

**City Council Meeting Agenda  
City Council Chambers  
June 5, 2017**

Page

**City of Benson Mission Statement**

Benson is a forward looking community that values public safety,  
quality of life and treat people with dignity and respect.

- |         |     |   |                         |
|---------|-----|---|-------------------------|
|         | 1.  | 5:30 p.m. Call the Meeting to Order at the Benson City Council Chambers (Mayor)   |                         |
|         | 2.  | Pledge of Allegiance  |                         |
|         | 3.  | Approval of Agenda<br>Additions? <input type="checkbox"/> None    1. _____ 2. _____<br>Any Consent Agenda items to be moved to a regular agenda item?<br>Approval of Agenda ____ as Presented or ____ Revised | <b>Action Requested</b> |
|         | 4.  | Consent Agenda:   | <b>Action Requested</b> |
|         | a.  | Minutes:  |                         |
| 3       |     | ▪ 5.15.17            City Council Meeting   |                         |
| 4       |     | ▪ 3.31.17            EDA Meeting  |                         |
| 5       |     | ▪ 2.21.17            Cemetery Board Meeting   |                         |
|         | b.  | Correspondence:   |                         |
| 6       |     | ▪ Public Works Report   |                         |
| 7       |     | ▪ MRES Flooding Delay of Red Rock Hydroelectric Project   |                         |
| 8-9     |     | ▪ MPCA – Municipal Permits, Standards & Costs   |                         |
| 10      |     | ▪ League of MN Cities 0% Dues Increase  |                         |
|         | 5.  | Persons with unscheduled Business to Come Before the City Council   |                         |
|         | 6.  | Public Hearing – TIF District & Resolutions   | Information Only        |
| 11-13   | a.  | TIF District Overview   |                         |
| 14-23   | b.  | TIF Development Plan  |                         |
| 24-49   | c.  | TIF Financing Plan  |                         |
| 50-51   | d.  | Resolution for Advance Payments   |                         |
| 52-56   | e.  | Resolution Approving TIF District & Program   |                         |
| 57-198  | 7.  | 2016 Audit Report   | Information Only        |
| 199-204 | 8.  | Nuisance Houses<br>▪ 406 – 12 <sup>th</sup> Street South<br>▪ 600 – 12 <sup>th</sup> Street South   | <b>Action Requested</b> |
| 205-209 | 9.  | Letter from Governor, Energy Budget Bill & Xcel Conference Call   | Information Only        |
|         | 10. | Consider Street Closure from Swift County   | <b>Action Requested</b> |
| 210     | 11. | MN Department of Human Svcs. – Zoning Notification Application  | Information Only        |
| 211-219 | 12. | MnDOT Hwy Project Agreement   | Information Only        |
|         | 13. | Donation from Patrick’s Grill & Pub to Police Bike Rodeo-\$2,000  | Information Only        |

- |         |     |   |                         |
|---------|-----|---|-------------------------|
| 220-222 | 14. | Review & Approve Plans & Specifications for the Police Station  | <b>Action Requested</b> |
| 223-226 | 15. | MRES Transmission Privatization   | Information Only        |
| 227-228 | 16. | Pay Requests - Widseth Smith Nolting <ul style="list-style-type: none"><li>▪ City Hall Preliminary Design - \$4,505.00</li><li>▪ Police Station Remodel - \$34,737.50</li></ul> | <b>Action Requested</b> |
|         | 17. | Consider Moving July Council Meetings to July 10 & 24   | <b>Action Requested</b> |
|         | 18. | Adjourn: Mayor  |                         |

In compliance with the American Disability Act, if you need special assistance to participate in this meeting, please contact the City Manager's office at 320-843-4775. Notification 48 hours prior to the meeting will enable the City of make reasonable arrangements to ensure accessibility to this meeting.



**DRAFT**

**MINUTES - BENSON CITY COUNCIL - REGULAR MEETING  
MAY 15, 2017**

The meeting was called to order at 5:30 p.m. by Mayor Landmark. Members present: Terri Collins, Jack Evenson, Gary Landmark, Stephanie Heinzig & Lucas Olson. Members Absent: None. Also present: Director of Finance Glen Pederson, Police Chief Ian Hodge, Anita Flodstrom and Reed Becker with Widseth, Smith Nolting (WSN).

The Council recited the Pledge of Allegiance.

Mayor Landmark asked for any changes to the agenda, to which there were none. It was moved by Collins, seconded by Evenson and carried unanimously to approve the agenda as presented

It was moved by Evenson, seconded by Olson and carried unanimously to approve the following items on the Consent Agenda:

- May 1, 2017 City Council Minutes
- March 6, 2017 Planning Commission Minutes
- Police Report
- MPCA – 2016 Wastewater Treatment Facility Operational Award
- Approval of Pastor Zane Anderson on the Cemetery Board term expiring 12/31/2017

The Mayor asked for people with unscheduled business. Anita Flodstrom said she had two issues. The first was her road on the east end of Kansas Avenue. It is a gravel road, and the pot holes are large. The City will fill them, but the gravel doesn't stay. She is asking for a permanent fix. She said the residents would put concrete in themselves. The Mayor referred her to the Public Works Director before they try to repair the street. The second concern was she feels her utility bill is too high. She said she has contacted Centerpoint Energy and the Minnesota Attorney General, which he referred her to the Benson City Council. She wants to know why it is so high in the winter. Pederson asked her to come and see him and they can work on finding answers.

Next the Mayor invited Becker to the table. He reviewed the City Hall plan WSN came up with per the contract they have with the City. He presented his drawings and schematic of how City Hall could look if added on to the Armory. He estimated renovations to be between \$2.6-\$2.7 Million. There was discussion and questions on the design. The Council thanked Becker for his work and coming to the meeting tonight.

The Council reviewed the budget report. Pederson discussed the sewer fund is turning around per recent rate changes. He also noted the electric fund charges for service are down. We are in the middle of a rate study with Missouri River Energy Services over the next couple of months and should be able to answer the question.

It was moved by Evenson, seconded by Collins and carried unanimously to approve the bills and warrants in the amount of \$550,187.53.

It was moved by Evenson, seconded by Collins and carried unanimously to adjourn the Council meeting at 5:53 p.m.

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Mayor

✓

## Special EDA Meeting March 31, 2017

**Members Present:** Rick Horecka, Jon Buyck, Jack Evenson, Sheryl Madden, Stephanie Heinzig, Dan Enderson, and Rob Wolfington.

**Members Absent:** None

**Also Present:** Swift County HRA Director Vicki Syverson, Swift County RDA Director Jen Frost and Greg Langmo.

Chairman Buyck called the meeting to order at 12:05 p.m.

Wolfington called Syverson and Frost to the table. Syverson discussed the hospital has a house the County HRA would like to move from 1705 McKinney to a vacant lot at 313 – 16<sup>th</sup> St. N. owned by the City. Wolfington stated the City would donate the lot to them. Syverson stated there is a shortage of rental units for families, and this house would work well to rent out to qualifying families. She stated the bids to move the house onto a basement were expected to come in at \$75,000, and ended up coming in at \$102,000, which her board said they cannot afford. Her board agreed to pay the \$75,000 if there was help from the City of Benson. Syverson asked for a 7 year deferrable loan for \$25,000, and after 7 years, the balance of the loan would be forgiven. Wolfington stated the revolving loan fund typically isn't used for housing as it's tied to state funds. There was discussion on a loan option. The board agreed Syverson should go ahead with a loan application for the \$25,000.

Wolfington shared that Jen Frost called to his attention some energy legislation effecting Benson Power (formerly Fibrominn). He watched the video of the testimony given a week ago that would allow Excel Energy to buy out Benson Power's investors and close the plant along with a biofuel plant in Hibbing, Minnesota. He explained he met with our lobbyists and went to the State Capitol to lobby to have the legislation taken from the bill.

Wolfington went on to say they met with a couple representatives from Excel, and discussed how they could not talk to us before as they have a confidentiality clause in their contract. Wolfington said they asked if we had a plan "B" if the plant does close. There was discussion about a settlement to return the Benson Power site to pre plant condition, or green space which could cost millions. Wolfington said he heard from the logging and trucking industry which plan to bring 100 semis to the capital in protest as they would lose jobs if the plant shuts down. It is estimated there will be \$800,000 in lost revenue to the City, County and School District if the plant is closed.

Langmo stated he talked to a former plant manager from Benson Power and asked about burning garbage at Benson Power. He said that would not work.

Wolfington said the Council will take action at their Monday meeting whether to go ahead and lobby legislators to try and eliminate the Benson biofuel plant from the current legislation.

After further discussion, it was moved by Heinzig, seconded by Madden and carried unanimously to adjourn the meeting at 1:12 p.m.

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# Benson City Cemetery Board Minutes

## February 21, 2017

### Noon

**Members Present:** Tim Mattheisen, Judy Hoberg, Michelle Lee

**Members Absent:** Greg Zniewski

**Also Present:** Rob Wolfington, Elliot Nelson, Duane Hopp

The meeting was called to order at 12:14 P.M. by Judy Hoberg.

Wolfington discussed the plan for the Cemetery expansion to the north. He presented a drawing of the platt for review and discussion. The plan is to finish the expansion by the end of this summer. After discussion and review it was moved by Mattheisen, seconded by Lee and carried unanimously to approve the platt of the new Cemetery addition as presented.

Nelson discussed making a sample name plate for the columbarium so the public can see what it will look like. He felt Eickhof should engrave it. It can be duplicated by Raush. Cost will run around \$200. The City will have the say on who does the engraving of the faceplates. After discussion it was moved by Lee, seconded by Hoberg and carried unanimously to have Eickhof do the engraving with two names and two date lines.

Benches to go around the columbarium was next. The options are straight benches or curved benches. Elliot had a bid for three curved benches of \$7500. Eickhof had a bid of \$5,546 for 3 curved benches with dimensions of 42" x 18" x 4". After discussion it was moved by Hoberg, seconded by Lee and carried unanimously to approve the three round benches from Eickhof in the amount of \$5,546 to be delivered and installed before Memorial Day.

Nelson updated the board on the new cemetery software. He and Val have been feeding Cemsites with information to start building the program with. We will be able to include a lot of details in this program. Folks trying to locate a grave will be able to go on GPS and locate the grave site. Nelson said the Cemetery will have to be physically walked and verified once it is all done. This will replace the current cemetery registry.

It was noted Pastor Zane has not completed an application for the Cemetery Board. There is one opening on the board.

It was moved by Mattheisen seconded by Hoberg and carried unanimously to approve the December 16, 2016 Cemetery Board Minutes.

There being no other business, it was moved by Lee, seconded by Hoberg and carried unanimously to adjourn the meeting at 12:55 p.m.

# Public Works Report June 5, 2017

## **Electric:**

- DOT project has kept the guys busy but nothing too serious. Things are moving along and we are knocking off little projects here and there as we wait for the project to end.

## **Parks:**

- The guys did a good job of getting everything ready for Memorial Weekend. Cemetery looked nice.
- All summer help is here and now its go go go for the next few months.

## **Water:**

- Gary did a good job getting the pool up and running again. He is going to have a lot of irrigation to fix once this DOT project is over though.
- Russ has been kept busy between one-calls and the DOT project repairs and adjustments.
- Preston Flolo is now on board as our new water/ww operator.

## **Wastewater:**

- The guys emptied and cleaned the digesters.
- WW has helped on a few city projects as needed.
- The MPCA is going to come around and test the DNA of our ww bugs.

## **Streets:**

- They just finished grooming alleys and moved on to hot tarring potholes and cut outs.
- Soon the trucks will be rolling hauling material into the cemetery expansion.

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## Red Rock Hydroelectric Project Update

**May 26, 2017**

### **Flooding causes suspension of upstream work at Red Rock Hydroelectric Project**

Missouri River Energy Services (MRES), on May 25, authorized a controlled flooding of the upstream cofferdam and intake structure excavation at the Red Rock Hydroelectric Project (RRHP). MRES is building the project at the existing Red Rock Dam on the Des Moines River near Pella, Iowa.

MRES authorized the controlled flooding in anticipation of the reservoir level reaching the work platform due to recent rainfalls in the Des Moines River watershed.

The U.S. Army Corps of Engineers (USACE), which is responsible for reservoir control and dam operations, has forecasted that reservoir water levels will rise from 748.5 feet on Thursday, May 25, to 751.5 feet by Tuesday, May 30. The RRHP cofferdam and work platform is at an elevation of 750 feet.

Since flooding of the work site seemed imminent, MRES officials proposed a course of action to suspend upstream work until the flood event is over. The upstream cofferdam is designed to be flooded since the work platform elevation is normally below the reservoir's water level during the months of June and July in an average rainfall year.

An Emergency Task Force, consisting of representatives from MRES, USACE, Ames Construction, and MWH Americas/Stantec, reviewed the proposal and did not oppose the action. Ames Construction, headquartered in Burnsville, Minn., is the general contractor for the project and MWH Americas/Stantec of Chicago, IL is the design engineer.

Work on the intake structure likely will resume in August, but could resume earlier if water levels drop and the long-range weather forecast calls for relatively dry weather.

#####

*For more information about the Red Rock Hydroelectric Project, visit the project website at [www.redrockhydroproject.com](http://www.redrockhydroproject.com) or contact Joni Livingston at Missouri River Energy Services, phone: 605-261-3637 or email: [joni.livingston@mreenergy.com](mailto:joni.livingston@mreenergy.com).*



## Minnesota Pollution Control Agency

520 Lafayette Road North | St. Paul, Minnesota 55155-4194 | 651-296-6300

800-657-3864 | Use your preferred relay service | [info.pca@state.mn.us](mailto:info.pca@state.mn.us) | Equal Opportunity Employer

April 26, 2017

Re: Municipal Permits, Standards and Costs

Dear Mayors, Managers, Clerks, Administrators:

First, I want to sincerely thank you for your partnership and support in efforts to keep our state's waters safe and clean for future generations. The work that your cities have done and continue to do is fundamental in protecting and improving our state's water quality and providing safe and clean water to citizens no matter where they live in our state. Maintenance and investment in infrastructure by your cities, the state, and the federal government have produced measurable improvements in the water quality.

I want to be sure you are aware that a report on the potential costs of water quality standards and rules was recently completed in response to a 2015 legislative directive to Minnesota Management and Budget. That report is available here: <https://mn.gov/mmb-stat/documents/budget/barr-engineering-cost-of-water-quality-standards-report.pdf>. I know that the costs of complying with current and future water quality standards, magnified by the costs of addressing aging water infrastructure, is of significant concern to municipalities. This report has understandably underscored that concern.

I fully understand and appreciate the potential costs faced by communities to upgrade wastewater treatment facilities due to new water quality standards and maintenance needs. Indeed, this understanding has led to the Governor's bonding proposal for \$167 million in funding to the Public Facilities Authority for water and wastewater infrastructure grants and loans. As I am sure you know, funding alone is not enough. We also need to explore every opportunity to minimize costs and ensure that the steps we are collectively taking to address water quality problems are an effective use of public and private funds.

I would like to highlight two examples of how we are doing just that at the Minnesota Pollution Control Agency (MPCA). The first involves chloride impacts to lakes and streams. If you look at the cost report referenced above, a significant portion – in many cases up to two-thirds – of the costs associated with meeting water quality standards are due to chloride treatment. The chloride standard is not a new standard; it was adopted into Minnesota Rules in 1990 to protect aquatic insects from chloride toxicity. However, the currently available treatment technology to remove chloride is cost-prohibitive for most Minnesota wastewater treatment facilities. To address this economic and technological reality, we have convened a work group of municipal representatives, consultants and agency staff to develop an approach in response to this conclusion. That group presented their recommendations to the Agency Advisory Committee on April 18, 2017. I welcome those recommendations, and am committed to implementing a cost-effective approach.

The second example is the implementation of the river eutrophication standard (RES). Much has been said and assumed about the costs to municipalities to meet these requirements. Let us look at the reality of what has happened to date: since the adoption of the standards in 2014, MPCA has issued 27 permits with RES-based limits.

This amounts to nearly 25% of the municipal wastewater permits we estimate will need RES-based limits to protect rivers and streams from the impacts of excess nutrients. Of those 27 permits, only five have required facility upgrades to meet the RES; in no cases have we established an RES-based limit that equates to a phosphorus concentration of less than 0.5 mg/L. While we expect that a few wastewater facilities may need more stringent limits, our experience thus far indicates that this situation will not be common.

We also know from your responses to the Wastewater Infrastructure Needs Survey and the Project Priority List that the costs to meet new water quality standards are only 7 to 10 percent of the overall wastewater infrastructure needs facing Minnesota. The vast majority of projected capital costs are being driven by the need to replace aging infrastructure.

With that said, we recognize that facility upgrades are a big deal for Minnesota communities, regardless of what is driving the costs. I am committed to finding creative and flexible approaches to meet our mutual water quality goals at the least cost. We continue to explore all the tools at our disposal including water quality trading; compliance schedules, variances and innovation, and we welcome your input and partnership in that effort.

I appreciate this opportunity to discuss the reality of the wastewater and water infrastructure costs facing Minnesota municipalities, and to share just a couple examples of steps MPCA is taking to help address cost concerns. I want to stress that MPCA remains committed to working with each and every city to craft a permitting approach that is cost effective, tailored to the city's needs, and reaches our shared clean water goals. For my part, and at the MPCA, we value your partnership in this important endeavor, and we stand ready to work with you individually and collectively to find the right solutions. Please do not hesitate to contact Wendy Turri, MPCA Municipal Wastewater Section Manager (507-206-2651 or [wendy.turri@state.mn.us](mailto:wendy.turri@state.mn.us)) at any time to share your input or ideas, or arrange a meeting to further discuss your individual situation. I want to assure you that Wendy will keep me informed and that our response to you will be timely.

Sincerely,



John Linc Stine  
Commissioner

JLS:cbg

Heady up:

May 26, 17

Benson has an application for funds in MPCA for wastewater infrastructure and w/ participated in last survey - Jim also said this letter was written in response to CGMC promise to reduce cost of compliance -

NO Action Required

Rob





CONNECTING & INNOVATING  
SINCE 1913

May 19, 2017

Dear Mayors and Administrators,

We hope that all is well as your city transitions to the summer season, and prepares for warm weather activities and services (put the snowplows away for a few months!).

We are pleased to let you know that the League of Minnesota Cities Board of Directors voted at its May meeting to set a maximum member dues schedule increase of zero percent (or, no dues increase) for the League's 2018 fiscal year that runs from September 1, 2017 through August 31, 2018. This would be the first time that dues have been held flat since 2012.

Similar to how your city sets its preliminary levy increase, the League's final dues schedule cannot be higher than the maximum that is set. Please note, though, that while there is no proposed dues increase you may still see a slight increase or decrease in dues based on any shifts in your city's population (to learn more about how your dues are calculated, visit [www.lmc.org/dues](http://www.lmc.org/dues)). A final decision on annual dues will be determined by the Board when it meets on July 20 to approve the FY 2018 budget.

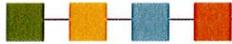
The League's financial position allows us to consider this action that will provide some budget relief for members, while allowing us to seamlessly continue delivering the nearly 90 programs and services you rely on to effectively govern and manage your city. Those programs and services include: advocacy at the Capitol; training on the basics for new officials and staff as well as future-focused topics; and analysis and guidance on laws, statutes, and hot-button topics like public safety and technology among many others.

Our unwavering commitment is to provide premier service that responds to the changing needs of members and to be recognized as the trusted, authoritative, and unified voice on issues affecting all cities. We take our responsibility to carefully manage member assets very seriously, and we thank you for your continued support of our work.

If you have any questions or comments about how we can better serve your needs, please feel free to call or email Dave Unmacht at (651) 281-1205 or [dunmacht@lmc.org](mailto:dunmacht@lmc.org). And, if you find yourself in St. Paul this summer, we hope that you stop by for a cup of coffee or a conversation.

  
Rhonda Pownell  
League of Minnesota Cities President,  
Mayor, City of Northfield

  
David J. Unmacht  
Executive Director,  
League of Minnesota Cities



# Tax Increment Financing District Overview

## City of Benson

### Tax Increment Financing District No. 7

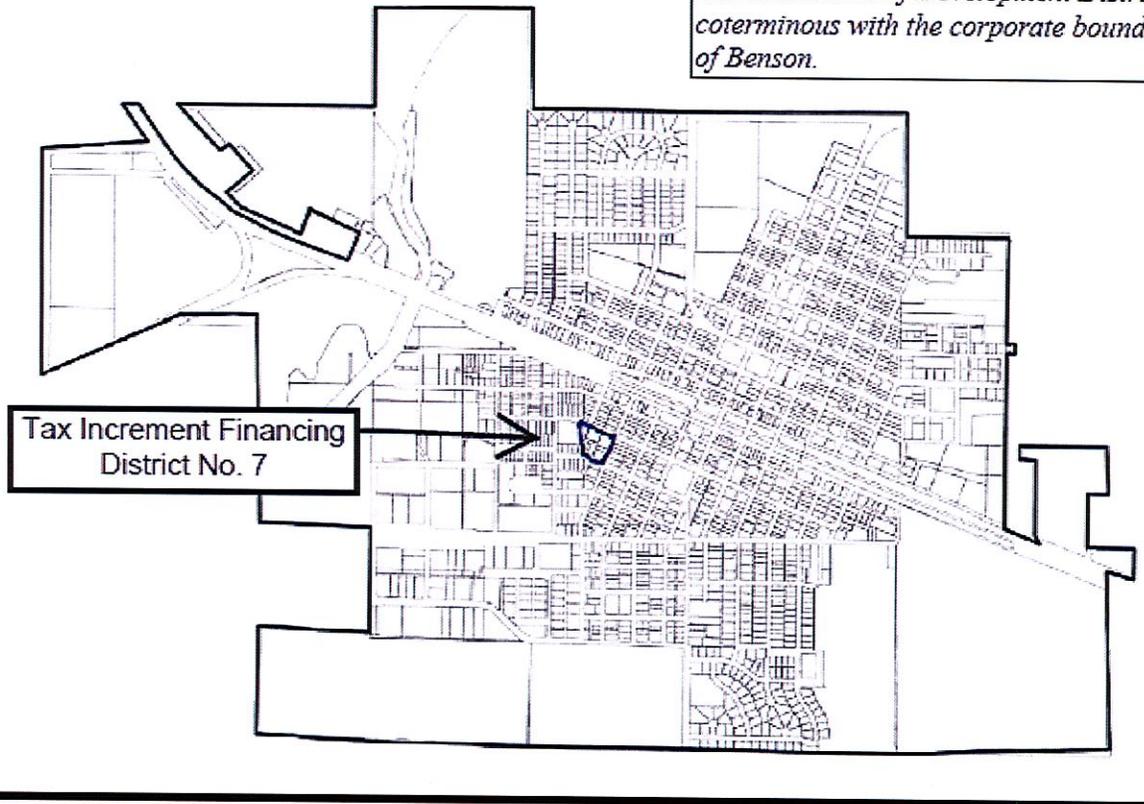
The following summary contains an overview of the basic elements of the Tax Increment Financing Plan for Tax Increment Financing District No. 7. More detailed information on each of these topics can be found in the complete Tax Increment Financing Plan.

Proposed action:	Establishment of Tax Increment Financing District No. 7 (the "District") and the adoption of a Tax Increment Financing Plan (the "TIF Plan").	
	Establishment of Development District No. 4 and the adoption of a Development Program.	
Type of TIF District:	An housing district	
Parcel Numbers:	23-0426-000	23-0430-000
	23-0431-000	23-0432-000
	23-0432-200	
Proposed Development:	The District is being created to facilitate infrastructure necessary to support the construction of approximately 54 units of assisted living, memory care, and enhanced assisted living in the City. Please see Appendix A of the TIF Plan for a more detailed project description.	
Maximum duration:	The duration of the District will be 25 years from the date of receipt of the first increment (26 years of increment). The City expects the date of first tax increment to be 2020. It is estimated that the District, including any modifications of the TIF Plan for subsequent phases or other changes, would terminate after December 31, 2045, or when the TIF Plan is satisfied.	
Estimated annual tax increment:	Up to \$261,980	
Authorized uses:	The TIF Plan contains a budget that authorizes the maximum amount that may be expended:	
	Land/Building Acquisition .....	\$750,000
	Site Improvements/Preparation .....	\$600,000
	Utilities .....	\$1,675,000
	Other Qualifying Improvements .....	\$250,000
	Administrative Costs (up to 10%) .....	\$527,500
	<b>PROJECT COSTS TOTAL .....</b>	<b>\$3,802,500</b>
	<u>Interest .....</u>	<u>\$2,000,000</u>
	<b>PROJECT COSTS TOTAL .....</b>	<b>\$5,802,500</b>
	See Subsection 1-10, on page 1-5 of the TIF Plan for the full budget authorization.	
Form of financing:	The project is proposed to be financed by a bond issue and/or interfund loan.	
Administrative fee:	Up to 10% of annual increment, if costs are justified.	

Interfund Loan Requirement:	If the City wants to pay for administrative expenditures from a tax increment fund, it is recommended that a resolution authorizing a loan from another fund be passed <i>PRIOR</i> to the issuance of the check.
4 Year Activity Rule (§ 469.176 Subd. 6)	<p>After four years from the date of certification of the District one of the following activities must have been commenced on each parcel in the District:</p> <ul style="list-style-type: none"> <li>• Demolition</li> <li>• Rehabilitation</li> <li>• Renovation</li> <li>• Other site preparation (not including utility services such as sewer and water)</li> </ul> <p>If the activity has not been started by approximately May 2020, no additional tax increment may be taken from that parcel until the commencement of a qualifying activity.</p>

The reasons and facts supporting the findings for the adoption of the TIF Plan for the District, as required pursuant to *M.S., Section 469.175, Subd. 3*, are included in Exhibit A of the City resolution.

*The boundaries of Development District No. 4 shall be coterminous with the corporate boundaries of the City of Benson.*



**Tax Increment Financing District No. 7  
Development District No. 4**

City of Benson  
Swift County, Minnesota



*As of May 25, 2017  
Draft for Public Hearing*

**Development Program  
for the establishment of  
Development District No. 4**

City of Benson  
Swift County  
State of Minnesota

Public Hearing: June 5, 2017  
Adopted:



**EHLERS**

Prepared by: EHLERS & ASSOCIATES, INC.  
3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105  
(651) 697-8500 fax: (651) 697-8555 [www.ehlers-inc.com](http://www.ehlers-inc.com)

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(for reference purposes only)

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## **Municipal Action Taken**

(This Municipal Action is only for convenience of reference.)

Based upon the statutory authority described in the Development Program attached hereto, the public purpose findings by the City Council and for the purpose of fulfilling the City's development objectives as set forth in the Development Program, the City Council has created, established and designated Development District No. 4 pursuant to and in accordance with the requirements of the Municipal Development District Act and the TIF Act as defined in the definitions of this document.

Tax Increment Financing District No. 7, a housing tax increment financing district, was established at the same time that the Development District No. 4 was established.

The following municipal action was taken in connection therewith:

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### **Development District No. 4:**

June 5, 2017: The Development Program for Development District No. 4 was adopted by the City in and for the City of Benson.

### **Tax Increment Financing District No. 7:**

June 5, 2017: The Tax Increment Financing Plan for Tax Increment Financing District No. 7 was adopted by the City in and for the City of Benson.

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**Section 1 - Development Program  
for Development District No. 4**

**Subsection 1-1. Definitions**

The terms defined below shall, for purposes of this Development Program, have the meanings herein specified, unless the context otherwise specifically requires.

"City" means the City of Benson.

"City Council" means the City Council of the City of Benson.

"Comprehensive Plan" means the documents which contain the objectives, policies, standards and programs to guide public and private land use, development, redevelopment and preservation for all lands and water within the City.

"County" means the County of Swift County, Minnesota.

"Enabling Act" means Minnesota Statutes, 469.124 to 469.133, as amended and supplemented from time to time.

"Development District" means the real property within the City constituting the Development District No. 4, as described in the Development Program.

"Development Program" means this Development Program for Development District No. 4, as initially proposed, and as it shall be modified.

"Land Use Regulations" means all federal, state and local laws, rules, regulations, ordinances, and plans relating to or governing the use of development of land in the City, including but not limited to environmental, zoning and building code laws and regulations.

"Municipal Development District Act" means Minnesota Statutes, 469.124 to 469.133, inclusive, as amended.

"Public Costs" means the costs set forth in the Tax Increment Financing Plan, and any other costs eligible to be financed by Tax Increments under the TIF Act or the Municipal Development District Act.

"Public Improvements" means the public improvements described in the Development Program and Tax Increment Financing Plan.

"State" means the State of Minnesota.

"Tax Increment Bonds" means any tax increment bonds or notes issued by the City to finance the Public Costs as stated in the Development Program for Development District No. 4 and in the Tax Increment Financing Plans, and any obligations issued to refund such bonds.

"TIF Act" means Minnesota Statutes, Sections 479.174 through 479.1794, inclusive, as amended.

"Tax Increment Financing District" means any tax increment financing district presently established or

to be established in the future in Development District No. 4.

"Tax Increment Financing Plan" or "Plan" means the Plans adopted by the City for any Tax Increment Financing District.

### **Subsection 1-2. Statutory Authority**

The City established Development District No. 4 pursuant to the Municipal Development District Act. It is authorized that the City will administer the Development District No. 4 and any tax increment financing districts.

Within the Development District No. 4, the City plans to create one or more tax increment financing districts established pursuant to the Tax Increment Act to finance the public improvements proposed for the Development District. The public improvements may be initially financed from other City sources, including, but not limited to the use of improvement bonds issued pursuant to Minnesota Statutes, Chapter 429, which sources the City may reimburse from tax increment proceeds derived from tax increment districts to be created with the Development District No. 4.

The tax increment district or districts will be created at such time as will enable the City to capture the increase in taxable value of private improvements to be constructed within the Development District No. 4.

### **Subsection 1-3. Statement of and Finding of Public Purpose**

In recent months, the City has been reviewing the future development of the community. This review has defined several important roles for the City of Benson.

- Facilitating development activities that are compatible with overall community development objectives of the City.
- Removing the physical and economic barriers to development.
- Providing the infrastructure needed to support development.
- Providing sites for future development.

The City intends to use the powers allowed under the Enabling Act to fill these roles, to promote development and redevelopment throughout the City, and to pool resources in order to reduce financial barriers to providing decent housing and development and redevelopment opportunities.

The City has found that there is a need for development and redevelopment within the Development District based upon the following conditions:

1. The Development District contains numerous parcels containing buildings or improvements which, by reason of dilapidation, obsolescence, overcrowding, faulty arrangement or design, lack of ventilation, light and sanitary facilities, excessive land coverage, deleterious land use or obsolete layout, and a combination of these and other factors is detrimental to the safety, health, morals or welfare of the community.
2. The Development District suffers from a lack of necessary streets, utilities and site improvements

essential to preparing and making sites available for meaningful development.

3. The Development District requires active promotion, attraction, encouragement and development of economically sound commerce through government action for the purpose of preventing emergence and continuation of blight and the occurrence of conditions requiring redevelopment
4. The Development District contains vacant, unused, underused and inappropriately used land.

Therefore, the City has determined to exercise its authority to develop a program for improving the Development District to provide impetus for private development and redevelopment, to provide decent housing to residents, to maintain and increase employment, to provide infrastructure to serve citizens and employees of the City, to utilize existing land for potential redevelopment and to provide other facilities as are outlined in the Development Program.

The City has also determined that proposed developments to be assisted by the City would not occur solely through private investment in the foreseeable future. The City finds that the welfare of the City, as well as the State of Minnesota, requires active promotion, attraction, encouragement and development of economically sound industry and commerce to carry out its stated public purpose objectives.

The City has also determined that any tax increment financing plans to be proposed herein will be consistent with the Development Program, and that the tax increment financing plans will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development or redevelopment of the Development District by private enterprise.

#### **Subsection 1-4. Statement of Objectives**

The City determines that it is necessary, desirable and in the public interest to establish, designate, develop and administer the Development District. The City determines that the establishment of Development District No. 4 will provide the City with the ability to achieve certain public purpose objectives not otherwise obtainable in the foreseeable future without City intervention in the normal development process. The City seeks to achieve the following program objectives:

1. Promoting and securing the prompt development of property in the Development District in a manner consistent with the City's planning and with a minimal adverse impact on the environment, which property is less productive because of the lack of proper utilization and lack of investment, and thereby promoting and securing the development of other land in the City;
2. Promoting and securing additional employment opportunities within the Development District and the City for residents of the City and the surrounding area, thereby improving living standards and preventing unemployment and the loss of skilled and unskilled labor and other human resources in the City;
3. Securing the increase in value of property subject to taxation by the City, Independent School District No. 777 and Swift County, and any other taxing jurisdictions in order to better enable such entities to pay for public improvements and governmental services and programs required to be provided by them;
4. Securing the construction and providing of moneys for the payment of the cost of public improvements in the Development District, which are necessary for the orderly and beneficial

development of the Development District; and

5. Providing and securing the development of increased opportunities for families to reside in quality owner-occupied housing, for senior citizens to choose from housing options which offer a wide array of services without regard to income, and for residents looking for a wide range of multi-family units.

#### **Subsection 1-5. Statement of Public Facilities and Costs to Be Financed**

The preceding objectives will be promoted by providing improvements and opportunities within the Development District which may include various types of site improvements, land acquisition, redevelopment, demolition, parking, street, sewer, water and other public improvements. A description of the items of expenditure and the estimated costs can be found in the Tax Increment Financing Plans for the Tax Increment Financing Districts created within this Development District.

#### **Subsection 1-6. Funding of Developments and Redevelopments**

To implement the established objectives, the City plans to utilize a number of public and private financing tools. Funding of the necessary activities and improvements in the Development District is expected to be accomplished through, and is not limited to, tax increment financing, special assessments, state aid for road construction, proceeds from the sale of property, and federal and state grants.

Any public facilities within the Development District will be financially feasible and compatible with longer range development plans. Any acquisition of property for the public improvements will be done to provide the impetus for private development within the Development District.

#### **Subsection 1-7. Environmental Controls**

All municipal actions, public improvements and private development shall be carried out in a manner consistent with existing environmental controls and all applicable Land Use regulations.

#### **Subsection 1-8. Proposed Reuse of Property**

The Development Program contemplates that the City may acquire property and reconvey the same to another entity. Prior to formal consideration of the acquisition of any property, the City will require the execution of a binding development agreement with respect thereto and evidence that Tax Increments or other funds will be available to repay the Public Costs associated with the proposed acquisition. It is the intent of the City to negotiate the acquisition of property whenever possible. Appropriate restrictions regarding the reuse and redevelopment of property shall be incorporated into any development agreement to which the City is a party.

#### **Subsection 1-9. Open Space to Be Created**

Any open space within the Development District will be created in accordance with the zoning and ordinances of the City.

#### **Subsection 1-10. Administration and Maintenance of Development District No. 4**

Maintenance and operation of the Development District will be the responsibility of the City Manager. Each year, the administrator of the Development District will submit to the City Council the maintenance and

operation budget for the following year.

The administrator of the Development District will administer the Development District pursuant to the provision of the Enabling Act; provided, however, that such powers may only be exercised at the direction of the City. No action taken by the administrator of the Development District pursuant to the above-mentioned powers shall be effective without authorization by the City.

**Subsection 1-11. Rehabilitation**

Owners of properties within the Development District may be encouraged to rehabilitate their properties to conform with the applicable state and local codes and ordinances, as well as any design standards. Persons who purchase property within the Development District from the City may be required to rehabilitate their properties as a condition of sale of land. The City may provide such rehabilitation assistance as may be available from federal, state or local sources.

**Subsection 1-12. Relocation**

Any person or business that is displaced as a result of the Development Program will be relocated in accordance with Minnesota Statutes, Section 117.50 to 117.56. The City accepts its responsibility for providing for relocation assistance pursuant to the Enabling Act.

**Subsection 1-13. Property Acquisition**

The City intends to acquire such property, or appropriate interest therein, within the Development District as the Authority may deem to be necessary or desirable to assist in the implementation of the Development Program.

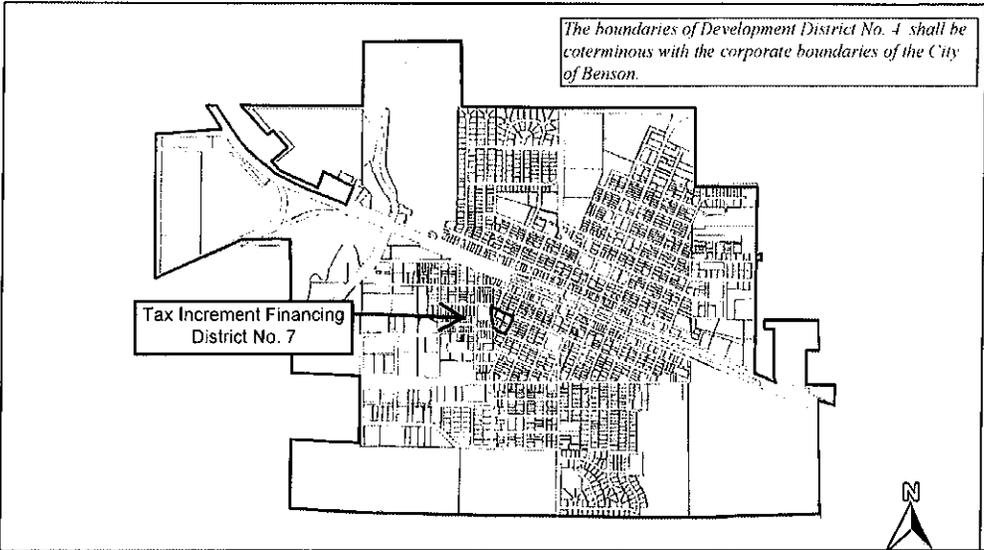
**Subsection 1-14. Modification of the Development Program and/or Development District No. 4**

The City reserves the right to alter and amend the Development Program and the Tax Increment Financing Plans, subject to the provisions of state law regulating such action. The City specifically reserves the right to enlarge or reduce the size of the Development District and the Tax Increment Financing District, the Development Program, the Public Costs and the amount of Tax Increment Bonds to be issued to finance such cost by following the procedures specified in Minnesota Statutes, Section 469.175, subdivision 4.

**Subsection 1-15. Description of Boundaries of Development District No. 4**

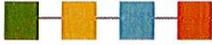
The boundaries of the Development District shall be coterminous with the boundaries of the City of Benson.

Appendix A  
Boundary Map of Development District No. 4



**Tax Increment Financing District No. 7  
Development District No. 4**

City of Benson  
Swift County, Minnesota



*As of May 17, 2017  
Draft for Public Hearing*

**Tax Increment Financing Plan**  
**for the establishment of**  
**Tax Increment Financing District No. 7**  
**(a housing district)**  
**within**  
**Development District No. 4**

City of Benson  
Swift County  
State of Minnesota

Public Hearing: June 5, 2017  
Adopted:



**EHLERS**

Prepared by: EHLERS & ASSOCIATES, INC.  
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(for reference purposes only)

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## **Section 1 - Tax Increment Financing Plan for Tax Increment Financing District No. 7**

### **Subsection 1-1. Foreword**

The City of Benson (the "City"), staff and consultants have prepared the following information to expedite the establishment of Tax Increment Financing District No. 7 (the "District"), a housing tax increment financing district, located in Development District No. 4.

### **Subsection 1-2. Statutory Authority**

Within the City, there exist areas where public involvement is necessary to cause development or redevelopment to occur. To this end, the City has certain statutory powers pursuant to *Minnesota Statutes ("M.S."), Sections 469.124 to 469.133*, inclusive, as amended, and *M.S., Sections 469.174 to 469.1794*, inclusive, as amended (the "Tax Increment Financing Act" or "TIF Act"), to assist in financing public costs related to this project.

This section contains the Tax Increment Financing Plan (the "TIF Plan") for the District. Other relevant information is contained in the Modification to the Development Program for Development District No. 4.

### **Subsection 1-3. Statement of Objectives**

The District currently consists of five parcels of land and adjacent and internal rights-of-way. The District is being created to provide public infrastructure for the construction of approximately 54 units of assisted living, memory care, and enhanced assisted living in the City. Please see Appendix A for further District information. The City has not entered into an agreement or designated a developer at the time of preparation of this TIF Plan, but development is likely to begin in the Fall of 2017. This TIF Plan is expected to achieve many of the objectives outlined in the Development Program for Development District No. 4.

The activities contemplated in the Modification to the Development Program and the TIF Plan do not preclude the undertaking of other qualified development or redevelopment activities. These activities are anticipated to occur over the life of Development District No. 4 and the District.

### **Subsection 1-4. Development Program Overview**

1. Property to be Acquired - Selected property located within the District may be acquired by the City and is further described in this TIF Plan.
2. Relocation - Relocation services, to the extent required by law, are available pursuant to *M.S., Chapter 117* and other relevant state and federal laws.
3. Upon approval of a developer's plan relating to the project and completion of the necessary legal requirements, the City may sell to a developer selected properties that it may acquire within the District or may lease land or facilities to a developer.
4. The City may perform or provide for some or all necessary acquisition, construction, relocation, demolition, and required utilities and public street work within the District.

