



COMPREHENSIVE ANNUAL FINANCIAL REPORT

DECEMBER 31, 2017



COMPREHENSIVE ANNUAL FINANCIAL

REPORT OF THE

CITY OF

WILLMAR, MINNESOTA

FOR THE

YEAR ENDED

DECEMBER 31, 2017

DIVISION OF FINANCE

**STEVEN B. OKINS, DIRECTOR OF FINANCE
MEMBER OF THE GOVERNMENT FINANCE OFFICERS
ASSOCIATION OF THE UNITED STATES AND CANADA &
MINNESOTA FINANCE OFFICERS ASSOCIATION**

**CITY OF WILLMAR, MINNESOTA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

TABLE OF CONTENTS

| | <u>PAGE</u> |
|--|--------------------|
| <u>INTRODUCTORY SECTION</u> | |
| List of Elected and Appointed Officials | i |
| <u>FINANCIAL SECTION-I</u> | |
| Independent Auditor's Report | ii |
| Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards | iii |
| Independent Auditor's Report on Minnesota Legal Compliance | iv |
| Schedule of Findings and Questioned Costs | v |
| <u>FINANCIAL SECTION-II</u> | |
| Management's Discussion and Analysis | 1 |
| Basic Financial Statements: | |
| Government-Wide Financial Statements: | |
| Statement of Net Position | 11 |
| Statement of Activities | 13 |
| Fund Financial Statements: | |
| Balance Sheet – Governmental Funds | 15 |
| Reconciliation of Net Position in the Government-Wide Financial Statements and Fund Balances in the Fund Basis Financial Statements | 17 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds | 18 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 20 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances Budget to Actual – General Fund | 21 |
| Statement of Net Position – Proprietary Funds | 22 |
| Statement of Revenues, Expenses, & Changes in Fund Net Position – Proprietary Funds | 23 |
| Statement of Cash Flows – Proprietary Funds | 24 |
| Notes to the Financial Statements | 26 |

**CITY OF WILLMAR, MINNESOTA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

TABLE OF CONTENTS (continued)

| | <u>PAGE</u> |
|--|--------------------|
| <u>FINANCIAL SECTION-II (continued)</u> | |
| Required Supplementary Information: | |
| Individual Schedule of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual: | |
| General Fund | 64 |
| Industrial Development Special Revenue Fund | 69 |
| Convention and Visitors’ Bureau Special Revenue Fund | 70 |
| Willmar Municipal Airport Special Revenue Fund..... | 71 |
| Library Improvement Reserve Special Revenue Fund..... | 72 |
| Community Investment Special Revenue Fund | 73 |
| Public Works Reserve Special Revenue Fund | 74 |
| Debt Service Funds/Special Assessments Bonds | 75 |
| Debt Service Funds/Airport G.O. Revenue Bonds..... | 76 |
| Debt Service Funds/Tax Increment Bonds | 77 |
| Schedules of Proportionate Share of Net Pension Liability and Employer Contributions – GERF | 78 |
| Schedules of Proportionate Share of Net Pension Liability and Employer Contributions – PEPFF | 79 |
| Schedule of Fund Progress – Other Post Employment Benefits | 80 |
| Notes to the Required Supplementary Information..... | 81 |
| Other Supplementary Information: | |
| Combining Balance Sheet – Nonmajor Governmental Funds | 83 |
| Combining Statement of Revenue, Expenditures and Changes in Fund Balances | |
| Nonmajor Governmental Funds | 84 |
| Combining Balance Sheet – Nonmajor Special Revenue Funds..... | 85 |
| Combining Statement of Revenue, Expenditures and Changes in Fund Balances – | |
| Nonmajor Special Revenue Funds | 86 |
| Combining Balance Sheet – Nonmajor Capital Project Funds | 87 |
| Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Nonmajor | |
| Capital Project Funds | 88 |
| Combining Balance Sheet – Nonmajor Debt Service Funds..... | 89 |
| Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Nonmajor | |
| Capital Project Funds | 90 |
| Combining Statement of Net Position – Internal Service Funds..... | 91 |
| Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Internal | |
| Service Funds | 92 |
| Combining Statement of Cash Flows – Internal Service Funds..... | 93 |
| Statement of Net Position – Fiduciary/Agency Fund..... | 94 |
| Statement of Revenues, Expenses and Changes in Fund Net Position – Fiduciary/Agency Fund | 95 |

**CITY OF WILLMAR, MINNESOTA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2017**

TABLE OF CONTENTS (continued)

| | <u>PAGE</u> |
|---|--------------------|
| <u>STATISTICAL SECTION</u> | |
| Capital Assets Used in the Operation of Governmental Funds: | |
| Comparative Schedules By Source | 96 |
| Schedule of Changes by Function and Activity | 97 |
| Schedule By Function and Activity..... | 98 |
| Government-Wide Information: | |
| Government-Wide Expenses By Function | 99 |
| Government-Wide Revenues..... | 100 |
| Fund Information: | |
| General Governmental Expenditures by Function | 101 |
| General Governmental Revenues by Source | 102 |
| Property Tax Levies and Collections | 103 |
| Tax Capacities and Estimated Market Value of Taxable Property | 104 |
| Tax Capacity Rates – Direct and Overlapping Governments | 106 |
| Tax Levies – Direct and Overlapping Governments | 107 |
| Principal Taxpayers | 108 |
| Special Assessments Billings and Collections | 109 |
| Computation of Legal Debt Margin | 110 |
| Miscellaneous Statistics..... | 111 |

CITY OF WILLMAR, MINNESOTA

INTRODUCTORY SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF WILLMAR, MINNESOTA

2017

CITY COUNCIL

MARVIN CALVIN, MAYOR

COUNCIL MEMBERS:

FERNANDO ALVARADO

RON CHRISTIANSON

JULIE ASMUS

RICK FAGERLIE

SHAWN MUESKE

AUDREY NELSEN

ANDREW PLOWMAN

KATHY SCHWANTES

FINANCE DIRECTOR

STEVEN B. OKINS

CITY ADMINISTRATOR

ISAAC HOLLAND

CITY OF WILLMAR, MINNESOTA

FINANCIAL SECTION - I

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Willmar, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We did not audit the financial statements of Rice Memorial Hospital and Willmar Municipal Utilities, which are discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, in so far as it relates to the amounts included for Rice Memorial Hospital and Willmar Municipal Utilities is based on the reports of the other auditors.

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 did not audit the financial statements of Rice Memorial Hospital and Willmar Municipal Utilities, which are discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, in so far as it relates to the amounts included for Rice Memorial Hospital and Willmar Municipal Utilities is based on the reports of the other auditors. 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. The financial statements of Rice Memorial Hospital were not audited in accordance with *Government Auditing Standards*.

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, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Willmar, Minnesota, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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 and other auditors 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 Willmar, 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 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 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 July 20, 2018 on our consideration of the City of Willmar, Minnesota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on 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 Willmar, Minnesota's internal control over financial reporting and compliance.

Westberg Eischens, PLLP

Westberg Eischens, PLLP
Willmar, Minnesota
July 20, 2018

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

Mayor and City Council
City of Willmar, Minnesota

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Willmar, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City of Willmar, Minnesota's basic financial statements and have issued our report thereon dated July 20, 2018. Our report includes a reference to other auditors who audited the financial statements of Rice Memorial Hospital and Willmar Municipal Utilities, as described in our report on the City of Willmar, Minnesota's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Rice Memorial Hospital were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist

that have not been identified. We did identify a deficiency in internal control described in the accompanying schedule of findings and recommendations as finding 2017-001, which we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Willmar, Minnesota's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Westberg Eischens, PLLP
Willmar, Minnesota
July 20, 2018

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Mayor and City Council
City of Willmar, Minnesota

We have audited, 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, the financial statements of the City of Willmar, Minnesota, as of and for the year ended December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated July 20, 2018.

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

In connection with our audit, nothing came to our attention that caused us to believe that City of Willmar, Minnesota failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*, except as described in the schedule of findings and recommendations as items 2017-002 and 2017-003. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City of Willmar, Minnesota's noncompliance with the above referenced provisions.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is no suitable for any other purpose.

Westberg Eischens, PLLP

Westberg Eischens, PLLP
Willmar, Minnesota
July 20, 2018

CITY OF WILLMAR, MINNESOTA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the Year Ended December 31, 2017

SECTION I: FINANCIAL STATEMENT FINDINGS

Finding 2017-001

Criteria:

A system of internal controls allows management or employees in the normal course of performing their assigned functions, to prevent or detect misstatements of the financial statements on a timely basis.

Condition:

We proposed material adjustments to the construction in progress balance for the governmental activities.

Cause:

Activity in the project funds was not reconciled to the capital asset fund.

Effect:

Construction in progress was understated by approximately \$2.7 million.

Recommendation:

We recommend management review the current year end procedures in place and make revisions necessary to address this finding.

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

Management will revise the year end procedures to ensure misstatements are detected and corrected.

Officer Responsible for Ensuring CAP:

Finance Director

Planned Completion Date:

December 2018

Plan to Monitor Completion of CAP:

City Administrator will monitor completion of corrective action plan.

CITY OF WILLMAR, MINNESOTA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the Year Ended December 31, 2017

SECTION II: MINNESOTA LEGAL COMPLIANCE

Finding 2017-002

Criteria:

Minnesota Statute § 15.17 and 138.17 require Cities to preserve all records necessary for “a full and accurate knowledge of their official activities.” Bids and supporting documentation must be kept forever unless the city adopts the General Records Retention Schedule for Cities, adopts its own properly approved records retention schedule or receives authority to dispose of the records from the records disposition panel.

Condition:

Bid documentation for some of the 2017 projects was not retained.

Cause:

The record retention policy being followed is not consistent with the General Records Retention Schedule.

Effect:

The City was not in compliance with Minnesota Statutes.

Recommendation:

We recommend the City review the record retention policy and communicate the policy to all departments.

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The City will adopt the General Records Retention Schedule for Cities and communicate the policy to department directors.

Officer Responsible for Ensuring CAP:

City Clerk

Planned Completion Date:

July 2018

Plan to Monitor Completion of CAP:

City Administrator will monitor completion of corrective action plan.

CITY OF WILLMAR, MINNESOTA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the Year Ended December 31, 2017

SECTION II: MINNESOTA LEGAL COMPLIANCE (continued)

Finding 2017-003

Criteria:

Minnesota Statute § 471.38 specifies the requirements home rule charter cities must follow for making electronic funds transfers. Subdivision 3 requires the local government to enact policy controls in order to be eligible to make electronic funds transfers.

Condition:

The City does not have an electronic funds transfer policy that addresses the controls required by Minnesota Statute § 471.38 subd. 3a.

Cause:

The City was not aware the statute was revised in 2017.

Effect:

The City is not in compliance with Minnesota Statutes.

Recommendation:

We recommend the City adopt a policy and controls for electronic funds transfers.

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The City will adopt a formal policy that is in compliance with state statutes.

Officer Responsible for Ensuring CAP:

Finance Director

Planned Completion Date:

December 2018.

Plan to Monitor Completion of CAP:

City Administrator will monitor completion of corrective action plan.

**CITY OF WILLMAR, MINNESOTA
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
For the Year Ended December 31, 2017**

SECTION III: PRIOR YEAR FINDINGS

Finding 2016-001

Criteria:

Minnesota Statute § 118A.03 requires City deposits that exceed federal deposit insurance to be protected by collateral security or a corporate surety bond.

Condition:

At year end, the City had uncollateralized deposits of approximately \$1.2 million.

Cause:

The City had reassigned some of the duties from the Clerk/Treasurer to the Finance department during 2016.

Effect:

The City was not in compliance with Minnesota Statute § 118A.03.

Recommendation:

We recommend the City document procedures for monitoring collateral requirements on a monthly basis.

Status:

Resolved

Finding 2016-002

Criteria:

Minnesota Statute § 471.665 specifies requirements for establishing automobile allowances in lieu of other mileage reimbursements.

Condition:

Employees receiving an automobile allowance were reimbursed for mileage when required to travel outside of the county.

Cause:

The City's established the automobile allowance based on expected travel within the county. In an effort to cover the costs of extra travel, the City allowed reimbursement for travel outside the county. The City's interpretation of the statute was that this was allowed.

Effect:

The City was not in compliance with Minnesota Statute § 471.665.

Recommendation:

We recommend the City revise the mileage reimbursement policy to exclude employees that receive an automobile allowance.

Status:

Resolved

CITY OF WILLMAR, MINNESOTA

FINANCIAL SECTION - II

MANAGEMENT DISCUSSION AND ANALYSIS

CITY OF WILLMAR, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

This section of the basic financial statements of the City of Willmar (the City) presents a discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2017. Please read it in conjunction with the City's basic financial statements following this section.

Financial Highlights

- The assets of the City exceeded liabilities by \$139,915,990 (net position). Of this amount, \$40,249,539 (in Committed and Unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's governmental funds reported combined ending fund balances of \$35,302,613. Of this total amount, approximately 2% is Nonspendable, 20% is Restricted, and 78% is Committed.
- At the end of the current fiscal year, committed fund balance for the General Fund was \$13,401,500, or 98% of the total General Fund expenditures of \$13,743,358.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements are presented after the Statement of Net Position. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's funds. The notes to the basic financial statements provide information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The City as a whole: Statement of Net Position and Statement of Activities

Our analysis of the City of Willmar begins with the Statement of Net Position and the Statement of Activities. One of the most important questions asked about the City's finances is, "Is the City as a whole better off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities both report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's net position and changes thereto. You can think of the City's net position – the difference between assets and liabilities – as one way to measure the City's financial health. Over time, increases and decreases in the City's net position is one indicator of whether the City's financial health is improving or deteriorating.

You will need to consider other nonfinancial factors, however, to assess the overall health of the City of Willmar.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

Governmental Activities - Most of the City's basic services are reported here, including the police, public works, parks departments and general administration. Property taxes, franchise fees, and state and federal grants finance most of these activities.

Business-Type Activities – The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's waste treatment fund and internal service fund are reported here.

CITY OF WILLMAR, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

The City's Most Significant Funds: Fund Financial Statements

Our analysis of the City of Willmar's major funds begins with the fund financial statements. These statements provided detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City Council establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City of Willmar's two kinds of funds – governmental and proprietary – use different accounting approaches.

Governmental Funds – Most of the City of Willmar's basic services are reported in governmental funds. Governmental funds focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader of the statements determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation after the fund financial statements.

The governmental fund financial statements can be found on pages 15-21 of this report.

Proprietary Funds – When the City of Willmar charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

The proprietary fund financial statements can be found on pages 22-25 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 26-63 of this report.

Statement of Net Position

The City of Willmar's net position increased from a year ago. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 3) of the City's governmental and business-type activities.

CITY OF WILLMAR, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

Table 1
Condensed Statement of Net Position

| | Governmental Activities | | Business-type Activities | | Total | |
|----------------------------------|--------------------------------|---------------|---------------------------------|---------------|---------------|---------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Current and other assets | \$ 41,216,818 | \$ 42,557,421 | \$ 13,138,642 | 10,865,742 | \$ 54,355,460 | \$ 53,423,163 |
| Net capital assets | 94,836,865 | 93,810,657 | 83,602,554 | 85,452,298 | 178,439,419 | 179,262,955 |
| Total Assets | 136,053,683 | 136,368,078 | 96,741,196 | 96,318,040 | 232,794,879 | 232,686,118 |
| Deferred Outflows | 6,830,963 | 8,558,147 | 262,931 | 336,352 | 7,093,894 | 94,010,445 |
| Other liabilities | 2,464,246 | 2,761,927 | 180,741 | 409,844 | 2,644,987 | 3,171,771 |
| Long-term liabilities | 20,298,475 | 28,718,815 | 68,914,218 | 71,756,416 | 89,212,693 | 100,475,231 |
| Total Liabilities | 22,762,721 | 31,480,742 | 69,094,959 | 72,166,260 | 91,857,680 | 103,647,002 |
| Deferred Inflows | 7,857,913 | 1,761,067 | 257,191 | 110,060 | 8,115,104 | 1,871,127 |
| Net Position | | | | | | |
| Net Investment in Capital Assets | 84,374,561 | 82,537,353 | 15,291,890 | 14,500,798 | 99,666,451 | 97,038,151 |
| NonExpendable | - | - | - | - | - | - |
| Restricted | 21,250,871 | 35,591,625 | 667,804 | 581,584 | 21,918,675 | 36,173,209 |
| Unrestricted | 6,638,581 | (6,444,562) | 11,692,283 | 9,295,890 | 18,330,864 | 2,851,328 |
| Total Net Position | \$112,264,013 | \$111,684,416 | \$ 27,651,977 | \$ 24,378,272 | \$139,915,990 | \$136,062,688 |

Governmental Activities

The net position of the City's governmental activities increased by \$579,597 in 2017. The increase was mainly due to a slight decrease in annual expenditures due to a number of vacant positions throughout the year.

Business-Type Activities

The total net position of the City's business-type activities increased by \$3,273,705 in 2017. The increase was due to rates being set through 2017 to handle the pending increase in debt service payments and future capital expenditure needs.

Table 2
Condensed Statement of Net Position

| | Rice Memorial Hospital | | Municipal Utilities | | Total | |
|----------------------------------|-------------------------------|---------------|----------------------------|---------------|----------------|----------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Current and other assets | \$ 82,504,328 | \$ 75,938,615 | \$ 34,488,463 | \$ 29,582,761 | \$ 116,992,791 | \$ 105,521,376 |
| Net capital assets | 60,188,587 | 62,775,982 | 31,280,870 | 31,225,464 | 91,469,457 | 94,001,446 |
| Total Assets | 142,692,915 | 138,714,597 | 65,769,333 | 60,808,225 | 208,462,248 | 199,522,822 |
| Deferred Outflows | 19,977,667 | 23,662,096 | 944,351 | 2,105,518 | 20,922,018 | 25,767,614 |
| Current and other liabilities | 17,770,329 | 17,333,493 | 4,457,272 | 4,253,680 | 22,227,601 | 21,587,173 |
| Long-term liabilities | 89,405,651 | 101,360,252 | 9,690,106 | 11,668,579 | 99,095,757 | 113,028,831 |
| Total Liabilities | 107,175,980 | 118,693,745 | 14,147,378 | 15,922,259 | 121,323,358 | 134,616,004 |
| Deferred Inflows | 16,119,932 | 7,237,000 | 849,783 | 654,514 | 16,969,715 | 7,891,514 |
| Net Position | | | | | | |
| Net Investment in capital assets | 18,701,189 | 19,651,343 | 25,898,387 | 25,275,464 | 44,599,576 | 44,926,807 |
| Restricted | 8,458,886 | 7,823,270 | 1,567,028 | 1,584,238 | 10,025,914 | 9,407,508 |
| Unrestricted | 12,214,595 | 8,971,335 | 24,051,108 | 19,477,268 | 36,265,703 | 28,448,603 |
| Total Net Position | \$ 39,374,670 | \$ 36,445,948 | \$ 51,516,523 | \$ 46,336,970 | \$ 90,891,193 | \$ 82,782,918 |

CITY OF WILLMAR, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

Primary Government

Table 3
Condensed Statement of Activities

| | Governmental Activities | | Business-type Activities | | Total | |
|---|--------------------------------|-----------------------|---------------------------------|----------------------|-----------------------|-----------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 1,689,893 | \$ 1,935,065 | \$ 10,255,479 | \$ 10,348,712 | \$ 11,945,372 | \$ 12,283,777 |
| Operating grants and contributions | 1,093,828 | 1,209,097 | - | - | 1,093,828 | 1,209,097 |
| Capital grants and contributions | 3,747,878 | 1,920,469 | - | - | 3,747,878 | 1,920,469 |
| General revenues: | | | | | | |
| Property and other taxes | 5,328,601 | 4,948,435 | - | - | 5,328,601 | 4,948,435 |
| Grants and contributions not restricted to specific program | 4,686,694 | 4,677,513 | - | - | 4,686,694 | 4,677,513 |
| Other | 1,635,515 | 1,144,280 | 292,770 | (1,167,168) | 1,928,285 | (22,888) |
| Intergovernmental | - | - | - | - | - | - |
| Total Revenues | 18,182,409 | 15,834,859 | 10,548,249 | 9,181,544 | 28,730,658 | 25,016,403 |
| Expenses | | | | | | |
| General Government | 3,704,457 | 3,907,763 | - | - | 3,704,457 | 3,907,763 |
| Public safety | 5,735,917 | 6,277,277 | - | - | 5,735,917 | 6,277,277 |
| Public works | 8,216,746 | 7,432,779 | - | - | 8,216,746 | 7,432,779 |
| Social services | - | - | - | - | - | - |
| Culture and recreation | 2,889,721 | 2,631,463 | - | - | 2,889,721 | 2,631,463 |
| Economic development | 34,108 | 13,828 | - | - | 34,108 | 13,828 |
| Capital projects | - | - | - | - | - | - |
| Debt service | 230,050 | 259,475 | - | - | 230,050 | 259,475 |
| Office services | - | - | - | - | - | - |
| Waste treatment | - | - | 6,544,284 | 6,488,885 | 6,544,284 | 6,488,885 |
| Total Expenses | 20,810,999 | 20,522,585 | 6,544,284 | 6,488,885 | 27,355,283 | 27,011,470 |
| Changes in Net Position | | | | | | |
| Before Transfers | (2,628,590) | (4,687,726) | 4,003,965 | 2,692,659 | 1,375,375 | (1,995,067) |
| Transfers | 3,208,187 | 3,094,022 | (730,260) | (702,000) | 2,477,927 | 2,392,022 |
| Changes in Net Position | 579,597 | (1,593,704) | 3,273,705 | 1,990,659 | 3,853,302 | 396,955 |
| Net Position, Beg. of Year | 111,684,416 | 113,655,762 | 24,378,272 | 22,387,613 | 136,062,688 | 136,043,375 |
| Prior period adjustment | - | (377,642) | - | - | - | (377,642) |
| Net Position, End of Year | \$ 112,264,013 | \$ 111,684,416 | \$ 27,651,977 | \$ 24,378,272 | \$ 139,915,990 | \$ 136,062,688 |

CITY OF WILLMAR, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

Component Units

Component Units

The total net position of the City's two component units increased by \$8,332,378 in 2017. The net position of the Municipal Utilities Commission increased by \$5,403,656, and the net position of Rice Memorial Hospital increased by \$2,928,722.

Table 4
Condensed Statement of Activities

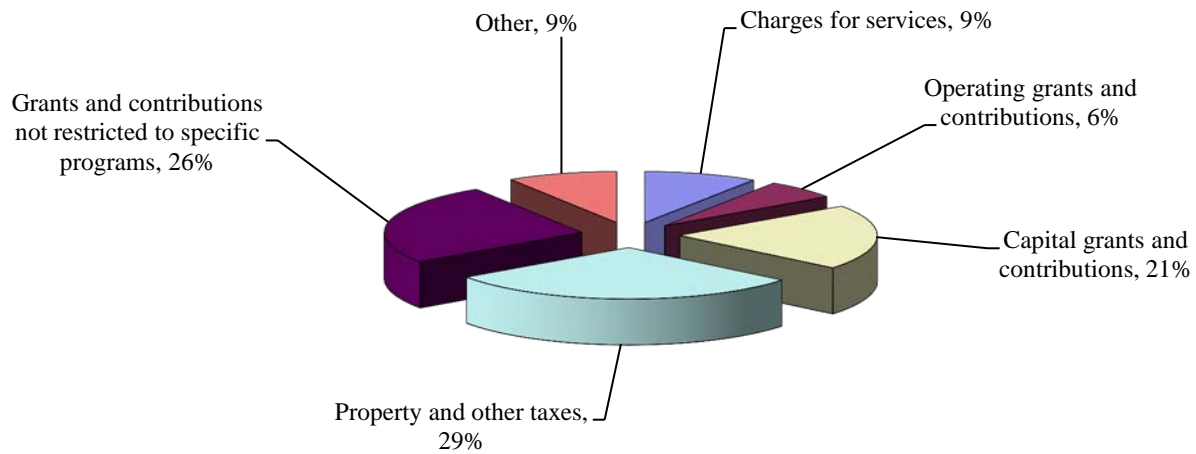
| | Rice Memorial Hospital | | Municipal Utilities | | Total | |
|---------------------------------------|-------------------------------|----------------------|----------------------------|----------------------|----------------------|----------------------|
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Revenues | | | | | | |
| Hospital | \$110,492,274 | \$110,218,827 | \$ - | \$ - | \$110,492,274 | \$110,218,827 |
| Municipal Utility | - | - | 33,950,617 | 32,461,809 | 33,950,617 | 32,461,809 |
| Interest Earnings | 1,213,415 | 1,151,857 | 173,775 | 279,832 | 1,387,190 | 1,431,689 |
| Gain (Loss) on sale of Capital Assets | (90,647) | (148,675) | (326,302) | 7,552 | (416,949) | (141,123) |
| Miscellaneous | 1,251,816 | (47,877) | 185 | (7,363) | 1,252,001 | (55,240) |
| Total Revenues | <u>112,866,858</u> | <u>111,174,132</u> | <u>33,798,275</u> | <u>32,741,830</u> | <u>146,665,133</u> | <u>143,915,962</u> |
| Expenses | | | | | | |
| Hospital | 109,597,559 | 108,678,965 | - | - | 109,597,559 | 108,678,965 |
| Municipal Utility | - | - | 26,257,777 | 26,745,927 | 26,257,777 | 26,745,927 |
| Total Expenses | <u>109,597,559</u> | <u>108,678,965</u> | <u>26,257,777</u> | <u>26,745,927</u> | <u>135,855,336</u> | <u>135,424,892</u> |
| Changes in Net Position | | | | | | |
| Before transfers | 3,269,299 | 2,495,167 | 7,540,498 | 5,995,903 | 10,809,797 | 8,491,070 |
| Transfers | <u>(340,577)</u> | <u>(255,180)</u> | <u>(2,136,842)</u> | <u>(2,121,088)</u> | <u>(2,477,419)</u> | <u>(2,376,268)</u> |
| Changes in Net Position | 2,928,722 | 2,239,987 | 5,403,656 | 3,874,815 | 8,332,378 | 6,114,802 |
| Net Position, Beginning | 36,445,948 | 34,205,961 | 46,336,970 | 42,462,155 | 82,782,918 | 76,668,116 |
| Prior Period Adjstmt | - | - | (224,103) | - | (224,103) | - |
| Net Pos., Beg. Restated | <u>36,445,948</u> | <u>34,205,961</u> | <u>46,112,867</u> | <u>42,462,155</u> | <u>82,558,815</u> | <u>76,668,116</u> |
| Net Position, Ending | <u>\$ 39,374,670</u> | <u>\$ 36,445,948</u> | <u>\$ 51,516,523</u> | <u>\$ 46,336,970</u> | <u>\$ 90,891,193</u> | <u>\$ 82,782,918</u> |

**CITY OF WILLMAR, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017**

Governmental Activities

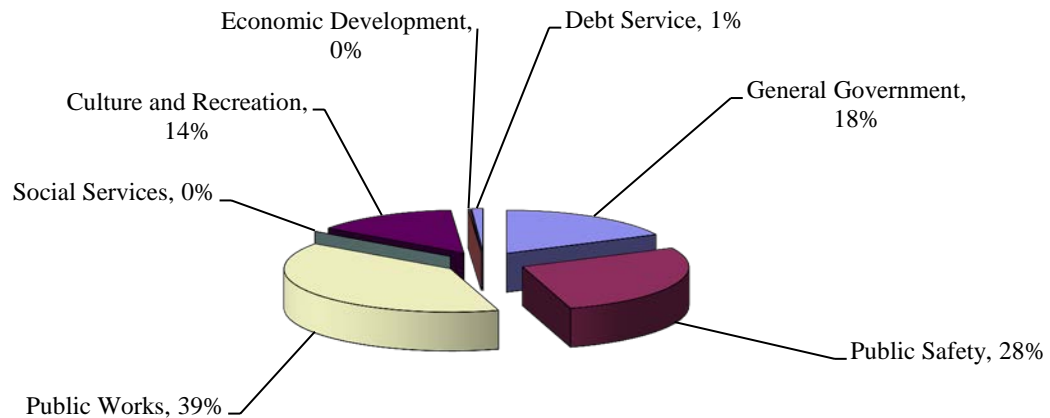
Revenues – The following chart visually illustrates the City's revenues by source for its governmental activities:

Revenue by Source - Governmental Activities



Expenses – The following chart visually illustrates the City's expenses by source for its governmental activities:

Expenses by Source - Governmental Activities



**CITY OF WILLMAR, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017**

Financial Analysis of the City's Funds

General Fund – The City's General Fund Balance decreased by \$705,098 in 2017 which is \$701,073 less of a decrease than the final budget projection which reflected a decrease of \$1,406,171. Most of the difference was due to a decrease in overall expenditures for Public Safety and Public Works

Debt Service Funds – The Special Assessments Bond Debt Service Fund Balance increased by \$1,544,808 in 2017. Most of this increase was attributable to transfers from finalized street project funds.

