

Comprehensive Annual Financial Report
for the year ended December 31, 2016

Finance Department

Joseph Huss

Finance Director

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I. INTRODUCTORY SECTION

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City of Blaine

Finance Department

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June 6, 2017

To the Honorable Mayor, Council Members, City Manager, and the Citizens of the City of Blaine:

Minnesota Statutes require that all cities issue an annual financial report on its financial position and activity prepared in accordance with generally accepted accounting principles (GAAP), and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants or the Office of the State Auditor. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of Blaine (the City) for the fiscal year ended December 31, 2016.

This report consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all of the financial information presented in this report. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls is designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Blaine's financial statements have been audited by Redpath and Company, Ltd., a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2016 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor, based upon the audit, concluded that the City's financial statements for the fiscal year ended December 31, 2016, are fairly presented in conformity with GAAP, and rendered an unmodified opinion stating so. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Blaine's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City, incorporated in 1964, is a second-ring suburban community of the Minneapolis-St. Paul metropolitan area in the eastern part of Minnesota. This area is considered to be the major population and economic growth area in the state, and among the highly ranked economic growth areas in the country. In terms of population, Blaine itself is one of the fastest growing communities in the metropolitan area. The City occupies a land area of 34.5 square miles and serves a population of 64,188 according to the most recent estimate prepared by the Twin Cities Metropolitan Council, a regional planning agency serving the seven-county metropolitan area of St. Paul and Minneapolis. The City is empowered to levy a property tax on both real and certain personal properties located within its boundaries. While it also is empowered by State Statute to extend its corporate limits by annexation, Blaine is bordered on all sides by other incorporated communities.

The City operates under the council-manager form of government. Policy-making and legislative authority are vested in a city council consisting of the mayor and six other members. The city council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the city manager. The city manager is responsible for carrying out the policies and ordinances of the council, for overseeing the day-to-day operations of the city government, and for appointing heads of the various departments. The council is elected on a non-partisan basis. Council members serve four-year staggered terms, with three council members elected every two years. The mayor is elected to serve a four-year term. All council members are elected by ward, two from each of the three wards within the City. The mayor is elected at large.

The City provides a full range of services, including police protection; the construction and maintenance of highways, streets, and other infrastructure; water and sewer services; and recreational activities and cultural events. Certain economic development services are provided through a legally separate Economic Development Authority that functions, in essence, as a department of the City and therefore has been included as an integral part of the City's financial statements.

Fire protection services are provided under a joint powers agreement by the Spring Lake Park – Blaine – Mounds View Fire Department, a private nonprofit Internal Revenue Code Section 501(c)(3) organization. Information on this joint powers agreement can be found in Note 14 in the notes to the financial statements.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City submit requests for appropriation to the City Manager in June of each year. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the council for review by September 15. The council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than December 28.

The appropriated budget is prepared by fund, department (i.e., administration), division (i.e., city clerk), and activity (i.e., elections). The City Manager may make transfers between activities, divisions, or departments. Transfers between funds must be approved by the City Council. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund, this comparison is presented on pages 40-41 as part of the basic financial statements for the governmental funds.

Local Economy

The City of Blaine is well positioned with a strong local economy. With a marketplace that has more than 3.5 million square feet of commercial development, the City serves as a regional retail center and is home to a variety of shopping malls. Northtown Mall, at nearly 1.1 million square feet, is the largest shopping mall in Anoka County and fifth largest in the Twin Cities metropolitan area. It is home to 110 stores and is 100% occupied.

Blaine also serves as the corporate headquarters for Aveda, a global plant-based cosmetic company and a subsidiary of Estee Lauder, a Fortune 500 company, and Infinite Campus, a privately held software developer and provider. Aveda, known worldwide as a strong supporter of the environment, resides on a 65-acre site that employs approximately 700 people; Infinite Campus, which serves over 2,000 school districts in 43 states with student information solution systems, employs about 400 people. Overall, the City has an employed labor force of roughly 35,000.

Blaine is also home to the National Sports Center (NSC), one of the elite amateur sports complexes in the world. The facility has been the host of hundreds of events throughout its existence such as the U.S. Olympic Festival and the International Special Olympics, and attracts over four million visitors annually. Schwan's Super Rink at the NSC, with four NHL-sized ice sheets and four Olympic-sized ice sheets, is the largest indoor ice facility in the world, and is the former training home for the U.S. Women's National Hockey team. The NSC campus also contains the Schwan Event Center, a 20,000 square-foot facility that provides indoor space for sports related uses such as soccer, baseball, and lacrosse, as well as space for special events such as community education and sports shows.

The Tournament Players Club (TPC) of the Twin Cities, located in Blaine, is one of 19 private golf courses owned and operated by the Professional Golf Association (PGA.) It is home to the annual 3M™ Championship which is part of the PGA Champions tour and annually attracts over 200,000 visitors to Blaine during its seven-day operation.

Blaine emerged from the latest economic downturn into a period of moderate to high residential growth. The City continues to add households at a rate well above the average for the region. For the seven years from 2010 through 2016, Blaine added 2,926 new housing units, ranking third in the Twin Cities metropolitan area, behind Minneapolis and Maple Grove. New growth is generally scattered among several planned areas in the City's "Lakes" neighborhood in the northeast area of Blaine. Annual housing growth is expected to continue at a pace of over 300 new housing units per year through 2018. Commercial and industrial development has also contributed to Blaine's tax base growth with over 1 million square-feet of new commercial and industrial space added over the past five years.

Long-term Financial Planning

With an expanding population base and continuing development, the City Council has identified significant capital projects that will provide the necessary infrastructure that will allow the City to continue to provide a high level of service to its growing constituency.

Blaine continued progress on its 20-year water utility capital improvement program in 2016. The program, adopted in 2003, will provide over \$60 million in improvements to the City's water system. Funding for the program is through a combination of capital reserve funds on hand and revenue supported bonds. In addition to upgrading existing wells and treatment plants, the plan calls for the addition of six new wells, two treatment plants and one storage tower. In 2016, work continued on adding new wells to service the City's northeast section – the last remaining virtually undeveloped area of the City.

Work also continued in 2016 with the City's comprehensive Pavement Management Plan (PMP). The PMP, implemented in 2010, is designed to maintain and rehabilitate city streets in a cost-effective manner. The PMP addresses both annual maintenance and regularly scheduled overlay and reconstruction of all city-maintained streets in Blaine. Initial efforts are concentrated on those streets that are most in need of improvements as rated by factors including condition of the pavement, maintenance costs and traffic volume. Based on these and other factors, a determination is made as to the type of improvement – pavement overlay, or complete reconstruction – that will be initiated. In 2016, in addition to completing nearly \$200,000 in seal-coat and overlay projects, Blaine completed \$2.6 million in reconstruction work under the PMP. Funding for the PMP comes from a combination of tax-levy supported debt and special assessments against improved property.

Relevant Financial Policies

Cash temporarily idle during the year was invested in money market instruments and US government agency obligations. Blaine's investment policy calls for the investment of public funds in a manner that will provide the highest investment return with minimum risk while meeting the daily cash flow demands of the City. For investments held at December 31, 2016, the time remaining until the investments' maturity ranged from 30 days to 9 years, with an average of 36 months remaining until maturity. The yield on investments maturing, called, or sold in 2016 ranged from a high of 5.92% to a low of .75%. The City's average return on investments in 2016 was 1.47%.

The City has actively worked to limit both its liability risk and insurance costs since 1993. The general liability of the City has been placed with the League of Minnesota Cities Insurance Trust. To limit its costs, the City has maintained a per-incident deductible of \$100,000 with an aggregate limit of \$200,000. These deductibles are funded from the Self-Insurance Internal Service Fund, which ended 2016 with a cash balance of \$801,737. The funding for this insurance program is a combination of property taxes and insurance rebates. The City's Workers' Compensation program includes statutory requirements. Accounting for Workers' Compensation resides in those funds that have permanent positions such as the General and Public Utilities Funds.

Major Initiatives

In 2016, the City initiated efforts to enhance citizen engagement and improve communications with Blaine constituents. Efforts included the beginning of a complete redesign of the City's website, enhanced public engagement through social media, improved e-commerce and payment options, and expanded financial reporting. The redesign of the City's website is an 18-month project that will not only bring a new look to Blaine's website, but will also offer improved navigability for website visitors. As part of the redesign project, social media applications such as Facebook and Twitter will be integrated with the website to give Blaine constituents a number of options to stay connected with day-to-day operations of the City.

In mid-2016, the City implemented its new Utility Billing program through its New World Utility Billing Software. This implementation is the culmination of over two years of effort to migrate data and utility billing functions for the City's 23,000 utility accounts from an outdated legacy system to a client-server environment. The switch to the New World system also improved Blaine's on-line payment system, allowing for a more streamlined payment system that interfaces directly with the City's bank accounts.

Also in 2016, Blaine began the project of providing web-based financial reporting through OpenGov, a Silicon Valley based provider of cloud-based software designed to make government information more accessible to the public. With full implementation scheduled in 2017, OpenGov is expected to provide the public with financial and budgeting information in an easy to understand format that allows the user to drill down to analytical data through graphs tables to get a deeper understanding of the City's financial operations.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the year ended December 31, 2015. This was the thirty-third consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized Comprehensive Annual Financial Report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

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

We wish to express our thanks to the Mayor and City Council for their leadership in conducting the operations of the City in a responsible and progressive manner. This appreciation is also extended to the City Manager and Department Heads for their continued interest and support in planning and conducting the financial operations of the City. Finally, we wish to express our thanks to the entire Finance Department staff for their efforts in assisting with this document. The preparation of this report would not have been possible without their efficient and dedicated services throughout the year.

Respectfully submitted,



Joe Huss
Finance Director



Bonnie Friedrich
Finance Supervisor of Accounting



Government Finance Officers Association

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

Presented to

**City of Blaine
Minnesota**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

December 31, 2015

Executive Director/CEO

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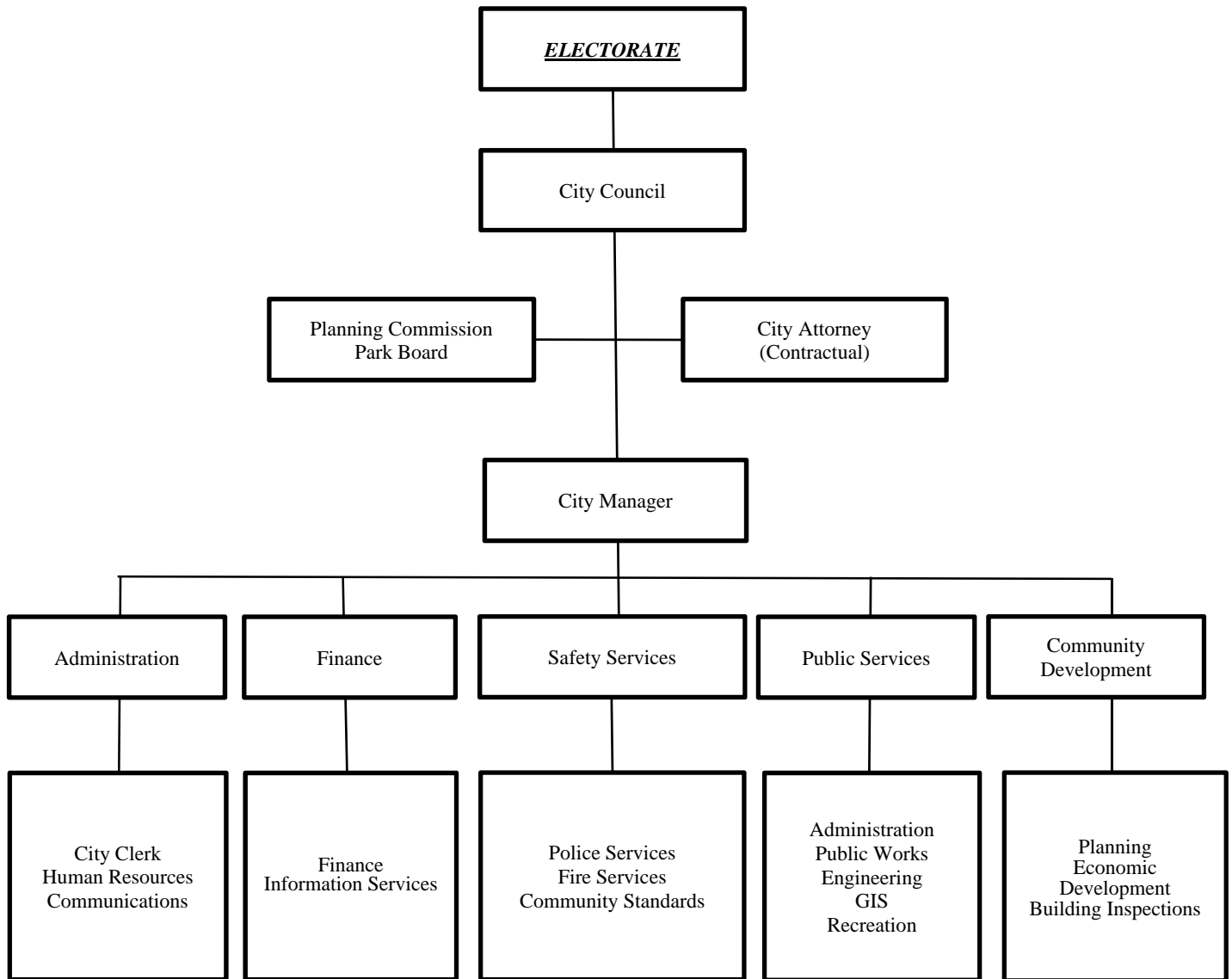


Legislative	Term Expires
<u>MAYOR</u>	
Thomas Ryan	December 31, 2016
<u>COUNCIL MEMBERS</u>	
Wes Hovland	December 31, 2018
Dick Swanson	December 31, 2016
Dave Clark	December 31, 2018
Mike Bourke	December 31, 2016
Jason King	December 31, 2018
Russ Herbst	December 31, 2016

Administrative	Date of Hire
<u>CITY MANAGER</u>	
Clark Arneson	February 25, 2008
<u>FINANCE DIRECTOR</u>	
Joseph J. Huss	July 17, 2003
<u>SAFETY SERVICES MANAGER/POLICE CHIEF</u>	
Christopher E. Olson	April 24, 1990
<u>PUBLIC SERVICES MANAGER</u>	
Robert E. Therres	May 21, 2001
<u>COMMUNITY DEVELOPMENT DIRECTOR</u>	
Bryan K. Schafer	June 2, 1986

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ORGANIZATIONAL CHART



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II. FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Blaine, 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 Blaine, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Blaine, Minnesota's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Blaine, 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.

Report on Summarized Comparative Information

We have previously audited the City of Blaine, Minnesota's 2015 financial statements, and we expressed an unmodified audit opinion on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated June 3, 2016. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedules of Proportionate Share of Net Pension Liability, the Schedules of Pension Contributions, and the Notes to the Required Supplementary Information on pages 19 through 27 and 86 through 90 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2017, on our consideration of the City of Blaine, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Blaine, Minnesota's internal control over financial reporting and compliance.

Redpath and Company, Ltd.

REDPATH AND COMPANY, LTD.
St. Paul, Minnesota

June 6, 2016

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Management's Discussion and Analysis

As management of the City of Blaine (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 3-6 of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$387,805,839 (net position). Of this amount, \$42,081,181 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position increased by \$5,679,810.
- As of the close of the fiscal year, the City's governmental funds reported combined ending fund balances of \$65,073,419, an increase of \$138,609 in comparison with the prior year. This increase is primarily due to increases in both the General and Parks Development funds, offsetting scheduled spending in the Debt Service and Tax Increment Financing funds.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$11,741,448, or 45 percent of the total general fund expenditures for 2016.
- The City's total long-term obligations increased by \$24,843,967 (46 percent) during the current year.

Overview of the Financial Statements

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

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

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

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, sanitation, recreation, and community development. The business-type activities of the City include water, sanitary sewer, storm sewer, and solid waste and recycling collection utilities, and senior housing.

The government-wide financial statements include not only the City itself, but also the Blaine Economic Development Authority (EDA), a legally separate entity that functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 31-33 of this report.

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



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

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

The City maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund, debt service fund, general capital projects fund, city improvement project fund, tax increment financing (TIF) fund, EDA capital projects fund, and parks development projects fund all of which are considered major funds. Data from the seven other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its general fund and its economic development authority, cable television and charitable gambling special revenue funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with adopted budgets.

The basic governmental fund financial statements can be found on pages 34-41 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its public utilities and senior housing operations. Internal service funds are an accounting device to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its self-insurance program and for compensated absences. Because both of these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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 public utilities and senior housing operations, both of which are considered to be major funds of the City. Conversely, both internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 42-44 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 45-83 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the basic financial statements. Combining and individual fund statements and schedules can be found on pages 95-112 of this report.



Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$387,805,839 at the close of the most recent fiscal year.

The largest portion of the City's net position (84 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure) less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Blaine's Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$75,171,913	\$76,355,512	\$24,885,132	\$24,508,797	\$100,057,045	\$100,864,309
Capital assets	212,921,633	205,726,800	141,930,841	136,308,320	354,852,474	342,035,120
Total assets	<u>\$288,093,546</u>	<u>\$282,082,312</u>	<u>\$166,815,973</u>	<u>\$160,817,117</u>	<u>\$454,909,519</u>	<u>\$442,899,429</u>
Deferred outflows						
Related to pensions	\$24,079,422	\$ -	\$ -	\$ -	\$24,079,422	\$ -
Long-term liabilities						
outstanding	\$75,944,233	\$50,696,962	\$3,321,480	\$3,724,784	\$79,265,713	\$54,421,746
Other liabilities	6,182,119	6,404,111	1,483,085	899,531	7,665,204	7,303,642
Total liabilities	<u>\$82,126,352</u>	<u>\$57,101,073</u>	<u>\$4,804,565</u>	<u>\$4,624,315</u>	<u>\$86,930,917</u>	<u>\$61,725,388</u>
Deferred inflows						
Related to pensions	\$4,252,185	\$ -	\$ -	\$ -	\$4,252,185	\$ -
Net position:						
Net investment in capital assets	\$184,116,741	\$177,880,191	\$140,579,589	\$134,964,831	\$324,696,330	\$312,845,022
Restricted	21,028,328	24,430,446	-	127,020	21,028,328	24,557,466
Unrestricted	20,649,362	23,622,590	21,431,819	21,100,951	42,081,181	44,723,541
Total net position	<u>\$225,794,431</u>	<u>\$225,933,227</u>	<u>\$162,011,408</u>	<u>\$156,192,802</u>	<u>\$387,805,839</u>	<u>\$382,126,029</u>

Net position was negatively impacted by \$18,047,448 at December 31, 2016 due to the implementation of this standard. Pension-related amounts included in the above schedule related to the standard are as follows:

Deferred outflows of resources	\$24,079,422
Deferred inflows of resources	(4,252,185)
Noncurrent liabilities	(37,874,685)
Total	<u>(\$18,047,448)</u>

A small portion of the City's net position (five percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$42,081,181) may be used to meet the government's ongoing obligations to citizens and creditors.

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

The City's net position increased \$5,679,810 during 2016. Accounting for most of this increase is the additional investment in capital assets of \$12.8 million; this increase was offset by the net decline in pension related items.

Business-type activities. Business-type activities increased the City's net position by \$5,818,606. The key element of this increase comes from increased investment in capital assets and infrastructure.



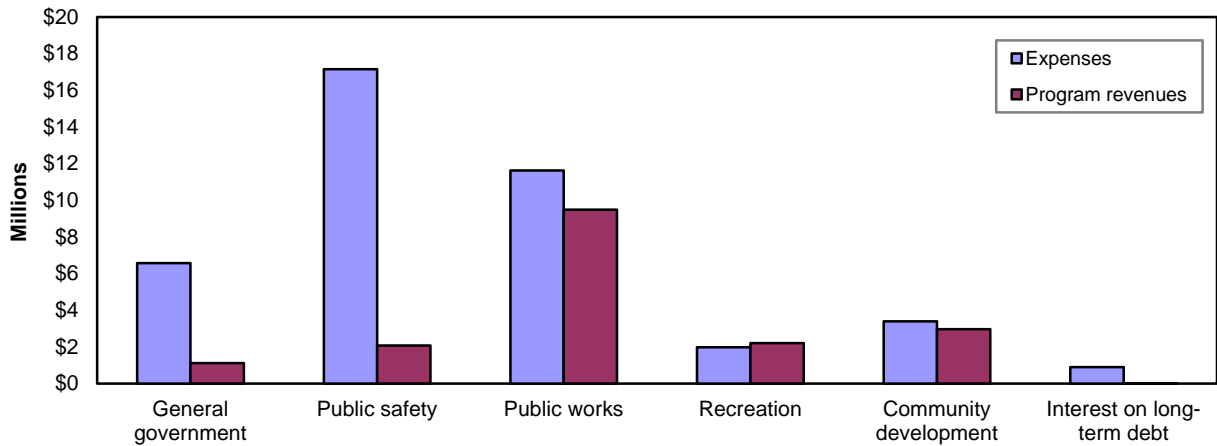
Governmental activities. Governmental activities decreased the City's net position by \$138,796 – about 2% of the overall growth in the government's net position. The following table provides additional detail regarding the City's increase in net position:

City's Changes in Net Position

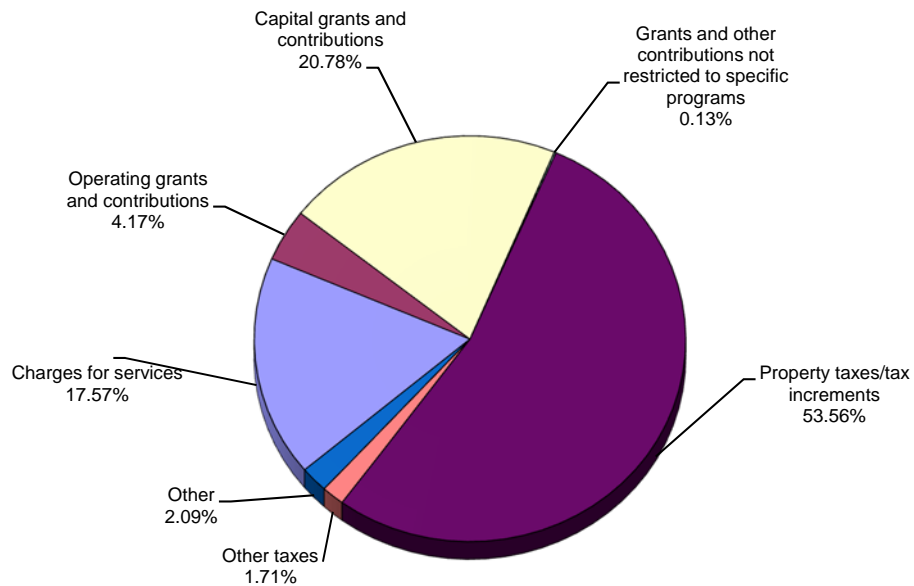
	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$7,235,611	\$6,563,701	\$15,204,825	\$14,155,399	\$22,440,436	\$20,719,100
Operating grants and contributions	1,752,314	1,712,865	178,129	174,206	1,930,443	1,887,071
Capital grants and contributions	8,740,426	12,886,036	4,741,102	4,904,786	13,481,528	17,790,822
General revenues:						
Property taxes	22,530,643	22,473,211	-	-	22,530,643	22,473,211
Other taxes	905,163	719,227	-	-	905,163	719,227
Grants and contributions not restricted to specific programs	55,140	52,273	-	-	55,140	52,273
Other	586,459	877,188	174,617	249,310	761,076	1,126,498
Total revenues	41,805,756	45,284,501	20,298,673	19,483,701	62,104,429	64,768,202
Expenses:						
General government	6,572,215	5,015,012	-	-	6,572,215	5,015,012
Public safety	17,147,242	13,244,373	-	-	17,147,242	13,244,373
Public works	11,624,746	8,760,413	-	-	11,624,746	8,760,413
Recreation	1,978,638	1,774,749	-	-	1,978,638	1,774,749
Community development	3,397,313	1,918,293	-	-	3,397,313	1,918,293
Interest on long-term debt	898,569	867,411	-	-	898,569	867,411
Water	-	-	3,901,263	3,511,261	3,901,263	3,511,261
Sewer	-	-	5,750,272	5,260,903	5,750,272	5,260,903
Storm drainage	-	-	1,192,106	1,143,131	1,192,106	1,143,131
Sanitation	-	-	3,962,255	3,342,484	3,962,255	3,342,484
Senior housing	-	-	-	621,770	-	621,770
Total expenses	41,618,723	31,580,251	14,805,896	13,879,549	56,424,619	45,459,800
Increase in net position before transfers	187,033	13,704,250	5,492,777	5,604,152	5,679,810	19,308,402
Transfers	(325,829)	11,130,958	325,829	(11,130,958)	-	-
Special item - gain on sale of senior housing	-	-	-	3,375,669	-	3,375,669
Increase in net position	(138,796)	24,835,208	5,818,606	(2,151,137)	5,679,810	22,684,071
Net position - 01/01	225,933,227	214,305,516	156,192,802	158,343,939	382,126,029	372,649,455
Prior period adjustment	-	(13,207,497)	-	-	-	(13,207,497)
Net position - 01/01 restated	225,933,227	201,098,019	156,192,802	158,343,939	382,126,029	359,441,958
Net position - 12/31	\$225,794,431	\$225,933,227	\$162,011,408	\$156,192,802	\$387,805,839	\$382,126,029



Expenses and Program Revenues – Governmental Activities

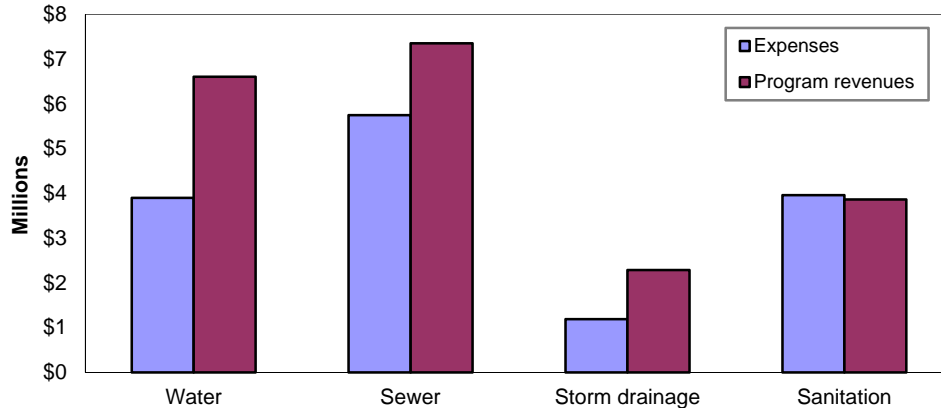


Revenues by Source – Governmental Activities

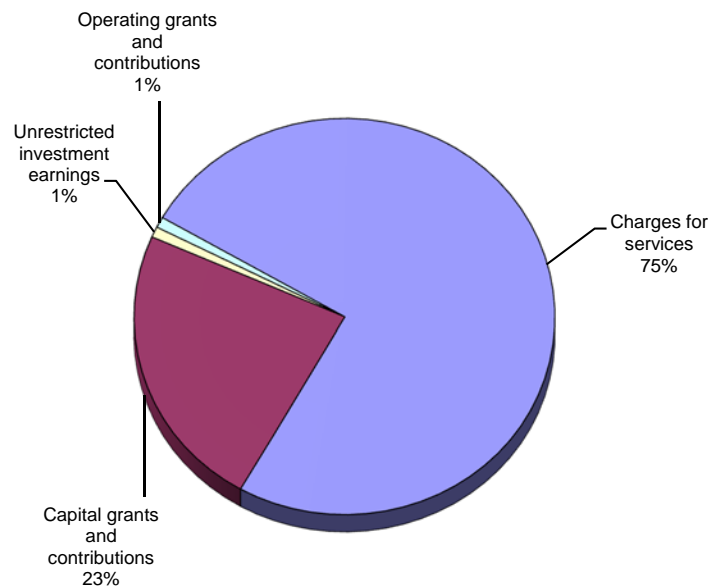




Expenses and Program Revenues – Business-type Activities



Revenues by Source – Business-type Activities



Financial Analysis of the Government’s Funds

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

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

As of the end of the current fiscal year, the City’s governmental funds reported combined ending fund balances of \$65,073,419, an increase of \$138,609 in comparison with the prior year. Approximately 60 percent of this total amount, or \$38,798,983, constitutes unrestricted fund balance, which is available for spending at the government’s discretion. The remainder of the fund balance is classified as either non-spendable because it has already been committed to liquidate contracts and purchase orders of the prior year (\$268,474); or restricted for 1) payment of debt service (\$11,099,103); 2) funding of qualified tax increment projects (\$14,565,604); or 3) contractual obligations or grant requirements (\$341,255.)



