,137</u>	<u>9,747,198</u>	<u>7,172,876</u>
Business-type activities:				
Charges for services:				
Sewer	3,106,003	2,995,373	2,467,088	2,022,730
Storm water	397,464	399,983	344,831	397,888
Electric	35,805,919	35,756,468	34,586,900	34,651,139
Water	3,489,771	3,433,348	3,509,578	3,602,180
Gas	13,795,668	21,471,393	15,776,954	13,008,829
Aquatic center	195,018	174,787	164,532	198,191
Operating grants and contributions	50,000	25,688	4,449,193	749,465
Capital grants and contributions	56,839,843	64,257,040	61,299,076	54,630,422
Total business-type activities	<u>64,336,010</u>	<u>\$71,198,177</u>	<u>\$71,046,274</u>	<u>\$61,803,298</u>
Total primary government	<u><u>\$64,336,010</u></u>	<u><u>\$71,198,177</u></u>	<u><u>\$71,046,274</u></u>	<u><u>\$61,803,298</u></u>
Expenses				
Governmental activities:				
General government	\$2,856,561	\$2,680,256	\$2,496,706	\$2,190,496
Public safety	6,348,914	6,310,828	5,999,244	5,770,904
Public works	7,270,857	6,925,355	7,301,740	6,640,567
Culture and recreation	4,652,758	4,279,720	4,229,251	4,051,046
Other activities	747,447	570,317	627,951	627,678
Interest on long-term debt	288,678	300,765	409,891	307,253
Total governmental activities	<u>22,165,215</u>	<u>21,067,241</u>	<u>21,064,783</u>	<u>19,587,944</u>
Business-type activities:				
Sewer	2,492,185	2,452,577	2,191,955	2,479,096
Storm water	516,915	508,608	457,454	367,752
Electric	34,612,064	34,319,736	34,455,128	33,341,909
Water	3,159,786	2,734,692	2,767,320	2,531,144
Gas	13,066,535	20,613,979	14,962,607	12,513,597
Aquatic center	291,201	249,672	268,532	264,385
Housing and economic development	54,138,686	60,879,264	55,102,996	51,497,883
Total business-type activities	<u>54,138,686</u>	<u>60,879,264</u>	<u>55,102,996</u>	<u>51,497,883</u>
Total primary government	<u><u>\$76,303,901</u></u>	<u><u>\$81,946,505</u></u>	<u><u>\$76,167,779</u></u>	<u><u>\$71,085,827</u></u>

