

WILLMAR MUNICIPAL UTILITIES

FINANCIAL STATEMENTS

DECEMBER 31, 2016

Conway, Deuth & Schmiesing, PLLP
Certified Public Accountants & Consultants
Willmar, Minnesota

This page intentionally left blank

WILLMAR MUNICIPAL UTILITIES

TABLE OF CONTENTS DECEMBER 31, 2016

	<u>PAGE</u>
ORGANIZATIONAL DATA	1
INDEPENDENT AUDITOR'S REPORT	2-4
REQUIRED SUPPLEMENTARY INFORMATION	
Management's Discussion and Analysis	5-9
BASIC FINANCIAL STATEMENTS	
Statements of Net Position	10
Statements of Revenues, Expenses, and Changes in Net Position	11
Statements of Cash Flows	12-13
Notes to the Financial Statements	14-34
REQUIRED SUPPLEMENTARY INFORMATION	
Schedules of Proportionate Share of the Net Pension Liability and Employer Contributions	35
Schedules of Funding Progress and Employer Contributions	36
SUPPLEMENTARY INFORMATION	
Combining Schedule of Revenues and Expenses	37
Electric Division Statistics	38
Detailed Schedule of Revenues and Expenses - Electric Division	39-42
Water Division Statistics	43
Detailed Schedule of Revenues and Expenses - Water Division	44-47
Heating Division Statistics	48
Detailed Schedule of Revenues and Expenses - Heating Division	49-52
Combined Schedule of Administrative and General and Customer Accounts Expense	53-54
Schedule of Utility Plant and Accumulated Depreciation	55-58
Schedule of Bonds Payable	59

COMPLIANCE SECTION

Independent Auditor's Report on Minnesota Legal Compliance	60
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	61-62
Schedule of Findings	63-64
Summary Schedule of Prior Audit Findings	65

WILLMAR MUNICIPAL UTILITIES

ORGANIZATIONAL DATA

DECEMBER 31, 2016

ORGANIZATION

The Willmar Municipal Utilities of the City of Willmar, Minnesota was established in 1891 by an amendment to the City Charter. The members of the Commission are appointed to three-year terms by the City Council, for a maximum of two consecutive terms. The Commission manages and controls the electric, water and district heating divisions of the municipal utility of the City.

COMMISSION

		TERM EXPIRES DECEMBER 31,
President	Dan Holtz	2016
Vice President	Carol Laumer	2017
Secretary	Jeffrey Nagel	2016
Treasurer	Joe Gimse	2018
Commission Member	Justin Mattern	2016
Commission Member	Abdirizak Mahboub	2017
Commission Member	Nathan Weber	2017

This page intentionally left blank



INDEPENDENT AUDITOR'S REPORT

Members of the Willmar Municipal Utilities Commission
Willmar, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Willmar Municipal Utilities (the Commission), a component unit of the City of Willmar, Minnesota, as of and for the year ended December 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Willmar Municipal Utilities, a component unit of the City of Willmar, Minnesota, as of December 31, 2016 and 2015, and the respective changes in financial position, and cash flows, thereof for the years 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, the Schedules of Proportionate Share of the Net Pension Liability and Employer Contributions, and the Schedules of Funding Progress and Employer Contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Commission's basic financial statements. The statements and schedules listed in the table of contents as supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The organizational data section and the electric, water and heating division statistics 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 the information presented.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2017, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
Certified Public Accountants & Consultants
Willmar, Minnesota

March 27, 2017

This page intentionally left blank

REQUIRED SUPPLEMENTARY INFORMATION

This page intentionally left blank

Willmar Municipal Utilities Management's Discussion & Analysis

Overview of the Financial Statements

The Willmar Municipal Utilities (WMU) is a component unit of the City of Willmar, MN and is responsible for the full operation and management of the electric, water and district heating systems of the city. The annual report of the Willmar Municipal Utilities includes the basic financial statements, the independent auditors report, notes that explain in more detail information in the financial statements and this management's discussion and analysis report. The report also includes supplementary information for each of the Utilities' divisions on a multi-year basis.

Basic Financial Statements Required

The financial statements report information about the Willmar Municipal Utilities using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

The ***Statements of Net Position*** include all of the Willmar Municipal Utilities' assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position and provides information about the nature and amount of investments in various assets and obligations to WMU's creditors. It also provides the basis for computing rate of return, evaluating the capital structure, and determining the liquidity and financial flexibility of the Willmar Municipal Utilities.

The ***Statements of Revenues, Expenses, and Changes in Net Position*** account for all the current year's revenues and expenses. These statements measure the success of operations over the past year and can be used to determine whether all costs are recovered through user fees and other charges. These statements also measure the Willmar Municipal Utilities' profitability and credit worthiness.

The ***Statements of Cash Flow*** provide information about the Willmar Municipal Utilities' cash receipts and cash payments during the reporting period. These statements report cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities, and reports on changes in cash balances during the reporting period.

Condensed Financial Statements

To begin this analysis a summary of Net Position is presented in Table A-1.

Table A-1
Condensed Statement of Net Position
(000's)

	<u>2016</u>	<u>2015</u>
Capital Assets	\$ 31,225	\$ 30,704
Current Assets	27,999	24,585
Restricted Investments	1,584	1,692
Deferred Outflows of Resources	<u>2,106</u>	<u>466</u>
Total Assets & Deferred Outflows of Resources	\$ 62,914	\$ 57,447
Long-Term Liabilities	\$ 11,668	\$ 10,663
Current Liabilities	4,254	3,950
Deferred Inflows of Resources	655	372
Net Position	<u>46,337</u>	<u>42,462</u>
Total Liabilities, Deferred Inflows of Resources & Net Position	\$ 62,914	\$ 57,447

A summary of the Statements of Operations is presented in Table A-2.

Table A-2
Condensed Statements of Operations
(000's)

	<u>2016</u>	<u>2015</u>
Total Revenues	\$ 32,462	\$ 32,164
Cost of Production & Power	15,518	18,883
Other Operating Expense	8,675	8,662
Depreciation Expense	<u>2,262</u>	<u>2,214</u>
Total Operating Expense	<u>26,455</u>	<u>29,759</u>
Operating Income	6,007	2,405
Other Income (Expense)	(11)	174
Transfers to City Government	<u>(2,121)</u>	<u>(2,153)</u>
Change in Net Position	\$ 3,875	\$ 426

Financial Statement Analysis.

Total gross investment in utility plant increased from \$82,462,068 in 2015 to \$84,116,036 in 2016. The plant investment includes the continued replacement of underground distribution cable, improvements to the water treatment plant, meter replacement to accommodate AMI and ordinary additions to utility distribution systems and other equipment purchases.

Total revenue increased by \$297,652 in 2016. This was due to the rate increase of 4.5% to the electric rates and 20% to the water rates effective June 1st of 2015. 2016 had a full 12 months at the new rates. Unit sales (kwh) of electric increased slightly back to normal levels after the decrease due largely to the avian flu. Water service units (cubic feet) increased slightly, district heat increased slightly.

The cost of purchased and generated power decreased by \$3,365,026; from \$18,882,699 in 2015 to \$15,517,673 in 2016. The decrease was largely driven by the renegotiation of power contracts effective in 2016. The Willmar Municipal Utilities operates an active in-house management of its power supply and maintains a diverse mix of power resources (local generation, long-term contracts, and market purchases) in order to provide cost-effective flexibility to maximize ongoing power market conditions and existing resources while maintaining reliable service.

Overall operating income increased by \$3,602,055 from 2015 to 2016 driven largely by the change in Purchased Power Contracts and a decrease of operating expenses.

Investment income decreased by \$85,468 from 2015 to 2016 due largely to the decrease in PAR value of the investment portfolio.

Budgetary Highlights

The Willmar Municipal Utilities Commission adopts an annual Operating Budget and a Capital Improvement Budget. Because of its enterprise nature and in order to comply with Federal Energy Regulatory Commission accounting and reporting requirements, the budgets are not operated as statutory budgets. The Commission and Utilities staff review budget results monthly and the budget is used as a financial management tool.

A summary of the 2016 Budget Analysis is presented in Table A-3.

Table A-3
Condensed Budget Analysis
(000's)

	<u>2016 Budget</u>	<u>2016 Actual</u>
Total Revenues	\$ 32,631	\$ 32,462
Cost of Production & Power	17,127	15,518
Other Operating Expense	9,221	8,675
Depreciation Expense	<u>2,295</u>	<u>2,262</u>
Total Operating Expense	28,643	26,455
Operating Income	3,988	6,007
Other Income (Expense)	(55)	(11)
Transfers to City Government	<u>(2,137)</u>	<u>(2,121)</u>
Change in Net Position	\$ 1,796	\$ 3,875

Capital Asset & Long-Term Debt Activity

The Willmar Municipal Utilities made capital asset additions to utility plant in the amounts of \$2,798,979 in 2016 and \$2,547,862 in 2015. Current year depreciation expense was \$2,262,278 for 2016 and \$2,213,826 for 2015.

The Willmar Municipal Utilities did not issue long-term debt during 2016. A payment was made in 2016 of \$615,000 on the current portion of principal due on existing long-term debt. All outstanding long-term debt of the Utilities is issued on behalf of WMU by the City of Willmar and is backed by a pledge of net revenues of the Willmar Municipal Utilities.

Economic Factors & Next Year's Budget & Rates

A summary of the 2017 Budget approved by the Commission is presented in Table A-4.

Table A-4
Condensed Budget
(000's)

	<u>2017 Budget</u>
Total Revenues	\$ 33,615
Cost of Production & Power	16,885
Other Operating Expense	9,702
Depreciation Expense	<u>2,355</u>
Total Operating Expense	28,942
Operating Income	4,673
Other Income (Expense)	(60)
Transfers to City Government	<u>(2,153)</u>
Change in Net Position	\$ 2,460

Contact Information

This annual report is designed to provide a general overview of the City of Willmar, MN Municipal Utilities' finances for citizens, customers and others. Questions concerning any of the information contained in this report and requests for additional information should be addressed to the Willmar Municipal Utilities, P.O. Box 937, 700 Litchfield Ave SW, Willmar, MN 56201 or by email at wmu@wmu.willmar.mn.us or by phone at 320-235-4422.

This page intentionally left blank

BASIC FINANCIAL STATEMENTS

This page intentionally left blank

WILLMAR MUNICIPAL UTILITIES

STATEMENTS OF NET POSITION

	December 31,	
	2016	2015
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
Assets		
Current Assets		
Cash and Investments	\$ 22,976,980	\$ 20,070,708
Accounts Receivable (Net of Allowance for Doubtful Accounts of \$8,586 and \$56,828, respectively)	3,469,328	2,594,559
Inventory	979,861	1,259,515
Prepaid Items	552,697	635,844
Total Current Assets	27,978,866	24,560,626
Noncurrent Assets		
Restricted Investments	1,584,238	1,692,081
Bond Discount	19,657	23,937
Capital Assets		
Assets Not Being Depreciated	4,214,654	3,132,556
Other Capital Assets, Net of Depreciation	27,010,810	27,571,299
Net Capital Assets	31,225,464	30,703,855
Total Noncurrent Assets	32,829,359	32,419,873
Total Assets	60,808,225	56,980,499
Deferred Outflows of Resources	2,105,518	466,760
Total Assets and Deferred Outflows of Resources	\$ 62,913,743	\$ 57,447,259
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
Liabilities		
Current Liabilities		
Current Portion of Long-Term Debt	\$ 550,000	\$ 615,000
Accounts Payable	1,728,781	1,851,901
Payable to City of Willmar	1,472,327	664,720
Consumer Deposits	267,425	267,420
Interest Payable	199	150,337
Accrued Expenses		
Salaries Payable	147,196	134,767
Accrued Taxes	87,752	265,547
Total Current Liabilities	4,253,680	3,949,692
Long-Term Liabilities		
Noncurrent Portion of Long-Term Debt		
Bonds Payable	5,400,000	5,950,000
Compensated Absences	1,185,769	1,318,901
Net Pension Liability	5,082,810	3,394,550
Total Long-Term Liabilities	11,668,579	10,663,451
Total Liabilities	15,922,259	14,613,143
Deferred Inflows of Resources	654,514	371,961
Net Position		
Net Investment in Capital Assets	25,275,464	24,138,855
Restricted	1,584,238	1,692,081
Unrestricted	19,477,268	16,631,219
Total Net Position	46,336,970	42,462,155
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 62,913,743	\$ 57,447,259
See Accompanying Notes to the Financial Statements		

WILLMAR MUNICIPAL UTILITIES

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Years Ended December 31,	
	2016	2015
OPERATING REVENUES		
Electric Energy	\$ 27,135,858	\$ 26,853,876
Water	2,424,055	2,253,264
Heating	854,442	846,603
Penalties	162,245	200,950
Other Revenues	1,885,209	2,009,464
Total Operating Revenues	<u>32,461,809</u>	<u>32,164,157</u>
OPERATING EXPENSES		
Production		
Operations	3,660,920	3,101,074
Maintenance	1,038,363	1,264,924
Purchased Power	10,818,390	14,516,701
Transmission	3,237,881	2,353,201
Distribution		
Operations	884,768	912,782
Maintenance	741,292	808,961
Customer Accounts	571,719	517,916
Energy Services	262,221	198,694
Administrative and General	2,976,844	3,871,000
Depreciation	2,262,278	2,213,826
Total Operating Expenses	<u>26,454,676</u>	<u>29,759,079</u>
Operating Income (Loss)	<u>6,007,133</u>	<u>2,405,078</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income	279,832	365,300
Merchandise and Contract Work, Net	(7,363)	11,057
Gain (Loss) on Disposition of Property	7,552	107,552
Interest Expense	(291,251)	(309,790)
Total Nonoperating Revenues (Expenses)	<u>(11,230)</u>	<u>174,119</u>
Income (Loss) Before Transfers	<u>5,995,903</u>	<u>2,579,197</u>
TRANSFERS TO THE CITY OF WILLMAR	<u>2,121,088</u>	<u>2,152,597</u>
Change in Net Position	<u>3,874,815</u>	<u>426,600</u>
NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED	42,462,155	45,457,918
PRIOR PERIOD ADJUSTMENT		<u>(3,422,363)</u>
NET POSITION, BEGINNING OF YEAR, AS RESTATED	<u>42,462,155</u>	<u>42,035,555</u>
NET POSITION, END OF YEAR	<u>\$ 46,336,970</u>	<u>\$ 42,462,155</u>

See Accompanying Notes to the Financial Statements

WILLMAR MUNICIPAL UTILITIES

STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 31,587,040	\$ 32,293,393
Payments to Suppliers	(20,768,879)	(26,149,645)
Payments to Employees	(2,342,669)	(1,940,663)
Net Cash Provided (Used) by Operating Activities	8,475,492	4,203,085
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to the City of Willmar	(2,121,088)	(2,152,597)
Merchandise and Contract Work, Net	(7,363)	11,057
Net Cash Provided (Used) by Noncapital Financing Activities	(2,128,451)	(2,141,540)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Additions to Utility Plant	(2,798,979)	(2,547,862)
Gain on Disposition of Property	22,644	149,964
Principal Payments on Long-Term Debt	(615,000)	(595,000)
Interest Paid on Long-Term Debt	(437,109)	(319,870)
Net Cash Provided (Used) by Capital and Related Financing Activities	(3,828,444)	(3,312,768)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	279,832	365,300
Restricted Investments	107,843	(357)
Net Cash Provided (Used) by Investing Activities	387,675	364,943
Net Increase (Decrease) in Cash and Cash Equivalents	2,906,272	(886,280)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	20,070,708	20,956,988
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 22,976,980	\$ 20,070,708
RECONCILIATION OF CASH AND CASH EQUIVALENTS		
Cash and Cash Equivalents	\$ 4,899,905	\$ 3,822,899
Temporary Cash Investments	18,077,075	16,247,809
Total	\$ 22,976,980	\$ 20,070,708

See Accompanying Notes to the Financial Statements

WILLMAR MUNICIPAL UTILITIES

STATEMENTS OF CASH FLOWS

	Years Ended December 31,	
	2016	2015
RECONCILIATION OF OPERATING INCOME (LOSS) TO		
CASH FLOWS FROM OPERATING ACTIVITIES		
Operating Income (Loss)	\$ 6,007,133	\$ 2,405,078
Adjustments to Reconcile Operating Income (Loss)		
Net Cash Provided (Used) by Operating Activities		
Depreciation	2,262,278	2,213,826
Net Pension Liability	332,055	94,108
(Increase) Decrease in Assets		
Accounts Receivable	(874,769)	129,236
Inventory	279,654	(116,567)
Prepaid Items	83,147	170,557
Increase (Decrease) in Liabilities		
Accounts Payable	(123,120)	(887,877)
Payable to City of Willmar	807,607	54,494
Consumer Deposits	5	15,495
Compensated Absences	(133,132)	71,776
Accrued Expenses	(165,366)	52,959
Net Cash Provided (Used) by Operating Activities	<u>\$ 8,475,492</u>	<u>\$ 4,203,085</u>

See Accompanying Notes to the Financial Statements

WILLMAR MUNICIPAL UTILITIES

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

Willmar Municipal Utilities (the Commission), a component unit of the City of Willmar, Minnesota, is governed by seven members who are appointed by the Council of the City of Willmar, Minnesota. The accompanying financial statements present only the Commission and are not intended to present fairly the financial position of the City of Willmar, Minnesota.

The financial statements present the Commission and its component units. The Commission includes all funds, organizations, institutions, agencies, departments and offices that are not legally separate from such. Component units are legally separate organizations for which the Commission is financially accountable, or for which the exclusion of the component unit would render the financial statements of the Commission misleading.

The criteria used to determine if the Commission is financially accountable for a component unit includes whether or not 1) the Commission appoints the voting majority of the potential component unit's governing body and is able to impose its will on the potential component unit or is in a relationship of financial benefit or burden with the potential component unit, or 2) the potential component unit is fiscally dependent on and there is a potential for the potential component unit to provide specific financial benefits to, or impose specific financial burdens on, the Commission.

As a result of applying the criteria above, the Commission has no component units.

B. FUND ACCOUNTING

The operations of the Commission are recorded as a proprietary fund. The proprietary fund is used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

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

The financial statements include the operations of the City of Willmar Municipal Utilities. The Electric, Water and Heating Divisions are treated as a single enterprise fund of the City of Willmar, Minnesota. The Utilities are governed by the Willmar Municipal Utilities Commission, which is appointed by the City Council. No other operations are controlled by the Commission. The accounts of the Commission are organized on the basis of fund accounting. The operation of the fund is accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net position, revenues, and expenses. Government resources are allocated to and accounted for in the individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

WILLMAR MUNICIPAL UTILITIES

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION
(Cont'd)

The proprietary fund is accounted for using the accrual basis of accounting and economic resources measurement focus. Revenues are recognized when earned, and expenses are recognized when incurred. Revenue from electricity, water, and heat sales is reflected in the accounts only at the time such revenue is actually billed to customers. Accordingly, no recognition is given in the accounts for revenue from sales between established cycle billing dates.

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

It is generally the Commission's policy to use restricted resources first, then unrestricted resources as they are needed when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

D. DEPOSITS AND INVESTMENTS

The Commission's cash and cash equivalents are considered to be cash on hand, deposits and highly liquid debt instruments purchased with original maturities of three months or less from the date of acquisition.

The Commission may invest in the following types of investments as authorized by Minn. Stat. §§118A.04 and 118A.05:

- (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) time deposits that are fully insured by the Federal Deposit Insurance Corporation or bankers acceptances of United States bank;
- (5) commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by at least two nationally recognized rating agencies and matures in 270 days or less; and

WILLMAR MUNICIPAL UTILITIES

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. DEPOSITS AND INVESTMENTS (Cont'd)

(6) with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

Cash and investments were comprised of deposits, money market accounts, mutual funds, commercial paper and U.S. government securities.

The Commission categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs.

The Commission invests in an external investment pool, the Minnesota Municipal Money Market Fund (4M Fund), which is created under a joint powers agreement pursuant to Minn. Stat. §471.59. The 4M Fund is not registered with the Securities Exchange Commission (SEC), but does satisfy the requirements of Rule 2a-7 prescribed by the SEC pursuant to the Investment Company Act of 1940 (17 CFR §270.2a-7), as amended. The investment in the pool is measured at the net asset value per share provided by the pool.

The Commission has an investment policy in place that addresses interest rate risk, credit risk, concentration of credit risk and custodial credit risk as follows:

Custodial Credit Risk - Deposits: For deposits, this is the risk that in the event of bank failure, the Commission's deposits may not be returned to it. Minnesota Statutes requires that all Commission deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110 percent.

Authorized collateral includes the obligations of the U.S. Treasury, agencies, and instrumentalities, shares of investment companies whose only investments are in the aforementioned securities, obligations of the State of Minnesota or its municipalities, bankers' acceptances, futures contracts, repurchase and reverse repurchase agreements, and commercial paper of the highest quality with a maturity of no longer than 270 days, as well as certain first mortgage notes, and certain other state or local government obligations. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the Commission treasurer or in a financial institution other than that furnishing the collateral.

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates.

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations.

The Commission's investment policy further limits its investment choices. The Commission's investment limitations are described as follows:

Mutual funds will be limited to funds held as of December 31, 1996, or funds whose portfolio consists of the aforementioned obligations with a maturity of thirteen (13) months or shorter. Reinvestment of dividends paid from a fund holding obligations maturing beyond thirteen months will be prohibited.

WILLMAR MUNICIPAL UTILITIES

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

D. DEPOSITS AND INVESTMENTS (Cont'd)

In no event shall mutual funds exceed 20% of the portfolio and staff shall exercise discretion in setting mutual fund investment levels given market conditions and cash flow projections.

Investing in mutual funds is deemed long term and local restrictions, therefore, prohibit the purchase of shares anticipating investment proceeds being needed within a 60 month period and forcing liquidation of shares in an unfavorable market.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. Investments should be diversified to avoid incurring unreasonable risk inherent in over investing in specific instruments, individual financial institutions or maturities.

The Commission's investment policy states no more than 40% of the Commission's total investment portfolio will be invested in a single security type, maturity or with a single financial institution or issuer with the exception of U.S. Government Securities.

Custodial Credit Risk - Investments: For an investment, this is the risk that in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

In accordance with its investment policy, the Commission manages its exposure to declines in fair values by setting target market yields of investments to be one and one-half percent above the annualized earnings at the Federal Funds rate during the year.

E. RECEIVABLES AND OPERATING REVENUES AND EXPENSES

An allowance for doubtful accounts is recorded based on historical electric, water, and heat revenues, historical loss levels, and an analysis of the collectability of individual accounts.

Meters are read throughout the month and revenues are recognized when utility services are billed to customers. Willmar Municipal Utilities Commission did not accrue revenues for services provided but not billed at the end of the year.

Monthly billings from the wholesale power suppliers, which are for power costs to the last day of the month, are reflected in the accounts.

F. INVENTORY

Coal inventories and materials and supplies are recorded at the lower of cost or market, using the moving average cost method.

G. PREPAID ITEMS

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

WILLMAR MUNICIPAL UTILITIES

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

H. CAPITAL ASSETS

Capital assets, both tangible and intangible, which include property, plant and equipment are reported in the financial statements. Capital assets are defined by the Commission as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost 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 is included as part of the capitalized value of the assets constructed. During the current period, the Commission did not have any capitalized interest.

Tangible and intangible assets of the Commission are depreciated using the straight-line, full month convention method over the following estimated useful lives:

Buildings	50 Years
Production and Transmission Systems	25 - 30 Years
Distribution Systems	20 - 50 Years
Machinery and Equipment	5 - 10 Years

The overall composite depreciation rate as a percentage of the balance of plant in service was 2.6 percent and (.2) percent for 2016 and 2015, respectively.

The Commission does not possess any material amounts of intangible assets.

I. DEFERRED OUTFLOWS OF RESOURCES

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represents a consumption of net position that applies to a future reporting period. During that future period, it will be recognized as an outflow of resources (expense/expenditure). The Commission has one item that qualifies for reporting in this category on the government-wide Statement of Net Position which is related to pensions.

J. COMPENSATED ABSENCES

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated vacation and sick leave balances. Compensated absences are accrued when incurred in the financial statements.

Nonunion employees can accrue a maximum of 170 days of personal days off (PDO) pay. Personal days off pay is paid at a percentage based on years of service at severance of employment. Upon retirement or death before retirement, a payback of accrued hours at a percentage based on years of service will be made.

WILLMAR MUNICIPAL UTILITIES

NOTES TO THE FINANCIAL STATEMENTS DECEMBER 31, 2016 AND 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

J. COMPENSATED ABSENCES (Cont'd)

Union employees can accrue a maximum of 170 days of personal days off (PDO) pay. Personal days off pay is paid at a percentage based on years of service at severance of employment. Upon retirement or death before retirement, a payback of accrued hours at a percentage based on years of service will be made.

K. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Employees of the Commission pay health insurance premiums based on a negotiated schedule. Since the insurance rate is based on age, the Commission has an implicit rate subsidy factor in postemployment health care expenses. Additionally, Minnesota Statutes require the Commission to allow retired employees to stay on the health care plan with the retiree responsible to pay the entire premium for continuation coverage. The Commission's bargaining agreement and personnel policy do not provide for any contributions upon employee retirement.

L. PENSIONS

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, 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. 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.

M. LONG-TERM LIABILITIES

Long-term debt and other long-term obligations are reported as liabilities in the financial statements. Bond discounts and bond premiums are amortized over the terms of the related bond issues.

N. DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. Deferred inflows of resources represents an acquisition of net position that applies to a future reporting period. During that future period, it will be recognized as an inflow of resources (revenue). The Commission has one item that qualifies for reporting in this category on the Statement of Net Position which is related to pensions.

O. NET POSITION

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources in the financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term liabilities used to build or acquire the capital assets. Net position is reported as restricted in financial statements when there are limitations on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position consists of all other net position that does not meet the definition of restricted or net investment in capital assets.

WILLMAR MUNICIPAL UTILITIES

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

P. BUDGETS AND BUDGETARY ACCOUNTING

The Director of Finance is responsible for preparing and submitting an annual budget. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

Q. USE OF ESTIMATES

The preparation of the 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 amount 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.

NOTE 2. DEPOSITS AND INVESTMENTS

A. DEPOSITS

In accordance with applicable Minnesota Statutes, Willmar Municipal Utilities Commission maintains deposits at depository banks authorized by the Commission.

Custodial Credit Risk - Deposits: The Commission's bank balances were not exposed to custodial credit risk because they were fully insured through the FDIC as well as collateralized with securities held by the pledging financial institution's trust department or agent in the Commission's name.

Total deposits were as follows:

	December 31,	
	2016	2015
Deposits in Bank	\$ 4,899,905	\$ 3,822,899
Non-negotiable Certificates of Deposit	1,491,330	
Savings	4,356,293	4,121,646
Negotiable Certificates of Deposit	3,808,493	5,461,316
Mutual Fund	912,341	3,093,628
Money Market	9,092,856	5,263,300
	<u>\$24,561,218</u>	<u>\$21,762,789</u>
 Total Cash and Investments		
	<u>\$24,561,218</u>	<u>\$21,762,789</u>
 Current Assets		
Cash and Cash Equivalents	\$ 4,899,905	\$ 3,822,899
Temporary Cash Investments	18,077,075	16,247,809
	<u>22,976,980</u>	<u>20,070,708</u>
 Noncurrent Assets		
Restricted Investments	1,584,238	1,692,081
	<u>1,584,238</u>	<u>1,692,081</u>
 Total	<u>\$24,561,218</u>	<u>\$21,762,789</u>

WILLMAR MUNICIPAL UTILITIES

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 2. DEPOSITS AND INVESTMENTS (Cont'd)

B. INVESTMENTS

As of December 31, 2016, the Commission had the following investments:

	Fair Value	Fair Value Measurements Using			Maturity
		Level 1	Level 2	Level 3	
Investments at fair value:					
Mutual Fund	\$ 912,341	\$ 912,341	\$	\$	N/A
Money Market	9,092,856	9,092,856			
Negotiable Certificates of Deposit	3,808,493	3,808,493			3-5 years
Total Investments	<u>\$13,813,690</u>	<u>\$13,813,690</u>	<u>\$ 0</u>	<u>\$ 0</u>	

As of December 31, 2016, the credit rating for the Mutual Fund was AAA. The Money Market account and Negotiable Certificates of Deposits were not rated.

Concentration of Credit Risk: As of December 31, 2016, the Commission was exposed to concentration of credit risk due to the fact that the following investments exceeded 5% of the Commission's total investments.

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

Issuer	Percent	Amount
U.S. Government Money Market Fund	22.03%	\$ 3,043,214
MSILF Government Cash Management	43.79%	6,049,642

As of December 31, 2015, the Commission had the following investments:

	Fair Value	Fair Value Measurements Using			Maturity
		Level 1	Level 2	Level 3	
Investments at fair value:					
Mutual Fund	\$ 3,093,628	\$ 3,093,628	\$	\$	N/A
Money Market	5,263,300	5,263,300			
Negotiable Certificates of Deposit	5,461,316	5,461,316			3-5 years
Total Investments	<u>\$13,818,244</u>	<u>\$13,818,244</u>	<u>\$ 0</u>	<u>\$ 0</u>	

As of December 31, 2015, the credit rating for the Mutual Fund was AAA. The Money Market account and Negotiable Certificates of Deposits were not rated.

WILLMAR MUNICIPAL UTILITIES

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 2. DEPOSITS AND INVESTMENTS (Cont'd)

B. INVESTMENTS (Cont'd)

Concentration of Credit Risk: As of December 31, 2015, the Commission was exposed to concentration of credit risk due to the fact that the following investments exceeded 5% of the Commission's total investments.

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

Issuer	Percent	Amount
Federal Home Loan Mortgage Corporation	16.71%	\$ 2,282,272
Federal Home Loan Bank	21.82%	2,981,028

NOTE 3. DEPOSITS AND INVESTMENTS - RESTRICTED AND DESIGNATED

Restricted investments are amounts restricted by bond covenants or amounts held on behalf of consumers for specific purposes. Restricted investments consisted of the following:

	December 31,	
	2016	2015
Bond Sinking Fund	\$ 421,757	\$ 554,600
Bond and Interest Reserve Account	887,481	887,481
Consumer Deposit Fund	275,000	250,000
Total Restricted Investments	<u>\$ 1,584,238</u>	<u>\$ 1,692,081</u>

The bond sinking fund represents amounts held in reserve under covenants which require monthly deposits of amounts necessary to meet annual principal and interest payments. The bond and interest reserve account represents amounts held in reserve under bond covenants to fund bond principal and interest payments in the event that bond sinking funds are not sufficient to meet such purposes. The consumer deposit fund is amounts restricted for refunds of customer security deposits.

Designated investments are amounts that are designated by the board. Designated investments consisted of the following:

	December 31,	
	2016	2015
Catastrophic Reserve Fund	\$ 2,000,000	\$ 2,000,000
Improvement and Replacement Fund	1,700,000	1,700,000
Generation Construction Reserve Fund	4,000,000	4,000,000
Transmission Construction Reserve Fund	2,000,000	2,000,000
Water Treatment Plant Reserve Fund	1,000,000	1,000,000
Building Expansion Fund	550,000	50,000
Total Designated Investments	<u>\$11,250,000</u>	<u>\$ 10,750,000</u>

The catastrophic, generation construction, transmission construction and water treatment plant reserve funds, improvement and replacement fund and building expansion fund are amounts designated to be used for extraordinary maintenance, repairs, and improvements, and to pay the cost of renewals, replacements, extensions, or additions as deemed appropriate by the Commission.

WILLMAR MUNICIPAL UTILITIES

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 4. CAPITAL ASSETS

	2016			2015		
	Plant	Composite Depreciation Rate	Percent Depreciated	Plant	Composite Depreciation Rate	Percent Depreciated
Electric	\$ 60,013,852	2.8%	64.7%	\$59,219,115	-0.8%	62.7%
Water	11,596,614	2.1%	58.8%	10,802,425	2.2%	60.9%
Heating	7,438,064	1.6%	94.1%	7,438,064	2.2%	92.5%
Other	5,067,506	3.6%	60.7%	5,002,464	-1.8%	57.9%
Capital Assets	<u>\$ 84,116,036</u>	2.6%	66.2%	<u>\$82,462,068</u>	-0.2%	64.9%

Other capital assets consist of office, transportation and other general equipment.

A summary of capital asset activity for the year ended December 31, 2016, is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets, Not Being Depreciated				
Land and Easements	\$ 1,385,907	\$	\$	\$ 1,385,907
Construction in Progress	1,746,649	2,577,988	(1,495,890)	2,828,747
Total Capital Assets, Not Being Depreciated	3,132,556	2,577,988	(1,495,890)	4,214,654
Capital Assets, Being Depreciated				
Buildings and Improvements	3,901,636	14,459		3,916,095
Structures and Equipment	77,174,525	1,702,422	(62,913)	78,814,034
Total Capital Assets, Being Depreciated	81,076,161	1,716,881	(62,913)	82,730,129
Less Accumulated Depreciation for				
Buildings and Improvements	3,113,314	60,568		3,173,882
Structures and Equipment	50,391,548	2,201,710	(47,821)	52,545,437
Total Accumulated Depreciation	53,504,862	2,262,278	(47,821)	55,719,319
Total Capital Assets Being Depreciated, Net	27,571,299	(545,397)	(15,092)	27,010,810
Net Capital Assets	<u>\$30,703,855</u>	<u>\$ 2,032,591</u>	<u>\$ (1,510,982)</u>	<u>\$31,225,464</u>

WILLMAR MUNICIPAL UTILITIES

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 4. CAPITAL ASSETS (Cont'd)

A summary of capital asset activity for the year ended December 31, 2015, is as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Capital Assets, Not Being Depreciated				
Land and Easements	\$ 1,385,248	\$ 659	\$	\$ 1,385,907
Construction in Progress	2,957,428	1,964,682	(3,175,461)	1,746,649
Total Capital Assets, Not Being Depreciated	4,342,676	1,965,341	(3,175,461)	3,132,556
Capital Assets, Being Depreciated				
Buildings and Improvements	3,635,830	265,806		3,901,636
Structures and Equipment	76,079,786	3,492,176	(2,397,437)	77,174,525
Total Capital Assets, Being Depreciated	79,715,616	3,757,982	(2,397,437)	81,076,161
Less Accumulated Depreciation for				
Buildings and Improvements	3,057,438	55,876		3,113,314
Structures and Equipment	50,588,623	2,157,950	(2,355,025)	50,391,548
Total Accumulated Depreciation	53,646,061	2,213,826	(2,355,025)	53,504,862
Total Capital Assets Being Depreciated, Net	26,069,555	1,544,156	(42,412)	27,571,299
Net Capital Assets	<u>\$30,412,231</u>	<u>\$ 3,509,497</u>	<u>\$ (3,217,873)</u>	<u>\$30,703,855</u>

NOTE 5. LONG-TERM LIABILITIES

A. COMPONENTS OF LONG-TERM LIABILITIES

	Interest Rates	Final Maturity	Balance Outstanding December 31,	
			2016	2015
General Obligation Water Revenue Bonds, Series 2005B	3.00-3.75%	02/01/16	\$	\$ 155,000
Municipal Utility Revenue Bonds, Series 2009A	3.50-5.00%	07/01/25	5,950,000	6,410,000
Compensated Absences			1,185,769	1,318,901
Net Pension Liability			5,082,810	3,394,550
Total Long-Term Liabilities			<u>\$12,218,579</u>	<u>\$11,278,451</u>

WILLMAR MUNICIPAL UTILITIES

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 5. LONG-TERM LIABILITIES (Cont'd)

B. MINIMUM DEBT PAYMENTS

Annual debt service requirements to maturity for bonded debt are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 550,000	\$ 266,031	\$ 816,031
2018	575,000	242,094	817,094
2019	600,000	215,656	815,656
2020	625,000	188,094	813,094
2021	655,000	158,884	813,884
2022-2025	2,945,000	299,569	3,244,569
	<u>\$ 5,950,000</u>	<u>\$ 1,370,328</u>	<u>\$ 7,320,328</u>

C. CHANGES IN LONG-TERM LIABILITIES

A summary of long-term debt activity for the year ended December 31, 2016, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Revenue Bonds	\$ 6,565,000	\$	\$ (615,000)	\$ 5,950,000
Compensated Absences	1,318,901	538,161	(671,293)	1,185,769
Net Pension Liability	3,394,550	3,675,550	(1,987,290)	5,082,810
Total Long-Term Liabilities	<u>\$11,278,451</u>	<u>\$ 4,213,711</u>	<u>\$ (3,273,583)</u>	<u>\$12,218,579</u>

A summary of long-term debt activity for the year ended December 31, 2015, is as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Revenue Bonds	\$ 7,160,000	\$	\$ (595,000)	\$ 6,565,000
Compensated Absences*	1,030,405	884,368	(595,872)	1,318,901
Net Pension Liability*		5,634,609	(2,240,059)	3,394,550
Total Long-Term Liabilities	<u>\$ 8,190,405</u>	<u>\$ 6,518,977</u>	<u>\$ (3,430,931)</u>	<u>\$11,278,451</u>

* - Additions include change in accounting principle of \$3,422,363. See Note 15 for additional information.

WILLMAR MUNICIPAL UTILITIES

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 5. LONG-TERM LIABILITIES (Cont'd)

D. PLEDGED REVENUES

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

<u>Bond Issue/ Use of Proceeds/ Type</u>	<u>Percent of Total Debt Service</u>	<u>Term of Pledge</u>	<u>Remaining Principal and Interest</u>	<u>Principal and Interest Paid</u>	<u>Pledged Revenue Received</u>
Municipal Utility Revenue Bonds, Series 2009A Electric Utility Charges	100%	2009-2025	\$ 7,320,328	\$ 746,231	\$27,135,858

NOTE 6. RISK MANAGEMENT

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

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

The Commission's workers' compensation insurance policy is retrospectively rated. With this type of policy, final premiums are determined after loss experience is known. The amount of premium adjustment for 2016 is estimated to be immaterial based on workers' compensation rates and salaries for the year. The premium adjustment amount for 2015 was immaterial.

At December 31, 2016, there are no other claim liabilities reported in the funds based on the requirements of accounting standards, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

NOTE 7. DEFINED BENEFIT PENSION PLAN - STATEWIDE

A. PLAN DESCRIPTION

The Commission participates in the following cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association (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.

WILLMAR MUNICIPAL UTILITIES

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 7. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

A. PLAN DESCRIPTION (Cont'd)

General Employees Retirement Fund (GERF):

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

B. BENEFITS PROVIDED

PERA provides retirement, disability and death benefits. Benefit provisions are established by 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 2.5% increases. Members in plans that have not exceeded 90% funded, or have fallen below 80%, are given 1% increases.

The benefit provisions stated in the following paragraphs 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.

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

C. CONTRIBUTIONS

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

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.5% of pay, respectively, in calendar year 2016. The Commission was required to contribute 11.78% of pay for Basic Plan members and 7.5% for Coordinated Plan members. The Commission's contributions to the GERF for the plan's year ended December 31, 2016, were \$291,523. The Commission's contributions were equal to the required contributions for each year as set by state statute.

WILLMAR MUNICIPAL UTILITIES

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 7. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

D. PENSION COSTS

At December 31, 2016 and 2015, the Commission reported a liability of \$5,082,810 and \$3,394,550, respectively, for its proportionate share of the GERF's net pension liability. The Commission's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Commission totaled \$66,365. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Commission's proportion of the net pension liability was based on the Commission's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015 through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the Commission's proportion was 0.0626% at the end of the measurement period and 0.0655% at the beginning of the period.

For the year ended December 31, 2016, the Commission recognized pension expense of \$666,922 for its proportionate share of GERF's pension expense. In addition, the Commission recognized an additional \$19,788 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

At December 31, 2016 and 2015, the Commission reported its proportionate share of GERF's deferred outflows of resources and deferred inflows of resources from the following sources:

	2016		2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$	\$ 412,903	\$	\$ 171,143
Changes in actuarial assumptions	995,219			
Differences between projected and actual investment earnings	964,739		321,346	
Changes in proportion		241,611		200,818
Contributions paid to PERA subsequent to measurement date	145,560		145,414	
	<u>\$ 2,105,518</u>	<u>\$ 654,514</u>	<u>\$ 466,760</u>	<u>\$ 371,961</u>

\$145,560 and \$145,414 for 2016 and 2015, respectively, were reported as deferred outflows of resources related to pensions resulting from Commission contributions to GERF subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to GERF pensions will be recognized in pension expense as follows:

Year ended June 30,	Pension Expense Amount
2017	\$ 333,461
2018	333,461
2019	454,922
2020	183,600

WILLMAR MUNICIPAL UTILITIES

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 7. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

E. ACTUARIAL ASSUMPTIONS

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

<u>Assumption</u>	
Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50% per year

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP-2000 tables for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be one percent per year for all future years.

Actuarial assumptions used in the June 30, 2016 valuations were based on the results of actuarial experience studies. The most recent four-year experience study in the GERP Plan was completed in 2015.

The following changes in actuarial assumptions occurred in 2016:

The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.

The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.

Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

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

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

WILLMAR MUNICIPAL UTILITIES

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 7. DEFINED BENEFIT PENSION PLAN - STATEWIDE (Cont'd)

F. DISCOUNT RATE

The discount rate used to measure the total pension liability in 2016 was 7.50%, a reduction from the 7.90% used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan participants. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. PENSION LIABILITY SENSITIVITY

The following presents the Commission'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 Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
GERF Discount Rate for 2016	6.50%	7.50%	8.50%
Commission's proportionate share of the GERF net pension liability for 2016	\$ 7,219,096	\$ 5,082,810	\$ 3,323,091
GERF Discount Rate for 2015	6.90%	7.90%	8.90%
Commission's proportionate share of the GERF net pension liability for 2015	5,337,439	3,394,550	1,790,022

H. PENSION PLAN FIDUCIARY NET POSITION

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

NOTE 8. DEFERRED COMPENSATION PLAN

The Commission offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all Commission employees, permits them to defer a portion of their salary into future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

Investments are managed by the plan's trustee under one of four investment options, or a combination thereof. The choice of the investment option(s) is made by the participants.

WILLMAR MUNICIPAL UTILITIES

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

A. PLAN DESCRIPTION

The Commission operates a single-employer defined benefit plan ("the Plan") that provides health, dental, and life insurance to eligible employees and their families through the Commission's commercial insurance plans. There are 56 active participants and 13 retired participants. Benefit and eligibility provisions are established through negotiations between the Commission 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.

B. FUNDING POLICY

Contribution requirements are also negotiated between the Commission and employees. The Commission contributes 0% - 100% of the cost of current-year premiums for eligible retired plan members and their spouses. The Commission contributed to the Plan \$107,926 and \$157,825 for 2016 and 2015, respectively. The Plan is financed on a pay-as-you-go basis.

C. ANNUAL OPEB COST AND NET OPEB OBLIGATION

The Commission'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 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 Commission's annual OPEB cost for the year, the amount actually paid from the plan, and changes in the Commission's net OPEB obligation.

	2016	2015
Annual Required Contribution	\$ 101,938	\$ 218,515
Interest on Net OPEB Obligation	9,574	8,669
Adjustment to Annual Required Contribution	(14,873)	(12,533)
Annual OPEB Cost (Expense)	96,639	214,651
Contributions Made	107,926	157,825
Increase (Decrease) in Net OPEB Obligation	(11,287)	56,826
Net OPEB Liability - Beginning of Year	273,546	216,720
Net OPEB Liability - End of Year	<u>\$ 262,259</u>	<u>\$ 273,546</u>

The Commission's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan and the net OPEB asset for 2015 was:

Fiscal Year Ended	Annual OPEB Cost	Annual Plan Sponsor Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Liability
2016	\$ 96,639	\$ 107,926	111.7%	\$ 262,259
2015	214,651	157,825	73.5%	273,546

WILLMAR MUNICIPAL UTILITIES

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Cont'd)

D. FUNDED STATUS AND FUNDING PROGRESS

As of December 31, 2016, the most recent actuarial valuation date, the Commission's unfunded actuarial accrued liability (UAAL) was \$1,283,286. 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%.

As of December 31, 2014, the most recent actuarial valuation date for the year ended December 31, 2015, the Commission's unfunded actuarial accrued liability (UAAL) was \$1,801,808. The covered payroll (annual payroll of active employees covered by the Plan) was \$3,999,640 and the ratio of the UAAL to the covered payroll of 45.0%.

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 past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. 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 the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumption included a 3.5% investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date. The inflation rate is 2.75%. The initial healthcare trend rate was 6.6% reduced by decrements to an ultimate rate of 4.4% after thirty-four years. The UAAL is being amortized as a level dollar amount on an open basis. The remaining amortization period at December 31, 2016 was 30 years.

NOTE 10. MAJOR CUSTOMER

During the years ended December 31, 2016 and 2015 net sales to one commercial customer totaled \$8,326,371 and \$7,495,596, representing 27.4% and 23.3% of total sales for each year, respectively. A concentration of the Commission's accounts receivable from one customer at December 31, 2016 and 2015, consisted of approximately 20.0% and 3.0% of the total accounts receivable, respectively.

WILLMAR MUNICIPAL UTILITIES

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 11. NET POSITION

	December 31,	
	2016	2015
Net Investment in Capital Assets		
Net Capital Assets	\$31,225,464	\$ 30,703,855
Revenue Bonds Payable	(5,950,000)	(6,565,000)
	<u>25,275,464</u>	<u>24,138,855</u>
Restricted		
Cash and Investments Restricted by Bond Covenants for Specific Purposes	1,309,238	1,442,081
Cash and Investments Restricted for Consumer Deposits	275,000	250,000
	<u>1,584,238</u>	<u>1,692,081</u>
Unrestricted	<u>19,477,268</u>	<u>16,631,219</u>
	<u><u>\$46,336,970</u></u>	<u><u>\$42,462,155</u></u>

NOTE 12. COMMITMENTS

Under a capacity energy confirmation agreement with Great River Energy, the Commission is committed to capacity charges on certain electric power and energy requirements through the year 2025. The Commission is also committed to certain capacity charges under wholesale power agreements with Western Area Power Administration through the year 2020.

Under a supply agreement with Westmoreland Coal Sales Company, the Commission is committed to coal and rail pricing through December 31, 2017.

In addition, the Commission is committed to purchase specific amounts of coal from Westmoreland Coal Sales Company of St. Paul through 2017.

NOTE 13. OPERATING TRANSFERS TO THE CITY OF WILLMAR

The amount of funds transferred is based on a November 2015 agreement. The transfer amount was \$2,121,088 and \$2,152,597 for 2016 and 2015, respectively. These transfer payments are 4.61 percent of the Commission's audited net worth, but shall not exceed a 2 percent increase in the amount of the intergovernmental transfer payment of the previous year.

NOTE 14. RECLASSIFICATIONS

Certain immaterial prior year financial statement amounts have been reclassified to conform to the current year's presentation. There was no affect on total net position.

WILLMAR MUNICIPAL UTILITIES

NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015

NOTE 15. PRIOR PERIOD ADJUSTMENT

The beginning net position has been decreased to reflect a change in accounting principle. The Commission implemented GASB 68 and GASB 71 which records the Commission's proportionate share of collective net pension liability, deferred inflows of resources and deferred outflows of resources, and pension expense on the Commission's financial statements. Beginning net position decreased \$3,205,643 due to these pension related adjustments. Prior year information does not reflect this change in accounting principle because the cost-sharing multiple-employer defined benefit pension plans in which the Commission participates have not made this information available.

The beginning net position has further been decreased to reflect a change in accounting for other postemployment benefits. The Commission's beginning net position decreased by \$216,720 to reflect the recording of postemployment benefits liability related to previous years.

Restricted investments and restricted net position have been decreased from \$12,442,080 to \$1,692,081 (a change of \$10,750,000), to reflect a reclassification of items previously reported as restricted. Restrictions included reserve funds set aside by board designations only.

This page intentionally left blank

REQUIRED SUPPLEMENTARY INFORMATION

This page intentionally left blank

WILLMAR MUNICIPAL UTILITIES
SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND
EMPLOYER CONTRIBUTIONS
DECEMBER 31, 2016

Schedule of Proportionate Share of the Net Pension Liability

Actuarial Valuation Date	Employer's Proportion of the Net Pension Liability (Asset)	Employer's Proportionate Share of the Net Pension Liability (Asset) (a)	State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) and the State's Proportionate Share of the Net Pension Liability (Asset) Associated with the Employer (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
<u>GERF</u>							
6/30/2016	0.0626%	\$ 5,082,810	\$ 66,365	\$ 5,149,175	\$ 3,885,015	132.5%	68.91%
6/30/2015	0.0655%	3,394,550		3,394,550	3,973,282	85.4%	78.19%

Schedule of Employer Contributions

Year Ended December 31,	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)
<u>GERF</u>					
12/31/2016	\$ 291,523	\$ 291,523	\$	\$ 3,886,243	7.50%
12/31/2015	290,566	290,566		3,874,210	7.50%

The Commission implemented GASB Statement No. 68 for fiscal year ended December 31, 2015. Information for prior years is not available.

WILLMAR MUNICIPAL UTILITIES

SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS
DECEMBER 31, 2016

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
December 31, 2016	\$	\$ 1,283,286	\$ 1,283,286	0.0%	\$ 3,887,200	33.0%
December 31, 2014		1,801,808	1,801,808	0.0%	3,999,640	45.0%

Schedule of Employer Contributions

Year Ended December 31,	Annual Required Contribution	Employer Contribution	Percentage Contributed	Net Obligation
2016	\$ 101,938	\$ 107,926	105.9%	\$ 262,259
2015	218,515	157,825	72.2%	273,546

The City implemented GASB Statement No. 45 for fiscal year ended December 31, 2015. Information for prior years is not available.