The general fund is the chief operating fund of the City. At the end of the current fiscal year, unrestricted, unassigned fund balance of the general fund was \$11,741,448 while total fund balance reached \$11,865,640. As a measure of the general fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 45 percent of the total general fund expenditures at the current fiscal year end.

The fund balance of the City's general fund increased \$801,279 during the current fiscal year. Key factors responsible for this increase were stronger than expected revenue collections from licenses and permits, and savings from favorable contractual prices for both fuels and snow/ice chemical supplies for treating streets.

The fund balance of the City's debt service fund was \$11,239,244, the entirety of which is restricted for the repayment of debt. The fund balance for debt service decreased \$1,234,668 during the current fiscal year. The key factor responsible for this decrease was the scheduled repayment of debt service obligations.

The fund balance of the City's general capital projects fund was \$10,816,764 at fiscal year-end, an increase of \$29,743 over the previous year. The key factor responsible for this increase was the receipt of debt proceeds used to fund the purchase of capital equipment.

The fund balance of the City's improvement projects fund was \$7,643,587 at fiscal year-end, an increase of \$663,743 over the previous year. The key factor responsible for this increase was the receipt of debt proceeds used to fund street improvement projects.

The fund balance of the City's tax increment financing (TIF) projects fund was \$14,565,604 at fiscal year-end, a decrease of \$1,410,110 over the previous year. The decrease in fund balance is attributable to the spending of pooled tax increment funds on approved projects.

The EDA capital projects fund ended the year with a fund balance of \$263,139, an increase of \$239,641 from the previous year-end. The increase was mainly the result of the sale of property held by the EDA for redevelopment.

The City's park development projects fund carried a negative fund balance of \$976,205 at fiscal year-end, an actual increase of \$1,051,795 over the previous year. The key factor for the increase was the receipt of nearly \$1.7 in park dedication funds collected from developers in 2016.

The fund balance in the City's other governmental funds was \$9,655,646 at fiscal year-end, a drop of just \$2,816 from the previous year. Additional information regarding activity in these funds can be found in statements 14 and 15 on pages 95 and 96 of this report.

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

The unrestricted portion of the public utilities fund's net position at the year-end was \$20,353,228. The growth in net position for the public utilities fund was \$5,391,185, due primarily to the acquisition of capital assets.

General Fund Budgetary Highlights

Actual total revenue exceeded final budgeted revenue by \$815,506 in the General Fund. Positive performances in the property tax (\$20,406), licenses and permits (\$657,248), intergovernmental (\$43,451), charges for services (\$160,245), and miscellaneous (\$112,632) categories more than offset lagging performances in fines and forfeits (\$50,040), and investment income (\$128,436). For expenditures, the key factor in bringing about a favorable budget variance was the transitional savings resulting from not filling vacant positions. Total expenditures were below budget by \$1.4 million and there were no individual areas that over-expended allotted appropriations. As a whole, revenues and other financing sources exceeded expenditures and other financing uses by \$801,279 for the year.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of December 31, 2016, amounts to \$354,852,474 per the Statement of Net Position (net of accumulated depreciation). This investment in capital assets includes land, buildings and structures, machinery and equipment, water distribution and sewage collection systems, infrastructure and construction in progress.



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

- Contributions totaling \$11,462,255 were received from developers in the form of streets, storm sewers, sanitary sewers, water mains, bridges, right-of-way, parkland and out-lots to be left as open space.
- Parkland acquisition and improvements to parks and trails during the year totaled approximately \$537,380.
- Equipment and vehicles of \$2,353,063 were purchased during the year.

City of Blaine's Capital Assets
(net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$121,315,794	\$116,340,584	\$2,475,666	\$2,475,666	\$123,791,460	\$118,816,250
Buildings and structures	32,227,827	32,119,067	5,430,876	5,583,339	37,658,703	37,702,406
Machinery and equipment	6,401,784	5,826,398	2,362,612	1,933,962	8,764,396	7,760,360
Distribution and collection system	-	-	106,655,629	102,567,196	106,655,629	102,567,196
Infrastructure	48,498,170	46,003,023	22,947,906	21,761,074	71,446,076	67,764,097
Construction in progress	4,478,058	5,437,728	2,058,152	1,987,083	6,536,210	7,424,811
Total	<u>\$212,921,633</u>	<u>\$205,726,800</u>	<u>\$141,930,841</u>	<u>\$136,308,320</u>	<u>\$354,852,474</u>	<u>\$342,035,120</u>

Additional information on the City's capital assets can be found in Note 6 on pages 62-63 of this report.

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$23,801,401	\$21,325,000	\$ -	\$ -	\$23,801,401	\$21,325,000
General obligation improvement bonds	8,010,000	7,845,000	-	-	8,010,000	7,845,000
General obligation revenue bonds	-	-	3,300,000	3,700,000	3,300,000	3,700,000
General obligation tax increment financing bonds	-	1,900,000	-	-	-	1,900,000
Total	<u>\$31,811,401</u>	<u>\$31,070,000</u>	<u>\$3,300,000</u>	<u>\$3,700,000</u>	<u>\$35,111,401</u>	<u>\$34,770,000</u>

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$35,111,401. Of this amount, \$8,010,000 was for general obligation improvement debt which has financed special assessment construction as part the continuing development within the City. There is also \$3,300,000 in outstanding utility revenue bonds that were issued to finance utility improvements including the construction of a water tower. The remaining \$23,801,401 is general obligation debt issued for the construction of a new fire station, to purchase capital equipment, to acquire open space within the City, to expand the City's public works facility, to add a garage at the City hall site to house fire trucks and apparatus, and to update equipment and improve the facilities of the City's cable television producer.

The City's total bonded debt increased by a net amount of \$341,401 (1%) during the current fiscal year, as scheduled principal repayments were offset by proceeds from debt issued in 2016.

The City's bond rating for all of its general obligation debt was affirmed at AA+ by Standard and Poor's Ratings Services in July 2016.

State statutes limit the amount of general obligation debt a Minnesota city may issue to 3 percent of the total estimated market value of property within the city. The current debt limit for the City is \$177,721,152. Of the City's \$35,111,401 in outstanding debt at the current fiscal year end, \$23,801,401 is subject to the restrictions placed by State Statute.

Additional information on the City's long-term debt can be found in Note 8 on pages 65-71 of this report.



Economic Factors and Next Year's Budget and Rates

- The City's unemployment rate ended the year at 3.4 percent, which compares favorably with the state unemployment rate of 3.9 percent, and the national unemployment rate of 4.7 percent.
- The number of City building permits issued in 2016 increased by 37, while the valuation of those permits issued in 2016 increased as well by \$29.9 million (17%) compared to 2015. A total of 3,920 permits with a total valuation of \$203,548,611 were issued in 2016. Activity in 2015 was at 3,883 permits with a valuation of \$173,626,259.

During the current fiscal year, total fund balance in the general fund increased \$801,279, while unassigned fund balance in the general fund increased by \$898,998, or 8%.

Water fees in the public utilities fund were last increased in 2003 for the 2004 fiscal year, but expectations are that those fees will increase in 2017/18. The current fees are based on a study completed in 2003 encompassing significant long-term improvements and additions to the water distribution and treatment systems that currently exist in the City. Two of those projects, the building of a new water storage tower and the construction of a fourth water treatment plant were completed in 2009. Construction of a fifth treatment plant, and continued expansion of the water system is expected within the next two years.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director, City of Blaine, 10801 Town Square Drive, Blaine, Minnesota 55449-8101.

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BASIC FINANCIAL STATEMENTS

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CITY OF BLAINE, MINNESOTA

STATEMENT OF NET POSITION

December 31, 2016

With Comparative Totals For December 31, 2015

Statement 1

	Primary Government			
	Governmental Activities	Business-Type Activities	Totals	
			2016	2015
Assets:				
Cash, cash equivalents, and pooled investments	\$67,141,748	\$17,594,749	\$84,736,497	\$84,915,196
Cash and investments with escrow agent	6,261,267	-	6,261,267	6,776,158
Delinquent taxes receivable	333,358	-	333,358	369,886
Tax increment receivable	1,709	-	1,709	1,857
Accounts receivable	194,864	3,211,884	3,406,748	2,994,450
Special assessments receivable	2,171,411	70,171	2,241,582	2,506,063
Intergovernmental receivable	526,222	63,170	589,392	794,283
Internal balances	(3,578,591)	3,578,591	-	-
Prepaid items and other assets	340,485	305,524	646,009	636,562
Loans receivable	548,528	-	548,528	562,726
Lease receivable	18,057	-	18,057	19,778
Accrued interest receivable	212,855	61,043	273,898	287,350
Notes receivable	1,000,000	-	1,000,000	1,000,000
Capital assets (net of accumulated depreciation):				
Land	121,315,794	2,475,666	123,791,460	118,816,250
Building and structures	32,227,827	5,430,876	37,658,703	37,702,406
Machinery and equipment	6,401,784	2,362,612	8,764,396	7,760,360
Distribution and collection system	-	106,655,629	106,655,629	102,567,196
Infrastructure	48,498,170	22,947,906	71,446,076	67,764,097
Construction in progress	4,478,058	2,058,152	6,536,210	7,424,811
Total assets	<u>288,093,546</u>	<u>166,815,973</u>	<u>454,909,519</u>	<u>442,899,429</u>
Deferred outflows of resources:				
Related to pensions	<u>24,079,422</u>	<u>-</u>	<u>24,079,422</u>	<u>2,959,867</u>
Liabilities:				
Accounts payable	515,559	638,944	1,154,503	777,970
Accrued liabilities	255,959	20,102	276,061	172,220
Deposits payable	4,749,568	5,500	4,755,068	4,679,863
Contracts payable	111,149	649,775	760,924	920,508
Intergovernmental payable	672	59,498	60,170	105,327
Bond interest payable	414,339	55,000	469,339	460,392
Unearned revenue	134,873	54,266	189,139	187,362
Noncurrent liabilities:				
Due within one year	3,739,553	418,305	4,157,858	11,233,465
Due in more than one year	<u>72,204,680</u>	<u>2,903,175</u>	<u>75,107,855</u>	<u>43,188,281</u>
Total liabilities	<u>82,126,352</u>	<u>4,804,565</u>	<u>86,930,917</u>	<u>61,725,388</u>
Deferred inflows of resources:				
Related to pensions	<u>4,252,185</u>	<u>-</u>	<u>4,252,185</u>	<u>2,007,879</u>
Net position:				
Net investment in capital assets	184,116,741	140,579,589	324,696,330	312,845,022
Restricted for:				
Debt service	6,220,058	-	6,220,058	8,355,408
Tax increment purposes	14,567,313	-	14,567,313	15,977,571
Public safety programs	126,281	-	126,281	94,082
Charitable gambling	114,676	-	114,676	130,405
Unrestricted	<u>20,649,362</u>	<u>21,431,819</u>	<u>42,081,181</u>	<u>44,723,541</u>
Total net position	<u>\$225,794,431</u>	<u>\$162,011,408</u>	<u>\$387,805,839</u>	<u>\$382,126,029</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BLAINE, MINNESOTA
STATEMENT OF ACTIVITIES
For The Year Ended December 31, 2016
With Comparative Totals For The Year Ended December 31, 2015

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>
		<u>Charges For Services</u>
Primary government:		
Governmental activities:		
General government	\$6,572,215	\$971,552
Public safety	17,147,242	982,801
Public works	11,624,746	181,796
Recreation	1,978,638	2,153,740
Community development	3,397,313	2,945,722
Interest on long-term debt	898,569	-
Total governmental activities	<u>41,618,723</u>	<u>7,235,611</u>
Business-type activities:		
Water	3,901,263	4,919,252
Sewer	5,750,272	5,345,374
Storm drainage	1,192,106	1,251,232
Sanitation	3,962,255	3,688,967
Senior housing	-	-
Total business-type activities	<u>14,805,896</u>	<u>15,204,825</u>
Total primary government	<u>\$56,424,619</u>	<u>\$22,440,436</u>

The accompanying notes are an integral part of these financial statements.

Program Revenues		Net (Expense) Revenue and Changes in Net Position Primary Government			
Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Totals	
				2016	2015
\$2,500	\$ -	(\$5,598,163)	\$ -	(\$5,598,163)	(\$3,952,713)
1,098,266	-	(15,066,175)	-	(15,066,175)	(11,155,670)
572,575	8,737,290	(2,133,085)	-	(2,133,085)	4,929,783
57,041	-	232,143	-	232,143	9,462
-	3,136	(448,455)	-	(448,455)	565,531
21,932	-	(876,637)	-	(876,637)	(814,042)
<u>1,752,314</u>	<u>8,740,426</u>	<u>(23,890,372)</u>	<u>0</u>	<u>(23,890,372)</u>	<u>(10,417,649)</u>
-	1,691,101	-	2,709,090	2,709,090	2,614,618
-	2,012,430	-	1,607,532	1,607,532	1,695,378
-	1,037,571	-	1,096,697	1,096,697	1,163,916
178,129	-	-	(95,159)	(95,159)	(140,381)
-	-	-	-	-	21,311
<u>178,129</u>	<u>4,741,102</u>	<u>0</u>	<u>5,318,160</u>	<u>5,318,160</u>	<u>5,354,842</u>
<u>\$1,930,443</u>	<u>\$13,481,528</u>	<u>(23,890,372)</u>	<u>5,318,160</u>	<u>(18,572,212)</u>	<u>(5,062,807)</u>
General revenues:					
Property taxes		22,314,153	-	22,314,153	22,277,346
Tax increments		216,490	-	216,490	195,865
Franchise taxes		759,592	-	759,592	585,647
Lodging taxes		4,419	-	4,419	3,904
Gambling taxes		141,152	-	141,152	129,676
Gain on sale of assets		128,607	-	128,607	103,850
Grants and contributions not restricted to specific programs		55,140	-	55,140	52,273
Unrestricted investment earnings		457,852	174,617	632,469	1,022,648
Transfers		(325,829)	325,829	-	-
Special item - gain on sale of senior apartments		-	-	-	3,375,669
Total general revenues, special items and transfers		<u>23,751,576</u>	<u>500,446</u>	<u>24,252,022</u>	<u>27,746,878</u>
Change in net position		<u>(138,796)</u>	<u>5,818,606</u>	<u>5,679,810</u>	<u>22,684,071</u>
Net position - January 1, as previously reported		225,933,227	156,192,802	382,126,029	372,649,455
Prior period adjustment		-	-	-	(13,207,497)
Net position - January 1, as restated		<u>225,933,227</u>	<u>156,192,802</u>	<u>382,126,029</u>	<u>359,441,958</u>
Net position - December 31		<u>\$225,794,431</u>	<u>\$162,011,408</u>	<u>\$387,805,839</u>	<u>\$382,126,029</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BLAINE, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2016
With Comparative Totals For December 31, 2015

	General Fund	Debt Service	General Capital Projects
Assets			
Cash and pooled investments	\$12,583,229	\$4,796,773	\$10,815,580
Cash and investments with escrow agent	-	6,261,267	-
Delinquent taxes receivable	266,383	44,912	-
Tax increments receivable	-	-	-
Accounts receivable	12,521	-	-
Special assessments receivable	-	840,243	48,301
Intergovernmental receivable	239,808	32,347	-
Prepaid items and other assets	22,427	140,141	-
Inventory	101,765	-	-
Loans receivable	-	-	-
Lease receivable	-	-	-
Notes receivable	-	-	-
Accrued interest receivable	34,918	10,514	36,145
Total assets	\$13,261,051	\$12,126,197	\$10,900,026
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities:			
Accounts payable	\$361,869	\$1,800	\$17,161
Accrued liabilities	251,765	-	-
Deposits payable	379,849	-	17,800
Contracts payable	-	-	-
Due to other governments	672	-	-
Interfund loans payable	-	-	-
Unearned revenue	134,873	-	-
Total liabilities	1,129,028	1,800	34,961
Deferred inflows of resources:			
Unavailable revenue	266,383	885,153	48,301
Total deferred inflows of resources	266,383	885,153	48,301
Fund balance:			
Nonspendable	124,192	140,141	-
Restricted	-	11,099,103	100,298
Committed	-	-	-
Assigned	-	-	10,716,466
Unassigned	11,741,448	-	-
Total fund balance	11,865,640	11,239,244	10,816,764
Total liabilities, deferred inflows of resources, and fund balance	\$13,261,051	\$12,126,197	\$10,900,026

Fund balance reported above

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

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

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue in the funds.

Internal service funds are used by management to charge the cost of insurance, compensated absences and pension benefits to individual funds.

The assets and liabilities of the internal service funds are included in the governmental statement of net position.

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

Net position of governmental activities

The accompanying notes are an integral part of these financial statements.

Statement 3

City Improvement Projects	Tax Increment Financing Projects	EDA Capital Projects	Park Development Projects	Other Governmental Funds	Total	
					2016	2015
\$12,072,894	\$14,500,206	\$263,055	\$1,560,593	\$8,103,623	\$64,695,953	\$64,681,392
-	-	-	-	-	6,261,267	6,776,158
19,614	-	-	-	2,449	333,358	369,886
-	1,709	-	-	-	1,709	1,857
-	-	-	126,000	50,664	189,185	244,730
1,268,929	-	-	-	13,938	2,171,411	2,429,251
251,957	-	-	-	2,048	526,160	610,838
-	-	-	-	4,141	166,709	157,108
-	-	-	-	-	101,765	64,803
-	-	-	-	548,528	548,528	562,726
-	18,057	-	-	-	18,057	19,778
-	-	-	-	1,000,000	1,000,000	1,000,000
33,527	55,365	84	5,452	28,748	204,753	210,380
<u>\$13,646,921</u>	<u>\$14,575,337</u>	<u>\$263,139</u>	<u>\$1,692,045</u>	<u>\$9,754,139</u>	<u>\$76,218,855</u>	<u>\$77,128,907</u>
\$30,489	\$4,568	\$ -	\$38,430	\$61,242	\$515,559	\$313,412
-	-	-	-	4,194	255,959	161,188
4,331,793	3,456	-	-	16,670	4,749,568	4,676,613
107,329	-	-	3,820	-	111,149	681,801
-	-	-	-	-	672	22
-	-	-	2,500,000	-	2,500,000	2,950,000
-	-	-	-	-	134,873	133,096
<u>4,469,611</u>	<u>8,024</u>	<u>0</u>	<u>2,542,250</u>	<u>82,106</u>	<u>8,267,780</u>	<u>8,916,132</u>
1,533,723	1,709	-	126,000	16,387	2,877,656	3,277,965
<u>1,533,723</u>	<u>1,709</u>	<u>0</u>	<u>126,000</u>	<u>16,387</u>	<u>2,877,656</u>	<u>3,277,965</u>
-	-	-	-	4,141	268,474	221,911
-	14,565,604	-	-	240,957	26,005,962	28,773,705
237,281	-	-	-	7,796,638	8,033,919	8,064,801
7,406,306	-	263,139	-	1,613,910	19,999,821	19,059,943
-	-	-	(976,205)	-	10,765,243	8,814,450
<u>7,643,587</u>	<u>14,565,604</u>	<u>263,139</u>	<u>(976,205)</u>	<u>9,655,646</u>	<u>65,073,419</u>	<u>64,934,810</u>
<u>\$13,646,921</u>	<u>\$14,575,337</u>	<u>\$263,139</u>	<u>\$1,692,045</u>	<u>\$9,754,139</u>	<u>\$76,218,855</u>	<u>\$77,128,907</u>
					\$65,073,419	\$64,934,810
					212,921,633	205,726,800
					2,877,656	3,277,965
					(18,951,397)	(13,839,223)
					<u>(36,126,880)</u>	<u>(34,167,125)</u>
					<u>\$225,794,431</u>	<u>\$225,933,227</u>

The accompanying notes are an integral part of these financial statements.

CITY OF BLAINE, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
For The Year Ended December 31, 2016
With Comparative Totals For The Year Ended December 31, 2015

	<u>General Fund</u>	<u>Debt Service</u>	<u>General Capital Projects</u>
Revenues:			
Property taxes	\$19,210,781	\$2,936,630	\$ -
Tax increments	-	-	-
Franchise taxes	-	140,141	-
Lodging taxes	-	-	-
Gambling taxes	-	-	-
Special assessments	-	331,188	206,248
Park dedication fees	-	-	-
Licenses and permits	2,645,153	-	-
Intergovernmental	1,380,951	225,261	-
Charges for services	4,270,595	-	13,600
Fines and forfeits	193,960	-	-
Interest earnings	74,064	22,110	64,127
Miscellaneous	221,132	-	38,785
Total revenues	<u>27,996,636</u>	<u>3,655,330</u>	<u>322,760</u>
Expenditures:			
Current:			
General government	4,220,165	-	-
Public safety	12,021,985	-	-
Public works	6,952,032	-	22,287
Recreation	1,106,714	-	56,507
Community development	1,518,617	-	-
Unallocated	405,844	-	-
Capital outlay:			
General government	-	-	51,751
Public safety	-	-	1,010,509
Public works	-	-	1,042,869
Recreation	-	-	24,234
Community development	-	-	5,696
Debt service:			
Principal	-	10,415,000	-
Interest	-	727,886	-
Issuance costs and fiscal charges	-	139,594	-
Total expenditures	<u>26,225,357</u>	<u>11,282,480</u>	<u>2,213,853</u>
Revenues over (under) expenditures	<u>1,771,279</u>	<u>(7,627,150)</u>	<u>(1,891,093)</u>
Other financing sources (uses):			
Transfers in	-	-	720,000
Transfers out	(970,000)	-	(200,000)
Issuance of bonds	-	5,490,000	1,220,000
Bond premium	-	902,482	102,540
Sale of capital assets	-	-	78,296
Total other financing sources (uses)	<u>(970,000)</u>	<u>6,392,482</u>	<u>1,920,836</u>
Net change in fund balance	801,279	(1,234,668)	29,743
Fund balance - January 1	11,064,361	12,473,912	10,787,021
Fund balance - December 31	<u>\$11,865,640</u>	<u>\$11,239,244</u>	<u>\$10,816,764</u>

The accompanying notes are an integral part of these financial statements.

Statement 4

City Improvement Projects	Tax Increment Financing Projects	EDA Capital Projects	Park Development Projects	Other Governmental Funds	Total	
					2016	2015
\$1,183	\$ -	\$ -	\$ -	\$202,084	\$22,350,678	\$22,298,991
-	216,639	-	-	-	216,639	198,272
-	-	-	-	619,451	759,592	585,647
-	-	-	-	4,419	4,419	3,904
-	-	-	-	141,152	141,152	129,676
305,801	-	-	-	3,136	846,373	1,372,464
-	-	-	1,671,787	-	1,671,787	1,258,705
-	-	-	-	-	2,645,153	2,223,602
1,496,852	-	-	-	37,354	3,140,418	4,368,687
-	-	-	-	445,338	4,729,533	4,629,041
-	-	-	-	83,579	277,539	258,261
65,361	121,276	168	12,773	82,996	442,875	743,940
60,301	-	-	100,702	16,057	436,977	578,536
<u>1,929,498</u>	<u>337,915</u>	<u>168</u>	<u>1,785,262</u>	<u>1,635,566</u>	<u>37,663,135</u>	<u>38,649,726</u>
-	-	-	-	727,285	4,947,450	4,813,924
-	-	-	-	300,525	12,322,510	11,665,706
20,022	-	-	52,257	-	7,046,598	7,070,819
-	-	-	24,273	-	1,187,494	1,208,346
-	63,021	-	-	703,392	2,285,030	2,074,982
-	-	-	-	-	405,844	400,826
-	-	-	-	5,288	57,039	20,894
-	-	-	-	-	1,010,509	873,284
5,798,593	-	-	295,389	-	7,136,851	3,826,704
-	-	-	241,992	-	266,226	2,039,724
-	1,534,071	65,116	-	-	1,604,883	98,384
-	-	-	260,556	-	10,675,556	3,422,744
-	-	-	59,000	-	786,886	955,062
-	-	-	-	-	139,594	6,825
<u>5,818,615</u>	<u>1,597,092</u>	<u>65,116</u>	<u>933,467</u>	<u>1,736,490</u>	<u>49,872,470</u>	<u>38,478,224</u>
<u>(3,889,117)</u>	<u>(1,259,177)</u>	<u>(64,948)</u>	<u>851,795</u>	<u>(100,924)</u>	<u>(12,209,335)</u>	<u>171,502</u>
566,063	-	-	200,000	-	1,486,063	12,898,848
-	(308,479)	-	-	(1,052)	(1,479,531)	(1,114,439)
3,485,000	-	-	-	-	10,195,000	-
501,799	-	-	-	-	1,506,821	-
-	157,546	304,589	-	99,160	639,591	103,850
<u>4,552,862</u>	<u>(150,933)</u>	<u>304,589</u>	<u>200,000</u>	<u>98,108</u>	<u>12,347,944</u>	<u>11,888,259</u>
663,745	(1,410,110)	239,641	1,051,795	(2,816)	138,609	12,059,761
6,979,842	15,975,714	23,498	(2,028,000)	9,658,462	64,934,810	52,875,049
<u>\$7,643,587</u>	<u>\$14,565,604</u>	<u>\$263,139</u>	<u>(\$976,205)</u>	<u>\$9,655,646</u>	<u>\$65,073,419</u>	<u>\$64,934,810</u>

The accompanying notes are an integral part of these financial statements.

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CITY OF BLAINE, MINNESOTA

**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS**

Statement 5

For The Year Ended December 31, 2016

With Comparative Amounts For The Year Ended December 31, 2015

	<u>2016</u>	<u>2015</u>
Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balances - total governmental funds (statement 4)	\$138,609	\$12,059,761
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	983,481	1,376,245
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.	6,211,352	9,435,784
Revenues in the statement of activities that do not provide current financial resources are reported as unavailable revenues in the funds. This is the change in unavailable revenue from the previous year.	(400,309)	(693,663)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(1,944,141)	3,468,576
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.	(15,614)	8,644
Internal service funds are used by management to charge the costs of insurance, pensions and compensated absences to individual funds. This amount is the portion of net revenue attributable to governmental activities.	<u>(5,112,174)</u>	<u>(820,139)</u>
Change in net position of governmental activities (Statement 2)	<u><u>(\$138,796)</u></u>	<u><u>\$24,835,208</u></u>

The accompanying notes are an integral part of these financial statements.

