

CITY OF MINNETRISTA  
HENNEPIN COUNTY, MINNESOTA

**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For Year Ended  
December 31, 2012

Michael Funk – City Administrator

Prepared by

The Department of Finance

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CITY OF MINNETRISTA  
HENNEPIN COUNTY, MINNESOTA

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CITY OF MINNETRISTA  
HENNEPIN COUNTY, MINNESOTA

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INTRODUCTORY SECTION

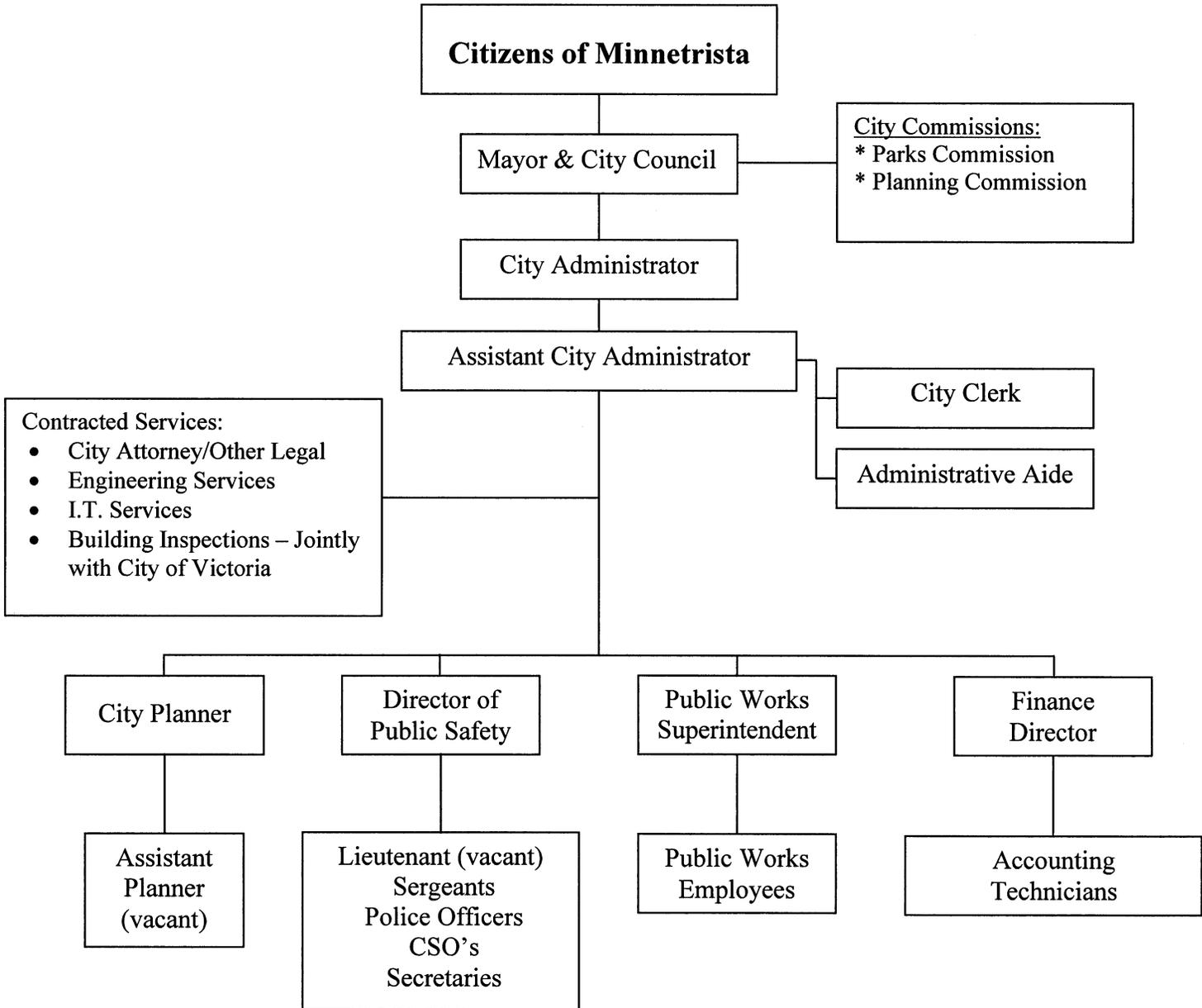
CITY OF MINNETRISTA  
HENNEPIN COUNTY, MINNESOTA

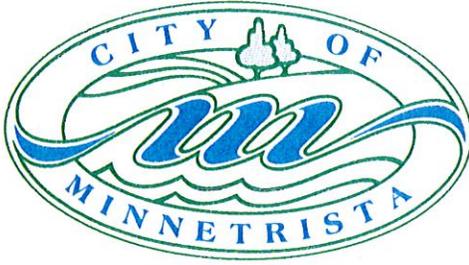
Elected Officials and Administration  
Year Ended December 31, 2012

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires</u>
Cheryl Fischer	Mayor	December 31, 2012
Arlene Donahue	Councilmember	December 31, 2014
Anne Hunt	Councilmember	December 31, 2014
Mark Vanderlinde	Councilmember	December 31, 2012
George Zenanko	Councilmember	December 31, 2012
<u>Administration</u>		
Michael Funk	City Administrator	Appointed
Michael Barone	Assistant City Administrator	Appointed
Paul Falls	Director of Public Safety	Appointed
Brian Grimm	Finance Director	Appointed

# City of Minnetrista Organization Chart

December 31, 2012





Municipal Offices  
7701 County Road 110 West  
Minnetrista, MN 55364-9552  
email: [minnetrista@ci.minnetrista.mn.us](mailto:minnetrista@ci.minnetrista.mn.us)

June 6, 2013

To the Honorable Mayor, City Council Members,  
and Minnetrista Residents

This comprehensive annual financial report is submitted for fiscal year ending December 31, 2012. This report is a culmination of several months of research and analysis. The City of Minnetrista's (the City) administration accepts full responsibility for the accuracy, completeness, and fairness in presentation of the enclosed financial reports. This report includes all funds of the City reported in compliance with accounting principles generally accepted in the United States of America.

This report is generally made up of three sections: the introductory section, the financial section, and the statistical section. Please read this transmittal letter in conjunction with the Management's Discussion and Analysis (MD&A) in the financial section.

The City is required to provide an independent annual audit of its financial statements, which is included in the financial section of this report.

## **CITY OPERATIONS**

The City, organized in 1859 as a township, incorporated as a village in 1960, and established as a City in 1974, is a Minnesota Statutory City with an "Optional Plan A" form of government. It has a mayor elected at large for a two-year term and four councilmembers also elected at large for four-year terms. The professional staff is appointed and consists of an Administrator, Finance Director, City Clerk, Public Safety Director, Assistant Administrator, City Planner, and Public Works Superintendent. The City contracts for professional legal and engineering services.

The City provides services to the public for street and utility construction and maintenance, parks and recreation, police and fire protection, planning and zoning, permits, inspections, and legislative/administrative functions. The City provides street construction and maintenance services on approximately 60 miles of gravel and paved streets. The parks and recreation department provides services to eight developed parks; several miles of trail system, a cemetery, two public water access areas, and a fishing pier. Facilities include: picnic areas, walking trails, and general miscellaneous playground equipment. Independent School District No. 277, Westonka, offers recreational activities through community service programs. The combination of these parks provides a complete parks and recreation system throughout the City.

The City issued building permits for 33 new single-family homes in 2012 with a total housing value of \$12,422,292.

The Minnetrista Public Safety Department operates with 11 licensed police officers, including: 1 Public Safety Director, 2 Sergeants, and 8 officers. In addition, there are 1.80 full-time equivalent support staff, 2 Community Service Officers, 7 reserves, and 12 patrol units. Dispatching is operated through the Hennepin County Sheriff's Department.

## **ECONOMIC CONDITIONS AND OUTLOOK OF LOCAL ECONOMY**

The City is located in the southwest portion of Hennepin County approximately 20 miles southwest of Minneapolis on Lake Minnetonka. The population of the City was \*6,450 per the 2011 Met Council estimate with an estimated population of 6,549 including 2012 building permit activity.

The City saw an increase from the previous year in the number of building permits for new homes in 2012, and continued controlled growth is expected.

## **NOTEWORTHY BUDGET AND FINANCIAL INFORMATION**

### **EVALUATION OF THE CITY FEE STRUCTURE**

The City Council and staff annually review the fee schedule to determine that fees are adequate to cover the cost of the services provided. Changes are adopted annually if deemed necessary based on the fee structure review.

It is the policy of the City to assure that the people needing the services are the ones paying for those services. The City Council feels strongly that city residents should not bear the tax burden from new development in the City, such as with infrastructure costs. The City has traditionally charged all developers and land use applicants (i.e. applicants for variances, conditional use permits) for associated consultant fees incurred during their application process.

### **CAPITAL PLANNING/LONG RANGE PLANNING**

The City continues to look at all financing options, including identifying available reserves or levying for capital improvements. The City improved its financial management planning in 2008 and incorporated a financial management-planning tool with five-year CIP equipment components, street infrastructure plans, and other supplementary planning information. The City continues to use this modeling during 2012 and going forward.

### **DEVELOPMENT MARKET CONDITIONS DURING 2012**

Growth has slowed the last few years due to market conditions in the housing market. There were still developments and proposed developments coming in and being discussed during 2012. Building permit revenue could lag in comparison to previous years for the next year or two.

\* Source – City of Minnetrista; 2011 Met Council estimate. Estimated for 2012 based on 2012 building permit activity.

## **FINANCIAL CONTROLS**

### **INVESTMENT POLICY**

The City maintains an adopted investment policy. The purpose of this policy is to establish specific guidelines the City will use in the investment of city funds. It will be the responsibility of the City Administrator to invest city funds in order to attain the highest market rate of return with the maximum security, while meeting the daily cash flow demands of the City and protecting the capital of the overall portfolio. Investments will be made in accordance with all state and local statutes governing the investment of public funds.

The primary objectives, in order of priority, of the City's investment activities shall be: safety, liquidity, and return on investment. In 2012, all of the City's investments fell into four categories: certificates of deposit (CD), federal agency securities, money market account, or pooled investments (4M Fund). Per the investment policy, the City maintains no more than 30 percent of investments extending beyond five years and no more than 50 percent of the City's total investment portfolio invested in CDs. The City does not have any investments with a term of more than 10 years. For diversity purposes, the City does not keep more than 50 percent of the investment portfolio with any one broker or agency.

### **FUND BALANCE POLICY**

Minnesota cities do not have a constant flow of revenue from which they are able to fund local government operations. Property tax levies, state aid to local governments, and property tax credits comprise the majority of city revenue. The City receives the first half of property taxes in late May/early June and the second half is received on December 1. Given this flow of revenue, the City's General Fund balance is the primary source of funds available for operating expenditures during the first five months of the year. An adequate fund balance provides the cash flow required to finance General Fund expenditures throughout the course of the year.

In recognition of these factors, the City adopted a fund balance policy. This policy states that the City will strive to maintain an unrestricted General Fund balance at each fiscal year-end equivalent to 50 percent of the total annual operating budget of the following year. The fund balance policy outlines strategies to consider when the General Fund balance is projected to decrease below 40 percent of the total annual operating budget for the following year. The City understands that the State Auditor's Office recognizes fund balance as a percentage of current year expenditures. However, the City believes fund balance is necessary to fund expenditures through the first half of the following year. Thus, the City measures fund balance as a percentage of the following year's expenditures.

The General Fund balance for fiscal year-end 2012 is \$2,671,237. This is 66 percent of the 2013 General Fund operating budget.

## **FINANCIAL INFORMATION**

The City annually adopts a budget for the following year. This budget is meant to be a guideline for expenditures and revenues for the year. The City always adopts a budget for the General Fund and most governmental funds. The City has three special revenue funds: an Emergency Warning Siren Fund, a Park Development Fund, and a Road Maintenance Fund. These funds are set aside to account for proceeds of specific revenue sources that are legally restricted or committed to expenditures for their specified purpose.

