

ST. MICHAEL - ALBERTVILLE ICE ARENA  
ALBERTVILLE, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2016

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 ANNUAL FINANCIAL REPORT  
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**INTRODUCTORY SECTION**

**ST. MICHAEL - ALBERTVILLE ICE ARENA  
ALBERTVILLE, MINNESOTA**

**FOR THE YEAR ENDED  
DECEMBER 31, 2016**

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ST. MICHAEL - ALBERTVILLE ICE ARENA  
APPOINTED OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2016

**APPOINTED**

<u>Name</u>	<u>Title</u>	<u>Appointed by</u>
Chris Schumm	Chair	St. Michael
Jeff Lindquist	Member	ISD 885
Gayle Weber	Member	ISD 885
Cody Gulick	Member	St. Michael
Walter Hudson	Member	Albertville
John Vetsch	Member	Albertville

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**FINANCIAL SECTION**

**ST. MICHAEL - ALBERTVILLE ICE ARENA  
ALBERTVILLE, MINNESOTA**

**FOR THE YEAR ENDED  
DECEMBER 31, 2016**

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**ABDO  
EICK &  
MEYERS** LLP

*Certified Public Accountants & Consultants*

INDEPENDENT AUDITOR'S REPORT

Board of Directors  
St. Michael - Albertville Ice Arena  
Albertville, Minnesota

We have audited the accompanying financial statements of the governmental activities and each major fund of the St. Michael - Albertville Ice Arena (the Organization), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Organization's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Organization'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 Organization'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 and each major fund of the Organization as of December 31, 2016, and the respective changes in financial position and the budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 13 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Matters**

**Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Organization's basic financial statements. The introductory section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The introductory section has 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 it.

*Abdo Eick & Meyers, LLP*

ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
April 18, 2017

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## Management's Discussion and Analysis

As management of the St. Michael - Albertville Ice Arena of Albertville, Minnesota, (the Organization), we offer readers of the Organization's financial statements this narrative overview and analysis of the financial activities of the Organization for the fiscal year ended December 31, 2016.

### Financial Highlights

- The assets of the Organization exceeded its liabilities at the close of the most recent fiscal year by \$1,737,483 (net position). Of this amount, \$333,997 (unrestricted net position) may be used to meet the Organization's ongoing obligations to citizens and creditors.
- The Organization's total net position decreased \$13,202. This increase is attributable to operating revenues and expenses remaining consistent with prior year.
- As of the close of the current fiscal year, the Organization's governmental funds reported combined ending fund balances of \$333,997, an increase of \$47,151 in comparison with the prior year. Fund balance of is available with spending at the Organization's discretion but a portion has been assigned for specific purposes. The remaining is nonspendable for inventory.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$179,060, or 61 percent of total General fund 2016 expenditures.

## Overview of the Financial Statements

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

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of supplementary information which further explain and support the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another.

**Figure 1**  
**Required Components of the**  
**Organization's Annual Financial Report**

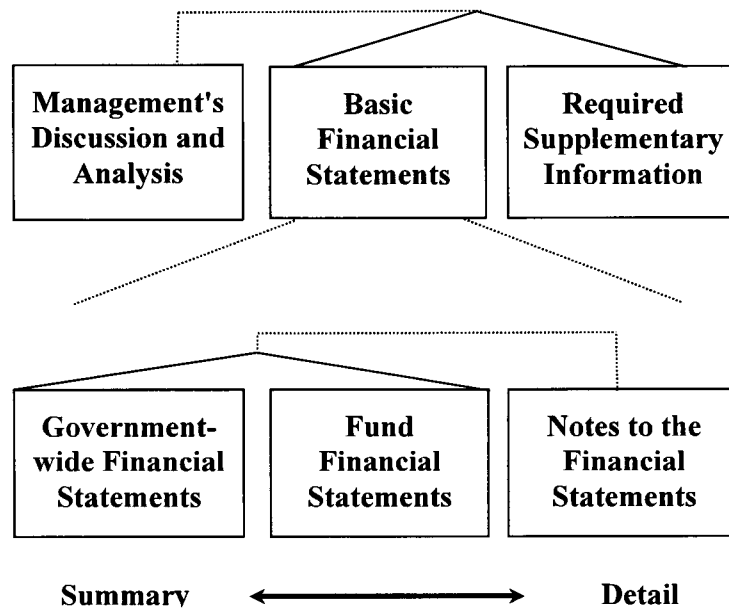




Figure 2 summarizes the major features of the Organization’s financial statements, including the portion of the Organization government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