Special Revenue Fund – The Industrial Development Fund Balance increased by \$354,261 in 2017. The increase was due to sale of Industrial Park land.

Special Revenue Fund – The Community Investment Fund Balance decreased by \$104,358 in 2017. The decrease was mainly due to transfers out to various Special Assessment Bond Funds for bond payments.

Capital Projects Fund – The Street, Water/Sewer Capital Projects Fund Balance decreased by \$1,406,541 in 2017. The fund decrease was mostly due to transfers to associated Special Assessments Bond Debt Service Funds because street projects have been finalized.

GENERAL FUND BUDGETARY HIGHLIGHTS:

The City approved the 2017 general fund budget anticipating expenditures would exceed revenues by \$1,406,171. There was no difference between the original and final budget totals, however, there were budget adjustments throughout the year transferring costs from one area to another.

At the end of the year, revenues exceeded the final budget by \$1,525 and expenditures were less than the final budget by \$661,200. Transfers in were more than the final budget by \$38,348. The most significant positive variance for revenues was in Licenses and Permits. Positive variances in expenditures were reflected in General Government, Public Safety, and Public Works.

CITY OF WILLMAR, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

Capital Assets

At the end of 2017, the Primary Government of the City of Willmar had over \$178,000,000 (net of accumulated depreciation) invested in a broad range of capital assets. In addition, the Component Units had over \$91,000,000 (net of accumulated depreciation) invested in capital assets. Refer to Note 3.A.2 of the Notes to the Financial Statements for a schedule showing the City's capital asset activity.

Primary Government

Table 5
Capital Assets

| | Government Activities | | Business-Type Activities | |
|--------------------------|------------------------------|----------------------|---------------------------------|----------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Land and improvements | \$ 8,585,806 | \$ 8,585,806 | \$ 2,005,122 | \$ 2,005,122 |
| Buildings | 14,126,226 | 14,098,229 | 63,705,752 | 63,705,752 |
| Furniture and equipment | 3,484,594 | 3,335,503 | 434,173 | 513,168 |
| Machinery and auto | 9,672,141 | 9,026,127 | 6,606,882 | 6,404,539 |
| Other improvements | 128,923,694 | 119,312,161 | 27,882,552 | 26,779,976 |
| Construction in progress | 11,927,886 | 15,891,519 | 747,952 | 1,688,547 |
| Less: Depreciation | <u>(81,883,482)</u> | <u>(76,438,688)</u> | <u>(17,779,879)</u> | <u>(15,644,806)</u> |
| | <u>\$ 94,836,865</u> | <u>\$ 93,810,657</u> | <u>\$ 83,602,554</u> | <u>\$ 85,452,298</u> |

Component Units

Table 6
Capital Assets

| | Rice Memorial Hospital | | Willmar Municipal Utilities | |
|--------------------------|-------------------------------|----------------------|------------------------------------|----------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Land | \$ 2,918,000 | \$ 2,918,000 | \$ 1,385,906 | \$ 1,385,907 |
| Buildings | 103,540,000 | 103,346,000 | 3,910,460 | 3,916,095 |
| Furniture and equipment | 47,257,000 | 44,931,982 | 80,383,366 | 78,814,034 |
| Machinery and auto | - | - | - | - |
| Other improvements | 1,696,000 | 1,686,000 | - | - |
| Utility Plant in Service | - | - | - | - |
| Construction in progress | 249,000 | - | 773,582 | 2,828,747 |
| Less: Depreciation | <u>(95,471,413)</u> | <u>(90,106,000)</u> | <u>(55,172,444)</u> | <u>(55,719,319)</u> |
| | <u>\$ 60,188,587</u> | <u>\$ 62,775,982</u> | <u>\$ 31,280,870</u> | <u>\$ 31,225,464</u> |

CITY OF WILLMAR, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

Long-Term Debt

At year-end, the City of Willmar's Primary Government had over \$78,700,000 in bonds outstanding and its Component Units had over \$48,600,000 in bonds outstanding. Refer to Note 3.C.2 of the Notes to the Financial Statements for a schedule showing the City's long-term debt activity.

Primary Government

Table 7

| | <u>2017</u> | <u>2016</u> | <u>Change</u> |
|---------------------------------|----------------------|----------------------|-----------------------|
| Governmental Activities | | | |
| G.O. Special Assessment Bonds | \$ 9,348,000 | \$ 9,999,000 | \$ (651,000) |
| G.O. Revenue Bonds | 520,000 | 680,000 | (160,000) |
| Note Payable - TIF | 594,304 | 594,304 | - |
| | <u>\$ 10,462,304</u> | <u>\$ 11,273,304</u> | <u>\$ (811,000)</u> |
| Business-Type Activities | | | |
| G.O. Revenue Bonds | \$ 235,000 | \$ 345,000 | \$ (110,000) |
| G.O. Revenue Notes | 68,075,664 | 70,606,500 | (2,530,836) |
| | <u>\$ 68,310,664</u> | <u>\$ 70,951,500</u> | <u>\$ (2,640,836)</u> |

Component Units

Table 8

| | <u>2017</u> | <u>2016</u> | <u>Change</u> |
|-------------------------------------|----------------------|----------------------|-----------------------|
| Rice Memorial Hospital | | | |
| G.O. Revenue Bonds | \$ 33,545,000 | \$ 35,095,000 | \$ (1,550,000) |
| Hospital Revenue Notes | 7,798,400 | 8,248,200 | (449,800) |
| Capital Lease | 1,892,004 | 1,386,237 | 505,767 |
| | <u>\$ 43,235,404</u> | <u>\$ 44,729,437</u> | <u>\$ (1,494,033)</u> |
| Willmar Municipal Utilities | | | |
| Municipal Utility Revenue Bond 2009 | \$ 5,400,000 | \$ 5,950,000 | \$ (550,000) |
| | <u>\$ 5,400,000</u> | <u>\$ 5,950,000</u> | <u>\$ (550,000)</u> |

CITY OF WILLMAR, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2017

Economic Factors and Next Year's Budget

In the City adopted budget for 2018, expenditures were forecast to exceed revenue by approximately \$4,240,521, of which the General Fund expenditures were forecast to exceed revenue by approximately \$1,451,937. The major difference again is the use of excess fund balances in the General Fund.

Contacting the City's Financial Management

This financial report is designated to provide our residents, customers, and creditors with a general overview of the City of Willmar's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the City of Willmar, 333 6th St SW, Willmar, MN 56201 or by phone at (320) 235-4913.

BASIC FINANCIAL STATEMENTS

CITY OF WILLMAR, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2017

| | Primary Government | | | Component Units | |
|--|----------------------------|-----------------------------|-----------------------|--------------------------------------|------------------------------|
| | Governmental Activities | Business-Type Activities | Total | Municipal Utilities Commission | Rice Memorial Hospital |
| <u>Assets</u> | | | | | |
| Cash and Cash Equivalents | \$ 11,873,320 | \$ (1,794,169) | \$ 10,079,151 | \$ 5,607,333 | \$ 4,509,888 |
| Investments | 22,750,723 | 12,968,090 | 35,718,813 | 23,183,773 | 35,028,456 |
| Receivables (Net of Allow for Uncollect) | | | | | |
| Accounts Receivable | 600,610 | 865,431 | 1,466,041 | 2,792,597 | 18,901,817 |
| Accrued Interest | 113,620 | 60,871 | 174,491 | - | - |
| Taxes Receivable | 170,967 | - | 170,967 | - | - |
| Special Assessments | 3,737,601 | - | 3,737,601 | - | - |
| Notes Receivable | 350,000 | - | 350,000 | - | - |
| Due from Component Unit | - | - | - | - | - |
| Due from Other Governmental Units | 567,144 | 753,393 | 1,320,537 | - | - |
| Internal Balances | - | - | - | - | - |
| Inventories | 48,560 | - | 48,560 | 900,536 | 2,799,658 |
| Prepaid Items | 669,377 | 22,875 | 692,252 | 437,196 | 1,129,649 |
| Restricted Assets: | | | | | |
| Temporarily Restricted: | | | | | |
| Cash and Cash Equivalents | - | 262,151 | 262,151 | - | 2,994,639 |
| Investments | - | - | - | 1,567,028 | 10,774,482 |
| Permanently Restricted: | | | | | |
| Investments | - | - | - | - | 6,238,707 |
| Capital Assets | | | | | |
| Nondepreciable | 20,513,692 | 2,753,074 | 23,266,766 | 2,159,488 | 2,918,000 |
| Depreciable, net | 74,323,173 | 80,849,480 | 155,172,653 | 29,121,382 | 57,270,587 |
| Net Pension Asset | 233,339 | - | 233,339 | - | - |
| Other Assets | 101,557 | - | 101,557 | - | 127,032 |
| Total Assets | 136,053,683 | 96,741,196 | 232,794,879 | 65,769,333 | 142,692,915 |
| <u>Deferred Outflows of Resources</u> | | | | | |
| Deferred Loss on Refunding Escrow Account | - | - | - | - | 1,231,773 |
| Deferred Outflows on Pension | 6,830,963 | 262,931 | 7,093,894 | 944,351 | 18,745,894 |
| Total Deferred Outflows of Resources | 6,830,963 | 262,931 | 7,093,894 | 944,351 | 19,977,667 |
| Total Assets/Def. Outflows of Resources | \$ 142,884,646 | \$ 97,004,127 | \$ 239,888,773 | \$ 66,713,684 | \$ 162,670,582 |

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

CITY OF WILLMAR, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2017

| | Primary Government | | | Component Units | |
|---|----------------------------|-----------------------------|-----------------------|--------------------------------------|------------------------------|
| | Governmental Activities | Business-Type Activities | Total | Municipal Utilities Commission | Rice Memorial Hospital |
| <u>Liabilities</u> | | | | | |
| Accounts and Contracts Payable | \$ 746,745 | \$ 152,687 | \$ 899,432 | \$ 2,439,266 | \$ 5,231,126 |
| Accrued Interest Payable | 231,623 | - | 231,623 | 199 | 666,218 |
| Due to Component Units | 14,892 | - | 14,892 | - | - |
| Due to Primary Government | - | - | - | 1,302,913 | - |
| Due to Other Governmental Units | - | - | - | - | - |
| Unearned Revenue | 1,211,058 | - | 1,211,058 | - | - |
| Accrued Compensation and Benefits | 259,927 | 28,054 | 287,981 | 139,894 | 9,373,890 |
| Noncurrent Liabilities | | | | | |
| Due within one year | 1,871,000 | 2,967,000 | 4,838,000 | 575,000 | 2,499,095 |
| Due in more than one year | 11,954,188 | 65,343,664 | 77,297,852 | 5,779,789 | 43,996,710 |
| Net OPEB Liability | 471,187 | - | 471,187 | 216,117 | 1,883,279 |
| Net Pension Liability | 6,002,100 | 603,554 | 6,605,654 | 3,894,200 | 43,525,662 |
| Total Liabilities | 22,762,720 | 69,094,959 | 91,857,679 | 14,347,378 | 107,175,980 |
| <u>Deferred Inflows of Resources</u> | | | | | |
| Deferred Inflows on Pension | 7,857,913 | 257,191 | 8,115,104 | 849,783 | 16,119,932 |
| Total Deferred Inflows of Resources | 7,857,913 | 257,191 | 8,115,104 | 849,783 | 16,119,932 |
| <u>Net Position</u> | | | | | |
| Net Investment in Capital Assets | 84,374,561 | 15,291,890 | 99,666,451 | 25,898,387 | 18,701,189 |
| Restricted | | | | | |
| Capital Improvements | 3,592,030 | 405,653 | 3,997,683 | - | - |
| Debt Service | 16,058,241 | - | 16,058,241 | 1,567,028 | 2,328,421 |
| Specific Operating Activities | 1,600,600 | 262,151 | 1,862,751 | - | 2,013,306 |
| NonExpendable | - | - | - | - | 4,117,159 |
| Unrestricted | 6,638,581 | 11,692,283 | 18,330,864 | 24,051,108 | 12,214,595 |
| Total Net Position | 112,264,013 | 27,651,977 | 139,915,990 | 51,516,523 | 39,374,670 |
| Total Liabilities, Deferred Inflows of Resources, and Net Position | \$ 142,884,646 | \$ 97,004,127 | \$ 239,888,773 | \$ 66,713,684 | \$ 162,670,582 |

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

**City of Willmar
Statement of Activities
For the Year Ended December 31, 2017**

| Functions/Programs | Expenses | Program Revenues | | |
|--------------------------------|-----------------------|---------------------------------|---|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| General Government | \$ 3,704,457 | \$ 574,910 | \$ 269,306 | \$ - |
| Public Safety | 5,735,917 | 334,868 | 458,586 | 2,703 |
| Public Works | 8,216,746 | 130,286 | 310,245 | 2,683,323 |
| Culture and Recreation | 2,889,721 | 565,200 | 55,691 | 1,061,852 |
| Economic Development | 34,108 | 84,629 | - | - |
| Debt Service - interest | 230,050 | - | - | - |
| Total Governmental Activities | <u>20,810,999</u> | <u>1,689,893</u> | <u>1,093,828</u> | <u>3,747,878</u> |
| Business-Type Activities: | | | | |
| Waste Treatment | <u>6,544,284</u> | <u>10,255,479</u> | <u>-</u> | <u>-</u> |
| Total Business-Type Activities | <u>6,544,284</u> | <u>10,255,479</u> | <u>-</u> | <u>-</u> |
| Total Primary Government | <u>\$ 27,355,283</u> | <u>\$ 11,945,372</u> | <u>\$ 1,093,828</u> | <u>\$ 3,747,878</u> |
| Component Units: | | | | |
| Municipal Utilities | \$ 26,257,777 | \$ 33,950,617 | \$ - | \$ - |
| Rice Memorial Hospital | <u>109,597,559</u> | <u>108,889,464</u> | <u>812,269</u> | <u>790,541</u> |
| Total Component Units | <u>\$ 135,855,336</u> | <u>\$ 142,840,081</u> | <u>\$ 812,269</u> | <u>\$ 790,541</u> |

General Revenues:
 Property Taxes
 Sales Taxes
 Other Taxes
 Grants and contributions not restricted to specific programs
 Interest earnings
 Net increase (decrease) in fair value of investments
 Gain (Loss) Capital Assets
 Miscellaneous
Transfers
 Total General Revenues /Transfers
Change in Net Position
Net Position - Beginning, as originally stated
Prior period adjustment see Note 13
Net Position - Beginning, as restated

Net Position - Ending

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

| Net (Expense) Revenue and Changes in Net Position | | | | |
|---|-----------------------------|----------------|--------------------------------------|------------------------------|
| Primary Government | | | Component Units | |
| Governmental Activities | Business-Type Activities | Total | Municipal Utilities Commission | Rice Memorial Hospital |
| \$ (2,860,241) | | \$ (2,860,241) | | |
| (4,939,760) | | (4,939,760) | | |
| (5,092,892) | | (5,092,892) | | |
| (1,206,978) | | (1,206,978) | | |
| 50,521 | | 50,521 | | |
| (230,050) | | (230,050) | | |
| (14,279,400) | | (14,279,400) | | |
| - | \$ 3,711,195 | 3,711,195 | | |
| - | 3,711,195 | 3,711,195 | | |
| (14,279,400) | 3,711,195 | (10,568,205) | | |
| | | | \$ 7,692,840 | \$ - |
| | | | - | 894,715 |
| | | | 7,692,840 | 894,715 |
| 4,839,573 | - | 4,839,573 | - | - |
| - | - | - | - | - |
| 489,028 | - | 489,028 | - | - |
| 4,686,694 | - | 4,686,694 | - | - |
| 470,663 | 260,518 | 731,181 | 173,775 | 1,213,415 |
| 65,359 | 35,136 | 100,495 | - | 1,251,816 |
| (43,741) | (2,884) | (46,625) | (326,302) | (90,647) |
| 1,143,234 | - | 1,143,234 | 185 | - |
| 3,208,187 | (730,260) | 2,477,927 | (2,136,842) | (340,577) |
| 14,858,997 | (437,490) | 14,421,507 | (2,289,184) | 2,034,007 |
| 579,597 | 3,273,705 | 3,853,302 | 5,403,656 | 2,928,722 |
| 111,684,416 | 24,378,272 | 136,062,688 | 46,336,970 | 36,445,948 |
| - | - | - | (224,103) | - |
| 111,684,416 | 24,378,272 | 136,062,688 | 46,112,867 | 36,445,948 |
| \$ 112,264,013 | \$ 27,651,977 | \$ 139,915,990 | \$ 51,516,523 | \$ 39,374,670 |

CITY OF WILLMAR, MINNESOTA
BALANCE SHEETS
GOVERNMENTAL FUNDS
December 31, 2017

| | General | Special Assessments Bonds Debt Service | Street Water/Sewer Capital Projects |
|---|----------------------|---|--|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ 6,878,965 | \$ 2,790,370 | \$ 1,563,436 |
| Investments | 7,076,252 | 2,684,204 | 498,964 |
| Receivables (Net of Allowance for Uncollect) | | | |
| Accounts | 448,237 | - | 100,000 |
| NSF Payments | 9 | - | - |
| Interest | 33,252 | 12,594 | 2,346 |
| Taxes | | | |
| Current | 65,908 | - | - |
| Delinquent | 88,473 | - | - |
| Assessments | | | |
| Delinquent | - | 38,696 | - |
| Deferred | 1,704 | 2,552,448 | - |
| Notes | - | - | - |
| Due From Other Funds | 3,262 | 1,417,605 | 1,245 |
| Due From Other Governments | 7,503 | 94,344 | 133,405 |
| Inventory | 48,560 | - | - |
| Prepaid Expenses | 329,298 | - | 85,272 |
| Deposits | 12,813 | - | - |
| Amount To Be Provided | - | - | 86,000 |
| Unamortized Discount | - | 2,744 | - |
| | <hr/> | <hr/> | <hr/> |
| Total Assets | \$ 14,994,236 | \$ 9,593,005 | \$ 2,470,668 |
| | <hr/> | <hr/> | <hr/> |
| LIABILITIES | | | |
| Accounts Payable | \$ 299,366 | \$ - | \$ 6,175 |
| Contracts Payable | - | - | 153,695 |
| Accrued Wages | 259,927 | - | - |
| Deposits | 5,834 | - | - |
| Due to Component Units | 4,308 | - | - |
| Due to Other Funds | 603,571 | - | 1,463,952 |
| Due to Other Governments | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| Total Liabilities | 1,173,006 | - | 1,623,822 |
| | <hr/> | <hr/> | <hr/> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable Revenue | 90,432 | 2,685,487 | 215,926 |
| | <hr/> | <hr/> | <hr/> |
| Total Deferred Inflows of Resources | 90,432 | 2,685,487 | 215,926 |
| | <hr/> | <hr/> | <hr/> |
| FUND BALANCES | | | |
| Nonspendable Fund Balance | 329,298 | - | - |
| Restricted Fund Balance | - | 6,907,518 | - |
| Committed Fund Balance | 13,401,500 | - | 630,920 |
| | <hr/> | <hr/> | <hr/> |
| Total Fund Balances | 13,730,798 | 6,907,518 | 630,920 |
| | <hr/> | <hr/> | <hr/> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 14,994,236 | \$ 9,593,005 | \$ 2,470,668 |
| | <hr/> | <hr/> | <hr/> |

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

CITY OF WILLMAR, MINNESOTA
BALANCE SHEETS
GOVERNMENTAL FUNDS
December 31, 2017

| Community Investment Special Revenue Fund | Other Governmental Funds | Total Governmental Funds |
|--|---|---|
| \$ (77,873) | \$ 547,393 | \$ 11,702,291 |
| 9,228,950 | 3,262,353 | 22,750,723 |
| - | 52,284 | 600,521 |
| - | - | 9 |
| 43,326 | 22,102 | 113,620 |
| - | 16,586 | 82,494 |
| - | - | 88,473 |
| 260,835 | - | 299,531 |
| 883,918 | - | 3,438,070 |
| - | 350,000 | 350,000 |
| - | 745,000 | 2,167,112 |
| - | 331,892 | 567,144 |
| - | - | 48,560 |
| - | 254,807 | 669,377 |
| - | - | 12,813 |
| - | - | 86,000 |
| - | - | 2,744 |
| <u>\$ 10,339,156</u> | <u>\$ 5,582,417</u> | <u>\$ 42,979,482</u> |
| \$ - | \$ 281,395 | \$ 586,936 |
| - | - | 153,695 |
| - | - | 259,927 |
| - | 280 | 6,114 |
| 10,584 | - | 14,892 |
| 40,898 | 62,263 | 2,170,684 |
| - | - | - |
| <u>51,482</u> | <u>343,938</u> | <u>3,192,248</u> |
| <u>1,134,170</u> | <u>358,606</u> | <u>4,484,621</u> |
| <u>1,134,170</u> | <u>358,606</u> | <u>4,484,621</u> |
| - | 284,807 | 614,105 |
| - | 129,648 | 7,037,166 |
| <u>9,153,504</u> | <u>4,465,418</u> | <u>27,651,342</u> |
| <u>9,153,504</u> | <u>4,879,873</u> | <u>35,302,613</u> |
| <u>\$ 10,339,156</u> | <u>\$ 5,582,417</u> | <u>\$ 42,979,482</u> |

City of Willmar, Minnesota
Reconciliation of Net Position in the
Government-Wide Financial Statements and Fund Balances
in the Fund Basis Financial Statements
December 31, 2017

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

| | | |
|----------------------------------|--|---------------|
| Total governmental fund balances | | \$ 35,302,613 |
|----------------------------------|--|---------------|

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

| | | |
|-------------------------------------|---------------------|------------|
| Governmental funds - capital assets | 176,720,347 | |
| Less: Accumulated depreciation | <u>(81,883,482)</u> | |
| | | 94,836,865 |

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

| | | |
|---|----------------|------------|
| Delinquent property taxes | 88,473 | |
| Unavailable special assessments | 2,610,304 | |
| Due From State of Minnesota | 129,926 | |
| Notes/Interest Receivable | 356,806 | |
| Unavailable Revenue for 2017 | 88,054 | |
| Deferred Outflow of Resources - Pension | 6,830,963 | |
| Net Pension Asset | <u>233,339</u> | |
| | | 10,337,865 |

Internal service funds are used by management to charge the costs of equipment, information technology and insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.

| | | |
|--|----------------|---------|
| | <u>174,681</u> | 174,681 |
|--|----------------|---------|

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

| | | |
|--|--------------------|---------------------|
| Bonds and notes payable | (10,462,304) | |
| Compensated absences | (3,362,884) | |
| Accrued interest | (231,623) | |
| Net OPEB Liability | (471,187) | |
| Net Pension Liability | (6,002,100) | |
| Deferred Inflow of Resources - Pension | <u>(7,857,913)</u> | |
| | | <u>(28,388,011)</u> |

| | | |
|---|--|-----------------------|
| Net position of governmental activities | | <u>\$ 112,264,013</u> |
|---|--|-----------------------|

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

CITY OF WILLMAR, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

| | General | Special Assessments Bonds Debt Service | Street Water/Sewer Capital Projects |
|---|----------------------|---|--|
| REVENUES | | | |
| General Property Taxes | \$ 4,793,499 | \$ - | \$ - |
| Sales Tax | - | - | - |
| Other Taxes | 260,803 | - | - |
| Special Assessments | 1,273 | 1,276,033 | 60,973 |
| License and Permits | 554,249 | - | - |
| Intergovernmental | 5,433,283 | - | 985,574 |
| Charges for Services | 764,551 | - | - |
| Fines and Forfeits | 147,836 | - | - |
| Investment Income | 167,938 | 46,014 | 9,040 |
| Change in market value | 27,490 | 5,017 | 600 |
| Miscellaneous Revenues | 796,197 | 7,223 | - |
| Total Revenues | <u>12,947,119</u> | <u>1,334,287</u> | <u>1,056,187</u> |
| EXPENDITURES | | | |
| Current: | | | |
| General Government | 3,686,249 | - | - |
| Public Safety | 4,850,002 | - | - |
| Public Works | 2,882,889 | - | - |
| Culture & Recreation | 2,324,218 | - | - |
| Economic Development | - | - | - |
| Debt Service: | | | |
| Principal | - | 1,751,000 | - |
| Interest | - | 235,556 | - |
| Other Charges and Services | - | 25,800 | - |
| Capital Outlay | - | - | 2,826,021 |
| Total Expenditures | <u>13,743,358</u> | <u>2,012,356</u> | <u>2,826,021</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(796,239)</u> | <u>(678,069)</u> | <u>(1,769,834)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating Transfers In | 2,762,427 | 2,334,729 | 641,245 |
| Operating Transfers Out | (2,671,286) | (111,852) | (1,377,952) |
| Loan Proceeds | - | - | - |
| Bond Proceeds | - | - | 1,100,000 |
| Total Other Financing Sources (Uses) | <u>91,141</u> | <u>2,222,877</u> | <u>363,293</u> |
| Net Change in Fund Balances | <u>(705,098)</u> | <u>1,544,808</u> | <u>(1,406,541)</u> |
| Fund Balances - Beginning | <u>14,435,896</u> | <u>5,362,710</u> | <u>2,037,461</u> |
| Fund Balances - Ending | <u>\$ 13,730,798</u> | <u>\$ 6,907,518</u> | <u>\$ 630,920</u> |

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

CITY OF WILLMAR, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2017

| Community Investment Special Revenue | Other Government Funds | Total Governmental Funds |
|---|---------------------------------------|---|
| \$ - | \$ 46,074 | \$ 4,839,573 |
| - | - | - |
| - | 228,225 | 489,028 |
| 137,273 | - | 1,475,552 |
| - | - | 554,249 |
| - | 559,179 | 6,978,036 |
| - | 221,984 | 986,535 |
| - | - | 147,836 |
| 180,316 | 67,355 | 470,663 |
| 23,221 | 9,031 | 65,359 |
| 742 | 339,072 | 1,143,234 |
| <u>341,552</u> | <u>1,470,920</u> | <u>17,150,065</u> |
| - | - | 3,686,249 |
| - | 27,208 | 4,877,210 |
| - | 233,563 | 3,116,452 |
| - | 261,347 | 2,585,565 |
| - | 34,108 | 34,108 |
| - | 160,000 | 1,911,000 |
| - | 23,642 | 259,198 |
| - | 3,180 | 28,980 |
| - | 2,817,653 | 5,643,674 |
| <u>-</u> | <u>3,560,701</u> | <u>22,142,436</u> |
| <u>341,552</u> | <u>(2,089,781)</u> | <u>(4,992,371)</u> |
| 511,852 | 2,728,929 | 8,979,182 |
| (957,762) | (652,143) | (5,770,995) |
| - | - | - |
| - | - | 1,100,000 |
| <u>(445,910)</u> | <u>2,076,786</u> | <u>4,308,187</u> |
| <u>(104,358)</u> | <u>(12,995)</u> | <u>(684,184)</u> |
| 9,257,862 | 4,892,868 | 35,986,797 |
| <u>\$ 9,153,504</u> | <u>\$ 4,879,873</u> | <u>\$ 35,302,613</u> |

City of Willmar, Minnesota
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended December 31, 2017

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

Net Change in Fund Balances-Governmental Funds \$ (684,184)

Governmental funds reported 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.

| | | | |
|------------------------|--------------------|--|----------|
| Capital Outlay Expense | 5,728,946 | | |
| Depreciation Expense | <u>(5,779,691)</u> | | (50,745) |

| | |
|--|-----------|
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase/(decrease) net position | 1,076,953 |
|--|-----------|

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds

| | | | |
|--|--------------------|----------------|--------|
| Unavailable Revenue, December 31, 2017 | 3,273,563 | | |
| Unavailable Revenue, December 31, 2016 | <u>(3,528,636)</u> | (255,073) | |
| OPEB Contribution | | 142,866 | |
| Pension Contribution | | <u>126,440</u> | |
| | | | 14,233 |