### **2012 GENERAL FUND ACTUAL TO BUDGET**

The General Fund was budgeted to spend down \$206,922 of reserves during 2012. At the end of the year, if the General Fund balance was anticipated to be below 40 percent of 2013 General Fund budgeted expenditures, the City Council would authorize any transfers into the fund. However, as noted earlier, the fund balance of the General Fund is at 66 percent of 2013 General Fund budgeted expenditures.

### **SPECIAL PROJECT FUNDS**

As a growing community, the City has concerns about the ongoing costs for infrastructure, maintenance, and upgrades. Even though developers may fund the cost of new infrastructure, there will be ongoing costs to the City for sewer, water and street upgrades, and repairs. To help defray these costs to the City and reduce the possibility of future assessments to property owners, the City Council established three special public improvement funds. The Water Improvement Fund, the Street Improvement Fund, and the Sewer Improvement Fund were originally established in 1998 with residual equity transfers from other water, sewer, or street related debt service or project funds. The City established a policy for sewer and water access charges and area charges to finance these funds. There are currently no revenue sources for the Street Improvement Fund.

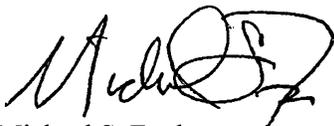
### **INDEPENDENT AUDIT**

The City is required by state statutes and city code to provide an independent audit of all city accounts. The 2012 audit of the City has been completed in conformance with auditing standards generally accepted in the United States of America by the accounting firm of Malloy, Montague, Karnowski, Radosevich & Co., P.A.

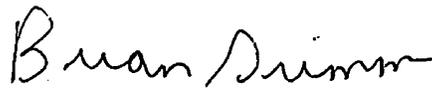
### **ACKNOWLEDGEMENTS**

Preparation of this report could not have been accomplished without the professional and efficient service of the finance department staff and department heads. Those efforts are hereby acknowledged and appreciated.

Respectfully submitted,



Michael S. Funk  
City Administrator



Brian Grimm  
Finance Director

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Minnetrista  
Minnesota

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
December 31, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Christopher P. Movell*

President

*Jeffrey R. Egan*

Executive Director

FINANCIAL SECTION



PRINCIPALS

Thomas M. Montague, CPA  
Thomas A. Karnowski, CPA  
Paul A. Radosevich, CPA  
William J. Lauer, CPA  
James H. Eichten, CPA  
Aaron J. Nielsen, CPA  
Victoria L. Holinka, CPA

INDEPENDENT AUDITOR'S REPORT

To the City Council and Management  
City of Minnetrista, Minnesota

**REPORT ON THE FINANCIAL STATEMENTS**

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 Minnetrista, Minnesota (the City) as of and for the year ended December 31, 2012, 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.

(continued)

## **OPINIONS**

In our opinion, the financial statements referred to on the previous page 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 as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

As discussed in Note 1 of the notes to basic financial statements, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* during the year ended December 31, 2012.

## **OTHER MATTERS**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and the Schedule of Funding Progress for the City's Other Post-Employment Benefits Plan, 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 GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, supplemental information, and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

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

(continued)

**OTHER REPORTING REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2013 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, 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.

*Malloy, Montague, Karnowski, Radosevich & Co., P.A.*

Minneapolis, Minnesota  
June 6, 2013

## CITY OF MINNETRISTA

### Management's Discussion and Analysis Year Ended December 31, 2012

As management of the City of Minnetrista, Minnesota, (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages iii–vi of this report.

#### **FINANCIAL HIGHLIGHTS**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$37,045,453 (net position). Of this amount, \$6,768,841 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased \$176,987 from current year operations. Governmental activities net position decreased \$162,355, while business-type activities net position decreased \$14,632.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,851,723.
- At the end of the current fiscal year, unrestricted fund balance for the General Fund was \$2,671,237, or 66 percent, of 2013 budgeted General Fund expenditures.
- The City's total long-term liabilities increased by \$1,217,297 during the current fiscal year, mainly due to the issuance of \$1,550,000 of general obligation bonds during the year.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic 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 combining and individual fund financial statements and schedules that further explain and support the information in the financial statements.

Figure 1 shows how the required parts of this comprehensive annual financial report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

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

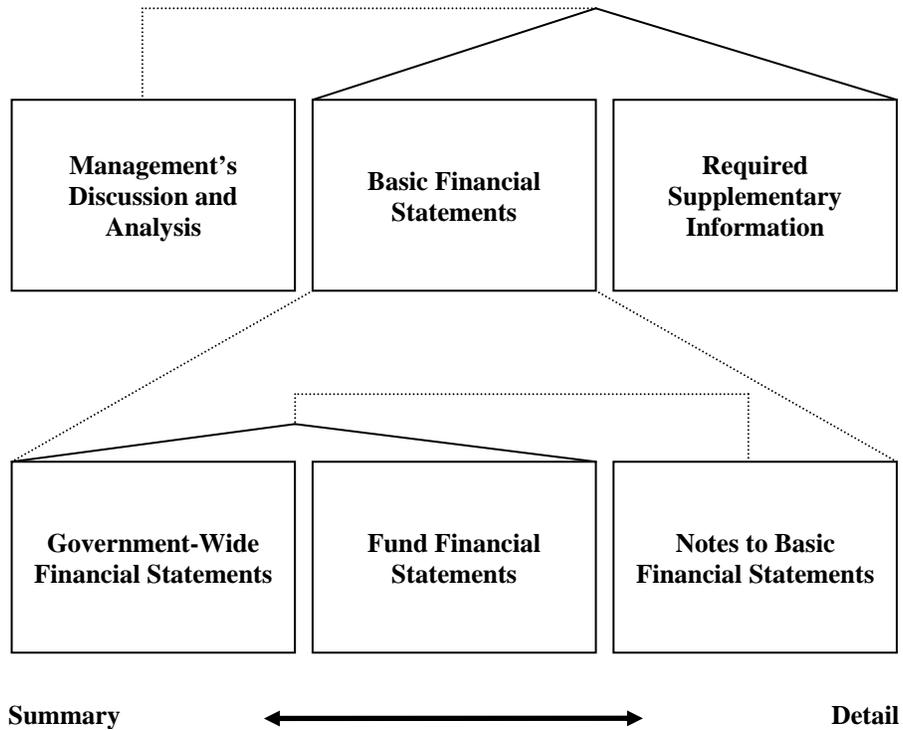


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the city government they cover and the types of information they contain. The remainder of this overview section of Management’s Discussion and Analysis explains the structure and contents of each of the statements.

**Figure 2**  
**Major Features of the Government-Wide and Fund Financial Statements**

	<b>Fund Financial Statements</b>		
	<b>Government-Wide Statements</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
Scope	Entire city government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as police, fire, and parks	Activities the City operates similar to private businesses, such as the water and sewer system
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>	<ul style="list-style-type: none"> <li>• Statement of Net Position</li> <li>• Statement of Revenues, Expenses, and Changes in Fund Net Position</li> <li>• Statement of Cash Flows</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic 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	All assets and liabilities, both financial and capital, and short-term and long-term
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, both financial and capital, and short-term and long-term	Only deferred outflows/inflows that represent a consumption or acquisition of financial resources that applies to a future period or periods	All deferred outflows/inflows of resources, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the 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	All revenues and expenses during the year, regardless of when cash is received or paid

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

The Statement of Net Position presents information on all of the City’s assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, parks and recreation, and interest on long-term debt. The business-type activities of the City include water, sewer, storm water, and recycling.

The government-wide financial statements can be found on pages 16–17 of this report.

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

**Governmental Funds** – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on 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 funds Balance Sheet and the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 17 individual governmental funds. Information is presented separately in the governmental funds Balance Sheet and in the governmental funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, G.O. Improvement Bonds of 2010 Debt Service Fund, G.O. Improvement Bonds of 2012 Debt Service Fund, Street Improvement Capital Projects Fund, and Highland Road Improvement Capital Projects Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements or schedules elsewhere in this report.

The City 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 can be found on pages 18–24 of this report.

**Proprietary Funds** – The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, sewer, storm water, and recycling.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 25–27 of this report.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City’s own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on page 28 of this report.

**Notes to Basic 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 basic financial statements can be found on pages 29–50 of this report.

**Other Information** – Required supplementary information (RSI) on the City’s Other Post-Employment Benefits Plan is presented following the notes to basic financial statements on page 51 of this report. The combining statements referred to earlier in connection with nonmajor governmental funds are presented as supplemental information following the RSI. Combining and individual fund financial statements and schedules can be found on pages 52–71 of this report.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$37,045,453 at the close of the most recent fiscal year.

### Summary of Net Position

	Governmental Activities			Business-Type Activities		
	2012	2011	Increase (Decrease)	2012	2011	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$ 7,892,480	\$ 7,001,758	\$ 890,722	\$ 4,988,230	\$ 3,668,025	\$ 1,320,205
Capital assets	25,736,817	25,892,281	(155,464)	12,115,113	12,696,051	(580,938)
Total assets	33,629,297	32,894,039	735,258	17,103,343	16,364,076	739,267
<b>Liabilities</b>						
Long-term liabilities						
outstanding	10,572,346	10,003,618	568,728	2,123,568	1,474,999	648,569
Other liabilities	830,431	501,546	328,885	160,842	55,512	105,330
Total liabilities	11,402,777	10,505,164	897,613	2,284,410	1,530,511	753,899
<b>Net position</b>						
Net investment in capital assets	15,566,817	16,434,576	(867,759)	10,776,769	11,250,260	(473,491)
Restricted for						
Debt service	3,347,987	2,601,675	746,312	-	-	-
Park dedication	585,039	555,414	29,625	-	-	-
Unrestricted	2,726,677	2,797,210	(70,533)	4,042,164	3,583,305	458,859
Total net position	\$ 22,226,520	\$ 22,388,875	\$ (162,355)	\$ 14,818,933	\$ 14,833,565	\$ (14,632)

The City's net investment in capital assets is 71 percent of the total net position, and reflects its investment in capital assets (e.g. land, buildings, infrastructure, machinery and equipment, and vehicles); less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (\$3,933,026) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (\$6,768,841) may be used to meet the City's ongoing obligations to citizens and creditors.

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

The City's net position decreased \$176,987 in 2012. See the table below for details:

### Changes in Net Position

	Governmental Activities			Business-Type Activities		
	2012	2011	Increase (Decrease)	2012	2011	Increase (Decrease)
<b>Revenues</b>						
<b>Program revenues</b>						
Charges for services	\$ 880,810	\$ 688,325	\$ 192,485	\$ 1,637,101	\$ 1,390,740	\$ 246,361
Operating grants and contributions	200,604	233,568	(32,964)	29,778	19,657	10,121
Capital grants and contributions	1,378,968	403,713	975,255	1,668	1,791	(123)
<b>General revenues</b>						
Property taxes	3,878,823	4,083,647	(204,824)	–	–	–
Unrestricted investment earnings	61,284	57,354	3,930	59,554	48,981	10,573
Other general revenues	202,226	66,684	135,542	–	–	–
Total revenues	6,602,715	5,533,291	1,069,424	1,728,101	1,461,169	266,932
<b>Expenses</b>						
General government	1,385,084	1,208,808	176,276	–	–	–
Public safety	2,403,185	2,482,340	(79,155)	–	–	–
Public works	2,372,757	1,877,626	495,131	–	–	–
Parks and recreation	192,206	218,600	(26,394)	–	–	–
Interest on long-term debt	411,838	386,100	25,738	–	–	–
Water	–	–	–	686,378	593,418	92,960
Sewer	–	–	–	754,958	804,553	(49,595)
Storm water	–	–	–	204,343	198,138	6,205
Recycling	–	–	–	97,054	92,938	4,116
Total expenses	6,765,070	6,173,474	591,596	1,742,733	1,689,047	53,686
Increase (decrease) in net assets before transfers	(162,355)	(640,183)	477,828	(14,632)	(227,878)	213,246
Transfers	–	(332,027)	332,027	–	332,027	(332,027)
Change in net position	(162,355)	(972,210)	809,855	(14,632)	104,149	(118,781)
Net position – January 1	22,388,875	23,361,085	(972,210)	14,833,565	14,729,416	104,149
Net position – December 31	\$ 22,226,520	\$ 22,388,875	\$ (162,355)	\$ 14,818,933	\$ 14,833,565	\$ (14,632)