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$190,330	\$132,361	\$222,588	\$273,331	\$264,959	\$296,800
806,155	744,927	584,890	807,735	781,429	820,128
561,208	502,500	203,771	310,690	583,940	447,627
1,082,618	1,182,280	1,344,399	1,412,107	1,454,560	1,499,096
15,442	9,179	125,554	80,032	319,066	485,045
1,058,672	1,333,288	1,015,913	908,405	1,919,661	1,675,426
4,209,760	3,676,916	5,431,043	5,053,373	3,892,654	3,387,459
<u>7,924,185</u>	<u>7,581,451</u>	<u>8,928,158</u>	<u>8,845,673</u>	<u>9,216,269</u>	<u>8,611,581</u>
2,163,278	2,237,337	2,169,847	2,152,952	2,347,183	2,142,438
339,905	330,000	301,712	253,814	251,316	230,814
34,252,624	34,486,785	31,884,063	31,880,134	32,008,441	28,555,378
3,413,443	3,695,706	3,318,519	3,247,419	3,020,615	2,942,332
15,727,297	17,369,887	19,090,971	24,133,450	22,888,305	23,285,318
173,984	183,781	171,217		579,514	502,029
205,115	563,437	3,761,930	74,000	184,000	212,000
<u>56,275,646</u>	<u>58,866,933</u>	<u>60,698,259</u>	<u>61,741,769</u>	<u>61,279,374</u>	<u>57,870,309</u>
<u>\$64,199,831</u>	<u>\$66,448,384</u>	<u>\$69,626,417</u>	<u>\$70,587,442</u>	<u>\$70,495,643</u>	<u>\$66,481,890</u>
\$2,214,779	\$2,584,345	\$2,350,230	\$2,671,970	\$2,438,113	\$2,152,378
5,760,579	5,656,846	5,898,353	6,011,315	5,936,716	5,694,280
6,905,658	7,006,584	4,949,913	5,758,426	3,913,635	4,861,870
4,020,572	4,193,364	4,416,540	4,817,582	4,817,514	4,479,107
840,271	1,230,376	695,768	453,832	2,416,313	1,910,296
447,757	660,324	852,329	994,414	942,152	947,650
<u>20,189,616</u>	<u>21,331,839</u>	<u>19,163,133</u>	<u>20,707,539</u>	<u>20,464,443</u>	<u>20,045,581</u>
2,408,860	2,319,607	1,817,628	1,855,646	1,683,066	1,778,157
333,266	338,878	239,802	72,103	43,882	129,345
32,751,288	34,139,463	31,599,411	31,673,356	31,465,992	27,916,641
2,441,081	2,857,315	2,458,048	2,466,784	2,299,862	2,176,521
14,532,831	16,670,867	17,201,803	22,432,645	22,919,882	22,193,951
232,096	244,399	297,848		522,738	502,029
<u>52,699,422</u>	<u>56,570,529</u>	<u>53,614,540</u>	<u>58,500,534</u>	<u>58,935,422</u>	<u>54,696,644</u>
<u>\$72,889,038</u>	<u>\$77,902,368</u>	<u>\$72,777,673</u>	<u>\$79,208,073</u>	<u>\$79,399,865</u>	<u>\$74,742,225</u>

CITY OF OWATONNA, MINNESOTA
General Governmental Tax Revenues by Source
 Last Ten Fiscal Years

Fiscal Year	Property Taxes	Franchise Fees	Sales/Excise Tax ¹	Other Taxes ²	Total Taxes
2015	\$9,761,650	\$339,322		\$536,982	\$10,637,954
2014	9,395,859	342,607		321,178	10,059,644
2013	9,362,644	324,401		314,478	10,001,523
2012	9,184,422	307,594		288,812	9,780,828
2011	8,508,860	303,642	\$888,740	316,969	10,018,211
2010	8,439,992	303,946	1,878,549	291,120	10,913,607
2009	8,216,957	295,786	1,934,293	273,454	10,720,490
2008	7,984,316	294,382	1,941,014	257,554	10,477,266
2007	7,120,715	277,208	1,412,930	407,699	9,218,552
2006	6,195,535	266,374		456,682	6,918,591

Sources of Data: Includes general fund, special revenue funds, capital project funds and debt service fund

¹ Special Legislation authorized a local option sales tax and excise tax beginning April 1, 2007. This tax was terminated by council resolution on June 30, 2011.

² Prior to 2008, lodging tax was included in this figure.

CITY OF OWATONNA, MINNESOTA
Property Tax Levies and Collections
 Last Ten Fiscal Years

Fiscal Year	Total Net Tax Levy	Collected in the Year of the Levy		Collections In Subsequent Years	Total Collections To Date	
		Current Tax Collections	Percent of Levy		Amount	Percent of Levy
2015	\$10,140,627	\$10,062,832	99.23%	\$21,967	\$10,084,799	99.45%
2014	9,739,414	9,648,527	99.07%	70,084	9,718,611	99.79%
2013	9,742,984	9,627,589	98.82%	96,963	9,724,552	99.81%
2012	9,559,080	9,400,793	98.34%	152,342	9,553,135	99.94%
2011	8,818,938	8,665,892	98.26%	146,247	8,812,139	99.92%
2010	8,765,557	8,619,692	98.34%	141,956	8,761,648	99.95%
2009	8,793,278	8,650,062	98.37%	141,921	8,791,983	99.99%
2008	8,342,435	8,219,803	98.53%	121,568	8,341,371	99.99%
2007	7,322,570	7,236,979	98.83%	84,810	7,321,789	99.99%
2006	6,392,496	6,322,877	98.91%	69,415	6,392,292	99.99%