SUPPLEMENTARY INFORMATION

This page intentionally left blank

WILLMAR MUNICIPAL UTILITIES

COMBINING SCHEDULE OF REVENUES AND EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2016

	ELECTRIC DIVISION	WATER DIVISION	HEATING DIVISION	TOTAL
OPERATING REVENUES				
Utility Revenues	\$ 27,135,858	\$ 2,424,055	\$ 854,442	\$ 30,414,355
Other Operating Revenues				
Penalties	141,024	18,975	2,246	162,245
Other	1,951,742	(66,533)		1,885,209
Total Other Operating Revenues	2,092,766	(47,558)	2,246	2,047,454
Total Operating Revenues	29,228,624	2,376,497	856,688	32,461,809
OPERATING EXPENSES				
Production				
Operations	3,362,972	297,948		3,660,920
Maintenance	964,867	71,579	1,917	1,038,363
Purchased Power	10,275,949	152,111	390,330	10,818,390
Transmission	3,237,881			3,237,881
Distribution				
Operations	606,151	233,206	45,411	884,768
Maintenance	550,549	139,117	51,626	741,292
Customer Accounts	360,042	201,597	10,080	571,719
Energy Services	262,221			262,221
Administrative and General	2,480,016	406,579	90,249	2,976,844
Depreciation	1,895,254	246,953	120,071	2,262,278
Total Operating Expenses	23,995,902	1,749,090	709,684	26,454,676
Operating Income (Loss)	5,232,722	627,407	147,004	6,007,133
NONOPERATING REVENUES (EXPENSES)				
Investment Income (Loss)	250,837	17,056	11,939	279,832
Merchandise and Contract				
Work, Net	(7,363)			(7,363)
Gain (Loss) on Disposal of Property	7,552			7,552
Interest Expense	(284,841)	(6,410)		(291,251)
Total Nonoperating Revenues				
(Expenses)	(33,815)	10,646	11,939	(11,230)
Income (Loss) Before Transfers	5,198,907	638,053	158,943	5,995,903
TRANSFERS TO THE CITY OF WILLMAR	1,908,979	148,476	63,633	2,121,088
Change in Net Position	\$ 3,289,928	\$ 489,577	\$ 95,310	\$ 3,874,815

This page intentionally left blank

WILLMAR MUNICIPAL UTILITIES

ELECTRIC DIVISION STATISTICS
(UNAUDITED)

	Years Ended December 31,				
	2016	2015	2014	2013	2012
ELECTRIC PLANT					
In Service (Thousands)	\$ 65,081	\$ 64,222	\$ 63,060	\$ 61,878	\$ 60,745
Investment Per Meter (Cents Omitted)	\$ 6,910	\$ 6,857	\$ 6,845	\$ 6,724	\$ 6,469
Investment Per Dollar of Electric Revenue	\$ 2.40	\$ 2.39	\$ 2.40	\$ 2.33	\$ 2.30
Additions (Thousands)	\$ 923	\$ 3,557	\$ 1,262	\$ 375	\$ 2,375
ACCUMULATED					
DEPRECIATION (Thousands)	\$ 41,899	\$ 40,048	\$ 40,592	\$ 38,836	\$ 36,556
Percent of Plant	64.4%	62.4%	64.4%	62.8%	60.2%
Annual Depreciation (Thousands)	\$ 1,899	\$ 1,811	\$ 1,775	\$ 1,820	\$ 1,736
Percent of Annual Depreciation to Average Plant in Service	2.9%	2.8%	2.8%	2.9%	2.9%
NUMBER OF METERS					
Year End	9,418	9,366	9,213	9,203	9,390
COST OF POWER					
KWH Purchased and Generated (Thousands)	295,037	289,016	295,893	297,375	296,352
Total Cost (Thousands)	\$ 15,336	\$ 18,551	\$ 17,207	\$ 18,631	\$ 16,929
Cost Per KWH Purchased and Generated (Cents)	\$ 5.20	\$ 6.42	\$ 5.82	\$ 6.27	\$ 5.71
Percent of System Loss	1.4%	5.7%	7.2%	6.8%	7.2%
ELECTRIC REVENUE					
KWH Sold (Thousands)	291,007	272,561	274,608	277,214	274,967
Electric Revenue (Thousands)	\$ 27,136	\$ 26,854	\$ 26,241	\$ 26,527	\$ 26,465
Per KWH Sold (Cents)	\$ 9.32	\$ 9.85	\$ 9.56	\$ 9.57	\$ 9.62
NET INCOME (Thousands)	\$ 3,290	\$ 224	\$ 1,514	\$ (132)	\$ 2,691

Note - For statistical purposes, the utility general plant is included in the electric division plant.

WILLMAR MUNICIPAL UTILITIES

DETAILED SCHEDULE OF REVENUES AND EXPENSES - ELECTRIC DIVISION
YEARS ENDED DECEMBER 31,

	2016	2015	2014
OPERATING REVENUES			
Utility Revenues			
Residential	\$ 7,099,352	\$ 7,553,093	\$ 7,477,972
Commercial Power	18,174,041	17,263,127	16,288,201
Commercial and Industrial	1,862,465	2,037,656	2,474,825
Total Utility Revenues	<u>27,135,858</u>	<u>26,853,876</u>	<u>26,240,998</u>
Other Operating Revenues			
Penalties	141,024	175,042	188,325
Other	1,951,742	1,945,951	1,715,859
Total Other Operating Revenues	<u>2,092,766</u>	<u>2,120,993</u>	<u>1,904,184</u>
Total Operating Revenues	<u>29,228,624</u>	<u>28,974,869</u>	<u>28,145,182</u>
OPERATING EXPENSES			
Production			
Operations			
Supervision and Engineering	4,378	4,440	41,364
Fuel	2,464,013	2,065,486	2,678,991
Steam Expense	546,541	542,010	532,433
Steam Transferred	(410,627)	(457,414)	(482,051)
Electric Expense	438,561	430,261	423,878
Wind Turbine Expense	96,283	74,829	52,577
Station Expense	223,823	196,408	160,124
Rents			
Total Operation	<u>3,362,972</u>	<u>2,856,020</u>	<u>3,407,316</u>
Maintenance			
Supervision and Engineering	106,696	100,808	52,471
Structures	16,820	139,306	51,046
Boiler Plant	585,772	609,542	417,981
Electric Plant	168,947	214,163	192,825
Wind Turbine	86,632	120,041	(346,664)
Total Maintenance	<u>964,867</u>	<u>1,183,860</u>	<u>367,659</u>
Total Production	<u>4,327,839</u>	<u>4,039,880</u>	<u>3,774,975</u>
Purchased Power	10,275,949	13,828,921	12,760,188
Transmission	3,237,881	2,353,201	2,438,511
Distribution			
Operations			
Supervision and Engineering	108,738	70,965	55,256
Station Expense	17,537	14,998	17,605
Overhead Line	165,915	209,772	198,681
Underground Line	144,039	166,226	163,188
Meter Expense	12,568	51,894	57,449
Other	157,354	141,085	88,824
Total Operations	<u>606,151</u>	<u>654,940</u>	<u>581,003</u>

2013	2012
\$ 7,557,949	\$ 7,473,730
16,485,287	16,464,826
2,483,278	2,526,051
<u>26,526,514</u>	<u>26,464,607</u>
186,240	186,753
104,521	81,801
<u>290,761</u>	<u>268,554</u>
<u>26,817,275</u>	<u>26,733,161</u>
38,606	42,326
2,015,036	2,126,012
358,279	461,418
(359,028)	(356,193)
389,117	455,894
25,725	37,067
170,056	267,643
	100
<u>2,637,791</u>	<u>3,034,267</u>
52,318	49,447
8,863	10,561
574,359	363,938
507,079	37,792
200,351	200,592
<u>1,342,970</u>	<u>662,330</u>
<u>3,980,761</u>	<u>3,696,597</u>
13,938,136	12,504,622
227,113	290,242
112,051	129,130
15,355	13,067
155,363	164,906
174,039	137,409
56,176	58,160
98,037	77,330
<u>611,021</u>	<u>580,002</u>

WILLMAR MUNICIPAL UTILITIES

DETAILED SCHEDULE OF REVENUES AND EXPENSES - ELECTRIC DIVISION (CONTINUED)
YEARS ENDED DECEMBER 31,

	2016	2015	2014
OPERATING EXPENSES (Cont'd)			
Maintenance			
Supervision and Engineering	\$ 58,299	\$ 56,991	\$ 38,265
Station Equipment	4,002	120	27,689
Overhead Line	111,218	194,360	91,381
Underground Line	161,354	275,833	246,989
Transformer/Building System		3,308	5,064
Street Lights	215,090	93,510	98,701
Meters	586	9,132	2,867
Total Maintenance	<u>550,549</u>	<u>633,254</u>	<u>510,956</u>
Total Distribution	<u>1,156,700</u>	<u>1,288,194</u>	<u>1,091,959</u>
Customer Accounts	360,042	321,555	263,795
Energy Services	262,221	200,305	265,783
Administrative and General	2,480,016	3,148,669	2,894,964
Depreciation	<u>1,895,254</u>	<u>1,774,866</u>	<u>1,745,611</u>
Total Operating Expenses	<u>23,995,902</u>	<u>26,955,591</u>	<u>25,235,786</u>
Operating Income (Loss)	<u>5,232,722</u>	<u>2,019,278</u>	<u>2,909,396</u>
NONOPERATING REVENUES (EXPENSES)			
Investment Income (Loss)	250,837	328,456	686,592
Equity Interest in Joint Venture			
Merchandise and Contract Work, Net	(7,363)	11,057	88,197
Gain (Loss) on Disposal of Property	7,552	107,552	18,718
Interest Expense	<u>(284,841)</u>	<u>(300,459)</u>	<u>(320,930)</u>
Total Nonoperating Revenues (Expenses)	<u>(33,815)</u>	<u>146,606</u>	<u>472,577</u>
Income (Loss) Before Transfers	<u>5,198,907</u>	<u>2,165,884</u>	<u>3,381,973</u>
TRANSFERS TO THE CITY OF WILLMAR	<u>1,908,979</u>	<u>1,941,700</u>	<u>1,867,856</u>
Change in Net Position	<u>\$ 3,289,928</u>	<u>\$ 224,184</u>	<u>\$ 1,514,117</u>

2013	2012
\$ 32,680	\$ 38,371
59,780	72,162
235,623	206,503
3,460	11,418
74,038	51,898
77	
405,658	380,352
1,016,679	960,354
258,178	236,715
197,465	222,892
3,144,368	2,706,418
1,776,024	1,697,113
24,538,724	22,314,953
2,278,551	4,418,208
(306,648)	230,554
	12,538
29,570	52,673
(1,007)	55,659
(336,441)	(351,037)
(614,526)	386
1,664,025	4,418,594
1,796,016	1,727,738
\$ (131,991)	\$ 2,690,856

This page intentionally left blank

WILLMAR MUNICIPAL UTILITIES

WATER DIVISION STATISTICS
(UNAUDITED)

	Years Ended December 31,				
	2016	2015	2014	2013	2012
WATER PLANT					
In Service (Thousands)	\$ 11,597	\$ 10,802	\$ 10,603	\$ 10,575	\$ 10,967
Investment Per Meter (Cents Omitted)	\$ 1,769	\$ 1,658	\$ 1,659	\$ 1,656	\$ 1,679
Investment Per Dollar of Water Revenue	\$ 4.78	\$ 4.79	\$ 5.33	\$ 5.26	\$ 5.26
Additions (Thousands)	\$ 794	\$ 202	\$ 110	\$ 402	\$ 417
ACCUMULATED					
DEPRECIATION (Thousands)	\$ 6,823	\$ 6,579	\$ 6,339	\$ 6,115	\$ 6,348
Percent of Plant	58.8%	60.9%	59.8%	57.8%	57.9%
Annual Depreciation (Thousands)	\$ 244	\$ 224	\$ 224	\$ 274	\$ 338
Percent of Annual Depreciation to Average Plant in Service	2.1%	2.1%	2.1%	2.6%	3.1%
NUMBER OF METERS					
Year End	6,555	6,517	6,391	6,385	6,532
COST OF WATER PRODUCTION					
Cubic Feet Pumped (Thousands)	193,984	190,909	197,460	193,457	197,594
Total Cost (Thousands)	\$ 766	\$ 716	\$ 710	\$ 707	\$ 669
Cost Per CCF Pumped	\$ 0.39	\$ 0.37	\$ 0.36	\$ 0.37	\$ 0.34
Percent of System Loss	16.0%	17.6%	20.7%	19.2%	17.1%
WATER REVENUE					
CCF Sold (Thousands)	163,009	157,395	156,591	156,362	163,796
Revenue (Thousands)	\$ 2,424	\$ 2,253	\$ 1,989	\$ 2,010	\$ 2,086
Per CCF Sold (Cents)	\$ 1.49	\$ 1.43	\$ 1.27	\$ 1.29	\$ 1.27
NET INCOME (Thousands)	\$ 490	\$ 347	\$ 263	\$ 106	\$ 251

WILLMAR MUNICIPAL UTILITIES

DETAILED SCHEDULE OF REVENUES AND EXPENSES - WATER DIVISION
YEARS ENDED DECEMBER 31,

	<u>2016</u>	<u>2015</u>	<u>2014</u>
OPERATING REVENUES			
Utility Revenues			
Residential	\$ 1,200,673	\$ 1,155,360	\$ 1,033,732
Commercial and Industrial	1,223,382	1,097,904	954,974
Total Utility Revenues	<u>2,424,055</u>	<u>2,253,264</u>	<u>1,988,706</u>
Other Operating Revenues			
Penalties	18,975	23,795	31,105
Other	(66,533)	63,513	56,549
Total Other Operating Revenues	<u>(47,558)</u>	<u>87,308</u>	<u>87,654</u>
Total Operating Revenues	<u>2,376,497</u>	<u>2,340,572</u>	<u>2,076,360</u>
OPERATING EXPENSES			
Production			
Operations			
Supervision and Engineering	69,355	62,941	55,323
Station Expense	129,708	102,014	100,997
Other	98,885	80,099	80,162
Total Operations	<u>297,948</u>	<u>245,054</u>	<u>236,482</u>
Maintenance			
Structures	1,593	5,004	3,755
Wells, Pumps and Equipment	69,986	75,564	73,807
Total Maintenance	<u>71,579</u>	<u>80,568</u>	<u>77,562</u>
Total Production	<u>369,527</u>	<u>325,622</u>	<u>314,044</u>
Power Purchased from Electric Division	152,111	149,570	155,313
Distribution			
Operations			
Supervision and Engineering	46,971	45,709	31,069
Underground Mains	110,015	104,469	75,647
Meter Expense	25,226	21,866	31,145
Customer Installation	34,087	22,868	15,521
Other	16,907	14,340	20,267
Total Operations	<u>233,206</u>	<u>209,252</u>	<u>173,649</u>
Maintenance			
Structures	8,720	6,532	5,629
Underground Mains	99,143	93,236	107,388
Services	18,556	27,255	24,914
Meters	12,698	10,176	4,386
Total Maintenance	<u>139,117</u>	<u>137,199</u>	<u>142,317</u>
Total Distribution	<u>372,323</u>	<u>346,451</u>	<u>315,966</u>

2013	2012
\$ 1,081,556	\$ 1,141,175
928,218	944,819
<u>2,009,774</u>	<u>2,085,994</u>
33,658	33,792
52,315	43,370
<u>85,973</u>	<u>77,162</u>
<u>2,095,747</u>	<u>2,163,156</u>
55,619	44,530
103,509	130,947
80,849	84,492
<u>239,977</u>	<u>259,969</u>
3,996	23,417
60,637	82,878
<u>64,633</u>	<u>106,295</u>
<u>304,610</u>	<u>366,264</u>
128,288	122,868
33,882	24,939
94,784	79,401
29,396	23,989
10,893	10,924
10,344	5,866
<u>179,299</u>	<u>145,119</u>
5,266	20,954
72,376	64,365
22,248	34,920
10,180	6,770
<u>110,070</u>	<u>127,009</u>
<u>289,369</u>	<u>272,128</u>

WILLMAR MUNICIPAL UTILITIES

DETAILED SCHEDULE OF REVENUES AND EXPENSES - WATER DIVISION (CONTINUED)
YEARS ENDED DECEMBER 31,

	2016	2015	2014
OPERATING EXPENSES (Cont'd)			
Customer Accounts	\$ 201,597	\$ 185,476	\$ 160,617
Administrative and General	406,579	583,610	528,036
Depreciation	246,953	268,671	264,324
Total Operating Expenses	1,749,090	1,859,400	1,738,300
Operating Income (Loss)	627,407	481,172	338,060
NONOPERATING REVENUES (EXPENSES)			
Investment Income (Loss)	17,056	21,673	82,722
Gain (Loss) on Disposal of Property			
Interest Expense	(6,410)	(9,331)	(12,880)
Total Nonoperating Revenues (Expenses)	10,646	12,342	69,842
Income (Loss) Before Transfers	638,053	493,514	407,902
TRANSFERS TO THE CITY OF WILLMAR	148,476	146,174	145,278
Change in Net Position	\$ 489,577	\$ 347,340	\$ 262,624

2013	2012
\$ 177,731	\$ 164,689
582,292	468,719
313,093	374,978
1,795,383	1,769,646
300,364	393,510
(37,250)	24,080
(17,820)	(22,530)
(55,070)	1,550
245,294	395,060
139,690	143,911
\$ 105,604	\$ 251,149

This page intentionally left blank

WILLMAR MUNICIPAL UTILITIES
DISTRICT HEATING DIVISION STATISTICS
(UNAUDITED)

	Years Ended December 31,				
	2016	2015	2014	2013	2012
HEATING PLANT					
In Service (Thousands)	\$ 7,438	\$ 7,438	\$ 7,438	\$ 7,396	\$ 7,471
Investment Per Meter (Cents Omitted)	\$ 33,656	\$ 33,206	\$ 32,767	\$ 32,295	\$ 31,928
Investment Per Dollar of Heating Revenue	\$ 8.71	\$ 8.79	\$ 7.61	\$ 7.72	\$ 9.31
Additions (Thousands)	\$	\$	\$ 42	\$ 30	\$ 13
ACCUMULATED					
DEPRECIATION (Thousands)	\$ 6,998	\$ 6,878	\$ 6,716	\$ 6,535	\$ 6,414
Percent of Plant	94.1%	92.5%	90.3%	88.4%	85.9%
Annual Depreciation (Thousands)	\$ 119	\$ 163	\$ 180	\$ 190	\$ 235
Percent of Annual Depreciation to Average Plant in Service	1.6%	2.2%	2.4%	2.6%	3.1%
NUMBER OF METERS					
Hot Water	221	224	227	229	234
COST OF ENERGY					
Pounds of Steam (Thousands)*	75,160	77,724	103,303	95,286	88,289
Total Cost (Thousands)	\$ 512	\$ 701	\$ 669	\$ 582	\$ 308
Cost Per 1,000 Pounds	\$ 6.81	\$ 9.02	\$ 6.48	\$ 6.11	\$ 3.49
Percent of System Loss	-20.2%	-11.3%	5.8%	10.0%	15.3%
HEATING REVENUE					
KWH Sold (Thousands)	26,466	25,354	28,518	27,893	23,361
Heating Revenue (Thousands)	\$ 854	\$ 847	\$ 978	\$ 957	\$ 803
Per KWH Sold (Cents)	\$ 3.23	\$ 3.34	\$ 3.43	\$ 3.43	\$ 3.44
NET INCOME (LOSS) (Thousands)	\$ 95	\$ (145)	\$ 72	\$ (11)	\$ 25

* - Pounds of steam recorded consisted of dysfunctional meters which were changed out late winter of 2015, therefore creating a discrepancy in the total pounds of steam from prior years.

WILLMAR MUNICIPAL UTILITIES

DETAILED SCHEDULE OF REVENUES AND EXPENSES - DISTRICT HEATING DIVISION
YEARS ENDED DECEMBER 31,

	2016	2015	2014
OPERATING REVENUES			
Utility Revenues			
Residential	\$ 85,947	\$ 94,297	\$ 125,456
Commercial and Industrial	768,495	752,306	852,325
Total Utility Revenues	<u>854,442</u>	<u>846,603</u>	<u>977,781</u>
Other Operating Revenues			
Penalties	2,246	2,113	4,147
Total Operating Revenues	<u>856,688</u>	<u>848,716</u>	<u>981,928</u>
OPERATING EXPENSES			
Production			
Maintenance			
Materials	1,917	8,013	959
Cost of Energy	390,330	530,693	488,352
Distribution			
Operations			
Supervision and Engineering	12,420	13,829	9,316
Underground Mains	10,976	3,188	746
Meters	4,231	8,360	1,599
Customer Installation	12,787	16,854	2,985
Other	4,997	6,359	10,376
Total Operations	<u>45,411</u>	<u>48,590</u>	<u>25,022</u>
Maintenance			
Underground Tunnels and Mains	24,612	20,015	22,887
Meters	23,178	8,386	20,524
Other	3,836	10,107	12,440
Total Maintenance	<u>51,626</u>	<u>38,508</u>	<u>55,851</u>
Total Distribution	<u>97,037</u>	<u>87,098</u>	<u>80,873</u>
Customer Accounts	10,080	9,274	8,031
Administrative and General	90,249	138,721	140,873
Depreciation	120,071	170,289	186,334
Total Operating Expenses	<u>709,684</u>	<u>944,088</u>	<u>905,422</u>
Operating Income (Loss)	<u>147,004</u>	<u>(95,372)</u>	<u>76,506</u>

2013	2012
\$ 122,831	\$ 86,843
834,578	715,917
957,409	802,760
4,488	4,506
961,897	807,266
10,537	496
418,332	296,039
12,821	31,268
1,916	11,271
140	1,329
476	1,635
10,315	11,636
25,668	57,139
40,903	4,885
3,808	10,376
28,731	10,009
73,442	25,270
99,110	82,409
8,887	8,234
155,278	124,991
195,034	240,184
887,178	752,353
74,719	54,913

WILLMAR MUNICIPAL UTILITIES

DETAILED SCHEDULE OF REVENUES AND EXPENSES - HEATING DIVISION (CONTINUED)
YEARS ENDED DECEMBER 31,

	<u>2016</u>	<u>2015</u>	<u>2014</u>
NONOPERATING REVENUES (EXPENSES)			
Investment Income (Loss)	<u>\$ 11,939</u>	<u>\$ 15,171</u>	<u>\$ 57,905</u>
Income (Loss) Before Transfers	<u>158,943</u>	<u>(80,201)</u>	<u>134,411</u>
TRANSFERS TO THE CITY OF WILLMAR	<u>63,633</u>	<u>64,723</u>	<u>62,262</u>
Change in Net Position	<u>\$ 95,310</u>	<u>\$ (144,924)</u>	<u>\$ 72,149</u>

2013	2012
\$ (26,075)	\$ 16,856
48,644	71,769
59,867	47,171
\$ (11,223)	\$ 24,598

WILLMAR MUNICIPAL UTILITIES

COMBINED SCHEDULE OF ADMINISTRATIVE AND GENERAL
AND CUSTOMER ACCOUNTS EXPENSE
YEARS ENDED DECEMBER 31,

	2016	2015	2014
CUSTOMER ACCOUNTS EXPENSE			
Supervision	\$ 68,360	\$ 23,335	\$ 12,298
Meter Reading	179,824	205,218	179,936
Customer Records and Collection Expense	287,455	257,536	223,645
Uncollectible Accounts	36,080	31,827	16,564
Total Customer Accounts Expense	<u>\$ 571,719</u>	<u>\$ 517,916</u>	<u>\$ 432,443</u>
ALLOCATION OF CUSTOMER ACCOUNTS EXPENSE			
Electric	\$ 360,042	\$ 323,166	\$ 263,795
Water	201,597	185,476	160,617
Heating	10,080	9,274	8,031
Total Allocation of Customer Accounts Expense	<u>\$ 571,719</u>	<u>\$ 517,916</u>	<u>\$ 432,443</u>
ADMINISTRATIVE AND GENERAL EXPENSE			
Administrative and General Salary	\$ 659,139	\$ 855,754	\$ 707,785
Office Supplies and Expense	341,443	301,839	161,461
Outside Services Employed	325,312	243,454	246,183
Property Insurance	241,232	293,387	383,677
Injuries and Damages Insurance	100,550	386,946	157,776
Employees' Pensions and Benefits	1,106,731	1,520,472	1,599,026
Transportation Expense	16,796	36,708	88,944
Maintenance of General Plant	185,641	232,440	219,021
Total Administrative and General Expense	<u>\$ 2,976,844</u>	<u>\$ 3,871,000</u>	<u>\$ 3,563,873</u>
ALLOCATION OF ADMINISTRATIVE AND GENERAL EXPENSE			
Electric	\$ 2,480,016	\$ 3,148,669	\$ 2,894,964
Water	406,579	583,610	528,036
Heating	90,249	138,721	140,873
Total Allocation of Administrative and General Expense	<u>\$ 2,976,844</u>	<u>\$ 3,871,000</u>	<u>\$ 3,563,873</u>

2013		2012	
\$	13,966	\$	27,138
	174,991		156,239
	224,680		220,322
	31,159		5,938
<hr/>		<hr/>	
\$	444,796	\$	409,637
<hr/>		<hr/>	
\$	258,178	\$	236,355
	177,731		164,689
	8,887		8,234
<hr/>		<hr/>	
\$	444,796	\$	409,278
<hr/>		<hr/>	
\$	659,181	\$	593,769
	462,588		187,941
	111,546		107,860
	348,938		450,541
	360,471		83,544
	1,637,072		1,522,319
	77,838		91,248
	224,304		262,906
<hr/>		<hr/>	
\$	3,881,938	\$	3,300,128
<hr/>		<hr/>	
\$	3,144,368	\$	2,706,418
	582,292		468,719
	155,278		124,991
<hr/>		<hr/>	
\$	3,881,938	\$	3,300,128

WILLMAR MUNICIPAL UTILITIES

SCHEDULE OF UTILITY PLANT AND ACCUMULATED DEPRECIATION
YEAR ENDED DECEMBER 31, 2016

	ASSETS			
	Beginning Balance	Additions	Retirements	Ending Balance
ELECTRIC DIVISION				
Production				
Land and Land Improvements	\$ 258,368	\$	\$	\$ 258,368
Buildings	1,206,142			1,206,142
Boiler Equipment	5,153,462			5,153,462
Turbo-Generator Equipment	5,120,700			5,120,700
Switchgear, Transformers, and Substation	1,148,004	2,987		1,150,991
Wind Turbine	8,792,733			8,792,733
Total Production	21,679,409	2,987	0	21,682,396
Transmission				
Land and Land Improvements	253,076			253,076
Buildings	1,090,186			1,090,186
Transmission System	12,698,576			12,698,576
Total Transmission	14,041,838	0	0	14,041,838
Distribution				
Land and Land Improvements	101,778			101,778
Buildings	216,380			216,380
Distribution System	21,598,373	806,844	(15,094)	22,390,123
Street Lighting System - Transferred from the City of Willmar	805,725			805,725
Plant Acquisition Adjustment	775,612			775,612
Total Distribution	23,497,868	806,844	(15,094)	24,289,618
Total Electric Division	59,219,115	809,831	(15,094)	60,013,852
WATER DIVISION				
Production				
Land and Land Improvements	155,139			155,139
Structures	184,658			184,658
Wells, Pumps and Accessories	4,227,036	673,378		4,900,414
Total Production	4,566,833	673,378	0	5,240,211
Distribution System	6,235,592	120,811		6,356,403
Total Water Division	10,802,425	794,189	0	11,596,614
HEATING DIVISION				
Production	583,080			583,080
Distribution System	6,854,984			6,854,984
Total Heating Division	7,438,064	0	0	7,438,064

ACCUMULATED DEPRECIATION					Percent of Ending Balance to Plant
Depreciation Rate	Beginning Balance	Provision	Retirements	Ending Balance	
	\$ 65,444	\$	\$	\$ 65,444	25.3%
2.0%	916,641	25,035		941,676	78.1%
3.3%	4,056,892	118,036		4,174,928	81.0%
3.3%	3,192,849	118,606		3,311,455	64.7%
4.0%	914,287	32,031		946,318	82.2%
5.0%	2,694,118	439,672		3,133,790	35.6%
	<u>11,840,231</u>	<u>733,380</u>	<u>0</u>	<u>12,573,611</u>	58.0%
4.0%	11,447			11,447	4.5%
4.0%	1,058,711	4,070		1,062,781	97.5%
4.0%	8,805,447	321,676		9,127,123	71.9%
	<u>9,875,605</u>	<u>325,746</u>	<u>0</u>	<u>10,201,351</u>	72.6%
2.0%	172,616	3,921		176,537	81.6%
4.0 - 10.0%	13,681,576	607,138		14,288,714	63.8%
4.0%	805,725			805,725	100.0%
4.0%	775,612			775,612	100.0%
	<u>15,435,529</u>	<u>611,059</u>	<u>0</u>	<u>16,046,588</u>	66.1%
	<u>37,151,365</u>	<u>1,670,185</u>	<u>0</u>	<u>38,821,550</u>	64.7%
2.0%	126,028	2,234		128,262	69.5%
5.0%	3,819,898	49,867		3,869,765	79.0%
	<u>3,945,926</u>	<u>52,101</u>	<u>0</u>	<u>3,998,027</u>	76.3%
2.0 - 4.0%	2,632,958	191,952		2,824,910	44.4%
	<u>6,578,884</u>	<u>244,053</u>	<u>0</u>	<u>6,822,937</u>	58.8%
2.0%	367,319	11,664		378,983	65.0%
3.3%	6,510,959	107,633		6,618,592	96.6%
	<u>6,878,278</u>	<u>119,297</u>	<u>0</u>	<u>6,997,575</u>	94.1%

WILLMAR MUNICIPAL UTILITIES

SCHEDULE OF UTILITY PLANT AND ACCUMULATED DEPRECIATION (CONTINUED)
YEAR ENDED DECEMBER 31, 2016

	ASSETS			
	Beginning Balance	Additions	Retirements	Ending Balance
GENERAL PLANT				
Land and Land Improvements	\$ 617,546	\$	\$	\$ 617,546
Buildings	1,204,270	14,459		1,218,729
Office Equipment	769,023	5,222		774,245
Transportation Equipment	1,697,819	61,968	(47,819)	1,711,968
Tools and Equipment	468,833			468,833
Communications Equipment	244,973	31,212		276,185
Total General Plant	<u>5,002,464</u>	<u>112,861</u>	<u>(47,819)</u>	<u>5,067,506</u>
Total Utility Plant in Service	82,462,068	1,716,881	(62,913)	84,116,036
Construction Work in Progress	<u>1,746,649</u>	<u>2,577,988</u>	<u>(1,495,890)</u>	<u>2,828,747</u>
Totals	<u>\$ 84,208,717</u>	<u>\$ 4,294,869</u>	<u>\$ (1,558,803)</u>	<u>\$ 86,944,783</u>

ACCUMULATED DEPRECIATION					Percent of Ending Balance to Plant
Depreciation Rate	Beginning Balance	Provision	Retirements	Ending Balance	
	\$	\$	\$	\$	
2.0%	839,318	25,308		864,626	70.9%
10.0 - 20.0%	427,509	59,130		486,639	62.9%
10.0 - 14.3%	1,031,773	116,406	(47,819)	1,100,360	64.3%
10.0%	380,138	17,700		397,838	84.9%
10.0%	217,597	10,199		227,796	82.5%
	<u>2,896,335</u>	<u>228,743</u>	<u>(47,819)</u>	<u>3,077,259</u>	60.7%
	53,504,862	2,262,278	(47,819)	55,719,321	66.2%
	<u>\$ 53,504,862</u>	<u>\$ 2,262,278</u>	<u>\$ (47,819)</u>	<u>\$ 55,719,321</u>	

WILLMAR MUNICIPAL UTILITIES

SCHEDULE OF BONDS PAYABLE
DECEMBER 31, 2016

	Interest Rate	Annual Serial Payment	
		Year	Amount
<u>Future maturities of bonds payable are as follows:</u>			
<u>Municipal Utility Revenue Bonds, Series 2009A</u>			
Dated April 1, 2009; Issued \$8,120,000;	4.00%	2017	\$ 550,000
Final Maturity July 1, 2025;	4.50%	2018	575,000
Interest Dates 1/1 and 7/1.	4.50%	2019	600,000
	4.50%	2020	625,000
	4.63%	2021	655,000
	4.75%	2022	685,000
	4.75%	2023	720,000
	5.00%	2024	750,000
	5.00%	2025	790,000
			<hr/>
Total Bonds Payable			\$ 5,950,000
			<hr/>

COMPLIANCE SECTION

This page intentionally left blank



INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Members of the Willmar Municipal Utilities Commission
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 Willmar Municipal Utilities (the Commission), a component unit of the City of Willmar, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, and have issued our report thereon dated March 27, 2017.

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

In connection with our audit, nothing came to our attention that caused us to believe that the Commission failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. 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 Commission's noncompliance with the above referenced provisions.

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

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
Certified Public Accountants & Consultants
Willmar, Minnesota

March 27, 2017

This page intentionally left blank



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

Members of the Willmar Municipal Utilities Commission
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 Willmar Municipal Utilities (the Commission), a component unit of the City of Willmar, Minnesota, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements and have issued our report thereon dated March 27, 2017.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceeding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described as Findings 2016-001 and 2016-002 in the accompanying Schedule of Findings to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission'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*.

Commission's Response to Findings

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

Purpose of this Report

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

Conway, Deuth & Schmiesing, PLLP

CONWAY, DEUTH & SCHMIESING, PLLP
Certified Public Accountants & Consultants
Willmar, Minnesota

March 27, 2017

WILLMAR MUNICIPAL UTILITIES

SCHEDULE OF FINDINGS

DECEMBER 31, 2016

I. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

FINDING: 2016-001 LIMITED SEGREGATION OF DUTIES

Condition: There is an absence of appropriate segregation of duties consistent with appropriate control objectives due to a limited number of employees.

Criteria: The basic premise is that no one person should have access to both physical assets and the related accounting records or to all phases of a transaction. The lack of such controls could result in the occurrence of a material error or fraud in relation to the financial statements not being detected by management.

Cause: The Commission has assigned duties to staff based on a cost-benefit relationship to the Commission and the practicality of the level of staffing the Commission maintains.

Effect: The lack of adequate segregation of duties could adversely affect the Commission's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Recommendation: The Commission should continue to monitor and evaluate the job responsibilities assigned to staff to determine whether there is an unacceptable risk.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

The Commission is aware of the limited segregation of duties and will continue to review internal controls and make changes when they can be made.

Official Responsible for Ensuring CAP:

Denise Runge, Director of Finance

Planned Completion Date for CAP:

December 31, 2017

Plan to Monitor Completion of CPA:

Board of Commissioners

WILLMAR MUNICIPAL UTILITIES

SCHEDULE OF FINDINGS

DECEMBER 31, 2016

I. FINDINGS RELATED TO FINANCIAL STATEMENTS AUDITED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (Cont'd)

FINDING: 2016-002 AUDITOR PREPARED FINANCIAL STATEMENTS

Condition: The Commission does not have an internal control system designed to provide for the preparation of the financial statements and the related notes being audited. However, based on the degree of complexity and level of detail needed to prepare the financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), the Commission has requested the auditors to prepare them.

Criteria: The preparation of the financial statements and the related notes are the responsibility of management.

Cause: There are a limited number of office employees and resources available to allow for the adequate preparation of the financial statements and the related notes by the Commission.

Effect: This could result in a material misstatement to the financial statements and related notes that would not be prevented, or detected and corrected as a result of the Commission's current internal control.

Recommendation: The Commission should continue to request the assistance to draft the financial statements and related notes and thoroughly review these financial statements after they have been prepared so the Commission can take responsibility for them.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Finding:

None

Actions Planned in Response to Finding:

The Commission is aware of this; however, due to significant cost and a limited number of employees, it is in the Commission's best financial interest to contract for the preparation of the financial statements.

Official Responsible for Ensuring CAP:

Denise Runge, Director of Finance

Planned Completion Date for CAP:

December 31, 2017

Plan to Monitor Completion of CPA:

Denise Runge, Director of Finance

WILLMAR MUNICIPAL UTILITIES

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
DECEMBER 31, 2016

<u>Comment Reference</u>	<u>Comment Title</u>	<u>Status</u>	<u>Year Finding Initially Occurred</u>	<u>If Not Corrected, Provide Planned Corrective Action or Other Explanation</u>
Financial Statement Findings:				
2015-001	Limited Segregation of Duties	Not Corrected	2015	See current year finding 2016-001
2015-002	Auditor Prepared Financial Statements	Not Corrected	2015	See current year finding 2016-002

Minnesota Legal Compliance Findings:

None



Rice Memorial Hospital (An Enterprise Fund of the City of Willmar, Minnesota)

Financial Report
(With Independent Auditor's Report Thereon)
December 31, 2016

Contents

Independent auditor's report	1-2
Management's discussion and analysis (unaudited)	3-7
Financial statements	
Statements of net position	8-9
Statements of revenues, expenses and changes in net position	10-11
Statements of cash flows	12-13
Notes to financial statements	14-37
Required supplementary information (unaudited)	
Other postemployment benefits funding status	38
Schedule of Rice Memorial Hospital's contributions to the Public Employees General Employees Retirement Fund	39
Schedule of Rice Memorial Hospital's proportionate share of net pension liability	40
Supplementary information	
Combining statements of net position	41-44
Combining statements of revenues, expenses and changes in net position	45-48
Statement of revenues, expenses and changes in net position—Rice Health Foundation	49
Independent auditor's report on legal compliance	50



RSM US LLP

Independent Auditor's Report

Board of Directors
Rice Memorial Hospital
Willmar, Minnesota

Report on the Financial Statements

We have audited the accompanying statements of net position of Rice Memorial Hospital (the Hospital), an enterprise fund of the City of Willmar, Minnesota, as of December 31, 2016 and 2015, the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Hospital's basic financial statements.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Rice Memorial Hospital, an enterprise fund of the City of Willmar, Minnesota, as of December 31, 2016 and 2015, and the changes in its financial position, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Hospital and do not purport to, and do not, present the financial position of the City of Willmar, Minnesota, as of December 31, 2016 and 2015, and its changes in financial position or, where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (unaudited) and the required supplementary information (unaudited), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits 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 audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements, or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

RSM US LLP

Minneapolis, Minnesota
April 3, 2017

**Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)**

Management's Discussion and Analysis

Introduction

Rice Memorial Hospital (an enterprise fund of the City of Willmar, Minnesota) (the Hospital) offers readers of its financial statements this narrative overview and analysis of the financial activities of the Hospital for the fiscal years ended December 31, 2016 and 2015. The Hospital encourages readers to consider the information presented here in conjunction with the Hospital's financial statements, including the notes thereto.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Hospital's audited financial statements. The financial statements are composed of the statements of net position, the statements of revenues, expenses and changes in net position, and the statements of cash flows. The financial statements also include notes to the financial statements that explain in more detail some of the information in the financial statements. The financial statements are designed to provide readers with a broad overview of the Hospital's finances.

Required Financial Statements

The Hospital's financial statements report information about the Hospital and Rice Health Foundation using accounting methods similar to those used by private sector health care organizations. These statements offer short- and long-term information about its activities. The statement of net position includes all of the Hospital's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to the Hospital's creditors (liabilities). The statement of net position also provides the basis for evaluating the capital structure of the Hospital and assessing the liquidity and financial flexibility of the organization.

All of the current year's revenues and expenses are accounted for in the statement of revenues, expenses and changes in net position. This statement measures the financial performance of the Hospital's operations over the past two years and can be used to determine whether the Hospital has successfully recovered all of its costs through its patient service revenue and other revenue sources. The Hospital does not receive any funding from the City of Willmar (the City). Payments in lieu of taxes have been made to the City in the amounts of \$351,500 for 2016, \$529,194 for 2015 and \$532,589 for 2014. Revenues and expenses are reported on an accrual basis, which means the related cash could be received or paid in a subsequent period.

The final required statement is the statement of cash flows. This statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing and financing activities. It also provides answers to where cash came from, what cash was used for, and what the change in cash balance was during the reporting period.

**Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)**

Management's Discussion and Analysis

Financial Highlights

In 2015, management adopted GASB Statements No. 68 and 71. The adoption of GASB Statement No. 68 had a significant impact to the net position of the Hospital at January 1, 2015. As a result of implementing these statements, the net position of the Hospital experienced a \$30.7 million decrease upon adoption in 2015. The Hospital's net pension liability increased from \$35.6 million in 2015 to \$53.8 million in 2016. Although management did adopt GASB Statements No. 68 and 71, management believes the adoption of the GASB Statements does not properly or accurately reflect the reality of the organization's financial performance in 2016 or the organization's financial position at December 31, 2016.

Excess of revenue over expenses was \$1.7 million in 2016, \$3.4 million 2015 and a deficit of \$886,000 in 2014. Operating activity reflected operating income of \$1.0 million in 2016, \$2.4 million in 2015 and operating losses of \$2.4 million in 2014. For the purposes of this discussion and analysis, interest expense has been treated as a component of operating income (loss) and is discussed in that context. Included in the \$1.0 million of operating income in 2016 was \$3.3 million of noncash expense related to the adoption of GASB Statements No. 68 and 71.

Financial Analysis of Rice Memorial Hospital

The statement of net position and the statement of revenues, expenses and changes in net position report the net position of the Hospital and the related changes. The Hospital's net position (the difference between total assets/deferred outflows and total liabilities/deferred inflows) is a way to measure the financial health, or financial position. Over time, sustained increases or decreases in the Hospital's net position is one indicator of whether its financial health is improving or deteriorating. However, other non-financial factors, such as changes in economic conditions, population growth and new governmental legislation, should also be considered.

Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)

Management's Discussion and Analysis

Statements of Net Position

A summary of the Hospital's statements of net position at December 31, 2016, 2015 and 2014, is presented below.

Condensed Statements of Net Position (In Thousands)

	2016	2015	2014	
Current assets	\$ 29,979	\$ 30,422	\$ 24,327	
Assets limited as to use	10,125	10,066	9,520	
Capital assets, net	62,776	61,066	61,761	
Other assets	35,835	32,890	34,675	
Total assets	138,715	134,444	130,283	
Deferred outflows of resources	23,662	6,345	1,493	(1)
Total assets and deferred outflows	\$ 162,377	\$ 140,789	\$ 131,776	
Current liabilities	\$ 17,334	\$ 16,285	\$ 15,982	
Long-term liabilities	101,360	85,560	50,940	(1)
Total liabilities	118,694	101,845	66,922	(1)
Deferred inflows on pension	7,237	4,738	-	(1)
Net investment in capital assets	19,651	15,776	15,647	
Restricted:				
Expendable for debt service and reserve	2,318	2,228	2,029	
Expendable for specific operating activities	1,900	1,993	1,647	
Nonexpendable permanent endowment	3,606	3,388	3,531	
Unrestricted	8,971	10,821	42,000	(1)
Total net position	36,446	34,206	64,854	
Total liabilities, deferred inflows and net position	\$ 162,377	\$ 140,789	\$ 131,776	

(1) The 2014 amounts for these line items are not directly comparable to the 2015 and 2016 amounts due to the adoptions of GASB Statements No. 68 and 71.

Total assets: Total assets increased \$4.3 million in 2016 due to a decrease in current assets of \$443,000, an \$83,000 increase in assets limited as to use, a \$1.7 million increase in net capital assets, and a \$2.9 million increase in other assets. Capital assets increased in 2016 with additions related to the Rehab Building Project. Other assets increased due to matured investments reinvested and an increase in the investment in Willmar Medical Services.

Total liabilities: Total liabilities were \$118.7 million as of December 31, 2016, compared to \$101.8 million as of December 31, 2015. The increase is primarily due to the change in net pension liability, which resulted in an increase to long-term liabilities, as described on page 4. Long-term debt at year-end 2016 was \$48.2 million, compared to \$50.5 million at year-end 2015. The decrease in long-term debt in 2016 was due to debt principal payments made in 2016.

Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)

Management's Discussion and Analysis

Revenues, Expenses and Changes in Net Position

The following table presents a summary of Rice Memorial Hospital's revenues and expenses for each of the fiscal years ended December 31.

Condensed Statements of Revenues, Expenses and Changes in Net Position (In Thousands)

	2016	2015	2014
Operating revenues	\$ 108,233	\$ 99,257	\$ 92,784
Operating expenses, including interest expense	107,209 (1)	96,808 (1)	95,181
Operating income (loss)	1,024	2,449	(2,397)
Nonoperating income, excluding interest expense	737	1,014	1,510
Excess (deficit) of revenues over expenses	1,761	3,463	(887)
Other changes in net position	479	627	250
Increase (decrease) in net position	2,240	4,090	(637)
Total net position, beginning of year	34,206	30,116 (2)	65,491
Total net position, end of year	\$ 36,446	\$ 34,206	\$ 64,854

(1) Due to the adoption of GASB Statements No. 68 and 71, included in operating expenses is noncash pension expense of \$3.3 million in 2016 and \$776,000 in 2015.

(2) Due to the adoption of GASB Statement No. 68, the previously reported net position as of January 1, 2015, of \$64.9 million was reduced by \$34.7 million to arrive at the restated balance of \$30.1 million.

Operating and Financial Performance

The following information summarizes the Hospital's statements of revenues, expenses and changes in net position for the years ended December 31, 2016, 2015 and 2014.

Revenue: Operating revenues increased \$9.0 million in 2016 and were 9.0 percent higher than 2015 and 16.7 percent higher than 2014 due to higher patient volumes as a result of increased demand. As shown in the following table, the relative percentages of gross charges billed for hospital patient services by payer are fairly stable over for the years ended December 31, 2016, 2015 and 2014:

	2016	2015	2014
Medicare	46.4%	48.2%	48.7%
Medicaid	22.5%	20.9%	19.5%
Commercial insurance	12.5%	11.9%	13.3%
Blue Cross/Blue Shield	17.5%	17.9%	17.2%
Self-pay	1.1%	1.1%	1.3%
Total	100.0%	100.0%	100.0%

Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)

Management's Discussion and Analysis

As shown in the table, the 2016 payer mix for hospital services continued to reflect similar dependence on governmental payer sources. Medicare and medical assistance accounted for 68.9 percent of the Hospital's gross charges, compared to 69.1 percent in 2015 and 68.2 percent in 2014. Commercial insurance, Blue Cross and self-pay activity was also comparable to prior years.

Expenses: Total expenses increased by \$10.4 million in 2016 and were 10.7 percent higher than 2015. Excluding the non-cash pension expense, Expenses were \$7.8 million (8.2 percent) higher in 2016. Salaries and wages increased by \$1.9 million (4.5 percent) due to increased staffing related to patient volumes. The Hospital self-insures its employee health and dental plans. The employees and their covered family members incurred health and dental claims of \$6.8 million during fiscal year 2016 and \$5.5 million in 2015. Substantially all of Rice Memorial Hospital's employees participate in the Public Employee Retirement Association, to which the Hospital contributed \$3.2 million in 2016 and \$3.1 million in 2015. Overall employee benefits as a percentage of salaries were 40.4 percent in 2016 (including the non-cash pension expense) compared to 30.0 percent in 2015. Supplies and drugs increased by \$1.2 million in 2016, compared to a \$438,000 increase in 2015. Purchased services increased by \$1.6 million in 2016 and decreased by \$73,000 in 2015. Hospital capital-related expenses (depreciation and interest) as a percentage of total expenses were 8.8 percent in 2016, compared to 9.9 percent in 2015.

Nonoperating revenue (expenses): Non-operating revenue in 2016 consisted of interest income from operating cash, investments and reserve funds; unrealized losses on investments; and other losses. Non-operating revenues decreased \$277,000 in 2016, compared to a 2015 decrease of \$495,000.

Economic and Other Factors and Next Year's Forecast

The Hospital's Board and management considered many factors when setting the fiscal year 2017 forecast. Of primary importance in setting the 2017 forecast is the status of the economy, which takes into account market forces and environmental factors such as the following:

- Changes in the demand for services
- Medicare and Medicaid reimbursement rates, which continue to be less than the cost of delivering patient and resident care
- Increased contractual adjustments and lower reimbursement from third-party payers
- Increased expectations for quality at a lower price
- Increased costs due to competitive wages
- Cost of supplies and drugs

Contacting Rice Memorial Hospital

The Hospital's financial statements are designed to present readers with a general overview of the Hospital's finances and attempt to demonstrate the Hospital's accountability and transparency. If you have questions about the report or need additional financial information, please contact Administration at Rice Memorial Hospital, 301 Becker Avenue SW, Willmar, MN 56201-3302.

Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)

Statements of Net Position
December 31, 2016 and 2015

	2016	2015
Assets and Deferred Outflows		
Current assets:		
Cash and cash equivalents	\$ 5,009,234	\$ 3,906,826
Current portion of funds held by the City	3,007,315	2,958,692
Accounts receivable:		
Patients, residents and trade, net	16,016,197	18,284,068
Other	2,159,893	2,106,125
Supplies	2,694,764	2,140,792
Prepaid expenses	1,091,182	1,025,311
Total current assets	29,978,585	30,421,814
Assets limited as to use:		
Funds held by the City	3,776,634	3,776,634
Restricted/designated for specific operating activities	2,711,236	2,853,677
Remainder unitrust	30,839	47,522
Endowment fund	3,606,679	3,388,205
Total assets limited as to use	10,125,388	10,066,038
Capital assets, net	62,775,982	61,065,987
Other assets:		
Investments	30,358,757	28,266,266
Investment in Shared Health Resources	521,226	487,523
Investment in Willmar Medical Services	4,860,381	4,020,928
Other	94,278	115,734
Total other assets	35,834,642	32,890,451
Total assets	138,714,597	134,444,290
Deferred outflows of resources:		
Deferred loss on refunding	1,318,713	1,405,653
Deferred outflows on pension	22,343,383	4,938,593
Total deferred outflows of resources	23,662,096	6,344,246
Total assets and deferred outflows of resources	\$ 162,376,693	\$ 140,788,536

See notes to financial statements.