### **Subsection 1-5. Description of Property in the District and Property To Be Acquired**

The District encompasses all property and adjacent rights-of-way and abutting roadways identified by the parcels listed in Appendix C of this TIF Plan. Please also see the map in Appendix B for further information on the location of the District.

The City may acquire any parcel within the District including interior and adjacent street rights of way. Any properties identified for acquisition will be acquired by the City only in order to accomplish one or more of the following: storm sewer improvements; provide land for needed public streets, utilities and facilities; carry out land acquisition, site improvements, clearance and/or development to accomplish the uses and objectives set forth in this plan. The City may acquire property by gift, dedication, condemnation or direct purchase from willing sellers in order to achieve the objectives of this TIF Plan. Such acquisitions will be undertaken only when there is assurance of funding to finance the acquisition and related costs.

### **Subsection 1-6. Classification of the District**

The City, in determining the need to create a tax increment financing district in accordance with *M.S., Sections 469.174 to 469.1794*, as amended, inclusive, finds that the District, to be established, is a housing district pursuant to *M.S., Section 469.174, Subd. 11 and M.S., Section 469.1761* as defined below:

*M.S., Section 469.174, Subd.11:*

*"Housing district" means a type of tax increment financing district which consists of a project, or a portion of a project, intended for occupancy, in part, by persons or families of low and moderate income, as defined in chapter 462A, Title II of the National Housing Act of 1934, the National Housing Act of 1959, the United States Housing Act of 1937, as amended, Title V of the Housing Act of 1949, as amended, any other similar present or future federal, state, or municipal legislation, or the regulations promulgated under any of those acts, and that satisfies the requirements of M.S., Section 469.1761. Housing project means a project, or portion of a project, that meets all the qualifications of a housing district under this subdivision, whether or not actually established as a housing district.*

*M.S., Section 469.1761:*

*Subd. 1. Requirement imposed.*

*(a) In order for a tax increment financing district to qualify as a housing district:*

*(1) the income limitations provided in this section must be satisfied; and*

*(2) no more than 20 percent of the square footage of buildings that receive assistance from tax increments may consist of commercial, retail, or other nonresidential uses.*

*(b) The requirements imposed by this section apply to property receiving assistance financed with tax increments, including interest reduction, land transfers at less than the authority's cost of acquisition, utility service or connections, roads, parking facilities, or other subsidies. The provisions of this section do not apply to districts located within a targeted area as defined in Section 462C.02 Subd 9, clause (e).*

*(c) For purposes of the requirements of paragraph (a), the authority may elect to treat an addition to an existing structure as a separate building if:*

(1) construction of the addition begins more than three years after construction of the existing structure was completed; and

(2) for an addition that does not meet the requirements of paragraph (a), clause (2), if it is treated as a separate building, the addition was not contemplated by the tax increment financing plan which includes the existing structure.

*Subd. 2. Owner occupied housing.*

*For owner occupied residential property, 95 percent of the housing units must be initially purchased and occupied by individuals whose family income is less than or equal to the income requirements for qualified mortgage bond projects under section 143(f) of the Internal Revenue Code.*

*Subd. 3. Rental property.*

*For residential rental property, the property must satisfy the income requirements for a qualified residential rental project as defined in section 142(d) of the Internal Revenue Code. The requirements of this subdivision apply for the duration of the tax increment financing district.*

*Subd. 4. Noncompliance; enforcement.*

*Failure to comply with the requirements of this section is subject to M.S., Section 469.1771.*

In meeting the statutory criteria the City relies on the following facts and findings:

- The District consists of five parcels.
- The development will consist of 54 units of multi-family rental housing
- 20% of the units will be occupied by person with incomes less than 50% of median income or 40% of the units will be occupied by person with incomes less than 60% of median income (To be determined prior to public hearing)

Pursuant to *M.S., Section 469.176, Subd. 7*, the District does not contain any parcel or part of a parcel that qualified under the provisions of *M.S., Sections 273.111, 273.112, or 273.114 or Chapter 473H* for taxes payable in any of the five calendar years before the filing of the request for certification of the District.

### **Subsection 1-7. Duration and First Year of Tax Increment of the District**

Pursuant to *M.S., Section 469.175, Subd. 1, and Section 469.176, Subd. 1*, the duration and first year of tax increment of the District must be indicated within the TIF Plan. Pursuant to *M.S., Section 469.176, Subd. 1b.*, the duration of the District will be 25 years after receipt of the first increment by the City (a total of 26 years of tax increment). The City elects to receive the first tax increment in 2020 which is no later than four years following the year of approval of the District. Thus, it is estimated that the District, including any modifications of the TIF Plan for subsequent phases or other changes, would terminate after 2045, or when the TIF Plan is satisfied. The City reserves the right to decertify the District prior to the legally required date.

### **Subsection 1-8. Original Tax Capacity, Tax Rate and Estimated Captured Net Tax Capacity Value/Increment and Notification of Prior Planned Improvements**

Pursuant to *M.S., Section 469.174, Subd. 7 and M.S., Section 469.177, Subd. 1*, the Original Net Tax Capacity (ONTC) as certified for the District will be based on the market values placed on the property by the assessor in 2017 for taxes payable 2018.

Pursuant to *M.S., Section 469.177, Subds. 1 and 2*, the County Auditor shall certify in each year (beginning in the payment year 2020) the amount by which the original value has increased or decreased as a result of:

1. Change in tax exempt status of property;
2. Reduction or enlargement of the geographic boundaries of the district;
3. Change due to adjustments, negotiated or court-ordered abatements;
4. Change in the use of the property and classification;
5. Change in state law governing class rates; or
6. Change in previously issued building permits.

In any year in which the current Net Tax Capacity (NTC) value of the District declines below the ONTC, no value will be captured and no tax increment will be payable to the City.

The original local tax rate for the District will be the local tax rate for taxes payable 2018, assuming the request for certification is made after June 30, 2017 and before June 30, 2018. The ONTC and the Original Local Tax Rate for the District appear in the table below.

Pursuant to *M.S., Section 469.174 Subd. 4 and M.S., Section 469.177, Subd. 1, 2, and 4*, the estimated Captured Net Tax Capacity (CTC) of the District, within Development District No. 4, upon completion of the projects within the District, will annually approximate tax increment revenues as shown in the table below. The City requests 100 percent of the available increase in tax capacity for repayment of its obligations and current expenditures, beginning in the tax year payable 2020. The Project Tax Capacity (PTC) listed is an estimate of values when the projects within the District are completed.

<b>Project Estimated Tax Capacity upon Completion (PTC)</b>	<b>\$214,388</b>	
<b>Original Estimated Net Tax Capacity (ONTC)</b>	<b>\$13,423</b>	
<b>Estimated Captured Tax Capacity (CTC)</b>	<b>\$200,965</b>	
<b>Original Local Tax Rate</b>	<b>1.30361</b>	Pay 2017
<b>Estimated Annual Tax Increment (CTC x Local Tax Rate)</b>	<b>\$261,980</b>	
<b>Percent Retained by the City</b>	<b>100%</b>	

Tax capacity includes a 2% inflation factor for the duration of the District. The tax capacity included in this chart is the estimated tax capacity of the District in year 25. The project tax capacity of the District in year one is estimated to be \$130,676.

Pursuant to *M.S., Section 469.177, Subd. 4*, the City shall, after a due and diligent search, accompany its request for certification to the County Auditor or its notice of the District enlargement pursuant to *M.S., Section 469.175, Subd. 4*, with a listing of all properties within the District or area of enlargement for which building permits have been issued during the eighteen (18) months immediately preceding approval of the TIF Plan by the municipality pursuant to *M.S., Section 469.175, Subd. 3*. The County Auditor shall increase the original net tax capacity of the District by the net tax capacity of improvements for which a building permit was issued.

**The City has reviewed the area to be included in the District and found no parcels for which building permits have been issued during the 18 months immediately preceding approval of the TIF Plan by the City.**

**Subsection 1-9. Sources of Revenue/Bonds to be Issued**

The costs outlined in the Uses of Funds will be financed primarily through the annual collection of tax increments. The City reserves the right to incur bonds or other indebtedness as a result of the TIF Plan. As presently proposed, the projects within the District will be financed by a bond issue and/or and interfund loan. Any refunding amounts will be deemed a budgeted cost without a formal TIF Plan Modification. This provision does not obligate the City to incur debt. The City will issue bonds or incur other debt only upon the determination that such action is in the best interest of the City.

The total estimated tax increment revenues for the District are shown in the table below:

<u>SOURCES OF FUNDS</u>	<u>TOTAL</u>
Tax Increment	\$5,275,000
<u>Interest</u>	<u>\$527,500</u>
<b>TOTAL</b>	<b>\$5,802,500</b>

The City may issue bonds (as defined in the TIF Act) secured in whole or in part with tax increments from the District in a maximum principal amount of \$3,900,000. Such bonds may be in the form of pay-as-you-go notes, revenue bonds or notes, general obligation bonds, or interfund loans. This estimate of total bonded indebtedness is a cumulative statement of authority under this TIF Plan as of the date of approval.

**Subsection 1-10. Uses of Funds**

Currently under consideration for the District is a proposal to facilitate the construction of approximately 54 units of assisted living, memory care, and enhanced assisted living. The City has determined that it will be necessary to provide assistance to the project(s) for certain District costs, as described. The City has studied the feasibility of the development or redevelopment of property in and around the District. To facilitate the establishment and development or redevelopment of the District, this TIF Plan authorizes the use of tax increment financing to pay for the cost of certain eligible expenses. The estimate of public costs and uses of funds associated with the District is outlined in the following table.

<u>USES OF TAX INCREMENT FUNDS</u>	<u>TOTAL</u>
Land/Building Acquisition	\$750,000
Site Improvements/Preparation	\$600,000
Utilities	\$1,675,000
Other Qualifying Improvements	\$250,000
<u>Administrative Costs (up to 10%)</u>	<u>\$527,500</u>
<b>PROJECT COST TOTAL</b>	<b>\$3,802,500</b>
<u>Interest</u>	<u>\$2,000,000</u>
<b>PROJECT AND INTEREST COSTS TOTAL</b>	<b>\$5,802,500</b>

The total project cost, including financing costs (interest) listed in the table above does not exceed the total projected tax increments for the District as shown in Subsection 2-9.

Estimated costs associated with the District are subject to change among categories without a modification to this TIF Plan. The cost of all activities to be considered for tax increment financing will not exceed, without formal modification, the budget above pursuant to the applicable statutory requirements. The City may expend funds for qualified housing activities outside of the District boundaries.

### **Subsection 1-11. Business Subsidies**

Pursuant to *M.S., Section 116J.993, Subd. 3*, the following forms of financial assistance are not considered a business subsidy:

- (1) A business subsidy of less than \$150,000;
- (2) Assistance that is generally available to all businesses or to a general class of similar businesses, such as a line of business, size, location, or similar general criteria;
- (3) Public improvements to buildings or lands owned by the state or local government that serve a public purpose and do not principally benefit a single business or defined group of businesses at the time the improvements are made;
- (4) Redevelopment property polluted by contaminants as defined in *M.S., Section 116J.552, Subd. 3*;
- (5) Assistance provided for the sole purpose of renovating old or decaying building stock or bringing it up to code and assistance provided for designated historic preservation districts, provided that the assistance is equal to or less than 50% of the total cost;
- (6) Assistance to provide job readiness and training services if the sole purpose of the assistance is to provide those services;
- (7) Assistance for housing;
- (8) Assistance for pollution control or abatement, including assistance for a tax increment financing hazardous substance subdistrict as defined under *M.S., Section 469.174, Subd. 23*;
- (9) Assistance for energy conservation;
- (10) Tax reductions resulting from conformity with federal tax law;
- (11) Workers' compensation and unemployment compensation;
- (12) Benefits derived from regulation;
- (13) Indirect benefits derived from assistance to educational institutions;
- (14) Funds from bonds allocated under chapter 474A, bonds issued to refund outstanding bonds, and bonds issued for the benefit of an organization described in section 501 (c) (3) of the Internal Revenue Code of 1986, as amended through December 31, 1999;
- (15) Assistance for a collaboration between a Minnesota higher education institution and a business;
- (16) Assistance for a tax increment financing soils condition district as defined under *M.S., Section 469.174, Subd. 19*;
- (17) Redevelopment when the recipient's investment in the purchase of the site and in site preparation is 70 percent or more of the assessor's current year's estimated market value;
- (18) General changes in tax increment financing law and other general tax law changes of a principally technical nature;
- (19) Federal assistance until the assistance has been repaid to, and reinvested by, the state or local government agency;
- (20) Funds from dock and wharf bonds issued by a seaway port authority;
- (21) Business loans and loan guarantees of \$150,000 or less;
- (22) Federal loan funds provided through the United States Department of Commerce, Economic Development Administration; and
- (23) Property tax abatements granted under *M.S., Section 469.1813* to property that is subject to valuation under Minnesota Rules, chapter 8100.

The City will comply with *M.S., Sections 116J.993 to 116J.995* to the extent the tax increment assistance under this TIF Plan does not fall under any of the above exemptions.

**Subsection 1-12. County Road Costs**

Pursuant to *M.S., Section 469.175, Subd. 1a*, the county board may require the City to pay for all or part of the cost of county road improvements if the proposed development to be assisted by tax increment will, in the judgment of the county, substantially increase the use of county roads requiring construction of road improvements or other road costs and if the road improvements are not scheduled within the next five years under a capital improvement plan or within five years under another county plan.

If the county elects to use increments to improve county roads, it must notify the City within forty-five days of receipt of this TIF Plan. In the opinion of the City and consultants, the proposed development outlined in this TIF Plan will have little or no impact upon county roads, therefore the TIF Plan was not forwarded to the county 45 days prior to the public hearing. The City is aware that the county could claim that tax increment should be used for county roads, even after the public hearing.

**Subsection 1-13. Estimated Impact on Other Taxing Jurisdictions**

The estimated impact on other taxing jurisdictions assumes that the redevelopment contemplated by the TIF Plan would occur without the creation of the District. However, the City has determined that such development or redevelopment would not occur "but for" tax increment financing and that, therefore, the fiscal impact on other taxing jurisdictions is \$0. The estimated fiscal impact of the District would be as follows if the "but for" test was not met:

<b>IMPACT ON TAX BASE</b>			
	<b>2016/Pay 2017 Total Net Tax Capacity</b>	<b>Estimated Captured Tax Capacity (CTC) Upon Completion</b>	<b>Percent of CTC to Entity Total</b>
Swift County	24,432,222	200,965	<b>0.8225%</b>
City of Benson	1,902,462	200,965	<b>10.5634%</b>
Benson ISD No. 777	12,041,990	200,965	<b>1.6689%</b>

<b>IMPACT ON TAX RATES</b>				
	<b>Pay 2017 Extension Rates</b>	<b>Percent of Total</b>	<b>CTC</b>	<b>Potential Taxes</b>
Swift County	0.421680	32.35%	200,965	<b>84,743</b>
City of Benson	0.825450	63.32%	200,965	<b>165,887</b>
Benson ISD No. 777	0.056480	4.33%	200,965	<b>11,351</b>
Other	<u>0.000000</u>	<u>0.00%</u>	<u>200,965</u>	<u>0</u>
<b>Total</b>	1.303610	100.00%		<b>261,981</b>

The estimates listed above display the captured tax capacity when all construction is completed. The tax rate used for calculations is the actual Pay 2017 rates. The total net capacity for the entities listed above are based

on actual Pay 2017 figures. The District will be certified under the actual Pay 2018 rates, which are unavailable at this time.

Pursuant to *M.S. Section 469.175 Subd. 2(b)*:

- (1) Estimate of total tax increment. It is estimated that the total amount of tax increment that will be generated over the life of the District is \$5,275,000;
- (2) Probable impact of the District on city provided services and ability to issue debt. An impact of the District on police protection is not expected. The City Police Department does track all calls for service including property-type calls and crimes. With any addition of new residents or businesses, police calls for service will be increased. New developments add an increase in traffic, and additional overall demands to the call load. The City does not expect that the proposed development, in and of itself, will necessitate new capital investment.

The probable impact of the District on fire protection is not expected to be significant. Typically new buildings generate few calls, if any, and are of superior construction.

The impact of the District on public infrastructure is expected to be minimal. The development is not expected to significantly impact any traffic movements in the area. Tax increment will be used to pay for street improvements and updates to sanitary sewer, storm sewer and water needed for the proposed development. No improvements are anticipated that will not be paid with tax increment. The development in the District is not expected to contribute to sanitary sewer (SAC) and water (WAC) connection fees.

The probable impact of any District general obligation tax increment bonds on the ability to issue debt for general fund purposes is expected to be minimal. It is anticipated that there will be general obligation debt issued in relation to this project, but not in an amount that will impact on the City's ability to issue future debt or on the City's debt limit.

- (3) Estimated amount of tax increment attributable to school district levies. It is estimated that the amount of tax increments over the life of the District that would be attributable to school district levies, assuming the school district's share of the total local tax rate for all taxing jurisdictions remained the same, is \$228,408;
- (4) Estimated amount of tax increment attributable to county levies. It is estimated that the amount of tax increments over the life of the District that would be attributable to county levies, assuming the county's share of the total local tax rate for all taxing jurisdictions remained the same, is \$1,706,463;
- (5) Additional information requested by the county or school district. The City is not aware of any standard questions in a county or school district written policy regarding tax increment districts and impact on county or school district services. The county or school district must request additional information pursuant to *M.S. Section 469.175 Subd. 2(b)* within 15 days after receipt of the tax increment financing plan.

No requests for additional information from the county or school district regarding the proposed development for the District have been received.

### **Subsection 1-14. Supporting Documentation**

Pursuant to *M.S. Section 469.175, Subd. 1 (a), clause 7* the TIF Plan must contain identification and description of studies and analyses used to make the findings are required in the resolution approving the District. Following is a list of reports and studies on file at the City that support the City's findings:

- Reconstruction Feasibility Report - Wisconsin Ave from 15<sup>th</sup> Street to 18<sup>th</sup> Street: City of Benson, September 2016.
- Reconstruction Feasibility Report - McKinney Avenue from 19<sup>th</sup> Street to 21<sup>st</sup> Street: City of Benson, September 2016.

### **Subsection 1-15. Definition of Tax Increment Revenues**

Pursuant to *M.S., Section 469.174, Subd. 25*, tax increment revenues derived from a tax increment financing district include all of the following potential revenue sources:

1. Taxes paid by the captured net tax capacity, but excluding any excess taxes, as computed under *M.S., Section 469.177*;
2. The proceeds from the sale or lease of property, tangible or intangible, to the extent the property was purchased by the authority with tax increments;
3. Principal and interest received on loans or other advances made by the authority with tax increments;
4. Interest or other investment earnings on or from tax increments;
5. Repayments or return of tax increments made to the Authority under agreements for districts for which the request for certification was made after August 1, 1993; and
6. The market value homestead credit paid to the Authority under *M.S., Section 273.1384*.

### **Subsection 1-16. Modifications to the District**

In accordance with *M.S., Section 469.175, Subd. 4*, any:

1. Reduction or enlargement of the geographic area of the District, if the reduction does not meet the requirements of *M.S., Section 469.175, Subd. 4(e)*;
2. Increase in amount of bonded indebtedness to be incurred;
3. A determination to capitalize interest on debt if that determination was not a part of the original TIF Plan;
4. Increase in the portion of the captured net tax capacity to be retained by the City;
5. Increase in the estimate of the cost of the District, including administrative expenses, that will be paid or financed with tax increment from the District; or
6. Designation of additional property to be acquired by the City,

shall be approved upon the notice and after the discussion, public hearing and findings required for approval of the original TIF Plan.

Pursuant to *M.S. Section 469.175 Subd. 4(f)*, the geographic area of the District may be reduced, but shall not be enlarged after five years following the date of certification of the original net tax capacity by the county auditor. If a housing district is enlarged, the reasons and supporting facts for the determination that the addition to the district meets the criteria of *M.S., Section 469.174, Subd. 11* must be documented. The requirements of this paragraph do not apply if (1) the only modification is elimination of parcel(s) from the District and (2) (A) the current net tax capacity of the parcel(s) eliminated from the District equals or exceeds the net tax capacity of those parcel(s) in the District's original net tax capacity or (B) the City agrees that, notwithstanding *M.S., Section 469.177, Subd. 1*, the original net tax capacity will be reduced by no more than

the current net tax capacity of the parcel(s) eliminated from the District.

The City must notify the County Auditor of any modification to the District. Modifications to the District in the form of a budget modification or an expansion of the boundaries will be recorded in the TIF Plan.

### **Subsection 1-17. Administrative Expenses**

In accordance with *M.S., Section 469.174, Subd. 14*, administrative expenses means all expenditures of the City, *other than*:

1. Amounts paid for the purchase of land;
2. Amounts paid to contractors or others providing materials and services, including architectural and engineering services, directly connected with the physical development of the real property in the District;
3. Relocation benefits paid to or services provided for persons residing or businesses located in the District;
4. Amounts used to pay principal or interest on, fund a reserve for, or sell at a discount bonds issued pursuant to *M.S., Section 469.178*; or
5. Amounts used to pay other financial obligations to the extent those obligations were used to finance costs described in clauses (1) to (3).

For districts for which the request for certification were made before August 1, 1979, or after June 30, 1982, and before August 1, 2001, administrative expenses also include amounts paid for services provided by bond counsel, fiscal consultants, and planning or economic development consultants. Pursuant to *M.S., Section 469.176, Subd. 3*, tax increment may be used to pay any **authorized and documented** administrative expenses for the District up to but not to exceed 10 percent of the total estimated tax increment expenditures authorized by the TIF Plan or the total tax increments, as defined by *M.S., Section 469.174, Subd. 25, clause (1)*, from the District, whichever is less.

For districts for which certification was requested after July 31, 2001, no tax increment may be used to pay any administrative expenses for District costs which exceed ten percent of total estimated tax increment expenditures authorized by the TIF Plan or the total tax increments, as defined in *M.S., Section 469.174, Subd. 25, clause (1)*, from the District, whichever is less.

Pursuant to *M.S., Section 469.176, Subd. 4h*, tax increments may be used to pay for the County's actual administrative expenses incurred in connection with the District and are not subject to the percentage limits of *M.S., Section 469.176, Subd. 3*. The county may require payment of those expenses by February 15 of the year following the year the expenses were incurred.

Pursuant to *M.S., Section 469.177, Subd. 11*, the County Treasurer shall deduct an amount (currently .36 percent) of any increment distributed to the City and the County Treasurer shall pay the amount deducted to the State Commissioner of Management and Budget for deposit in the state general fund to be appropriated to the State Auditor for the cost of financial reporting of tax increment financing information and the cost of examining and auditing authorities' use of tax increment financing. This amount may be adjusted annually by the Commissioner of Revenue.

### **Subsection 1-18. Limitation of Increment**

The tax increment pledged to the payment of bonds and interest thereon may be discharged and the District may be terminated if sufficient funds have been irrevocably deposited in the debt service fund or other escrow account held in trust for all outstanding bonds to provide for the payment of the bonds at maturity or

redemption date.

Pursuant to *M.S., Section 469.176, Subd. 6:*

*if, after four years from the date of certification of the original net tax capacity of the tax increment financing district pursuant to M.S., Section 469.177, no demolition, rehabilitation or renovation of property or other site preparation, including qualified improvement of a street adjacent to a parcel but not installation of utility service including sewer or water systems, has been commenced on a parcel located within a tax increment financing district by the authority or by the owner of the parcel in accordance with the tax increment financing plan, no additional tax increment may be taken from that parcel, and the original net tax capacity of that parcel shall be excluded from the original net tax capacity of the tax increment financing district. If the authority or the owner of the parcel subsequently commences demolition, rehabilitation or renovation or other site preparation on that parcel including qualified improvement of a street adjacent to that parcel, in accordance with the tax increment financing plan, the authority shall certify to the county auditor that the activity has commenced and the county auditor shall certify the net tax capacity thereof as most recently certified by the commissioner of revenue and add it to the original net tax capacity of the tax increment financing district. The county auditor must enforce the provisions of this subdivision. The authority must submit to the county auditor evidence that the required activity has taken place for each parcel in the district. The evidence for a parcel must be submitted by February 1 of the fifth year following the year in which the parcel was certified as included in the district. For purposes of this subdivision, qualified improvements of a street are limited to (1) construction or opening of a new street, (2) relocation of a street, and (3) substantial reconstruction or rebuilding of an existing street.*

The City or a property owner must improve parcels within the District by approximately June 2021 and report such actions to the County Auditor.

#### **Subsection 1-19. Use of Tax Increment**

The City hereby determines that it will use 100 percent of the captured net tax capacity of taxable property located in the District for the following purposes:

1. To pay the principal of and interest on bonds issued to finance a project;
2. To finance, or otherwise pay the capital and administration costs of Development District No. 4 pursuant to *M.S., Sections 469.124 to 469.133*;
3. To pay for project costs as identified in the budget set forth in the TIF Plan;
4. To finance, or otherwise pay for other purposes as provided in *M.S., Section 469.176, Subd. 4*;
5. To pay principal and interest on any loans, advances or other payments made to or on behalf of the City or for the benefit of Development District No. 4 by a developer;
6. To finance or otherwise pay premiums and other costs for insurance or other security guaranteeing the payment when due of principal of and interest on bonds pursuant to the TIF Plan or pursuant to *M.S., Chapter 462C, M.S., Sections 469.152 through 469.165*, and/or *M.S., Sections 469.178*; and
7. To accumulate or maintain a reserve securing the payment when due of the principal and interest on the tax increment bonds or bonds issued pursuant to *M.S., Chapter 462C, M.S., Sections 469.152 through 469.165*, and/or *M.S., Sections 469.178*.

**Revenues derived from tax increment from a housing district must be used solely to finance the cost of housing projects as defined in *M.S., Sections 469.174, Subd. 11 and 469.1761*. The cost of public improvements directly related to the housing projects and the allocated administrative expenses of the**

**City may be included in the cost of a housing project.**

These revenues shall not be used to circumvent any levy limitations applicable to the City nor for other purposes prohibited by *M.S., Section 469.176, Subd. 4.*

Tax increments generated in the District will be paid by Swift to the City for the Tax Increment Fund of said District. The City will pay to the developer(s) annually an amount not to exceed an amount as specified in a developer's agreement to reimburse the costs of land acquisition, public improvements, demolition and relocation, site preparation, and administration. Remaining increment funds will be used for City administration (up to 10 percent) and for the costs of public improvement activities outside the District.

**Subsection 1-20. Excess Increments**

Excess increments, as defined in *M.S., Section 469.176, Subd. 2*, shall be used only to do one or more of the following:

1. Prepay any outstanding bonds;
2. Discharge the pledge of tax increment for any outstanding bonds;
3. Pay into an escrow account dedicated to the payment of any outstanding bonds; or
4. Return the excess to the County Auditor for redistribution to the respective taxing jurisdictions in proportion to their local tax rates.

The City must spend or return the excess increments under paragraph (c) within nine months after the end of the year. In addition, the City may, subject to the limitations set forth herein, choose to modify the TIF Plan in order to finance additional public costs in Development District No. 4 or the District.

**Subsection 1-21. Requirements for Agreements with the Developer**

The City will review any proposal for private development to determine its conformance with the Development Program and with applicable municipal ordinances and codes. To facilitate this effort, the following documents may be requested for review and approval: site plan, construction, mechanical, and electrical system drawings, landscaping plan, grading and storm drainage plan, signage system plan, and any other drawings or narrative deemed necessary by the City to demonstrate the conformance of the development with City plans and ordinances. The City may also use the Agreements to address other issues related to the development.

Pursuant to *M.S., Section 469.176, Subd. 5*, no more than 10 percent, by acreage, of the property to be acquired in the District as set forth in the TIF Plan shall at any time be owned by the City as a result of acquisition with the proceeds of bonds issued pursuant to *M.S., Section 469.178* to which tax increments from property acquired is pledged, unless prior to acquisition in excess of 10 percent of the acreage, the City concluded an agreement for the development of the property acquired and which provides recourse for the City should the development not be completed.

**Subsection 1-22. Assessment Agreements**

Pursuant to *M.S., Section 469.177, Subd. 8*, the City may enter into a written assessment agreement in recordable form with the developer of property within the District which establishes a minimum market value of the land and completed improvements for the duration of the District. The assessment agreement shall be presented to the County Assessor who shall review the plans and specifications for the improvements to be constructed, review the market value previously assigned to the land upon which the improvements are to be constructed and, so long as the minimum market value contained in the assessment agreement appears, in the

judgment of the assessor, to be a reasonable estimate, the County Assessor shall also certify the minimum market value agreement.

### **Subsection 1-23. Administration of the District**

Administration of the District will be handled by the City Manager.

### **Subsection 1-24. Annual Disclosure Requirements**

Pursuant to *M.S., Section 469.175, Subds. 5, 6, and 6b* the City must undertake financial reporting for all tax increment financing districts to the Office of the State Auditor, County Board and County Auditor on or before August 1 of each year. *M.S., Section 469.175, Subd. 5* also provides that an annual statement shall be published in a newspaper of general circulation in the City on or before August 15.

If the City fails to make a disclosure or submit a report containing the information required by *M.S., Section 469.175 Subd. 5 and Subd. 6*, the Office of the State Auditor will direct the County Auditor to withhold the distribution of tax increment from the District.

### **Subsection 1-25. Reasonable Expectations**

As required by the TIF Act, in establishing the District, the determination has been made that the anticipated development would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future. In making said determination, reliance has been placed upon written representation made by the developer to such effects and upon City staff awareness of the feasibility of developing the project site(s) within the District.

### **Subsection 1-26. Other Limitations on the Use of Tax Increment**

1. General Limitations. All revenue derived from tax increment shall be used in accordance with the TIF Plan. The revenues shall be used to finance, or otherwise pay the capital and administration costs of Development District No. 4 pursuant to *M.S., Sections 469.124 to 469.133*. Tax increments may not be used to circumvent existing levy limit law. No tax increment may be used for the acquisition, construction, renovation, operation, or maintenance of a building to be used primarily and regularly for conducting the business of a municipality, county, school district, or any other local unit of government or the state or federal government. This provision does not prohibit the use of revenues derived from tax increments for the construction or renovation of a parking structure.
2. Housing District Exceptions to Restriction on Pooling; Five Year Limit. Pursuant to *M.S., Section 469.1763, (1)* At least 80% of the tax increment derived from the District must be expended on Public Costs incurred within said district, and up to 20% of said tax increments may be spent on public costs incurred outside of the District but within Development District No. 4; provided that in the case of a housing district, a housing project, as defined in *M.S., Section 469.174, Subd. 11*, is deemed to be an activity in the District, even if the expenditure occurred after five years.

### **Subsection 1-27. Summary**

The City of Benson is establishing the District to provide an impetus for residential development and provide safe and decent life cycle housing in the City. The TIF Plan for the District was prepared by Ehlers & Associates, Inc., 3060 Centre Pointe Drive, Roseville, Minnesota 55113-1105, telephone (651) 697-8500.

## Appendix A

### Project Description

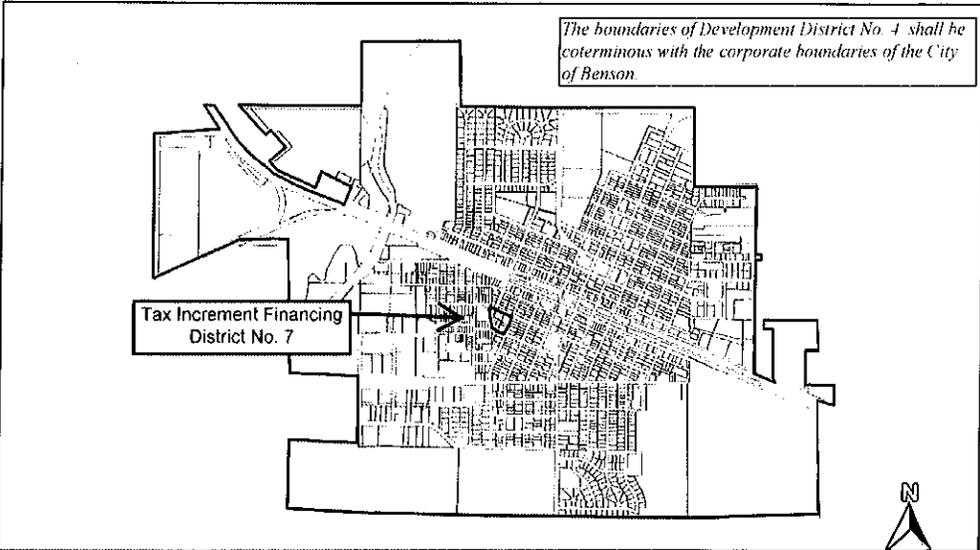
Swift County Benson Hospital Services (“SCBHS”) is proposing to construct a \$12,000,000 54 unit Senior Living Center that currently is planned to include 18 assisted living, 18 enhanced assisted living and 18 memory care units. The proposed Senior Living Center would allow for a campus that will include the existing 31 unit senior living center. The facility is expected to provide housing and services for both private pay and elderly waiver residents. When completed, the campus will provide a variety of needed housing and service options for seniors within the City of Benson.

The Senior Living Center will have on site staff 24 hours a day. When complete it is anticipated that there will be a need for additional 25 staff member to deliver the services.

The City of Benson has been reviewing various options for a facility of this nature within the City for at least five years. In order to accommodate the project, the City will be required to provide public infrastructure, which includes utilities, site preparation, and land acquisition for right of way . Due to the high costs of those infrastructure requirement and to enable SCBHS to keep the rents affordable for the seniors within the required income ranges, subsidy is needed. The City will use the increment from the proposed District to finance the needed public infrastructure for the project.

Appendix B

Maps of Development District No. 4 and the District



**Tax Increment Financing District No. 7  
Development District No. 4**

City of Benson  
Swift County, Minnesota

Appendix C

Description of Property to be Included in the District

The District encompasses all property and adjacent rights-of-way and abutting roadways identified by the parcels listed below.

<u>Parcel Numbers</u>	<u>Address</u>	<u>Owner</u>
23-0426-000	1725 Wisconsin Avenue	Residential Options Inc
23-0430-000	312 17 <sup>th</sup> Street S	Residential Options Inc
23-0431-000	1700 McKinney Ave	Swift Co Ben Hosp. Foundation
23-0432-000	1710 McKinney Ave	Swift Co Ben Hosp. Foundation
23-0432-200	1815 Wisconsin Ave	Swift County Benson Hospital

Appendix D  
Estimated Cash Flow for the District



**Swift County Benson Hospital Services Senior Living Center**  
 City of Benson, MN

54 Units of Assisted Living, Memory Care and Enhanced Assisted Living

**ASSUMPTIONS AND RATES**

DistrictType:	Housing
District Name/Number:	Tax Increment District No. 7
County District #:	
First Year Construction or Inflation on Value	2018
Existing District - Specify No. Years Remaining	
Inflation Rate - Every Year:	2.00%
Interest Rate:	4.00%
Present Value Date	1-Aug-18
First Period Ending	1-Feb-19
Tax Year District was Certified	Pay 2017
Cashflow Assumes First Tax Increment For Development	2020
Years of Tax Increment	26
Assumes Last Year of Tax Increment	2045
Fiscal Disparities Election (Outside (A), Inside (B), or NA)	NA
Incremental or Total Fiscal Disparities	Incremental
Fiscal Disparities Contribution Rate	0.0000% Pay 2017
Fiscal Disparities Metro-Wide Tax Rate	0.0000% Pay 2017
Maximum/Frozen Local Tax Rate	130.361% Pay 2017
Current Local Tax Rate. (Use lesser of Current or Max.)	130.361% Pay 2017
State-wide Tax Rate (Comm./Ind. only used for total taxes)	45.8020% Pay 2017
Market Value Tax Rate (Used for total taxes)	0.28220% Pay 2017

Tax Rates		
Exempt Class Rate (Exempt)		0.00%
Commercial Industrial Preferred Class Rate (C/I Pref.)		
First \$150,000		1.50%
Over \$150,000		2.00%
Commercial Industrial Class Rate (C/I)		2.00%
Rental Housing Class Rate (Rental)		1.25%
Affordable Rental Housing Class Rate (Aff. Rental)		
First \$115,000		0.75%
Over \$115,000		0.25%
Non-Homestead Residential (Non-H Res. 1 Unit)		
First \$500,000		1.00%
Over \$500,000		1.25%
Homestead Residential Class Rate (Hmstd. Res.)		
First \$500,000		1.00%
Over \$500,000		1.25%
Agricultural Non-Homestead		1.00%

**BASE VALUE INFORMATION (Original Tax Capacity)**

Map #	PID	Owner	Address	Land Market Value	Building Market Value	Total Market Value	Percentage Of Value Used for District	Original Market Value	Tax Year Original Market Value	Property Tax Class	Current Original Tax Capacity	Class After Conversion	After Conversion Orig. Tax Cap.	Area/Phase
1	23-0426-000	Residential Options Inc		27,300	926,800	954,100	100%	954,100	Pay 2017	Rental	11,926	Rental	11,926	
2	23-0432-200	Hospital		5,000	0	5,000	100%	5,000	Pay 2017	Exempt	-	Rental	63	
3	23-0432-000	Hospital Foundation		6,300	0	6,300	100%	6,300	Pay 2017	Exempt	-	Rental	79	
4	23-0431-000	Hospital Foundation		6,300	0	6,300	100%	6,300	Pay 2017	Exempt	-	Rental	79	
5	23-430-000	Residential Options Inc		10,100	92,000	102,100	100%	102,100	Pay 2017	Hmstd. Res.	1,021	Rental	1,276	
				<b>515,000</b>	<b>1,018,800</b>	<b>1,533,800</b>		<b>1,073,800</b>			<b>12,947</b>		<b>13,423</b>	

**Note:**

1. Base values are for pay 2017 based upon review of County website on 4/14/17.



**Swift County Benson Hospital Services Senior Living Center**  
 City of Benson, MN  
 54 Units of Assisted Living, Memory Care and Enhanced Assisted Living

PROJECT INFORMATION (Project Tax Capacity)													
Area/Phase	New Use	Estimated Market Value Per Sq. Ft./Unit	Taxable Market Value Per Sq. Ft./Unit	Total Sq. Ft./Units	Total Taxable Market Value	Property Tax Class	Project Tax Capacity	Project Tax Capacity/Unit	Percentage Completed 2018	Percentage Completed 2019	Percentage Completed 2020	Percentage Completed 2021	First Year Full Taxes Payable
	Assisted Living	175,926	175,926	54	9,500,000	Rental	118,750	2,199	100%	100%	100%	100%	2020
23-0426-000	Existing Senior Living	954,100	954,100	1	954,100	Rental	11,926	11,926	100%	100%	100%	100%	2020
<b>TOTAL</b>					<b>10,454,100</b>		<b>130,676</b>						
<b>Subtotal Residential</b>				<b>55</b>	<b>10,454,100</b>		<b>130,676</b>						
<b>Subtotal Commercial/Ind.</b>				<b>0</b>	<b>0</b>		<b>0</b>						

**Note:**

1. Market values are based upon estimates from City.

TAX CALCULATIONS									
New Use	Total Tax Capacity	Fiscal Disparities Tax Capacity	Local Tax Capacity	Local Property Taxes	Fiscal Disparities Taxes	State-wide Property Taxes	Market Value Taxes	Total Taxes	Taxes Per Sq. Ft./Unit
Assisted Living	118,750	0	118,750	154,804	0	0	26,809	181,613	3,363.20
Existing Senior Living	11,926	0	11,926	15,547	0	0	2,692	18,240	18,239.65
<b>TOTAL</b>	<b>130,676</b>	<b>0</b>	<b>130,676</b>	<b>170,351</b>	<b>0</b>	<b>0</b>	<b>29,501</b>	<b>199,852</b>	

**Note:**

1. Taxes and tax increment will vary significantly from year to year depending upon values, rates, state law and other factors which cannot be predicted.