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

| | | | |
|---|------------------|------------------|-----------|
| Compensated absences, December 31, 2017 | (3,362,884) | | |
| Compensated absences, December 31, 2016 | <u>3,663,037</u> | 300,153 | |
| OPEB Expense | | (223,771) | |
| Pension Expense | | <u>(693,190)</u> | |
| | | | (616,808) |

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principle is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net position.

| | | | |
|---|-----------|---------------|---------|
| Principle Retirement of Long-Term Debt | 1,911,000 | | |
| Bond Proceeds | | (1,100,000) | |
| Change in accrued interest (231,623- 260,771) | | <u>29,148</u> | |
| | | | 840,148 |

Internal service funds are used by management to charge the costs of equipment, information technology and insurance to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities

-

| | |
|--|-------------------|
| Change in Net Position-Governmental Activities | <u>\$ 579,597</u> |
|--|-------------------|

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

City of Willmar, Minnesota
General Fund
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the fiscal year ended December 31, 2017

| | Budgeted Amounts | | Actual | Variance With |
|---|-------------------------|---------------|----------------|----------------------|
| | Original | Final | Amounts | Final Budget |
| | | | | Positive |
| | | | | (Negative) |
| REVENUES | | | | |
| General Property Taxes | \$ 5,175,365 | \$ 5,175,365 | \$ 5,054,302 | \$ (121,063) |
| Special Assessments | 1,100 | 1,100 | 1,273 | 173 |
| License and Permits | 396,300 | 396,300 | 554,249 | 157,949 |
| Intergovernmental | 5,490,989 | 5,490,989 | 5,433,283 | (57,706) |
| Charges for Services | 763,840 | 763,840 | 764,551 | 711 |
| Fines and Forfeits | 168,000 | 168,000 | 147,836 | (20,164) |
| Investment Income | 150,000 | 150,000 | 167,938 | 17,938 |
| Change in market value | 100,000 | 100,000 | 27,490 | (72,510) |
| Miscellaneous Revenues | 700,000 | 700,000 | 796,197 | 96,197 |
| Total Revenues | 12,945,594 | 12,945,594 | 12,947,119 | 1,525 |
| EXPENDITURES | | | | |
| General Government | 3,704,516 | 3,706,816 | 3,686,249 | 20,567 |
| Public Safety | 5,098,572 | 5,098,572 | 4,850,002 | 248,570 |
| Public Works | 3,343,931 | 3,341,631 | 2,882,889 | 458,742 |
| Culture & Recreation | 2,191,474 | 2,257,539 | 2,324,218 | (66,679) |
| Total Expenditures | 14,338,493 | 14,404,558 | 13,743,358 | 661,200 |
| Excess (deficiency) of revenues over (under) expenditures | (1,392,899) | (1,458,964) | (796,239) | 662,725 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Operating Transfers In | 2,724,079 | 2,724,079 | 2,762,427 | 38,348 |
| Operating Transfers Out | (2,737,351) | (2,671,286) | (2,671,286) | - |
| Total Other Financing Sources (Uses) | (13,272) | 52,793 | 91,141 | 38,348 |
| Net Change in Fund Balances | (1,406,171) | (1,406,171) | (705,098) | 701,073 |
| Fund Balances - Beginning | 14,435,896 | 14,435,896 | 14,435,896 | - |
| Fund Balances - Ending | \$ 13,029,725 | \$ 13,029,725 | \$ 13,730,798 | \$ 701,073 |

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

City of Willmar, Minnesota
Statement of Net Position
Proprietary Funds
December 31, 2017

| | Business-Type Activities Waste Treatment Plant | Governmental Activities Internal Service Funds |
|--|---|---|
| ASSETS | | |
| Current Assets | | |
| Cash and Cash Equivalents | \$ (1,794,169) | \$ 171,029 |
| Investments | 12,968,090 | - |
| Accounts Receivable | 865,431 | 81 |
| Due From Other Funds | - | 3,571 |
| Due From Other Governmental Units | 753,393 | - |
| Interest Receivable | 60,871 | - |
| Inventories | - | - |
| Prepaid Items | 22,875 | - |
| Restricted Cash and Investments/System Replacement | 262,151 | - |
| Total Current Assets | <u>13,138,642</u> | <u>174,681</u> |
| Noncurrent Assets | | |
| Capital Assets: | | |
| Nondepreciable | 2,753,074 | - |
| Depreciable | 98,629,360 | - |
| Less: Accumulated Depreciation | <u>(17,779,880)</u> | <u>-</u> |
| Net capital assets | <u>83,602,554</u> | <u>-</u> |
| Total Noncurrent Assets | <u>83,602,554</u> | <u>-</u> |
| TOTAL ASSETS | <u>96,741,196</u> | <u>174,681</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Related to Pensions | 262,931 | - |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>262,931</u> | <u>-</u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts Payable | 142,067 | - |
| Contracts Payable | 10,620 | - |
| Accrued Wages | 28,054 | - |
| Due To Other Funds | - | - |
| Current Portion of Debt | 2,967,000 | - |
| Total Current Liabilities | <u>3,147,741</u> | <u>-</u> |
| Noncurrent Liabilities: | | |
| Notes Payable | 65,343,664 | - |
| Net Pension Liability | 603,554 | - |
| Total Noncurrent Liabilities | <u>65,947,218</u> | <u>-</u> |
| TOTAL LIABILITIES | <u>69,094,959</u> | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Related to Pensions | 257,191 | - |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>257,191</u> | <u>-</u> |
| NET POSITION | | |
| Net Investment in Capital Assets | 15,291,890 | - |
| Restricted: | | |
| Capital Improvements | 405,653 | - |
| System Replacement | 262,151 | - |
| Unrestricted | <u>11,692,283</u> | <u>174,681</u> |
| TOTAL NET POSITION | <u>\$ 27,651,977</u> | <u>\$ 174,681</u> |

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

City of Willmar, Minnesota
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2017

| | Business-Type Activities <u>Waste Treatment Plant</u> | Governmental Activities <u>Internal Service Funds</u> |
|--|---|---|
| Operating Revenues | | |
| Intergovernmental | \$ 90,950 | \$ - |
| Charges For Sales and Services: | <u>10,164,529</u> | <u>-</u> |
| Total Operating Revenues | <u>10,255,479</u> | <u>-</u> |
| Operating Expenses | | |
| Personal Services | 985,760 | - |
| Supplies | 354,675 | - |
| Other Services and Charges | 1,061,924 | - |
| Depreciation | <u>2,135,074</u> | <u>-</u> |
| Total Operating Expenses | <u>4,537,433</u> | <u>-</u> |
| Operating Income (Loss) | 5,718,046 | - |
| Nonoperating Revenues (Expenses) | | |
| Investment Earnings | 260,518 | - |
| Change in market value | 35,136 | - |
| Capital Asset (Disposal)/Acquisition | (2,884) | - |
| Interest Expense | <u>(2,006,851)</u> | <u>-</u> |
| Total Nonoperating Revenues (Expenses) | <u>(1,714,081)</u> | <u>-</u> |
| Income (Loss) Before Contributions and Transfers | 4,003,965 | - |
| Transfers Out | <u>(730,260)</u> | <u>-</u> |
| Change in Net Position | 3,273,705 | - |
| Net Position - Beginning | <u>24,378,272</u> | <u>174,681</u> |
| Total Net Position - Ending | <u>\$ 27,651,977</u> | <u>\$ 174,681</u> |

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

City of Willmar, Minnesota
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended December 31, 2017

| | Business-Type Activities Waste Treatment Plant | Governmental Activities Internal Service Funds |
|--|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Receipts from Customers and Users | \$ 10,265,417 | \$ 535 |
| Payments to Suppliers | (1,337,243) | - |
| Payments to Employees | (962,835) | - |
| Liquidation of Liabilities | - | - |
| Net Cash Provided by Operating Activities | <u>7,965,339</u> | <u>535</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | | |
| Transfer to Other Funds | (753,231) | - |
| Net Cash Provided (Used) by Noncapital Financing Activities | <u>(753,231)</u> | <u>-</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | | |
| Purchases of Capital Assets | (587,470) | - |
| Interest Paid on Capital Debt | (2,006,851) | - |
| Principal Paid on Capital Debt | (2,894,158) | - |
| Proceeds from Debt | 253,322 | - |
| Net Cash Provided (Used) by Capital and Related Financing Activities | <u>(5,235,157)</u> | <u>-</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from Sales and Maturities of Investments | - | - |
| Purchase of Investments | (345,000) | - |
| Interest Received | 253,940 | - |
| Net Cash Provided/(Used) by Investing Activities | <u>(91,060)</u> | <u>-</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | 1,885,891 | 535 |
| Cash and Cash Equivalents - Beginning | (3,417,909) | 170,494 |
| Cash and Cash Equivalents - Ending | <u><u>\$ (1,532,018)</u></u> | <u><u>\$ 171,029</u></u> |
| Classified As: | | |
| Cash and Cash Equivalents | \$ (1,794,169) | \$ 171,029 |
| Restricted Cash | 262,151 | - |
| Total Cash and Cash Equivalents, End of Year | <u><u>\$ (1,532,018)</u></u> | <u><u>\$ 171,029</u></u> |

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

City of Willmar, Minnesota
Statement of Cash Flows
Proprietary Funds
For the fiscal year ended December 31, 2017

| | Business-Type Activities Waste Treatment Plant | Governmental Activities Internal Service Funds |
|--|---|---|
| Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities: | | |
| Operating Income | \$ 5,059,970 | \$ - |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) By Operating Activities: | | |
| Pension Expense for Required PERA Pension Liability | 19,190 | |
| Depreciation | 2,135,074 | - |
| Prior Period Adjustment of MUC Revenues from 2015 | 658,075 | |
| Change in Assets and Liabilities: | | |
| (Increase) Decrease in Accounts Receivable | (708,996) | 535 |
| (Increase) Decrease in Due From Other Governmental Units | 718,934 | - |
| (Increase) Decrease in Inventories | 14,137 | - |
| (Increase) Decrease in Prepaid Items | (1,397) | - |
| Increase (Decrease) in Accounts Payable | 66,617 | - |
| Increase (Decrease) in Accrued Wages | 3,735 | - |
| Total Adjustments | 2,905,369 | 535 |
| Net Cash Provided (Used) by Operating Activities | \$ 7,965,339 | \$ 535 |
| Non Cash Transactions: | | |
| Net Increase (Decrease) in fair value of investments | \$ 35,137 | \$ - |

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

NOTES TO FINANCIAL STATEMENTS

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Willmar's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2017. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Financial Reporting Entity

The City of Willmar was established in 1901 and is governed under a charter. The governing body consists of an eight member council, and mayor elected by eligible voters of the City. Four members are elected every two years for a four year term. The Mayor's office is for four years. The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

1. Component Unit

a. Discretely presented component units

The component unit columns in the government-wide financial statements includes the financial data of the City's other component units. The units are reported in separate columns to emphasize that they are legally separate from the City but are included because the primary government is financially accountable and is able to impose its will on the organizations.

Rice Memorial Hospital

The hospital provides inpatient and outpatient health care services to the City of Willmar and surrounding area. The governing board of Rice Memorial Hospital is appointed by the City Council. The City may change the manner, mode and type of operations of the hospital to permit participation of other agencies. The City also has the power to overrule any decision, motion, resolution, rule, regulation, or order of the board and the legal liability for the general obligation portion of any debt remains with the City. Complete financial statements for Rice Memorial Hospital may be obtained at 301 Becker Avenue SW, Willmar, MN 56201.

Willmar Municipal Utilities

The Willmar Municipal Utilities (WMU) is responsible for the operation and management of the electric, water and district heating systems of the City of Willmar. WMU is governed by the Municipal Utilities Commission which is appointed by the Willmar City Council. The City also has the power to overrule any decision, motion, resolution, rule, regulation, or order of the board and the legal liability for the general obligation portion of any debt remains with the City. The rates for user charges and bond issuance authorizations are approved by the City Council. Complete financial statements for Willmar Municipal Utilities may be obtained at 700 Litchfield Avenue SW, Willmar, MN 56201.

b. Excluded: Firefighters Association

This association is organized as a non-profit organization by its members to provide pension and other benefits to such members in accordance with Minnesota Statutes. Their board of directors is appointed by the membership of the organization. All funding is conducted in accordance with Minnesota Statutes whereby State Aids flow to the association, tax levies are determined by the association and are only reviewed by the City, and the association pays benefits directly to its members.

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the primary government and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

In the government-wide statement of net position, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net position; and (3) unrestricted net position.

The statement of activities demonstrates the degree to which the direct expenses of each function of the City's governmental activities and its business-type activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The fund financial statements provide information about the City's funds. Separate statements for each fund category-governmental, proprietary and fiduciary-are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed in a separate column in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

a. Governmental Funds

The City reports the following major governmental funds:

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Debt Service Fund - Special Assessments Bond

This fund accounts for the accumulation of financial resources for the payment of principal and interest on the City's general obligation special assessment bonds.

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Capital Project Fund – Street, Water and Sewer

This fund is used to account for capital acquisition, construction and improvement projects related to streets, water and sewer.

Special Revenue Fund – Industrial Development

This fund is used to account for the local sales tax revenue. The resources are restricted for specific projects: connecting the Willmar Civic Center and Blue Line Center, the City walking and bike path system and the development of the land acquired through the relocation of the Willmar Airport.

Special Revenue Fund – Community Investment

This fund is used to account for surplus money in each separate improvement fund and in the improvement bond redemption fund which remain after the costs of each improvement have been fully funded.

b. Enterprise Funds

The City reports the following major enterprise fund:

Waste Treatment Fund

This fund is used to account for activities related to providing sewer services to the public.

c. Internal Service Fund

This fund is used to account for operations that provide services to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis.

d. Agency Funds

Financial statements of agency funds, which are used to account for assets held by the City as an agent for individuals, private organizations, other governments, and/or other funds, are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds' assets, liabilities, and net assets are included in the fiduciary statement of net assets.

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The City considers all revenues as available if collected within 60 days after the end of the current period, except for reimbursement (expenditure driven) grants for which the period is 90 days. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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 business operations. The principal operating revenues of the City's enterprise and internal service funds are charges to customers for sales and services. *Operating* expenses for the City's enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The City has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Additionally, each fund's equity in the City's investment pool is treated as a cash equivalent because the City can deposit or effectively withdraw cash at any time without prior notice or penalty.

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the City in certificates of deposit and other authorized investments. Earnings on cash accounts are allocated to individual funds based upon an average of month-end balances.

Investments are stated at fair value based on quoted market prices at the reporting date.

3. Receivables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent 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".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are shown net of an allowance for uncollectibles.

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Property taxes are levied by the City Council in December of each year and are certified to Kandiyohi County for collection in the following year. The property taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments in May and October. The County collects the taxes and periodically remits them to the City. The majority of these remittances are made in June and November.

Taxes that are not received by the end of the year are classified as delinquent taxes receivable. Delinquent taxes receivable are offset by a deferred inflow of resources in the governmental funds of the fund financial statements because they are not available to finance current expenditures.

Assessments are levied at various times upon City Council resolution for property owner improvements made by the City. Generally, assessment collections are deferred over periods ranging from one to ten years. Revenue from these assessments is recognized when assessed in the government-wide financial statements and as the annual installments become collectible in the governmental funds of the fund financial statements. Annual installments not collected as of each December 31 are classified as delinquent assessments receivable. Delinquent assessments receivable are offset by a deferred inflow of resources in the governmental funds of the fund financial statements because they are not available to finance current expenditures.

4. Prepaid Items

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

5. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current period, the City did not have any capitalized interest.

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

| <u>Assets</u> | <u>Years</u> |
|------------------------------------|---------------------|
| Buildings | 25 - 50 |
| Building improvements | 25 - 50 |
| Infrastructure | 10 - 20 |
| Furniture, equipment, and vehicles | 3 - 20 |

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

6. Compensated Absences

It is the City's policy to permit employees to accumulate earned vacation and sick pay benefits. The liability for compensated absences is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the government funds only if they have matured. The City typically liquidates the liability for compensated absences to the fund where employees' salaries were originally charged.

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and fund financial statements will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City of Willmar has one item that qualifies for reporting in this category – a deferred outflow relating to pension activity, reported in government-wide statement of net position and proprietary statement of net position. A deferred outflow relating to pension activity results from the net effect of the change in proportionate share and employer contributions.

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City of Willmar has one item that qualifies for reporting in this category under full accrual basis of accounting. Accordingly, the item, deferred inflow is reported in the government-wide statement of financial position and proprietary statement of net position. A deferred inflow relating to pension activity is a result of the net difference between projected and actual earning on plan investments. The City of Willmar also has one item that qualifies for reporting in this category under modified accrual basis of accounting. Accordingly, the item, unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from the following sources; taxes, special assessments and notes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

8. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the 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.

9. Pensions

For purposes of measuring the net pension liability or asset, 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.

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

10. Net Position/Fund Balances

The government-wide and business-type activities fund financial statements use a net position presentation. Net position is categorized as net investment in capital assets (net of related debt), restricted and unrestricted:

Net Investment in Capital Assets - This category includes all capital assets, net of accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets.

Restricted net position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – This category represents net position of the City, not restricted for any project or other purpose.

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

Nonspendable – Consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact, such as, inventories and 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 amounts that are constrained for specific purposes that are internally imposed by formal action of the City Council. Those committed amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned – Consists of amounts intended for specific purposes set by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to the City's fund balance policy, the City Administrator is authorized to establish assignments of fund balance.

Unassigned – Is the residual classification for the General Fund and reflects negative residual amounts in other funds.

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

11. Use of Estimates

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

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds and special revenue funds except some capital projects funds, which adopt project-length budgets. All annual appropriations except those for capital outlay lapse at fiscal yearend.

On or before the first Tuesday in August of each year, all agencies of the government submit request for appropriations to the Mayor so that a budget may be prepared. In September, the proposed budget is presented to the City's council for review. The council holds public hearings and a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function and department. The government's City Administrator may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the department level. All supplemental budgetary appropriations in all funds were approved by the City Council.

B. Deficit Fund Balances

There were no funds with a deficit fund balance as of December 31, 2017.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

| | |
|--------------------------------------|-----------------------|
| Cash and cash equivalents | \$ 23,453,162 |
| Investments | <u>112,511,259</u> |
| | <u>\$ 135,964,421</u> |
| Primary Government | |
| Cash and cash equivalents | \$ 10,079,151 |
| Investments | 35,718,813 |
| Temporarily Restricted Cash | <u>262,151</u> |
| Total Primary Government | <u>\$ 46,060,115</u> |
| Discretely Presented Component Units | |
| Willmar Municipal Utilities: | |
| Cash and cash equivalents | \$ 5,607,333 |
| Investments | 23,183,773 |
| Restricted investments | <u>1,567,028</u> |
| Total Willmar Municipal Utilities | <u>\$ 30,358,134</u> |
| Rice Memorial Hospital | |
| Cash and cash equivalents | \$ 4,509,888 |
| Investments | 35,028,456 |
| Related-Party Investments | - |
| Temporarily restricted cash | 2,994,639 |
| Temporarily restricted investments | 10,774,482 |
| Permanently restricted investments | <u>6,238,707</u> |
| Total Rice Memorial Hospital | <u>\$ 59,546,172</u> |
| Total | <u>\$ 135,964,421</u> |

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

1. Deposits and Investments (continued)

a. Deposits

Minn. Stat. §§ 118A.02 and 118A.04 authorize the City to designate a depository for public funds and to invest in certificates of deposit. Minn. Stat. § 118A.03 requires that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better, and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to it. It is the City's policy that collateral or bonds will be required for all uninsured amounts on deposit and the additional insurance will be documented to show compliance with state law and a perfected security interest under federal law. As of December 31, 2017, the City's deposits were entirely covered by federal depository insurance or by collateral held by the City or its agent in the City's name.

b. Investments

Minn. Stat. §§ 118A.04 and 118A.05 generally authorize the following types of investments as available to the City:

- (1) securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as "high risk" by Minn. Stat. § 118A.04, subd. 6;
- (2) mutual funds through shares of registered investment companies provided the mutual fund receives certain ratings depending on its investments;
- (3) general obligations of the State of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service;
- (4) bankers' acceptances of United States banks;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and
- (6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. It is the City's policy to minimize its exposure to interest rate risk by investing in both shorter and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time, taking into account the City's investment risk constraints, cash flow characteristics of the portfolio, and prudent investment principles.

| | Fair Value | Investment Maturities in Years | | |
|--|----------------------|--------------------------------|---------------------|----------------------|
| | | Less than 1 | 1-5 Years | 6-10 Years |
| Certificates of Deposit | \$ 2,871,368 | \$ 150,336 | \$ 1,766,360 | \$ 954,672 |
| Farmer Mac | 1,866,758 | - | - | 1,866,758 |
| Federal Farm Credit Banks | 4,869,694 | - | 1,949,974 | 2,919,720 |
| Federal Home Loan Banks | 18,709,143 | - | 983,115 | 17,726,028 |
| Federal Home Loan Mortgage Corporation | 8,277,549 | - | 994,420 | 7,283,129 |
| Federal National Mortgage Association | 5,070,979 | - | 986,680 | 4,084,299 |
| | <u>\$ 41,665,491</u> | <u>\$ 150,336</u> | <u>\$ 6,680,549</u> | <u>\$ 34,834,606</u> |

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the City's policy to invest only in securities that meet the ratings requirements set by state statute. The City's investments are rated as follows:

| | Rating |
|--------------------------|------------------|
| Commerical Paper | A1/P1 and A1+/P1 |
| US Government Securities | AAA |
| Mutual/Bond Funds | Not Rated |

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The City's policy is that brokers may hold City investments only to the extent that there is SIPC and excess SIPC coverage available.

The issuers and amounts that exceed five percent of the City's investments are as follows:

| Issuer | Amount | Percent |
|-----------------------------|--------------|---------|
| Morgan Stanley Smith Barney | \$ 7,698,549 | 18% |
| Multi-Bank Securities | \$ 8,919,462 | 21% |
| United Bank Services | \$ 9,015,764 | 22% |
| Wells Fargo | \$ 7,698,911 | 19% |
| Wells Fargo Advisors | \$ 8,332,805 | 20% |

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the City's investment in a single issuer. The City's investment policy dictates that it will diversify its investments by security type and by institution. The security types and amounts that exceed five percent of the City's total investments are as follows:

| <u>Security Type</u> | <u>Amount</u> | <u>Percent</u> |
|--|---------------|----------------|
| Certificates of Deposit | \$ 2,871,638 | 7% |
| Federal Farm Credit Banks | \$ 4,869,694 | 12% |
| Federal Home Loan Banks | \$ 18,709,143 | 45% |
| Federal Home Loan Mortgage Corporation | \$ 8,277,549 | 20% |
| Federal National Mortgage Association | \$ 5,070,979 | 12% |

Fair Value Measurements

Accounting guidance provides a framework for measuring fair value of certain assets and liabilities and requires certain disclosures about fair value measurements. As defined in GASB Statement No. 72, *Fair Value Measurement and Application* (GASB No. 72), fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB No. 72 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy defined by GASB No. 72 and description of the valuation methodologies used for instruments measured at fair value are as follows:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities as of the reporting date.

Level 2: Pricing inputs are other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3: Pricing inputs include those that are significant to the fair value measurement of the financial asset or liability and are not observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

The City's assets and liability measured at fair value on a recurring basis are limited to investments. The fair values of the City's investments in mutual funds, corporate debt and notes, government and agency obligations and equity securities included in Level 1 were determined through unadjusted, quoted prices in active markets. The fair values of the Level 2 investments are recorded based on securities with similar characteristics in active markets. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the City's investments and the amounts reported in the statements of revenues, expenses and changes in net position.

These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of the future fair values. Furthermore, while the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table sets forth, by level within the fair value hierarchy, the City's financial assets measured at fair value on a recurring basis at December 31, 2017:

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

Fair Value Measurements (continued)

| | | Fair Value Measurements at Reporting Date Using: | | |
|--|----------------------|---|--|--|
| | | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
| | Fair Value | | | |
| Financial Assets: | | | | |
| Certificates of Deposit | \$ 2,871,368 | \$ - | \$ 2,871,368 | \$ - |
| Farmer Mac | 1,866,758 | 1,866,758 | - | - |
| Federal Farm Credit Banks | 4,869,694 | 4,869,694 | - | - |
| Federal Home Loan Banks | 18,709,143 | 18,709,143 | - | - |
| Federal Home Loan Mortgage Corporation | 8,277,549 | 8,277,549 | - | - |
| Federal National Mortgage Association | 5,070,979 | 5,070,979 | - | - |
| | <u>\$ 41,665,491</u> | <u>\$ 38,794,123</u> | <u>\$ 2,871,368</u> | <u>\$ -</u> |

The financial assets disclosed in the fair value hierarchy above are reported in investments and restricted investments on the statement of net position.