	2016	2015
Liabilities, Deferred Inflows and Net Position		
Current liabilities:		
Current maturities of long-term debt	\$ 2,491,669	\$ 2,239,597
Accounts payable	2,969,138	2,387,290
Due to Willmar Medical Services	1,467,478	1,811,843
Accrued expenses:		
Salaries, wages and benefits	9,455,380	9,035,717
Interest expense	689,640	731,031
Estimated third-party payer settlements	260,188	80,000
Total current liabilities	17,333,493	16,285,478
Long-term liabilities:		
Net pension liability	53,832,312	35,619,453
Other postemployment benefits	1,799,623	1,707,524
Long-term debt, net of current maturities	45,728,317	48,232,485
Total long-term liabilities	101,360,252	85,559,462
Total liabilities	118,693,745	101,844,940
Deferred inflows on pension	7,237,000	4,737,635
Commitments and contingencies		
Net position:		
Net investment in capital assets	19,651,343	15,776,192
Restricted:		
Expendable for debt service and reserve	2,317,675	2,227,661
Expendable for specific operating activities	1,899,367	1,992,889
Nonexpendable permanent endowment	3,606,228	3,388,205
Unrestricted	8,971,335	10,821,014
Total net position	36,445,948	34,205,961
Total liabilities, deferred inflows of resources, and net position	\$ 162,376,693	\$ 140,788,536

Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)

Statements of Revenues, Expenses and Changes in Net Position
Years Ended December 31, 2016 and 2015

	2016	2015
Revenue:		
Net patient and resident service revenue (net of provision for bad debts of approximately \$702,000 in 2016 and \$641,000 in 2015)	\$ 82,617,908	\$ 74,338,386
Net equipment sales and rents	9,335,251	9,681,801
Net patient and resident service revenue and equipment sales and rents	91,953,159	84,020,187
Other revenue	16,279,850	15,236,396
Total revenue	108,233,009	99,256,583
Expenses:		
Salaries and wages	45,139,541	43,192,558
Employee benefits	14,914,603	12,176,487
Amortization of pension adjustments	3,332,439	776,838
Supplies and drugs	15,793,989	14,593,454
Purchased services	8,706,667	7,131,715
Repairs and maintenance	3,432,250	3,209,419
Utilities	1,740,583	1,731,879
Other	2,705,925	2,416,249
Depreciation	7,585,233	7,724,892
Taxes and surcharges	2,187,121	2,135,830
Total expenses	105,538,351	95,089,321
Operating income	2,694,658	4,167,262
Nonoperating revenue (expenses):		
Investment income	1,151,857	1,156,525
Unrealized loss on investments	(265,900)	(366,847)
Gain (loss) on disposal of equipment	(148,675)	224,944
Interest expense	(1,671,055)	(1,719,122)
Total nonoperating expenses	(933,773)	(704,500)
Excess of revenue over expenses	1,760,885	3,462,762

(Continued)

Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)

Statements of Revenues, Expenses and Changes in Net Position (Continued)
Years Ended December 31, 2016 and 2015

	2016	2015
Other nonoperating revenue (expenses):		
Specific-purpose funds:		
Restricted gifts, bequests and grants	\$ 722,907	\$ 1,705,843
Expended for specific purpose	(1,724,739)	(1,755,270)
Endowment funds:		
Investment gain (loss) and other	218,023	(142,337)
Total other nonoperating expenses	<u>(783,809)</u>	<u>(191,764)</u>
Capital grants and contributions	<u>1,262,911</u>	818,607
Increase in net position	2,239,987	4,089,605
Net position:		
Beginning of year	<u>34,205,961</u>	30,116,356
End of year	<u><u>\$ 36,445,948</u></u>	<u><u>\$ 34,205,961</u></u>

See notes to financial statements.

Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)

Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	2016	2015
Cash flows from operating activities:		
Receipts from and on behalf of patients	\$ 94,401,218	\$ 80,062,764
Payments to suppliers and contractors	(34,834,678)	(31,216,644)
Payments to employees	(59,480,447)	(56,298,223)
Equity distributions from joint ventures	6,205,000	6,980,000
Other receipts and payments, net	8,803,561	8,374,062
Net cash provided by operating activities	15,094,654	7,901,959
Cash flows from noncapital financing activities:		
Proceeds from restricted gifts, bequests, grants and other changes	1,008,210	1,673,865
Expended for specific purpose	(1,802,212)	(1,875,822)
Change in other assets, net	21,456	40,743
Net cash used in noncapital financing activities	(772,546)	(161,214)
Cash flows from capital and related financing activities:		
Capital grants and contributions	1,262,911	818,607
Capital expenditures	(9,739,125)	(7,961,160)
Proceeds from sale of equipment	295,222	2,427,987
Principal payments on long-term debt	(2,209,965)	(1,952,760)
Interest paid on long-term debt	(1,712,446)	(1,630,053)
Net cash used in capital and related financing activities	(12,103,403)	(8,297,379)
Cash flows from investing activities:		
Net withdrawals or additions to assets limited as to use:		
Funds held by City	(48,623)	(201,152)
Purchases of investments	(9,449,700)	(5,403,845)
Proceeds from sales and maturities of investments	7,230,170	6,168,561
Investment income received	1,151,857	1,014,188
Net cash provided by (used in) investing activities	(1,116,296)	1,577,752
Increase in cash and cash equivalents	1,102,408	1,021,118
Cash and cash equivalents, beginning	3,906,826	2,885,708
Cash and cash equivalents, ending	\$ 5,009,234	\$ 3,906,826

(Continued)

Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)

Statements of Cash Flows (Continued)
Years Ended December 31, 2016 and 2015

	2016	2015
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 2,694,658	\$ 4,167,262
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	7,585,233	7,724,892
Amortization of bond premium	(230,148)	(230,148)
Equity in earnings from joint ventures	(7,078,156)	(6,760,361)
Equity distributions from joint ventures	6,205,000	6,980,000
Provision for bad debts	701,916	640,542
Net change in:		
Patient accounts receivable	1,565,955	(4,865,965)
Other receivables	(53,768)	(521,521)
Supplies	(553,972)	(165,930)
Prepaid expenses	(65,871)	(148,012)
Accounts payable	581,848	545,992
Third-party payer settlements	180,188	268,000
Due to Willmar Medical Services	(344,365)	419,548
Accrued salaries, wages and benefits	511,762	(832,896)
Net pension liability and related deferred inflows and outflows	3,394,374	680,556
Net cash provided by operating activities	\$ 15,094,654	\$ 7,901,959
Schedule of noncash investing, capital and financing activities:		
Change in unrealized losses on investments	\$ (265,900)	\$ (366,847)
Capital lease obligations incurred for purchase of equipment	\$ 188,017	\$ 1,272,019
Gain (loss) on disposal of equipment	\$ (148,675)	\$ 224,944

See notes to financial statements.

Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

Reporting entity: Rice Memorial Hospital (the Hospital) is an enterprise fund of the City of Willmar, Minnesota (the City). The financial statements present only the Hospital and do not purport to, and do not, present the financial position of the City and its changes in financial position and, where applicable, its cash flows, in conformity with accounting principles generally accepted in the United States of America. The Hospital provides inpatient and outpatient health care services to the City of Willmar and the surrounding area. The Hospital also operates a long-term care facility, Rice Care Center (the Care Center), which is located in the City.

Rice Home Medical, LLC (Home Medical) is a Minnesota limited liability company and provides medical supplies, oxygen and durable medical equipment for sale or rental to health care providers, patients or retail customers for in-home medical care use.

Rice Health Foundation (the Foundation) is a Minnesota nonprofit corporation. The Foundation's sole purpose is to support the Hospital. The Hospital appoints the Foundation's Board of Directors.

Home Medical and the Foundation's operations have been included with the Hospital. The combined entities will hereinafter be referred to as the Hospital. All significant intercompany transactions have been eliminated.

Basis of accounting and financial statement presentation: The Hospital utilizes the accounting method used for proprietary funds, which is an economic resources measurement focus, and the accrual basis of accounting. Under this method, revenues are recognized when earned and expenses are recognized when they are incurred.

Use of estimates: Management uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets, deferred outflows, liabilities and deferred inflows, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Cash and cash equivalents: Cash equivalents are considered to be all highly liquid undesignated investments with maturities at the date of purchase of three months or less. For cash flow reporting, cash and cash equivalents excludes amounts held by the City or amounts reported as assets limited as to use.

The Foundation maintains its cash in bank deposit accounts that, at times, may exceed federally insured limits. The Foundation has not experienced any losses in such accounts.

The Hospital maintains a cash sweep account, the funds of which are held in overnight repurchase agreements. These debt security investments are held overnight, maturing the following day, and are considered cash and cash equivalents. These accounts are not covered within the federally insured limits for bank depository accounts. The nature of cash and cash equivalents as of December 31, 2016 and 2015, is as follows:

	2016	2015
Daily repurchase agreements	\$ 4,831,905	\$ 3,665,540
Cash balances, including checks outstanding	177,329	241,286
Cash and cash equivalents	<u>\$ 5,009,234</u>	<u>\$ 3,906,826</u>

Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Patient, resident and trade accounts receivable, and allowance for uncollectible accounts and contractual allowances: Patient accounts receivable are reported net of estimated allowances for bad debts. The Hospital grants credit to its patients, most of whom are local residents or employees of businesses in the surrounding area. Patients, residents and customers are not required to provide collateral for services rendered. Payment for services is required upon receipt of an invoice, after payment by insurance, if any.

Self-pay accounts are analyzed for collectibility based on the months past due and payment history. An allowance is estimated for potentially uncollectible accounts, based on the historical experience of the Hospital, and by considering financial and credit history, and current economic conditions. Accounts that are determined to be uncollectible are sent to a collection agency. At December 31, 2016 and 2015, the allowance for uncollectible accounts for the Hospital was approximately \$6,132,000 and \$6,918,000, respectively.

Supplies: Supplies are stated at the lower of cost (principally on the first-in, first-out basis) or market value.

Investments: Investments are reported at fair value in the statements of net position, with all investment changes, including changes in the fair value of investments, being recognized as nonoperating revenue in the statements of revenues, expenses and changes in net position. The Hospital's nonendowment fund investments consist of participating certificates of deposit and government securities.

Assets limited as to use: Assets limited as to use include assets held by the City under debt agreements and assets designated by the Board of Directors or restricted by the donor for specific operating activities. Amounts required to meet current liabilities of the Hospital are reported as current assets.

The Hospital's funds held by the City represent debt service funds and a bond reserve fund paid by the Hospital and maintained by the City for debt service repayments and to meet bond agreement requirements. The funds are held in a pooled fund by the City and consist primarily of commercial paper, certificates of deposit, money market funds and U.S. government obligations.

Investments in the endowment fund consist of cash, government debt securities, and equity securities and are carried at fair value as determined based on quoted market prices.

Investments in joint ventures: The Hospital reports its investment in Shared Health Resources, Willmar Medical Services, and Lake Region Home Medical on the equity interest method of accounting, which approximates the Hospital's equity in the underlying book value of the entities. Under the equity interest method, the Hospital's share of the net income of the affiliate is recognized as other operating revenue and added to the investment account, while distributions received from the affiliate reduce the investment account.

Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Deferred outflows of resources: Deferred outflows are the consumption of net position by the Hospital that is applicable to a future reporting period. At December 31, 2016, deferred outflows of resources included deferred charges on the 2013 debt refunding and deferred charges related to pensions. The deferred loss on refunding is recognized as a component of interest expense over the remaining life of the old debt or the life of the new debt, whichever is shorter. The Hospital's deferred outflows related to pension include the difference between expected and actual economic experience, changes in proportion, and changes in actuarial assumptions and are amortized as a component of pension expense over three remaining years. Investment differences between actual and expected results are to be amortized over four remaining years.

Deferred inflows of resources: The Hospital's deferred inflows related to pension include the difference between expected and actual economic experience, changes in proportion, and changes in actuarial assumptions and are amortized as a component of pension expense over three remaining years. Investment differences between actual and expected results are to be amortized over four remaining years.

Net position: Net position of the Hospital is classified in four components.

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets.

Restricted expendable net position is net position that must be used for a particular purpose, as specified by creditors, grantors or contributors external to the Hospital.

Restricted nonexpendable permanent endowment equals the principal portion as well as accumulated net capital gains of permanent endowments. These were established from the Cushman A. Rice Estate. In accordance with the related documents, the principal balance is maintained in perpetuity in a separate trust, and the dividend and interest income is used to reimburse the Hospital for indigent patient care, after payment of administrative expenses.

Unrestricted net position is remaining net position that does not meet the definition of net investment in capital assets or restricted.

Restricted/unrestricted resources: When the Hospital has both restricted and unrestricted resources available to finance a particular program, it is the Hospital's policy to use restricted resources before unrestricted resources.

Capital assets: Capital assets are recorded at cost. Major renewals and improvements are reported as additions to property accounts, while replacements, maintenance and repairs that do not improve or extend the lives of the assets are expensed currently. When items are disposed of, the cost and accumulated depreciation are eliminated from the accounts, and any gain or loss is included in nonoperating income. Contributed capital assets are reported at the acquisition value at the time of donation. Interest costs incurred on borrowed funds during the period of construction of capital assets are capitalized as a component of the cost of acquiring those assets. All capital assets other than land are depreciated or amortized (in the case of capital leases) using the straight-line method of depreciation and the following asset lives: land improvements are depreciated over 10 to 20 years, buildings over 20 to 40 years, and major moveable equipment over three to 10 years.

**Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)**

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

The Hospital evaluates the carrying value of its capital assets for impairment when a significant, unexpected decline in the service utility of a capital asset is identified. Impairment write-downs are recognized in operating income at the time the impairment is identified. There was no asset impairment charge recorded during the years ended December 31, 2016 and 2015.

Compensated absences: Hospital employees earn vacation time at varying rates, depending on years of service and date of hire. The amount of earned but unpaid vacation time is recognized as a liability at year-end. Certain employees that have met years of service requirements are entitled to earn and accumulate sick leave. A liability for sick leave is recognized for amounts that are earned and expected to be paid.

Net patient and resident service revenue and net equipment sales and rents: Net patient and resident service revenue is recognized when services are performed. Net equipment sales and rents are recognized when equipment is delivered and accepted by the patient. Revenues are reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Other revenue: Other revenue represents primarily health care service—related revenue delivered to other health care organizations and the Hospital's equity in earnings of the Willmar Medical Services investment.

Operating revenues and expenses: The statement of revenues, expenses and changes in net position distinguishes between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services—the Hospital's principal activity. Nonexchange revenues, including taxes, grants and contributions received for purposes other than capital asset acquisition, are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services. Nonoperating expenses are expenses incurred to satisfy purpose restrictions of grants or contributions received for nonpatient service operating expenses and interest expense.

Defined benefit pension: For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized 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.

Income taxes: The Hospital, being a governmental unit, is exempt from income taxes under section 115 of the Internal Revenue Code. As a single-member limited liability company, Home Medical does not file its own tax return. Correspondingly, Home Medical is not regarded as a tax-paying entity, and no income tax expense has been accrued. The Foundation is classified as a tax-exempt organization under section 501(c)(3) of the Internal Revenue Code, except for income on certain unrelated business income. There is no material unrelated business income for the years ended December 31, 2016 and 2015. The Foundation is also exempt from income taxes under applicable Minnesota state statutes. The Foundation files federal and state income tax returns. Generally, the Foundation is no longer subject to state and federal tax examinations by tax authorities for the years ended prior to December 31, 2013.

Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Subsequent events: 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 transitions occurring subsequent to December 31, 2016, through March 29, 2017, the date of issuance of the financial statements.

New accounting pronouncements adopted: In 2016, the Hospital adopted Governmental Accounting Standards Board (GASB) Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of 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. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The adoption of this statement expanded disclosures within Note 6 to the basic financial statements.

Note 2. Net Patient and Resident Service Revenue and Equipment Sales and Rents

The Hospital has agreements with third-party payers that provide for payments at amounts different from its established rates. A summary of the payment arrangements with major third-party payers follows.

Medicare: Inpatient acute-care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. The Hospital's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the Hospital. The Hospital is entitled to certain additional payments as a sole community provider. The Hospital is subject to final settlement for these payments after submission of annual cost reports by the Hospital and audits thereof by the Medicare fiscal intermediary.

Medicare reimburses the Hospital a predetermined amount for most outpatient services under the Ambulatory Payment Classification (APC) method. The following services are excluded from the APC payment methodology: services already paid on a fee schedule, services to skilled nursing facility (SNF) residents that are already included in the SNF's payment, and certain drugs and biological and medical devices identified as pass-through items. The APC payments are not based on the provider's annual cost report.

Medicaid: The skilled nursing facility participates in the Medicaid program, which is administered by the Minnesota Department of Human Services (DHS). Hospital inpatient services rendered to Medicaid program beneficiaries are reimbursed under a reimbursement methodology similar to inpatient Medicare. Hospital outpatient Medicaid services are reimbursed on the Medicaid fee schedule.

Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)

Notes to Financial Statements

Note 2. Net Patient and Resident Service Revenue and Equipment Sales and Rents
(Continued)

Other: The Hospital has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations and preferred provider organizations. The basis for payment to the Hospital under these agreements includes discounts from established charges and prospectively determined daily rates.

Net patient service revenue and patient accounts receivable as of and for the years ended December 31, 2016 and 2015, include amounts from the following payers:

	2016		2015	
	Net Patient Service Revenue	Net Patient Accounts Receivable	Net Patient Service Revenue	Net Patient Accounts Receivable
Medicare	35%	28%	35%	29%
Medicaid	22%	12%	18%	13%
Blue Cross/Blue Shield	20%	18%	23%	18%
All others	23%	42%	24%	40%
Total	100%	100%	100%	100%

Laws and regulations: The health care industry is subject to numerous laws and regulations of federal, state and local governments. The laws governing the Medicare and Medicaid programs are complex and subject to interpretation. Compliance with such laws and regulations can be subject to future governmental review and interpretation as well as significant regulatory action, including fines, penalties and exclusion from the Medicare and Medicaid programs. As a result, there is at least a reasonable possibility that recorded estimates could change by a material amount in the near term. The Hospital believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that would have a material effect on its financial statements.

Note 3. Incentive Revenue

The Health Information Technology for Economic and Clinical Health (HITECH) portion of the American Recovery and Reinvestment Act of 2009 included incentives through Medicare reimbursement systems to foster electronic health record (EHR) adoption. These funds are paid to the Hospital to adopt, implement, upgrade and demonstrate meaningful use of certified EHR technology. The Hospital recognizes this revenue when all the eligibility requirements, including time requirements, are met. As a result, incentives recognized totaling \$541,316 and \$676,645 for the years ended December 31, 2016 and 2015, respectively, are included in other operating revenue. Income from incentive payments is subject to retroactive adjustments, as the incentive payments are calculated using Medicare cost report data that is subject to audit. Additionally, the Hospital's compliance with the meaningful use criteria is subject to audit by the federal government.

Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)

Notes to Financial Statements

Note 4. Benefits to the Community Served

In furtherance of its charitable purpose, the Hospital provides a wide variety of benefits to treat and promote health and healing as a response to the needs of the community served.

The Hospital provides certain services to Medicare and Medicaid beneficiaries for which reimbursement rates do not cover costs. The Hospital also contributes to funding medical care via MinnesotaCare tax, Medicaid surcharges, and other forms of taxes supporting health care services.

A large number of health-related educational programs are provided for the benefit of the community, including unreimbursed costs of providing clinical sites and training and education of health professionals.

The Hospital provides patient assistance programs to the residents of the community (charity care). These programs are provided for patients who may be uninsured, underinsured, and insured but due to economic factors are unable to pay for their medical services. As a result, the Hospital provides financial assistance to these patients to cover the cost of their care.

The Hospital offers community health services that do not generate revenue, although often involve a nominal fee. These include education on disease management, self-help programs, health care support services, and community-based social service programs, such as free clinics, health screenings, trauma services, training for emergency service personnel, social services, support counseling for patients and families, pastoral care and crisis intervention.

The Hospital participates actively in the communities served by volunteer activities on various boards and programs that are designed to improve the general standards of the health of the community.

In addition, the Rice endowment fund provided the Hospital with approximately \$39,000 and \$71,000 to cover the cost of indigent care patients for the years ended December 31, 2016 and 2015, respectively.

The Hospital maintains records to identify and monitor the level of community benefit services it provides. These records include the amount of charges forgone for services under its charity care policy and the estimated cost of those services. Other than tax-related expense, the cost estimates are based on the Hospital's cost-to-charge ratio. The following information presents the level of community benefits and contributions and the charity care provided for the years ended December 31:

	2016	2015
Costs in excess of reimbursement—government programs	\$ 3,124,813	\$ 7,582,058
Cost of charity care services	202,329	564,267
MinnesotaCare tax and Medicaid surcharge	1,821,174	1,593,417
Taxes and fees in lieu of taxes and surcharge	351,500	529,194
Cost of other uncompensated care (bad debts)	337,200	316,947
Discounts to the uninsured	190,337	330,998
Total community benefits and contributions	<u>\$ 6,027,353</u>	<u>\$ 10,916,881</u>

**Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)**

Notes to Financial Statements

Note 5. Deposits and Investments

Deposits:

Custodial credit risk: Custodial credit risk is the risk that in the event of a bank failure, the Hospital's deposits may not be returned to it in full. The Hospital follows Minnesota Statutes for deposits. In accordance with Minnesota Statutes, the Hospital maintains deposits at financial institutions that are authorized by the Hospital's Board of Directors.

Minnesota Statutes require that all Hospital deposits be protected by insurance, surety bond or collateral. The market value of the collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds. Authorized collateral includes certain U.S. government securities, state or local government obligations, and other securities authorized by Minnesota Statute 118.A.03. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the treasurer or in a financial institution other than that furnishing collateral.

The Hospital's deposits and certificates of deposit with financial institutions at December 31, 2016, were entirely covered by federal depository insurance or by collateral held by a custodial bank in the Hospital's name.

The City is responsible for determining deposit and investment risk disclosures related to funds held by the City under bond agreements. The City's annual financial statements should be reviewed for these risk disclosures.

Investments and assets limited as to use: The Hospital may also invest idle funds as authorized by Minnesota Statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies
- Shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of 13 months or less
- General obligations rated "A" or better; revenue obligations rated "AA" or better
- General obligations of the Minnesota Housing Finance Agency rated "A" or better
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System
- Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest-quality category according to at least two nationally recognized rating agencies, and maturing in 270 days or less
- Guaranteed investment contracts issued by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the two highest categories
- Repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers

Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)

Notes to Financial Statements

Note 5. Deposits and Investments (Continued)

The Foundation's investments are not limited to these same requirements. These investments are subject to a separate, board-approved investment policy.

The composition of assets limited as to use and their reporting at December 31, 2016 and 2015, is set forth in the following tables. Amounts are stated at fair value.

	2016	2015
Cash and cash equivalents	\$ 86,170	\$ 298,120
Investments	6,317,915	6,241,882
Funds held by the City	6,697,779	6,437,206
Charitable remainder trust, held by others	30,839	47,522
	<u>\$ 13,132,703</u>	<u>\$ 13,024,730</u>
	2016	2015
Funds held by the City	\$ 6,783,949	\$ 6,735,326
Restricted/designated for specific operating activities	2,711,236	2,853,677
Remainder unitrust	30,839	47,522
Endowment fund	3,606,679	3,388,205
Total assets limited as to use	<u>13,132,703</u>	<u>13,024,730</u>
Less current portion	3,007,315	2,958,692
	<u>\$ 10,125,388</u>	<u>\$ 10,066,038</u>

Custodial credit risk: For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Hospital will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Hospital's money market mutual funds are not subject to custodial credit risk at December 31, 2016. Debt-type investment securities are held by the counterparty and are not registered in the name of the Hospital.

Interest rate risk: Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of the investment. The Hospital has a formal investment policy that addresses permissible investments, portfolio diversification and instrument maturities. Within these parameters, the liquidity of investments is a concern. Providing the highest investment return with the maximum security, while meeting the daily cash flow demands of the Hospital, is paramount.

Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)

Notes to Financial Statements

Note 5. Deposits and Investments (Continued)

At December 31, 2016 and 2015, the Hospital's investments at fair market value are as follows, with maturity dates in ranges of less than one year, from one to five years, from six to 10 years, and more than 10 years:

2016 Investment Type	Fair Value	Investment Maturity (In Years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
Negotiable certificates of deposit	\$ 4,525,921	\$ 398,740	\$ 2,225,195	\$ 1,901,986	\$ -
U.S. Treasuries	5,749,470	648,109	3,221,064	1,690,106	190,192
Federal Home Loan Bank	2,581,810	127,438	1,309,382	1,144,990	-
U.S. government agency bonds	1,716,930	-	1,716,930	-	-
Federal Home Loan Mortgage Corp.	2,489,372	36,054	2,221,664	59,517	172,138
Federal and government national mortgage associations	1,296,153	207,137	991,322	86,896	10,797
Federal Farm Credit Bureau	2,424,973	230,543	1,903,060	291,371	-
Other government bonds	2,398,388	137,589	1,953,896	306,903	-
Corporate bonds	1,078,627	67,173	444,962	346,181	220,311
	<u>\$ 24,261,644</u>	<u>\$ 1,785,609</u>	<u>\$ 15,542,512</u>	<u>\$ 5,481,769</u>	<u>\$ 373,127</u>

2015 Investment Type	Fair Value	Investment Maturity (In Years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
Negotiable certificates of deposit	\$ 3,987,524	\$ 944,256	\$ 1,973,241	\$ 1,070,027	\$ -
U.S. Treasuries	2,646,641	148,922	1,717,228	780,491	-
Federal Home Loan Bank	2,228,829	46,328	1,437,141	745,360	-
U.S. government agency bonds	1,924,795	229,791	1,695,004	-	-
Federal Home Loan Mortgage Corp.	2,037,755	99,861	1,937,894	-	-
Federal and government national mortgage associations	1,605,844	600,972	987,546	-	17,326
Federal Farm Credit Bureau	2,185,210	-	1,681,368	503,842	-
Other government bonds	2,326,040	92,673	2,233,367	-	-
	<u>\$ 18,942,638</u>	<u>\$ 2,162,803</u>	<u>\$ 13,662,789</u>	<u>\$ 3,099,720</u>	<u>\$ 17,326</u>

Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)

Notes to Financial Statements

Note 5. Deposits and Investments (Continued)

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. State law limits investments in commercial paper and corporate bonds to the top two rating categories issued. As of December 31, 2016, the Hospital and Foundation's investments received the following ratings:

Investment Type	Total	Moody's Investor Service	Standard & Poor's
U.S. Treasuries	\$ 5,749,470	AAA	N/A
FHLB	2,581,810	Aaa	AA+
FICO	1,716,930	Aaa	AA+
FHLMC	2,489,372	Aaa	AA+
FNMA/GNMA	1,296,153	Aaa	AA+
FFCB	2,424,973	Aaa	AA+
Government bonds	2,398,388	Unrated	
Corporate bonds	1,078,627	Investment grade	
	19,735,723		
Negotiable certificates of deposit	4,525,921	Not applicable	
	<u>\$ 24,261,644</u>		

As of December 31, 2015, the Hospital's investments received the following ratings:

Investment Type	Total	Moody's Investor Service	Standard & Poor's
U.S. Treasuries	\$ 2,646,641	AAA	N/A
FHLB	2,228,829	Aaa	AA+
FICO	1,924,795	Aaa	AA+
FHLMC	2,037,755	Aaa	AA+
FNMA/GNMA	1,605,844	Aaa	AA+
FFCB	2,185,210	Aaa	AA+
Government bonds	2,326,040	Unrated	
	14,955,114		
Negotiable certificates of deposit	3,987,524	Not applicable	
	<u>\$ 18,942,638</u>		

Concentration of credit risk: The Hospital does not place a limit on the amount of the total portfolio that may be invested in any one issuer. The finance department is responsible for the formulation, documentation and monitoring of the investment strategy, in a manner consistent with the investment policy.

**Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)**

Notes to Financial Statements

Note 6. 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 Hospital's assets and liability measured at fair value on a recurring basis are limited to investments. The fair values of the Hospital's investments in mutual funds, cash/money market 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 Hospital'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 future fair values. Furthermore, while the Hospital 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.

Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)

Notes to Financial Statements

Note 6. Fair Value Measurements (Continued)

The following table sets forth, by level within the fair value hierarchy, the Hospital's financial assets measured at fair value on a recurring basis at December 31, 2016:

	Fair Value	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)
Financial assets:				
Negotiable certificates of deposit	\$ 4,525,921	\$ -	\$ 4,525,921	\$ -
Mutual funds	1,861,324	1,861,324	-	-
Corporate debt and commercial paper	1,078,627	1,078,627	-	-
Government and agency obligations	18,657,097	5,749,470	12,907,626	-
Equity securities	6,366,770	6,366,770	-	-
	<u>32,489,739</u>	<u>\$ 15,056,191</u>	<u>\$ 12,907,626</u>	<u>\$ -</u>
Other financial assets not at fair value:				
Cash/money market accounts	1,218,731			
Nonnegotiable certificates of deposit	<u>2,968,202</u>			
	<u>\$ 36,676,672</u>			

The financial assets disclosed in the fair value hierarchy above are reported in investments, endowment fund, and restricted/designated for specific operating activities on the statement of net position.

Note 7. Capital Assets

Change in capital assets (in thousands) for the years ended December 31, 2016 and 2015, consists of the following:

	Balance December 31, 2015	Additions and Transfers	Retirements and Transfers	Balance December 31, 2016
Land	\$ 2,918	\$ -	\$ -	\$ 2,918
Land improvements	1,517	169	-	1,686
Buildings	96,870	7,520	(1,044)	103,346
Major moveable equipment	45,937	3,272	(4,277)	44,932
Construction in progress	1,246	(1,246)	-	-
Total asset costs	<u>148,488</u>	<u>9,715</u>	<u>(5,321)</u>	<u>152,882</u>
Less accumulated depreciation for:				
Land improvements	(1,331)	(81)	-	(1,412)
Buildings	(53,982)	(3,621)	891	(56,712)
Major moveable equipment	(32,109)	(3,883)	4,010	(31,982)
Total accumulated depreciation	<u>(87,422)</u>	<u>(7,585)</u>	<u>4,901</u>	<u>(90,106)</u>
Net capital assets	<u>\$ 61,066</u>	<u>\$ 2,130</u>	<u>\$ (420)</u>	<u>\$ 62,776</u>

Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)

Notes to Financial Statements

Note 7. Capital Assets (Continued)

	Balance December 31, 2014	Additions and Transfers	Retirements and Transfers	Balance December 31, 2015
Land	\$ 2,918	\$ -	\$ -	\$ 2,918
Land improvements	1,498	19	-	1,517
Buildings	95,907	1,546	(583)	96,870
Major moveable equipment	42,213	5,387	(1,663)	45,937
Construction in progress	113	2,280	(1,147)	1,246
Total asset costs	142,649	9,232	(3,393)	148,488
Less accumulated depreciation for:				
Land improvements	(1,252)	(79)	-	(1,331)
Buildings	(50,750)	(3,771)	539	(53,982)
Major moveable equipment	(28,886)	(3,873)	650	(32,109)
Total accumulated depreciation	(80,888)	(7,723)	1,189	(87,422)
Net capital assets	\$ 61,761	\$ 1,509	\$ (2,204)	\$ 61,066

Included in property and equipment are amounts that were acquired under capital leases, with a cost of approximately \$1,827,000 and \$1,638,000 and accumulated depreciation of approximately \$529,000 and \$236,000 as of December 31, 2016 and 2015, respectively.

Note 8. Defined Benefit Pension Plans

Plan description: The Hospital 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.

All full-time and certain part-time employees of the Hospital are covered by the General Employees Plan (GERF). 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.

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

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. Members in plans that are at least 90 percent funded for two consecutive years are given 2.5 percent increases. Members in plans that have not exceeded 90 percent funded, or have fallen below 80 percent, are given 1.0 percent increases.

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

Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)

Notes to Financial Statements

Note 8. Defined Benefit Pension Plans (Continued)

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equals 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.

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

Basic Plan members and Coordinated Plan members were required to contribute 9.10 percent and 6.50 percent, respectively, of their annual covered salary in calendar year 2016. The Hospital was required to contribute 11.78 percent of pay for Basic Plan members and 7.50 percent for Coordinated Plan members in calendar year 2016. The Hospital's contributions to the General Employees Fund for the years ended December 31, 2016 and 2015, were \$3,162,000 and \$3,143,000, respectively. The Hospital's contributions were equal to the required contributions as set by state statute.

Pension liability, pension expense, and deferred outflows/inflows of resources: At December 31, 2016 and 2015, the Hospital reported a liability of \$53,832,312 and \$35,619,453, respectively, for its proportionate share of the General Employees Fund's net pension liability. The Hospital's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The State of Minnesota is considered a nonemployer contributing entity, and the state's contribution meets the definition of a special funding situation. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Hospital's portion of the net pension liability was based on the Hospital's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015 through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the Hospital's portion was 0.6630 percent, which was a decrease of 0.0243 percent from its portion measured as of June 30, 2015.

For the years ended December 31, 2016 and 2015, the Hospital recognized pension expense of approximately \$6,375,000 and \$3,672,000, respectively.

Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)

Notes to Financial Statements

Note 8. Defined Benefit Pension Plans (Continued)

At December 31, 2016 and 2015, the Hospital reported its proportionate share of the General Employees Retirement Fund (GERF)'s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	2016		2015	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 4,373,073	\$ -	\$ 1,795,826
Difference between projected and actual investment earnings	10,217,604	-	3,371,928	-
Changes in proportion	-	2,863,927	-	2,941,809
Changes in actuarial assumptions	10,540,414	-	-	-
Contributions paid to PERA subsequent to the measurement date	1,585,365	-	1,566,665	-
Total	<u>\$ 22,343,383</u>	<u>\$ 7,237,000</u>	<u>\$ 4,938,593</u>	<u>\$ 4,737,635</u>

Approximately \$1,585,365 reported as deferred outflows of resources related to pensions results from Hospital contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ending December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Years ending December 31:

2017	\$ 3,339,483
2018	3,339,483
2019	4,897,530
2020	1,944,522

Actuarial assumptions: The total pension liability in the actuarial valuations was determined using the following actuarial assumptions as of June 30, 2016 and 2015:

	2016	2015
Inflation	2.50% per year	2.75% per year
Active member payroll growth	3.25% per year	3.50% per year
Investment rate of return	7.50%	7.90%

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

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

Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)

Notes to Financial Statements

Note 8. Defined Benefit Pension Plans (Continued)

The following changes in actuarial assumptions occurred in 2016:

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

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

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

Discount rate: The discount rate used to measure the total pension liability in 2016 was 7.50 percent, a reduction from the 7.90 percent used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)**

Notes to Financial Statements

Note 8. Defined Benefit Pension Plans (Continued)

Pension liability sensitivity: The following presents the Hospital's proportionate share of the net pension liability, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Hospital's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
Hospital's proportionate share of the GERF net pension liability	\$ 76,457,836	\$ 53,832,312	\$ 35,195,037

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.

Note 9. Defined Contribution Plan

Certain physician and ambulance service employees are covered by the Defined Contribution Plan, a multiple-employer deferred compensation plan administered by PERA. The Defined Contribution Plan 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 five percent 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 contributions 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 percent of employer contributions and 0.0025 percent of the assets in each member's account annually.

Employer contributions made by the Hospital during fiscal years 2016 and 2015 were \$44,269 and \$69,155, respectively.

Note 10. Other Postemployment Benefits

The Hospital follows the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Qualified employees may choose to participate in the Hospital's health 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, which results in an implicit subsidy. As of December 31, 2016 and 2015, there were approximately 640 and 714, respectively, active employees subject to potential future benefit. Additionally, there were 26 and 18 retirees receiving benefits from the Hospital's health insurance plan as of December 31, 2016 and 2015, respectively. There are no separate financial statements issued for the plan.

Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)

Notes to Financial Statements

Note 10. Other Postemployment Benefits (Continued)

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 postemployment 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 30 years.

The following table shows the components of the Hospital's annual OPEB cost as of December 31, 2016 and 2015, the amount actually contributed to the insurance plan, and changes in the Hospital's net OPEB obligation:

	2016	2015
Net OPEB, beginning of the year	\$ 1,707,523	\$ 1,502,017
Activity during the year:		
ARC	286,290	387,678
Interest on net OPEB obligation	59,763	60,081
Adjustment to ARC	(92,841)	(86,862)
Contributions during the fiscal year	(161,113)	(155,391)
Increase in net OPEB obligation	92,099	205,506
Net OPEB, end of the year	\$ 1,799,623	\$ 1,707,523

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:

Fiscal Year Ended	Annual OPEB Cost	Employer Contribution	Percentage Contribution	Net OPEB Obligation
December 31, 2014	\$ 353,361	\$ 123,700	35.01%	\$ 1,502,017
December 31, 2015	360,897	155,391	43.06%	1,707,523
December 31, 2016	253,212	161,113	63.63%	1,799,623

The following is a summary of the funding status at January 1, 2016, the most recent actuarial valuation report 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	\$ -	\$ 2,131,652	\$ 2,131,652	0.0%	\$ 46,650,000	4.6%

Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)

Notes to Financial Statements

Note 10. Other Postemployment Benefits (Continued)

Actuarial methods and assumptions: Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events into the future. Examples include assumptions about future employment, mortality, and health care cost trends. Amounts determined regarding the funding status of the health insurance plan and the annual required contributions of the Hospital are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

In the January 1, 2016, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 3.5 percent discount rate, which is based on the estimated long-term investment yield on the general assets of the Hospital. The annual health care cost trend rate is 6.6 percent initially, reduced incrementally to an ultimate rate of 4.4 percent after 60 years. The unfunded actuarial accrued liability is being amortized as a level dollar amount over an open 30-year period.

The schedule of funding status, presented as required supplementary information (RSI) following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the accrued actuarial liability for benefits over time.

Note 11. Long-Term Debt

Changes in long-term debt as of December 31, 2016 and 2015, consisted of the following:

	Balance December 31, 2015	Additions	Reductions	Balance December 31, 2016	Amounts Due Within One Year
City of Willmar 2013 revenue notes	\$ 8,682,200	\$ -	\$ (434,000)	\$ 8,248,200	\$ 449,800
City of Willmar 2012 GO revenue refunding bonds	36,600,000	-	(1,505,000)	35,095,000	1,550,000
Capital leases	1,469,185	188,017	(270,965)	1,386,237	491,869
Total long-term debt	46,751,385	188,017	(2,209,965)	44,729,437	\$ 2,491,669
Bond premium	3,720,697	-	(230,148)	3,490,549	
	<u>\$ 50,472,082</u>	<u>\$ 188,017</u>	<u>\$ (2,440,113)</u>	<u>\$ 48,219,986</u>	

Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)

Notes to Financial Statements

Note 11. Long-Term Debt (Continued)

	Balance December 31, 2014	Additions	Reductions	Balance December 31, 2015	Amounts Due Within One Year
City of Willmar 2013 revenue notes	\$ 9,100,000	\$ -	\$ (417,800)	\$ 8,682,200	\$ 434,000
City of Willmar 2012 GO revenue refunding bonds	38,065,000	-	(1,465,000)	36,600,000	1,505,000
Capital leases	267,126	1,272,018	(69,959)	1,469,185	300,597
Total long-term debt	47,432,126	1,272,018	(1,952,759)	46,751,385	<u>\$ 2,239,597</u>
Bond premium	3,950,845	-	(230,148)	3,720,697	
	<u>\$ 51,382,971</u>	<u>\$ 1,272,018</u>	<u>\$ (2,182,907)</u>	<u>\$ 50,472,082</u>	

City of Willmar, Hospital Revenue Notes, Series 2013: The Hospital issued the City of Willmar, Hospital Revenue Notes, Series 2013, to refund the Series 2011 notes and for renovation of the Care Center and ancillary Hospital construction projects. The Series 2013 notes have annual payments beginning in January 2015 and bear interest at an initial rate of 3.65 percent, with interest rate adjustments to occur on January 1, 2021 and 2028. The interest rate will be adjusted to a rate equal to the Treasury Constant Maturities for seven-year obligations plus 1.50 percent, subject to a maximum rate of 6.60 percent at January 1, 2021, and 15.00 percent at January 1, 2028. The interest rate used in the table below represents the rate effective at December 31, 2016. There are requirements for a bond reserve account, as well as a debt service account. These are included in funds held by City—bond agreements. The City of Willmar, Hospital Revenue Notes, Series 2013, are to be paid first from the net revenues of the Hospital. If net revenues are not sufficient for payment of principal and interest, the City's full faith and credit in the form of its taxing authority can be used to meet the debt service payments.

City of Willmar, General Obligation Revenue Bonds, Series 2012: The Hospital issued the City of Willmar, General Obligation Revenue Bonds, Series 2012, to execute an advance refunding of the Series 2002 bonds. Bonds bear interest rate coupons from 2.00 percent to 5.00 percent with an average rate of 4.09 percent. There are requirements for a bond reserve account as well as a debt service account. These are included in funds held by City—bond agreements. The City of Willmar, General Obligation Revenue Bonds, Series 2012, are to be paid first from the net revenues of the Hospital. If net revenues are not sufficient for payment of principal and interest, the City's full faith and credit in the form of its taxing authority can be used to meet the debt service requirements.

The Hospital is required to comply with certain restrictive covenants relating to the revenue bonds and notes, the most restrictive of which requires the maintenance of a minimum debt service coverage ratio of 1.25-to-1.0. These covenants have all been met as of December 31, 2016 and 2015.

Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)

Notes to Financial Statements

Note 11. Long-Term Debt (Continued)

Scheduled principal and interest payments on long-term debt obligations are as follows:

	Principal	Interest
Years ending December 31:		
2017	\$ 2,491,669	\$ 1,763,823
2018	2,572,589	1,680,643
2019	2,448,453	1,578,853
2020	2,332,490	1,471,105
2021	2,367,219	1,538,456
2022-2026	12,632,134	6,006,961
2027-2031	15,230,300	3,516,904
2032-2036	4,654,583	404,115
Total	<u>\$ 44,729,437</u>	<u>\$ 17,960,860</u>

Note 12. Related-Party Transactions

Shared Health Resources: The Hospital holds a 50 percent investment in Shared Health Resources, a limited liability corporation formed by the Hospital and Willmar Properties. Shared Health Resources was established for the construction and operation of a medical office building located adjacent to the Hospital.

The Hospital's investment in Shared Health Resource consists of the following at December 31, 2016 and 2015:

	2016	2015
Beginning balance	\$ 487,523	\$ 459,048
Equity in earnings	33,703	28,475
Ending balance	<u>\$ 521,226</u>	<u>\$ 487,523</u>

Shared Health Resources has a note payable to a bank. The Hospital has guaranteed 50 percent of this loan. At December 31, 2016, approximately \$1,600,000 was outstanding on this loan.

Lake Region Home Medical: Home Medical holds a 50 percent investment in Lake Region Home Medical, a limited liability corporation formed by Home Medical and Lake Region Healthcare in 2014. Lake Region Home Medical provides medical supplies, oxygen and durable medical equipment for sale or rental to health care providers, patients or retail customers for in-home medical care use. The ending balance of Home Medical's investment in Lake Region Home Medical at December 31, 2016 and 2015, was a deficit of \$36,444 and \$16,322, respectively, and is included in other assets.

Willmar Medical Services: On January 1, 2008, the Hospital amended and restated the agreement of its partnership in the Willmar Surgery Center. The restated partnership, Willmar Medical Services, is a limited liability partnership jointly owned by Affiliated Community Medical Centers, P.A. (ACMC) and the Hospital. Willmar Medical Services provides inpatient and outpatient medical oncology, radiation, and imaging professional and technical component support services as well as outpatient surgical services, anesthesiology, polysomnography and orthopedics.

Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)

Notes to Financial Statements

Note 12. Related-Party Transactions (Continued)

The Hospital's investment in Willmar Medical Services consists of the following at December 31, 2016 and 2015:

	2016	2015
Beginning balance	\$ 4,020,928	\$ 4,269,042
Equity in earnings	7,044,453	6,731,886
Less cash distributions	(6,205,000)	(6,980,000)
Ending balance	<u>\$ 4,860,381</u>	<u>\$ 4,020,928</u>

Summarized condensed financial information from the financial statements of Willmar Medical Services at December 31, 2016 and 2015, and for the years then ended is presented below:

	2016	2015
Total assets	<u>\$ 14,484,484</u>	<u>\$ 12,987,972</u>
Total liabilities	\$ 4,763,720	\$ 4,946,114
Partners' capital	9,720,764	8,041,858
Total liabilities and partners' capital	<u>\$ 14,484,484</u>	<u>\$ 12,987,972</u>
Net patient service revenue	<u>\$ 50,793,918</u>	<u>\$ 49,178,569</u>
Net income	<u>\$ 14,088,906</u>	<u>\$ 13,463,770</u>

The concentrations of net patient service revenue for Willmar Medical Services are similar to those disclosed in Note 2 for the Hospital as a whole.

Note 13. Other Liabilities, Commitments and Contingencies

Risk management: The Hospital is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accidental benefits. Risks are covered by self-insurance programs and commercial insurance purchased from independent third parties, other than the self-insured risks addressed below. There has been no significant reduction in insurance coverage from the previous year in any of the Hospital's policies. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years.

Self-insurance: The Hospital self-insures for health, dental and workers' compensation insurance. Reported as current liabilities, estimated claim liabilities are recognized for known unpaid claims and claims incurred but not reported. The Hospital has reinsurance for health insurance, which limits their maximum liability to \$190,000 per claim and \$7,594,000 in aggregate for each fiscal year.

Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)

Notes to Financial Statements

Note 13. Other Liabilities, Commitments and Contingencies (Continued)

Changes in the accrued self-insurance liabilities for health, dental and workers' compensation are as follows:

Fiscal Year Ended	Beginning Liability Balance	Current-Year Expenses	Payments	Ending Liability Balance
December 31, 2016	\$ 760,476	\$ 7,530,938	\$ 7,406,362	\$ 885,052
December 31, 2015	905,629	5,852,415	5,997,568	760,476

Letter of credit—bank: The Hospital is self-insured for workers' compensation and maintains a \$425,000 letter of credit, as required by the State of Minnesota. There have been no draws on this letter of credit during 2015 or 2016. Under the terms of the letter of credit, interest is payable monthly at prime (currently 3.75 percent), and the letter of credit has a maturity of September 1, 2017.

Litigation: The Hospital is involved in litigation arising from the normal course of business. Management estimates that these matters will be resolved without material adverse effects on the Hospital's future financial position or results from operations.

Note 14. Recent Accounting Pronouncements

The following pronouncements have been issued but are not yet effective for the Hospital:

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement establishes new accounting and financial reporting requirements for governments whose employees are provided with OPEB, as well as for certain nonemployer governments that have a legal obligation to provide financial support for OPEB provided to the employees of other entities. The objective of this statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general-purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. The statement is effective for the Hospital's year ending December 31, 2018. Management is currently evaluating the effects GASB Statement No. 75 will have on the Hospital's financial statements.

In March 2016, the GASB issued Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this statement is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The statement is effective for the Hospital's fiscal year ending December 31, 2017. Management is currently evaluating the effects GASB Statement No. 82 will have on the Hospital's financial statements.

Required Supplementary Information

Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)

Other Postemployment Benefits Funding Status (Unaudited)
December, 31, 2016

The Hospital provides to retirees the option to participate in the Hospital's health insurance plan after retirement, with no contribution from the Hospital. The Hospital currently has 26 retirees receiving benefits from the Hospital's health insurance plan.

The Hospital 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, 2016. 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	\$ -	\$ 2,131,652	\$ 2,131,652	0.0%	\$ 46,650,000	4.6%
2014	-	2,735,839	2,735,839	0.0%	38,490,496	7.1%
2012	-	2,338,281	2,338,281	0.0%	35,774,003	6.5%

Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)

**Schedule of Rice Memorial Hospital's Contributions to the Public Employees General
Employees Retirement Fund (Unaudited)**
Required Supplementary Information (Last 10 Years*)

Fiscal Year Ended	Statutorily Required Contributions (a)	Contributions in Relation to the Statutorily Required Contributions (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll** (d)	Contributions as a Percentage of Covered Payroll (b/d)
December 31, 2016	\$ 3,162,739	\$ 3,162,739	\$ -	\$ 42,169,853	7.5%
December 31, 2015	3,142,833	3,142,833	-	41,984,138	7.5%

*This schedule is presented prospectively beginning with the fiscal year ended December 31, 2015.

**For purposes of this schedule, covered payroll is defined as "pensionable wages."

Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)

Schedule of Rice Memorial Hospital's Proportionate Share of
Net Position Liability (Unaudited)
December, 31, 2016

Fiscal Year Ended	Employer's Proportionate Share (Percentage) of the Net Pension Liability (Asset)	Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset) (a)	Employer's Covered Payroll** (b)	Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2016	0.6630%	\$ 53,832,312	\$ 41,915,733	128.43%	68.9%
June 30, 2015	0.6873%	35,619,453	41,296,718	86.25%	78.2%

*This schedule is provided prospectively beginning with the fiscal year ended December 31, 2015.