**Swift County Benson Hospital Services Senior Living Center**  
**City of Benson, MN**  
**54 Units of Assisted Living, Memory Care and Enhanced Assisted Living**

TAX INCREMENT CASH FLOW														
% of OTC	Project Tax Capacity	Original Tax Capacity	Fiscal Disparities Incremental	Captured Tax Capacity	Local Tax Rate	Annual Gross Tax Increment	Semi-Annual Gross Tax Increment	State Auditor 0.35%	Admin. at 10%	Semi-Annual Net Tax Increment	Semi-Annual Present Value	PERIOD ENDING Yrs.	Tax Year	Payment Date
														02/01/19
														08/01/19
100%	130.676	(13.423)	-	117.254	130.361%	152.853	76.427	(275)	(7.615)	88.536	63.317	0.5	2020	02/01/20
							76.427	(275)	(7.615)	88.536	125.392	1	2020	02/01/21
100%	133.290	(13.423)	-	119.867	130.361%	156.260	78.130	(281)	(7.785)	70.064	187.607	1.5	2021	08/01/21
							78.130	(281)	(7.785)	70.064	248.602	2	2021	02/01/22
100%	135.956	(13.423)	-	122.533	130.361%	159.735	79.868	(288)	(7.958)	71.622	309.731	2.5	2022	08/01/22
							79.868	(288)	(7.958)	71.622	369.661	3	2022	02/01/23
100%	138.675	(13.423)	-	125.252	130.361%	163.280	81.640	(294)	(8.135)	73.211	429.720	3.5	2023	08/01/23
							81.640	(294)	(8.135)	73.211	488.601	4	2023	02/01/24
100%	141.448	(13.423)	-	128.026	130.361%	166.896	83.448	(300)	(8.315)	74.833	547.606	4.5	2024	08/01/24
							83.448	(300)	(8.315)	74.833	605.454	5	2024	02/01/25
100%	144.277	(13.423)	-	130.855	130.361%	170.583	85.292	(307)	(8.498)	76.486	663.421	5.5	2025	08/01/25
							85.292	(307)	(8.498)	76.486	720.252	6	2025	02/01/26
100%	147.163	(13.423)	-	133.740	130.361%	174.345	87.173	(314)	(8.686)	78.173	777.196	6.5	2026	08/01/26
							87.173	(314)	(8.686)	78.173	833.024	7	2026	02/01/27
100%	150.106	(13.423)	-	136.683	130.361%	178.182	89.091	(321)	(8.877)	79.893	888.962	7.5	2027	08/01/27
							89.091	(321)	(8.877)	79.893	943.804	8	2027	02/01/28
100%	153.108	(13.423)	-	139.686	130.361%	182.095	91.048	(328)	(9.072)	81.648	998.750	8.5	2028	08/01/28
							91.048	(328)	(9.072)	81.648	1,052.620	9	2028	02/01/29
100%	156.170	(13.423)	-	142.748	130.361%	186.087	93.044	(335)	(9.271)	83.438	1,105.591	9.5	2029	08/01/29
							93.044	(335)	(9.271)	83.438	1,159.503	10	2029	02/01/30
100%	159.294	(13.423)	-	145.871	130.361%	190.159	95.080	(342)	(9.474)	85.264	1,212.513	10.5	2030	08/01/30
							95.080	(342)	(9.474)	85.264	1,264.484	11	2030	02/01/31
100%	162.479	(13.423)	-	149.057	130.361%	194.312	97.156	(350)	(9.681)	87.126	1,316.549	11.5	2031	08/01/31
							97.156	(350)	(9.681)	87.126	1,367.592	12	2031	02/01/32
100%	165.729	(13.423)	-	152.307	130.361%	198.548	99.274	(357)	(9.892)	89.025	1,418.726	12.5	2032	08/01/32
							99.274	(357)	(9.892)	89.025	1,468.857	13	2032	02/01/33
100%	169.044	(13.423)	-	155.621	130.361%	202.869	101.435	(365)	(10.107)	90.963	1,519.075	13.5	2033	08/01/33
							101.435	(365)	(10.107)	90.963	1,568.308	14	2033	02/01/34
100%	172.425	(13.423)	-	159.002	130.361%	207.277	103.638	(373)	(10.327)	92.939	1,617.624	14.5	2034	08/01/34
							103.638	(373)	(10.327)	92.939	1,665.974	15	2034	02/01/35
100%	175.873	(13.423)	-	162.451	130.361%	211.772	105.886	(381)	(10.550)	94.954	1,714.403	15.5	2035	08/01/35
							105.886	(381)	(10.550)	94.954	1,761.883	16	2035	02/01/36
100%	179.390	(13.423)	-	165.968	130.361%	216.358	108.179	(389)	(10.779)	97.010	1,809.440	16.5	2036	08/01/36
							108.179	(389)	(10.779)	97.010	1,858.064	17	2036	02/01/37
100%	182.978	(13.423)	-	169.556	130.361%	221.035	110.517	(398)	(11.012)	99.108	1,902.762	17.5	2037	08/01/37
							110.517	(398)	(11.012)	99.108	1,948.645	18	2037	02/01/38
100%	186.638	(13.423)	-	173.215	130.361%	225.805	112.903	(406)	(11.250)	101.247	1,994.398	18.5	2038	08/01/38
							112.903	(406)	(11.250)	101.247	2,039.353	19	2038	02/01/39
100%	190.371	(13.423)	-	176.948	130.361%	230.671	115.336	(415)	(11.492)	103.428	2,084.376	19.5	2039	08/01/39
							115.336	(415)	(11.492)	103.428	2,128.516	20	2039	02/01/40
100%	194.178	(13.423)	-	180.756	130.361%	235.635	117.817	(424)	(11.739)	105.654	2,172.721	20.5	2040	08/01/40
							117.817	(424)	(11.739)	105.654	2,216.060	21	2040	02/01/41
100%	198.062	(13.423)	-	184.639	130.361%	240.697	120.349	(433)	(11.992)	107.924	2,259.462	21.5	2041	08/01/41
							120.349	(433)	(11.992)	107.924	2,302.013	22	2041	02/01/42
100%	202.023	(13.423)	-	188.600	130.361%	245.861	122.931	(443)	(12.249)	110.239	2,344.625	22.5	2042	08/01/42
							122.931	(443)	(12.249)	110.239	2,386.401	23	2042	02/01/43
100%	206.063	(13.423)	-	192.641	130.361%	251.128	125.564	(452)	(12.511)	112.601	2,428.235	23.5	2043	08/01/43
							125.564	(452)	(12.511)	112.601	2,469.249	24	2043	02/01/44
100%	210.185	(13.423)	-	196.762	130.361%	256.501	128.250	(462)	(12.779)	115.010	2,510.320	24.5	2044	08/01/44
							128.250	(462)	(12.779)	115.010	2,550.584	25	2044	02/01/45
100%	214.388	(13.423)	-	200.966	130.361%	261.981	130.990	(472)	(13.052)	117.467	2,590.903	25.5	2045	08/01/45
							130.990	(472)	(13.052)	117.467	2,630.431	26	2045	02/01/46
<b>Total</b>					<b>4.00%</b>		<b>5,280,928</b>	<b>(19,011)</b>	<b>(526,192)</b>	<b>4,735,725</b>				
		<b>Present Value From 08/01/2018</b>		<b>Present Value Rate</b>			<b>2,933,261</b>	<b>(10,560)</b>	<b>(292,270)</b>	<b>2,630,431</b>				

Appendix E

Housing Qualifications for the District

<b>INCOME RESTRICTIONS - ADJUSTED FOR FAMILY SIZE (HOUSING DISTRICT) - SWIFT COUNTY SWIFT COUNTY MEDIAN INCOME: \$67,519</b>		
No. of Persons	50% of Median Income	60% of Median Income
1-person	\$23,650	\$28,380
2-person	\$27,000	\$32,400
3-person	\$30,400	\$36,480
4-person	\$33,750	\$40,500

Source: Department of Housing and Urban Development and Minnesota Housing Finance Agency

The two options for income limits on a standard housing district are 20% of the units at 50% of median income or 40% of the units at 60% of median income. There are no rent restrictions for a housing district.

\*\*\*PLEASE NOTE: THESE NUMBERS ARE ADJUSTED ANNUALLY. ALL INCOME FIGURES REPORTED ON THIS PAGE ARE FOR 2017.

## Appendix F

### Findings for the District

The reasons and facts supporting the findings for the adoption of the Tax Increment Financing Plan for Tax Increment Financing District No. 7, as required pursuant to Minnesota Statutes, Section 469.175, Subdivision 3 are as follows:

1. *Finding that Tax Increment Financing District No. 7 is a housing district as defined in M.S., Section 469.174, Subd. 11.*

TIF District No. 7 consists of five parcels. The development will consist of approximately 54 units of assisted living, memory care, and enhanced assisted living being built and administered by the Swift County Benson Hospital Services (“SCBHS”). Tax increment assistance will be provided in the form of needed public infrastructure for the project. The residents will meet income restrictions according to M.S. 469.1761, whereby at least 20 percent of the units will have incomes at or below 50 percent of statewide median income. Appendix E of the TIF Plan contains background for the above finding.

2. *Finding that the proposed development, in the opinion of the City Council, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future.*

*The proposed development, in the opinion of the City, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future:* This finding is supported by the fact that the development proposed in this plan is a housing district that meets the City's objectives for development and redevelopment. The cost of land acquisition, site and public improvements and utilities makes this housing development infeasible without City assistance. Due to the high cost of building affordable new senior housing options in the City and the cost of financing the proposed public improvements, this project is feasible only through assistance, in part, from tax increment financing. In order to keep the rents affordable SCBHS has asked the City to provide the upgraded infrastructure to support the project. The project would not have gone forward without tax increment assistance to repay the costs of that infrastructure.

*The increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the TIF District permitted by the TIF Plan:* This finding is justified on the grounds that the cost of land acquisition, site and public improvements and utilities add to the total development cost. Historically, site development costs in this area have made development infeasible without tax increment assistance. In addition, the City has found that there is a need for this type of housing in the City. This site has been marketed for the purpose of senior living facilities for at least 5 years without success. The City reasonably determines that no other development of similar scope and purpose is anticipated on this site without substantially similar assistance being provided to the development.

3. *Finding that the TIF Plan for Tax Increment Financing District No. 7 conforms to the general plan for the development or redevelopment of the municipality as a whole.*

The Planning Commission reviewed the TIF Plan and found that the TIF Plan conforms to the general development plan of the City.

4. *Finding that the TIF Plan for Tax Increment Financing District No. 7 will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development or redevelopment of Development District No. 4 by private enterprise.*

Through the implementation of the TIF Plan, the City will provide an impetus for residential development, which is desirable or necessary for increased population and an increased need for life-cycle housing within the City.

**CITY OF BENSON  
SWIFT COUNTY  
STATE OF MINNESOTA**

Council member \_\_\_\_\_ introduced the following resolution and moved its adoption:

**RESOLUTION NO. \_\_\_\_\_**

**RESOLUTION AUTHORIZING AN INTERFUND LOAN FOR ADVANCE OF  
CERTAIN COSTS IN CONNECTION WITH TAX INCREMENT FINANCING  
DISTRICT NO. 7 .**

BE IT RESOLVED by the City Council (the "Council") of the City of Benson, Minnesota (the "City"), as follows:

Section 1.     Background.

1.01. The City has heretofore approved the establishment of Tax Increment Financing District No. 7 (the "TIF District") within Development District No. 4 (the "Project"), and has adopted a Tax Increment Financing Plan (the "TIF Plan") for the purpose of financing certain improvements within the Project.

1.02. The City has determined to pay for certain costs identified in the TIF Plan consisting of land/building acquisition, site improvements/preparation, public utilities, streets and sidewalks, other qualifying improvements, interest and administrative costs (collectively, the "Qualified Costs"), which costs may be financed on a temporary basis from City funds available for such purposes.

1.03. Under Minnesota Statutes, Section 469.178, Subd. 7, the City is authorized to advance or loan money from the City's general fund or any other fund from which such advances may be legally authorized, in order to finance the Qualified Costs.

1.04. The City intends to reimburse itself for the Qualified Costs from tax increments derived from the TIF District in accordance with the terms of this resolution (which terms are referred to collectively as the "Interfund Loan").

Section 2.     Terms of Interfund Loan.

2.01. The City hereby authorizes the advance of up to \$20,000 from the General Fund or so much thereof as may be paid as Qualified Costs. The City shall reimburse itself for such advances together with interest at the rate stated below. Interest accrues on the principal amount from the date of each advance. The maximum rate of interest permitted to be charged is limited to the greater of the rates specified under Minnesota Statutes, Section 270C.40 or Section 549.09 as of the date the loan or advance is authorized, unless the written agreement states that the maximum interest rate will fluctuate as the interest rates specified under Minnesota Statutes, Section 270C.40 or Section 549.09 are from time to time adjusted. The interest rate shall be 4% and will not fluctuate.

2.02. Principal and interest ("Payments") on the Interfund Loan shall be paid annually on each December 31 (each a "Payment Date"), commencing on the first Payment Date on which the Authority has Available Tax Increment (defined below), or on any other dates determined by the City Manager, through the date of last receipt of tax increment from the TIF District.

2.03. Payments on this Interfund Loan are payable solely from "Available Tax Increment," which shall mean, on each Payment Date, tax increment available after other obligations have been paid, or as determined by the City Manager, generated in the preceding twelve (12) months with respect to the property within the TIF District and remitted to the City by Swift County, all in accordance with Minnesota Statutes, Sections 469.174 to 469.1794, all inclusive, as amended. Payments on this Interfund Loan may be subordinated to any outstanding or future bonds, notes or contracts secured in whole or in part with Available Tax Increment, and are on parity with any other outstanding or future interfund loans secured in whole or in part with Available Tax Increment.

2.04. The principal sum and all accrued interest payable under this Interfund Loan are pre-payable in whole or in part at any time by the City without premium or penalty. No partial prepayment shall affect the amount or timing of any other regular payment otherwise required to be made under this Interfund Loan.

2.05. This Interfund Loan is evidence of an internal borrowing by the City in accordance with Minnesota Statutes, Section 469.178, Subd. 7, and is a limited obligation payable solely from Available Tax Increment pledged to the payment hereof under this resolution. This Interfund Loan and the interest hereon shall not be deemed to constitute a general obligation of the State of Minnesota or any political subdivision thereof, including, without limitation, the City. Neither the State of Minnesota, nor any political subdivision thereof shall be obligated to pay the principal of or interest on this Interfund Loan or other costs incident hereto except out of Available Tax Increment, and neither the full faith and credit nor the taxing power of the State of Minnesota or any political subdivision thereof is pledged to the payment of the principal of or interest on this Interfund Loan or other costs incident hereto. The City shall have no obligation to pay any principal amount of the Interfund Loan or accrued interest thereon, which may remain unpaid after the final Payment Date.

2.06. The City may amend the terms of this Interfund Loan at any time by resolution of the City Council, including a determination to forgive the outstanding principal amount and accrued interest to the extent permissible under law.

Section 3. Effective Date. This resolution is effective upon the date of its approval.

The motion for the adoption of the foregoing resolution was duly seconded by Council member \_\_\_\_\_, and upon a vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

Dated: June 5, 2017

ATTEST:

\_\_\_\_\_  
Gary Landmark, Mayor

\_\_\_\_\_  
Rob Wolfington, City Manager

(Seal)

**CITY OF BENSON  
SWIFT COUNTY  
STATE OF MINNESOTA**

Council member \_\_\_\_\_ introduced the following resolution and moved its adoption:

**RESOLUTION NO. \_\_\_\_\_**

**RESOLUTION ESTABLISHING DEVELOPMENT DISTRICT NO. 4 AND  
ADOPTING A DEVELOPMENT PROGRAM THEREFOR AND  
ESTABLISHING TAX INCREMENT FINANCING DISTRICT NO. 7 THEREIN  
AND ADOPTING A TAX INCREMENT FINANCING PLAN THEREFOR.**

BE IT RESOLVED by the City Council (the "Council") of the City of Benson, Minnesota (the "City"), as follows:

Section 1.     Recitals.

1.01.     It has been proposed by the City Council of the City of Benson (the "City") that the City establish Development District No. 4 (the "Project Area") and adopt a Development Program therefor (the "Development Program") and establish Tax Increment Financing District No. 7 (the "District") therein and adopt a Tax Increment Financing Plan (the "TIF Plan") therefor (the Development Program and the TIF Plan are referred to collectively herein as the "Program and Plan"); all pursuant to and in conformity with applicable law, including Minnesota Statutes, Sections 469.124 to 469.133 and Sections 469.174 to 469.1794, all inclusive, as amended, (the "Act") all as reflected in the Program and Plan, and presented for the Council's consideration.

1.02.     The City has investigated the facts relating to the Program and Plan and has caused the Program and Plan to be prepared.

1.03.     The City has performed all actions required by law to be performed prior to the establishment of the District and the adoption and approval of the proposed Program and Plan, including, but not limited to, notification of Swift County and Independent School District No. 777 having taxing jurisdiction over the property to be included in the District, a review of and written comment on the Program and Plan by the City Planning Commission, and the holding of a public hearing upon published notice as required by law.

1.04.     Certain written reports (the "Reports") relating to the Program and Plan and to the activities contemplated therein have heretofore been prepared by staff and consultants and submitted to the Council and/or made a part of the City files and proceedings on the Program and Plan. The Reports include data, information and/or substantiation constituting or relating to the basis for the other findings and determinations made in this resolution. The Council hereby confirms, ratifies and adopts the Reports, which are hereby incorporated into and made as fully a part of this resolution to the same extent as if set forth in full herein.

Section 2. Findings for the Adoption and Approval of the Development Program.

2.01. The Council approves the Development Program, and specifically finds that: (a) the land within the Project Area would not be available for redevelopment without the financial aid to be sought under this Development Program; (b) the Development Program will afford maximum opportunity, consistent with the needs of the City as a whole, for the development of the Project Area by private enterprise; and (c) that the Development Program conforms to the general plan for the development of the City as a whole.

Section 3. Findings for the Establishment of Tax Increment Financing District No. 7.

3.01. The Council hereby finds that Tax Increment Financing District No. 7 is in the public interest and is a "housing district" under Minnesota Statutes, Section 469.174, Subd. 11 of the Act.

3.02. The Council further finds that the proposed development would not occur solely through private investment within the reasonably foreseeable future, that the Program and Plan conform to the general plan for the development or redevelopment of the City as a whole; and that the Program and Plan will afford maximum opportunity consistent with the sound needs of the City as a whole, for the development or redevelopment of the District by private enterprise.

3.03. The Council further finds, declares and determines that the City made the above findings stated in this Section and has set forth the reasons and supporting facts for each determination in writing, attached hereto as Exhibit A.

Section 4. Public Purpose.

4.01. The adoption of the Program and Plan conforms in all respects to the requirements of the Act and will help fulfill a need to develop an area of the City which is already built up, to provide housing opportunities, to improve the tax base and to improve the general economy of the State and thereby serves a public purpose. For the reasons described in Exhibit A, the City believes these benefits directly derive from the tax increment assistance provided under the TIF Plan. A private developer will receive only the assistance needed to make this development financially feasible. As such, any private benefits received by a developer are incidental and do not outweigh the primary public benefits.

Section 5. Approval and Adoption of the Program and Plan.

5.01. The Program and Plan, as presented to the Council on this date, including without limitation the findings and statements of objectives contained therein, are hereby approved, ratified, established, and adopted and shall be placed on file in the office of the City Manager.

5.02. The staff of the City, the City's advisors and legal counsel are authorized and directed to proceed with the implementation of the Program and Plan and to negotiate, draft, prepare and present to this Council for its consideration all further plans, resolutions, documents and contracts necessary for this purpose.

5.03. The Auditor of Swift County is requested to certify the original net tax capacity of the District, as described in the Program and Plan, and to certify in each year thereafter the amount by which the original net tax capacity has increased or decreased; and the City is authorized and directed to forthwith transmit this request to the County Auditor in such form and content as the Auditor may specify, together with a list of all properties within the District, for which building permits have been issued during the 18 months immediately preceding the adoption of this resolution.

5.04. The City Manager is further authorized and directed to file a copy of the Program and Plan with the Commissioner of the Minnesota Department of Revenue and the Office of the State Auditor pursuant to Minnesota Statutes 469.175, Subd. 4a.

The motion for the adoption of the foregoing resolution was duly seconded by Council member \_\_\_\_\_, and upon a vote being taken thereon, the following voted in favor thereof:

and the following voted against the same:

Dated: June 5, 2017

ATTEST:

\_\_\_\_\_  
Gary Landmark, Mayor

\_\_\_\_\_  
Rob Wolfington, City Manager

(Seal)

EXHIBIT A  
RESOLUTION NO. \_\_\_\_\_

The reasons and facts supporting the findings for the adoption of the Tax Increment Financing Plan for Tax Increment Financing District No. 7, as required pursuant to Minnesota Statutes, Section 469.175, Subdivision 3 are as follows:

1. *Finding that Tax Increment Financing District No. 7 is a housing district as defined in M.S., Section 469.174, Subd. 11.*

TIF District No. 7 consists of five parcels. The development will consist of approximately 54 units of assisted living, memory care, and enhanced assisted living being built and administered by the Swift County Benson Hospital Services (“SCBHS”). Tax increment assistance will be provided in the form of needed public infrastructure for the project. The residents will meet income restrictions according to M.S. 469.1761, whereby at least 20 percent of the units will have incomes at or below 50 percent of statewide median income. Appendix E of the TIF Plan contains background for the above finding.

2. *Finding that the proposed development, in the opinion of the City Council, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future.*

*The proposed development, in the opinion of the City, would not reasonably be expected to occur solely through private investment within the reasonably foreseeable future:* This finding is supported by the fact that the development proposed in this plan is a housing district that meets the City's objectives for development and redevelopment. The cost of land acquisition, site and public improvements and utilities makes this housing development infeasible without City assistance. Due to the high cost of building affordable new senior housing options in the City and the cost of financing the proposed public improvements, this project is feasible only through assistance, in part, from tax increment financing. In order to keep the rents affordable SCBHS has asked the City to provide the upgraded infrastructure to support the project. The project would not have gone forward without tax increment assistance to repay the costs of that infrastructure.

*The increased market value of the site that could reasonably be expected to occur without the use of tax increment financing would be less than the increase in market value estimated to result from the proposed development after subtracting the present value of the projected tax increments for the maximum duration of the TIF District permitted by the TIF Plan:* This finding is justified on the grounds that the cost of land acquisition, site and public improvements and utilities add to the total development cost. Historically, site development costs in this area have made development infeasible without tax increment assistance. In addition, the City has found that there is a need for this type of housing in the City. This site has been marketed for the purpose of senior living facilities for at least 5 years without success. The City reasonably determines that no other development of similar scope and purpose is anticipated on this site without substantially similar assistance being provided to the development.

3. *Finding that the TIF Plan for Tax Increment Financing District No. 7 conforms to the general plan for the development or redevelopment of the municipality as a whole.*

The Planning Commission reviewed the TIF Plan and found that the TIF Plan conforms to the general development plan of the City.

4. *Finding that the TIF Plan for Tax Increment Financing District No. 7 will afford maximum opportunity, consistent with the sound needs of the City as a whole, for the development or redevelopment of Development District No. 4 by private enterprise.*

Through the implementation of the TIF Plan, the City will provide an impetus for residential development, which is desirable or necessary for increased population and an increased need for life-cycle housing within the City.

CITY OF BENSON, MINNESOTA

MANAGEMENT LETTER

DECEMBER 31, 2016

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

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CITY OF BENSON, MINNESOTA

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DECEMBER 31, 2016

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Benson, 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 Standard*, 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 January 5, 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 the City are described in Note 1 to the financial statements. The City implemented Governmental Accounting Standards Board Statement No. 72, Fair Value Measurement and Application. Adoption of the provisions of this statement results in additional note disclosures related to fair value measurements shown in Note 3. We noted no transactions entered into by the City 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 estimates affecting the City's financial statements were:

Management's estimate of depreciation is based on the number of years an asset is in service. We evaluated the key factors and assumptions used to develop the depreciation estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the allowance for uncollectible accounts in the Economic Development Revolving Loan Trust Fund is based on an analysis of the collectability of individual loans. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of pension and other post-employment benefit liabilities 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 5, 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 the City'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 the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### Other Matters

We applied certain limited procedures to Management's Discussion and Analysis, the Schedules of Funding Progress and Employer Contributions, the Schedules of Proportionate Share of the Net Pension Liability and Employer Contributions, and the Schedule of Changes in the City's Net Pension Liability and Related Ratios, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the required supplementary information.

We were engaged to report on the statements and schedules listed in the table of contents as supplementary information, which accompany the financial statements but are not required supplementary information. With respect to this supplementary information, 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.

We were engaged to report on the Elected and Appointed Officials, which accompany the financial statements but are not required supplementary information. We did not audit or perform other procedures on this other information and we do not express an opinion or provide any assurance on it.

Restriction on Use

This information is intended solely for the use of the City Council and management of the City of Benson, Minnesota, and is not intended to be and should not be used by anyone other than these specified parties.

*Conway, Deuth & Schmiesing, PLLP*

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

June 5, 2017

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CITY OF BENSON, MINNESOTA

SCHEDULE OF FINDINGS ON INTERNAL ACCOUNTING ISSUES AND INTERNAL CONTROLS  
DECEMBER 31, 2016

We noted certain matters involving the internal control structure and its operation that we consider being deficiencies in internal control under standards established by the American Institute of Certified Public Accountants. 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.

INTERNAL CONTROL

The objective of internal accounting control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting control should not exceed the benefits derived and also recognizes that the valuation of these factors necessarily requires estimates and judgments by management.

It should be recognized that within the City, an inherent risk is present with certain positions. It is very common for cities such as the City of Benson, Minnesota, to assign many major responsibilities to a few key individuals in an attempt to operate within limited budgets. The inherent risk is again addressed only to maintain the awareness of the internal control structure and to encourage the Council's continual review of financial information at monthly meetings.

GENERAL RECOMMENDATIONS

The purpose of financial statements is to provide the users with insight as to the financial condition and the results of operations of the organization. In order to make financial decisions on a timely basis, financial statements must be prepared timely and correctly.

The following items are informational or areas of concern, which should be addressed:

Prior Year Recommendations:

None

Current Year Recommendation:

RECOMMENDATION #1

We believe that the City should examine some financial performance indicators to properly gauge its performance and to help the Council make decisions related to the City's financial resources. Some of the most important are as follows:

	2014	2015	2016
Ratio of gross debt less bonds fully supported from enterprise fund revenues over the estimated full value of taxable property:			
<u>Debt Burden</u>			
Bonded Debt	<u>\$ 2,410,000</u>	<u>\$ 2,295,000</u>	<u>\$ 2,100,000</u>
Market Value of Property	\$ 139,623,700 = 1.726%	\$ 148,411,000 = 1.546%	\$ 151,174,892 = 1.389%

Generally a debt burden ratio of more than 4.0 percent is considered to be high for a City in Benson's population range.

CITY OF BENSON, MINNESOTA

SCHEDULE OF FINDINGS ON INTERNAL ACCOUNTING ISSUES AND INTERNAL CONTROLS  
DECEMBER 31, 2016

RECOMMENDATION #1 (Cont'd)

Current Year Recommendation: (Cont'd)

	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Debt per Capita</u>	Ratio of gross debt less bonds fully supported from enterprise fund revenues over the City's population:		
Bonded Debt Population	$\frac{\$ 2,410,000}{3,240} = \$744$	$\frac{\$ 2,295,000}{3,240} = \$708$	$\frac{\$ 2,100,000}{3,240} = \$648$
<u>Net Operating Revenue per Capita</u>	Ratio of General Fund revenues, over the City's population:		
Total Revenue Population	$\frac{\$ 3,453,642}{3,240} = \$1,066$	$\frac{\$ 3,692,120}{3,240} = \$1,140$	$\frac{\$ 3,593,147}{3,240} = \$1,109$
<u>Percent of Intergovernmental to Total Revenue</u>	Ratio of General Fund intergovernmental revenue to total General Fund revenue:		
Intergovernmental Revenue Total Revenue	$\frac{\$ 1,264,538}{\$ 3,453,642} = 36.61\%$	$\frac{\$ 1,322,899}{\$ 3,692,120} = 35.83\%$	$\frac{\$ 1,264,043}{\$ 3,593,147} = 35.18\%$
<u>Net Operating Expenditures per Capita</u>	Ratio of General Fund expenditures, over the City's population:		
Net Operating Expenditures Population	$\frac{\$ 2,936,797}{3,240} = \$906$	$\frac{\$ 3,220,429}{3,240} = \$994$	$\frac{\$ 3,274,230}{3,240} = \$1,011$
<u>Percent of Fund Balance Restricted</u>	Ratio of restricted balance, over the City's governmental fund balance:		
Restricted Total Fund Balance	$\frac{\$ 986,177}{\$ 4,159,720} = 23.71\%$	$\frac{\$ 207,815}{\$ 3,399,755} = 6.11\%$	$\frac{\$ 287,897}{\$ 3,559,056} = 8.09\%$

CITY OF BENSON, MINNESOTA

SCHEDULE OF FINDINGS ON INTERNAL ACCOUNTING ISSUES AND INTERNAL CONTROLS  
DECEMBER 31, 2016

RECOMMENDATION #2

Current Year Recommendation: (Cont'd)

UPCOMING GOVERNMENT ACCOUNTING STANDARDS BOARD STATEMENT NO. 75

The Governmental Accounting Standards Board (GASB) issued Statement No. 75, Financial Reporting for Postemployment Benefits Other Than Pensions, which revises and establishes new financial reporting requirements for governments that provide postemployment benefits other than pensions to its employees and retirees. The implementation of this Statement will lead to significant financial accounting and reporting changes for the City's postemployment benefit expense and related liability. The Statement will require the City to recognize, as a liability on its government-wide financial statements, its long-term obligation for postemployment benefits. The Statement is effective for fiscal years beginning after June 15, 2017.

We recommend that management of the City begin the process of evaluating the impact of implementation of this standard. Changes will be necessary to your financial records and it will benefit the City to begin this process now. If requested, Conway, Deuth and Schmiesing, PLLP will assist in the implementation. These services will be billed separate from, and in addition to, your annual audit engagement fees. Please contact us with any questions.

CITY OF BENSON, MINNESOTA  
REVENUE AND EXPENDITURE COMPARISON  
GENERAL FUND  
YEARS ENDED DECEMBER 31,

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>REVENUES</b>					
Taxes and Assessments	\$ 1,379,352	\$ 1,259,868	\$ 1,323,761	\$ 1,468,697	\$ 1,442,498
Licenses and Permits	43,743	24,606	33,761	23,266	28,774
Intergovernmental	1,037,802	1,245,285	1,264,538	1,322,899	1,264,043
Charges for Services	290,264	244,117	253,744	276,388	254,651
Fines, Forfeits and Other	<u>565,006</u>	<u>524,387</u>	<u>577,838</u>	<u>600,870</u>	<u>603,181</u>
Total Revenues	<u>3,316,167</u>	<u>3,298,263</u>	<u>3,453,642</u>	<u>3,692,120</u>	<u>3,593,147</u>
<b>EXPENDITURES</b>					
<b>Current</b>					
General Government	601,277	589,623	626,162	626,614	670,678
Public Safety	848,622	950,133	974,658	1,011,341	1,017,359
Public Works	613,553	602,011	578,522	661,793	675,131
Economic Development	20,443	8,808	26,864	17,425	
Culture and Recreation	397,319	526,763	455,105	669,550	673,810
Other	<u>261,826</u>	<u>255,485</u>	<u>275,486</u>	<u>233,706</u>	<u>237,252</u>
Total Expenditures	<u>2,743,040</u>	<u>2,932,823</u>	<u>2,936,797</u>	<u>3,220,429</u>	<u>3,274,230</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 573,127</u>	<u>\$ 365,440</u>	<u>\$ 516,845</u>	<u>\$ 471,691</u>	<u>\$ 318,917</u>

CITY OF BENSON, MINNESOTA  
 REVENUE AND EXPENSE COMPARISON  
 WATER FUND  
 YEARS ENDED DECEMBER 31,

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Operating Revenues	\$ 589,558	\$ 593,509	\$ 579,013	\$ 586,050	\$ 637,301
Operating Expenses	<u>473,113</u>	<u>547,357</u>	<u>536,322</u>	<u>506,743</u>	<u>531,747</u>
Operating Income (Loss)	<u>116,445</u>	<u>46,152</u>	<u>42,691</u>	<u>79,307</u>	<u>105,554</u>
Nonoperating Revenues (Expenses)	<u>(67,782)</u>	<u>(51,502)</u>	<u>(62,371)</u>	<u>(30,302)</u>	<u>(46,438)</u>
Income (Loss) Before Transfers and Other Items	<u><u>\$ 48,663</u></u>	<u><u>\$ (5,350)</u></u>	<u><u>\$ (19,680)</u></u>	<u><u>\$ 49,005</u></u>	<u><u>\$ 59,116</u></u>

CITY OF BENSON, MINNESOTA  
REVENUE AND EXPENSE COMPARISON  
SEWER FUND  
YEARS ENDED DECEMBER 31,

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Operating Revenues	\$ 736,856	\$ 746,748	\$ 829,267	\$ 808,772	\$ 841,743
Operating Expenses	<u>777,867</u>	<u>791,793</u>	<u>844,211</u>	<u>825,921</u>	<u>828,381</u>
Operating Income (Loss)	(41,011)	(45,045)	(14,944)	(17,149)	13,362
Nonoperating Revenues (Expenses)	<u>(65,392)</u>	<u>(62,341)</u>	<u>(74,841)</u>	<u>(61,124)</u>	<u>(56,282)</u>
Income (Loss) Before Transfers and Other Items	<u><u>\$ (106,403)</u></u>	<u><u>\$ (107,386)</u></u>	<u><u>\$ (89,785)</u></u>	<u><u>\$ (78,273)</u></u>	<u><u>\$ (42,920)</u></u>

CITY OF BENSON, MINNESOTA  
REVENUE AND EXPENSE COMPARISON  
ELECTRIC FUND  
YEARS ENDED DECEMBER 31,

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Operating Revenues	\$ 4,105,562	\$ 4,408,751	\$ 4,180,713	\$ 4,055,022	\$ 4,181,822
Operating Expenses	<u>3,713,822</u>	<u>3,967,917</u>	<u>3,775,427</u>	<u>3,784,355</u>	<u>3,817,791</u>
Operating Income (Loss)	391,740	440,834	405,286	270,667	364,031
Nonoperating Revenues (Expenses)	<u>(177,492)</u>	<u>(221,885)</u>	<u>(93,975)</u>	<u>(168,735)</u>	<u>(168,696)</u>
Income (Loss) Before Transfers and Other Items	<u>\$ 214,248</u>	<u>\$ 218,949</u>	<u>\$ 311,311</u>	<u>\$ 101,932</u>	<u>\$ 195,335</u>

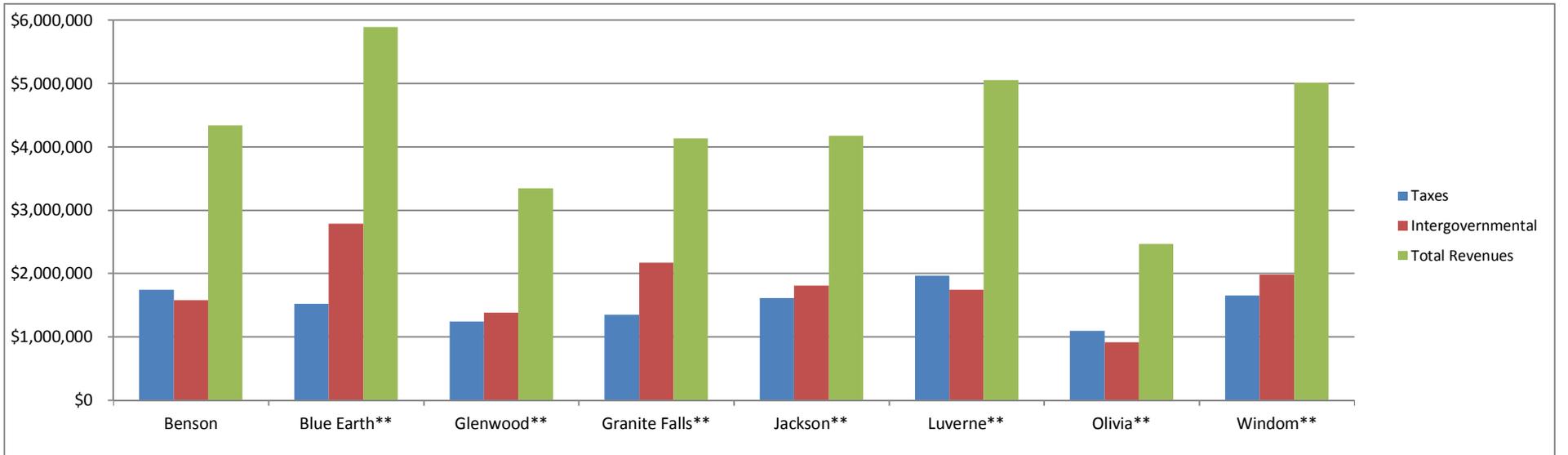
CITY OF BENSON, MINNESOTA  
REVENUE AND EXPENSE COMPARISON  
LIQUOR FUND  
YEARS ENDED DECEMBER 31,

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Sales	\$ 1,092,147	\$ 1,138,723	\$ 1,109,387	\$ 1,105,459	\$ 1,106,680
Cost of Sales	<u>719,498</u>	<u>747,601</u>	<u>718,890</u>	<u>712,994</u>	<u>720,475</u>
Gross Profit	372,649	391,122	390,497	392,465	386,205
Other Operating Revenues	<u>2,714</u>	<u>2,122</u>	<u>2,164</u>	<u>1,834</u>	<u>1,880</u>
Total Operating Revenues	375,363	393,244	392,661	394,299	388,085
Operating Expenses	<u>292,372</u>	<u>306,468</u>	<u>306,870</u>	<u>339,939</u>	<u>315,632</u>
Operating Income (Loss)	82,991	86,776	85,791	54,360	72,453
Nonoperating Revenues (Expenses)	<u>23,223</u>	<u>21,314</u>	<u>18,085</u>	<u>26,929</u>	<u>32,931</u>
Income (Loss) Before Transfers and Other Items	<u>\$ 106,214</u>	<u>\$ 108,090</u>	<u>\$ 103,876</u>	<u>\$ 81,289</u>	<u>\$ 105,384</u>

CITY OF BENSON, MINNESOTA  
 GOVERNMENTAL FUNDS REVENUES - COMPARABLE CITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2016

	REVENUES											Total Revenues
	Population	Taxes	Special Assessments	Licenses and Permits	INTERGOVERNMENTAL			Total Inter-Governmental	Charges for Services / Fines	Interest Earnings	All Other Revenues	
					Federal Grants	State Grants	Local Grants					
Benson	3,240	\$1,738,103	\$ 2,051	\$ 28,774	\$ 149,722	\$1,413,709	\$ 13,210	\$1,576,641	\$ 331,485	\$ 57,903	\$ 597,290	\$4,332,247
Blue Earth**	3,288	1,519,495	528,546	32,602	27,713	2,729,501	24,269	2,781,483	674,175	37,387	312,821	5,886,509
Glenwood**	2,582	1,236,389		117,699	508,051	873,831		1,381,882	426,503	25,368	156,841	3,344,682
Granite Falls**	2,804	1,346,207	98,632	78,288	362,557	1,576,338	226,845	2,165,740	240,785	31,615	170,899	4,132,166
Jackson**	3,359	1,605,626	6,708	77,678	346,248	1,455,799		1,802,047	278,676	126,002	272,461	4,169,198
Luverne**	4,707	1,960,563	3,290	187,147	213,629	1,523,802		1,737,431	800,600	108,418	252,932	5,050,381
Olivia**	2,437	1,095,431	81,293	55,046		914,331		914,331	93,436	85,265	141,939	2,466,741
Windom**	4,637	1,647,388	163,377	82,161	118,618	1,844,771	15,667	1,979,056	918,976	27,101	191,627	5,009,686

\*\* Based on 2015 data.