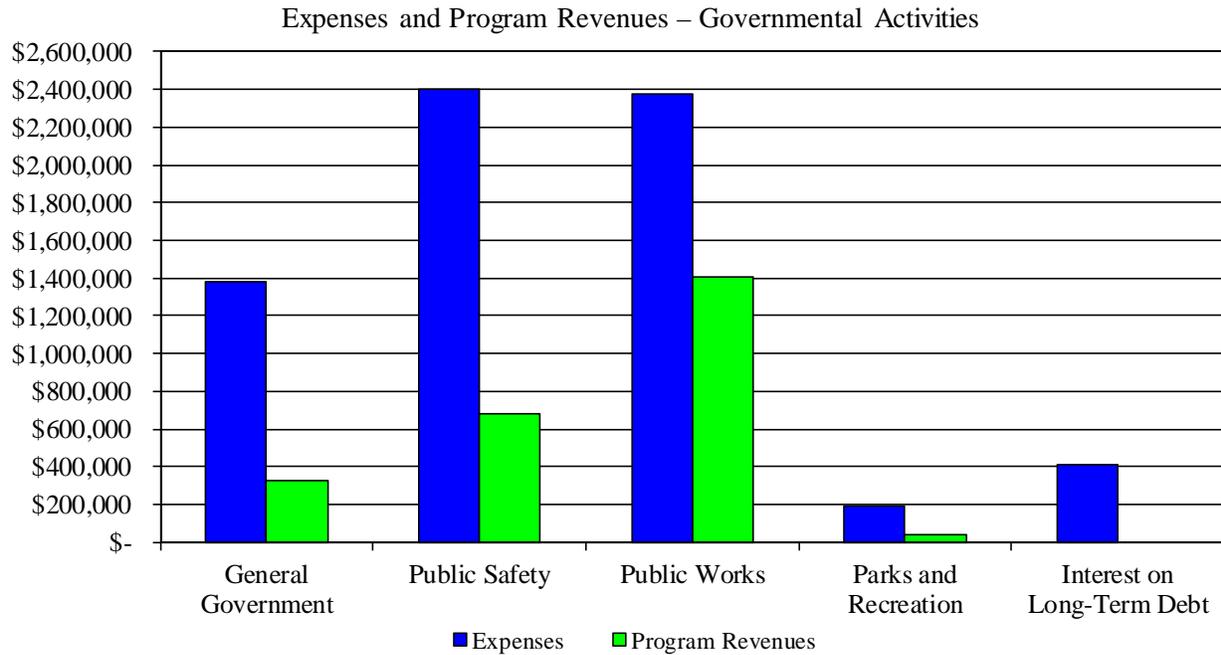
Major changes in governmental activities were as follows:

- Capital grants and contributions increased \$975,255 due to MSA Construction dollars coming in for the Highland Road Project.
- Property taxes decreased \$204,824 due to lowering the 2012 levy 6 percent in comparison with 2011.
- Public works expenses went up \$495,131 mainly due to costs associated with the Highland Road Project on the portion of the road that is owned by another city.

Major changes in business-type activities were as follows:

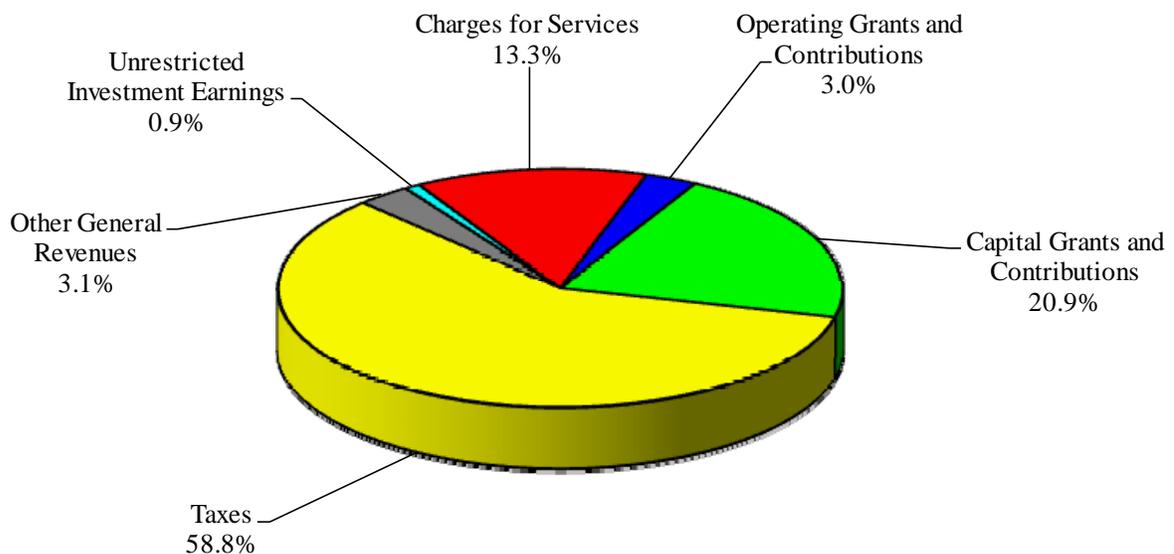
- Charges for service went up in 2012 by \$246,361 due to a combination of more utility accounts, adjustments to some utility rates, and more connections charges received from the prior year.
- All other areas were fairly consistent when comparing between 2012 and 2011.

**Governmental Activities** – Governmental activities decreased the City’s net position by \$162,355. The following graph depicts various governmental activities and shows the expenses and program revenues directly related to those activities:

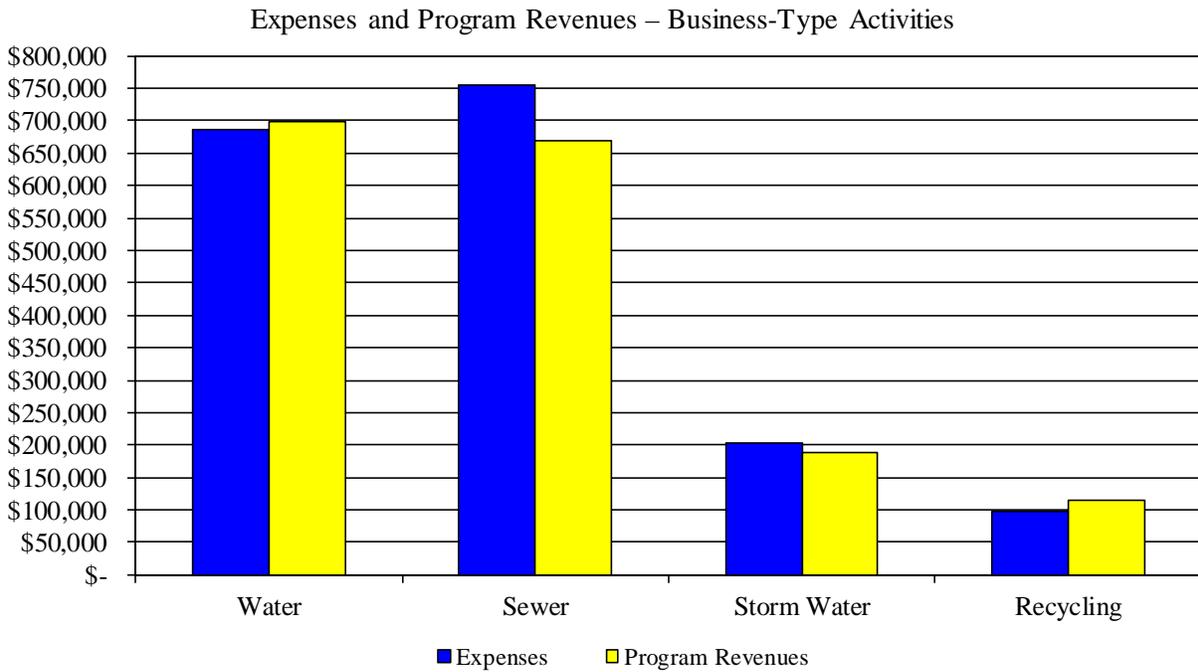


Overall, expenses for governmental activities increased \$591,596. This was mainly due to the street construction activity mentioned previously. Revenues increased by \$1,069,424. The biggest increase was in the capital grant and contributions related to construction related financing sources. The biggest decrease was in property taxes, which decreased by over \$200,000 from the prior year.

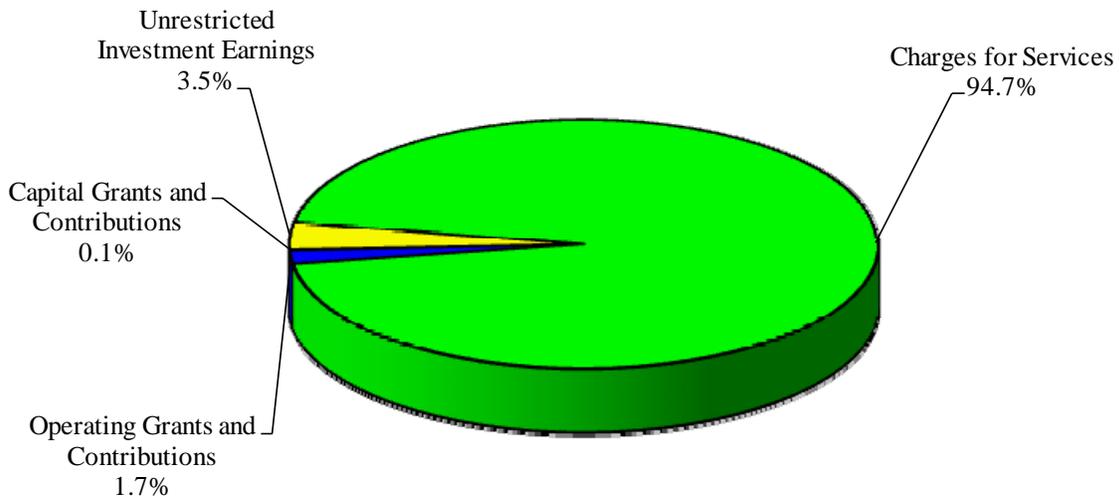
**Revenues by Source – Governmental Activities**



**Business-Type Activities** – Business-type activities decreased the City’s net position by \$14,632.



**Revenues by Source – Business-Type Activities**



Business-type activity revenues increased by \$266,932 and expenses stayed fairly consistent from 2011 to 2012, as did the makeup of the revenues by source.

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,851,723, an increase of \$216,077 in comparison with the prior year. Of the total amount, \$2,130,369 constitutes unassigned fund balance, which is available for spending at the City's discretion. The City has imposed internal constraints on fund balance for a number of purposes, including \$184,223 committed by City Council action, and \$2,378,740 assigned. The remaining \$2,158,391 is restricted by externally imposed constraints such as bond covenants for debt service.

The General Fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General Fund was \$2,671,237. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total budgeted expenditures. Fund balance represents 66 percent of 2013 budgeted expenditures.

The fund balance of the City's General Fund increased \$269,851 during the current fiscal year due to revenues coming in \$104,645 better than expected and expenditures coming in \$327,811 under budget. These two positive variances add up to about \$432,000 in better than budgeted results. The City had budgeted to use \$206,922 of reserves in 2012 and instead added the above \$269,851 to fund balance.

The G.O. Improvement Bonds of 2010 Fund was created a debt service fund for the Game Farm Road and South Bay Drive Construction Project. The fund balance at the end of 2012 was \$599,189, which increased \$324,354 during the year as property taxes, special assessments, and transfers in exceeded the required debt service payments.