Source of Data: Includes general fund and debt service funds

CITY OF OWATONNA, MINNESOTA
Tax Capacity and Estimated Value of Taxable Property
 Last Ten Fiscal Years

Fiscal Year	Real Property		Personal Property		Total		Ratio of Tax Capacity to Estimated Market Value	Total Direct Tax Rate
	Tax Capacity	Estimated Market Value	Tax Capacity	Estimated Market Value	Tax Capacity	Estimated Market Value		
2015	\$17,584,660	\$1,622,202,000	\$93,925	\$5,677,800	\$17,678,585	\$1,627,879,800	.0109:1	58.102
2014	16,865,181	1,575,917,700	96,222	5,796,800	16,961,403	1,581,714,500	.0107:1	59.018
2013	16,610,085	1,561,121,700	95,410	5,757,100	16,705,495	1,566,878,800	.0107:1	59.754
2012	16,774,602	1,594,105,600	88,362	5,224,600	16,862,964	1,599,330,200	.0105:1	58.051
2011	19,394,151	1,654,389,500	91,239	5,338,200	19,485,390	1,659,727,700	.0117:1	50.197
2010	20,662,450	1,749,599,900	88,088	5,155,000	20,750,538	1,754,754,900	.0118:1	46.687
2009	21,245,546	1,797,484,900	87,545	5,153,000	21,333,091	1,802,637,900	.0118:1	45.336
2008	20,544,898	1,766,010,800	57,393	3,603,700	20,602,291	1,769,614,500	.0116:1	44.650
2007	19,390,529	1,669,699,400	52,112	3,362,300	19,442,641	1,673,061,700	.0116:1	41.190
2006	17,277,600	1,496,038,300	30,544	1,812,000	17,308,144	1,497,850,300	.0116:1	41.017

Source: Steele County Auditor & Steele County Assessor

CITY OF OWATONNA, MINNESOTA
Property Tax Rates and Tax Levies – Direct and Overlapping Governments
 Last Ten Fiscal Years

Year	Direct					Overlapping			Direct & Overlapping Total
	General	Debt Service	Capital Improvement	Other	Direct Total	School District	County	Overlapping Total	
2015	46.627	7.887	1.993	1.595	58.102	16.662	59.533	76.195	134.297
2014	47.019	8.032	2.404	1.563	59.018	17.954	59.246	77.200	136.218
2013	47.682	7.142	3.348	1.582	59.754	19.375	62.495	81.870	141.624
2012	45.569	7.686	2.710	2.086	58.051	20.047	62.970	83.017	141.068
2011	39.037	8.182	.803	2.175	50.197	17.122	55.332	72.454	122.651
2010	35.050	8.825	.732	2.080	46.687	16.646	52.331	68.977	115.664
2009	33.301	9.279	.711	2.045	45.336	18.963	51.394	70.357	115.693
2008	34.543	8.025		2.082	44.650	18.731	50.212	68.943	113.593
2007	32.487	7.106		1.597	41.190	19.188	47.974	67.162	108.352
2006	30.639	8.633		1.745	41.017	20.225	49.849	70.074	111.091

Note: Tax rates are per \$1,000 of tax capacity. Tax capacity is equal to market value multiplied by the applicable class rate for the type of property that is being taxed.

Source: Steele County Auditor and Steele County Assessor

CITY OF OWATONNA, MINNESOTA
Principal Property Taxpayers
 Current Year and Ten Years Ago