**Figure 2**  
**Major features of the Government-wide and Fund Financial Statements**

	<b>Government-wide Statements</b>	<b>Governmental Funds</b>
Scope	Entire Organization government (except fiduciary funds) and the Organization’s component units	The activities of the Organization that are not proprietary or fiduciary, such as police, fire and parks
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included
Type of in flow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter

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

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

The *statement of activities* presents information showing how the Organization’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide financial statements start on page 20 of this report.

**Fund financial statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Organization, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Organization are governmental funds.

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

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

The Organization maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General fund and Capital Improvement fund.

The Organization adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the General fund to demonstrate compliance with this budget.

The basic governmental fund financial statements start on page 24 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 27 of this report.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Organization, assets exceeded liabilities by \$1,737,483 at the close of the most recent fiscal year.

By far, the largest portion of the Organization's net position (81 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment). The Organization uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**St. Michael - Albertville Ice Arena's Summary of Net Position**

	Governmental Activities		
	2016	2015	Increase (Decrease)
Current and other assets	\$ 360,231	\$ 298,731	\$ 61,500
Capital assets	1,403,486	1,463,839	(60,353)
<b>Total assets</b>	<b>1,763,717</b>	<b>1,762,570</b>	<b>1,147</b>
Other liabilities	26,234	11,885	14,349
Net position			
Net investment in capital assets	1,403,486	1,463,839	(60,353)
Unrestricted	333,997	286,846	47,151
<b>Total net position</b>	<b>\$ 1,737,483</b>	<b>\$ 1,750,685</b>	<b>\$ (13,202)</b>

The remaining balance of *unrestricted net position* \$333,997 may be used to meet the Organization's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the Organization is able to report positive balances in all categories of net position.

**Governmental activities.** Governmental activities decreased the Organization's net position \$13,202. Significant changes from the prior year are noted below:

- Capital grants and contributions decreased \$37,489 which mostly related to contributions from member organizations for the dehumidification system improvement on the arena in the prior year.

## St. Michael - Albertville Ice Arena's Changes in Net Position

	Governmental Activities		
	2016	2015	Increase (Decrease)
Revenues			
Program revenues			
Charges for services	\$ 311,296	\$ 314,154	\$ (2,858)
Capital grants and contributions	51,736	89,225	(37,489)
General revenues			
Unrestricted investment earnings	2,502	1,458	1,044
Total revenues	365,534	404,837	(39,303)
Expenses			
Culture and recreation	378,736	361,937	16,799
Change in net position	(13,202)	42,900	(56,102)
Net position, January 1	1,750,685	1,707,785	42,900
Net position, December 31	\$ 1,737,483	\$ 1,750,685	\$ (13,202)

### Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Organization's governmental funds had combined ending fund balances of \$333,997, an increase of \$47,151 in comparison with the prior year. Approximately 45 percent of this total amount, \$151,018, constitutes *assigned fund balance*, which is available for spending at the Organization's discretion but assigned for specific purposes. The remainder of fund balance is unassigned (\$179,060) and nonspendable (\$3,919).

The *General fund* is the chief operating fund of the Organization. At the end of the current year, the fund balance of the General fund was \$182,979. The fund balance of the Organization's General fund increased \$17,147 during the current fiscal year.

The *Capital Improvement fund* balance increased \$30,004, for an ending fund balance of \$151,018. Each member of the Organization contributes money for future capital needs.

### General Fund Budgetary Highlights

The Organization's General fund budget was not amended during the year. The budget called for no change in fund balance. The actual activity of the General fund resulted in an increase of \$17,147.

Revenues were under budget by \$19,112. The largest revenue variances consisted of ice rental charges being under budget by \$16,881.