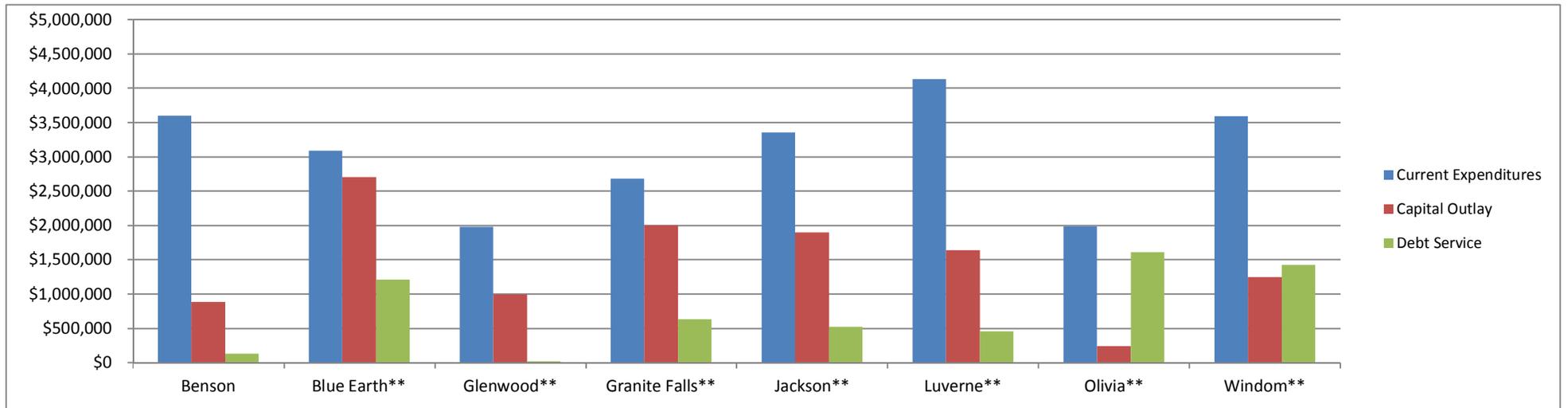
Benson	40.12%	0.05%	0.66%	3.46%	32.63%	0.30%	36.39%	7.65%	1.34%	13.79%	100.00%
Blue Earth**	25.81%	8.98%	0.55%	0.47%	46.37%	0.41%	47.25%	11.45%	0.64%	5.31%	100.00%
Glenwood**	36.97%	0.00%	3.52%	15.19%	26.13%	0.00%	41.32%	12.75%	0.76%	4.69%	100.00%
Granite Falls	32.58%	2.39%	1.89%	8.77%	38.15%	5.49%	52.41%	5.83%	0.77%	4.14%	100.00%
Jackson**	38.51%	0.16%	1.86%	8.30%	34.92%	0.00%	43.22%	6.68%	3.02%	6.54%	100.00%
Luverne**	38.82%	0.07%	3.71%	4.23%	30.17%	0.00%	34.40%	15.85%	2.15%	5.01%	100.00%
Olivia**	44.41%	3.30%	2.23%	0.00%	37.07%	0.00%	37.07%	3.79%	3.46%	5.75%	100.00%
Windom**	32.88%	3.26%	1.64%	2.37%	36.82%	0.31%	39.50%	18.34%	0.54%	3.83%	100.00%

CITY OF BENSON, MINNESOTA  
 GOVERNMENTAL FUNDS EXPENDITURES - COMPARABLE CITIES  
 FOR THE YEAR ENDED DECEMBER 31, 2016

CURRENT EXPENDITURES

	Population	General Government	Public Safety	Streets and Highways	Culture and Recreation	Housing and Economic Development	All Other	Total Current Expenditures	Total Capital Outlay	Total Debt Service	Total Expenditures
Benson	3,240	\$ 671,091	\$ 1,017,359	\$ 679,533	\$ 781,286	\$ 212,204	\$ 237,252	\$ 3,598,725	\$ 881,345	\$ 125,258	\$ 4,605,328
Blue Earth**	3,288	411,703	733,903	898,522	412,920	403,008	227,782	3,087,838	2,701,944	1,205,582	6,995,364
Glenwood**	2,582	360,787	598,829	254,108	340,102	301,980	121,910	1,977,716	990,526	13,127	2,981,369
Granite Falls**	2,804	431,834	763,872	396,788	224,483	268,064	593,646	2,678,687	2,000,029	626,845	5,305,561
Jackson**	3,359	784,838	785,805	688,090	260,211	615,113	221,476	3,355,533	1,893,370	519,268	5,768,171
Luverne**	4,707	566,236	1,187,043	662,926	1,031,291	378,152	306,310	4,131,958	1,634,182	449,494	6,215,634
Olivia**	2,437	433,031	701,777	530,960	183,916	103,095	33,386	1,986,165	240,726	1,610,044	3,836,935
Windom**	4,637	390,912	1,550,639	542,833	469,296	481,806	153,706	3,589,192	1,246,260	1,424,919	6,260,371

\*\* Based on 2015 data.



Benson	14.57%	22.09%	14.76%	16.96%	4.61%	5.15%	78.14%	19.14%	2.72%	100.00%
Blue Earth**	5.89%	10.49%	12.84%	5.90%	5.76%	3.26%	44.14%	38.62%	17.23%	100.00%
Glenwood**	12.10%	20.09%	8.52%	11.41%	10.13%	4.09%	66.34%	33.22%	0.44%	100.00%
Granite Falls**	8.14%	14.40%	7.48%	4.23%	5.05%	11.19%	50.49%	37.70%	11.81%	100.00%
Jackson**	13.61%	13.62%	11.93%	4.51%	10.66%	3.84%	58.17%	32.82%	9.00%	100.00%
Luverne**	9.11%	19.10%	10.67%	16.59%	6.08%	4.93%	66.48%	26.29%	7.23%	100.00%
Olivia**	11.29%	18.29%	13.84%	4.79%	2.69%	0.87%	51.76%	6.27%	41.96%	100.00%
Windom**	6.24%	24.77%	8.67%	7.50%	7.70%	2.46%	57.33%	19.91%	22.76%	100.00%

CITY OF BENSON, MINNESOTA  
AUDITED FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2016

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

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CITY OF BENSON, MINNESOTA

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CITY OF BENSON, MINNESOTA

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CITY OF BENSON, MINNESOTA

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CITY OF BENSON, MINNESOTA  
ELECTED AND APPOINTED OFFICIALS  
DECEMBER 31, 2016

<u>Name</u>	<u>Position</u>	<u>Term of Office Expires</u>
Gary Landmark	Mayor	December 31, 2017
Jack Evenson	Council Member	December 31, 2017
Stephanie Heinzig	Council Member	December 31, 2017
Sue Fitz	Council Member	Interim
Terri Collins	Council Member	December 31, 2019
Robert Wolfington	City Administrator	Appointed
Glen Pederson	Director of Finance	Appointed
Donald Wilcox	City Attorney	Appointed

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Benson, 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.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Benson, Minnesota, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity 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 Funding Progress and Employer Contributions, the Schedules of Proportionate Share of the Net Pension Liability and Employer Contributions, and the Schedule of Changes in the City's Net Pension Liability and Related Ratios 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 opinions on the financial statements that collectively comprise the City's basic financial statements. The Elected and Appointed Officials page and supplementary information identified in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit 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.

The Elected and Appointed Officials page and statistical schedules 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 June 5, 2017, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Conway, Deuth & Schmiesing, PLLP*

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

June 5, 2017

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REQUIRED SUPPLEMENTARY INFORMATION

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## CITY OF BENSON, MINNESOTA

### MANAGEMENT'S DISCUSSION AND ANALYSIS DECEMBER 31, 2016

This section of the basic financial statements of the City of Benson (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 and deferred outflows of resources of the City exceeded liabilities and deferred inflows of resources by \$22 million for the year ended 2016. Of this amount, \$6.5 million may be used to meet the government's ongoing obligations to citizens and creditors in 2016.
- The City's total net position increased by \$111,249.
- The City's governmental funds reported combined ending fund balances of \$3,559,056 in 2016, which is an increase of \$159,301 from the prior year. Of this total amount, approximately 44% is available for spending at the City's discretion. The General Fund decreased by \$64,685 with revenues received \$77,872 over budget, expenditures \$122,875 over budget and other financing sources (uses) \$40,252 under budget.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1,561,837, or 48% of total General Fund expenditures of \$3,274,230. The City budgeted for a \$20,570 surplus. The actual result was a decrease of \$64,685.

#### 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 Activities. 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 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 or worse 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 deferred outflows of resources and liabilities and deferred inflows of resources 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.

The Statement of Net Position and the Statement of Activities report the City's net position and changes in them. You can think of the City's net position—the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources—as one way to measure the City's financial health. Over time, increases or decreases in the City's net position are 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 Benson.

CITY OF BENSON, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016

The City as a Whole: Statement of Net Position and Statement of Activities (Cont'd)

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 public safety, public works, culture and recreation, airport and public transit, urban development, economic development, 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 it cover all or most of the cost of certain services it provides. The City's Water, Sewer, Electric, Liquor, and Sanitation funds are reported here.

The City's Most Significant Funds: Fund Financial Statements

Our analysis of the City of Benson's major funds begins with the fund financial statements. These statements provide 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 Benson's three kinds of funds - governmental, proprietary, and fiduciary - use different accounting approaches.

*Governmental Funds* - Most of the City of Benson'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 a reconciliation after the fund financial statements.

The governmental fund financial statements can be found on pages 17-21 of this report.

*Proprietary Funds* - When the City of Benson 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.

*Fiduciary Funds* - The City of Benson is the trustee, or fiduciary, to account for the repayment and earnings of the Economic Development Revolving Loans. The resources held in a fiduciary capacity are reported in a separate Statement of Fiduciary Net Position. We exclude these activities from the City's other financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in this fund are used for their intended purpose.

The fiduciary fund financial statements can be found on pages 26-27 of this report.

CITY OF BENSON, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016

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 28-63 of this report.

Statement of Net Position

The City of Benson's net position increased from a year ago. Our analysis below focuses on the net position (Tables 1 and 2) and changes in net position (Tables 3 and 4) of the City's governmental and business-type activities.

	Governmental Activities		Change
	2016	2015	
Current Assets and Other Assets	\$ 3,654,223	\$ 3,663,857	\$ (9,634)
Net Capital Assets	11,276,199	11,224,540	51,659
Total Assets	14,930,422	14,888,397	42,025
Deferred Outflows of Resources	1,716,343	239,738	1,476,605
Total Assets and Deferred Outflows of Resources	\$ 16,646,765	\$ 15,128,135	\$ 1,518,630
Current and Other Liabilities	\$ 85,041	\$ 146,136	\$ (61,095)
Long-Term Liabilities	4,233,311	2,811,162	1,422,149
Total Liabilities	4,318,352	2,957,298	1,361,054
Deferred Inflows of Resources	375,728	152,319	223,409
Net Position			
Net Investment in Capital Assets	10,106,199	9,949,540	156,659
Restricted	279,854	204,857	74,997
Unrestricted	1,566,632	1,864,121	(297,489)
Total Net Position	11,952,685	12,018,518	(65,833)
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 16,646,765	\$ 15,128,135	\$ 1,518,630

CITY OF BENSON, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016

Statement of Net Position (Cont'd)

	<u>Business-Type Activities</u>		Change
	<u>2016</u>	<u>2015</u>	
Current and Other Assets	\$ 5,886,900	\$ 5,757,330	\$ 129,570
Net Capital Assets	15,140,877	15,758,963	(618,086)
Total Assets	<u>21,027,777</u>	<u>21,516,293</u>	(488,516)
Deferred Outflows of Resources	245,047	110,646	134,401
Total Assets and Deferred Outflows of Resources	<u>\$ 21,272,824</u>	<u>\$ 21,626,939</u>	<u>\$ (354,115)</u>
Current and Other Liabilities	\$ 510,538	\$ 381,793	\$ 128,745
Long-Term Liabilities	10,898,225	11,582,889	(684,664)
Total Liabilities	<u>11,408,763</u>	<u>11,964,682</u>	(555,919)
Deferred Inflows of Resources	53,419	28,697	24,722
Net Position			
Net Investment in Capital Assets	4,841,877	4,598,963	242,914
Unrestricted	4,968,765	5,034,597	(65,832)
Total Net Position	<u>9,810,642</u>	<u>9,633,560</u>	177,082
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 21,272,824</u>	<u>\$ 21,626,939</u>	<u>\$ (354,115)</u>

Governmental Activities

Net position of the City's governmental activities decreased by \$65,833. Table 3 presents the key elements of the decrease.

Business-Type Activities

The net position of our business-type activities increased by \$177,082. The Water, Sewer, Electric and Liquor funds each had a prior period adjustment in 2015. A comparison of the 2016 and 2015 changes in net position is as follows:

	2016	2015	Increase (Decrease)	Analysis
Water	\$ 36,986	\$ (41,442)	\$ 78,428	Higher Sales
Sewer	(71,111)	(115,585)	44,474	Higher Sales
Electric	192,250	(10,984)	203,234	Higher Sales
Liquor	25,384	(111,150)	136,534	Lower Oper Exp
Sanitation	(6,427)	9,191	(15,618)	Higher Oper Exp
	<u>\$ 177,082</u>	<u>\$ (269,970)</u>	<u>\$ 447,052</u>	

CITY OF BENSON, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016

Statement of Activities

The following tables indicate the changes in net position for the City's governmental and business-type activities:

Table 3 Comparative Condensed Statement of Activities			
	Governmental Activities		Change
	2016	2015	
<b>REVENUES</b>			
Program Revenues			
Fees, Fines, and Charges for Services	\$ 1,029,799	\$ 1,026,941	\$ 2,858
Operating Grants and Contributions	381,883	653,125	(271,242)
Capital Grants and Contributions	216,880		216,880
General Revenues			
Property Taxes	1,520,249	1,447,322	72,927
Grants and Contributions Not Restricted	1,012,239	1,069,426	(57,187)
Interest Income	57,903	62,662	(4,759)
Gain (Loss) on Disposal of Assets	(94,530)	68	(94,598)
Other	115,398	160,546	(45,148)
Total Revenues	4,239,821	4,420,090	(180,270)
<b>EXPENSES</b>			
General Government	709,623	667,647	41,976
Public Safety	1,354,764	1,192,092	162,672
Public Works	1,068,829	942,801	126,028
Culture and Recreation	936,337	917,135	19,202
Airport and Public Transit	324,919	332,706	(7,787)
Urban Development	136,548	361,438	(224,890)
Economic Development	85,656	43,830	41,826
Interest on Long-Term Debt	19,884	20,778	(894)
Total Expenses	4,636,560	4,478,427	158,133
Change in Net Position Before Transfers	(396,739)	(58,337)	(338,402)
TRANSFERS	133,406	164,989	(31,583)
Change in Net Position	(263,333)	106,652	(369,985)
NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED	12,018,518	13,093,722	(1,075,204)
PRIOR PERIOD ADJUSTMENT	197,500	(1,181,856)	1,379,356
NET POSITION, BEGINNING OF YEAR, AS RESTATED	12,216,018	11,911,866	304,152
NET POSITION, END OF YEAR	\$ 11,952,685	\$ 12,018,518	\$ (65,833)

CITY OF BENSON, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016

Statement of Activities (Cont'd)

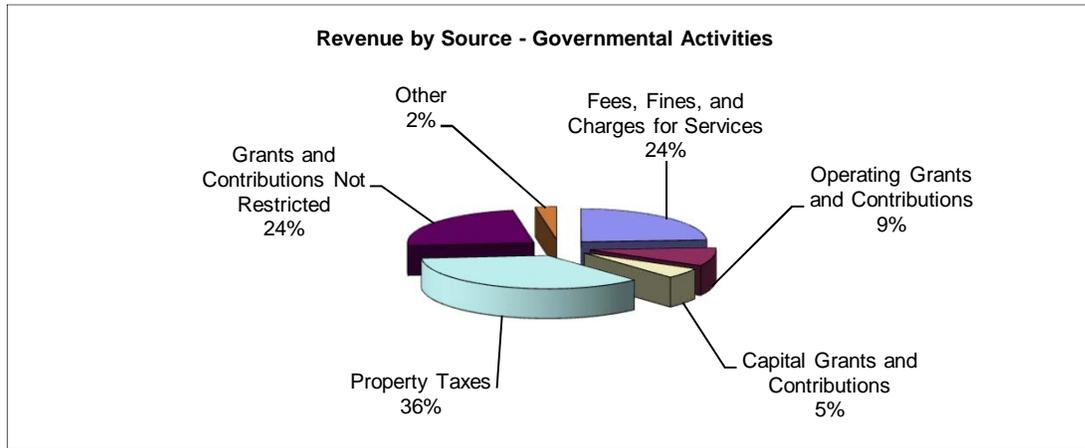
	Business-Type Activities		Change
	2016	2015	
<b>REVENUES</b>			
Program Revenues			
Fees, Fines, and Charges for Services	\$ 6,936,318	\$ 6,723,722	\$ 212,596
General Revenues			
Interest Income	66,793	69,179	(2,386)
Gain (Loss) on Disposal of Assets	(2,397)	24,800	(27,197)
Other	39,262	38,280	982
Total Revenues	7,039,976	6,855,981	183,994
<b>EXPENSES</b>			
Water	588,984	567,759	21,225
Sewer	885,072	888,399	(3,327)
Electric	4,043,685	4,024,159	19,526
Liquor	1,036,107	1,052,933	(16,826)
Sanitation	175,640	159,587	16,053
Total Expenses	6,729,488	6,692,837	36,651
Change in Net Position Before Transfers	310,488	163,144	147,344
<b>TRANSFERS</b>			
Change in Net Position	(133,406)	(164,989)	31,583
Change in Net Position	177,082	(1,845)	178,927
NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED	9,633,560	9,903,530	(269,970)
PRIOR PERIOD ADJUSTMENT		(268,125)	268,125
NET POSITION, BEGINNING OF YEAR, AS RESTATED	9,633,560	9,635,405	(1,845)
NET POSITION, END OF YEAR	\$ 9,810,642	\$ 9,633,560	\$ 177,082

CITY OF BENSON, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016

Governmental Activities

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



Financial Analysis of the City's Funds

General Fund - The change in the City's General Fund balance was a decrease of \$64,685 for 2016. The City Council adopted a budget with a surplus of \$20,570 as a cushion against rising expenses. The fund balance decreased to 48% of annual expenditures from 51% the previous year due to a 10% increase in expenses. This is still 8% over (\$261,938) the cities goal of 40%.

Property taxes increased 5% this year as part of a general increase in overall salaries and expenses and for the first year payment on the 2014 G.O. Bonds.

Revenues came in only slightly higher than anticipated at \$77,872 or 2.2% of budget. The majority came from Other Intergovernmental Revenues including Police and Fire training reimbursements. Transit revenues were down as the system was transferred to Prairie Five Rides during the year. Refunds and Reimbursements includes a \$13,890 dividend check from the League of MN Cities Insurance Trust.

The \$64,685 decrease in fund balance can be attributed to the costs not covered by the Bonds sold for the Street Garage addition and the Golf Course sprinkler system and other Golf Course Transfers.

General Capital Outlay - The change in the City's General Capital Outlay Fund balance was a decrease of \$198,948 for 2016. The City was required to prepay for the Fire Department Ladder Truck chassis in the amount of \$260,378 which we will be reimbursed for upon delivery of the completed truck and financing with the lease company is in place. Without this payment there would have been a fund increase of \$61,430. Other purchases for the year consisted of a police vehicle, fire department turnout gear and air tanks, street overlay project, cemetery 80 Niche Columbarium and airport runway sealcoat.

Capital Project Funds - The capital project fund balances - both major and nonmajor - decreased by \$130,742. This includes the decrease of \$198,945 in the General Capital Outlay Fund. The nonmajor funds saw an increase. The Concrete Projects Fund increased due to no project being undertaken during the year. The Storm Water Fund covered all of the maintenance costs for the year and added \$50,836 to its fund balance from utility bill storm water fees.

CITY OF BENSON, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016

Financial Analysis of the City's Funds (Cont'd)

Debt Service Funds – The debt service fund balances increased by \$101,986, which was entirely in the G.O. Bonds of 2014. This fund had a deficit balance at the beginning of the year due to more expenses on the Street Garage Addition and Golf Course Sprinkler system than were bonded for. The balance of the increase is the current years tax levy for bond payments due in 2017.

Water Fund – Revenues came in at \$637,301 and expenses at \$531,747 with an operating income of \$105,554 as compared to operating income in 2015 of \$79,307.

Sewer Fund - Revenues came in at \$841,743 and expenses at \$828,381 with total operating income of \$13,362 as compared to \$(17,149) in 2015. Expenses for the year were comparable to 2015 and revenues were slightly higher but not as high as anticipated. Another rate increase has been approved for 2017.

Liquor Fund - Total revenues were comparable with 2015 and showed minor changes between On-Sale and Off-Sale. Pull tab gambling rent showed another increase and has stabilized at that level. Expenses are down in wages with less overtime hours being worked and fewer building maintenance costs.

Factors affecting the City's proprietary funds for 2017 are as follows:

Water and sewer rates both increase again in 2017 as we struggle to collect enough revenue to cover operating costs and debt service. An increase in the Sewer rate in 2016 did not realize the amount of revenue as anticipated. Large increases the last several years to water and sewer rates have made these charges a significant portion of our residential customers utility bill. What was once a reasonably priced service now needs to be closely monitored by the consumers in order to control their costs. The City needs to closely monitor its sewer and water fund budgets in order to control their cost.

In the Electric Fund operating profit is holding steady and projected to continue to be positive. Cost of power has stabilized in recent years. A rate study has been ordered for 2017. An effort to convert a portion of our distribution system from overhead to underground is underway and will take 20 years to complete. With increasing environmental regulations being placed on carbon emissions, the City will see increased costs for its supplemental power cost. As plants are retired and newer resources are constructed, these costs will be passed on to our customers.

Budgetary Highlights

Over the course of the year, the City of Benson did not revised its original adopted budget. The City adopted a General Fund Budget with a surplus in anticipation of rising costs.

Capital Assets

At year-end, the City of Benson had \$61,657,754 invested in a broad range of capital assets. Refer to Note 5 of the Notes to the Financial Statements for a schedule showing the City's capital asset activity.

The City of Benson's fiscal year 2017 General capital outlay plan has \$890,000 in the budget. This is a return to more normal capital expenditure amount for our City. Unique items this year include a \$240,000 concrete and asphalt upgrades to all main roads running through town and expansion to the Benson Cemetery grounds.

The Water Fund continues to make needed repairs to the distribution system but no major upgrades are planned at this time. Repainting of the water tower has been moved out to 2018.

## CITY OF BENSON, MINNESOTA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

DECEMBER 31, 2016

#### Capital Assets (Cont'd)

2017 will be another minimum project year for the Sewer Fund with no major projects planned. Cash levels are too low to entertain any kind of substantial project.

The Electric Fund has planned improvements to the electric system to convert overhead to underground distribution. The City Council has approved a 20 year plan that is engineered and sized to allow the MRES maintenance and distribution crew to construct a portion of the plan each year. The City of Benson is in year six of a 20 year plan to completely bury its electric distribution system. The MRES crew will support street light underground distribution in the central business district in 2017 and complete a section of line in a northern residential neighborhood.

#### Long-Term Liabilities

At year-end, the City of Benson had \$15,131,536 in bonds and other long-term notes outstanding. Refer to Note 7 of the Notes to the Financial Statements for a schedule showing the City's long-term liability activity.

#### Economic Factors and Next Year's Budget

The overall economy in the State of Minnesota is doing well. However the farm economy continues to suffer stress from low commodity prices, including the price of ethanol. The slow farm economy has a negative effect on businesses in Benson that support agriculture. Chemical, fertilizer and implement dealers are seeing a tighter market as farmers delay capital purchases. One significant blow to the Benson economy is the pending loss of Benson Power LLC to the community. The 2017 Legislature passes a law repealing the biomass mandate which will allow Northern States Power (NSP), owners of Benson Power, to cancel their power purchase agreement and retire the plant. It is expected that the city of Benson will see a loss of the Benson Power Plant tax base in 2022. In 2017 Benson Power LLC paid 25% of the City of Benson's local property tax levy.

The City of Benson will continue to make long term capital investments in the community. In 2017 the MN DOT will complete a major reconstruction of the three state highways that intersect the City of Benson. This improvement is expected to support development in Benson's central business district with additional retail stores opening and existing stores growing stronger. Projects planned for 2018 include a major expansion of the Swift County Health Services assisted living center.

The City Council's conservative approach to spending has allowed for maintenance of healthy reserves and capital outlay balance in the General Fund and Capital Outlay Fund.

The 2017 property tax levy of \$1,644,651 is a 10.1% increase of 2016. The property tax increase for 2018 has not yet been determined but will be impacted by additional debt to pay for planned capital improvements to the Benson Police Station and the armory. Impacting the City of Benson finances over the next five years is a pending contract with NSP to contribute \$20 million to the city of Benson over the next five years to aid its economic development effort. The contract is expected to be executed in the late summer of 2017 with proceeds will be dispersed in 2018 – 2021. The proceeds are to be used for economic development to attract new business to replace the loss of Benson Power in 2018. The outlook for the City of Benson is bright. With optimism in the future and resources to attract new business, the city of Benson is looking forward to an exciting and bright future.

CITY OF BENSON, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2016

Contacting the City's Financial Management

This financial report is designed to provide our residents, customers, and creditors with a general overview of the City'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 Benson, 1410 Kansas Avenue, Benson, Minnesota 56215, (320) 843-4775, or [staff@bensonmn.org](mailto:staff@bensonmn.org).

## BASIC FINANCIAL STATEMENTS

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CITY OF BENSON, MINNESOTA

STATEMENT OF NET POSITION  
DECEMBER 31, 2016

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>			
<b>Assets</b>			
Cash and Investments	\$ 2,950,452	\$ 4,990,360	\$ 7,940,812
Receivables			
Accounts	64,635	555,593	620,228
Property Taxes	48,169		48,169
Special Assessments	15,310	23,374	38,684
Notes	101,476		101,476
Interest	11,591	19,094	30,685
Inventories	109,461	276,923	386,384
Internal Balances	4,851	(17,411)	(12,560)
Prepaid Items	2,152	38,967	41,119
Investment in CVEC	247,500		247,500
Land Held for Resale	93,418		93,418
Capital Assets			
Assets Not Being Depreciated	1,439,100	150,514	1,589,614
Other Capital Assets, Net of Depreciation	9,837,099	14,990,363	24,827,462
Net Pension Asset	5,208		5,208
Total Assets	<u>14,930,422</u>	<u>21,027,777</u>	<u>35,958,199</u>
<b>Deferred Outflows of Resources</b>			
Related to Pensions	1,716,343	185,344	1,901,687
Deferred Loss on Refunding		59,703	59,703
Total Deferred Outflows of Resources	<u>1,716,343</u>	<u>245,047</u>	<u>1,961,390</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 16,646,765</u>	<u>\$ 21,272,824</u>	<u>\$ 37,919,589</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>			
<b>Liabilities</b>			
Accounts Payable	\$ 76,998	\$ 442,656	\$ 519,654
Retainage Payable		7,259	7,259
Accrued Interest Payable	8,043	60,623	68,666
Long-Term Liabilities			
Due Within One Year	251,529	917,127	1,168,656
Due in More Than One Year	3,981,782	9,981,098	13,962,880
Total Liabilities	<u>4,318,352</u>	<u>11,408,763</u>	<u>15,727,115</u>
<b>Deferred Inflows of Resources</b>			
Related to Pensions	375,728	53,419	429,147
<b>Net Position</b>			
Net Investment in Capital Assets	10,106,199	4,841,877	14,948,076
Restricted			
Debt Service	159,052		159,052
Economic Development	120,802		120,802
Unrestricted	1,566,632	4,968,765	6,535,397
Total Net Position	<u>11,952,685</u>	<u>9,810,642</u>	<u>21,763,327</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 16,646,765</u>	<u>\$ 21,272,824</u>	<u>\$ 37,919,589</u>

See Accompanying Notes to the Financial Statements

CITY OF BENSON, MINNESOTA

STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2016

	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>GOVERNMENTAL ACTIVITIES</b>							
General Government	\$ 709,623	\$ 565,650	\$	\$	\$ (143,973)	\$	\$ (143,973)
Public Safety	1,354,764	156,642	145,428	146,865	(905,829)		(905,829)
Public Works	1,068,829	60,126	219		(1,008,484)		(1,008,484)
Culture and Recreation	936,337	140,705	707		(794,925)		(794,925)
Airport and Public Transit	324,919	84,455	139,811	70,015	(30,638)		(30,638)
Urban Development	136,548		95,718		(40,830)		(40,830)
Economic Development	85,656	22,221			(63,435)		(63,435)
Interest on Long-Term Debt	19,884				(19,884)		(19,884)
Total Governmental Activities	4,636,560	1,029,799	381,883	216,880	(3,007,998)	0	(3,007,998)
<b>BUSINESS-TYPE ACTIVITIES</b>							
Water	588,984	637,301				48,317	48,317
Sewer	885,072	841,743				(43,329)	(43,329)
Electric	4,043,685	4,181,822				138,137	138,137
Liquor	1,036,107	1,108,560				72,453	72,453
Sanitation	175,640	166,892				(8,748)	(8,748)
Total Business-Type Activities	6,729,488	6,936,318	0	0	0	206,830	206,830
<b>Total</b>	<b>\$ 11,366,048</b>	<b>\$ 7,966,117</b>	<b>\$ 381,883</b>	<b>\$ 216,880</b>	<b>(3,007,998)</b>	<b>206,830</b>	<b>(2,801,168)</b>
<b>GENERAL REVENUES</b>							
Taxes							
Property Taxes					1,520,249		1,520,249
Grants and Contributions Not Restricted to Specific Programs					1,012,239		1,012,239
Interest Income					57,903	66,793	124,696
Gain (Loss) on Disposal of Assets					(94,530)	(2,397)	(96,927)
Other					115,398	39,262	154,660
<b>TRANSFERS</b>					133,406	(133,406)	
Total General Revenues and Transfers					2,744,665	(29,748)	2,714,917
Change in Net Position					(263,333)	177,082	(86,251)
<b>NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED</b>					12,018,518	9,633,560	21,652,078
<b>PRIOR PERIOD ADJUSTMENT</b>					197,500		197,500
<b>NET POSITION, BEGINNING OF YEAR, AS RESTATED</b>					12,216,018	9,633,560	21,849,578
<b>NET POSITION, END OF YEAR</b>					<b>\$ 11,952,685</b>	<b>\$ 9,810,642</b>	<b>\$ 21,763,327</b>

See Accompanying Notes to the Financial Statements

CITY OF BENSON, MINNESOTA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016

	General	General Capital Outlay	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 1,490,663	\$ 482,095	\$ 977,694	\$ 2,950,452
Receivables				
Accounts	53,931	2,500	8,204	64,635
Property Taxes	38,929		9,240	48,169
Special Assessments	3,739		11,571	15,310
Notes			101,476	101,476
Interest	11,009		582	11,591
Inventories		109,461		109,461
Due from Other Funds	9,960	5,862	3,473	19,295
Prepaid Items	2,152			2,152
Investment in CVEC			247,500	247,500
Land Held for Resale			93,418	93,418
	<u>\$ 1,610,383</u>	<u>\$ 599,918</u>	<u>\$ 1,453,158</u>	<u>\$ 3,663,459</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 45,004	\$ 14,190	\$ 17,804	\$ 76,998
Due to Other Funds			14,444	14,444
Total Liabilities	<u>45,004</u>	<u>14,190</u>	<u>32,248</u>	<u>91,442</u>
<b>Deferred Inflows of Resources</b>				
Special Assessments	1,390		11,571	12,961
<b>Fund Balance</b>				
Nonspendable	2,152	109,461	93,418	205,031
Restricted			287,897	287,897
Committed			525,362	525,362
Assigned		476,267	502,662	978,929
Unassigned	1,561,837			1,561,837
Total Fund Balance	<u>1,563,989</u>	<u>585,728</u>	<u>1,409,339</u>	<u>3,559,056</u>
	<u>\$ 1,610,383</u>	<u>\$ 599,918</u>	<u>\$ 1,453,158</u>	<u>\$ 3,663,459</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>				

See Accompanying Notes to the Financial Statements

CITY OF BENSON, MINNESOTA

RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
DECEMBER 31, 2016

Total Fund Balances - Governmental Funds	\$ 3,559,056
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Certain assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds.	
Governmental Capital Assets	29,500,760
Less: Accumulated Depreciation	(18,224,561)
Net Pension Asset	5,208
Certain receivables will be collected in subsequent years, but are not available soon enough to pay for the current period's expenditures and, therefore, are deferred in the funds.	
Special Assessments	12,961
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.	
Deferred Outflows of Resources Related to Pensions	1,716,343
Deferred Inflows of Resources Related to Pensions	(375,728)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Bonds and Notes Payable	(1,170,000)
Compensated Absences	(148,284)
Accrued Interest Payable	(8,043)
Net OPEB Liability	(153,921)
Net Pension Liability	(2,761,106)
	<hr/>
Total Net Position - Governmental Activities	<u>\$ 11,952,685</u>

CITY OF BENSON, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2016

	General	General Capital Outlay	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 1,442,359	\$	\$ 295,744	\$ 1,738,103
Special Assessments	139		1,912	2,051
Licenses and Permits	28,774			28,774
Intergovernmental	1,264,043	216,880	95,718	1,576,641
Charges for Services	254,651		54,825	309,476
Fines and Forfeits	22,009			22,009
Investment Income	45,400		12,503	57,903
Miscellaneous				
Rents	78,441			78,441
Refunds and Reimbursements	432,783		16,528	449,311
Donations	4,325		707	5,032
Other	20,223	2,517	41,766	64,506
Total Revenues	<u>3,593,147</u>	<u>219,397</u>	<u>519,703</u>	<u>4,332,247</u>
<b>EXPENDITURES</b>				
<b>Current</b>				
General Government	670,678		413	671,091
Public Safety	1,017,359			1,017,359
Public Works	675,131		4,402	679,533
Culture and Recreation	673,810		107,476	781,286
Airport	60,882			60,882
Public Transit	176,370			176,370
Urban Development			136,548	136,548
Economic Development			75,656	75,656
Capital Outlay		878,345	3,000	881,345
Debt Service			125,258	125,258
Total Expenditures	<u>3,274,230</u>	<u>878,345</u>	<u>452,753</u>	<u>4,605,328</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	318,917	(658,948)	66,950	(273,081)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	134,849	460,000	58,776	653,625
Transfers Out	(518,451)		(1,768)	(520,219)
Total Other Financing Sources (Uses)	<u>(383,602)</u>	<u>460,000</u>	<u>57,008</u>	<u>133,406</u>
Net Change in Fund Balances	(64,685)	(198,948)	123,958	(139,675)
FUND BALANCE, BEGINNING OF YEAR, AS ORIGINALLY STATED	1,628,674	784,676	986,405	3,399,755
PRIOR PERIOD ADJUSTMENT			298,976	298,976
FUND BALANCE, BEGINNING OF YEAR, AS RESTATED	<u>1,628,674</u>	<u>784,676</u>	<u>1,285,381</u>	<u>3,698,731</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,563,989</u>	<u>\$ 585,728</u>	<u>\$ 1,409,339</u>	<u>\$ 3,559,056</u>

See Accompanying Notes to the Financial Statements

CITY OF BENSON, MINNESOTA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2016

Total Net Change in Fund Balances - Governmental Funds	\$ (139,675)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Capital outlays are reported in the governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital Outlay	878,346
Depreciation Expense	(732,157)
Capital Asset Disposals	(361,840)
Accumulated Depreciation Related to Capital Asset Disposals	267,310
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.	
Special Assessments	(1,945)
Economic Development Loans and Notes	(10,000)
In the Statement of Activities, certain operating expenses - other post-employment benefits and compensated absences - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).	
Compensated Absences	(8,166)
Net OPEB Liability	(9,812)
Net Pension Liability	(293,575)
Net Pension Asset	42,808
Bonds issued provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.	
Principal Retirement of Long-Term Debt	105,000
Change in Interest Payable	373
	<hr/>
Change in Net Position - Governmental Activities	<u>\$ (263,333)</u>

CITY OF BENSON, MINNESOTA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 1,428,531	\$ 1,428,531	\$ 1,442,359	\$ 13,828
Special Assessments			139	139
Licenses and Permits	28,300	28,300	28,774	474
Intergovernmental	1,256,864	1,256,864	1,264,043	7,179
Charges for Services	250,960	250,960	254,651	3,691
Fines and Forfeits	18,500	18,500	22,009	3,509
Investment Income	50,000	50,000	45,400	(4,600)
Miscellaneous				
Rents	69,700	69,700	78,441	8,741
Refunds and Reimbursements	403,420	403,420	432,783	29,363
Donations	2,500	2,500	4,325	1,825
Other	6,500	6,500	20,223	13,723
Total Revenues	<u>3,515,275</u>	<u>3,515,275</u>	<u>3,593,147</u>	<u>77,872</u>
<b>EXPENDITURES</b>				
Current				
General Government	643,000	643,000	670,678	27,678
Public Safety	1,015,600	1,015,600	1,017,359	1,759
Public Works	686,620	686,620	675,131	(11,489)
Culture and Recreation	569,010	569,010	673,810	104,800
Airport	55,500	55,500	60,882	5,382
Public Transit	181,625	181,625	176,370	(5,255)
Total Expenditures	<u>3,151,355</u>	<u>3,151,355</u>	<u>3,274,230</u>	<u>122,875</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	363,920	363,920	318,917	(45,003)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	171,650	171,650	134,849	(36,801)
Transfers Out	(515,000)	(515,000)	(518,451)	(3,451)
Total Other Financing Sources (Uses)	<u>(343,350)</u>	<u>(343,350)</u>	<u>(383,602)</u>	<u>(40,252)</u>
Net Change in Fund Balances	<u>\$ 20,570</u>	<u>\$ 20,570</u>	<u>(64,685)</u>	<u>\$ (85,255)</u>
FUND BALANCE, BEGINNING OF YEAR			<u>1,628,674</u>	
FUND BALANCE, END OF YEAR			<u>\$ 1,563,989</u>	

See Accompanying Notes to the Financial Statements

CITY OF BENSON, MINNESOTA

STATEMENT OF NET POSITION  
 PROPRIETARY FUNDS  
 DECEMBER 31, 2016

	Business-Type Activities - Enterprise Funds					Totals
	Water	Sewer	Electric	Liquor	Sanitation	
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Cash and Investments	\$ 658,658	\$	\$ 3,927,902	\$ 264,441	\$ 139,359	\$ 4,990,360
Receivables						
Accounts	2,837	128	549,708	2,920		555,593
Special Assessments	1,593	21,781				23,374
Interest			19,094			19,094
Inventories	21,393	4,353	122,002	129,175		276,923
Due from Other Funds	72,732	64,771			12,000	149,503
Prepaid Items			38,967			38,967
<b>Total Current Assets</b>	<b>757,213</b>	<b>91,033</b>	<b>4,657,673</b>	<b>396,536</b>	<b>151,359</b>	<b>6,053,814</b>
<b>Noncurrent Assets</b>						
<b>Capital Assets</b>						
Assets Not Being Depreciated			112,573	37,941		150,514
Other Capital Assets,						
Net of Depreciation	4,447,254	4,297,342	6,208,646	37,121		14,990,363
Net Noncurrent Assets	4,447,254	4,297,342	6,321,219	75,062	0	15,140,877
<b>Total Assets</b>	<b>5,204,467</b>	<b>4,388,375</b>	<b>10,978,892</b>	<b>471,598</b>	<b>151,359</b>	<b>21,194,691</b>
<b>Deferred Outflows of Resources</b>						
Related to Pensions	63,712	5,792	46,336	69,504		185,344
Deferred Loss on Refunding			59,703			59,703
<b>Total Deferred Outflows of Resources</b>	<b>63,712</b>	<b>5,792</b>	<b>106,039</b>	<b>69,504</b>	<b>0</b>	<b>245,047</b>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 5,268,179</b>	<b>\$ 4,394,167</b>	<b>\$ 11,084,931</b>	<b>\$ 541,102</b>	<b>\$ 151,359</b>	<b>\$ 21,439,738</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>						
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Accounts Payable	\$ 9,740	\$ 704	\$ 414,087	\$ 18,125	\$	\$ 442,656
Retainage Payable			7,259			7,259
Accrued Interest Payable	20,330	19,959	20,334			60,623
Due to Other Funds	2,184	32,896	131,834			166,914
Current Portion of Long-Term Debt	216,831	305,830	386,953	7,513		917,127
<b>Total Current Liabilities</b>	<b>249,085</b>	<b>359,389</b>	<b>960,467</b>	<b>25,638</b>	<b>0</b>	<b>1,594,579</b>
<b>Long-Term Liabilities</b>						
Note Payable	2,579,000	2,005,000				4,584,000
Bonds Payable	387,750	507,250	4,820,000			5,715,000
Compensated Absences	22,888	28,047	39,974	7,513		98,422
Net OPEB Liability	8,551	8,551	17,102	17,103		51,307
Net Pension Liability	154,514	14,047	112,374	168,561		449,496
Less Current Portion of Debt	(216,831)	(305,830)	(386,953)	(7,513)		(917,127)
<b>Total Long-Term Liabilities</b>	<b>2,935,872</b>	<b>2,257,065</b>	<b>4,602,497</b>	<b>185,664</b>	<b>0</b>	<b>9,981,098</b>
<b>Total Liabilities</b>	<b>3,184,957</b>	<b>2,616,454</b>	<b>5,562,964</b>	<b>211,302</b>	<b>0</b>	<b>11,575,677</b>
<b>Deferred Inflows of Resources</b>						
Related to Pensions	18,363	1,669	13,355	20,032		53,419
<b>Net Position</b>						
Net Investment in Capital Assets	1,480,504	1,785,092	1,501,219	75,062		4,841,877
Unrestricted	584,355	(9,048)	4,007,393	234,706	151,359	4,968,765
<b>Total Net Position</b>	<b>2,064,859</b>	<b>1,776,044</b>	<b>5,508,612</b>	<b>309,768</b>	<b>151,359</b>	<b>9,810,642</b>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<b>\$ 5,268,179</b>	<b>\$ 4,394,167</b>	<b>\$ 11,084,931</b>	<b>\$ 541,102</b>	<b>\$ 151,359</b>	<b>\$ 21,439,738</b>