<u>Taxpayer</u>	<u>Business type</u>	<u>2015</u>			<u>2005</u>		
		<u>Tax Capacity</u>	<u>Rank</u>	<u>Percentage of Total Tax Capacity</u>	<u>Tax Capacity</u>	<u>Rank</u>	<u>Percentage of Total Tax Capacity</u>
Viracon, Inc	Glass Products	\$375,506	1	2.12%	\$211,916	1	1.47%
Federated Mutual Insurance	Insurance	291,852	2	1.65%	92,788	10	.64%
Cabela's Retail	Retail	171,682	3	.97%	173,980	2	1.21%
Owatonna Clinic – Mayo	Health System	157,330	4	.89%	93,721	9	.65%
Mills Properties	Retail	157,246	5	.89%	145,864	3	1.01%
Daikin, Inc.	Manufacturing	151,128	6	.85%			
Wenger Corp (JAS)	Musical Equip	120,224	7	.68%	137,676	4	.95%
Cybex	Manufacturing	119,286	8	.67%			
Wal-Mart	Retail	117,434	9	.66%	110,778	5	.77%
Owatonna Hospitality	Hotel	108,120	10	.61%			
Lakeside Foods	Manufacturing				106,015	7	.73%
J R Holdings	Hotel				108,996	6	.76%
Continental Beverage Packaging	Beverage Pkg				99,250	8	.69%
		<u>\$1,769,808</u>		<u>10.01%</u>	<u>\$1,280,984</u>		<u>8.88%</u>

Source: Steele County Assessor
 Ranking based on tax capacity

CITY OF OWATONNA, MINNESOTA
Ratios of Outstanding Debt by Type
 Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-type Activities		Total Primary Government	Percentage Of Personal Income*	Per Capita*
	General Obligation Bonds	G.O. Improvement Bonds	Other Bonds ³	Lease Revenue Bonds	Revenue Bonds	G.O. Revenue Bonds			
2015	\$1,735,000	\$7,304,657	\$1,140,000	\$0	\$5,467,928	\$2,429,281	\$18,076,866	N/A	N/A
2014	1,465,000	7,695,348	1,140,000	0	6,858,928	2,655,441	19,814,717	1.82%	\$772.20
2013	805,000	9,021,992	1,140,000	0	8,209,512	2,876,601	22,053,105	2.06%	862.33
2012	765,000	8,475,000	0	0	9,477,928	3,075,000	21,792,928	1.99%	855.66
2011	765,000	13,095,000	0	100,000	10,707,928	3,280,000	27,867,928	2.76%	1,089.78
2010	500,000	13,020,000	0	200,000	11,909,333	3,480,000	29,109,333	2.95%	1,137.13
2009	985,000	15,710,000	3,825,000	300,000	4,675,000	3,670,000	29,165,000	3.10%	1,146.74
2008	1,455,000	18,435,000	3,825,000	400,000	5,335,000	3,670,000	33,120,000	3.48%	1,304.91
2007	1,910,000	19,828,000	3,825,000	2,551,362	5,965,000	0	34,079,362	3.87%	1,358.28
2006	1,185,000	19,845,000	0	2,786,812	6,570,000	0	30,386,812	3.63%	1,228.99

*Personal income and population data can be found in the demographic statistics on page 131.

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements

³ Other Bonds consisted of TIF bonds in 2013-2015 and temporary sales tax revenue bonds in 2007-2009.

CITY OF OWATONNA, MINNESOTA
Ratios of Net General Bonded Debt Outstanding
 Last Ten Fiscal Years

Fiscal Year	Gross Bonded Debt	Less Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Tax Capacity	Net Bonded Debt per Capita
2015	\$1,735,000	\$402,246	\$1,332,754	.0754:1	N/A
2014	1,465,000	208,537	1,256,463	.0741:1	48.97
2013	805,000	141,064	663,936	.0397:1	25.96
2012	765,000	126,388	638,612	.0379:1	25.07
2011	765,000	0	765,000	.0393:1	29.92
2010	500,000	13,540	486,460	.0234:1	19.00
2009	985,000	8,853	976,147	.0458:1	38.38
2008	1,455,000	195,211	1,259,789	.0611:1	49.64
2007	1,910,000	166,842	1,743,158	.0897:1	69.48
2006	1,185,000	141,684	1,043,316	.0603:1	42.20

CITY OF OWATONNA, MINNESOTA
Legal Debt Margin Information
 Last Ten Fiscal Years
 (amounts expressed in thousands)