CITY OF BLAINE, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND

Statement 6

Page 1 of 2

For The Year Ended December 31, 2016

With Comparative Actual Amounts For The Year Ended December 31, 2015

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
	Revenues:				
Property taxes	\$19,190,375	\$19,190,375	\$19,210,781	\$20,406	\$18,697,327
Licenses and permits	1,932,605	1,987,905	2,645,153	657,248	2,223,602
Intergovernmental	1,337,500	1,337,500	1,380,951	43,451	1,379,641
Charges for services	4,110,350	4,110,350	4,270,595	160,245	4,084,718
Fines and forfeits	244,000	244,000	193,960	(50,040)	206,268
Investment income	202,500	202,500	74,064	(128,436)	114,234
Miscellaneous	108,500	108,500	221,132	112,632	181,887
Total revenues	27,125,830	27,181,130	27,996,636	815,506	26,887,677
Expenditures:					
General government:					
Council	100,580	100,580	100,895	(315)	99,353
Commissions and committees	17,910	17,910	17,108	802	18,831
Legal services	345,450	345,450	344,730	720	377,992
City manager	446,380	447,100	368,985	78,115	376,923
City clerk	383,650	385,090	385,289	(199)	277,972
Human resources	442,625	444,065	591,653	(147,588)	533,771
Finance	1,561,655	1,566,695	1,459,220	107,475	1,437,966
Information services	819,460	822,340	822,764	(424)	904,320
Communications	128,440	128,920	129,521	(601)	127,033
Total general government	4,246,150	4,258,150	4,220,165	37,985	4,154,161
Public safety:					
Safety services administration	821,480	824,210	802,829	21,381	772,720
Police professional standards	314,920	315,880	313,162	2,718	290,880
Police patrol	5,226,270	5,299,135	5,222,602	76,533	4,662,873
Police investigation	2,040,010	2,046,730	1,844,315	202,415	1,896,463
Police records	544,340	546,740	514,218	32,522	508,603
Crime prevention	219,500	220,460	220,747	(287)	214,046
Fire department	1,741,120	1,741,120	1,741,120	-	1,625,047
Community service	383,860	386,290	355,354	30,936	359,380
Community standards	1,082,780	1,088,060	1,007,638	80,422	928,755
Total public safety	12,374,280	12,468,625	12,021,985	446,640	11,258,767
Public works:					
Public services management	199,295	200,015	187,183	12,832	170,884
Public works	6,245,035	6,274,585	5,440,538	834,047	5,446,638
Engineering	1,134,760	1,154,060	1,116,590	37,470	1,098,560
GIS	216,290	217,250	207,721	9,529	206,191
Total public works	7,795,380	7,845,910	6,952,032	893,878	6,922,273

The accompanying notes are an integral part of these financial statements.

CITY OF BLAINE, MINNESOTA

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND**

For The Year Ended December 31, 2016

With Comparative Actual Amounts For The Year Ended December 31, 2015

Statement 6

Page 2 of 2

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
Recreation:					
Recreation	\$1,117,035	\$1,119,915	\$1,106,714	\$13,201	\$1,065,135
Community development:					
Planning	466,320	468,160	459,286	8,874	448,454
Economic development	-	-	-	-	1,295
Building inspections	996,990	1,056,940	1,059,331	(2,391)	951,549
Total community development	1,463,310	1,525,100	1,518,617	6,483	1,401,298
Unallocated:					
Unallocated	408,850	408,850	405,844	3,006	400,826
Total expenditures	27,405,005	27,626,550	26,225,357	1,401,193	25,202,460
Revenues over (under) expenditures	(279,175)	(445,420)	1,771,279	2,216,699	1,685,217
Other financing sources (uses):					
Transfers in	-	-	-	-	907
Transfers out	-	(970,000)	(970,000)	-	-
Total other financing sources (uses)	0	(970,000)	(970,000)	0	907
Net change in fund balance	(\$279,175)	(\$1,415,420)	801,279	\$2,216,699	1,686,124
Fund balance - January 1			11,064,361		9,378,237
Fund balance - December 31			\$11,865,640		\$11,064,361

The accompanying notes are an integral part of these financial statements.

CITY OF BLAINE, MINNESOTA

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

December 31, 2016

With Comparative Totals For Enterprise Funds For December 31, 2015

Statement 7

	Business-Type Activities Enterprise Funds		Governmental
	Public Utilities		Activities -
	2016	2015	Internal Service Funds
Assets:			
Current assets:			
Cash and cash equivalents	\$15,315,507	\$14,380,316	\$2,445,795
Restricted cash and cash equivalents for water revenue bond covenant accounts	2,279,242	3,169,851	-
Accounts receivable	3,211,884	2,747,647	5,679
Special assessments receivable	70,171	76,812	-
Intergovernmental receivable	63,170	183,445	62
Accrued interest receivable	61,043	67,619	8,102
Prepaid items	305,524	281,937	72,011
Total current assets	21,306,541	20,907,627	2,531,649
Noncurrent assets:			
Capital assets:			
Land	2,475,666	2,475,666	-
Buildings and structures	9,056,623	9,028,507	-
Machinery and equipment	7,066,485	6,297,541	-
Distribution and collection system	150,206,330	144,199,637	-
Infrastructure - storm sewers	29,390,314	27,879,481	-
Construction in progress	2,058,152	1,987,083	-
Total capital assets	200,253,570	191,867,915	0
Less: Allowance for depreciation	(58,322,729)	(55,559,595)	-
Net capital assets	141,930,841	136,308,320	0
Interfund loans receivable	2,500,000	2,950,000	-
Total noncurrent assets	144,430,841	139,258,320	0
Total assets	165,737,382	160,165,947	2,531,649
Deferred outflows of resources:			
Related to pensions	-	-	24,079,422
Liabilities:			
Current liabilities:			
Accounts payable	638,944	425,304	-
Accrued liabilities	20,102	11,032	-
Deposits payable	5,500	3,250	-
Compensated absences payable	-	-	88,000
Claims and judgments payable	-	-	151,553
Contracts payable	649,775	238,707	-
Intergovernmental payable	59,498	105,305	-
Accrued bond interest	55,000	61,667	-
Unearned revenue	54,266	54,266	-
Current portion of general obligation revenue bonds payable (net of amortization)	418,305	403,305	-
Total current liabilities	1,901,390	1,302,836	239,553
Noncurrent liabilities:			
Compensated absences payable	-	-	1,712,637
Claims and judgments payable	-	-	404,817
General obligation revenue bonds payable (net of amortization)	2,903,175	3,321,479	-
Net pension liability	-	-	37,874,685
Total noncurrent liabilities	2,903,175	3,321,479	39,992,139
Total liabilities	4,804,565	4,624,315	40,231,692
Deferred inflows of resources:			
Related to pensions	-	-	4,252,185
Net position:			
Net investments in capital assets	140,579,589	134,964,831	-
Restricted for debt service	-	127,020	-
Unrestricted	20,353,228	20,449,781	(17,872,806)
Total net position	160,932,817	\$155,541,632	(\$17,872,806)
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds	1,078,591		
Net position business-type activities	\$162,011,408		

The accompanying notes are an integral part of these financial statements.

CITY OF BLAINE, MINNESOTA
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET POSITION
 PROPRIETARY FUNDS

Statement 8

For The Year Ended December 31, 2016

With Comparative Totals For Enterprise Funds For The Year Ended December 31, 2015

	Business-Type Activities Enterprise Funds						Governmental
	Public Utilities		Senior Housing		Totals		Internal
	2016	2015	2016	2015	2016	2015	Service Funds
Operating revenues:							
Water sales	\$3,677,453	\$3,617,287	\$ -	\$ -	\$3,677,453	\$3,617,287	\$ -
Sewer charges	5,196,965	4,732,034	-	-	5,196,965	4,732,034	-
Refuse revenue	3,617,619	2,953,170	-	-	3,617,619	2,953,170	-
Storm drainage utility revenue	1,235,687	1,214,774	-	-	1,235,687	1,214,774	-
Rental charges	-	-	-	640,233	-	640,233	-
Employee benefit charges	-	-	-	-	-	-	2,154,774
Insurance reimbursements	-	-	-	-	-	-	632,931
Penalties	257,738	255,397	-	-	257,738	255,397	-
Permits	27,137	17,848	-	-	27,137	17,848	-
Retained fees	18,662	14,463	-	-	18,662	14,463	-
Connection charges	1,155,625	691,895	-	-	1,155,625	691,895	-
Other	17,939	15,450	-	2,848	17,939	18,298	-
Total operating revenues	15,204,825	13,512,318	0	643,081	15,204,825	14,155,399	2,787,705
Operating expenses:							
MWCC charges	3,383,244	3,120,398	-	-	3,383,244	3,120,398	-
Administrative charges	1,608,700	1,531,600	-	22,000	1,608,700	1,553,600	-
Salaries and benefits	1,606,793	1,453,968	-	-	1,606,793	1,453,968	6,324,540
Contractual services	4,550,908	3,718,206	-	452,916	4,550,908	4,171,122	1,267,242
Supplies	370,230	310,296	-	-	370,230	310,296	-
Water meters	251,567	113,759	-	-	251,567	113,759	-
Utilities	567,754	561,896	-	46,477	567,754	608,373	-
Taxes and assessments	-	-	-	100,377	-	100,377	-
Depreciation	2,763,135	2,610,058	-	-	2,763,135	2,610,058	-
Total operating expenses	15,102,331	13,420,181	0	621,770	15,102,331	14,041,951	7,591,782
Operating income (loss)	102,494	92,137	0	21,311	102,494	113,448	(4,804,077)
Nonoperating revenues (expenses):							
Intergovernmental	178,129	174,206	-	-	178,129	174,206	104,347
Interest earnings	174,617	249,864	-	(554)	174,617	249,310	14,977
Interest and fiscal charges	(130,986)	(146,468)	-	-	(130,986)	(146,468)	-
Total nonoperating revenues (expenses)	221,760	277,602	0	(554)	221,760	277,048	119,324
Income (loss) before transfers	324,254	369,739	0	20,757	324,254	390,496	(4,684,753)
Capital contributions - special assessments	1,184	30,155	-	-	1,184	30,155	-
Capital contributions - capital assets	5,072,279	5,528,082	-	-	5,072,279	5,528,082	-
Transfers out	(6,532)	(136,207)	-	(11,648,202)	(6,532)	(11,784,409)	-
Special item - gain on sale of senior apartments	-	-	-	3,375,669	-	3,375,669	-
Change in net position	5,391,185	5,791,769	0	(8,251,776)	5,391,185	(2,460,007)	(4,684,753)
Net position - January 1	155,541,632	149,749,863	-	8,251,776	155,541,632	158,001,639	(13,188,053)
Net position - December 31	\$160,932,817	\$155,541,632	\$0	\$0	\$160,932,817	\$155,541,632	(\$17,872,806)
Adjustment to reflect the consolidation of internal service activities related to enterprise funds					427,421		
Change in net position of business-type activities (Statement 2)					\$5,818,606		

The accompanying notes are an integral part of these financial statements.

CITY OF BLAINE, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

Statement 9

For The Year Ended December 31, 2016

With Comparative Totals For Enterprise Funds For The Year Ended December 31, 2015

	Business-Type Activities Enterprise Funds						Governmental
	Public Utilities		Senior Housing		Totals		Activities -
	2016	2015	2016	2015	2016	2015	Internal Service Funds
Cash flows from operating activities:							
Cash received from customers	\$14,740,588	\$13,439,200	\$ -	\$641,885	\$14,740,588	\$14,081,085	\$2,784,037
Deposits	2,250	(750)	-	18,984	2,250	18,234	-
Cash paid to supplies for goods and services	(5,185,144)	(4,630,519)	-	(620,353)	(5,185,144)	(5,250,872)	(3,047,092)
Cash paid to employees for services	(1,597,723)	(1,452,263)	-	-	(1,597,723)	(1,452,263)	(95,360)
Other transmission and distribution	(3,383,244)	(3,120,398)	-	-	(3,383,244)	(3,120,398)	-
Administrative charges	(1,608,700)	(1,531,600)	-	(22,000)	(1,608,700)	(1,553,600)	-
Net cash flows from operating activities	2,968,027	2,703,670	0	18,516	2,968,027	2,722,186	(358,415)
Cash flows from noncapital financing activities:							
Transfers out	(6,532)	(136,207)	-	(293,415)	(6,532)	(429,622)	-
Interfund loans - net change	450,000	(950,000)	-	-	450,000	(950,000)	-
Intergovernmental revenue	298,404	85,684	-	-	298,404	85,684	104,347
Net cash flows from noncapital financing activities	741,872	(1,000,523)	0	(293,415)	741,872	(1,293,938)	104,347
Cash flows from capital and related financing activities:							
Acquisition and construction of capital assets	(3,313,377)	(1,893,923)	-	-	(3,313,377)	(1,893,923)	-
Principal paid on revenue bonds	(400,000)	(385,000)	-	-	(400,000)	(385,000)	-
Net interest and fiscal charges paid on bonds	(140,958)	(155,387)	-	-	(140,958)	(155,387)	-
Special assessments	7,825	74,184	-	-	7,825	74,184	-
Proceeds from sale of capital assets	-	-	-	-	-	-	-
Proceeds from sale of senior apartments	-	-	-	10,481,257	-	10,481,257	-
Transfers out	-	-	-	(11,354,787)	-	(11,354,787)	-
Net cash flows from capital and related financing activities	(3,846,510)	(2,360,126)	0	(873,530)	(3,846,510)	(3,233,656)	0
Cash flows from investing activities:							
Investment earnings	181,193	273,256	-	4,945	181,193	278,201	16,226
Net increase (decrease) in cash and cash equivalents	44,582	(383,723)	0	(1,143,484)	44,582	(1,527,207)	(237,842)
Cash and cash equivalents - January 1	17,550,167	17,933,890	-	1,143,484	17,550,167	19,077,374	2,683,637
Cash and cash equivalents - December 31	\$17,594,749	\$17,550,167	\$0	\$0	\$17,594,749	\$17,550,167	\$2,445,795
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:							
Operating income (loss)	\$102,494	\$92,137	\$ -	\$21,311	\$102,494	\$113,448	(\$4,804,077)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:							
Depreciation	2,763,135	2,610,058	-	-	2,763,135	2,610,058	-
Changes in assets and liabilities:							
(Increase) decrease in accounts receivable	(464,237)	(45,068)	-	(1,196)	(464,237)	(46,264)	(3,668)
(Increase) decrease in prepaid items	(23,587)	(21,904)	-	5,333	(23,587)	(16,571)	60,703
(Increase) decrease in deferred outflows of resources	-	-	-	-	-	-	(21,119,555)
Increase (decrease) in accounts payable	213,641	(46,828)	-	(25,916)	213,641	(72,744)	(39,254)
Increase (decrease) in accrued liabilities	9,070	1,705	-	-	9,070	1,705	-
Increase (decrease) in deposits payable	2,250	(750)	-	18,984	2,250	18,234	-
Increase (decrease) in contracts payable	411,068	151,911	-	-	411,068	151,911	-
Increase (decrease) in deferred inflows of resources	-	-	-	-	-	-	2,244,306
Increase (decrease) in compensated absences	-	-	-	-	-	-	36,609
Increase (decrease) in claims and judgments	-	-	-	-	-	-	(21,933)
Increase (decrease) in intergovernmental	(45,807)	(9,541)	-	-	(45,807)	(9,541)	-
Increase (decrease) in deferred revenue	-	(28,050)	-	-	-	(28,050)	-
Increase (decrease) in net pension liability	-	-	-	-	-	-	23,288,454
Total adjustments	2,865,533	2,611,533	0	(2,795)	2,865,533	2,608,738	4,445,662
Net cash provided by operating activities	\$2,968,027	\$2,703,670	\$0	\$18,516	\$2,968,027	\$2,722,186	(\$358,415)
Noncash investing, capital and financing activities:							
Capital contributions from developers	\$4,739,918	\$4,874,631	\$ -	\$ -	\$4,739,918	\$4,874,631	\$ -
Capital contributions from government	332,361	653,451	-	-	332,361	653,451	-

The accompanying notes are an integral part of these financial statements.

Note 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Blaine (the City) was incorporated on November 3, 1964, with the adoption of a home rule charter. The City operates under a council-manager form of government and provides the following services: public safety (police, fire, emergency preparedness, and animal control), highways and streets, sanitation, parks and recreation, public improvements, planning and inspections, economic development, sanitary sewer and water, senior housing, and general administrative services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles, as applied to governmental units by the Governmental Accounting Standards Board (GASB). The City's significant accounting policies are described below.

A. REPORTING ENTITY

The City includes all funds, 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 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, certain organizations are presented in this report as follows:

BLENDED COMPONENT UNITS

Blended component units are reported as if they are part of the City. The only financial data requiring inclusion relates to the City of Blaine Economic Development Authority (EDA) and such data is included in this report. The governing board is the City Council, which reviews and approves tax levies and major economic development improvement activities. City general obligation tax increment financing bonds are issued to finance Economic Development Authority activities. Although the Economic Development Authority is legally separate from the City, the governing board is the City Council, a financial benefit or burden relationship exists between the EDA and the City. The EDA's sole purpose is to carry out certain economic development projects, which provide direct benefits to the City and its citizens. The EDA activity is included in the Economic Development Authority Special Revenue Fund, the Debt Service Fund, the Tax Increment Financing Projects Fund, the Economic Development Capital Projects Fund, and the Senior Housing Fund.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City allocates indirect expenses to functions 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 as general revenues.

FUND FINANCIAL STATEMENTS

The accounts of the City are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts, which comprise its assets, liabilities, net position/fund equity, revenues, and expenditures or expenses, as appropriate.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Funds are organized as major funds or nonmajor funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- 1) Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- 2) The same element of the individual governmental fund or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- 3) In addition, any other governmental or proprietary fund that the City believes is particularly important to financial statement users may be reported as a major fund.

The City reports the following major governmental funds:

General Fund – accounts for the City’s primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – accounts for resources accumulated and payments made for principal and interest on long-term debt.

General Capital Projects Fund – accounts for general capital improvements, not related to infrastructure, economic development, or tax increment.

City Improvement Projects Capital Projects Fund – accounts for the construction of streets, water mains, sanitary sewers, storm sewers, and other improvements that benefit property owners.

Tax Increment Financing Projects – accounts for the activities of the City’s tax increment financing projects.

EDA Capital Projects Fund – accounts for EDA financed acquisitions of land for future development or redevelopment and infrastructure needs related to redevelopment.

Park Development Projects Fund – accounts for contributions from developers, federal and state grants for park development, and the acquisition or construction of equipment and/or major capital facilities.

The City reports the following major enterprise funds:

Public Utilities – accounts for the operations and maintenance of the City’s water distribution, sewer collection, refuse and recycling collection, and storm water management systems.

Senior Housing Fund – accounts for the operations and maintenance of the City-owned senior housing buildings, Blaine Courts and Cloverleaf Courts. This fund was closed in 2015.

The City reports the following nonmajor governmental funds:

Special Revenue Funds – used to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted or committed to expenditures for specified purposes:

- Economic Development Authority
- Cable Television
- Charitable Gambling
- Police Grants
- Reimbursed Police Overtime
- Forfeited Property

Capital Projects Funds – used to account for financial resources to be used for the acquisition or construction of equipment and/or major capital facilities:

- Street Improvement Projects

In addition, the City reports the following fund types:

Internal Service Funds - used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis:

- Compensated Absences Fund
- Self-Insurance Fund
- Workers Compensation Fund
- Pension Benefits Fund

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide Statement of Net Position and Statement of Activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. 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 are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

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 public utility functions and

various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

FUND FINANCIAL STATEMENTS

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred; exceptions to the general rule include principal and interest on general long-term debt which is recognized when due.

Property tax and tax increment revenue is recognized in compliance with GASB Interpretation No. 5, *Property Tax Revenue Recognition in Governmental Funds*, issued in November 1998. Property tax revenue is recorded when it becomes available. Available means when due or delinquent and receivable within the current period and collectible within the current period, or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Soon enough thereafter shall not exceed 60 days.

Revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current period. In practice, current and delinquent special assessments collectible during the current period are recognized as revenue in the current period.

Intergovernmental aids and grants are recognized as revenues in the period the City is entitled to the resources, and the amounts are available. Amounts owed to the City which are not available are recorded as receivables and deferred inflows of resources. Amounts received prior to the entitlement period are recorded as unearned revenues.

Franchise taxes, licenses and permits, charges for services, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

Lodging taxes, gambling taxes, fines and forfeits, and investment earnings are recorded as earned since they are measurable and available.

The City reports unearned revenues on its governmental funds balance sheet. Unearned revenues arise when resources are received before the City has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when the City has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting and do not have a measurement focus.

The 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 Public Utilities and Senior Housing Funds are charges to customers for sales and services. Operating expenses for proprietary 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.

The preparation of financial statements in conformity with generally accepted accounting principles 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 and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

D. RECLASSIFICATIONS

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

E. COMPARATIVE TOTALS

The basic financial statements and combining and individual nonmajor fund financial statements include certain prior-year summarized comparative information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the City's financial statements for the year ended December 31, 2015, from which the summarized information was derived.

F. ASSETS, LIABILITIES AND NET POSITION OR EQUITY

DEPOSITS AND INVESTMENTS

Cash and cash equivalents are identified only for the purpose of the statement of cash flows reporting by the proprietary funds. The proprietary funds consider all highly liquid investments (including restricted assets) with a maturity of three months or less from the date of purchase to be cash equivalents.

The City is authorized by Minnesota Statutes Chapter 118A to invest in the following:

- a) Bonds, notes, bills, mortgages, and other securities, which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by Congress.
- b) State and local securities that consist of the following:
 - any security which is a general obligation of any state or local government with taxing powers which is rated "A" or better by a national bond rating agency;
 - any security which is a revenue obligation of any state or local government with taxing powers which is rated "AA" or better by a national bond rating agency; or
 - a general obligation of the Minnesota Housing Finance Agency which is a moral obligation of the State of Minnesota and is rated "A" or better by a national bond rating agency.
- c) Commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less.
- d) Time deposits that are fully insured by the Federal Deposit Insurance Corporation.
- e) Banker's acceptances of United States banks.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the

operating statement as increases or decreases in interest earnings. Investment income on commingled investments of municipal accounting funds is allocated based on average monthly balances. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit. Note 4 contains details of the City's investment policy.

RECEIVABLES AND PAYABLES

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund payables/receivables" (i.e. the current portion of the interfund loan) or "advances to/advances from other funds" (i.e. the non-current portion of interfund loans).

All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

All utility and property tax receivables are shown at a gross amount, since both taxes and utility receivables are assessable to the property and are collectible upon sale of the assessed property. The City expects to make full collection of its other receivables, so no allowance is considered necessary.

Property taxes are submitted to the County Auditor by December 28 of each year, to be levied on January 1 on property values assessed as of the same date. The tax levy notice is mailed in March with the first half due on May 15 and the second half due on October 15.

Unpaid taxes at December 31 become liens on the respective property and are classified in the financial statements as delinquent taxes receivable.

INVENTORIES AND PREPAID ITEMS

Inventory balances of governmental funds are recorded as expenditures at the time of purchase and then adjusted annually for any balances remaining. Inventory balances at year end were \$101,765, consisting of fuel stored on site and road salt for winter road maintenance. Inventories of the proprietary funds are valued at cost, which approximates market value, using the first in/first out (FIFO) method. The proprietary funds do not maintain material amounts of inventories.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. At year end these prepaid items totaled \$166,709 in the governmental funds, \$305,524 in the proprietary funds, and \$72,011 in the internal service funds. Prepaid items are reported using the consumption method and recorded as expenditures/expenses at the time of consumption.

CAPITAL ASSETS

Government-Wide Statements

In the government-wide financial statements, fixed assets and intangible assets such as easements and computer software are accounted for as capital assets. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (except for purchased permanent easements which is \$100,000) and an estimated useful life of more than one year. All capital assets are valued at historical cost, or estimated historical costs if actual amounts are unavailable. Donated capital assets are recorded at their acquisition value at the date of donation. Infrastructure assets constructed by developers and donated to the City are recorded at historical cost (if provided by the developer) or the estimated cost to construct the assets would the City have constructed them.

Prior to January 2003, infrastructure assets of governmental funds were not capitalized. Upon implementing GASB 34, governmental units are required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation. GASB 34 also requires retroactive reporting of all major general infrastructure assets. As of the year ended December 31, 2016, the City had included all infrastructure assets acquired by governmental funds from 1980 through 2016.

Property, plant, and equipment of the Public Utilities and Senior Housing Enterprise Funds are stated at historical cost or estimated market value on the date donated, less accumulated depreciation. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of assets constructed.

The City implemented GASB 51, *Accounting and Financial Reporting for Intangible Assets* effective January 1, 2010, which required the City to capitalize and amortize intangible assets. Pursuant to GASB Statement 51, in the case of initial capitalization of intangible assets, the City chose to include such items regardless of their acquisition date. The City had already accounted for computer software and temporary easements at historical cost and therefore retroactive reporting was not necessary. The City has elected not to report permanent easements acquired in years prior to 2010.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and structures	10 – 50 years
Machinery and equipment	2 – 20 years
Water distribution and sanitary sewer collection systems	10 – 100 years
Infrastructure assets	50 – 80 years

During 2011 the City changed the estimated useful life of its utilities infrastructure from 50 years to 80 years after an extensive inventory and video review of the system indicated less physical deterioration of the system than depreciation records indicated.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

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, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The government has one item that qualifies for reporting in this category. It is the pension related deferred outflows reported in the government-wide Statement of Net Position and the Proprietary Funds Statement of Net Position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has pension related deferred inflows of resources reported in the government-wide Statement of Net Position and the proprietary funds Statement

of Net Position. The government also has a type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental fund balance sheet. The governmental funds report unavailable revenues from the following sources: property taxes, special assessments, intergovernmental receivable, and accounts receivable.

COMPENSATED ABSENCES

Accrued liabilities for unused vacation and vested sick leave are reflected in the Compensated Absences Internal Service Fund.

Per City policy, employees are allowed to accumulate sick leave benefits and unused vacation days and to redeem the same upon retirement. Up to 120 days of sick leave benefits and 25 days of vacation can be accumulated. The amount of the benefit is determined by multiplying the employee's hourly pay rate by 100% of the vacation hours plus 33 1/3% of the unused sick hours for employees terminating after five years, 40% after ten years, or 50% after fifteen years of service. Payments for compensated absences will be made at rates in effect at the time of payment. The compensated absences liability at December 31, 2016, is determined on the basis of current salary rate and includes salary related obligations of the City.

LONG-TERM LIABILITIES

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term liabilities are reported as liabilities in the applicable governmental activities, business-type activities, and proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are recognized as expenses in the current period.

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.

FUND EQUITY

Government-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

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

The net position section includes an adjustment for capital assets owned by the business-type activities, but financed by debt of the governmental activities. The amount is a reduction of “net investment in capital assets,” and an increase in “unrestricted” net position, shown only in the total column.

Fund Financial Statements

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

Nonspendable - consists of amounts that are not in spendable form, such as prepaid items.

Restricted - consists of amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by State Statutory provisions.

Committed - consists of internally imposed constraints. These constraints are established by Resolution of the City Council.

Assigned - consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the City’s intended use. These constraints are established by the City Council and/or management. Pursuant to City Council Resolution, the City Manager and/or the Finance Director are authorized to establish assignments of fund balance.

Unassigned - is the residual classification for the general fund and also reflects negative residual amounts in other funds.

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 committed, assigned or unassigned resources are available for use, it is the City’s policy to use resources in the following order: 1) committed 2) assigned, and 3) unassigned.

G. DEFINED BENEFIT PENSION PLANS

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 additions to/deductions from PERA’s fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA’s fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.



