

**City of Osseo
Hennepin County, Minnesota**

Financial Statements

December 31, 2016



**City of Osseo
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**City of Osseo
Elected Officials and Administration
December 31, 2016**

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Duane Poppe	Mayor	December 31, 2016
Mark Schulz	Council Member	December 31, 2016
Harold E. Johnson	Council Member	December 31, 2016
Larry Stelmach	Council Member	December 31, 2018
Anne Zelenak	Council Member	December 31, 2018
<u>Administration</u>		
Riley Grams	City Administrator/ EDA Executive Director	Appointed
Teri Portinen	Financial Officer	Appointed

Independent Auditor's Report

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

**Auditor's Responsibility (Continued)**

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

Opinions

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

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and Required Supplementary Information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB), who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Osseo's basic financial statements. The accompanying supplementary information, as identified in the Table of Contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements.



Other Matters (Continued)

Other Information (Continued)

The supplementary information is the responsibility of management and was derived from and relates 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

BerganKDV Ltd.

Minneapolis, Minnesota

April 27, 2017

City of Osseo Management's Discussion and Analysis

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

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent year by \$10,334,815.
- As of the close of the current year, the City's governmental funds reported combined ending fund balances of \$7,699,810 an increase of \$4,031,056.
- At the end of the current year, unassigned fund balance for the General Fund was \$971,738 or 41.3%, of 2016 total General Fund expenditures, and transfers out.
- The City's total G.O. and Tax Increment bonded debt increased by \$3,880,000 during the current year as shown in Note 7 of the financial statements.
- The increase in bonded debt is due to the issuance of \$3,250,000 G.O. Improvement Refunding along with G.O. Bonds to finance improvements.
- Cash with fiscal agent reported in the 2009 Central Avenue Reconstruction Debt Service Fund totals \$3,582,022 and will be used to pay the 2009A Bonds when callable.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

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

The government-wide financial statements can be found on pages 14-15 of this report.

City of Osseo Management's Discussion and Analysis

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into 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 City'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 City's near-term financing decisions. Both the governmental fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund (page 23) to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 16-23 of this report.

Proprietary Funds

The City maintains proprietary funds. The City's enterprise (proprietary) funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, and storm water services.

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

The basic proprietary fund financial statements can be found on pages 24-29 of this report.

Notes to 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 Financial Statements can be found on pages 27-59 of this report.

City of Osseo Management's Discussion and Analysis

FUND FINANCIAL STATEMENTS (CONTINUED)

Blended Component Unit

The Osseo Economic Development Authority (EDA) has seven members in its governing body, with the majority of its membership City Council members, in 2016. Although legally separate, its financial activity is combined with the City as a blended component unit.

Comparative Data

In comparing year-end 2016 to 2015, there are a few items of note. The City's General Fund revenues increased in 2016 by \$19,968 while the City's expenditures increased by \$70,961 excluding transfers in or out. Budgeted transfers out increased by \$57,958 in accordance with the City's long-term capital improvement plan. The overall General Fund Balance decreased \$24,402

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a City's financial position. In the case of the City, assets exceeded liabilities by \$10,334,815 at the close of the most recent year.

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

Governmental Activities

Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 10,418,736	\$ 6,509,430	\$ 2,280,589	\$ 1,747,194	\$ 12,699,325	\$ 8,256,624
Capital assets	13,043,137	12,335,290	1,549,496	1,628,760	14,592,633	13,964,050
Total assets	<u>\$ 23,461,873</u>	<u>\$ 18,844,720</u>	<u>\$ 3,830,085</u>	<u>\$ 3,375,954</u>	<u>\$ 27,291,958</u>	<u>\$ 22,220,674</u>
Deferred outflows of resources	<u>\$ 1,587,915</u>	<u>\$ 153,830</u>	<u>\$ 108,842</u>	<u>\$ 17,713</u>	<u>\$ 1,696,757</u>	<u>\$ 171,543</u>
Long-term liabilities outstanding	\$ 16,726,645	\$ 11,329,462	\$ 225,069	\$ 132,386	\$ 16,951,714	\$ 11,461,848
Other liabilities	1,390,557	1,634,439	56,954	75,106	1,447,511	1,709,545
Total liabilities	<u>\$ 18,117,202</u>	<u>\$ 12,963,901</u>	<u>\$ 282,023</u>	<u>\$ 207,492</u>	<u>\$ 18,399,225</u>	<u>\$ 13,171,393</u>
Deferred inflows of resources	<u>\$ 236,392</u>	<u>\$ 79,007</u>	<u>\$ 18,283</u>	<u>\$ 6,675</u>	<u>\$ 254,675</u>	<u>\$ 85,682</u>
Net position						
Net investment in capital assets	\$ 3,412,899	\$ 3,166,063	\$ 1,549,496	\$ 1,628,760	\$ 4,427,749	\$ 4,794,823
Restricted	3,198,462	2,345,198	-	-	3,198,462	2,345,198
Unrestricted	84,833	444,381	2,089,125	1,550,740	2,708,604	1,995,121
Total net position	<u>\$ 6,696,194</u>	<u>\$ 5,955,642</u>	<u>\$ 3,638,621</u>	<u>\$ 3,179,500</u>	<u>\$ 10,334,815</u>	<u>\$ 9,135,142</u>

**City of Osseo
Management's Discussion and Analysis**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Activities (Continued)

In June 2012, the Governmental Accounting Standards Board (GASB 68) issued new public pension accounting rules that took effect in fiscal year 2015 for local and state governments. The "Net Pension Liability" is calculated by the Public Employees Retirement Association (PERA) actuary, and a pro-rata share of the liability is recorded on the City's Statement of Net Position. The City's share of the net pension liability is reported in footnote 10.

Governmental activities increased the City's net position by \$558,511. The net position increase is mainly related to the items noted in the "Comparative Data" section on the previous page and the capital grants and contributions related to public works.

Business-Type Activities

Business-type activities net position increased by \$459,121. The following highlights the change in the net position of the business accounts:

- The Water Fund charges for services increased by \$8,156 and operating expenses increased by \$21,002.
- The Sewer Fund charges for services increased by \$63,216 while operating expenses decreased by \$12,146.
- The Storm Water Fund charges for services decreased by \$9,177 while operating expenses decreased by \$50,539.
- Charges for services in the Water and Storm Water Funds were very comparable to 2015.
- The Sewer Fund charges for services increased by over \$60,000 for the second consecutive year.

City of Osseo
Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues						
Charges for services	\$ 276,072	\$ 308,255	\$ 1,219,064	\$ 1,156,869	\$ 1,495,136	\$ 1,465,124
Operating grants and contributions	177,192	166,058	-	-	177,192	166,058
Capital grants and contributions	614,921	242,203	-	-	614,921	242,203
General revenues:						
Taxes	1,840,920	1,694,141	-	-	1,840,920	1,694,141
Grants and contributions not restricted						
To specific programs	1,197,543	1,013,403	-	-	1,197,543	1,013,403
Other	85,703	58,803	40,824	7,178	126,527	65,981
Total revenues	<u>4,192,351</u>	<u>3,482,863</u>	<u>1,259,888</u>	<u>1,164,047</u>	<u>5,452,239</u>	<u>4,646,910</u>
Expenses						
General government	770,334	680,917	-	-	770,334	680,917
Public safety	1,410,314	1,185,076	-	-	1,410,314	1,185,076
Public works	699,840	2,233,225	-	-	699,840	2,233,225
Culture and recreation	163,352	112,030	-	-	163,352	112,030
Economic development	168,080	758,452	-	-	168,080	758,452
Interest on long-term debt	501,542	400,409	-	-	501,542	400,409
Water	-	-	322,712	301,710	322,712	301,710
Sewer	-	-	362,926	375,072	362,926	375,072
Garbage	-	-	-	-	-	-
Storm water	-	-	35,507	86,046	35,507	86,046
Total expenses	<u>3,713,462</u>	<u>5,370,109</u>	<u>721,145</u>	<u>762,828</u>	<u>4,434,607</u>	<u>6,132,937</u>
Increase in net position before transfers	478,889	(1,887,246)	538,743	401,219	1,017,632	(1,486,027)
Transfers	79,622	(354,842)	(79,622)	354,842	-	-
Increase (decrease) in net position	<u>558,511</u>	<u>(2,242,088)</u>	<u>459,121</u>	<u>756,061</u>	<u>1,017,632</u>	<u>(1,486,027)</u>
Net Position						
Beginning, as previously stated	5,955,642	7,184,787	3,179,500	2,538,977	9,135,142	9,723,764
Change in accounting principle	182,041	1,012,943	-	(115,538)	182,041	897,405
Beginning, as restated	6,137,683	8,197,730	3,179,500	2,423,439	9,317,183	10,621,169
Ending	<u>\$ 6,696,194</u>	<u>\$ 5,955,642</u>	<u>\$ 3,638,621</u>	<u>\$ 3,179,500</u>	<u>\$ 10,334,815</u>	<u>\$ 9,135,142</u>

Financial Analysis of the Government's Funds

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

Governmental Funds

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

City of Osseo Management's Discussion and Analysis

GOVERNMENT-WIDE FINANCIAL ANALYSIS (CONTINUED)

Governmental Funds (Continued)

As of the end of the current year, the City's governmental funds reported combined ending fund balances of \$7,699,810. Approximately 6.19%, or \$476,680 of this total amount constitutes unassigned fund balance. The unassigned fund balance includes the fund balance deficit in the EDA Debt Service Fund of \$354,770 and a deficit of \$140,288 attributed to the 2017 Street Improvement Project and other non-major funds. The 2017 Street Project is financed by issuing bonds in 2017 and the EDA debt service fund deficit will be eliminated by future TIF revenues. The restricted, committed, or assigned fund balances indicate that the expenditures are limited to the eligible expenditures imposed by other governing bodies, funds that are identified for use under the City's capital plans, or is already restricted for debt service.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements.

The proprietary funds current year net position increase of \$459,121 is due to increased charges for services.

GENERAL FUND BUDGETARY HIGHLIGHTS

The General Fund balance decreased by \$24,402 during the current year. Of the total fund balance of \$988,681, \$16,943 relates to prepaid items and is considered non-spendable and \$971,738 is unassigned and available for spending at December 31, 2016.

The City's 2016 General Fund revenue includes \$80,000 of excess TIF revenue (reported as part of property tax revenue). The City also received \$129,332 in license and permit revenue compared to the estimated budget of \$103,000. The license and permit revenue account for the significant General Fund revenue variances; while 2016 public safety expenditures exceeded the budget by \$70,741.

The 2016 final budget resulted in a shortfall of \$24,402. Licenses and permits exceeded expectations along with an increase of Intergovernmental State Aid for safety programs. Expenses surpassed budgetary amounts by \$35,106.

The total fund balance exceeds the City's policy of maintaining a General Fund balance that is approximately 35% of the subsequent year's budgeted operating expenditures. In 2016, the policy was revised and includes the process to address fund balance fluctuations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2016 amounted to \$14,592,633 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, infrastructure, buildings, improvements, and machinery and equipment. The City continues its commitment to its Street Management Plan.

**City of Osseo
Management's Discussion and Analysis**

CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)

Capital Assets

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 1,241,560	\$ 1,241,560	\$ 46,035	\$ 46,035	\$ 1,287,595	\$ 1,287,595
Construction in Progress	1,257,391	1,018,253	-	-	1,257,391	69,378
Infrastructure	6,230,720	6,565,397	1,406,237	915,678	7,636,957	8,382,242
Buildings and Building Improvements	2,921,446	2,874,302	-	-	2,921,446	2,737,374
Improvements Other than Buildings	310,973	92,011	-	-	310,973	328,514
Machinery and Equipment	1,081,047	1,150,778	97,224	120,854	1,178,271	1,158,947
Total Capital Assets	<u>\$ 13,043,137</u>	<u>\$ 12,942,301</u>	<u>\$ 1,549,496</u>	<u>\$ 1,082,567</u>	<u>\$ 14,592,633</u>	<u>\$ 13,964,050</u>

Additional information on the City's capital assets can be found in Note 6 of this report.

Long-Term Debt

At the end of the current year the City had total bonded debt, including the lease revenue bonds, of \$15,110,000. The G.O. Bonds and the G.O. Tax Increment Bonds are backed by the full faith and credit of the City. The revenue sources needed to finance the G.O. Bonds and G.O. Tax Increment Bonds include general property taxes, tax increments, special assessments, and contributions from the enterprise funds. The lease revenue bonds will be paid by the annual budget appropriations of the City Council.

Outstanding Debt

	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
General Obligation (G.O.)	\$ 13,625,000	\$ 9,615,000	\$ -	\$ -	\$ 13,625,000	\$ 9,615,000
G.O. Tax Increment	1,485,000	1,640,000	-	-	1,485,000	1,640,000
Capital Lease Payable	-	-	-	-	-	-
Total	<u>\$ 15,110,000</u>	<u>\$ 11,255,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,110,000</u>	<u>\$ 11,255,000</u>

Standard and Poor's (S & P) recently reviewed the City's rating of its long-term debt and reaffirmed its AA- rating. The S & P report noted a strong economy along with the City's strong management with good financial policies, practices, and strong budgetary performance producing operating surplus in the general fund were the factors considered.

Additional information on the City's long-term debt can be found in Note 7.

**City of Osseo
Management's Discussion and Analysis**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS

- The City's tax capacity valuation has increased after a reduction in the past years.
- The 2017 General Fund budget is balanced with an estimated \$2,475,935 in revenue and expenditures budgeted.
- The City has issued street/utility/alley reconstruction bonds totaling \$1,325,000 in 2016. The bonds will be repaid from resources budgeted annually in the General fund. The street improvements will be made with no impact on the City's annual tax levy.
- The City will be issuing improvement bonds in 2017 to finance its planned street, water, sewer, and storm water improvements.
- A refinancing of general obligation bonds for the 2009 Central Avenue Project occurred in 2016. This results in a net present value benefit of \$444,257 for the City over the remainder of the life of the bonds.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City at 415 Central Avenue, Osseo, Minnesota 55369.