See Accompanying Notes to the Financial Statements

CITY OF BENSON, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 PROPRIETARY FUNDS  
 YEAR ENDED DECEMBER 31, 2016

	Business-Type Activities - Enterprise Funds					Totals
	Water	Sewer	Electric	Liquor	Sanitation	
<b>OPERATING REVENUES</b>						
Sales and Charges for Services	\$ 637,301	\$ 841,743	\$ 4,098,722	\$ 388,085	\$ 164,070	\$ 6,129,921
Interfund			33,735			33,735
Other			49,365		2,822	52,187
Total Operating Revenues	637,301	841,743	4,181,822	388,085	166,892	6,215,843
<b>OPERATING EXPENSES</b>						
Personal Services	182,149	11,927	143,956	188,653		526,685
Supplies	26,942	32,112	89,081	5,973	1,576	155,684
Other Services and Charges	115,170	429,611	3,058,384	116,130	174,064	3,893,359
Interfund	12,375	21,360				33,735
Depreciation	195,111	333,371	526,370	4,876		1,059,728
Total Operating Expenses	531,747	828,381	3,817,791	315,632	175,640	5,669,191
Operating Income (Loss)	105,554	13,362	364,031	72,453	(8,748)	546,652
<b>NONOPERATING REVENUES</b>						
<b>(EXPENSES)</b>						
Investment Income	10,799	409	53,036	228	2,321	66,793
Interest and Fiscal Charges	(57,237)	(56,691)	(214,704)			(328,632)
Rents			6,559	32,703		39,262
Gain (Loss) on Disposal of Assets			(2,397)			(2,397)
Amortization			(11,190)			(11,190)
Total Nonoperating Revenues						
(Expenses)	(46,438)	(56,282)	(168,696)	32,931	2,321	(236,164)
Income (Loss) before Transfers	59,116	(42,920)	195,335	105,384	(6,427)	310,488
<b>TRANSFERS</b>						
Transfers Out	(22,130)	(28,191)	(3,085)	(80,000)		(133,406)
Change in Net Position	36,986	(71,111)	192,250	25,384	(6,427)	177,082
NET POSITION, BEGINNING OF YEAR	2,027,873	1,847,155	5,316,362	284,384	157,786	9,633,560
NET POSITION, END OF YEAR	\$ 2,064,859	\$ 1,776,044	\$ 5,508,612	\$ 309,768	\$ 151,359	\$ 9,810,642

See Accompanying Notes to the Financial Statements

CITY OF BENSON, MINNESOTA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2016

	Business-Type Activities - Enterprise Funds					Totals
	Water	Sewer	Electric	Liquor	Sanitation	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts From Customers	\$ 612,945	\$ 840,170	\$ 4,009,948	\$ 1,109,326	\$ 164,070	\$ 6,736,459
Payments Received From Other Sources	22,915	1,824	120,289		2,822	147,850
Payments to Suppliers	(186,187)	(455,747)	(2,991,067)	(827,049)	(174,893)	(4,634,943)
Payments to Employees	(150,487)	(8,107)	(133,254)	(179,370)		(471,218)
Net Cash Provided (Used) by Operating Activities	299,186	378,140	1,005,916	102,907	(8,001)	1,778,148
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers Out	(22,130)	(28,191)	(3,085)	(80,000)		(133,406)
Rents			6,559	32,703		39,262
Net Cash Provided (Used) by Noncapital Financing Activities	(22,130)	(28,191)	3,474	(47,297)	0	(94,144)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Long-Term Debt Principal Payments	(207,750)	(288,250)	(365,000)			(861,000)
Interest Paid on Bonds	(58,673)	(58,879)	(216,274)			(333,826)
Proceeds from Sale of Capital Assets			(2,397)			(2,397)
Acquisition and Construction of Capital Assets	(2,106)	(19,105)	(413,172)			(434,383)
Net Cash Provided (Used) by Capital and Related Financing Activities	(268,529)	(366,234)	(996,843)	0	0	(1,631,606)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Investment Income	10,799	409	49,576	228	2,321	63,333
Net Increase (Decrease) in Cash and Cash Equivalents	19,326	(15,876)	62,123	55,838	(5,680)	115,731
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR</b>	<b>639,332</b>	<b>15,876</b>	<b>3,865,779</b>	<b>208,603</b>	<b>145,039</b>	<b>4,874,629</b>
<b>CASH AND CASH EQUIVALENTS, END OF YEAR</b>	<b>\$ 658,658</b>	<b>\$ 0</b>	<b>\$ 3,927,902</b>	<b>\$ 264,441</b>	<b>\$ 139,359</b>	<b>\$ 4,990,360</b>

See Accompanying Notes to the Financial Statements

CITY OF BENSON, MINNESOTA  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED DECEMBER 31, 2016

	Business-Type Activities - Enterprise Funds					Totals
	Water	Sewer	Electric	Liquor	Sanitation	
RECONCILIATION OF OPERATING INCOME (LOSS) TO CASH FLOWS FROM OPERATING ACTIVITIES						
Operating Income (Loss)	\$ 105,554	\$ 13,362	\$ 364,031	\$ 72,453	\$ (8,748)	\$ 546,652
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Depreciation	195,111	333,371	526,370	4,876		1,059,728
Pension Related Adjustments	28,866	1,002	8,015	3,102		40,985
(Increase) Decrease in Assets						
Receivables	(1,841)	312	(51,645)	766		(52,408)
Due from Other Governments	400	(61)	60			399
Inventories	(2,551)	(79)	6,091	13,435		16,896
Prepaid Items			19,424			19,424
Due from Other Funds	(32,103)	(5,391)			747	(36,747)
Increase (Decrease) in Liabilities						
Accounts Payable	770	(90)	123,906	2,094		126,680
Due to Other Funds	2,184	32,896	6,977			42,057
Compensated Absences	1,450	1,472	(4)	3,490		6,408
Net OPEB Liability	1,346	1,346	2,691	2,691		8,074
Total Adjustments	<u>193,632</u>	<u>364,778</u>	<u>641,885</u>	<u>30,454</u>	<u>747</u>	<u>1,231,496</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 299,186</u>	<u>\$ 378,140</u>	<u>\$ 1,005,916</u>	<u>\$ 102,907</u>	<u>\$ (8,001)</u>	<u>\$ 1,778,148</u>

CITY OF BENSON, MINNESOTA

STATEMENT OF FIDUCIARY NET POSITION  
TRUST FUND  
ECONOMIC DEVELOPMENT REVOLVING LOAN TRUST  
DECEMBER 31, 2016

	<u>Private-Purpose Trust</u>
ASSETS	
Cash and Investments	\$ 836,329
Due From Other Funds	12,560
Loans Receivable, Net of Allowance for Uncollectible Accounts	<u>391,439</u>
Total Assets	<u>\$ 1,240,328</u>
NET POSITION	
Funds Held in Trust	<u>\$ 1,240,328</u>

CITY OF BENSON, MINNESOTA

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 TRUST FUND  
 ECONOMIC DEVELOPMENT REVOLVING LOAN TRUST  
 YEAR ENDED DECEMBER 31, 2016

	<u>Private-Purpose Trust</u>
ADDITIONS	
Interest	\$ 11,770
DEDUCTIONS	
Economic Development	12,438
Change in Net Position	<u>(668)</u>
NET POSITION, BEGINNING OF YEAR	<u>1,240,996</u>
NET POSITION, END OF YEAR	<u>\$ 1,240,328</u>

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CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

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

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

The criteria used to determine if the City is financially accountable for a component unit includes whether or not 1) the City 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 City.

As a result of applying the component unit definition criteria above, certain entities have been defined and are presented in this report as follows:

Blended Component Unit - Reported as if they were part of the City.

For the category above, the specific entity is identified as follows.

Blended Component Unit

The Benson Economic Development Authority (EDA) is a legal entity separate from the City. Although legally separate, the Benson EDA is reported as if it were part of the primary government because it provides services exclusively for the City. Separate financial statements are not prepared for the Benson EDA.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Cont'd)

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

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

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

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

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

The City reports the following major governmental funds:

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

The General Capital Outlay Capital Projects Fund accounts for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds and trust funds).

The City reports the following major enterprise funds:

The Water Fund accounts for the operations of the City owned water utility system.

The Sewer Fund accounts for the operations of the City owned sewer utility system.

The Electric Fund accounts for the operations of the City owned electrical utility system.

The Liquor Fund accounts for the operations of the City owned municipal liquor store.

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

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

The Sanitation Fund is used to account for the fees received and expenses in relation to trash collection.

Additionally, the City reports as a Private-Purpose Trust Fiduciary Fund the Economic Development Revolving Loan Trust Fund. This fund is used to account for the repayment and earnings of the loans in accordance with the requirements of the agreement.

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

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

It is generally the City'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 are available.

D. DEPOSITS AND INVESTMENTS

The City'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 City 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;

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

D. DEPOSITS AND INVESTMENTS (Cont'd)

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

Cash and investments at December 31, 2016, were comprised of deposits, brokered certificates of deposits and government bonds.

The City 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 City's Investment in CVEC is valued as a Level 2 input.

The City does not have an investment policy in place that addresses interest rate risk, credit risk, concentration of credit risk or custodial credit risk.

**Custodial Credit Risk - Deposits:** For deposits, this is the risk that in the event of bank failure, the City's deposits may not be returned to it. Minnesota Statutes require all City deposits be protected by federal deposit insurance, corporate surety bonds, or collateral. The market value of collateral pledged must be 110 percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by Federal Deposit Insurance Corporation (FDIC) insurance or corporate surety bonds. The City has no formal policy in place to address custodial credit risk for deposits.

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 purchase 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 City treasurer or in a financial institution other than 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. The City minimizes its exposure to interest rate risk by investing in short-term and long-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 as necessary to provide the cash flow and liquidity needed for operations. However, the City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

D. DEPOSITS AND INVESTMENTS (Cont'd)

Credit Risk: Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. Minnesota Statutes §118A.04 and §118A.05 limits investments that are in the top two ratings issued by nationally recognized statistical rating organizations. The City does not have an investment policy that further limits credit risk.

Custodial Credit Risk - Investments: For investments, this is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City was not exposed to custodial credit risk since all investment securities were insured or fully collateralized and are registered in the name of the City. The City does not have a formal policy to address custodial credit risk.

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 City does not have a formal policy to address concentration of credit risk.

E. RECEIVABLES AND PAYABLES

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."

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

The City levies its property tax for the subsequent year during the month of December. December 30th is the last day the City can certify a tax levy to the County Auditor for collection the following year. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. The property tax is recorded as revenue when it becomes measurable and available. Swift County is the collecting agency for the levy and remits the collections to the City three times a year. The tax levy notice is mailed in March with the first half payment due on May 15 and the second half payment due on October 15. Taxes not collected by the City as of December 31 each year are shown as taxes receivable.

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

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

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

F. PREPAID ITEMS

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

G. INVENTORIES

All inventories of governmental and proprietary funds are valued at the lower of cost, using the first-in, first-out method of accounting, or market value.

H. CAPITAL ASSETS

Capital assets, both tangible and intangible, which include property, plant, equipment and infrastructure assets (e.g., roads, sidewalks and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of one year and an initial, individual cost of more than \$5,000.

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.

Based on the age of the majority of the City's infrastructure and an exception for small governments in GASB Statement No. 34, the City has determined it is not practical to capitalize infrastructure retroactively. The current value of the infrastructure includes projects completed during the year ended December 31, 1977 and prospectively from that date.

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 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.

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

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Improvements Other than Buildings	20-50
Vehicles	10
Machinery and Equipment	10

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

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

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 City has items that qualify for reporting in this category on the government-wide Statement of Net Position which are related to pensions and a deferred loss on refunding.

J. UNEARNED REVENUE

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and certain other payments received before eligibility requirements are met are also recorded as unearned revenue.

K. COMPENSATED ABSENCES

The liability for compensated absences reported in the financial statements consists of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. The liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Compensated absences are accrued when incurred in the government-wide and proprietary fund financial statements. The government-wide and proprietary funds Statement of Net Position reports both current and noncurrent portions of compensated absences using full accrual accounting. The current portion consists of an amount based on a trend analysis of current usage of vacation and vested sick leave. The noncurrent portion consists of the remaining amount of vacation and total vested sick leave.

Full and part-time employees earn vacation days based upon the number of completed years of service. The City compensates employees for unused vacation upon termination of employment. Accordingly, the expenditure for vacation is recognized when earned in the government-wide and the proprietary fund statements. In the governmental fund statements, expenditures for vacation are recognized when paid. Full and part-time employees earn paid sick leave at the rate of one day per month, or pro-rata, up to a total of 125 days. Employees who have accumulated 125 days have one day of sick leave per month credited to a deferred sick leave account to be utilized in the event of an extended illness or injury after their 125 days of regular sick leave are depleted. When police officers hired prior to January 1, 1996, and all others hired prior to January 1, 1991, retire or leave in good standing, the regular accumulated sick leave, up to 125 days will be paid out at a rate established by the City benefit policy and is reported as a liability in the Statement of Net Position. For employees hired after these dates and who retire or otherwise separate employment, no payment for accumulated sick leave is due.

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

L. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Employees of the City pay premiums based on amounts negotiated in employment contracts. Since the insurance rates are not aged based, the City has an implicit rate subsidy factor in postemployment health care expenses. Additionally, Minnesota Statutes require the City to allow retired employees to stay on the health care plan with the retiree responsible to pay the entire premium for continuation coverage (except as otherwise provided in a collective bargaining agreement or personnel policy). The City's personnel policy does not provide for any contributions upon employee retirement.

M. 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 the Benson Fire Relief Association and additions to/deductions from PERA's and the Benson Fire Relief Association's fiduciary net position have been determined on the same basis as they are reported by PERA and the Benson Fire Relief Association. 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.

N. 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.

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

O. 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 City has items that qualify for reporting in this category on both the government-wide Statement of Net Position and the governmental fund financial statements related to special assessments and pensions.

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

P. FUND BALANCE

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 it is 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 (resolution) of the City Council. Those committed amounts cannot be used for any other purpose unless the City 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 to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority.

*Unassigned* - is the residual classification for the General Fund and also reflects negative residual amounts in other funds.

The City requires restricted 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 balance when expenditures are made.

Q. NET POSITION

Net position represents the difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources in the governmental-wide, proprietary fund, and fiduciary fund financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the government-wide, proprietary fund, and fiduciary fund financial statements when there are limitations on their 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.

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

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

R. 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 deferred outflows of resources and liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

The City Council adopts an annual budget. The amounts shown in the financial statements as "budget" represent the original budgeted amounts and all revisions made during the year. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Budget requests are submitted by all department heads to the City Finance Director. The City Finance Director compiles the budget requests into an overall preliminary City budget. The City Administrator presents the proposed budget to the City Council.
2. Public hearings are conducted to obtain taxpayer comments.
3. The budget is legally enacted through passage of a resolution after obtaining taxpayer comments. The budget resolution adopted by the City Council sets forth the budgets at the function level for the General and Special Revenue Funds.
4. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
5. Expenditures may not legally exceed budgeted appropriations at the department level. No fund's budget can be increased without City Council approval. The City Council may authorize transfer of budgeted amounts between departments within any fund. Management may amend budgets within a department level, so long as the total department budget is not changed.
6. Annual appropriated budgets are adopted during the year for the General and Special Revenue Funds. Annual appropriated budgets are not adopted for Debt Service Funds because effective budgetary control is alternatively achieved through bond indenture provisions. Budgetary control for Capital Projects Funds is accomplished through the use of project controls and formal appropriated budgets are not adopted.
7. Budgeted amounts are as originally adopted or as amended by the City Council. Individual amendments were not material in relation to the original amounts budgeted. Budgeted expenditure appropriations lapse at year-end.

Encumbrances outstanding at year-end expire and outstanding purchase orders are canceled and not reported in the financial statements.

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Cont'd)

B. EXPENDITURES EXCEEDING BUDGET

The following funds had expenditures that exceeded budget:

	<u>Budget</u>	<u>Actual</u>
General Fund	\$ 3,151,355	\$ 3,274,230
Special Revenue Fund Economic Development Authority	16,500	75,656

NOTE 3. DEPOSITS AND INVESTMENTS

A. DEPOSITS

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council.

Custodial Credit Risk - Deposits: The City'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 and in the City's name.

Checking	\$ 774,970
Money Market Accounts at Depositories	1,121,750
Nonnegotiable Certificates of Deposit	<u>191,435</u>
Total Deposits	<u>\$ 2,088,155</u>

B. INVESTMENTS

The City had the following investments:

	<u>Fair Value</u>	<u>Fair Value Measurement Using</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments at fair value:				
Brokered Certificates of Deposit	\$ 5,451,678	\$	\$ 5,451,678	\$
Government Securities	<u>1,230,758</u>	<u>1,230,758</u>	<u>                    </u>	<u>                    </u>
Total Investments	<u>\$ 6,682,436</u>	<u>\$ 1,230,758</u>	<u>\$ 5,451,678</u>	<u>\$ 0</u>

The credit rating for the Government Securities was AAA by Moody and AA+ by S&P. The Brokered Certificates of Deposit were not rated.

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 3. DEPOSITS AND INVESTMENTS (Cont'd)

B. INVESTMENTS (Cont'd)

The following is a summary of total deposits and investments:

Petty Cash	\$ 6,550
Deposits (Note 3.A.)	2,088,155
Investments (Note 3.B.)	<u>6,682,436</u>
Total Deposits and Investments	<u><u>\$ 8,777,141</u></u>

Deposits and investments are presented in the basic financial statements as follows:

Statement of Net Position	
Governmental Activities	
Cash and Investments	\$ 2,950,452
Business-Type Activities	
Cash and Investments	4,990,360
Statement of Fiduciary Net Position	
Cash and Investments	<u>836,329</u>
Total Cash and Investments	<u><u>\$ 8,777,141</u></u>

NOTE 4. RECEIVABLES

Receivables for the City's governmental activities and business-type activities are as follows:

	Total Receivables	Amounts not Scheduled for Collection During the Subsequent Year
	<u>          </u>	<u>          </u>
<u>Governmental Activities</u>		
Accounts	\$ 64,635	\$
Property Taxes	48,169	
Special Assessments	15,310	11,302
Notes	101,476	101,476
Interest	<u>11,591</u>	
Total Governmental Activities	<u><u>\$ 241,181</u></u>	<u><u>\$ 112,778</u></u>
<u>Business-Type Activities</u>		
Accounts	\$ 555,593	\$
Special Assessments	23,374	20,074
Interest	<u>19,094</u>	
Total Business-Type Activities	<u><u>\$ 598,061</u></u>	<u><u>\$ 20,074</u></u>

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year was as follows:

	Beginning Balance	Increase	Decrease	Ending Balance
<u>Governmental Activities</u>				
Capital Assets, Not Being Depreciated				
Land	\$ 1,176,334	\$ 2,388	\$	\$ 1,178,722
Construction in Progress		260,378		260,378
Total Capital Assets, Not Being Depreciated	1,176,334	262,766	0	1,439,100
Capital Assets, Being Depreciated				
Buildings	5,401,147	42,611		5,443,758
Improvements Other than Buildings	2,532,628	183,073		2,715,701
Infrastructure	15,649,652	143,714		15,793,366
Machinery and Equipment	4,224,493	246,182	(361,840)	4,108,835
Total Capital Assets, Being Depreciated	27,807,920	615,580	(361,840)	28,061,660
Less Accumulated Depreciation for				
Buildings	1,751,407	129,227		1,880,634
Improvements Other than Buildings	1,423,936	101,877		1,525,813
Infrastructure	11,970,460	254,655		12,225,115
Machinery and Equipment	2,613,911	246,398	(267,310)	2,592,999
Total Accumulated Depreciation	17,759,714	732,157	(267,310)	18,224,561
Total Capital Assets, Being Depreciated, Net	10,048,206	(116,577)	(94,530)	9,837,099
Governmental Activities				
Net Capital Assets	\$ 11,224,540	\$ 146,189	\$ (94,530)	\$ 11,276,199

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 5. CAPITAL ASSETS (Cont'd)

	Beginning Balance	Increase	Decrease	Ending Balance
<u>Business-Type Activities</u>				
Capital Assets, Not Being Depreciated				
Land	\$ 93,427	\$ 57,087	\$	\$ 150,514
Construction in Progress	8,671		(8,671)	
Total Capital Assets, Not Being Depreciated	102,098	57,087	(8,671)	150,514
Capital Assets, Being Depreciated				
Buildings	8,100,215		(94,048)	8,006,167
Generator and Treatment Plant	7,988,330	215,482	(88,301)	8,115,511
Improvements Other than Buildings	13,571,670	128,759	(3,875)	13,696,554
Machinery and Equipment	2,255,609	55,780	(123,141)	2,188,248
Total Capital Assets, Being Depreciated	31,915,824	400,021	(309,365)	32,006,480
Less Accumulated Depreciation for				
Buildings	4,854,131	219,021	(92,048)	4,981,104
Generator and Treatment Plant	3,669,099	294,423	(88,301)	3,875,221
Improvements Other than Buildings	6,133,464	435,513	(3,875)	6,565,102
Machinery and Equipment	1,602,265	110,771	(118,346)	1,594,690
Total Accumulated Depreciation	16,258,959	1,059,728	(302,570)	17,016,117
Total Capital Assets, Being Depreciated, Net	15,656,865	(659,707)	(6,795)	14,990,363
Business-Type Activities				
Net Capital Assets	<u>\$ 15,758,963</u>	<u>\$ (602,620)</u>	<u>\$ (15,466)</u>	<u>\$ 15,140,877</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities		
General Government		\$ 9,208
Public Safety		116,743
Public Works		359,801
Culture and Recreation		146,044
Airport and Public Transit		100,361
Total Depreciation Expense - Governmental Activities		<u>\$ 732,157</u>
Business-Type Activities		
Water		\$ 195,111
Sewer		333,371
Electric		526,370
Liquor		4,876
Total Depreciation Expense - Business-Type Activities		<u>\$ 1,059,728</u>

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

A. INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General	Electric	\$ 9,960
General Capital Outlay	Water	2,184
General Capital Outlay	Sewer	3,678
Nonmajor Governmental	Electric	3,473
Water	Sewer	29,218
Water	Electric	43,514
Sewer	Electric	62,887
Sewer	Nonmajor Governmental	1,884
Sanitation	Electric	12,000
Trust	Nonmajor Governmental	12,560
Total Interfund Balances		<u>\$ 181,358</u>

The purpose of the above interfund loans was to provide financing for operating purposes and to cover deficit cash balances.

B. INTERFUND TRANSFERS

The composition of interfund transfers is as follows:

Transfers Out	Transfers In			Total
	General	General Capital Outlay	Nonmajor Governmental	
General	\$	\$ 460,000	\$ 58,451	\$ 518,451
Water	22,130			22,130
Sewer	28,191			28,191
Electric	3,085			3,085
Liquor	80,000			80,000
Nonmajor Governmental	1,443		325	1,768
Total Interfund Transfers	<u>\$ 134,849</u>	<u>\$ 460,000</u>	<u>\$ 58,776</u>	<u>\$ 653,625</u>

The purpose of the above transfers was to provide funding for capital improvement projects, capital outlay, and operating purposes.

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 7. LONG-TERM DEBT

A. GENERAL OBLIGATION BONDS

The City issues General Obligation (G.O.) Bonds to provide financing for street improvements, facility construction and tax increment projects. Debt service is covered respectively by special assessments, property taxes and tax increments against benefited properties with any shortfalls being paid from general taxes.

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

B. COMPONENTS OF LONG-TERM DEBT

	Interest Rates	Final Maturity Date	Balance Outstanding
<u>Governmental Activities</u>			
G.O. Bonds			
G.O. Bonds, Series 2012A	0.50-2.10%	02/01/2022	\$ 390,000
G.O. Bonds, Series 2014A	0.70-2.875%	02/01/2030	780,000
Compensated Absences			148,284
Other Postemployment Benefits			153,921
Net Pension Liability			<u>2,761,106</u>
Total Governmental Activities			<u>\$ 4,233,311</u>
<u>Business-Type Activities</u>			
G.O. Bonds			
Electric Revenue Bonds, Series 2007A	4.375-4.70%	06/01/2027	\$ 4,485,000
G.O. Water and Sewer Revenue Bonds, Series 2009A	2.00-4.00%	02/01/2020	300,000
G.O. Bonds, Series 2012A - Electric Portion	0.40-2.10%	02/01/2022	335,000
G.O. Bonds, Series 2014A - Water and Sewer Portion	0.70-2.88%	02/01/2030	595,000
Notes			
PFA Wastewater Revenue Note	1.98%	08/20/2024	2,005,000
PFA Drinking Water Revenue Note	1.74%	08/20/2030	2,579,000
Compensated Absences			98,422
Other Postemployment Benefits			51,307
Net Pension Liability			<u>449,496</u>
Total Business-Type Activities			<u>\$ 10,898,225</u>

Debt service funds are used to liquidate the governmental activities outstanding bonded indebtedness. The General Fund has historically been used to liquidate the outstanding governmental activities, compensated absences and other postemployment benefits. The Water, Sewer, Electric and Liquor Funds are used to liquidate the outstanding business-type activities bonded indebtedness, notes, compensated absences, and other postemployment benefits.

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 7. LONG-TERM DEBT (Cont'd)

B. COMPONENTS OF LONG-TERM DEBT (Cont'd)

On April 26, 2012, the City issued \$1,130,000 G.O. Bonds, Series 2012A, with an interest rate of .40% to 2.10%. The City issued the Bonds to refund the G.O. Swimming Pool Bonds, Series 2003A in the amount of \$635,000 and to finance the purchase of various items of capital equipment for the City in the amount of \$495,000. The City completed the refunding portion to reduce its debt service payment over the next ten years by \$92,428. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$86,329.

C. MINIMUM DEBT PAYMENTS

Year Ending December 31	Governmental Activities			
	G.O. Bonds, Series 2012A		G.O. Bonds, Series 2014A	
	Principal	Interest	Principal	Interest
2017	\$ 60,000	\$ 6,138	\$ 100,000	\$ 12,420
2018	65,000	5,338	100,000	11,495
2019	65,000	4,362	100,000	10,320
2020	65,000	3,274	105,000	8,883
2021	65,000	2,087	60,000	7,570
2022-2026	70,000	735	315,000	18,854
	<u>\$ 390,000</u>	<u>\$ 21,934</u>	<u>\$ 780,000</u>	<u>\$ 69,542</u>
Year Ending December 31	Business-Type Activities			
	Electric Revenue Bonds, Series 2007A		G.O. Water and Sewer Revenue Bonds, Series 2009A	
	Principal	Interest	Principal	Interest
2017	\$ 325,000	\$ 195,923	\$ 75,000	\$ 9,938
2018	340,000	181,376	75,000	7,312
2019	355,000	166,173	75,000	4,500
2020	370,000	150,314	75,000	1,500
2021	385,000	133,750		
2022-2026	2,205,000	383,928		
2027-2030	505,000	11,867		
	<u>\$ 4,485,000</u>	<u>\$ 1,223,331</u>	<u>\$ 300,000</u>	<u>\$ 23,250</u>

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 7. LONG-TERM DEBT (Cont'd)

C. MINIMUM DEBT PAYMENTS (Cont'd)

Year Ending December 31	Business-Type Activities			
	G.O. Bonds, Series 2012A - Electric Portion		G.O. Bonds, Series 2014A - Water and Sewer Portion	
	Principal	Interest	Principal	Interest
2017	\$ 55,000	\$ 5,234	\$ 40,000	\$ 12,424
2018	55,000	4,533	40,000	12,054
2019	55,000	3,708	40,000	11,584
2020	55,000	2,786	40,000	11,024
2021	55,000	1,783	40,000	10,374
2022-2026	60,000	630	210,000	39,309
2027-2030			185,000	10,852
	<u>\$ 335,000</u>	<u>\$ 18,674</u>	<u>\$ 595,000</u>	<u>\$ 107,621</u>

Year Ending December 31	Business-Type Activities			
	PFA Wastewater Revenue Note		PFA Drinking Water Revenue Note	
	Principal	Interest	Principal	Interest
2017	\$ 234,000	\$ 39,699	\$ 164,000	\$ 44,849
2018	238,000	35,066	167,000	41,997
2019	243,000	30,353	170,000	39,093
2020	248,000	25,542	173,000	36,136
2021	253,000	20,632	176,000	33,128
2022-2026	789,000	31,442	927,000	118,668
2027-2030			802,000	35,181
	<u>\$ 2,005,000</u>	<u>\$ 182,734</u>	<u>\$ 2,579,000</u>	<u>\$ 349,052</u>

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 7. LONG-TERM DEBT (Cont'd)

D. CHANGES IN LONG-TERM LIABILITIES

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>					
G.O. Bonds, Series 2012A	\$ 455,000	\$	\$ (65,000)	\$ 390,000	\$ 60,000
G.O. Bonds, Series 2014A	820,000		(40,000)	780,000	100,000
Compensated Absences	140,118	65,047	(56,881)	148,284	91,529
Other Postemployment Benefits	144,109	9,812		153,921	
Net Pension Liability	<u>1,251,935</u>	<u>2,564,269</u>	<u>(1,055,098)</u>	<u>2,761,106</u>	
 Total Governmental Activities	 <u>\$ 2,811,162</u>	 <u>\$ 2,639,128</u>	 <u>\$ (1,216,979)</u>	 <u>\$ 4,233,311</u>	 <u>\$ 251,529</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Business-Type Activities</u>					
Electric Revenue Bonds, Series 2007A	\$ 4,795,000	\$	\$ (310,000)	\$ 4,485,000	\$ 325,000
G.O. Water and Sewer Revenue Bonds, Series 2009A	370,000		(70,000)	300,000	75,000
G.O. Bonds, Series 2012A - Electric Portion	390,000		(55,000)	335,000	55,000
G.O. Bonds, Series 2014A - Water and Sewer Portion	630,000		(35,000)	595,000	40,000
PFA Wastewater Revenue Note	2,234,000		(229,000)	2,005,000	234,000
PFA Drinking Water Revenue Note	2,741,000		(162,000)	2,579,000	164,000
Compensated Absences	92,014	19,735	(13,327)	98,422	24,127
Other Postemployment Benefits	43,233	8,074		51,307	
Net Pension Liability	<u>287,642</u>	<u>325,045</u>	<u>(163,191)</u>	<u>449,496</u>	
 Total Business-Type Activities	 <u>\$ 11,582,889</u>	 <u>\$ 352,854</u>	 <u>\$ (1,037,518)</u>	 <u>\$ 10,898,225</u>	 <u>\$ 917,127</u>

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 7. LONG-TERM DEBT (Cont'd)

E. PLEDGED REVENUES

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

Bond Issue/ Use of Proceeds/ Type	Percent of Total Debt Service	Term of Pledge	Remaining Principal and Interest	Principal and Interest Paid	Pledged Revenue Received
G.O. Water and Sewer Revenue Bonds, Series 2009A					
Site Improvements					
Water Utility Revenues				\$ 34,950	\$ 637,301
Sewer Utility Revenues				47,350	841,743
Utility Charges	100%	2010-2020	\$ 323,250	<u>\$ 82,300</u>	<u>\$ 1,479,044</u>
G.O. Electric Revenue Bonds, Series 2007A					
Site Improvements					
Utility Charges	100%	2008-2027	\$ 5,708,331	\$ 519,814	\$ 4,181,822

NOTE 8. DEFERRED LOSS ON REFUNDING

Bond discounts and deferred charges for proprietary fund types and business-type activities are deferred and amortized over the term of the bonds using the bonds outstanding method.

Business-Type Activities	
Electric Fund	
Issuance Costs	\$ 457,752
Accumulated Amortization	<u>(398,049)</u>
Total Deferred Loss on Refunding	<u>\$ 59,703</u>

NOTE 9. LEASE AGREEMENTS

The City leases the north end of the Benson Civic Center to another local company for inventory storage. The lease calls for monthly payments of \$3,125 and the term of the lease is from June 1, 2015 through May 31, 2018 with automatic renewals of one year increments until terminated by either party.

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 10. RISK MANAGEMENT

The City 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 other cities in the state and also through St. Paul Travelers. The City pays an annual premium to the LMCIT for workers compensation insurance and to St. Paul Travelers for property and casualty insurance coverage. The LMCIT is self-sustaining through commercial companies for excess claims. The City is covered through the pool for any claims incurred but unreported, 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.

At year end, there are no other claims 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 11. DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. PLAN DESCRIPTION

The City 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.

General Employees Retirement Fund (GERF):

All full-time and certain part-time employees of the City, 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.

Public Employees Police and Fire Fund (PEPFF):

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

B. BENEFITS PROVIDED

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

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 11. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

B. BENEFITS PROVIDED (Cont'd)

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.

GERF Benefits:

Benefits are based on a member's highest average salary for any five successive years of allowable service, age and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2% of average salary for each of the first ten years of service and 2.7% for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2% 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.

PEPFF Benefits:

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

C. CONTRIBUTIONS

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

GERF Contributions:

Basic Plan members and Coordinated Plan members were required to contribute 9.1% and 6.5% of pay, respectively, in calendar year 2016. The City was required to contribute 11.78% of pay for Basic Plan members and 7.5% for Coordinated Plan members. The City's contributions to the GERF for the plan's year ended December 31, 2016, were \$77,150. The City's contributions were equal to the required contributions for each year as set by state statute.

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 11. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

C. CONTRIBUTIONS (Cont'd)

PEPFF Contributions:

Plan members were required to contribute 10.80% of their annual covered salary in calendar year 2016. The City was required to contribute 16.20% of pay for PEPFF members in calendar year 2016. The City's contributions to the PEPFF for the year ended December 31, 2016, were \$70,179. The City's contributions were equal to the required contributions for each year as set by state statute.

D. PENSION COSTS

GERF Pension Costs:

At December 31, 2016, the City reported a liability of \$1,404,674 for its proportionate share of the GERF's net pension liability. The City's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$6 million to the fund in 2016. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$18,318. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015 through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportion was 0.0173% at the end of the measurement period and 0.0179% at the beginning of the period.

For the year ended December 31, 2016, the City recognized pension expense of \$186,919 for its proportionate share of GERF's pension expense. In addition, the City recognized an additional \$5,462 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$6 million to the General Employees Fund.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$	\$ 114,109
Changes in actuarial assumptions	275,037	
Differences between projected and actual investment earnings	266,613	
Changes in proportion		52,823
Contributions paid to PERA subsequent to measurement date	<u>37,554</u>	
Totals	<u>\$ 579,204</u>	<u>\$ 166,932</u>

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 11. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

D. PENSION COSTS (Cont'd)

GERF Pension Costs: (Cont'd)

\$37,554 reported as deferred outflows of resources related to pensions resulting from City 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:

<u>Year ended June 30,</u>	<u>Pension Expense Amount</u>	
2017	\$	97,881
2018		97,881
2019		128,216
2020		50,740

PEPFF Pension Costs:

At December 31, 2016, the City reported a liability of \$1,805,928 for its proportionate share of the PEPFF's net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2015 through June 30, 2016, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2016, the City's proportion was 0.0450% at the end of the measurement period and 0.0480% at the beginning of the period.

For the year ended December 31, 2016, the City recognized pension expense of \$301,398 for its proportionate share of PEPFF's pension expense. The City also recognized \$4,050 for the year ended December 31, 2016, of pension expense (and an offsetting reduction of net pension liability) for its proportionate share of the State of Minnesota's on-behalf contributions to PEPFF. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the PEPFF each year, starting in fiscal year 2014.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$	\$ 207,174
Changes in actuarial assumptions	993,881	
Differences between projected and actual investment earnings	275,597	
Changes in proportion	7,200	28,063
Contributions paid to PERA subsequent to measurement date	35,908	
Totals	<u>\$ 1,312,586</u>	<u>\$ 235,237</u>

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 11. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

D. PENSION COSTS (Cont'd)

PEPFF Pension Costs: (Cont'd)

\$35,908 reported as deferred outflows of resources related to pensions resulting from City contributions to PEPFF 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 PEPFF pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	<u>Pension Expense Amount</u>
2017	\$ 224,679
2018	224,679
2019	224,679
2020	202,408
2021	164,996

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 2014 tables for the General Employees Plan and RP-2000 tables for the Police and Fire Plan for males or females, as appropriate, with slight adjustments. Cost of living benefit increases for retirees are assumed to be: one percent per year for all future years for the General Employees Plan and Police and Fire Plan.

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 experience study for the PEPFF Plan was for the period July 1, 2004, through June 30, 2009.

The following changes in actuarial assumptions occurred in 2016:

GERF:

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%.

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 11. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

E. ACTUARIAL ASSUMPTIONS (Cont'd)

GERF: (Cont'd)

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.

PEPFF:

The assumed post-retirement benefit increase rate was changed from 1.0% per year through 2037 and 2.5% thereafter to 1.0% per year for all future years.

The assumed investment return was changed from 7.9% to 7.5%. The single discount rate changed from 7.9% to 5.6%.

The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected 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%

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 of the GERF 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.

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 11. DEFINED BENEFIT PENSION PLANS - STATEWIDE (Cont'd)

F. DISCOUNT RATE (Cont'd)

In the PEPFF, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2056 and June 30, 2058 respectively. Beginning in fiscal years ended June 30, 2057 for the PEPFF, 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 PEPFF was determined that produced approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 7.50% applied to all years of projected benefits through the point of asset depletion and 2.85% after.

G. PENSION LIABILITY SENSITIVITY

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

	1% Decrease in <u>Discount Rate</u>	<u>Discount Rate</u>	1% Increase in <u>Discount Rate</u>
GERF Discount Rate	6.50%	7.50%	8.50%
City's proportionate share of the GERF net pension liability	\$ 1,995,054	\$ 1,404,674	\$ 918,362
PEPFF Discount Rate	4.60%	5.60%	6.60%
City's proportionate share of the PEPFF net pension liability	\$ 2,528,060	\$ 1,805,928	\$ 1,215,892

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](http://www.mnpera.org).

NOTE 12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

A. PLAN DESCRIPTION

The City operates a single-employer defined benefit plan ("the Plan") that provides health insurance to eligible employees and their spouses through the City's commercial insurance plan. There are 23 active participants and 1 retired participant. Benefit and eligibility provisions are established through negotiations between the City and employee groups including two unions. The union contracts are renegotiated each bargaining period. The Plan does not issue a publicly available financial report.

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Cont'd)

B. FUNDING POLICY

Contribution requirements are also negotiated between the City and employees. The City contributes 0% - 100% of the cost of current-year premiums for eligible retired plan members and their spouses. The City contributed \$23,568 to the Plan. The Plan is financed on a pay-as-you-go basis.

C. ANNUAL OPEB COSTS AND NET OPEB OBLIGATION

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45 based on the alternative measurement method. 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 over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually paid from the plan, and changes in the City's net OPEB obligation.

Annual Required Contribution (ARC)	\$ 44,794
Interest on Net OPEB Obligation	7,494
Adjustment to Annual Required Contribution	<u>(10,834)</u>
Annual OPEB Cost (Expense)	41,454
Contributions Made	<u>(23,568)</u>
Increase (Decrease) in Net OPEB Obligation	17,886
Net OPEB Obligation, Beginning of Year	<u>187,342</u>
Net OPEB Obligation, End of Year	<u><u>\$ 205,228</u></u>

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the Plan and the net OPEB obligation for the current and preceding two years was:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual Plan Sponsor Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2016	\$ 41,454	\$ 23,568	56.85%	\$ 205,228
12/31/2015	40,688	16,368	40.23%	187,342
12/31/2014	39,860	13,957	35.02%	163,022

D. FUNDED STATUS AND FUNDING PROGRESS

As of January 1, 2014, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$323,251 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$323,251. The covered payroll (annual payroll of active employees covered by the Plan) was \$1,645,900 and the ratio of the UAAL to the covered payroll of 19.64%.

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 12. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION (Cont'd)

D. FUNDED STATUS AND FUNDING PROGRESS (Cont'd)

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 January 1, 2014 actuarial valuation using the alternative measurement method, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.0% 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 initial healthcare trend rate was 7.50% reduced by decrements to an ultimate rate of 5.0% after eight years. The inflation rate is 3.0%. The UAAL is being amortized as a level dollar amount on an open basis. The remaining amortization period at December 31, 2014 was 30 years.

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 13. FUND BALANCE

Portions of the City's fund balance are nonspendable, restricted due to legal restrictions, committed by Council action, assigned by City management, or unassigned. The following is a summary of fund balance components:

	<u>General</u>	<u>General Capital Outlay</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Nonspendable				
Inventories	\$	\$ 109,461	\$	\$ 109,461
Prepaid Items	2,152			2,152
Land Held for Resale			93,418	93,418
Total Nonspendable	<u>2,152</u>	<u>109,461</u>	<u>93,418</u>	<u>205,031</u>
Restricted for				
Debt Service			167,095	167,095
Revolving Loans			120,802	120,802
Total Restricted	<u>0</u>	<u>0</u>	<u>287,897</u>	<u>287,897</u>
Committed				
Industrial Property Investments			525,362	525,362
Assigned				
Fund Operations		476,267	502,662	978,929
Unassigned	<u>1,561,837</u>			<u>1,561,837</u>
Total	<u>\$ 1,563,989</u>	<u>\$ 585,728</u>	<u>\$ 1,409,339</u>	<u>\$ 3,559,056</u>

NOTE 14. ECONOMIC DEVELOPMENT REVOLVING LOANS

The City has made economic development revolving loans which are recorded in a trust fund. The purpose of this fund is to provide economic development loans to local businesses, utilizing City funds. The outstanding balance at year end was \$430,676.

These loans are made to assist companies whose ability to secure conventional financing from financial institutions is limited due to various financial factors and other circumstances.

An allowance is provided for possible uncollectible accounts. At year end, this amount was \$39,237.