2. Capital Assets

Capital asset activity for the year ended December 31, 2017, was as follows:

Governmental Activities

| | Balance January 1, 2017 | Additions | Deletions | Balance December 31, 2017 |
|--------------------------------------|-------------------------------|----------------------|---------------------|---------------------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 8,585,806 | \$ - | \$ - | \$ 8,585,806 |
| Construction in progress | 15,891,519 | 5,618,770 | 9,582,403 | 11,927,886 |
| Total | <u>24,477,325</u> | <u>5,618,770</u> | <u>9,582,403</u> | <u>20,513,692</u> |
| Capital assets being depreciated | | | | |
| Buildings and structures | 14,098,229 | 27,997 | - | 14,126,226 |
| Furniture and equipment | 3,335,503 | 208,151 | 59,060 | 3,484,594 |
| Machinery and auto | 9,026,127 | 965,592 | 319,578 | 9,672,141 |
| Other improvements | 119,312,161 | 9,611,533 | - | 128,923,694 |
| Total | <u>145,772,020</u> | <u>10,813,273</u> | <u>378,638</u> | <u>156,206,655</u> |
| Less accumulated depreciation for: | | | | |
| Buildings | 4,909,509 | 311,552 | - | 5,221,061 |
| Furniture and equipment | 1,847,271 | 139,636 | 53,154 | 1,933,753 |
| Machinery and equipment | 4,158,631 | 626,999 | 281,743 | 4,503,887 |
| Other improvements | 65,523,277 | 4,701,504 | - | 70,224,781 |
| Total | <u>76,438,688</u> | <u>5,779,691</u> | <u>334,897</u> | <u>81,883,482</u> |
| Net property and equipment | <u>\$ 93,810,657</u> | <u>\$ 10,652,352</u> | <u>\$ 9,626,144</u> | <u>\$ 94,836,865</u> |

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

2. Capital Assets (continued)

Business-Type Activities

| | Balance January 1, 2017 | Additions | Deletions | Balance December 31, 2017 |
|--------------------------------------|--|---------------------|---------------------|--|
| Business-Type Activities | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 2,005,122 | \$ - | \$ - | \$ 2,005,122 |
| Construction in progress | 1,688,547 | 66,103 | 1,006,698 | 747,952 |
| Total | <u>3,693,669</u> | <u>66,103</u> | <u>1,006,698</u> | <u>2,753,074</u> |
| Capital assets being depreciated | | | | |
| Buildings and structures | 63,705,752 | - | - | 63,705,752 |
| Furniture and equipment | 513,168 | - | 78,995 | 434,173 |
| Machinery and auto | 6,404,539 | 232,050 | 29,707 | 6,606,882 |
| Other improvements | 26,779,976 | 1,102,576 | - | 27,882,552 |
| Total | 97,403,435 | 1,334,626 | 108,702 | 98,629,359 |
| Less accumulated depreciation for: | | | | |
| Buildings | 9,586,948 | 1,254,728 | - | 10,841,676 |
| Furniture and equipment | 344,197 | 21,358 | 47,792 | 317,763 |
| Machinery and auto | 2,058,880 | 392,390 | 26,736 | 2,424,534 |
| Other improvements | 3,654,781 | 541,125 | - | 4,195,906 |
| | <u>15,644,806</u> | <u>2,209,601</u> | <u>74,528</u> | <u>17,779,879</u> |
| Net property and equipment | <u>\$ 85,452,298</u> | <u>\$ (808,872)</u> | <u>\$ 1,040,872</u> | <u>\$ 83,602,554</u> |

Component Units

| | Rice Memorial Hospital | | Willmar Municipal Utilities | |
|--------------------------|-------------------------------|----------------------|------------------------------------|----------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Land | \$ 2,918,000 | \$ 2,918,000 | \$ 1,385,906 | \$ 1,385,907 |
| Buildings | 103,540,000 | 103,346,000 | 3,910,460 | 3,916,095 |
| Furniture and equipment | 47,257,000 | 44,931,982 | 80,383,366 | 78,814,034 |
| Machinery and auto | - | - | - | - |
| Other improvements | 1,696,000 | 1,686,000 | - | - |
| Utility Plant in Service | - | - | - | - |
| Construction in progress | 249,000 | - | 773,582 | 2,828,747 |
| Less: Depreciation | <u>(95,471,413)</u> | <u>(90,106,000)</u> | <u>(55,172,444)</u> | <u>(55,719,319)</u> |
| | <u>\$ 60,188,587</u> | <u>\$ 62,775,982</u> | <u>\$ 31,280,870</u> | <u>\$ 31,225,464</u> |

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

2. Capital Assets (continued)

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

| | |
|---|---------------------|
| Governmental Activities | |
| General government | \$ 58,050 |
| Public safety | 252,899 |
| Public works | 5,172,578 |
| Culture and recreation | <u>296,163</u> |
| Total Depreciation Expense - Governmental Activities | <u>\$ 5,779,690</u> |
| Business-Type Activities | |
| Waste treatment | <u>\$ 2,209,601</u> |
| Total Depreciation Expense - Business-Type Activities | <u>\$ 2,209,601</u> |

Construction Commitments

The City has active construction projects as of December 31, 2017. The projects include street improvements, airport turf runway improvements, and wastewater treatment improvements and storm water upgrades. At year end the City's commitments with contractors were as follows:

| Construction Projects | Remaining Commitment |
|-----------------------|-------------------------|
| Street Projects | \$ 11,927,886 |
| Waste Treatment Plant | <u>747,952</u> |
| Total | <u>\$ 12,675,838</u> |

B. Interfund Receivables, Payables and Transfers

1. Due from/Due to

| Receivable fund | Payable fund | Amount |
|--|---|---------------------|
| General Fund | Capital Projects - Capital Improvements | \$ 3,263 |
| Special Revenue - Industrial Development | Capital Projects - Street, Water, Sewer | \$ 86,000 |
| Debt Service - Special Assessment Bonds | Special Revenue - Community Investment | \$ 39,653 |
| Debt Service - Special Assessment Bonds | Capital Projects - Street, Water, Sewer | \$ 1,377,952 |
| Capital Projects - Street, Water, Sewer | Special Revenue - Community Investment | \$ 1,245 |
| Capital Projects - Airport | Special Revenue - Airport | \$ 59,000 |
| Capital Projects - Capital Improvements | General Fund | \$ 600,000 |
| Office Services | General Fund | <u>\$ 3,571</u> |
| | | <u>\$ 2,170,683</u> |

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

2. Transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various City operations and re-allocations of special revenues. The following schedule briefly summarizes the City's transfer activity:

| <u>Funds transferred to</u> | | <u>Funds transferred from</u> | |
|---|---------------------|---|---------------------|
| General Fund | \$ 285,008 | Nonmajor Special Revenue | \$ 9,500 |
| | | Enterprise Fund Waste Treatment | 275,000 |
| | | Agency Fund | 508 |
| | | | <u>285,008</u> |
| Special Revenue - Community Investm. | 511,852 | Nonmajor Special Revenue Fund | 400,000 |
| | | Special Assessments Bonds | 111,852 |
| | | | <u>511,852</u> |
| Nonmajor Special Revenue Funds | 548,939 | General Fund | 133,939 |
| | | Enterprise Fund - Waste Treatment | 415,000 |
| | | | <u>548,939</u> |
| Special Assessments Bonds | 2,334,729 | Special Revenue - Community Investment | 956,517 |
| | | Capital Projects - Street, Water, Sewer | 1,377,952 |
| | | Enterprise Fund - Waste Treatment | 260 |
| | | | <u>2,334,729</u> |
| Nonmajor Debt Service Fund | 183,643 | Nonmajor Special Revenue Fund | 183,643 |
| Capital Projects - Street, Water, Sewer | 641,245 | General Fund | 600,000 |
| | | Special Revenue - Community Investment | 1,245 |
| | | Enterprise Fund - Waste Treatment | 40,000 |
| | | | <u>641,245</u> |
| Nonmajor Capital Projects | 1,996,347 | General Fund | 1,937,347 |
| | | Nonmajor Special Revenue Fund | 59,000 |
| | | | <u>1,996,347</u> |
| Total | <u>\$ 6,501,763</u> | Total | <u>\$ 6,501,763</u> |

C. Liabilities

1. Deferred Inflows of Resources

Deferred Inflows of Resources consists of taxes and special assessments receivable that are not collected soon enough after year-end to pay liabilities of the current period and prepayments that have been received but not earned.

Deferred Inflows of Resources

| | |
|---------------------------------------|---------------------|
| Unavailable Taxes | \$ 88,473 |
| Unavailable Special Assessments | 3,821,362 |
| Unavailable Notes Receivable | 356,806 |
| Unavailable Rental Revenue | 2,054 |
| Unavailable Interfund Loans | 86,000 |
| Unavailable Intergovernmental Revenue | 129,926 |
| | <u>\$ 4,484,621</u> |

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

C. Liabilities (continued)

2. Long-Term Debt

The long-term debt obligations outstanding at year end are summarized as follows:

| Primary Government | Interest Rates | Date Issued | Date Matures | Original Issue | Outstanding at 12/31/2017 |
|---------------------------------------|---------------------------|------------------------|-------------------------|-----------------------|--------------------------------------|
| Governmental Activities | | | | | |
| <u>G.O. Special Assessments</u> | | | | | |
| 2007A Improvement Bond | 3.75-4.00 | 2007 | 2018 | 3,285,000 | 325,000 |
| 2007B Improvement Bond | 4 | 2007 | 2018 | 1,725,000 | 185,000 |
| 2008 Improvement Bond | 3.00-4.00 | 2008 | 2019 | 1,530,000 | 300,000 |
| 2010 Improvement Bond | 2.00-3.00 | 2010 | 2021 | 1,785,000 | 700,000 |
| 2011 Improvement Bond | .60-2.85 | 2011 | 2022 | 1,825,000 | 900,000 |
| 2012 Improvement Bond | 2.00-2.25 | 2012 | 2023 | 1,460,000 | 800,000 |
| 2013 Improvement Bond | 2.00-3.00 | 2013 | 2024 | 1,910,000 | 1,330,000 |
| 2014 Improvement Bond | 2.17 | 2014 | 2025 | 1,000,000 | 817,000 |
| 2015 Improvement Bond | 2.625 | 2015 | 2026 | 1,400,000 | 1,291,000 |
| 2016 Improvement Bond | 2.50 | 2016 | 2027 | 1,600,000 | 1,600,000 |
| 2017 Improvement Bond | 3.25 | 2017 | 2028 | 1,100,000 | 1,100,000 |
| Total Special Assessment Bonds | | | | 18,620,000 | 9,348,000 |
| <u>G.O. Revenue Bonds</u> | | | | | |
| 2004 Airport Bond | 2.00-4.05 | 2004 | 2020 | 2,100,000 | 520,000 |
| Total G.O. Revenue Bonds | | | | 2,100,000 | 520,000 |
| <u>Tax Increment Financing Notes</u> | | | | | |
| 2015 Jennie-O Turkey Store | | 2015 | | 594,304 | 594,304 |
| Total Tax Increment Financing Notes | | | | 594,304 | 594,304 |
| Total Governmental Activities | | | | \$ 21,314,304 | \$ 10,462,304 |
| Business-Type Activities | | | | | |
| <u>G.O. Revenue Notes and Bonds</u> | | | | | |
| 2008 Waste Treatment Note | 3.275 | 2008 | 2028 | 42,001,362 | 31,575,000 |
| 2008 Waste Treatment Note | 0 | 2008 | 2030 | 7,000,000 | 7,000,000 |
| 2009 Waste Treatment Note | 2.457 | 2009 | 2029 | 1,711,867 | 1,123,151 |
| 2009 Waste Treatment Note | 3.44 | 2009 | 2038 | 27,663,530 | 23,072,000 |
| 2013 Waste Treatment Note | 1.124 | 2013 | 2042 | 1,886,812 * | 1,560,407 |
| 2014 Waste Treatment Note | 1.00 | 2014 | 2034 | 3,000,000 ^ | 2,775,054 |
| 2016 Waste Treatment Note | 1.04 | 2016 | 2036 | 1,046,528 > | 970,052 |
| Total G.O. Revenue Notes | | | | 84,310,099 | 68,075,664 |
| 2004 Waste Treatment Bond | 1.45-4.15 | 2004 | 2019 | 1,410,000 | 235,000 |
| Total G.O. Revenue Notes and Bonds | | | | 85,720,099 | 68,310,664 |
| Total Business-Type Activities | | | | \$ 85,720,099 | \$ 68,310,664 |
| Total Primary Government | | | | \$ 107,034,403 | \$ 78,772,968 |

*Includes Undrawn Proceeds of \$304,593. Loan not finalized as of 12/31/17

^Includes Undrawn Proceeds of \$164,946. Loan not finalized as of 12/31/17

>Includes Undrawn Proceeds of \$56,948. Loan not finalized as of 12/31/17

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

2. Long-Term Debt (continued)

| | <u>Interest Rates</u> | <u>Date Issued</u> | <u>Date Matures</u> | <u>Original Issue</u> | <u>Outstanding at 12/31/2017</u> |
|-------------------------------------|---------------------------|------------------------|-------------------------|-----------------------------|--------------------------------------|
| Component Units | | | | | |
| Municipal Utilities | | | | | |
| <u>Revenue Bonds</u> | | | | | |
| 2009 Bond | 3.50-5.00 | 2009 | 2025 | \$ 8,120,000 | \$ 5,400,000 |
| Total Revenue Bonds | | | | <u>8,120,000</u> | <u>5,400,000</u> |
| Total Municipal Utilities | | | | <u>\$ 8,120,000</u> | <u>\$ 5,400,000</u> |
| Rice Memorial Hospital | | | | | |
| <u>Revenue Notes</u> | | | | | |
| 2013 Care Center | 3.65-15.00 | 2013 | 2034 | \$ 9,100,000 | \$ 7,798,400 |
| <u>G.O. Revenue Bonds</u> | | | | | |
| 2012 Bond | 2.00-4.00 | 2012 | 2032 | <u>40,910,000</u> | <u>33,545,000</u> |
| <u>Lease Payable</u> | | | | | |
| Rice Home Medical | Variable | 2010 | Ongoing | <u>301,394</u> | <u>1,892,004</u> |
| Total Rice Memorial Hospital | | | | <u>\$ 50,311,394</u> | <u>\$ 43,235,404</u> |

3. Long-Term Debt Maturities

Long-Term Debt maturities are as follows:

| <u>General Obligation Special Assessments Bonds</u> | | |
|---|--------------------------------|-------------------|
| | <u>Governmental Activities</u> | |
| <u>Year</u> | <u>Principal</u> | <u>Interest</u> |
| 2018 | \$ 1,706,000 | \$ 214,157 |
| 2019 | 1,309,000 | 187,181 |
| 2020 | 1,164,000 | 155,053 |
| 2021 | 1,181,000 | 123,855 |
| 2022 | 1,025,000 | 94,401 |
| 2023-2027 | 2,836,000 | 178,918 |
| 2028-2032 | <u>127,000</u> | <u>2,064</u> |
| Total | <u>\$ 9,348,000</u> | <u>\$ 955,629</u> |

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

3. Long-Term Debt Maturities (Continued)

Long-Term Debt maturities (continued):

| <u>General Obligation Revenue Bonds</u> | | | | |
|--|---------------------------------------|------------------------|--|------------------------|
| <u>Year</u> | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | |
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2018 | 165,000 | 17,466 | 115,000 | 7,309 |
| 2019 | 175,000 | 10,790 | 120,000 | 2,490 |
| 2020 | 180,000 | 3,645 | - | - |
| Total | <u>\$ 520,000</u> | <u>\$ 31,901</u> | <u>\$ 235,000</u> | <u>\$ 9,799</u> |

| <u>General Obligation Revenue Notes</u> | | |
|--|--|------------------------|
| <u>Year</u> | <u>Business-Type Activities</u> | |
| | <u>Principal</u> | <u>Interest</u> |
| 2018 | \$ 2,852,000 | \$ 1,911,077 |
| 2019 | 2,940,000 | 1,829,619 |
| 2020 | 3,050,000 | 1,740,758 |
| 2021 | 3,024,000 | 1,647,530 |
| 2022 | 3,116,000 | 1,553,195 |
| 2023-2027 | 24,290,000 | 6,015,320 |
| 2028-2032 | 19,352,151 | 2,376,396 |
| 2033-2037 | 7,974,000 | 1,053,193 |
| 2038-2042 | 2,004,000 | 68,780 |
| Total | <u>\$ 68,602,151</u> | <u>\$ 18,195,868</u> |

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

4. Long-Term Debt Maturities (continued)

| Component Units: | | Municipal Utilities | | Rice Memorial Hospital | |
|-------------------------|---------------------|----------------------------|----------------------|-------------------------------|--|
| Year | Principal | Interest | Principal | Interest | |
| 2018 | \$ 575,000 | \$ 255,031 | \$ 2,071,300 | \$ 1,664,852 | |
| 2019 | 600,000 | 229,156 | 2,163,200 | 1,573,269 | |
| 2020 | 625,000 | 202,156 | 2,265,900 | 1,469,023 | |
| 2021 | 655,000 | 174,032 | 2,327,400 | 1,537,834 | |
| 2022 | 685,000 | 143,738 | 2,288,000 | 1,441,634 | |
| 2023-2027 | 2,260,000 | 227,700 | 13,282,700 | 5,346,697 | |
| 2028-2032 | - | - | 15,724,300 | 2,995,942 | |
| 2033-2037 | - | - | 1,220,600 | 143,707 | |
| Total | <u>\$ 5,400,000</u> | <u>\$ 1,231,813</u> | <u>\$ 41,343,400</u> | <u>\$ 16,172,958</u> | |

5. Changes in Long-Term Liabilities

| | Balance 01/01/2017 | Increases | Decreases | Balance 12/31/2017 | Due Within One Year |
|---------------------------------------|-----------------------|---------------------|----------------------|-----------------------|------------------------|
| Primary Government | | | | | |
| Governmental Activities | | | | | |
| G.O. Special Assessment Bonds | \$ 9,999,000 | \$ 1,100,000 | \$ 1,751,000 | \$ 9,348,000 | \$ 1,706,000 |
| G.O. Revenue Bonds | 680,000 | - | 160,000 | 520,000 | 165,000 |
| TIF Note Payable-Jennie-O | 594,304 | - | - | 594,304 | - |
| Compensated Absences | 3,663,037 | 14,190 | 314,343 | 3,362,884 | - |
| Net OPEB Liability | 390,282 | 223,771 | 142,866 | 471,187 | - |
| Net Pension Liability | 13,392,192 | - | 7,390,092 | 6,002,100 | - |
| Total Governmental Activities | 28,718,815 | 1,337,961 | 9,758,301 | 20,298,475 | 1,871,000 |
| Business-Type Activities | | | | | |
| G.O. Revenue Notes | 70,606,500 | 253,322 | 2,784,158 | 68,075,664 | 2,852,000 |
| G.O. Revenue Bonds | 345,000 | - | 110,000 | 235,000 | 115,000 |
| Net Pension Liability | 804,916 | - | 201,362 | 603,554 | - |
| Total Business-Type Activities | 71,756,416 | 253,322 | 3,095,520 | 68,914,218 | 2,967,000 |
| Total Primary Government | \$ 100,475,231 | \$ 1,591,283 | \$ 12,853,821 | \$ 89,212,693 | \$ 4,838,000 |
| Component Units | | | | | |
| Municipal Utilities | | | | | |
| Revenue Bonds | \$ 5,950,000 | \$ - | \$ 550,000 | \$ 5,400,000 | \$ 575,000 |
| Bond Discount | (19,657) | 2,140 | - | (17,517) | - |
| Compensated Absences | 923,510 | 442,158 | 393,362 | 972,306 | - |
| OPEB Liability | 262,259 | 93,624 | 139,766 | 216,117 | - |
| Net Pension Liability | 5,082,810 | 1,638,090 | 2,826,700 | 3,894,200 | - |
| Total Municipal Utilities | 12,198,922 | 2,176,012 | 3,909,828 | 10,465,106 | 575,000 |
| Rice Memorial Hospital | | | | | |
| G.O. Revenue Bonds | 35,095,000 | - | 1,550,000 | 33,545,000 | 1,605,000 |
| Revenue Notes | 8,248,200 | - | 449,800 | 7,798,400 | 466,300 |
| Capital Lease Payable | 1,386,237 | 869,194 | 363,427 | 1,892,004 | 427,795 |
| Total Rice Memorial Hospital | 44,729,437 | 869,194 | 2,363,227 | 43,235,404 | 2,499,095 |
| Total Component Units | \$ 56,928,359 | \$ 3,045,206 | \$ 6,273,055 | \$ 53,700,510 | \$ 3,074,095 |

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

D. Fund Balance Detail

The following is a detail of Governmental Fund Balances at December 31, 2017:

| Fund | Nonspendable | Restricted | Committed |
|-----------------------------------|---------------------|---------------------|----------------------|
| General Fund | | | |
| Prepays/Deposits | \$ 329,298 | \$ - | \$ - |
| Working Capital | - | - | 4,000,000 |
| Year 2018 | - | - | 1,451,938 |
| Year 2019 | - | - | 849,079 |
| Retirees Sick Leave Held | - | - | 133,949 |
| Self-Insurance | - | - | 1,000,000 |
| Petty Cash | - | - | 3,650 |
| Current Employees Ins BuyOut | - | - | 1,137,006 |
| Current Employees Sick Leave | - | - | 1,493,834 |
| Current Employees Vacation | - | - | 413,414 |
| Retiree Insurance BuyOut | - | - | 318,630 |
| Next Year's Budget | - | - | 1,300,000 |
| Current Year Emergency | - | - | 1,300,000 |
| Special Revenue Funds | | | |
| Industrial Development | - | - | 597,715 |
| Industrial Development-CP Airport | - | - | 17,110 |
| Industrial Development-P.I.R. | - | - | 1,000,000 |
| CVB-Prepays | 8,730 | - | - |
| CVB | - | - | 231,540 |
| CVB-Petty Cash | - | - | 50 |
| Willmar Municipal Airport | 254 | - | 217,247 |
| Library Improvement Reserve | - | - | 162,193 |
| Community Investment | - | - | 8,403,504 |
| Community Investment-PIR | - | - | 750,000 |
| Public Works Reserve | - | - | 963,780 |
| Law Enforcement Forfeiture Fund | - | 65,058 | - |
| Law Enforcement Explorer Fund | - | 6,630 | - |
| Debt Service Funds | | | |
| Special Assessments Funds | - | 6,907,518 | - |
| Nonmajor Airport Debt Service | 175,321 | (5,179) | - |
| Nonmajor TIF Debt Service | - | 58,700 | - |
| Capital Projects Funds | | | |
| Street Projects | - | - | 630,920 |
| Nonmajor Capital Improvements | | | |
| Airport | - | - | 73,698 |
| Year 2018 | 70,502 | - | 264,739 |
| Fire Department | - | - | 321,600 |
| Public Works | - | - | 130,000 |
| Auditorium | - | - | 100,000 |
| Leisure Services | - | - | 385,746 |
| Permanent Funds | 30,000 | 4,439 | - |
| Totals | \$ 614,105 | \$ 7,037,166 | \$ 27,651,342 |

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 4 DEFINED BENEFIT PENSION PLANS

A. Plan Description

The City of Willmar 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

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

2. Public Employees Police and Fire Fund

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

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefits 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% funded for two consecutive years are given 2.50% 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. General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.20% of average salary for each of the first ten years of service and 2.70% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.20% of average salary for each of the first ten years and 1.70% for each remaining year. Under Method 2, the annuity accrual rate is 2.70% of average salary for Basic Plan members and 1.70% for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a fully annuity is available when age plus year 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. Police and Fire Plan Benefits

Benefits for the Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for Police and Fire members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100% after

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 4 DEFINED BENEFIT PENSION PLANS (continued)

twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equals at least 90.

B. Contributions

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

1. General Employees Fund Contributions

Basic Plan members and Coordinated Plan members were required to contribute 9.10% and 6.50%, respectively, of their annual covered salary in calendar year 2017. The City of Willmar was required to contribute 11.78% of pay for Basic Plan members and 7.50% for Coordinated Plan members in calendar year 2017. The City of Willmar's contributions to the General Employees Fund for the year ended December 31, 2017, were \$279,953. The City of Willmar's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Plan members were required to contribute 10.80% of their annual covered salary in calendar year 2017. The City of Willmar was required to contribute 16.20% of pay for members in calendar year 2017. The City of Willmar's contributions to the Police and Fire Fund for the year ended December 31, 2017, were \$390,745. The City of Willmar's contributions were equal to the required contributions as set by state statute.

C. Pension Costs

1. General Employees Fund Pension Cost

At December 31, 2017, the City of Willmar reported a liability of \$3,581,387 for its proportionate share of the General Employees Fund's net pension liability. The City of Willmar's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2017. 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 of Willmar's totaled \$45,058. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Willmar's proportion of the net pension liability was based on the City of Willmar's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City of Willmar's proportion share was .0561% which was a decrease of .0026% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the City of Willmar recognized pension expense of \$146,901 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of Willmar recognized an additional \$1,301 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.

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 4 DEFINED BENEFIT PENSION PLANS (continued)

At December 31, 2017, the City of Willmar reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience | \$ 118,032 | \$ 243,517 |
| Changes in actuarial assumptions | 622,144 | 359,034 |
| Difference between projected and actual investment earnings | 667,345 | 608,092 |
| Changes in proportion | - | 306,046 |
| Contributions paid to PERA subsequent to the measurement date | <u>143,398</u> | <u>-</u> |
| Totals | <u>\$ 1,550,919</u> | <u>\$ 1,516,689</u> |

Deferred outflows of resources related to pensions, resulting from the City of Willmar's contributions made subsequent to the measurement date, of \$143,398 will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. 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 |
|----------------------------|------------------------------|
| 2018 | \$ 13,553 |
| 2019 | \$ 142,275 |
| 2020 | \$ (112,972) |
| 2021 | \$ (152,024) |

2. Police and Fire Fund Pension Costs

At December 31, 2017, the City of Willmar reported a liability of \$3,024,267 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Willmar's proportion of the net pension liability was based on the City of Willmar's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2016 through June 30, 2017, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2017, the City of Willmar's proportion was .224% which was a decrease of .011% from its proportion measured as of June 30, 2016. The City of Willmar also recognized \$20,160 for the year ended December 31, 2017 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 Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

For the year ended December 31, 2017, the City of Willmar recognized pension expense of (\$388,765) for its proportionate share of the Police and Fire Plan's pension expense.

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 4 DEFINED BENEFIT PENSION PLANS (continued)

At December 31, 2017, the City of Willmar reported its proportionate share of the Police and Fire Plan'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 | \$ 69,612 | \$ 853,736 |
| Changes in actuarial assumptions | 4,152,215 | 4,293,708 |
| Difference between projected and actual investment earnings | 1,055,296 | 959,645 |
| Change in proportion | - | 448,950 |
| Contributions paid to PERA subsequent to the measurement date | 199,589 | - |
| Totals | <u>\$ 5,476,712</u> | <u>\$ 6,556,039</u> |

Deferred outflows of resources related to pensions, resulting from the City of Willmar's contributions made subsequent to the measurement date, of \$199,589 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 |
|----------------------------|------------------------------|
| 2018 | \$ 11,693 |
| 2019 | \$ 11,693 |
| 2020 | \$ (107,089) |
| 2021 | \$ (276,820) |
| 2022 | \$ (918,393) |

D. Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions:

| | |
|------------------------------|----------------|
| Inflation | 2.5% per year |
| Active Member Payroll Growth | 3.25% per year |
| Investment Rate of Return | 7.50% |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP 2014 tables for all plans males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases for retirees are assumed to be 1.00% per year for the General Employees Plan through 2044 and Police and Fire Plan through 2064 and then 2.50% thereafter for both plans.

Actuarial assumptions used in the June 30, 2017, valuation was based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2015. The most recent five-year experience study for Police and Fire Plan was completed in 2016.

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 4 DEFINED BENEFIT PENSION PLANS (continued)

The following changes in actuarial assumptions occurred in 2017:

General Employees Fund:

- The Combined Service Annuity (CSA) loads were changed from 0.80% for active members and 60% for vested and non-vested deferred members. The revised CSA loads are now 0.00% for active member liability, 15.00% for vested deferred member liability and 3.00% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00% per year for all years to 1.0% per year through 2044 and 2.50% per year thereafter.

Police and Fire Fund:

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30.00% for vested and non-vested deferred members. The CSA has been changed to 33.00% for vested members and 2.00% for non-vested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.00% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65.00% to 60.00%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 4 DEFINED BENEFIT PENSION PLANS (continued)

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 rate 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 | 39% | 5.10% |
| International Stocks | 19% | 5.30% |
| Bonds | 20% | 0.75% |
| Alternative Assets | 20% | 5.90% |
| Cash | 2% | 0.00% |
| | 100% | |

E. Discount Rate

The discount rate used to measure the total pension liability in 2017 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumption, the fiduciary net position of the General Employees Fund and the Police and Fire Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

F. Pension Liability Sensitivity

The following presents the City of Willmar'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 of Willmar'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:

| Sensitivity of Net Pension Liability at Current Single Discount Rate | | | | |
|---|-------------------------------|--------------|-----------------------------|--------------|
| | General Employees Fund | | Police and Fire Fund | |
| 1% Lower | 6.50% | \$ 5,554,997 | 6.50% | \$ 5,695,576 |
| Current Discount Rate | 7.50% | \$ 3,581,387 | 7.50% | \$ 3,024,267 |
| 1% Higher | 8.50% | \$ 1,965,628 | 8.50% | \$ 818,953 |

G. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 5 DEFINED BENEFIT PENSION PLANS – STATEWIDE VOLUNTEER FIREFIGHTERS FUND

Plan Description

The Willmar Fire Department participates in the Statewide Volunteer Firefighter Retirement Plan (SVF), an agent multiple-employer lump-sum defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The SVF plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2016, the plan covered 41 active firefighters and 9 vested terminated fire fighters whose pension benefits are deferred. The plan is established and administered in accordance with Minnesota Statutes, Chapter 353 G.

Benefits Provided

The Volunteer Firefighter Plan provides lump-sum retirement, death, and supplemental benefits to covered firefighters and survivors. Benefits are paid based on the number of years of service multiplied by a benefit level per year of service approved by the City. The benefit is selected from 71 possible levels in \$100 increments ranging from \$500 to \$7,500 per year of service. Members are eligible for a lump-sum retirement benefit at 50 years of age with five years of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40% through 20 years at 100%.

Contributions

The Volunteer Firefighter Plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota Statutes. The State of Minnesota contributed \$104,601 in fire state aid to the fund for the year ended December 31, 2016. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the Volunteer Firefighter Fund for the year ended December 31, 2016, was \$0. The City's contributions were equal to the required contributions as set by state statute.

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 5 DEFINED BENEFIT PENSION PLANS – STATEWIDE VOLUNTEER FIREFIGHTERS FUND (continued)

Pension Costs

At December 31, 2017, the City reported a net pension asset of \$233,339 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2016. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the fire department. The following table presents the changes in net pension liability during the year.

| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability (Asset) |
|-------------------------------------|--|--|--|
| Beginning Balance 12/31/15 | \$ 916,855 | \$ 1,283,006 | \$ (366,151) |
| Changes for the Year | | | |
| Service Cost | 38,305 | - | 38,305 |
| Interest on Pension Liability | 54,564 | - | 54,564 |
| Actuarial Experience (Gains)/Losses | (17,553) | - | (17,553) |
| Projected Investment Earnings | - | 76,980 | (76,980) |
| Changes in Benefit Level | 249,237 | - | 249,237 |
| Contributions (Employer) | - | - | - |
| Contributions (State) | - | 104,601 | (104,601) |
| Asset (Gain)/Loss | - | 11,547 | (11,547) |
| Benefit Payouts | (91,514) | (91,514) | - |
| PERA Administrative Fee | - | (1,387) | 1,387 |
| Net Changes | <u>233,039</u> | <u>100,227</u> | <u>132,812</u> |
| Balance End of Year 12/31/16 | <u><u>\$ 1,149,894</u></u> | <u><u>\$ 1,383,233</u></u> | <u><u>\$ (233,339)</u></u> |

There were no benefit provision changes during the measurement period.