BASIC FINANCIAL STATEMENTS

**City of Osseo
Statement of Net Position
December 31, 2016**

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments (including cash and equivalents)	\$ 4,896,947	\$ 1,248,384	\$ 6,145,331
Cash with fiscal agent	3,582,022	-	3,582,022
Property tax receivable	38,091	-	38,091
Accounts receivable	27,380	347,659	375,039
Interest receivable	97,787	-	97,787
Due from other governments	7,938	-	7,938
Due from other funds (internal balances)	(605,854)	605,854	-
Mortgages receivable	232,800	-	232,800
Special assessments receivable			
Delinquent	8,014	64,029	72,043
Deferred	1,981,201	-	1,981,201
Prepaid items	16,943	14,663	31,606
Net pension asset	135,467	-	135,467
Capital assets			
Land	1,241,560	46,035	1,287,595
Construction in progress	1,257,391	-	1,257,391
Capital assets being depreciated			
Contributed assets	-	-	-
Infrastructure	11,359,153	3,210,382	14,569,535
Buildings	4,321,874	-	4,321,874
Improvements	414,707	-	414,707
Machinery and equipment	2,706,727	246,069	2,952,796
Less accumulated depreciation	(8,258,275)	(1,952,990)	(10,211,265)
Total capital assets	<u>13,043,137</u>	<u>1,549,496</u>	<u>14,592,633</u>
Total assets	<u>23,461,873</u>	<u>3,830,085</u>	<u>27,291,958</u>
Deferred Outflows of Resources			
Deferred outflows of resources related to fire relief pensions	30,699	-	30,699
Deferred outflows of resources related to city pensions	1,557,216	108,842	1,666,058
Total deferred outflow of resources	<u>1,587,915</u>	<u>108,842</u>	<u>1,696,757</u>
Total assets and deferred outflows of resources	<u>\$ 25,049,788</u>	<u>\$ 3,938,927</u>	<u>\$ 28,988,715</u>
Liabilities			
Accounts payable	\$ 133,780	\$ 4,343	\$ 138,123
Contracts payable	44,520	-	44,520
Salaries and benefits payable	46,732	-	46,732
Due to other governments	21,820	20,498	42,318
Advance due to other funds			
Interest payable	142,585	-	142,585
Unearned revenue	12,555	-	12,555
Bonds payable, net of premiums			
Due within one year	905,000	-	905,000
Due in more than one year	14,504,335	-	14,504,335
Compensated absences payable			
Payable within one year	83,565	32,113	115,678
Due in more than one year	10,154	-	10,154
Net other post employment benefits (OPEB) liability	29,987	-	29,987
Net pension liability	2,182,169	225,069	2,407,238
Total liabilities	<u>18,117,202</u>	<u>282,023</u>	<u>18,399,225</u>
Deferred Inflows of Resources			
Deferred inflows of resources related to pensions	<u>236,392</u>	<u>18,283</u>	<u>254,675</u>
Net Position			
Net investment in capital assets	3,412,899	1,549,496	4,427,749
Restricted for			
Park improvements	65,406	-	65,406
Debt service	2,943,736	-	2,943,736
Other purposes	189,320	-	189,320
Unrestricted	<u>84,833</u>	<u>2,089,125</u>	<u>2,708,604</u>
Total net position	<u>6,696,194</u>	<u>3,638,621</u>	<u>10,334,815</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 25,049,788</u>	<u>\$ 3,938,927</u>	<u>\$ 28,988,715</u>

See notes to financial statements.

**City of Osseo
Statement of Activities
Year Ended December 31, 2016**

Functions/programs	Expenses	Program Revenues			Net (expense) Revenues and Changes in Net Position		
		Charges For Services	Operating Grants And Contributions	Capital Grants And Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 770,334	\$ 88,843	\$ 2,761	\$ -	\$ (678,730)	\$ -	\$ (678,730)
Public safety	1,410,314	135,574	147,987	25,779	(1,100,974)	-	(1,100,974)
Public works	699,840	-	-	589,213	(110,627)	-	(110,627)
Culture and recreation	163,352	51,655	26,444	(71)	(85,324)	-	(85,324)
Economic development	168,080	-	-	-	(168,080)	-	(168,080)
Interest and fiscal charges on long-term debt	501,542	-	-	-	(501,542)	-	(501,542)
Total governmental activities	<u>3,713,462</u>	<u>276,072</u>	<u>177,192</u>	<u>614,921</u>	<u>(2,645,277)</u>	<u>-</u>	<u>(2,645,277)</u>
Business-type activities							
Water	322,712	518,853	-	-	-	196,141	196,141
Sewer	362,926	528,999	-	-	-	166,073	166,073
Storm water	35,507	171,212	-	-	-	135,705	135,705
Total business-type activities	<u>721,145</u>	<u>1,219,064</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>497,919</u>	<u>497,919</u>
Total governmental and business-type activities	<u>\$ 4,434,607</u>	<u>\$ 1,495,136</u>	<u>\$ 177,192</u>	<u>\$ 614,921</u>	(2,645,277)	497,919	(2,147,358)
General revenues							
Property taxes					1,840,920	-	1,840,920
Franchise taxes					89,205	-	89,205
Tax increments					481,180	-	481,180
Intergovernmental					-	876	876
State aids					627,158	-	627,158
Investment earnings					46,408	39,948	86,356
Other general revenue					39,295	-	39,295
Transfers					79,622	(79,622)	-
Total general revenues and transfers					<u>3,203,788</u>	<u>(38,798)</u>	<u>3,164,990</u>
Change in net position					558,511	459,121	1,017,632
Net position - beginning, as previously stated					5,955,642	3,179,500	9,135,142
Change in accounting principle (see Note 13)					182,041	-	182,041
Net position - beginning, as restated					<u>6,137,683</u>	<u>3,179,500</u>	<u>9,317,183</u>
Net position - ending					<u>\$ 6,696,194</u>	<u>\$ 3,638,621</u>	<u>\$ 10,334,815</u>

City of Osseo
Balance Sheet - Governmental Funds
December 31, 2016

		<u>Special Revenue</u>	<u>Debt Service</u>
	General Fund (101, 200)		2009 Central Avenue Reconstruction Debt (365)
		<u>EDA General</u>	
Assets			
Cash and investments	\$ 1,033,747	\$ 669,876	\$ 247,848
Cash with fiscal agent	-	-	3,582,022
Taxes receivable - delinquent	25,365	-	3,823
Special assessments receivable			
Delinquent	2,231	-	3,734
Deferred	4,473	-	1,259,289
Accounts receivable	19,729	-	-
Interest receivable	10,747	87,040	-
Due from other funds	-	-	-
Due from other governments	7,938	-	-
Mortgages receivable	-	232,800	-
Prepaid items	16,943	-	-
	<u>\$ 1,121,173</u>	<u>\$ 989,716</u>	<u>\$ 5,096,716</u>
Liabilities			
Accounts payable	\$ 34,880	\$ 3,901	\$ -
Contracts payable	-	-	-
Salaries and benefits payable	46,732	-	-
Due to other funds	-	-	-
Due to other governments	21,820	-	-
Unearned revenue	12,555	-	-
Total liabilities	<u>115,987</u>	<u>3,901</u>	<u>-</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	16,505	-	2,026
Unavailable revenue - special assessments	-	-	1,263,023
Unavailable revenue - mortgages	-	319,840	-
Total deferred inflows of resources	<u>16,505</u>	<u>319,840</u>	<u>1,265,049</u>
Fund Balances			
Nonspendable	16,943	-	-
Restricted	-	-	3,831,667
Committed	-	665,975	-
Assigned	-	-	-
Unassigned	971,738	-	-
Total fund balances	<u>988,681</u>	<u>665,975</u>	<u>3,831,667</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,121,173</u>	<u>\$ 989,716</u>	<u>\$ 5,096,716</u>

Debt Service	Capital Projects			
EDA Debt Service	Streets (130)	2016 Street Improvement (403)	Nonmajor Governmental Funds	Total Governmental Funds
\$ 277,971	\$ 980,469	\$ 133,084	\$ 1,553,952	\$ 4,896,947
-	-	-	-	3,582,022
-	-	-	8,903	38,091
-	1,270	-	779	8,014
-	45,304	-	672,135	1,981,201
-	-	-	7,651	27,380
-	-	-	-	97,787
-	118,044	-	-	118,044
-	-	-	-	7,938
-	-	-	-	232,800
-	-	-	-	16,943
<u>\$ 277,971</u>	<u>\$ 1,145,087</u>	<u>\$ 133,084</u>	<u>\$ 2,243,420</u>	<u>\$ 11,007,167</u>
\$ 21,748	\$ 914	\$ 312	\$ 72,025	\$ 133,780
-	-	44,147	373	44,520
-	-	-	-	46,732
610,993	-	-	112,905	723,898
-	-	-	-	21,820
-	-	-	-	12,555
<u>632,741</u>	<u>914</u>	<u>44,459</u>	<u>185,303</u>	<u>983,305</u>
-	-	-	3,227	21,758
-	46,574	-	672,857	1,982,454
-	-	-	-	319,840
<u>-</u>	<u>46,574</u>	<u>-</u>	<u>676,084</u>	<u>2,324,052</u>
-	-	-	-	16,943
-	-	-	1,202,970	5,034,637
-	-	-	108,658	774,633
-	1,097,599	88,625	210,693	1,396,917
(354,770)	-	-	(140,288)	476,680
<u>(354,770)</u>	<u>1,097,599</u>	<u>88,625</u>	<u>1,382,033</u>	<u>7,699,810</u>
<u>\$ 277,971</u>	<u>\$ 1,145,087</u>	<u>\$ 133,084</u>	<u>\$ 2,243,420</u>	<u>\$ 11,007,167</u>

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City of Osseo
Reconciliation of the Balance Sheet to
the Statement of Net Position - Governmental Funds
December 31, 2016

Total fund balances - governmental funds	\$ 7,699,810
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and, therefore, are not reported as assets in governmental funds.

Cost of capital assets	21,301,412
Less accumulated depreciation	(8,258,275)

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.

Long-term liabilities at year-end consist of:

Bond principal payable	(15,110,000)
Compensated absences payable	(93,719)
Net OPEB payable	(29,987)
Net pension liability	(2,182,169)

Deferred outflows of resources and deferred inflows of resources are created as a result of various differences related to pensions that are not recognized in the governmental funds.

Deferred inflows of resources related to pensions	(236,392)
Deferred outflows of resources related to pensions	1,587,915

Fire Relief Association net pension asset created through contributions to a defined benefit pension plan which is not recognized in the governmental funds

135,467

Bond premiums are reported as a liability within the Statement of Net Position and are reported as an other financing source in the year the debt is issued within the governmental funds.

(299,335)

Delinquent receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.

Property taxes	21,701
Special assessments	5,783

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred special assessments	1,976,728
Second mortgage principal and accrued interest	319,840

Governmental funds do not report a liability for accrued interest until due and payable.

(142,585)

Total net position - governmental activities	<u><u>\$ 6,696,194</u></u>
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See notes to financial statements.

City of Osseo
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2016

		<u>Special Revenue</u>	<u>Debt Service</u>
	General Fund		2009 Central
	(101, 200)	EDA General	Avenue
			Reconstruction
			Debt (365)
Revenues			
Taxes	\$ 1,289,264	\$ -	\$ 186,680
Tax increments	-	-	-
Franchise taxes	89,205	-	-
Special assessments	5,816	-	236,917
Licenses and permits	129,332	-	-
Intergovernmental	712,071	1,060	-
Charges for services	2,194	-	-
Fines and forfeitures	35,048	-	-
Miscellaneous			
Investment income	9,996	7,105	1,318
Contributions and donations	-	-	-
Refunds and reimbursements	-	-	-
Other	22,668	-	-
Total revenues	<u>2,295,594</u>	<u>8,165</u>	<u>424,915</u>
Expenditures			
Current			
General government	576,639	-	-
Public safety	875,691	-	-
Public works	194,376	-	20,920
Culture and recreation	70,765	-	-
Economic development	-	21,502	-
Debt service			
Principal	-	-	235,000
Interest and other charges	-	-	240,456
Capital outlay			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Culture and recreation	-	-	-
Total expenditures	<u>1,717,471</u>	<u>21,502</u>	<u>496,376</u>
Excess of revenues over (under) expenditures	578,123	(13,337)	(71,461)
Other Financing Sources (Uses)			
Bond issuance	-	-	3,250,000
Bond premium	-	-	178,687
Transfers in	35,000	-	131,258
Transfers out	(637,525)	(35,000)	-
Total other financing sources (uses)	<u>(602,525)</u>	<u>(35,000)</u>	<u>3,559,945</u>
Net change in fund balances	(24,402)	(48,337)	3,488,484
Fund Balances			
Beginning of year	1,013,083	714,312	343,183
End of year	<u>\$ 988,681</u>	<u>\$ 665,975</u>	<u>\$ 3,831,667</u>

Debt Service				
EDA Debt Service	Streets (130)	2016 Street Improvement (403)	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 369,973	\$ 1,845,917
341,465	-	-	139,715	481,180
-	-	-	-	89,205
-	6,616	-	120,541	369,890
-	-	-	-	129,332
-	-	-	2,761	715,892
-	-	-	43,541	45,735
-	-	-	9,598	44,646
3,056	11,927	1,684	11,322	46,408
-	-	-	147,051	147,051
-	-	-	-	-
-	-	-	45,634	68,302
<u>344,521</u>	<u>18,543</u>	<u>1,684</u>	<u>890,136</u>	<u>3,983,558</u>
-	-	-	19,738	596,377
-	-	-	75,752	951,443
-	-	2,618	49,627	267,541
-	-	-	72,803	143,568
50,827	-	-	102,735	175,064
45,000	-	-	400,000	680,000
53,744	-	56,314	172,311	522,825
-	-	-	62,909	62,909
-	-	-	51,018	51,018
-	56,577	1,033,850	168,114	1,258,541
-	-	-	67,885	67,885
<u>149,571</u>	<u>56,577</u>	<u>1,092,782</u>	<u>1,242,892</u>	<u>4,777,171</u>
194,950	(38,034)	(1,091,098)	(352,756)	(793,613)
-	-	1,285,000	-	4,535,000
-	-	31,360	-	210,047
400,119	406,267	-	1,487,985	2,460,629
(617,103)	(288,858)	-	(802,521)	(2,381,007)
<u>(216,984)</u>	<u>117,409</u>	<u>1,316,360</u>	<u>685,464</u>	<u>4,824,669</u>
(22,034)	79,375	225,262	332,708	4,031,056
<u>(332,736)</u>	<u>1,018,224</u>	<u>(136,637)</u>	<u>1,049,325</u>	<u>3,668,754</u>
<u>\$ (354,770)</u>	<u>\$ 1,097,599</u>	<u>\$ 88,625</u>	<u>\$ 1,382,033</u>	<u>\$ 7,699,810</u>

City of Osseo
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances
to the Statement of Activities - Governmental Funds
Year Ended December 31, 2016

Total net change in fund balances - governmental funds \$ 4,031,056

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.