NOTE 15. GENERAL FUND REIMBURSEMENTS

The Enterprise Funds reimbursed the General Fund for various shared expenditures of management. These expenditures are charged as management fees in the Enterprise Funds and as reimbursement revenue in the General Fund.

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 16. HOUSING REHABILITATION LOANS

During the three-year period 1981 to 1983, the City of Benson made housing rehabilitation loans to qualifying citizens. The loan disbursements have been recorded in the Community Development Revolving Loan Special Revenue Fund as expenditures.

If the owners sell, transfer, otherwise convey, or cease to occupy their real property as their principal place of residence, they are required to repay the loan in its entirety.

The total balance due from these loans, of \$101,476, is recorded as notes receivable.

NOTE 17. DEFERRED COMPENSATION PLAN

The City has made available to its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The assets of the plan are not available to general creditors. Consequently, they are not included in the financial statements.

NOTE 18. COMMITMENTS AND CONTINGENT LIABILITIES

A. SWIFT COUNTY/BENSON HOSPITAL

The City and Swift County have established and operate a joint city-county hospital pursuant to a hospital agreement signed by the City and the County in 1947. Swift County-Benson Hospital is a 31 bed facility which provides acute health care services to the City of Benson and Swift County. The members of the Swift County - Benson Hospital Board of Directors (of which six are appointed by the Swift County Board of Commissioners, three by the Benson City Council and one municipal staff member appointed jointly by the County and the City) are responsible for the overall operations of the Hospital. The Hospital's operational and financial relationships with the City are not significant enough to require its inclusion as a component unit in the City's financial statements.

B. CITY OF BENSON FIRE RELIEF ASSOCIATION

1. GENERAL INFORMATION ABOUT THE PENSION PLAN

Plan Description:

Firefighters of the City of Benson are members of the Association. The Association is the administrator of a single-employer defined benefit pension plan available to firefighters. The plan is administered by the Association pursuant to Minnesota Statutes Chapter 69, Chapter 424A and the Association's by-laws.

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 18. COMMITMENTS AND CONTINGENT LIABILITIES (Cont'd)

B. CITY OF BENSON FIRE RELIEF ASSOCIATION (Cont'd)

1. GENERAL INFORMATION ABOUT THE PENSION PLAN (Cont'd)

Benefits Provided:

Any active firefighter member of the Benson Fire Department is eligible for participation. A participant shall accumulate a lump sum benefit payable at normal retirement date based on \$1,100 per year of credited service with a maximum of \$33,000. Normal retirement eligibility is at age 50 and completion of 20 years of service with accrued benefits. Early retirement is at age 50 and completion of 10 years of service with a nonforfeitable percentage of accrued benefits. The nonforfeitable percentage is 50% at 10 years of service increasing by 5% until the participant is 100% vested at 20 years of service. Death before retirement has accrued benefits. Disability is upon total and permanent disability which prevents the member from performing a substantial part of their duties with accrued benefits.

Employees Covered by Benefit Terms:

At December 31, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	3
Active employees	25

Contributions:

Contributions by the City of Benson are determined in accordance with Minnesota Statutes as follows:

Normal Cost for Next Year (Increase in Pension Benefit Obligation)  
Plus: Estimated Expenses for Next Year and 10% of Any Deficits  
Less: Anticipated Income Next Year and 10% for Any Surplus

The State of Minnesota contributes the two percent fire aid in accordance with state statute requirements. Plan members are not required to contribute to the Plan. The State Legislature may amend contribution requirements of the City and State.

The State of Minnesota, in accordance with state statute requirements, made contributions totaling \$44,076 for the year then ended.

2. NET PENSION LIABILITY (ASSET)

The City's net pension liability (asset) was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of that date.

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 18. COMMITMENTS AND CONTINGENT LIABILITIES (Cont'd)

B. CITY OF BENSON FIRE RELIEF ASSOCIATION (Cont'd)

2. NET PENSION LIABILITY (ASSET) (Cont'd)

Actuarial Assumptions:

The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all period included in the measurement:

Discount Rate	5.00 percent
Expected Long Term Rate of Return	5.00 percent

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males and Females as appropriate, with adjustments for mortality improvements based on Scale BB.

The actuarial assumptions used for retirement is 100% retirement at the later of age 50 and 20 years of service.

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2016 to December 31, 2016 based on data as of December 31, 2016.

The long-term expected rate of return on pension plan investments as determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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>
Supplemental Investment Fund	60%	5.00%
Real Estate	10%	1.00%
Cash	30%	0.00%

Discount Rate:

The discount rate used to measure the total pension liability was 5.00%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 18. COMMITMENTS AND CONTINGENT LIABILITIES (Cont'd)

B. CITY OF BENSON FIRE RELIEF ASSOCIATION (Cont'd)

2. NET PENSION LIABILITY (ASSET) (Cont'd)

Changes in the Net Pension Liability (Asset):

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balances at 1/1/16	\$ 445,369	\$ 378,855	\$ 66,514
Changes for the Year:			
Service Cost	9,030		9,030
Interest	21,654		21,654
Differences Between Expected and Actual Experience	(33,722)		(33,722)
Contributions - Association		1,757	(1,757)
Contributions - Employee		155	(155)
Contributions - State		44,076	(44,076)
Contributions - City		10,000	(10,000)
Net Investment Income		17,869	(17,869)
Benefit Payments, Including Refunds of Employee Contributions	(42,640)	(42,640)	
Administrative Expense		(5,173)	5,173
Net Change	<u>(45,678)</u>	<u>26,044</u>	<u>(71,722)</u>
Balances at 12/31/16	<u>\$ 399,691</u>	<u>\$ 404,899</u>	<u>\$ (5,208)</u>

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate:

The following presents the net pension liability (asset) calculated using the discount rate of 5.00 percent, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current discount rate:

	1% Decrease in Discount Rate (4.00%)	Discount Rate (5.00%)	1% Increase in Discount Rate (6.00%)
City's Net Pension Liability	\$ 10,364	\$ (5,208)	\$ (20,196)

Pension Plan Fiduciary Net Position:

Separately-issued Benson Fire Relief Association financial reports are not available.

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 18. COMMITMENTS AND CONTINGENT LIABILITIES (Cont'd)

B. CITY OF BENSON FIRE RELIEF ASSOCIATION (Cont'd)

3. PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO PENSIONS

For the year ended December 31, 2016, the City recognized pension expense of (\$42,808). At December 31, 2016, the City reported deferred outflows or 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>
Differences between expected and actuarial experience	\$	\$ 26,978
Net differences between projected and actual earnings on pension plan investments	<u>9,897</u>	
Totals	<u>\$ 9,897</u>	<u>\$ 26,978</u>

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

<u>Year ended December 31,</u>	<u>Pension Expense Amount</u>
2017	\$ (3,530)
2018	(3,530)
2019	(3,529)
2020	(6,492)

NOTE 19. CLAIMS AND JUDGMENTS

The City participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of December 31, 2016, significant amounts of grant expenditures have not been audited, but the City believes that disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City.

NOTE 20. RECLASSIFICATIONS

Certain immaterial prior year financial statement amounts have been reclassified to conform to current year's presentation. There was no affect on total Net Position or Fund Balance.

CITY OF BENSON, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

NOTE 21. PRIOR PERIOD ADJUSTMENT

The beginning fund balance of the Community Development Revolving Loan Special Revenue Fund has been adjusted to reflect a correction of error. Previously recorded deferred inflows of resources related to notes receivable has been reclassified as assigned fund balance. Beginning fund balance for this fund has been restated from \$110,526 to \$212,002 (an increase of \$101,476).

The beginning fund balance of the Economic Development Authority Special Revenue Fund and the beginning net position of the governmental activities has been adjusted to reflect a change in accounting principal for adjusting investments to fair market value. Beginning fund balance for the Economic Development Authority Fund has been restated from \$417,412 to \$614,912 (an increase of \$197,500) and beginning net position for governmental activities has been restated from \$12,018,518 to \$12,216,018 (an increase of \$197,500).

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF BENSON, MINNESOTA

SCHEDULES 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)
<u>Other Postemployment Benefits</u>						
12/31/2014	\$	\$ 323,251	\$ 323,251	0.00%	\$ 1,645,900	19.64%
12/31/2011		216,331	216,331	0.00%	1,496,855	14.45%
12/31/2008		198,451	198,451	0.00%	1,600,665	12.40%

Schedule of Employer Contributions

Year Ended December 31	Annual Required Contribution	Employer Contribution	Percentage Contributed	Net Obligation
2016	\$ 44,794	\$ 23,568	52.61%	\$ 205,228
2015	43,595	16,368	37.55%	187,342
2014	42,305	13,957	32.99%	163,022
2013	29,819	18,190	61.00%	137,119
2012	29,342	18,964	64.63%	127,768
2011	28,392	10,129	35.68%	119,521
2010	41,474	11,386	27.45%	103,096
2009	41,474	4,160	10.03%	74,334
2008	41,474	3,782	9.12%	37,692

The City implemented GASB Statement No. 45 for fiscal year ended December 31, 2008. Information for prior years is not available.

CITY OF BENSON, MINNESOTA

SCHEDULE 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>Pensions</u>							
<u>PERA - GERP</u>							
6/30/2016	0.01730%	\$ 1,404,674	\$ 18,318	\$ 1,422,992	\$ 1,066,825	133.39%	68.91%
6/30/2015	0.01790%	927,671		927,671	1,052,706	88.12%	78.19%
<u>Pensions</u>							
<u>PERA - PEPFF</u>							
6/30/2016	0.04500%	1,805,928		1,805,928	430,053	419.93%	63.88%
6/30/2015	0.04800%	545,392		545,392	435,380	125.27%	86.61%

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>Pensions</u>					
<u>PERA - GERP</u>					
2016	\$ 77,150	\$ 77,150	\$	1,028,658	7.50%
2015	81,095	81,095		1,081,262	7.50%
<u>Pensions</u>					
<u>PERA - PEPFF</u>					
2016	70,179	70,179		433,207	16.20%
2015	72,540	72,540		448,496	16.17%

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

CITY OF BENSON, MINNESOTA

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS  
DECEMBER 31, 2016

	Measurement Date	
	12/31/2016	12/31/2015
Service Cost	\$ 9,030	\$ 7,200
Interest	21,654	21,724
Differences Between Expected and Actual Experience	(33,722)	
Benefit Payments, Including Refunds of Member Contributions	<u>(42,640)</u>	<u>(21,665)</u>
Net Change in Total Pension Liability	(45,678)	7,259
Total Pension Liability - Beginning of Year	<u>445,369</u>	<u>438,110</u>
Total Pension Liability - End of Year	<u>\$ 399,691</u>	<u>\$ 445,369</u>
Contributions - Association	\$ 1,757	\$ 2,363
Contributions - Member	155	214
Contributions - State of Minnesota	44,076	41,979
Contributions - City of Benson	10,000	11,000
Net Investment Income	17,869	1,975
Benefit Payments, Including Refunds of Member Contributions	(42,640)	(21,665)
Administrative Expense	<u>(5,173)</u>	<u>(6,106)</u>
Net Change in Plan Fiduciary Net Position	26,044	29,760
Total Plan Fiduciary Net Position - Beginning of Year	<u>378,855</u>	<u>349,095</u>
Total Plan Fiduciary Net Position - End of Year	<u>\$ 404,899</u>	<u>\$ 378,855</u>
City's Net Pension Liability (Asset) - Ending	<u>\$ (5,208)</u>	<u>\$ 66,514</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	101.30%	85.07%

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

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SUPPLEMENTARY INFORMATION

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CITY OF BENSON, MINNESOTA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
DECEMBER 31, 2016

	Special Revenue	Capital Projects	Debt Service	Total Nonmajor Governmental Funds
<b>ASSETS</b>				
Cash and Investments	\$ 625,632	\$ 190,610	\$ 161,452	\$ 977,694
Receivables				
Accounts	8,204			8,204
Property Taxes	3,597		5,643	9,240
Special Assessments		11,571		11,571
Notes	101,476			101,476
Interest	582			582
Due from Other Funds		3,473		3,473
Investment in CVEC	247,500			247,500
Land Held for Resale	93,418			93,418
	<u>\$ 1,080,409</u>	<u>\$ 205,654</u>	<u>\$ 167,095</u>	<u>\$ 1,453,158</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>				
<b>Liabilities</b>				
Accounts Payable	\$ 17,804	\$	\$	\$ 17,804
Due to Other Funds	12,560	1,884		14,444
Total Liabilities	<u>30,364</u>	<u>1,884</u>	<u>0</u>	<u>32,248</u>
<b>Deferred Inflows of Resources</b>				
Unavailable Revenues				
Special Assessments		11,571		11,571
<b>Fund Balance</b>				
Nonspendable	93,418			93,418
Restricted	120,802		167,095	287,897
Committed	525,362			525,362
Assigned	310,463	192,199		502,662
Total Fund Balance	<u>1,050,045</u>	<u>192,199</u>	<u>167,095</u>	<u>1,409,339</u>
	<u>\$ 1,080,409</u>	<u>\$ 205,654</u>	<u>\$ 167,095</u>	<u>\$ 1,453,158</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>				

CITY OF BENSON, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED DECEMBER 31, 2016

	Special Revenue	Capital Projects	Debt Service	Total Nonmajor Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 112,159	\$	\$ 183,585	\$ 295,744
Special Assessments		1,912		1,912
Intergovernmental	95,718			95,718
Charges for Services		54,825		54,825
Investment Income	11,011	458	1,034	12,503
Miscellaneous				
Refunds and Reimbursements	16,528			16,528
Donations	707			707
Other	41,766			41,766
Total Revenues	<u>277,889</u>	<u>57,195</u>	<u>184,619</u>	<u>519,703</u>
<b>EXPENDITURES</b>				
Current				
General Government			413	413
Public Works		3,989	413	4,402
Culture and Recreation	107,476			107,476
Urban Development	136,548			136,548
Economic Development	75,656			75,656
Capital Outlay				
Culture and Recreation	3,000			3,000
Debt Service				
Principal			105,000	105,000
Interest and Fiscal Costs			20,258	20,258
Total Expenditures	<u>322,680</u>	<u>3,989</u>	<u>126,084</u>	<u>452,753</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(44,791)	53,206	58,535	66,950
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	325	15,000	43,451	58,776
Transfers Out	(1,768)			(1,768)
Total Other Financing Sources (Uses)	<u>(1,443)</u>	<u>15,000</u>	<u>43,451</u>	<u>57,008</u>
Net Change in Fund Balances	(46,234)	68,206	101,986	123,958
FUND BALANCE, BEGINNING OF YEAR, AS ORIGINALLY STATED	797,303	123,993	65,109	986,405
PRIOR PERIOD ADJUSTMENT	<u>298,976</u>			<u>298,976</u>
FUND BALANCE, BEGINNING OF YEAR, AS RESTATED	<u>1,096,279</u>	<u>123,993</u>	<u>65,109</u>	<u>1,285,381</u>
FUND BALANCE, END OF YEAR	<u>\$ 1,050,045</u>	<u>\$ 192,199</u>	<u>\$ 167,095</u>	<u>\$ 1,409,339</u>

CITY OF BENSON, MINNESOTA

COMBINING BALANCE SHEET  
SPECIAL REVENUE NONMAJOR FUNDS  
DECEMBER 31, 2016

	Library	Library Endowment	Cemetery Perpetual Care	Community Development Revolving Loan	2005 Small Cities Grant	2009 Small Cities Grant	2011 Small Cities Grant	Economic Development Authority	Development District	Totals
<b>ASSETS</b>										
Cash and Investments	\$ 52,649	\$ 19,533	\$ 90,001	\$ 34,608	\$ 67,612	\$ 44,412	\$ 8,778	\$ 307,250	\$ 789	\$ 625,632
Receivables										
Accounts	565		139	7,500						8,204
Property Taxes	3,597									3,597
Notes				101,476						101,476
Interest								582		582
Investment in CVEC								247,500		247,500
Land Held for Resale				37,588				55,830		93,418
<b>Total Assets</b>	<b>\$ 56,811</b>	<b>\$ 19,533</b>	<b>\$ 90,140</b>	<b>\$ 181,172</b>	<b>\$ 67,612</b>	<b>\$ 44,412</b>	<b>\$ 8,778</b>	<b>\$ 611,162</b>	<b>\$ 789</b>	<b>\$ 1,080,409</b>
<b>LIABILITIES AND FUND BALANCE</b>										
<b>Liabilities</b>										
Accounts Payable	\$ 394	\$	\$	\$	\$	\$	\$	\$ 17,410	\$	\$ 17,804
Due to Other Funds								12,560		12,560
<b>Total Liabilities</b>	<b>394</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>29,970</b>	<b>0</b>	<b>30,364</b>
<b>Fund Balance</b>										
Nonspendable				37,588				55,830		93,418
Restricted					67,612	44,412	8,778			120,802
Committed								525,362		525,362
Assigned	56,417	19,533	90,140	143,584					789	310,463
<b>Total Fund Balance</b>	<b>56,417</b>	<b>19,533</b>	<b>90,140</b>	<b>181,172</b>	<b>67,612</b>	<b>44,412</b>	<b>8,778</b>	<b>581,192</b>	<b>789</b>	<b>1,050,045</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 56,811</b>	<b>\$ 19,533</b>	<b>\$ 90,140</b>	<b>\$ 181,172</b>	<b>\$ 67,612</b>	<b>\$ 44,412</b>	<b>\$ 8,778</b>	<b>\$ 611,162</b>	<b>\$ 789</b>	<b>\$ 1,080,409</b>

CITY OF BENSON, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
SPECIAL REVENUE NONMAJOR FUNDS  
YEAR ENDED DECEMBER 31, 2016

	Library	Library Endowment	Cemetery Perpetual Care	Community Development Revolving Loan	2005 Small Cities Grant	2009 Small Cities Grant	2011 Small Cities Grant	2013 Small Cities Grant	Economic Development Authority	Development District	Totals
<b>REVENUES</b>											
Taxes	\$ 112,159	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$ 112,159
Intergovernmental								95,718			95,718
Investment Income		325	1,443		48	95			9,100		11,011
Miscellaneous											
Refunds and Reimbursements	2,516			5,000	4,796	4,216					16,528
Donations	707										707
Other			3,930	5,000					32,836		41,766
Total Revenues	115,382	325	5,373	10,000	4,844	4,311	0	95,718	41,936	0	277,889
<b>EXPENDITURES</b>											
<b>Current</b>											
<b>Culture and Recreation</b>											
Supplies	9,960										9,960
Utilities	5,047										5,047
Contracted Services	86,927										86,927
Other	5,542										5,542
<b>Urban Development</b>											
Supplies				3,459							3,459
Contracted Services				37,371				95,718			133,089
<b>Economic Development</b>											
Management Fees									4,275		4,275
Special Projects									55,396		55,396
Contracted Services									8,967		8,967
Other									7,018		7,018
<b>Capital Outlay</b>											
Culture and Recreation	3,000										3,000
Total Expenditures	110,476	0	0	40,830	0	0	0	95,718	75,656	0	322,680
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,906	325	5,373	(30,830)	4,844	4,311	0	0	(33,720)	0	(44,791)
<b>OTHER FINANCING SOURCES (USES)</b>											
Transfers In	325										325
Transfers Out		(325)	(1,443)								(1,768)
Total Other Financing Sources (Uses)	325	(325)	(1,443)	0	0	0	0	0	0	0	(1,443)
Net Change in Fund Balances	5,231	0	3,930	(30,830)	4,844	4,311	0	0	(33,720)	0	(46,234)
<b>FUND BALANCE, BEGINNING OF YEAR AS ORIGINALLY STATED</b>											
	51,186	19,533	86,210	110,526	62,768	40,101	8,778		417,412	789	797,303
<b>PRIOR PERIOD ADJUSTMENT</b>											
				101,476					197,500		298,976
<b>FUND BALANCE, BEGINNING OF YEAR, AS RESTATED</b>											
	51,186	19,533	86,210	212,002	62,768	40,101	8,778	0	614,912	789	1,096,279
<b>FUND BALANCE, END OF YEAR</b>											
	\$ 56,417	\$ 19,533	\$ 90,140	\$ 181,172	\$ 67,612	\$ 44,412	\$ 8,778	\$ 0	\$ 581,192	\$ 789	\$ 1,050,045

CITY OF BENSON, MINNESOTA  
 COMBINING BALANCE SHEET  
 CAPITAL PROJECTS AND DEBT SERVICE NONMAJOR FUNDS  
 DECEMBER 31, 2016

	Concrete Projects	Storm Water	Total Capital Projects	G.O. Bonds, Series 2014A	G.O. Refunding Bonds, Series 2012A	Total Debt Service
<b>ASSETS</b>						
Cash and Investments	\$ 93,333	\$ 97,277	\$ 190,610	\$ 69,571	\$ 91,881	\$ 161,452
Receivables						
Property Taxes				3,129	2,514	5,643
Special Assessments	5,766	5,805	11,571			
Due from Other Funds		3,473	3,473			
	<u>93,333</u>	<u>97,277</u>	<u>190,610</u>	<u>69,571</u>	<u>91,881</u>	<u>161,452</u>
Total Assets	<u>\$ 99,099</u>	<u>\$ 106,555</u>	<u>\$ 205,654</u>	<u>\$ 72,700</u>	<u>\$ 94,395</u>	<u>\$ 167,095</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>						
<b>Liabilities</b>						
Due to Other Funds	\$	\$ 1,884	\$ 1,884	\$	\$	\$
<b>Deferred Inflows of Resources</b>						
Unavailable Revenue						
Special Assessments	5,766	5,805	11,571			
<b>Fund Balance</b>						
Restricted				72,700	94,395	167,095
Assigned	93,333	98,866	192,199			
Total Fund Balance	<u>93,333</u>	<u>98,866</u>	<u>192,199</u>	<u>72,700</u>	<u>94,395</u>	<u>167,095</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 99,099</u>	<u>\$ 106,555</u>	<u>\$ 205,654</u>	<u>\$ 72,700</u>	<u>\$ 94,395</u>	<u>\$ 167,095</u>

CITY OF BENSON, MINNESOTA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 CAPITAL PROJECTS AND DEBT SERVICE NONMAJOR FUNDS  
 YEAR ENDED DECEMBER 31, 2016

	Concrete Projects	Storm Water	Total Capital Projects	G.O. Bonds, Series 2014A	G.O. Refunding Bonds, Series 2012A	Total Debt Service
<b>REVENUES</b>						
General Property Taxes	\$	\$	\$	\$ 113,724	\$ 69,861	\$ 183,585
Special Assessments	1,912		1,912			
Charges for Services		54,825	54,825			
Investment Income	458		458	212	822	1,034
Total Revenues	<u>2,370</u>	<u>54,825</u>	<u>57,195</u>	<u>113,936</u>	<u>70,683</u>	<u>184,619</u>
<b>EXPENDITURES</b>						
Current						
General Government						
Contracted Services				413		413
Public Works						
Supplies		110	110			
Contracted Services					413	413
Other		3,879	3,879			
Debt Service						
Principal				40,000	65,000	105,000
Interest and Fiscal Costs				13,215	7,043	20,258
Total Expenditures	<u>0</u>	<u>3,989</u>	<u>3,989</u>	<u>53,628</u>	<u>72,456</u>	<u>126,084</u>
Excess (Deficiency) of Revenues						
Over (Under) Expenditures	2,370	50,836	53,206	60,308	(1,773)	58,535
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	15,000		15,000	43,451		43,451
Net Change in Fund Balances	<u>17,370</u>	<u>50,836</u>	<u>68,206</u>	<u>103,759</u>	<u>(1,773)</u>	<u>101,986</u>
FUND BALANCE	<u>75,963</u>	<u>48,030</u>	<u>123,993</u>	<u>(31,059)</u>	<u>96,168</u>	<u>65,109</u>
FUND BALANCE, END OF YEAR	<u>\$ 93,333</u>	<u>\$ 98,866</u>	<u>\$ 192,199</u>	<u>\$ 72,700</u>	<u>\$ 94,395</u>	<u>\$ 167,095</u>

CITY OF BENSON, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED DECEMBER 31, 2016  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015

	2016			Over (Under) Final Budget	2015
	Budgeted Amounts		Actual		Actual
	Original	Final			
<b>REVENUES</b>					
<b>Taxes</b>					
Property Taxes	\$ 1,198,531	\$ 1,198,531	\$ 1,198,717	\$ 186	\$ 1,236,771
Franchise Fees	205,000	205,000	217,743	12,743	206,704
Lodging Tax	25,000	25,000	25,899	899	25,074
Total Taxes	1,428,531	1,428,531	1,442,359	13,828	1,468,549
Special Assessments			139	139	148
<b>Licenses and Permits</b>					
Business	7,500	7,500	8,045	545	8,033
Non-business	20,800	20,800	20,729	(71)	15,233
Total Licenses and Permits	28,300	28,300	28,774	474	23,266
<b>Intergovernmental</b>					
Local Government Aid	988,807	988,807	988,807		980,033
Public Transit	148,800	148,800	111,600	(37,200)	145,600
Market Value Credit			309	309	310
Airport Maintenance	24,257	24,257	28,211	3,954	25,363
Other	95,000	95,000	135,116	40,116	171,593
Total Intergovernmental	1,256,864	1,256,864	1,264,043	7,179	1,322,899
<b>Charges for Services</b>					
Weed and Tree Removal	4,000	4,000	9,578	5,578	7,608
Park Fees	18,000	18,000	24,309	6,309	20,412
Swimming Pool	61,000	61,000	57,114	(3,886)	61,503
Transportation	35,600	35,600	19,574	(16,026)	36,174
Police Services	39,000	39,000	38,889	(111)	40,714
Fire Contracts	65,460	65,460	66,377	917	63,522
Fire and Rescue Calls	22,000	22,000	30,803	8,803	32,975
Other Charges	5,900	5,900	8,007	2,107	13,480
Total Charges for Services	250,960	250,960	254,651	3,691	276,388
Fines and Forfeits	18,500	18,500	22,009	3,509	22,397
Investment Income	50,000	50,000	45,400	(4,600)	52,303

CITY OF BENSON, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED DECEMBER 31, 2016  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015

	2016			Over (Under) Final Budget	2015
	Budgeted Amounts		Actual		Actual
	Original	Final			
<b>REVENUES (Cont'd)</b>					
<b>Miscellaneous</b>					
Rent	\$ 69,700	\$ 69,700	\$ 78,441	\$ 8,741	\$ 66,411
Refunds and Reimbursements	403,420	403,420	432,783	29,363	427,049
Donations	2,500	2,500	4,325	1,825	23,427
Other	6,500	6,500	20,223	13,723	9,283
<b>Total Miscellaneous</b>	<b>482,120</b>	<b>482,120</b>	<b>535,772</b>	<b>53,652</b>	<b>526,170</b>
<b>Total Revenues</b>	<b>3,515,275</b>	<b>3,515,275</b>	<b>3,593,147</b>	<b>77,872</b>	<b>3,692,120</b>
<b>EXPENDITURES</b>					
<b>Current</b>					
<b>General Government</b>					
<b>Mayor and Council</b>					
Personal Services	17,200	17,200	16,804	(396)	17,057
Supplies	100	100	805	705	141
Other Services	3,000	3,000	2,398	(602)	1,704
Other Charges	23,000	23,000	22,545	(455)	22,482
<b>Total Mayor and Council</b>	<b>43,300</b>	<b>43,300</b>	<b>42,552</b>	<b>(748)</b>	<b>41,384</b>
<b>Administration and Finance</b>					
Personal Services	390,200	390,200	401,530	11,330	386,175
Supplies	19,500	19,500	20,031	531	13,178
Other Services	77,700	77,700	93,360	15,660	80,364
Other Charges	2,800	2,800	2,645	(155)	2,941
<b>Total Administration and Finance</b>	<b>490,200</b>	<b>490,200</b>	<b>517,566</b>	<b>27,366</b>	<b>482,658</b>
<b>Election and Voters' Registration</b>					
Personal Services	2,000	2,000	2,273	273	862
Supplies	1,000	1,000	1,332	332	2,835
<b>Total Election and Voters' Registration</b>	<b>3,000</b>	<b>3,000</b>	<b>3,605</b>	<b>605</b>	<b>3,697</b>
Accounting and Auditing	22,500	22,500	23,650	1,150	21,550
Assessor	17,500	17,500	18,832	1,332	17,292
<b>Legal</b>					
Supplies	500	500	1,439	939	470
Other Services	25,000	25,000	28,000	3,000	20,297
<b>Total Legal</b>	<b>25,500</b>	<b>25,500</b>	<b>29,439</b>	<b>3,939</b>	<b>20,767</b>

CITY OF BENSON, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED DECEMBER 31, 2016  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015

	2016			Over (Under) Final Budget	2015
	Budgeted Amounts		Actual		Actual
	Original	Final			
EXPENDITURES (Cont'd)					
Current (Cont'd)					
General Government (Cont'd)					
Other					
Other Charges	\$ 10,000	\$ 10,000	\$ 13,736	\$ 3,736	\$ 14,665
City Buildings					
Supplies	8,000	8,000	4,407	(3,593)	5,532
Other Services	23,000	23,000	16,891	(6,109)	19,069
Total City Buildings	31,000	31,000	21,298	(9,702)	24,601
Total General Government	643,000	643,000	670,678	27,678	626,614
Public Safety					
Police Department					
Personal Services	692,400	692,400	684,538	(7,862)	676,757
Supplies	65,100	65,100	60,698	(4,402)	68,243
Other Services	91,100	91,100	86,962	(4,138)	85,864
Other Charges	6,300	6,300	5,078	(1,222)	7,008
Total Police Department	854,900	854,900	837,276	(17,624)	837,872
Fire Department					
Personal Services	48,000	48,000	48,302	302	57,758
Supplies	15,600	15,600	20,737	5,137	12,803
Other Services	51,500	51,500	56,318	4,818	49,251
Fire Relief	45,000	45,000	54,076	9,076	52,979
Other Charges	600	600	650	50	678
Total Fire Department	160,700	160,700	180,083	19,383	173,469
Total Public Safety	1,015,600	1,015,600	1,017,359	1,759	1,011,341
Public Works					
Building, Planning and Zoning					
Personal Services	72,790	72,790	73,797	1,007	70,227
Supplies	2,100	2,100	1,136	(964)	1,784
Other Services	6,350	6,350	5,964	(386)	6,792
Other Charges	100	100	75	(25)	75
Total Building, Planning and Zoning	81,340	81,340	80,972	(368)	78,878

CITY OF BENSON, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED DECEMBER 31, 2016  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015

	2016			Over (Under) Final Budget	2015
	Budgeted Amounts		Actual		Actual
	Original	Final			
EXPENDITURES (Cont'd)					
Current (Cont'd)					
Public Works (Cont'd)					
Highways, Streets, and Roads					
Personal Services	\$ 314,350	\$ 314,350	\$ 316,890	\$ 2,540	\$ 293,776
Supplies	171,580	171,580	161,797	(9,783)	184,844
Other Services	118,350	118,350	114,167	(4,183)	103,419
Other Charges	1,000	1,000	1,305	305	876
Total Highways, Streets, and Roads	605,280	605,280	594,159	(11,121)	582,915
Total Public Works	686,620	686,620	675,131	(11,489)	661,793
Culture and Recreation					
Organized Recreation					
Summer Recreation	19,500	19,500	23,184	3,684	18,583
Civic Center	37,500	37,500	37,500		32,708
Senior Citizen Center	10,500	10,500	27,886	17,386	15,939
Total Organized Recreation	67,500	67,500	88,570	21,070	67,230
Swimming Pool					
Personal Services	49,600	49,600	51,931	2,331	47,641
Supplies	40,200	40,200	32,529	(7,671)	30,875
Other Services	29,400	29,400	30,427	1,027	29,803
Total Swimming Pool	119,200	119,200	114,887	(4,313)	108,319
Parks					
Personal Services	123,460	123,460	132,024	8,564	126,406
Supplies	87,000	87,000	87,786	786	101,524
Other Services	75,100	75,100	105,708	30,608	89,366
Other Charges	60,000	60,000	113,633	53,633	140,469
Cemetery	5,000	5,000	7,132	2,132	7,371
Total Parks	350,560	350,560	446,283	95,723	465,136
Tourism	31,750	31,750	24,070	(7,680)	28,865
Total Culture and Recreation	569,010	569,010	673,810	104,800	669,550
Airport					
Personal Services	3,000	3,000	2,692	(308)	2,692
Supplies	26,000	26,000	33,190	7,190	25,850
Other Services	26,500	26,500	25,000	(1,500)	27,632
Total Airport	55,500	55,500	60,882	5,382	56,174

CITY OF BENSON, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 GENERAL FUND  
 YEAR ENDED DECEMBER 31, 2016  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015

	2016			Over (Under) Final Budget	2015
	Budgeted Amounts		Actual		Actual
	Original	Final			
EXPENDITURES (Cont'd)					
Current (Cont'd)					
Public Transit					
Personal Services	\$ 134,225	\$ 134,225	\$ 142,806	\$ 8,581	\$ 132,197
Contracted Services			2,917	2,917	
Supplies	35,500	35,500	20,150	(15,350)	30,311
Other Services	11,900	11,900	10,497	(1,403)	10,524
Other Charges					4,500
Total Public Transit	<u>181,625</u>	<u>181,625</u>	<u>176,370</u>	<u>(5,255)</u>	<u>177,532</u>
Economic Development					
Other Charges					17,425
Total Expenditures	<u>3,151,355</u>	<u>3,151,355</u>	<u>3,274,230</u>	<u>122,875</u>	<u>3,220,429</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	363,920	363,920	318,917	(45,003)	471,691
OTHER FINANCING SOURCES (USES)					
Transfers In	171,650	171,650	134,849	(36,801)	166,338
Transfers Out	(515,000)	(515,000)	(518,451)	(3,451)	(575,797)
Sale of Property					4,590
Total Other Financing Sources (Uses)	<u>(343,350)</u>	<u>(343,350)</u>	<u>(383,602)</u>	<u>(40,252)</u>	<u>(404,869)</u>
Net Change in Fund Balances	<u>\$ 20,570</u>	<u>\$ 20,570</u>	<u>(64,685)</u>	<u>\$ (85,255)</u>	<u>66,822</u>
FUND BALANCE, BEGINNING OF YEAR			<u>1,628,674</u>		<u>1,561,852</u>
FUND BALANCE, END OF YEAR			<u>\$ 1,563,989</u>		<u>\$ 1,628,674</u>

CITY OF BENSON, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 LIBRARY SPECIAL REVENUE FUND  
 YEAR ENDED DECEMBER 31, 2016  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015

	2016			Over (Under) Final Budget	2015
	Budgeted Amounts		Actual		Actual
	Original	Final			
<b>REVENUES</b>					
Taxes	\$ 112,142	\$ 112,142	\$ 112,159	\$ 17	\$ 109,579
Miscellaneous					
Refunds and Reimbursements	2,000	2,000	2,516	516	2,448
Donations			707	707	1,831
Total Revenues	<u>114,142</u>	<u>114,142</u>	<u>115,382</u>	<u>1,240</u>	<u>113,858</u>
<b>EXPENDITURES</b>					
Current					
Culture and Recreation					
Supplies	11,000	11,000	9,960	(1,040)	7,429
Utilities	7,500	7,500	5,047	(2,453)	4,872
Contracted Services	86,792	86,792	86,927	135	83,755
Travel	750	750	404	(346)	110
Telephone	1,000	1,000	952	(48)	924
Insurance	4,500	4,500	4,186	(314)	4,400
Capital Outlay					
Culture and Recreation	3,000	3,000	3,000		4,119
Total Expenditures	<u>114,542</u>	<u>114,542</u>	<u>110,476</u>	<u>(4,066)</u>	<u>105,609</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(400)	(400)	4,906	5,306	8,249
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	400	400	325	(75)	311
Net Change in Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	5,231	<u>\$ 5,231</u>	8,560
FUND BALANCE, BEGINNING OF YEAR			<u>51,186</u>		<u>42,626</u>
FUND BALANCE, END OF YEAR			<u>\$ 56,417</u>		<u>\$ 51,186</u>

CITY OF BENSON, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 LIBRARY ENDOWMENT SPECIAL REVENUE FUND  
 YEAR ENDED DECEMBER 31, 2016  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015

	2016			Over (Under) Final Budget	2015
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Investment Income	\$ 400	\$ 400	\$ 325	\$ (75)	\$ 311
EXPENDITURES					
Capital Outlay	5,000	5,000		(5,000)	3,182
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,600)	(4,600)	325	4,925	(2,871)
OTHER FINANCING SOURCES (USES)					
Transfers Out			(325)	(325)	(311)
Net Change in Fund Balances	<u>\$ (4,600)</u>	<u>\$ (4,600)</u>	0	<u>\$ 4,600</u>	(3,182)
FUND BALANCE, BEGINNING OF YEAR			19,533		22,715
FUND BALANCE, END OF YEAR			<u>\$ 19,533</u>		<u>\$ 19,533</u>

CITY OF BENSON, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 CEMETERY PERPETUAL CARE SPECIAL REVENUE FUND  
 YEAR ENDED DECEMBER 31, 2016  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015

	2016			Over (Under) Final Budget	2015
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Investment Income	\$ 1,400	\$ 1,400	\$ 1,443	\$ 43	\$ 1,349
Miscellaneous					
Other	<u>1,500</u>	<u>1,500</u>	<u>3,930</u>	<u>2,430</u>	<u>1,120</u>
Total Revenues	<u>2,900</u>	<u>2,900</u>	<u>5,373</u>	<u>2,473</u>	<u>2,469</u>
EXPENDITURES					
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	2,900	2,900	5,373	2,473	2,469
OTHER FINANCING SOURCES (USES)					
Transfers Out	<u>(1,400)</u>	<u>(1,400)</u>	<u>(1,443)</u>	<u>(43)</u>	<u>(1,349)</u>
Net Change in Fund Balances	<u>\$ 1,500</u>	<u>\$ 1,500</u>	3,930	<u>\$ 2,430</u>	1,120
FUND BALANCE, BEGINNING OF YEAR			<u>86,210</u>		<u>85,090</u>
FUND BALANCE, END OF YEAR			<u>\$ 90,140</u>		<u>\$ 86,210</u>

CITY OF BENSON, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 COMMUNITY DEVELOPMENT REVOLVING LOAN SPECIAL REVENUE FUND  
 YEAR ENDED DECEMBER 31, 2016  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015

	2016			Over (Under) Final Budget	2015
	Budgeted Amounts		Actual		Actual
	Original	Final			
<b>REVENUES</b>					
Miscellaneous					
Refunds and Reimbursements	\$ 2,000	\$ 2,000	\$ 5,000	\$ 3,000	\$
Other			5,000	5,000	
Total Revenues	<u>2,000</u>	<u>2,000</u>	<u>10,000</u>	<u>8,000</u>	<u>0</u>
<b>EXPENDITURES</b>					
Current					
Urban Development					
Supplies	200	200	3,459	3,259	128
Contracted Services	<u>60,000</u>	<u>60,000</u>	<u>37,371</u>	<u>(22,629)</u>	<u>46,578</u>
Total Expenditures	<u>60,200</u>	<u>60,200</u>	<u>40,830</u>	<u>(19,370)</u>	<u>46,706</u>
Net Change in Fund Balances	<u>\$ (58,200)</u>	<u>\$ (58,200)</u>	(30,830)	<u>\$ 27,370</u>	(46,706)
FUND BALANCE, BEGINNING OF YEAR, AS ORIGINALLY STATED			110,526		157,232
PRIOR PERIOD ADJUSTMENT			<u>101,476</u>		
FUND BALANCE, BEGINNING OF YEAR, AS RESTATED			<u>212,002</u>		<u>157,232</u>
FUND BALANCE, END OF YEAR			<u>\$ 181,172</u>		<u>\$ 110,526</u>

CITY OF BENSON, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 2005 SMALL CITIES GRANT SPECIAL REVENUE FUND  
 YEAR ENDED DECEMBER 31, 2016  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015

	2016				2015
	Budgeted Amounts		Actual	Over (Under) Final Budget	Actual
	Original	Final			
<b>REVENUES</b>					
Investment Income	\$ 75	\$ 75	\$ 48	\$ (27)	\$ 91
Miscellaneous					
Refunds and Reimbursements	<u>2,700</u>	<u>2,700</u>	<u>4,796</u>	<u>2,096</u>	<u>3,002</u>
Total Revenues	<u>2,775</u>	<u>2,775</u>	<u>4,844</u>	<u>2,069</u>	<u>3,093</u>
<b>EXPENDITURES</b>					
Current					
Urban Development					
Contracted Services	<u>65,544</u>	<u>65,544</u>		<u>(65,544)</u>	
Net Change in Fund Balances	<u>\$ (62,769)</u>	<u>\$ (62,769)</u>	4,844	<u>\$ 67,613</u>	3,093
FUND BALANCE, BEGINNING OF YEAR			<u>62,768</u>		<u>59,675</u>
FUND BALANCE, END OF YEAR			<u>\$ 67,612</u>		<u>\$ 62,768</u>

CITY OF BENSON, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 2009 SMALL CITIES GRANT SPECIAL REVENUE FUND  
 YEAR ENDED DECEMBER 31, 2016  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015