Note 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. Elements of that reconciliation are detailed as follows:

Capital assets (net of depreciation)		\$212,921,633
Addition of unavailable revenues		2,877,656
Internal service funds		(18,951,397)
Liabilities:		
Bond interest payable		(414,339)
Loans payable		(2,049,950)
Gross bonds payable	(\$31,811,401)	
Less: issuance discount/(premium) (to be amortized as interest expense)	<u>(1,851,190)</u>	
Net bonds payable		<u>(33,662,591)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities.		<u><u>\$160,721,012</u></u>

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenues, expenditures and changes in fund balance includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

Capital assets transferred from/(to) business-type activities		(\$332,361)
Depreciation expense		(4,245,451)
Reported capital outlay expenditures	\$10,075,508	
Add: expenditures reported as current, but capitalized	110,696	
Less: expenditures reported as capital outlay, but not capitalized	<u>(4,624,911)</u>	
Net capital outlay		<u>5,561,293</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental funds.		<u><u>\$983,481</u></u>



Another element of that reconciliation states that “the net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.” The details of this difference are as follows:

In the statement of activities, the gain or loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the cost of the capital assets sold.	(\$510,984)
Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	<u>6,722,336</u>
Net adjustment to increase changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	<u><u>\$6,211,352</u></u>

Another element of that reconciliation states that “revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.” The details of this is as follows:

Unavailable revenue - general property taxes:	
At December 31, 2015	(\$369,886)
At December 31, 2016	333,358
Unavailable revenue - tax increments:	
At December 31, 2015	(1,857)
At December 31, 2016	1,709
Unavailable revenue - special assessments:	
At December 31, 2015	(2,429,251)
At December 31, 2016	2,171,411
Unavailable revenue - due from other governmental units:	
At December 31, 2015	(319,471)
At December 31, 2016	245,178
Unavailable revenue - other receivables:	
At December 31, 2015	(157,500)
At December 31, 2016	<u>126,000</u>
Net adjustment to decrease changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	<u><u>(\$400,309)</u></u>



Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this difference are as follows:

Debt issued or incurred:	
Issuance of general obligation improvement bonds	(\$8,975,000)
Issuance of general obligation equipment certificates	(2,181,401)
Add: discount/(premium) (net of current year amortization)	(1,463,296)
Principal repayments:	
Other liabilities	260,556
General obligation debt	<u>10,415,000</u>
Net adjustment to decrease changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	<u><u>(\$1,944,141)</u></u>

Another element of that reconciliation states that “some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this difference are as follows:

Accrued interest	<u>(\$15,614)</u>
Net adjustment to decrease changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	<u><u>(\$15,614)</u></u>
Compensated absences	\$14,080
Claims and judgments	(285,628)
Pension costs	(4,413,205)
ISF activity related to the enterprise funds	<u>(427,421)</u>
Net adjustment to decrease net change in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	<u><u>(\$5,112,174)</u></u>

Note 3 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGETARY INFORMATION

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general fund. Budgets are not legally required to be prepared, or adopted, for special revenue, debt service, or capital project funds, but are informally prepared in accordance with sound financial management policies. However, the City annually adopts a budget for the following three special revenue funds: Economic Development Authority, Cable Television and Charitable Gambling Funds. All annual appropriations lapse at fiscal year-end.

During the month of June, all departments and divisions of the City submit requests for appropriations to the City Manager so that a budget may be prepared. Before September 15, the proposed budget is presented to the City Council for review and preliminary approval. By September 15, the preliminary budget and tax levy must be submitted to the county auditor. The Council holds public hearings and a final budget and tax levy must be prepared, adopted, and submitted to the county auditor, no later than December 28.

The appropriated budget is prepared by fund, department, division, and activity. The City Manager may make transfers between activities, divisions, or departments. Transfers between funds must be approved by the City Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is at the fund level.

Note 4 DEPOSITS AND INVESTMENTS

The City’s cash and investments at December 31, 2016 were comprised of the following:

	<u>Carrying Value</u>	<u>Bank Balance</u>	<u>Associated Risks*</u>
Deposits	\$1,100,765	\$1,097,077	A
Cash with escrow agent	6,261,267	6,261,267	
Commercial paper	30,926,761	30,926,761	B
Brokered certificates of deposit	2,955,296	2,955,296	A, D
Federal agency securities	38,010,072	38,010,072	A, B, C, D
Municipal bonds	11,743,603	11,743,603	A, D
Total cash and investments	<u>\$90,997,764</u>	<u>\$90,994,076</u>	

*See descriptions of associated risks listed below.

Deposits in each local and area bank and each of the brokered certificates of deposit are insured by the FDIC in the amount of \$250,000. The City maintains collateral agreements with all its banks, and as such all deposits are covered by perfected collateral. At December 31, 2016, the banks had pledged various government securities in the amount of \$1,731,046 to secure the City’s deposits.

A. CUSTODIAL CREDIT RISK

Deposits – Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the City’s deposits may not be recovered. Minnesota Statutes require that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds (140% in the case of mortgage notes pledged).

Authorized collateral includes the legal investments described below, as well as certain first mortgage notes, and certain other state or local government obligations. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City Treasurer or in a financial institution other than that furnishing the collateral. As of December 31, 2016, the bank balance of the City’s deposits was covered by federal depository insurance or perfected collateral provided by the financial institution and held in the City’s name.



Investments – For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City 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’s investment policy requires that all investments, deposits and repurchase agreements be structured so that they are either:

- Insured or registered and held by the City or its agent in the City’s name, or
- Uninsured, unregistered and held by the counterparty’s trust department or agent in the City’s name.

At December 31, 2016, the City’s entire investment portfolio is in safekeeping in a custodial trust account at one institution.

B. CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City’s investment policy restricts investment instruments to those authorized by Minnesota Statutes 118A. This Statute requires investments in securities which are general obligations of any State or local government with taxing powers to be rated “A” or better by a nationally recognized bond rating organization. The municipal bonds purchased by the City were all rated “A” or better by Standard and Poor’s or Moody’s Investors Service. The City’s investments in money market funds and federal agency securities were rated AA- or better by Standard and Poor’s and Aa2 by Moody’s Investors Service and the commercial paper is rated A+ by Standard and Poor’s and A1 by Moody’s Investors Service.

C. CONCENTRATION OF CREDIT RISK

The City’s investment policy requires diversification of investments to eliminate the risk of loss resulting from over-concentration of assets in a specific maturity, a specific issuer or a specific class of securities. At December 31, 2016, investments in any one issuer that represent 5% or more of the City’s total investments were as follows:

Issuer	Investment Type	% of Portfolio
US Bank NA	Commercial Paper	34%
Federal Home Loan Bank	Federal agency security	18%
Federal National Mortgage Association	Federal agency security	19%
US Treasury State and Local Government	Federal agency security	7%

D. INTEREST RATE RISK

The City’s investment policy is to seek a market average rate of return throughout budgetary and economic cycles within the constraints of cash flow needs, stability of income and reasonable liquidity. The City manages its exposure to interest rate risk, i.e., the risk that changes in market interest rates will adversely affect the fair value of the City’s investment portfolio by timing the maturity dates of securities to meet anticipated cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. Additionally, the City purchases a combination of shorter term and longer term investments with diverse stated maturities and call features so that a portion of the portfolio is maturing evenly over time.

Information about the sensitivity of the fair value of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Fair Value	Remaining Maturity (in Years)			
		Less Than 1	1-5	6-10	Over 10
Federal Farm Credit Bank Notes*	\$2,485,090	\$ -	\$2,485,090	\$ -	\$ -
Federal Home Loan Bank Notes*	16,227,177	7,509,570	8,717,607	-	-
Fed. National Mortgage Assoc. Notes*	17,291,745	2,001,160	15,290,585	-	-
US Treasury State and Local Government (SLGS)	6,261,267	164,677	6,096,590	-	-
Tennessee Valley Authority	1,008,580	-	1,008,580	-	-
International	997,480	-	997,480	-	-
Municipal Bonds	11,743,603	791,375	10,452,173	500,055	-
Brokered Certificates of Deposit	2,955,296	994,120	1,961,176	-	-
Commercial Paper	30,926,761	30,926,761	-	-	-
Total	\$89,896,999	\$42,387,663	\$47,009,281	\$500,055	\$ -

*These securities are subject to call dates occurring in the next 1 to 60 months. For the purposes of this disclosure, it is assumed that investments will be held until maturity.

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. The hierarchy has three levels. Level 1 investments are valued using inputs that are based on quoted prices in active markets for identical assets. Level 2 investments are valued using inputs that are based on quoted prices for similar assets or inputs that are observable either directly or indirectly. Level 3 investments are valued using inputs that are unobservable.

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

Investment Type	Fair Value	Fair Value Measurement Using		
		Level 1	Level 2	Level 3
Investments at fair value:				
Federal Farm Credit Bank Notes	\$2,485,090	\$ -	\$2,485,090	\$ -
Federal Home Loan Bank Notes	16,227,177	-	16,227,177	-
Fed. National Mortgage Assoc. Notes	17,291,745	-	17,291,745	-
US Treasury State and Local Government (SLGS)	6,261,267	6,261,267	-	-
Tennessee Valley Authority	1,008,580	-	1,008,580	-
International	997,480	-	997,480	-
Municipal Bonds	11,743,603	-	11,743,603	-
Brokered Certificates of Deposit	2,955,296	-	2,955,296	-
Commercial Paper	30,926,761	-	30,926,761	-
Total	\$89,896,999	\$6,261,267	\$83,635,732	\$ -



Note 5 RECEIVABLES

Significant receivables balances not expected to be collected within one year of December 31, 2016 are as follows:

	Major Funds						Nonmajor and Other Funds	Total
	General	Debt Service	General Capital Projects	City Improvement Projects	Tax Increment Financing Projects	Public Utilities		
Accounts receivable	\$108,000	\$ -	\$ -	\$ -	\$ -	\$279,000	\$ -	\$387,000
Special assessments receivable	-	752,682	48,301	1,078,669	-	65,071	11,615	1,956,338
Delinquent property taxes	194,178	32,739	-	14,297	-	-	1,786	243,000
Tax increment receivable	-	-	-	-	1,709	-	-	1,709
Lease receivable	-	-	-	-	16,477	-	-	16,477
Loans receivable	-	-	-	-	-	2,050,000	492,771	2,542,771
Notes receivable	-	-	-	-	-	-	1,000,000	1,000,000
Total receivables	\$302,178	\$785,421	\$48,301	\$1,092,966	\$18,186	\$2,394,071	\$1,506,172	\$6,147,295

A. UNAVAILABLE REVENUES

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of unavailable revenue reported in the governmental funds were as follows:

	Major Funds					Nonmajor Funds	Total
	General	Debt Service	General Capital Projects	City Improvement Projects	Tax Increment Financing Projects		
Delinquent taxes receivable	\$266,383	\$44,912	\$ -	\$19,614	\$ -	\$2,449	\$333,358
Delinquent tax increments receivable	-	-	-	-	1,709	-	1,709
Delinquent special assessments receivable	-	47,719	-	49,900	-	-	97,619
Special assessments not yet due	-	792,524	48,301	1,219,029	-	13,938	2,073,792
MSA receivables	-	-	-	245,178	-	-	245,178
Accounts receivable	-	-	-	-	-	126,000	126,000
Total unavailable revenue	\$266,383	\$885,155	\$48,301	\$1,533,721	\$1,709	\$142,387	\$2,877,656

B. LOANS RECEIVABLE

The EDA authorized a loan to Woodco Pre-Finishing in lieu of a business loan through the Blaine Area Development Corporation. The loan has a term of 20 years with payments of principal and interest due monthly. At December 31, 2016, the receivable balance for this loan was \$17,759. This loan is reported in the Economic Development Authority nonmajor governmental fund.

Under the terms of the Home Improvement Loan Program, established in 1998, the EDA, through a third party administrator, issues home improvement loans to homeowners within the City that qualify. These loans vary in length and amount, with the maximums being \$25,000 over 20 years. At December 31, 2016, the receivable balance for these loans was \$520,969. All of these loans are reported in the Economic Development Authority nonmajor governmental fund net of a loss reserve of \$28,200.



The EDA authorized a loan in the amount of \$38,000, to Blaine Ulysses, LLC. The loan is to assist in the up-front demolition cost of a building in order to allow for further development of a parcel of property within the City. The loan is subject to repayment under any of the following conditions: 1) upon sale of the property from the developer to another entity, 2) commencement of development, or 3) June 30, 2018 if neither of the previous occurs. At December 31, 2016, the receivable balance for this loan was \$38,000. This loan is reported in the Economic Development Authority nonmajor governmental fund.

C. LEASE RECEIVABLE

The EDA has leased a parcel of land to the Tournament Players Club of the Twin Cities, LLC (the TPC), for use in the construction and operation of a portion of a private membership eighteen-hole golf course. The TPC will make annual lease payments until the expiration of the lease on June 14, 2048. At that time, the TPC has the option to purchase the leased property for the purchase price stated in the lease agreement. This lease is reported in the Tax Increment Financing Projects Fund.

The principal amounts remaining to be collected on the lease are as follows:

<u>Year Due</u>	<u>TPC</u>
2017-2021	\$6,710
2022-2026	4,379
2027-2031	2,858
2032-2036	1,865
2037-2041	1,217
2042-2046	794
2047-2048	<u>234</u>
Total	<u><u>\$18,057</u></u>

D. NOTES RECEIVABLE

In 2015, the EDA sold the Blaine Courts and Cloverleaf Courts Senior Apartment Buildings (Senior Buildings) to LaNel Financial Group, Inc. with a gross purchase price of \$10,650,000, which included a \$1,000,000 10-year promissory note. The terms of the promissory note consisted of zero interest or principal payments for the first five years, followed by a 4.25% interest rate per year and scheduled principal payments in years 6-10. This note is reported in the Economic Development Authority nonmajor governmental fund.

Amounts due under the loans, lease agreements, and notes have been recorded as receivables and as a restriction or commitment of fund balance in the funds indicated at December 31, 2016.

Note 6 CAPITAL ASSETS

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

	Beginning Balance	Transfers of Assets (to)/from Business-Type Activities	Increases	Decreases	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land and permanent easements	\$116,340,584	\$ -	\$5,482,877	(\$507,667)	\$121,315,794
Construction in progress	5,437,728	(332,361)	3,194,380	(3,821,689)	4,478,058
Total capital assets, not being depreciated	<u>121,778,312</u>	<u>(332,361)</u>	<u>8,677,257</u>	<u>(4,329,356)</u>	<u>125,793,852</u>
Capital assets, being depreciated:					
Buildings and structures	47,456,898	-	1,646,652	-	49,103,550
Machinery and equipment	21,409,160	-	1,816,611	(563,230)	22,662,541
Infrastructure	60,965,315	-	3,964,798	-	64,930,113
Total capital assets, being depreciated	<u>129,831,373</u>	<u>0</u>	<u>7,428,061</u>	<u>(563,230)</u>	<u>136,696,204</u>
Less accumulated depreciation for:					
Buildings and structures	(15,337,831)	-	(1,537,892)	-	(16,875,723)
Machinery and equipment	(15,582,762)	-	(1,237,908)	559,913	(16,260,757)
Infrastructure	(14,962,292)	-	(1,469,651)	-	(16,431,943)
Total accumulated depreciation	<u>(45,882,885)</u>	<u>0</u>	<u>(4,245,451)</u>	<u>559,913</u>	<u>(49,568,423)</u>
Total capital assets being depreciated - net	<u>83,948,488</u>	<u>0</u>	<u>3,182,610</u>	<u>(3,317)</u>	<u>87,127,781</u>
Governmental activities capital assets - net	<u>\$205,726,800</u>	<u>(\$332,361)</u>	<u>\$11,859,867</u>	<u>(\$4,332,673)</u>	<u>\$212,921,633</u>
Business-type activities:					
Capital assets, not being depreciated:					
Land	\$2,475,666	\$ -	\$ -	\$ -	\$2,475,666
Construction in progress	1,987,083	-	1,980,725	(1,909,656)	2,058,152
Total capital assets, not being depreciated	<u>4,462,749</u>	<u>0</u>	<u>1,980,725</u>	<u>(1,909,656)</u>	<u>4,533,818</u>
Capital assets, being depreciated:					
Buildings	9,028,507	-	28,115	-	9,056,622
Machinery and equipment	6,297,541	-	768,945	-	7,066,486
Distribution and collection system	172,079,118	332,361	7,185,166	-	179,596,645
Total capital assets, being depreciated	<u>187,405,166</u>	<u>332,361</u>	<u>7,982,226</u>	<u>0</u>	<u>195,719,753</u>
Less accumulated depreciation for:					
Buildings	(3,445,168)	-	(180,580)	-	(3,625,748)
Machinery and equipment	(4,363,579)	-	(340,294)	-	(4,703,873)
Distribution and collection system	(47,750,848)	-	(2,242,261)	-	(49,993,109)
Total accumulated depreciation	<u>(55,559,595)</u>	<u>0</u>	<u>(2,763,135)</u>	<u>0</u>	<u>(58,322,730)</u>
Total capital assets being depreciated - net	<u>131,845,571</u>	<u>332,361</u>	<u>5,219,091</u>	<u>0</u>	<u>137,397,023</u>
Business-type activities capital assets - net	<u>\$136,308,320</u>	<u>\$332,361</u>	<u>\$7,199,816</u>	<u>(\$1,909,656)</u>	<u>\$141,930,841</u>



Governmental activities:	
General government	\$803,936
Public safety	934,082
Public works, including depreciation of infrastructure	1,793,938
Recreation	710,387
Community development	3,108
Total depreciation expense - governmental activities	<u><u>\$4,245,451</u></u>
Business-type activities:	
Water	\$1,274,121
Sewer	1,108,265
Storm drainage	380,749
Total depreciation expense - business-type activities	<u><u>\$2,763,135</u></u>

In May 2015, the EDA sold the Blaine Courts and Cloverleaf Courts Senior Apartment Buildings (Senior Buildings) to LaNel Financial Group, Inc. with a gross purchase price of \$10,650,000 and net sales proceeds received totaling \$9,481,257, plus a \$1,000,000 note receivable, which resulted in a gain of \$3,375,669. In conjunction with the sale of the Senior Buildings, the City authorized the defeasance of outstanding debt on the Series 2006A General Obligation Tax Increment Refunding Bonds. Pursuant to bond covenants, the City will call for the redemption and prepayment of the bonds on February 1, 2016.

Note 7 INTERFUND LOANS, RECEIVABLES, PAYABLES AND TRANSFERS

Interfund loans receivable/payable balances at December 31, 2016 are as follows:

<u>Fund</u>	<u>Interfund Loan Receivable</u>	<u>Interfund Loan Payable</u>
Public Utilities	\$2,500,000	\$ -
Park Development Projects	-	2,500,000
Total	<u><u>\$2,500,000</u></u>	<u><u>\$2,500,000</u></u>

In 2014, the Public Utilities funds loaned the Park Development Projects fund \$2,000,000 for the construction of the Lexington Athletic Complex. In 2015, an additional loan installment of \$950,000 was provided from the Public Utilities funds. The final loan terms include annual 2% interest payments starting in 2015 and principle payments starting in 2016 and continuing through 2022. Principle of \$450,000 and interest of \$59,000 were paid from the Park Development Projects fund to the Utilities funds in 2016.



Individual fund due to/from other funds balances at December 31, 2016 are as follows:

Fund	Due From	Due To
Self-Insurance Fund	\$317,698	\$ -
Workers Compensation Fund	-	317,698
Total	<u>\$317,698</u>	<u>\$317,698</u>

Due to/from other funds are representative of lending/borrowing arrangements to cover deficit cash balances at the end of the fiscal year.

Interfund payables/receivables (internal balances) at December 31, 2016 are as follows:

Receivable Fund	Payable Fund	
Business-type activities	Governmental activities	<u>\$1,078,591</u>
Total government-wide statement		<u>\$1,078,591</u>

For the statement of net position, interfund (internal) balances which are owed within the governmental activities or business-type activities are netted and eliminated.

Interfund transfers through December 31, 2016 are as follows:

Transfers Out	General Capital Projects	City Improvement Projects	Park Development Projects	Total
General (1)(3)	\$720,000	\$250,000	\$ -	\$970,000
General Capital Projects (2)	-	-	200,000	200,000
Tax Increment Financing Projects (5)	-	308,479	-	308,479
Nonmajor Governmental Funds (4)	-	1,052	-	1,052
Public Utilities (6)	-	6,532	-	6,532
Total	<u>\$720,000</u>	<u>\$566,063</u>	<u>\$200,000</u>	<u>\$1,486,063</u>

Transfers were used for the following:

- (1) Adopted budget; General Fund to fund Sealcoat Projects
- (2) Per council approval General Capital Projects to fund Park Development and Improvements
- (3) Adopted Budget General Fund Reserves to Fund Capital Equipment
- (4) Close Old MSA Project Funds
- (5) Transfer funds from TIF fund to cover Street Realignment for TIF project area
- (6) Transfer Utility funding for various projects per council project approvals

Transfers are used to 1) move revenues from the fund with collection authorization to the debt service fund as debt service principal and interest payments become due, 2) to provide revenues to satisfy a deficit in a project fund after the project has been completed, 3) to distribute excess revenues from a fund in which the project has been completed

or the debt has been paid, 4) or to move general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

Note 8 LONG-TERM OBLIGATIONS

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
General obligation bonds payable:					
Capital improvement	\$17,470,000	\$7,040,000	\$5,630,000	\$18,880,000	\$910,000
Open space acquisition	600,000	-	295,000	305,000	305,000
Equipment certificates	3,255,000	2,181,401 *	820,000	4,616,401	725,000
Special assessment debt with government commitment	7,845,000	1,935,000	1,770,000	8,010,000	1,560,000
Tax increment financing	1,900,000	-	1,900,000	-	-
Add (subtract) deferred amounts for:					
(Discounts) premiums	387,894	1,506,821	43,525	1,851,190	N/A
Total bonds payable	<u>31,457,894</u>	<u>12,663,222</u>	<u>10,458,525</u>	<u>33,662,591</u>	<u>3,500,000</u>
Other liabilities:					
Compensated absences	1,764,028	134,949	98,340	1,800,637	88,000
Claims and judgments payable	578,303	226,529	248,462	556,370	151,553
ROW loan payable	1,093,250	-	-	1,093,250	-
KR Farm Land Holdings Land Purchase	1,217,256	-	260,556	956,700	-
Net pension liability	14,586,231	25,864,833	2,576,379	37,874,685	-
Total other liabilities	<u>19,239,068</u>	<u>26,226,311</u>	<u>3,183,737</u>	<u>42,281,642</u>	<u>239,553</u>
Total governmental activities long-term liabilities	<u>\$50,696,962</u>	<u>\$38,889,533</u>	<u>\$13,642,262</u>	<u>\$75,944,233</u>	<u>\$3,739,553</u>
Business-type activities:					
General obligation bonds payable:					
Water revenue bonds	\$3,700,000	\$ -	\$400,000	\$3,300,000	\$415,000
Add (subtract) deferred amounts for:					
(Discounts) premiums	24,784	-	3,304	\$21,480	3,305
Total business-type activities long-term liabilities	<u>\$3,724,784</u>	<u>\$0</u>	<u>\$403,304</u>	<u>\$3,321,480</u>	<u>\$418,305</u>

*Notes issued by the City of Circle Pines on behalf of the North Metro Telecommunications Commission, of which the City is a member. No proceeds were received by the City at the time of issuance. The City's liable portion of the notes is \$961,401. See additional discussion regarding this issuance on page 67.

Compensated absences, unpaid vacation and sick leave, for both governmental and proprietary fund types, are accounted for in the Compensated Absences Internal Service Fund.

Claims and judgments payable and accrued insurance claim deductibles, for governmental and proprietary fund types, are accounted for in the Self-Insurance Internal Service Fund.

In November 2006, the City entered into a non-interest bearing loan agreement with the Metropolitan Council for the purpose of acquisition of property within a proposed state trunk highway right-of-way. Under the terms of the loan agreement, the Metropolitan Council will loan the City up to a maximum of \$1,093,250 for the cost of the right-of-way parcel and related closing and acquisition costs. The loan agreement will remain in force until the loan

has been discharged. The City acquired the designated right-of-way parcel on November 28, 2006, at a cost of \$1,054,000 and incurred additional closing and acquisition costs of \$39,250, related to the purchase, which comprise the total outstanding loan balance. The City shall hold the right-of-way parcel until such a time that the state trunk highway is reconstructed at which time the parcel will be sold to the authority authorized to construct the highway, at the same price for which the parcel was purchased. The City will then repay the Metropolitan Council \$1,093,250, the outstanding balance of the loan.

In April 2012, the City acquired 38 acres of land, within the city limits of Blaine, from KR Farm Land Holdings, LLC (the Seller) for \$2,200,000. Payment terms were: \$800,000 cash paid at closing and \$1,400,000 in development credits provided to the Seller in the form of reduced development costs ordinarily charged by the City, including Park Dedication Fees and Water Access Charges on adjacent property owned by the Seller. These credits will be released at the time when such property is developed. In 2016, \$260,556 of Park Dedication Fees and Water Access Charges were released. As of December 31, 2016, the balance of outstanding credits available to the Seller is \$956,700.

A. GENERAL OBLIGATION DEBT

The City issues general obligation bonds to provide for the acquisition of capital assets, the acquisition of open space within the City, the construction of infrastructure, and economic development and redevelopment. General obligation bonds have been issued for both governmental and business-type activities. The original amount of general obligation bonds issued in prior years with amounts outstanding at year end was \$50,131,401. During the year, the City issued general obligation bonds totaling \$10,195,000.

At December 31, 2016, the City had the following general obligation bonds outstanding:

	Interest Rates	Date	Final Maturity Date	Original Issued	Payable 12/31/2016
General Obligation Bonds:					
2007A GO Capital Improvement	3.75% - 4.0%	11/15/2007	2/1/2028	\$9,700,000	\$6,940,000
2013A GO Capital Improvement Refunding	1.0% - 2.0%	5/30/2013	2/1/2026	4,900,000	4,900,000
2016A GO Improvement & Refunding	2.0%-5.0%	8/17/2016	2/1/2027	1,550,000	1,550,000
2016A GO Improvement & Refunding	2.0%-5.0%	8/17/2016	2/1/2028	5,490,000	5,490,000
				<u>21,640,000</u>	<u>18,880,000</u>
General Obligation Refunding:					
2010 A GO Open Space Refunding Bonds	2% - 2.5%	8/1/2010	2/1/2017	1,720,000	305,000
				<u>1,720,000</u>	<u>305,000</u>
General Obligation Equipment Certificates:					
2011A GO Fire Equipment Certificates	.5% - 1.45%	11/1/2011	2/1/2017	1,555,000	315,000
2014B GO Equipment Certificates	2.00%	12/30/2014	2/1/2021	2,515,000	2,120,000
2016A GO Improvement & Refunding	2.0%-4.0%	8/17/2016	2/1/2022	1,220,000	1,220,000
2016A GO Capital Notes	2.00%	4/14/2016	2/1/2026	961,401	961,401
				<u>6,251,401</u>	<u>4,616,401</u>
General Obligation Special Assessment Debt with Government Commitment:					
2008B GO Improvement	3.375% - 4.0%	12/15/2008	2/1/2018	4,140,000	745,000
2012A GO Improvement	0.4% - 2.0%	5/30/2012	2/1/2023	1,970,000	800,000
2012B GO Improvement	0.5% - 1.45%	5/30/2012	2/1/2020	2,975,000	1,650,000
2014A GO Improvement	2.0% - 3.0%	8/1/2014	2/1/2025	3,245,000	2,880,000
2016A GO Improvement & Refunding	2.0%-5.0%	8/17/2016	2/1/2027	1,935,000	1,935,000
				<u>14,265,000</u>	<u>8,010,000</u>
				<u>\$43,876,401</u>	<u>\$31,811,401</u>
Business-type activities:					
2008A GO Water Revenue	3.0%-4.0%	6/1/2008	2/1/2023	\$6,255,000	\$3,300,000

Principal and interest maturity schedule for outstanding bonds is as follows:

Years	Governmental Activities			
	General Obligation Debt		Special Assessment Debt with Government Commitment	
	Principal	Interest	Principal	Interest
2017	\$1,940,000	\$710,493	\$1,560,000	\$197,667
2018	7,744,641	558,403	1,425,000	166,148
2019	1,829,641	403,964	1,095,000	137,250
2020	1,867,334	364,994	1,055,000	113,616
2021	1,910,027	314,046	495,000	93,497
2022	1,527,720	261,518	510,000	77,138
2023	1,287,720	213,863	510,000	60,137
2024	1,345,413	166,532	455,000	43,300
2025	1,398,106	116,897	465,000	26,356
2026	1,445,799	69,158	215,000	13,300
2027	835,000	30,100	225,000	4,500
2028	670,000	6,700	-	-
Total	<u>\$23,801,401</u>	<u>\$3,216,668</u>	<u>\$8,010,000</u>	<u>\$932,909</u>

Years	Business-Type Activities	
	General Obligation Debt	
	Principal	Interest
2017	\$415,000	\$123,700
2018	430,000	106,800
2019	450,000	89,200
2020	470,000	70,800
2021	490,000	51,600
2022	510,000	31,600
2023	535,000	10,700
Total	<u>\$3,300,000</u>	<u>\$484,400</u>

All general obligation bonds payable are backed by the full faith and credit of the City. Bonds in the governmental activities will be retired by future property tax levies, tax increments, or special assessments accumulated by the debt service fund. In the event that a deficiency exists because of unpaid or delinquent tax increments or special assessments at the time a debt service payment is due, the City must provide resources to cover the deficiency until other resources are received. Delinquent tax increments in the governmental funds at December 31, 2016, were \$1,709; delinquent special assessments in the governmental funds at December 31, 2016 were \$97,619, which is included in the special assessments receivable balance of \$2,171,411.