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Debt Limit	\$32,558	\$31,634	\$31,338	\$31,987	\$33,195	\$35,095	\$36,053	\$35,392	\$33,461	\$29,957
Total net debt applicable to limit	1,333	1,256	664	639	765	486	976	1,259	1,743	1,043
Legal debt margin	31,225	30,378	30,674	31,348	32,430	34,609	35,077	34,133	31,718	28,914
Total net debt applicable to the limit as a % of debt limit	4.09%	3.97%	2.12%	2.00%	2.30%	1.38%	2.71%	3.56%	5.21%	3.48%

Legal Debt Margin Calculation for Current Fiscal Year

Market Value of Taxable Property	\$1,627,880
Debt limit (2% of market value)	32,558
Debt applicable to limit:	
General obligation bonds	1,735
Less: Amount set aside for repayment of general obligation debt	402
Total net debt applicable to limit	<u>1,333</u>
Legal debt margin	<u><u>\$31,225</u></u>

The legal debt limit for municipalities in Minnesota is 2% of the market value of taxable property. This limit applies only to the City's general obligation tax levy bonds and excludes improvement, revenue, and tax increment bonds.

CITY OF OWATONNA, MINNESOTA
Computation of Direct and Overlapping Debt
End of Fiscal Year 2015

Jurisdiction	Net Debt Outstanding	Percentage Applicable to City of Owatonna	City of Owatonna's Share of Debt
Direct:			
City of Owatonna	\$10,179,657	100.00%	\$10,179,657
Overlapping:			
School District	14,665,000	62.75%	9,202,288
Steele County	14,920,000	45.76%	6,827,392
Total overlapping debt			<u>16,029,680</u>
Total direct and overlapping debt			<u>\$26,209,337</u>

Source: Steele County Auditor

Note: The overlap is based on tax capacity. It equals the percentage of tax capacity that falls within the City.

CITY OF OWATONNA, MINNESOTA
Schedule of (OPU) Revenue Bond Coverage
 Last Ten Fiscal Years

Fiscal Year	Gross Revenue	Operating Expense	Net Revenue Available for Debt Service	Debt Service Requirements		Total	Coverage
				Principal	Interest		
2015	\$53,231,414	\$47,800,366	\$5,431,048	\$885,000	\$44,251	\$929,251	5.84
2014	60,769,422	54,868,584	5,900,838	830,000	85,750	915,750	6.44
2013	53,980,784	49,381,717	4,599,067	800,000	125,750	925,750	4.97
2012	51,378,741	45,864,009	5,514,732	745,000	163,000	908,000	6.07
2011	53,507,291	47,147,464	6,359,827	720,000	199,000	919,000	6.92
2010	55,705,522	51,062,704	4,642,818	695,000	230,275	925,275	5.02
2009	54,568,413	48,660,742	5,907,671	660,000	259,975	919,975	6.42
2008	59,794,333	53,915,228	5,879,104	630,000	288,325	918,325	6.40
2007	58,777,376	54,230,283	4,547,093	605,000	312,525	917,525	4.96
2006	55,428,970	49,934,711	5,494,259	610,000	336,925	946,925	5.80

Note: OPU bonds were issued in 2003.

Gross revenues include all revenues from operations and interest.
 Operating expense includes the cost of operations excluding depreciation expense.

CITY OF OWATONNA, MINNESOTA
Schedule of Storm Water Fund Bond Coverage
 Last Seven Fiscal Years

Fiscal Year	Gross Revenue	Operating Expense	Net Revenue Available for Debt Service	Debt Service Requirements		Total	Coverage
				Principal	Interest		
2015	\$653,918	\$229,302	\$424,616	\$225,000	\$103,674	\$328,674	1.29
2014	675,404	220,108	455,296	220,000	112,018	332,018	1.37
2013	584,554	153,262	431,292	210,000	119,817	329,817	1.31
2012	652,806	116,261	536,545	205,000	127,080	332,080	1.62
2011	582,304	88,726	493,578	200,000	134,168	334,168	1.48
2010	569,006	125,839	443,167	190,000	140,518	330,518	1.34
2009	562,160	15,813	546,347	0	144,562	144,562	3.78

Note: Storm Water Fund Bonds were issued in 2008.