Capital outlays	1,390,508
Depreciation expense	(673,487)
Loss on disposal	(9,171)

Compensated absences are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. (19,671)

Governmental funds recognized pension contributions as expenditures at the time of payment whereas the Statement of Activities factors in items related to pensions on a full accrual perspective.

Pension expense	(316,796)
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Net OPEB obligations are recognized as paid in the governmental funds but recognized as the expense is incurred in the Statement of Activities. (15,941)

Principal payments on long-term debt are recognized as expenditures in the governmental funds but have no impact on the net position in the Statement of Activities. 680,000

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Accrued interest payable	12,485
Amortization of bond premiums and issuance costs	8,798

The issuance of long-term debt provides current financial resources to governmental funds and has no effect on net position. These amounts are reported in the governmental funds as a source of financing. These amounts are not shown as revenues in the Statement of Activities, but rather constitute long-term liabilities in the Statement of Net Position.

Bonds payable	(4,535,000)
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The governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Bond premium	(210,047)
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Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Special assessments deferred	222,142
Special assessments delinquent	(8,352)
Second mortgage principal and accrued interest	6,984

Delinquent property taxes receivable will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.

(4,997)

Change in net position - governmental activities	<u><u>\$ 558,511</u></u>
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City of Osseo
Statement of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Property taxes	\$ 1,289,490	\$ 1,289,264	\$ (226)
Franchise taxes	100,000	89,205	(10,795)
Special assessments	-	5,816	5,816
Licenses and permits	103,000	129,332	26,332
Intergovernmental	709,400	712,071	2,671
Charges for services	1,000	2,194	1,194
Fines and forfeitures	25,000	35,048	10,048
Miscellaneous			
Investment income	5,000	9,996	4,996
Contributions and donations	-	-	-
Other	39,000	22,668	(16,332)
Refunds and reimbursements	13,000	-	(13,000)
Total revenues	<u>2,284,890</u>	<u>2,295,594</u>	<u>10,704</u>
Expenditures			
Current			
General government	618,120	576,639	(41,481)
Public safety	804,950	875,691	70,741
Public works	188,560	194,376	5,816
Culture and recreation	69,485	70,765	1,280
Capital outlay			
General government	1,250	-	(1,250)
Total expenditures	<u>1,682,365</u>	<u>1,717,471</u>	<u>35,106</u>
Excess of revenues			
Over expenditures	602,525	578,123	(24,402)
Other Financing Sources (Uses)			
Transfers in	35,000	35,000	-
Transfers out	<u>(637,525)</u>	<u>(637,525)</u>	<u>-</u>
Total other financing sources (uses)	<u>(602,525)</u>	<u>(602,525)</u>	<u>-</u>
Net change in fund balance	<u>\$ -</u>	<u>(24,402)</u>	<u>\$ (24,402)</u>
Fund Balance			
Beginning of year		<u>1,013,083</u>	
End of year		<u>\$ 988,681</u>	

City of Osseo
Statement of Net Position - Proprietary Funds
December 31, 2016

	Water (601)	Sewer (602)	Storm Water (604)	Total
Assets				
Current assets				
Cash and cash equivalents	\$ 335,673	\$ 651,030	\$ 261,681	\$ 1,248,384
Special assessments receivable				
Delinquent	27,596	26,641	9,792	64,029
Accounts receivable	133,951	156,315	57,393	347,659
Due from other funds	605,854	-	-	605,854
Prepaid items	509	14,154	-	14,663
Total current assets	<u>1,103,583</u>	<u>848,140</u>	<u>328,866</u>	<u>2,280,589</u>
Noncurrent assets				
Capital assets				
Land	46,035	-	-	46,035
Infrastructure	851,193	2,031,816	327,373	3,210,382
Machinery and equipment	246,069	-	-	246,069
Total capital assets	<u>1,143,297</u>	<u>2,031,816</u>	<u>327,373</u>	<u>3,502,486</u>
Less accumulated depreciation	<u>(615,275)</u>	<u>(1,308,099)</u>	<u>(29,616)</u>	<u>(1,952,990)</u>
Net capital assets	<u>528,022</u>	<u>723,717</u>	<u>297,757</u>	<u>1,549,496</u>
Total assets	<u>1,631,605</u>	<u>1,571,857</u>	<u>626,623</u>	<u>3,830,085</u>
Deferred Outflows of Resources				
Deferred outflows of resources related to pensions	<u>48,561</u>	<u>48,561</u>	<u>11,720</u>	<u>108,842</u>
Total assets and deferred outflows of resources	<u>\$ 1,680,166</u>	<u>\$ 1,620,418</u>	<u>\$ 638,343</u>	<u>\$ 3,938,927</u>
Liabilities and Net Position				
Current liabilities				
Accounts payable	\$ 3,676	\$ 637	\$ 30	\$ 4,343
Due to other governments	14,413	6,085	-	20,498
Compensated absences payable	13,708	12,827	5,578	32,113
Total current liabilities	<u>31,797</u>	<u>19,549</u>	<u>5,608</u>	<u>56,954</u>
Noncurrent liabilities				
Net pension liability	<u>100,417</u>	<u>100,417</u>	<u>24,235</u>	<u>225,069</u>
Total liabilities	<u>132,214</u>	<u>119,966</u>	<u>29,843</u>	<u>282,023</u>
Deferred inflows of resources				
Deferred inflows of resources related to pensions	<u>8,157</u>	<u>8,157</u>	<u>1,969</u>	<u>18,283</u>
Net Position				
Net investment in capital assets	528,022	723,717	297,757	1,549,496
Unrestricted	<u>1,011,773</u>	<u>768,578</u>	<u>308,774</u>	<u>2,089,125</u>
Total net position	<u>1,539,795</u>	<u>1,492,295</u>	<u>606,531</u>	<u>3,638,621</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 1,680,166</u>	<u>\$ 1,620,418</u>	<u>\$ 638,343</u>	<u>\$ 3,938,927</u>

City of Osseo
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Funds
Year Ended December 31, 2016

	Water (601)	Sewer (602)	Storm Water (604)	Total
Operating Revenues				
Charges for services	\$ 415,617	\$ 519,578	\$ 167,298	\$ 1,102,493
Permits, hookup fees, and penalties	12,913	9,421	3,914	26,248
Total operating revenues	<u>428,530</u>	<u>528,999</u>	<u>171,212</u>	<u>1,128,741</u>
Operating Expenses				
Wages and salaries	79,106	79,109	19,972	178,187
Employee benefits	43,631	43,130	(9,720)	77,041
Materials and supplies	1,948	1,067	139	3,154
Repairs and maintenance	12,782	17,199	292	30,273
Professional services	4,170	3,147	7,725	15,042
Insurance	470	3,400	-	3,870
Utilities	581	9,356	198	10,135
Depreciation	29,763	40,079	9,422	79,264
Other	2,013	1,357	7,479	10,849
Service charges	148,248	165,082	-	313,330
Total operating expenses	<u>322,712</u>	<u>362,926</u>	<u>35,507</u>	<u>721,145</u>
Operating income	105,818	166,073	135,705	407,596
Nonoperating Revenues (Expenses)				
Investment income	31,462	6,025	2,461	39,948
Intergovernmental	391	391	94	876
Other income	90,323	-	-	90,323
Total nonoperating revenues	<u>122,176</u>	<u>6,416</u>	<u>2,555</u>	<u>131,147</u>
Income before capital contributions and transfers	227,994	172,489	138,260	538,743
Transfers in	107,459	-	-	107,459
Transfers out	<u>(129,711)</u>	<u>(10,483)</u>	<u>(46,887)</u>	<u>(187,081)</u>
Change in net position	205,742	162,006	91,373	459,121
Net position				
Beginning of year	<u>1,334,053</u>	<u>1,330,289</u>	<u>515,158</u>	<u>3,179,500</u>
End of year	<u><u>\$ 1,539,795</u></u>	<u><u>\$ 1,492,295</u></u>	<u><u>\$ 606,531</u></u>	<u><u>\$ 3,638,621</u></u>

City of Osseo
Statement of Cash Flows - Proprietary Funds
Year Ended December 31, 2016

	Water (601)	Sewer (602)	Storm Water (604)	Total
Cash Flows - Operating Activities				
Receipts from customers and users	\$ 431,419	\$ 521,073	\$ 176,757	\$ 1,129,249
Payments to suppliers	(165,683)	(226,392)	(16,361)	(408,436)
Payments to employees	(105,575)	(105,958)	(26,907)	(238,440)
Miscellaneous revenue	90,714	391	94	91,199
Net cash flows - operating activities	<u>250,875</u>	<u>189,114</u>	<u>133,583</u>	<u>573,572</u>
Cash Flows - Noncapital				
Financing Activities				
Payments to/from other funds	(262,106)	-	-	(262,106)
Transfer from other funds	107,459	-	-	107,459
Transfer to other funds	(129,711)	(10,483)	(46,887)	(187,081)
Net cash flows - noncapital financing activities	<u>(284,358)</u>	<u>(10,483)</u>	<u>(46,887)</u>	<u>(341,728)</u>
Cash Flows - Investing Activities				
Interest and dividends received	<u>31,462</u>	<u>6,025</u>	<u>2,461</u>	<u>39,948</u>
Net change in cash and cash equivalents	(2,021)	184,656	89,157	271,792
Cash and Cash Equivalents				
January 1	<u>337,694</u>	<u>466,374</u>	<u>172,524</u>	<u>976,592</u>
December 31	<u><u>\$ 335,673</u></u>	<u><u>\$ 651,030</u></u>	<u><u>\$ 261,681</u></u>	<u><u>\$ 1,248,384</u></u>
Reconciliation of Operating Income to Net Cash Flows - Operating Activities				
Operating income	\$ 105,818	\$ 166,073	\$ 135,705	\$ 407,596
Adjustments to reconcile operating income To net cash flows - operating activities				
Miscellaneous revenue	90,714	391	94	91,199
Depreciation expense	29,763	40,079	9,422	79,264
Accounts receivable	(669)	(9,216)	7,037	(2,848)
Prepaid items	(17)	12	-	(5)
Special assessments receivable	3,558	1,290	(1,492)	3,356
Accounts payable	294	(26,961)	(528)	(27,195)
Due to other governmental units	4,252	1,165	-	5,417
Salaries payable	-	-	-	-
Net pension expense	15,169	15,169	(17,176)	13,162
Compensated absences payable	1,993	1,112	521	3,626
Total adjustments	<u>145,057</u>	<u>23,041</u>	<u>(2,122)</u>	<u>165,976</u>
Net cash flows - operating activities	<u><u>\$ 250,875</u></u>	<u><u>\$ 189,114</u></u>	<u><u>\$ 133,583</u></u>	<u><u>\$ 573,572</u></u>

**City of Osseo
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Osseo is a statutory city governed by an elected mayor and four council members. The accompanying financial statements present the government entities for which the government is considered to be financially accountable.

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

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

As a result of applying the component unit definition criteria above, a certain organization has been defined and is presented in this report as a Blended Component Unit and reported as if it were part of the City.

1. Blended Component Unit

The Osseo Economic Development Authority (EDA) is a legal entity separate from the City. Although legally separate, the Osseo EDA is reported as if it were part of the primary government because the governing body is the same as the City Council and management of the City has operational responsibility for activities of the EDA. Separate financial statements are not prepared for the Osseo EDA.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all activities of the City. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on general long-term debt is considered an indirect expense and is reported separately in the Statement of Activities. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated revenues are reported as general revenues rather than program revenues.

**City of Osseo
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

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

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

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

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

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

Description of Funds

Major Governmental Funds

General Fund – This Fund is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund.

EDA Special Revenue Fund – This Fund accounts for all non-debt service and capital EDA activity.

2009 Central Avenue Reconstruction Debt Service Fund – This Fund accounts for the resources accumulated and payments made for principal and interest on this bond issue.

EDA Debt Service – This fund accounts for resources accumulated and payments made for principal and interest on EDA debt issuances.

**City of Osseo
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Description of Funds (Continued)

Major Governmental Funds (Continued)

Streets Capital Projects Fund – This Fund accounts for resources accumulated and payments related to the City's streets.

2016 Street Improvement Capital Projects Fund – This fund accounts for resources accumulated and payments related to street improvements.

Proprietary Funds

Water Fund – This Fund accounts for the operations of the City's water utility.

Sewer Fund – This Fund accounts for the operations of the City's sewer utility.

Storm Water Fund – This Fund accounts for the operations of the City's storm water utility.

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

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

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

D. Assets, Liabilities and Net Position, or Fund Balance

1. Deposits and Investments

Cash and investments include balances from all funds that are combined and invested to the extent available in various securities as authorized by state law. Earnings from the pooled investments are allocated to the individual funds based on the average of month-end cash and investment balances.

**City of Osseo
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position, or Fund Balance (Continued)

1. Deposits and Investments (Continued)

The City and EDA Component Unit's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Minnesota Statutes authorizes the City and EDA Component Unit to invest in obligations of the U.S. Treasury, agencies and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, future contracts, repurchase and reverse repurchase agreements and commercial paper of the highest quality with a maturity of no longer than 270 days and in the Minnesota Municipal Investment Pool. Investments for the City and EDA Component Unit are reported at fair value.

Certain investments for the City and the EDA Component Unit are reported at fair value as disclosed in Note 3. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

In accordance with GASB Statement No. 79, the Minnesota Municipal Investment Pool securities are valued at amortized cost, which approximates fair value.