	2016			Over (Under) Final Budget	2015
	Budgeted Amounts		Actual		Actual
	Original	Final			
<b>REVENUES</b>					
Investment Income	\$ 120	\$ 120	\$ 95	\$ (25)	\$ 141
Miscellaneous					
Refunds and Reimbursements	<u>4,740</u>	<u>4,740</u>	<u>4,216</u>	<u>(524)</u>	<u>4,727</u>
Total Revenues	<u>4,860</u>	<u>4,860</u>	<u>4,311</u>	<u>(549)</u>	<u>4,868</u>
<b>EXPENDITURES</b>					
Current					
Urban Development					
Contracted Services	<u>44,961</u>	<u>44,961</u>		<u>(44,961)</u>	
Net Change in Fund Balances	<u>\$ (40,101)</u>	<u>\$ (40,101)</u>	4,311	<u>\$ 44,412</u>	4,868
FUND BALANCE, BEGINNING OF YEAR			<u>40,101</u>		<u>35,233</u>
FUND BALANCE, END OF YEAR			<u>\$ 44,412</u>		<u>\$ 40,101</u>

CITY OF BENSON, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 2011 SMALL CITIES GRANT SPECIAL REVENUE FUND  
 YEAR ENDED DECEMBER 31, 2016  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015

	2016			Over (Under) Final Budget	2015
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES	\$	\$	\$	\$	\$
EXPENDITURES					
Current					
Urban Development					
Contracted Services	<u>8,778</u>	<u>8,778</u>		<u>(8,778)</u>	
Net Change in Fund Balances	<u>\$ (8,778)</u>	<u>\$ (8,778)</u>	0	<u>\$ 8,778</u>	0
FUND BALANCE, BEGINNING OF YEAR			<u>8,778</u>		<u>8,778</u>
FUND BALANCE, END OF YEAR			<u>\$ 8,778</u>		<u>\$ 8,778</u>

CITY OF BENSON, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 2013 SMALL CITIES GRANT SPECIAL REVENUE FUND  
 YEAR ENDED DECEMBER 31, 2016  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015

	2016			Over (Under) Final Budget	2015
	Budgeted Amounts		Actual		Actual
	Original	Final			
REVENUES					
Intergovernmental	\$ 108,508	\$ 108,508	\$ 95,718	\$ (12,790)	\$ 314,732
EXPENDITURES					
Current					
Urban Development					
Contracted Services	108,508	108,508	95,718	(12,790)	314,732
Net Change in Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	0	<u>\$ 0</u>	0
FUND BALANCE, BEGINNING OF YEAR					
FUND BALANCE, END OF YEAR			<u>\$ 0</u>		<u>\$ 0</u>

CITY OF BENSON, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 ECONOMIC DEVELOPMENT AUTHORITY SPECIAL REVENUE FUND  
 YEAR ENDED DECEMBER 31, 2016  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015

	2016			Over (Under) Final Budget	2015
	Budgeted Amounts		Actual		Actual
	Original	Final			
<b>REVENUES</b>					
Investment Income	\$ 4,500	\$ 4,500	\$ 9,100	\$ 4,600	\$ 5,758
Miscellaneous					
Other	40,000	40,000	32,836	(7,164)	51,974
Total Revenues	44,500	44,500	41,936	(2,564)	57,732
<b>EXPENDITURES</b>					
Current					
Economic Development					
Advertising	3,000	3,000	2,001	(999)	3,184
Management Fees	3,500	3,500	4,275	775	4,248
Special Projects	10,000	10,000	55,396	45,396	29,995
Supplies			652	652	
Contracted Services			8,967	8,967	3,996
Travel			4,365	4,365	2,407
Total Expenditures	16,500	16,500	75,656	59,156	43,830
Excess (Deficiency) of Revenues Over (Under) Expenditures	28,000	28,000	(33,720)	(61,720)	13,902
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers Out	(10,000)	(10,000)		10,000	
Net Change in Fund Balances	\$ 18,000	\$ 18,000	(33,720)	\$ (51,720)	13,902
<b>FUND BALANCE, BEGINNING OF YEAR, AS ORIGINALLY STATED</b>			417,412		403,510
<b>PRIOR PERIOD ADJUSTMENT</b>			197,500		
<b>FUND BALANCE, BEGINNING OF YEAR, AS RESTATED</b>			614,912		403,510
<b>FUND BALANCE, END OF YEAR</b>			\$ 581,192		\$ 417,412

CITY OF BENSON, MINNESOTA

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
 BUDGET AND ACTUAL  
 DEVELOPMENT DISTRICT  
 YEAR ENDED DECEMBER 31, 2016  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015

	2016			2015	
	Budgeted Amounts		Actual	Over (Under) Final Budget	Actual
	Original	Final			
REVENUES	\$	\$	\$	\$	\$
EXPENDITURES					
Net Change in Fund Balances	<u>\$ 0</u>	<u>\$ 0</u>	0	<u>\$ 0</u>	0
FUND BALANCE, BEGINNING OF YEAR			<u>789</u>		<u>789</u>
FUND BALANCE, END OF YEAR			<u>\$ 789</u>		<u>\$ 789</u>

CITY OF BENSON, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 PROPRIETARY FUNDS  
 YEAR ENDED DECEMBER 31, 2016  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015

	Water	Sewer	Electric	Liquor	Sanitation	Totals	
						2016	2015
<b>OPERATING REVENUES</b>							
<b>Sales and Cost of Sales</b>							
Sales	\$	\$	\$	\$ 1,106,680	\$	\$ 1,106,680	\$ 1,105,459
Cost of Sales				720,475		720,475	712,994
Gross Profit	0	0	0	386,205	0	386,205	392,465
<b>Other Revenues</b>							
Charges for Services	614,386	839,919	4,061,533		164,070	5,679,908	5,504,231
Outside Charges	10,000		14,400			24,400	24,400
Interfund			33,735			33,735	33,735
Refunds and Reimbursements	12,915	1,824	22,789			37,528	27,292
Vending Machine Commissions				1,880		1,880	1,709
Miscellaneous Revenue			49,365		2,822	52,187	26,896
Total Other Revenues	637,301	841,743	4,181,822	1,880	166,892	5,829,638	5,618,263
Total Operating Revenues	637,301	841,743	4,181,822	388,085	166,892	6,215,843	6,010,728
<b>OPERATING EXPENSES</b>							
Freight				3,575		3,575	4,483
Salaries	107,342	5,845	91,845	130,282		335,314	350,026
Earned Benefits	2,795	2,818	2,694	6,182		14,489	6,497
Pension	48,603	2,061	24,541	25,537		100,742	70,405
Supplies	3,501	1,359	18,106	5,091	1,576	29,633	26,456
Contracted Services	5,960	258,831	580,199	11,406	103,944	960,340	948,272
Load Management			1,885			1,885	4,015
Purchased Electricity and Wheeling			2,022,438			2,022,438	2,003,630
Utilities	23,444	54,056	53,273	13,752		144,525	162,490
System Maintenance	21,185	27,285	35,834			84,304	88,449
Building Repair and Maintenance	2,405	2,089	5,602	9,021		19,117	30,304
Equipment Repair and Maintenance	6,129	9,897	66,680			82,706	94,376
Insurance	7,379	18,075	39,857	21,696		87,007	67,415
Depreciation	195,111	333,371	526,370	4,876		1,059,728	1,059,883
Interdepartmental Charges	12,375	21,360				33,735	33,735
Management Fees	39,327	51,053	176,906	26,118	9,014	302,418	296,493
Bad Debts	1,764	2,766	15,486	1,635	1,287	22,938	19,602
Gas and Oil	2,600	2,201	13,718			18,519	24,001
Travel and Training	1,139	1,202	22,477	128		24,946	20,172
Office Supplies	305	375	57,257	882		58,819	57,227
Miscellaneous	5,906	4,357	30,455	20,379		61,097	54,479
Health and Life Insurance	23,409	1,203	24,876	26,652		76,140	64,586
Lab Supplies and Chemicals	20,536	28,177				48,713	65,552
Advertising	532		7,292	8,420		16,244	20,098
Refuse Disposal					59,819	59,819	43,899
Total Operating Expenses	531,747	828,381	3,817,791	315,632	175,640	5,669,191	5,616,545
Operating Income (Loss)	105,554	13,362	364,031	72,453	(8,748)	546,652	394,183

CITY OF BENSON, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
 PROPRIETARY FUNDS  
 YEAR ENDED DECEMBER 31, 2016  
 WITH PARTIAL COMPARATIVE AMOUNTS FOR THE YEAR ENDED DECEMBER 31, 2015

	Water	Sewer	Electric	Liquor	Sanitation	Totals	
						2016	2015
NONOPERATING REVENUES (EXPENSES)							
Investment Income	\$ 10,799	\$ 409	\$ 53,036	\$ 228	\$ 2,321	\$ 66,793	\$ 69,179
Interest and Fiscal Charges	(57,237)	(56,691)	(214,704)			(328,632)	(352,108)
Rent			6,559	32,703		39,262	38,280
Gain (Loss) on Disposal of Assets			(2,397)			(2,397)	24,800
Amortization			(11,190)			(11,190)	(11,190)
Total Nonoperating Revenues (Expenses)	(46,438)	(56,282)	(168,696)	32,931	2,321	(236,164)	(231,039)
Income (Loss) Before Transfers	59,116	(42,920)	195,335	105,384	(6,427)	310,488	163,144
TRANSFERS							
Transfers Out	(22,130)	(28,191)	(3,085)	(80,000)		(133,406)	(164,989)
Change in Net Position	36,986	(71,111)	192,250	25,384	(6,427)	177,082	(1,845)
NET POSITION, BEGINNING OF YEAR, AS ORIGINALLY STATED	2,027,873	1,847,155	5,316,362	284,384	157,786	9,633,560	9,903,530
PRIOR PERIOD ADJUSTMENT							(268,125)
NET POSITION, BEGINNING OF YEAR, AS RESTATED	2,027,873	1,847,155	5,316,362	284,384	157,786	9,633,560	9,635,405
NET POSITION, END OF YEAR	<u>\$ 2,064,859</u>	<u>\$ 1,776,044</u>	<u>\$ 5,508,612</u>	<u>\$ 309,768</u>	<u>\$ 151,359</u>	<u>\$ 9,810,642</u>	<u>\$ 9,633,560</u>

CITY OF BENSON, MINNESOTA

STATEMENT OF NET POSITION  
ELECTRIC FUND  
DECEMBER 31, 2016

ASSETS AND DEFERRED OUTFLOWS  
OF RESOURCES

Capital Assets	
Electric Production Plant	\$ 4,404,491
Electric Transmission Plant	676,121
Electric Distribution System	8,948,941
Electric Transportation and General	335,178
	<u>14,364,731</u>
Less: Accumulated Depreciation	8,043,512
Net Capital Assets	<u>6,321,219</u>
Current Assets	
Cash and Investments	3,396,151
Receivables	
Accounts	549,708
Interest	19,094
Inventories	122,002
Due from Other Funds	
Prepaid Items	38,967
Total Current Assets	<u>4,125,922</u>
Noncurrent Assets	
Restricted Assets	
Debt Service Reserve	531,751
Deferred Outflows of Resources	
Related to Pensions	46,336
Deferred Loss on Refunding	59,703
Total Deferred Outflows of Resources	<u>106,039</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 11,084,931</u>

LIABILITIES, DEFERRED INFLOWS OF  
RESOURCES AND NET POSITION

Long Term Debt	
Bonds Payable	\$ 4,820,000
Less Current Portion	(380,000)
Total Long Term Debt	<u>4,440,000</u>
Current Liabilities	
Current Portion of Long-Term Liabilities	386,953
Accounts Payable	414,087
Retainage Payable	7,259
Interest Payable	20,334
Due to Other Funds	131,834
Total Current Liabilities	<u>960,467</u>
Other Long-Term Liabilities	
Compensated Absences	39,974
Net OPEB Liability	17,102
Net Pension Liability	112,374
Less Current Portion	(6,953)
Total Other Long-Term Liabilities	<u>162,497</u>
Total Liabilities	<u>5,562,964</u>
Deferred Inflows of Resources	
Related to Pensions	13,355
Net Position	
Net Investment in Capital Assets	1,501,219
Unrestricted	4,007,393
Total Net Position	<u>5,508,612</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 11,084,931</u>

CITY OF BENSON, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
ELECTRIC FUND  
YEAR ENDED DECEMBER 31, 2016

Total Operating Revenues	\$ 4,181,822
Operating Expense	
Power Production	
Operation Supervision Salary	7,085
Fuel Expense	8,310
Utilities	34,629
Management Fees	17,690
Building Maintenance	809
Maintenance of Generating Equipment	49,350
Maintenance of Generating Equip Salary	18,546
Total Power Production	<u>136,419</u>
Purchased Power Supply	2,022,438
Transmission	
Operation Supervision Salary	594
Management Fees	17,690
Total Transmission	<u>18,284</u>
Distribution	
Fuel Expense - Vehicles	5,367
Equipment Maintenance	17,329
Maintenance of Lines	25,589
Maintenance of Street Lighting	9,833
Building Maintenance	4,793
Management Fees	53,072
Office Supplies	33,267
Operating Supplies	18,106
Station Salary	30,622
Equipment Maintenance Salary	36,182
Street Lights Salary	21,971
Meter Salary	78,474
Maintenance Supervision Salary	2,706
Maintenance Lines Salary	236,279
Other Contracted Services	1,368
Telephone	4,588
Travel and Meals	9,266
Education/Training	10,220
Utilities	6,724
Total Distribution	<u>605,756</u>
Demand Side Management	
Conservation Rebates	30,455
Other Contracted Services	7,717
Management Fees	8,848
Load Management Salary	7,126
Load Management	1,885
Total Demand Side Management	<u>56,031</u>

CITY OF BENSON, MINNESOTA

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION (Cont'd)  
 ELECTRIC FUND  
 YEAR ENDED DECEMBER 31, 2016

Operating Expense (Cont'd)	
Customer Accounts and Service	
Customer Records and Collection Salary	\$ 141,906
Meter Reading Salary	3,872
Office Supplies	16,290
Postage	1,764
Management Fees	17,690
Data Processing Services	22,288
Other Contracted Services	648
Bill Print Services	13,623
Bad Debts	15,486
Total Customer Accounts and Service	<u>233,567</u>
Administration and General	
Gas	41
Advertising	7,292
Management Fees - Administration	26,536
Management Fees - Finance	17,690
Management Fees - Sales	17,690
Non Utility Salary	91,484
Other Contracted Services	3,825
Travel and Meals	943
Education/Training	300
Insurance	39,857
Dues, Fees, Memberships	5,936
Telephone	7,332
Total Administration and General	<u>218,926</u>
Depreciation	<u>526,370</u>
Total Operating Expense	<u>3,817,791</u>
Operating Income (Loss)	<u>364,031</u>
Non Operating Revenues (Expenses)	
Investment Income	53,036
Interest Expense and Fiscal Charges	(214,704)
Rent	6,559
Gain (Loss) on Disposal of Assets	(2,397)
Amortization	(11,190)
Income (Loss) Before Transfers	<u>195,335</u>
Transfer to General Fund	<u>3,085</u>
Change in Net Position	<u>\$ 192,250</u>

STATISTICAL SECTION

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CITY OF BENSON, MINNESOTA

TAX CAPACITY, TAX LEVY, AND TAX CAPACITY RATES

	Budgeted Tax Levy	Total Capacity Rates
<u>2016 TAX CAPACITY \$1,969,053</u>		
Revenue	\$ 567,531	28.857 %
Police Levy	631,000	32.085
Library Fund	112,142	5.702
G.O. Equipment Bonds 2014 (Golf)	44,706	2.274
G.O. Equipment Bonds 2014 (Street Garage)	69,014	3.510
G.O. Swimming Pool of 2003 (Market Referendum)	69,807	0.041
Totals	<u>\$ 1,494,200</u>	<u>72.469 %</u>
<u>2015 TAX CAPACITY \$1,929,242</u>		
Revenue	\$ 631,310	32.723 %
Police Levy	587,000	30.426
Library Fund	109,710	5.687
Abatement	20,000	1.037
G.O. Swimming Pool of 2003 (Market Referendum)	75,705	0.045
Totals	<u>\$ 1,423,725</u>	<u>69.918 %</u>
<u>2014 TAX CAPACITY \$1,825,866</u>		
Revenue	\$ 578,921	31.707 %
Police Levy	616,260	33.752
Library Fund	106,800	5.849
Abatement	20,000	1.095
G.O. Swimming Pool of 2003 (Market Referendum)	70,896	0.044
Totals	<u>\$ 1,392,877</u>	<u>72.447 %</u>
<u>2013 TAX CAPACITY \$1,785,030</u>		
Revenue	\$ 578,000	32.380 %
Police Levy	556,500	31.176
Library Fund	104,450	5.851
Abatement	22,000	1.232
G.O. Swimming Pool of 2003 (Market Referendum)	71,211	0.045
Totals	<u>\$ 1,332,161</u>	<u>70.685 %</u>
<u>2012 TAX CAPACITY \$1,744,237</u>		
Revenue	\$ 721,915	41.389 %
Police Levy	534,081	30.620
Library Fund	116,311	6.668
2006 Capital Street Equipment Bonds	35,516	2.036
Abatement	22,000	1.261
G.O. Swimming Pool of 2003 (Market Referendum)	79,562	0.051
Totals	<u>\$ 1,509,385</u>	<u>82.025 %</u>

CITY OF BENSON, MINNESOTA

LIQUOR FUND  
GROSS PROFIT SCHEDULE  
FOR THE YEARS ENDED DECEMBER 31,

2016				
	Sales	Cost of Sales	Gross Profit	%
<b>OFF SALE</b>				
Liquor and Wine	\$ 366,207	\$ 255,653	\$ 110,554	30.2 %
Beer	532,127	392,555	139,572	26.2
Total Off Sale	<u>898,334</u>	<u>648,208</u>	<u>250,126</u>	<u>27.8</u>
<b>ON SALE</b>				
Liquor and Wine	68,332	11,677	56,655	82.9
Beer	95,532	28,086	67,446	70.6
Total On Sale	<u>163,864</u>	<u>39,763</u>	<u>124,101</u>	<u>75.7</u>
<b>MISCELLANEOUS</b>				
	<u>46,362</u>	<u>32,504</u>	<u>13,858</u>	<u>29.9</u>
Total	<u>\$ 1,108,560</u>	<u>\$ 720,475</u>	<u>\$ 388,085</u>	<u>35.0 %</u>
2015				
	Sales	Cost of Sales	Gross Profit	%
<b>OFF SALE</b>				
Liquor and Wine	\$ 358,755	\$ 246,510	\$ 112,245	31.3 %
Beer	533,809	392,160	141,649	26.5
Total Off Sale	<u>892,564</u>	<u>638,670</u>	<u>253,894</u>	<u>28.4</u>
<b>ON SALE</b>				
Liquor and Wine	74,320	13,484	60,836	81.9
Beer	91,183	25,535	65,648	72.0
Total On Sale	<u>165,503</u>	<u>39,019</u>	<u>126,484</u>	<u>76.4</u>
<b>MISCELLANEOUS</b>				
	<u>47,391</u>	<u>35,305</u>	<u>12,086</u>	<u>25.5</u>
Total	<u>\$ 1,105,458</u>	<u>\$ 712,994</u>	<u>\$ 392,464</u>	<u>35.5 %</u>
2014				
	Sales	Cost of Sales	Gross Profit	%
<b>OFF SALE</b>				
Liquor and Wine	\$ 361,092	\$ 249,451	\$ 111,641	30.9 %
Beer	548,913	394,934	153,979	28.1
Total Off Sale	<u>910,005</u>	<u>644,385</u>	<u>265,620</u>	<u>29.2</u>
<b>ON SALE</b>				
Liquor and Wine	71,323	13,077	58,246	81.7
Beer	80,111	23,066	57,045	71.2
Total On Sale	<u>151,434</u>	<u>36,143</u>	<u>115,291</u>	<u>76.1</u>
<b>MISCELLANEOUS</b>				
	<u>47,948</u>	<u>38,362</u>	<u>9,586</u>	<u>20.0</u>
Total	<u>\$ 1,109,387</u>	<u>\$ 718,890</u>	<u>\$ 390,497</u>	<u>35.2 %</u>

CITY OF BENSON, MINNESOTA

ELECTRIC FUND  
FIVE-YEAR COMPARISON - GROSS INCOME PER KWH

	KWH Sold	Gross Income	Income Per KWH
<u>2016</u>			
Residential	13,022,958	\$ 1,292,690	9.93 Cents
Interruptible	1,750,631	73,785	4.21 Cents
Municipal	2,750,594	280,560	10.20 Cents
Commercial	3,436,858	349,463	10.17 Cents
Large Power	12,881,979	1,026,341	7.97 Cents
Totals	<u>33,843,020</u>	<u>\$ 3,022,839</u>	8.93 Cents
<u>2015</u>			
Residential	13,140,638	\$ 1,311,556	9.98 Cents
Interruptible	1,911,615	82,255	4.30 Cents
Municipal	2,989,778	300,104	10.04 Cents
Commercial	3,572,691	364,311	10.20 Cents
Large Power	12,704,565	1,026,691	8.08 Cents
Totals	<u>34,319,287</u>	<u>\$ 3,084,917</u>	8.99 Cents
<u>2014</u>			
Residential	13,285,934	\$ 1,300,831	9.79 Cents
Interruptible	2,243,560	93,692	4.18 Cents
Municipal	3,239,292	304,400	9.40 Cents
Commercial	3,863,629	382,474	9.90 Cents
Large Power	12,911,163	1,007,636	7.80 Cents
Totals	<u>35,543,578</u>	<u>\$ 3,089,034</u>	8.69 Cents
<u>2013</u>			
Residential	13,581,338	\$ 1,331,517	9.80 Cents
Interruptible	2,214,534	91,244	4.12 Cents
Municipal	3,146,174	300,223	9.54 Cents
Commercial	3,752,617	372,541	9.93 Cents
Large Power	13,329,445	1,044,293	7.83 Cents
Totals	<u>36,024,108</u>	<u>\$ 3,139,818</u>	8.72 Cents
<u>2012</u>			
Residential	13,276,703	\$ 1,299,443	9.79 Cents
Interruptible	1,693,217	68,373	4.04 Cents
Municipal	2,903,720	289,269	9.96 Cents
Commercial	3,633,256	360,464	9.92 Cents
Large Power	14,943,830	1,130,883	7.57 Cents
Totals	<u>36,450,726</u>	<u>\$ 3,148,432</u>	8.64 Cents

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COMPLIANCE SECTION

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and Members of the City Council  
City of Benson  
Benson, 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 governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Benson, 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 5, 2017.

The *Minnesota Legal Compliance Audit Guide for Cities*, 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 in tax increment financing because the City does not have any tax increment financing.

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

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

*Conway, Deuth & Schmiesing, PLLP*

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

June 5, 2017

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<b>Willmar Office</b> 331 Third St SW, Ste 2 PO Box 570 Willmar, MN 56201 P (320) 235-3311 T (888) 388-1040	<b>Benson Office</b> 1209 Pacific Ave, Ste 3 Benson, MN 56215 P (320) 843-2302	<b>Morris Office</b> 401 Atlantic Ave Morris, MN 56267 P (320) 589-2602  <a href="http://www.cdscpa.com">www.cdscpa.com</a>	<b>Litchfield Office</b> 820 Sibley Ave N Litchfield, MN 55355 P (320) 693-7975	<b>St. Cloud-Sartell Office</b> Ste 110 2351 Connecticut Ave Sartell, MN 56377 P (320) 252-7565 T (800) 862-1337
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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 Benson  
Benson, 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, each major fund, and the aggregate remaining fund information of the City of Benson, 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 and have issued our report thereon dated June 5, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings, we identified a deficiency in internal control that we consider to be a material weakness.

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 deficiency described in the accompanying Schedule of Findings as finding 2016-001 to be a material weakness.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.

## City's Response to Findings

The City's response to the finding identified in our audit is described in the accompanying Schedule of Findings. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## 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 City'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 City'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

June 5, 2017

CITY OF BENSON, MINNESOTA

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

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

Recommendation: The City 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 City 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:  
Robert Wolfington, City Administrator

Planned Completion Date for CAP:  
December 31, 2017

Plan to Monitor Completion of CAP:  
City Council

CITY OF BENSON, MINNESOTA

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS  
DECEMBER 31, 2016

<u>Finding Reference</u>	<u>Finding Title</u>	<u>Status</u>	<u>Year Finding Initially Occurred</u>	<u>If Not Corrected, Provide Planned Corrective Action or Other Explanation</u>
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Financial Statement Findings:

2006-001	Limited Segregation of Duties	Not Corrected	2006	See current year finding 2016-001
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Minnesota Legal Compliance Findings:

None

**NOTICE OF PUBLIC HEARING TO DETERMINE WHETHER A PUBLIC NUISANCE EXISTS ON PRIVATE PROPERTY, WHETHER ABATEMENT OF A PUBLIC NUISANCE ON PRIVATE PROPERTY BY CITY OF BENSON IS REASONABLE AND NECESSARY, AND DETERMINATION OF SPECIAL ASSESSMENT AGAINST THE PRIVATE PROPERTY.**

PLEASE TAKE NOTICE that on the 1st day of May, 2017 at 5:30 p.m. the City Council of Benson at the City Council Chambers at City Hall, 1410 Kansas Avenue, Benson, MN 56215, will hold a public hearing to determine proposed abatement by the City of Benson of proposed nuisance conditions of old car parts, tires, trash, rubbish, refuse and worthless or unused materials or articles and special assessment for costs of abatement of said nuisance conditions against the following property:

**Lots Fifteen (15) and Sixteen (16), Block Three (3) and the North Six Feet (N 6') of Lot Seventeen (17), Block Three (3), Railway First Addition to the City of Benson, Swift County, Minnesota**

**406 12th St. S., Benson, MN 56215**

The Council shall first determine whether a public nuisance exists on the above-named real property based on whether the conditions unreasonably annoy, injure, or endanger the safety, health, morals, comfort, or repose of any considerable number of members of the public.

Second the Council shall determine whether abatement/removal of the public nuisance by the City of Benson is reasonable and necessary and the time limit in which the property owner/occupant has to remove the public nuisance prior to the City of Benson entering premises and removing the offending item or items and cleaning up the nuisance.

If a condition is determined to be a public nuisance and must be abated by the City of Benson, the special assessment is estimated to be the following minimum amount for the above-described property:

**\$4,500.00**

A reasonable estimate of the impact of the special assessment will be available at the hearing for review. Also, the proposed special assessment roll is on file with the Benson City Clerk. Written and oral objections regarding the proposed special assessment against the above-named property will be considered at the public hearing.

**NO APPEAL MAY BE TAKEN AS TO THE AMOUNT OF THE SPECIAL ASSESSMENTS UNLESS A WRITTEN OBJECTION SIGNED BY THE AFFECTED PROPERTY OWNER IS FILED WITH THE BENSON CITY CLERK PRIOR TO THIS PUBLIC HEARING OR PRESENTED TO THE PRESIDING OFFICER AT THE PUBLIC HEARING.**

**PURSUANT TO MINNESOTA STATUTE SECTION 429.081, WITHIN THIRTY (30) DAYS AFTER THE ADOPTION OF THE SPECIAL ASSESSMENTS, ANY AFFECTED PROPERTY OWNER WHO IS NOT PRECLUDED BY FAILURE TO OBJECT PRIOR TO OR AT THE SPECIAL ASSESSMENTS HEARING MAY APPEAL TO THE DISTRICT COURT BY SERVING NOTICE UPON THE MAYOR OF BENSON OR BENSON CITY CLERK, AND BY FILING SAID NOTICE WITH THE COURT ADMINISTRATOR OF THE DISTRICT COURT WITHIN TEN (10) DAYS OF SERVING NOTICE UPON THE MAYOR OF BENSON OR THE BENSON CITY CLERK**

Pursuant to Minnesota Statutes Sections 435.193 to 435.195, any county, statutory or home rule charter city, or town making special assessments may in its discretion defer the payment of that special assessment for any homestead property owned by a person sixty-five (65) years of age or older or retired by virtue of a permanent and total disability for whom it would be a hardship to make the payments, and homeowner shall make application for deferred payment of special assessments on forms prescribed by the county auditor of the county in which the homestead is located.

Adoption by the Council of the proposed special assessments may be taken at the hearing, and the property owners have the right to prepay the entire special assessments to the City of Benson, and partial prepayment has not been authorized by ordinance. Prepayment of the entire special assessments may be made no later than 14 days after the date the resolution is passed without the accrual of interest, and interest shall accrue at the rate of 8 percent per annum if the entire special assessments are not prepaid.

Benjamin R. Wilcox  
Assistant City Attorney  
City of Benson, Minnesota

**NOTICE OF PUBLIC HEARING TO DETERMINE WHETHER A PUBLIC NUISANCE EXISTS ON PRIVATE PROPERTY, WHETHER ABATEMENT OF A PUBLIC NUISANCE ON PRIVATE PROPERTY BY CITY OF BENSON IS REASONABLE AND NECESSARY, AND DETERMINATION OF SPECIAL ASSESSMENT AGAINST THE PRIVATE PROPERTY.**

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**Lots One (1) and Two (2), Block One (1), Sunnyside First Addition to the City of Benson, Swift County, Minnesota**

**600 12th St. S., Benson, MN 56215**

The Council shall first determine whether a public nuisance exists on the above-named real property based on whether the conditions unreasonably annoy, injure, or endanger the safety, health, morals, comfort, or repose of any considerable number of members of the public.

Second the Council shall determine whether abatement/removal of the public nuisance by the City of Benson is reasonable and necessary and the time limit in which the property owner/occupant has to remove the public nuisance prior to the City of Benson entering premises and removing the offending item or items and cleaning up the nuisance.

If a condition is determined to be a public nuisance and must be abated by the City of Benson, the special assessment is estimated to be the following minimum amount for the above-described property:

**\$4,500.00**

A reasonable estimate of the impact of the special assessment will be available at the hearing for review. Also, the proposed special assessment roll is on file with the Benson City Clerk. Written and oral objections regarding the proposed special assessment against the above-named property will be considered at the public hearing.

**NO APPEAL MAY BE TAKEN AS TO THE AMOUNT OF THE SPECIAL ASSESSMENTS UNLESS A WRITTEN OBJECTION SIGNED BY THE AFFECTED PROPERTY OWNER IS FILED WITH THE BENSON CITY CLERK PRIOR TO THIS PUBLIC HEARING OR PRESENTED TO THE PRESIDING OFFICER AT THE PUBLIC HEARING.**

**PURSUANT TO MINNESOTA STATUTE SECTION 429.081, WITHIN THIRTY (30) DAYS AFTER THE ADOPTION OF THE SPECIAL ASSESSMENTS, ANY AFFECTED PROPERTY OWNER WHO IS NOT PRECLUDED BY FAILURE TO OBJECT PRIOR TO OR AT THE SPECIAL ASSESSMENTS HEARING MAY APPEAL TO THE DISTRICT COURT BY SERVING NOTICE UPON THE MAYOR OF BENSON OR BENSON CITY CLERK, AND BY FILING SAID NOTICE WITH THE COURT ADMINISTRATOR OF THE DISTRICT COURT WITHIN TEN (10) DAYS OF SERVING NOTICE UPON THE MAYOR OF BENSON OR THE BENSON CITY CLERK**

Pursuant to Minnesota Statutes Sections 435.193 to 435.195, any county, statutory or home rule charter city, or town making special assessments may in its discretion defer the payment of that special assessment for any homestead property owned by a person sixty-five (65) years of age or older or retired by virtue of a permanent and total disability for whom it would be a hardship to make the payments, and homeowner shall make application for deferred payment of special assessments on forms prescribed by the county auditor of the county in which the homestead is located.

Adoption by the Council of the proposed special assessments may be taken at the hearing, and the property owners have the right to prepay the entire special assessments to the City of Benson, and partial prepayment has not been authorized by ordinance.

Prepayment of the entire special assessments may be made no later than 14 days after the date the resolution is passed without the accrual of interest, and interest shall accrue at the rate of 8 percent per annum if the entire special assessments are not prepaid.

Benjamin R. Wilcox  
Assistant City Attorney  
City of Benson, Minnesota



# STATE OF MINNESOTA

## Office of Governor Mark Dayton

130 State Capitol ♦ 75 Rev. Dr. Martin Luther King Jr. Boulevard ♦ Saint Paul, MN 55155

May 30, 2017

The Honorable Michelle L. Fischbach  
President of the Senate  
Room 2113, Minnesota Senate Building  
St. Paul, Minnesota 55155

Dear Madam President:

On the advice of my General Counsel, to ensure there are no legal challenges, I am signing Chapter 94, Senate File 1456 rather than allowing it to become law without my signature.

Senate File 1456 funds several of my budget priorities, including \$20 million for broadband development to drive economic development in Greater Minnesota. I appreciate your modest increases in the Minnesota Investment Fund and Job Creation Fund, incentives that help attract businesses to our state. Further, the \$7 million in additional funding for Vocational Rehabilitation Services is critical to ensuring that Minnesotans with disabilities can find employment and live more independently. I also commend your decision to fund wage theft prevention at \$1 million and Homework Starts with Home at \$2 million.

I support several legislative initiatives included in the bill, including funding for the Helmets to Hardhats program which supports recruiting active duty military members and veterans into registered apprenticeship programs. And the new Youth Skills Training program has the potential to attract young people to high-demand, high-growth careers.

Despite these positive investments, I am deeply concerned that the bill cuts funding for the 2016 equity grants. Minnesota has some of the worst racial and ethnic disparities in the nation and we must work together to close these gaps, through education, job skills training, and support for entrepreneurs, among other efforts. The future of our state depends on all Minnesotans having the opportunity to succeed. I urge you to reconsider these cuts during the next legislative session.

While the bill removes objectionable policy provisions including Voice-over-Internet Protocol service deregulation, limitations on agency transfers, and requiring legislative approval of certain proposed rules, I am disappointed that Senate File 1456 includes controversial policy including shortening the amount of time a consumer has to redeem property from a pawnbroker before it is forfeited, and preempting local governments from passing ordinances regulating plastic bags. The bill also fails to include Internet privacy provisions that would have required consumers to give express approval before internet service providers could collect, distribute, sell, or share personally identifiable information about a consumer. I hope you revisit this issue next session.

Voice: (651) 201-3400 or (800) 657-3717  
Website: <http://governor.state.mn.us>

Fax: (651) 797-1850

MN Relay (800) 627-3529  
An Equal Opportunity Employer

I noted in my previous veto letter on this topic that perhaps the most egregious policy provisions in this bill focus on energy. I am still of that same opinion. In the same month that Minnesota celebrates the tenth anniversary of its landmark bipartisan Next Generation Energy Act, the Legislature passed a bill that moves our state backward in our hard-fought progress on renewable energy and job creation. It includes policies that roll back incentives that support Minnesota's solar industry, exempts some rural utilities from meeting energy efficiency requirements through the Conservation Improvement Program (CIP), and prevents municipal and cooperative utility customers from using the Public Utilities Commission (PUC) to resolve disputes. It also extends the timeframe for Excelsior Energy's site and route permits, which I have not supported in the past.

The bill also makes wholesale changes to the agreement reached in the 1990s that allowed nuclear waste to be stored in Minnesota. This agreement created the Renewable Development Fund (RDF), as well as mandates for energy production from renewable sources, including biomass. This bill essentially rewrites that agreement by allowing Xcel Energy and the Legislature to have direct control of the RDF, while significantly obligating these funds over the next several years for non-renewable energy uses. The latter is particularly concerning to me, because I sympathize with the concerns expressed by the Prairie Island Indian Community that the state and the utility will be less motivated to find a permanent storage solution for nuclear waste. These provisions effectively relieve the utility from having to meet the biomass mandate required by the agreement, to the detriment of much of Minnesota's timber industry and management of public and private forests. Because this policy was hastily written and passed, we do not yet know the full impact these provisions will have on the loggers, mills, and truckers that had planned business decisions on contracts intended to last for up to another 11 years. A meager effort to study the economic impact on this industry, after the fact of passing these policy provisions, is inadequate.

Sincerely,



Mark Dayton  
Governor

cc: Senator Paul E. Gazelka, Senate Majority Leader  
Senator Thomas M. Bakk, Senate Minority Leader  
Senator Jeremy Miller, Minnesota Senate  
Representative Kurt Daudt, Speaker of the House  
Representative Melissa Hortman, House Minority Leader  
Representative Pat Garofalo, House of Representatives  
The Honorable Steve Simon, Secretary of State  
Mr. Cal R. Ludeman, Secretary of the Senate  
Mr. Patrick Murphy, Chief Clerk of the House of Representatives  
Mr. Paul Marinac, Revisor of Statutes

10.1 Little Earth of the United Tribes, a nonprofit  
10.2 servicing East Africans, and other coalition  
10.3 members towards developing EPNI as a  
10.4 community space to host activities including,  
10.5 but not limited to, creation and expansion of  
10.6 small businesses, culturally specific  
10.7 entrepreneurial activities, indoor urban  
10.8 farming, job training, education, and skills  
10.9 development for residents of this low-income,  
10.10 environmental justice designated  
10.11 neighborhood. Eligible uses for grant funds  
10.12 include, but are not limited to, planning and  
10.13 start-up costs, staff and consultant costs,  
10.14 building improvements, rent, supplies, utilities,  
10.15 vehicles, marketing, and program activities.  
10.16 The commissioner shall submit a report on  
10.17 grant activities and quantifiable outcomes to  
10.18 the committees of the house of representatives  
10.19 and the senate with jurisdiction over economic  
10.20 development by December 15, 2020. This  
10.21 appropriation is available until June 30, 2020.  
10.22 (aa) \$150,000 the first year is from the  
10.23 renewable development account in the special  
10.24 revenue fund established in Minnesota  
10.25 Statutes, section 116C.779, subdivision 1, to  
10.26 conduct the biomass facility closure economic  
10.27 impact study.  
10.28 (bb)(1) \$300,000 in fiscal year 2018 is for a  
10.29 grant to East Side Enterprise Center (ESEC)  
10.30 to expand culturally tailored resources that  
10.31 address small business growth and job  
10.32 creation. This appropriation is available until  
10.33 June 30, 2020. The appropriation shall fund  
10.34 the work of African Economic Development  
10.35 Solutions, the Asian Economic Development

172.1 (e) Each year, the public utility shall withhold from the funds transferred to the renewable  
172.2 development account under paragraphs (c) and (d) the amount necessary to pay its obligations  
172.3 under paragraphs (f) and (g), and sections 116C.7792 and 216C.41, for that calendar year.

172.4 (f) If the commission approves a new or amended power purchase agreement, the  
172.5 termination of a power purchase agreement, or the purchase and closure of a facility under  
172.6 section 216B.2424, subdivision 9, with an entity that uses poultry litter to generate electricity,  
172.7 the public utility subject to this section shall enter into a contract with the city in which the  
172.8 poultry litter plant is located to provide grants to the city for the purposes of economic  
172.9 development on the following schedule: \$4,000,000 in fiscal year 2018; \$6,500,000 each  
172.10 fiscal year in 2019 and 2020; and \$3,000,000 in fiscal year 2021. The grants shall be paid  
172.11 by the public utility from funds withheld from the transfer to the renewable development  
172.12 account, as provided in paragraphs (b) and (e).

172.13 (g) If the commission approves a new or amended power purchase agreement, or the  
172.14 termination of a power purchase agreement under section 216B.2424, subdivision 9, with  
172.15 an entity owned or controlled, directly or indirectly, by two municipal utilities located north  
172.16 of Constitutional Route No. 8, that was previously used to meet the biomass mandate in  
172.17 section 216B.2424, the public utility that owns a nuclear generating plant shall enter into a  
172.18 grant contract with such entity to provide \$6,800,000 per year for five years, commencing  
172.19 30 days after the commission approves the new or amended power purchase agreement, or  
172.20 the termination of the power purchase agreement, and on each June 1 thereafter through  
172.21 2021, to assist the transition required by the new, amended, or terminated power purchase  
172.22 agreement. The grant shall be paid by the public utility from funds withheld from the transfer  
172.23 to the renewable development account as provided in paragraphs (b) and (e).

172.24 (h) The collective amount paid under the grant contracts awarded under paragraphs (f)  
172.25 and (g) is limited to the amount deposited into the renewable development account, and its  
172.26 predecessor, the renewable development account, established under this section, that was  
172.27 not required to be deposited into the account under Laws 1994, chapter 641, article 1, section  
172.28 10.

172.29 (e) (i) After discontinuation of operation of the Prairie Island nuclear plant or the  
172.30 Monticello nuclear plant and each year spent nuclear fuel is stored in dry cask at the  
172.31 discontinued facility, the commission shall require the public utility to pay \$7,500,000 for  
172.32 the discontinued Prairie Island facility and \$5,250,000 for the discontinued Monticello  
172.33 facility for any year in which the commission finds, by the preponderance of the evidence,  
172.34 that the public utility did not make a good faith effort to remove the spent nuclear fuel stored

193.1 Sec. 20. Minnesota Statutes 2016, section 216B.2424, is amended by adding a subdivision  
 193.2 to read:

193.3 Subd. 9. Adjustment of biomass fuel requirement. (a) Notwithstanding any provision  
 193.4 in this section, the public utility subject to this section may, with respect to a facility approved  
 193.5 under this section, file a petition with the commission for approval of:

193.6 (1) a new or amended power purchase agreement;

193.7 (2) the early termination of a power purchase agreement; or

193.8 (3) the purchase and closure of the facility.