**For purposes of this schedule, covered payroll is defined as "pensionable wages."

Supplementary Information

Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)

Combining Statement of Net Position
December 31, 2016

	Combined Entity	Rice Health Foundation	Eliminations	Combined Hospital
Assets				
Current assets:				
Cash and cash equivalents	\$ 4,411,187	\$ 598,047	\$ -	\$ 5,009,234
Current portion of funds held by the City	3,007,315	-	-	3,007,315
Accounts receivable:				
Patients, residents and trade, net	16,016,197	-	-	16,016,197
Other	1,638,761	521,132	-	2,159,893
Supplies	2,694,764	-	-	2,694,764
Prepaid expenses	1,091,182	-	-	1,091,182
Total current assets	28,859,406	1,119,179	-	29,978,585
Assets limited as to use:				
Funds held by the City	3,776,634	-	-	3,776,634
Restricted/designated for specific operating activities	86,170	2,625,066	-	2,711,236
Remainder unitrust	30,839	-	-	30,839
Endowment fund	3,117,535	489,144	-	3,606,679
Total assets limited as to use	7,011,178	3,114,210	-	10,125,388
Capital assets, net	62,775,982	-	-	62,775,982
Other assets:				
Investments	25,732,653	4,626,104	-	30,358,757
Investment in Shared Health Resources	521,226	-	-	521,226
Investment in Willmar Medical Services	4,860,381	-	-	4,860,381
Other	94,278	-	-	94,278
Total other assets	31,208,538	4,626,104	-	35,834,642
Total assets	129,855,104	8,859,493	-	138,714,597
Deferred outflows of resources:				
Deferred loss on refunding	1,318,713	-	-	1,318,713
Deferred outflows on pension	22,343,383	-	-	22,343,383
Total deferred outflows of resources	23,662,096	-	-	23,662,096
Total assets and deferred outflows of resources	\$ 153,517,200	\$ 8,859,493	\$ -	\$ 162,376,693

	Combined Entity	Rice Health Foundation	Eliminations	Combined Hospital
Liabilities and Net Position				
Current liabilities:				
Current maturities of long-term debt	\$ 2,491,669	\$ -	\$ -	\$ 2,491,669
Accounts payable	2,966,627	2,511	-	2,969,138
Due to Willmar Medical Services	1,467,478	-	-	1,467,478
Accrued expenses:				
Salaries, wages and benefits	9,455,380	-	-	9,455,380
Interest expense	689,640	-	-	689,640
Estimated third-party payer settlements	260,188	-	-	260,188
Total current liabilities	17,330,982	2,511	-	17,333,493
Long-term liabilities:				
Net pension liability	53,832,312	-	-	53,832,312
Other postemployment benefits	1,799,623	-	-	1,799,623
Long-term debt, net of current maturities	45,728,317	-	-	45,728,317
Total long-term liabilities	101,360,252	-	-	101,360,252
Total liabilities	118,691,234	2,511	-	118,693,745
Deferred inflows on pension	7,237,000	-	-	7,237,000
Net position:				
Net investment in capital assets	19,651,343	-	-	19,651,343
Restricted:				
Expendable for debt service and reserve	2,317,675	-	-	2,317,675
Expendable for specific operating activities	117,460	2,625,066	(843,159)	1,899,367
Nonexpendable permanent endowment	3,112,232	489,144	4,852	3,606,228
Unrestricted	2,390,256	5,742,772	838,307	8,971,335
Total net position	27,588,966	8,856,982	-	36,445,948
Total liabilities, deferred inflows of resources, and net position	\$ 153,517,200	\$ 8,859,493	\$ -	\$ 162,376,693

Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)

Combining Statement of Net Position
December 31, 2015

	Combined Entity	Rice Health Foundation	Eliminations	Combined Hospital
Assets				
Current assets:				
Cash and cash equivalents	\$ 3,234,022	\$ 672,804	\$ -	\$ 3,906,826
Current portion of funds held by the City	2,958,692	-	-	2,958,692
Accounts receivable:				
Patients, residents and trade, net	18,284,068	-	-	18,284,068
Other	1,389,361	748,704	(31,940)	2,106,125
Supplies	2,140,792	-	-	2,140,792
Prepaid expenses	1,025,311	-	-	1,025,311
Total current assets	29,032,246	1,421,508	(31,940)	30,421,814
Assets limited as to use:				
Funds held by the City	3,776,634	-	-	3,776,634
Restricted/designated for specific operating activities	226,263	2,627,414	-	2,853,677
Remainder unitrust	47,522	-	-	47,522
Endowment fund	2,920,922	467,283	-	3,388,205
Total assets limited as to use	6,971,341	3,094,697	-	10,066,038
Capital assets, net	61,065,987	-	-	61,065,987
Other assets:				
Investments	24,129,137	4,137,129	-	28,266,266
Investment in Shared Health Resources	487,523	-	-	487,523
Investment in Willmar Medical Services	4,020,928	-	-	4,020,928
Other	115,734	-	-	115,734
Total other assets	28,753,322	4,137,129	-	32,890,451
Total assets	125,822,896	8,653,334	(31,940)	134,444,290
Deferred outflows of resources:				
Deferred loss on refunding	1,405,653	-	-	1,405,653
Deferred outflows on pension	4,938,593	-	-	4,938,593
Total deferred outflows of resources	6,344,246	-	-	6,344,246
Total assets and deferred outflows of resources	\$ 132,167,142	\$ 8,653,334	\$ (31,940)	\$ 140,788,536

	Combined Entity	Rice Health Foundation	Eliminations	Combined Hospital
Liabilities and Net Position				
Current liabilities:				
Current maturities of long-term debt	\$ 2,239,597	\$ -	\$ -	\$ 2,239,597
Accounts payable	2,418,820	410	(31,940)	2,387,290
Due to Willmar Medical Services	1,811,843	-	-	1,811,843
Accrued expenses:				
Salaries, wages and benefits	9,035,717	-	-	9,035,717
Interest expense	731,031	-	-	731,031
Estimated third-party payer settlements	80,000	-	-	80,000
Total current liabilities	16,317,008	410	(31,940)	16,285,478
Long-term liabilities:				
Net pension liability	35,619,453	-	-	35,619,453
Other postemployment benefits	1,707,524	-	-	1,707,524
Long-term debt, net of current maturities	48,232,485	-	-	48,232,485
Total long-term liabilities	85,559,462	-	-	85,559,462
Total liabilities	101,876,470	410	(31,940)	101,844,940
Deferred inflows on pension	4,737,635	-	-	4,737,635
Net position:				
Net investment in capital assets	15,776,192	-	-	15,776,192
Restricted:				
Expendable for debt service and reserve	2,227,661	-	-	2,227,661
Expendable for specific operating activities	273,785	2,627,414	(908,310)	1,992,889
Nonexpendable permanent endowment	2,920,922	467,283	-	3,388,205
Unrestricted	4,354,477	5,558,227	908,310	10,821,014
Total net position	25,553,037	8,652,924	-	34,205,961
Total liabilities, deferred inflows of resources, and net position	\$ 132,167,142	\$ 8,653,334	\$ (31,940)	\$ 140,788,536

Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)

Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2016

	Hospital	Rice Home Medical	Rice Care Center	Combined Entity
Revenue:				
Net patient and resident service revenue	\$ 74,413,712	\$ -	\$ 8,204,196	\$ 82,617,908
Net equipment sales and rents	-	9,335,251	-	9,335,251
Net patient and resident service revenue and equipment sales and rents	74,413,712	9,335,251	8,204,196	91,953,159
Other revenue	15,315,613	179,801	40,836	15,536,250
Total revenue	89,729,325	9,515,052	8,245,032	107,489,409
Expenses:				
Salaries and wages	38,853,725	2,903,042	3,382,774	45,139,541
Employee benefits	12,783,002	967,886	1,163,715	14,914,603
Amortization of pension adjustments	3,332,439	-	-	3,332,439
Supplies and drugs	10,744,438	4,318,995	704,017	15,767,450
Purchased services	6,949,193	441,507	1,247,873	8,638,573
Repairs and maintenance	3,128,402	212,454	91,394	3,432,250
Utilities	1,494,723	111,813	134,047	1,740,583
Other	2,134,073	283,140	87,897	2,505,110
Depreciation and amortization	5,905,918	948,348	730,967	7,585,233
Taxes and surcharges	1,874,611	62,225	245,967	2,182,803
Total expenses	87,200,524	10,249,410	7,788,651	105,238,585
Operating income (loss)	2,528,801	(734,358)	456,381	2,250,824
Nonoperating revenue (expenses):				
Investment income	734,361	(898)	34,597	768,060
Unrealized loss on investments	(461,121)	-	-	(461,121)
Loss on disposal of equipment	(148,675)	-	-	(148,675)
Interest expense	(1,369,996)	-	(301,059)	(1,671,055)
Total nonoperating revenue (expenses)	(1,245,431)	(898)	(266,462)	(1,512,791)
Excess (deficit) of revenue over expenses	1,283,370	(735,256)	189,919	738,033
Other nonoperating revenue (expenses):				
Specific-purpose funds:				
Restricted gifts, bequests and grants	702,661	-	-	702,661
Expended for specific purpose	(858,986)	-	-	(858,986)
Endowment funds:				
Restricted gifts, bequests and grants	-	-	-	-
Income from investments	54,123	-	-	54,123
Unrealized gain on investments	204,467	-	-	204,467
Payments for charity care and administrative fees	(67,280)	-	-	(67,280)
Total other nonoperating revenue (expenses)	34,985	-	-	34,985
Capital grants and contributions	1,262,911	-	-	1,262,911
Increase (decrease) in net position	2,581,266	(735,256)	189,919	2,035,929
Net position:				
Beginning of year, as restated	19,860,807	3,254,844	2,437,386	25,553,037
End of year	\$ 22,442,073	\$ 2,519,588	\$ 2,627,305	\$ 27,588,966

Rice Health Foundation	Eliminations	Combined Hospital
\$ -	\$ -	\$ 82,617,908
-	-	9,335,251
-	-	91,953,159
1,210,050	(466,450)	16,279,850
1,210,050	(466,450)	108,233,009
-	-	45,139,541
-	-	14,914,603
-	-	3,332,439
61,507	(34,968)	15,793,989
345,086	(276,992)	8,706,667
6,342	(6,342)	3,432,250
725	(725)	1,740,583
1,185,912	(985,097)	2,705,925
633	(633)	7,585,233
4,318	-	2,187,121
1,604,523	(1,304,757)	105,538,351
(394,473)	838,307	2,694,658
383,797	-	1,151,857
195,221	-	(265,900)
-	-	(148,675)
-	-	(1,671,055)
579,018	-	(933,773)
184,545	838,307	1,760,885
863,405	(843,159)	722,907
(865,753)	-	(1,724,739)
21,861	4,852	26,713
-	-	54,123
-	-	204,467
-	-	(67,280)
19,513	(838,307)	(783,809)
-	-	1,262,911
204,058	-	2,239,987
8,652,924	-	34,205,961
\$ 8,856,982	\$ -	\$ 36,445,948

Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)

Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended December 31, 2015

	Hospital	Rice Home Medical	Rice Care Center	Combined Entity
Revenue:				
Net patient and resident service revenue	\$ 65,463,081	\$ -	\$ 8,875,305	\$ 74,338,386
Net equipment sales and rents	-	9,681,801	-	9,681,801
Net patient and resident service revenue and equipment sales and rents	65,463,081	9,681,801	8,875,305	84,020,187
Other revenue	14,222,890	157,260	9,611	14,389,761
Total revenue	79,685,971	9,839,061	8,884,916	98,409,948
Expenses:				
Salaries and wages	37,234,373	2,806,075	3,152,110	43,192,558
Employee benefits	10,018,744	1,066,213	1,091,530	12,176,487
Amortization of pension adjustments	776,838	-	-	776,838
Supplies and drugs	9,721,126	4,085,173	759,042	14,565,341
Purchased services	5,277,481	337,157	1,446,493	7,061,131
Repairs and maintenance	2,893,131	230,496	85,792	3,209,419
Utilities	1,479,351	114,623	137,905	1,731,879
Other	1,769,826	357,502	97,956	2,225,284
Depreciation and amortization	6,029,798	962,507	732,587	7,724,892
Taxes and surcharges	1,645,237	65,444	420,002	2,130,683
Total expenses	76,845,905	10,025,190	7,923,417	94,794,512
Operating income (loss)	2,840,066	(186,129)	961,499	3,615,436
Nonoperating revenue (expenses):				
Investment income	748,137	(64)	18,991	767,064
Unrealized loss on investments	(39,464)	-	-	(39,464)
Gain on disposal of equipment	217,198	7,746	-	224,944
Interest expense	(1,402,222)	-	(316,900)	(1,719,122)
Total nonoperating revenue (expenses)	(476,351)	7,682	(297,909)	(766,578)
Excess (deficit) of revenue over expenses	2,363,715	(178,447)	663,590	2,848,858
Other nonoperating revenue (expenses):				
Specific-purpose funds:				
Restricted gifts, bequests and grants	847,756	-	-	847,756
Expended for specific purpose	(790,539)	-	-	(790,539)
Endowment funds:				
Restricted gifts, bequests and grants	-	-	-	-
Income from investments	58,650	-	-	58,650
Unrealized loss on investments	(92,981)	-	-	(92,981)
Payments for charity care and administrative fees	(105,979)	-	-	(105,979)
Total other nonoperating revenue (expenses)	(83,093)	-	-	(83,093)
Capital grants and contributions	818,607	-	-	818,607
Increase (decrease) in net position	3,099,229	(178,447)	663,590	3,584,372
Net position:				
Beginning of year, as restated	16,761,578	3,433,291	1,773,796	21,968,665
End of year	\$ 19,860,807	\$ 3,254,844	\$ 2,437,386	\$ 25,553,037

Rice Health Foundation	Eliminations	Combined Hospital
\$ -	\$ -	\$ 74,338,386
-	-	9,681,801
-	-	84,020,187
1,286,883	(440,248)	15,236,396
1,286,883	(440,248)	99,256,583
-	-	43,192,558
-	-	12,176,487
-	-	776,838
56,586	(28,473)	14,593,454
341,481	(270,897)	7,131,715
9,636	(9,636)	3,209,419
824	(824)	1,731,879
1,229,041	(1,038,076)	2,416,249
652	(652)	7,724,892
5,147	-	2,135,830
1,643,367	(1,348,558)	95,089,321
(356,484)	908,310	4,167,262
389,461	-	1,156,525
(327,383)	-	(366,847)
-	-	224,944
-	-	(1,719,122)
62,078	-	(704,500)
(294,406)	908,310	3,462,762
1,766,397	(908,310)	1,705,843
(964,731)	-	(1,755,270)
2,353	-	2,353
-	-	58,650
-	-	(92,981)
(4,380)	-	(110,359)
799,639	(908,310)	(191,764)
-	-	818,607
505,233	-	4,089,605
8,147,691	-	30,116,356
\$ 8,652,924	\$ -	\$ 34,205,961

Rice Memorial Hospital
(An Enterprise Fund of the City of Willmar, Minnesota)

Statement of Revenues, Expenses and Changes in Net Position—Rice Health Foundation
Year Ended December 31, 2016

	Unrestricted	Expendable Restricted	Nonexpendable Restricted	Total
Revenues, gains and other support:				
Contributions	\$ 344,297	\$ 536,608	\$ 21,861	\$ 902,766
Special fundraising programs	-	326,797	-	326,797
Investment returns:				
Interest and dividends	383,797	-	-	383,797
Unrealized losses	195,221	-	-	195,221
Net position released from restrictions	865,753	(865,753)	-	-
Total revenues, gains and other support	1,789,068	(2,348)	21,861	1,808,581
Expenses:				
Contributions and grants	1,185,912	-	-	1,185,912
Management and general	371,615	-	-	371,615
Fundraising and other	46,996	-	-	46,996
Total expenses	1,604,523	-	-	1,604,523
Increase (decrease) in net position	184,545	(2,348)	21,861	204,058
Net position:				
Beginning of year	5,558,227	2,627,414	467,283	8,652,924
End of year	<u>\$ 5,742,772</u>	<u>\$ 2,625,066</u>	<u>\$ 489,144</u>	<u>\$ 8,856,982</u>



RSM US LLP

Independent Auditor's Report on Legal Compliance

Board of Directors
Rice Memorial Hospital
Willmar, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Rice Memorial Hospital (an enterprise fund of the City of Willmar, Minnesota) as of and for the year ended December 31, 2016, and have issued our report thereon dated March 29, 2017.

The *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota Statutes Section 6.65, contains six categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, claims and disbursements, and miscellaneous provisions and tax increment financing. Our audit considered all of the listed categories, except that we did not test for compliance with the provisions for tax increment financing because this category is not applicable for Rice Memorial Hospital.

In connection with our audit, nothing came to our attention that caused us to believe that Rice Memorial Hospital failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*. 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 Rice Memorial Hospital's noncompliance with the above-referenced provisions.

This report is intended solely for the information and use of the Board of Directors, management of Rice Memorial Hospital, and the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.

RSM US LLP

Minneapolis, Minnesota
April 3, 2017



COMPREHENSIVE ANNUAL FINANCIAL REPORT

DECEMBER 31, 2016



COMPREHENSIVE ANNUAL FINANCIAL

REPORT OF THE

CITY OF

WILLMAR, MINNESOTA

FOR THE

YEAR ENDED

DECEMBER 31, 2016

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, 2016**

TABLE OF CONTENTS

PAGE

INTRODUCTORY SECTION

List of Elected and Appointed Officials	i
---	---

FINANCIAL SECTION-I

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
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance Required By The Uniform Guidance	v
Schedule of Expenditures of Federal Awards	vi
Notes to the Schedule of Expenditures of Federal Awards	vii
Schedule of Findings and Questioned Costs	viii

FINANCIAL SECTION-II

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	
Statement of Revenues, Expenditures, and Changes in Fund	17
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, 2016**

TABLE OF CONTENTS (continued)

PAGE

FINANCIAL SECTION-II (continued)

Required Supplementary Information:

Individual Schedule of Revenue, Expenditures and Changes in Fund Balances – Budget and Actual:	
General Fund	62
Industrial Development Special Revenue Fund	67
Convention and Visitors' Bureau Special Revenue Fund	68
Willmar Municipal Airport Special Revenue Fund.....	69
Library Improvement Reserve Special Revenue Fund.....	70
Community Investment Special Revenue Fund	71
Public Works Reserve Special Revenue Fund	72
Debt Service Funds/Special Assessments Bonds	73
Debt Service Funds/Airport G.O. Revenue Bonds.....	74
Debt Service Funds/Tax Increment Bonds	75
Schedules of Proportionate Share of Net Pension Liability and Employer Contributions – GERP	76
Schedules of Proportionate Share of Net Pension Liability and Employer Contributions – PEPFF	77
Schedule of Fund Progress – Other Post Employment Benefits	78
Notes to the Required Supplementary Information.....	79

Other Supplementary Information:

Combining Balance Sheet – Nonmajor Governmental Funds	80
Combining Statement of Revenue, Expenditures and Changes in Fund Balances	
Nonmajor Governmental Funds	81
Combining Balance Sheet – Nonmajor Special Revenue Funds.....	82
Combining Statement of Revenue, Expenditures and Changes in Fund Balances –	
Nonmajor Special Revenue Funds	83
Combining Balance Sheet – Nonmajor Capital Project Funds	84
Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Nonmajor	
Capital Project Funds	85
Combining Balance Sheet – Nonmajor Debt Service Funds.....	86
Combining Statement of Revenue, Expenditures and Changes in Fund Balances – Nonmajor	
Capital Project Funds	87
Combining Statement of Net Position – Internal Service Funds.....	88
Combining Statement of Revenues, Expenses, and Changes in Fund Net Position – Internal	
Service Funds	89
Combining Statement of Cash Flows – Internal Service Funds.....	90
Statement of Net Position – Fiduciary/Agency Fund.....	91
Statement of Revenues, Expenses and Changes in Fund Net Position – Fiduciary/Agency Fund	92

**CITY OF WILLMAR, MINNESOTA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016**

TABLE OF CONTENTS (continued)

PAGE

STATISTICAL SECTION

Capital Assets Used in the Operation of Governmental Funds:

Comparative Schedules By Source	93
Schedule of Changes by Function and Activity	94
Schedule By Function and Activity	95

Government-Wide Information:

Government-Wide Expenses By Function	96
Government-Wide Revenues	97

Fund Information:

General Governmental Expenditures by Function	98
General Governmental Revenues by Source	99
Property Tax Levies and Collections	100
Tax Capacities and Estimated Market Value of Taxable Property	101
Tax Capacity Rates – Direct and Overlapping Governments	103
Tax Levies – Direct and Overlapping Governments	104
Principal Taxpayers	105
Special Assessments Billings and Collections	106
Computation of Legal Debt Margin	107
Miscellaneous Statistics	108

CITY OF WILLMAR, MINNESOTA

INTRODUCTORY SECTION

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF WILLMAR, MINNESOTA

2016

CITY COUNCIL

MARVIN CALVIN, MAYOR

COUNCIL MEMBERS:

DENIS ANDERSON

ANDREW PLOWMAN

RON CHRISTIANSON

TIM JOHNSON

STEVE AHMANN

RICK FAGERLIE

SHAWN MUESKE

AUDREY NELSEN

FINANCE DIRECTOR

STEVEN B. OKINS

CITY ADMINISTRATOR

MICHAEL MCGUIRE

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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. 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, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Willmar, Minnesota, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As described in Note 7 to the financial statements, in 2016, the City adopted new accounting guidance, *GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

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 schedule of expenditures of federal awards is presented for

purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2017 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
June 30, 2017

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

Honorable Mayor and Members of the 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, 2016, 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 June 30, 2017. 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

WESTBERG EISCHENS, PLLP
Willmar, Minnesota
June 30, 2017

INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and Members of the 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, 2016, and the related notes to the financial statements, and have issued our report thereon dated June 30, 2017.

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 questioned costs as items 2016-001 and 2016-002. 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.

Walter Eischen, PLLP

WESTBERG EISCHENS, PLLP
Willmar, Minnesota
June 30, 2017

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Willmar, Minnesota's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have direct and material effect on each of City of Willmar, Minnesota's major federal programs for the year ended December 31, 2016. The City of Willmar, Minnesota's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Willmar, Minnesota's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Willmar, Minnesota's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

Opinion on Each Major Federal Programs

In our opinion, the City of Willmar, Minnesota complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

Report on Internal Control Over Compliance

Management of the City of Willmar, Minnesota, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Willmar, Minnesota's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Willmar, Minnesota's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Westberg Eischens, PLLP

WESTBERG EISCHENS, PLLP
Willmar, Minnesota
June 30, 2017

CITY OF WILLMAR, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2016

<u>Federal Funding Source</u>	<u>Pass-Through Agency</u>	<u>Program Name</u>	<u>Federal CFDA Number</u>	<u>State or Other Contract Number</u>	<u>Expenditures</u>	<u>Passed Through to Subrecipients</u>
U.S. Environmental Protection Agency	Minnesota Public Facilities Authority	Capitalization Grants for Clean Water State	66.458	MPFA-CWRF-L-010-FY17	\$ 736,258	\$ -
U.S. Department of Transportation	Minnesota Department of Public Safety	Interagency Hazardous Materials Public Sector Traning and Planning	20.703	P0797HMEP2015	\$ 17,530	\$ -
U.S. Department of Justice		Bulletproof Vest Partnership Program	16.607		\$ 9,177	\$ -
Department of Transportation	Minnesota Department of Public Safety	Airport Improvement Program	20.106	TMNFAA01151016	\$ 4,050	\$ -
Total Federal Awards					\$ 767,015	\$ -

CITY OF WILLMAR
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2016

NOTE 1: REPORTING ENTITY

The schedule of expenditures of federal awards presents the activities of federal award programs expended by the City of Willmar, Minnesota. The City of Willmar's reporting entity is defined in Note 1 to the financial statements.

NOTE 2: BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Willmar and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of City of Willmar, Minnesota, it is not intended to and does not present the financial position, changes in net position, or cash flows of City of Willmar, Minnesota.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the basis of accounting used by the individual funds. Governmental funds use the modified accrual basis of accounting. Proprietary funds use the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. City of Willmar has elected to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE 4: LOAN PROGRAMS

CFDA 66.458 Capitalization Grants for Clean Water State Revolving Funds

Loan proceeds expended for the year ended December 31, 2016 was \$736,258. The loan balance outstanding at year end was \$736,258.

**CITY OF WILLMAR, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016**

SECTION I: SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: **Unmodified**

Internal control over financial reporting:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

Noncompliance material to financial statement noted? **No**

Federal Awards

Internal control over major programs:

- Material weaknesses identified? **No**
- Significant deficiencies identified? **None reported**

Type of auditor's report issued on compliance for major programs: **Unmodified**

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? **No**

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
<u>66.458</u>	<u>Capitalization Grants for Clean Water State Revolving Funds</u>

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? **No**

**CITY OF WILLMAR, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016**

SECTION II: FINANCIAL STATEMENT FINDINGS

None reported

SECTION III: MAJOR FEDERAL AWARDS FINDINGS

None reported

SECTION IV: PRIOR YEAR FINDINGS

Finding 2008-001

Status:

Resolved

Condition:

The financial statements do not include all the required accruals and disclosures related to the City's OPEB obligations.

Recommendation:

We recommend the City establish a plan to adopt GASB 45 in order to comply with generally accepted accounting principles.

Actions Planned in Response to Finding:

The City has an agreement with an actuary to perform the necessary calculations to determine its OPEB liabilities.

SECTION V: MINNESOTA LEGAL COMPLIANCE

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.

Questioned Costs:

N/A

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.

**CITY OF WILLMAR, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016**

SECTION V: MINNESOTA LEGAL COMPLIANCE (continued)

CORRECTIVE ACTION PLAN (CAP)

Finding 2016-001

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The City will review and implement new procedures to ensure compliance with collateral requirements.

Officer Responsible for Ensuring CAP:

Finance Director

Planned Completion Date:

July 2017

Plan to Monitor Completion of CAP:

City Administrator

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.

Questioned Costs:

N/A

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.

**CITY OF WILLMAR, MINNESOTA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2016**

SECTION V: MINNESOTA LEGAL COMPLIANCE (continued)

CORRECTIVE ACTION PLAN (CAP)

Finding 2016-002

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit finding.

Actions Planned in Response to Finding:

The City will revise the policies for employee mileage reimbursements.

Officer Responsible for Ensuring CAP:

Finance Director

Planned Completion Date:

July 2017

Plan to Monitor Completion of CAP:

City Administrator

CITY OF WILLMAR, MINNESOTA

FINANCIAL SECTION - II

MANAGEMENT DISCUSSION AND ANALYSIS

CITY OF WILLMAR, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016

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, 2016. 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 \$136,062,688 (net position). Of this amount, \$39,024,537 (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 \$35,986,797. Of this total amount, approximately 2% is Nonspendable, 38% is Restricted, and 60% is Committed.
- At the end of the current fiscal year, committed fund balance for the General Fund was \$14,189,140, or 106% of the total General Fund expenditures of \$13,411,591.

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, 2016

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 26-61 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, 2016

Table 1
Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 42,557,421	\$ 43,607,357	\$ 10,865,742	8,891,713	\$ 53,423,163	\$ 52,499,070
Net capital assets	<u>93,810,657</u>	<u>94,001,610</u>	<u>85,452,298</u>	<u>87,067,448</u>	<u>179,262,955</u>	<u>181,069,058</u>
Total Assets	<u>136,368,078</u>	<u>137,608,967</u>	<u>96,318,040</u>	<u>95,959,161</u>	<u>232,686,118</u>	<u>233,568,128</u>
Deferred Outflows	<u>8,558,147</u>	<u>1,066,653</u>	<u>336,352</u>	<u>73,054</u>	<u>8,894,499</u>	<u>88,134,101</u>
Other liabilities	2,761,927	3,067,929	409,844	72,289	3,171,771	3,140,218
Long-term liabilities	<u>28,718,815</u>	<u>21,113,770</u>	<u>71,756,416</u>	<u>73,507,309</u>	<u>100,475,231</u>	<u>94,621,079</u>
Total Liabilities	<u>31,480,742</u>	<u>24,181,699</u>	<u>72,166,260</u>	<u>73,579,598</u>	<u>103,647,002</u>	<u>97,761,297</u>
Deferred Inflows	<u>1,761,067</u>	<u>838,159</u>	<u>110,060</u>	<u>65,004</u>	<u>1,871,127</u>	<u>903,163</u>
Net Position						
Net Investment in						
Capital Assets	82,537,353	82,182,306	14,500,798	14,096,642	97,038,151	96,278,948
NonExpendable	-	-	-	-	-	-
Restricted	35,591,625	36,159,987	581,584	1,818,242	36,173,209	37,978,229
Unrestricted	<u>(6,444,562)</u>	<u>(4,686,531)</u>	<u>9,295,890</u>	<u>6,472,729</u>	<u>2,851,328</u>	<u>1,786,198</u>
Total Net Position	<u>\$111,684,416</u>	<u>\$113,655,762</u>	<u>\$ 24,378,272</u>	<u>\$ 22,387,613</u>	<u>\$136,062,688</u>	<u>\$136,043,375</u>

Governmental Activities

The net position of the City's governmental activities decreased by \$1,593,704 in 2016. The decrease was mainly due to a combination of adoption of GASB 68 by the City and a stabilization of annual revenues and 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 \$1,990,659 in 2016. 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	
	2016	2015	2016	2015	2016	2015
Current and other assets	\$ 75,938,615	\$ 73,378,303	\$ 29,582,761	\$ 26,276,644	\$ 105,521,376	\$ 99,654,947
Net capital assets	<u>62,775,982</u>	<u>61,065,987</u>	<u>31,225,464</u>	<u>30,703,855</u>	<u>94,001,446</u>	<u>91,769,842</u>
Total Assets	<u>138,714,597</u>	<u>134,444,290</u>	<u>60,808,225</u>	<u>56,980,499</u>	<u>199,522,822</u>	<u>191,424,789</u>
Deferred Outflows	<u>23,662,096</u>	<u>6,344,246</u>	<u>2,105,518</u>	<u>466,760</u>	<u>25,767,614</u>	<u>6,811,006</u>
Current and other liabilities	17,333,493	21,023,113	4,253,680	3,949,692	21,587,173	24,972,805
Long-term liabilities	<u>101,360,252</u>	<u>85,559,462</u>	<u>11,668,579</u>	<u>10,663,451</u>	<u>113,028,831</u>	<u>96,222,913</u>
Total Liabilities	<u>118,693,745</u>	<u>106,582,575</u>	<u>15,922,259</u>	<u>14,613,143</u>	<u>134,616,004</u>	<u>121,195,718</u>
Deferred Inflows	<u>7,237,000</u>	<u>4,737,635</u>	<u>654,514</u>	<u>371,961</u>	<u>7,891,514</u>	<u>5,109,596</u>
Net Position						
Net Investment in						
capital assets	19,651,343	15,776,192	25,275,464	24,138,855	44,926,807	39,915,047
Restricted	7,823,270	7,608,755	1,584,238	12,442,081	9,407,508	20,050,836
Unrestricted	<u>8,971,335</u>	<u>10,821,014</u>	<u>19,477,268</u>	<u>5,881,219</u>	<u>28,448,603</u>	<u>16,702,233</u>
Total Net Position	<u>\$ 36,445,948</u>	<u>\$ 34,205,961</u>	<u>\$ 46,336,970</u>	<u>\$ 42,462,155</u>	<u>\$ 82,782,918</u>	<u>\$ 76,668,116</u>

CITY OF WILLMAR, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016

Primary Government

Table 3
Condensed Statement of Activities

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues						
Program revenues:						
Charges for services	\$ 1,935,065	\$ 1,680,295	\$ 10,348,712	\$ 8,982,387	\$ 12,283,777	\$ 10,662,682
Operating grants and contributions	1,209,097	983,269	-	-	1,209,097	983,269
Capital grants and contributions	1,920,469	2,669,016	-	-	1,920,469	2,669,016
General revenues:						
Property and other taxes	4,948,435	4,999,764	-	-	4,948,435	4,999,764
Grants and contributions not restricted to specific program	4,677,513	4,661,459	-	-	4,677,513	4,661,459
Other	1,144,280	1,552,405	(1,167,168)	318,396	(22,888)	1,870,801
Intergovernmental	-	-	-	-	-	-
Total Revenues	<u>15,834,859</u>	<u>16,546,208</u>	<u>9,181,544</u>	<u>9,300,783</u>	<u>25,016,403</u>	<u>25,846,991</u>
Expenses						
General Government	3,907,763	4,068,912	-	-	3,907,763	4,068,912
Public safety	6,277,277	5,055,428	-	-	6,277,277	5,055,428
Public works	7,432,779	6,949,073	-	-	7,432,779	6,949,073
Social services	-	-	-	-	-	-
Culture and recreation	2,631,463	2,441,662	-	-	2,631,463	2,441,662
Economic development	13,828	896,033	-	-	13,828	896,033
Capital projects	-	-	-	-	-	-
Debt service	259,475	297,324	-	-	259,475	297,324
Office services	-	-	-	-	-	-
Waste treatment	-	-	6,488,885	6,773,721	6,488,885	6,773,721
Total Expenses	<u>20,522,585</u>	<u>19,708,432</u>	<u>6,488,885</u>	<u>6,773,721</u>	<u>27,011,470</u>	<u>26,482,153</u>
Changes in Net Position Before Transfers	(4,687,726)	(3,162,224)	2,692,659	2,527,062	(1,995,067)	(635,162)
Transfers	<u>3,094,022</u>	<u>3,263,739</u>	<u>(702,000)</u>	<u>(668,768)</u>	<u>2,392,022</u>	<u>2,594,971</u>
Changes in Net Position	(1,593,704)	101,515	1,990,659	1,858,294	396,955	1,959,809
Net Position, Beginning of Year	113,655,762	118,324,114	22,387,613	21,043,747	136,043,375	139,367,861
Prior period adjustment	<u>(377,642)</u>	<u>(4,769,867)</u>	<u>-</u>	<u>(514,428)</u>	<u>(377,642)</u>	<u>(5,284,295)</u>
Net Position, End of Year	<u>\$ 111,684,416</u>	<u>\$ 113,655,762</u>	<u>\$ 24,378,272</u>	<u>\$ 22,387,613</u>	<u>\$ 136,062,688</u>	<u>\$ 136,043,375</u>

CITY OF WILLMAR, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016

Component Units

Component Units

The total net position of the City's two component units increased by \$6,114,802 in 2016. The net position of the Municipal Utilities Commission increased by \$3,874,815, and the net position of Rice Memorial Hospital increased by \$2,239,987.

Table 4
Condensed Statement of Activities

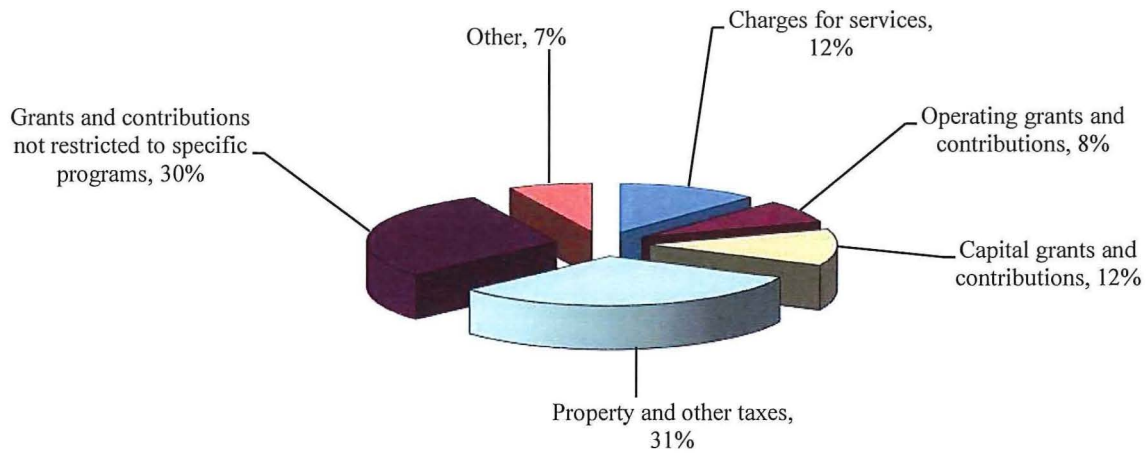
	Rice Memorial Hospital		Municipal Utilities		Total	
	2016	2015	2016	2015	2016	2014
Revenues						
Hospital	\$ 110,218,827	\$ 101,781,033	\$ -	\$ -	\$ 110,218,827	\$ 101,781,033
Municipal Utility	-	-	32,461,809	32,164,157	32,461,809	32,164,157
Interest Earnings	1,151,857	1,156,525	279,832	365,300	1,431,689	1,521,825
Gain (Loss) on sale of Capital Assets	(148,675)	224,944	7,552	107,552	(141,123)	332,496
Miscellaneous	(47,877)	(509,184)	(7,363)	11,057	(55,240)	(498,127)
Total Revenues	<u>111,174,132</u>	<u>102,653,318</u>	<u>32,741,830</u>	<u>32,648,066</u>	<u>143,915,962</u>	<u>135,301,384</u>
Expenses						
Hospital	108,678,965	98,105,584	-	-	108,678,965	98,105,584
Municipal Utility	-	-	26,745,927	30,068,869	26,745,927	30,068,869
Total Expenses	<u>108,678,965</u>	<u>98,105,584</u>	<u>26,745,927</u>	<u>30,068,869</u>	<u>135,424,892</u>	<u>128,174,453</u>
Changes in Net Position Before transfers	2,495,167	4,547,734	5,995,903	2,579,197	8,491,070	7,126,931
Transfers	<u>(255,180)</u>	<u>(458,129)</u>	<u>(2,121,088)</u>	<u>(2,152,597)</u>	<u>(2,376,268)</u>	<u>(2,610,726)</u>
Changes in Net Position	2,239,987	4,089,605	3,874,815	426,600	6,114,802	4,516,205
Net Position, Beginning	<u>34,205,961</u>	<u>30,116,356</u>	<u>42,462,155</u>	<u>42,035,555</u>	<u>76,668,116</u>	<u>72,151,911</u>
Net Position, Ending	<u>\$ 36,445,948</u>	<u>\$ 34,205,961</u>	<u>\$ 46,336,970</u>	<u>\$ 42,462,155</u>	<u>\$ 82,782,918</u>	<u>\$ 76,668,116</u>

**CITY OF WILLMAR, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016**

Governmental Activities

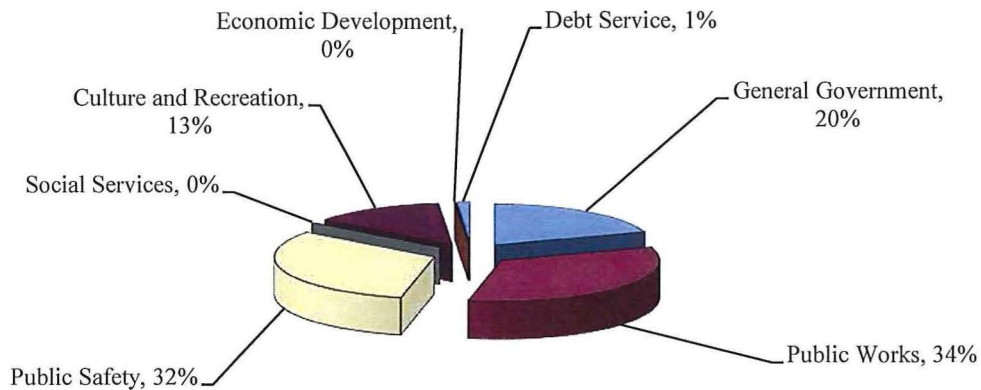
Revenues – The following chart visually illustrates the City's revenues by source for its governmental activities:

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, 2016**

Financial Analysis of the City's Funds

General Fund –

The City's General Fund increased by \$302,897 in 2016 which is \$1,237,193 more than the final budget projection which reflected a decrease of \$934,296. Part of the increase is due to the decrease in expenditures for Public Safety, Public Works, and Culture & Recreation due to vacant positions throughout the year.

Debt Service Funds –

Special Assessments Bond Debt Service Fund increased by \$208,352 in 2016. The increase was attributable to transfers from retired Debt Service and Community Investment obligations.

Special Revenue Fund –

Industrial Development Fund increased by \$223,263 in 2016. The increase was due to sale of Industrial Park land.

Special Revenue Fund –

Community Investment Fund increased by \$290,496 in 2016. The increase was mainly due to the repayment of previously borrowed funds and interest earnings.

Capital Projects Fund –

Street, Water/Sewer Capital Projects Fund decreased by \$1,855,054. The fund decrease was due to an increase in the usage of Local Option Sales tax Funds for specific Capital Improvements (expansion of the Industrial Park).

GENERAL FUND BUDGETARY HIGHLIGHTS:

The City approved the 2016 general fund budget anticipating expenditures would exceed revenues by \$931,296. The main difference between the original and final budget totaling \$3,000 was mainly due to a combination of budget adjustments throughout the year.

At the end of the year, revenues exceeded the final budget by \$345,258 and expenditures were less than the final budget by \$1,407,198. Transfers in were less than the final budget by \$515,263. The most significant positive variance for revenues was in Service Charges. Positive variances in expenditures were reflected in Public Safety, Public Works, and Culture/Recreation.

CITY OF WILLMAR, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016

Capital Assets

At the end of 2015, the Primary Government of the City of Willmar had over \$179,000,000 (net of accumulated depreciation) invested in a broad range of capital assets. In addition, the Component Units had over \$94,000,000 (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	
	2016	2015	2016	2015
Land and improvements	\$ 8,585,806	\$ 8,585,806	\$ 2,005,122	\$ 2,005,122
Buildings	14,098,229	13,176,273	63,705,752	75,039,444
Furniture and equipment	3,335,503	3,025,874	513,168	515,985
Machinery and auto	9,026,127	9,060,641	6,404,539	6,461,115
Other improvements	119,312,161	119,258,649	26,779,976	26,796,835
Construction in progress	15,891,519	13,213,317	1,688,547	137,705
Less: Depreciation	<u>(76,438,688)</u>	<u>(72,318,950)</u>	<u>(15,644,806)</u>	<u>(23,888,758)</u>
	<u>\$ 93,810,657</u>	<u>\$ 94,001,610</u>	<u>\$ 85,452,298</u>	<u>\$ 87,067,448</u>

Component Units

Table 6
Capital Assets

	Rice Memorial Hospital		Willmar Municipal Utilities	
	2016	2015	2016	2015
Land	\$ 2,918,000	\$ 2,918,000	\$ 1,385,907	\$ 1,385,907
Buildings	103,346,000	96,870,000	3,916,095	3,101,003
Furniture and equipment	44,931,982	45,936,987	78,814,034	77,975,158
Machinery and auto	-	-	-	-
Other improvements	1,686,000	1,517,000	-	-
Utility Plant in Service	-	-	-	-
Construction in progress	-	1,246,000	2,828,747	1,746,649
Less: Depreciation	<u>(90,106,000)</u>	<u>(87,422,000)</u>	<u>(55,719,319)</u>	<u>(53,504,862)</u>
	<u>\$ 62,775,982</u>	<u>\$ 61,065,987</u>	<u>\$ 31,225,464</u>	<u>\$ 30,703,855</u>

CITY OF WILLMAR, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016

Long-Term Debt

At year-end, the City of Willmar's Primary Government had over \$82,200,000 in bonds outstanding and its Component Units had over \$50,600,000 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

	2016	2015	Change
Governmental Activities			
G.O. Special Assessment Bonds	\$ 9,999,000	\$ 10,390,000	\$ (391,000)
G.O. Revenue Bonds	680,000	835,000	(155,000)
Note Payable - TIF	594,304	594,304	-
	<u>\$ 11,273,304</u>	<u>\$ 11,819,304</u>	<u>\$ (546,000)</u>
Business-Type Activities			
G.O. Revenue Bonds	\$ 345,000	\$ 450,000	\$ (105,000)
G.O. Revenue Notes	70,606,500	72,520,805	(1,914,305)
	<u>\$ 70,951,500</u>	<u>\$ 72,970,805</u>	<u>\$ (2,019,305)</u>

Component Units

Table 8

	2016	2015	Change
Rice Memorial Hospital			
G.O. Revenue Bonds	\$ 35,095,000	\$ 36,600,000	\$ (1,505,000)
Hospital Revenue Notes	8,248,200	8,682,200	(434,000)
Capital Lease	1,386,237	1,469,185	(82,948)
	<u>\$ 44,729,437</u>	<u>\$ 46,751,385</u>	<u>\$ (2,021,948)</u>
Willmar Municipal Utilities			
Municipal Utility Revenue Bond 2009	\$ 5,950,000	\$ 6,410,000	\$ (460,000)
General Obligation Water Revenue Bond	-	155,000	(155,000)
	<u>\$ 5,950,000</u>	<u>\$ 6,565,000</u>	<u>\$ (615,000)</u>

**CITY OF WILLMAR, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2016**

Economic Factors and Next Year's Budget

In the City adopted budget for 2017, expenditures were forecast to exceed revenue by approximately \$3,104,880, of which the General Fund expenditures were forecast to exceed revenue by approximately \$1,406,171. The major difference is to be funded by using Local Option Sales Tax Fund Balances.