The G.O. Improvement Bonds of 2012 Fund was created in 2012 as a debt service fund for the Highland Road Street Project. The fund balance at the end of 2012 was \$42,159, which was due to special assessment prepayments received during the year to be used for future debt service payments.

The Street Improvement Capital Projects Fund is a permanent revolving street capital projects fund. This fund has a fund balance deficit of \$315,214 due to initial costs of projects that do not proceed as well as some costs of Highland Road that have gone to this fund that will need to be funded or reallocated when the Highland Road Projects is closed during 2013.

The Highland Road Improvement Capital Projects Fund was a capital projects fund that was created during 2012 for the purpose of improving this Road. At year-end, this fund had a fund balance deficit of \$105,411. This is due to a timing difference of project expenditures made in advance of funding.

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$2,338,445. Total net position for the funds decreased \$108,268 during the year. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

## General Fund Budgetary Highlights

- The City's General Fund budget was amended once during the year to include unforeseen repair costs and the related reimbursements.
- The three revenue categories that had had the biggest positive variances were property taxes, licenses and permits, and miscellaneous revenues. Property taxes exceeded budget by \$38,084 (1.2 percent) due to higher than expected delinquent collections. Licenses and permits exceeded budget by \$21,371 (8.4 percent) due to more building permits (new homes) than projected. Finally, miscellaneous revenue exceeded budget by \$34,549 (21.1 percent) due to additional cell phone tower revenue and other miscellaneous reimbursements over budget.
- Total General Fund expenditures were \$327,811 under budget. Public safety was \$64,864 under budget, mostly attributable to lower than expected personnel costs in the police department due to a budgeted position not being filled and other expenditures coming in lower than expected. Public works also had positive variances totaling \$215,958. The majority of this came in streets (\$145,237) where a couple budgeted positions were not filled during the year. Snow and ice removal was attributable for \$70,410 of the savings, due to a milder than expected winter season that covered the 2012 year. Expenditures in the other departments were close to what was budgeted.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets** – The City's investment in capital assets for its governmental and business-type activities as of December 31, 2012 amounts to \$37,851,930 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, infrastructure, machinery and equipment, and vehicles.

### Capital Assets, Net of Depreciation

	Governmental Activities			Business-Type Activities		
	2012	2011	Increase (Decrease)	2012	2011	Increase (Decrease)
Land	\$ 3,235,661	\$ 3,235,661	\$ -	\$ -	\$ -	\$ -
Construction in progress	1,405,933	331,989	1,073,944	-	-	-
Buildings and improvements	9,335,710	9,570,670	(234,960)	-	-	-
Infrastructure	10,283,969	11,137,322	(853,353)	11,747,257	12,290,659	(543,402)
Vehicles and equipment	1,475,544	1,616,639	(141,095)	367,856	405,392	(37,536)
Total	<u>\$ 25,736,817</u>	<u>\$ 25,892,281</u>	<u>\$ (155,464)</u>	<u>\$ 12,115,113</u>	<u>\$ 12,696,051</u>	<u>\$ (580,938)</u>

Additional information on the City's capital assets can be found in Note 3 of the notes to basic financial statements on pages 40–41 of this report.

**Long-Term Debt** – At the end of the current fiscal year, the City had total bonded debt, compensated absences payable, and other post-employment benefits outstanding of \$12,695,914. While all of the City’s bonds have revenue streams, they are all backed by the full faith and credit of the City.

**Outstanding Debt**

	Governmental Activities			Business-Type Activities		
	2012	2011	Increase (Decrease)	2012	2011	Increase (Decrease)
G.O. revenue/EDA bonds	\$ 5,155,000	\$ 5,340,000	\$ (185,000)	\$ 2,090,364	\$ 1,445,791	\$ 644,573
G.O. special assessment bonds	5,015,000	4,315,000	700,000	-	-	-
Compensated absences	196,948	183,876	13,072	10,853	11,880	(1,027)
Other post-employment benefits	205,398	164,742	40,656	22,351	17,328	5,023
Total	<u>\$ 10,572,346</u>	<u>\$ 10,003,618</u>	<u>\$ 568,728</u>	<u>\$ 2,123,568</u>	<u>\$ 1,474,999</u>	<u>\$ 648,569</u>

Minnesota Statutes limit the amount of net general obligation debt a city may issue to 3 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt limitation for the City is in excess of the City’s outstanding general obligation debt. The current taxable market value of property in the City totals \$1,294,326,273, which leaves a debt limit of \$38,829,788.

Additional information on the City’s long-term debt can be found in Note 5 of the notes to basic financial statements on pages 42–44 of this report.

**ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES**

- The City relies primarily on property tax revenue and fees for revenue sources. The City does not rely or receive much in state aids except to use MSA dollars for street eligible projects. Therefore, the City remains optimistic in future budget projects and years.
- The City will strive to maintain a strong commitment to quality public service to the community.
- Housing market conditions have started to improve but the building permit revenue continues to lag in comparison to several years ago for the short-term budget prognosis.

All of these factors were considered in preparing the City’s budget for the 2013 fiscal year.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the City’s finances for all those with an interest in the City’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, City of Minnetrista, 7701 County Road 110 West, Minnetrista, Minnesota 55364-9553.

**BASIC FINANCIAL STATEMENTS**

CITY OF MINNETRISTA

Statement of Net Position  
December 31, 2012

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and investments	\$ 5,142,846	\$ 4,523,849	\$ 9,666,695
Interest receivable	13,660	11,473	25,133
Accounts receivable	271,211	365,654	636,865
Taxes receivable	103,767	-	103,767
Special assessments receivable			
Delinquent	6,514	-	6,514
Deferred	1,457,818	85,262	1,543,080
Due from other governmental units	490,846	1,992	492,838
Restricted assets – temporarily restricted			
Cash with fiscal agent	405,818	-	405,818
Capital assets			
Not depreciated	4,641,594	-	4,641,594
Depreciated, net of accumulated depreciation	21,095,223	12,115,113	33,210,336
Total capital assets, net of depreciation	<u>25,736,817</u>	<u>12,115,113</u>	<u>37,851,930</u>
<b>Total assets</b>	<u>\$ 33,629,297</u>	<u>\$ 17,103,343</u>	<u>\$ 50,732,640</u>
<b>Liabilities</b>			
Accounts payable	\$ 595,265	\$ 138,431	\$ 733,696
Salaries and benefits payable	95,469	11,714	107,183
Accrued interest payable	139,697	10,697	150,394
Noncurrent liabilities			
Due within one year	575,000	198,300	773,300
Due in more than one year	9,997,346	1,925,268	11,922,614
Total long-term liabilities	<u>10,572,346</u>	<u>2,123,568</u>	<u>12,695,914</u>
<b>Total liabilities</b>	11,402,777	2,284,410	13,687,187
<b>Net position</b>			
Net investment in capital assets	15,566,817	10,776,769	26,343,586
Restricted for			
Debt service	3,347,987	-	3,347,987
Park development	585,039	-	585,039
Unrestricted	2,726,677	4,042,164	6,768,841
Total net position	<u>22,226,520</u>	<u>14,818,933</u>	<u>37,045,453</u>
<b>Total liabilities and net position</b>	<u>\$ 33,629,297</u>	<u>\$ 17,103,343</u>	<u>\$ 50,732,640</u>

See notes to basic financial statements

CITY OF MINNETRISTA

Statement of Activities  
Year Ended December 31, 2012

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>Governmental activities</b>							
General government	\$1,385,084	\$ 320,787	\$ 7,873	\$ -	\$ (1,056,424)	\$ -	\$ (1,056,424)
Public safety	2,403,185	560,023	125,349	-	(1,717,813)	-	(1,717,813)
Public works	2,372,757	-	28,488	1,378,968	(965,301)	-	(965,301)
Park and recreation	192,206	-	38,894	-	(153,312)	-	(153,312)
Interest and fiscal charges	411,838	-	-	-	(411,838)	-	(411,838)
Total governmental activities	6,765,070	880,810	200,604	1,378,968	(4,304,688)	-	(4,304,688)
<b>Business-type activities</b>							
Water	686,378	696,488	-	1,504	-	11,614	11,614
Sewer	754,958	668,048	-	164	-	(86,746)	(86,746)
Storm water	204,343	176,956	10,383	-	-	(17,004)	(17,004)
Recycling	97,054	95,609	19,395	-	-	17,950	17,950
Total business-type activities	1,742,733	1,637,101	29,778	1,668	-	(74,186)	(74,186)
Total governmental and business-type activities	<u>\$8,507,803</u>	<u>\$2,517,911</u>	<u>\$ 230,382</u>	<u>\$ 1,380,636</u>	(4,304,688)	(74,186)	(4,378,874)
<b>General revenues</b>							
Property taxes, levied for general purpose					3,234,390	-	3,234,390
Property taxes, levied for debt service					644,433	-	644,433
Investment earnings					61,284	59,554	120,838
Other general revenues					202,226	-	202,226
Total general revenues and transfers					<u>4,142,333</u>	<u>59,554</u>	<u>4,201,887</u>
Change in net position					(162,355)	(14,632)	(176,987)
Net position – beginning					<u>22,388,875</u>	<u>14,833,565</u>	<u>37,222,440</u>
Net position – ending					<u>\$ 22,226,520</u>	<u>\$ 14,818,933</u>	<u>\$ 37,045,453</u>

See notes to basic financial statements

CITY OF MINNETRISTA

Balance Sheet  
Governmental Funds  
December 31, 2012

	Debt Service			Capital Project		Nonmajor Funds	Totals
	General Fund (101)	G.O. Improvement Bonds of 2010 (528)	G.O. Improvement Bonds of 2012 (529)	Street Improvement (490)	Highland Road Improvement (496)		
<b>Assets</b>							
Cash and investments	\$ 2,610,899	\$ 595,563	\$ 42,053	\$ -	\$ -	\$ 3,561,698	\$ 6,810,213
Cash with fiscal agent	-	-	-	-	-	405,818	405,818
Interest receivable	7,286	1,500	106	-	-	10,923	19,815
Accounts receivable	271,211	-	-	-	-	-	271,211
Taxes receivable – delinquent	103,767	-	-	-	-	-	103,767
Special assessment receivable							
Delinquent	-	6,493	-	-	-	21	6,514
Deferred	-	1,079,960	75,000	-	-	338,501	1,493,461
Due from other governmental units	35,087	2,126	450,000	-	-	3,633	490,846
Due from other funds	285,786	-	-	-	-	-	285,786
<b>Total assets</b>	<b>\$ 3,314,036</b>	<b>\$ 1,685,642</b>	<b>\$ 567,159</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,320,594</b>	<b>\$ 9,887,431</b>
<b>Liabilities</b>							
Accounts payable	\$ 443,563	\$ -	\$ -	\$ 77,319	\$ 57,520	\$ 22,309	\$ 600,711
Salaries and benefits payable	95,469	-	-	-	-	-	95,469
Due to other funds	-	-	-	237,895	47,891	-	285,786
<b>Total liabilities</b>	<b>539,032</b>	<b>-</b>	<b>-</b>	<b>315,214</b>	<b>105,411</b>	<b>22,309</b>	<b>981,966</b>
<b>Deferred inflows of resources</b>							
Unavailable revenue – property taxes	103,767	-	-	-	-	-	103,767
Unavailable revenue – special assessments	-	1,086,453	75,000	-	-	338,522	1,499,975
Unavailable revenue – other	-	-	450,000	-	-	-	450,000
<b>Total deferred inflows of resources</b>	<b>103,767</b>	<b>1,086,453</b>	<b>525,000</b>	<b>-</b>	<b>-</b>	<b>338,522</b>	<b>2,053,742</b>
<b>Fund balances</b>							
Restricted	-	599,189	42,159	-	-	1,517,043	2,158,391
Committed	-	-	-	-	-	184,223	184,223
Assigned	120,243	-	-	-	-	2,258,497	2,378,740
Unassigned, reported in							
General Fund	2,550,994	-	-	-	-	-	2,550,994
Capital projects funds	-	-	-	(315,214)	(105,411)	-	(420,625)
<b>Total fund balances</b>	<b>2,671,237</b>	<b>599,189</b>	<b>42,159</b>	<b>(315,214)</b>	<b>(105,411)</b>	<b>3,959,763</b>	<b>6,851,723</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 3,314,036</b>	<b>\$ 1,685,642</b>	<b>\$ 567,159</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 4,320,594</b>	<b>\$ 9,887,431</b>