2. Receivables and Payables

All trade and property tax receivables are shown at a gross amount since both are assessable to the property taxes and are collectible upon the sale of the property.

The City levies its property tax for the subsequent year during the month of December. December 28 is the last day the City can certify a tax levy to the County Auditor for collection the following year. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. The property tax is recorded as revenue when it becomes measurable and available. Hennepin County is the collecting agency for the levy and remits the collections to the City three times a year. The tax levy notice is mailed in March with the first half of the payment due on May 15 and the second half due on October 15. Taxes not collected as of December 31 each year are shown as delinquent taxes receivable.

The County Auditor prepares the tax list for all taxable property in the City, applying the applicable tax rate to the tax capacity of individual properties, to arrive at the actual tax for each property. The County Auditor also collects all special assessments, except for certain prepayments paid directly to the City.

**City of Osseo
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position, or Fund Balance (Continued)

2. Receivables and Payables (Continued)

The County Auditor submits the list of taxes and special assessments to be collected on each parcel of property to the County Treasurer in January of each year.

3. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are recorded as an expenditure at the time of consumption.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost greater than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

<u>Assets</u>	<u>Years</u>
Infrastructure	15-100
Structures and improvements	25-50
Equipment	3-5
Public improvements	20-40

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City has one item that qualifies for reporting in this category. The City presents deferred outflows of resources on the Statement of Net Position for deferred outflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

**City of Osseo
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position, or Fund Balance (Continued)

5. Deferred Outflows/Inflows of Resources (Continued)

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualify for reporting in this category. The City presents deferred inflows of resources on the Governmental Fund Balance Sheet as unavailable revenue. The governmental funds report unavailable revenues from three sources: property taxes, special assessments, and mortgage receivable. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City presents deferred inflows of resources on the Statement of Net Position for deferred inflows of resources related to pensions for various estimate differences that will be amortized and recognized over future years.

6. Compensated Absences

Employees earn vacation days based upon the number of completed years of service. Full-time employees earn 96 hours of sick pay each year. The City compensates employees for unused vacation upon termination of employment. Employees are also entitled to payment for 50% for their unused sick leave upon termination, up to a maximum of 960 hours.

7. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

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

8. Pensions

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

**City of Osseo
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position, or Fund Balance (Continued)

9. Fund Balance

a. Classification

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in those funds can be spent.

- **Nonspendable Fund Balance** – These are amounts that cannot be spent because they are not in spendable form.
- **Restricted Fund Balance** – These are amounts that are restricted to specific purposes either by a) constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments or b) imposed by law through enabling legislation.
- **Committed Fund Balance** – These are amounts comprised of unrestricted funds used for specific purposes pursuant to constraints imposed by formal action of the City Council (highest level of decision making authority) through resolution and that remain binding unless removed by the City Council by subsequent formal action.
- **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 and include all remaining amounts (except for negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable, restricted or committed. The City Council has delegated authority to assign and remove fund balance assignments to the City Administrator.
- **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.

When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, and then use unrestricted resources as they are needed. When unrestricted resources are available for use, it is the City's policy to use resources in the following order: committed, assigned, and unassigned.

**City of Osseo
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position, or Fund Balance (Continued)

8. Fund Balance

b. Minimum Fund Balance

The City's target General Fund balance is to maintain an unrestricted General Fund balance of 40-50% of the subsequent year's budgeted operating expenditures. If the General Fund balance falls below 40% of the following fiscal year's budget, the City shall include a one-time budget adjustment in that following fiscal year's budget to increase the General Fund balance to 40% of that following fiscal year's budget.

9. Net Position

Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows in the government-wide financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide financial statement when there are limitations on use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenditures/expense during the reporting period. Actual results could differ from those estimates.

F. Budgetary Information

1. In August of each year City staff submits to the City Council a proposed operating budget for the year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them for the upcoming year.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution after obtaining taxpayer comments.
4. The budget for the General Fund is adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Expenditures may not legally exceed budgeted appropriations at the department level. No fund's budget can be increased without City Council approval. The City Council may authorize transfer of budgeted amounts between departments within any fund. Management may amend budgets within a department level, so long as the total department budget is not changed.
6. Annual appropriated budgets are adopted during the year for the General Fund. Annual appropriated budgets are not adopted for Debt Service Funds because effective budgetary control is alternatively achieved through bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project controls and formal appropriated budgets are not adopted. Formal budgets are not adopted for Special Revenue Funds.

**City of Osseo
Notes to Financial Statements**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position, or Fund Balance (Continued)

F. Budgetary Information (Continued)

7. Budgeted amounts are as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original amounts budgeted. Budgeted expenditure appropriations lapse at year-end.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Deficit Fund Balance

At December 31, 2016, the following City Funds reported deficit fund balances:

	<u>Deficit Fund Balance</u>
Major Funds	
Debt Service Fund	
EDA Deber Service	\$ (354,770)
Nonmajor governmental funds	
Special revenue fund	
Gateway/Flagpole Fund	\$50,485
Flower basket	17,650
Comp Plan Grant	5,201
Capital projects fund	
Fire equipment	14,459
2016 street improvement	373
2014 street improvement	49,627

NOTE 3 – DEPOSITS AND INVESTMENTS

A. Deposits

Cash balances of the City's and Component Unit's funds are combined (pooled) and invested to the extent available in various investments authorized by *Minnesota Statutes*. Each fund's portion of this pool (or pools) is displayed in the financial statements as "cash and cash equivalents" or "investments". For purposes of identifying risk of investing public funds, the balances and related restrictions are summarized as follows.

Custodial Credit Risk – Deposits: This is the risk that in the event of a bank failure, the City's and EDA Component Unit's deposits may not be returned to it. The City has a policy that requires the District's deposits be collateralized as required by *Minnesota Statutes* for an amount exceeding FDIC, SAIF, BIF, or FCUA coverage. As of December 31, 2016, the City's bank balance of \$2,327,656 was not exposed to custodial credit risk because it was insured and fully collateralized with securities held by the pledging financial institution's trust department or agent and in the City's name. The book balance as of December 31, 2016, was \$2,278,673 for deposits.

City of Osseo
Notes to Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

Investment Type	Investment Maturities			
	Cost	Loss than One Year	1-5 Years	6-10 Years
Brokered money market accounts	\$ 33,260	\$ 33,260	\$ -	\$ -
U.S. Treasury Securities	3,582,022	60,137	3,521,885	-
Brokered certificates of deposit	3,833,302	597,226	3,236,076	-
Total	<u>\$ 7,448,584</u>	<u>\$ 690,623</u>	<u>\$ 6,757,961</u>	<u>\$ -</u>

Concentration of Credit Risk: The City's and Component Unit's investment policy states the District will diversify its investment to avoid incurring unreasonable risks inherent in over investing in specific instruments, individual financial institutions, or maturities. As of December 31, 2016, the City's investments follow the guidelines stated in its investment policy, but some were greater than 5% in single issuers.

Credit Risk: The City's investment policy limits investments to those specified in the above statutes. Money market mutual funds and the rest of the City and Component Unit's investments were not rated by a credit rating agency.

Custodial Credit Risk – investments: For an investment, this is the risk in the event of the failure of the counterparty the City or Component Unit will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City and Component Unit's policy states all investments must be fully insured and registered in the name of the City. Some City Securities held by the City's broker-dealer are not registered to the City, but are held in an insured account. The account is insured up to \$500,000 SIPC insurance and the broker-dealer provides an additional aggregate insurance policy for all of its customers as a group, not individually. It is unknown what portion of this policy is applicable to the City's portfolio.

The City has the following recurring fair value measurements as of December 31, 2016:

- \$7,448,584 of \$7,448,584 are valued using a quoted market prices (Level 1 inputs)

Summary of cash deposits and investments as of December 31, 2016, were as follows:

Deposits	\$ 2,278,769
Investments	<u>7,448,584</u>
Total deposits and investments	<u>\$ 9,727,353</u>

City of Osseo
Notes to Financial Statements

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments

Deposits and investments are presented in the December 31, 2016, basic financial statements as follows:

Statement of Net Position	
Cash and investments	\$ 6,145,331
Cash with fiscal agent	<u>\$ 3,582,022</u>
	<u><u>\$ 9,727,353</u></u>

NOTE 4 – INTERFUND ASSETS/LIABILITIES

<u>Type and Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>	<u>Total</u>
Special Revenue Funds			
Flower basket	\$ -	\$ 17,503	\$ 17,503
Comp plan grant	-	2,326	2,326
Gateway/flagpole	-	48,824	48,824
Debt Service Fund			
EDA debt service	-	610,993	610,993
Capital Project Funds			
Streets	118,044	-	118,044
EDA capital project	-	17	17
Fire equipment	-	3,004	3,004
2017 Street Improvement Project	-	41,231	41,231
Enterprise Fund			
Water Fund	<u>605,854</u>	<u>-</u>	<u>605,854</u>
Total	<u><u>\$ 723,898</u></u>	<u><u>\$ 723,898</u></u>	<u><u>\$ 1,447,796</u></u>

The Water Fund lent \$605,854 to the TIF 2-9, 5 Central Fund to help with project costs. Other interfund activity exists to cover deficit cash balances and will be repaid as funds become available.

City of Osseo
Notes to Financial Statements

NOTE 5 – INTERFUND TRANSFERS

	Transfers In						
	General Fund	2009 Central Avenue Reconstruction	EDA Debt Service	Streets	Nonmajor Governmental Funds	Water	Total
Transfers out							
General Fund	\$ -	\$ -	\$ -	\$ 406,267	\$ 231,258	\$ -	\$ 637,525
EDA General	35,000	-	-	-	-	-	35,000
EDA debt service	-	-	-	-	509,644	107,459	617,103
Streets	-	-	-	-	288,858	-	288,858
Nonmajor governmental funds	-	58,166	304,463	-	439,892	-	802,521
Water	-	15,722	95,656	-	18,333	-	129,711
Sewer	-	10,483	-	-	-	-	10,483
Storm water	-	46,887	-	-	-	-	46,887
Total	<u>\$ 35,000</u>	<u>\$ 131,258</u>	<u>\$ 400,119</u>	<u>\$ 406,267</u>	<u>\$ 1,487,985</u>	<u>\$ 107,459</u>	<u>\$ 2,568,088</u>

The above transfers were made for the following reasons: debt service agreements, capital asset purchases, closing of funds, and operating transfers.

NOTE 6 – CAPITAL ASSETS

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 1,241,560	\$ -	\$ -	\$ 1,241,560
Construction in progress	69,378	1,232,296	44,283	1,257,391
Total capital assets not being depreciated	<u>1,310,938</u>	<u>1,232,296</u>	<u>44,283</u>	<u>2,498,951</u>
Capital assets being depreciated				
Infrastructure	11,359,153	-	-	11,359,153
Buildings	4,321,874	-	-	4,321,874
Improvements	414,707	-	-	414,707
Machinery and equipment	2,575,389	202,492	71,154	2,706,727
Total capital assets being depreciated	<u>18,671,123</u>	<u>202,492</u>	<u>71,154</u>	<u>18,802,461</u>
Total capital assets, cost	<u>19,982,061</u>	<u>1,434,788</u>	<u>115,437</u>	<u>21,301,412</u>
Less accumulated depreciation for				
Infrastructure	4,769,564	358,869	-	5,128,433
Buildings	1,263,977	136,451	-	1,400,428
Improvements	86,193	17,541	-	103,734
Machinery and equipment	1,527,037	160,626	61,983	1,625,680
Total accumulated depreciation	<u>7,646,771</u>	<u>673,487</u>	<u>61,983</u>	<u>8,258,275</u>
Total capital assets being depreciated, net	<u>11,024,352</u>	<u>(470,995)</u>	<u>9,171</u>	<u>10,544,186</u>
Governmental activities capital assets, net	<u>\$ 12,335,290</u>	<u>\$ 761,301</u>	<u>\$ 53,454</u>	<u>\$ 13,043,137</u>

City of Osseo
Notes to Financial Statements

NOTE 6 – CAPITAL ASSETS (CONTINUED)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 46,035	\$ -	\$ -	\$ 46,035
Capital assets being depreciated				
Infrastructure and improvements	3,215,666	-	5,284	3,210,382
Machinery and equipment	252,401	-	6,332	246,069
Total capital assets being depreciated	3,468,067	-	11,616	3,456,451
Total capital assets, cost	3,514,102	-	11,616	3,502,486
Less accumulated depreciation for				
Infrastructure and improvements	1,743,536	65,893	5,284	1,804,145
Machinery and equipment	141,806	13,372	6,333	148,845
Total accumulated depreciation	1,885,342	79,265	11,617	1,952,990
Total capital assets being depreciated, net	1,582,725	(79,265)	(1)	1,503,461
Business-type activities capital assets, net	<u>\$ 1,628,760</u>	<u>\$ (79,265)</u>	<u>\$ (1)</u>	<u>\$ 1,549,496</u>

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

Governmental activities	
General government	\$ 75,539
Public safety	137,332
Public works	451,568
Park and recreation	9,048
Total depreciation expense - governmental activities	<u>\$ 673,487</u>
Business-type activities	
Water	\$ 29,763
Sewer	40,079
Storm sewer	9,423
Total depreciation expense - business-type activities	<u>\$ 79,265</u>

City of Osseo
Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT

A. General Obligation Bonds

The City issues general obligation (G.O.) bonds to provide for financing tax increment projects and infrastructure improvements. Debt service is covered respectively by tax increments and special assessments against benefited properties with any shortfalls being paid from general taxes.

G.O. bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 15 year serial bonds with equal debt service payments each year.

The City issued G.O. Improvement Refunding Bonds 2016B in the amount of \$3,250,000 to refund the G.O. Improvement Bonds, 2009A. The proceeds of the refunding bond were placed in escrow. The escrow and investment income from the escrow will be used for debt service on the 2016B bonds until the call date of 2009A bonds on February 1, 2018 when the balance of the escrow will refund the 2009A bonds. The refunding will provide cash savings of \$670,158 with an economic benefit to the city of \$444,257.