In April 2016, the City of Circle Pines issued \$1,785,000 of General Obligation Capital Notes, Series 2016A, with an interest rate of 2.0%, on behalf of the North Metro Telecommunications Commission (the Commission), of which the City is a member. Based on the City's membership percentage at the time of the issuance, the City's liable portion of the notes is \$961,401. Principal shall be paid on February 1, 2018 and

each February 1 thereafter to and including February 1, 2026. Interest shall be paid on February 1, 2017 and each February 1 and August 1 thereafter to and including February 1, 2026. Payments are payable from franchise fee revenue paid to the City in accordance with the joint venture agreement with the Commission. Additionally, as these notes are general obligation notes, they are backed by the full faith and credit of the City for its liable portion. In the event that a deficiency exists because of shortages in franchise fee revenue at the time a debt service payment is due, the City must provide resources to cover the deficiency until other resources are received as through property taxes. At December 31, 2016, the principal amount outstanding on the note was \$1,785,000 and the City's outstanding liable portion was \$961,401.

In May 2015, the EDA sold the Blaine Courts and Cloverleaf Courts Senior Apartment Buildings (Senior Buildings) to LaNel Financial Group, Inc. In conjunction with the sale of the Senior Buildings, the City authorized the call of outstanding debt on the Series 2006A General Obligation Tax Increment Refunding Bonds. Pursuant to bond covenants, the City called for the redemption and prepayment of the bonds on February 1, 2016. Funding for the prepayment in the amount of \$1,970,703 came from the proceeds of the sale of the Senior Buildings and was placed in the escrow account in advance of the call date and included all remaining interest and principal payments.

B. ADVANCED CROSSOVER REFUNDINGS

On August 17, 2016, the City issued \$10,195,000 in General Obligation Capital Improvement Refunding Bonds, Series 2016A, with an average interest rate of 3.93%, of which \$5,490,000 will be used to advance refund \$6,010,000 of outstanding 2007A Series Bonds with an average interest rate of 3.98%. The net proceeds of \$6,261,266 were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for the interest on the refunding bonds before the crossover date and called principal on the refunded bonds on February 1, 2018.

The City advance refunded the 2007A General Obligation Capital Improvement Bonds to reduce its total debt service payments of the last ten years of the bond by \$682,558 and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$632,278. The City is responsible for the debt service of the refunded bonds and the debt service of the refunding bonds after the crossover date. The debt service of the refunding bonds before the crossover date is payable from the escrow account. Assets held with escrow agent, related to this refunding, total \$6,261,267 at December 31, 2016.

The crossover refunding schedule for the 2016A series bonds is as follows:

Payment Date	Refunded Bonds Total	Refunding Bonds Total	Debt Service Commitment Escrow Account	City
2017	\$720,443	\$199,854	\$199,854	\$720,443
2018	6,613,171	209,150	6,114,575	707,746
2019	-	654,650	-	654,650
2020	-	658,175	-	658,175
2021	-	656,600	-	656,600
2022	-	661,900	-	661,900
2023	-	653,800	-	653,800
2024	-	661,925	-	661,925
2025	-	663,425	-	663,425
2026	-	661,600	-	661,600
2027	-	676,400	-	676,400
2028	-	676,700	-	676,700
Total	<u>\$7,333,614</u>	<u>\$7,034,179</u>	<u>\$6,314,429</u>	<u>\$8,053,364</u>



C. REVENUE PLEDGED

Future revenue pledged for the payment of long-term debt is as follows:

Bond Issue	Use of Proceeds	Revenue Pledged				Current Year		
		Type	Percent of Total Debt Service	Debt Service as a % of Net Revenues	Taxes Payable Term of Pledge	Remaining Principal and Interest	Principal and Interest Paid	Pledged Revenue Received
2005A Capital Improvement Bonds refunded to 2013A	Municipal Fire Building, Fire Equipment	Property Taxes	100%	n/a	2006 – 2026	\$ -	\$5,292,376	\$26,843
2006A Tax Increment Refunding Bonds	Refund 1999A GOTI Bonds	Property Taxes	100%	n/a	2008 - 2020	\$ -	\$1,935,351	\$ -
2007A Capital Improvement Plan Bonds	Municipal Buildings	Property Taxes	100%	n/a	2008 - 2026	\$7,333,614	\$723,343	\$700,190
2008A Water Utility Revenue Bonds	Construction of Water Tower and Treatment Plant	Utility Revenue	100%	n/a	2005 - 2019	\$3,784,400	\$540,000	\$540,000
2008B Improvement Bonds	Public Improvements	Property Taxes Special Assessments	33% 67%	n/a	2010 - 2017	\$773,900	\$427,600	\$75,107 \$61,236
2010A Open Space Refunding Bonds	Refund 2001A Open Space Bonds	Property Taxes	100%	n/a	2012 - 2017	\$308,813	\$305,575	\$2,074
2010B Equipment Certificates	Purchase Capital Equipment	Property Taxes	100%	n/a	2012 - 2016	\$ -	\$106,129	\$614,100
2011A Fire Equipment Certificates	Purchase SBM Fire Capital Equipment	Property Taxes	100%	n/a	2013 - 2017	\$317,284	\$326,488	\$328,829
2012A GO Improvement Bonds	Public Improvements	Property Taxes Special Assessments	51% 49%	n/a	2013 - 2017	\$830,073	\$366,608	\$209,794 \$68,859
2012B GO Improvement Bonds	Crossover Refund 2004B Improv. Bonds	Property Taxes Special Assessments	92% 8%	n/a	2015 - 2020	\$1,693,621	\$681,978	\$484,782 \$ -
2013A GO Improvement Bonds	Crossover Refund 2005A Improv. Bonds	Property Taxes	100%	n/a	2013 - 2026	\$5,384,900	\$84,200	\$373,085
2014A GO Improvement Bonds	Public Improvements	Property Taxes Special Assessments	29% 71%	n/a	2014-2025	\$3,197,844	\$451,888	\$200,113 \$111,182
2014B Equipment Certificates	Purchase Capital Equipment	Property Taxes	100%	n/a	2014-2021	\$2,227,500	\$441,350	\$ -
2016A GO Improvement Bonds	Crossover Refund 2007A Improv. Bonds	Property Taxes Special Assessments	66% 34%	n/a	2016 - 2028	\$12,818,082	\$ -	\$ - \$59,363



D. CONDUIT DEBT

In accordance with the provisions of the Municipal Industrial Development Act, the City authorized the issuance of Industrial Development Revenue Bonds/Notes to finance private development as approved by the State. Under terms of the issues authorized and the requirements of the Municipal Industrial Development Act, the City has no obligation for the payment of the principal and interest other than its share in the Industrial Development Projects. Accordingly, these liabilities have been excluded from these financial statements. A summary of this type of conduit debt issued is as follows:

	Original Issue
Revenue Notes	\$11,430,000
Revenue Refunding Notes	4,200,000
Commercial Development Revenue Note	<u>58,730,000</u>
Total issued	<u><u>\$74,360,000</u></u>

The balance outstanding at December 31, 2016 is unavailable.

Note 9 FUND BALANCE

A. CLASSIFICATIONS

At December 31, 2016, a summary of the governmental fund balance classifications are as follows:

	General Fund	Debt Service	General Capital Projects	City Improvement Projects	Tax Increment Financing Projects	EDA Capital Projects	Park Development Projects	Other Governmental Funds	Total
Nonspendable:									
Prepaid items	\$22,427	\$140,141	\$ -	\$ -	\$ -	\$ -	\$ -	\$4,141	\$166,709
Inventory	101,765	-	-	-	-	-	-	-	101,765
Total nonspendable	<u>124,192</u>	<u>140,141</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>4,141</u>	<u>268,474</u>
Restricted for:									
Tax increment	-	-	-	-	14,565,604	-	-	-	14,565,604
Capital projects	-	-	100,298	-	-	-	-	-	100,298
Public safety programs	-	-	-	-	-	-	-	126,281	126,281
Charitable gambling	-	-	-	-	-	-	-	114,676	114,676
Debt service	-	11,099,103	-	-	-	-	-	-	11,099,103
Total restricted	<u>0</u>	<u>11,099,103</u>	<u>100,298</u>	<u>0</u>	<u>14,565,604</u>	<u>0</u>	<u>0</u>	<u>240,957</u>	<u>26,005,962</u>
Committed to:									
Contractual commitments	-	-	-	237,281	-	-	-	-	237,281
Economic development	-	-	-	-	-	-	-	7,218,680	7,218,680
Cable TV	-	-	-	-	-	-	-	411,278	411,278
Billed police services	-	-	-	-	-	-	-	166,680	166,680
Total committed	<u>0</u>	<u>0</u>	<u>0</u>	<u>237,281</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>7,796,638</u>	<u>8,033,919</u>
Assigned to:									
General capital improvements	-	-	10,716,466	-	-	-	-	-	10,716,466
City improvement projects	-	-	-	7,406,306	-	-	-	-	7,406,306
Street improvements	-	-	-	-	-	-	-	1,554,246	1,554,246
Economic development	-	-	-	-	-	263,139	-	-	263,139
Public safety programs	-	-	-	-	-	-	-	59,664	59,664
Total assigned	<u>0</u>	<u>0</u>	<u>10,716,466</u>	<u>7,406,306</u>	<u>0</u>	<u>263,139</u>	<u>0</u>	<u>1,613,910</u>	<u>19,999,821</u>
Unassigned	<u>11,741,448</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(976,205)</u>	<u>-</u>	<u>10,765,243</u>
Total	<u><u>\$11,865,640</u></u>	<u><u>\$11,239,244</u></u>	<u><u>\$10,816,764</u></u>	<u><u>\$7,643,587</u></u>	<u><u>\$14,565,604</u></u>	<u><u>\$263,139</u></u>	<u><u>(\$976,205)</u></u>	<u><u>\$9,655,646</u></u>	<u><u>\$65,073,419</u></u>

B. MINIMUM UNASSIGNED FUND BALANCE POLICY

The City Council has formally adopted a policy regarding the minimum unassigned fund balance for the General Fund. The City's fund balance policy is made up of three parts as described below.

The most significant revenue source of the General Fund is property taxes. This revenue source is received in two installments during the year in June and December. As such, it is the City's goal to begin each fiscal year with sufficient working capital to fund operations between each semi-annual receipt of property taxes. The City Council has formally adopted a policy regarding the minimum unassigned fund balance for the General Fund. The City's fund balance policy is made up of three parts as described below.

The policy establishes a year-end targeted unassigned fund balance amount for cash-flow timing needs of no less than 30% of the subsequent year's budgeted expenditures. At December 31, 2016, the minimum amount required for cash-flow timing needs was \$8,666,468.

Additionally, as property taxes not paid in a timely manner could jeopardize the City's ability to fund and maintain established service levels, the City will also retain in the General Fund an amount equal to 5% of the current year's gross property tax levy as a safeguard for property tax delinquencies. At December 31, 2016, this amount was \$1,031,550.

The City also receives funding annually from the State of Minnesota for various public safety reimbursements. While the City currently expects to receive these payments now and in the future, they are not guaranteed under the State's Constitution and could be withheld from the City. As such, the City will also set aside an amount equal to the current year's reimbursements for these costs from the State. At December 31, 2016, this amount was \$495,000.

At December 31, 2016, the unassigned fund balance of the General Fund was \$11,741,448. Overall, after excluding the fund balance safeguards for property tax delinquencies and annual funding from the State of Minnesota for various public safety reimbursements, the City had a remaining unassigned fund balance in the General Fund of \$10,214,898, which was 35% of the subsequent year's budgeted expenditures and exceeded the minimum fund balance requirements of the City's policy.

Note 10 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. In order to protect against these risks of loss, the City purchases commercial insurance through the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool. This pool currently operates as a common risk management and insurance pool for municipal entities. 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, covered through the pool for any claims incurred but unreported, however, retains risk for the deductible portion of its insurance policies.

During the year ended December 31, 2016, there were no significant reductions in coverage compared to the prior year. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

The Self-Insurance Internal Service Fund was established to account for and finance the City's uninsured risks of loss. This fund provides coverage up to \$100,000 (\$200,000 aggregate) for each general liability and property damage claim. The City is a member of the LMCIT for claims in excess of coverage provided by the Self-Insurance Internal Service Fund and for all other risks of loss, including workers' compensation. The City's premium payments to the LMCIT include an estimate for incurred but not reported claims.

Insurance reimbursements to the Self-Insurance Internal Service Fund are charged back to the affected governmental and proprietary funds, in the form of an insurance charge, to fund future premiums to the LMCIT, estimated prior and current year claims, and a reserve for catastrophic losses. That reserve was \$643,962 at December 31, 2016.

The claims and judgments liability reported in the fund at December 31, 2016, is based on the requirements of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, which requires a liability for claims be reported if it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. The liability for incurred, reported claims, \$151,553, is classified as a current liability and the amount estimated for incurred but not reported claims, \$404,817 is classified as a noncurrent liability within the Self-Insurance Internal Service Fund.

A summary of the claims and judgments liability amounts at December 31, 2016, and 2015, is as follows:

	<u>2016</u>	<u>2015</u>
Beginning balance	\$578,303	\$479,961
Incurred claims	226,529	200,664
Payment on claims	(205,489)	(98,821)
Reserve adjustments	<u>(42,973)</u>	<u>(3,501)</u>
Ending balance	<u>\$556,370</u>	<u>\$578,303</u>

Note 11 DEFINED BENEFIT PENSION PLANS

A. PLAN DESCRIPTION

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

1. General Employees Retirement Fund (GERF)

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

2. Public Employees Police and Fire Fund (PEPFF)

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

B. BENEFITS PROVIDED

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

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5% 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.

1. GERS Benefits

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

2. PEPFF Benefits

Benefits for the PEPFF members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for PEPFF members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For PEPFF members 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.

1. GERS Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.5%, 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 7.5% for Coordinated Plan members in calendar year 2016. The City's contributions to the GERS for the year ended December 31, 2016, were \$660,431. The City's contributions were equal to the required contributions as set by state statute.

2. PEPFF Contributions

Plan members were required to contribute 10.8% of their annual covered salary in calendar year 2016. The City was required to contribute 16.2% of pay for PEPFF members in calendar year 2016. The City's contributions to the PEPFF for the year ended December 31, 2016, were \$1,014,558. The City's contributions were equal to the required contributions as set by state statute.

D. PENSION COSTS

1. GERS Pension Costs

At December 31, 2016, the City reported a liability of \$11,748,922 for its proportionate share of the GERS's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$153,456. 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 0.1447 % which was an increase of 0.0051% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City recognized pension expense of \$1,592,106 for its proportionate share of the GERS's pension expense. In addition, the City recognized an additional \$45,757 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

At December 31, 2016, the City reported its proportionate share of the GERS'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
	<u> </u>	<u> </u>
Differences between expected and actual economic experience	\$ -	\$954,425
Changes in actuarial assumptions	2,300,449	-
Difference between projected and actual investment earnings	2,229,996	-
Changes in proportion	189,460	300,640
Contributions paid to PERA subsequent to the measurement date	333,431	-
Total	<u><u>\$5,053,336</u></u>	<u><u>\$1,255,065</u></u>

\$333,431 was 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:

Year Ended December 31,	Pension Expense Amount
2017	\$921,365
2018	921,367
2019	1,197,717
2020	424,391
2021	-
Thereafter	-

2. PEPFF Pension Costs

At December 31, 2016, the City reported a liability of \$26,125,763 for its proportionate share of the PEPFF'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 0.651% which was an increase of 0.004% from its proportion measured as of June 30, 2015. The City also recognized \$58,590 for the year ended December 31, 2016, as revenue (and an offsetting reduction of net pension liability) for its proportionate share of the State of Minnesota's on-behalf contributions to the PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

For the year ended December 31, 2016, the City recognized pension expense of \$4,554,708 for its proportionate share of the PEPFF's pension expense.

At December 31, 2016, the City reported its proportionate share of the PEPFF'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	\$ -	\$2,997,120
Changes in actuarial assumptions	14,378,149	-
Difference between projected and actual investment earnings	3,986,974	-
Changes in proportion	123,820	-
Contributions paid to PERA subsequent to the measurement date	537,143	-
Total	<u>\$19,026,086</u>	<u>\$2,997,120</u>

\$537,143 was 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:

Year Ended December 31,	Pension Expense Amount
2017	\$3,334,603
2018	3,334,603
2019	3,334,600
2020	3,012,400
2021	2,475,617
Thereafter	-

E. ACTUARIAL ASSUMPTIONS

The total pension liability in the June 30, 2016, actuarial valuation was determined using 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 GERF and RP-2000 tables for the PEPFF for males or females, as appropriate, with slight adjustments. Cost of Living benefit increases for retirees are assumed to be 1% for all future years for the GERF and the PEPFF.

Actuarial assumptions used in the June 30, 2016, valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the GERF was completed in 2015. The experience study for PEPFF was for the period July 1, 2004, through June 30, 2009. The most recent five-year experience study for the Police and Fire Plan was completed in 2016, but the results were not adopted at the time of valuation.

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 long-term expected rate of return on pension plan investments is 7.5%. The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

F. DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.50%, 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 employees will be made at the rate set in Minnesota statutes. Based on that assumption, the fiduciary net position of the GERP was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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. 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 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 GERP net pension liability	\$16,686,952	\$11,748,922	\$7,681,330
	1% Decrease in Discount Rate (4.6%)	Discount Rate (5.6%)	1% Increase in Discount Rate (6.6%)
City's proportionate share of the PEPFF net pension liability	36,572,601	26,125,763	17,589,903

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.

I. PENSION EXPENSE

Pension expense recognized by the City for the fiscal year ended December 31, 2016 is as follows:

GERF	\$1,637,863
PEPFF	<u>4,554,708</u>
Total	<u><u>\$6,192,571</u></u>

Note 12 OTHER POST-EMPLOYMENT BENEFITS

In addition to providing the pension benefits described in Note 11, the City is obligated to provide post-employment health care benefits for police and firefighters disabled in the line of duty, as required by Minnesota Statute 299A.465. The City would continue to pay the employer’s contribution toward health care coverage on behalf of the disabled employee. Dependent coverage is included if the dependents were covered at the time of the disability.

At December 31, 2016, the City had four police officers who have been disabled in the line of duty. The City has determined the liability relating to these benefits is not material and therefore is not included in these financial statements.

Note 13 COMMITMENTS AND CONTINGENCIES

The City, in connection with the normal conduct of its affairs, is involved in various claims, judgments, and litigation. City management estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the financial position of the City.

The City has active construction projects as of December 31, 2016. The projects include sewer and water infrastructure improvements, construction projects in the City’s various parks, and street construction projects. The remaining amounts on each of these contracts are commitments in the governmental funds in the amount of \$2,410,121. There are also committed contracts of \$3,045,899 outstanding for various public utilities improvements at December 31, 2016.

The City issued bonds in excess of \$5 million in the years 1995, 1997, 1999, 2001, 2004, 2005, 2006, 2007, and 2008 and therefore is required to rebate excess income relating to these issues to the federal government as required under the Tax Reform Act of 1986. The extent of the City’s liability for arbitrage rebates on the remaining issues is not determinable at this time. It is the opinion of City management that the arbitrage rebates on the remaining issues would not be material.

In 2007 the City issued a Taxable Tax Increment Revenue Bond as part of a development agreement. The amount of the obligation was \$3,750,000 and is payable to the developer solely from tax increments collected from the development in the Town Square Senior Housing District 1-17. Payments are scheduled on February 1st and August 1st of each year, and carry an interest rate of 5% per annum. The obligation does not constitute a charge upon any funds of the City. In the event that future tax increments are not sufficient to pay off the obligation, the obligation terminates with no further liability to the City. Since the amount of future payments is contingent on the collection

of future tax increments, the obligation is not reported as a liability in the accompanying financial statements. The balance of the commitment outstanding at December 31, 2016 was \$3,750,000.

Note 14 JOINT VENTURES

A joint venture is a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which participants retain an ongoing financial interest or an ongoing financial responsibility.

The City is a member of the North Metro Telecommunications Commission (the Commission), which includes eight surrounding communities, that oversees the franchise agreement with Comcast, the local cable company. Legally separate, the City does not appoint a voting majority of the Board, and the Commission is fiscally independent of the City. During 2016, the City contributed \$447,105 to the Commission, which is included as expenditures in the Cable Television Special Revenue Fund.

The City has joined with the Cities of Mounds View and Spring Lake Park to cooperate in providing fire protection services to their residents. Fire protection services are furnished by the Spring Lake Park-Blaine-Mounds View Fire Department, a private nonprofit Internal Revenue Code (IRC) Section 501(c)(3) organization. The municipalities agreed upon several significant provisions pursuant to their agreement dated December 11, 1990:

- 1) The City issued \$4,450,000 General Obligation Fire Improvement Bonds on May 1, 1991, to defray the cost of new fire stations and equipment. Each city's share of the debt is calculated to be a percentage from year-to-year based on a formula described in the agreement. The Cities of Mounds View and Spring Lake Park agree to reimburse the City of Blaine for their share of the debt service upon request. This debt issue was paid in full on February 1, 2001 using the proceeds from the \$2,960,000 General Obligation Fire Improvement Refunding Bonds.

The City issued \$2,960,000 General Obligation Fire Improvement Refunding Bonds on October 1, 1997, to refund the 1991 issue. Each city's share of the debt will be calculated in the same manner as the 1991 issue. This debt issue was paid in full on February 1, 2011.

In January 2005, the three cities executed a supplement to their joint powers agreement. The supplement authorized the City to issue \$8,050,000 General Obligation Capital Improvement Bonds to finance the construction of a new fire station that will serve to consolidate the operations of two smaller stations that will be closed. The supplement obligates each of the cities to annually pay a portion of debt service on the bonds in an amount equal to each city's share of the debt as calculated on the formula described in the agreement. Mounds View and Spring Lake Park have pledged their full faith and credit and taxing powers to pay the applicable formula percentage of debt service on the bonds. The bonds were issued on December 1, 2005. In May 2013, the City issued \$4,900,000 in General Obligation Capital Improvement Refunding Bonds, Series 2013A to advance refund the remaining \$4,805,000 of the outstanding 2005A Series Bonds. The net proceeds of \$4,995,773 were used to purchase U.S. Government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for the interest on the refunding bonds before the crossover date and called principal on the refunded bonds on February 1, 2016. Mounds View and Spring Lake Park have pledged their full faith and credit and taxing powers to pay the applicable formula percentage of debt service on the 2013A bonds. The amount of the 2013A bonds outstanding at December 31, 2016, is \$4,900,000.

In 2011, the three cities executed another supplement to their joint powers agreement. The supplement authorized the City to issue \$1,555,000 General Equipment Certificate Series 2011A to fund the purchase of new fire equipment. The supplement obligates each of the cities to annually pay a portion of debt service on the bonds in an amount equal to each city's share of the debt as calculated on the formula described in the agreement. Mounds View and Spring Lake Park have pledged their full faith and credit and taxing

powers to pay the applicable formula percentage of debt service on the bonds. The bonds were issued on November 1, 2011. The amount of the bond outstanding at December 31, 2015, is \$315,000.

- 2) Operating and maintenance costs are to be shared by the cities as determined by the formula each year. The City contributed \$1,741,120 for its share during 2016, which is included as expenditures in the General Fund.
- 3) Property will be in the City of Blaine's name. Property and equipment with an original cost of \$15,404,814 was accounted for at December 31, 2016.

The 2016 debt service and operating and maintenance costs share per the agreement for the Cities of Blaine, Mounds View, and Spring Lake Park was 75.293%, 16.099%, and 8.608%, respectively.

Complete financial statements for the joint ventures and jointly governed organizations may be obtained as follows:

- 1) North Metro Telecommunications Commission
12520 Polk Street
Blaine, Minnesota 55434
- 2) Spring Lake Park-Blaine-Mounds View Fire Department
1710 Highway 10
Spring Lake Park, Minnesota 55432

Note 15 TAX ABATEMENTS – PAY-AS-YOU-GO TAX INCREMENT

The City provides tax abatements pursuant to Minnesota Statutes 469.174 to 469.1794 (Tax Increment Financing) through a pay-as-you-go note program. Tax increment financing (TIF) can be used to encourage private development, redevelopment, renovation and renewal, growth in low-to-moderate-income housing, and economic development within the City. TIF captures the increase in tax capacity and property taxes from development or redevelopment to provide funding for the related project.

The City has two tax increment pay-as-you-go agreements. The agreements are not a general obligation of the City and are payable solely from available tax increment. Accordingly, these agreements are not reflected in the financial statements of the City. Details of the pay-as-you-go notes are as follows:

TIF District #1-17, Town Square Senior Housing:

Issued in 2006 in the principal sum of \$3,750,000, with an interest rate of 5% per annum. Principal and interest shall be paid on February 1, 2007 and each February 1 and August 1 thereafter to and including August 1, 2031. Payments are payable solely from available tax increment derived from the developed/redeveloped property and paid to the City. The pay-as-you-go note provides for payment to the developer equal to 90% of all tax increment received in the prior six months. The payment reimburses the developer for street, utilities, right-of-way, land acquisition, and other public improvements. Principal and interest payments will be completed August 1, 2031. The City shall have no obligation to pay any unpaid balance of principal or accrued interest that may remain after the final payment on August 1, 2031. The current year abatement (TIF note payments) amounted to \$60,311. At December 31, 2016, the principal amount outstanding on the note was unavailable.

TIF District #1-19, Oak Park Plaza:

Issued in 2016 in the principal sum of \$1,315,200 with an interest rate of 5% per annum. Principal and interest shall be paid on August 1, 2018 and each February 1 and August 1 thereafter to and including

February 1, 2038. Payments are payable solely from available tax increment derived from the developed/redeveloped property and paid to the City. The pay-as-you-go note provides for payment to the developer equal to 95% of all tax increment received in the prior six months. The payment reimburses the developer for streets, utilities, right-of-way, land acquisition, and other public improvements. Principal and interest payments will be completed February 1, 2038. The City shall have no obligation to pay any unpaid balance of principal or accrued interest that may remain after the final payment on February 1, 2038. The current year abatement (TIF note payments) amounted to \$0. At December 31, 2016, the principal amount outstanding on the note was \$1,315,200.