See notes to basic financial statements

CITY OF MINNETRISTA

Reconciliation of the Balance Sheet  
to the Statement of Net Position  
Governmental Funds  
December 31, 2012

Total fund balances – governmental funds	\$ 6,851,723
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of capital assets	45,707,950
Less accumulated depreciation	(19,971,133)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in governmental funds. Long-term liabilities at year-end consist of:	
Bonds and certificates payable	(10,170,000)
Other post-employment benefits payable	(205,398)
Compensated absences payable	(196,948)
Certain revenues (including delinquent taxes, special assessments, and other long-term receivables) are included in net position, but are excluded from fund balances until they are available to liquidate liabilities of the current period.	2,018,099
Accrued interest payable is included in net position, but is excluded from fund balances until due and payable.	(139,697)
Activities of certain funds are presented as governmental, but their functions from a government-wide perspective are business-type:	
Water Improvement Fund	(1,041,337)
Sewer Improvement Fund	(626,739)
	<u>                    </u>
Total net position – governmental activities	<u><u>\$ 22,226,520</u></u>

See notes to basic financial statements

CITY OF MINNETRISTA

Statement of Revenue, Expenditures, and Changes in Fund Balances  
 Governmental Funds  
 Year Ended December 31, 2012

	Debt Service Funds			Capital Project Funds		Nonmajor Funds	Totals
	General Fund (101)	G.O. Improvement Bonds of 2010 (528)	G.O. Improvement Bonds of 2012 (529)	Street Improvement (490)	Highland Road Improvement (496)		
<b>Revenue</b>							
Property taxes	\$ 3,262,084	\$ 120,781	\$ -	\$ -	\$ -	\$ 523,652	\$ 3,906,517
Special assessments	51	130,688	42,000	-	-	44,526	217,265
Licenses and permits	274,871	-	-	-	-	-	274,871
Intergovernmental	118,415	-	-	-	617,500	74,323	810,238
Charges for services	267,556	-	-	-	-	103,300	370,856
Fines and forfeitures	69,141	-	-	-	-	-	69,141
Miscellaneous							
Investment income	25,955	4,720	159	-	3,411	59,518	93,763
Refunds and reimbursements	316,214	12,316	-	-	-	-	328,530
Other	198,549	-	-	-	-	71,108	269,657
Total revenue	<u>4,532,836</u>	<u>268,505</u>	<u>42,159</u>	<u>-</u>	<u>620,911</u>	<u>876,427</u>	<u>6,340,838</u>
<b>Expenditures</b>							
<b>Current</b>							
General government	1,088,050	-	-	-	-	-	1,088,050
Public safety	2,082,473	-	-	-	-	-	2,082,473
Public works	738,076	-	-	-	-	-	738,076
Parks and recreation	114,923	-	-	-	-	-	114,923
Miscellaneous unallocated	288,780	-	-	-	-	-	288,780
<b>Debt service</b>							
Principal	-	-	-	-	-	343,179	343,179
Interest and other charges	-	90,166	-	-	27,622	296,120	413,908
<b>Capital outlay</b>							
Public safety	-	-	-	-	-	121,510	121,510
Public works	-	-	-	33,252	1,468,700	207,188	1,709,140
Park and recreation	-	-	-	-	-	9,269	9,269
Total expenditures	<u>4,312,302</u>	<u>90,166</u>	<u>-</u>	<u>33,252</u>	<u>1,496,322</u>	<u>977,266</u>	<u>6,909,308</u>
Excess (deficiency) of revenue over expenditures	220,534	178,339	42,159	(33,252)	(875,411)	(100,839)	(568,470)
<b>Other financing sources (uses)</b>							
Sale of capital assets	3,000	-	-	-	-	11,547	14,547
Issuance of debt	-	-	-	-	770,000	-	770,000
Transfers in	46,317	146,015	-	-	-	-	192,332
Transfers (out)	-	-	-	-	-	(192,332)	(192,332)
Total other financing sources (uses)	<u>49,317</u>	<u>146,015</u>	<u>-</u>	<u>-</u>	<u>770,000</u>	<u>(180,785)</u>	<u>784,547</u>
Net change in fund balances	269,851	324,354	42,159	(33,252)	(105,411)	(281,624)	216,077
<b>Fund balances</b>							
Beginning of year	<u>2,401,386</u>	<u>274,835</u>	<u>-</u>	<u>(281,962)</u>	<u>-</u>	<u>4,241,387</u>	<u>6,635,646</u>
End of year	<u>\$ 2,671,237</u>	<u>\$ 599,189</u>	<u>\$ 42,159</u>	<u>\$ (315,214)</u>	<u>\$ (105,411)</u>	<u>\$ 3,959,763</u>	<u>\$ 6,851,723</u>

See notes to basic financial statements

CITY OF MINNETRISTA

Reconciliation of the Statement of  
Revenue, Expenditures, and Changes in Fund Balances  
to the Statement of Activities  
Governmental Funds  
Year Ended December 31, 2012

Total net change in fund balances – governmental funds \$ 216,077

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.

Capital outlays	1,236,088
Depreciation expense	(1,389,848)

In the government-wide Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sales increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed of.

(1,704)

Principal payments on long-term debt are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

255,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

(5,355)

Proceeds from long-term debt are recognized as an other financing source in the governmental funds but have no effect on net position in the Statement of Activities.

Bonds payable	(770,000)
---------------	-----------

Certain revenues (including delinquent taxes and special assessments) are included in the change in net position, but are excluded from the change in fund balances until they are available to liquidate liabilities of the current period.

400,942

Certain expenses, including long-term compensated absences, are included in the change in net position, but do not require the use of current funds, and are not included in the change in fund balances.

(13,072)

Other post-employment benefits are not reported as expenditures in the governmental funds because they do not require the use of current financial resources; instead, they are expensed in the Statement of Activities.

(40,656)

Activities of certain funds are presented as governmental, but their functions from a government-wide perspective are business-type:

Water Improvement Fund	(29,658)
Sewer Improvement Fund	(20,169)

Change in net position – governmental activities \$ (162,355)

See notes to basic financial statements

CITY OF MINNETRISTA

Statement of Revenues, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 General Fund  
 Year Ended December 31, 2012

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 3,224,000	\$ 3,224,000	\$ 3,262,084	\$ 38,084
Special assessments	3,000	3,000	51	(2,949)
Licenses and permits	253,500	253,500	274,871	21,371
Intergovernmental	124,800	124,800	118,415	(6,385)
Charges for services	272,391	272,391	267,556	(4,835)
Fines and forfeitures	67,000	67,000	69,141	2,141
<b>Miscellaneous</b>				
Investment income	15,000	15,000	25,955	10,955
Refunds and reimbursements	25,000	304,500	316,214	11,714
Other	164,000	164,000	198,549	34,549
Total revenues	<u>4,148,691</u>	<u>4,428,191</u>	<u>4,532,836</u>	<u>104,645</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	1,091,714	1,091,714	1,088,050	(3,664)
Public safety	2,147,337	2,147,337	2,082,473	(64,864)
Public works	954,034	954,034	738,076	(215,958)
Parks and recreation	125,528	125,528	114,923	(10,605)
Miscellaneous unallocated	34,500	321,500	288,780	(32,720)
Total expenditures	<u>4,353,113</u>	<u>4,640,113</u>	<u>4,312,302</u>	<u>(327,811)</u>
Excess (deficiency) of revenues over expenditures	(204,422)	(211,922)	220,534	432,456
<b>Other financing sources</b>				
Sale of capital assets	5,000	5,000	3,000	(2,000)
Transfers in	—	—	46,317	46,317
Total other financing sources	<u>5,000</u>	<u>5,000</u>	<u>49,317</u>	<u>44,317</u>
Net change in fund balances	<u>\$ (199,422)</u>	<u>\$ (206,922)</u>	269,851	<u>\$ 476,773</u>
<b>Fund balances</b>				
Beginning of year			<u>2,401,386</u>	
End of year			<u>\$ 2,671,237</u>	

See notes to basic financial statements

CITY OF MINNETRISTA

Statement of Net Position  
Enterprise Funds  
December 31, 2012

	Water (601)	Sewer (602)	Storm Water (651)	Recycling (671)	Total
<b>Assets</b>					
<b>Current assets</b>					
Cash and cash equivalents	\$ 1,299,767	\$ 1,260,861	\$ 125,355	\$ 170,499	\$ 2,856,482
Interest receivable	3,282	1,289	317	430	5,318
Accounts receivable	123,035	170,083	47,677	24,859	365,654
Deferred special assessments receivable	16,374	17,863	7,939	7,443	49,619
Due from other governmental units	657	717	319	299	1,992
Total current assets	<u>1,443,115</u>	<u>1,450,813</u>	<u>181,607</u>	<u>203,530</u>	<u>3,279,065</u>
<b>Noncurrent assets</b>					
Capital assets	8,849,556	8,862,751	2,534,011	-	20,246,318
Less accumulated depreciation	<u>(2,608,027)</u>	<u>(4,515,443)</u>	<u>(1,007,735)</u>	<u>-</u>	<u>(8,131,205)</u>
Total noncurrent assets	<u>6,241,529</u>	<u>4,347,308</u>	<u>1,526,276</u>	<u>-</u>	<u>12,115,113</u>
Total assets	<u>\$ 7,684,644</u>	<u>\$ 5,798,121</u>	<u>\$ 1,707,883</u>	<u>\$ 203,530</u>	<u>\$ 15,394,178</u>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Accounts payable	\$ 86,406	\$ 37,536	\$ 9,009	\$ 34	\$ 132,985
Salaries and benefits payable	6,397	4,323	615	379	11,714
Interest payable	2,342	8,355	-	-	10,697
Amount due within one year	98,481	53,481	1,338	-	153,300
Total current liabilities	<u>193,626</u>	<u>103,695</u>	<u>10,962</u>	<u>413</u>	<u>308,696</u>
<b>Noncurrent liabilities</b>					
Compensated absences	4,551	4,551	1,751	-	10,853
Other post-employment benefits	10,399	8,581	2,331	1,040	22,351
Bonds payable	730,000	780,000	-	-	1,510,000
Less amount due within one year	<u>(98,481)</u>	<u>(53,481)</u>	<u>(1,338)</u>	<u>-</u>	<u>(153,300)</u>
Total noncurrent liabilities	<u>646,469</u>	<u>739,651</u>	<u>2,744</u>	<u>1,040</u>	<u>1,389,904</u>
Total liabilities	840,095	843,346	13,706	1,453	1,698,600
<b>Net position</b>					
Net investment in capital assets	5,511,529	4,319,328	1,526,276	-	11,357,133
Unrestricted	<u>1,333,020</u>	<u>635,447</u>	<u>167,901</u>	<u>202,077</u>	<u>2,338,445</u>
Total net position	<u>6,844,549</u>	<u>4,954,775</u>	<u>1,694,177</u>	<u>202,077</u>	<u>13,695,578</u>
Total liabilities and net position	<u>\$ 7,684,644</u>	<u>\$ 5,798,121</u>	<u>\$ 1,707,883</u>	<u>\$ 203,530</u>	<u>\$ 15,394,178</u>
Total net position – enterprise funds					\$ 13,695,578
Water Improvement Fund, fund balances					1,041,337
Sewer Improvement Fund, fund balances					626,739
Water Improvement Fund, debt					(580,364)
Water and Sewer Improvement Funds, deferred inflows from special assessment receivable					<u>35,643</u>
Total business-type net position					<u>\$ 14,818,933</u>

See notes to basic financial statements

CITY OF MINNETRISTA

Statement of Revenue, Expenses, and Changes in Net Position  
Enterprise Funds  
Year Ended December 31, 2012