B. Components of Long-Term Liabilities

Long-term indebtedness of the City are listed below were issued to finance acquisition and construction of capital improvements or to refinance (refund) previous bond issues.

	Interest Rate	Final Maturity	Original Issue	Current Amount Retired	Principal Outstanding	Due Within One Year
Governmental activities						
G.O. Bonds						
G.O. Refunding, 2003C	2.00%-4.20%	2016	\$ 1,290,000	\$ 15,000	\$ -	\$ -
G.O. Improvement, 2009A	2.00%-4.375%	2030	5,475,000	235,000	3,995,000	245,000
G.O. Capital Improvement, 2010A	0.75%-3.40%	2022	1,955,000	155,000	1,055,000	160,000
G.O. Improvement, 2012A	2.00%-2.60%	2028	505,000	25,000	365,000	25,000
G.O. Improvement, 2014	0.55%-4.00%	2030	1,010,000	70,000	940,000	80,000
G.O. Street Reconstruction Bonds, 2015A	2.00%-2.50%	2026	1,610,000	-	1,610,000	150,000
G.O Bonds, 2016A	1.86%-2.08%	2032	1,285,000	-	1,285,000	-
G.O. Improvement Refunding Bonds, 2016B	1.66%-1.77%	2030	<u>3,250,000</u>	<u>-</u>	<u>3,250,000</u>	<u>-</u>
Total G.O. Bonds			<u>17,530,000</u>	<u>525,000</u>	<u>13,625,000</u>	<u>705,000</u>
Public Project Lease Revenue Bonds, 2014A	1.50%-4.00%	2035	1,150,000	25,000	1,125,000	45,000
G.O. Tax Increment Refunding, 2011A	3.00%-3.375%	2022	1,665,000	155,000	935,000	160,000
G.O. Tax Increment, 2014A	2.25%-3.65%	2028	<u>550,000</u>	<u>-</u>	<u>550,000</u>	<u>40,000</u>
Total G.O. Tax Increment Bonds			<u>2,215,000</u>	<u>155,000</u>	<u>1,485,000</u>	<u>200,000</u>
Unamortized bond premiums					299,335	-
Compensated absences					<u>125,832</u>	<u>115,678</u>
Total Long-term liabilities					<u>\$ 15,535,167</u>	<u>\$ 1,020,678</u>

City of Osseo
Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

C. Changes in Long-Term Liabilities

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

	Beginning Balance, Restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
G.O. Bonds	\$ 8,465,000	\$ 4,535,000	\$ 500,000	\$ 12,500,000	\$ 660,000
Revenue Bonds	1,150,000	-	25,000	1,125,000	45,000
G.O. Tax Increment Bonds	1,640,000	-	155,000	1,485,000	200,000
Unamortized bond premiums	98,086	210,047	8,798	299,335	23,521
Compensated absences	74,048	44,922	25,251	93,719	83,565
Total governmental activities					
Long-term liabilities	<u>\$ 11,427,134</u>	<u>\$ 4,789,969</u>	<u>\$ 714,049</u>	<u>\$ 15,503,054</u>	<u>\$ 1,012,086</u>
Business type activities					
Compensated absences	<u>\$ 28,487</u>	<u>\$ 20,931</u>	<u>\$ 17,305</u>	<u>\$ 32,113</u>	<u>\$ 32,113</u>

The City's General Fund typically liquidates the liabilities related to the governmental activities compensated absences.

D. Annual Debt Service Obligations

The annual requirements to amortize all debt outstanding other than compensated absences are as follows:

Year Ending December 31,	Governmental Activities			
	General Obligation Bonds		Tax Increment Bonds	
	Principal	Interest	Principal	Interest
2017	660,000	335,144	200,000	43,813
2018	760,000	302,756	185,000	38,338
2019	970,000	319,761	185,000	32,997
2020	995,000	291,071	195,000	27,279
2021	1,020,000	261,376	205,000	20,925
2022-2026	4,745,000	869,900	405,000	43,701
2027-2031	3,245,000	228,336	110,000	4,015
2032-2036	<u>105,000</u>	<u>1,444</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 12,500,000</u>	<u>\$ 2,609,789</u>	<u>\$ 1,485,000</u>	<u>\$ 211,068</u>

City of Osseo
Notes to Financial Statements

NOTE 7 – LONG-TERM DEBT (CONTINUED)

D. Annual Debt Service Obligations (Continued)

Year Ending December 31,	EDA Activities		Governmental Activities	
	Public Revenue Bonds		Total	
	Principal	Interest	Principal	Interest
2017	45,000	37,538	905,000	416,494
2018	45,000	36,863	990,000	377,956
2019	45,000	36,075	1,200,000	388,833
2020	50,000	35,125	1,240,000	353,476
2021	50,000	34,125	1,275,000	316,426
2022-2026	265,000	147,875	5,415,000	1,061,476
2027-2031	320,000	93,925	320,000	326,276
2032-2036	305,000	25,100	305,000	26,544
Total	<u>\$ 1,125,000</u>	<u>\$ 446,625</u>	<u>\$ 11,650,000</u>	<u>\$ 3,267,481</u>

E. Pay-As-You-Go TIF Notes

The City has issued TIF notes for various economic development purposes within the City. These issuances represent notes for which the City has no obligation for debt payment beyond the resources provided by tax increment revenues collected, as incorporated within the debt documents. At December 31, 2016, there were two TIF notes outstanding.

F. Conduit Debt

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

As of December 31, 2016, the City's conduit debt consisted of the following:

Health Care Facility Revenue Note	\$ 6,347,902
Commerical Development Revenue Note	<u>3,572,499</u>
	<u>\$ 9,920,401</u>

City of Osseo
Notes to Financial Statements

NOTE 8 – FUND BALANCES/NET POSITION

A. Fund Balance

Fund balances are classified as follows to reflect the limitations and restrictions of the respective funds. Fund balances of the City are comprised of the following components:

	General Fund	EDA General	2009 Central Avenue Reconstruction Debt	EDA Debt Service	Streets	2016 Street Improvement	Nonmajor Governmental Funds	Total
Nonspendable								
Prepaid items	\$ 16,943	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,943
Restricted								
Debt service	-	-	3,831,667	-	-	-	947,972	4,779,639
Park improvements	-	-	-	-	-	-	65,406	65,406
Police forfeiture	-	-	-	-	-	-	10,877	10,877
Trolley	-	-	-	-	-	-	224	224
Healthy Community Grant	-	-	-	-	-	-	48	48
Fire apparatus	-	-	-	-	-	-	118,990	118,990
Economic development	-	-	-	-	-	-	59,453	59,453
Total restricted	-	-	3,831,667	-	-	-	1,202,970	5,034,637
Committed								
Economic development	-	665,975	-	-	-	-	-	665,975
Community fund	-	-	-	-	-	-	22,024	22,024
Heritage preservation	-	-	-	-	-	-	10,211	10,211
Cable access fees	-	-	-	-	-	-	76,423	76,423
Total committed	-	665,975	-	-	-	-	108,658	774,633
Assigned								
Streets	-	-	-	-	1,097,599	88,625	9,782	1,196,006
Equipment	-	-	-	-	-	-	24,356	24,356
Facilities improvements	-	-	-	-	-	-	176,555	176,555
Total assigned	-	-	-	-	1,097,599	88,625	210,693	1,396,917
Unassigned	971,738	-	-	(354,770)	-	-	(140,288)	476,680
Total fund balance	\$ 988,681	\$ 665,975	\$ 3,831,667	\$ (354,770)	\$ 1,097,599	\$ 88,625	\$ 1,382,033	\$ 7,699,810

B. Net Position

Restricted net position is comprised of the total restricted fund balances in the governmental funds plus the effect of the conversion to the government-wide net position.

NOTE 9 – RISK MANAGEMENT

The City purchases commercial insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT) with other cities in the state, which is a public entity risk pool currently operating as a common risk management and insurance program. The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through commercial companies for excess claims. The City is covered through the pool for any claims incurred but unreported, however, retains risk for the deductible portion of its insurance policies. The amount of these deductibles is considered immaterial to the financial statements.

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

**City of Osseo
Notes to Financial Statements**

NOTE 9 – RISK MANAGEMENT (CONTINUED)

The City's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2016 is estimated to be immaterial based on workers' compensation rates and salaries for the year.

At December 31, 2016, there were no other claims liabilities reported in the fund based on the requirements of GASB Statement No. 10, which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 10 – PENSION PLANS

Public Employees' Retirement Association

The City participates in various pension plans, total pension expense for the year ended December 31, 2016 was \$316,794.

A. Plan Description

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

General Employees Retirement Plan (General Employees Plan (accounted for in the General Employees Fund))

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

Public Employees Police and Fire Plan (Police and Fire Plan (accounted for in the Police and Fire Fund))

The Police and Fire Plan, 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 Police and Fire Plan also covers police officers and firefighters belonging to a local relief association that elected to merge with and transfer assets and administration to PERA.

B. Benefits Provided

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

**City of Osseo
Notes to Financial Statements**

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

B. Benefits Provided (Continued)

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% 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.

General Employees Plan Benefits

General Employees Plan 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% 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.

Police and Fire Fund Benefits

Benefits for the Police and Fire Fund 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 Police and Fire Fund 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 Police and Fire Fund who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

C. Contributions

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

**City of Osseo
Notes to Financial Statements**

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

C. Contributions (Continued)

General Employees Fund 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 2016. The City was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2016. The City's contributions to the General Employees Fund for the year ended December 31, 2016, were \$36,551. The City's contributions were equal to the required contributions as set by state statute.

Police and Fire Fund Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2016. The City was required to contribute 16.20% of pay for Police and Fire Fund members in calendar year 2015. The City's contributions to the Police and Fire Fund for the year ended December 31, 2016, were \$69,638. The City's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

General Employees Fund Pension Costs

At December 31, 2016, the City reported a liability of \$641,441 for its proportionate share of the General Employees Fund's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportionate share was 0.0079%, which was an increase of .0012% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$104,123 for its proportionate share of General Employees Plan's pension expense.

City of Osseo
Notes to Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

General Employees Fund Pension Costs (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 52,107
Changes in actuarial assumptions	125,596	-
Difference between projected and actual investment earnings	121,749	-
Changes in proportion	44,580	-
Contributions paid to PERA subsequent to the measurement date	18,276	-
	<u>\$ 310,201</u>	<u>\$ 52,107</u>

\$18,276 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, 2017. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2017	\$ 69,923
2018	69,924
2019	76,802
2020	23,169
Total	<u>\$ 239,818</u>

City of Osseo
Notes to Financial Statements

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs

At December 31, 2016, the City reported a liability of \$1,765,797 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportion was 0.044% which was an increase of 0.0070% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$322,603 for its proportionate share of the Police and Fire Fund's pension expense. The City also recognized \$3,960 for the year ended December 31, 2016, as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

At December 31, 2016, the City reported its proportionate share of the Police and Fire Fund's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 202,568
Changes in actuarial assumptions	971,796	-
Difference between projected and actual investment earnings	269,476	-
Changes in proportion	79,766	-
Contributions paid to PERA subsequent to the measurement date	34,819	-
	<u>\$ 1,355,857</u>	<u>\$ 202,568</u>

**City of Osseo
Notes to Financial Statements**

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

D. Pension Costs (Continued)

Police and Fire Fund Pension Costs

\$34,819 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, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2017	\$ 240,224
2018	240,224
2019	240,225
2020	218,447
2021	179,350
Thereafter	<u>-</u>
Total	<u><u>\$ 1,118,470</u></u>

E. Actuarial Assumptions

The total pension liability in the June 30, 2016, actuarial valuation was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

Inflation	2.50 % Per year
Active member payroll growth	3.25 Per year
Investment rate of return	7.50

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants were based on RP-2014 tables for the General Employees Plan and RP-2000 tables for the Police and Fire Plan for males or females, as appropriate, with slight adjustments. Benefit increases for retirees are assumed to be 1% for all future years for the General Employees Plan and Police and Fire Plan.

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

**City of Osseo
Notes to Financial Statements**

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

E. Actuarial Assumptions (Continued)

The following changes in actuarial assumptions occurred in 2016:

General Employees Fund

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

Police and Fire Fund

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Rate of Return</u>
Domestic stocks	45 %	5.50 %
International stocks	15	6.00
Bonds	18	1.45
Alternative assets	20	6.40
Cash	2	0.50
Total	<u>100 %</u>	

**City of Osseo
Notes to Financial Statements**

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

F. Discount Rate

The discount rate used to measure the total pension liability in 2016 was 7.5%, a reduction from the 7.9% used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members and employers will be made at rates set in *Minnesota Statutes*. Based on those assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056 and June 30, 2058 respectively. Beginning in fiscal years ended June 30, 2057 for the Police and Fire Fund, when projected benefit payments exceed the funds' projected fiduciary net position, benefit payments were discounted at the municipal bond rate of 2.85% based on an index of 20-year general obligation bonds with an average AA credit rating at the measurement date. An equivalent single discount rate of 5.60% for the Police and Fire Fund was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50% applied to all years of projected benefits through the point of asset depletion and 2.85% after.

G. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the General Employees Fund net pension liability	\$ 911,036	\$ 641,441	\$ 419,368
	1% Decrease in Discount Rate (4.6%)	Discount Rate (5.6%)	1% Increase in Discount Rate (6.6%)
City's proportionate share of the Police and Fire Fund net pension liability	\$ 2,471,881	\$ 1,765,797	\$ 1,188,872

**City of Osseo
Notes to Financial Statements**

NOTE 10 – PENSION PLANS (CONTINUED)

Public Employees' Retirement Association (Continued)

H. Pension Plan Fiduciary Net Position

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

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association

A. Plan Description

The Osseo Firefighter's Relief Association is the administrator of a single employer defined benefit pension plan established to provide benefits for members of the Osseo Fire Department per *Minnesota State Statutes*.

The Association issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Osseo Firefighter's Association, 415 Central Avenue, Osseo, MN 55369 or by calling (763) 424-5444.

B. Benefits Provided

Volunteer firefighters of the City are members of the Osseo Fire Fighter's Relief Association. Full retirement benefits are payable to members who have reached age 50 and have completed 15 years of service for monthly service pension, or 10 years of service for lump sum service pension. Partial benefits are payable to members who have reached 50 and have completed 10 years of service. Disability benefits and widow and children's survivor benefits are also payable to members or their beneficiaries based upon requirements set forth in the bylaws. These benefit provisions and all other requirements are consistent with enabling state statutes.