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, 2016

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Municipal Utilities Commission	Rice Memorial Hospital
<u>Assets</u>					
Cash and Cash Equivalents	\$ 14,509,639	\$ (3,417,909)	\$ 11,091,730	\$ 4,899,905	\$ 5,009,234
Investments	21,380,489	12,412,022	33,792,511	18,077,075	30,358,757
Receivables (Net of Allow for Uncollect)					
Accounts Receivable	214,944	156,435	371,379	3,469,328	18,176,090
Accrued Interest	100,628	54,292	154,920	-	-
Taxes Receivable	165,803	-	165,803	-	-
Special Assessments	4,271,802	-	4,271,802	-	-
Notes Receivable	350,000	-	350,000	-	-
Due from Component Unit	-	-	-	-	-
Due from Other Governmental Units	488,462	1,472,327	1,960,789	-	-
Internal Balances	22,971	(22,971)	-	-	-
Inventories	18,496	14,137	32,633	979,861	2,694,764
Prepaid Items	636,374	21,478	657,852	552,697	1,091,182
Restricted Assets:					
Temporarily Restricted:					
Cash and Cash Equivalents	-	175,931	175,931	-	3,007,315
Investments	-	-	-	1,584,238	10,125,388
Permanently Restricted:					
Investments	-	-	-	-	5,381,607
Capital Assets					
Nondepreciable	24,477,325	3,693,669	28,170,994	4,214,654	2,918,000
Depreciable, net	69,333,332	81,758,629	151,091,961	27,010,810	59,857,982
Net Pension Asset	366,151	-	366,151	-	-
Other Assets	31,662	-	31,662	19,657	94,278
Total Assets	136,368,078	96,318,040	232,686,118	60,808,225	138,714,597
<u>Deferred Outflows of Resources</u>					
Deferred Loss on Refunding Escrow Account	-	-	-	-	1,318,713
Deferred Outflows on Pension	8,558,147	336,352	8,894,499	2,105,518	22,343,383
Total Deferred Outflows of Resources	8,558,147	336,352	8,894,499	2,105,518	23,662,096
Total Assets/Def. Outflows of Resources	\$ 144,926,225	\$ 96,654,392	\$ 241,580,617	\$ 62,913,743	\$ 162,376,693

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

CITY OF WILLMAR, MINNESOTA
STATEMENT OF NET POSITION
December 31, 2016

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Municipal Utilities Commission	Rice Memorial Hospital
Liabilities					
Accounts and Contracts Payable	\$ 778,567	\$ 385,325	\$ 1,163,892	\$ 2,083,958	\$ 4,696,804
Accrued Interest Payable	260,771	-	260,771	199	689,640
Due to Component Units	8,198	-	8,198	-	-
Due to Primary Government	-	-	-	1,472,327	-
Due to Other Governmental Units	89,281	-	89,281	-	-
Unearned Revenue	1,369,263	-	1,369,263	-	-
Accrued Compensation and Benefits	255,847	24,319	280,166	147,196	9,455,380
Noncurrent Liabilities					
Due within one year	1,911,000	2,894,158	4,805,158	550,000	2,491,669
Due in more than one year	13,025,341	68,057,342	81,082,683	6,585,769	45,728,317
Net OPEB Liability	390,282	-	390,282	-	1,799,623
Net Pension Liability	13,392,192	804,916	14,197,108	5,082,810	53,832,312
Total Liabilities	31,480,742	72,166,060	103,646,802	15,922,259	118,693,745
Deferred Inflows of Resources					
Deferred Inflows on Pension	1,761,067	110,060	1,871,127	654,514	7,237,000
Total Deferred Inflows of Resources	1,761,067	110,060	1,871,127	654,514	7,237,000
Net Position					
Net Investment in Capital Assets	82,537,353	14,500,798	97,038,151	25,275,464	19,651,343
Restricted	-	-	-	-	-
Capital Improvements	4,915,984	405,653	5,321,637	-	-
Debt Service	14,545,748	-	14,545,748	1,584,238	2,317,675
Specific Operating Activities	16,129,893	175,931	16,305,824	-	1,899,367
NonExpendable	-	-	-	-	3,606,228
Unrestricted	(6,444,562)	9,295,890	2,851,328	19,477,268	8,971,335
Total Net Position	111,684,416	24,378,272	136,062,688	46,336,970	36,445,948
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 144,926,225	\$ 96,654,392	\$ 241,580,617	\$ 62,913,743	\$ 162,376,693

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, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
General Government	\$ 3,907,763	\$ 734,458	\$ 277,482	\$ -
Public Safety	6,277,277	337,793	482,106	18,352
Public Works	7,432,779	326,349	395,776	1,902,117
Culture and Recreation	2,631,463	536,465	53,733	-
Economic Development	13,828	-	-	-
Debt Service - interest	259,475	-	-	-
Total Governmental Activities	<u>20,522,585</u>	<u>1,935,065</u>	<u>1,209,097</u>	<u>1,920,469</u>
Business-Type Activities:				
Waste Treatment	<u>6,488,885</u>	<u>10,348,712</u>	<u>-</u>	<u>-</u>
Total Business-Type Activities	<u>6,488,885</u>	<u>10,348,712</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 27,011,470</u>	<u>\$ 12,283,777</u>	<u>\$ 1,209,097</u>	<u>\$ 1,920,469</u>
Component Units:				
Municipal Utilities	\$ 26,745,927	\$ 32,461,809	\$ -	\$ -
Rice Memorial Hospital	108,678,965	108,233,009	722,907	1,262,911
Total Component Units	<u>\$ 135,424,892</u>	<u>\$ 140,694,818</u>	<u>\$ 722,907</u>	<u>\$ 1,262,911</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
\$ (2,895,823)		\$ (2,895,823)		
(5,439,026)		(5,439,026)		
(4,808,537)		(4,808,537)		
(2,041,265)		(2,041,265)		
(13,828)		(13,828)		
(259,475)		(259,475)		
<u>(15,457,954)</u>		<u>(15,457,954)</u>		
-	\$ 3,859,827	3,859,827		
-	3,859,827	3,859,827		
<u>(15,457,954)</u>	<u>3,859,827</u>	<u>(11,598,127)</u>		
			\$ 5,715,882	\$ -
			-	1,539,862
			<u>5,715,882</u>	<u>1,539,862</u>
4,469,711	-	4,469,711	-	-
-	-	-	-	-
478,724	-	478,724	-	-
4,677,513	-	4,677,513	-	-
438,962	233,594	672,556	279,832	1,151,857
(442,737)	(262,044)	(704,781)	-	(47,877)
(158,235)	(1,138,718)	(1,296,953)	7,552	(148,675)
1,306,290	-	1,306,290	(7,363)	-
3,094,022	(702,000)	2,392,022	(2,121,088)	(255,180)
<u>13,864,250</u>	<u>(1,869,168)</u>	<u>11,995,082</u>	<u>(1,841,067)</u>	<u>700,125</u>
(1,593,704)	1,990,659	396,955	3,874,815	2,239,987
113,655,762	22,387,613	136,043,375	42,462,155	34,205,961
<u>(377,642)</u>	-	<u>(377,642)</u>	-	-
113,278,120	22,387,613	135,665,733	42,462,155	34,205,961
<u>\$ 111,684,416</u>	<u>\$ 24,378,272</u>	<u>\$ 136,062,688</u>	<u>\$ 46,336,970</u>	<u>\$ 36,445,948</u>

CITY OF WILLMAR, MINNESOTA
BALANCE SHEETS
GOVERNMENTAL FUNDS
December 31, 2016

	General	Special Assessments Bonds Debt Service	Street Water/Sewer Capital Projects
ASSETS			
Cash and Cash Equivalents	\$ 7,205,355	\$ 2,002,379	\$ 3,349,382
Investments	7,377,887	2,532,189	48,364
Receivables (Net of Allowance for Uncollect)			
Accounts	134,069	-	-
NSF Payments	9	-	-
Interest	34,339	9,676	1,452
Taxes			
Current	66,407	-	-
Delinquent	84,108	-	-
Assessments			
Delinquent	-	377,063	-
Deferred	2,564	3,198,125	-
Notes	-	-	-
Due From Other Funds	41,198	600,838	315,303
Due From Other Governments	14,679	125,791	205,959
Inventory	14,925	-	-
Prepaid Expenses	246,756	203,850	-
Deposits	12,813	-	-
Unamortized Discount	-	16,119	-
Total Assets	\$ 15,235,109	\$ 9,066,030	\$ 3,920,460
LIABILITIES			
Accounts Payable	\$ 167,511	\$ 2,340	\$ 90,817
Contracts Payable	-	-	300,903
Accrued Wages	255,847	-	-
Deposits	7,222	-	-
Due to Component Units	-	-	-
Due to Other Funds	192,680	-	1,423,174
Due to Other Governments	89,281	-	-
Total Liabilities	712,541	2,340	1,814,894
DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	86,672	3,700,980	68,105
Total Deferred Inflows of Resources	86,672	3,700,980	68,105
FUND BALANCES			
Nonspendable Fund Balance	246,756	203,850	-
Restricted Fund Balance	-	5,158,860	-
Committed Fund Balance	14,189,140	-	2,037,461
Total Fund Balances	14,435,896	5,362,710	2,037,461
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 15,235,109	\$ 9,066,030	\$ 3,920,460

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

CITY OF WILLMAR, MINNESOTA
BALANCE SHEETS
GOVERNMENTAL FUNDS
December 31, 2016

Industrial Development Special Revenue Fund	Community Investment Special Revenue Fund	Other Governmental Funds	Total Governmental Funds
\$ 915	\$ 257	\$ 1,780,857	\$ 14,339,145
1,254,240	8,710,729	1,457,080	21,380,489
-	-	80,250	214,319
-	-	-	9
5,409	37,566	12,186	100,628
-	-	15,288	81,695
-	-	-	84,108
-	173	-	377,236
-	693,877	-	3,894,566
-	-	350,000	350,000
-	677,142	232,730	1,867,211
-	1,232	140,801	488,462
-	-	-	14,925
-	-	185,768	636,374
-	-	-	12,813
-	-	2,730	18,849
<u>\$ 1,260,564</u>	<u>\$ 10,120,976</u>	<u>\$ 4,257,690</u>	<u>\$ 43,860,829</u>
\$ -	\$ 800	\$ 182,600	\$ 444,068
-	-	26,094	326,997
-	-	-	255,847
-	-	280	7,502
-	8,198	-	8,198
-	168,265	60,121	1,844,240
-	-	-	89,281
-	177,263	269,095	2,976,133
-	685,851	356,291	4,897,899
-	685,851	356,291	4,897,899
-	-	217,679	668,285
-	8,507,862	97,448	13,764,170
1,260,564	750,000	3,317,177	21,554,342
1,260,564	9,257,862	3,632,304	35,986,797
<u>\$ 1,260,564</u>	<u>\$ 10,120,976</u>	<u>\$ 4,257,690</u>	<u>\$ 43,860,829</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, 2016

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

Total governmental fund balances		\$ 35,986,797
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Governmental funds - capital assets	170,249,345	
Less: Accumulated depreciation	<u>(76,438,688)</u>	
		93,810,657
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		
Delinquent property taxes	84,108	
Unavailable special assessments	3,020,132	
Due From State of Minnesota	68,105	
Notes/Interest Receivable	355,931	
Unavailable Revenue for 2016	360	
Deferred Outflow of Resources - Pension	8,558,147	
Net Pension Asset	<u>366,151</u>	
		12,452,934
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	(11,273,304)	
Compensated absences	(3,663,037)	
Accrued interest	(260,771)	
Net OPEB Liability	(390,282)	
Net Pension Liability	(13,392,192)	
Deferred Inflow of Resources - Pension	<u>(1,761,067)</u>	
		<u>(30,740,653)</u>
Net position of governmental activities		<u>\$ 111,684,416</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, 2016

	General	Special Assessments Bonds Debt Service	Street Water/Sewer Capital Projects
REVENUES			
General Property Taxes	\$ 4,458,129	\$ -	\$ -
Sales Tax	-	-	-
Other Taxes	266,338	-	-
Special Assessments	3,880	1,171,087	33,256
License and Permits	698,062	-	-
Intergovernmental	5,463,521	-	645,804
Charges for Services	728,209	-	-
Fines and Forfeits	158,377	-	-
Investment Income	159,157	47,274	986
Change in market value	(155,286)	(61,058)	(916)
Miscellaneous Revenues	910,582	19,997	-
Total Revenues	<u>12,690,969</u>	<u>1,177,300</u>	<u>679,130</u>
EXPENDITURES			
Current:			
General Government	3,791,773	-	-
Public Safety	4,739,631	-	-
Public Works	2,881,595	-	-
Culture & Recreation	1,998,592	-	-
Economic Development	-	-	-
Debt Service:			
Principal	-	1,991,000	-
Interest	-	255,343	-
Other Charges and Services	-	16,690	-
Capital Outlay	-	-	3,333,283
Total Expenditures	<u>13,411,591</u>	<u>2,263,033</u>	<u>3,333,283</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(720,622)</u>	<u>(1,085,733)</u>	<u>(2,654,153)</u>
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	2,784,098	1,294,085	438,844
Operating Transfers Out	(1,760,579)	-	(1,239,745)
Bond Proceeds	-	-	1,600,000
Total Other Financing Sources (Uses)	<u>1,023,519</u>	<u>1,294,085</u>	<u>799,099</u>
Net Change in Fund Balances	<u>302,897</u>	<u>208,352</u>	<u>(1,855,054)</u>
Fund Balances - Beginning, as originally stated	14,182,384	5,154,358	3,892,515
Prior Period Adjustment	(49,385)	-	-
Fund Balances - Beginning, as restated	<u>14,132,999</u>	<u>5,154,358</u>	<u>3,892,515</u>
Fund Balances - Ending	<u>\$ 14,435,896</u>	<u>\$ 5,362,710</u>	<u>\$ 2,037,461</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, 2016

Industrial Development Special Revenue Fund	Community Investment Special Revenue	Other Government Funds	Total Governmental Funds
\$ -	\$ -	\$ 11,582	\$ 4,469,711
-	-	-	-
-	-	212,386	478,724
-	66,291	-	1,274,514
-	-	-	698,062
-	-	293,610	6,402,935
-	-	333,340	1,061,549
-	-	-	158,377
20,825	176,477	31,829	436,548
(41,288)	(162,154)	(24,083)	(444,785)
257,554	48	118,109	1,306,290
237,091	80,662	976,773	15,841,925
-	-	-	3,791,773
-	-	2,200	4,741,831
-	2,750	208,652	3,092,997
-	-	293,951	2,292,543
13,828	-	-	13,828
-	-	155,000	2,146,000
-	-	29,471	284,814
-	-	710	17,400
-	-	1,456,474	4,789,757
13,828	2,750	2,146,458	21,170,943
223,263	77,912	(1,169,685)	(5,329,018)
-	1,077,142	1,975,830	7,569,999
-	(864,558)	(611,095)	(4,475,977)
-	-	-	1,600,000
-	212,584	1,364,735	4,694,022
223,263	290,496	195,050	(634,996)
1,037,301	8,982,866	3,437,254	36,686,678
-	(15,500)	-	(64,885)
1,037,301	8,967,366	3,437,254	36,621,793
\$ 1,260,564	\$ 9,257,862	\$ 3,632,304	\$ 35,986,797

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, 2016

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

Net Change in Fund Balances-Governmental Funds \$ (634,996)

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	4,789,757		
Depreciation Expense	<u>(4,822,475)</u>		(32,718)

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

(158,235)

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, 2016	3,528,636		
Unavailable Revenue, December 31, 2015	<u>(3,672,608)</u>	(143,972)	
OPEB Contribution		147,675	
Pension Contribution		<u>129,807</u>	
			133,510

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, 2016	(3,663,037)		
Compensated absences, December 31, 2015	<u>3,916,760</u>	253,723	
OPEB Expense		(225,200)	
Pension Expense		<u>(1,518,786)</u>	
			(1,490,263)

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	2,146,000		
Bond Proceeds		(1,600,000)	
Change in accrued interest (260,771 - 286,110)		<u>25,339</u>	
			571,339

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

17,659

Change in Net Position-Governmental Activities	<u>\$ (1,593,704)</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, 2016

	Budgeted Amounts		Actual	Variance With
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
General Property Taxes	\$ 4,781,028	\$ 4,781,028	\$ 4,724,467	\$ (56,561)
Special Assessments	2,000	2,000	3,880	1,880
License and Permits	335,930	335,930	698,062	362,132
Intergovernmental	5,304,808	5,304,808	5,463,521	158,713
Charges for Services	745,695	786,345	728,209	(58,136)
Fines and Forfeits	160,500	160,500	158,377	(2,123)
Investment Income	170,000	170,000	159,157	(10,843)
Change in market value	100,000	100,000	(155,286)	(255,286)
Miscellaneous Revenues	705,100	705,100	910,582	205,482
Total Revenues	12,305,061	12,345,711	12,690,969	345,258
EXPENDITURES				
General Government	4,462,396	4,648,472	3,791,773	856,699
Public Safety	4,998,213	4,977,960	4,739,631	238,329
Public Works	3,081,787	3,094,067	2,881,595	212,472
Culture & Recreation	2,057,640	2,098,290	1,998,592	99,698
Total Expenditures	14,600,036	14,818,789	13,411,591	1,407,198
Excess (deficiency) of revenues over (under) expenditures	(2,294,975)	(2,473,078)	(720,622)	1,752,456
OTHER FINANCING SOURCES (USES)				
Operating Transfers In	2,957,413	3,090,489	2,784,098	(306,391)
Operating Transfers Out	(1,593,734)	(1,551,707)	(1,760,579)	(208,872)
Total Other Financing Sources (Uses)	1,363,679	1,538,782	1,023,519	(515,263)
Net Change in Fund Balances	(931,296)	(934,296)	302,897	1,237,193
Fund Balances - Beginning, as originally stated	14,182,384	14,182,384	14,182,384	-
Prior Period Adjustment	-	-	(49,385)	(49,385)
Fund Balances - Beginning, as restated	14,182,384	14,182,384	14,132,999	(49,385)
Fund Balances - Ending	\$ 13,251,088	\$ 13,248,088	\$ 14,435,896	\$ 1,187,808

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, 2016

	Business-Type Activities Waste Treatment Plant	Governmental Activities Internal Service Funds
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ (3,593,840)	\$ 170,494
Investments	12,587,953	-
Accounts Receivable	156,435	616
Due From Other Governmental Units	1,472,327	-
Interest Receivable	54,292	-
Inventories	14,137	3,571
Prepaid Items	21,478	-
Restricted Cash and Investments/System Replacement	175,931	-
Total Current Assets	<u>10,888,713</u>	<u>174,681</u>
Noncurrent Assets		
Capital Assets:		
Nondepreciable	3,693,669	-
Depreciable	97,403,435	-
Less: Accumulated Depreciation	<u>(15,644,806)</u>	<u>-</u>
Net capital assets	<u>85,452,298</u>	<u>-</u>
Total Noncurrent Assets	<u>85,452,298</u>	<u>-</u>
TOTAL ASSETS	<u>96,341,011</u>	<u>174,681</u>
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	<u>336,352</u>	<u>-</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>336,352</u>	<u>-</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	75,447	-
Contracts Payable	309,878	-
Accrued Wages	24,319	-
Due To Other Funds	22,971	-
Current Portion of Debt	<u>2,894,158</u>	<u>-</u>
Total Current Liabilities	<u>3,326,773</u>	<u>-</u>
Noncurrent Liabilities:		
Notes Payable	68,057,342	-
Net Pension Liability	<u>804,916</u>	<u>-</u>
Total Noncurrent Liabilities	<u>68,862,258</u>	<u>-</u>
TOTAL LIABILITIES	<u>72,189,031</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	<u>110,060</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>110,060</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	14,500,798	-
Restricted:		
Capital Improvements	405,653	-
System Replacement	175,931	-
Unrestricted	<u>9,295,890</u>	<u>174,681</u>
TOTAL NET POSITION	<u>\$ 24,378,272</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, 2016

	Business-Type Activities <u>Waste Treatment Plant</u>	Governmental Activities <u>Internal Service Funds</u>
Operating Revenues		
Intergovernmental	\$ 85,322	\$ -
Charges For Sales and Services:	<u>10,263,390</u>	<u>13,197</u>
Total Operating Revenues	<u>10,348,712</u>	<u>13,197</u>
Operating Expenses		
Personal Services	934,681	-
Supplies	318,900	-
Other Services and Charges	1,044,793	-
Depreciation	<u>2,100,161</u>	<u>-</u>
Total Operating Expenses	<u>4,398,535</u>	<u>-</u>
Operating Income (Loss)	5,950,177	13,197
Nonoperating Revenues (Expenses)		
Investment Earnings	233,594	2,414
Change in market value	(262,044)	2,048
Capital Asset (Disposal)/Acquisition	(1,138,718)	-
Interest Expense	<u>(2,090,350)</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>(3,257,518)</u>	<u>4,462</u>
Income (Loss) Before Contributions and Transfers	2,692,659	17,659
Transfers Out	<u>(702,000)</u>	<u>-</u>
Change in Net Position	1,990,659	17,659
Net Position - Beginning	<u>22,387,613</u>	<u>157,022</u>
Total Net Position - Ending	<u>\$ 24,378,272</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, 2016

	Business-Type Activities Waste Treatment Plant	Governmental Activities Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Receipts from Customers and Users	\$ 9,466,351	\$ 13,112
Payments to Suppliers	(1,302,964)	(81)
Payments to Employees	(898,663)	(500)
Liquidation of Liabilities	-	-
Net Cash Provided by Operating Activities	<u>7,264,724</u>	<u>12,531</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfer to Other Funds	(1,347,798)	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(1,347,798)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchases of Capital Assets	(1,335,412)	-
Interest Paid on Capital Debt	(2,090,350)	-
Principal Paid on Capital Debt	(2,755,563)	-
Proceeds from Debt	736,258	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(5,445,067)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from Sales and Maturities of Investments	-	154,841
Purchase of Investments	(1,500,000)	-
Interest Received	223,697	3,011
Net Cash Provided/(Used) by Investing Activities	<u>(1,276,303)</u>	<u>157,852</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(804,444)	170,383
Cash and Cash Equivalents - Beginning	(2,613,466)	111
Cash and Cash Equivalents - Ending	<u><u>\$ (3,417,910)</u></u>	<u><u>\$ 170,494</u></u>
Classified As:		
Cash and Cash Equivalents	\$ (3,417,909)	\$ 170,494
Restricted Cash	-	-
Total Cash and Cash Equivalents, End of Year	<u><u>\$ (3,417,909)</u></u>	<u><u>\$ 170,494</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, 2016

	Business-Type Activities <u>Waste Treatment Plant</u>	Governmental Activities <u>Internal Service Funds</u>
Reconciliation of Operating Income to Net Cash Provided (Used)		
by Operating Activities:		
Operating Income	\$ 5,950,177	\$ 13,197
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) By		
Operating Activities:		
Pension Expense for Required PERA Pension Liability	50,171	
Depreciation	2,100,161	-
Change in Assets and Liabilities:		
(Increase) Decrease in Accounts Receivable	589,966	(84)
(Increase) Decrease in Due From Other Governmental Units	(1,472,327)	-
(Increase) Decrease in Prepaid Items	(2,463)	-
Increase (Decrease) in Accounts Payable	63,192	(582)
Increase (Decrease) in Accrued Wages	(14,153)	-
Total Adjustments	<u>1,314,547</u>	<u>(666)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 7,264,724</u>	<u>\$ 12,531</u>
 Non Cash Transactions:		
Net Increase (Decrease) in fair value of investments	\$ (262,044)	\$ 2,048

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, 2016

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, 2016. 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, 2016

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, 2016

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, 2016

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, 2016

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, 2016

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, 2016

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, 2016

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, 2016.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Cash and cash equivalents	\$ 24,184,115
Investments	<u>99,319,576</u>
	<u>\$ 123,503,691</u>
Primary Government	
Cash and cash equivalents	\$ 11,091,730
Investments	33,792,511
Temporarily Restricted Cash	<u>175,931</u>
Total Primary Government	<u>\$ 45,060,172</u>
Discretely Presented Component Units	
Willmar Municipal Utilities:	
Cash and cash equivalents	\$ 4,899,905
Investments	18,077,075
Restricted investments	<u>1,584,238</u>
Total Willmar Municipal Utilities	<u>\$ 24,561,218</u>
Rice Memorial Hospital	
Cash and cash equivalents	\$ 5,009,234
Investments	30,358,757
Related-Party Investments	-
Temporarily restricted cash	3,007,315
Temporarily restricted investments	10,125,388
Permanently restricted investments	<u>5,381,607</u>
Total Rice Memorial Hospital	<u>\$ 53,882,301</u>
Total	<u>\$ 123,503,691</u>

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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, 2016, 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, 2016

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	\$ 2,655,099	\$ 245,296	\$ 1,695,488	\$ 714,315
Farmer Mac	1,850,606	-	-	1,850,606
Federal Farm Credit Banks	4,881,398	-	1,934,568	2,946,830
Federal Home Loan Banks	20,603,159	-	2,984,890	17,618,269
Federal Home Loan Mortgage Corporation	6,251,937	-	990,850	5,261,087
Federal National Mortgage Association	3,817,272	-	-	3,817,272
	<u>\$ 40,059,471</u>	<u>\$ 245,296</u>	<u>\$ 7,605,796</u>	<u>\$ 32,208,379</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	\$ 8,988,848	22%
Multi-Bank Securities	\$ 6,184,776	16%
United Bank Services	\$ 8,956,857	22%
Wells Fargo	\$ 7,655,126	19%
Wells Fargo Advisors	\$ 8,273,864	21%

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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	\$ 2,655,099	7%
Federal Farm Credit Banks	\$ 4,881,398	12%
Federal Home Loan Banks	\$ 20,603,159	51%
Federal Home Loan Mortgage Corporation	\$ 6,251,937	16%
Federal National Mortgage Association	\$ 3,817,272	9%

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, 2016:

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

Fair Value Measurements (continued)

	Fair Value	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)
Financial Assets:				
Certificates of Deposit	\$ 2,655,099	\$ -	\$ 2,655,099	\$ -
Farmer Mac	1,850,606	1,850,606	-	-
Federal Farm Credit Banks	4,881,398	4,881,398	-	-
Federal Home Loan Banks	20,603,159	20,603,159	-	-
Federal Home Loan Mortgage Corporation	6,251,937	6,251,937	-	-
Federal National Mortgage Association	3,817,272	3,817,272	-	-
	<u>\$ 40,059,471</u>	<u>\$ 37,404,372</u>	<u>\$ 2,655,099</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, 2016, was as follows:

Governmental Activities

	Balance January 1, 2016	Additions	Deletions	Balance December 31, 2016
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 8,585,806	\$ -	\$ -	\$ 8,585,806
Construction in progress	<u>13,213,317</u>	<u>3,508,279</u>	<u>830,077</u>	<u>15,891,519</u>
Total	<u>21,799,123</u>	<u>3,508,279</u>	<u>830,077</u>	<u>24,477,325</u>
Capital assets being depreciated				
Buildings and structures	13,176,273	1,009,022	87,066	14,098,229
Furniture and equipment	3,025,874	595,681	286,052	3,335,503
Machinery and auto	9,060,641	401,678	436,192	9,026,127
Other improvements	<u>119,258,649</u>	<u>105,174</u>	<u>51,662</u>	<u>119,312,161</u>
Total	<u>144,521,437</u>	<u>2,111,555</u>	<u>860,972</u>	<u>145,772,020</u>
Less accumulated depreciation for:				
Buildings	4,657,797	285,228	33,516	4,909,509
Furniture and equipment	1,926,823	152,006	231,558	1,847,271
Machinery and equipment	3,889,782	660,016	391,167	4,158,631
Other improvements	<u>61,844,548</u>	<u>3,725,225</u>	<u>46,496</u>	<u>65,523,277</u>
Total	<u>72,318,950</u>	<u>4,822,475</u>	<u>702,737</u>	<u>76,438,688</u>
Net property and equipment	<u>\$ 94,001,610</u>	<u>\$ 797,359</u>	<u>\$ 988,312</u>	<u>\$ 93,810,657</u>

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

2. Capital Assets (continued)

Business-Type Activities

	Balance January 1, 2016	Additions	Deletions	Balance December 31, 2016
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 2,005,122	\$ -	\$ -	\$ 2,005,122
Construction in progress	137,705	1,550,842	-	1,688,547
Total	<u>2,142,827</u>	<u>1,550,842</u>	<u>-</u>	<u>3,693,669</u>
Capital assets being depreciated				
Buildings and structures	75,039,444	-	11,333,692	63,705,752
Furniture and equipment	515,985	75,335	78,152	513,168
Machinery and auto	6,461,115	18,051	74,627	6,404,539
Other improvements	26,796,835	-	16,859	26,779,976
Total	108,813,379	93,386	11,503,330	97,403,435
Less accumulated depreciation for:				
Buildings	18,526,005	1,254,777	10,193,834	9,586,948
Furniture and equipment	398,653	15,766	70,222	344,197
Machinery and auto	1,810,493	313,272	64,885	2,058,880
Other improvements	3,153,607	516,346	15,172	3,654,781
	<u>23,888,758</u>	<u>2,100,161</u>	<u>10,344,113</u>	<u>15,644,806</u>
Net property and equipment	<u>\$ 87,067,448</u>	<u>\$ (455,933)</u>	<u>\$ 1,159,217</u>	<u>\$ 85,452,298</u>

Component Units

	Rice Memorial Hospital		Willmar Municipal Utilities	
	2016	2015	2016	2015
Land	\$ 2,918,000	\$ 2,918,000	\$ 1,385,907	\$ 1,385,907
Buildings	103,346,000	96,870,000	3,916,095	3,101,003
Furniture and equipment	44,931,982	45,936,987	78,814,034	77,975,158
Machinery and auto	-	-	-	-
Other improvements	1,686,000	1,517,000	-	-
Utility Plant in Service	-	-	-	-
Construction in progress	-	1,246,000	2,828,747	1,746,649
Less: Depreciation	<u>(90,106,000)</u>	<u>(87,422,000)</u>	<u>(55,719,319)</u>	<u>(53,504,862)</u>
	<u>\$ 62,775,982</u>	<u>\$ 61,065,987</u>	<u>\$ 31,225,464</u>	<u>\$ 30,703,855</u>

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

2. Capital Assets (continued)

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

Governmental Activities	
General government	\$ 45,959
Public safety	243,632
Public works	4,211,883
Culture and recreation	<u>321,001</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 4,822,475</u>
Business-Type Activities	
Waste treatment	<u>\$ 2,100,161</u>
Total Depreciation Expense - Business-Type Activities	<u>\$ 2,100,161</u>

Construction Commitments

The City has active construction projects as of December 31, 2016. 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	\$ 15,891,520
Waste Treatment Plant	<u>1,688,547</u>
Total	<u>\$ 17,580,067</u>

B. Interfund Receivables, Payables and Transfers

1. Due from/Due to

Receivable fund	Payable fund	Amount
General Fund	Capital Projects - Capital Improvements	\$ 41,198
Special Revenue - Municipal Airport	Capital Projects - Capital Improvements	4,500
Special Revenue - Community Investment	Capital Projects - Street, Water, Sewer	677,142
Debt Service - Special Assessment Bonds	Special Revenue - Community Investment	168,265
Debt Service - Special Assessment Bonds	Capital Projects - Street, Water, Sewer	432,573
Debt Service - Airport Bond	Special Revenue - Willmar Municipal Airport	12,579
Capital Projects - Local Option Sales Tax	General Fund	5,525
Capital Projects - Capital Improvements	General Fund	187,155
Capital Projects - Capital Improvements	Enterprise Fund - Waste Treatment	22,971
Capital Projects - Street, Water, Sewer	Capital Projects - Street, Water, Sewer	313,459
Capital Projects - Street, Water, Sewer	Capital Projects - Surface Water	<u>1,844</u>
		<u>\$ 1,867,211</u>

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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	\$ 392,076	Nonmajor Special Revenue	\$ 9,000
		Capital Projects - Street, Water, Sewer	133,076
		Enterprise Fund Waste Treatment	250,000
			<u>392,076</u>
Special Revenue - Community Investm.	1,077,143	Nonmajor Special Revenue Fund	400,000
		Capital Projects - Street, Water, Sewer	677,143
			<u>1,077,143</u>
Nonmajor Special Revenue Funds	724,736	General Fund	312,736
		Enterprise Fund - Waste Treatment	412,000
			<u>724,736</u>
Special Assessments Bonds	1,294,085	Special Revenue - Community Investment	864,558
		Capital Projects - Street, Water, Sewer	429,527
			<u>1,294,085</u>
Nonmajor Debt Service Fund	200,251	Nonmajor Special Revenue Fund	200,251
Capital Projects - Street, Water, Sewer	438,844	General Fund	397,000
		Enterprise Fund - Waste Treatment	40,000
		Nonmajor Capital Projects	1,844
			<u>438,844</u>
Nonmajor Capital Projects	1,050,843	General Fund	1,050,843
			<u>1,050,843</u>
Total	<u>\$ 5,177,978</u>	Total	<u>\$ 5,177,978</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	\$ 84,108
Unavailable Special Assessments	4,389,395
Unavailable Notes Receivable	355,931
Unavailable Rental Revenue	360
Unavailable Intergovernmental Revenue	68,105
	<u>\$ 4,897,899</u>

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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 12/31/2016
Governmental Activities					
<u>G.O. Special Assessments</u>					
2006 Improvement Bond	3.60-3.85	2006	2017	\$ 1,950,000	\$ 200,000
2007A Improvement Bond	3.75-4.00	2007	2018	3,285,000	650,000
2007B Improvement Bond	4	2007	2018	1,725,000	365,000
2008 Improvement Bond	3.00-4.00	2008	2019	1,530,000	450,000
2010 Improvement Bond	2.00-3.00	2010	2021	1,785,000	875,000
2011 Improvement Bond	.60-2.85	2011	2022	1,825,000	1,085,000
2012 Improvement Bond	2.00-2.25	2012	2023	1,460,000	945,000
2013 Improvement Bond	2.00-3.00	2013	2024	1,910,000	1,520,000
2014 Improvement Bond	2.17	2014	2025	1,000,000	909,000
2015 Improvement Bond	2.625	2015	2026	1,400,000	1,400,000
2016 Improvement Bond	2.50	2016	2027	1,600,000	1,600,000
Total Special Assessment Bonds				19,470,000	9,999,000
<u>G.O. Revenue Bonds</u>					
2004 Airport Bond	2.00-4.05	2004	2020	2,100,000	680,000
Total G.O. Revenue Bonds				2,100,000	680,000
<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				\$ 22,164,304	\$ 11,273,304
Business-Type Activities					
<u>G.O. Revenue Notes and Bonds</u>					
1997 Waste Treatment Note	3.13	1997	2017	\$ 4,300,000	\$ 282,630
2008 Waste Treatment Note	3.275	2008	2028	42,001,362	33,220,000
2008 Waste Treatment Note	0	2008	2030	7,000,000	7,000,000
2009 Waste Treatment Note	2.457	2009	2029	1,711,867	1,203,151
2009 Waste Treatment Note	3.44	2009	2038	27,663,530	23,804,000
2013 Waste Treatment Note	1.124	2013	2042	1,886,812 *	1,565,407
2014 Waste Treatment Note	1.00	2014	2034	3,000,000 ^	2,795,054
2016 Waste Treatment Note	1.04	2016	2036	1,046,528 >	736,258
Total G.O. Revenue Notes				88,610,099	70,606,500
2004 Waste Treatment Bond	1.45-4.15	2004	2019	1,410,000	345,000
Total G.O. Revenue Notes and Bonds				90,020,099	70,951,500
Total Business-Type Activities				\$ 90,020,099	\$ 70,951,500
Total Primary Government				\$ 112,184,403	\$ 82,224,804

*Includes Undrawn Proceeds of \$304,593. Loan not finalized as of 12/31/16

^Includes Undrawn Proceeds of \$164,946. Loan not finalized as of 12/31/16

>Includes Undrawn Proceeds of \$310,270. Loan not finalized as of 12/31/16

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

2. Long-Term Debt (continued)

	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Date Matures</u>	<u>Original Issue</u>	<u>Outstanding at 12/31/2016</u>
Component Units					
Municipal Utilities					
<u>Revenue Bonds</u>					
2009 Bond	3.50-5.00	2009	2025	\$ 8,120,000	\$ 5,950,000
Total Revenue Bonds				<u>8,120,000</u>	<u>5,950,000</u>
Total Municipal Utilities				<u>\$ 8,120,000</u>	<u>\$ 5,950,000</u>
Rice Memorial Hospital					
<u>Revenue Notes</u>					
2013 Care Center	3.65-15.00	2013	2034	\$ 9,100,000	\$ 8,248,200
<u>G.O. Revenue Bonds</u>					
2012 Bond	2.00-4.00	2012	2032	<u>40,910,000</u>	<u>35,095,000</u>
<u>Lease Payable</u>					
Rice Home Medical	Variable	2010	Ongoing	<u>301,394</u>	<u>1,386,237</u>
Total Rice Memorial Hospital				<u>\$ 50,311,394</u>	<u>\$ 44,729,437</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>
2017	\$ 1,751,000	\$ 237,128
2018	1,706,000	194,805
2019	1,217,000	154,996
2020	1,066,000	126,136
2021	1,079,000	98,367
2022-2026	3,000,000	180,505
2027-2031	<u>180,000</u>	<u>2,250</u>
Total	<u>\$ 9,999,000</u>	<u>\$ 994,187</u>

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

3. Long-Term Debt Maturities (Continued)

Long-Term Debt maturities (continued):

<u>General Obligation Revenue Bonds</u>				
Year	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	Principal	Interest	Principal	Interest
2017	\$ 160,000	\$ 23,643	\$ 110,000	\$ 11,810
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>\$ 680,000</u>	<u>\$ 55,544</u>	<u>\$ 345,000</u>	<u>\$ 21,609</u>

<u>General Obligation Revenue Notes</u>		
Year	<u>Business-Type Activities</u>	
	Principal	Interest
2017	\$ 2,784,158	\$ 1,999,094
2018	2,852,000	1,916,346
2019	2,940,000	1,829,619
2020	3,050,000	1,740,258
2021	3,024,000	1,647,530
2022-2026	21,302,000	6,686,044
2027-2031	23,889,151	2,903,370
2032-2036	7,966,000	1,298,334
2037-2041	3,483,000	178,058
2042-2046	96,000	1,079
Total	<u>\$ 71,386,309</u>	<u>\$ 20,199,732</u>

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

4. Long-Term Debt Maturities (continued)

<u>Component Units:</u>		<u>Municipal Utilities</u>		<u>Rice Memorial Hospital</u>	
Year	Principal	Interest	Principal	Interest	
2017	\$ 550,000	\$ 277,031	\$ 1,999,800	\$ 1,737,071	
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	
2021-2025	2,945,000	371,438	12,630,900	6,006,961	
2026-2030	-	-	15,230,300	3,516,904	
2031-2035	-	-	4,654,400	404,115	
Total	<u>\$ 5,950,000</u>	<u>\$ 1,508,844</u>	<u>\$ 43,343,200</u>	<u>\$ 17,910,029</u>	

5. Changes in Long-Term Liabilities

	Balance 01/01/2016	Increases	Decreases	Balance 12/31/2016	Due Within One Year
Primary Government					
Governmental Activities					
G.O. Special Assessment Bonds	\$ 10,390,000	\$ 1,600,000	\$ 1,991,000	\$ 9,999,000	\$ 1,751,000
G.O. Revenue Bonds	835,000	-	155,000	680,000	160,000
TIF Note Payable-Jennie-O	594,304	-	-	594,304	-
Compensated Absences	3,916,760	77,732	331,455	3,663,037	-
Net Pension Liability	5,377,706	8,014,486	-	13,392,192	-
Total Governmental Activities	21,113,770	9,692,218	2,477,455	28,328,533	1,911,000
Business-Type Activities					
G.O. Revenue Notes	72,520,805	736,258	2,650,563	70,606,500	2,784,158
G.O. Revenue Bonds	450,000	-	105,000	345,000	110,000
Net Pension Liability	536,503	268,413	-	804,916	-
Total Business-Type Activities	73,507,308	1,004,671	2,755,563	71,756,416	2,894,158
Total Primary Government	\$ 94,621,078	\$ 10,696,889	\$ 5,233,018	\$ 100,084,949	\$ 4,805,158
Component Units					
Municipal Utilities					
Revenue Bonds	\$ 6,410,000	\$ -	\$ 460,000	\$ 5,950,000	\$ 550,000
G.O. Revenue Bonds	155,000	-	155,000	-	-
Compensated Absences	1,318,901	538,161	671,293	1,185,769	-
Net Pension Liability	3,394,550	3,675,550	1,987,290	5,082,810	-
Total Municipal Utilities	11,278,451	4,213,711	3,273,583	12,218,579	550,000
Rice Memorial Hospital					
G.O. Revenue Bonds	36,600,000	-	1,505,000	35,095,000	1,550,000
Revenue Notes	8,682,200	-	434,000	8,248,200	449,800
Capital Lease Payable	1,469,185	188,017	270,965	1,386,237	491,869
Total Rice Memorial Hospital	46,751,385	188,017	2,209,965	44,729,437	2,491,669
Total Component Units	\$ 58,029,836	\$ 4,401,728	\$ 5,483,548	\$ 56,948,016	\$ 3,041,669

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

E. Fund Balance Detail

The following is a detail of Governmental Fund Balances at December 31, 2016:

Fund	Nonspendable	Restricted	Committed
General Fund			
Prepays/Deposits	\$ 246,756	\$ -	\$ -
Working Capital	-	-	4,000,000
Year 2017	-	-	1,329,289
Year 2018	-	-	1,451,938
Retirees Sick Leave Held	-	-	142,227
Self-Insurance	-	-	1,000,000
Petty Cash	-	-	2,650
Current Employees Ins Buy Out	-	-	1,205,737
Current Employees Sick Leave	-	-	1,697,103
Current Employees Vacation	-	-	455,756
Retiree Insurance Buy Out	-	-	304,440
Next Year's Budget	-	-	1,300,000
Current Year Emergency	-	-	1,300,000
Special Revenue Funds			
Industrial Development	-	-	243,454
Industrial Development-CP Airport	-	-	17,110
Industrial Development-P.I.R.	-	-	1,000,000
CVB-Prepays	7,496	-	-
CVB	-	-	204,073
CVB-Petty Cash	-	-	50
Willmar Municipal Airport	6,862	-	404,702
Library Improvement Reserve	-	-	163,131
Community Investment	-	8,507,862	-
Community Investment-PIR	-	-	750,000
Public Works Reserve	-	-	927,262
Law Enforcement Forfeiture Fund	-	76,016	-
Law Enforcement Explorer Fund	-	4,930	-
Debt Service Funds			
Special Assessments Funds	203,850	5,158,860	-
Nonmajor Airport Debt Service	173,321	-	-
Nonmajor TIF Debt Service	-	12,626	-
Capital Projects Funds			
Street Projects	-	-	2,037,461
Nonmajor Capital Improvements			
Airport	-	-	149,202
Year 2018	-	-	104,076
Fire Department	-	-	400,000
Public Works	-	-	40,000
Auditorium	-	-	130,000
C.P. Airport	-	-	48,000
Leisure Services	-	-	651,758
Civic Center	-	-	94,923
Permanent Funds	30,000	3,876	-
Totals	\$ 668,285	\$ 13,764,170	\$ 21,554,342

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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 (GERF)

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 (PEPFF)

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 provision 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 members 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, 2016

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 2016. 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 2016. The City of Willmar's contributions to the General Employees Fund for the year ended December 31, 2016, were \$275,718. 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 2016. The City of Willmar was required to contribute 16.20% of pay for members in calendar year 2016. The City of Willmar's contributions to the Police and Fire Fund for the year ended December 31, 2016, were \$369,900. 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, 2016, the City of Willmar reported a liability of \$4,766,149 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 2016. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City of Willmar's totaled \$3,522. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City 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, 2015, through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City of Willmar's proportion share was .0587% which was a decrease of .0028% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City of Willmar recognized pension expense of \$660,605 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of Willmar recognized an additional \$3,522 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, 2016

NOTE 4 DEFINED BENEFIT PENSION PLANS (continued)

At December 31, 2016, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual investment earnings	\$ 914,938	\$ -
Changes in actuarial assumptions	933,216	-
Differences between expected and actual economic experience	-	392,057
Changes in proportion and differences between contributions made and City's proportionate share of contributions	-	259,153
City's contributions to GERF subsequent to the measurement date	<u>134,655</u>	<u>-</u>
Totals	<u>\$ 1,982,809</u>	<u>\$ 651,210</u>

Deferred outflows of resources related to pensions, resulting from the City of Willmar's contributions made subsequent to the measurement date, of \$134,655 will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	<u>Pension Expense Amount</u>
2017	\$ 298,687
2018	\$ 298,687
2019	\$ 427,409
2020	\$ 172,161

2. Police and Fire Fund Pension Costs

At December 31, 2016, the City of Willmar reported a liability of \$9,430,959 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City 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, 2015 through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City of Willmar's proportion was .235% which was a decrease of .005% from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the City of Willmar recognized pension expense of \$1,603,635 for its proportionate share of the Police and Fire Plan's pension expense. The City of Willmar also recognized \$21,150 for the year ended December 31, 2016, as pension expense (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.

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 4 DEFINED BENEFIT PENSION PLANS (continued)

At December 31, 2016, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between projected and actual investment earnings	\$ 1,446,654	\$ -
Changes in actuarial assumptions	5,190,269	-
Differences between expected and actual economic experience	-	1,089,281
Changes in proportion and differences between contributions made and City's proportionate share of contributions	-	104,945
City's contributions to PEPFF subsequent to the measurement date	<u>182,173</u>	<u>-</u>
Totals	<u>\$ 6,819,096</u>	<u>\$ 1,194,226</u>

Deferred outflows of resources related to pensions, resulting from the City of Willmar's contributions made subsequent to the measurement date, of \$182,173 will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	<u>Pension Expense Amount</u>
2017	\$ 1,169,999
2018	\$ 1,169,999
2019	\$ 1,169,999
2020	\$ 1,051,217
2021	\$ 881,483

D. Actuarial Assumptions

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

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

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors and disabilitants were based on RP 2014 tables for males or females and RP-2000 tables for the Police and Fire Plan, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: 1.00% per year for all future years for the General Employees Plan and Police and Fire Plan.

Actuarial assumptions used in the June 30, 2016, 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 experience study for Police and Fire Plan was for the period July 1, 2004 through June 30, 2009.

**CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

NOTE 4 DEFINED BENEFIT PENSION PLANS (continued)

The following changes in actuarial assumptions occurred in 2016:

General Employees Fund:

- The assumed post-retirement benefit increase rate was changed from 1.00% per year through 2013 and 2.50% per year thereafter to 1.0% per year for all future 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.

Police and Fire Fund:

- 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 was 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.

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:

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

F. Discount Rate

The discount rate used to measure the total pension liability in 2016 was 7.50%, a reduction from the 7.90% used in 2015. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumption, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

NOTE 4 DEFINED BENEFIT PENSION PLANS (continued)

payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

G. Pension Liability Sensitivity

The following presents the City 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:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the GERP net pension liability	\$ 6,769,344	\$ 4,766,149	\$ 3,116,061
	1% Decrease in Discount Rate (4.6%)	Discount Rate (5.6%)	1% Increase in Discount Rate (6.6%)
City's proportionate share of the PEPFF net pension liability	\$ 13,202,091	\$ 9,430,959	\$ 6,349,658

H. Pension Plan Fiduciary Net Position

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

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, 2015, the plan covered 35 active firefighters and 11 vested terminated fire fighters whose pension benefits are deferred. The plan is established and administered in accordance with Minnesota Statutes, Chapter 353 G.

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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

Benefits Provided

The SVF 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 SVF is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota Statutes. The State of Minnesota contributed \$105,135 in fire state aid to the plan on behalf of Willmar Fire Department for the year ended December 31, 2015, which was recorded as a revenue. Required employer contributions are calculated annually based on statutory provisions. The City's statutorily-required contributions to the SVF plan for the year ended December 31, 2015, was \$0. The City's contributions were equal to the required contributions as set by state statute.

Pension Costs

At December 31, 2016, the City reported a net pension asset of \$366,151 for the SVF plan. The net pension asset was measured as of December 31, 2015. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the fire department as of December 31, 2015. 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 12/31/14	\$ 859,596	\$ 1,176,593	\$ (316,997)
Changes for the Year			
Service Cost	33,212	-	33,212
Interest on Pension Liability	53,569	-	53,569
Actuarial Experience (Gains)/Losses	(29,522)	-	(29,522)
Projected Investment Earnings	-	70,596	(70,596)
Contributions (Employer)	-	-	-
Contributions (State)	-	105,135	(105,135)
Asset (Gain)/Loss	-	(68,019)	68,019
PERA Administrative Fee	-	(1,299)	1,299
Net Changes	<u>57,259</u>	<u>106,413</u>	<u>(49,154)</u>
Balance End of Year 12/31/15	<u>\$ 916,855</u>	<u>\$ 1,283,006</u>	<u>\$ (366,151)</u>

There were no benefit provision changes during the measurement period.

For the year ended December 31, 2016, the City recognized pension expense of \$25,184.

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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

At December 31, 2016, 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
Difference between projected and actual investment earnings	\$ 54,415	\$ 2,073
Differences between expected and actual economic experience	<u>38,179</u>	<u>23,618</u>
Totals	<u>\$ 92,594</u>	<u>\$ 25,691</u>

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>
2017	\$ 19,736
2018	\$ 19,736
2019	\$ 19,734
2020	\$ 7,697

Actuarial Assumptions

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

- Retirement eligibility at the later of age 50 or 20 years of service
- Investment rate of return of 6.0%
- Inflation rate of 3.0%

There were no changes in actuarial assumptions in 2015.

Discount Rate

The discount rate used to measure the total pension liability was 6.0%. The projection of cash flows used to determine the discount rate assumed that contributions to the SVF plan will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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

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	\$ (339,509)	\$ (366,151)	\$ (392,011)

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 Retirement Plan (VOLP) 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%	5.50%
International Stocks	15%	6.00%
Bonds	45%	1.45%
Cash	5%	0.50%
	<u>100%</u>	

The 6% 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

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2016

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

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 2016 for the Statewide Volunteer Firefighter Retirement Plan.

Pension Plan Fiduciary Net Position

Detailed information about the SVF plan's fiduciary net position as of June 30, 2016, 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.

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 2016 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 97 active participants and 11 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, 2016

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:

	<u>2016</u>
Net OPEB, beginning of the year	\$ 312,757
Activity during the year:	
Annual Required Contribution	230,969
Interest on net OPEB Obligation	10,946
Adjustment to Annual Required Contribution	<u>(16,715)</u>
Annual OPEB Cost (Expense)	225,200
Contributions made during the year	<u>(147,675)</u>
Increase/(Decrease) in Net OPEB Obligation	<u>77,525</u>
Net OPEB Liability, end of the year	<u><u>\$ 390,282</u></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:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage Contribution</u>	<u>Net OPEB Obligation</u>
2016	\$ 225,200	\$ 147,675	65.6%	\$ 390,282
2015	313,851	262,211	83.5%	312,757
2014	315,652	207,849	65.8%	261,117

Funding Status

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets (a)</u>	<u>Actuarial Accrued Liability (b)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL) (b-a)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll ((b-a)/c)</u>
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, 2016

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 \$107,926 for 2016 and \$157,825 for 2015. 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.

Annual Required Contribution	\$ 218,515
Interest on Net OPEB Obligation	8,669
Adjustment to Annual Required Contribution	<u>(12,533)</u>
Annual OPEB Cost (Expense)	214,651
Contributions Made	<u>157,825</u>
Increase (Decrease) in Net OPEB Obligation	56,826
Net OPEB Liability - Beginning of Year	<u>216,720</u>
Net OPEB Liability - End of Year	<u><u>273,546</u></u>

**CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2016**

**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>Annual</u>	<u>Annual</u>	<u>Percentage</u>	<u>Net OPEB</u>
<u>Year Ended</u>	<u>OPEB Cost</u>	<u>Plan Sponsor</u>	<u>of Annual</u>	<u>Liability</u>
		<u>Contribution</u>	<u>OPEB Cost</u>	
			<u>Contributed</u>	
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. 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%.

As of December 31, 2014, the most recent actuarial valuation date, the Utilities' unfunded actuarial accrued liability (UAAL) was \$1,801,808. The covered payroll (annual payroll of active employees covered by the Plan) was \$3,999,640 and the ratio of the UAAL to the covered payroll of 45.0%.

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, 2016, and 2015, there were approximately 640 and 714, respectively, active employees subject to potential future benefit and 26 and 18, respectively, 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, 2016

**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, 2016, and 2015, the amount actually contributed to the insurance plan, and changes in the Hospital's net OPEB obligation:

	2016	2015
Net OPEB, Beginning of Year	\$ 1,707,523	\$ 1,502,017
Activity During the Year:		
Annual Required Contribution (ARC)	286,290	387,678
Interest on Net OPEB Obligation	59,763	60,081
Adjustments to ARC	(92,841)	(86,862)
Contributions during the fiscal year	(161,113)	(155,391)
Increase in Net OPEB Obligation	92,099	205,506
Net OPEB, End of the Year	<u>\$ 1,799,622</u>	<u>\$ 1,707,523</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>
12/31/2016	\$ 253,212	\$ 161,113	63.63%	\$ 1,799,623
12/31/2015	\$ 360,897	\$ 155,391	43.06%	\$ 1,707,523
12/31/2014	\$ 353,361	\$ 123,700	35.01%	\$ 1,502,017

Funding Status

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

Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((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, 2016

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:

2017	\$ 175,000
2018	175,000
2019	175,000
2020	<u>175,000</u>
	<u>\$ 700,000</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, 2016

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 June 30, 2017, the date the financial statements were available to be issued.

NOTE 13 PRIOR PERIOD ADJUSTMENT

The Governmental Activities Net Position reported a prior period adjustment of \$312,757 to record the Net Other Post Employment Benefits (OPEB) Liability,

The Governmental Activities Net Position and General Fund reported a prior period adjustment of \$49,385 for the second half payment of 2015 for the Library maintenance costs.

The Governmental Activities Net Position and Community Investment Fund reported a prior period adjustment of \$15,500 for demolition of two houses that will be certified to Kandiyohi County for collection with real estate taxes.

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, 2016:

Purpose	Percentage of Taxes Abated During 2016	Amount of Taxes Abated During 2016
West Central Steel	100%	\$ 4,827
MinnWest Technology Campus	100%	6,573
Torgerson Properties	100%	23,000
Willmar Redevelopment	100%	1,727
William & Deborah Donner	100%	3,682
RockStep Willmar	100%	-

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.