For the year ended December 31, 2017, the City recognized pension expense of \$260,693.

At December 31, 2017, the City reported deferred outflows and deferred inflows of resources related to pension from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual economic experience | \$ 25,452 | \$ 31,756 |
| Difference between projected and actual investment earnings | 40,811 | 10,620 |
| Contributions paid to plan subsequent to measurement date | 106,874 | - |
| State revenue received for the plan subsequent to measurement date | - | 106,874 |
| Totals | <u><u>\$ 173,137</u></u> | <u><u>\$ 149,250</u></u> |

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 5 DEFINED BENEFIT PENSION PLANS – STATEWIDE VOLUNTEER FIREFIGHTERS FUND (continued)

\$106,874 reported as deferred outflows of resources related to pensions resulting from City contributions to the pension plan subsequent to the measurement date will be recognized as an addition to the net pension liability (asset) in the year ended December 31, 2017. \$106,874 reported as deferred inflows of resources related to pensions resulting from state revenue received by the City for the pension plan subsequent to the measurement date will be recognized as a reduction to the net pension liability (asset) in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year ended December 31:</u> | <u>Pension Expense Amount</u> |
|------------------------------------|---------------------------------------|
| 2018 | \$ 13,916 |
| 2019 | \$ 13,914 |
| 2020 | \$ 1,877 |
| 2021 | \$ (5,820) |

Actuarial Assumptions

The total pension liability at December 31, 2016, was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

- Retirement eligibility at the later of age 50 or 20 years of service
- Investment rate of return of 6.00%
- Inflation rate of 3.00%

There were no changes in actuarial assumptions in 2017.

Discount Rate

The discount rate used to measure the total pension liability was 6.00%. The projection of cash flows used to determine the discount rate assumed that contributions to the Volunteer Firefighter Fund will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

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

| | <u>1% Decrease in Discount Rate (5.0%)</u> | <u>Discount Rate (6.0%)</u> | <u>1% Increase in Discount Rate (7.0%)</u> |
|-------------------|--|---------------------------------|--|
| Net Pension Asset | \$ (456,312) | \$ (482,576) | \$ (507,985) |

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

**NOTE 5 DEFINED BENEFIT PENSION PLANS – STATEWIDE VOLUNTEER FIREFIGHTERS
FUND (continued)**

Plan Investments

Investment Policy:

The Minnesota State Board of Investment (SBI) is established by Article XI of the Minnesota Constitution to invest all state funds. Its membership as specified in the Constitution is comprised of the Governor (who is designated as chair of the Board), State Auditor, Secretary of State and State Attorney General.

All investments undertaken by the SBI are governed by the prudent person rule and other standards codified in *Minnesota Statutes*, Chapter 11A and Chapter 356A.

Within the requirements defined by state law, the SBI, with assistance of the SBI staff and the Investment Advisory Council, establishes investment policy for all funds under its control. These investments policies are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure and specific performance standards. Studies guide the on-going management of the funds and are updated periodically.

Asset Allocation:

To match the long-term nature of the pension obligations, the SBI maintains a strategic asset allocation for the Statewide Volunteer Firefighter Plan that includes allocations to domestic equity, international equity, bonds and cash equivalents. The long-term target asset allocation and long-term expected real rate of return is the following:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|----------------------|------------------------------|---|
| Domestic Stocks | 35% | 5.10% |
| International Stocks | 15% | 5.30% |
| Bonds | 45% | 0.75% |
| Cash | 5% | 0.00% |
| | <u>100%</u> | |

The 6.00% long-term expected rate of return on pension plan investments was determined using a building-block method. Best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations. The asset class estimates and the target allocations were then combined to produce a geometric, long-term expected real rate of return for the portfolio. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

Description of significant investment policy changes during the year: The SBI made no significant changes to their investment policy during Fiscal Year 2017 for the Statewide Volunteer Firefighter Retirement Plan.

Pension Plan Fiduciary Net Position

Detailed information about the Volunteer Firefighter Fund's fiduciary net position as of June 30, 2017, 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.

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 6 DEFINED CONTRIBUTION PLAN

Nine council members and mayor, of the City of Willmar are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by PERA. The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of 1% (.0025) of the assets in each member's account annually.

Total contributions made by the City of Willmar during fiscal year 2017 were: \$-0-

NOTE 7 OTHER POST EMPLOYMENT BENEFITS

Primary Government

The City has adopted Governmental Account Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions*. Qualified employees may choose to participate in the City's health, dental, and/or life insurance plans. There are 101 active participants and 18 retired participants. Benefit and eligibility provisions are established through negotiations between the City Council and employee groups including three unions. The union contracts are renegotiated periodically. There are no separate financial statements issued for the plan. The City has chosen to fund the plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) costs (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 7 OTHER POST EMPLOYMENT BENEFITS/Primary Government (continued)

Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, contributions for the year, and the change in the City's net OPEB obligation:

| | 2017 | 2016 |
|--|-------------------|-------------------|
| Net OPEB, beginning of the year | \$ 390,282 | \$ 312,757 |
| Activity during the year: | | |
| Annual Required Contribution | 230,969 | 230,969 |
| Interest on net OPEB Obligation | 13,660 | 10,946 |
| Adjustment to Annual Required Contribution | (20,858) | (16,715) |
| Annual OPEB Cost (Expense) | 223,771 | 225,200 |
| Contributions made during the year | (142,866) | (147,675) |
| Increase/(Decrease) in Net OPEB Obligation | 80,905 | 77,525 |
| Net OPEB Liability, end of the year | <u>\$ 471,187</u> | <u>\$ 390,282</u> |

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan and the net OPEB liability consist of the following:

| Fiscal Year Ended | Annual OPEB Cost | Employer Contribution | Percentage Contribution | Net OPEB Obligation |
|-------------------|---------------------|--------------------------|----------------------------|------------------------|
| 2017 | \$ 223,771 | \$ 142,866 | 63.8% | \$ 390,282 |
| 2016 | \$ 225,200 | \$ 147,675 | 65.6% | \$ 390,282 |
| 2015 | 313,851 | 262,211 | 83.5% | 312,757 |

Funding Status

The following is a summary of the funding status at January 1, 2016, the most recent actuarial valuation date:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (b) | Unfunded Actuarial Accrued Liability (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------------|--|--|---|--------------------------|---------------------------|--|
| 2016 | \$ - | \$ 2,316,580 | \$ 2,316,580 | 0.0% | \$ 5,650,403 | 41.0% |

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 7 OTHER POST EMPLOYMENT BENEFITS/Primary Government (continued)

the historical pattern of sharing of benefit costs between the employer and plan members to that point. Assumptions about future employment, mortality, and health care costs trends are also taken into consideration. Amounts determined regarding the funding status of the plan and the annual required contributions of the City are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

In the January 1, 2016, actuarial valuation the projected unit credit actuarial cost method was used. The actuarial assumption included a 3.50% discount rate. The annual health care cost trend rate is 6.75 percent initially, grading to 5.00 percent over 7 years. The Amortization of Unfunded Accrued Liability (UAAL) is being amortized as a level dollar amount on a closed basis, meaning no new entrants.

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

Component Units

Willmar Municipal Utilities

The Utilities operates a single-employer defined benefit plan ("the Plan") that provides health, dental, and life insurance to eligible employees and their families through the Utilities commercial insurance plans. There are 56 active participants and 13 retired participants. Benefit and eligibility provisions are established through negotiations between the Utilities and employee groups including a union. The union contract is renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report.

Contribution requirements are negotiated between the Utilities and employees. The Utilities contributes 0% - 100% of the cost of current-year premiums for eligible retired plan members and their spouses. The Utilities contributed to the Plan \$139,766 for 2017 and \$107,926 for 2016. The Plan is financed on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

The Utilities annual other postemployment benefit (OPEB) costs (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

The following table shows the components of the Utilities' annual OPEB cost for the year, the amount actually paid from the plan, and changes in the Utilities' net OPEB obligation.

| | 2017 | 2016 |
|--|-------------------|-------------------|
| Annual Required Contribution | \$ 98,704 | \$ 101,938 |
| Interest on Net OPEB Obligation | 9,179 | 9,574 |
| Adjustment to Annual Required Contribution | (14,259) | (14,873) |
| Annual OPEB Cost (Expense) | 93,624 | 96,639 |
| Contributions Made | 139,766 | 107,926 |
| Increase (Decrease) in Net OPEB Obligation | (46,142) | (11,287) |
| Net OPEB Liability - Beginning of Year | 262,259 | 273,546 |
| Net OPEB Liability - End of Year | <u>\$ 216,117</u> | <u>\$ 262,259</u> |

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 7 OTHER POST EMPLOYMENT BENEFITS/Component Units –
Willmar Municipal Utilities (continued)

The Utilities annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan and the net OPEB liability consist of the following:

| <u>Fiscal</u> <u>Year Ended</u> | <u>Annual</u> <u>OPEB Cost</u> | <u>Annual</u> <u>Plan Sponsor</u> <u>Contribution</u> | <u>Percentage</u> <u>of Annual</u> <u>OPEB Cost</u> <u>Contributed</u> | <u>Net OPEB</u> <u>Liability</u> |
|------------------------------------|-----------------------------------|---|---|-------------------------------------|
| 2017 | \$ 93,624 | \$ 139,766 | 149.3% | \$ 216,117 |
| 2016 | \$ 96,639 | \$ 107,926 | 111.7% | \$ 262,259 |
| 2015 | \$ 214,651 | \$ 157,825 | 73.5% | \$ 273,546 |

Funding Status

As of December 31, 2016, the most recent actuarial valuation date, the Utilities' unfunded actuarial accrued liability (UAAL) was \$1,283,286 and the actuarial value of the assets was \$0. The covered payroll (annual payroll of active employees covered by the Plan) was \$3,887,200 and the ratio of the UAAL to the covered payroll of 33.0%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with the past expectations and the new estimates are made about the future.

Rice Memorial Hospital

The Hospital follows provisions of Governmental Accounting Standards Board (GASB) No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions*. Qualified employees may choose to participate in the Hospital's insurance plan after retirement, with no contribution from the Hospital. The Hospital provides these benefits to retirees as required by Minnesota Statute 471.61 subdivision 2b. As of December 31, 2017, and 2016, there were approximately 640 active employees subject to potential future benefit and 26 retirees receiving benefits from the Hospital's health insurance plan. There are no separate financial statements issued for the plan. The Hospital has chosen to fund the retiree medical plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

The Hospital's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

**NOTE 7 OTHER POST EMPLOYMENT BENEFITS/Component Units –
Rice Memorial Hospital (continued)**

The following table shows the components of the Hospital's annual OPEB cost as of December 31, 2017, and 2016, the amount actually contributed to the insurance plan, and changes in the Hospital's net OPEB obligation:

| | <u>2017</u> | <u>2016</u> |
|--------------------------------------|---------------------|---------------------|
| Net OPEB, Beginning of Year | \$ 1,799,623 | \$ 1,707,523 |
| Activity During the Year: | | |
| Annual Required Contribution (ARC) | 290,698 | 286,290 |
| Interest on Net OPEB Obligation | 62,987 | 59,764 |
| Adjustments to ARC | (97,848) | (92,841) |
| Contributions during the fiscal year | <u>(172,181)</u> | <u>(161,113)</u> |
| Increase in Net OPEB Obligation | <u>83,656</u> | <u>92,100</u> |
| Net OPEB, End of the Year | <u>\$ 1,883,279</u> | <u>\$ 1,799,623</u> |

The Hospital's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation consist of the following:

| | <u>OPEB Cost</u> | <u>Contribution</u> | <u>Contribution</u> | <u>Obligation</u> |
|------------|------------------|---------------------|---------------------|-------------------|
| 12/31/2017 | \$ 255,837 | \$ 172,181 | 67.30% | \$ 1,883,279 |
| 12/31/2016 | \$ 253,212 | \$ 161,113 | 63.63% | \$ 1,799,623 |
| 12/31/2015 | \$ 360,897 | \$ 155,391 | 43.06% | \$ 1,707,523 |

Funding Status

The following is a summary of the funding status at January 1, 2016, the most recent actuarial valuation date:

| Actuarial | Actuarial | Unfunded | | | UAAL as a |
|-----------|--------------|-------------------|--------|---------------|-----------------|
| Value of | Accrued | Actuarial Accrued | Funded | Covered | Percentage of |
| Assets | Liability | Liability | Ratio | Payroll | Covered Payroll |
| (a) | (b) | (b-a) | (a/b) | (c) | ((b-a)/c) |
| \$ - | \$ 2,131,652 | \$ 2,131,652 | 0.00% | \$ 46,650,000 | 4.60% |

NOTE 8 RISK MANAGEMENT

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

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 8 RISK MANAGEMENT (CONTINUED)

The workers' compensation policy is a retrospectively rated policy with premiums that accrue based on the ultimate cost of the experience to date. There is no way to estimate what the change in premium may be. Generally, it has been minimal.

NOTE 9 CONTINGENCIES

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

NOTE 10 LEASE AGREEMENTS

The City has entered into an agreement with Kandiyohi County to lease space for the Willmar Police Department. The term of the lease is 20 years commencing October 2000. The agreement requires annual payments of \$175,000.

Future minimum lease payments are:

| | |
|------|--------------------------|
| 2018 | 175,000 |
| 2019 | 175,000 |
| 2020 | <u>175,000</u> |
| | <u><u>\$ 525,000</u></u> |

NOTE 11 JOINTLY-GOVERNED ORGANIZATIONS

Kandiyohi County and City of Willmar Economic Development Commission

The EDC was established on July 1, 2003, by a joint-powers agreement between Kandiyohi County and the City of Willmar by resolution pursuant to Minn. Laws 1989, First Special Session, ch. 1, Art. 17, § 21. The EDC was set up to encourage, attract, promote, and develop economically sound industry and commerce within the County and City. The EDC has six members. Kandiyohi County appoints three members, and the City of Willmar appoints three members of the EDC. Each member is appointed to serve for three years. Complete financial information for the EDC can be obtained at Kandiyohi County and City of Willmar Economic Development Commission, 333 Litchfield Avenue S.W., P. O. Box 1783, Willmar, Minnesota 56201.

Central Community Transit (CCT)

Kandiyohi Area Transit was established on October 20, 1998 by a joint powers agreement between Kandiyohi County and the City of Willmar. Effective January 1, 2015, Kandiyohi Area Transit combined with Renville County Heartland Express to form Central Community Transit (CCT). The CCT Board is made up of two members appointed by Kandiyohi County, two members appointed by the City of Willmar, one elected official from other local governments in Kandiyohi County, and two members appointed from Renville County. Complete financial information for CCT can be obtained at Central Community Transit, 1320 22nd Street SW, Willmar, Minnesota 56201.

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 12 SUBSEQUENT EVENTS

In preparing these financial statements, the City of Willmar, Minnesota, has evaluated events and transactions for the potential recognition or disclosure through July 20, 2018, the date the financial statements were available to be issued.

Rice Memorial Hospital – Component Unit of the City of Willmar

All of the effects of subsequent events that provide additional evidence about conditions that existed at the financial statement date, including the estimates inherent in the process of preparing the financial statements, are recognized in the financial statements. The Hospital does not recognize subsequent events that provide evidence about conditions that did not exist at the financial statement date but arose after, but before the financial statements are available to be issued. In some cases, nonrecognized subsequent events are disclosed to keep the financial statements from being misleading.

The Hospital has evaluated events and transactions occurring subsequent to December 31, 2017, through April 5, 2018, the date of issuance of the financial statements, and determined no additional disclosures, other than those noted below, are required.

The City of Willmar, Rice Memorial Hospital Board of Directors (Rice Board), CentraCare Health System (CentraCare) and Carris Health, LLC (Carris) (collectively, the Parties) entered into an Affiliation Agreement and an Operating Lease Agreement dated December 31, 2017, effective January 1, 2018. These and other related agreements set forth the actions, terms, conditions, limitations, and responsibilities of the Parties for the transfer of the operations of the Hospital, which includes the Rice Care Center, Rice Home Medical and Rice Hospice (Rice Facilities). All tangible and intangible assets of the Hospital activities (see Note 1) will be leased or transferred, and liabilities (excluding Hospital bonded debt and pension liability) will be transferred or assigned to Carris Health, LLC. Carris, as an affiliated of CentraCare, will operate the Rice Facilities for the residents of the City and the surrounding area. In consideration of the terms of the leased assets, income earned on assets transferred and operations, Carris will pay rent to the City in amounts equal to the principal and interest due on the Hospital bonds. The City will apply all payments to the outstanding Hospital bonds when due. Additionally, Carris shall make monthly payments to the City in the initial amount of \$300,000 per annum over the 30-year lease term.

NOTE 13 PRIOR PERIOD ADJUSTMENT

The City's Component Unit of the Municipal Utilities reported a prior period adjustment of \$144,833 to the beginning net position in 2016 plus an adjustment of \$79,270 to the ending net position in 2016 for a total of \$224,103 to reflect a correction for an accounting error for investment income.

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2017

NOTE 14 TAX ABATEMENTS

The City of Wilmar negotiates property tax abatement agreements on an individual basis. The City has tax abatement agreements with six entities as of December 31, 2017:

| Purpose | Percentage of Taxes Abated During 2017 | Amount of Taxes Abated During 2017 | Notes |
|----------------------------|---|---|--------------|
| MinnWest Technology Campus | 100% | 41,600 | Expires 2025 |
| Torgerson Properties | 100% | 23,000 | Expires 2025 |
| Willmar Redevelopment | 100% | 25,000 | Expires 2024 |
| William & Deborah Donner | 100% | 23,000 | Expires 2022 |
| RockStep Willmar | 100% | 37,526 | Expires 2026 |

The City of Willmar enters into these agreements under authority of Minnesota Statutes Section 1165.993 through 1165.995 and 469.1812 through 469.1815. Businesses must fulfill all requirements of approved development agreements and state statutes in order to receive the allowed amount of their tax abatements.

BUDGET AND ACTUAL SCHEDULES

City of Willmar, Minnesota
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the year ended December 31, 2017

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|-----------------------------|------------------|--------------|-------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| GENERAL PROPERTY TAXES | | | | |
| Current Ad Valorem | \$ 4,829,365 | \$ 4,829,365 | \$ 4,747,653 | \$ (81,712) |
| Delinquent Ad Valorem | 90,000 | 90,000 | 45,846 | (44,154) |
| Franchise Fees | 256,000 | 256,000 | 260,803 | 4,803 |
| TOTAL TAXES | 5,175,365 | 5,175,365 | 5,054,302 | (121,063) |
| LICENSES/PERMITS | | | | |
| Business License/Permit | 60,850 | 60,850 | 55,833 | (5,017) |
| Non-Business License/Permit | 335,450 | 335,450 | 498,416 | 162,966 |
| TOTAL LICENSES & PERMITS | 396,300 | 396,300 | 554,249 | 157,949 |
| INTERGOVERNMENTAL | | | | |
| FEDERAL GOVERNMENT | | | | |
| Federal Grant | 500 | 500 | 2,271 | 1,771 |
| STATE GRANTS | | | | |
| Local Government Aid | 4,629,548 | 4,629,548 | 4,514,548 | (115,000) |
| Police Department Aid | 240,000 | 240,000 | 256,817 | 16,817 |
| P.E.R.A. Aid | 172,146 | 172,146 | 172,146 | - |
| State Grant | - | - | 32,789 | 32,789 |
| Fire Department Aid | - | - | - | - |
| Shared Highway User Tax | 280,000 | 280,000 | 281,505 | 1,505 |
| Local Performance Aid | - | - | - | - |
| COUNTY GRANTS | | | | |
| Kandiyohi County Highways | 3,795 | 3,795 | 3,795 | - |
| Kandiyohi County | 15,000 | 15,000 | 16,412 | 1,412 |
| SCHOOL DISTRICT #347 | | | | |
| School Liaison Officer | 150,000 | 150,000 | 153,000 | 3,000 |
| TOTAL INTERGOVERNMENTAL | 5,490,989 | 5,490,989 | 5,433,283 | (57,706) |
| SERVICE CHARGES | | | | |
| General Government | 18,620 | 18,620 | 19,388 | 768 |
| Public Safety | 184,500 | 184,500 | 169,138 | (15,362) |
| Buildings & Grounds | 25,200 | 25,200 | 24,545 | (655) |
| Civic Center | 332,500 | 332,500 | 387,843 | 55,343 |
| Leisure Services | 159,950 | 159,950 | 140,386 | (19,564) |
| Highways & Streets | 11,050 | 11,050 | 12,106 | 1,056 |
| Community Center | 12,020 | 12,020 | 11,145 | (875) |
| Transportation (Airport) | 20,000 | 20,000 | - | (20,000) |
| TOTAL SERVICE CHARGES | 763,840 | 763,840 | 764,551 | 711 |
| FINES AND FORFEITS | | | | |
| Other Fines and Forfeits | - | - | - | - |
| Court Fines | 115,000 | 115,000 | 102,073 | (12,927) |
| Parking Violations | 18,000 | 18,000 | 18,482 | 482 |
| Solid Waste Citations | - | - | - | - |
| Impounding Fees | 35,000 | 35,000 | 27,281 | (7,719) |
| TOTAL FINES & FORFEITS | 168,000 | 168,000 | 147,836 | (20,164) |
| SPECIAL ASSESSMENTS | | | | |
| Special Assessments | 1,100 | 1,100 | 1,273 | 173 |
| TOTAL SPECIAL ASSESSMENTS | 1,100 | 1,100 | 1,273 | 173 |

See notes to required supplementary information.

City of Willmar, Minnesota
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the year ended December 31, 2017

| | Budgeted Amounts | | | Variance With Final Budget Positive (Negative) |
|----------------------------------|------------------|------------|-------------------|---|
| | Original | Final | Actual Amounts | |
| REVENUES (Con't) | | | | |
| MISCELLANEOUS REVENUE | | | | |
| Miscellaneous | 255,000 | 255,000 | 48,243 | (206,757) |
| Interest Earnings | 150,000 | 150,000 | 167,938 | 17,938 |
| Sale of Fixed Assets | 45,000 | 45,000 | 14,201 | (30,799) |
| Sale of Materials | 50,000 | 50,000 | 82,401 | 32,401 |
| City Auditorium Rents | - | - | 900 | 900 |
| Other Rents | - | - | 17,914 | 17,914 |
| Market Value Increase/(Decrease) | 100,000 | 100,000 | 27,490 | (72,510) |
| Insurance Reimbursements | - | - | 349,561 | 349,561 |
| Insurance Pass Through | 350,000 | 350,000 | 282,977 | (67,023) |
| Restitution | - | - | - | - |
| TOTAL MISCELLANEOUS | 950,000 | 950,000 | 991,625 | 41,625 |
| | | | | |
| TOTAL REVENUE | 12,945,594 | 12,945,594 | 12,947,119 | 1,525 |
| | | | | |
| EXPENDITURES | | | | |
| GENERAL GOVERNMENT | | | | |
| City Administrator | | | | |
| Personal Services | 394,050 | 394,050 | 382,672 | 11,378 |
| Supplies | 4,200 | 4,200 | 2,593 | 1,607 |
| Other Services & Charges | 18,300 | 18,300 | 19,531 | (1,231) |
| Total | 416,550 | 416,550 | 404,796 | 11,754 |
| | | | | |
| Mayor and Council | | | | |
| Personal Services | 79,150 | 79,150 | 78,928 | 222 |
| Supplies | 4,350 | 4,350 | 6,291 | (1,941) |
| Other Services & Charges | 130,000 | 130,000 | 85,879 | 44,121 |
| Total | 213,500 | 213,500 | 171,098 | 42,402 |
| | | | | |
| Planning & Development | | | | |
| Personal Services | 488,881 | 488,881 | 521,231 | (32,350) |
| Supplies | 8,000 | 8,000 | 5,889 | 2,111 |
| Other Services & Charges | 43,650 | 43,650 | 39,017 | 4,633 |
| Total | 540,531 | 540,531 | 566,137 | (25,606) |
| | | | | |
| City Clerk/Treasurer | | | | |
| Personal Services | 145,769 | 145,769 | 147,848 | (2,079) |
| Supplies | 6,050 | 6,050 | 6,058 | (8) |
| Other Services & Charges | 4,445 | 4,445 | 8,764 | (4,319) |
| Total | 156,264 | 156,264 | 162,670 | (6,406) |
| | | | | |
| Assessing | | | | |
| Personal Services | - | - | 157 | (157) |
| Other Services & Charges | 241,870 | 241,870 | 241,869 | 1 |
| Total | 241,870 | 241,870 | 242,026 | (156) |
| | | | | |
| Accounting | | | | |
| Personal Services | 350,971 | 350,971 | 355,817 | (4,846) |
| Supplies | 4,850 | 4,850 | 3,975 | 875 |
| Other Services & Charges | 32,100 | 32,100 | 27,608 | 4,492 |
| Total | 387,921 | 387,921 | 387,400 | 521 |

See notes to required supplementary information.

City of Willmar, Minnesota
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the year ended December 31, 2017

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|---------------------------------|------------------|-----------|-------------------|---|
| | Original | Final | | |
| EXPENDITURES (Con't) | | | | |
| GENERAL GOVERNMENT (Con't) | | | | |
| Legal | | | | |
| Other Services & Charges | 250,000 | 250,000 | 266,881 | (16,881) |
| Total | 250,000 | 250,000 | 266,881 | (16,881) |
| City Hall | | | | |
| Personal Services | 63,814 | 66,114 | 68,194 | (2,080) |
| Supplies | 27,600 | 27,600 | 10,389 | 17,211 |
| Other Services & Charges | 66,850 | 66,850 | 48,490 | 18,360 |
| Other Disbursements | - | - | 1,168 | (1,168) |
| Total | 158,264 | 160,564 | 128,241 | 32,323 |
| Information Technology | | | | |
| Personal Services | 153,981 | 153,981 | 154,301 | (320) |
| Supplies | 101,800 | 101,800 | 61,580 | 40,220 |
| Other Services & Charges | 233,455 | 233,455 | 187,366 | 46,089 |
| Total | 489,236 | 489,236 | 403,247 | 85,989 |
| Office Services | | | | |
| Supplies | 5,000 | 5,000 | 21,192 | (16,192) |
| Other Services & Charges | 5,700 | 5,700 | 7,349 | (1,649) |
| Total | 10,700 | 10,700 | 28,541 | (17,841) |
| Elections & Voters Registration | | | | |
| Personal Services | 18,065 | 18,065 | 17,872 | 193 |
| Supplies | 100 | 100 | - | 100 |
| Other Services & Charges | 6,040 | 6,040 | 259 | 5,781 |
| Total | 24,205 | 24,205 | 18,131 | 6,074 |
| Non-Departmental Expenses | | | | |
| Personal Services | 25,000 | 25,000 | 8,847 | 16,153 |
| Other Charges/Services | 97,475 | 97,475 | 88,222 | 9,253 |
| Severance | - | - | 20,968 | (20,968) |
| Re-Employment Insurance | 3,000 | 3,000 | 1,346 | 1,654 |
| Retired Employees Insurance | 100,000 | 100,000 | 85,847 | 14,153 |
| Insurance Pass Through | 340,000 | 340,000 | 277,985 | 62,015 |
| Insurance Deductible | 50,000 | 50,000 | 191,320 | (141,320) |
| Refunds Paid | 200,000 | 200,000 | 232,546 | (32,546) |
| Total | 815,475 | 815,475 | 907,081 | (91,606) |
| TOTAL GENERAL GOVERNMENT | 3,704,516 | 3,706,816 | 3,686,249 | 20,567 |
| PUBLIC SAFETY | | | | |
| Police Department | | | | |
| Personal Services | 3,795,527 | 3,795,527 | 3,666,817 | 128,710 |
| Supplies | 264,350 | 264,350 | 186,008 | 78,342 |
| Other Services & Charges | 190,795 | 190,795 | 177,063 | 13,732 |
| Lease Payments | 175,000 | 175,000 | 175,000 | - |
| Other Disbursements | - | - | 389 | (389) |
| Total | 4,425,672 | 4,425,672 | 4,205,277 | 220,395 |

See notes to required supplementary information.