Expenditures were under budget by \$36,259. This was mostly due to utility expenditures being under budget by \$29,121.

## Capital Asset

**Capital assets:** The Organization's investment in capital assets for its governmental activities as of December 31, 2016, amounts to \$1,403,486 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment. The increase from the prior year relates to the installation of the new dehumidification system in the arena.

Additional information on the Organization's capital assets can be found in Note 3B on page 33 of this report.

### St. Michael - Albertville Ice Arena's Capital Assets (net of depreciation)

	Governmental Activities		
	2016	2015	Increase (Decrease)
Land	\$ 102,000	\$ 102,000	\$ -
Buildings	1,272,826	1,331,125	(58,299)
Improvements other than buildings	14,338	14,858	(520)
Machinery and equipment	14,322	15,856	(1,534)
Total	<u>\$ 1,403,486</u>	<u>\$ 1,463,839</u>	<u>\$ (60,353)</u>

## Economic Factors and Next Year's Budgets and Rates

The Organization is a joint powers organization comprised of the City of Albertville, City of St. Michael and Independent School District 885. The Organization strives to maintain reasonable and competitive rates, sufficient to fund operations. The Organization has several primary parties that rent the ice time at the facility. These groups include, but are not limited to, the STMA High School and the local youth hockey association, STMA Youth Hockey Association, Inc.

Other key economic factors are as follows:

- Ice rental rates were not increased in September 2016.
- There continues to be an annual shortage of the prime ice available for rentals during the typical hockey season.

## Requests for Information

This financial report is designed to provide a general overview of the Organization's finances for all those with an interest in the Organization's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Albertville, 5959 Main Avenue, Albertville, Minnesota 55301.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**ST. MICHAEL - ALBERTVILLE ICE ARENA  
ALBERTVILLE, MINNESOTA**

**FOR THE YEAR ENDED  
DECEMBER 31, 2016**

ST. MICHAEL - ALBERTVILLE ICE ARENA  
STATEMENT OF NET POSITION  
DECEMBER 31, 2016

	Governmental Activities
<b>ASSETS</b>	
Cash and temporary investments	\$ 280,072
Accounts receivable	76,240
Inventory	3,919
Capital assets	
Land	102,000
Depreciable assets, net of accumulated depreciation	1,301,486
TOTAL ASSETS	1,763,717
<b>LIABILITIES</b>	
Accounts payable	24,881
Due to other governments	1,353
TOTAL LIABILITIES	26,234
<b>NET POSITION</b>	
Investment in capital assets	1,403,486
Unrestricted	333,997
TOTAL NET POSITION	\$ 1,737,483

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

ST. MICHAEL - ALBERTVILLE ICE ARENA  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED DECEMBER 31, 2016

Functions/Programs	Expenses	Program Revenues		Net (expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
				Governmental Activities
Governmental activities				
Culture and recreation	\$ 378,736	\$ 311,296	\$ -	\$ 51,736
				2,502
General revenues				
Unrestricted investment earnings				(13,202)
				1,750,685
Change in net position				
Net position, January 1				\$ 1,737,483
Net position, December 31				\$ 1,737,483

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

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**FUND FINANCIAL STATEMENTS**

**ST. MICHAEL - ALBERTVILLE ICE ARENA  
ALBERTVILLE, MINNESOTA**

**FOR THE YEAR ENDED  
DECEMBER 31, 2016**

ST. MICHAEL - ALBERTVILLE ICE ARENA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2016

	General	Capital Improvement	Total Governmental Funds
<b>ASSETS</b>			
Cash and temporary investments	\$ 115,048	\$ 165,024	\$ 280,072
Accounts receivable	76,240	-	76,240
Inventory	3,919	-	3,919
	<b>TOTAL ASSETS</b>	<b>\$ 165,024</b>	<b>\$ 360,231</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 10,875	\$ 14,006	\$ 24,881
Due to other governments	1,353	-	1,353
	<b>TOTAL LIABILITIES</b>	<b>14,006</b>	<b>26,234</b>
<b>FUND BALANCES</b>			
Nonspendable for inventory	3,919	-	3,919
Assigned for future capital acquisitions	-	151,018	151,018
Unassigned	179,060	-	179,060
	<b>TOTAL FUND BALANCES</b>	<b>151,018</b>	<b>333,997</b>
	<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 165,024</b>	<b>\$ 360,231</b>
Total fund balance reported above			\$ 333,997
Amounts reported for the governmental activities in the statement of net position are different because			
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.			
Cost of capital assets			2,335,318
Less: accumulated depreciation			(931,832)
Total net position - governmental activities			<b>\$ 1,737,483</b>