	Water (601)	Sewer (602)	Storm Water (651)	Recycling (671)	Total
Operating revenues					
Charges for services	\$ 609,554	\$ 629,548	\$ 176,400	\$ 94,432	\$ 1,509,934
Operating expenses					
Wages and salaries	157,025	114,244	21,959	12,905	306,133
Materials and supplies	161,560	31,731	19,701	-	212,992
Repairs and maintenance	2,819	6,261	55	-	9,135
Professional services	19,733	17,629	45,384	83,822	166,568
Insurance	6,379	1,089	-	-	7,468
Utilities	56,021	17,183	-	-	73,204
Depreciation	230,533	245,552	104,853	-	580,938
Miscellaneous	13,025	2,728	12,391	327	28,471
Sewer charges – MCES	-	228,774	-	-	228,774
Sewer services to other governments	-	17,046	-	-	17,046
Total operating expenses	<u>647,095</u>	<u>682,237</u>	<u>204,343</u>	<u>97,054</u>	<u>1,630,729</u>
Operating income (loss)	(37,541)	(52,689)	(27,943)	(2,622)	(120,795)
Nonoperating revenue (expenses)					
Investment earnings	17,200	6,387	1,186	2,302	27,075
Intergovernmental	-	-	10,383	19,395	29,778
Interest expense	(31,858)	(36,335)	-	-	(68,193)
Other income	22,134	-	556	1,177	23,867
Total nonoperating revenue (expenses)	<u>7,476</u>	<u>(29,948)</u>	<u>12,125</u>	<u>22,874</u>	<u>12,527</u>
Change in net position	(30,065)	(82,637)	(15,818)	20,252	(108,268)
Net position					
Beginning of year	<u>6,874,614</u>	<u>5,037,412</u>	<u>1,709,995</u>	<u>181,825</u>	<u>13,803,846</u>
End of year	<u>\$ 6,844,549</u>	<u>\$ 4,954,775</u>	<u>\$ 1,694,177</u>	<u>\$ 202,077</u>	<u>\$ 13,695,578</u>
Change in net position – enterprise funds					\$ (108,268)
Water Improvement Fund, activity					29,658
Sewer Improvement Fund, activity					20,169
Water Improvement Fund, debt principal repayment					45,427
Change in Water and Sewer Improvement Funds, deferred inflows from special assessment receivable					<u>(1,618)</u>
Change in business-type net position					<u>\$ (14,632)</u>

See notes to basic financial statements

CITY OF MINNETRISTA

Statement of Cash Flows  
Enterprise Funds  
Year Ended December 31, 2012

	Water (601)	Sewer (602)	Storm Water (651)	Recycling (671)	Total
<b>Cash flows from operating activities</b>					
Receipts from customers and users	\$ 601,370	\$ 604,044	\$ 150,484	\$ 93,187	\$ 1,449,085
Payments to suppliers/service providers	(181,832)	(305,727)	(75,183)	(84,115)	(646,857)
Payments to employees	(150,863)	(110,800)	(21,564)	(12,662)	(295,889)
Miscellaneous revenue	22,134	-	556	1,177	23,867
Net cash flows from operating activities	<u>290,809</u>	<u>187,517</u>	<u>54,293</u>	<u>(2,413)</u>	<u>530,206</u>
<b>Cash flows from noncapital financing activities</b>					
Intergovernmental revenue	-	-	10,383	19,395	29,778
<b>Cash flows from capital and related financing activities</b>					
Debt principal issued	-	780,000	-	-	780,000
Principal paid on debt	(90,000)	-	-	-	(90,000)
Interest paid on debt	(32,128)	(27,980)	-	-	(60,108)
Net cash flows from capital and related financing activities	<u>(122,128)</u>	<u>752,020</u>	<u>-</u>	<u>-</u>	<u>629,892</u>
<b>Cash flows from investing activities</b>					
Investment income	<u>17,713</u>	<u>6,146</u>	<u>1,053</u>	<u>2,352</u>	<u>27,264</u>
Net change in cash and cash equivalents	186,394	945,683	65,729	19,334	1,217,140
<b>Cash and cash equivalents</b>					
Beginning of year	<u>1,113,373</u>	<u>315,178</u>	<u>59,626</u>	<u>151,165</u>	<u>1,639,342</u>
End of year	<u>\$ 1,299,767</u>	<u>\$ 1,260,861</u>	<u>\$ 125,355</u>	<u>\$ 170,499</u>	<u>\$ 2,856,482</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities</b>					
Operating income (loss)	\$ (37,541)	\$ (52,689)	\$ (27,943)	\$ (2,622)	\$ (120,795)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	230,533	245,552	104,853	-	580,938
Other revenue	22,134	-	556	1,177	23,867
Change in assets and liabilities					
Accounts receivable	(4,953)	(22,077)	(23,986)	(251)	(51,267)
Deferred special assessments	(3,036)	(3,213)	(1,835)	(905)	(8,989)
Due from other governmental units	(195)	(214)	(95)	(89)	(593)
Accounts payable	77,705	16,714	2,348	34	96,801
Salaries and benefits payable	3,946	2,050	244	8	6,248
Compensated absences	(431)	(431)	(165)	-	(1,027)
Other post-employment benefits	2,647	1,825	316	235	5,023
Net cash flows from operating activities	<u>\$ 290,809</u>	<u>\$ 187,517</u>	<u>\$ 54,293</u>	<u>\$ (2,413)</u>	<u>\$ 530,206</u>

See notes to basic financial statements

CITY OF MINNETRISTA

Statement of Fiduciary Net Position  
Agency Fund  
December 31, 2012

	<u>Land Use (801)</u>
Assets	
Cash and investments	\$ 28,035
Special assessments receivable	
Deferred	6,394
Land use receivables	<u>6,173</u>
Total assets	<u>\$ 40,602</u>
Liabilities	
Accounts payable	\$ 22,477
Developer payable	<u>18,125</u>
Total liabilities	<u>\$ 40,602</u>

See notes to basic financial statements

CITY OF MINNETRISTA

Notes to Basic Financial Statements  
December 31, 2011

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization**

The City of Minnetrista, Minnesota (the City) is a statutory city governed by an elected mayor and a four-member City Council. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**B. Reporting Entity**

As required by accounting principles generally accepted in the United States of America, these financial statements include all funds, departments, agencies, boards, and commissions of the City (the primary government) and any component units. Component units are legally separate entities for which the primary government is financially accountable, or for which the exclusion of the component unit would render the financial statements of the primary government misleading. The criteria used to determine if the primary government is financially accountable for a component unit includes whether or not the primary government appoints the voting majority of the potential component unit's board, is able to impose its will on the potential component unit, is in a relationship of financial benefit or burden with the potential component unit, or is fiscally depended upon by the potential component unit.

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

**Blended Component Units** – Reported as if they were part of the City.

**Joint Ventures and Jointly Governed Organizations** – The relationship of the City with the entity is disclosed.

For each of the categories above, the specific entities are identified as follows:

**1. Blended Component Unit**

The Minnetrista Economic Development Authority (EDA) was created to provide the City economic development assistance. Although it is legally separate from the City, the Minnetrista EDA is reported as if it were part of the primary government because the Minnetrista EDA's Board is made up of the City's Mayor and City Councilmembers; its financial data has been blended with that of the City. The purpose of the Minnetrista EDA is to issue revenue bonds to acquire land and to purchase or construct facilities and, currently, the only operation of the Minnetrista EDA is the repayment of the revenue bonds. The activity is presented in a separate fund, the EDA Lease Revenue Bonds of 2009 Debt Service Fund.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **2. Joint Ventures and Jointly Governed Organizations**

#### **a. Pioneer-Sarah Creek Watershed Management Commission**

The purpose of the Pioneer-Sarah Creek Watershed Management Commission (the Commission) is to protect, preserve, and use natural water storage retention systems. During fiscal year 2012, the City paid \$9,197 to the Commission for services provided.

#### **b. Lake Minnetonka Conservation District**

The City belongs to the Lake Minnetonka Conservation District (LMCD), which is a jointly governed organization, established by the state, which is made up of a representative appointed by the city councils of each of the 14 cities surrounding Lake Minnetonka. The purpose of the LMCD is to uniformly regulate docks, promote public access, and protect the environmental quality of the lake. Budget authority is set at a maximum contribution per city based on a percentage of market value. During 2012, the City was required to contribute \$27,036.

### **C. Government-Wide Financial Statement Presentation**

The government-wide financial statements (Statement of Net Position and Statement of Activities) display information about the reporting government as a whole. These statements include all of the financial activities of the City, except for the fiduciary funds. Since, by definition, fiduciary fund assets are held for the benefit of a third party and cannot be used for activities or obligations of the City, these funds are excluded from the government-wide financial statements. 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 are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Revenue, Expenses, and Changes in Net Position. The City does not allocate indirect expenses. 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 internally directed revenues are reported instead as general revenues.

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. Property taxes and special assessments are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider have been met.

Generally, the effect of interfund activity has been removed from the government-wide financial statements. However, charges between functions for certain interfund services provided are not eliminated, as that would distort the direct costs and program revenues reported in those functions. The City applies restricted resources first when an expense is incurred for which both restricted and unrestricted resources are available.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### D. Fund Financial Statement Presentation

Separate fund financial statements are provided for governmental, proprietary, and fiduciary funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. Aggregated information for the remaining nonmajor governmental funds is reported in a single column in the fund financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are 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 of the end of the current fiscal period.

Major revenues that are susceptible to accrual include property taxes, intergovernmental revenues, charges for services, and investment earnings. Only the portion of special assessments receivable due within the current fiscal year is considered to be susceptible to accrual. Major revenues that are not susceptible to accrual include licenses, permits and inspection fees, and miscellaneous revenues. Such revenues are recorded only as received because they are not measurable until collected.

Expenditures are generally recorded when a liability is incurred, except for principal and interest on long-term debt, compensated absences, and other post-employment benefits (OPEB), which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as capital outlay expenditures. Proceeds of long-term debt are reported as other financing sources.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as described earlier in these notes.

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.

Fiduciary fund financial statements use the accrual basis of accounting. Agency funds, the City's only fiduciary fund type, are custodial in nature (assets equal liabilities) and do not have a measurement focus.

### Description of Funds

A description of the funds included in this report is as follows:

#### Major Governmental Funds

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

**G.O. Improvement Bonds of 2010 Debt Service Fund** – This fund accounts for the City's payment of principal and interest on general obligation (G.O.) bonds issued to finance improvement projects.

## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G.O. Improvement Bonds of 2012 Debt Service Fund** – This fund accounts for the City’s payment of principal and interest on G.O. bonds issued to finance improvement projects.

**Street Improvement Capital Project Fund** – This fund is used to account for financial resources (primarily improvement bond proceeds) to be used for the City’s street reconstruction program.

**Highland Road Improvement Capital Project Fund** – This fund is used to account for financial resources to be used for the City’s Highland Road improvement project.

### **Major Enterprise Funds**

**Water** – This fund accounts for the activities of the City’s water distribution operations.

**Sewer** – This fund accounts for the collection and pumping of sanitary sewage through a system of sewer lines and lift stations. Sewage is treated by the Metropolitan Council of Environmental Services.

**Storm Water** – This fund accounts for the City’s general operation and maintenance of the City’s storm water system.

**Recycling** – This fund accounts for the activities of the City’s recycling operations.

### **Additional Fund Types**

**Agency Fund** – The Land Use Agency Fund accounts for funds collected and disbursed for land development, held by the City in a strictly custodial capacity.

### **E. Cash and Investments**

Cash balances from all funds are combined and invested to the extent available in short-term investments authorized by state statutes. Earnings from investments are allocated to the respective funds based on the average of month-end cash and investment balances of each fund. Cash with fiscal agent in the City’s EDA Lease Revenue Bonds of 2009 Debt Service Fund includes balances held in an escrow account to comply with related bond covenants. This cash with fiscal agent is reported as a restricted asset in the government-wide financial statements. Earnings on this account are allocated directly to this fund.