City of Willmar, Minnesota
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the year ended December 31, 2017

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|-----------------------------|------------------|-----------|-------------------|---|
| | Original | Final | | |
| EXPENDITURES (Con't) | | | | |
| PUBLIC SAFETY (Con't) | | | | |
| Fire Department | | | | |
| Personal Services | 429,650 | 429,650 | 461,326 | (31,676) |
| Supplies | 111,600 | 111,600 | 92,119 | 19,481 |
| Other Services & Charges | 114,150 | 114,150 | 74,225 | 39,925 |
| Total | 655,400 | 655,400 | 627,670 | 27,730 |
| Non-Departmental Expenses | | | | |
| Civil Defense | 7,500 | 7,500 | 5,458 | 2,042 |
| Safety Program | 10,000 | 10,000 | 7,597 | 2,403 |
| Refunds Paid | - | - | 4,000 | (4,000) |
| Total | 17,500 | 17,500 | 17,055 | 445 |
| TOTAL PUBLIC SAFETY | 5,098,572 | 5,098,572 | 4,850,002 | 248,570 |
| PUBLIC WORKS | | | | |
| Engineering | | | | |
| Personal Services | 569,257 | 566,957 | 423,393 | 143,564 |
| Supplies | 18,250 | 18,250 | 6,934 | 11,316 |
| Other Services & Charges | 66,850 | 66,850 | 39,489 | 27,361 |
| Total | 654,357 | 652,057 | 469,816 | 182,241 |
| Public Works | | | | |
| Personal Services | 1,731,274 | 1,731,274 | 1,723,478 | 7,796 |
| Supplies | 553,700 | 553,700 | 366,056 | 187,644 |
| Other Services & Charges | 382,600 | 382,600 | 302,733 | 79,867 |
| Total | 2,667,574 | 2,667,574 | 2,392,267 | 275,307 |
| Transit | | | | |
| Other Services & Charges | 20,000 | 20,000 | 20,000 | - |
| Total | 20,000 | 20,000 | 20,000 | - |
| Non-Departmental Expenses | | | | |
| Other Services & Charges | 2,000 | 2,000 | 806 | 1,194 |
| Total | 2,000 | 2,000 | 806 | 1,194 |
| TOTAL PUBLIC WORKS | 3,343,931 | 3,341,631 | 2,882,889 | 458,742 |
| CULTURE & RECREATION | | | | |
| WRAC 8 | | | | |
| Personal Services | 123,245 | 123,245 | 136,509 | (13,264) |
| Supplies | 5,300 | 5,300 | 1,789 | 3,511 |
| Other Services & Charges | 15,295 | 15,295 | 9,707 | 5,588 |
| Total | 143,840 | 143,840 | 148,005 | (4,165) |
| Library | | | | |
| Other Services & Charges | 512,227 | 512,227 | 511,899 | 328 |
| Total | 512,227 | 512,227 | 511,899 | 328 |
| Auditorium | | | | |
| Personal Services | 4,000 | 4,000 | 3,409 | 591 |
| Supplies | 18,700 | 18,700 | 15,068 | 3,632 |
| Other Services & Charges | 48,351 | 84,616 | 81,984 | 2,632 |
| Total | 71,051 | 107,316 | 100,461 | 6,855 |
| Non-Department Expenses | | | | |
| Civic Promotion | 99,692 | 99,692 | 92,705 | 6,987 |
| Total | 99,692 | 99,692 | 92,705 | 6,987 |

See notes to required supplementary information.

City of Willmar, Minnesota
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the year ended December 31, 2017

| | Budgeted Amounts | | Actual Amounts | Variance With Final Budget Positive (Negative) |
|---|----------------------|----------------------|----------------------|---|
| | Original | Final | | |
| EXPENDITURES (Con't) | | | | |
| CULTURE & RECREATION (Con't) | | | | |
| Leisure Services | | | | |
| Personal Services | 180,561 | 180,561 | 154,425 | 26,136 |
| Supplies | 23,650 | 23,650 | 22,094 | 1,556 |
| Other Services & Charges | 225,200 | 225,200 | 285,755 | (60,555) |
| Total | 429,411 | 429,411 | 462,274 | (32,863) |
| Civic Center - Ice Arena | | | | |
| Personal Services | 305,709 | 305,709 | 306,030 | (321) |
| Supplies | 97,100 | 106,900 | 120,871 | (13,971) |
| Other Services & Charges | 198,550 | 218,550 | 286,458 | (67,908) |
| Other Disbursements | - | - | 3,874 | (3,874) |
| Total | 601,359 | 631,159 | 717,233 | (86,074) |
| Community Center | | | | |
| Personal Services | 58,329 | 58,329 | 31,041 | 27,288 |
| Supplies | 33,200 | 33,200 | 28,317 | 4,883 |
| Other Services & Charges | 33,900 | 33,900 | 32,838 | 1,062 |
| Total | 125,429 | 125,429 | 92,196 | 33,233 |
| Aquatics Center | | | | |
| Personal Services | 129,550 | 129,550 | 122,147 | 7,403 |
| Supplies | 48,355 | 48,355 | 38,377 | 9,978 |
| Other Services & Charges | 30,560 | 30,560 | 38,157 | (7,597) |
| Other Disbursements | - | - | 764 | (764) |
| Total | 208,465 | 208,465 | 199,445 | 9,020 |
| TOTAL CULTURE & RECREATION | 2,191,474 | 2,257,539 | 2,324,218 | (66,679) |
| TOTAL EXPENDITURES | 14,338,493 | 14,404,558 | 13,743,358 | 661,200 |
| Excess of Revenues Over Expenditures | (1,392,899) | (1,458,964) | (796,239) | 662,725 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 2,724,079 | 2,724,079 | 2,762,427 | 38,348 |
| Transfers Out | (2,737,351) | (2,671,286) | (2,671,286) | - |
| Total Other Financing Sources (Uses) | (13,272) | 52,793 | 91,141 | 38,348 |
| Net Change in Fund Balances | (1,406,171) | (1,406,171) | (705,098) | 701,073 |
| Fund Balances - Beginning | 14,435,896 | 14,435,896 | 14,435,896 | - |
| Fund Balances - Ending | <u>\$ 13,029,725</u> | <u>\$ 13,029,725</u> | <u>\$ 13,730,798</u> | <u>\$ 701,073</u> |

See notes to required supplementary information.

City of Willmar, Minnesota
Industrial Development Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2017

| | Budget Amounts | | | Variance With Final Budget Positive (Negative) |
|--|-----------------------|--------------|---------------|---|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Miscellaneous Revenue | | | | |
| Land Sales | \$ - | \$ - | \$ 270,545 | \$ 270,545 |
| Rental of Land | - | - | 84,629 | 84,629 |
| Interest Earnings | - | - | 30,005 | 30,005 |
| Market Value Incr/(Decr) | - | - | 3,190 | 3,190 |
| Total Revenues | - | - | 388,369 | 388,369 |
| EXPENDITURES | | | | |
| Supplies | - | - | - | - |
| Other Services/Charges | - | - | 34,108 | (34,108) |
| Capital Outlay | - | - | - | - |
| Total Expenditures | - | - | 34,108 | (34,108) |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | - | 354,261 | 354,261 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfer In | - | - | - | - |
| Transfer Out - C.P. 2014 | - | - | - | - |
| Transfer Out - Capital Improvements | - | - | - | - |
| Transfer Out - C.P. 2013 | - | - | - | - |
| Transfer Out - C.P. Waste Treatment | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - |
| Net Change in Fund Balances | - | - | 354,261 | 354,261 |
| Fund Balance - Beginning | 1,260,564 | 1,260,564 | 1,260,564 | - |
| Fund Balance - Ending | \$ 1,260,564 | \$ 1,260,564 | \$ 1,614,825 | \$ 354,261 |

See notes to required supplementary information.

City of Willmar, Minnesota
Convention & Visitors' Bureau Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2017

| | Budget Amounts | | | Variance With Final Budget Positive (Negative) |
|--|-----------------------|--------------|---------------|---|
| | Original | Final | Actual | |
| REVENUES | | | | |
| General Taxes | | | | |
| Hotel-Motel Tax | \$ 190,000 | \$ 190,000 | \$ 228,225 | \$ 38,225 |
| Intergovernmental | | | | |
| State Tourism Grant | 7,000 | 7,000 | 5,828 | (1,172) |
| Kandiyohi County Camping Fees | 14,500 | 14,500 | 15,863 | 1,363 |
| Kandiyohi County Phone Reimb | 1,000 | 1,000 | - | (1,000) |
| Kandiyohi County Tourism Partner. | 34,000 | 34,000 | 34,000 | - |
| Total Intergovernmental | 56,500 | 56,500 | 55,691 | (809) |
| Service Charges | 2,000 | 2,000 | 1,281 | (719) |
| Miscellaneous Revenue | | | | |
| Interest Earnings | 3,000 | 3,000 | 4,510 | 1,510 |
| Market Value Increase/(Decrease) | - | - | 518 | 518 |
| Miscellaneous | 3,000 | 3,000 | 4,402 | 1,402 |
| Total Miscellaneous Revenue | 6,000 | 6,000 | 9,430 | 3,430 |
| Total Revenue | 254,500 | 254,500 | 294,627 | 40,127 |
| EXPENDITURES | | | | |
| Personal Services | 117,000 | 117,000 | 115,676 | 1,324 |
| Supplies | 8,700 | 8,700 | 6,481 | 2,219 |
| Other Services and Charges | 33,710 | 33,710 | 25,950 | 7,760 |
| Tourism | 40,000 | 40,000 | 35,532 | 4,468 |
| Ad Development | 300 | 300 | 80 | 220 |
| Conference & Convention | 29,000 | 29,000 | 33,775 | (4,775) |
| Group Tour Promotions | 1,290 | 1,290 | 400 | 890 |
| Leisure Travel | 30,000 | 30,000 | 29,009 | 991 |
| Sports Promotions | 7,000 | 7,000 | 8,023 | (1,023) |
| Refunds & Reimbursements | - | - | - | - |
| Special Projects | 4,000 | 4,000 | 1,500 | 2,500 |
| Strategic Marketing | 4,000 | 4,000 | - | 4,000 |
| Total Expenditures | 275,000 | 275,000 | 256,426 | 18,574 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (20,500) | (20,500) | 38,201 | 58,701 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers Out - General | (9,500) | (9,500) | (9,500) | - |
| Total Other Financing Sources (Uses) | (9,500) | (9,500) | (9,500) | - |
| Net Change in Fund Balances | (30,000) | (30,000) | 28,701 | 58,701 |
| Fund Balance - Beginning | 211,619 | 211,619 | 211,619 | - |
| Fund Balance - Ending | \$ 181,619 | \$ 181,619 | \$ 240,320 | \$ 58,701 |

See notes to required supplementary information.

City of Willmar, Minnesota
Willmar Municipal Airport Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2017

| | Budget Amounts | | | Variance With Final Budget Positive (Negative) |
|--|-----------------------|--------------|---------------|---|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Intergovernmental | | | | |
| Federal Grant | - | - | 500 | 500 |
| State Airport Aid | 54,863 | 54,863 | 24,445 | (30,418) |
| Total Intergovernmental | 54,863 | 54,863 | 24,945 | (29,918) |
| Service Charges | | | | |
| Rental Income | 170,000 | 170,000 | 98,913 | (71,087) |
| Fuel Sales | 80,000 | 80,000 | 19,267 | (60,733) |
| Total Service Charges | 250,000 | 250,000 | 118,180 | (131,820) |
| Miscellaneous Revenue | | | | |
| Interest Earnings | - | - | 797 | 797 |
| Market Value Increase/(Decrease) | - | - | (524) | (524) |
| Miscellaneous | - | - | 4,806 | 4,806 |
| Total Miscellaneous Revenue | - | - | 5,079 | 5,079 |
| Total Revenue | 304,863 | 304,863 | 148,204 | (156,659) |
| EXPENDITURES | | | | |
| Personal Services | - | - | 5,053 | (5,053) |
| Supplies | 13,050 | 13,050 | 13,419 | (369) |
| Other Services and Charges | 236,600 | 236,600 | 215,091 | 21,509 |
| Total Expenditures | 249,650 | 249,650 | 233,563 | 16,087 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 55,213 | 55,213 | (85,359) | (140,572) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In - General Fund | 133,939 | 133,939 | 133,939 | - |
| Transfers Out - D.S.. Airport | (183,643) | (183,643) | (183,643) | - |
| Transfers Out - C.P. Airport | (59,000) | (59,000) | (59,000) | - |
| Total Other Financing Sources (Uses) | (108,704) | (108,704) | (108,704) | - |
| Net Change in Fund Balances | (53,491) | (53,491) | (194,063) | (140,572) |
| Fund Balance - Beginning | 411,564 | 411,564 | 411,564 | - |
| Fund Balance - Ending | \$ 358,073 | \$ 358,073 | \$ 217,501 | \$ (140,572) |

See notes to required supplementary information.

City of Willmar, Minnesota
Library Improvement Reserve Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2017

| | Budget Amounts | | | Variance With Final Budget Positive (Negative) |
|--|-----------------------|--------------|---------------|---|
| | Original | Final | Actual | |
| REVENUES | | | | |
| Miscellaneous Revenue | | | | |
| Interest Earnings | \$ 3,000 | \$ 3,000 | \$ 3,321 | \$ 321 |
| Market Value Incr/(Decr) | - | - | 470 | 470 |
| Total Revenues | 3,000 | 3,000 | 3,791 | 791 |
| EXPENDITURES | | | | |
| Other Services and Charges | - | - | 4,729 | (4,729) |
| Capital Outlay | - | - | - | - |
| Total Expenditures | - | - | 4,729 | (4,729) |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 3,000 | 3,000 | (938) | (3,938) |
| Net Change in Fund Balances | 3,000 | 3,000 | (938) | (3,938) |
| Fund Balance - Beginning | 163,131 | 163,131 | 163,131 | - |
| Fund Balance - Ending | \$ 166,131 | \$ 166,131 | \$ 162,193 | \$ (3,938) |

See notes to required supplementary information.

City of Willmar, Minnesota
Community Investment Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2017

| | Budget Amounts | | Actual | Variance With Final Budget Positive (Negative) |
|--|-----------------------|--------------|---------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Special Assessments | \$ 699 | \$ 699 | \$ 137,273 | \$ 136,574 |
| Miscellaneous Revenue | | | | |
| Interest Earnings | 180,000 | 180,000 | 180,316 | 316 |
| Market Value Increase (Decrease) | - | - | 23,221 | 23,221 |
| Miscellaneous | - | - | 742 | 742 |
| Total Revenues | 180,699 | 180,699 | 341,552 | 160,853 |
| EXPENDITURES | | | | |
| Other Charges | - | - | - | - |
| Total Expenditures | - | - | - | - |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 180,699 | 180,699 | 341,552 | 160,853 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 400,000 | 400,000 | 511,852 | 111,852 |
| Transfers Out | (725,941) | (725,941) | (957,762) | (231,821) |
| Total Other Financing Sources (Uses) | (325,941) | (325,941) | (445,910) | (119,969) |
| Net Change in Fund Balances | (145,242) | (145,242) | (104,358) | 40,884 |
| Fund Balance - Beginning, as restated | 9,257,862 | 9,257,862 | 9,257,862 | - |
| Fund Balance - Ending | \$ 9,112,620 | \$ 9,112,620 | \$ 9,153,504 | \$ 40,884 |

See notes to required supplementary information.

City of Willmar, Minnesota
Public Works Reserve Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2017

| | Budget Amounts | | Actual | Variance With Final Budget Positive (Negative) |
|--|-----------------------|--------------|---------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Miscellaneous Revenue | | | | |
| Interest Earnings | \$ 16,500 | \$ 16,500 | \$ 18,993 | \$ 2,493 |
| Market Value Incr/(Decr) | - | - | 2,525 | 2,525 |
| Miscellaneous | - | - | - | - |
| Total Revenues | 16,500 | 16,500 | 21,518 | 5,018 |
| EXPENDITURES | | | | |
| Other Charges | - | - | - | - |
| Total Expenditures | - | - | - | - |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 16,500 | 16,500 | 21,518 | 5,018 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 415,000 | 415,000 | 415,000 | - |
| Transfers Out | (400,000) | (400,000) | (400,000) | - |
| Total Other Financing Sources (Uses) | 15,000 | 15,000 | 15,000 | - |
| Net Change in Fund Balances | 31,500 | 31,500 | 36,518 | 5,018 |
| Fund Balance - Beginning | 927,262 | 927,262 | 927,262 | - |
| Fund Balance - Ending | \$ 958,762 | \$ 958,762 | \$ 963,780 | \$ 5,018 |

See notes to required supplementary information.

City of Willmar, Minnesota
Debt Service Funds/Special Assessments Bonds
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2017

| | Budget Amounts | | | Over (Under) |
|--|-----------------------|--------------|---------------|---------------------|
| | Original | Final | Actual | Final Budget |
| REVENUES | | | | |
| Special Assessments | | | | |
| Special Assessments | \$ 742,699 | \$ 742,699 | \$ 1,276,033 | \$ 533,334 |
| Miscellaneous Revenue | | | | |
| Miscellaneous | 57,690 | 57,690 | 7,223 | (50,467) |
| Interest Earnings | 64,500 | 64,500 | 46,014 | (18,486) |
| Net change in fair market value | - | - | 5,017 | 5,017 |
| Total Revenues | 864,889 | 864,889 | 1,334,287 | 469,398 |
| EXPENDITURES | | | | |
| Bond Principal Payments | 1,751,000 | 1,751,000 | 1,751,000 | - |
| Interest Payments | 223,562 | 223,562 | 235,556 | 11,994 |
| Other Charges | 8,700 | 8,700 | 25,800 | 17,100 |
| Total Expenditures | 1,983,262 | 1,983,262 | 2,012,356 | 29,094 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (1,118,373) | (1,118,373) | (678,069) | 440,304 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 725,941 | 725,941 | 2,334,729 | 1,608,788 |
| Transfers Out | - | - | (111,852) | (111,852) |
| Bond Proceeds | - | - | - | - |
| Total Other Financing Sources (Uses) | 725,941 | 725,941 | 2,222,877 | 1,496,936 |
| Net Change in Fund Balances | (392,432) | (392,432) | 1,544,808 | 1,937,240 |
| Fund Balances - Beginning | 5,362,710 | 5,362,710 | 5,362,710 | - |
| Fund Balances - Ending | \$ 4,970,278 | \$ 4,970,278 | \$ 6,907,518 | \$ 1,937,240 |

See notes to required supplementary information.

City of Willmar, Minnesota
Debt Service Funds/ Airport G.O. Revenue Bonds
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2017

| | Budget Amounts | | | Over (Under) |
|--|-----------------------|--------------|---------------|---------------------|
| | Original | Final | Actual | Final Budget |
| REVENUES | | | | |
| Interest Earnings | \$ - | \$ - | \$ - | \$ - |
| Market Value Increase (Decrease) | - | - | - | - |
| Total Revenues | - | - | - | - |
| EXPENDITURES | | | | |
| Bond Principal Payments | 160,000 | 160,000 | 160,000 | - |
| Interest Payments | 20,643 | 20,643 | 23,642 | 2,999 |
| Other Charges | 3,000 | 3,000 | 3,180 | 180 |
| Total Expenditures | 183,643 | 183,643 | 186,822 | 3,179 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (183,643) | (183,643) | (186,822) | 3,179 |
| OTHER FINANCING SOURCES(USES) | | | | |
| Transfers In | 183,643 | 183,643 | 183,643 | - |
| Total Other Financing Sources (Uses) | 183,643 | 183,643 | 183,643 | - |
| Net Change in Fund Balances | - | - | (3,179) | 3,179 |
| Fund Balances - Beginning | 173,321 | 173,321 | 173,321 | - |
| Fund Balances - Ending | \$ 173,321 | \$ 173,321 | \$ 170,142 | \$ 3,179 |

See notes to required supplementary information.

City of Willmar, Minnesota
Debt Service Funds/ Tax Increment Bonds
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2017

| | Budget Amounts | | | Over (Under) |
|--|-----------------------|--------------|---------------|---------------------|
| | Original | Final | Actual | Final Budget |
| REVENUES | | | | |
| General Taxes | | | | |
| Tax Increment | \$ - | \$ - | \$ 46,074 | \$ 46,074 |
| Total Taxes | - | - | 46,074 | 46,074 |
| Total Revenues | - | - | 46,074 | 46,074 |
| EXPENDITURES | | | | |
| Contracts | - | - | - | - |
| Interest | - | - | - | - |
| Other Charges | - | - | - | - |
| Total Expenditures | - | - | - | - |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | - | - | 46,074 | 46,074 |
| OTHER FINANCING SOURCES(USES) | | | | |
| Transfers Out | - | - | - | - |
| Total Other Financing Sources (Uses) | - | - | - | - |
| Net Change in Fund Balances | | - | 46,074 | 46,074 |
| Fund Balances - Beginning | 12,626 | 12,626 | 12,626 | - |
| Fund Balances - Ending | \$ 12,626 | \$ 12,626 | \$ 58,700 | \$ 46,074 |

See notes to required supplementary information.

CITY OF WILLMAR, MINNESOTA
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
For The Year Ended December 31, 2017

General Employees Retirement Fund

| Fiscal Year Ending | Employer's Proportion (Percentage) of the Net Pension Liability (Asset) | Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a) | State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City (b) | Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated With the City (a) + (b) | Employer's Covered- Employee Payroll (c) | Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll ((a+b)/c) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|-----------------------|---|--|---|---|--|--|---|
| June 30, 2015 | 0.0615% | \$ 3,187,249 | \$ - | \$ 3,187,249 | \$3,618,192 | 88.1% | 78.2% |
| June 30, 2016 | 0.0587% | \$ 4,766,149 | \$ 62,283 | \$ 4,828,432 | \$3,644,509 | 132.5% | 68.9% |
| June 30, 2017 | 0.0561% | \$ 3,581,387 | \$ 45,058 | \$ 3,626,445 | \$3,616,140 | 100.3% | 75.9% |

Public Employees Police and Fire Fund

| Fiscal Year Ending | Employer's Proportion (Percentage) of the Net Pension Liability (Asset) | Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a) | State's Proportionate Share (Amount) of the Net Pension Liability Associated with the City (b) | Employer's Proportionate Share of the Net Pension Liability and the State's Proportionate Share of the Net Pension Liability Associated With the City (a) + (b) | Employer's Covered- Employee Payroll (c) | Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll ((a+b)/c) | Plan Fiduciary Net Position as a Percentage of the Total Pension Liability |
|-----------------------|---|--|---|---|--|--|---|
| June 30, 2015 | 0.2400% | \$ 2,726,962 | \$ - | \$ 2,726,962 | \$2,199,684 | 124.0% | 86.6% |
| June 30, 2016 | 0.2350% | \$ 9,430,959 | \$ - | \$ 9,430,959 | \$2,267,922 | 415.8% | 63.9% |
| June 30, 2017 | 0.2240% | \$ 3,024,267 | \$ - | \$ 3,024,267 | \$2,304,499 | 131.2% | 85.4% |

Note: Schedules are intended to show a 10 year trend. Additional years will be reported as they become available.

See notes to required supplementary information

CITY OF WILLMAR, MINNESOTA
SCHEDULES OF EMPLOYER CONTRIBUTIONS
For The Year Ended December 31, 2017

General Employees Retirement Fund

| Fiscal Year Ending | Statutorily Required Contribution (a) | Contributions in Relation to the Statutorily Required Contribution (b) | Contribution Deficiency (Excess) (a-b) | Covered- Employee Payroll (d) | Contributions as a Percentage of Covered- Employee Payroll (b/d) |
|-----------------------|--|---|---|--|---|
| 12/31/2015 | \$ 265,540 | \$ 265,540 | \$ - | \$ 3,540,543 | 7.50% |
| 12/31/2016 | \$ 275,718 | \$ 275,718 | \$ - | \$ 3,676,241 | 7.50% |
| 12/31/2017 | \$ 279,953 | \$ 279,953 | \$ - | \$ 3,732,703 | 7.50% |

Public Employees Police and Fire Fund

| Fiscal Year Ending | Statutorily Required Contribution (a) | Contributions in Relation to the Statutorily Required Contribution (b) | Contribution Deficiency (Excess) (a-b) | Covered- Employee Payroll (d) | Contributions as a Percentage of Covered- Employee Payroll (b/d) |
|-----------------------|--|---|---|--|---|
| 12/31/2015 | \$ 359,668 | \$ 359,668 | \$ - | \$ 2,220,176 | 16.20% |
| 12/31/2016 | \$ 369,900 | \$ 369,900 | \$ - | \$ 2,283,329 | 16.20% |
| 12/31/2017 | \$ 390,745 | \$ 390,745 | \$ - | \$ 2,412,004 | 16.20% |

Note: Schedules are intended to show a 10 year trend. Additional years will be reported as they become available.

CITY OF WILLMAR, MINNESOTA

**SCHEDULE OF FUNDING PROGRESS - OTHER POST EMPLOYMENT BENEFITS
DECEMBER 31, 2017**

The City provides to retirees the option to participate in the City's health, dental, and/or life insurance plans. Benefit and eligibility provisions are established through negotiations between the City Council and employee groups including three unions. The union contracts are renegotiated periodically.

The City currently has no assets that have been irrevocably deposited in a trust for future health benefits. Therefore, the actuarial value of the assets is \$-0- at December 31, 2017. The following is a summary of the funding status at January 1 for the most recent actuarial valuation dates available:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (b) | Unfunded Actuarial Accrued Liability (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|--------------------------------|--|--|---|--------------------------|---------------------------|--|
| 2016 | \$ - | \$ 2,316,580 | \$ 2,316,580 | 0.0% | \$ 5,650,403 | 41.0% |
| 2013 | \$ - | \$ 3,267,760 | \$ 3,267,760 | 0.0% | \$ 5,563,605 | 58.7% |

**NOTES TO THE REQUIRED
SUPPLEMENTARY INFORMATION**

CITY OF WILLMAR, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017

NOTE 1 **CHANGES IN PENSION LIABILITIES AND RELATED RATIOS**

General Employees Fund:

2017 Changes

Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.80% for active members and 60.00% for vested and non-vested deferred members. The revised CSA loads are now 0.00% for active member liability, 15.00% for vested deferred member liability and 3.00% for non-vested deferred member liability.
- The assumed post-retirement benefit increase rate was changed from 1.00% per year for all years to 1.00% per year through 2044 and 2.50% per year thereafter.

2016 Changes

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes

Changes in Plan Provisions:

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2035 and 2.50% per year thereafter.

Police and Fire Fund:

2017 Changes

Changes in Actuarial Assumptions:

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34% lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30.00% for vested and non-vested deferred members. The CSA has been changed to 33.00% for vested members and 2.00% for non-vested members.

CITY OF WILLMAR, MINNESOTA
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017

Police and Fire Fund (Con't):

- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.00% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65.00% to 60.00%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed post-retirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.

2016 Changes

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.00% per year through 2037 and 2.50% thereafter to 1.00% per year for all future years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate changed from 7.90% to 5.60%.
- 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.

2015 Changes

Changes in Plan Provisions:

- The post-retirement benefit increases to be paid after attainment of the 90.00% funding threshold was changed, from inflation up to 2.50%, to a fixed rate of 2.50%.

Changes in Actuarial Assumptions:

- The assumed post-retirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2037 and 2.50% per year thereafter.