Note 16 RECENTLY ISSUED ACCOUNTING STANDARDS

The Governmental Accounting Standards Boards (GASB) recently approved the following statements which were not implemented for these financial statements:

Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68.* The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015 – except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016.

Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.* The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016.

Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017.

Statement No. 80 *Blending Requirements for Certain Component Units.* The provisions of this Statement are effective for reporting periods beginning after June 15, 2016.

Statement No. 81 *Irrevocable Split-Interest Agreements.* The provisions of this Statement are effective for reporting periods beginning after December 15, 2016.

Statement No. 82 *Pension Issues – an amendment of GASB Statement No. 67, No. 68 and No. 73.* The provisions of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

Statement No. 83 *Certain Asset Retirement Obligations.* The provisions of this Statement are effective for reporting periods beginning after June 15, 2018.

Statement No. 84 *Fiduciary Activities.* The provisions of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 85 *Omnibus 2017.* The provisions of this Statement are effective for reporting periods beginning after June 15, 2017.

Statement No. 86 *Certain Debt Extinguishment Issues.* The provisions of this Statement are effective for reporting periods beginning after June 15, 2017.

The effect these standards may have on future financial statements is not determinable at this time, but it is expected that Statement No. 75 will have a material impact.



Note 17 CHANGE IN ACCOUNTING PRINCIPLE

For the year ended December 31, 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27*. GASB 68 addresses accounting and financial reporting for pension plans that are provided to employees of state and local governments. The standard requires the City to record its share of the net pension liability of defined benefit plans, as well as any corresponding deferred inflows and outflows of resources. See Note 11 for further information.

The standard required retroactive implementation which resulted in a restatement of net position as of December 31, 2014. Certain amounts necessary to fully restate 2014 financial information are not determinable, therefore, prior year comparative amounts have not been restated. Details of the prior period adjustment are as follows:

	Governmental Activities
Net position - January 1, 2015, as previously reported	\$214,305,516
Prior period adjustment:	
Deferred outflows of resources - pension related	809,751
Net pension liability	(14,017,248)
Net position - January 1, 2015, as restated	<u>\$201,098,019</u>

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BLAINE, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY* -
 GENERAL EMPLOYEES RETIREMENT FUND
 For The Year Ended December 31, 2016

Measurement Date	Fiscal Year Ending	City's Proportionate Share (Percentage) of the Net Pension Liability	City's Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share (Amount) of the Net Pension Liability Associated with City (b)	City's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated with City (a+b)	Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2015	December 31, 2015	0.1396%	\$7,234,797	\$ -	\$7,234,797	\$8,458,787	85.5%	78.2%
June 30, 2016	December 31, 2016	0.1447%	11,748,922	153,456	11,902,378	8,982,046	132.5%	68.9%

* The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF BLAINE, MINNESOTA

REQUIRED SUPPLEMENTARY INFORMATION

Statement 11

SCHEDULE OF PENSION CONTRIBUTIONS* - GENERAL EMPLOYEES RETIREMENT FUND

For The Year Ended December 31, 2016

<u>Fiscal Year Ending</u>	<u>Statutorily Required Contribution (a)</u>	<u>Contributions in Relation to the Statutorily Required Contribution (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>	<u>Covered Payroll (c)</u>	<u>Contributions as a Percentage of Covered Payroll (b/c)</u>
December 31, 2015	\$634,409	\$634,409	\$ -	\$8,458,787	7.5%
December 31, 2016	660,431	660,431	-	8,805,757	7.5%

* The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF BLAINE, MINNESOTA
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY* -
 PUBLIC EMPLOYEES POLICE AND FIRE FUND
 For The Year Ended December 31, 2016

Statement 12

<u>Measurement Date</u>	<u>Fiscal Year Ending</u>	<u>Proportion (Percentage) of the Net Pension Liability</u>	<u>Proportionate Share (Amount) of the Net Pension Liability (a)</u>	<u>Covered Payroll (b)</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (a/b)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2015	December 31, 2015	0.6470%	\$7,351,434	\$6,054,809	121.4%	86.6%
June 30, 2016	December 31, 2016	0.6510%	26,125,763	6,262,892	417.2%	63.9%

* The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF BLAINE, MINNESOTA

REQUIRED SUPPLEMENTARY INFORMATION

Statement 13

SCHEDULE OF PENSION CONTRIBUTIONS* - PUBLIC EMPLOYEES POLICE AND FIRE FUND

For The Year Ended December 31, 2016

<u>Fiscal Year Ending</u>	<u>Statutorily Required Contribution (a)</u>	<u>Contributions in Relation to the Statutorily Required Contribution (b)</u>	<u>Contribution Deficiency (Excess) (a-b)</u>	<u>Covered Payroll (c)</u>	<u>Contributions as a Percentage of Covered Payroll (b/c)</u>
December 31, 2015	\$980,879	\$980,879	\$ -	\$6,054,809	16.2%
December 31, 2016	1,014,588	1,014,588	-	6,262,892	16.2%

* The schedule is provided prospectively beginning with the City's fiscal year ended December 31, 2015 and is intended to show a ten year trend. Additional years will be reported as they become available.

CITY OF BLAINE, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
NOTE TO RSI
December 31, 2016

Note A PENSION INFORMATION

PERA – General Employees Retirement Fund

2016 Changes

Changes in Actuarial Assumptions:

- 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.

PERA – Public Employees Police and Fire Fund

2016 Changes

Changes in Actuarial Assumptions:

- 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.

**COMBINING AND INDIVIDUAL NONMAJOR FUND FINANCIAL
STATEMENTS**

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NONMAJOR GOVERNMENTAL FUNDS

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CITY OF BLAINE, MINNESOTA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

Statement 14

December 31, 2016

With Comparative Totals For December 31, 2015

Assets	Special Revenue	Capital Project	Total	
			Nonmajor Governmental Funds	
			2016	2015
Cash and pooled investments	\$6,554,830	\$1,548,793	\$8,103,623	\$8,063,044
Accounts receivable	50,664	-	50,664	45,814
Delinquent taxes receivable	2,449	-	2,449	2,352
Special assessments receivable	13,938	-	13,938	16,261
Intergovernmental receivable	2,048	-	2,048	1,987
Prepaid items and other assets	4,141	-	4,141	-
Loans receivable	548,528	-	548,528	562,726
Notes receivable	1,000,000	-	1,000,000	1,000,000
Accrued interest receivable	23,295	5,453	28,748	25,242
Total assets	\$8,199,893	\$1,554,246	\$9,754,139	\$9,717,426
Liabilities, Deferred Inflows of Resources, and Fund Balance				
Liabilities:				
Accounts payable	\$61,242	\$ -	\$61,242	\$15,778
Accrued liabilities	4,194	-	4,194	2,204
Deposits payable	16,670	-	16,670	22,369
Total liabilities	82,106	0	82,106	40,351
Deferred inflows of resources:				
Unavailable revenue	16,387	-	16,387	18,613
Total deferred inflows of resources	16,387	0	16,387	18,613
Fund balance:				
Nonspendable	4,141	-	4,141	-
Restricted	240,957	-	240,957	224,487
Committed	7,796,638	-	7,796,638	7,830,282
Assigned	59,664	1,554,246	1,613,910	1,603,693
Total fund balance	8,101,400	1,554,246	9,655,646	9,658,462
Total liabilities, deferred inflows of resources, and fund balance	\$8,199,893	\$1,554,246	\$9,754,139	\$9,717,426

CITY OF BLAINE, MINNESOTA

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE**

Statement 15

NONMAJOR GOVERNMENTAL FUNDS

For The Year Ended December 31, 2016

With Comparative Totals For The Year Ended December 31, 2015

	Special Revenue	Capital Project	Totals	
			Nonmajor Governmental Funds	
			2016	2015
Revenues:				
Property taxes	\$202,084	\$ -	\$202,084	\$201,973
Franchise taxes	619,451	-	619,451	585,647
Lodging taxes	4,419	-	4,419	3,904
Gambling taxes	141,152	-	141,152	129,676
Special assessments	3,136	-	3,136	4,365
Intergovernmental	37,354	-	37,354	33,001
Charges for services	445,338	-	445,338	540,251
Fines and forfeits	83,579	-	83,579	51,993
Interest earnings	72,993	10,003	82,996	119,080
Miscellaneous	16,057	-	16,057	10,955
Total revenues	<u>1,625,563</u>	<u>10,003</u>	<u>1,635,566</u>	<u>1,680,845</u>
Expenditures:				
Current:				
General government	727,285	-	727,285	659,763
Public safety	300,525	-	300,525	406,614
Community development	703,392	-	703,392	604,828
Capital outlay:				
General government	5,288	-	5,288	2,313
Public works	-	-	-	264
Total expenditures	<u>1,736,490</u>	<u>0</u>	<u>1,736,490</u>	<u>1,673,782</u>
Revenues over (under) expenditures	<u>(110,927)</u>	<u>10,003</u>	<u>(100,924)</u>	<u>7,063</u>
Other financing sources (uses):				
Transfers in	-	-	-	4,353,597
Transfers out	-	(1,052)	(1,052)	(314,720)
Sale of capital assets	99,160	-	99,160	-
Total other financing sources (uses)	<u>99,160</u>	<u>(1,052)</u>	<u>98,108</u>	<u>4,038,877</u>
Net change in fund balance	(11,767)	8,951	(2,816)	4,045,940
Fund balance - January 1	<u>8,113,167</u>	<u>1,545,295</u>	<u>9,658,462</u>	<u>5,612,522</u>
Fund balance - December 31	<u><u>\$8,101,400</u></u>	<u><u>\$1,554,246</u></u>	<u><u>\$9,655,646</u></u>	<u><u>\$9,658,462</u></u>



Special Revenue Funds account for revenues derived from specific taxes or other earmarked revenue sources. They are usually required by statute or local ordinance and/or resolution to finance particular functions, activities, or governments.

Economic Development Authority Fund – accounts for the administration of economic development related activities in the City.

Cable Television Fund – this fund was established to account for transactions associated with cable television in the City. Revenue includes franchise fees from Comcast Cable. Expenditures include the operation of the North Metro Telecommunications Commission and other costs relating to the cable television activity.

Charitable Gambling Fund – this fund was created pursuant to Minnesota Statute §349.12 for the collection of a 10% fee on net profits from lawful gambling within City boundaries. Disbursements by the City are for lawful purposes as defined by State Statute.

Police Grants Fund – this fund was established to account for transactions related to police grants received from the federal and state governments. Disbursements are regulated by the grant agreement with the grant agency.

Reimbursed Police Overtime – this fund accounts for additional special police overtime services that the City is reimbursed for.

Forfeited Property – this fund accounts for forfeited property unlawfully used or acquired in a criminal activity and diverted to law enforcement.

CITY OF BLAINE, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
December 31, 2016
With Comparative Totals For December 31, 2015

	<u>Economic Development Authority</u>	<u>Cable Television</u>
Assets		
Cash and pooled investments	\$5,698,663	\$409,827
Accounts receivable	7,950	-
Delinquent taxes receivable	2,449	-
Special assessments receivable	13,938	-
Intergovernmental receivable	2,048	-
Prepaid items and other assets	-	4,141
Loans receivable	548,528	-
Notes receivable	1,000,000	-
Accrued interest receivable	20,377	1,602
	<u> </u>	<u> </u>
Total assets	<u><u>\$7,293,953</u></u>	<u><u>\$415,570</u></u>
Liabilities, Deferred Inflows of Resources, and Fund Balance		
Liabilities:		
Accounts payable	\$56,990	\$ -
Accrued liabilities	1,896	151
Deposits payable	-	-
Total liabilities	<u>58,886</u>	<u>151</u>
Deferred inflows of resources:		
Unavailable revenue	16,387	-
Total deferred inflows of resources	<u>16,387</u>	<u>0</u>
Fund balance:		
Nonspendable	-	4,141
Restricted	-	-
Committed	7,218,680	411,278
Assigned	-	-
Total fund balance	<u>7,218,680</u>	<u>415,419</u>
Total liabilities, deferred inflows of resources, and fund balance	<u><u>\$7,293,953</u></u>	<u><u>\$415,570</u></u>

Charitable Gambling	Police Grants	Reimbursed Police Overtime	Forfeited Property	Totals Nonmajor Special Revenue Funds	
				2016	2015
\$78,309	\$93,682	\$160,475	\$113,874	\$6,554,830	\$6,524,116
36,114	-	6,600	-	50,664	45,814
-	-	-	-	2,449	2,352
-	-	-	-	13,938	16,261
-	-	-	-	2,048	1,987
-	-	-	-	4,141	-
-	-	-	-	548,528	562,726
-	-	-	-	1,000,000	1,000,000
253	335	421	307	23,295	18,875
<u>\$114,676</u>	<u>\$94,017</u>	<u>\$167,496</u>	<u>\$114,181</u>	<u>\$8,199,893</u>	<u>\$8,172,131</u>
\$ -	\$ -	\$ -	\$4,252	\$61,242	\$15,778
-	1,331	816	-	4,194	2,204
-	-	-	16,670	16,670	22,369
-	1,331	816	20,922	82,106	40,351
-	-	-	-	16,387	18,613
<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>16,387</u>	<u>18,613</u>
-	-	-	-	4,141	-
114,676	76,108	-	50,173	240,957	224,487
-	-	166,680	-	7,796,638	7,830,282
-	16,578	-	43,086	59,664	58,398
<u>114,676</u>	<u>92,686</u>	<u>166,680</u>	<u>93,259</u>	<u>8,101,400</u>	<u>8,113,167</u>
<u>\$114,676</u>	<u>\$94,017</u>	<u>\$167,496</u>	<u>\$114,181</u>	<u>\$8,199,893</u>	<u>\$8,172,131</u>

CITY OF BLAINE, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE FUNDS
For The Year Ended December 31, 2016
With Comparative Totals For The Year Ended December 31, 2015

	Economic Development Authority	Cable Television	Charitable Gambling
Revenues:			
Ad valorem taxes	\$202,084	\$ -	\$ -
Franchise taxes - cable television	-	619,451	-
Lodging taxes	4,419	-	-
Gambling taxes	-	-	141,152
Special assessments	3,136	-	-
Intergovernmental	-	-	-
Charges for services	182,284	-	-
Fines and forfeits	-	-	-
Interest earnings	67,175	3,251	369
Miscellaneous	13,307	-	-
Total revenues	<u>472,405</u>	<u>622,702</u>	<u>141,521</u>
Expenditures:			
Current:			
General government	-	570,035	157,250
Public safety	-	-	-
Community development	703,392	-	-
Capital outlay:			
General government	-	5,288	-
Total expenditures	<u>703,392</u>	<u>575,323</u>	<u>157,250</u>
Revenues over (under) expenditures	<u>(230,987)</u>	<u>47,379</u>	<u>(15,729)</u>
Other financing sources (uses):			
Transfers in	-	-	-
Transfers out	-	-	-
Sale of capital assets	99,160	-	-
Total other financing sources (uses)	<u>99,160</u>	<u>0</u>	<u>0</u>
Net change in fund balance	(131,827)	47,379	(15,729)
Fund balance - January 1, as previously reported	<u>7,350,507</u>	<u>368,040</u>	<u>130,405</u>
Fund balance - December 31	<u><u>\$7,218,680</u></u>	<u><u>\$415,419</u></u>	<u><u>\$114,676</u></u>

Police Grants	Reimbursed Police Overtime	Forfeited Property	Totals Nonmajor Special Revenue Funds	
			2016	2015
\$ -	\$ -	\$ -	\$202,084	\$201,973
-	-	-	619,451	585,647
-	-	-	4,419	3,904
-	-	-	141,152	129,676
-	-	-	3,136	4,365
37,354	-	-	37,354	33,001
-	263,054	-	445,338	540,251
-	-	83,579	83,579	51,993
653	932	613	72,993	95,359
-	-	2,750	16,057	10,955
<u>38,007</u>	<u>263,986</u>	<u>86,942</u>	<u>1,625,563</u>	<u>1,657,124</u>
-	-	-	727,285	659,763
38,496	209,041	52,988	300,525	406,614
-	-	-	703,392	604,828
-	-	-	5,288	2,313
<u>38,496</u>	<u>209,041</u>	<u>52,988</u>	<u>1,736,490</u>	<u>1,673,518</u>
<u>(489)</u>	<u>54,945</u>	<u>33,954</u>	<u>(110,927)</u>	<u>(16,394)</u>
-	-	-	-	4,164,012
-	-	-	-	(5,916)
-	-	-	99,160	-
<u>0</u>	<u>0</u>	<u>0</u>	<u>99,160</u>	<u>4,158,096</u>
(489)	54,945	33,954	(11,767)	4,141,702
<u>93,175</u>	<u>111,735</u>	<u>59,305</u>	<u>8,113,167</u>	<u>3,971,465</u>
<u>\$92,686</u>	<u>\$166,680</u>	<u>\$93,259</u>	<u>\$8,101,400</u>	<u>\$8,113,167</u>

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CAPITAL PROJECT FUNDS

Capital Project Funds are established to account for the resources expended to acquire assets of a permanent nature other than those financed by other governmental and proprietary funds.

Street Improvement Fund – This fund is used to account for the street pavement maintenance program. Financing includes certain Municipal State Aid monies and transfers from various sources.

CITY OF BLAINE, MINNESOTA
SUBCOMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
 December 31, 2016
 With Comparative Totals For December 31, 2015

Statement 18

Assets	Street Improvement	
	2016	2015
Cash and pooled investments	\$1,548,793	\$1,538,928
Accrued interest receivable	5,453	6,367
Total assets	\$1,554,246	\$1,545,295
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	\$ -	\$ -
Total liabilities	0	0
Fund balance:		
Assigned	1,554,246	1,545,295
Total fund balance	1,554,246	1,545,295
Total liabilities and fund balance	\$1,554,246	\$1,545,295

CITY OF BLAINE, MINNESOTA
SUBCOMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR CAPITAL PROJECTS FUNDS
For The Year Ended December 31, 2016
With Comparative Totals For The Year Ended December 31, 2015

Statement 19

	Street Improvement	
	2016	2015
Revenues:		
Interest earnings	\$10,003	\$23,721
Total revenues	<u>10,003</u>	<u>23,721</u>
Expenditures:		
Capital outlay:		
Public works	-	264
Total expenditures	<u>0</u>	<u>264</u>
Revenues over expenditures	<u>10,003</u>	<u>23,457</u>
Other financing sources (uses):		
Transfers in	-	189,585
Transfers out	(1,052)	(308,804)
Total other financing sources (uses)	<u>(1,052)</u>	<u>(119,219)</u>
Net change in fund balance	8,951	(95,762)
Fund balance - January 1	<u>1,545,295</u>	<u>1,641,057</u>
Fund balance - December 31	<u><u>\$1,554,246</u></u>	<u><u>\$1,545,295</u></u>

CITY OF BLAINE, MINNESOTA
SPECIAL REVENUE FUND-ECONOMIC DEVELOPMENT AUTHORITY
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
For The Year Ended December 31, 2016
With Comparative Actual Amounts For The Year Ended December 31, 2015

Statement 20

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
Revenues:					
Ad valorem taxes	\$202,150	\$202,150	\$202,084	(\$66)	\$201,973
Lodging taxes	5,000	5,000	4,419	(581)	3,904
Special assessments	3,000	3,000	3,136	136	4,365
Charges for services	161,700	161,700	182,284	20,584	173,019
Interest earnings	54,400	54,400	67,175	12,775	85,802
Miscellaneous	-	-	13,307	13,307	7,830
Total revenues	426,250	426,250	472,405	46,155	476,893
Expenditures:					
Current:					
Community development	851,500	851,500	703,392	148,108	604,828
Revenues over (under) expenditures	(425,250)	(425,250)	(230,987)	194,263	(127,935)
Other financing sources (uses):					
Transfers in	-	-	-	-	4,164,012
Transfers out	-	-	-	-	(5,009)
Sale of capital assets	-	-	99,160	99,160	-
Total other financing sources (uses)	0	0	99,160	99,160	4,159,003
Net change in fund balance	<u>(\$425,250)</u>	<u>(\$425,250)</u>	(131,827)	<u>\$293,423</u>	4,031,068
Fund balance - January 1			<u>7,350,507</u>		<u>3,319,439</u>
Fund balance - December 31			<u>\$7,218,680</u>		<u>\$7,350,507</u>

CITY OF BLAINE, MINNESOTA
SPECIAL REVENUE FUND-CABLE TELEVISION
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
For The Year Ended December 31, 2016
With Comparative Actual Amounts For The Year Ended December 31, 2015

Statement 21

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
Revenues:					
Franchise taxes-cable television	\$565,800	\$565,800	\$619,451	\$53,651	\$585,647
Interest earnings	7,500	7,500	3,251	(4,249)	5,149
Total revenues	<u>573,300</u>	<u>573,300</u>	<u>622,702</u>	<u>49,402</u>	<u>590,796</u>
Expenditures:					
Current:					
General government	524,000	524,000	570,035	(46,035)	532,513
Capital outlay:					
General government	50,000	50,000	5,288	44,712	2,313
Total expenditures	<u>574,000</u>	<u>574,000</u>	<u>575,323</u>	<u>(1,323)</u>	<u>534,826</u>
Revenues over (under) expenditure:	<u>(\$700)</u>	<u>(\$700)</u>	47,379	<u>\$48,079</u>	55,970
Fund balance - January 1			<u>368,040</u>		<u>312,070</u>
Fund balance - December 31			<u>\$415,419</u>		<u>\$368,040</u>

CITY OF BLAINE, MINNESOTA
SPECIAL REVENUE FUND-CHARITABLE GAMBLING FUND
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES-BUDGET AND ACTUAL
For The Year Ended December 31, 2016
With Comparative Actual Amounts For The Year Ended December 31, 2015

Statement 22

	Budgeted Amounts		2016 Actual Amounts	Variance with Final Budget - Positive (Negative)	2015 Actual Amounts
	Original	Final			
Revenues:					
Gambling taxes	\$122,000	\$122,000	\$141,152	\$19,152	\$129,676
Interest earnings	2,000	2,000	369	(1,631)	1,285
Total revenues	<u>124,000</u>	<u>124,000</u>	<u>141,521</u>	<u>17,521</u>	<u>130,961</u>
Expenditures:					
Current:					
General government	<u>167,250</u>	<u>167,250</u>	<u>157,250</u>	<u>10,000</u>	<u>127,250</u>
Revenues over (under) expenditure:	<u>(\$43,250)</u>	<u>(\$43,250)</u>	<u>(15,729)</u>	<u>\$27,521</u>	<u>3,711</u>
Fund balance - January 1			<u>130,405</u>		<u>126,694</u>
Fund balance - December 31			<u>\$114,676</u>		<u>\$130,405</u>

Internal service funds are used to account for the financing of goods and services provided by one department or activity to other departments or activities of the government on a cost reimbursement basis.

Compensated Absences – The City maintains this fund for the accrued liabilities related to vacation leave and vested sick leave of the various funds.

Self-Insurance – The City established this fund to account for insurance premiums and to provide for larger deductibles on its property and liability insurance coverages. Savings from the insurance premiums are charged to operating funds to finance future insurance deductibles on various claims.

Workers Compensation – The City uses this fund to account for workers compensation insurance coverage.

Pension Benefits – The City uses this fund to provide pension benefits to other funds of the City on a cost reimbursement basis.