C. Employees Covered by Benefit Terms

At December 31, 2015, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	0
Inactive employees entitled to but not yet receiving benefits	4
Active employees	<u>21</u>
Total	<u><u>25</u></u>

**City of Osseo
Notes to Financial Statements**

NOTE 10 –PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan – Volunteer Fire Fighter’s Relief Association (Continued)

D. Contributions.

Minnesota Statutes Chapter 424A.092 specifies minimum support rates required on an annual basis. The minimum support rates from the municipality and from State aids are determined as the amount required to meet the normal cost plus amortizing any existing prior service costs over a ten year period. The City's obligation is the financial requirement for the year less state aids. Any additional payments by the City shall be used to amortize the unfunded liability of the relief association. The Association is comprised of volunteers; therefore, there are no payroll expenditures (i.e. there are no covered payroll percentage calculations). During the year, the City recognized as revenue and as an expenditure an on behalf payment of \$23,341 made by the State of Minnesota for the Relief Association.

E. Net Pension Liability

The City's net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

Actuarial assumptions.

The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 %
Salary increase	5.25 %, average, including inflation
Investment rate of return	5.25 %, net of pensions plan investment expense: including inflation

The value of death benefits is similar to the value of the retirement pension. Because of low retirement ages, the plan assumes no pre-retirement mortality. Post-retirement mortality does not apply as the benefit structure and form of payment do not reflect lifetime benefits.

The long-term return on assets has been set based on the plan's target investment allocation along with long-term return expectations by asset class. When there is sufficient historical evidence of market outperformance, historical average returns may be considered. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of the measurement date are summarized in the table below.

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	14.00 %	0.84 %
Fixed income	40.00	2.27
Equities	44.00	5.65
Other	2.00	4.44
Total	<u>100.00 %</u>	

**City of Osseo
Notes to Financial Statements**

NOTE 10 – PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)

E. Net Pension Liability (Continued)

Discount rate:

The discount rate used to measure the total pension liability was 5.25%. Assets were projected using expected benefit payments and expected asset returns. Expected benefit payments by year were discounted using the expected asset 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. The equivalent single rate is the discount rate.

F. Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances at January 1, 2015	\$ 281,173	\$ 439,873	\$ (158,700)
Changes for the year			
Service cost	13,749	-	13,749
Interest cost	14,653	-	14,653
State contributions	-	23,341	(23,341)
Municipal contributions	-	-	-
Projected investment return	-	(16,397)	16,397
Gain or loss	-	-	-
Benefit payments	(31,640)	(31,640)	-
Administrative expense	-	(1,775)	1,775
Other charges	-	-	-
Net charges	(3,238)	(26,471)	23,233
Balances at December 31, 2015	\$ 277,935	\$ 413,402	\$ (135,467)

**City of Osseo
Notes to Financial Statements**

NOTE 10 – PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan – Volunteer Fire Fighter's Relief Association (Continued)

F. Changes in the Net Pension Liability (Continued)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate of 5.25%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.25%) or 1-percentage-point higher (6.25%) than the current rate:

	1% Decrease (4.25%)	Current Discount Rate (5.25%)	1% Increase (6.25%)
City's net pension liability	<u>\$ (127,060)</u>	<u>\$ (135,467)</u>	<u>\$ (143,526)</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued relief association financial report.

G. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2015, the City recognized pension expense of \$15,875. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	<u>\$ 30,699</u>	<u>\$ -</u>
Total	<u><u>\$ 30,699</u></u>	<u><u>\$ -</u></u>

**City of Osseo
Notes to Financial Statements**

NOTE 10 – PENSION PLANS (CONTINUED)

Defined Benefit Pension Plan – Volunteer Fire Fighter’s Relief Association (Continued)

**G. Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources
Related to Pensions (Continued)**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Total</u>
2017	\$ 7,675
2018	7,675
2019	7,675
2020	<u>7,674</u>
Total	<u><u>\$ 30,699</u></u>

H. Payable to the Pension Plan

At December 31, 2016, the City reported a payable of \$0 for the outstanding amount of contributions to the pension plan required for the year ended December 31, 2015.

NOTE 11 – POST EMPLOYMENT HEALTH CARE PLAN

A. Plan Description

The City provides a single-employer defined benefit health care plan to eligible retirees (as required by *Minnesota Statutes* 471.61) and police or firefighters disabled in the line of duty (as required by *Minnesota Statutes* 299A.465). The City will contribute 65% of the cost of health insurance premiums per month for those who have retired with at least 12 years of continuous service and have reached the age of 50. The City contribution applies only to the cost of individual coverage for the retiree and ceases upon the retiree reaching age 65. As of December 31, 2016, there were two retirees participating in the City's group health plan.

There is no implicit rate subsidy for the City since age-based premiums are paid for health insurance. This results in the City's OPEB liability being only the direct subsidy payments made towards retiree health premiums.

**City of Osseo
Notes to Financial Statements**

NOTE 11 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

B. Annual Other Post Employment Benefits Cost and Net Other Post Employment Benefits Obligation

The City's annual other post employment benefits (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost of the year, the amount actually contributed to the plan and changes in the City's net OPEB obligation to the plan.

ARC	\$ 28,452
Interest on net OPEB obligation	492
Adjustment to ARC	(764)
Annual OPEB cost (expense)	<u>28,180</u>
Contributions made	<u>(12,239)</u>
Increase in net OPEB obligation	15,941
Net OPEB obligation - beginning of year	<u>14,046</u>
Net OPEB obligation - end of year	<u><u>\$ 29,987</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 was as follows:

Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contributed	Net OPEB Obligation (Asset)
12/31/16	\$ 28,180	\$ 12,239	43%	\$ 29,987
12/31/15	27,832	11,022	40%	14,046
12/31/14	10,087	15,389	153%	(2,764)

C. Funded Status and Funding Progress

As of January 1, 2015, the most recent actuarial valuation date, the City had no assets deposited to fund the plan. The actuarial accrued liability for benefits was \$216,237 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$216,237. The covered payroll (annual payroll of active employees covered by the plan) was \$999,923 and the ratio of the UAAL to the covered payroll was 21.6%.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the ARC of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

**City of Osseo
Notes to Financial Statements**

NOTE 11 – POST EMPLOYMENT HEALTH CARE PLAN (CONTINUED)

C. Funded Status and Funding Progress (Continued)

The Schedule of Funding Progress – Other Post Employment Benefits, presented as required supplementary information following the notes to financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

D. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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 actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

At the January 1, 2015, actuarial valuation date, the projected unit credit funding method was used. The actuarial assumptions included a 3.5% discount rate, which is based on the investment yield expected to finance benefits depending on whether the plan is funded in a separate trust (about 7% to 8.5%, long-term, similar to a pension plan) or unfunded (3.5% to 5%, shorter-term, based on City's general assets). The City currently does not plan to prefund for this benefit. At the actuarial valuation date, the annual health care cost trend rate was calculated to be 7.2% initially, reduced incrementally to an ultimate rate of 5% after eight years. Both rates included a 2.75% inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2015, was 30 years.

NOTE 12 – COMMITMENTS

As of December 31, 2016, the City has the following construction commitments:

Contractor	Project	Contract Amount	Work Completed	Commitment Remaining
C&L Excavating	2016 Street Improvements	\$ 1,013,948	\$ 882,940	\$ 131,008

NOTE 13 – CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2015, the city implemented GASB Statement No. 68, *Accounting and financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for contributions Made Subsequent to the Measurement Date* for the City's fire relief association. This resulted in an adjustment to the beginning net position on the Statement of Activities of \$182,041 to add to the beginning net pension liability for governmental activities.

**City of Osseo
Notes to Financial Statements**

NOTE 14 – NEW STANDARDS ISSUED BUT NOT YET IMPLEMENTED

GASB has issued GASB Statement 74 relating to postemployment benefit plans other than pension plans administered through trusts that meet certain criteria and includes requirements for OPEB plans not administered through trusts. This new statement requires additional note disclosures and additional required supplementary information. This statement is effective for financial statements for fiscal years beginning after June 15, 2016.

GASB has issued GASB statement 75 relating to accounting and financial reporting for postemployment benefits other than pensions. The new statement requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about OPEB liabilities. This statement is effective for financial statements for fiscal years beginning after June 15, 2017.

GASB has issued GASB statement 80 relating to blending requirements for certain component units. The new statement amends the blending requirements for financial statement presentation of component units. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. This statement is effective for financial statements for fiscal years beginning after June 15, 2016.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Osseo
Schedule of Funding Progress - Other Post Employment Benefits
December 31, 2016

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/15	\$ -	\$ 216,237	\$ 216,237	- %	\$ 999,923	21.6%
01/01/12	-	138,026	138,026	-	847,134	16.3%
01/01/09	-	169,495	169,495	-	849,659	19.9%

City Osseo
Schedule of City's Proportionate Share
of Net Pension Liability
General Employees Retirement Fund
Last Ten Years

For Fiscal Year Ended June 30,	City's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	City's Proportionate Share (Amount) of the Net Pension Liability (Asset)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with the City	City's Covered- Employee Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.0079%	\$ 641,441	\$ 8,374	\$ 649,815	\$ 490,693	132.42%	68.91%
2015	0.0067%	347,229	-	-	385,040	90.18%	78.19%

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

Schedule of City's Proportionate Share
of Net Pension Liability
Public Employees Police and Fire Retirement Fund
Last Ten Years

For Fiscal Year Ended June 30,	City's Proportion of the Net Pension Liability (Asset)	City's Proportionate Share of the Net Pension Liability (Asset)	City's Covered- Employee Payroll	City's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2016	0.0440%	\$ 1,765,797	\$ 420,920	419.51%	63.88%
2015	0.0370%	420,407	329,346	127.65%	86.61%

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

**City Osseo
Schedule of City Contributions
General Employees Retirement Fund
Last Ten Years**

<u>Fiscal Year Ending December 31,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
2016	\$ 36,551	\$ 36,551	\$ -	\$ 487,347	7.5%
2015	27,183	27,183	-	362,440	7.5%

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

**Schedule of City Contributions
Public Employees Police and Fire Retirement Fund
Last Ten Years**

<u>Fiscal Year Ending December 31,</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>City's Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
2016	\$ 69,638	\$ 69,638	\$ -	\$ 429,864	16.2%
2015	67,659	67,659	-	417,648	16.2%

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

City of Osseo
Schedule of Changes in Net Pension Liability
and Related Ratios - Fire Relief Association

	Measurement Date	
	2014	2015
Total pension liability (TPL)		
Service cost	\$ -	\$ 13,749
Interest	-	14,653
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Changes of benefit terms	-	-
Benefit payments, including refunds or member contributions	-	(31,640)
Net change in total pension liability	-	(3,238)
Beginning of year	-	281,173
End of year	<u>\$ -</u>	<u>\$ 277,935</u>
Plan fiduciary net pension (FNP)		
Contributions - employer	\$ -	\$ 23,341
Contributions - employee	-	-
Net investment income	-	(16,397)
Benefit payments, including refunds of member contributions	-	(31,640)
Administrative expense	-	(1,775)
Other	-	-
Net change in plan fiduciary net position	-	(26,471)
Beginning of year	-	439,873
End of year	<u>\$ -</u>	<u>\$ 413,402</u>
Net pension liability (NPL)	<u>\$ -</u>	<u>\$ (135,467)</u>
Plan fiduciary net position as a percentage of the total pension liability	0.0%	148.7%
Covered employee payroll	n/a	n/a
Net pension liability as a percentage of covered payroll	n/a	n/a

The City implemented the provisions of Governmental Accounting Standards Board Statement No. 68 for the year ended December 31, 2016. The schedules within the Required Supplementary Information section required a ten-year presentation, but does not required retroactive reporting. Information prior to 2015 is not available. Additional years will be reported as they become available.

**City of Osseo
Schedule of City Contributions
and Non-employer Contributing
Entities - Fire Relief Association**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Employer			
Statutorily determined contribution (SDC)	\$ -	\$ -	\$ -
Contribution in relation to the SDC	<u>-</u>	<u>-</u>	<u>-</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Non-employer			
2% aid	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Covered employee payroll	n/a	n/a	n/a
Contributions as a percentage of covered employee payroll	n/a	n/a	n/a

The City implemented the provisions of Governmental Accounting Standards Board Statement No. 68 for the year ended December 31, 2016. The schedules within the Required Supplementary Information section required a ten-year presentation, but does not required retroactive reporting. Information prior to 2015 is not available. Additional years will be reported as they become available.