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

ST. MICHAEL - ALBERTVILLE ICE ARENA  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED DECEMBER 31, 2016

	General	Capital Improvement	Total Governmental Funds
REVENUES			
Charges for services	\$ 299,196	\$ -	\$ 299,196
Interest on investments	1,292	1,210	2,502
Miscellaneous	12,100	51,736	63,836
TOTAL REVENUES	312,588	52,946	365,534
EXPENDITURES			
Current			
Culture and recreation	294,046	-	294,046
Capital outlay			
Culture and recreation	1,395	22,942	24,337
TOTAL EXPENDITURES	295,441	22,942	318,383
NET CHANGE IN FUND BALANCES	17,147	30,004	47,151
FUND BALANCES, JANUARY 1	165,832	121,014	286,846
FUND BALANCES, DECEMBER 31	\$ 182,979	\$ 151,018	\$ 333,997
Total change is fund balances			\$ 47,151
Amounts reported for governmental activities in the statement of activities are different because			
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.			
Depreciation expense			(60,353)
Change in net position - governmental activities			\$ (13,202)

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

ST. MICHAEL - ALBERTVILLE ICE ARENA  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET TO ACTUAL  
FOR THE YEAR ENDED DECEMBER 31, 2016

	2016			
	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
Charges for services				
Ice rental	\$ 278,200	\$ 278,200	\$ 261,319	\$ (16,881)
Concessions	35,000	35,000	35,214	214
Vending machines	1,000	1,000	1,077	77
Skate sharpening	2,000	2,000	1,586	(414)
Total	316,200	316,200	299,196	(17,004)
Interest on investments	1,000	1,000	1,292	292
Miscellaneous				
Other	14,500	14,500	12,100	(2,400)
TOTAL REVENUES	331,700	331,700	312,588	(19,112)
<b>EXPENDITURES</b>				
Current				
Culture and recreation				
Supplies	17,350	17,350	20,749	(3,399)
Contracted services	181,058	181,058	167,699	13,359
Utilities	116,130	116,130	87,009	29,121
Other services and charges	17,128	17,128	18,589	(1,461)
Total current expenditures	331,666	331,666	294,046	37,620
Capital outlay				
Culture and recreation	34	34	1,395	(1,361)
TOTAL EXPENDITURES	331,700	331,700	295,441	36,259
NET CHANGE IN FUND BALANCES	-	-	17,147	17,147
FUND BALANCES, JANUARY 1	165,832	165,832	165,832	-
FUND BALANCES, DECEMBER 31	\$ 165,832	\$ 165,832	\$ 182,979	\$ 17,147

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

ST. MICHAEL - ALBERTVILLE ICE ARENA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting entity**

St. Michael - Albertville Ice Arena (the Organization) was created under a joint powers agreement between the City of St. Michael, the City of Albertville, and the Independent School District No. 885. The agreement was for the construction and maintenance of a qualified ice arena.

The Board consists of six regular members, two from each member of the Organization. Each member is also part of the City Council or Board of Education.

The Organization has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Organization are such that exclusion would cause the Organization's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The Organization does not have any component units.

**B. Government-wide and fund financial statements**

The goal of government-wide financial statements is to present a broad overview of the Organization's finances. The basic statements that form the government-wide financial statements are the statement of net position and the statement of activities. The two statements report information on all of the non-fiduciary activities of the Organization.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *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. Other items not properly included among program revenues are reported instead as *general revenues*.

Major individual governmental funds are reported as separate columns in the fund financial statements.