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

City of Willmar, Minnesota
Combining Balance Sheet
NonMajor Governmental Funds
December 31, 2017

| | Total Special Revenue Funds | Total Capital Projects Funds | Total Debt Service Funds | Permanent Fund Perpetual Care | Total Nonmajor Governmental Funds |
|--|--|---|---|--|--|
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 123,172 | \$ 369,510 | \$ 53,521 | \$ 1,190 | \$ 547,393 |
| Investments | 3,123,397 | 105,863 | - | 33,093 | 3,262,353 |
| Receivables | | | | | |
| Taxes Receivable - Current | 16,586 | - | - | - | 16,586 |
| Accounts Receivable | 52,284 | - | - | - | 52,284 |
| Notes Receivable | 350,000 | - | - | - | 350,000 |
| Interest Receivable | 21,457 | 489 | - | 156 | 22,102 |
| Due From Other Funds | 86,000 | 659,000 | - | - | 745,000 |
| Due From Other Governments | - | 331,892 | - | - | 331,892 |
| Prepaid Items | 8,984 | 70,502 | 175,321 | - | 254,807 |
| Unamortized Discounts On Bonds | - | - | - | - | - |
| Total Assets | \$ 3,781,880 | \$ 1,537,256 | \$ 228,842 | \$ 34,439 | \$ 5,582,417 |
| LIABILITIES | | | | | |
| Accounts Payable | \$ 93,687 | \$ 187,708 | \$ - | \$ - | \$ 281,395 |
| Contracts Payable | - | - | - | - | - |
| Due To Other Funds | 59,000 | 3,263 | - | - | 62,263 |
| Deposits | 280 | - | - | - | 280 |
| Total Liabilities | 152,967 | 190,971 | - | - | 343,938 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Unavailable Revenue | 358,606 | - | - | - | 358,606 |
| Total Deferred Inflows of Resources | 358,606 | - | - | - | 358,606 |
| FUND BALANCES | | | | | |
| Nonspendable Fund Balance | 8,984 | 70,502 | 175,321 | 30,000 | 284,807 |
| Restricted Fund Balance | 71,688 | - | 53,521 | 4,439 | 129,648 |
| Committed Fund Balance | 3,189,635 | 1,275,783 | - | - | 4,465,418 |
| Total Fund Balances | 3,270,307 | 1,346,285 | 228,842 | 34,439 | 4,879,873 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 3,781,880 | \$ 1,537,256 | \$ 228,842 | \$ 34,439 | \$ 5,582,417 |

City of Willmar, Minnesota
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
NonMajor Governmental Funds
For the Year Ended December 31, 2017

| | Total Special Revenue Funds | Total Capital Projects Funds | Total Debt Service Funds | Permanent Fund Perpetual Care | Total Nonmajor Governmental Funds |
|--|--|---|---|--|--|
| REVENUES | | | | | |
| General Taxes | \$ - | \$ - | \$ 46,074 | \$ - | \$ 46,074 |
| Other Taxes | 228,225 | - | - | - | 228,225 |
| Intergovernmental | 80,636 | 478,543 | - | - | 559,179 |
| Charges for Services | 221,984 | - | - | - | 221,984 |
| Investment Income | 57,682 | 9,011 | - | 662 | 67,355 |
| Net change in fair market value | 6,179 | 2,759 | - | 93 | 9,031 |
| Contributions/Donations | - | - | - | - | - |
| Miscellaneous Revenue | 279,753 | 59,319 | - | - | 339,072 |
| Total Revenues | 874,459 | 549,632 | 46,074 | 755 | 1,470,920 |
| EXPENDITURES | | | | | |
| Public Safety | 27,208 | - | - | - | 27,208 |
| Public Works | 233,563 | - | - | - | 233,563 |
| Culture and Recreation | 261,155 | - | - | 192 | 261,347 |
| Economic Development | 34,108 | - | - | - | 34,108 |
| Debt Service | | | | | |
| Principal | - | - | 160,000 | - | 160,000 |
| Interest | - | - | 23,642 | - | 23,642 |
| Other Charges | - | - | 3,180 | - | 3,180 |
| Capital Projects | - | 2,817,653 | - | - | 2,817,653 |
| Total Expenditures | 556,034 | 2,817,653 | 186,822 | 192 | 3,560,701 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 318,425 | (2,268,021) | (140,748) | 563 | (2,089,781) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Operating Transfers In | 548,939 | 1,996,347 | 183,643 | - | 2,728,929 |
| Operating Transfers Out | (652,143) | - | - | - | (652,143) |
| Total Other Financing Sources (Uses) | (103,204) | 1,996,347 | 183,643 | - | 2,076,786 |
| Net Change in Fund Balances | 215,221 | (271,674) | 42,895 | 563 | (12,995) |
| Fund Balances - Beginning | 3,055,086 | 1,617,959 | 185,947 | 33,876 | 4,892,868 |
| Fund Balances - Ending | \$ 3,270,307 | \$ 1,346,285 | \$ 228,842 | \$ 34,439 | \$ 4,879,873 |

City of Willmar, Minnesota
Combining Balance Sheet
NonMajor Governmental Funds/Special Revenue
December 31, 2017

| | Industrial Development | Convention and Visitors Bureau | Community Development | Willmar Municipal Airport | Library Improvement Reserve | Public Works Reserve | Law Enforcement Forfeiture Fund | Law Enforcement Explorer Fund | Total Special Revenue Funds |
|--|-----------------------------------|---|----------------------------------|--|--|---------------------------------|--|--|--|
| ASSETS | | | | | | | | | |
| Cash and Cash Equivalents | \$ (85,304) | \$ 12,596 | \$ - | \$ 123,404 | \$ 362 | \$ 426 | \$ 65,058 | \$ 6,630 | \$ 123,172 |
| Investments | 1,600,430 | 247,568 | - | 155,476 | 161,068 | 958,855 | - | - | 3,123,397 |
| Receivables | | | | | | | | | |
| Taxes Receivable | - | 16,586 | - | - | - | - | - | - | 16,586 |
| Accounts Receivable | 36,188 | 320 | - | 15,776 | - | - | - | - | 52,284 |
| Notes Receivable | - | - | 350,000 | - | - | - | - | - | 350,000 |
| Interest Receivable | 7,511 | 1,154 | 6,806 | 724 | 763 | 4,499 | - | - | 21,457 |
| Due From Other Governments | - | - | - | - | - | - | - | - | - |
| Due From Other Funds | 86,000 | - | - | - | - | - | - | - | 86,000 |
| Prepaid Items | - | 8,730 | - | 254 | - | - | - | - | 8,984 |
| Total Assets | \$ 1,644,825 | \$ 286,954 | \$ 356,806 | \$ 295,634 | \$ 162,193 | \$ 963,780 | \$ 65,058 | \$ 6,630 | \$ 3,781,880 |
| LIABILITIES | | | | | | | | | |
| Accounts Payable | \$ 30,000 | \$ 46,634 | \$ - | \$ 17,053 | \$ - | \$ - | \$ - | \$ - | \$ 93,687 |
| Contract Payable | - | - | - | - | - | - | - | - | - |
| Due To Other Governments | - | - | - | - | - | - | - | - | - |
| Due To Other Funds | - | - | - | 59,000 | - | - | - | - | 59,000 |
| Deposits | - | - | - | 280 | - | - | - | - | 280 |
| Total Liabilities | 30,000 | 46,634 | - | 76,333 | - | - | - | - | 152,967 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | | | |
| Unavailable Revenue | - | - | 356,806 | 1,800 | - | - | - | - | 358,606 |
| Total Deferred Inflows of Resources | - | - | 356,806 | 1,800 | - | - | - | - | 358,606 |
| FUND BALANCES | | | | | | | | | |
| Nonspendable Fund Balance | - | 8,730 | - | 254 | - | - | - | - | 8,984 |
| Restricted Fund Balance | - | - | - | - | - | - | 65,058 | 6,630 | 71,688 |
| Committed Fund Balance | 1,614,825 | 231,590 | - | 217,247 | 162,193 | 963,780 | - | - | 3,189,635 |
| Total Fund Balances | 1,614,825 | 240,320 | - | 217,501 | 162,193 | 963,780 | 65,058 | 6,630 | 3,270,307 |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | \$ 1,644,825 | \$ 286,954 | \$ 356,806 | \$ 295,634 | \$ 162,193 | \$ 963,780 | \$ 65,058 | \$ 6,630 | \$ 3,781,880 |

City of Willmar, Minnesota
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
NonMajor Governmental Funds/Special Revenue
For the Year Ended December 31, 2017

| | Industrial Development | Convention and Visitors Bureau | Community Development | Willmar Municipal Airport | Library Improvement Reserve | Public Works Reserve | Law Enforcement Forfeiture Fund | Law Enforcement Explorer Fund | Total Special Revenue Funds |
|--|-----------------------------------|---|----------------------------------|--|--|---------------------------------|--|--|--|
| REVENUES | | | | | | | | | |
| General Taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Other Taxes | - | 228,225 | - | - | - | - | - | - | 228,225 |
| Intergovernmental | - | 55,691 | - | 24,945 | - | - | - | - | 80,636 |
| Service Charges | 84,629 | 1,281 | - | 118,180 | - | - | 12,494 | 5,400 | 221,984 |
| Investment income | 30,005 | 4,510 | - | 797 | 3,321 | 18,993 | 56 | - | 57,682 |
| Fair Market Value Incr/(Decr) | 3,190 | 518 | - | (524) | 470 | 2,525 | - | - | 6,179 |
| Miscellaneous Revenue | 270,545 | 4,402 | - | 4,806 | - | - | - | - | 279,753 |
| Total Revenues | 388,369 | 294,627 | - | 148,204 | 3,791 | 21,518 | 12,550 | 5,400 | 874,459 |
| EXPENDITURES | | | | | | | | | |
| Public Safety | - | - | - | - | - | - | 23,508 | 3,700 | 27,208 |
| Streets and Highways | - | - | - | 233,563 | - | - | - | - | 233,563 |
| Culture and Recreation | - | 256,426 | - | - | 4,729 | - | - | - | 261,155 |
| Economic Development | 34,108 | - | - | - | - | - | - | - | 34,108 |
| Total Expenditures | 34,108 | 256,426 | - | 233,563 | 4,729 | - | 23,508 | 3,700 | 556,034 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | 354,261 | 38,201 | - | (85,359) | (938) | 21,518 | (10,958) | 1,700 | 318,425 |
| OTHER FIN. SOURCES (USES) | | | | | | | | | |
| Transfers In | - | - | - | 133,939 | - | 415,000 | - | - | 548,939 |
| Transfers Out | - | (9,500) | - | (242,643) | - | (400,000) | - | - | (652,143) |
| Total Other Fin. Sources (Uses) | - | (9,500) | - | (108,704) | - | 15,000 | - | - | (103,204) |
| Net Change in Fund Balances | 354,261 | 28,701 | - | (194,063) | (938) | 36,518 | (10,958) | 1,700 | 215,221 |
| Fund Balances - Beginning | 1,260,564 | 211,619 | - | 411,564 | 163,131 | 927,262 | 76,016 | 4,930 | 3,055,086 |
| Fund Balances - Ending | \$ 1,614,825 | \$ 240,320 | \$ - | \$ 217,501 | \$ 162,193 | \$ 963,780 | \$ 65,058 | \$ 6,630 | \$ 3,270,307 |

City of Willmar, Minnesota
Combining Balance Sheet
NonMajor Governmental Funds/Capital Projects
December 31, 2017

| | Airport Capital Project | Capital Improvement | Total NonMajor Capital Project Funds |
|---|------------------------------------|--------------------------------|---|
| ASSETS | | | |
| Cash | \$ (284,083) | \$ 653,593 | \$ 369,510 |
| Investments | - | 105,863 | 105,863 |
| Accounts Receivable | - | - | - |
| Interest Receivable | - | 489 | 489 |
| Due From Other Funds | 59,000 | 600,000 | 659,000 |
| Due From Other Governments | 331,892 | - | 331,892 |
| Prepaid Expenses | - | 70,502 | 70,502 |
| Total Assets | \$ 106,809 | \$ 1,430,447 | \$ 1,537,256 |
| LIABILITIES | | | |
| Accounts Payable | \$ 33,111 | \$ 154,597 | \$ 187,708 |
| Contracts Payable | - | - | - |
| Due To Other Funds | - | 3,263 | 3,263 |
| Due To Other Gov Units | - | - | - |
| Total Liabilities | 33,111 | 157,860 | 190,971 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unavailable Revenue | - | - | - |
| Total Deferred Inflows of Resources | - | - | - |
| FUND BALANCES | | | |
| Nonspendable Fund Balance | - | 70,502 | 70,502 |
| Restricted Fund Balance | - | - | - |
| Committed Fund Balance | 73,698 | 1,202,085 | 1,275,783 |
| Total Fund Balance | 73,698 | 1,272,587 | 1,346,285 |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | \$ 106,809 | \$ 1,430,447 | \$ 1,537,256 |

City of Willmar, Minnesota
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
NonMajor Governmental Funds/Capital Projects
For the Year Ended December 31, 2017

| | Airport Capital Project | Capital Improvement | Total NonMajor Capital Project Funds |
|--|------------------------------------|--------------------------------|---|
| REVENUES | | | |
| Intergovernmental | \$ 478,543 | \$ - | \$ 478,543 |
| Investment Income | - | 9,011 | 9,011 |
| Market Value Incr/(Decr) | - | 2,759 | 2,759 |
| Miscellaneous | - | 59,319 | 59,319 |
| Total Revenues | <u>478,543</u> | <u>71,089</u> | <u>549,632</u> |
| EXPENDITURES | | | |
| Capital/Construction Projects | <u>613,047</u> | <u>2,204,606</u> | <u>2,817,653</u> |
| Total Expenditures | <u>613,047</u> | <u>2,204,606</u> | <u>2,817,653</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(134,504)</u> | <u>(2,133,517)</u> | <u>(2,268,021)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Operating Transfers In | 59,000 | 1,937,347 | 1,996,347 |
| Operating Transfers Out | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>59,000</u> | <u>1,937,347</u> | <u>1,996,347</u> |
| Net Change in Fund Balances | (75,504) | (196,170) | (271,674) |
| Fund Balance - Beginning | <u>149,202</u> | <u>1,468,757</u> | <u>1,617,959</u> |
| Fund Balance- Ending | <u>\$ 73,698</u> | <u>\$ 1,272,587</u> | <u>\$ 1,346,285</u> |

City of Willmar, Minnesota
Non-Major Debt Service Funds
Combining Balance Sheets
December 31, 2017

| | Airport G.O. Revenue Bond | Tax Increment Bonds | Total Debt Service Funds |
|-------------------------------------|--|------------------------------------|---|
| ASSETS | | | |
| Cash and Cash Equivalents | \$ (5,179) | \$ 58,700 | \$ 53,521 |
| Due From Other Funds | - | - | - |
| Prepaid Expenses | 175,321 | - | 175,321 |
| Unamort Discount On Bonds Sold | - | - | - |
| Total Assets | <u>\$ 170,142</u> | <u>\$ 58,700</u> | <u>\$ 228,842</u> |
| LIABILITIES | | | |
| Accounts Payable | \$ - | \$ - | \$ - |
| Due To Other Funds | - | - | - |
| Total Liabilities | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | |
| Nonspendable - Prepaid Expenses | 175,321 | - | 175,321 |
| Restricted | (5,179) | 58,700 | 53,521 |
| Committed | - | - | - |
| Total Fund Balances | <u>170,142</u> | <u>58,700</u> | <u>228,842</u> |
| Total Liabilities and Fund Balances | <u>\$ 170,142</u> | <u>\$ 58,700</u> | <u>\$ 228,842</u> |

City of Willmar, Minnesota
Non-Major Debt Service Funds
Combined Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended December 31, 2017

| | Airport G.O. Revenue Bond | Tax Increment Bonds | Total Debt Service Funds |
|---|--|------------------------------------|---|
| REVENUES | | | |
| Tax Increment | \$ - | \$ 46,074 | \$ 46,074 |
| Investment Income | - | - | - |
| Market Value Increase (Decrease) | - | - | - |
| Miscellaneous | - | - | - |
| Total Revenues | <u>-</u> | <u>46,074</u> | <u>46,074</u> |
| EXPENDITURES | | | |
| Bond Principal Payments | 160,000 | - | 160,000 |
| Interest Payments | 23,642 | - | 23,642 |
| Other Charges | <u>3,180</u> | <u>-</u> | <u>3,180</u> |
| Total Expenditures | <u>186,822</u> | <u>-</u> | <u>186,822</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(186,822)</u> | <u>46,074</u> | <u>(140,748)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Transfers In | 183,643 | - | 183,643 |
| Transfers Out | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>183,643</u> | <u>-</u> | <u>183,643</u> |
| Net Change in Fund Balances | (3,179) | 46,074 | 42,895 |
| Fund Balances - Beginning | <u>173,321</u> | <u>12,626</u> | <u>185,947</u> |
| Fund Balances - Ending | <u><u>\$ 170,142</u></u> | <u><u>\$ 58,700</u></u> | <u><u>\$ 228,842</u></u> |

City of Willmar, Minnesota
Internal Service Funds
Combining Statement of Net Position
December 31, 2017

| | Office Services |
|--|----------------------------|
| ASSETS | |
| Current Assets: | |
| Cash And Cash Equivalents | \$ 171,029 |
| Investments | - |
| Accounts Receivable | 81 |
| Interest Receivable | - |
| Due From Component Unit | - |
| Intergovernmental Receivable | - |
| Due From Other Funds | 3,571 |
| Inventories - Merchandise For Resale | - |
| Prepaid Expenses | - |
| Amount To Be Provided | - |
| Total Current Assets | <u>174,681</u> |
| Noncurrent Assets: | |
| Capital Assets: | |
| Office Equipment | - |
| Less Accumulated Depreciation | - |
| Total Capital Assets (net of accumulated depreciation) | <u>-</u> |
| Total Assets | <u>174,681</u> |
| LIABILITIES | |
| Current Liabilities | |
| Accounts Payable | - |
| Due To Other Funds | - |
| Total Current Liabilities | <u>-</u> |
| NET POSITION | |
| Restricted Fund Balance-Inventories | - |
| Restricted Fund Balance-Prepays | - |
| Assigned Fund Balance | 174,681 |
| Assigned Fund Balance-Surplus Invested In Fixed Assets | - |
| Total Net Position | <u><u>\$ 174,681</u></u> |

City of Willmar, Minnesota
Internal Service Funds
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended December 31, 2017

| | Office Services |
|--|----------------------------|
| Operating Revenues: | |
| Charges For Services | \$ - |
| Total Operating Revenues | <u>-</u> |
| Operating Expenses: | |
| Cost of Materials Used: | |
| Inventory, January 1 | 3,571 |
| Purchases | <u>-</u> |
| Total Available | <u>3,571</u> |
| Inventory, December 31 | - |
| Total Cost of Materials Transferred | <u>3,571</u> |
| Inventory Transferred to General Fund | (3,571) |
| Other Services And Charges | - |
| Depreciation | <u>-</u> |
| Total Operating Expenses | <u>-</u> |
| Operating Income (Loss) | <u>-</u> |
| Nonoperating Revenues (Expenses): | |
| Interest On Investments | - |
| Market Value Increase/(Decrease) | - |
| Capital Asset Acquisition/(Disposal) | <u>-</u> |
| Total Nonoperating Revenues | - |
| Income (Loss) Before Contributions and Transfers | - |
| Operating Transfers In | - |
| Operating Transfers Out | <u>-</u> |
| Change in Net Position | - |
| Total Net Position - Beginning | <u>174,681</u> |
| Total Net Position - Ending | <u><u>\$ 174,681</u></u> |

City of Willmar, Minnesota
Internal Service Funds
Combining Statement of Cash Flows
For the Year Ended December 31, 2017

| | Office Services |
|--|----------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | |
| Receipts from Charges For Services | \$ 535 |
| Payments For Purchases | - |
| Payments For Other Services and Charges | - |
| Liquidation of Liabilities | - |
| Net Cash Provided (Used) by Operating Activities | 535 |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES: | |
| Transfer from Other Funds | - |
| Transfer to Other Funds | - |
| Net Cash Used in Noncapital and Related Financing Activities | - |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES: | |
| Principal Payments on Long-Term Debt | - |
| Net Cash Used in Capital and Related Financing Activities | - |
| CASH FLOWS FROM INVESTING ACTIVITIES: | |
| Principal Collected on Loan | - |
| Proceeds from Sales and Maturities of Investments | - |
| Purchase of Investments | - |
| Interest and Dividends Received | - |
| Net Cash Provided (Used) from Investing Activities | - |
| Net Increase (Decrease) in Cash and Cash Equivalents | 535 |
| Cash and Cash Equivalents - Beginning | 170,494 |
| Cash and Cash Equivalents - Ending | \$ 171,029 |
| Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities: | |
| Operating Income (Loss) | \$ - |
| Adjustments to Reconcile Operating Income from to Net Cash Provided (Used) by Operating Activities: | |
| Depreciation | - |
| Change in Assets and Liabilities: | |
| (Increase) Decrease in Accounts Receivable | 535 |
| (Increase) Decrease in Prepaid Expenses | - |
| (Increase) Decrease in Due From Other Funds | - |
| (Increase) Decrease in Due From Component Units | - |
| (Increase) Decrease in Inventories | - |
| Increase (Decrease) in Accounts Payable | - |
| Increase (Decrease) in Due to Other Funds | - |
| Total Adjustments | 535 |
| Net Cash Provided (Used) by Operating Activities | \$ 535 |

City of Willmar, Minnesota
Statement of Net Position
Fiduciary Funds - Agency Fund
December 31, 2017

| | <u>Agency Fund</u> <u>Governor's Fishing</u> <u>Opener Fund</u> | <u>Agency Fund</u> <u>Fire Insurance</u> <u>Escrow/Trust Fund</u> | <u>Agency Fund</u> <u>Bioscience</u> <u>Grant Fund</u> | <u>Agency Fund</u> <u>Destination</u> <u>Playground Fund</u> | <u>Agency Fund</u> <u>Donation</u> <u>Fund</u> |
|---------------------------|---|---|--|--|--|
| ASSETS | | | | | |
| Cash and Cash Equivalents | \$ 7,120 | \$ - | \$ - | \$ (233) | \$ 13,000 |
| Accounts Receivable | - | - | - | 233 | - |
| Due From General Fund | - | - | - | - | - |
| Total Assets | <u>\$ 7,120</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 13,000</u> |
| LIABILITIES | | | | | |
| Accounts Payable | <u>\$ 707</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Total Liabilities | <u>707</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET POSITION | | | | | |
| Restricted | <u>6,413</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>13,000</u> |
| Total Net Position | <u>\$ 6,413</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 13,000</u> |

City of Willmar, Minnesota
Statement of Changes in Net Position
Fiduciary Funds - Agency Funds
For the Year Ended December 31, 2017

| | <u>Agency Fund</u> <u>Governor's</u> <u>Fishing Opener</u> <u>Fund</u> | <u>Agency Fund</u> <u>Fire Insurance</u> <u>Escrow/Trust</u> <u>Fund</u> | <u>Agency Fund</u> <u>Bioscience</u> <u>Grant</u> <u>Fund</u> | <u>Agency Fund</u> <u>Destination</u> <u>Playground</u> <u>Fund</u> | <u>Agency Fund</u> <u>Donation</u> <u>Fund</u> |
|--------------------------|---|---|--|--|--|
| ADDITIONS | | | | | |
| Intergovernmental | | | | | |
| State Grant | \$ - | \$ - | \$ - | \$ - | \$ - |
| Serv ice Charges | | | | | |
| Miscellaneous | - | - | - | - | - |
| Miscellaneous | | | | | |
| Miscellaneous | - | 16,294 | - | - | - |
| Contributions/Donations | 7,220 | - | - | 1,901,852 | 3,508 |
| Insurance Reimbursement | - | - | 1,931 | - | - |
| Total Additions | <u>7,220</u> | <u>16,294</u> | <u>1,931</u> | <u>1,901,852</u> | <u>3,508</u> |
| DEDUCTIONS | | | | | |
| Supplies | | | | | |
| Supplies | - | - | - | 668,349 | - |
| Other Services | | | | | |
| Other Services | - | 16,294 | - | 61,429 | - |
| Other Charges | | | | | |
| Insurance and Bonds | - | - | 1,931 | - | - |
| Other Improvements | - | - | - | 1,172,074 | - |
| Other Charges | 807 | - | - | - | - |
| Transfers | | | | | |
| Transfer Out | - | - | - | - | 508 |
| Total Deductions | <u>807</u> | <u>16,294</u> | <u>1,931</u> | <u>1,901,852</u> | <u>508</u> |
| Change in Net Position | 6,413 | - | - | - | 3,000 |
| Net Position - Beginning | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>10,000</u> |
| Net Position - Ending | <u>\$ 6,413</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 13,000</u> |

CITY OF WILLMAR, MINNESOTA

STATISTICAL SECTION

City of Willmar, Minnesota

Capital Assets Used in the Operation of Governmental Funds

Comparative Schedules By Source*

December 31, 2017 and 2016

| | 2017 | 2016 |
|---|-----------------------|-----------------------|
| Governmental Funds Capital Assets: | | |
| Land | \$ 8,585,806 | \$ 8,585,806 |
| Buildings and Structures | 14,126,227 | 14,098,229 |
| Furniture and Equipment | 3,484,595 | 3,335,503 |
| Machinery and Auto Equipment | 9,672,140 | 9,026,127 |
| Other Improvements | 128,923,693 | 119,312,160 |
| Total Governmental Funds Capital Assets | <u>\$ 164,792,461</u> | <u>\$ 154,357,825</u> |
| Investments in Governmental Funds Capital Assets By Source: | | |
| General Fund | \$ 139,824,055 | \$ 129,389,419 |
| Special Revenue Fund | 24,968,406 | 24,968,406 |
| Capital Projects Funds | - | - |
| Total Governmental Funds Capital Assets | <u>\$ 164,792,461</u> | <u>\$ 154,357,825</u> |

*This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

City of Willmar, Minnesota
Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes By Function and Activity*
For the Fiscal Year Ended December 31, 2017

| FIXED ASSETS-2017 | Governmental Funds Capital Assets | | | Governmental Funds Capital Assets |
|--|--|-------------------------|--------------------------|--|
| | <u>01/01/2017</u> | <u>Additions</u> | <u>Deductions</u> | <u>12/31/2017</u> |
| <u>GENERAL GOVERNMENT</u> | | | | |
| Mayor & Council | \$ 20,743 | \$ - | \$ - | \$ 20,743 |
| Community Development | 240,572 | - | - | 240,572 |
| City Clerk-Treasurer | - | - | - | - |
| Assessing | - | - | - | - |
| Accounting | - | 15,000 | - | 15,000 |
| City Hall | 829,429 | 20,047 | - | 849,476 |
| Data Processing | 364,711 | 81,293 | 24,083 | 421,921 |
| Elections | 83,370 | - | - | 83,370 |
| Non-Departmental | 183,525 | - | - | 183,525 |
| Industrial Development | 1,102,281 | - | - | 1,102,281 |
| Total | 2,824,631 | 116,340 | 24,083 | 2,916,888 |
| <u>PUBLIC SAFETY</u> | | | | |
| Police Dept. | 804,102 | 251,670 | 90,611 | 965,161 |
| Trust & Agency K-9 | - | - | - | - |
| Fire Dept. | 3,919,515 | 325,506 | 59,068 | 4,185,953 |
| Public Parking | 631,870 | - | - | 631,870 |
| Total | 5,355,487 | 577,176 | 149,679 | 5,782,984 |
| <u>PUBLIC WORKS</u> | | | | |
| Engineering | 241,779 | - | - | 241,779 |
| Public Works | 111,215,448 | 10,024,201 | 199,555 | 121,040,094 |
| Airport | 23,866,125 | - | - | 23,866,125 |
| Transit | - | - | - | - |
| Total | 135,323,352 | 10,024,201 | 199,555 | 145,147,998 |
| <u>CULTURE & RECREATION</u> | | | | |
| Auditorium | 557,574 | - | - | 557,574 |
| Buildings & Grounds | 1,262,739 | - | - | 1,262,739 |
| Leisure Services | 171,094 | 70,691 | - | 241,785 |
| Civic Center | 5,846,054 | - | - | 5,846,054 |
| Community Center | 494,032 | - | 5,321 | 488,711 |
| Aquatic Center | 2,093,577 | 7,950 | - | 2,101,527 |
| WRAC-8 | 276,781 | 16,916 | - | 293,697 |
| Library | 152,504 | - | - | 152,504 |
| Total | 10,854,355 | 95,557 | 5,321 | 10,944,591 |
| GRAND TOTAL | \$ 154,357,825 | \$ 10,813,274 | \$ 378,638 | \$ 164,792,461 |