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, 2016

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
GENERAL PROPERTY TAXES				
Current Ad Valorem	\$ 4,451,028	\$ 4,451,028	\$ 4,381,753	\$ (69,275)
Delinquent Ad Valorem	80,000	80,000	76,376	(3,624)
Franchise Fees	250,000	250,000	266,338	16,338
TOTAL TAXES	4,781,028	4,781,028	4,724,467	(56,561)
LICENSES/PERMITS				
Business License/Permit	56,630	56,630	66,812	10,182
Non-Business License/Permit	279,300	279,300	631,250	351,950
TOTAL LICENSES & PERMITS	335,930	335,930	698,062	362,132
INTERGOVERNMENTAL				
FEDERAL GOVERNMENT				
Federal Grant	500	500	9,175	8,675
STATE GRANTS				
Local Government Aid	4,505,367	4,505,367	4,505,367	-
Police Department Aid	215,000	215,000	254,266	39,266
P.E.R.A. Aid	172,146	172,146	172,146	-
State Grant	9,000	9,000	66,488	57,488
Fire Department Aid	-	-	-	-
Shared Highway User Tax	240,000	240,000	281,755	41,755
Local Performance Aid	-	-	-	-
COUNTY GRANTS				
Kandiyohi County Highways	3,795	3,795	3,795	-
Kandiyohi County	9,000	9,000	20,529	11,529
SCHOOL DISTRICT #347				
School Liaison Officer	150,000	150,000	150,000	-
TOTAL INTERGOVERNMENTAL	5,304,808	5,304,808	5,463,521	158,713
SERVICE CHARGES				
General Government	18,025	18,025	19,319	1,294
Public Safety	218,300	218,300	157,618	(60,682)
Buildings & Grounds	23,700	23,700	22,614	(1,086)
Civic Center	270,400	311,050	347,353	36,303
Leisure Services	164,450	164,450	156,658	(7,792)
Highways & Streets	12,100	12,100	16,741	4,641
Community Center	13,720	13,720	7,906	(5,814)
Transportation (Airport)	25,000	25,000	-	(25,000)
TOTAL SERVICE CHARGES	745,695	786,345	728,209	(58,136)
FINES AND FORFEITS				
Other Fines and Forfeits	-	-	-	-
Court Fines	110,000	110,000	114,471	4,471
Parking Violations	17,500	17,500	17,112	(388)
Solid Waste Citations	-	-	-	-
Impounding Fees	33,000	33,000	26,794	(6,206)
TOTAL FINES & FORFEITS	160,500	160,500	158,377	(2,123)
SPECIAL ASSESSMENTS				
Special Assessments	2,000	2,000	3,880	1,880
TOTAL SPECIAL ASSESSMENTS	2,000	2,000	3,880	1,880

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, 2016

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES (Con't)				
MISCELLANEOUS REVENUE				
Miscellaneous	245,100	245,100	414,874	169,774
Interest Earnings	170,000	170,000	159,157	(10,843)
Sale of Fixed Assets	40,000	40,000	16,450	(23,550)
Sale of Materials	65,000	65,000	85,776	20,776
City Auditorium Rents	5,000	5,000	250	(4,750)
Other Rents	-	-	17,551	17,551
Market Value Increase/(Decrease)	100,000	100,000	(155,286)	(255,286)
Insurance Reimbursements	350,000	-	93,223	93,223
Insurance Pass Through	-	350,000	282,458	(67,542)
Restitution	-	-	-	-
TOTAL MISCELLANEOUS	975,100	975,100	914,453	(60,647)
 TOTAL REVENUE	 12,305,061	 12,345,711	 12,690,969	 345,258
EXPENDITURES				
GENERAL GOVERNMENT				
City Administrator				
Personal Services	251,708	251,708	290,932	(39,224)
Supplies	1,350	1,350	4,591	(3,241)
Other Services & Charges	5,000	5,000	5,069	(69)
Total	258,058	258,058	300,592	(42,534)
Mayor and Council				
Personal Services	79,150	79,150	78,501	649
Supplies	4,450	4,450	5,170	(720)
Other Services & Charges	118,500	118,500	101,729	16,771
Total	202,100	202,100	185,400	16,700
Planning & Development				
Personal Services	524,856	527,856	480,249	47,607
Supplies	8,450	8,450	7,659	791
Other Services & Charges	45,050	45,050	44,390	660
Total	578,356	581,356	532,298	49,058
City Clerk/Treasurer				
Personal Services	185,147	185,147	179,660	5,487
Supplies	6,150	6,150	7,758	(1,608)
Other Services & Charges	4,545	4,545	5,292	(747)
Total	195,842	195,842	192,710	3,132
Assessing				
Personal Services	311,525	311,525	101,151	210,374
Supplies	3,650	3,650	1,216	2,434
Other Services & Charges	13,160	13,160	160,721	(147,561)
Total	328,335	328,335	263,088	65,247
Accounting				
Personal Services	429,704	429,704	338,973	90,731
Supplies	5,050	5,050	4,478	572
Other Services & Charges	31,600	31,600	29,438	2,162
Total	466,354	466,354	372,889	93,465

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, 2016

	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	251,546	(1,546)
Total	250,000	250,000	251,546	(1,546)
City Hall				
Personal Services	48,555	48,555	64,345	(15,790)
Supplies	19,550	19,550	23,926	(4,376)
Other Services & Charges	57,250	57,250	54,597	2,653
Other Disbursements	-	-	1,062	(1,062)
Total	125,355	125,355	143,930	(18,575)
Information Technology				
Personal Services	293,692	293,692	282,743	10,949
Supplies	65,550	65,550	152,478	(86,928)
Other Services & Charges	272,585	272,585	203,124	69,461
Total	631,827	631,827	638,345	(6,518)
Office Services				
Supplies	-	-	5,675	(5,675)
Other Services & Charges	-	-	6,368	(6,368)
Total	-	-	12,043	(12,043)
Elections & Voters Registration				
Personal Services	52,879	52,879	49,008	3,871
Supplies	700	700	545	155
Other Services & Charges	1,690	1,690	7,308	(5,618)
Total	55,269	55,269	56,861	(1,592)
Non-Departmental Expenses				
Personal Services	-	-	82,979	(82,979)
Supplies	-	-	-	-
Other Charges/Services	587,900	637,900	87,791	550,109
Insurances	-	-	-	-
Labor Negotiator	-	-	-	-
Severance	-	-	37,456	(37,456)
Deferred Compensation	-	-	-	-
Re-Employment Insurance	3,000	3,000	1,733	1,267
Retired Employees Insurance	120,000	120,000	91,810	28,190
Insurance Pass Through	360,000	360,000	283,993	76,007
Downtown Items	-	-	-	-
Workers Comp Self Insurance	-	-	-	-
Insurance Deductible	100,000	100,000	37,566	62,434
Refunds Paid	200,000	333,076	218,743	114,333
Total	1,370,900	1,553,976	842,071	711,905
TOTAL GENERAL GOVERNMENT	4,462,396	4,648,472	3,791,773	856,699
PUBLIC SAFETY				
Police Department				
Personal Services	3,544,077	3,544,077	3,470,140	73,937
Supplies	256,350	249,975	220,172	29,803
Other Services & Charges	188,545	188,545	149,243	39,302
Lease Payments	228,000	228,000	225,998	2,002
Other Disbursements	-	-	357	(357)
Total	4,216,972	4,210,597	4,065,910	144,687

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, 2016

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Con't)				
PUBLIC SAFETY (Con't)				
Fire Department				
Personal Services	556,391	556,391	489,625	66,766
Supplies	102,200	88,322	71,842	16,480
Other Services & Charges	107,650	107,650	90,700	16,950
Total	766,241	752,363	652,167	100,196
Non-Departmental Expenses				
Personal Services	-	-	-	-
Civil Defense	5,000	5,000	6,349	(1,349)
Safety Program	10,000	10,000	9,705	295
Refunds Paid	-	-	5,500	(5,500)
Total	15,000	15,000	21,554	(6,554)
TOTAL PUBLIC SAFETY	4,998,213	4,977,960	4,739,631	238,329
PUBLIC WORKS				
Engineering				
Personal Services	527,252	527,252	396,253	130,999
Supplies	11,750	11,750	11,248	502
Other Services & Charges	25,600	25,600	39,440	(13,840)
Total	564,602	564,602	446,941	117,661
Public Works				
Personal Services	1,603,115	1,603,115	1,633,196	(30,081)
Supplies	540,170	552,450	457,029	95,421
Other Services & Charges	346,900	346,900	323,561	23,339
Total	2,490,185	2,502,465	2,413,786	88,679
Transit				
Other Services & Charges	25,000	25,000	20,000	5,000
Total	25,000	25,000	20,000	5,000
Non-Departmental Expenses				
Supplies	-	-	-	-
Other Services & Charges	2,000	2,000	868	1,132
Total	2,000	2,000	868	1,132
TOTAL PUBLIC WORKS	3,081,787	3,094,067	2,881,595	212,472
CULTURE & RECREATION				
Library				
Other Services & Charges	503,144	503,144	504,067	(923)
Total	503,144	503,144	504,067	(923)
Auditorium				
Personal Services	-	-	3,913	(3,913)
Supplies	14,700	14,700	20,076	(5,376)
Other Services & Charges	36,701	36,701	43,184	(6,483)
Total	51,401	51,401	67,173	(15,772)
Non-Department Expenses				
Civic Promotion	97,575	97,575	94,613	2,962
Total	97,575	97,575	94,613	2,962

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, 2016

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Con't)				
CULTURE & RECREATION (Con't)				
Leisure Services				
Personal Services	245,877	245,877	153,126	92,751
Supplies	21,350	21,350	22,450	(1,100)
Other Services & Charges	220,206	220,206	220,825	(619)
Total	487,433	487,433	396,401	91,032
Civic Center - Ice Arena				
Personal Services	350,267	358,267	307,816	50,451
Supplies	77,900	97,550	127,346	(29,796)
Other Services & Charges	176,410	189,410	225,209	(35,799)
Other Disbursements	2,500	2,500	612	1,888
Total	607,077	647,727	660,983	(13,256)
Community Center				
Personal Services	57,285	57,285	26,123	31,162
Supplies	29,900	29,900	20,576	9,324
Other Services & Charges	32,550	32,550	33,154	(604)
Total	119,735	119,735	79,853	39,882
Aquatics Center				
Personal Services	118,425	118,425	124,352	(5,927)
Supplies	42,650	42,650	42,535	115
Other Services & Charges	30,200	30,200	27,780	2,420
Other Disbursements	-	-	835	(835)
Total	191,275	191,275	195,502	(4,227)
TOTAL CULTURE & RECREATION	2,057,640	2,098,290	1,998,592	99,698
TOTAL EXPENDITURES	14,600,036	14,818,789	13,411,591	1,407,198
Excess of Revenues Over Expenditures	(2,294,975)	(2,473,078)	(720,622)	1,752,456
OTHER FINANCING SOURCES (USES)				
Transfers In	2,957,413	3,090,489	2,784,098	(306,391)
Transfers Out	(1,593,734)	(1,551,707)	(1,760,579)	(208,872)
Total Other Financing Sources (Uses)	1,363,679	1,538,782	1,023,519	(515,263)
Net Change in Fund Balances	(931,296)	(934,296)	302,897	1,237,193
Fund Balances - Beginning, as originally stated	14,182,384	14,182,384	14,182,384	-
Prior Period Adjustment	-	-	(49,385)	(49,385)
Fund Balances - Beginning, as restated	14,182,384	14,182,384	14,132,999	(49,385)
Fund Balances - Ending	\$ 13,251,088	\$ 13,248,088	\$ 14,435,896	\$ 1,187,808

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, 2016

	Budget Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Miscellaneous Revenue				
Land Sales	\$ -	\$ -	\$ 257,554	\$ 257,554
Rental of Land	-	-	-	-
Interest Earnings	-	-	20,825	20,825
Market Value Incr/(Decr)	-	-	(41,288)	(41,288)
Total Revenues	-	-	237,091	237,091
EXPENDITURES				
Supplies	-	-	-	-
Other Services/Charges	-	-	13,828	(13,828)
Capital Outlay	-	-	-	-
Total Expenditures	-	-	13,828	(13,828)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	223,263	223,263
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	-	-	223,263	223,263
Fund Balance - Beginning	1,037,301	1,037,301	1,037,301	-
Fund Balance - Ending	\$ 1,037,301	\$ 1,037,301	\$ 1,260,564	\$ 223,263

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, 2016

	Budget Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
General Taxes				
Hotel-Motel Tax	\$ 184,000	\$ 184,000	\$ 212,386	\$ 28,386
Intergovernmental				
State Tourism Grant	7,000	7,000	4,235	(2,765)
Kandiyohi County Camping Fees	14,500	14,500	15,498	998
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	53,733	(2,767)
Service Charges	2,000	2,000	1,934	(66)
Miscellaneous Revenue				
Interest Earnings	-	-	4,425	4,425
Market Value Increase/(Decrease)	-	-	3,582	3,582
Miscellaneous	-	-	5,654	5,654
Total Miscellaneous Revenue	-	-	13,661	13,661
Total Revenue	242,500	242,500	281,714	39,214
EXPENDITURES				
Personal Services	110,000	110,000	110,903	(903)
Supplies	9,700	9,700	5,041	4,659
Other Services and Charges	35,210	35,210	37,195	(1,985)
Tourism	40,000	40,000	42,655	(2,655)
Ad Development	300	300	229	71
Conference & Convention	22,000	22,000	37,307	(15,307)
Group Tour Promotions	1,290	1,290	1,311	(21)
Leisure Travel	28,000	28,000	32,168	(4,168)
Fall/Winter Promotions	7,000	7,000	6,710	290
Refunds & Reimbursements	-	-	-	-
Special Projects	4,000	4,000	5,000	(1,000)
Strategic Marketing	4,000	4,000	-	4,000
Total Expenditures	261,500	261,500	278,519	(17,019)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(19,000)	(19,000)	3,195	22,195
OTHER FINANCING SOURCES (USES)				
Transfers Out - General	(9,000)	(9,000)	(9,000)	-
Total Other Financing Sources (Uses)	(9,000)	(9,000)	(9,000)	-
Net Change in Fund Balances	(28,000)	(28,000)	(5,805)	22,195
Fund Balance - Beginning	225,269	225,269	225,269	-
Fund Balance - Ending	\$ 197,269	\$ 197,269	\$ 219,464	\$ 22,195

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, 2016

	Budget Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental				
Federal Grant	-	-	500	500
State Airport Aid	56,800	56,800	109,726	52,926
Total Intergovernmental	56,800	56,800	110,226	53,426
Service Charges				
Rental Income	173,000	173,000	198,519	25,519
Fuel Sales	10,000	10,000	111,089	101,089
Total Service Charges	183,000	183,000	309,608	126,608
Miscellaneous Revenue				
Interest Earnings	-	-	-	-
Market Value Increase/(Decrease)	-	-	-	-
Miscellaneous	-	-	3,970	3,970
Total Miscellaneous Revenue	-	-	3,970	3,970
Total Revenue	239,800	239,800	423,804	184,004
EXPENDITURES				
Personal Services	-	-	2,090	(2,090)
Supplies	16,900	16,900	9,829	7,071
Other Services and Charges	224,400	224,400	196,733	27,667
Total Expenditures	241,300	241,300	208,652	32,648
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,500)	(1,500)	215,152	216,652
OTHER FINANCING SOURCES (USES)				
Transfers In - General Fund	312,736	312,736	312,736	-
Transfers Out - C.P. Airport	(341,672)	(341,672)	(200,251)	141,421
Total Other Financing Sources (Uses)	(28,936)	(28,936)	112,485	141,421
Net Change in Fund Balances	(30,436)	(30,436)	327,637	358,073
Fund Balance - Beginning	83,927	83,927	83,927	-
Fund Balance - Ending	\$ 53,491	\$ 53,491	\$ 411,564	\$ 358,073

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, 2016

	Budget Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Miscellaneous Revenue				
Interest Earnings	\$ -	\$ -	\$ 3,411	\$ 3,411
Market Value Incr/(Decr)	-	-	(2,934)	(2,934)
Total Revenues	-	-	477	477
EXPENDITURES				
Supplies	-	-	12,980	(12,980)
Capital Outlay	-	-	-	-
Total Expenditures	-	-	12,980	(12,980)
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(12,503)	(12,503)
Net Change in Fund Balances	-	-	(12,503)	(12,503)
Fund Balance - Beginning	175,634	175,634	175,634	-
Fund Balance - Ending	\$ 175,634	\$ 175,634	\$ 163,131	\$ (12,503)

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, 2016

	Budget Amounts			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Special Assessments	\$ 2,000	\$ 2,000	\$ 66,291	\$ 64,291
Miscellaneous Revenue				
Interest Earnings	180,000	180,000	176,477	(3,523)
Market Value Increase (Decrease)	-	-	(162,154)	(162,154)
Miscellaneous	-	-	48	48
Total Revenues	182,000	182,000	80,662	(101,338)
EXPENDITURES				
Other Charges	-	-	2,750	(2,750)
Total Expenditures	-	-	2,750	(2,750)
Excess (Deficiency) of Revenues Over (Under) Expenditures	182,000	182,000	77,912	(104,088)
OTHER FINANCING SOURCES (USES)				
Transfers In	400,000	400,000	1,077,142	677,142
Transfers Out	(696,293)	(696,293)	(864,558)	(168,265)
Total Other Financing Sources (Uses)	(296,293)	(296,293)	212,584	508,877
Net Change in Fund Balances	(114,293)	(114,293)	290,496	404,789
Fund Balance - Beginning, as originally stated	8,982,866	8,986,866	8,982,866	(4,000)
Prior Period Adjustment	-	-	(15,500)	(15,500)
Fund Balance - Beginning, as restated	8,982,866	8,986,866	8,967,366	(19,500)
Fund Balance - Ending	\$ 8,868,573	\$ 8,872,573	\$ 9,257,862	\$ 385,289

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, 2016

	Budget Amounts		Actual	Variance With Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Miscellaneous Revenue				
Interest Earnings	\$ 15,000	\$ 15,000	\$ 18,296	\$ 3,296
Market Value Incr/(Decr)	-	-	(18,429)	(18,429)
Miscellaneous	-	-	-	-
Total Revenues	15,000	15,000	(133)	(15,133)
EXPENDITURES				
Other Charges	-	-	-	-
Total Expenditures	-	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	15,000	15,000	(133)	(15,133)
OTHER FINANCING SOURCES (USES)				
Transfers In	412,000	412,000	412,000	-
Transfers Out	(400,000)	(400,000)	(400,000)	-
Total Other Financing Sources (Uses)	12,000	12,000	12,000	-
Net Change in Fund Balances	27,000	27,000	11,867	(15,133)
Fund Balance - Beginning	915,395	915,395	915,395	-
Fund Balance - Ending	\$ 942,395	\$ 942,395	\$ 927,262	\$ (15,133)

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, 2016

	Budget Amounts			Over (Under)
	Original	Final	Actual	Final Budget
REVENUES				
Special Assessments				
Special Assessments	\$ 730,748	\$ 730,748	\$ 1,171,087	\$ 440,339
Miscellaneous Revenue				
Miscellaneous	57,690	57,690	19,997	(37,693)
Interest Earnings	46,500	46,500	47,274	774
Net change in fair market value	-	-	(61,058)	(61,058)
Total Revenues	834,938	834,938	1,177,300	342,362
EXPENDITURES				
Bond Principal Payments	1,991,000	1,991,000	1,991,000	-
Interest Payments	219,770	219,770	255,343	35,573
Other Charges	5,825	5,825	16,690	10,865
Total Expenditures	2,216,595	2,216,595	2,263,033	46,438
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,381,657)	(1,381,657)	(1,085,733)	295,924
OTHER FINANCING SOURCES (USES)				
Transfers In	638,603	638,603	1,294,085	655,482
Transfers Out	-	-	-	-
Bond Proceeds	-	-	-	-
Total Other Financing Sources (Uses)	638,603	638,603	1,294,085	655,482
Net Change in Fund Balances	(743,054)	(743,054)	208,352	951,406
Fund Balances - Beginning	5,154,358	5,154,358	5,154,358	-
Fund Balances - Ending	\$ 4,411,304	\$ 4,411,304	\$ 5,362,710	\$ 951,406

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, 2016

	Budget Amounts			Over (Under)
	Original	Final	Actual	Final Budget
REVENUES				
Interest Earnings	\$ -	\$ -	\$ -	\$ -
Market Value Increase (Decrease)	-	-	-	-
Total Revenues	-	-	-	-
EXPENDITURES				
Bond Principal Payments	155,000	155,000	155,000	-
Interest Payments	29,472	29,472	29,471	(1)
Other Charges	3,200	3,200	710	(2,490)
Total Expenditures	187,672	187,672	185,181	(2,491)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(187,672)	(187,672)	(185,181)	(2,491)
OTHER FINANCING SOURCES(USES)				
Transfers In	187,672	187,672	200,251	12,579
Total Other Financing Sources (Uses)	187,672	187,672	200,251	12,579
Net Change in Fund Balances	-	-	15,070	10,088
Fund Balances - Beginning	158,251	158,251	158,251	-
Fund Balances - Ending	\$ 158,251	\$ 158,251	\$ 173,321	\$ 10,088

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, 2016

	Budget Amounts			Over (Under)
	Original	Final	Actual	Final Budget
REVENUES				
General Taxes				
Tax Increment	\$ 74,288	\$ 74,288	\$ 11,582	\$ (62,706)
Total Taxes	74,288	74,288	11,582	(62,706)
Total Revenues	74,288	74,288	11,582	(62,706)
EXPENDITURES				
Contracts	66,859	66,859	-	66,859
Interest	-	-	-	-
Other Charges	-	-	-	-
Total Expenditures	66,859	66,859	-	66,859
Excess (Deficiency) of Revenues Over (Under) Expenditures	7,429	7,429	11,582	4,153
OTHER FINANCING SOURCES(USES)				
Transfers Out	(7,429)	(7,429)	-	7,429
Total Other Financing Sources (Uses)	(7,429)	(7,429)	-	7,429
Net Change in Fund Balances		-	11,582	11,582
Fund Balances - Beginning	1,044	1,044	1,044	-
Fund Balances - Ending	\$ 1,044	\$ 1,044	\$ 12,626	\$ 11,582

See notes to required supplementary information.

CITY OF WILLMAR, MINNESOTA
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND EMPLOYER CONTRIBUTIONS
GENERAL EMPLOYEES RETIREMENT FUND

Schedule of Proportionate Share of Net Pension Liability

<u>Fiscal Year Ending</u>	<u>Employer's Proportion (Percentage) of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset)</u>	<u>Employer's Covered- Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2015	0.0615%	\$ 3,187,249	\$ 3,618,192	88.1%	78.2%
June 30, 2016	0.0587%	\$ 4,766,149	\$ 3,644,509	130.8%	68.9%

Schedule of Employer Contributions

<u>Fiscal Year Ending</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
December 31, 2015	\$ 265,540	\$ 265,540	\$ -	\$ 3,540,543	7.50%
December 31, 2016	\$ 275,718	\$ 275,718	\$ -	\$ 3,676,241	7.50%

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

CITY OF WILLMAR, MINNESOTA
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND EMPLOYER CONTRIBUTIONS
PUBLIC EMPLOYEES POLICE AND FIRE FUND

Schedule of Proportionate Share of Net Pension Liability

<u>Fiscal Year Ending</u>	<u>Employer's Proportion (Percentage) of the Net Pension Liability (Asset)</u>	<u>Employer's Proportionate Share (Amount) of the Net Pension Liability (Asset)</u>	<u>Employer's Covered- Employee Payroll</u>	<u>Employer's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered- Employee Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2015	0.2400%	\$ 2,726,962	\$ 2,199,684	124.0%	86.6%
June 30, 2016	0.2350%	\$ 9,430,959	\$ 2,267,922	415.8%	63.9%

Schedule of Employer Contributions

<u>Fiscal Year Ending</u>	<u>Statutorily Required Contribution</u>	<u>Contributions in Relation to the Statutorily Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered- Employee Payroll</u>	<u>Contributions as a Percentage of Covered- Employee Payroll</u>
December 31, 2015	\$ 359,668	\$ 359,668	\$ -	\$ 2,220,176	16.20%
December 31, 2016	\$ 369,900	\$ 369,900	\$ -	\$ 2,283,329	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, 2016

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, 2016. 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, 2016

NOTE 1 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 year end.

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.

NOTE 2 CHANGES IN ACTUARIAL ASSUMPTIONS

General Employees Fund:

The assumed postretirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.0% per year for all future 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.

Police and Fire Fund:

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.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

City of Willmar, Minnesota
Combining Balance Sheet
NonMajor Governmental Funds
December 31, 2016

	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	\$ 412,856	\$ 1,366,669	\$ (2,423)	\$ 3,755	\$ 1,780,857
Investments	1,308,977	118,103	-	30,000	1,457,080
Receivables					
Taxes Receivable - Current	15,288	-	-	-	15,288
Accounts Receivable	80,250	-	-	-	80,250
Notes Receivable	350,000	-	-	-	350,000
Interest Receivable	11,564	501	-	121	12,186
Due From Other Funds	4,500	215,651	12,579	-	232,730
Due From Other Governments	15,425	125,376	-	-	140,801
Prepaid Items	14,358	(1,911)	173,321	-	185,768
Unamortized Discounts On Bonds	-	-	2,730	-	2,730
Total Assets	\$ 2,213,218	\$ 1,824,389	\$ 186,207	\$ 33,876	\$ 4,257,690
LIABILITIES					
Accounts Payable	\$ 49,546	\$ 132,794	\$ 260	\$ -	\$ 182,600
Contracts Payable	-	26,094	-	-	26,094
Due To Other Funds	12,579	47,542	-	-	60,121
Deposits	280	-	-	-	280
Total Liabilities	62,405	206,430	260	-	269,095
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	356,291	-	-	-	356,291
Total Deferred Inflows of Resources	356,291	-	-	-	356,291
FUND BALANCES					
Nonspendable Fund Balance	14,358	-	173,321	30,000	217,679
Restricted Fund Balance	80,946	-	12,626	3,876	97,448
Committed Fund Balance	1,699,218	1,617,959	-	-	3,317,177
Total Fund Balances	1,794,522	1,617,959	185,947	33,876	3,632,304
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 2,213,218	\$ 1,824,389	\$ 186,207	\$ 33,876	\$ 4,257,690

City of Willmar, Minnesota
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
NonMajor Governmental Funds
For the Year Ended December 31, 2016

	Total Special Revenue Funds	Total Capital Projects Funds	Total Debt Service Funds	Permanent Fund Perpetual Care	Total Nonmajor Governmental Funds
REVENUES					
General Taxes	\$ -	\$ -	\$ 11,582	\$ -	\$ 11,582
Other Taxes	212,386	-	-	-	212,386
Intergovernmental	163,959	129,651	-	-	293,610
Charges for Services	333,340	-	-	-	333,340
Investment Income	26,186	4,975	-	668	31,829
Net change in fair market value	(25,627)	1,992	-	(448)	(24,083)
Contributions/Donations	-	-	-	1,200	1,200
Miscellaneous Revenue	9,624	107,285	-	-	116,909
Total Revenues	<u>719,868</u>	<u>243,903</u>	<u>11,582</u>	<u>1,420</u>	<u>976,773</u>
EXPENDITURES					
Public Safety	2,200	-	-	-	2,200
Public Works	208,652	-	-	-	208,652
Culture and Recreation	291,498	-	-	2,453	293,951
Debt Service					
Principal	-	-	155,000	-	155,000
Interest	-	-	29,471	-	29,471
Other Charges	-	-	710	-	710
Capital Projects	-	1,456,474	-	-	1,456,474
Total Expenditures	<u>502,350</u>	<u>1,456,474</u>	<u>185,181</u>	<u>2,453</u>	<u>2,146,458</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>217,518</u>	<u>(1,212,571)</u>	<u>(173,599)</u>	<u>(1,033)</u>	<u>(1,169,685)</u>
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	724,736	1,050,843	200,251	-	1,975,830
Operating Transfers Out	(609,251)	(1,844)	-	-	(611,095)
Total Other Financing Sources (Uses)	<u>115,485</u>	<u>1,048,999</u>	<u>200,251</u>	<u>-</u>	<u>1,364,735</u>
Net Change in Fund Balances	333,003	(163,572)	26,652	(1,033)	195,050
Fund Balances - Beginning	<u>1,461,519</u>	<u>1,781,531</u>	<u>159,295</u>	<u>34,909</u>	<u>3,437,254</u>
Fund Balances - Ending	<u>\$ 1,794,522</u>	<u>\$ 1,617,959</u>	<u>\$ 185,947</u>	<u>\$ 33,876</u>	<u>\$ 3,632,304</u>

City of Willmar, Minnesota
Combining Balance Sheet
NonMajor Governmental Funds/Special Revenue
December 31, 2016

	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	\$ 7,792	\$ -	\$ 322,318	\$ 842	\$ 958	\$ 76,016	\$ 4,930	\$ 412,856
Investments	225,050	-	-	161,598	922,329	-	-	1,308,977
Receivables								
Taxes Receivable	15,288	-	-	-	-	-	-	15,288
Accounts Receivable	543	-	79,707	-	-	-	-	80,250
Notes Receivable	-	350,000	-	-	-	-	-	350,000
Interest Receivable	967	5,931	-	691	3,975	-	-	11,564
Due From Other Governments	-	-	15,425	-	-	-	-	15,425
Due From Other Funds	-	-	4,500	-	-	-	-	4,500
Prepaid Items	7,496	-	6,862	-	-	-	-	14,358
Total Assets	\$ 257,136	\$ 355,931	\$ 428,812	\$ 163,131	\$ 927,262	\$ 76,016	\$ 4,930	\$ 2,213,218
LIABILITIES								
Accounts Payable	\$ 45,517	\$ -	\$ 4,029	\$ -	\$ -	\$ -	\$ -	\$ 49,546
Contract Payable	-	-	-	-	-	-	-	-
Due To Other Governments	-	-	-	-	-	-	-	-
Due To Other Funds	-	-	12,579	-	-	-	-	12,579
Deposits	-	-	280	-	-	-	-	280
Total Liabilities	45,517	-	16,888	-	-	-	-	62,405
DEFERRED INFLOWS OF RESOURCES								
Unavailable Revenue	-	355,931	360	-	-	-	-	356,291
Total Deferred Inflows of Resources	-	355,931	360	-	-	-	-	356,291
FUND BALANCES								
Nonspendable Fund Balance	7,496	-	6,862	-	-	-	-	14,358
Restricted Fund Balance	-	-	-	-	-	76,016	4,930	80,946
Committed Fund Balance	204,123	-	404,702	163,131	927,262	-	-	1,699,218
Total Fund Balances	211,619	-	411,564	163,131	927,262	76,016	4,930	1,794,522
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 257,136	\$ 355,931	\$ 428,812	\$ 163,131	\$ 927,262	\$ 76,016	\$ 4,930	\$ 2,213,218

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, 2016

	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	212,386	-	-	-	-	-	-	212,386
Intergovernmental	53,733	-	110,226	-	-	-	-	163,959
Service Charges	1,934	-	309,608	-	-	18,207	3,591	333,340
Investment income	4,425	-	-	3,411	18,296	54	-	26,186
Fair Market Value Incr/(Decr)	(4,264)	-	-	(2,934)	(18,429)	-	-	(25,627)
Miscellaneous Revenue	5,654	-	3,970	-	-	-	-	9,624
Total Revenues	273,868	-	423,804	477	(133)	18,261	3,591	719,868
EXPENDITURES								
Public Safety	-	-	-	-	-	2,200	-	2,200
Streets and Highways	-	-	208,652	-	-	-	-	208,652
Culture and Recreation	278,518	-	-	12,980	-	-	-	291,498
Economic Development	-	-	-	-	-	-	-	-
Total Expenditures	278,518	-	208,652	12,980	-	2,200	-	502,350
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,650)	-	215,152	(12,503)	(133)	16,061	3,591	217,518
OTHER FIN. SOURCES (USES)								
Transfers In	-	-	312,736	-	412,000	-	-	724,736
Transfers Out	(9,000)	-	(200,251)	-	(400,000)	-	-	(609,251)
Total Other Fin. Sources (Uses)	(9,000)	-	112,485	-	12,000	-	-	115,485
Net Change in Fund Balances	(13,650)	-	327,637	(12,503)	11,867	16,061	3,591	333,003
Fund Balances - Beginning	225,269	-	83,927	175,634	915,395	59,955	1,339	1,461,519
Fund Balances - Ending	\$ 211,619	\$ -	\$ 411,564	\$ 163,131	\$ 927,262	\$ 76,016	\$ 4,930	\$ 1,794,522

City of Willmar, Minnesota
Combining Balance Sheet
NonMajor Governmental Funds/Capital Projects
December 31, 2016

	<u>Airport Capital Project</u>	<u>Capital Improvement</u>	<u>Surface Water</u>	<u>Local Option Sales Tax</u>	<u>Total Capital Projects Funds</u>
ASSETS					
Cash	\$ 151,193	\$ 1,219,157	\$ 1,844	\$ (5,525)	\$ 1,366,669
Investments	-	118,103	-	-	118,103
Accounts Receivable	-	-	-	-	-
Interest Receivable	-	501	-	-	501
Due From Other Funds	-	210,126	-	5,525	215,651
Due From Other Governments	125,376	-	-	-	125,376
Prepaid Expenses	-	(1,911)	-	-	(1,911)
Total Assets	<u>\$ 276,569</u>	<u>\$ 1,545,976</u>	<u>\$ 1,844</u>	<u>\$ -</u>	<u>\$ 1,824,389</u>
LIABILITIES					
Accounts Payable	\$ 127,367	\$ 5,427	\$ -	\$ -	\$ 132,794
Contracts Payable	-	26,094	-	-	26,094
Due To Other Funds	-	45,698	1,844	-	47,542
Due To Other Gov Units	-	-	-	-	-
Total Liabilities	<u>127,367</u>	<u>77,219</u>	<u>1,844</u>	<u>-</u>	<u>206,430</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue	-	-	-	-	-
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Restricted Fund Balance	-	-	-	-	-
Committed Fund Balance	149,202	1,468,757	-	-	1,617,959
Unassigned Fund Balance	-	-	-	-	-
Total Fund Balance	<u>149,202</u>	<u>1,468,757</u>	<u>-</u>	<u>-</u>	<u>1,617,959</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 276,569</u>	<u>\$ 1,545,976</u>	<u>\$ 1,844</u>	<u>\$ -</u>	<u>\$ 1,824,389</u>

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, 2016

	Airport Capital Project	Capital Improvement	Surface Water	Local Option Sales Tax	Total Capital Project Funds
REVENUES					
Intergovernmental	\$ 129,651	\$ -	\$ -	\$ -	\$ 129,651
Investment Income	-	4,975	-	-	4,975
Market Value Incr/(Decr)	-	1,992	-	-	1,992
Miscellaneous	-	107,285	-	-	107,285
Total Revenues	129,651	114,252	-	-	243,903
EXPENDITURES					
Capital/Construction Projects	134,449	1,322,025	-	-	1,456,474
Total Expenditures	134,449	1,322,025	-	-	1,456,474
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,798)	(1,207,773)	-	-	(1,212,571)
OTHER FINANCING SOURCES (USES)					
Operating Transfers In	154,000	896,843	-	-	1,050,843
Operating Transfers Out	-	-	(1,844)	-	(1,844)
Total Other Financing Sources (Uses)	154,000	896,843	(1,844)	-	1,048,999
Net Change in Fund Balances	149,202	(310,930)	(1,844)	-	(163,572)
Fund Balance - Beginning	-	1,779,687	1,844	-	1,781,531
Fund Balance- Ending	\$ 149,202	\$ 1,468,757	\$ -	\$ -	\$ 1,617,959

City of Willmar, Minnesota
Non-Major Debt Service Funds
Combining Balance Sheets
December 31, 2016

	Airport G.O. Revenue Bond	Tax Increment Bonds	Total Debt Service Funds
ASSETS			
Cash and Cash Equivalents	\$ (15,049)	\$ 12,626	\$ (2,423)
Due From Other Funds	12,579	-	12,579
Prepaid Expenses	173,321	-	173,321
Unamort Discount On Bonds Sold	2,730	-	2,730
Total Assets	<u>\$ 173,581</u>	<u>\$ 12,626</u>	<u>\$ 186,207</u>
LIABILITIES			
Accounts Payable	\$ 260	\$ -	\$ 260
Due To Other Funds	-	-	-
Total Liabilities	<u>260</u>	<u>-</u>	<u>260</u>
FUND BALANCES			
Nonspendable - Prepaid Expenses	173,321	-	173,321
Restricted	-	12,626	12,626
Unassigned	-	-	-
Total Fund Balances	<u>173,321</u>	<u>12,626</u>	<u>185,947</u>
Total Liabilities and Fund Balances	<u>\$ 173,581</u>	<u>\$ 12,626</u>	<u>\$ 186,207</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, 2016

	Airport G.O. Revenue Bond	Tax Increment Bonds	Total Debt Service Funds
REVENUES			
Tax Increment	\$ -	\$ 11,582	\$ 11,582
Investment Income	-	-	-
Market Value Increase (Decrease)	-	-	-
Miscellaneous	-	-	-
Total Revenues	<u>-</u>	<u>11,582</u>	<u>11,582</u>
EXPENDITURES			
Bond Principal Payments	155,000	-	155,000
Interest Payments	29,471	-	29,471
Other Charges	710	-	710
Total Expenditures	<u>185,181</u>	<u>-</u>	<u>185,181</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(185,181)</u>	<u>11,582</u>	<u>(173,599)</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	200,251	-	200,251
Transfers Out	-	-	-
Total Other Financing Sources (Uses)	<u>200,251</u>	<u>-</u>	<u>200,251</u>
Net Change in Fund Balances	15,070	11,582	26,652
Fund Balances - Beginning	<u>158,251</u>	<u>1,044</u>	<u>159,295</u>
Fund Balances - Ending	<u>\$ 173,321</u>	<u>\$ 12,626</u>	<u>\$ 185,947</u>

City of Willmar, Minnesota
Internal Service Funds
Combining Statement of Net Position
December 31, 2016

	<u>Office Services</u>
ASSETS	
Current Assets:	
Cash And Cash Equivalents	\$ 170,494
Investments	-
Accounts Receivable	616
Interest Receivable	-
Due From Component Unit	-
Intergovernmental Receivable	-
Due From Other Funds	-
Inventories - Merchandise For Resale	3,571
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	3,571
Restricted Fund Balance-Prepays	-
Assigned Fund Balance	171,110
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, 2016

	<u>Office Services</u>
Operating Revenues:	
Charges For Services	\$ 13,197
Total Operating Revenues	<u>13,197</u>
Operating Expenses:	
Cost of Materials Used:	
Inventory, January 1	3,571
Purchases	<u>-</u>
Total Available	<u>3,571</u>
Inventory, December 31	<u>(3,571)</u>
Total Cost of Materials Used	<u>-</u>
Other Services And Charges	<u>-</u>
Depreciation	<u>-</u>
Total Operating Expenses	<u>-</u>
Operating Income (Loss)	<u>13,197</u>
Nonoperating Revenues (Expenses):	
Interest On Investments	2,414
Market Value Increase/(Decrease)	2,048
Capital Asset Acquisition/(Disposal)	<u>-</u>
Total Nonoperating Revenues	4,462
Income (Loss) Before Contributions and Transfers	17,659
Operating Transfers In	-
Operating Transfers Out	<u>-</u>
Change in Net Position	17,659
Total Net Position - Beginning	<u>157,022</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, 2016

	<u>Office Services</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from Charges For Services	\$ 13,112
Payments For Purchases	(81)
Payments For Other Services and Charges	(500)
Liquidation of Liabilities	-
Net Cash Provided (Used) by Operating Activities	<u>12,531</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfer from Other Funds	-
Transfer to Other Funds	-
Net Cash Used in Noncapital and Related Financing Activities	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Principal Payments on Long-Term Debt	-
Net Cash Used in Capital and Related Financing Activities	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:	
Principal Collected on Loan	-
Proceeds from Sales and Maturities of Investments	154,841
Purchase of Investments	-
Interest and Dividends Received	<u>3,011</u>
Net Cash Provided (Used) from Investing Activities	<u>157,852</u>
Net Increase (Decrease) in Cash and Cash Equivalents	170,383
Cash and Cash Equivalents - Beginning	<u>111</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 170,494</u></u>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating Income (Loss)	<u>\$ 13,197</u>
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	(84)
(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	(582)
Increase (Decrease) in Due to Other Funds	-
Total Adjustments	<u>(666)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 12,531</u></u>

City of Willmar, Minnesota
Statement of Net Position
Fiduciary Funds - Agency Fund
December 31, 2016

	<u>Agency Fund</u> <u>Bioscience</u> <u>Grant Fund</u>	<u>Agency Fund</u> <u>Donation</u> <u>Fund</u>
ASSETS		
Cash and Cash Equivalents	\$ -	\$ 10,000
Accounts Receivable	-	-
Due From General Fund	-	-
Total Assets	<u>\$ -</u>	<u>\$ 10,000</u>
LIABILITIES		
Deposits	<u>\$ -</u>	<u>\$ -</u>
Total Liabilities	<u>-</u>	<u>-</u>
NET POSITION		
Restricted	<u>-</u>	<u>10,000</u>
Total Net Position	<u>\$ -</u>	<u>\$ 10,000</u>

City of Willmar, Minnesota
Statement of Changes in Net Position
Fiduciary Funds - Agency Funds
For the Year Ended December 31, 2016

	<u>Agency Fund</u> <u>Bioscience</u> <u>Grant</u> <u>Fund</u>	<u>Agency Fund</u> <u>Donation</u> <u>Fund</u>
ADDITIONS		
Intergovernmental		
State Grant	\$ -	\$ -
Service Charges		
Miscellaneous	-	-
Miscellaneous		
Miscellaneous	-	15,095
Contributions/Donations	-	18,665
Insurance Reimbursement	1,961	-
Total Additions	<u>1,961</u>	<u>33,760</u>
DEDUCTIONS		
Supplies		
Supplies	-	8,665
Other Services		
Other Services	-	-
Other Charges		
Insurance and Bonds	1,961	-
Other Improvements	-	15,095
Total Deductions	<u>1,961</u>	<u>23,760</u>
Change in Net Position	-	10,000
Net Position - Beginning	<u>-</u>	<u>-</u>
Net Position - Ending	<u>\$ -</u>	<u>\$ 10,000</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Governmental Funds Capital Assets:		
Land	\$ 8,585,806	\$ 8,585,806
Buildings and Structures	14,098,229	13,176,273
Furniture and Equipment	3,335,503	3,025,874
Machinery and Auto Equipment	9,026,127	9,060,641
Other Improvements	<u>119,312,160</u>	<u>119,258,648</u>
Total Governmental Funds Capital Assets	<u>\$ 154,357,825</u>	<u>\$ 153,107,242</u>
Investments in Governmental Funds Capital Assets By Source:		
General Fund	\$ 129,389,419	\$ 128,145,917
Special Revenue Fund	24,968,406	24,961,325
Capital Projects Funds	<u>-</u>	<u>-</u>
Total Governmental Funds Capital Assets	<u>\$ 154,357,825</u>	<u>\$ 153,107,242</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, 2016

FIXED ASSETS-2016	Governmental Funds Capital Assets			Governmental Funds Capital Assets
	<u>01/01/2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>12/31/2016</u>
<u>GENERAL GOVERNMENT</u>				
Mayor & Council	\$ 20,743	\$ -	\$ -	\$ 20,743
Community Development	240,572	-	-	240,572
City Clerk-Treasurer	-	-	-	-
Assessing	5,325	-	5,325	-
Accounting	-	-	-	-
City Hall	810,653	18,776	-	829,429
Data Processing	425,695	87,320	148,304	364,711
Elections	83,370	-	-	83,370
Non-Departmental	183,525	-	-	183,525
Industrial Development	1,102,281	-	-	1,102,281
Total	2,872,164	106,096	153,629	2,824,631
<u>PUBLIC SAFETY</u>				
Police Dept.	658,894	191,203	45,995	804,102
Trust & Agency K-9	-	-	-	-
Fire Dept.	3,752,935	495,129	328,549	3,919,515
Public Parking	631,870	-	-	631,870
Total	5,043,699	686,332	374,544	5,355,487
<u>PUBLIC WORKS</u>				
Engineering	208,601	111,140	77,962	241,779
Public Works	111,085,446	290,851	160,849	111,215,448
Airport	23,859,044	7,081	-	23,866,125
Transit	-	-	-	-
Total	135,153,091	409,072	238,811	135,323,352
<u>CULTURE & RECREATION</u>				
Auditorium	557,574	-	-	557,574
Buildings & Grounds	1,203,954	58,785	-	1,262,739
Leisure Services	151,133	19,961	-	171,094
Civic Center	5,102,221	743,833	-	5,846,054
Community Center	494,032	-	-	494,032
Aquatic Center	2,058,422	35,155	-	2,093,577
WRAC-8	318,448	52,321	93,988	276,781
Library	152,504	-	-	152,504
Total	10,038,288	910,055	93,988	10,854,355
GRAND TOTAL	\$ 153,107,242	\$ 2,111,555	\$ 860,972	\$ 154,357,825

*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, 2016

FIXED ASSETS-2016	<u>Total</u>	<u>Land</u>	<u>Buildings/ Structures</u>	<u>Furniture/ Equipment</u>	<u>Machinery/ Auto</u>	<u>Other Improvements</u>
<u>GENERAL GOVERNMENT</u>						
Mayor & Council	\$ 20,743	\$ -	\$ -	\$ 20,743	\$ -	\$ -
Community Development	240,572	174,960	-	-	65,612	-
City Clerk-Treasurer	-	-	-	-	-	-
Assessing	-	-	-	-	-	-
Accounting	-	-	-	-	-	-
City Hall	829,429	40,000	765,481	-	-	23,948
Data Processing	364,712	-	-	252,768	-	111,944
Elections	83,370	-	-	83,370	-	-
Non-Departmental	183,525	-	-	183,525	-	-
Industrial Development	1,102,281	1,102,281	-	-	-	-
Total	2,824,632	1,317,241	765,481	540,406	65,612	135,892
<u>PUBLIC SAFETY</u>						
Police Dept.	804,102	-	-	93,941	696,961	13,200
Trust & Agency K-9	-	-	-	-	-	-
Fire Dept.	3,919,514	163,547	662,552	781,064	2,233,812	78,539
Public Parking	631,870	631,870	-	-	-	-
Total	5,355,486	795,417	662,552	875,005	2,930,773	91,739
<u>PUBLIC WORKS</u>						
Engineering	241,778	-	-	90,867	113,397	37,514
Public Works	111,215,448	1,923,271	1,555,192	405,112	5,462,606	101,869,267
Airport	23,866,125	4,236,165	3,961,108	24,744	23,533	15,620,575
Transit	-	-	-	-	-	-
Total	135,323,351	6,159,436	5,516,300	520,723	5,599,536	117,527,356
<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	171,094	14,900	11,660	29,232	19,961	95,341
Civic Center	5,846,055	23,572	4,532,077	437,852	397,974	454,580
Community Center	494,032	87,635	316,409	10,570	5,321	74,097
Aquatic Center	2,093,578	75,200	1,483,603	322,515	-	212,260
WRAC-8	276,780	-	112,496	164,284	-	-
Library	152,504	-	152,504	-	-	-
Total	10,854,356	313,712	7,153,896	1,399,369	430,206	1,557,173
GRAND TOTAL	\$ 154,357,825	\$ 8,585,806	\$ 14,098,229	\$ 3,335,503	\$ 9,026,127	\$ 119,312,160

*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 2007 Through 2016

<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>
2007	\$ 2,841,646	\$ 4,075,315	\$ 2,858,588	\$ 11,310,300	\$ 1,973,936	\$ 5,485,266	\$ 2,396,676	\$ 26,366	\$ 30,968,093
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

CITY OF WILLMAR, MINNESOTA

GOVERNMENT-WIDE REVENUES

Years 2007 through 2016

	Program Revenues	General Revenues			
Fiscal Year	Charges For Services	Taxes	Miscellaneous Revenue	Total	
2007	\$ 4,088,622	\$ 4,781,966	\$ 13,291,133	\$ 22,161,721	
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	\$ 2,948,145	\$ 16,622,212	
2014	\$ 10,579,467	\$ 4,582,848	\$ 8,284,427	\$ 23,446,742	
2015	\$ 10,662,682	\$ 4,999,764	\$ 10,255,934	\$ 25,918,380	
2016	\$ 12,283,777	\$ 4,948,435	\$ 9,785,925	\$ 27,018,137	

CITY OF WILLMAR, MINNESOTA

GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION

Years 2007 Through 2016

<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>
2007	\$ 2,841,646	\$ 4,075,315	\$ 2,858,588	\$ 8,629,657	\$ 1,973,936	\$ 20,379,142
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

CITY OF WILLMAR, MINNESOTA

GENERAL GOVERNMENTAL REVENUES BY SOURCE

Years 2007 Through 2016

<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>
2007	\$ 4,781,966	\$ 454,878	\$ 7,177,007	\$ 864,241	\$ 259,559	\$ 9,443,920	\$ 22,981,571
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

CITY OF WILLMAR, MINNESOTA

PROPERTY TAX LEVIES AND COLLECTIONS

Years 2007 Through 2016

<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>
2007	2,806,995	2,755,905	98.18%	49,481	2,805,386	99.94%	66,336	2.36%
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%

CITY OF WILLMAR, MINNESOTA

TAX CAPACITIES AND ESTIMATED MARKET VALUE OF TAXABLE PROPERTY

YEARS 2007 THROUGH 2016

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Population (*Census)	18,757	18,757	18,757	19,610
REAL PROPERTY				
Tax Capacity	10,947,806	12,005,028	12,526,714	12,830,579
Less: Tax Increment Districts -				
Phoenix #95	13,697	15,031	15,031	15,031
Relco #05	15,874	27,154	0	0
Lakewood #06	6,262	7,382	7,834	7,834
Jennie-O (2) #07	0	0	0	0
JOBZ	61,393	82,927	99,310	113,205
Net Tax Capacity	10,850,580	11,872,534	12,404,539	12,694,509
Estimated Market Value	904,555,700	983,810,800	1,020,849,500	1,044,367,400
PERSONAL PROPERTY				
Tax Capacity	104,040	110,372	112,608	113,796
Estimated Market Value	5,396,500	5,921,300	6,095,700	6,201,500
TOTAL REAL AND PERSONAL PROPERTY				
Tax Capacity	10,954,620	11,982,906	12,517,147	12,808,305
Estimated Market Value	909,952,200	989,732,100	1,026,945,200	1,050,568,900
PERCENT OF TAX CAPACITY TO ESTIMATED MARKET VALUE	0.012039	0.012107	0.012189	0.012192
PER CAPITA VALUATION				
Tax Capacity	584	639	667	653
Estimated Market Value	48,513	52,766	54,750	53,573
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 2007 THROUGH 2016

<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
19,610	19,694	19,694	19,694	19,694	19,694
12,975,909	11,959,117	12,120,212	12,093,317	12,546,465	12,758,485
15,031	0	0	0	0	0
0	0	0	0	0	0
7,834	0	0	0	0	0
0	0	0	0	1,506	9,544
118,210	143,402	181,069	181,807	181,807	181,807
12,834,834	11,815,715	11,939,143	11,911,510	12,363,152	12,567,134
1,055,031,300	1,065,852,600	1,064,093,500	1,054,462,700	1,094,771,600	1,091,900,300
129,053	131,992	137,153	140,199	146,908	202,716
6,969,200	7,150,300	7,407,100	7,581,400	7,977,200	8,457,400
12,963,887	11,947,707	12,076,296	12,051,709	12,510,060	12,769,850
1,062,000,500	1,073,002,900	1,071,500,600	1,062,044,100	1,102,748,800	1,100,357,700
0.012207	0.011135	0.011270	0.011348	0.011344	0.011605
661	607	613	612	635	648
54,156	54,484	54,407	53,927	55,994	55,873
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 2007 Through 2016

A 10-YEAR COMPARISON OF TAX CAPACITY RATES

Year Tax <u>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>
2007	25.62	22.66		60.41	1.18	1.46	111.33
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

*** Includes Mid Minnesota Development Commission.

CITY OF WILLMAR, MINNESOTA

TAX LEVIES

ALL OVERLAPPING GOVERNMENTS

Years 2007 Through 2016

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>
2007	2,806,902	2,483,193	1,183,484	6,617,795	129,265	133,865	13,354,504
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

* 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, 2016

Taxpayer	Type of Business	Market Valuation Payable 2017	Total Tax
RockStep Willmar, LLC	Shopping Center	\$ 11,400,000	\$ 227,250
Mills Properties, Inc.	Auto Dealership	\$ 11,272,400	\$ 223,050
Affiliated Community Health	Medical Center	\$ 10,891,800	\$ 214,916
WalMart Stores, Inc.	Discount Retailer	\$ 10,270,200	\$ 204,654
Torgerson Properties, Inc.	Investment Company	\$ 9,142,600	\$ 180,602
Menard Inc.	Building Materials	\$ 8,772,100	\$ 174,692
BNSF Railway Company	Railroad	\$ 8,200,300	\$ 163,256
Jennie-O Turkey Store, Inc.	Food Processing	\$ 7,097,600	\$ 141,156
Willmar Ten Investors	Investment Company	\$ 6,896,700	\$ 132,684
Centerpoint Energy Minnegasco	Utility Company	\$ 6,049,800	\$ 120,246

CITY OF WILLMAR, MINNESOTA

SPECIAL ASSESSMENT BILLINGS AND COLLECTIONS

Year 2007 Through 2016

<u>Fiscal Year</u>	<u>Current Assessments Due</u>	<u>Current Assessments Collected</u>	<u>Percent of Collections To Amount Due</u>	<u>Total Outstanding Current and Delinquent Assessments</u>
2007	1,024,590	984,177	96.06%	45,782
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

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, 2016

Legal Debt Limit and Margin

Legal Debt Limit (2% of Estimated Market Value \$1,102,651,500)	\$ 22,053,030
Less: Outstanding Debt Subject to Limit	\$ -
Legal Debt Margin as of December 31, 2016	<u>\$ 22,053,030</u>

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 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
Year 2007	651
Estimated Construction Costs	
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
Year 2007	33,722,627

*Information obtained from various Departmental Reports

CITY OF WILLMAR, MINNESOTA

MISCELLANEOUS STATISTICAL FACTS

	<u>2016</u>	<u>2015</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	38.00	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)	31.00	32.00
Total Number of Employees	<u>77.80</u>	<u>78.80</u>
Leisure Services:		
Number of Full-Time Employees	5.5	6
Number of Part-Time Employees	127	120
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

**GOVERNANCE COMMUNICATION LETTER
FOR THE YEAR ENDED
DECEMBER 31, 2016**

June 30, 2017

To the City Council
City of Willmar, Minnesota

We have audited the 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 City of Willmar, Minnesota for the year ended December 31, 2016. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and, *Government Auditing Standards* and the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated March 14, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by City of Willmar, Minnesota are described in Note 1 to the financial statements. During 2016, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The application of existing policies was not changed during 2016. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate effecting the financial statement was:

Management's estimate of the pension liability is based on actuarial valuations performed by consultants specializing in those areas. We evaluated the key factors and assumptions used to develop those estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated June 30, 2017.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to City of Willmar, Minnesota's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as City of Willmar, Minnesota's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Recommended Policy Improvements

Budget management

The legal level of budget control is at the department level. The Council authorizes budget amendments when circumstances change during the year. However, there is no formal action taken when department expenditures exceed the budget. We recommend the Council implement policies for formally authorizing a department to exceed budget.