ST. MICHAEL - ALBERTVILLE ICE ARENA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**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*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 Organization considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

Non-exchange transactions, in which the Organization receives value without directly giving equal value in return, include grants, entitlement and donations. Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the Organization must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Organization on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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 certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

The Organization reports the following major governmental funds:

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

The *Capital Improvement fund* accounts for future capital acquisitions and other capital improvements.

As a general rule, the effect of interfund activity has been eliminated from government-wide financial statements.

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

ST. MICHAEL - ALBERTVILLE ICE ARENA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**D. Assets, liabilities, and net position/fund balance**

*Deposits and investment*

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

Cash balances from all funds of the City of Albertville are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. The Organization's balances are maintained in a separate fund within the City's financial statements. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

The Organization may also invest idle funds as authorized by Minnesota statutes, as follows:

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Obligation of a school district with an original maturity not exceeding 13 months and (i) rated in the highest category by a national bond rating service or (ii) enrolled in the credit enhancement program pursuant to statute section 126C.55.
6. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
7. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
8. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
9. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

The Organization does not have an investment policy that addresses interest rate and credit risk.

*Accounts receivable*

Accounts receivable include amounts billed for services provided before year end and are expected to be collected. Therefore, there has been no allowance for doubtful accounts established.

*Inventory*

The inventory in the General fund is stated at FIFO (first-in, first-out) cost and consists of expendable supplies held for consumption. The cost is recognized as an expenditure at the time the individual inventory items are used (consumption method).

ST. MICHAEL - ALBERTVILLE ICE ARENA  
 NOTES TO THE FINANCIAL STATEMENTS  
 DECEMBER 31, 2016

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

*Capital assets*

Capital assets, which include property, plant, equipment and infrastructure assets are reported in the applicable governmental-type activities columns in the government-wide financial statements. Capital assets are defined by the Organization as assets with an estimated useful life of more than one year and an initial individual cost of more than the following:

<u>Category</u>	<u>Cost</u>
Land/land improvements	\$ 10,000
Other improvements	25,000
Infrastructure	100,000
Buildings	25,000
Building improvements	25,000
Vehicles	5,000
Other equipment	5,000
Intangible assets	10,000

The Organization reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the Organization chose to include items dating back to June 30, 1980. The Organization was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the Organization constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the Organization values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment will be depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Useful Lives in Years</u>
Land improvements	5 to 30
Infrastructure	15 to 50
Buildings	15 to 40
Vehicles	3 to 15
Other Equipment	3 to 20



ST. MICHAEL - ALBERTVILLE ICE ARENA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Fund balance***

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

*Nonspendable* - Amounts that cannot be spent because they are not in spendable form, such as inventory.

*Restricted* - Amounts related to externally imposed constraints established by creditors, grantors or contributors; or constraints imposed by state statutory provisions.

*Committed* - Amounts constrained for specific purposes that are internally imposed by formal action (resolution) of the Ice Arena Board, which is the Organization's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the Ice Arena Board modifies or rescinds the commitment by resolution.

*Assigned* - Amounts constrained for specific purposes that are internally imposed. In governmental funds other than the General fund, assigned fund balance represents all remaining amounts that are not classified as nonspendable and are neither restricted nor committed. In the General fund, assigned amounts represent intended uses established by the Ice Arena Board itself or by an official to which the governing body delegates the authority. The Ice Arena Board has adopted a fund balance policy which delegates the authority to assign amounts for specific purposes to the Finance Director and/or Organization Administrator.

*Unassigned* - The residual classification for the General fund and also negative residual amounts in other funds.

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

***Net position***

Net position represents the difference between assets and deferred outflows and liabilities and deferred inflows. Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net position - Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.
- c. Unrestricted net position - All other net positions that do not meet the definition of "restricted" or "net investment in capital assets".

ST. MICHAEL - ALBERTVILLE ICE ARENA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary information**

An annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General fund. All annual appropriations lapse at fiscal year-end. The Organization does not use encumbrance accounting.

The Board adopts an annual budget for the Organization. During the budget year, supplemental appropriations and deletions may be authorized by the Organization. The amounts shown in the financial statements as 'Budget' represent the original and final budgeted amounts. The Organization prepares its budget on a basis consistent with accounting principles generally accepted in the United States of America. All budgeting appropriations lapse at year-end.