CITY OF BLAINE, MINNESOTA
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
December 31, 2016
With Comparative Totals For December 31, 2015

Statement 23

	Compensated	Self-Insurance	Workers	Pension	Total	
	Absences		Compensation	Benefits	2016	2015
Assets:						
Current assets:						
Cash and cash equivalents	\$1,644,058	\$801,737	\$ -	\$ -	\$2,445,795	\$2,683,637
Accounts receivable	-	5,679	-	-	5,679	2,073
Intergovernmental receivable	-	62	-	-	62	-
Due from other funds	-	317,698	-	-	317,698	28,730
Accrued interest receivable	5,643	3,145	(686)	-	8,102	9,351
Prepaid items	-	72,011	-	-	72,011	132,714
Total assets	<u>1,649,701</u>	<u>1,200,332</u>	<u>(686)</u>	<u>0</u>	<u>2,849,347</u>	<u>2,856,505</u>
Deferred outflows of resources:						
Related to pensions	-	-	-	24,079,422	24,079,422	2,959,867
Liabilities:						
Current liabilities:						
Accounts payable	-	-	-	-	-	39,254
Due to other funds	-	-	317,698	-	317,698	28,730
Compensated absences payable	88,000	-	-	-	88,000	84,000
Claims and judgments payable	-	151,553	-	-	151,553	285,328
Total current liabilities	<u>88,000</u>	<u>151,553</u>	<u>317,698</u>	<u>0</u>	<u>557,251</u>	<u>437,312</u>
Noncurrent liabilities:						
Compensated absences payable	1,712,637	-	-	-	1,712,637	1,680,028
Claims and judgments payable	-	404,817	-	-	404,817	292,975
Net pension liability	-	-	-	37,874,685	37,874,685	14,586,231
Total noncurrent liabilities	<u>1,712,637</u>	<u>404,817</u>	<u>-</u>	<u>37,874,685</u>	<u>39,992,139</u>	<u>16,559,234</u>
Total liabilities	<u>1,800,637</u>	<u>556,370</u>	<u>317,698</u>	<u>37,874,685</u>	<u>40,549,390</u>	<u>16,996,546</u>
Deferred inflows of resources:						
Related to pensions	-	-	-	4,252,185	4,252,185	2,007,879
Net position:						
Unrestricted	(150,936)	643,962	(318,384)	(18,047,448)	(17,872,806)	(13,188,053)
Total net position	<u>(\$150,936)</u>	<u>\$643,962</u>	<u>(\$318,384)</u>	<u>(\$18,047,448)</u>	<u>(\$17,872,806)</u>	<u>(\$13,188,053)</u>

CITY OF BLAINE, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
For The Year Ended December 31, 2016
With Comparative Totals For The Year Ended December 31, 2015

Statement 24

	Compensated Absences	Self-Insurance	Workers Compensation	Pension Benefits	Total	
					2016	2015
Operating revenues:						
Employee benefit charges	\$134,949	\$ -	\$344,806	\$1,675,019	\$2,154,774	\$2,064,157
Insurance reimbursements	-	632,931	-	-	632,931	581,560
Total operating revenues	<u>134,949</u>	<u>632,931</u>	<u>344,806</u>	<u>1,675,019</u>	<u>2,787,705</u>	<u>2,645,717</u>
Operating expenses:						
Salaries and benefits	131,969	-	-	6,192,571	6,324,540	2,216,358
Contractual services	-	632,768	634,474	-	1,267,242	1,028,256
Total operating expenses	<u>131,969</u>	<u>632,768</u>	<u>634,474</u>	<u>6,192,571</u>	<u>7,591,782</u>	<u>3,244,614</u>
Operating income (loss)	<u>2,980</u>	<u>163</u>	<u>(289,668)</u>	<u>(4,517,552)</u>	<u>(4,804,077)</u>	<u>(598,897)</u>
Nonoperating revenues:						
Intergovernmental	-	-	-	104,347	104,347	58,230
Interest earnings	11,100	5,932	(2,055)	-	14,977	29,398
Total nonoperating revenues	<u>11,100</u>	<u>5,932</u>	<u>(2,055)</u>	<u>104,347</u>	<u>119,324</u>	<u>87,628</u>
Change in net position	<u>14,080</u>	<u>6,095</u>	<u>(291,723)</u>	<u>(4,413,205)</u>	<u>(4,684,753)</u>	<u>(511,269)</u>
Net position - January 1, as previously reported	(165,016)	637,867	(26,661)	(13,634,243)	(13,188,053)	530,713
Prior period adjustment	-	-	-	-	-	(13,207,497)
Net position - January 1, as restated	<u>(165,016)</u>	<u>637,867</u>	<u>(26,661)</u>	<u>(13,634,243)</u>	<u>(13,188,053)</u>	<u>(12,676,784)</u>
Net position - December 31	<u>(\$150,936)</u>	<u>\$643,962</u>	<u>(\$318,384)</u>	<u>(\$18,047,448)</u>	<u>(\$17,872,806)</u>	<u>(\$13,188,053)</u>

CITY OF BLAINE, MINNESOTA
 COMBINING STATEMENT OF CASH FLOWS
 INTERNAL SERVICE FUNDS

Statement 25

For The Year Ended December 31, 2016
 With Comparative Totals For The Year Ended December 31, 2015

	Compensated	Self-Insurance	Workers	Pension Benefits	Total	
	Absences		Compensation		2016	2015
Cash flows from operating activities:						
Cash received from customers	\$134,949	\$627,190	\$346,879	\$1,675,019	\$2,784,037	\$2,643,644
Cash paid to supplies for goods and services	-	(633,252)	(634,474)	(1,779,366)	(3,047,092)	(2,656,364)
Cash paid to employees for services	(95,360)	-	-	-	(95,360)	(64,827)
Net cash flows from operating activities	<u>39,589</u>	<u>(6,062)</u>	<u>(287,595)</u>	<u>(104,347)</u>	<u>(358,415)</u>	<u>(77,547)</u>
Cash flows from noncapital financing activities:						
Interfund loans - net change	-	(288,968)	288,968	-	-	-
Intergovernmental revenue	-	-	-	104,347	104,347	58,230
Net cash flows from noncapital financing activities	<u>0</u>	<u>(288,968)</u>	<u>288,968</u>	<u>104,347</u>	<u>104,347</u>	<u>58,230</u>
Cash flows from investing activities:						
Investment earnings	11,300	6,299	(1,373)	-	16,226	32,256
Net increase (decrease) in cash and cash equivalents	50,889	(288,731)	0	0	(237,842)	12,939
Cash and cash equivalents - January 1	1,593,169	1,090,468	-	-	2,683,637	2,670,698
Cash and cash equivalents - December 31	<u>\$1,644,058</u>	<u>\$801,737</u>	<u>\$0</u>	<u>\$0</u>	<u>\$2,445,795</u>	<u>\$2,683,637</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:						
Operating income (loss)	\$2,980	\$163	(\$289,668)	(\$4,517,552)	(\$4,804,077)	(\$598,897)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:						
Changes in assets and liabilities:						
(Increase) decrease in accounts receivable	-	(5,741)	2,073	-	(3,668)	(2,073)
(Increase) decrease in other assets	-	60,703	-	-	60,703	(70,840)
(Increase) decrease in deferred outflows of resources	-	-	-	(21,119,555)	(21,119,555)	(2,959,867)
Increase (decrease) in accounts payable	-	(39,254)	-	-	(39,254)	17,908
Increase (decrease) in deferred inflows of resources	-	-	-	2,244,306	2,244,306	2,007,879
Increase (decrease) in compensated absences	36,609	-	-	-	36,609	51,267
Increase (decrease) in claims and judgments	-	(21,933)	-	-	(21,933)	98,342
Increase (decrease) in pension liability	-	-	-	23,288,454	23,288,454	1,378,734
Total adjustments	<u>36,609</u>	<u>(6,225)</u>	<u>2,073</u>	<u>4,413,205</u>	<u>4,445,662</u>	<u>521,350</u>
Net cash provided by operating activities	<u>\$39,589</u>	<u>(\$6,062)</u>	<u>(\$287,595)</u>	<u>(\$104,347)</u>	<u>(\$358,415)</u>	<u>(\$77,547)</u>

III. STATISTICAL SECTION (UNAUDITED)

This part of the City of Blaine, Minnesota’s Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures and required supplementary information says about the City of Blaine, Minnesota’s overall financial health.

Contents	Page
Financial Trends	
These tables contain trend information to help the reader understand how the City’s financial performance and well-being have changed over time.	114-127
Revenue Capacity	
These tables contain information to help the reader assess the City’s most significant local revenue source, the property tax.	129-133
Debt Capacity	
These tables present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	134-141
Demographic and Economic Information	
These tables offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	142-143
Operating Information	
These tables contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	145-149

Sources: Unless otherwise noted, the information in these tables is derived from the comprehensive financial reports for the relevant year.

CITY OF BLAINE, MINNESOTA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(Amounts Expressed in Whole Dollars)

	Fiscal Year*			
	2007	2008	2009	2010
Governmental activities:				
Net investment in capital assets	\$128,495,244	\$132,783,540	\$141,264,210	\$144,076,941
Restricted	13,628,434	14,051,544	15,605,370	17,724,184
Unrestricted	35,562,127	36,249,047	30,459,605	30,300,656
Total governmental activities net position	<u>\$177,685,805</u>	<u>\$183,084,131</u>	<u>\$187,329,185</u>	<u>\$192,101,781</u>
Business-type activities:				
Net investment in capital assets	\$126,948,993	\$125,548,492	\$128,034,695	\$127,267,681
Restricted	-	120,766	120,766	120,766
Unrestricted	18,668,853	21,052,555	18,546,602	20,257,703
Total business-type activities net position	<u>\$145,617,846</u>	<u>\$146,721,813</u>	<u>\$146,702,063</u>	<u>\$147,646,150</u>
Primary government:				
Net investment in capital assets	\$250,588,337	\$252,120,332	\$269,298,905	\$271,344,622
Restricted	13,628,434	14,172,310	15,726,136	17,844,950
Unrestricted	59,086,880	63,513,302	49,006,207	50,558,359
Total primary government net position	<u>\$323,303,651</u>	<u>\$329,805,944</u>	<u>\$334,031,248</u>	<u>\$339,747,931</u>

*GASB 65 was implemented in 2013. Net position was restated for 2012 to reflect the expense of bond issuance costs in the year of issuance. Net position for years prior to 2012 was not restated.

**GASB 68 was implemented in 2015. Net position was restated for 2014 to reflect the reporting of net pension liability and pension related deferred outflows and inflows of resources. Net position for years prior to 2014 were not restated.

Table 1

Fiscal Year*					
2011	2012*	2013	2014**	2015	2016
\$148,586,847	\$151,926,174	\$160,416,967	\$163,862,780	\$177,880,191	\$184,116,741
17,033,344	18,041,663	17,993,553	17,067,275	24,430,446	21,028,328
31,107,632	31,313,906	29,151,051	20,167,964	23,622,590	20,649,362
<u>\$196,727,823</u>	<u>\$201,281,743</u>	<u>\$207,561,571</u>	<u>\$201,098,019</u>	<u>\$225,933,227</u>	<u>\$225,794,431</u>
\$129,035,604	\$130,977,212	\$134,402,798	\$137,137,884	\$134,964,831	\$140,579,589
122,317	123,163	123,694	126,105	127,020	-
19,266,078	20,349,158	20,538,623	21,079,950	21,100,951	21,431,819
<u>\$148,423,999</u>	<u>\$151,449,533</u>	<u>\$155,065,115</u>	<u>\$158,343,939</u>	<u>\$156,192,802</u>	<u>\$162,011,408</u>
\$277,622,451	\$282,903,386	\$294,819,765	\$301,000,664	\$312,845,022	\$324,696,330
17,155,661	18,164,826	18,117,247	17,193,380	24,557,466	21,028,328
50,373,710	51,663,064	49,689,674	41,247,914	44,723,541	42,081,181
<u>\$345,151,822</u>	<u>\$352,731,276</u>	<u>\$362,626,686</u>	<u>\$359,441,958</u>	<u>\$382,126,029</u>	<u>\$387,805,839</u>

CITY OF BLAINE, MINNESOTA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
 (Accrual Basis of Accounting)
 (Amounts Expressed in Whole Dollars)

	Fiscal Year			
	2007	2008	2009	2010
Expenses				
Governmental activities:				
General government	\$4,788,559	\$4,826,588	\$5,299,029	\$5,411,620
Public safety	9,790,782	10,890,853	10,923,008	11,021,926
Public works	9,878,072	9,063,936	8,457,933	9,065,798
Recreation	1,656,068	1,353,604	1,887,648	1,480,284
Community development	2,231,913	2,678,455	2,221,391	2,027,711
Interest on long-term debt	1,257,042	1,406,837	1,423,893	1,311,081
Total governmental activities expenses	<u>29,602,436</u>	<u>30,220,273</u>	<u>30,212,902</u>	<u>30,318,420</u>
Business-type activities:				
Water	3,386,471	4,258,078	3,913,392	4,151,115
Sewer	5,256,700	4,865,987	4,952,820	5,084,703
Storm drainage	-	822,401	1,018,459	897,108
Refuse / Sanitation	2,388,791	2,392,596	2,362,096	2,620,451
Senior housing	1,363,574	1,394,926	1,337,665	1,472,758
Total business-type activities expenses	<u>12,395,536</u>	<u>13,733,988</u>	<u>13,584,432</u>	<u>14,226,135</u>
Total primary government expenses	<u>\$41,997,972</u>	<u>\$43,954,261</u>	<u>\$43,797,334</u>	<u>\$44,544,555</u>
Program Revenues				
Governmental activities:				
Charges for services:				
General government	\$515,817	\$793,593	\$756,311	\$819,116
Public safety	549,800	532,683	494,817	549,899
Public works	4,139,874	1,346,855	1,691,831	2,306,865
Sanitation	225,925	600	675	-
Recreation	1,533,452	1,671,539	498,725	579,035
Community development	2,627,090	1,852,047	1,475,763	1,821,847
Operating grants and contributions	582,518	626,058	1,082,140	1,446,530
Capital grants and contributions	8,170,875	2,720,620	2,728,630	4,724,863
Total governmental activities program revenues	<u>18,345,351</u>	<u>9,543,995</u>	<u>8,728,892</u>	<u>12,248,155</u>

Fiscal Year					
2011	2012*	2013	2014	2015	2016
\$5,215,357	\$5,702,507	\$3,777,931	\$4,968,604	\$5,015,012	\$6,572,215
11,309,461	11,364,492	11,453,747	12,040,283	13,244,373	17,147,242
9,675,845	8,123,540	8,423,632	9,593,866	8,760,413	11,624,746
1,565,590	1,703,196	1,645,900	1,582,176	1,774,749	1,978,638
2,157,671	2,016,411	2,220,316	2,291,106	1,918,293	3,397,313
1,153,658	1,070,006	1,160,736	958,481	867,411	898,569
<u>31,077,582</u>	<u>29,980,152</u>	<u>28,682,262</u>	<u>31,434,516</u>	<u>31,580,251</u>	<u>41,618,723</u>
3,721,034	3,759,960	3,855,876	3,753,765	3,511,261	3,901,263
4,819,697	4,729,733	4,909,651	5,178,537	5,260,903	5,750,272
1,100,692	961,050	975,230	1,046,719	1,143,131	1,192,106
2,722,442	2,862,083	3,019,590	3,145,425	3,342,484	3,962,255
1,374,386	1,421,808	1,452,639	1,449,297	621,770	-
<u>13,738,251</u>	<u>13,734,634</u>	<u>14,212,986</u>	<u>14,573,743</u>	<u>13,879,549</u>	<u>14,805,896</u>
<u>\$44,815,833</u>	<u>\$43,714,786</u>	<u>\$42,895,248</u>	<u>\$46,008,259</u>	<u>\$45,459,800</u>	<u>\$56,424,619</u>
\$722,659	\$784,962	\$787,622	\$1,295,396	\$1,055,819	\$971,552
750,130	696,370	673,702	736,620	1,040,881	982,801
977,609	1,139,632	418,737	239,409	255,365	181,796
-	-	-	-	-	-
439,567	648,330	1,004,910	1,595,291	1,731,064	2,153,740
2,457,771	2,908,633	2,161,866	2,558,437	2,480,572	2,945,722
1,343,221	1,520,422	1,389,673	1,579,343	1,712,865	1,752,314
4,592,368	5,104,558	8,633,951	7,682,408	12,886,036	8,740,426
<u>11,283,325</u>	<u>12,802,907</u>	<u>15,070,461</u>	<u>15,686,904</u>	<u>21,162,602</u>	<u>17,728,351</u>

CITY OF BLAINE, MINNESOTA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
(Accrual Basis of Accounting)
(Amounts Expressed in Whole Dollars)

Program Revenues (continued)	Fiscal Year			
	2007	2008	2009	2010
Business-type activities:				
Charges for services:				
Water	\$4,887,689	\$4,270,471	\$4,758,957	\$4,237,701
Sewer	4,498,649	4,367,401	4,366,857	4,489,413
Storm drainage	-	931,946	852,746	856,808
Sanitation	2,566,383	2,437,250	2,475,211	2,515,843
Senior housing	1,330,023	1,322,144	1,308,687	1,387,090
Operating grants and contributions	94,870	102,235	42,245	98,863
Capital grants and contributions	7,387,135	521,520	485,583	1,257,072
Total business-type activities program revenues	<u>20,764,749</u>	<u>13,952,967</u>	<u>14,290,286</u>	<u>14,842,790</u>
Total primary government program revenues	<u>\$39,110,100</u>	<u>\$23,496,962</u>	<u>\$23,019,178</u>	<u>\$27,090,945</u>
Net (expense) revenue				
Governmental activities	(\$11,257,085)	(\$20,676,278)	(\$21,484,010)	(\$18,070,265)
Business-type activities	<u>8,369,213</u>	<u>218,979</u>	<u>705,854</u>	<u>616,655</u>
Total primary government net expense	<u>(\$2,887,872)</u>	<u>(\$20,457,299)</u>	<u>(\$20,778,156)</u>	<u>(\$17,453,610)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes:				
Property taxes	\$17,274,088	\$18,382,970	\$19,323,676	\$19,066,659
Tax increments	3,013,151	3,171,003	3,261,896	2,493,979
Franchise taxes	406,267	452,102	489,868	494,157
Lodging taxes	52,473	3,232	2,626	2,853
Gambling taxes	54,689	42,328	34,160	41,349
Unrestricted grants and contributions	2,020,573	1,104,547	317,950	72,315
Investment earnings	3,111,161	2,839,469	1,222,800	712,480
Gain on sale of capital assets	2,212,369	2,524	-	-
Transfers	1,251,502	76,430	1,076,088	(40,931)
Total governmental activities	<u>29,396,273</u>	<u>26,074,605</u>	<u>25,729,064</u>	<u>22,842,861</u>
Business-type activities:				
Unrestricted grants and contributions	-	-	-	-
Investment earnings	1,003,501	961,417	350,484	286,501
Gain on sale of capital assets	-	-	-	-
Transfers	(1,251,502)	(76,430)	(1,076,088)	40,931
Special item **	-	-	-	-
Total business-type activities	<u>(248,001)</u>	<u>884,987</u>	<u>(725,604)</u>	<u>327,432</u>
Total primary government	<u>\$29,148,272</u>	<u>\$26,959,592</u>	<u>\$25,003,460</u>	<u>\$23,170,293</u>
Change in Net Position				
Governmental activities	\$18,139,188	\$5,398,327	\$4,245,054	\$4,772,596
Business-type activities	<u>8,121,212</u>	<u>1,103,966</u>	<u>(19,750)</u>	<u>944,087</u>
Total primary government	<u>\$26,260,400</u>	<u>\$6,502,293</u>	<u>\$4,225,304</u>	<u>\$5,716,683</u>

*GASB 68 was implemented in 2015. Expenses for years prior to 2015 were not restated.

** In 2015 the special item was the gain on the sale of the senior housing operations.

Fiscal Year					
2011	2012*	2013	2014	2015	2016
\$4,159,805	\$5,069,764	\$4,538,200	\$4,346,639	\$4,375,570	\$4,919,252
4,515,577	4,649,702	4,712,081	4,761,818	4,874,710	5,345,374
866,961	908,100	1,037,485	1,086,611	1,234,141	1,251,232
2,556,449	2,632,526	2,781,467	2,831,174	3,027,897	3,688,967
1,420,694	1,430,197	1,447,634	1,519,203	643,081	-
115,075	227,153	171,316	180,337	174,206	178,129
669,796	960,298	3,392,349	2,905,376	4,904,786	4,741,102
<u>14,304,357</u>	<u>15,877,740</u>	<u>18,080,532</u>	<u>17,631,158</u>	<u>19,234,391</u>	<u>20,124,056</u>
<u>\$25,587,682</u>	<u>\$28,680,647</u>	<u>\$33,150,993</u>	<u>\$33,318,062</u>	<u>\$40,396,993</u>	<u>\$37,852,407</u>
(\$19,794,257)	(\$17,177,245)	(\$13,611,801)	(\$15,747,612)	(\$10,417,649)	(\$23,890,372)
566,106	2,143,106	3,867,546	3,057,415	5,354,842	5,318,160
<u>(\$19,228,151)</u>	<u>(\$15,034,139)</u>	<u>(\$9,744,255)</u>	<u>(\$12,690,197)</u>	<u>(\$5,062,807)</u>	<u>(\$18,572,212)</u>
\$18,918,478	\$18,905,229	\$18,754,042	\$19,843,254	\$22,277,346	\$22,314,153
2,300,674	2,068,161	915,604	177,744	195,865	216,490
507,790	503,339	533,296	567,391	585,647	759,592
3,199	3,438	3,477	3,644	3,904	4,419
70,535	91,735	91,361	113,442	129,676	141,152
69,654	27,796	23,609	23,553	52,273	55,140
1,992,891	826,148	(466,618)	1,375,930	773,338	457,852
12,095	5,440	5,903	48,321	103,850	128,607
600,973	(483,015)	30,955	338,278	11,130,958	(325,829)
<u>24,476,289</u>	<u>21,948,271</u>	<u>19,891,629</u>	<u>22,491,557</u>	<u>35,252,857</u>	<u>23,751,576</u>
-	-	-	-	-	-
812,773	331,611	(221,009)	553,785	249,310	174,617
-	67,802	-	5,902	-	-
(600,973)	483,015	(30,955)	(338,278)	(11,130,958)	325,829
-	-	-	-	3,375,669	-
<u>211,800</u>	<u>882,428</u>	<u>(251,964)</u>	<u>221,409</u>	<u>(7,505,979)</u>	<u>500,446</u>
<u>\$24,688,089</u>	<u>\$22,830,699</u>	<u>\$19,639,665</u>	<u>\$22,712,966</u>	<u>\$27,746,878</u>	<u>\$24,252,022</u>
\$4,682,032	\$4,771,026	\$6,279,828	\$6,743,945	\$24,835,208	(\$138,796)
777,906	3,025,534	3,615,582	3,278,824	(2,151,137)	5,818,606
<u>\$5,459,938</u>	<u>\$7,796,560</u>	<u>\$9,895,410</u>	<u>\$10,022,769</u>	<u>\$22,684,071</u>	<u>\$5,679,810</u>

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CITY OF BLAINE, MINNESOTA
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
 (Accrual Basis of Accounting)
 (Amounts Expressed in Whole Dollars)

Table 3

Fiscal Year	Property Taxes	Utility Meter Taxes	Tax Increments	Cable Franchise Taxes	Lodging Taxes**	Gambling Taxes	Total
2007	\$17,274,088	\$ -	\$3,013,151	\$406,267	\$52,473	\$54,689	\$20,800,668
2008	18,382,970	-	3,171,003	452,102	3,232	42,328	22,051,635
2009	19,323,676	-	3,261,896	489,868	2,626	34,160	23,112,226
2010	19,066,659	-	2,493,979	494,157	2,853	41,349	22,098,997
2011	18,918,478	-	2,300,674	507,790	3,199	70,535	21,800,676
2012	18,905,229	-	2,068,161	503,339	3,438	91,735	21,571,902
2013	18,754,042	-	915,604	533,296	3,477	91,361	20,297,780
2014	19,843,254	-	177,744	567,391	3,644	113,442	20,705,475
2015	22,277,346	-	195,865	585,647	3,904	129,676	23,192,438
2016	22,314,153	-	216,490	759,592	4,419	141,152	23,435,806

**In 2008 the City changed the way it accounted for the revenue received for lodging taxes levied on local hotels. Previously the total amount received for lodging taxes (3% on lodging within the City) was recorded as lodging tax revenue, although only 5% of that amount was actually retained by the City, and the rest (95%) went to the North Metro Convention and Visitor's Bureau to promote the City as a tourist and convention center. In 2008 the City changed its accounting to report only its 5% share as the amount actually collected as revenue from the lodging tax.

CITY OF BLAINE, MINNESOTA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
 (Modified Accrual Basis of Accounting)
 (Amounts Expressed in Whole Dollars)

	Fiscal Year			
	2007	2008	2009	2010
General fund:				
Reserved	\$43,965	\$73,661	\$77,837	\$54,916
Unreserved	10,247,115	9,811,821	9,795,673	10,584,953
Nonspendable	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$10,291,080</u>	<u>\$9,885,482</u>	<u>\$9,873,510</u>	<u>\$10,639,869</u>
All other governmental funds:				
Reserved	\$6,521,950	\$8,821,377	\$5,073,455	\$7,342,489
Unreserved, reported in:				
Special revenue funds	2,197,593	1,579,763	1,112,395	2,538,426
Capital projects funds	39,446,977	32,597,252	31,532,603	29,236,745
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$48,166,520</u>	<u>\$42,998,392</u>	<u>\$37,718,453</u>	<u>\$39,117,660</u>

Note:

The City implemented GASB Statement No. 54 for the fiscal year ended December 31, 2011, resulting in significant reclassification of the components of fund balances.

Table 4

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
90,740	189,125	32,037	245,976	221,911	124,192
-	48,691	-	-	-	-
10,848,967	10,381,874	9,142,896	9,132,261	10,842,450	11,741,448
<u>\$10,939,707</u>	<u>\$10,619,690</u>	<u>\$9,174,933</u>	<u>\$9,378,237</u>	<u>\$11,064,361</u>	<u>\$11,865,640</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	144,282
15,007,347	19,561,722	24,771,924	20,984,202	28,773,705	26,005,962
4,139,499	3,944,926	4,119,095	4,150,346	8,064,801	8,033,919
18,745,061	18,724,555	17,080,826	19,339,801	19,059,943	19,999,821
(6,997)	-	-	(977,537)	(2,028,000)	(976,205)
<u>\$37,884,910</u>	<u>\$42,231,203</u>	<u>\$45,971,845</u>	<u>\$43,496,812</u>	<u>\$53,870,449</u>	<u>\$53,207,779</u>

CITY OF BLAINE, MINNESOTA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Modified Accrual Basis of Accounting)
(Amounts Expressed in Whole Dollars)

	Fiscal Year			
	2007	2008	2009	2010
Revenues:				
Taxes	\$20,720,799	\$21,966,110	\$22,903,739	\$22,133,465
Special assessments	2,033,199	830,226	795,730	1,918,711
Park dedication fees *	-	-	-	-
Licenses and permits	2,145,265	1,644,182	1,274,114	1,572,484
Intergovernmental	3,081,977	2,088,320	2,621,075	3,759,522
Charges for services	3,674,353	3,966,311	4,074,411	4,217,737
Fines	342,137	333,782	331,235	362,512
Investment earnings	3,111,160	2,839,469	1,222,800	712,480
Miscellaneous	1,673,399	1,427,950	346,132	445,111
Total revenues	<u>36,782,289</u>	<u>35,096,350</u>	<u>33,569,236</u>	<u>35,122,022</u>
Expenditures:				
General government	3,946,868	4,179,951	3,977,413	4,227,517
Public safety	8,668,609	9,519,086	9,959,361	10,066,883
Public works	6,176,629	6,898,031	6,605,552	6,507,272
Recreation	893,576	977,558	1,030,243	1,101,047
Community development	2,359,373	2,446,220	2,415,468	2,606,450
Unallocated expenditures	524,100	558,707	490,227	639,800
Capital outlay	11,763,044	16,501,380	12,917,581	5,627,495
Debt service:				
Principal	3,240,000	2,860,000	2,730,000	3,430,000
Interest	1,161,077	1,256,738	1,357,456	1,324,534
Fiscal charges	67,922	74,607	38,969	55,176
Total expenditures	<u>38,801,198</u>	<u>45,272,278</u>	<u>41,522,270</u>	<u>35,586,174</u>
Excess of revenues over (under) expenditures	<u>(2,018,909)</u>	<u>(10,175,928)</u>	<u>(7,953,034)</u>	<u>(464,152)</u>
Other financing sources (uses):				
Transfers in	9,597,116	4,004,340	4,963,451	8,032,090
Transfers out	(4,964,339)	(3,657,029)	(2,478,842)	(7,729,699)
Sale of capital assets	2,767,113	41,410	176,514	80,504
Refunding bonds issued	-	-	-	1,720,000
Tax increment refunding bonds issued	-	-	-	-
Equipment certificates issued	-	-	-	485,000
General obligation bonds issued	-	-	-	-
Tax increment bonds issued	-	-	-	-
Improvement bonds issued	9,700,000	4,140,000	-	-

* Park Dedication Fees were reclassified to their own line out of Miscellaneous in 2014. Prior years' fees were not reclassified.