Fund Balance Policy

The City has adopted a formal fund balance policy. As stated in the policy, fund balances can only be committed by formal action by the City Council. Many of the committed balances in the general fund are not supported by a council resolution. We recommend the council pass a resolution specifying the purpose of the committed amounts.

Other Information in Documents Containing Audited Financial Statements

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of City Council and management of the City of Willmar, Minnesota and is not intended to be and should not be used by anyone other than these specified parties

Very truly yours,

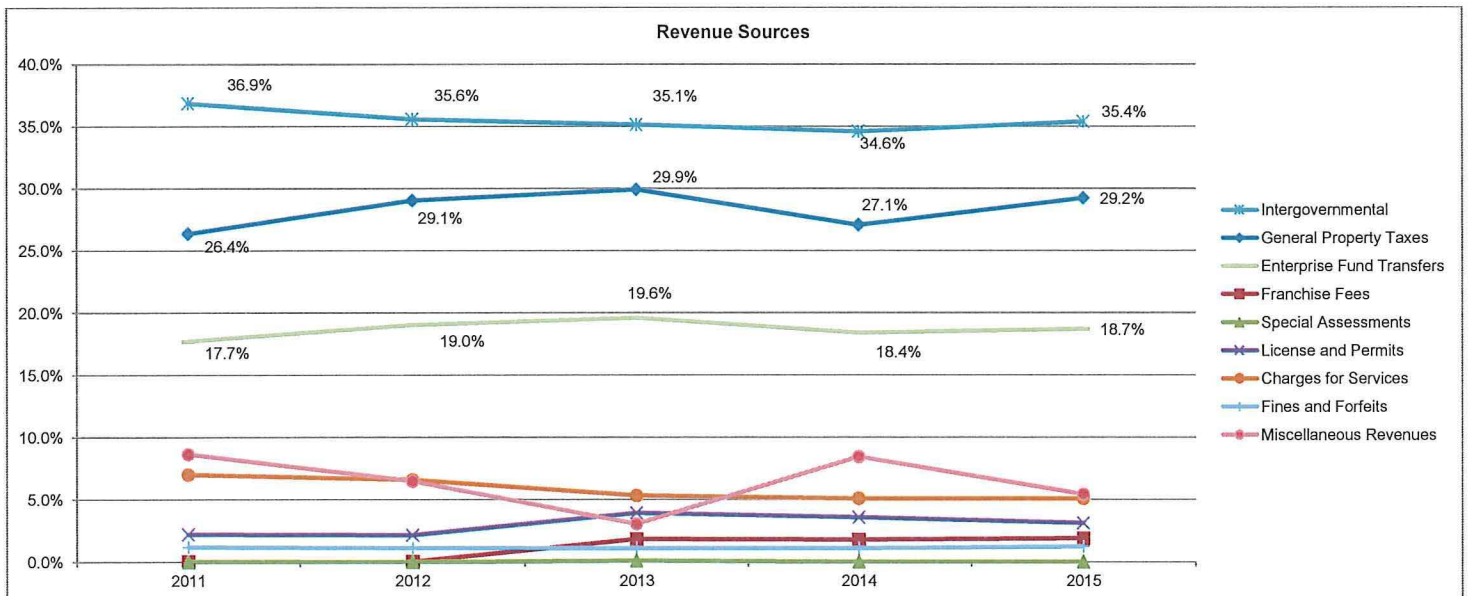
Westberg Eischens, PLLP

Westberg Eischens, PLLP
Willmar, Minnesota

**CITY OF WILLMAR, MINNESOTA
2016 PRESENTATION**

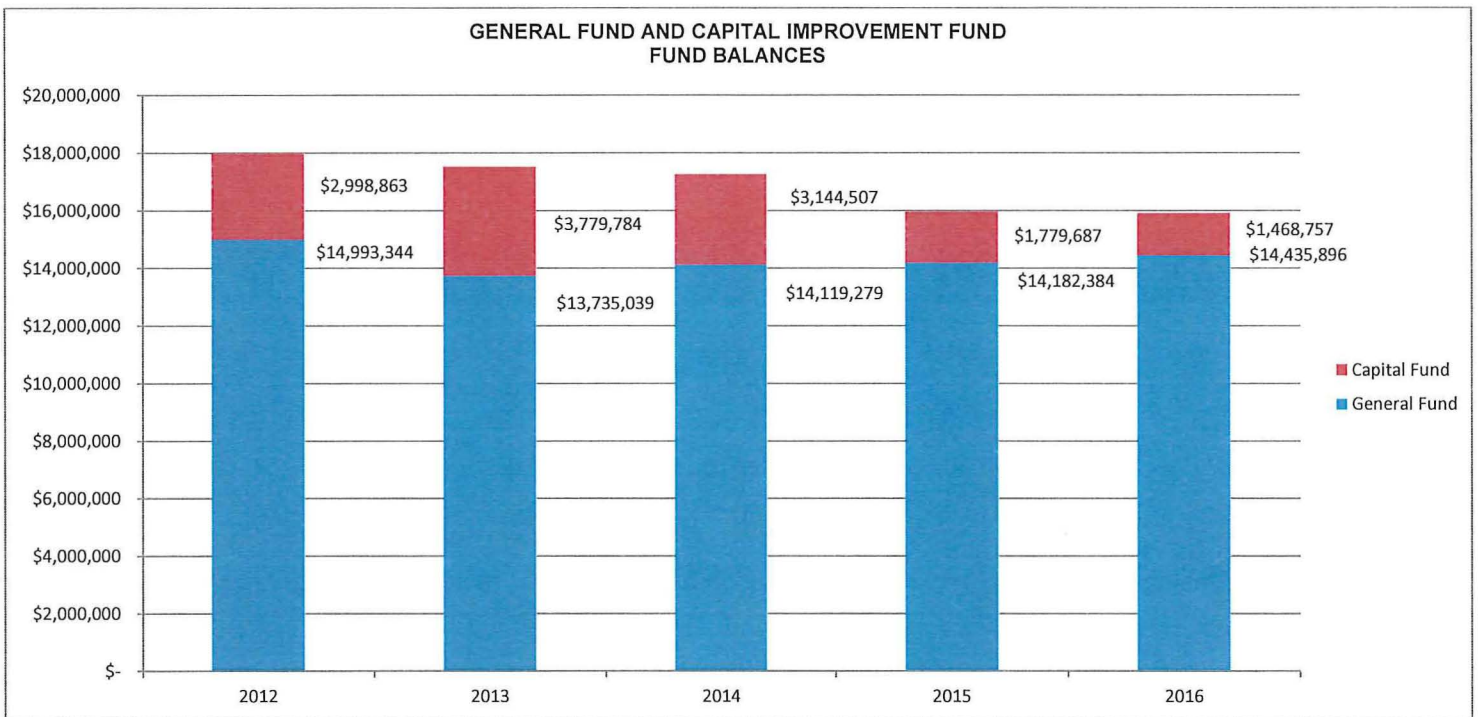
**CITY OF WILLMAR, MINNESOTA
GENERAL FUND REVENUES**

	2012	2013	2014	2015	2016
General Property Taxes	\$ 3,965,431	\$ 4,127,595	\$ 4,130,759	\$ 4,472,103	\$ 4,458,129
Franchise Fees	-	251,480	267,227	285,792	266,338
Special Assessments	1,767	12,745	1,858	2,384	3,880
License and Permits	293,104	542,406	544,182	474,907	698,062
Intergovernmental	4,857,858	4,847,055	5,278,521	5,412,935	5,463,521
Charges for Services	896,567	733,932	774,140	775,780	728,209
Fines and Forfeits	153,648	153,774	167,157	189,682	158,377
Miscellaneous Revenues	882,808	418,979	1,285,559	827,066	914,453
Enterprise Fund Transfers	2,597,466	2,703,270	2,807,743	2,860,726	2,626,268
Total	\$ 13,648,649	\$ 13,791,236	\$ 15,257,146	\$ 15,301,375	\$ 15,317,237



- Intergovernmental revenues changed significantly in 2014 due to local government aid increasing \$387,000.
- Local government aid had nominal increases in 2015 and 2016.

CITY OF WILLMAR, MINNESOTA

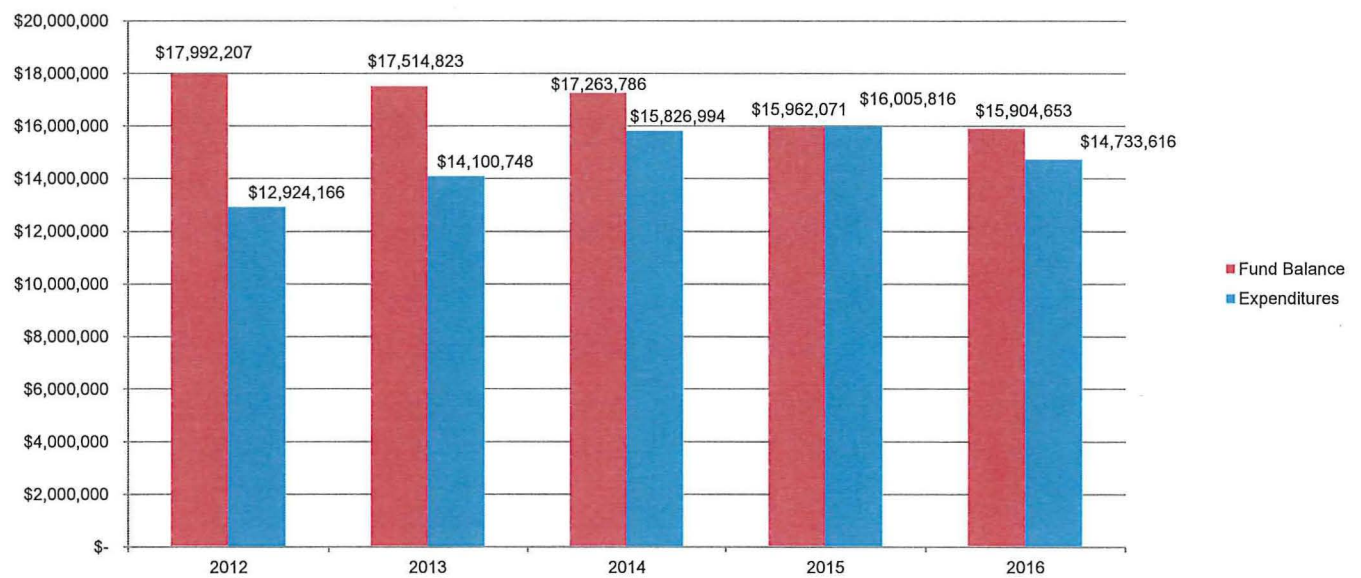


The Capital Improvement fund decreased significantly in 2015. The Civic Center, Auditorium and Public Works accounted for \$2.21 million out of \$2.71 million expended in 2015.

For 2016, the most significant expenditures were for the Fire Department, Police Department and Public Works. These departments accounted for \$950,000 out of \$1.3 million expended.

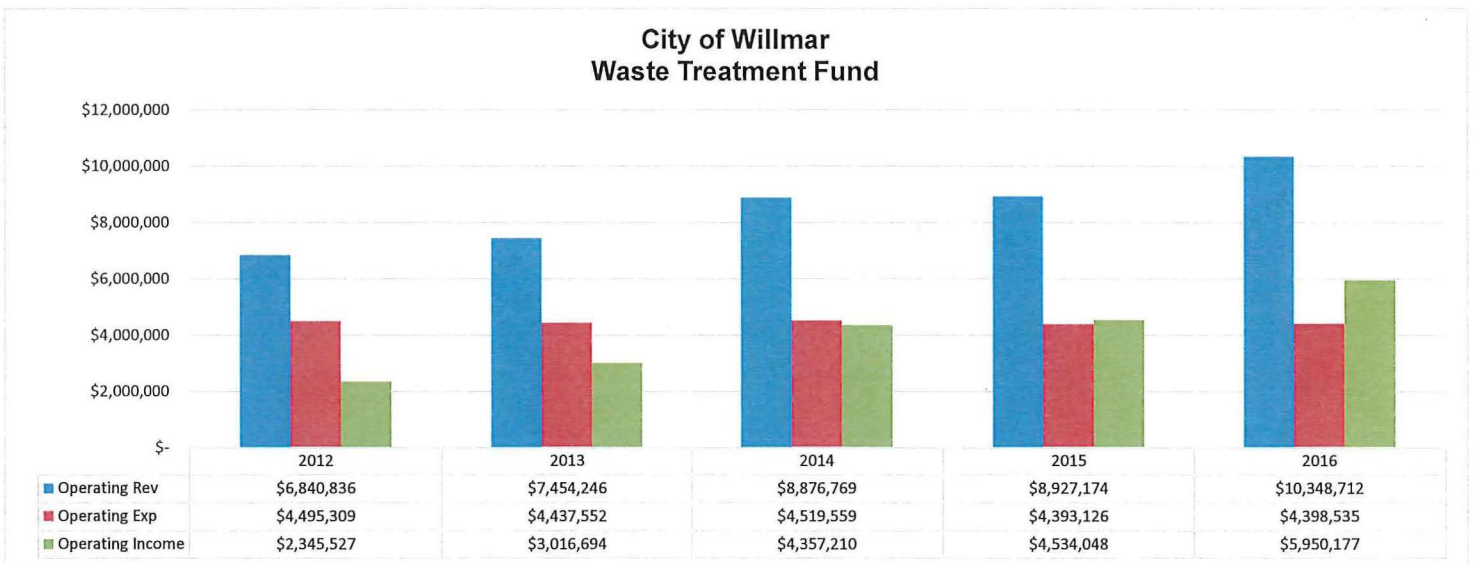
CITY OF WILLMAR, MINNESOTA

GENERAL FUND AND CAPITAL IMPROVEMENT FUND FUND BALANCE VS EXPENDITURES



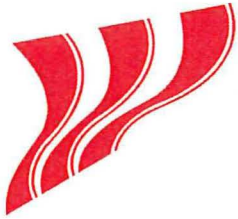
- While the fund balance has been declining each year, the City continues to have a strong fund balance. At the end of 2016, more than 98% of the fund balance is unrestricted and available to be used according to City policies.

City of Willmar Waste Treatment Fund



Operating income has shown improvement each year. Utility rates have increased each year and expenses have been relatively flat.

Cash and investments at the end of 2016 were \$8.9 million and is above the minimum recommended from the rate study.



WILLMAR

City Office Building
333 SW 6th Street
Willmar, MN 56201
Main Number 320-235-4913
Fax Number 320-235-4917

CITY COUNCIL AGENDA REPORT

To: Mayor and City Council	Date: August 21, 2017
From: Steve Okins, Finance Director	Subject: Reports

AGENDA ITEM: Financial Reports

INTRODUCTION/REQUEST: To receive and review the following financial reports:

1. June 30, 2017, Rice Trust
2. July 31, 2017, Cash/Investment Portfolio
3. July 31, 2017, General Fund Revenues & Expenditures
4. July 31, 2017, Waste Treatment Plant Revenues & Expenditures

HISTORY: The Finance Committee previously received various reports for review. The reports requested or supplied are ones historically requested by the City Council and can be changed, added to, or revised at any time.

CURRENT CIRCUMSTANCE: Conduct normal review of applicable financial reports.

RECOMMENDATION: Receive these financial reports for information.

ISSUES: None.

FINANCIAL IMPACT: Review for financial status.

ALTERNATIVES:

1. Receive additional reports.
2. Reduce the number of reports received.
3. Request revised format.

RECOMMENDED MOTION: None.

REVIEWED BY: Finance Director Steve Okins/City Administrator Ike Holland

WORK SESSION DATE: August 21, 2017

COUNCIL MEETING DATE: August 21, 2017



Wealth Management

1100 West St. Germain Street
St. Cloud, MN 56301

0800664 05 AT 1.467 A T 7 0 0740 56201-0755 559 K12

P00664



Willmar City Offices
ATTN: City Administrator
PO Box 755
Willmar MN 56201-0755



1100 West St. Germain Street
St. Cloud, MN 56301

Relationship Manager: Jeffrey C Schultz
Phone Number: 320-231-8126

Associate: Kwynn M Bruess
Phone Number: 320-231-8176

Account Statement

Statement of Value and Activity

April 1, 2017 - June 30, 2017

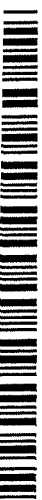
Cushman Albert Rice Trust
180205

Busy this summer with travel and family gatherings? Access your account online while on the go with Bremer Trust Online to keep track of your account. Talk with your Relationship Manager to get set up if you are not already using the account online.

Table of Contents

<i>Account Summary</i>	<i>1</i>
<i>Asset Detail</i>	<i>2</i>
<i>Transaction Summary</i>	<i>15</i>
<i>Transaction Detail</i>	<i>16</i>
<i>Pending Trades</i>	<i>33</i>
<i>Messages and Notices Section</i>	<i>34</i>

Willmar City Offices
ATTN: City Administrator
PO Box 755
Willmar MN 56201-0755



This page intentionally left blank.



Wealth Management

1100 West St. Germain Street
St. Cloud, MN 56301

Account Summary

Statement of Value and Activity

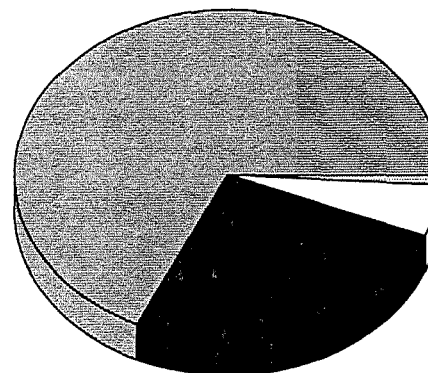
April 1, 2017 - June 30, 2017

Market Value Reconciliation

	<i>This Period</i>	<i>1/1/17 to 6/30/17</i>
Beginning Market Value	\$3,245,108.68	\$3,112,682.98
Additions	\$0.00	\$0.00
Withdrawals	-\$11,004.38	-\$20,745.81
Expenses/ Fees/ Taxes	-\$7,607.33	-\$14,793.01
Income	\$15,350.74	\$27,630.19
Other	\$0.00	\$0.00
Change in Market Value	\$99,542.51	\$236,615.87
Ending Market Value	\$3,341,390.22	\$3,341,390.22
Realized Gains/Losses (Included in Total Above)	-\$42.64	-\$97.49

Asset Allocation

	<i>Asset Class</i>	<i>Balance</i>
68%	Equities	\$2,261,467.00
26%	Fixed Income	\$866,069.65
5%	Alternative	\$151,332.75
1%	Other	\$46,932.33
0%	Cash and Money Market	\$15,588.49
100%	Total Assets Value	\$3,341,390.22



Asset Detail

Statement of Value and Activity

April 1, 2017 - June 30, 2017

Asset Detail

Description	Shares/Par Value	Current Price	Market Value	Tax Cost	Est. Ann. Income	Current Yield
Cash and Money Market						
Federated Government Obligations Tax-Managed Fund TICKER: GOTXX	14,733.49	1.000	\$14,733.49	\$14,733.49	\$87.89	0.60%
Cash			\$855.00	\$855.00		
Total Cash and Money Market			\$15,588.49	\$15,588.49	\$87.89	
Equities						
Stocks						
Alphabet Inc CL A TICKER: GOOGL	26.00	929.680	\$24,171.68	\$20,705.10	\$0.00	0.00%
Altria Group Inc TICKER: MO	376.00	74.470	\$28,000.72	\$20,894.93	\$917.44	3.28%
American International Group TICKER: AIG	316.00	62.520	\$19,756.32	\$18,324.37	\$404.48	2.05%
Ameriprise Financial Inc. TICKER: AMP	210.00	127.290	\$26,730.90	\$22,355.00	\$697.20	2.61%
Amgen Inc TICKER: AMGN	92.00	172.230	\$15,845.16	\$15,917.49	\$423.20	2.67%
Anthem Inc TICKER: ANTM	106.00	188.130	\$19,941.78	\$13,789.78	\$275.60	1.38%
Aon PLC TICKER: AON	192.00	132.950	\$25,526.40	\$21,072.96	\$276.48	1.08%
Apple Inc TICKER: AAPL	114.00	144.020	\$16,418.28	\$1,447.75	\$287.28	1.75%
AT&T Inc TICKER: T	131.00	37.730	\$4,942.63	\$5,256.84	\$256.76	5.19%

Asset Detail (continued)**Statement of Value and Activity**

April 1, 2017 - June 30, 2017

Description	Shares/Par Value	Current Price	Market Value	Tax Cost	Est. Ann. Income	Current Yield
BlackRock Inc CL A TICKER: BLK	43.00	422.410	\$18,163.63	\$15,680.03	\$430.00	2.37%
Carnival Corp TICKER: CCL	455.00	65.570	\$29,834.35	\$21,055.13	\$728.00	2.44%
CBS Corporation Class B TICKER: CBS	304.00	63.780	\$19,389.12	\$15,731.24	\$218.88	1.13%
Cisco Systems Inc TICKER: CSCO	929.00	31.300	\$29,077.70	\$19,180.47	\$1,077.64	3.71%
Citizens Financial Group Inc TICKER: CFG	648.00	35.680	\$23,120.64	\$15,719.51	\$362.88	1.57%
CVS Health Corp TICKER: CVS	176.00	80.460	\$14,160.96	\$17,232.15	\$352.00	2.49%
Delphi Automotive PLC TICKER: DLPH	268.00	87.650	\$23,490.20	\$18,636.05	\$310.88	1.32%
Delta Air Lines Inc TICKER: DAL	355.00	53.740	\$19,077.70	\$14,866.44	\$287.55	1.51%
Discover Finl Svcs TICKER: DFS	367.00	62.190	\$22,823.73	\$20,955.15	\$440.40	1.93%
Dow Chemical Company TICKER: DOW	200.00	63.070	\$12,614.00	\$10,543.51	\$368.00	2.92%
Foot Locker Inc TICKER: FL	281.00	49.280	\$13,847.68	\$18,609.87	\$348.44	2.52%
F5 Networks Inc TICKER: FFIV	222.00	127.060	\$28,207.32	\$15,985.22	\$0.00	0.00%
Goldman Sachs Group Inc TICKER: GS	110.00	221.900	\$24,409.00	\$16,786.67	\$330.00	1.35%
HCA HealthCare Inc TICKER: HCA	281.00	87.200	\$24,503.20	\$21,175.77	\$0.00	0.00%
Home Depot Inc TICKER: HD	250.00	153.400	\$38,350.00	\$30,323.78	\$890.00	2.32%

Asset Detail (continued)**Statement of Value and Activity**

April 1, 2017 - June 30, 2017

Description	Shares/Par Value	Current Price	Market Value	Tax Cost	Est. Ann. Income	Current Yield
Illinois Tool Wks Inc TICKER: ITW	225.00	143.250	\$32,231.25	\$26,164.24	\$585.00	1.81%
Intel Corp TICKER: INTC	723.00	33.740	\$24,394.02	\$22,078.21	\$788.07	3.23%
Invesco Limited TICKER: IVZ	258.00	35.190	\$9,079.02	\$7,752.54	\$299.28	3.30%
Ipg Photonics Corp TICKER: IPGP	128.00	145.100	\$18,572.80	\$10,421.48	\$0.00	0.00%
JP Morgan Chase & CO TICKER: JPM	397.00	91.400	\$36,285.80	\$25,473.08	\$794.00	2.19%
Lincoln Natl Corp TICKER: LNC	333.00	67.580	\$22,504.14	\$15,537.03	\$386.28	1.72%
Marathon Petroleum Corporation TICKER: MPC	242.00	52.330	\$12,663.86	\$11,828.79	\$348.48	2.75%
McKesson Corp TICKER: MCK	110.00	164.540	\$18,099.40	\$21,244.57	\$123.20	0.68%
Nuance Communications Inc TICKER: NUAN	735.00	17.410	\$12,796.35	\$10,436.92	\$0.00	0.00%
NVIDIA Corp TICKER: NVDA	295.00	144.560	\$42,645.20	\$18,592.11	\$165.20	0.39%
Nvr Inc TICKER: NVR	17.00	2,410.610	\$40,980.37	\$24,432.12	\$0.00	0.00%
ON Semiconductor Corp TICKER: ON	1,963.00	14.040	\$27,560.52	\$21,465.51	\$0.00	0.00%
OshKosh Corp TICKER: OSK	188.00	68.880	\$12,949.44	\$10,550.04	\$157.92	1.22%
Pfizer Inc TICKER: PFE	387.00	33.590	\$12,999.33	\$13,161.29	\$495.36	3.81%

Asset Detail (continued)**Statement of Value and Activity**

April 1, 2017 - June 30, 2017

Description	Shares/Par Value	Current Price	Market Value	Tax Cost	Est. Ann. Income	Current Yield
Philip Morris International TICKER: PM	133.00	117.450	\$15,620.85	\$11,350.60	\$553.28	3.54%
Phillips 66 TICKER: PSX	234.00	82.690	\$19,349.46	\$17,713.91	\$655.20	3.39%
Priceline Group Inc TICKER: PCLN	15.00	1,870.520	\$28,057.80	\$20,654.50	\$0.00	0.00%
Public Service Enterprise Group Inc TICKER: PEG	252.00	43.010	\$10,838.52	\$10,659.02	\$433.44	4.00%
Qualcomm Inc TICKER: QCOM	169.00	55.220	\$9,332.18	\$10,621.62	\$385.32	4.13%
Ryder System Inc TICKER: R	120.00	71.980	\$8,637.60	\$7,945.18	\$211.20	2.44%
Southwest Airlines CO TICKER: LUV	358.00	62.140	\$22,246.12	\$13,424.92	\$179.00	0.80%
State Street Corp TICKER: STT	188.00	89.730	\$16,869.24	\$6,818.10	\$285.76	1.69%
Stryker Corporation TICKER: SYK	140.00	138.780	\$19,429.20	\$13,565.41	\$238.00	1.22%
SunTrust Banks Inc TICKER: STI	300.00	56.720	\$17,016.00	\$13,127.37	\$312.00	1.83%
TE Connectivity Limited TICKER: TEL	342.00	78.680	\$26,908.56	\$20,225.80	\$547.20	2.03%
Total S.A. SPONS ADR TICKER: TOT	452.00	49.590	\$22,414.68	\$20,727.92	\$1,012.03	4.51%
Union Pac Corp TICKER: UNP	114.00	108.910	\$12,415.74	\$10,934.79	\$275.88	2.22%
United Rentals Inc TICKER: URI	200.00	112.710	\$22,542.00	\$15,545.50	\$0.00	0.00%

Asset Detail (continued)**Statement of Value and Activity**

April 1, 2017 - June 30, 2017

Description	Shares/Par Value	Current Price	Market Value	Tax Cost	Est. Ann. Income	Current Yield
United Technologies Corp TICKER: UTX	232.00	122.110	\$28,329.52	\$22,375.65	\$649.60	2.29%
UnitedHealth Group Inc TICKER: UNH	254.00	185.420	\$47,096.68	\$34,372.49	\$762.00	1.62%
Verizon Communications TICKER: VZ	204.00	44.660	\$9,110.64	\$10,572.77	\$471.24	5.17%
Wells Fargo & CO TICKER: WFC	401.00	55.410	\$22,219.41	\$21,151.38	\$609.52	2.74%
Whirlpool Corporation TICKER: WHR	144.00	191.620	\$27,593.28	\$23,749.40	\$633.60	2.30%
Wyndham Worldwide Corp TICKER: WYN	194.00	100.410	\$19,479.54	\$13,309.75	\$450.08	2.31%
			\$1,251,671.62	\$970,229.22	\$22,490.25	
Mutual Funds						
Baron Growth Fund-Ins TICKER: BGRIX	1,340.36	71.220	\$95,460.15	\$56,217.76	\$0.00	0.00%
Diamond Hill Large Cap Fd-I TICKER: DHLRX	4,894.79	25.410	\$124,376.69	\$68,513.05	\$1,497.81	1.20%
Federated Strategic Val Div Is TICKER: SVAIX	24,289.79	6.290	\$152,782.77	\$91,481.78	\$5,246.59	3.43%
Harbor International Fd-Ins TICKER: HAINX	2,187.00	67.800	\$148,278.74	\$86,996.90	\$2,543.48	1.71%
ICM Small Company Port Instl TICKER: ICSCX	2,464.33	32.260	\$79,499.41	\$45,704.99	\$114.59	0.14%
JP Morgan Mid Cap Value L TICKER: FLMVX	2,397.77	38.700	\$92,793.54	\$60,487.34	\$760.09	0.82%
Oppenheimer Developing Mkt-Y TICKER: ODVYX	2,327.20	37.960	\$88,340.51	\$48,610.80	\$386.32	0.44%

Asset Detail (continued)**Statement of Value and Activity**

April 1, 2017 - June 30, 2017

Description	Shares/Par Value	Current Price	Market Value	Tax Cost	Est. Ann. Income	Current Yield
Oppenheimer Intl Small-Mid-Y TICKER: OSMYX	1,270.47	44.910	\$57,056.76	\$45,177.88	\$202.00	0.35%
Vanguard Intl Growth Fund Ad TICKER: VWILX	2,046.95	83.640	\$171,206.81	\$84,474.12	\$1,956.88	1.14%
			\$1,009,795.38	\$587,664.62	\$12,707.76	
Total Equities			\$2,261,467.00	\$1,557,893.84	\$35,198.01	

Fixed Income**Taxable Individual Bonds**

United States Treasury Notes DTD 08/31/2010 1.875% 08/31/2017	25,000.00	100.144	\$25,036.00	\$25,137.45	\$468.75	1.87%
United States Treasury Notes DTD 03/15/2015 1.000% 03/15/2018	50,000.00	99.832	\$49,916.00	\$50,030.43	\$500.00	1.00%
United States Treasury Notes DTD 02/15/2009 2.750% 02/15/2019	25,000.00	102.227	\$25,556.75	\$23,875.86	\$687.50	2.69%
Fedl Natl Mtge Assn Pool #765251 15 Yr Gtd Single Family Mortgage DTD 03/01/2004 4.000% 03/01/2019 Non Callable TICKER: 765251A	584.90	103.523	\$605.51	\$584.94	\$23.40	3.86%
Charles Schwab Corp DTD 07/22/2010 4.450% 07/22/2020 Non Callable	25,000.00	106.695	\$26,673.75	\$26,133.35	\$1,112.50	4.17%
United States Treasury Notes DTD 07/31/2013 2.000% 07/31/2020	25,000.00	101.238	\$25,309.50	\$25,397.46	\$500.00	1.98%

Asset Detail (continued)**Statement of Value and Activity**

April 1, 2017 - June 30, 2017

Description	Shares/Par Value	Current Price	Market Value	Tax Cost	Est. Ann. Income	Current Yield
Fedl Natl Mtge Assn Pool #829079 15 Yr Gtd Single Family Mortgage DTD 09/01/2005 4.000% 09/01/2020 Non Callable TICKER: 829079A	3,833.48	103.523	\$3,968.53	\$3,849.07	\$153.34	3.86%
Svb Financial Group DTD 09/20/2010 5.375% 09/15/2020 Non Callable	50,000.00	108.836	\$54,418.00	\$55,018.27	\$2,687.50	4.94%
Quest Diagnostic Inc DTD 03/24/2011 4.700% 04/01/2021 Non Callable	50,000.00	106.997	\$53,498.50	\$51,939.41	\$2,350.00	4.39%
Burlington North Santa Fe DTD 05/19/2011 4.100% 06/01/2021 Callable	50,000.00	105.914	\$52,957.00	\$51,670.40	\$2,050.00	3.87%
United States Treasury Notes DTD 10/31/2014 2.000% 10/31/2021	25,000.00	100.801	\$25,200.25	\$25,269.74	\$500.00	1.98%
Federal Home Loan Mortgage Corp Medium Term Note DTD 01/13/2012 2.375% 01/13/2022 Non Callable	25,000.00	102.099	\$25,524.75	\$24,898.75	\$593.75	2.33%
Cameron Intl Corp DTD 05/17/2012 3.600% 04/30/2022 Callable	25,000.00	103.466	\$25,866.50	\$25,270.53	\$900.00	3.48%
United States Treasury Notes DTD 06/30/2015 2.125% 06/30/2022	25,000.00	101.086	\$25,271.50	\$25,268.45	\$531.25	2.10%
Federal Farm Credit Bank DTD 11/29/2016 2.450% 11/29/2023 Callable	50,000.00	100.010	\$50,005.00	\$49,850.00	\$1,225.00	2.45%

Asset Detail (continued)**Statement of Value and Activity**

April 1, 2017 - June 30, 2017

Description	Shares/Par Value	Current Price	Market Value	Tax Cost	Est. Ann. Income	Current Yield
United States Treasury Notes DTD 12/31/2016 2.250% 12/31/2023	25,000.00	100.996	\$25,249.00	\$25,204.07	\$562.50	2.23%
Federal Farm Credit Bank DTD 03/06/2017 2.700% 03/06/2024 Callable	50,000.00	99.938	\$49,969.00	\$49,982.50	\$1,350.00	2.70%
Amgen Inc DTD 05/22/2014 3.625% 05/22/2024 Callable	50,000.00	104.315	\$52,157.50	\$53,613.60	\$1,812.50	3.47%
United States Treasury Notes DTD 05/15/2015 2.125% 05/15/2025	25,000.00	99.371	\$24,842.75	\$24,783.20	\$531.25	2.14%
Mcdonald's Corp Medium Term Note DTD 05/26/2015 3.375% 05/26/2025 Callable	25,000.00	102.277	\$25,569.25	\$24,696.25	\$843.75	3.30%
Clear Creek Texas Indep Sch Dist School District Revenue DTD 11/01/2012 3.700% 02/15/2026 Non Callable Psf-Gtd	25,000.00	106.504	\$26,626.00	\$26,372.16	\$925.00	3.47%
Govt Natl Mtge Assn Pool #738040 15 Yr Gtd Single Family Mortgage DTD 03/01/2011 3.500% 03/15/2026 Non Callable TICKER: 738040X	8,193.03	104.473	\$8,559.50	\$8,328.79	\$286.76	3.35%

Asset Detail (continued)**Statement of Value and Activity**

April 1, 2017 - June 30, 2017

Description	Shares/Par Value	Current Price	Market Value	Tax Cost	Est. Ann. Income	Current Yield
Govt Natl Mtge Assn Pool #553351 30 Yr Gtd Single Family Mortgage DTD 07/01/2003 4.500% 07/15/2033 Non Callable TICKER: 553351X	2,559.75	107.328	\$2,747.33	\$2,534.14	\$115.19	4.19%
Federal Natl Mtge Assn Pool #Ma1527 20 Yr Gtd Single Family Mortgage DTD 07/01/2013 3.000% 08/01/2033 Non Callable TICKER: MA1527A	16,032.94	102.364	\$16,411.96	\$15,872.63	\$480.99	2.93%
Federal Home Loan Mortgage Corp Gold Pool #C01676-30 Yr Gtd Mtge DTD 11/01/2003 6.000% 11/01/2033 Non Callable TICKER: C01676F	9,664.43	113.459	\$10,965.17	\$9,628.19	\$579.87	5.29%
Fedl Natl Mtge Assn Pool #357883 30 Yr Gtd Single Family Mortgage DTD 08/01/2005 5.000% 05/01/2035 Non Callable TICKER: 357883A	6,982.11	109.708	\$7,659.93	\$6,924.59	\$349.11	4.56%
Federal Home Loan Mortgage Corp Gold Pool #G02884-30 Yr Gtd Mtge DTD 04/01/2007 6.000% 04/01/2037 Non Callable TICKER: G02884F	6,827.62	112.977	\$7,713.64	\$6,850.38	\$409.66	5.31%

Asset Detail (continued)**Statement of Value and Activity**

April 1, 2017 - June 30, 2017

Description	Shares/Par Value	Current Price	Market Value	Tax Cost	Est. Ann. Income	Current Yield
Federal Home Loan Mortgage Corp Gold Pool #G05634-30 Yr Gtd Mtge DTD 09/01/2009 4.000% 10/01/2039 Non Callable TICKER: G05634F	25,745.81	105.553	\$27,175.47	\$26,529.76	\$1,029.83	3.79%
Federal Home Loan Mortgage Corp Gold Pool #C03478-30 Yr Gtd Mtge DTD 06/01/2010 4.500% 06/01/2040 Non Callable TICKER: C03478F	8,562.06	107.514	\$9,205.41	\$8,689.70	\$385.29	4.18%
			\$764,659.45	\$754,204.07	\$23,944.69	
Taxable Mutual Funds						
BlackRock High Yield Portfolio TICKER: BHYIX	6,631.30	7.770	\$51,525.20	\$49,883.64	\$2,950.93	5.73%
Vanguard Total International Bond Index Fund TICKER: VTABX	2,299.91	21.690	\$49,885.00	\$50,275.98	\$899.26	1.80%
			\$101,410.20	\$100,159.62	\$3,850.19	
Total Fixed Income			\$866,069.65	\$854,363.69	\$27,794.88	
Alternative						
JPMorgan Multi-Manager Alternatives Fund TICKER: JMMSX	6,052.46	15.340	\$92,844.66	\$90,000.00	\$0.00	0.00%

Asset Detail (continued)**Statement of Value and Activity**

April 1, 2017 - June 30, 2017

Description	Shares/Par Value	Current Price	Market Value	Tax Cost	Est. Ann. Income	Current Yield
T. Rowe Price Real Estate Fund TICKER: TRREX	2,071.11	28.240	\$58,488.09	\$60,000.00	\$1,387.64	2.37%
Total Alternative			\$151,332.75	\$150,000.00	\$1,387.64	
Other						
Mineral Interest In Se4 16-159-67 Towner CO ND	1.00	1,600.000	\$1,600.00	\$1.00	\$0.00	0.00%
Mineral Interest Ne4 31-8-30 W1m Storthoaks Area, Saskatchewan (Cert of Title)	1.00	18,400.000	\$18,400.00	\$1.00	\$0.00	0.00%
75% Mineral Interest In E2sw4 W2se4 17-119-34 Kandiyohi CO MN	1.00	600.000	\$600.00	\$1.00	\$0.00	0.00%
75% Mineral Interest In Lot 1 2-161-78 Bottineau CO ND	1.00	750.000	\$750.00	\$1.00	\$0.00	0.00%
75% Mineral Interest In Lot 4 of Govt Lot 5 4-121-35 Kandiyohi CO MN	1.00	150.000	\$150.00	\$1.00	\$0.00	0.00%
75% Mineral Interest In Lots 3-4 and E2sw4 31-162-77 Bottineau CO ND	1.00	2,926.130	\$2,926.13	\$1.00	\$0.00	0.00%
75% Mineral Interest In Lots 3-4 and S2nw4 1-161-78 Bottineau CO ND	1.00	3,000.000	\$3,000.00	\$1.00	\$0.00	0.00%
75% Mineral Interest In Lots 3-7 Se4nw4 E2sw4 N2se4 6-161-77 Bottineau CO ND	1.00	7,500.000	\$7,500.00	\$1.00	\$0.00	0.00%

Asset Detail (continued)**Statement of Value and Activity**

April 1, 2017 - June 30, 2017

Description	Shares/Par Value	Current Price	Market Value	Tax Cost	Est. Ann. Income	Current Yield
75% Mineral Interest In Ne4nw4 20-119-34 Kandiyohi CO MN	1.00	150.000	\$150.00	\$1.00	\$0.00	0.00%
75% Mineral Interest In Ne4se4 9-118-34 Kandiyohi CO MN	1.00	150.000	\$150.00	\$1.00	\$0.00	0.00%
75% Mineral Interest In Nw4 33-162-78 Bottineau CO ND	1.00	3,000.000	\$3,000.00	\$1.00	\$0.00	0.00%
75% Mineral Interest In Nw4nw4 4-122-36 Kandiyohi CO MN	1.00	150.000	\$150.00	\$1.00	\$0.00	0.00%
75% Mineral Interest In Nw4se4 29-119-34 Kandiyohi CO MN	1.00	150.000	\$150.00	\$1.00	\$0.00	0.00%
75% Mineral Interest In N2nw4 Except W 18.25 Acres N2ne4 4-120-33 Kandiyohi CO MN	1.00	531.200	\$531.20	\$1.00	\$0.00	0.00%
75% Mineral Interest In Part of Govt Lot 4 34-121-35 Kandiyohi CO MN	1.00	150.000	\$150.00	\$1.00	\$0.00	0.00%
75% Mineral Interest In Sw4 S2nw4 W2se4 Sw4ne4 24-119-36 Kandiyohi CO MN	1.00	1,350.000	\$1,350.00	\$1.00	\$0.00	0.00%
75% Mineral Interest In Sw4 10-162-77 Bottineau CO ND	1.00	3,000.000	\$3,000.00	\$1.00	\$0.00	0.00%
75% Mineral Interest In Sw4 28-162-78 Bottineau CO ND	1.00	3,000.000	\$3,000.00	\$1.00	\$0.00	0.00%
75% Mineral Interest In S2se4 33-121-33 Kandiyohi CO MN	1.00	300.000	\$300.00	\$1.00	\$0.00	0.00%

Asset Detail (continued)**Statement of Value and Activity**

April 1, 2017 - June 30, 2017

Description	Shares/Par Value	Current Price	Market Value	Tax Cost	Est. Ann. Income	Current Yield
75% Mineral Interest In S2se4ne4 9-118-34 Kandiyohi CO MN	1.00	75.000	\$75.00	\$1.00	\$0.00	0.00%
Total Other			\$46,932.33	\$20.00	\$0.00	
Total All Assets			\$3,341,390.22	\$2,577,866.02	\$64,468.42	

Publicly traded assets are valued using pricing sources we believe to be reliable. Assets for which a current value is not available may be shown at a value of \$1. Values are updated based on internal policy and may not be updated monthly.