*This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

City of Willmar, Minnesota
Capital Assets Used in the Operation of Governmental Funds
Schedule By Function and Activity*
December 31, 2017

| FIXED ASSETS-2017 | Total | Land | Buildings/ Structures | Furniture/ Equipment | Machinery/ Auto | Other Improvements |
|--|-----------------------|---------------------|----------------------------------|---------------------------------|----------------------------|-------------------------------|
| <u>GENERAL GOVERNMENT</u> | | | | | | |
| Mayor & Council | \$ 20,743 | \$ - | \$ - | \$ 20,743 | \$ - | \$ - |
| Community Development | 240,572 | 174,960 | - | - | 65,612 | - |
| City Clerk-Treasurer | - | - | - | - | - | - |
| Assessing | - | - | - | - | - | - |
| Accounting | 15,000 | - | - | 15,000 | - | - |
| City Hall | 849,476 | 40,000 | 785,528 | - | - | 23,948 |
| Data Processing | 421,921 | - | - | 289,847 | - | 132,074 |
| Elections | 83,370 | - | - | 83,370 | - | - |
| Non-Departmental | 183,525 | - | - | 183,525 | - | - |
| Industrial Development | 1,102,281 | 1,102,281 | - | - | - | - |
| Total | 2,916,888 | 1,317,241 | 785,528 | 592,485 | 65,612 | 156,022 |
| <u>PUBLIC SAFETY</u> | | | | | | |
| Police Dept. | 965,161 | - | - | 92,680 | 850,281 | 22,200 |
| Trust & Agency K-9 | - | - | - | - | - | - |
| Fire Dept. | 4,185,952 | 163,547 | 662,553 | 781,064 | 2,500,249 | 78,539 |
| Public Parking | 631,870 | 631,870 | - | - | - | - |
| Total | 5,782,983 | 795,417 | 662,553 | 873,744 | 3,350,530 | 100,739 |
| <u>PUBLIC WORKS</u> | | | | | | |
| Engineering | 241,778 | - | - | 90,867 | 113,397 | 37,514 |
| Public Works | 121,040,094 | 1,923,271 | 1,555,192 | 415,778 | 5,694,183 | 111,451,670 |
| Airport | 23,866,125 | 4,236,165 | 3,961,108 | 24,744 | 23,533 | 15,620,575 |
| Transit | - | - | - | - | - | - |
| Total | 145,147,997 | 6,159,436 | 5,516,300 | 531,389 | 5,831,113 | 127,109,759 |
| <u>CULTURE & RECREATION</u> | | | | | | |
| Auditorium | 557,574 | - | 530,978 | 14,596 | - | 12,000 |
| Buildings & Grounds | 1,262,739 | 112,405 | 14,169 | 420,320 | 6,950 | 708,895 |
| Leisure Services | 241,785 | 14,900 | 11,660 | 99,923 | 19,961 | 95,341 |
| Civic Center | 5,846,055 | 23,572 | 4,532,077 | 437,852 | 397,974 | 454,580 |
| Community Center | 488,711 | 87,635 | 316,409 | 10,570 | - | 74,097 |
| Aquatic Center | 2,101,528 | 75,200 | 1,491,553 | 322,515 | - | 212,260 |
| WRAC-8 | 293,697 | - | 112,496 | 181,201 | - | - |
| Library | 152,504 | - | 152,504 | - | - | - |
| Total | 10,944,593 | 313,712 | 7,161,846 | 1,486,977 | 424,885 | 1,557,173 |
| GRAND TOTAL | \$ 164,792,461 | \$ 8,585,806 | \$ 14,126,227 | \$ 3,484,595 | \$ 9,672,140 | \$ 128,923,693 |

*This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF WILLMAR, MINNESOTA

GOVERNMENT-WIDE EXPENSES BY FUNCTION

Years 2008 Through 2017

| <u>Fiscal Year</u> | <u>General Government</u> | <u>Public Safety</u> | <u>Public Works</u> | <u>Miscellaneous</u> | <u>Culture & Recreation</u> | <u>Debt Service</u> | <u>Waste Treatment</u> | <u>Office Services</u> | <u>Total</u> |
|------------------------|-------------------------------|--------------------------|-------------------------|----------------------|-------------------------------------|-------------------------|----------------------------|----------------------------|---------------|
| 2008 | \$ 3,120,895 | \$ 5,483,622 | \$ 3,174,692 | \$ 4,778,060 | \$ 2,023,979 | \$ 2,120,587 | \$ 2,775,907 | \$ 27,311 | \$ 23,505,053 |
| 2009 | \$ 3,190,772 | \$ 4,451,561 | \$ 2,992,636 | \$ 3,277,484 | \$ 2,213,398 | \$ 2,354,859 | \$ 2,851,067 | \$ 21,458 | \$ 21,353,235 |
| 2010 | \$ 3,207,918 | \$ 4,552,433 | \$ 3,133,761 | \$ 4,000,966 | \$ 2,167,668 | \$ 2,455,304 | \$ 4,854,543 | \$ 22,486 | \$ 24,395,079 |
| 2011 | \$ 2,917,909 | \$ 4,666,965 | \$ 7,367,466 | \$ 665,894 | \$ 2,489,029 | \$ 413,242 | \$ 6,952,251 | \$ 18,366 | \$ 25,491,122 |
| 2012 | \$ 3,561,177 | \$ 4,491,386 | \$ 7,629,637 | \$ 61,642 | \$ 2,333,523 | \$ 404,292 | \$ 6,870,154 | \$ 19,924 | \$ 25,371,735 |
| 2013 | \$ 3,789,359 | \$ 4,721,161 | \$ 6,342,972 | \$ 38,864 | \$ 2,476,352 | \$ 369,360 | \$ 6,734,381 | \$ 17,816 | \$ 24,490,265 |
| 2014 | \$ 4,411,086 | \$ 4,725,380 | \$ 7,506,805 | \$ 863,301 | \$ 2,344,720 | \$ 307,220 | \$ 6,749,481 | \$ 18,283 | \$ 26,926,276 |
| 2015 | \$ 4,052,775 | \$ 5,055,428 | \$ 6,949,073 | \$ 896,033 | \$ 2,441,662 | \$ 297,324 | \$ 6,773,721 | \$ 16,137 | \$ 26,482,153 |
| 2016 | \$ 3,907,763 | \$ 6,277,277 | \$ 7,432,779 | \$ 13,828 | \$ 2,631,463 | \$ 259,475 | \$ 6,488,885 | \$ - | \$ 27,011,470 |
| 2017 | \$ 3,704,457 | \$ 5,735,917 | \$ 8,216,746 | \$ 34,108 | \$ 2,889,721 | \$ 230,050 | \$ 6,544,284 | \$ - | \$ 27,355,283 |

CITY OF WILLMAR, MINNESOTA

GOVERNMENT-WIDE REVENUES

Years 2008 through 2017

| Fiscal Year | Program Revenues | General Revenues | | Total |
|-------------|----------------------|------------------|-----------------------|---------------|
| | Charges For Services | Taxes | Miscellaneous Revenue | |
| 2008 | \$ 6,139,089 | \$ 5,497,952 | \$ 9,493,609 | \$ 21,130,650 |
| 2009 | \$ 5,164,337 | \$ 5,687,570 | \$ 8,635,280 | \$ 19,487,187 |
| 2010 | \$ 5,999,445 | \$ 5,531,315 | \$ 9,728,257 | \$ 21,259,017 |
| 2011 | \$ 7,119,338 | \$ 5,937,945 | \$ 7,987,977 | \$ 21,045,260 |
| 2012 | \$ 8,216,270 | \$ 6,556,909 | \$ 5,618,843 | \$ 20,392,022 |
| 2013 | \$ 9,122,485 | \$ 4,551,582 | \$ 2,648,145 | \$ 16,322,212 |
| 2014 | \$ 10,579,467 | \$ 4,582,848 | \$ 8,284,427 | \$ 23,446,742 |
| 2015 | \$ 10,662,682 | \$ 4,999,764 | \$ 6,532,260 | \$ 22,194,706 |
| 2016 | \$ 12,283,777 | \$ 4,948,435 | \$ 4,654,625 | \$ 21,886,837 |
| 2017 | \$ 11,945,372 | \$ 5,328,601 | \$ 6,614,979 | \$ 23,888,952 |

CITY OF WILLMAR, MINNESOTA

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION

Years 2008 Through 2017

| <u>Fiscal Year</u> | <u>General Government</u> | <u>Public Safety</u> | <u>Public Works</u> | <u>Miscellaneous</u> | <u>Culture & Recreation</u> | <u>Total</u> |
|------------------------|-------------------------------|--------------------------|-------------------------|----------------------|-------------------------------------|---------------|
| 2008 | \$ 3,120,895 | \$ 5,483,622 | \$ 3,174,692 | \$ 6,898,647 | \$ 2,023,979 | \$ 20,701,835 |
| 2009 | \$ 3,190,772 | \$ 4,451,561 | \$ 2,992,636 | \$ 5,632,343 | \$ 2,213,398 | \$ 18,480,710 |
| 2010 | \$ 3,207,918 | \$ 4,552,433 | \$ 3,133,761 | \$ 6,456,270 | \$ 2,167,668 | \$ 19,518,050 |
| 2011 | \$ 3,418,244 | \$ 4,405,813 | \$ 3,002,099 | \$ 6,333,895 | \$ 2,124,155 | \$ 19,284,206 |
| 2012 | \$ 3,514,064 | \$ 4,247,132 | \$ 2,726,069 | \$ 5,786,080 | \$ 2,098,772 | \$ 18,372,117 |
| 2013 | \$ 3,744,641 | \$ 4,497,748 | \$ 2,735,734 | \$ 7,978,526 | \$ 2,238,245 | \$ 21,194,894 |
| 2014 | \$ 3,955,656 | \$ 4,468,517 | \$ 3,148,422 | \$ 9,527,501 | \$ 2,095,665 | \$ 23,195,761 |
| 2015 | \$ 3,800,646 | \$ 4,687,727 | \$ 3,149,546 | \$ 10,166,863 | \$ 2,172,120 | \$ 23,976,902 |
| 2016 | \$ 3,791,773 | \$ 4,741,831 | \$ 3,092,997 | \$ 7,251,799 | \$ 2,292,543 | \$ 21,170,943 |
| 2017 | \$ 3,686,249 | \$ 4,877,210 | \$ 3,116,452 | \$ 7,876,960 | \$ 2,585,565 | \$ 22,142,436 |

CITY OF WILLMAR, MINNESOTA

GENERAL GOVERNMENTAL REVENUES BY SOURCE

Years 2008 Through 2017

| <u>Fiscal Year</u> | <u>Taxes</u> | <u>Licenses and Permits</u> | <u>Intergovernmental Revenues</u> | <u>Charges for Services</u> | <u>Fines and Forfeitures</u> | <u>Miscellaneous Revenue</u> | <u>Total</u> |
|------------------------|--------------|---------------------------------|---------------------------------------|---------------------------------|----------------------------------|----------------------------------|---------------|
| 2008 | \$ 5,497,952 | \$ 1,454,324 | \$ 6,887,102 | \$ 886,291 | \$ 236,776 | \$ 3,941,369 | \$ 18,903,814 |
| 2009 | \$ 5,687,570 | \$ 447,306 | \$ 7,142,387 | \$ 919,809 | \$ 188,957 | \$ 3,397,091 | \$ 17,783,120 |
| 2010 | \$ 5,531,315 | \$ 382,526 | \$ 6,465,918 | \$ 1,283,366 | \$ 168,716 | \$ 3,087,542 | \$ 16,919,383 |
| 2011 | \$ 5,937,945 | \$ 297,119 | \$ 6,493,563 | \$ 957,293 | \$ 163,098 | \$ 3,995,684 | \$ 17,844,702 |
| 2012 | \$ 6,556,909 | \$ 293,104 | \$ 5,116,594 | \$ 899,220 | \$ 153,648 | \$ 3,064,880 | \$ 16,084,355 |
| 2013 | \$ 4,551,582 | \$ 542,406 | \$ 7,155,696 | \$ 941,224 | \$ 153,774 | \$ 502,949 | \$ 13,847,631 |
| 2014 | \$ 4,582,848 | \$ 544,182 | \$ 6,325,521 | \$ 971,092 | \$ 167,157 | \$ 4,944,871 | \$ 17,535,671 |
| 2015 | \$ 4,999,764 | \$ 474,907 | \$ 7,521,732 | \$ 1,002,048 | \$ 189,682 | \$ 2,970,082 | \$ 17,158,215 |
| 2016 | \$ 4,948,435 | \$ 698,062 | \$ 6,402,935 | \$ 1,061,549 | \$ 158,377 | \$ 2,572,567 | \$ 15,841,925 |
| 2017 | \$ 5,328,601 | \$ 554,249 | \$ 6,978,036 | \$ 986,535 | \$ 147,836 | \$ 3,154,808 | \$ 17,150,065 |

CITY OF WILLMAR, MINNESOTA

PROPERTY TAX LEVIES AND COLLECTIONS

Years 2008 Through 2017

| <u>Fiscal Year</u> | <u>Total Tax Levy</u> | <u>Current Tax Collections</u> | <u>Per Cent Of Levy Collected</u> | <u>Delinquent Tax Collections</u> | <u>Total Tax Collections</u> | <u>Collections As Per Cent of Current Levy</u> | <u>Outstanding Delinquent Taxes</u> | <u>Delinquent Taxes as Per Cent of Current Levy</u> |
|------------------------|-------------------------------|--|---|---|--------------------------------------|--|---|---|
| 2008 | 3,383,646 | 3,304,665 | 98.18% | 49,576 | 3,354,241 | 99.94% | 97,374 | 2.88% |
| 2009 | 3,525,325 | 3,440,974 | 97.61% | 64,902 | 3,505,876 | 99.45% | 114,055 | 3.24% |
| 2010 | 3,668,705 | 3,296,429 | 89.85% | 72,658 | 3,369,087 | 91.83% | 133,513 | 3.64% |
| 2011 | 3,796,734 | 3,450,982 | 90.89% | 111,257 | 3,562,239 | 93.82% | 87,859 | 2.31% |
| 2012 | 3,992,734 | 3,899,155 | 97.66% | 66,276 | 3,965,431 | 99.32% | 115,222 | 2.89% |
| 2013 | 4,140,118 | 4,043,802 | 97.67% | 83,792 | 4,127,594 | 99.70% | 119,118 | 2.88% |
| 2014 | 4,139,734 | 4,046,221 | 97.74% | 84,538 | 4,130,759 | 99.78% | 52,084 | 1.26% |
| 2015 | 4,451,028 | 4,373,956 | 98.27% | 98,147 | 4,472,103 | 100.47% | 93,024 | 2.09% |
| 2016 | 4,451,028 | 4,381,753 | 98.44% | 76,376 | 4,458,129 | 100.16% | 84,108 | 1.89% |
| 2017 | 4,829,365 | 4,747,653 | 98.31% | 45,846 | 4,793,499 | 99.26% | 88,473 | 1.83% |

CITY OF WILLMAR, MINNESOTA

TAX CAPACITIES AND ESTIMATED MARKET VALUE OF TAXABLE PROPERTY

YEARS 2008 THROUGH 2017

| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> |
|--|-------------|---------------|---------------|---------------|
| Population (*Census) | 18,757 | 18,757 | 19,610 | 19,610 |
| REAL PROPERTY | | | | |
| Tax Capacity | 12,005,028 | 12,526,714 | 12,830,579 | 12,975,909 |
| Less: Tax Increment Districts - | | | | |
| Phoenix #95 | 15,031 | 15,031 | 15,031 | 15,031 |
| Relco #05 | 27,154 | 0 | 0 | 0 |
| Lakewood #06 | 7,382 | 7,834 | 7,834 | 7,834 |
| Jennie-O (2) #07 | 0 | 0 | 0 | 0 |
| JOBZ | 82,927 | 99,310 | 113,205 | 118,210 |
| Powerline | 0 | 0 | 0 | 0 |
| Agriculture District | 0 | 0 | 0 | 0 |
| Net Tax Capacity | 11,872,534 | 12,404,539 | 12,694,509 | 12,834,834 |
| Estimated Market Value | 983,810,800 | 1,020,849,500 | 1,044,367,400 | 1,055,031,300 |
| PERSONAL PROPERTY | | | | |
| Tax Capacity | 110,372 | 112,608 | 113,796 | 129,053 |
| Estimated Market Value | 5,921,300 | 6,095,700 | 6,201,500 | 6,969,200 |
| TOTAL REAL AND PERSONAL PROPERTY | | | | |
| Tax Capacity | 11,982,906 | 12,517,147 | 12,808,305 | 12,963,887 |
| Estimated Market Value | 989,732,100 | 1,026,945,200 | 1,050,568,900 | 1,062,000,500 |
| PERCENT OF TAX CAPACITY TO ESTIMATED MARKET VALUE | 0.012107 | 0.012189 | 0.012192 | 0.012207 |
| PER CAPITA VALUATION | | | | |
| Tax Capacity | 639 | 667 | 653 | 661 |
| Estimated Market Value | 52,766 | 54,750 | 53,573 | 54,156 |
| NET BONDED DEBT | | | | |
| Net Bonded Debt per Capita | N/A | N/A | N/A | N/A |
| Net Bonded Debt per Tax Capacity | N/A | N/A | N/A | N/A |

CITY OF WILLMAR, MINNESOTA

TAX CAPACITIES AND ESTIMATED MARKET VALUE OF TAXABLE PROPERTY

YEARS 2008 THROUGH 2017

| <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|---------------|---------------|---------------|---------------|---------------|---------------|
| 19,694 | 19,694 | 19,694 | 19,694 | 19,694 | 19,694 |
| 11,959,117 | 12,120,212 | 12,093,317 | 12,546,465 | 12,758,485 | 13,084,650 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 0 | 0 | 0 |
| 0 | 0 | 0 | 1,506 | 9,544 | 43,820 |
| 143,402 | 181,069 | 181,807 | 181,807 | 181,807 | 0 |
| 0 | 0 | 0 | 0 | 0 | 1,664 |
| 0 | 0 | 0 | 0 | 0 | 125,368 |
| 11,815,715 | 11,939,143 | 11,911,510 | 12,363,152 | 12,567,134 | 12,913,798 |
| 1,065,852,600 | 1,064,093,500 | 1,054,462,700 | 1,094,771,600 | 1,091,900,300 | 1,118,592,200 |
| 131,992 | 137,153 | 140,199 | 146,908 | 202,716 | 207,069 |
| 7,150,300 | 7,407,100 | 7,581,400 | 7,977,200 | 8,457,400 | 10,884,900 |
| 11,947,707 | 12,076,296 | 12,051,709 | 12,510,060 | 12,769,850 | 13,120,867 |
| 1,073,002,900 | 1,071,500,600 | 1,062,044,100 | 1,102,748,800 | 1,100,357,700 | 1,129,477,100 |
| 0.011135 | 0.011270 | 0.011348 | 0.011344 | 0.011605 | 0.011617 |
| 607 | 613 | 612 | 635 | 648 | 666 |
| 54,484 | 54,407 | 53,927 | 55,994 | 55,873 | 57,351 |
| N/A | N/A | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A | N/A |

CITY OF WILLMAR, MINNESOTA

TAX CAPACITY RATES

ALL OVERLAPPING GOVERNMENTS

Years 2008 Through 2017

A 10-YEAR COMPARISON OF TAX CAPACITY RATES

| <u>Year Tax Due</u> | <u>City</u> | <u>School</u> | *** | <u>County</u> | <u>H.R.A.</u> | EDC/ Mid-MN <u>Dev.</u> | <u>Total</u> |
|-----------------------------|-------------|---------------|-----|---------------|---------------|-------------------------------|--------------|
| 2008 | 28.23 | 20.23 | | 56.71 | 1.18 | 1.32 | 107.67 |
| 2009 | 28.16 | 20.54 | | 56.88 | 1.51 | 1.25 | 108.34 |
| 2010 | 28.64 | 19.84 | | 53.36 | 1.32 | 1.16 | 104.32 |
| 2011 | 29.28 | 19.93 | | 55.94 | 1.30 | 1.16 | 107.61 |
| 2012 | 33.42 | 22.35 | | 60.66 | 1.41 | 1.22 | 119.06 |
| 2013 | 34.28 | 19.72 | | 59.06 | 0.96 | 1.17 | 115.19 |
| 2014 | 34.35 | 12.61 | | 56.40 | 1.39 | 1.11 | 105.86 |
| 2015 | 35.58 | 8.41 | | 54.18 | 1.07 | 1.02 | 100.26 |
| 2016 | 34.85 | 23.75 | | 56.18 | 1.06 | 1.06 | 116.90 |
| 2017 | 36.81 | 27.37 | | 57.33 | 1.12 | 1.11 | 123.74 |

*** Includes Mid Minnesota Development Commission.

CITY OF WILLMAR, MINNESOTA

TAX LEVIES

ALL OVERLAPPING GOVERNMENTS

Years 2008 Through 2017

A 10-YEAR COMPARISON OF TAX CAPACITY LEVIES

| <u>Year Tax Due</u> | <u>*City</u> | <u>School</u> | <u>Market Value Ref.</u> | <u>**County</u> | <u>H.R.A.</u> | <u>EDC/ Rural Dev. Fin. Auth.</u> | <u>Total</u> |
|-----------------------------|--------------|---------------|----------------------------------|-----------------|---------------|---|--------------|
| 2008 | 3,383,493 | 2,424,022 | 1,236,868 | 6,795,266 | 141,159 | 131,812 | 14,112,620 |
| 2009 | 3,525,204 | 2,571,272 | 1,724,036 | 7,145,914 | 188,884 | 129,302 | 15,284,612 |
| 2010 | 3,663,422 | 2,538,124 | 1,807,189 | 6,850,914 | 168,577 | 121,253 | 15,149,479 |
| 2011 | 3,755,160 | 2,555,586 | 1,840,022 | 7,199,752 | 166,953 | 121,945 | 15,639,418 |
| 2012 | 3,997,702 | 2,670,551 | 1,866,059 | 7,273,883 | 168,582 | 118,999 | 16,095,776 |
| 2013 | 4,139,754 | 2,381,446 | 1,670,118 | 7,158,587 | 168,585 | 114,846 | 15,633,336 |
| 2014 | 4,139,400 | 1,519,721 | 1,565,134 | 6,822,472 | 168,362 | 108,224 | 14,323,313 |
| 2015 | 4,450,579 | 1,052,346 | 1,649,161 | 6,800,969 | 133,733 | 104,834 | 14,191,622 |
| 2016 | 4,450,804 | 3,032,201 | 1,565,062 | 7,197,726 | 135,488 | 111,608 | 16,492,889 |
| 2017 | 4,828,905 | 3,625,557 | 1,608,842 | 7,594,913 | 148,907 | 147,184 | 17,954,308 |

* This Levy does not take into consideration the small reduction that results from agricultural property.

** Includes Mid Minnesota Development Commission.

CITY OF WILLMAR, MINNESOTA

PRINCIPAL TAXPAYERS

December 31, 2017

| Taxpayer | Type of Business | Market Valuation Payable 2018 | Total Tax |
|---------------------------------|--------------------|--|------------|
| Minnwest Technology Campus | Technology Campus | \$ 16,078,900 | \$ 314,002 |
| Rockstep Wilmar, LLC | Shopping Mall | \$ 11,393,000 | \$ 227,110 |
| Affiliated Community Health | Medical Center | \$ 11,037,200 | \$ 217,332 |
| WalMart Stores, Inc. | Discount Retailer | \$ 10,270,200 | \$ 204,654 |
| Mills Property Investments, LLC | Vehicle Dealership | \$ 10,017,600 | \$ 188,136 |
| Torgerson Properties, Inc. | Hospitality/Hotel | \$ 9,142,600 | \$ 180,602 |
| Menard, Inc. | Retailer | \$ 7,937,100 | \$ 157,992 |
| Jennie-O Turkey Store, Inc. | Food Processing | \$ 7,162,700 | \$ 142,458 |
| Willmar Ten Investors | Investment Company | \$ 6,896,700 | \$ 132,684 |
| Centerpoint Energy Minnegasco | Utility Company | \$ 6,287,600 | \$ 125,002 |

CITY OF WILLMAR, MINNESOTA

SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS

Year 2008 Through 2017

| Fiscal <u>Year</u> | Current Assessments <u>Due</u> | Current Assessments <u>Collected</u> | Percent of Collections To Amount <u>Due</u> | Total Outstanding Current and Delinquent <u>Assessments</u> |
|-----------------------|--------------------------------------|--|--|--|
| 2008 | 1,497,645 | 1,459,639 | 97.46% | 50,876 |
| 2009 | 1,268,693 | 1,145,147 | 90.26% | 135,323 |
| 2010 | 1,149,652 | 1,031,192 | 89.70% | 217,417 |
| 2011 | 1,129,081 | 1,014,192 | 89.82% | 265,294 |
| 2012 | 1,162,674 | 1,074,741 | 92.44% | 291,365 |
| 2013 | 1,095,335 | 985,263 | 89.95% | 355,375 |
| 2014 | 1,008,979 | 974,209 | 96.55% | 361,233 |
| 2015 | 920,213 | 881,012 | 95.74% | 369,448 |
| 2016 | 729,647 | 695,150 | 95.27% | 377,236 |
| 2017 | 698,213 | 688,739 | 98.64% | 299,531 |

NOTE: Special Assessments are certified to the County Auditor of Kandiyohi County for collection. Special Assessment Bonds are general obligation pursuant to M.S.A. Section 430.12

CITY OF WILLMAR, MINNESOTA

COMPUTATION OF LEGAL DEBT MARGIN

December 31, 2017

Legal Debt Limit and Margin

| | |
|---|---------------|
| Legal Debt Limit (2% of Estimated Market Value \$1,129,477,100) | \$ 22,589,542 |
| Less: Outstanding Debt Subject to Limit | \$ - |
| Legal Debt Margin as of December 31, 2017 | \$ 22,589,542 |

| | |
|---|------|
| General Obligation Debt Supported Solely by Taxes* | \$ - |
|---|------|

* Nothing subject to legal debt limit

CITY OF WILLMAR, MINNESOTA

MISCELLANEOUS STATISTICAL FACTS

| | |
|----------------------------------|-------------------|
| Date of Incorporation | November 19, 1901 |
| Date of Adoption of City Charter | November 5, 1968 |
| Form of Government | Administrator |
| Fiscal Year Begins | January 1 |
| Area - Acres (Land) | 7,398 |
| - Acres (Water) | 1,229 |
| Miles of Streets and Alleys: | |
| Streets - | |
| Paved | 132.34 |
| Sidewalks | 65.00 |
| Bike Paths | 17.70 |
| Building Permits | |
| Number of Permits Issued | |
| Year 2017 | 599 |
| Year 2016 | 498 |
| Year 2015 | 439 |
| Year 2014 | 450 |
| Year 2013 | 414 |
| Year 2012 | 479 |
| Year 2011 | 533 |
| Year 2010 | 592 |
| Year 2009 | 772 |
| Year 2008 | 780 |
| Estimated Construction Costs | |
| Year 2017 | \$ 44,185,171 |
| Year 2016 | 58,648,616 |
| Year 2015 | 34,088,689 |
| Year 2014 | 48,558,272 |
| Year 2013 | 49,216,963 |
| Year 2012 | 17,114,395 |
| Year 2011 | 13,041,853 |
| Year 2010 | 22,520,064 |
| Year 2009 | 30,922,465 |
| Year 2008 | 70,002,629 |

*Information obtained from various Departmental Reports

CITY OF WILLMAR, MINNESOTA

MISCELLANEOUS STATISTICAL FACTS

| | <u>2017</u> | <u>2016</u> |
|--|---------------|---------------|
| Public Safety: | | |
| Fire Protection: | | |
| Number of Stations | 1.00 | 1.00 |
| Number of Employees (Admin. & Clerical) | 2.80 | 2.80 |
| Number of Volunteer Firefighters | 40.00 | 38.00 |
| Police Protection: | | |
| Number of Stations | 1.00 | 1.00 |
| Number of Employees (Admin. & Clerical) | 4.00 | 4.00 |
| Number of Employees (Law Enforcement Officers) | 34.00 | 31.00 |
| Total Number of Employees | <u>82.80</u> | <u>77.80</u> |
| Leisure Services: | | |
| Number of Full-Time Employees | 4.6 | 5.5 |
| Number of Part-Time Employees | 133 | 127 |
| Number of Wading Pools | 0 | 0 |
| Number of Outdoor Swimming Pools | 1 | 1 |
| Number of Shelters | 30 | 30 |
| Number of Skating Rinks | 4 | 4 |
| Number of Hockey Rinks | 2 | 2 |
| Indoor Rinks | 2 | 2 |
| Tennis Courts - Lighted | 6 | 6 |
| Non-Lighted | 0 | 0 |
| Shared-Lighted | 12 | 12 |
| Lighted Softball, Football, Baseball and Soccer Fields | 7 | 7 |
| Miles of Hiking and Bicycle Paths | Est. 16 Miles | Est. 16 Miles |
| Skate Board Parks | 1 | 1 |
| BMX Bike Tracks | 0 | 0 |
| 18-Hole Frisbee Golf Course | 1 | 1 |
| Number of Parks | 37 | 37 |
| Park Acres | 310 | 310 |
| Nature Areas | 4 | 4 |
| Parking Lots (Central Business District): | | |
| Parking Spaces On Streets | 380 | 380 |
| Parking Spaces Off Streets | 417 | 417 |

*Information obtained from various Departmental Reports