SUPPLEMENTARY INFORMATION

City of Osseo
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Property taxes	\$ 1,289,490	\$ 1,289,264	\$ (226)
Franchise taxes	100,000	89,205	(10,795)
Special assessments	-	5,816	5,816
Licenses and permits	103,000	129,332	26,332
Intergovernmental revenue			
Local government aid	618,066	618,066	-
PERA aid	834	6,417	5,583
Fire aid	10,500	8,750	(1,750)
Police aid	72,000	70,630	(1,370)
Other grants and aids	8,000	8,208	208
Total intergovernmental revenue	<u>709,400</u>	<u>712,071</u>	<u>2,671</u>
Charges for services			
Culture and recreation	1,000	2,194	1,194
Fines and forfeitures	25,000	35,048	10,048
Miscellaneous revenues			
Investment income	5,000	9,996	4,996
Refunds and reimbursements	13,000	-	(13,000)
Other	39,000	22,668	(16,332)
Total miscellaneous revenues	<u>57,000</u>	<u>32,664</u>	<u>(24,336)</u>
Total revenues	<u>2,284,890</u>	<u>2,295,594</u>	<u>10,704</u>
Expenditures			
General government			
Mayor and council	35,710	30,847	(4,863)
Administrative and finance	263,030	253,920	(9,110)
Other general government	319,380	291,872	(27,508)
Capital outlay	1,250	-	(1,250)
Total general government	<u>619,370</u>	<u>576,639</u>	<u>(42,731)</u>
Public safety			
Police			
Current	690,675	729,319	38,644
Fire			
Current	113,550	127,157	13,607

City of Osseo
Detailed Schedule of Revenues, Expenditures, and
Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2016

	Original and Final Budgeted Amounts	Actual Amounts	Variance with Final Budget - Over (Under)
Expenditures (Continued)			
Public safety (continued)			
Building inspections			
Current	\$ -	\$ 19,154	\$ 19,154
Other public safety			
Current	725	61	(664)
Total public safety	<u>804,950</u>	<u>875,691</u>	<u>70,741</u>
Public works			
Streets and highways			
Street maintenance and storm sewers	127,060	162,906	35,846
Snow and ice removal	35,000	1,882	(33,118)
Street lighting	26,500	29,588	3,088
Total public works	<u>188,560</u>	<u>194,376</u>	<u>5,816</u>
Culture and recreation			
Current	<u>69,485</u>	<u>70,765</u>	<u>1,280</u>
Total expenditures	<u>1,682,365</u>	<u>1,717,471</u>	<u>35,106</u>
Excess of revenues over expenditures	602,525	578,123	(24,402)
Other Financing Sources (Uses)			
Transfers in	35,000	35,000	-
Transfers out	<u>(637,525)</u>	<u>(637,525)</u>	<u>-</u>
Total other financing sources (uses)	<u>(602,525)</u>	<u>(602,525)</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	<u>(24,402)</u>	<u>\$ (24,402)</u>
Fund Balance			
Beginning of year		<u>1,013,083</u>	
End of year		<u>\$ 988,681</u>	

**City of Osseo
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2016**

	Special Revenue			
	Police Forfeiture (116)	Trolley (204)	Park Improvement (205)	CHeC - Healthy Comm Grant (241)
Assets				
Cash and investments	\$ 15,523	\$ 224	\$ 64,908	\$ 48
Taxes receivable - delinquent	-	-	-	-
Special assessments receivable				
Delinquent	-	-	-	-
Deferred	-	-	-	-
Accounts receivable	-	-	2,724	-
Total assets	<u>\$ 15,523</u>	<u>\$ 224</u>	<u>\$ 67,632</u>	<u>\$ 48</u>
Liabilities				
Accounts payable	\$ 4,646	\$ -	\$ 2,226	\$ -
Contracts payable	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>4,646</u>	<u>-</u>	<u>2,226</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	-	-	-	-
Unavailable revenue - special assessments	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Restricted	10,877	224	65,406	48
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>10,877</u>	<u>224</u>	<u>65,406</u>	<u>48</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 15,523</u>	<u>\$ 224</u>	<u>\$ 67,632</u>	<u>\$ 48</u>

Special Renvenue

Cable TV (240)	Community Fund (250, 252, 254)	Gateway / Flagpole Fund (251)	Flower Basket (255)	Heritage Preservation (260)	Comp Plan Grant (150)	Total
\$ 74,759	\$ 22,024	\$ -	\$ -	\$ 10,623	\$ -	\$ 188,109
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
4,927	-	-	-	-	-	7,651
<u>\$ 79,686</u>	<u>\$ 22,024</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,623</u>	<u>\$ -</u>	<u>\$ 195,760</u>
\$ 3,263	\$ -	\$ 1,661	\$ 147	\$ 412	\$ 2,875	\$ 15,230
-	-	-	-	-	-	-
-	-	48,824	17,503	-	2,326	68,653
<u>3,263</u>	<u>-</u>	<u>50,485</u>	<u>17,650</u>	<u>412</u>	<u>5,201</u>	<u>83,883</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	76,555
76,423	22,024	-	-	10,211	-	108,658
-	-	-	-	-	-	-
-	-	(50,485)	(17,650)	-	(5,201)	(73,336)
<u>76,423</u>	<u>22,024</u>	<u>(50,485)</u>	<u>(17,650)</u>	<u>10,211</u>	<u>(5,201)</u>	<u>111,877</u>
<u>\$ 79,686</u>	<u>\$ 22,024</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,623</u>	<u>\$ -</u>	<u>\$ 195,760</u>

**City of Osseo
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2016**

	Debt Service			
	2003C Refunding Bonds (325)	2010A Refunding Bonds (380)	2012A Improvement Bonds (371)	2014A Improvement Bond (301)
Assets				
Cash and investments	\$ 36,469	\$ 228,565	\$ 103,813	\$ 100,381
Taxes receivable - delinquent	62	4,416	-	-
Special assessments receivable				
Delinquent	575	-	204	-
Deferred	-	-	133,097	133,624
Accounts receivable	-	-	-	-
Total assets	<u>\$ 37,106</u>	<u>\$ 232,981</u>	<u>\$ 237,114</u>	<u>\$ 234,005</u>
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Contracts payable	-	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	119	3,108	-	-
Unavailable revenue - special assessments	518	-	133,301	133,624
Total deferred inflows of resources	<u>637</u>	<u>3,108</u>	<u>133,301</u>	<u>133,624</u>
Fund Balances				
Restricted	36,469	229,873	103,813	100,381
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>36,469</u>	<u>229,873</u>	<u>103,813</u>	<u>100,381</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 37,106</u>	<u>\$ 232,981</u>	<u>\$ 237,114</u>	<u>\$ 234,005</u>

Police Building Debt Service Fund (395)	2015A Improvement Bonds (305)	2016A Improvement Bonds (306)	2016 Alley Improvement Bonds (307)	Total
\$ 116,225	\$ 271,864	\$ 67,045	\$ 22,302	\$ 946,664
-	-	-	-	4,478
-	-	-	-	779
-	-	306,601	98,813	672,135
-	-	-	-	-
<u>\$ 116,225</u>	<u>\$ 271,864</u>	<u>\$ 373,646</u>	<u>\$ 121,115</u>	<u>\$ 1,624,056</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	3,227
-	-	306,601	98,813	672,857
-	-	306,601	98,813	676,084
116,225	271,864	67,045	22,302	947,972
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>116,225</u>	<u>271,864</u>	<u>67,045</u>	<u>22,302</u>	<u>947,972</u>
<u>\$ 116,225</u>	<u>\$ 271,864</u>	<u>\$ 373,646</u>	<u>\$ 121,115</u>	<u>\$ 1,624,056</u>

**City of Osseo
Combining Balance Sheet -
Nonmajor Governmental Funds
December 31, 2016**

	Capital Projects			
	Police Equipment (115)	Fire Equipment (120)	Facilities Fund (135)	Equipment Fund (110)
Assets				
Cash and investments	\$ 7,610	\$ -	\$ 176,555	\$ 137,316
Taxes receivable - delinquent	-	-	-	-
Special assessments receivable				
Delinquent	-	-	-	-
Deferred	-	-	-	-
Accounts receivable	-	-	-	-
Total assets	<u>\$ 7,610</u>	<u>\$ -</u>	<u>\$ 176,555</u>	<u>\$ 137,316</u>
Liabilities				
Accounts payable	\$ 1,580	\$ 7,545	\$ -	\$ -
Contracts payable	-	-	-	-
Due to other funds	-	3,004	-	-
Total liabilities	<u>1,580</u>	<u>10,549</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable revenue - property taxes	-	-	-	-
Unavailable revenue - special assessments	-	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Restricted	-	-	-	118,990
Committed	-	-	-	-
Assigned	6,030	-	176,555	18,326
Unassigned	-	(10,549)	-	-
Total fund balances	<u>6,030</u>	<u>(10,549)</u>	<u>176,555</u>	<u>137,316</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,610</u>	<u>\$ -</u>	<u>\$ 176,555</u>	<u>\$ 137,316</u>

Capital Projects

2014 Street Improvement (401)	2015 Street Improvement (402)	2017 Street Improvements (404)	EDA Capital Projects	Total	Total Nonmajor Governmental Funds
\$ 9,782	\$ -	\$ -	\$ 87,916	\$ 419,179	\$ 1,553,952
-	-	-	4,425	4,425	8,903
-	-	-	-	-	779
-	-	-	-	-	672,135
-	-	-	-	-	7,651
<u>\$ 9,782</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,341</u>	<u>\$ 423,604</u>	<u>\$ 2,243,420</u>
\$ -	\$ -	\$ 8,396	\$ 39,274	\$ 56,795	\$ 72,025
-	373	-	-	373	373
-	-	41,231	17	44,252	112,905
<u>-</u>	<u>373</u>	<u>49,627</u>	<u>39,291</u>	<u>101,420</u>	<u>185,303</u>
-	-	-	-	-	3,227
-	-	-	-	-	672,857
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>676,084</u>
-	-	-	59,453	178,443	1,202,970
-	-	-	-	-	108,658
9,782	-	-	-	210,693	210,693
-	(373)	(49,627)	(6,403)	(66,952)	(140,288)
<u>9,782</u>	<u>(373)</u>	<u>(49,627)</u>	<u>53,050</u>	<u>322,184</u>	<u>1,382,033</u>
<u>\$ 9,782</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,341</u>	<u>\$ 423,604</u>	<u>\$ 2,243,420</u>

City of Osseo
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2016

	Special Revenue				
	Police Forfeiture (116)	Trolley (204)	Park Improvement (205)	Osseo Fire Dept Centennial (206)	CHcC - Healthy Comm Grant (241)
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increments	-	-	-	-	-
Special assessments	-	-	-	-	-
Intergovernmental	-	-	-	-	2,761
Charges for services	-	1,400	42,141	-	-
Fines and forfeitures	9,598	-	-	-	-
Miscellaneous					
Investment income	122	-	390	-	-
Contributions and donations	-	-	-	-	-
Other	-	-	-	-	-
Total revenues	<u>9,720</u>	<u>1,400</u>	<u>42,531</u>	<u>-</u>	<u>2,761</u>
Expenditures					
Current					
General government	-	-	-	-	2,713
Public safety	143	-	-	-	-
Culture and recreation	-	1,176	25,684	-	-
Economic development	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Capital outlay					
General government	-	-	-	-	-
Public safety	8,889	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Total expenditures	<u>9,032</u>	<u>1,176</u>	<u>25,684</u>	<u>-</u>	<u>2,713</u>
Excess of revenues over (under) expenditures	688	224	16,847	-	48
Other Financing Sources (Uses)					
Transfers in	-	-	31,876	-	-
Transfers out	-	-	-	(243)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>31,876</u>	<u>(243)</u>	<u>-</u>
Net change in fund balances	688	224	48,723	(243)	48
Fund Balances					
Beginning of year	<u>10,189</u>	<u>-</u>	<u>16,683</u>	<u>243</u>	<u>-</u>
End of year	<u>\$ 10,877</u>	<u>\$ 224</u>	<u>\$ 65,406</u>	<u>\$ -</u>	<u>\$ 48</u>

Special Revenue

Cable TV (240)	Community Fund (250, 252, 254)	Gateway / Flagpole Fund (251)	Flower Basket (255)	Heritage Preservation (260)	Comp Plan Grant (150)	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	2,761
-	-	-	-	-	-	43,541
-	-	-	-	-	-	9,598
974	269	-	-	153	-	1,908
-	1,750	10,000	13,144	-	-	24,894
29,980	7,249	-	-	8,405	-	45,634
<u>30,954</u>	<u>9,268</u>	<u>10,000</u>	<u>13,144</u>	<u>8,558</u>	<u>-</u>	<u>128,336</u>
11,824	-	-	-	-	5,201	19,738
-	-	-	-	-	-	143
-	18,207	4,362	14,032	9,342	-	72,803
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
52,791	-	-	-	-	-	52,791
-	-	-	-	-	-	8,889
-	-	-	-	-	-	-
-	-	67,885	-	-	-	67,885
<u>64,615</u>	<u>18,207</u>	<u>72,247</u>	<u>14,032</u>	<u>9,342</u>	<u>5,201</u>	<u>222,249</u>
(33,661)	(8,939)	(62,247)	(888)	(784)	(5,201)	(93,913)
-	-	-	-	-	-	31,876
-	-	-	-	-	-	(243)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,633</u>
(33,661)	(8,939)	(62,247)	(888)	(784)	(5,201)	(62,280)
110,084	30,963	11,762	(16,762)	10,995	-	174,157
<u>\$ 76,423</u>	<u>\$ 22,024</u>	<u>\$ (50,485)</u>	<u>\$ (17,650)</u>	<u>\$ 10,211</u>	<u>\$ (5,201)</u>	<u>\$ 111,877</u>

City of Osseo
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2016

	Debt Service				
	2003C Refunding Bonds (325)	2007A Jefferson Highway (375)	2010A Refunding Bonds (380)	2011A Refunding Bonds (385)	2012A Improvement Bonds (371)
Revenues					
Taxes	\$ -	\$ -	\$ 369,973	\$ -	\$ -
Tax increments	-	-	-	-	-
Special assessments	2,432	-	-	-	24,223
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Miscellaneous:					
Investment income	554	-	-	-	1,010
Contributions and donations	-	-	-	-	-
Other	-	-	-	-	-
Total revenues	<u>2,986</u>	<u>-</u>	<u>369,973</u>	<u>-</u>	<u>25,233</u>
Expenditures					
Current					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Economic development	-	-	-	-	-
Debt service					
Principal	15,000	-	155,000	155,000	25,000
Interest and other charges	1,427	-	35,296	32,783	9,396
Capital outlay					
General government	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Total expenditures	<u>16,427</u>	<u>-</u>	<u>190,296</u>	<u>187,783</u>	<u>34,396</u>
Excess of revenues over (Under) Expenditures	(13,441)	-	179,677	(187,783)	(9,163)
Other Financing Sources (Uses)					
Transfers in	-	-	-	187,783	12,840
Transfers out	-	(58,166)	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>(58,166)</u>	<u>-</u>	<u>187,783</u>	<u>12,840</u>
Net change in fund balances	(13,441)	(58,166)	179,677	-	3,677
Fund Balances					
Beginning of year	<u>49,910</u>	<u>58,166</u>	<u>50,196</u>	<u>-</u>	<u>100,136</u>
End of year	<u>\$ 36,469</u>	<u>\$ -</u>	<u>\$ 229,873</u>	<u>\$ -</u>	<u>\$ 103,813</u>