Gross revenues include all revenues from operations, debt service levy and interest.
 Operating expense includes the cost of operations excluding depreciation expense.

CITY OF OWATONNA, MINNESOTA
Demographic and Economic Statistics
 Last Ten Fiscal Years

Fiscal Year	Population ¹	Personal Income ²	Per Capita Personal Income ³	School Enrollment ⁴	Average Annual Unemployment Rate ⁵
2015	N/A	N/A	N/A	4,985	3.4%
2014	25,660	\$1,086,239,120	\$42,332	4,990	3.8%
2013	25,574	1,071,243,712	41,888	4,906	4.9%
2012	25,469	1,093,791,674	42,946	4,851	5.7%
2011	25,572	1,011,474,888	39,554	4,889	6.6%
2010	25,599	985,331,109	38,491	4,930	8.2%
2009	25,433	939,698,484	36,948	4,958	9.8%
2008	25,381	958,818,037	37,777	4,969	5.2%
2007	25,090	880,985,170	35,113	5,026	4.6%
2006	24,725	836,743,450	33,842	5,005	4.1%

¹ State demographer estimate. 2010 Census

² Estimation; Calculated (population multiplied by per capita personal income)

³ Bureau of Economic Analysis; <http://www.bea.gov/regional/reis/> (Steele County)

⁴ Owatonna School District #761 – regular average daily membership

⁵ MN Department of Employment and Economic Development

N/A: Data was not available for this year

CITY OF OWATONNA, MINNESOTA
Principal Employers
 Current Year and Ten Years Ago

<u>Employer</u>	<u>Business type</u>	<u>2015</u>			<u>2005</u>		
		<u>Number Of Employees</u>	<u>Rank</u>	<u>% of Total City Employment</u>	<u>Number Of Employees</u>	<u>Rank</u>	<u>% of Total City Employment</u>
Federated Mutual Insurance	Insurance	1,375	1	7.68%	1,425	2	8.31%
Viracon, Inc.	Glass products	1,200	2	6.70%	1,500	1	8.75%
Truth Hardware Corp	Window hardware	735	3	4.10%	854	3	4.98%
Owatonna ISD# 761	Education	688	4	3.84%	650	5	3.79%
Bosch	Specialty tools	540	5	3.02%	700	4	4.08%
Josten's Inc.	Recognition products	416	6	2.32%	470	7	2.74%
Wenger Corp	Musical equipment	370	7	2.07%	490	6	2.85%
Steele County	County government	335	8	1.87%	436	8	2.54%
Owatonna Hospital-Allina	Healthcare	323	9	1.80%			
Cybox	Exercise equipment	295	10	1.65%			
Cabela's	Outfitters/sporting goods				400	9	2.33%
Owatonna Clinic	Healthcare/pharmacy				350	10	2.04%
Total		6,277		35.06%	7,275		42.44%

Source: 2005 – Springsted telephone survey
 2015 – Owatonna Chamber of Commerce
 Total City employment data obtained from Minnesota Quarterly Census and Employment and Wages Data

CITY OF OWATONNA, MINNESOTA
Full-time Equivalent City Employees by Function
 Last Ten Fiscal Years
 (based on Adopted budgets)

Function	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General government										
Admin services	9.5	8.0	8.0	7.0	7.0	7.0	7.0	7.0	6.0	5.5
Govt buildings	10.1	10.1	10.4	8.0	8.0	8.0	9.0	9.0	7.0	7.0
Public safety										
Police	42.8	43.1	40.6	38.0	38.0	36.0	38.0	38.0	36.0	34.0
Fire	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0
Inspection	3.7	4.0	4.0	4.0	4.0	5.0	6.0	6.0	7.0	8.0
Public works										
Engineering	7.0	7.0	7.0	7.0	7.0	7.0	8.0	8.0	8.0	8.0
Street maintenance	17.0	17.0	17.0	17.0	18.0	18.0	18.5	18.5	18.5	17.0
Airport	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Culture & recreation										
Library	12.5	11.4	11.9	10.0	10.0	10.0	10.0	10.0	10.0	9.5
Recreation – admin	4.0	3.5	3.8	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Park maintenance	11.2	11.2	11.4	8.0	8.0	8.0	10.5	10.5	9.5	9.0
Adult recreation	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Youth recreation	1.9	2.0	1.9	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Tennis & fitness	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Senior center	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Brooktree golf course	2.8	3.7	3.6	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Housing & econ develop										
Planning & zoning	4.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Total	140.5	138.0	136.6	120.0	121.0	120.0	128.0	128.0	123.0	119.0