Table 5
Page 1 of 2

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$21,895,707	\$21,742,699	\$20,429,954	\$20,770,115	\$23,216,490	\$23,472,480
1,139,678	1,296,490	1,486,110	1,481,674	1,372,464	846,373
-	-	-	1,143,383	1,258,705	1,671,787
1,629,284	1,911,834	1,838,784	1,953,174	2,223,602	2,645,153
2,932,339	2,822,485	2,901,687	3,482,411	4,368,687	3,140,418
4,391,274	4,694,054	4,532,141	4,555,162	4,629,041	4,729,533
347,040	312,929	269,301	287,657	258,261	277,539
1,992,891	785,783	(440,216)	1,305,228	743,940	442,875
1,084,446	476,933	976,973	623,547	578,536	436,977
<u>35,412,659</u>	<u>34,043,207</u>	<u>31,994,734</u>	<u>35,602,351</u>	<u>38,649,726</u>	<u>37,663,135</u>
4,140,915	4,408,125	4,460,082	4,659,281	4,813,924	4,947,450
10,355,594	10,509,365	10,775,724	11,108,825	11,665,706	12,322,510
6,702,153	6,907,024	7,060,909	7,151,296	7,070,819	7,046,598
1,033,033	1,139,859	1,054,150	1,052,562	1,208,346	1,187,494
2,031,014	2,021,440	2,007,063	1,828,346	2,074,982	2,285,030
373,953	374,839	375,764	375,822	400,826	405,844
7,668,895	6,024,106	5,396,361	11,375,476	6,858,990	10,075,508
3,460,000	3,100,000	3,085,000	6,040,000	3,422,744	10,675,556
1,194,467	1,071,894	1,000,681	940,891	955,062	786,886
56,875	70,788	97,647	95,435	6,825	139,594
<u>37,016,899</u>	<u>35,627,440</u>	<u>35,313,381</u>	<u>44,627,934</u>	<u>38,478,224</u>	<u>49,872,470</u>
<u>(1,604,240)</u>	<u>(1,584,233)</u>	<u>(3,318,647)</u>	<u>(9,025,583)</u>	<u>171,502</u>	<u>(12,209,335)</u>
3,874,883	4,803,776	2,410,258	2,615,926	12,898,848	1,486,063
(3,081,555)	(4,183,785)	(2,010,202)	(1,972,546)	(1,114,439)	(1,479,531)
73,990	45,518	127,527	108,944	103,850	639,591
-	-	-	-	-	5,490,000
-	-	-	-	-	-
1,555,000	-	-	-	-	1,220,000
-	-	-	-	-	-
-	-	-	-	-	-
-	4,945,000	4,900,000	5,760,000	-	3,485,000

CITY OF BLAINE, MINNESOTA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
 (Modified Accrual Basis of Accounting)
 (Amounts Expressed in Whole Dollars)

	Fiscal Year			
	2007	2008	2009	2010
Other financing sources (uses): (continued)				
Premium on bonds issued	\$ -	\$73,482	\$ -	\$ -
Discount on bonds issued	-	-	-	41,823
Payments to refunded bond escrow agent	-	-	-	-
Loan proceeds	-	-	-	-
Total other financing sources (uses)	<u>17,101,897</u>	<u>4,604,211</u>	<u>2,661,123</u>	<u>2,629,718</u>
Net change in fund balances	<u>\$15,082,988</u>	<u>(\$5,571,717)</u>	<u>(\$5,291,911)</u>	<u>\$2,165,566</u>
Debt service as a percentage of noncapital expenditures	14.12%	13.06%	13.05%	15.34%

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$ -	\$ -	\$186,949	\$241,530	\$ -	\$1,506,821
-	-	-	-	-	-
(1,695,000)	-	-	-	-	-
-	-	-	-	-	-
<u>727,318</u>	<u>5,610,509</u>	<u>5,614,532</u>	<u>6,753,854</u>	<u>11,888,259</u>	<u>12,347,944</u>
<u>(\$876,922)</u>	<u>\$4,026,276</u>	<u>\$2,295,885</u>	<u>(\$2,271,729)</u>	<u>\$12,059,761</u>	<u>\$138,609</u>
14.34%	13.42%	13.43%	19.76%	13.44%	25.87%

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CITY OF BLAINE, MINNESOTA

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Table 6

LAST TEN FISCAL YEARS

(Modified Accrual Basis of Accounting)

(Amounts Expressed in Whole Dollars)

Fiscal Year Ended December 31,	Real Property			Less: TIF & Net Fiscal Disparity Contribution	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percentage of Actual Value
	Residential Property	Commercial Property	Personal Property					
2007	\$43,328,578	\$17,781,086	\$1,016,984	(\$9,097,352)	\$53,029,296	29.66%	\$5,312,083,700	1.17%
2008	46,390,710	20,372,605	1,080,614	(10,528,995)	57,314,934	29.14%	5,721,060,200	1.19%
2009	47,303,800	23,113,030	1,160,596	(11,669,948)	59,907,478	29.15%	5,959,525,500	1.20%
2010	45,063,531	23,548,326	1,217,277	(11,728,776)	58,100,358	29.51%	5,726,384,700	1.22%
2011	41,037,407	21,105,384	1,282,602	(11,465,413)	51,959,980	32.80%	5,213,097,700	1.22%
2012	36,582,348	19,240,519	1,289,228	(9,415,770)	47,696,325	33.56%	5,030,420,000	1.14%
2013	33,157,503	17,159,162	1,282,771	(7,797,724)	43,801,712	36.74%	4,611,240,900	1.12%
2014	34,005,117	16,441,998	1,226,345	(6,394,793)	45,278,667	36.38%	4,661,675,400	1.11%
2015	41,067,310	16,725,261	1,263,593	(6,333,002)	52,723,162	35.50%	5,338,980,600	1.11%
2016	42,313,253	16,851,107	1,339,171	(6,563,207)	53,940,324	35.58%	5,478,105,100	1.10%

Source: Anoka and Ramsey County Property Records Office

CITY OF BLAINE, MINNESOTA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

Fiscal Year	City of Blaine		
	Operating Tax Rate	Debt Service Tax Rate	Total City Tax Rate
2007	26.982	2.676	29.658
	26.982	2.676	29.658
	26.982	2.676	29.658
2008	27.033	2.102	29.135
	27.033	2.102	29.135
	27.033	2.102	29.135
2009	26.636	2.515	29.151
	26.636	2.515	29.151
	26.636	2.515	29.151
2010	26.505	3.005	29.510
	26.505	3.005	29.510
	26.505	3.005	29.510
2011	29.541	3.256	32.797
	29.541	3.256	32.797
	29.541	3.256	32.797
2012	29.536	4.027	33.563
	29.536	4.027	33.563
	29.536	4.027	33.563
2013	32.437	4.301	36.738
	32.437	4.301	36.738
	32.437	4.301	36.738
2014	32.070	4.309	36.379
	32.070	4.309	36.379
	32.070	4.309	36.379
2015	30.776	4.719	35.495
	30.776	4.719	35.495
	30.776	4.719	35.495
2016	30.858	4.720	35.578
	30.858	4.720	35.578
	30.858	4.720	35.578

*Overlapping rates are those of local and county governments that apply to property owners within the City of Blaine. Not all overlapping rates apply to all City of Blaine property owners. For example, the rates for special districts apply only to the proportion of the government's property owners whose property is located within the geographic boundaries of the special district.

Source: Anoka County Assessor's Office

Table 7

Overlapping Rates*						
Anoka County	School Districts				Total	
Total	Combined Operating/Debt Tax Rate			Special	Direct &	
County				Districts	Overlapping	
Tax Rate	ISD #11	ISD #12	ISD #16		Rates	
30.696	19.353	-	-	7.224	86.931	
30.696	-	38.090	-	7.224	105.668	
30.696	-	-	25.779	5.909	92.042	
31.078	16.983	-	-	8.514	85.710	
31.078	-	35.258	-	8.514	103.985	
31.078	-	-	26.213	8.514	94.940	
32.078	18.263	-	-	11.565	91.057	
32.078	-	34.593	-	12.581	108.403	
32.078	-	-	27.155	14.388	102.772	
35.189	19.939	-	-	6.419	91.057	
35.189	-	37.285	-	6.419	108.403	
35.189	-	-	31.654	6.419	102.772	
39.952	23.999	-	-	7.274	104.022	
39.952	-	43.695	-	7.274	123.718	
39.952	-	-	34.028	7.274	114.051	
41.146	23.325	-	-	7.182	105.216	
41.146	-	40.010	-	8.550	123.269	
41.146	-	-	39.443	8.550	122.702	
44.411	26.801	-	-	7.790	115.740	
44.411	-	43.681	-	8.970	133.800	
44.411	-	-	44.440	8.970	134.559	
43.613	28.265	-	-	8.609	116.866	
43.613	-	46.186	-	8.609	134.787	
43.613	-	-	44.562	8.609	133.163	
38.443	22.482	-	-	7.734	104.154	
38.443	-	36.562	-	7.734	118.234	
38.443	-	-	40.045	7.734	121.717	
39.398	20.885	-	-	7.982	103.843	
39.398	-	36.426	-	7.982	119.384	
39.398	-	-	39.609	7.982	122.567	

CITY OF BLAINE, MINNESOTA
PRINCIPAL PROPERTY TAXPAYERS
 Current Year and Nine Years Ago
 (Amounts Expressed in Whole Dollars)

Table 8

Taxpayer	2016			2007		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Glimacher Northtown Venture, LLC	\$943,642	1	1.54%	\$1,048,510	1	1.76%
Blaine Associates LLC	496,796	2	0.81%	-	-	-
Connexus Energy	346,640	3	0.57%	333,070	4	0.56%
Minnegasco Inc	344,478	4	0.56%	-	-	-
Walmart Real Estate Business Trust	322,648	5	0.53%	308,518	6	0.52%
Blaine Partners LLC	305,721	6	0.50%	-	-	-
Mills Properties Inc.	276,966	7	0.45%	-	-	-
Infinite Campus	260,070	8	0.42%	-	-	-
Menards	249,842	9	0.41%	272,990	10	0.46%
SNH Blaine Inc.	236,948	10	0.39%	-	-	-
Property Tax Advisors	-	-	-	615,122	2	1.03%
Raymen Associates of Blaine	-	-	-	353,554	3	0.59%
North Court RE Holdings, Inc.	-	-	-	322,108	5	0.54%
Target Corporation	-	-	-	294,384	7	0.50%
Individual	-	-	-	287,078	8	0.48%
Engelsma Ltd. Partnership	-	-	-	278,844	9	0.47%
Totals	\$3,783,751		6.18%	\$4,114,178		6.91%

Source: Anoka County Assessor's Office

CITY OF BLAINE, MINNESOTA
PROPERTY TAX LEVIES AND COLLECTIONS
 December 31, 2016
 (Amounts Expressed in Whole Dollars)

Table 9

Fiscal Year Ended December 31	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2007	\$17,295,649	\$16,902,091	97.7%	\$302,132	\$17,204,223	99.5%
2008	18,679,232	17,998,584	96.4%	343,716	18,342,300	98.2%
2009	19,292,648	18,844,700	97.7%	377,794	19,222,494	99.6%
2010	19,921,967	18,565,639	93.2%	266,901	18,832,540	94.5%
2011	19,946,864	18,617,251	93.3%	198,230	18,815,481	94.3%
2012	19,045,086	18,771,456	98.6%	114,592	18,886,048	99.2%
2013	19,024,390	18,639,325	98.0%	137,710	18,777,035	98.7%
2014	19,902,000	19,176,566	96.4%	112,490	19,289,056	96.9%
2015	22,246,025	22,140,443	99.5%	84,026	22,224,469	99.9%
2016	22,328,525	22,140,443	99.2%	-	22,140,443	99.2%

CITY OF BLAINE, MINNESOTA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Table 10

(Amounts Expressed in Whole Dollars, except for per capita amount)

Fiscal Year	Governmental Activities			Business-Type	Total Primary Government	Percentage of Personal Income*	Per Capita*
	General Obligation Bonds	Special Assessment Bonds	Loans & Notes Payable	General Obligation Bonds			
2007	\$28,138,980	\$8,258,321	\$1,804,000	\$ -	\$38,201,301	1.77%	675
2008	26,291,240	11,587,139	1,679,000	6,302,916	45,860,295	2.08%	806
2009	24,564,045	10,706,588	1,554,000	5,893,239	42,717,872	1.90%	736
2010	24,941,020	9,268,290	1,429,000	5,553,562	41,191,872	1.91%	720
2011	22,864,667	7,859,992	1,304,000	5,208,003	37,236,662	1.95%	642
2012	21,125,918	11,535,601	2,579,000	4,854,697	40,095,216	1.67%	666
2013	24,490,147	10,311,742	2,493,250	4,491,393	41,786,532	1.62%	674
2014	25,293,309	9,450,418	2,493,250	4,113,089	41,350,066	1.58%	666
2015	23,444,464	8,013,431	2,310,506	3,724,784	37,493,185	1.37%	593
2016	25,194,678	8,467,913	2,049,950	3,321,480	39,034,021	1.33%	608

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

*See the Schedule of Demographic and Economic Statistics, Table 15, for personal income and population data.

CITY OF BLAINE, MINNESOTA**RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS****Table 11**

(Amounts Expressed in Whole Dollars, except for per capita amount)

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less: Amounts Restricted for Principal Repayment</u>	<u>Total</u>	<u>Percentage of Estimated Actual Taxable Value* of Property</u>	<u>Per Capita**</u>
2007	\$36,397,301	\$ -	\$36,397,301	0.69%	643
2008	44,181,295	-	44,181,295	0.77%	777
2009	41,163,872	-	41,163,872	0.69%	709
2010	39,762,872	-	39,762,872	0.69%	695
2011	35,932,662	-	35,932,662	0.69%	619
2012	37,516,216	-	37,516,216	0.75%	623
2013	39,293,282	-	39,293,282	0.85%	634
2014	38,856,816	-	38,856,816	0.83%	626
2015	35,182,679	-	35,182,679	0.66%	557
2016	36,984,071	-	36,984,071	0.68%	576

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

*See the schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 129 for property value data.

**Population data can be found in the schedule of Demographic and Economic Statistics on page 142.

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CITY OF BLAINE, MINNESOTA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of December 31, 2016

Table 12

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable*	Estimated Share of Overlapping Debt
Direct debt:			
City	<u>\$35,712,541</u>	100.0%	<u>\$35,712,541</u>
Overlapping debt:			
Anoka County	112,614,095	19.5%	21,959,749
Ramsey County	149,045,000	0.1%	149,045
Ramsey County Library	33,200,000	0.2%	66,400
Independent School District #11-Anoka-Hennepin	84,480,000	14.1%	11,911,680
Independent School District #12-Centennial	97,938,685	24.8%	24,288,794
Independent School District #16-Spring Lake Park	96,371,855	66.7%	64,280,027
Independent School District #621-Mounds View	91,995,000	0.5%	459,975
Metropolitan Council	17,525,000	1.8%	315,450
Metropolitan Transit District	<u>177,305,000</u>	2.3%	<u>4,078,015</u>
Subtotal, overlapping debt	<u>860,474,635</u>		<u>127,509,135</u>
Total direct and overlapping debt	<u><u>\$896,187,176</u></u>		<u><u>\$163,221,676</u></u>

Source: Information obtained from taxing districts by financial consultant.

*The percentage of overlapping debt applicable is estimated using 2016 taxable net tax capacity values. Applicable percentages were estimated by determining the portion of the county's taxable net tax capacity value that is within the government's boundaries and dividing it by the county's total taxable net tax capacity values.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt of each overlapping government.

CITY OF BLAINE, MINNESOTA
LEGAL DEBT MARGIN INFORMATION
 Last Ten Fiscal Years
 (Amounts Expressed in Whole Dollars)

	Fiscal Year			
	2007	2008	2009	2010
Debt limit	\$106,241,674	\$171,631,806	\$176,151,961	\$170,400,132
Total net debt applicable to limit	<u>21,745,000</u>	<u>26,905,000</u>	<u>19,800,000</u>	<u>14,665,676</u>
Legal debt margin	<u>\$84,496,674</u>	<u>\$144,726,806</u>	<u>\$156,351,961</u>	<u>\$155,734,456</u>
Total net debt applicable to the limit as a percentage of debt limit	20.47%	15.68%	11.24%	8.61%

Note: Under current state finance law, the City's outstanding general obligation debt should not exceed 3 percent of the total estimated market value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds. Prior to 2008 the legal debt limit was 2 percent and was calculated on that basis for the year 2007.

Table 13

Fiscal Year					
2011	2012	2013	2014	2015	2016
\$155,049,486	\$127,874,724	\$138,337,227	\$139,850,262	\$160,169,418	\$164,343,153
<u>19,330,000</u>	<u>18,260,000</u>	<u>21,755,000</u>	<u>22,815,000</u>	<u>21,325,000</u>	<u>23,801,401</u>
<u>\$135,719,486</u>	<u>\$109,614,724</u>	<u>\$116,582,227</u>	<u>\$117,035,262</u>	<u>\$138,844,418</u>	<u>\$140,541,752</u>
12.47%	14.28%	15.73%	16.31%	13.31%	14.48%

Legal Debt Margin Calculation for Fiscal Year 2016

Estimated market value	\$5,478,105,100
Add back: exempt real property	-
Total estimated market value	<u>5,478,105,100</u>
Debt limit (3% of total assessed value)	164,343,153
Debt applicable to limit:	
General obligation bonds	23,801,401
Less: Cash and investments in applicable debt service funds	<u>(11,058,040)</u>
Total net debt applicable to limit	<u>12,743,361</u>
Legal debt margin	<u>\$151,599,792</u>

CITY OF BLAINE, MINNESOTA
PLEDGED-REVENUE COVERAGE
 Last Ten Fiscal Years
 (Amounts Expressed in Whole Dollars)

Fiscal Year	Water Revenue Bonds		
	Gross Revenues	Less: Operating Expenses	Net Available Revenue
2007	N/A	N/A	N/A
2008	N/A	N/A	N/A
2009	\$4,444,150	\$2,449,528	\$1,994,622
2010	4,216,735	2,227,362	1,989,373
2011	4,159,804	3,225,686	934,118
2012	5,069,784	3,547,932	1,521,852
2013	4,538,200	2,608,553	1,929,647
2014	4,346,638	2,808,183	1,538,455
2015	4,375,150	2,436,518	1,938,632
2016	4,917,652	2,255,655	2,661,997

Note: Details regarding the City of Blaine's outstanding debt can be found in the notes to the financial statements. Sewer charges and other includes investment earnings but not tap fees. Operating expenses do not include interest or depreciation.

Table 14

Water Revenue Bonds			Special Assessment Bonds			
Debt Service	Debt Service	Coverage	Special Assessment Collections	Debt Service		Coverage
Principal	Interest			Principal	Interest	
\$ -	\$ -	N/A	\$920,466	\$890,000	\$320,990	0.76
-	-	N/A	432,753	885,000	289,191	0.37
405,000	264,577	2.98	327,810	885,000	256,391	0.29
335,000	214,813	3.62	415,019	1,430,000	223,447	0.25
345,000	204,181	1.70	1,027,724	1,400,000	311,704	0.60
350,000	192,887	2.80	1,515,187	1,230,000	262,783	1.02
360,000	180,900	3.57	1,442,951	1,240,000	272,750	0.95
375,000	168,038	2.83	1,435,372	4,260,000	170,361	0.32
385,000	154,738	3.59	1,384,790	1,415,000	182,388	0.87
400,000	140,000	4.93	864,706	1,770,000	158,073	0.45

Fiscal Year	Population (1)	Total Estimated Personal Income (amounts expressed in thousands) (2)	Per Capita Personal Income (3)	Education Level in Years of			City of Blaine Unemployment Rate (7)	Anoka County Unemployment Rate (7)
				Median Age (4)	Formal Schooling (5)	School Enrollment (6)		
2007	56,575	\$2,159,015,150	\$38,162	33.5	13.4	12,283	4.4%	4.8%
2008	56,888	2,204,068,672	38,744	34.4	13.4	12,124	5.1%	5.3%
2009	58,020	2,247,926,880	38,744 *	33.7	13.4	12,803	7.4%	7.8%
2010	57,186	2,152,824,156	37,646	32.7	13.4	12,082	6.6%	7.1%
2011	58,020	1,905,608,880	32,844 *	35.6	13.4	12,082	5.5%	5.9%
2012	60,199	2,398,930,150	39,850 *	35.0	13.4	12,082	5.1%	5.8%
2013	62,018	2,579,204,584	41,588 *	35.4	13.8	12,803	4.1%	4.5%
2014	62,066	2,621,419,576	42,236 *	35.6	13.8	12,727	3.1%	3.4%
2015	63,180	2,742,770,160	43,412 *	36.2	13.9	12,776	3.1%	3.4%
2016	64,188	2,924,148,528	45,556 *	36.3	13.9	13,135	3.4%	3.9%

*Estimated

Sources:

- 1 Population figures for 2010 are from census data. Population figures for all other years are based on estimates from the City's Economic Development Authority.
- 2 Estimated Personal Income is calculated by taking the Per Capita Personal Income and multiplying it by the City's population.
- 3 US Dept of Commerce, BEA for Anoka County
- 4 U.S. Census Bureau
- 5 U.S. Census Bureau (for persons age 25 years and over).
- 6 Minnesota Department of Education for Anoka County
- 7 Minnesota Department of Economic Security

CITY OF BLAINE, MINNESOTA
PRINCIPAL EMPLOYERS
Current Year and Nine Years Ago

Table 16

Employer	2016			2007		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Aveda Corporation	650	1	2.70%	698	1	3.56%
Infinite Campus	450	2	1.87%	-	-	0.00%
Target Corporation	371	3	1.54%	-	-	0.00%
Cub Foods (four locations)	366	4	1.52%	455	2	2.32%
Carley Foundry, Inc.	350	5	1.46%	215	4	1.10%
National Sports Center	250	6	1.04%	150	8	0.76%
PTC	230	7	0.96%	-	-	0.00%
Walmart Stores, Inc	230	8	0.96%	-	-	0.00%
Bermo, Inc.	218	9	0.91%	200	5	1.02%
Home Depot (two locations)	215	10	0.89%	-	-	0.00%
Best Buy	-	-	0.00%	100	10	0.51%
City of Blaine	-	-	0.00%	193	6	0.98%
General Pattern Company	-	-	0.00%	120	9	0.61%
Kohl's Department Store	-	-	0.00%	150	7	0.76%
Rainbow Foods	-	-	0.00%	100	10	0.51%
Dayton Rogers Manufacturing	-	-	0.00%	100	10	0.51%
Total	3,330		13.85%	2,481		12.64%

Sources: City of Blaine Official Bond Statement Bonds of 2014A and Bonds of 2014B

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CITY OF BLAINE, MINNESOTA
BUDGETED FULL-TIME EQUIVALENT EMPLOYEES BY FUNCTION
 Last Ten Fiscal Years

Table 17

Function	Full-time Equivalent Employees as of December 31,									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
General government:										
Administration	10.00	10.00	10.00	9.00	8.00	8.00	8.00	8.00	8.00	8.00
Finance and information services	15.50	15.60	15.80	15.80	14.50	14.50	15.80	15.80	17.40	16.50
Public safety:										
Police:										
Officers	58.00	62.00	62.00	62.00	62.00	62.00	59.00	59.00	60.00	61.00
Civilians	16.20	16.20	16.20	16.20	15.20	14.00	15.90	15.90	15.90	15.90
Fire/community standards:										
Firefighters and officers	6.00	6.00	6.00	6.00	6.00	4.00	4.00	4.00	4.00	4.00
Civilians	4.00	4.00	4.00	4.00	4.00	6.00	6.00	6.00	6.00	7.00
Public services:										
Public works:										
Engineering	13.00	13.00	13.00	13.00	12.80	12.80	13.50	13.50	12.50	12.50
Maintenance	36.00	36.00	34.50	34.50	33.50	31.75	32.75	32.75	34.25	35.25
Water, sewer and storm sewer	19.00	19.00	18.00	17.00	17.00	16.25	16.25	16.25	18.25	17.25
Culture and recreation	7.00	7.00	7.00	7.00	7.00	7.00	6.00	6.00	6.00	6.00
Community development:										
Planning	5.00	5.00	5.00	4.00	4.00	3.00	3.00	4.00	4.00	4.00
Economic development	2.00	2.00	2.00	2.00	2.00	2.00	1.80	1.80	1.80	1.80
Building inspections	12.20	12.20	12.20	11.40	12.20	6.80	6.20	6.20	7.90	7.90
Total	<u>203.90</u>	<u>208.00</u>	<u>205.70</u>	<u>201.90</u>	<u>198.20</u>	<u>188.10</u>	<u>188.20</u>	<u>189.20</u>	<u>196.00</u>	<u>197.10</u>

Source: City of Blaine annual budget

CITY OF BLAINE, MINNESOTA
OPERATING INDICATORS BY FUNCTION
 Last Ten Fiscal Years

Function	Fiscal Year			
	2007	2008	2009	2010
Police				
Total arrests	2,227	2,200	2,189	1,856
Serious crimes	4,565	4,753	4,263	5,595
Total calls for service	32,165	31,022	29,713	29,429
Traffic violations	4,718	5,661	5,894	5,900
Fire				
Number of calls answered	844	844	857	849
Inspections	2,256	2,031	1,766	1,617
Highways and streets				
Street resurfacing (miles)	4.32	4.96	5.00	-
Sealcoating (miles)	15.65	8.54	9.00	5.71
Sanitation				
Refuse collected (tons/day)	46.38	45.56	45.58	46.91
Recyclables collected (tons/day)	13.44	12.56	12.57	13.65
Culture and recreation				
Youth activity participants	10,388	11,952	13,744	14,343
Adult activity participants	3,758	4,742	5,975	6,466
Senior activity participants	25,485	24,595	24,682	26,908
Facility usage permits	6,329	6,854	7,402	12,920
Economic Development				
Building permits issued	6,935	4,948	3,058	3,305
Number of inspections	10,204	12,717	9,236	10,207
Water				
New connections	264	364	201	262
Water main breaks	10	7	6	10
Average daily consumption (thousands of gallons)	6,931,178	6,764,392	7,328,370	7,297,718
Sewer				
Sewer pipes cleaned (linear feet)	119,790	109,300	280,000	120,000
Sewer pipes televised (linear feet)	-	37,000	109,000	87,000
Sewer pipes lined (linear feet)	550	36,863	87,175	104,471
Average daily sewage treatment (thousands of gallons)	5,178,082	4,906,849	5,186,301	5,375,342

Source: Statistics kept by City of Blaine departments

Table 18

Fiscal Year						
2011	2012	2013	2014	2015	2016	
1,790	1,718	1,539	1,406	1,118	2,259	
5,461	5,554	5,174	5,448	4,661	4,150	
29,715	22,044	22,091	22,412	18,204	18,074	
5,397	4,693	3,701	4,906	2,857	3,092	
1,272	831	1,174	1,199	1,298	1,371	
1,557	1,786	2,020	2,328	2,594	1,733	
5.35	2.43	7.90	2.40	2.57	-	
7.29	7.44	5.20	4.00	16.38	8.00	
49.39	46.28	64.73	65.15	69.12	70.36	
12.26	14.34	16.78	14.94	15.00	19.50	
8,855	11,550	14,935	14,327	13,234	17,778	
6,934	7,106	6,403	4,968	5,607	5,283	
28,456	28,056	28,172	28,478	29,028	29,539	
11,738	12,189	11,606	12,102	13,265	12,132	
3,170	3,126	3,111	3,487	3,883	3,920	
13,560	12,606	11,360	13,207	14,594	14,629	
381	447	633	340	646	338	
4	8	9	4	7	6	
6,880,805	7,664,956	6,878,827	6,355,619	6,206,757	6,482,759	
102,000	250,500	318,000	355,000	134,395	223,564	
60,000	4,000	10,000	3,000	1,200	3,790	
-	13,389	-	22,589	-	-	
5,175,342	6,257,534	5,693,151	5,131,506	5,254,790	5,298,630	

CITY OF BLAINE, MINNESOTA
CAPITAL ASSET STATISTICS BY FUNCTION
 Last Ten Fiscal Years

Function	Fiscal Year			
	2007	2008	2009	2010
Public safety:				
Police:				
Stations	1	1	1	1
Patrol Units	16	16	17	17
Fire stations	4	4	4	4
Highways and streets:				
Streets (miles)	283	283	285	287
Traffic signals (city owned)	5	5	5	5
Culture and recreation:				
Parks acreage	636	636	642	673
Parks	61	61	62	62
Miles of trails	54	54	55	63
Soccer fields	10	10	10	10
Lighted Park Shelters	3	3	4	4
Water:				
Number of connections	16,559	16,923	17,124	17,435
Water mains (miles)	263	264	265	266
Fire hydrants	2,928	2,935	2,939	2,951
Maximum daily capacity (thousands of gallons)	6,931,178	6,764,392	7,328,370	7,297,718
Sewer:				
Number of connections	16,500	16,750	17,110	17,340
Sanitary sewers (miles)	226	226	226	227
Storm sewer:				
Storm sewers (miles)	148	148	148	149

Source: Statistics kept by City of Blaine departments

Table 19

Fiscal Year						
2011	2012	2013	2014	2015	2016	
1	1	1	1	1	1	1
18	17	17	17	17	17	21
4	4	4	4	4	4	4
288	288	289	290	295	297	297
5	5	5	5	5	5	5
707	707	710	748	750	754	754
62	63	63	64	65	65	65
63	63	67	67	69	69	69
10	11	11	11	13	13	1
4	4	4	4	4	4	4
17,816	18,239	18,385	18,596	19,242	19,580	19,580
267	267	269	270	274	277	277
2,957	2,965	2,994	3,016	3,061	3,100	3,100
6,880,805	7,664,956	6,878,827	6,355,619	6,206,757	6,482,759	6,482,759
17,464	18,192	18,305	18,453	19,065	19,512	19,512
227	228	228	230	233	239	239
149	151	153	155	159	161	161

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