**Note 3: DETAILED NOTES ON ALL FUNDS**

**A. Deposits and investments**

*Deposits*

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the Organization's deposits and investments may not be returned or the Organization will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the Organization Council, the Organization maintains deposits at those depository banks, all of which are members of the Federal Reserve System.

Minnesota statutes require that all District deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance, bonds, or irrevocable standby letters of credit from Federal Home Loan Banks.

Authorized collateral in lieu of a corporate surety bond includes:

- United States government Treasury bills, Treasury notes, Treasury bonds;
- Issues of United States government agencies and instrumentalities as quoted by a recognized industry quotation service available to the government entity;
- General obligation securities of any state or local government with taxing powers which is rated "A" or better by a national bond rating service, or revenue obligation securities of any state or local government with taxing powers which is rated "AA" or better by a national bond rating service;
- General obligation securities of a local government with taxing powers may be pledged as collateral against funds deposited by that same local government entity;
- Irrevocable standby letters of credit issued by Federal Home Loan Banks to a municipality accompanied by written evidence that the bank's public debt is rated "AA" or better by Moody's Investors Service, Inc., or Standard & Poor's Corporation; and
- Time deposits that are fully insured by any federal agency.

Minnesota statutes require that all collateral shall be placed in safekeeping in a restricted account at a Federal Reserve Bank, or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral. The selection should be approved by the government entity.

At December 31 2016, the Organization had \$280,072 invested in an external investment pool maintained by the City of Albertville. The Organization funds are pooled with the City of Albertville and invested in accordance with Minnesota Statutes which are the same for Minnesota Cities as for the Organization. Investment earnings (including interest and market value changes) are allocated to the Organization each month based on the Organization's respective share of the total investment portfolio held by the pool.

ST. MICHAEL - ALBERTVILLE ICE ARENA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2016

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**B. Capital assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 102,000	\$ -	\$ -	\$ 102,000
Capital assets being depreciated				
Buildings	2,017,446	-	-	2,017,446
Improvements other than buildings	20,495	-	-	20,495
Machinery and equipment	195,377	-	-	195,377
Total capital assets being depreciated	2,233,318	-	-	2,233,318
Less accumulated depreciation for				
Buildings	(686,321)	(58,299)	-	(744,620)
Improvements other than buildings	(5,637)	(520)	-	(6,157)
Machinery and equipment	(179,521)	(1,534)	-	(181,055)
Total accumulated depreciation	(871,479)	(60,353)	-	(931,832)
Total capital assets being depreciated, net	1,361,839	(60,353)	-	1,301,486
Governmental activities capital assets, net	<u>\$ 1,463,839</u>	<u>\$ (60,353)</u>	<u>\$ -</u>	<u>\$ 1,403,486</u>

Depreciation expense charged to the culture and recreation function was \$60,353.

**Note 4: OTHER INFORMATION**

**Risk management**

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

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities, if any, include an amount for claims that have been incurred but not reported (IBNRs). The Organization's management is not aware of any incurred but not reported claims.

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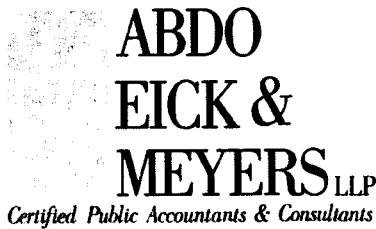
**OTHER REQUIRED REPORT**

ST. MICHAEL - ALBERTVILLE ICE ARENA  
ALBERTVILLE, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2016

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INDEPENDENT AUDITOR'S REPORT  
ON MINNESOTA LEGAL COMPLIANCE

Board of Directors  
St. Michael - Albertville Ice Arena  
Albertville, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the governmental activities and each major fund of the St. Michael - Albertville Ice Arena (the Organization), 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 April 18, 2017.

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

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

This report is intended solely for the information and use those charged with governance and management of the Organization and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

ABDO, EICK & MEYERS, LLP  
Minneapolis, Minnesota  
April 18, 2017