Source: Adopted 2006-2015 Budgets

Note: Years 2006 – 2012 did not include FTE for part-time positions. Those years only include full time positions, as part-time positions were not detailed out in the budget document.

CITY OF OWATONNA, MINNESOTA
Capital Asset Statistics by Function
 Last Ten Fiscal Years

Function	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units – marked	13	13	13	14	15	18	N/A	N/A	N/A	N/A
Patrol units – unmarked	8	8	8	8	8	8	N/A	N/A	N/A	N/A
Police reserve unit - marked	2	2	4	2	3	N/A	N/A	N/A	N/A	N/A
Parking control	1	1	1	1	1	1	1	1	1	1
Off-road vehicle	1	1	1	1	N/A	N/A	N/A	N/A	N/A	N/A
Fire station										
Stations	1	1	1	1	1	1	1	1	1	1
Fire/Rescue vehicles	12	12	12	12	12	12	12	12	12	11
Streets										
Streets (miles)	161.9	161.9	161.9	161.9	161.9	161.1	161.1	158.7	158.7	158.4
Airport										
Primary Runway length (ft)	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500	5,500
Secondary Runway length (ft)	3,000	3,000	3,000	3,000	3,000	3,000	3,000	0	0	0
Culture and recreation										
Senior center	1	1	1	1	1	1	1	1	1	1
Swimming pools	2	2	2	2	2	2	2	1	1	1
Tennis courts	16	16	16	16	16	16	16	16	16	16
Parks acreage	997	997	997	995	955	955	955	955	830	830
Parks	36	36	36	36	31	31	31	31	31	29
Water										
Storage capacity (millions of gallons)	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25	4.25
Fire hydrants	1,234	1,319	1,319	1,319	1,319	1,303	1,302	1,300	1,302	1,302
Electric										
Number of customers	11,907	11,916	11,903	11,795	11,673	11,414	11,416	11,348	11,337	11,252
Gas										
Number of customers	10,385	10,411	10,339	10,263	10,229	10,185	10,124	10,084	10,070	9,814
Sewer										
Max daily treatment capacity (millions of gallons)	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0	10.0

Source: Various government departments

CITY OF OWATONNA, MINNESOTA
Operating Indicators by Function
 Last Ten Fiscal Years

Function	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Police										
Events	30,868	43,622	42,721	41,380	37,782	40,838	38,387	24,743	12,762	12,491
Part I crimes	739	665	720	646	530	519	539	475	728	697
Part II crimes	895	864	894	916	801	864	904	962	1,237	1,603
Traffic citations	1,436	2,130	1,807	2,829	2,462	3,673	4,090	6,555	4,832	2,343
Fire										
Number of calls answered	444	467	493	426	494	490	444	451	480	473
Aquatic Center										
Admissions *	30,306	26,455	26,807	28,392	24,393	26,133	19,967	N/A	N/A	N/A
Water										
Average daily consumption (thousands of cubic ft)	482	488	477	515	486	494	501	597	587	597
Electric										
Average daily consumption (thousands of KWh)	1,018	1,019	995	981	983	999	983	1,068	1,079	1,049
Gas										
Average daily consumption (thousands of cubic ft)	5,353	6,189	5,937	4,648	5,125	5,123	5,408	5,728	5,969	6,071
Wastewater										
Average daily sewage treatment (millions of gallons)	3.94	4.09	4.04	3.53	4.32	3.87	2.69	3.32	3.81	3.80

Source: Various government departments

* Aquatic Center opened in 2009