The City generally reports investments at fair value. The Minnesota Municipal Money Market (4M) Fund in an external investment pool regulated by Minnesota Statutes that is not registered with the Securities and Exchange Commission (SEC), but follows the same regulatory rules of the SEC under rule 2a7. The City’s investment in this fund is measured at the net asset value per share provided by the pool, which is based on an amortized cost method that approximates fair value.

For purposes of the Statement of Cash Flows, the City considers all highly liquid investments with an original maturity from the date of purchase of three months or less to be cash equivalents. The proprietary funds’ equity in the government-wide cash and investment management pool is considered to be cash equivalent.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### F. Receivables

Utility and miscellaneous accounts receivable are reported at gross. Since the City is generally able to certify delinquent amounts to the county for collection as special assessments, no allowance for uncollectible accounts has been provided on current receivables. Receivables not expected to be collected within one year include delinquent taxes, special assessments, and certain amounts due from other governmental units. Any such receivables that are not considered to be available to finance current expenditures are offset by a deferred inflow of resources in the governmental fund financial statements.

### G. Property Taxes

Property tax levies are set by the City Council prior to December 31 of each year and are certified to Hennepin County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. The county spreads levies over all taxable property in the City. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The county provides tax settlements to cities three times a year. Revenues are generally accrued and recognized in the year collectible. Taxes which remain unpaid at December 31 are classified as delinquent taxes receivable.

### H. Special Assessments

Special assessments are levied against the benefited properties for the assessable costs of improvement projects in accordance with state statutes. The City usually adopts the assessment rolls when the individual projects are complete or substantially complete. The assessments are collectible over a term of years generally consistent with the term of years of the related bond issue. Collection of annual installments (including interest) is handled by the county in the same manner as property taxes. Property owners are allowed to prepay total future installments without interest or prepayment penalties.

Special assessments receivable include the following components:

- **Unremitted** – Includes amounts held by the county as collection agent.
- **Delinquent** – Includes amounts billed to property owners, but not paid.
- **Deferred** – Includes assessment installments to be billed to property owners in future years.

### I. Interfund Receivables and Payables

In the fund financial statements, outstanding balances between funds, including the current portion of activity that is representative of lending or borrowing arrangements, 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 statements as internal balances.

### J. Capital Assets

Capital assets, which include land, buildings, equipment, and infrastructure (utility systems, roads, bridges, 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 initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost, or estimated historical cost, if historical cost is unavailable. Donated capital assets are valued at their estimated fair market value as of the date received. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital assets are recorded in the government-wide and proprietary fund financial statements, but are not reported in the governmental fund financial statements. Interest costs incurred on the construction of fixed assets for business-type activities are included as part of the capitalized value of the assets constructed. Capital assets are depreciated using the straight-line method over their estimated useful lives. Capital assets not being depreciated include land and construction in progress.

The estimated useful lives are as follows:

Buildings	30–40 years
Improvements	10–30 years
Machinery and equipment	3–10 years
Vehicles	3–7 years
Infrastructure	20–75 years

### K. Compensated Absences

The City allows employees to accrue vacation based on years of service to carryover to the next year. The amount of vacation accrued is payable upon separation if the employee is in good standing and proper notice is given. Sick leave accrues at various rates and may be accumulated to a maximum of 120 days. Under the City’s personnel policy, employees who have at least 10 years of service with the City and who leave in good standing, will receive between 25 percent and 50 percent of their sick leave balance, paid out depending on the length of service.

The severance policy for the City Administrator states all accrued and unused vacation will be paid upon separation. The City’s severance policy agrees to pay, at the time of receipt of the last pay check, a lump sum cash payment equal to six months aggregate salary, and continues to provide and pay for the employee benefits for the six months after termination.

The police department’s full-time union employees accrue vacation up to a maximum of 80 hours to carryover to the next year. Part-time employees’ accruals are prorated by hours worked per week. Employees are eligible for severance pay after completing 10 years of service. Severance pay is the sick leave balance paid between 25 percent and 50 percent depending on years of service.

Full-time public works employees that are union members accrue vacation up to maximum of 80 hours to carryover to the next year and are eligible for severance pay after three years of employment. Terminated employees will receive 80 hours of pay. Sick leave is accrued at a rate of eight hours per month of continuous employment. At separation, any union employee who has 3 years or more of service and leaves in good standing, receives one-third of unused sick leave up to 160 hours at the rate of pay.

### L. Long-Term Obligations

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

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

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### M. Use of Estimates

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

### N. Deferred Inflows of Resources

In addition to liabilities, statements of financial position or balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds Balance Sheet. The governmental funds report unavailable revenue from three sources: property taxes, special assessments, and amounts due from other governments not collected within 60 days of year-end. These amounts are deferred and recognized as an inflow of resources in the period the amounts become available.

### O. Fund Balance Classifications

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

- **Nonspendable** – Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.
- **Restricted** – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors; or constraints imposed by state statutory provisions.
- **Committed** – Consists of internally imposed constraints that are established by resolution of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.
- **Assigned** – Consists of internally imposed constraints. These constraints consist 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, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to City Council resolution, the Finance Director is authorized to establish assignments of fund balance.
- **Unassigned** – The residual classification for the General Fund which also reflects negative residual amounts in other funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, then use unrestricted resources as they are needed. When committed, assigned, or unassigned resources are available for use, it is the City's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### P. Net Position

In the government-wide and proprietary fund financial statements, net position represents the difference between assets and liabilities. Net position is displayed in three components:

- **Net Investment in Capital Assets** – Consists of capital assets, net of accumulated depreciation, reduced by any outstanding debt attributable to acquire capital assets.
- **Restricted Net Position** – Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.
- **Unrestricted Net Position** – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

### Q. Budgets and Budgetary Accounting

The City Council adopts annual budgets for the General Fund, special revenue, most debt service and capital project, and enterprise funds. The amounts shown in the financial statements as “budget” represent the original amount and any revisions made during the year. There was one budget revision made during 2012. 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 Finance Director compiles the budget requests into an overall preliminary city budget.
2. The Finance Director presents the proposed budget to the City Council. The budget resolution adopted by the City Council sets forth the budgets at the function level for the General Fund and special revenue funds, and the budgeted debt service and capital project funds. Budgetary and actual comparisons for these funds are shown as supplementary information.
3. Formal budgetary integration is employed as a management control device during the year for the General Fund and special revenue funds, and the budgeted debt service, capital project, and enterprise funds.

The budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The detailed budget schedules provided in the supplementary section are presented on the same basis. The legal level of budgetary control is at the fund level. Annual appropriations lapse at year-end.

### R. Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City participates in the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool for its general property and casualty, workers’ compensation, and other miscellaneous insurance coverages. LMCIT operates as a common risk management and insurance program for approximately 780 cities. The City pays an annual premium to LMCIT for insurance coverage. The LMCIT agreement provides that the trust will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of certain limits for each insured event.

Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years. There were no significant reductions in the City’s coverage in 2012.

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**S. Stewardship, Compliance, and Accountability**

**1. Expenditures in Excess of Appropriations**

Expenditures exceeded appropriations in the following funds for the year ended December 31, 2012:

Nonmajor Governmental Funds	Appropriations	Expenditures	Excess
Special revenue			
Road maintenance	\$ 40,000	\$ 46,138	\$ 6,138
Debt service			
G.O. Improvement Bonds of 2010	\$ 89,356	\$ 90,166	\$ 810
Enchanted Bridge Improvement Bonds of 2003	\$ 45,683	\$ 46,043	\$ 360
G.O. Improvement Bonds of 2007	\$ 68,502	\$ 68,863	\$ 361
EDA Lease Revenue Bonds of 2009	\$ 401,342	\$ 403,598	\$ 2,256
Capital project			
Capital improvement	\$ 150,530	\$ 178,312	\$ 27,782

**2. Deficit Fund Balances**

The following funds had deficit fund balances at December 31, 2012:

Street Improvement Capital Project Fund	\$ 315,214
Highland Road Improvement Capital Project Fund	\$ 105,411

**T. Comparative Data/Reclassifications**

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

**U. Change in Accounting Principle**

During the year ended December 31, 2012, the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 63 created two new financial statement elements, *deferred outflows of resources* (a consumption of net position that is applicable to a future reporting period) and *deferred inflows of resources* (an acquisition of net position that is applicable to a future reporting period), which are distinct from assets and liabilities. It also defined *Net Position* as the residual of all other elements presented in a statement of net position (assets + deferred outflows of resources – liabilities – deferred inflows of resources = net position). GASB Statement No. 65 identified specific items previously reported as assets that will now be classified as either deferred outflows of resources or outflows (expenditures/expenses), and items previously reported as liabilities that will now be reported as either deferred inflows of resources or inflows (revenues).

## NOTE 2 – CASH AND INVESTMENTS

### A. Components of Cash and Investments

Cash and investments at year-end consist of the following:

Deposits	\$	207,370
Investments		9,892,928
Cash on hand		250
		<hr/>
	\$	10,100,548
		<hr/> <hr/>

Cash and investments are presented in the financial statements as follows:

Cash and investments – Statement of Net Position	\$	9,666,695
Cash with fiscal agent – Statement of Net Position		405,818
Cash and investments – Statement of Fiduciary Net Position		28,035
		<hr/>
Total	\$	10,100,548
		<hr/> <hr/>

### B. Deposits

In accordance with applicable Minnesota Statutes, the City maintains deposits at depository banks authorized by the City Council, including checking accounts and certificates of deposit.

The following is considered the most significant risk associated with deposits:

**Custodial Credit Risk** – In the case of deposits, this is the risk that in the event of a bank failure, the City’s deposits may be lost.

Minnesota Statutes require that all deposits be protected by federal deposit insurance, corporate surety bond, or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by federal deposit insurance or corporate surety bonds. Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated “A” or better; revenue obligations rated “AA” or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

The City has an investment policy in place to address custodial credit risk for deposits, stating all deposits and investments must be in compliance with Minnesota Statutes § 118A, with collateralization levels of 110 percent of the market value of the principal and accrued interest. When the pledged collateral consists of notes secured by first mortgages, the collateral level will be 140 percent of the market value of the principal and accrued interest.

At year-end, the carrying amount of the City’s deposits was \$207,370, while the balance on the bank records was \$250,666. At December 31, 2012, all deposits were fully covered by federal depository insurance or collateral held by the City’s agent in the City’s name.

## NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

### C. Investments

The City has the following investments at year-end:

Investment Type	Credit Risk		Interest Risk – Maturity Duration in Years			Total
	Rating	Agency	Less Than 1	1 to 5	5 to 10	
U.S. agency debt securities						
Federal Home Loan Bank	AA+	S&P	\$ –	\$ –	\$ 1,049,694	\$ 1,049,694
Federal Home Loan Mortgage Corporation	AA+	S&P	–	–	600,973	600,973
Negotiable certificates of deposit	N/R	N/A	795,077	2,906,143	453,432	4,154,652
Investment pools/mutual funds						
4M Fund	N/R	N/A	3,678,169	–	–	3,678,169
Wells Fargo Advantage Government Money Market	AA+	S&P	3,622	–	–	3,622
First American Government Obligation	AAA	S&P	405,818	–	–	405,818
Total investments			<u>\$ 4,882,686</u>	<u>\$ 2,906,143</u>	<u>\$ 2,104,099</u>	<u>\$ 9,892,928</u>

N/R – Not Rated

N/A – Not Applicable

Investments are subject to various risks, the following of which are considered the most significant:

**Custodial Credit Risk** – For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s investment policy requires all investments to be insured, registered, or held by the City or its agent in the City’s name; and specifies that no more than 50 percent of the City’s portfolio will be invested with any one broker or agency.