193.9 (b) The commission may approve a new or amended power purchase agreement under  
 193.10 this subdivision, notwithstanding the fuel requirements of this section, if the commission  
 193.11 determines that:

193.12 (1) all parties to the original power purchase agreement, or their successors or assigns,  
 193.13 as applicable, agree to the terms and conditions of the new or amended power purchase  
 193.14 agreement; and

193.15 (2) the new or amended power purchase agreement is in the best interest of the customers  
 193.16 of the public utility subject to this section, taking into consideration any savings realized  
 193.17 by customers in the new or amended power purchase agreement and any costs imposed on  
 193.18 customers under paragraph (e). A new or amended power purchase agreement approved  
 193.19 under this paragraph may be for any term agreed to by the parties and may govern the  
 193.20 purchase of any amount of energy.

193.21 (c) The commission may approve the early termination of a power purchase agreement  
 193.22 or the purchase and closure of a facility under this subdivision if it determines that:

193.23 (1) all parties to the power purchase agreement, or their successors or assigns, as  
 193.24 applicable, agree to the early termination of the power purchase agreement or the purchase  
 193.25 and closure of the facility; and

193.26 (2) the early termination of the power purchase agreement or the purchase and closure  
 193.27 of the facility is in the best interest of the customers of the public utility subject to this  
 193.28 section, taking into consideration any savings realized by customers as a result of the early  
 193.29 termination of the power purchase agreement or the purchase and closure of the facility and  
 193.30 any costs imposed on the customers under paragraph (e).

193.31 (d) The commission's approval of a new or amended power purchase agreement under  
 193.32 paragraph (b) or of the termination of a power purchase agreement or the purchase and



Minnesota Department of **Human Services**

April 28, 2017

Zoning Administrator  
City of Benson  
1410 Kansas Ave  
Benson, MN 56215

Re: Zoning Notification of Application for  
Department of Human Services Program License

License Number: 1086726

This is to inform you that the Department of Human Services, Division of Licensing has an application for a program to be licensed under Minnesota Rules, parts 9503.0005 to 9503.0170 from **Discovery Kids, 1400 Montana Ave, Benson, MN 56215** to provide day care for 44 children.

Issuance of this license is subject to compliance with the provisions of Minnesota Statutes, Chapter 245A.

If you do not contact the Division of Licensing within 30 days of receipt of this letter, we will consider this facility to be in compliance with your local zoning code.

If you have questions regarding the facility or its location, please contact Shelly Vergin at 320-843-4545 or [discoverykids@benson.k.12.mn.us](mailto:discoverykids@benson.k.12.mn.us).

If you have any questions regarding this letter, contact Megan Holmen at 651-431-6534 or fax information to (651) 431-7673.

Sincerely,

*Donna Gainer*

Donna Gainer, CC/ADC Unit Supervisor  
Licensing Division  
Office of Inspector General  
(651)431-6529  
slp

*Head up! May 26, 17*

*The facility is in compliance w/ zoning, located at school!*

*Bob*

Date: May 5, 2017

Rob Wolfington  
City Administrator  
1410 Kansas Avenue  
Benson, MN 56215

RE: Coop. Const. Agree. No. 1027072  
City of Benson  
S.P. 7608-20; S.P. 7607-33 (T.H. 29)  
S.P. 7602-20; S.P. 7606-30 (T.H. 9)  
S.P. 7605-91; S.P. 7604-24 (T.H. 12)  
City bid based lump sum payment for utility  
adjustments and parking lane striping construction  
by the State on T.H. 29, T.H. 9, T.H. 12.  
Contract Number 170058

Dear Rob Wolfington:

Transmitted herewith for the City's use and retention, is a fully executed copy of the subject agreement between the City and this department.

The agreement provides for a bid based lump sum payment by the City to the State for utility adjustment and parking lane striping construction to be performed by the State under contract.

The State has recomputed the City's cost share for this contract using the low bid unit prices of Hardrives, Inc., to whom this construction contract has been awarded.

The City's lump sum cost share as recomputed, increased from the preliminary estimate of \$49,988.88 to the revised amount of \$54,489.41.

An invoice in the amount of \$54,489.41 will be forwarded to the City in a few days, and it is requested that payment be made accordingly.

Sincerely,



Maryanne-Kelly-Sonnek  
Municipal Agreements Engineer

Enclosures

**STATE OF MINNESOTA  
DEPARTMENT OF TRANSPORTATION  
And  
CITY OF BENSON  
COOPERATIVE CONSTRUCTION  
AGREEMENT**

State Project Number (S.P.):	<u>7608-20 &amp; 7607-33</u>	Estimated Amount Receivable
Trunk Highway Number (T.H.):	<u>29</u>	<u>\$49,988.88</u>
State Project Number (S.P.):	<u>7604-24 &amp; 7605-91</u>	
Trunk Highway Number (T.H.):	<u>12</u>	
State Project Number (S.P.):	<u>7606-30 &amp; 7602-20</u>	
Trunk Highway Number (T.H.):	<u>9</u>	

This Agreement is between the State of Minnesota, acting through its Commissioner of Transportation ("State") and City of Benson acting through its City Council ("City").

**Recitals**

1. The State will perform bituminous mill and overlay construction and other associated construction upon, along and adjacent to Trunk Highway No. 29 from 400 feet south of Oakwood Avenue to the Chippewa River and adjacent to Trunk Highway No. 9 from Chippewa River to 400 feet north of County State Aid Highway No. (CSAH) 104 and adjacent to Trunk Highway No. 12 from 18 ½ Street South to 300 feet west of CSAH 25 according to State-prepared plans, specifications and special provisions designated by the State as State Project Nos. 7608-20 & 7607-33 (T.H. 29), S.P. 7602-20 & 7606-30 (T.H. 9) and S.P. 7605-91 & 7604-24 (T.H. 12) ("Project"); and
2. The City has requested the State include in its Project utility adjustments and parking lane stripping construction; and
3. The City wishes to participate in the costs of the utility adjustments and parking lane stripping construction and associated construction engineering; and
4. Agreement number 1026272 between the State and the City of Benson will address the City's maintenance responsibilities; and
5. Minnesota Statutes § 161.45, subdivision 2, allows for City-owned utility relocation to be included in a State construction contract, and payment by the City for such relocation according to applicable statutes and rules for utilities on trunk highways; and
6. Minnesota Statutes § 161.20, subdivision 2 authorizes the Commissioner of Transportation to make arrangements with and cooperate with any governmental authority for the purposes of constructing, maintaining and improving the trunk highway system.

**Agreement**

**1. Term of Agreement; Survival of Terms; Plans; Incorporation of Exhibits**

- 1.1. *Effective Date.* This Agreement will be effective on the date the State obtains all signatures required by Minnesota Statutes § 16C.05, subdivision 2.
- 1.2. *Expiration Date.* This Agreement will expire when all obligations have been satisfactorily fulfilled.
- 1.3. *Survival of Terms.* All clauses which impose obligations continuing in their nature and which must survive in order to give effect to their meaning will survive the expiration or termination of this Agreement, including, without limitation, the following clauses: 3. Maintenance by the City; 8. Liability; Worker

Compensation Claims; 10. State Audits; 11. Government Data Practices; 12. Governing Law; Jurisdiction; Venue; and 14. Force Majeure.

**1.4. *Plans, Specifications, Special Provisions.*** Plans, specifications and special provisions designated by the State as State Project Nos. 7608-20 & 7607-33 (T.H. 29), S.P. 7602-20 & 7606-30 (T.H. 9) and S.P. 7605-91 & 7604-24 (T.H. 12) are on file in the office of the Commissioner of Transportation at St. Paul, Minnesota, and incorporated into this Agreement by reference ("Project Plans").

**1.5. *Exhibits.*** Preliminary Schedule "I" is on file in the office of the City Administrator and incorporated into this Agreement by reference.

## **2. Construction by the State**

**2.1. *Contract Award.*** The State will advertise for bids and award a construction contract to the lowest responsible bidder according to the Project Plans.

### **2.2. *Direction, Supervision and Inspection of Construction.***

**A. *Supervision and Inspection by the State.*** The State will direct and supervise all construction activities performed under the construction contract, and perform all construction engineering and inspection functions in connection with the contract construction. All contract construction will be performed according to the Project Plans.

**B. *Inspection by the City.*** The City participation construction covered under this Agreement will be open to inspection by the City. If the City believes the City participation construction covered under this Agreement has not been properly performed or that the construction is defective, the City will inform the State District Engineer's authorized representative in writing of those defects. Any recommendations made by the City are not binding on the State. The State will have the exclusive right to determine whether the State's contractor has satisfactorily performed the City participation construction covered under this Agreement.

### **2.3. *Plan Changes, Additional Construction, Etc.***

**A.** The State will make changes in the Project Plans and contract construction, which may include the City participation construction covered under this Agreement, and will enter into any necessary addenda, change orders and supplemental agreements with the State's contractor that are necessary to cause the contract construction to be performed and completed in a satisfactory manner.

**B.** The City may request additional work or changes to the work in the plans as part of the construction contract. Such request will be made by an exchange of letter(s) with the State. If the State determines that the requested additional work or plan changes are necessary or desirable and can be accommodated without undue disruption to the project, the State will cause the additional work or plan changes to be made.

**C.** The State reserves the right to invoice the City for the cost of any additional City requested work and plan changes, including associated construction engineering, before the completion of the contract construction.

**2.4. *Satisfactory Completion of Contract.*** The State will perform all other acts and functions necessary to cause the construction contract to be completed in a satisfactory manner. Acceptance by the State of the completed contract construction will be final, binding and conclusive upon the City as to the satisfactory completion of the contract construction.

**2.5. *Replacement of Castings.*** Adjustments to certain City-owned facilities, including but not limited to, valve boxes and frame and ring castings, may be performed by the State's contractor under the construction contract. The City will furnish the contractor with new units and/or parts for those in place City-owned facilities when replacements are required and not covered by a contract pay item, without cost or expense to the State or the contractor, except for replacement of units and/or parts broken or damaged by the contractor.

### 3. Maintenance by the City.

Upon completion of the project, the City will provide the following without cost or expense to the State:

**3.1. *Parking Lanes.*** Routine Maintenance of any parking lanes. Maintenance includes, but is not limited to, snow, ice and debris removal, pavement markings and any other maintenance activities necessary to perpetuate the parking lanes in a safe, useable, and aesthetically acceptable condition. The State will pay the City for the loading of snow pushed from the driving lanes into the parking area adjacent to the Trunk Highway. The cost for hauling of snow will be negotiated annually between the District Maintenance Office and the City.

### 4. Basis of City Cost

- 4.1. *Schedule "I".*** The Preliminary Schedule "I" includes all anticipated City participation construction items and the construction engineering cost share covered under this Agreement, and is based on engineer's estimated unit prices.
- 4.2. *City Participation Construction.*** The City will participate in the following at the percentages indicated. The construction includes the City's proportionate share of item costs for mobilization and traffic control.
- A.** 100 Percent will be the City's rate of cost participation in all of the utility adjustments and parking lane stripping construction.
- 4.3. *Construction Engineering Costs.*** The City will pay a construction engineering charge equal to 8 percent of the total City participation construction covered under this Agreement.
- 4.4. *Plan Changes, Additional Construction, Etc.*** The City will share in the costs of construction contract addenda for the City participation construction covered under this Agreement and any additional City requested work and plan changes. The State reserves the right to invoice the City for the cost of any construction contract addenda and any additional City requested work and plan changes, including associated construction engineering, before the completion of the contract construction.

### 5. City Cost and Payment by the City

- 5.1. *City Cost.*** \$49,988.88 is the City's estimated share of the costs of the contract construction and the 8 percent construction engineering cost share as shown in the Preliminary Schedule "I". The Preliminary Schedule "I" was prepared using estimated quantities and unit prices, and may include any credits or lump sum costs. Upon award of the construction contract, the State will prepare a Revised Schedule "I" based on construction contract unit prices, which will replace and supersede the Preliminary Schedule "I" as part of this agreement.
- 5.2. *Conditions of Payment.*** The City will pay the State the full and complete lump sum amount, as shown in the Revised Schedule "I", after the following conditions have been met:
- A.** Execution of this Agreement and transmittal to the City, including a copy of the Revised Schedule "I".
- B.** The City's receipt of a written request from the State for the advancement of funds.
- 5.3. *Final Payment, Additional City Requested Work.*** Upon completion of all contract construction and upon computation of the final amount due the State's contractor and only if additional work has been requested under Article 2.3.B of this Agreement, the State will prepare a Final Schedule "I" and submit a copy to the City. The Final Schedule "I" will be based on final quantities of any additional City requested participation construction items and the construction engineering cost share due to additional requested work. The computation by the State of the amount due from the City will be final, binding and conclusive.

**6. Authorized Representatives**

Each party's Authorized Representative is responsible for administering this Agreement and is authorized to give and receive any notice or demand required or permitted by this Agreement.

**6.1. The State's Authorized Representative will be:**

Name/Title: Maryanne Kelly-Sonnek, Municipal Agreements Engineer (or successor)  
 Address: 395 John Ireland Boulevard, Mailstop 682, St. Paul, MN 55155  
 Telephone: (651) 366-4634  
 E-Mail: maryanne.kellysonnek@state.mn.us

**6.2. The City's Authorized Representative will be:**

Name/Title: Rob Wolfington, City Administrator (or successor)  
 Address: 1410 Kansas Avenue, Benson, MN 56215  
 Telephone: 320-843-5448  
 E-Mail: rob.wolfington@co.swift.mn.us

**7. Assignment; Amendments; Waiver; Contract Complete**

- 7.1. *Assignment.*** Neither party may assign or transfer any rights or obligations under this Agreement without the prior consent of the other party and a written assignment agreement, executed and approved by the same parties who executed and approved this Agreement, or their successors in office.
- 7.2. *Amendments.*** Any amendment to this Agreement must be in writing and will not be effective until it has been executed and approved by the same parties who executed and approved the original Agreement, or their successors in office.
- 7.3. *Waiver.*** If a party fails to enforce any provision of this Agreement, that failure does not waive the provision or the party's right to subsequently enforce it.
- 7.4. *Contract Complete.*** This Agreement contains all prior negotiations and agreements between the State and the City. No other understanding regarding this Agreement, whether written or oral, may be used to bind either party.

**8. Liability; Worker Compensation Claims**

- 8.1.** Each party is responsible for its own acts, omissions and the results thereof to the extent authorized by law and will not be responsible for the acts and omissions of others and the results thereof. Minnesota Statutes § 3.736 and other applicable law govern liability of the State. Minnesota Statutes Chapter 466 and other applicable law govern liability of the City.
- 8.2.** Each party is responsible for its own employees for any claims arising under the Workers Compensation Act.

**9. Nondiscrimination**

Provisions of Minnesota Statutes § 181.59 and of any applicable law relating to civil rights and discrimination are considered part of this Agreement.

**10. State Audits**

Under Minnesota Statutes § 16C.05, subdivision 5, the City's books, records, documents, and accounting procedures and practices relevant to this Agreement are subject to examination by the State and the State Auditor or Legislative Auditor, as appropriate, for a minimum of six years from the end of this Agreement.

**11. Government Data Practices**

The City and State must comply with the Minnesota Government Data Practices Act, Minnesota Statutes Chapter 13, as it applies to all data provided under this Agreement, and as it applies to all data created, collected, received, stored, used, maintained, or disseminated by the City under this Agreement. The civil remedies of Minnesota Statutes §13.08 apply to the release of the data referred to in this clause by either the City or the State.

**12. Governing Law; Jurisdiction; Venue**

Minnesota law governs the validity, interpretation and enforcement of this Agreement. Venue for all legal proceedings arising out of this Agreement, or its breach, must be in the appropriate state or federal court with competent jurisdiction in Ramsey County, Minnesota.

**13. Termination; Suspension**

**13.1. *By Mutual Agreement.*** This Agreement may be terminated by mutual agreement of the parties.

**13.2. *Termination for Insufficient Funding.*** The State may immediately terminate this Agreement if it does not obtain funding from the Minnesota Legislature, or other funding source; or if funding cannot be continued at a level sufficient to allow for the performance of contract construction under the Project. Termination must be by written or fax notice to the City.

**13.3. *Suspension.*** In the event of a total or partial government shutdown, the State may suspend this Agreement and all work, activities and performance of work authorized through this Agreement.

**14. Force Majeure**

Neither party will be responsible to the other for a failure to perform under this Agreement (or a delay in performance), if such failure or delay is due to a force majeure event. A force majeure event is an event beyond a party's reasonable control, including but not limited to, unusually severe weather, fire, floods, other acts of God, labor disputes, acts of war or terrorism, or public health emergencies.

[The remainder of this page has been intentionally left blank]

**CITY OF BENSON**

The undersigned certify that they have lawfully executed this contract on behalf of the Governmental Unit as required by applicable charter provisions, resolutions or ordinances.

By: [Signature]

Title: Mayor

Date: 12/6/2016

By: Robert J. Walzinger

Title: City Manager

Date: 12/6/2016

**DEPARTMENT OF TRANSPORTATION**

Recommended for Approval:

By: [Signature]  
(District Engineer)

Date: 12/8/16

Approved: [Signature]  
(State Design Engineer)

Date: 12/13/2016

**COMMISSIONER OF ADMINISTRATION**

By: [Signature]  
(With delegated authority)

Date: 12/22/16

**INCLUDE COPY OF RESOLUTION APPROVING THE AGREEMENT AND AUTHORIZING ITS EXECUTION.**

MK.S

**REVISED SCHEDULE "I"**  
**Agreement No. 1027072**  
**City of Benson**

State Project Nos. 7608-20, 7607-33 (TH 29)  
 State Project Nos. 7604-24, 7605-91 (TH 12)  
 State Project Nos. 7606-30, 7602-20 (TH 9)

Preliminary: November 23, 2016  
 Revised: April 28, 2017

**BREAKDOWN OF LUMP SUM ( On Bid) COST PARTICIPATION**

ITEM NUMBER	WORK ITEM	UNIT	UNIT PRICE	S.P. 7608-20		S.P. 7607-33		S.P. 7602-20		S.P. 7606-30		S.P. 7605-91		S.P. 7604-24	
				TH. 29		TH. 29		TH. 9		TH. 9		TH. 12		TH. 12	
				Quantity	Cost										
2021.501	Mobilization	Lump Sum	80,102.65	0.004	320.41	0.004	320.41	0.002	160.21	0.007	560.72	0.001	80.10	0.002	160.21
2104.509	Remove Castings	Each	311.83	3	935.49	3	935.49	1	311.83	6	1,870.98	1	311.83	0	0.00
2504.602	Adjust Valve Box-Water	Each	362.39	11	3,986.29	8	2,899.12	0	0.00	14	5,073.46	0	0.00	5	1,811.95
2506.516	Castings Assembly	Each	904.76	3	2,714.28	3	2,714.28	1	904.76	6	5,428.56	1	904.76	0	0.00
2506.522	Adjust Frame & Ring Castings	Each	591.62	2	1,183.24	6	3,549.72	6	3,549.72	9	5,324.58	2	1,183.24	4	2,366.48
2563.601	Traffic Control	Lump Sum	5,488.22	0.004	21.95	0.004	21.95	0.002	10.98	0.007	38.42	0.001	5.49	0.002	10.98
2582.502	4" Solid Line Paint	Lin Ft.	1.52	92	139.84	0	0.00	76	115.52	0	0.00	346	525.92	0	0.00
				\$9,301.50		\$10,440.97		\$5,053.01		\$18,296.72		\$3,011.34		\$4,349.61	
Subtotal			\$50,453.16												
Construction Engineering (8%)			\$4,036.25												
<b>(1) Totals (Construction + CE)</b>			<b>\$54,489.41</b>												

(1) Amount of advance payment as described in Article 5, of the Agreement

**CITY OF BENSON**

**RESOLUTION**

IT IS RESOLVED that the City of Benson enter into MnDOT Agreement No. 1027072 with the State of Minnesota, Department of Transportation for the following purposes:

To provide for payment by the City to the State of the City's share of the costs of the utility adjustments and parking lane stripping construction and other associated construction to be performed upon, along and adjacent to Trunk Highway No. 29 from 400 feet south of Oakwood Avenue to the Chippewa River and adjacent to Trunk Highway No. 9 from Chippewa River to 400 feet north of County State Aid Highway No. (CSAH) 104 and adjacent to Trunk Highway No. 12 from 18 ½ Street South to 300 feet west of CSAH 25 within the corporate City limits under State Project No. 7608-20.

IT IS FURTHER RESOLVED that the Mayor and the City Manager are authorized to execute the Agreement and any amendments to the Agreement.  
(Title)

**CERTIFICATION**

I certify that the above Resolution is an accurate copy of the Resolution adopted by the Council of the City of Benson at an authorized meeting held on the 5<sup>th</sup> day of December, 2016, as shown by the minutes of the meeting in my possession.

Glen Pederson

(Signature)

Glen Pederson

(Type or Print Name)

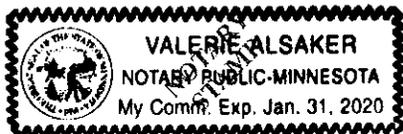
City Clerk

(Title)

Subscribed and sworn to before me this 6<sup>th</sup> day of December, 2016

Notary Public Valerie Alsaker

My Commission Expires 1/31/2020





**CODE RECORD**

**PROJECT:**  
Benson Police Station - Addition and Remodeling  
2110 Hall Avenue, Benson, MN

**BUILDING DESCRIPTION:**  
Remodeling of an existing 2,800SF single story non-sprinkled building and construction of an 1810 SF addition. Total building area = 5400 SF. New spaces in the addition include new waitress, toilet rooms, soft interrogation, mechanical, office, and break room. New spaces in the remodeled area are: evidence storage, vehicle storage, hard interrogation, gun vault, office, reception, and lobby.

**BUILDING CODES:**  
2015 Minnesota State Building Code  
2016 Minnesota State Fire Code  
2016 Minnesota State Mechanical and Fuel Gas Code  
2015 Minnesota State Plumbing Code  
2016 Minnesota State Electrical Code  
2015 Minnesota State Energy Code  
2015 Minnesota State Accessibility Code  
2014 National Electrical Code  
ADA Accessibility Guidelines  
CARB/NAFHE

**ZONING DATA:**  
Zone: I-1 Limited Industrial  
Height limit: 45 feet + 2'-6"

**Required yard setbacks:**  
Front = 20' + 3' existing  
Side = 10' + 4' and 32' existing  
Rear = 15' + 4' proposed

Zone I-1 Permitted Uses - per Benson City Attorney, Police Department use is allowed without Conditional Use permit.

**Parking Data:**  
Office spaces - 1 space/250 SF required  
If office area = 4170 SF/250 = 17 spaces, 6 spaces are provided in the existing parking lot.

**Loading Space:** Existing Vehicle Storage drive is available for loading. Loading space dimension is 12' wide x 14' high x 49' long. This is adequate for the facility. A reduction from the code-required length of 60' is requested from the Zoning Administrator.

**Building Code Data - Addition**

**OCCUPANCY GROUP:**  
(MBC Chapter 3)  
B - Office  
G2 - Vehicle Storage/Large Evidence Storage

**OCCUPANCY SEPARATIONS:**  
(MBC Table 506.4, 509)  
None required. Allowable area is based on the most restrictive occupancy.

**CONSTRUCTION TYPE:**  
(MBC Chapter 5)  
Type: VB  
Fire resistance requirements: none

**ALLOWABLE AREA:**  
(MBC Table 507.4)  
Base allowable area = 9000 SF (B occupancy allowable is most restrictive.)

**Area increase (Frontage):**  
Professional = 337'  
Building frontage on a public way = 90' + 74' = 164'  
Frontage increase = (164/337) - .33 = 203% + 29%  
Allowable area = 9000 SF + 5000 SF (25%) = 11,250 SF + 5400 SF building area

**ALLOWABLE HEIGHT:**  
(MBC Chapter 5)  
1 story-tall height limit is allowed, which is equal to less than 1 story/24'-4" building height proposed

**EXITING:**  
(MBC Chapter 10)  
Refer to exiting diagram for exiting configuration and exit sign locations. Note that the exiting configuration is related to egress travel. The building is divided into 3 exiting areas with illuminated exit signs identifying the appropriate exit path and exit door.

Occupant Loads:	
Lobby 102	100 SF/15 OLF = 7
Reception 103	60 SF/150 OLF = 1
Office (Sergeant) 105	121 SF/150 OLF = 1
Office (Detective) 106	502 SF/150 OLF = 3
Breakroom 107	40 SF/150 OLF = 1 (Accessory)
Water Service Mechanical Room 108	48 SF/150 OLF = 1 (Accessory)
Gun Vault 111	31 SF/150 OLF = 1 (Accessory)
Office (Police Chief) 112	288 SF/150 OLF = 2
Vehicle Storage 113	1002 SF/150 OLF = 7
Large Evidence Storage 114	387 SF/200 OLF = 2 (Accessory)
Evidence Storage 115	238 SF/200 OLF = 1 (Accessory)
Evidence Processing 116	104 SF/150 OLF = 1 (Accessory)
Hard Interrogation 117	71 SF/150 OLF = 1
Man's Locker Room 118	71 SF/150 OLF = 1
Woman's Locker Room 119	56 SF/150 OLF = 1
Mechanical Room 120	118 SF/150 OLF = 1 (Accessory)
Soft Interrogation 124	180 SF/150 OLF = 2
Break Room 125	238 SF/15 OLF = 15 (Accessory)
<b>TOTAL OCCUPANT LOAD</b>	<b>51</b>
Total Accessory Occupant Load	23

**Distance to exits:** Maximum travel distance allowed = 200' + 85' maximum egress distance  
**Common path of egress travel:** Maximum distance allowed = 100' when serving an occupant load less than 50 in an unsprinkled building, 100' + 85' maximum common path of egress travel distance.

**Exit width:** refer to exiting diagram. 20 occupants (maximum egress occupant load at break room anterior door) x 2 = 40' maximum width required + 34" clear provided at each door  
**Maximum dead end corridor allowed = 60'. None of the three exiting areas require more than one exit. There are no dead end corridors.**

**Number of additional exits required:** 1 exit for each of the 3 exiting areas is required and provided.

**FIRE-RESISTIVE REQUIREMENTS:**  
No fire-resistive construction is required.

**FIRE PROTECTION:**  
(MBC Chapter 8, 9FC)  
Sprinklers - not required for B or G occupancies with required openings:  
MBC 903.2.11.1, 1.2 for openings on one side when the opposite wall is less than 75 feet away. North and south walls are 70 feet apart.  
For B occupancies with minimum 20 SF openings every 50 feet on one side. South elevation meets the opening requirements.

MBC 903.2.10.1 for B occupancies with minimum 20 SF openings every 50 feet on one side where the B fire area is less than 9000 SF, 5000 SF + 1449 SF G2 (Large Evidence and Vehicle Storage) fire area.

**Fire alarm:** not required or provided.  
**Smoke detection:** required and provided in HVAC ductwork with > 2000 cfm volume

**Fire extinguishers are provided within a maximum 150' travel distance:** see exiting diagram for locations. Guard locations will be verified with the local Fire Marshal prior to installation.

**INTERIOR ENVIRONMENT:**  
(MBC 903.17 Table 903.3)  
Ceiling: C permitted and provided in all areas  
Flame spread: 75 - 200  
Smoke development: 0 - 450

**SANITATION:**  
(MBC Chapter 20A/N Amendments)

**Table 2002.1:**  
Required water closets for men and women:  
122 occupants for the first 50. 1500 for occupant load over 50  
51 total occupants + 2 water closets total. Men = 1, Women = 1  
**Provided water closets:**  
Men = 1 urinal/water closet + 1 required  
Women = 2 water closets + 1 required  
Unless = 1

**Required lavs for men and women:**  
140 for the first 50.  
81 occupants + 1 lav  
Men = 2 lavs + 1 required  
Women = 2 lavs + 1 required  
Unless = 1

**Drinking fountains:**  
Required: 1/100 occupants  
1 drinking fountain is required + 2 provided  
Service Sink: 1 is required and provided

**ACCESSIBILITY:**  
(MBC Accessibility Code/ADA)  
Site access: all sloped walks are equal to or less than 1:20 slope per MN requirements

**Building access:** access path of travel is accessible

**Doors:** maximum threshold height = 3/4"; minimum with +1/4" 3/4" clear; interior and exterior door clearances comply with accessibility requirements; main entrance complies with accessible door opening force requirements.

**Door hardware:** all doors have lever hardware.

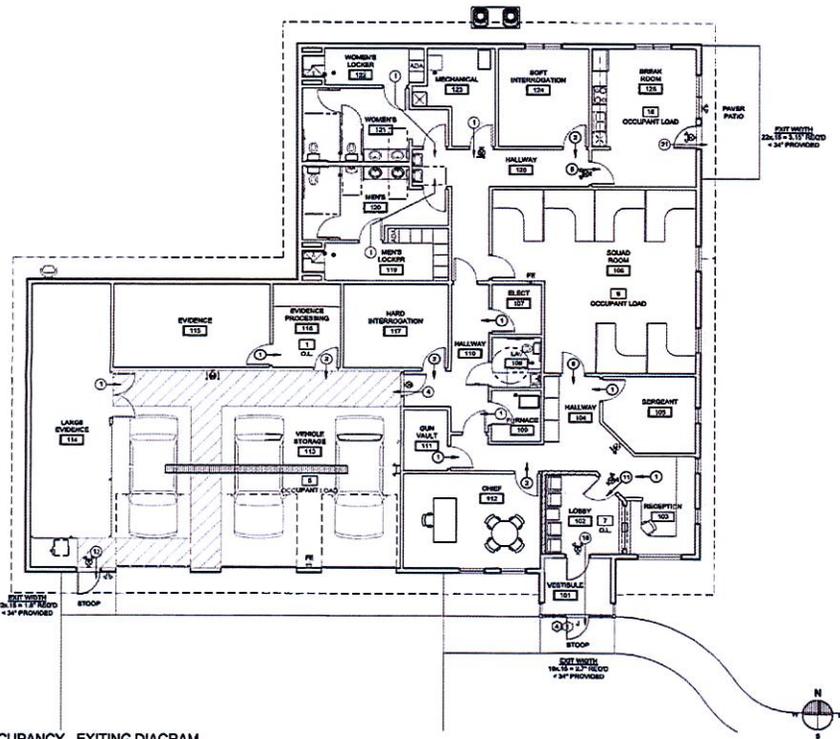
**Toilet Rooms:** all toilet rooms are accessible  
**Counters:** in non-work areas and areas shared by staff, counters are accessible. All public areas counters are accessible.

**SPECIAL CONSIDERATIONS:**  
Signage: Accessible signage is provided at toilet rooms.

**Glazing installed within 60" of the floor and within 24" of the vertical plane of a door is safety tempered glass. Glass in door vision lines, sidelites, and in all exterior doors is safety tempered.**

**Exitways:** Panel egressance is provided; Illuminated exit signs are provided to direct occupants to required exits.

**Battledoors:** level II doors and glazing is provided as indicated.



**1 OCCUPANCY - EXITING DIAGRAM**  
SCALE: 3/8" = 1'-0"

**WIDSETH SMITH NOLTING**  
Engineering | Architecture | Surveying | Environmental

1100 W. WISCONSIN ST. SUITE 100  
MINNEAPOLIS, MN 55402  
TEL: 612.338.1100  
WWW.WSNOLTING.COM

PROJECT: BENSON POLICE STATION ADDITION & REMODEL  
SHEET NO: 01  
DATE: 08/04/2016

DESIGNED BY: J.S.M.  
CHECKED BY: M.A.L.  
DRAWN BY: J.S.M.  
DATE: 08/04/2016

PROJECT DESCRIPTION: BENSON POLICE STATION ADDITION & REMODEL  
SHEET NO: 01  
DATE: 08/04/2016

BENSON POLICE STATION ADDITION & REMODEL  
CITY OF BENSON  
BENSON, MINNESOTA  
OCCUPANCY - EXITING DIAGRAM



May 24.17

May 24, 2017

RE: Transmission Privatization

Dear Members and Associates:

As you may know, there has been a lot of activity this week with the release of the proposed federal budget. The proposed budget raises several concerns for Missouri River Energy Services and its members.

### FY 2018 Budget Release

Today, the White House released a detailed budget for Fiscal Year 2018 that—if fully implemented by Congress—would balance the budget in ten years by dramatically cutting federal spending. Included in the budget is a proposal to privatize the transmission assets of the Western, Bonneville and Southwestern Power Administrations.

The budget states that:

*The vast majority of the Nation's electricity infrastructure is owned and operated by for-profit investor-owned utilities. Ownership of transmission assets is best carried out by the private sector where there are appropriate market and regulatory incentives. The Budget proposal to eliminate or reduce the PMA's role in electricity transmission and increase the private sector's role would encourage a more efficient allocation of economic resources and mitigate risk to taxpayers.*

The budget assumes that Western Area Power Administration's (WAPA) assets will be sold in FY 2019 and generate \$580 million for the U.S. Treasury (the total revenue projection for sale of all of the Power Marketing Administration (PMA) transmission assets is \$5.512 billion). Many of the details of the proposal are unknown, including:

- Whether all WAPA transmission assets would be sold as a single unit, by marketing area, or individual transmission projects;
- If a purchaser would need to renegotiate rights-of-way;
- Whether priority transmission rights for delivery of PMA power would remain;
- The impact on WAPA's participation in the Southwest Power Pool (SPP); and
- If the assets would be auctioned to the highest bidder.

Mayor & Council: Please see letter from Tom Heller, CEO MREES ABOUT SALE TO Power Management Agency & WAPA Transmission Lines. This would change our relationship and cost of power significantly.  
Heads Up: P&G

### **Impact of Privatization Proposal**

While these details are important, it is certain that the proposal is a bad deal for WAPA's Pick-Sloan power customers.

The proposal:

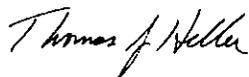
- ✓ • **Raises WAPA transmission costs.** Any purchaser of WAPA's transmission assets will seek to maximize returns—translating into higher rates for transmission service. Even if the purchase somehow does not increase the cost of the assets for ratemaking purposes, the purchaser will expect a return on investment. This will necessitate a rate increase, since WAPA currently sets transmission rates to recover the initial investment plus interest to the Treasury. In addition, the loss of WAPA's "federal exclusion" in SPP will result in future rate increases that would be avoided under federal ownership.
- ✓ • **Impedes new transmission investments.** As a federal agency, WAPA has federal eminent domain rights that facilitate transmission construction, including access on federal and tribal lands. If WAPA is privatized, that authority would disappear—making future transmission projects more difficult.
- ✓ • **Historic relationship and equity threatened.** WAPA's public power customers have paid for the construction and upkeep of the Pick-Sloan transmission system. If sold to a private party, these payments—and the presumed equity—would be lost.
- ✓ • **Balkanized system and potential loss of service in rural areas.** If WAPA's transmission assets are broken up to maximize revenue, then assets that serve a reliability function (but minimal commercial value), or less profitable lines serving rural areas, could be discarded.

### **Next Steps**

The President's budget is a proposal—it is up to Congress to both enact a budget that sets spending and revenue targets and adopt legislation to implement major policy changes. Simply put, the privatization proposal can move forward only if endorsed by Congress.

We will be working with our congressional delegation, key congressional committees, and other PMA stakeholders to prevent adoption of this proposal.

Sincerely,



Thomas J. Heller, P.E., MBA  
Chief Executive Officer

5/24/17

Mayor & Council: thru our MRES association  
w/ are indirectly members of M.d West. They  
work in our behalf.

Rob



## Opposition to the Sale of WAPA's Transmission Assets Talking Points

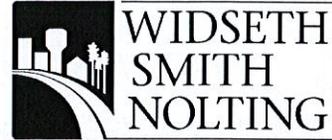
The members of the Mid-West Electric Consumers Association (Mid-West) strongly oppose the President's FY2018 Budget's proposed sale of the Western Area Power Administration's (WAPA's) and the other power marketing administrations' (PMAs') transmission systems to the highest bidder. Selling the PMA transmission assets would threaten the ability of PMA customers to receive federal hydropower, would raise PMA customer rates and threaten the reliability of the transmission grid for everyone.

- The firm power customers of WAPA's Pick-Sloan Missouri Basin Program (P-SMBP) serve some 8 million people in the states of Colorado, Iowa, Kansas, Minnesota, Montana, Nebraska, North Dakota, South Dakota, and Wyoming. These people would suffer very large rate increases that would harm these fragile rural economies.
- Loss of federal ownership would mean the elimination of federal eminent domain authority in the construction of new transmission facilities or upgrades to existing facilities. Federal eminent domain authority was precisely the reason Congress enacted Section 1222 of the Energy Policy Act of 2005, which allows WAPA or the Southwestern Power Administration to build a new transmission facility or upgrade an existing facility on behalf of a private entity that could not otherwise avail itself of that authority. Also, without that condemnation authority, re-negotiation of existing right-of-way easements with local landowners would be very problematic.
- Rights-of-way across Tribal lands could become very problematic with a sale of PMA transmission assets to a non-federal entity. Any loss of Tribal rights-of-way would cause chaos for customers depending on transmission lines crossing Tribal lands, significantly reduce grid reliability, and ultimately increase costs for federal transmission customers.
- WAPA's P-SMBP Eastern Division recently joined the Southwest Power Pool (SPP), which included incorporating the existing federal transmission assets into the SPP zonal rate model. Selling those same federal transmission assets to another entity

would trigger a huge battle at the Federal Energy Regulatory Commission with the other SPP members in Upper Missouri Zone (UMZ) as the new owner of the federal assets seeks to recover the costs of their purchase and a rate of return, thus raising transmission rates for all other SPP members in the UMZ.

These transmission facilities were specifically authorized by Congress to deliver the hydropower generated at federal water projects to the PMA customers. In many cases the PMA customers, in the interest of efficient use of rights-of-way and economies of scale, have deferred to the PMAs for construction of mutually beneficial transmission facilities rather than build their own. Moreover, WAPA customers have helped provide the funds necessary to keep the agency's transmission facilities operational as Congressional appropriations for that purpose have declined. Over time, many of these transmission facilities have developed to the point that they now serve as the backbone of the grid. The partnership between the PMAs, the generating agencies, and the power customers is one of the great success stories in the development of the nation.

Widseth Smith Nolting & Assoc., Inc.  
 216 South Main Street  
 P.O. Box 458  
 Crookston, MN 56716  
 T. 218-281-6522 F. 218-281-6545



City of Benson  
 1410 Kansas Ave  
 Benson, MN 56215

May 19, 2017  
 Project No: 0480A0777.001  
 Invoice No: 116670

City Hall Preliminary Design  
Professional Services Through May 13, 2017  
**Fee**

Billing Phase	Fee	Percent Complete	Earned	Previous Fee Billing	Current Fee Billing
Preliminary Design	26,500.00	100.00	26,500.00	21,995.00	4,505.00
Total Fee	26,500.00		26,500.00	21,995.00	4,505.00
<b>Total Fee</b>					<b>4,505.00</b>
<b>Invoice Total</b>					<b>\$4,505.00</b>

**Historical Billings to Date**

Fee	Current	Prior	Total
Fee	4,505.00	21,995.00	26,500.00
<b>Totals</b>	<b>4,505.00</b>	<b>21,995.00</b>	<b>26,500.00</b>

  
 \_\_\_\_\_  
 James J. Megel, CFO

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 Crookston, MN 56716  
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City of Benson  
 1410 Kansas Ave  
 Benson, MN 56215

May 19, 2017  
 Project No: 0480A0785.001  
 Invoice No: 116672

Police Station - Remodel  
**Professional Services Through May 13, 2017**  
**Fee**

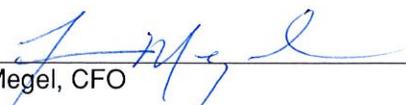
Billing Phase	Fee	Percent Complete	Earned	Previous Fee Billing	Current Fee Billing
Professional Services	45,850.00	100.00	45,850.00	11,462.50	34,387.50
Total Fee	45,850.00		45,850.00	11,462.50	34,387.50
<b>Total Fee</b>					<b>34,387.50</b>

**Reimbursable Expenses**

Miscellaneous Reimbursable Expenses					350.00
<b>Total Reimbursables</b>					<b>350.00</b>
<b>Invoice Total</b>					<b>\$34,737.50</b>

**Historical Billings to Date**

	Current	Prior	Total
Fee	34,387.50	11,462.50	45,850.00
Expense	350.00	0.00	350.00
<b>Totals</b>	<b>34,737.50</b>	<b>11,462.50</b>	<b>46,200.00</b>

  
 \_\_\_\_\_  
 James J. Megel, CFO