Debt Service

2014A Improvement Bond (301)	Police Building Debt Service Fund (395)	2015A Improvement Bonds (305)	2016A Improvement Bonds (306)	2016 Alley Improvement Bonds (307)	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 369,973
-	-	-	-	-	-
22,624	-	-	49,086	22,176	120,541
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
717	489	802	391	126	4,089
-	-	-	-	-	-
-	-	-	-	-	-
<u>23,341</u>	<u>489</u>	<u>802</u>	<u>49,477</u>	<u>22,302</u>	<u>494,603</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
25,000	25,000	-	-	-	400,000
14,506	38,958	39,600	345	-	172,311
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>39,506</u>	<u>63,958</u>	<u>39,600</u>	<u>345</u>	<u>-</u>	<u>572,311</u>
(16,165)	(63,469)	(38,798)	49,132	22,302	(77,708)
41,944	92,809	310,662	17,913	-	663,951
(17,991)	-	-	-	-	(76,157)
<u>23,953</u>	<u>92,809</u>	<u>310,662</u>	<u>17,913</u>	<u>-</u>	<u>587,794</u>
7,788	29,340	271,864	67,045	22,302	510,086
92,593	86,885	-	-	-	437,886
<u>\$ 100,381</u>	<u>\$ 116,225</u>	<u>\$ 271,864</u>	<u>\$ 67,045</u>	<u>\$ 22,302</u>	<u>\$ 947,972</u>

City of Osseo
Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended December 31, 2016

	Capital Projects				
	Police Equipment (115)	Street Equipment (125)	Fire Equipment (120)	Facilities Fund (135)	Equipment Fund (110)
Revenues					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Tax increments	-	-	-	-	-
Special assessments	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Miscellaneous:					
Investment income	-	-	-	2,173	1,739
Contributions and donations	19,229	-	77,149	-	25,779
Other	-	-	-	-	-
Total revenues	<u>19,229</u>	<u>-</u>	<u>77,149</u>	<u>2,173</u>	<u>27,518</u>
Expenditures					
Current					
General government	-	-	-	-	-
Public safety	1,415	-	74,194	-	-
Culture and recreation	-	-	-	-	-
Economic development	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest and other charges	-	-	-	-	-
Capital outlay					
General government	-	-	-	10,118	-
Public safety	12,371	-	12,085	-	17,673
Public works	-	-	-	-	158,208
Culture and recreation	-	-	-	-	-
Total expenditures	<u>13,786</u>	<u>-</u>	<u>86,279</u>	<u>10,118</u>	<u>175,881</u>
Excess of revenues over (under) expenditures	5,443	-	(9,130)	(7,945)	(148,363)
Other Financing Sources (Uses)					
Transfers in	-	-	243	119,691	79,691
Transfers out	-	-	-	(82,875)	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>243</u>	<u>36,816</u>	<u>79,691</u>
Net change in fund balances	5,443	-	(8,887)	28,871	(68,672)
Fund Balances					
Beginning of year	<u>587</u>	-	<u>(1,662)</u>	<u>147,684</u>	<u>205,988</u>
End of year	<u>\$ 6,030</u>	<u>\$ -</u>	<u>\$ (10,549)</u>	<u>\$ 176,555</u>	<u>\$ 137,316</u>

Capital Projects

2014 Street Improvement (401)	2015 Street Improvement (402)	2017 Street Improvements (404)	EDA Capital Projects	Total	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 369,973
-	-	-	139,715	139,715	139,715
-	-	-	-	-	120,541
-	-	-	-	-	2,761
-	-	-	-	-	43,541
-	-	-	-	-	9,598
-	1,365	-	48	5,325	11,322
-	-	-	-	122,157	147,051
-	-	-	-	-	45,634
-	1,365	-	139,763	267,197	890,136
-	-	-	-	-	19,738
-	-	-	-	75,609	75,752
-	-	-	-	-	72,803
-	-	-	102,735	102,735	102,735
-	-	-	-	-	400,000
-	-	-	-	-	172,311
-	-	-	-	10,118	62,909
-	-	-	-	42,129	51,018
(686)	10,592	-	-	168,114	168,114
-	-	-	-	-	67,885
(686)	10,592	49,627	102,735	448,332	1,242,892
686	(9,227)	(49,627)	37,028	(181,135)	(352,756)
87,273	-	-	505,260	792,158	1,487,985
-	(137,986)	-	(505,260)	(726,121)	(802,521)
87,273	(137,986)	-	-	66,037	685,464
87,959	(147,213)	(49,627)	37,028	(115,098)	332,708
(78,177)	146,840	-	16,022	437,282	1,049,325
\$ 9,782	\$ (373)	\$ (49,627)	\$ 53,050	\$ 322,184	\$ 1,382,033

**City of Osseo
Combining Balance Sheet -
EDA Funds
December 31, 2016**

	<u>General Fund</u>	<u>Debt Service</u>		
	Economic Development Authority (801)	Bell Tower TIF (817)	TIF 2-9, 5 Central (836)	Public Project Lease Revenue Bonds 2014A (895)
Assets				
Cash and investments	\$ 669,876	\$ 277,970	\$ 1	\$ -
Taxes receivable - delinquent	-	-	-	-
Mortgages receivable	232,800	-	-	-
Interest receivable	87,040	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 989,716</u>	<u>\$ 277,970</u>	<u>\$ 1</u>	<u>\$ -</u>
Liabilities				
Accounts payable	\$ 3,901	\$ 1,072	\$ 20,676	\$ -
Due to other funds	-	-	610,993	-
Total liabilities	<u>3,901</u>	<u>1,072</u>	<u>631,669</u>	<u>-</u>
Deferred Inflows of Resources				
Unavailable revenue - mortgages	319,840	-	-	-
Total deferred inflows of resources	<u>319,840</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Restricted	-	276,898	-	-
Committed	665,975	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	(631,668)	-
Total fund balances	<u>665,975</u>	<u>276,898</u>	<u>(631,668)</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 989,716</u>	<u>\$ 277,970</u>	<u>\$ 1</u>	<u>\$ -</u>

Capital Projects

Total	Realife Co- op (806)	Celtic Crossing Condos (819)	Lancor Lyndes Inn (825)	Total	Total EDA Funds
\$ 277,971	\$ 31,220	\$ 56,696	\$ -	\$ 87,916	\$ 1,035,763
-	-	4,425	-	4,425	4,425
-	-	-	-	-	232,800
-	-	-	-	-	87,040
<u>\$ 277,971</u>	<u>\$ 31,220</u>	<u>\$ 61,121</u>	<u>\$ -</u>	<u>\$ 92,341</u>	<u>\$ 1,360,028</u>
\$ 21,748	\$ 29,680	\$ 1,668	\$ 7,926	\$ 39,274	\$ 64,923
610,993	-	-	17	17	611,010
<u>632,741</u>	<u>29,680</u>	<u>1,668</u>	<u>7,943</u>	<u>39,291</u>	<u>675,933</u>
-	-	-	-	-	319,840
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>319,840</u>
276,898	-	59,453	-	59,453	336,351
-	-	-	-	-	665,975
-	-	-	-	-	-
<u>(631,668)</u>	<u>1,540</u>	<u>-</u>	<u>(7,943)</u>	<u>(6,403)</u>	<u>(638,071)</u>
<u>(354,770)</u>	<u>1,540</u>	<u>59,453</u>	<u>(7,943)</u>	<u>53,050</u>	<u>364,255</u>
<u>\$ 277,971</u>	<u>\$ 31,220</u>	<u>\$ 61,121</u>	<u>\$ -</u>	<u>\$ 92,341</u>	<u>\$ 1,360,028</u>

City of Osseo
Combining Schedule of Revenues, Expenditures, and Changes
in Fund Balances - EDA Funds
Year Ended December 31, 2016

	<u>General Fund</u>	<u>Debt Service</u>		
	Economic Development Authority (801)	Bell Tower TIF (817)	TIF 2-9, 5 Central (836)	Public Project Lease Revenue Bonds 2014A (895)
Revenues				
Tax increments	\$ -	\$ 172,681	\$ 168,784	\$ -
Intergovernmental	1,060	-	-	-
Miscellaneous				
Investment income	7,105	3,056	-	-
Total revenues	<u>8,165</u>	<u>175,737</u>	<u>168,784</u>	<u>-</u>
Expenditures				
Current				
Economic development	21,502	12,133	38,694	-
Debt service				
Principal	-	-	45,000	-
Interest and other charges	-	-	53,744	-
Total expenditures	<u>21,502</u>	<u>12,133</u>	<u>137,438</u>	<u>-</u>
Excess of revenues over (under) expenditures	(13,337)	163,604	31,346	-
Other Financing Sources (Uses)				
Transfers in	-	-	400,119	-
Transfers out	<u>(35,000)</u>	<u>(187,783)</u>	<u>(419,386)</u>	<u>(9,934)</u>
Total other financing sources (uses)	<u>(35,000)</u>	<u>(187,783)</u>	<u>(19,267)</u>	<u>(9,934)</u>
Net change in fund balances	(48,337)	(24,179)	12,079	(9,934)
Fund Balances				
Beginning of year	<u>714,312</u>	<u>301,077</u>	<u>(643,747)</u>	<u>9,934</u>
End of year	<u><u>\$ 665,975</u></u>	<u><u>\$ 276,898</u></u>	<u><u>\$ (631,668)</u></u>	<u><u>\$ -</u></u>

Capital Projects

<u>Total</u>	<u>Realife Co- op (806)</u>	<u>Celtic Crossing Condos (819)</u>	<u>Lancor Lyndes Inn (825)</u>	<u>Scattered Site (826)</u>	<u>Total</u>	<u>Total EDA Funds</u>
\$ 341,465	\$ 63,348	\$ 53,794	\$ 22,573	\$ -	\$ 139,715	\$ 481,180
-	-	-	-	-	-	1,060
3,056	48	-	-	-	48	10,209
<u>344,521</u>	<u>63,396</u>	<u>53,794</u>	<u>22,573</u>	<u>-</u>	<u>139,763</u>	<u>492,449</u>
50,827	59,357	26,524	16,854	-	102,735	175,064
45,000	-	-	-	-	-	45,000
53,744	-	-	-	-	-	53,744
<u>149,571</u>	<u>59,357</u>	<u>26,524</u>	<u>16,854</u>	<u>-</u>	<u>102,735</u>	<u>273,808</u>
194,950	4,039	27,270	5,719	-	37,028	218,641
400,119	-	-	-	505,260	505,260	905,379
<u>(617,103)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(505,260)</u>	<u>(505,260)</u>	<u>(1,157,363)</u>
<u>(216,984)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(251,984)</u>
(22,034)	4,039	27,270	5,719	-	37,028	(33,343)
<u>(332,736)</u>	<u>(2,499)</u>	<u>32,183</u>	<u>(13,662)</u>	<u>-</u>	<u>16,022</u>	<u>397,598</u>
<u>\$ (354,770)</u>	<u>\$ 1,540</u>	<u>\$ 59,453</u>	<u>\$ (7,943)</u>	<u>\$ -</u>	<u>\$ 53,050</u>	<u>\$ 364,255</u>

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Report on Legal Compliance

Independent Auditor's Report

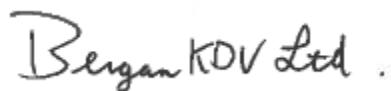
Honorable Mayor and Members
of the City Council
City of Osseo
Osseo, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Osseo, Minnesota as of and for the year ended December 31, 2016, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 27, 2017.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to *Minnesota Statute* § 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions and tax increment financing. Our audit considered all of the listed categories.

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

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.



Minneapolis, Minnesota
April 27, 2017

City of Osseo
Schedule of Findings and Responses on Legal Compliance

CURRENT AND PRIOR YEAR LEGAL COMPLIANCE FINDINGS

Develop Electronic or Wire Transfers Policies and Procedures

Minnesota Statutes 471.381 states if a city uses electronic funds transfers (EFT) to pay claims or make investments, electronic identifiers must be used to authenticate or validate this action was approved by the governing board. The City Council must also establish policies and procedures to ensure the validity of approvals. The Statutes provide the following controls relating to EFT as follows:

1. The City Council shall annually delegate the authority to make EFT to a designated business administrator.
2. The disbursing bank shall keep on file a certified copy of the delegation of authority.
3. The initiator of the EFT shall be identified.
4. The initiator shall document the request and obtain an approval from the designated business administrator before initiating the transfer.
5. A written confirmation of the transaction shall be made no later than one business day after the transaction and shall be used in lieu of a check, order check or warrant required to support the transaction.
6. A list of all transactions made by EFT shall be submitted to the City Council at its next regular meeting after the transaction.

For the year ended December 31, 2016, the City did not have established policies and procedures to ensure the validity of approvals or transactions.

City Response

Administration agrees with the finding and will establish formal EFT policies and procedures.

City of Osseo
Schedule of Findings and Responses on Legal Compliance

CURRENT AND PRIOR YEAR LEGAL COMPLIANCE FINDINGS (CONTINUED)

Authorize Interfund Loans to Tax Increment Financing Districts by Resolution

Minnesota Statutes requires a loan or advance be authorized by resolution of the governing body before money is transferred, advanced, or spent.

During our audit, we found there was no resolution in place authorizing advances or loans to finance TIF expenditures from the EDA Special Revenue Fund.

To be in compliance with *Minnesota Statutes*, the City should authorize any advance or loan for TIF district expenditures by resolution. The resolution may generally grant the City the power to make interfund loans under one or more TIF plans or for one or more districts. The terms and conditions for repayment of the loan must be provided in writing and include, at a minimum, the principal amount, the interest rate and maximum term.

City Response

Administration agrees with the finding and as part of a comprehensive review of tax increment activity will ensure City Council approval of any remaining interfund loans.

Public Purpose Expenditures

During our audit, we noted the City disbursed funds for funeral flower arrangements and three seats for the Mayor Prayer Breakfast during 2016. According to the League of Minnesota Cities informational memo, public money should generally be spent on an activity that will benefit the community as a body and that is directly related to functions of government. These expenditures do not qualify as public purpose expenditures.

City Response

Administration agrees with the finding and will ensure that public money is only spent on activity that will benefit the community as a body and that is directly related to functions of government.