Transaction Summary

Statement of Value and Activity

April 1, 2017 - June 30, 2017

Transaction Summary

Transaction	Principal Cash	Income Cash
Beginning Cash Balance on 4/1/17	\$0.00	\$507.66
Additions	\$0.00	\$0.00
Disbursements		
Withdrawals	\$0.00	-\$11,004.38
Transfers	\$0.00	\$0.00
Expenses	\$0.00	\$0.00
Fees	-\$3,608.31	-\$3,608.30
Taxes	\$0.00	-\$390.72
Total Disbursements	<u>-\$3,608.31</u>	<u>-\$15,003.40</u>
Income		
Taxable Interest	\$0.00	\$7,011.99
Tax Exempt Interest	\$0.00	\$0.00
Dividends	\$0.00	\$8,338.75
Rental Income	\$0.00	\$0.00
Other Income	\$0.00	\$0.00
Total Income	<u>\$0.00</u>	<u>\$15,350.74</u>
Security Purchases	-\$151,136.79	\$0.00
Security Sales/Maturities		
Security Sales/Maturities	\$30,511.83	\$0.00
Gain Distributions	\$0.00	\$0.00
Total Security Sales/Maturities	<u>\$30,511.83</u>	<u>\$0.00</u>
Money Market Purchases/Sales	\$124,233.27	\$0.00
Other	<u>\$0.00</u>	<u>\$0.00</u>
Ending Cash Balance on 6/30/17	<u>\$0.00</u>	<u>\$855.00</u>

Transaction Detail

Statement of Value and Activity

April 1, 2017 - June 30, 2017

Transaction Details By Category

Date	Transaction Description	Principal Cash	Income Cash	Tax Cost
4/1/17	Beginning Balance	\$0.00	\$507.66	
Withdrawals				
6/30/17	Paid to Rice Memorial Hospital Charitable Distribution Quarterly Income Distribution	\$0.00	-\$11,004.38	\$0.00
		\$0.00	-\$11,004.38	
Fees				
4/24/17	Account Portfolio Fee Collected Total Charges: \$2,396.36 Fees up To: 3/31/17 Issue Maintenance Fee: \$35.42	-\$1,198.18	\$0.00	\$0.00
4/24/17	Account Portfolio Fee Collected Total Charges: \$2,396.36 Fees up To: 3/31/17 Issue Maintenance Fee: \$35.42	\$0.00	-\$1,198.18	\$0.00
5/22/17	Account Portfolio Fee Collected Total Charges: \$2,391.50 Fees up To: 4/30/17 Issue Maintenance Fee: \$35.42	-\$1,195.75	\$0.00	\$0.00
5/22/17	Account Portfolio Fee Collected Total Charges: \$2,391.50 Fees up To: 4/30/17 Issue Maintenance Fee: \$35.42	\$0.00	-\$1,195.75	\$0.00
6/22/17	Account Portfolio Fee Collected Total Charges: \$2,428.75 Fees up To: 5/31/17 Issue Maintenance Fee: \$35.42	-\$1,214.38	\$0.00	\$0.00
6/22/17	Account Portfolio Fee Collected Total Charges: \$2,428.75 Fees up To: 5/31/17 Issue Maintenance Fee: \$35.42	\$0.00	-\$1,214.37	\$0.00
		-\$3,608.31	-\$3,608.30	

Transaction Detail (continued)**Statement of Value and Activity**

April 1, 2017 - June 30, 2017

<i>Date</i>	<i>Transaction Description</i>	<i>Principal Cash</i>	<i>Income Cash</i>	<i>Tax Cost</i>
Taxes				
4/14/17	Foreign Taxes	\$0.00	-\$87.99	\$0.00
	Total S.A. SPONS ADR			
6/5/17	Paid to Bremer Bank	\$0.00	-\$209.08	\$0.00
	Foreign Taxes			
	MI Ne4 31-8-30 Saskatchewan Canada			
	Mineral Rights Tax			
6/29/17	Foreign Taxes	\$0.00	-\$93.65	\$0.00
	Total S.A. SPONS ADR			
		\$0.00	-\$390.72	
Total Disbursements		-\$3,608.31	-\$15,003.40	
Taxable Interest				
4/3/17	Montclair Twp NJ 1.960% 4/01/17	\$0.00	\$245.00	\$0.00
4/3/17	Quest Diagnostic 4.700% 4/01/21	\$0.00	\$1,175.00	\$0.00
4/3/17	BlackRock High Yield Pt-Inst	\$0.00	\$254.12	\$0.00
	Dividend from 3/1/17 to 3/31/17			
4/3/17	Federated Gov Obl TX Mgd-I	\$0.00	\$58.69	\$0.00
	Dividend from 3/1/17 to 3/31/17			
4/3/17	Vanguard Total Intl Bnd-Adm	\$0.00	\$41.40	\$0.00
4/17/17	GNMA PL #553351 4.500% 7/15/33	\$0.00	\$11.25	\$0.00
	March GNMA Due 4/15/17			
4/17/17	GNMA PL #738040 3.500% 3/15/26	\$0.00	\$25.43	\$0.00
	March GNMA Due 4/15/17			
4/17/17	FHLMC Gd PL #C01676 6.000% 11/01/33	\$0.00	\$50.16	\$0.00
	March FHLMC Due 4/15/17			
4/17/17	FHLMC Gd PL #G02884 6.000% 4/01/37	\$0.00	\$37.49	\$0.00
	March FHLMC Due 4/15/17			
4/17/17	FHLMC Gd PL #C03478 4.500% 6/01/40	\$0.00	\$33.64	\$0.00
	March FHLMC Due 4/15/17			

Transaction Detail (continued)**Statement of Value and Activity**

April 1, 2017 - June 30, 2017

<i>Date</i>	<i>Transaction Description</i>	<i>Principal Cash</i>	<i>Income Cash</i>	<i>Tax Cost</i>
4/17/17	FHLMC Gd PL #G05634 4.000% 10/01/39 March FHLMC Due 4/15/17	\$0.00	\$90.00	\$0.00
4/24/17	Paid Accrued Interest on Purchase of FFCB 2.700% 3/06/24	\$0.00	-\$180.00	\$0.00
4/25/17	FNMA PL #357883 5.000% 5/01/35 March FNMA Due 4/25/17	\$0.00	\$31.11	\$0.00
4/25/17	FNMA PL #765251 4.000% 3/01/19 March FNMA Due 4/25/17	\$0.00	\$2.45	\$0.00
4/25/17	FNMA PL #829079 4.000% 9/01/20 March FNMA Due 4/25/17	\$0.00	\$14.73	\$0.00
4/25/17	FNMA PL #Ma1527 3.000% 8/01/33 March FNMA Due 4/25/17	\$0.00	\$41.64	\$0.00
4/25/17	Paid Accrued Interest on Purchase of U.S. Treasury Notes 2.000% 7/31/20	\$0.00	-\$116.02	\$0.00
4/25/17	Paid Accrued Interest on Purchase of U.S. Treasury Notes 2.000% 10/31/21	\$0.00	-\$243.09	\$0.00
4/26/17	Paid Accrued Interest on Purchase of U.S. Treasury Notes 2.125% 6/30/22	\$0.00	-\$170.23	\$0.00
4/26/17	Paid Accrued Interest on Purchase of U.S. Treasury Notes 2.250% 12/31/23	\$0.00	-\$180.25	\$0.00
5/1/17	Cameron Internat 3.600% 4/30/22	\$0.00	\$450.00	\$0.00
5/1/17	U.S. Treasury Notes 2.000% 10/31/21	\$0.00	\$250.00	\$0.00
5/1/17	BlackRock High Yield Pt-Inst Dividend from 4/1/17 to 4/30/17	\$0.00	\$250.28	\$0.00
5/1/17	Federated Gov Obl TX Mgd-I Dividend from 4/1/17 to 4/30/17	\$0.00	\$57.78	\$0.00
5/1/17	Vanguard Total Intl Bnd-Adm	\$0.00	\$43.70	\$0.00
5/15/17	GNMA PL #553351 4.500% 7/15/33 April GNMA Due 5/15/17	\$0.00	\$11.19	\$0.00
5/15/17	GNMA PL #738040 3.500% 3/15/26 April GNMA Due 5/15/17	\$0.00	\$25.02	\$0.00

Transaction Detail (continued)**Statement of Value and Activity**

April 1, 2017 - June 30, 2017

<i>Date</i>	<i>Transaction Description</i>	<i>Principal Cash</i>	<i>Income Cash</i>	<i>Tax Cost</i>
5/15/17	FHLMC Gd PL #C01676 6.000% 11/01/33 April FHLMC Due 5/15/17	\$0.00	\$49.17	\$0.00
5/15/17	FHLMC Gd PL #G02884 6.000% 4/01/37 April FHLMC Due 5/15/17	\$0.00	\$36.50	\$0.00
5/15/17	FHLMC Gd PL #C03478 4.500% 6/01/40 April FHLMC Due 5/15/17	\$0.00	\$33.16	\$0.00
5/15/17	FHLMC Gd PL #G05634 4.000% 10/01/39 April FHLMC Due 5/15/17	\$0.00	\$88.10	\$0.00
5/15/17	U.S. Treasury Notes 2.125% 5/15/25	\$0.00	\$265.63	\$0.00
5/22/17	AMGEN Inc 3.625% 5/22/24	\$0.00	\$906.25	\$0.00
5/25/17	FNMA PL #357883 5.000% 5/01/35 April FNMA Due 5/25/17	\$0.00	\$30.49	\$0.00
5/25/17	FNMA PL #765251 4.000% 3/01/19 April FNMA Due 5/25/17	\$0.00	\$2.29	\$0.00
5/25/17	FNMA PL #829079 4.000% 9/01/20 April FNMA Due 5/25/17	\$0.00	\$14.26	\$0.00
5/25/17	FNMA PL #Ma1527 3.000% 8/01/33 April FNMA Due 5/25/17	\$0.00	\$41.11	\$0.00
5/26/17	McDonald's Corp MTN 3.375% 5/26/25	\$0.00	\$421.88	\$0.00
5/30/17	FFCB 2.450% 11/29/23	\$0.00	\$612.50	\$0.00
6/1/17	Burlington North 4.100% 6/01/21	\$0.00	\$1,025.00	\$0.00
6/1/17	BlackRock High Yield Pt-Inst Dividend from 5/1/17 to 5/31/17	\$0.00	\$252.73	\$0.00
6/1/17	Federated Gov Obl TX Mgd-I Dividend from 5/1/17 to 5/31/17	\$0.00	\$9.03	\$0.00
6/1/17	Vanguard Total Intl Bnd-Adm	\$0.00	\$41.40	\$0.00
6/15/17	GNMA PL #553351 4.500% 7/15/33 May GNMA Due 6/15/17	\$0.00	\$9.65	\$0.00
6/15/17	GNMA PL #738040 3.500% 3/15/26 May GNMA Due 6/15/17	\$0.00	\$24.67	\$0.00
6/15/17	FHLMC Gd PL #C01676 6.000% 11/01/33 May FHLMC Due 6/15/17	\$0.00	\$48.98	\$0.00

0006144 - 0800664

Transaction Detail (continued)**Statement of Value and Activity**

April 1, 2017 - June 30, 2017

<i>Date</i>	<i>Transaction Description</i>	<i>Principal Cash</i>	<i>Income Cash</i>	<i>Tax Cost</i>
6/15/17	FHLMC Gd PL #G02884 6.000% 4/01/37	\$0.00	\$35.85	\$0.00
	May FHLMC Due 6/15/17			
6/15/17	FHLMC Gd PL #C03478 4.500% 6/01/40	\$0.00	\$32.64	\$0.00
	May FHLMC Due 6/15/17			
6/15/17	FHLMC Gd PL #G05634 4.000% 10/01/39	\$0.00	\$87.07	\$0.00
	May FHLMC Due 6/15/17			
6/26/17	FNMA PL #357883 5.000% 5/01/35	\$0.00	\$29.58	\$0.00
	May FNMA Due 6/25/17			
6/26/17	FNMA PL #765251 4.000% 3/01/19	\$0.00	\$2.15	\$0.00
	May FNMA Due 6/25/17			
6/26/17	FNMA PL #829079 4.000% 9/01/20	\$0.00	\$13.83	\$0.00
	May FNMA Due 6/25/17			
6/26/17	FNMA PL #Ma1527 3.000% 8/01/33	\$0.00	\$40.70	\$0.00
	May FNMA Due 6/25/17			
6/30/17	U.S. Treasury Notes 2.125% 6/30/22	\$0.00	\$265.63	\$0.00
6/30/17	U.S. Treasury Notes 2.250% 12/31/23	\$0.00	\$281.25	\$0.00
		<hr/>	<hr/>	
		\$0.00	\$7,011.99	
	Dividends			
4/3/17	CBS Corporation Class B	\$0.00	\$54.72	\$0.00
4/3/17	McKesson Corp	\$0.00	\$30.80	\$0.00
4/10/17	Altria Group Inc	\$0.00	\$229.36	\$0.00
4/11/17	Illinois Tool Wks Inc	\$0.00	\$146.25	\$0.00
4/11/17	Philip Morris International	\$0.00	\$138.32	\$0.00
4/14/17	Total S.A. SPONS ADR	\$0.00	\$293.31	\$0.00
	Opt Div Cash			
4/18/17	State Street Corp	\$0.00	\$71.44	\$0.00
4/26/17	Cisco Systems Inc	\$0.00	\$269.41	\$0.00
4/28/17	Dow Chemical Company	\$0.00	\$92.00	\$0.00
4/28/17	Foot Locker Inc	\$0.00	\$87.11	\$0.00
4/28/17	Stryker Corporation	\$0.00	\$59.50	\$0.00

Transaction Detail (continued)**Statement of Value and Activity**

April 1, 2017 - June 30, 2017

<i>Date</i>	<i>Transaction Description</i>	<i>Principal Cash</i>	<i>Income Cash</i>	<i>Tax Cost</i>
4/28/17	Federated Strategic Val Div Is	\$0.00	\$250.18	\$0.00
5/1/17	JP Morgan Chase & CO	\$0.00	\$198.50	\$0.00
5/1/17	AT&T Inc	\$0.00	\$64.19	\$0.00
5/1/17	CVS Health Corp	\$0.00	\$88.00	\$0.00
5/1/17	Lincoln Natl Corp	\$0.00	\$96.57	\$0.00
5/1/17	Verizon Communications	\$0.00	\$117.81	\$0.00
5/15/17	Aon PLC	\$0.00	\$69.12	\$0.00
5/17/17	Citizens Financial Group Inc	\$0.00	\$90.72	\$0.00
5/18/17	Apple Inc	\$0.00	\$71.82	\$0.00
5/19/17	Ameriprise Financial Inc.	\$0.00	\$174.30	\$0.00
5/24/17	Delphi Automotive PLC	\$0.00	\$77.72	\$0.00
5/25/17	Discover Finl Svcs	\$0.00	\$110.10	\$0.00
5/26/17	OshKosh Corp	\$0.00	\$39.48	\$0.00
5/31/17	Federated Strategic Val Div Is	\$0.00	\$915.73	\$0.00
6/1/17	Intel Corp	\$0.00	\$197.02	\$0.00
6/1/17	Pfizer Inc	\$0.00	\$123.84	\$0.00
6/1/17	Phillips 66	\$0.00	\$163.80	\$0.00
6/1/17	Wells Fargo & CO	\$0.00	\$152.38	\$0.00
6/2/17	Invesco Limited	\$0.00	\$74.82	\$0.00
6/8/17	Amgen Inc	\$0.00	\$105.80	\$0.00
6/9/17	Delta Air Lines Inc	\$0.00	\$71.89	\$0.00
6/9/17	TE Connectivity Limited	\$0.00	\$136.80	\$0.00
6/9/17	Wyndham Worldwide Corp	\$0.00	\$112.52	\$0.00
6/12/17	United Technologies Corp	\$0.00	\$153.12	\$0.00
6/12/17	Marathon Petroleum Corporation	\$0.00	\$87.12	\$0.00
6/14/17	NVIDIA Corp	\$0.00	\$41.30	\$0.00
6/15/17	Home Depot Inc	\$0.00	\$222.50	\$0.00
6/15/17	SunTrust Banks Inc	\$0.00	\$78.00	\$0.00
6/15/17	Whirlpool Corporation	\$0.00	\$158.40	\$0.00
6/16/17	Carnival Corp	\$0.00	\$182.00	\$0.00
6/16/17	Ryder System Inc	\$0.00	\$52.80	\$0.00
6/21/17	Qualcomm Inc	\$0.00	\$96.33	\$0.00

Transaction Detail (continued)**Statement of Value and Activity**

April 1, 2017 - June 30, 2017

Date	Transaction Description	Principal Cash	Income Cash	Tax Cost
6/23/17	Anthem Inc	\$0.00	\$68.90	\$0.00
6/23/17	BlackRock Inc CL A	\$0.00	\$107.50	\$0.00
6/27/17	UnitedHealth Group Inc	\$0.00	\$190.50	\$0.00
6/28/17	American International Group	\$0.00	\$101.12	\$0.00
6/28/17	Southwest Airlines CO	\$0.00	\$44.75	\$0.00
6/29/17	Total S.A. SPONS ADR	\$0.00	\$312.16	\$0.00
	Opt Div Cash			
6/29/17	Goldman Sachs Group Inc	\$0.00	\$82.50	\$0.00
6/29/17	T Rowe PR Real Estate	\$0.00	\$352.09	\$0.00
6/30/17	Public Service Enterprise Group Inc	\$0.00	\$108.36	\$0.00
6/30/17	Union Pac Corp	\$0.00	\$68.97	\$0.00
6/30/17	Federated Strategic Val Div Is	\$0.00	\$855.00	\$0.00
		\$0.00	\$8,338.75	
Total Income		\$0.00	\$15,350.74	

Security Purchases

4/24/17	Purchased 50,000 Par Value of FFCB 2.700% 3/06/24 Trade Date 4/21/17 Purchase Interest \$180.00 50,000 Par Value at 99.965 %	-\$49,982.50	\$0.00	\$49,982.50
4/25/17	Purchased 25,000 Par Value of U.S. Treasury Notes 2.000% 7/31/20 Trade Date 4/24/17 Purchase Interest \$116.02 25,000 Par Value at 101.58984 %	-\$25,397.46	\$0.00	\$25,397.46

Transaction Detail (continued)**Statement of Value and Activity**

April 1, 2017 - June 30, 2017

<i>Date</i>	<i>Transaction Description</i>	<i>Principal Cash</i>	<i>Income Cash</i>	<i>Tax Cost</i>
4/25/17	Purchased 25,000 Par Value of U.S. Treasury Notes 2.000% 10/31/21 Trade Date 4/24/17 Purchase Interest \$243.09 25,000 Par Value at 101.08204 %	-\$25,270.51	\$0.00	\$25,270.51
4/26/17	Purchased 25,000 Par Value of U.S. Treasury Notes 2.125% 6/30/22 Trade Date 4/25/17 Purchase Interest \$170.23 25,000 Par Value at 101.10936 %	-\$25,277.34	\$0.00	\$25,277.34
4/26/17	Purchased 25,000 Par Value of U.S. Treasury Notes 2.250% 12/31/23 Trade Date 4/25/17 Purchase Interest \$180.25 25,000 Par Value at 100.83592 %	-\$25,208.98	\$0.00	\$25,208.98
Total Security Purchases		-\$151,136.79	\$0.00	
Security Sales/Maturities				
4/3/17	Matured 25,000 Par Value of Montclair Twp NJ 1.960% 4/01/17 Trade Date 4/1/17 25,000 Par Value at 100 %	\$25,000.00	\$0.00	-\$25,000.00
4/17/17	Paid Down 15.36 Par Value of GNMA PL #553351 4.500% 7/15/33 for Record Date of March Due 4/15/17 March GNMA Due 4/15/17	\$15.36	\$0.00	-\$15.21
4/17/17	Paid Down 141.23 Par Value of GNMA PL #738040 3.500% 3/15/26 for Record Date of March Due 4/15/17 March GNMA Due 4/15/17	\$141.23	\$0.00	-\$143.69

Transaction Detail (continued)**Statement of Value and Activity**

April 1, 2017 - June 30, 2017

<i>Date</i>	<i>Transaction Description</i>	<i>Principal Cash</i>	<i>Income Cash</i>	<i>Tax Cost</i>
4/17/17	Paid Down 199.34 Par Value of FHLMC Gd PL #C01676 6.000% 11/01/33 for Record Date of March Due 4/15/17 March FHLMC Due 4/15/17	\$199.34	\$0.00	-\$198.59
4/17/17	Paid Down 199.07 Par Value of FHLMC Gd PL #G02884 6.000% 4/01/37 for Record Date of March Due 4/15/17 March FHLMC Due 4/15/17	\$199.07	\$0.00	-\$199.76
4/17/17	Paid Down 126.4 Par Value of FHLMC Gd PL #C03478 4.500% 6/01/40 for Record Date of March Due 4/15/17 March FHLMC Due 4/15/17	\$126.40	\$0.00	-\$128.34
4/17/17	Paid Down 570.17 Par Value of FHLMC Gd PL #G05634 4.000% 10/01/39 for Record Date of March Due 4/15/17 March FHLMC Due 4/15/17	\$570.17	\$0.00	-\$588.02
4/25/17	Paid Down 147.94 Par Value of FNMA PL #357883 5.000% 5/01/35 for Record Date of March Due 4/25/17 March FNMA Due 4/25/17	\$147.94	\$0.00	-\$146.72
4/25/17	Paid Down 47.38 Par Value of FNMA PL #765251 4.000% 3/01/19 for Record Date of March Due 4/25/17 March FNMA Due 4/25/17	\$47.38	\$0.00	-\$47.38
4/25/17	Paid Down 141.05 Par Value of FNMA PL #829079 4.000% 9/01/20 for Record Date of March Due 4/25/17 March FNMA Due 4/25/17	\$141.05	\$0.00	-\$141.69
4/25/17	Paid Down 212.34 Par Value of FNMA PL #Ma1527 3.000% 8/01/33 for Record Date of March Due 4/25/17 March FNMA Due 4/25/17	\$212.34	\$0.00	-\$210.22

Transaction Detail (continued)**Statement of Value and Activity**

April 1, 2017 - June 30, 2017

<i>Date</i>	<i>Transaction Description</i>	<i>Principal Cash</i>	<i>Income Cash</i>	<i>Tax Cost</i>
5/15/17	Paid Down 410.61 Par Value of GNMA PL #553351 4.500% 7/15/33 for Record Date of April Due 5/15/17 April GNMA Due 5/15/17	\$410.61	\$0.00	-\$406.50
5/15/17	Paid Down 119.74 Par Value of GNMA PL #738040 3.500% 3/15/26 for Record Date of April Due 5/15/17 April GNMA Due 5/15/17	\$119.74	\$0.00	-\$121.78
5/15/17	Paid Down 36.78 Par Value of FHLMC Gd PL #C01676 6.000% 11/01/33 for Record Date of April Due 5/15/17 April FHLMC Due 5/15/17	\$36.78	\$0.00	-\$36.64
5/15/17	Paid Down 128.95 Par Value of FHLMC Gd PL #G02884 6.000% 4/01/37 for Record Date of April Due 5/15/17 April FHLMC Due 5/15/17	\$128.95	\$0.00	-\$129.39
5/15/17	Paid Down 139.95 Par Value of FHLMC Gd PL #C03478 4.500% 6/01/40 for Record Date of April Due 5/15/17 April FHLMC Due 5/15/17	\$139.95	\$0.00	-\$142.07
5/15/17	Paid Down 309.24 Par Value of FHLMC Gd PL #G05634 4.000% 10/01/39 for Record Date of April Due 5/15/17 April FHLMC Due 5/15/17	\$309.24	\$0.00	-\$318.79
5/25/17	Paid Down 218.59 Par Value of FNMA PL #357883 5.000% 5/01/35 for Record Date of April Due 5/25/17 April FNMA Due 5/25/17	\$218.59	\$0.00	-\$216.79
5/25/17	Paid Down 42.65 Par Value of FNMA PL #765251 4.000% 3/01/19 for Record Date of April Due 5/25/17 April FNMA Due 5/25/17	\$42.65	\$0.00	-\$42.65

0006147 - 0800694

Transaction Detail (continued)**Statement of Value and Activity**

April 1, 2017 - June 30, 2017

<i>Date</i>	<i>Transaction Description</i>	<i>Principal Cash</i>	<i>Income Cash</i>	<i>Tax Cost</i>
5/25/17	Paid Down 128.41 Par Value of FNMA PL #829079 4.000% 9/01/20 for Record Date of April Due 5/25/17 April FNMA Due 5/25/17	\$128.41	\$0.00	-\$128.96
5/25/17	Paid Down 162.95 Par Value of FNMA PL #Ma1527 3.000% 8/01/33 for Record Date of April Due 5/25/17 April FNMA Due 5/25/17	\$162.95	\$0.00	-\$161.32
6/15/17	Paid Down 14.05 Par Value of GNMA PL #553351 4.500% 7/15/33 for Record Date of May Due 6/15/17 May GNMA Due 6/15/17	\$14.05	\$0.00	-\$13.91
6/15/17	Paid Down 265.78 Par Value of GNMA PL #738040 3.500% 3/15/26 for Record Date of May Due 6/15/17 May GNMA Due 6/15/17	\$265.78	\$0.00	-\$270.18
6/15/17	Paid Down 132.08 Par Value of FHLMC Gd PL #C01676 6.000% 11/01/33 for Record Date of May Due 6/15/17 May FHLMC Due 6/15/17	\$132.08	\$0.00	-\$131.58
6/15/17	Paid Down 342.96 Par Value of FHLMC Gd PL #G02884 6.000% 4/01/37 for Record Date of May Due 6/15/17 May FHLMC Due 6/15/17	\$342.96	\$0.00	-\$344.10
6/15/17	Paid Down 141.94 Par Value of FHLMC Gd PL #C03478 4.500% 6/01/40 for Record Date of May Due 6/15/17 May FHLMC Due 6/15/17	\$141.94	\$0.00	-\$144.06
6/15/17	Paid Down 375.41 Par Value of FHLMC Gd PL #G05634 4.000% 10/01/39 for Record Date of May Due 6/15/17 May FHLMC Due 6/15/17	\$375.41	\$0.00	-\$386.84

Transaction Detail (continued)**Statement of Value and Activity**

April 1, 2017 - June 30, 2017

<i>Date</i>	<i>Transaction Description</i>	<i>Principal Cash</i>	<i>Income Cash</i>	<i>Tax Cost</i>
6/26/17	Paid Down 117.61 Par Value of FNMA PL #357883 5.000% 5/01/35 for Record Date of May Due 6/25/17 May FNMA Due 6/25/17	\$117.61	\$0.00	-\$116.64
6/26/17	Paid Down 60.27 Par Value of FNMA PL #765251 4.000% 3/01/19 for Record Date of May Due 6/25/17 May FNMA Due 6/25/17	\$60.27	\$0.00	-\$60.27
6/26/17	Paid Down 315.79 Par Value of FNMA PL #829079 4.000% 9/01/20 for Record Date of May Due 6/25/17 May FNMA Due 6/25/17	\$315.79	\$0.00	-\$317.07
6/26/17	Paid Down 247.79 Par Value of FNMA PL #Ma1527 3.000% 8/01/33 for Record Date of May Due 6/25/17 May FNMA Due 6/25/17	\$247.79	\$0.00	-\$245.31
Total Security Sales/Maturities		\$30,511.83	\$0.00	
Money Market Purchases/Sales				
	Combined Purchases for the Period 4/1/17 - 6/30/17 of Federated Gov Obl TX Mgd-I	-\$43,114.07	\$0.00	\$43,114.07
	Combined Sales for the Period 4/1/17 - 6/30/17 of Federated Gov Obl TX Mgd-I	\$167,347.34	\$0.00	-\$167,347.34
Total Money Market Purchases/Sales		\$124,233.27	\$0.00	

Transaction Detail (continued)**Statement of Value and Activity**

April 1, 2017 - June 30, 2017

Date	Transaction Description	Principal Cash	Income Cash	Tax Cost
	Other			
5/9/17	New Name Is HCA HealthCare Inc. HCA HealthCare Inc	\$0.00	\$0.00	\$0.00
		<hr/>	<hr/>	
		\$0.00	\$0.00	
	Security Changes			
4/3/17	Amortized Premium on Montclair Twp NJ 1.960% 4/01/17 Fed Basis Decreased by \$34.49 to \$25,000.00 4/1/17 Current Year Amortization	\$0.00	\$0.00	-\$34.49
4/3/17	Amortized Premium on Quest Diagnostic 4.700% 4/01/21 Fed Basis Decreased by \$109.30 to \$51,939.41 4/1/17 Current Year Amortization	\$0.00	\$0.00	-\$109.30
4/17/17	Amortized Premium on GNMA PL #738040 3.500% 3/15/26 Fed Basis Decreased by \$3.84 to \$8,871.39 4/15/17 Current Year Amortization	\$0.00	\$0.00	-\$3.84
4/17/17	Amortized Premium on FHLMC Gd PL #G02884 6.000% 4/01/37 Fed Basis Decreased by \$0.51 to \$7,524.59 4/15/17 Current Year Amortization	\$0.00	\$0.00	-\$0.51
4/17/17	Amortized Premium on FHLMC Gd PL #C03478 4.500% 6/01/40 Fed Basis Decreased by \$1.96 to \$9,108.17 4/15/17 Current Year Amortization	\$0.00	\$0.00	-\$1.96

Transaction Detail (continued)**Statement of Value and Activity**

April 1, 2017 - June 30, 2017

<i>Date</i>	<i>Transaction Description</i>	<i>Principal Cash</i>	<i>Income Cash</i>	<i>Tax Cost</i>
4/17/17	Amortized Premium on FHLMC Gd PL #G05634 4.000% 10/01/39 Fed Basis Decreased by \$11.08 to \$27,846.04 4/15/17 Current Year Amortization	\$0.00	\$0.00	-\$11.08
4/25/17	Amortized Premium on FNMA PL #765251 4.000% 3/01/19 Fed Basis Decreased by \$0.01 to \$735.25 4/25/17 Current Year Amortization	\$0.00	\$0.00	-\$0.01
4/25/17	Amortized Premium on FNMA PL #829079 4.000% 9/01/20 Fed Basis Decreased by \$1.15 to \$4,438.85 4/25/17 Current Year Amortization	\$0.00	\$0.00	-\$1.15
5/1/17	Amortized Premium on Cameron Internat 3.600% 4/30/22 Fed Basis Decreased by \$16.27 to \$25,270.53 4/30/17 Current Year Amortization	\$0.00	\$0.00	-\$16.27
5/1/17	Amortized Premium on U.S. Treasury Notes 2.000% 10/31/21 Fed Basis Decreased by \$0.77 to \$25,269.74 4/30/17 Current Year Amortization	\$0.00	\$0.00	-\$0.77
5/15/17	Amortized Premium on GNMA PL #738040 3.500% 3/15/26 Fed Basis Decreased by \$3.35 to \$8,724.35 5/15/17 Current Year Amortization	\$0.00	\$0.00	-\$3.35

Transaction Detail (continued)**Statement of Value and Activity**

April 1, 2017 - June 30, 2017

<i>Date</i>	<i>Transaction Description</i>	<i>Principal Cash</i>	<i>Income Cash</i>	<i>Tax Cost</i>
5/15/17	Amortized Premium on FHLMC Gd PL #G02884 6.000% 4/01/37 Fed Basis Decreased by \$0.48 to \$7,324.35 5/15/17 Current Year Amortization	\$0.00	\$0.00	-\$0.48
5/15/17	Amortized Premium on FHLMC Gd PL #C03478 4.500% 6/01/40 Fed Basis Decreased by \$1.96 to \$8,977.87 5/15/17 Current Year Amortization	\$0.00	\$0.00	-\$1.96
5/15/17	Amortized Premium on FHLMC Gd PL #G05634 4.000% 10/01/39 Fed Basis Decreased by \$11.07 to \$27,246.95 5/15/17 Current Year Amortization	\$0.00	\$0.00	-\$11.07
5/22/17	Amortized Premium on AMGEN Inc 3.625% 5/22/24 Fed Basis Decreased by \$190.60 to \$53,613.60 5/22/17 Current Year Amortization	\$0.00	\$0.00	-\$190.60
5/25/17	Amortized Premium on FNMA PL #829079 4.000% 9/01/20 Fed Basis Decreased by \$1.01 to \$4,296.15 5/25/17 Current Year Amortization	\$0.00	\$0.00	-\$1.01
6/1/17	Amortized Premium on Burlington North 4.100% 6/01/21 Fed Basis Decreased by \$172.29 to \$51,670.40 6/1/17 Current Year Amortization	\$0.00	\$0.00	-\$172.29

Transaction Detail (continued)**Statement of Value and Activity**

April 1, 2017 - June 30, 2017

<i>Date</i>	<i>Transaction Description</i>	<i>Principal Cash</i>	<i>Income Cash</i>	<i>Tax Cost</i>
6/15/17	Amortized Premium on GNMA PL #738040 3.500% 3/15/26 Fed Basis Decreased by \$3.60 to \$8,598.97 6/15/17 Current Year Amortization	\$0.00	\$0.00	-\$3.60
6/15/17	Amortized Premium on FHLMC Gd PL #G02884 6.000% 4/01/37 Fed Basis Decreased by \$0.48 to \$7,194.48 6/15/17 Current Year Amortization	\$0.00	\$0.00	-\$0.48
6/15/17	Amortized Premium on FHLMC Gd PL #C03478 4.500% 6/01/40 Fed Basis Decreased by \$2.04 to \$8,833.76 6/15/17 Current Year Amortization	\$0.00	\$0.00	-\$2.04
6/15/17	Amortized Premium on FHLMC Gd PL #G05634 4.000% 10/01/39 Fed Basis Decreased by \$11.56 to \$26,916.60 6/15/17 Current Year Amortization	\$0.00	\$0.00	-\$11.56
6/26/17	Amortized Premium on FNMA PL #765251 4.000% 3/01/19 Fed Basis Decreased by \$0.01 to \$645.21 6/25/17 Current Year Amortization	\$0.00	\$0.00	-\$0.01
6/26/17	Amortized Premium on FNMA PL #829079 4.000% 9/01/20 Fed Basis Decreased by \$1.05 to \$4,166.14 6/25/17 Current Year Amortization	\$0.00	\$0.00	-\$1.05

Transaction Detail (continued)**Statement of Value and Activity**

April 1, 2017 - June 30, 2017

<i>Date</i>	<i>Transaction Description</i>	<i>Principal Cash</i>	<i>Income Cash</i>	<i>Tax Cost</i>
6/30/17	Amortized Premium on U.S. Treasury Notes 2.125% 6/30/22 Fed Basis Decreased by \$8.89 to \$25,268.45 6/30/17 Current Year Amortization	\$0.00	\$0.00	-\$8.89
6/30/17	Amortized Premium on U.S. Treasury Notes 2.250% 12/31/23 Fed Basis Decreased by \$4.91 to \$25,204.07 6/30/17 Current Year Amortization	\$0.00	\$0.00	-\$4.91
		\$0.00	\$0.00	
Total Other		\$0.00	\$0.00	
6/30/17	Ending Balance	\$0.00	\$855.00	

Pending Trades

Statement of Value and Activity

April 1, 2017 - June 30, 2017

No pending trades.

0006151 - 080064

Messages and Notices Section

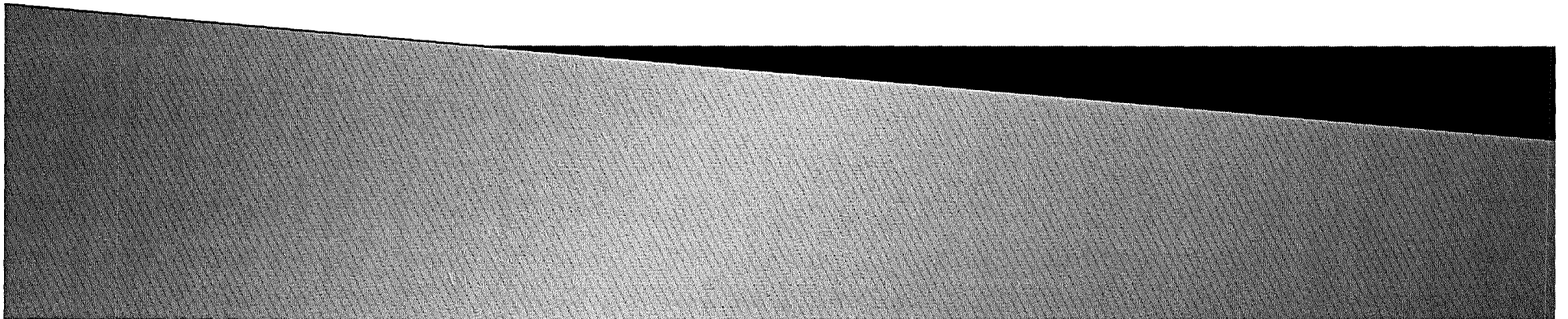
Statement of Value and Activity

April 1, 2017 - June 30, 2017

The enclosed statement is provided to authorized recipients pursuant to state law or the account agreement. The statement reflects the receipts, disbursements, and market value of the assets and liabilities of the account managed by Bremer, as well as Bremer's compensation. If you have any questions about this statement, please contact your relationship manager.

City of Willmar

Financial Report
As of July 31, 2017



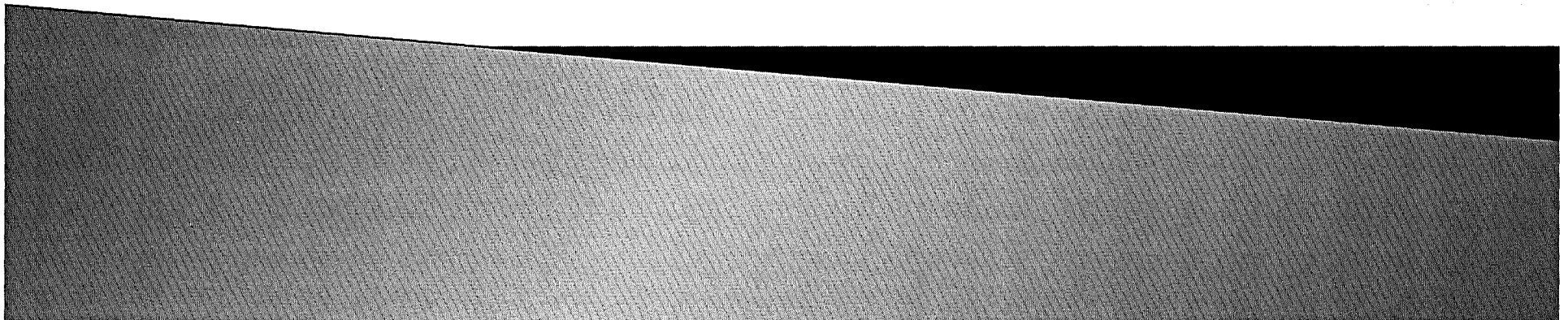
City of Willmar

Cash/Investment Portfolio July 31, 2017

And

A Financial Snapshot At July 31, 2017, For:

- General Fund
- Waste Treatment Fund



Investments and Cash Portfolio as of July 31, 2017

	<u>BANK</u>	<u>SECURITY TYPE</u>	<u>MATURITY DATE</u>	<u>INTEREST RATE</u>	<u>PAR VALUE</u>	<u>MARKET VALUE</u>
1	Wells Fargo Advisors	CD-36157PFB0	06/08/2018	2.000%	\$ 150,000.00	\$ 150,952.50
2	Multi-Bank Securities	CD-71270QQW9	05/10/2019	1.600%	245,000.00	245,093.10
3	MSSB	CD-87164YBX1	07/18/2019	2.050%	97,000.00	97,730.41
4	MSSB	CD-74267GUQ8	07/22/2019	2.000%	247,000.00	248,810.51
5	MSSB	CD-856284X58	07/22/2019	2.000%	247,000.00	248,859.91
6	MSSB	CD-38147JU59	07/23/2019	2.050%	97,000.00	97,631.47
7	MSSB	CD-02587CAJ9	07/24/2019	2.000%	247,000.00	248,859.91
8	MSSB	CD-140420PS3	10/08/2019	2.100%	245,000.00	247,315.25
9	MSSB	CD-36161TS30	07/20/2020	2.200%	97,000.00	98,254.21
10	MSSB	CD-14042E5F3	08/05/2020	2.300%	245,000.00	244,992.65
11	MSSB	FNMA-3136G2TB3	11/25/2020	1.800%	1,000,000.00	998,170.00
12	Multi-Bank Securities	FHLMC-3134GAUF9	11/17/2021	1.000-6.000%	1,000,000.00	995,000.00
13	MSSB	FHLMC-3134GBPR7	05/25/2022	1.500-3.500%	2,000,000.00	1,997,180.00
14	Wells Fargo	FFCB-3133EGKX2	07/11/2022	1.750%	2,000,000.00	1,944,064.00
15	Wells Fargo	FHLB-313381DA0	12/05/2022	2.190%	1,000,000.00 ^	988,124.00
16	MSSB	FFCB-3133EHPM9	06/26/2023	2.280%	2,000,000.00	1,993,180.00
18	Multi-Bank Securities	CD-40434AZ85	10/13/2023	1.500-3.000%	247,000.00 *	239,548.01
19	Multi-Bank Securities	CD-89235MHL8	11/22/2023	2.000%	247,000.00	239,876.52
20	MSSB	FNMA-3136G3GT6	04/19/2024	1.500-4.500%	3,000,000.00 *	2,983,110.00
21	Wells Fargo	FHLB-3130A8VP5	08/23/2024	2.000%	2,000,000.00	1,933,742.00
22	MSSB	CD-40434YBM8	09/09/2024	2.000%	245,000.00	233,139.55

Investments and Cash Portfolio as of July 31, 2017 (Con't)

	<u>BANK</u>	<u>SECURITY TYPE</u>	<u>MATURITY DATE</u>	<u>INTEREST RATE</u>	<u>PAR VALUE</u>	<u>MARKET VALUE</u>
23	Wells Fargo Advisors	FHLB-3130A8X57	08/18/2025	2.100%	1,000,000.00	948,810.00
24	Multi-Bank Securities	FHLMC-3134GBWM0	12/29/2025	2.000-8.000%	2,000,000.00	1,992,080.00
25	Multi-Bank Securities	FNMA-3136G3DZ5	03/30/2026	2.000-4.500%	860,000.00	853,474.59
26	Multi-Bank Securities	FNMA-3136G3DZ5	03/30/2026	2.000-4.500%	250,000.00	248,067.21
27	Wells Fargo Advisors	FHLMC-3134G9CK1	04/28/2026	2.000-8.500%	2,000,000.00	1,962,840.00
28	UBS	FHLB-3130A7UX1	04/28/2026	2.620%	2,000,000.00 *	1,957,900.00
29	UBS	FHLB-3130A7UE3	04/28/2026	2.000-8.500%	3,000,000.00 *	2,914,050.00
30	UBS	FHLB-3130A7ZP3	05/18/2026	2.600%	333,333.33 #	324,156.34
31	Wells Fargo	FHLB-3130A8GU1	06/15/2026	2.500%	1,000,000.00	972,796.00
32	Wells Fargo Advisors	FHLB-3130A8B69	06/15/2026	2.000-8.000%	1,000,000.00	999,680.00
33	Multi-Bank Securities	FHLMC-3134G9ZK6	06/30/2026	2.000-6.000%	2,000,000.00	1,951,740.00
34	Wells Fargo Advisors	FHLMC-3134G9T64	07/27/2026	1.500-5.000%	1,455,000.00	1,400,117.40
35	UBS	FFCB-3133EGQH1	08/10/2026	2.140%	1,000,000.00	945,660.00
36	Wells Fargo Advisors	FHLB-3130A8VS9	08/24/2026	1.750-6.000%	1,000,000.00 *	966,970.00
38	Wells Fargo	FM-3130H0BD4	09/01/2026	2.050%	2,000,000.00	1,873,346.00
39	UBS	FHLB-3130A94L2	09/02/2026	2.125%	2,000,000.00	1,886,180.00
40	UBS	FHLB-3130A9HL8	09/22/2026	2.170%	1,080,000.00	1,025,136.00
41	Wells Fargo Advisors	FHLB-3130A9EG2	09/30/2026	1.750-5.500%	2,000,000.00	1,930,040.00
42	Multi-Bank Securities	FHLB-3130A9SE2	11/10/2026	2.000-4.000%	2,000,000.00	1,933,000.00
TOTAL INVESTMENTS					\$ 44,634,333.33	\$43,559,677.54

Investments and Cash Portfolio as of July 31, 2017 (Con't)

<u>BANK</u>	<u>SECURITY TYPE</u>	<u>MATURITY DATE</u>	<u>INTEREST RATE</u>	<u>PAR VALUE</u>	<u>MARKET VALUE</u>
TOTAL INVESTMENTS (Brought Forward)				\$ 44,634,333.33	\$43,559,677.54
43 Heritage Bank	Flex Gold Ckg	None	0.230%	8,063,606.14	8,063,606.14
44 Heritage Bank	Commercial Ckg	None	0.080%	146,959.53	146,959.53
45 Heritage Bank	Law Enf Forfeitur Fd	None	0.080%	73,633.54	73,633.54
46 Heritage Bank	Law Enf Explorer Fd	None	0.000%	2,852.95	2,852.95
TOTAL PORTFOLIO FOR JULY 31, 2017				\$ 52,921,385.49	\$51,846,729.70

* Par Value is not equal to Purchase Amount

^ After Partial Call 06/14/16 of \$1,000,000

After Partial Call 11/30/16 of \$666,666.67

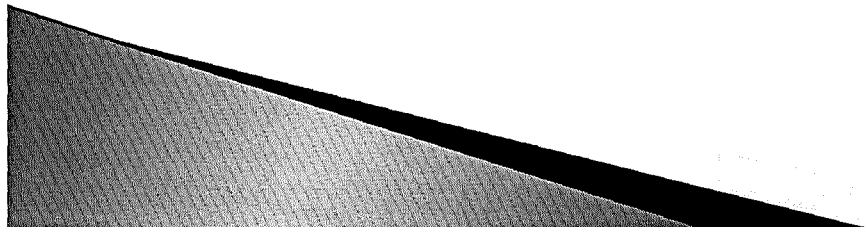
Total Net Market Value Adjustment During Month Ended July 31, 2017 \$ -

General Fund Revenue

As Of July 31, 2017

	<u>2016 Actual</u> <u>Year-End Totals</u>	<u>2017 Budget</u>	<u>2017 Actual</u> <u>Year-To-Date</u>	<u>2017 % of</u> <u>Budget</u>
<u>Revenues</u>				
General Property Taxes	\$ 4,724,466.83	\$ 5,175,365.00	\$ 2,676,634.04	51.72%
Licenses and Permits	698,062.33 *	396,300.00	342,024.86	86.30%
Intergovernmental	5,463,684.64 *	5,490,989.00	2,660,486.42	48.45%
Service Charges	728,044.81	763,840.00	415,360.13	54.38%
Fines and Forfeits	158,377.58	168,000.00	87,305.77	51.97%
Special Assessments	3,880.26 *	1,100.00	709.45	64.50%
Miscellaneous Revenue	1,174,108.81 *	950,000.00	371,935.92	39.15%
Other Financing Sources	2,784,097.75	2,724,079.00	1,206,016.58	44.27%
Total Revenues	\$ 15,734,723.01	\$ 15,669,673.00	\$ 7,760,473.17	49.53%

* Indicates Over Budget



General Fund Expenditures

As Of July 31, 2017

<u>Expenditures</u>	<u>2016 Actual</u> <u>Year-End Totals</u>		<u>2017 Budget</u>	<u>2017 Actual</u> <u>Year-To-Date</u>	<u>2017 % of</u> <u>Budget</u>
City Administrator	\$ 300,592.05	*	\$ 416,550.00	\$ 232,886.92	55.91%
Mayor and Council	185,399.69		213,500.00	114,483.50	53.62%
Planning/Development Services	532,298.08		540,531.00	291,195.97	53.87%
City Clerk	192,710.05		156,264.00	95,570.88	61.16%
Assessing	263,087.93		241,870.00	242,025.81	* 100.06%
Finance Department	372,889.17		387,921.00	205,568.81	52.99%
Legal	251,545.72	*	250,000.00	138,622.29	55.45%
City Hall	143,930.62	*	158,264.00	67,430.98	42.61%
Information Technology	638,345.16	*	489,236.00	243,572.69	49.79%
Office Services	12,043.12	*	10,700.00	13,062.26	* 122.08%
Elections	56,860.60	*	24,205.00	10,379.46	42.88%
Non-Departmental/Gen.Gov't.	1,101,727.47		815,475.00	421,548.74	51.69%
Police Department	4,065,910.11		4,425,672.00	2,316,889.07	52.35%
Fire Protection	652,167.13		655,400.00	304,967.39	46.53%
Non-Departmental/Pub.Safety	21,553.81	*	17,500.00	11,836.57	67.64%

* Indicates Over Budget

General Fund Expenditures (Con't)

As Of July 31, 2017

<u>Expenditures</u>	<u>2016 Actual Year-End Totals</u>	<u>2017 Budget</u>	<u>2017 Actual Year-To-Date</u>	<u>2017 % of Budget</u>
Transit System	20,000.00	20,000.00	-	0.00%
Engineering	446,940.87	654,357.00	266,705.54	40.76%
Public Works	2,413,786.16	2,667,574.00	1,269,065.59	47.57%
Non-Departmental/Pub.Works	868.00	2,000.00	806.00	40.30%
WRAC	-	143,840.00	82,407.69	57.29%
Library	504,067.00 *	512,227.00	256,483.50	50.07%
Auditorium	67,172.71 *	71,051.00	26,152.63	36.81%
Non-Departmental/Culture-Recr.	94,613.00	99,692.00	77,088.12	77.33%
Leisure Services	396,400.59	429,411.00	191,654.18	44.63%
Civic Center	660,982.65 *	611,159.00	331,966.62	54.32%
Community Center	79,852.66	125,429.00	46,534.56	37.10%
Aquatic Center	195,502.42 *	208,465.00	118,075.78	56.64%
Transfers	1,760,579.00 *	2,727,551.00	-	0.00%
Total Expenditures	\$ 15,431,825.77	\$ 17,075,844.00	\$ 7,376,981.55	43.20%

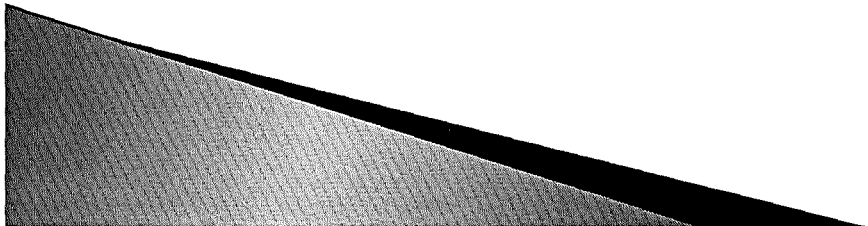
* Indicates Over Budget



Waste Treatment Plant Revenues and Expenditures As Of July 31, 2017

	<u>2016 Actual Year-End Totals</u>		<u>2017 Budget</u>	<u>2017 Actual Year-To-Date</u>	<u>2017 % of Budget</u>
<u>Revenues</u>					
Intergovernmental	\$ 85,321.76 *		\$ -	\$ 36,259.54 *	36259.00%
Service Charges	10,259,542.50 *		9,996,305.00	3,602,644.87	36.04%
Miscellaneous Revenue	415,626.84 *		117,505.00	172,705.35 *	146.98%
Total Revenues	\$ 10,760,491.10		\$ 10,113,810.00	\$ 3,811,609.76	37.69%
<u>Expenditures</u>					
Waste Treatment - Treatment	\$ 6,938,846.21		\$ 10,425,371.00	\$ 2,212,831.06	21.23%
Waste Treatment - Collections	449,472.53 *		480,204.00	111,789.12	23.28%
Waste Treatment - Biosolids	332,519.77 *		302,589.00	106,201.40	35.10%
Total Expenditures	\$ 7,720,838.51		\$ 11,208,164.00	\$ 2,430,821.58	21.69%

* Indicates Over Budget



Questions?