**Credit Risk** – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Minnesota Statutes limit the City’s investments to direct obligations or obligations guaranteed by the United States or its agencies; shares of investment companies registered under the Federal Investment Company Act of 1940 that receive the highest credit rating, are rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of 13 months or less; general obligations rated “A” or better; revenue obligations rated “AA” or better; general obligations of the Minnesota Housing Finance Agency rated “A” or better; bankers’ acceptances of United States banks eligible for purchase by the Federal Reserve System; commercial paper issued by United States corporations or their Canadian subsidiaries, rated of the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less; Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories; repurchase or reverse purchase agreements and securities lending agreements with financial institutions qualified as a “depository” by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000; that are a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York; or certain Minnesota securities broker-dealers.

## NOTE 2 – CASH AND INVESTMENTS (CONTINUED)

The City's investment policy refers to Minnesota Statute § 118A. This statute restricts the purchase of commercial paper to issues of U.S. corporations or their Canadian subsidiaries which mature in 270 days or less and have a rating of P-1 by Moody Investor Services, A1 by Standard and Poor's (S&P), or F-1 by Fitch Ratings, from at least two of the three rating agencies.

**Concentration Risk** – This is the risk associated with investing a significant portion of the City's investment (considered 5 percent or more) in the securities of a single issuer, excluding U.S. guaranteed investments (such as treasuries), investment pools, and mutual funds. The City's investment policy places a limit on the amount the City may invest in any one issuer and no more than 50 percent of the City's total investment portfolio may be invested in certificates of deposit or commercial paper. As of December 31, 2012, the City had invested 5 percent or more of its total investment portfolio in securities issued by the following federal agencies: Federal Home Loan Bank – 11 percent and Federal Home Loan Mortgage Corporation – 6 percent.

**Interest Rate Risk** – This is the risk of potential variability in the fair value of fixed rate investments resulting from changes in interest rates (the longer the period for which an interest rate is fixed, the greater the risk). The City's investment policy uses diversification of maturity dates as a means of managing its exposure to fair value by stating that not more than 30 percent of the City's investments may extend beyond a five-year maturity.

## NOTE 3 – CAPITAL ASSETS

### A. Governmental Activities

Capital asset activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets, not depreciated				
Land	\$ 3,235,661	\$ –	\$ –	\$ 3,235,661
Construction in progress	331,989	1,073,944	–	1,405,933
Total capital assets, not depreciated	3,567,650	1,073,944	–	4,641,594
Capital assets, depreciated				
Land improvements	1,633,436	–	–	1,633,436
Buildings and improvements	9,574,021	–	–	9,574,021
Infrastructure	25,089,542	–	–	25,089,542
Vehicles and equipment	4,663,563	162,144	(56,350)	4,769,357
Total capital assets, depreciated	40,960,562	162,144	(56,350)	41,066,356
Less accumulated depreciation on				
Land improvements	(627,123)	(67,561)	–	(694,684)
Buildings and improvements	(1,009,664)	(167,399)	–	(1,177,063)
Infrastructure	(13,952,220)	(853,353)	–	(14,805,573)
Vehicles and equipment	(3,046,924)	(301,535)	54,646	(3,293,813)
Total accumulated depreciation	(18,635,931)	(1,389,848)	54,646	(19,971,133)
Total capital assets, depreciated net of accumulated depreciation	22,324,631	(1,227,704)	(1,704)	21,095,223
Total capital assets, net of depreciation	\$ 25,892,281	\$ (153,760)	\$ (1,704)	\$ 25,736,817

**NOTE 3 – CAPITAL ASSETS (CONTINUED)**

**B. Business-Type Activities**

	Beginning Balance	Additions	Disposals	Ending Balance
Capital assets, depreciated				
Infrastructure	\$ 19,637,000	\$ –	\$ –	\$ 19,637,000
Machinery and equipment	609,318	–	–	609,318
Total capital assets, depreciated	<u>20,246,318</u>	<u>–</u>	<u>–</u>	<u>20,246,318</u>
Less accumulated depreciation on				
Infrastructure	(7,346,341)	(543,402)	–	(7,889,743)
Machinery and equipment	(203,926)	(37,536)	–	(241,462)
Total accumulated depreciation	<u>(7,550,267)</u>	<u>(580,938)</u>	<u>–</u>	<u>(8,131,205)</u>
Total capital assets, net of depreciation	<u>\$ 12,696,051</u>	<u>\$ (580,938)</u>	<u>\$ –</u>	<u>\$ 12,115,113</u>

**C. Depreciation Expense by Function**

Depreciation expense for the year ended December 31, 2012 was charged to the various functions/programs as follows:

Governmental activities	
General government	\$ 20,973
Public safety	248,405
Public works	1,052,909
Park and recreation	<u>67,561</u>
Total depreciation expense – governmental activities	<u>\$ 1,389,848</u>
Business-type activities	
Water	\$ 230,533
Sewer	245,552
Storm water	<u>104,853</u>
Total depreciation expense – business-type activities	<u>\$ 580,938</u>

**NOTE 4 – INTERFUND BALANCES AND TRANSACTIONS**

**A. Interfund Receivables and Payables**

Individual fund interfund receivables and payables balances at year-end were as follows:

Fund	Due To	Due From
Governmental funds		
General	\$ –	\$ 285,786
Street Improvement Capital Project	237,895	–
Highland Road Improvement Capital Project	<u>47,891</u>	<u>–</u>
	<u>\$ 285,786</u>	<u>\$ 285,786</u>

The loans above were to cover temporary negative cash positions to be repaid as funds become available.

**NOTE 4 – INTERFUND BALANCES AND TRANSACTIONS (CONTINUED)**

**B. Interfund Transfers**

The following is a summary of transfers made by the City during 2012:

Fund Type	Transfers In	Transfers Out
Governmental funds		
General	\$ 46,317	\$ –
G.O. Improvement Bonds of 2010	146,015	–
Nonmajor governmental funds	–	192,332
	<u>\$ 192,332</u>	<u>\$ 192,332</u>

These funds were transferred to close two nonmajor governmental funds.

**NOTE 5 – LONG-TERM DEBT**

**A. Components of Long-Term Debt**

The City had the following long-term liabilities outstanding at December 31, 2012:

Description	Issue Date	Original Issue	Maturity	Interest Rates	Outstanding at Year-End
Long-term liabilities					
Governmental activities					
General obligation (G.O.) bonds					
G.O. Improvement Bonds of 2003	05/01/2003	\$ 495,000	12/31/2018	1.50–4.50%	\$ 220,000
G.O. Improvement Bonds of 2007	10/01/2007	\$ 890,000	12/01/2027	3.75–4.50%	755,000
G.O. Improvement Bonds of 2010	09/16/2010	\$ 3,270,000	02/01/2031	2.00–3.50%	3,270,000
G.O. Improvement Bonds of 2012	04/26/2012	\$ 770,000	02/01/2027	0.50–2.80%	770,000
EDA Lease Revenue Bonds of 2009	06/09/2009	\$ 5,520,000	02/01/2031	3.00–4.75%	5,155,000
Total debt					<u>10,170,000</u>
Compensated absences					196,948
OPEB (Note 8)					205,398
Total governmental activities					<u>10,572,346</u>
Business-type activities					
G.O. Water Revenue Refunding Bonds of 2005	10/01/2005	\$ 1,070,000	12/01/2019	3.30–3.95%	730,000
G.O. Sewer Revenue Bonds of 2012	04/26/2012	\$ 780,000	02/01/2027	0.50–2.80%	780,000
PFA Drinking Water Revolving Loan	Various	\$ 719,813	08/20/2024	1.189%	580,364
Compensated absences					10,853
OPEB (Note 8)					22,351
Total business-type activities					<u>2,123,568</u>
Total all long-term liabilities					<u>\$12,695,914</u>

## NOTE 5 – LONG-TERM DEBT (CONTINUED)

The City issues general obligation bonds to provide for financing street improvements, major capital equipment purchases, and utility improvements. Debt service is funded through property taxes, special assessments, and utility charges. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

Debt service funds will be used to pay general government principal and interest liabilities. The Water and Sewer Enterprise Funds will pay principal and interest on the water and sewer revenue bonds, respectively. The Water Improvement Capital Project Fund will pay principal and interest on the PFA Drinking Water Revolving Loan. The General Fund, Water Enterprise Fund, and Sewer Enterprise Fund will pay for the corresponding compensated absence and OPEB liabilities.

### B. Changes in Long-Term Debt

	December 31, 2011	Additions	Retirements	December 31, 2012	Due Within One Year
<b>Governmental activities</b>					
Special assessment bonds	\$ 4,315,000	\$ 770,000	\$ 70,000	\$ 5,015,000	\$ 265,000
Lease revenue bonds	5,340,000	–	185,000	5,155,000	190,000
Compensated absences	183,876	178,857	165,785	196,948	120,000
OPEB	164,742	41,252	596	205,398	–
<b>Total governmental activities</b>	<b>\$ 10,003,618</b>	<b>\$ 990,109</b>	<b>\$ 421,381</b>	<b>\$ 10,572,346</b>	<b>\$ 575,000</b>
<b>Business-type activities</b>					
Revenue bonds	\$ 820,000	\$ 780,000	\$ 90,000	\$ 1,510,000	\$ 145,000
PFA Drinking Water Revolving Loan	625,791	–	45,427	580,364	45,000
Compensated absences	11,880	7,973	9,000	10,853	8,300
OPEB	17,328	5,097	74	22,351	–
<b>Total business-type activities</b>	<b>\$ 1,474,999</b>	<b>\$ 793,070</b>	<b>\$ 144,501</b>	<b>\$ 2,123,568</b>	<b>\$ 198,300</b>

### C. Descriptions of Debt

- **Special Assessment Bonds** – These bonds were issued to finance various improvements and are payable primarily from special assessments levied on the properties benefiting from the improvements funded by these issues. Any deficiencies in revenue to fund these issues will be provided from general property taxes.
- **EDA Lease Revenue Bonds** – These bonds were issued to finance the construction of the municipal campus expansion in 2009.
- **Enterprise Revenue Bonds** – These bonds were issued for improvements or projects that directly benefit the respective enterprise funds. This debt issue will be repaid from revenue sources of the benefiting enterprise funds.
- **PFA Drinking Water Revolving Loan** – The City entered into a \$719,813 Drinking Water Revolving Loan on 2009 through the Minnesota PFA. The total amount drawn on this loan was \$692,604.

**NOTE 5 – LONG-TERM DEBT (CONTINUED)**

**D. Minimum Debt Payments**

Minimum annual principal and interest payments to retire long-term bonded debt are as follows:

Year Ending December 31,	Governmental Activities			
	Special Assessment Bonds		EDA Lease Revenue Bonds	
	Principal	Interest	Principal	Interest
2013	\$ 265,000	\$ 145,779	\$ 190,000	\$ 208,718
2014	260,000	136,316	195,000	202,943
2015	270,000	130,144	205,000	196,943
2016	275,000	123,774	210,000	190,718
2017	285,000	116,951	215,000	183,268
2018–2022	1,345,000	474,918	1,220,000	776,438
2023–2027	1,475,000	272,615	1,485,000	499,916
2028–2031	840,000	59,391	1,435,000	139,166
	<u>\$ 5,015,000</u>	<u>\$ 1,459,888</u>	<u>\$ 5,155,000</u>	<u>\$ 2,398,110</u>

Year Ending December 31,	Business-Type Activities			
	Revenue Bonds Payable		PFA Drinking Water Revolving Loan	
	Principal	Interest	Principal	Interest
2013	\$ 145,000	\$ 44,566	\$ 45,000	\$ 6,901
2014	140,000	37,445	46,000	6,365
2015	155,000	33,530	46,000	5,819
2016	155,000	29,313	47,000	5,272
2017	160,000	24,718	48,000	4,713
2018–2022	475,000	60,130	246,000	14,920
2023–2027	280,000	18,642	102,364	1,827
	<u>\$ 1,510,000</u>	<u>\$ 248,344</u>	<u>\$ 580,364</u>	<u>\$ 45,817</u>

**E. Revenue Pledged**

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

Bond Issue	Use of Proceeds	Type	Revenue Pledged		Remaining Principal and Interest	Current Year	
			Percent of Total Debt Service	Term of Pledge		Principal and Interest Paid	Pledged Revenue Received
G.O. Water Revenue Refunding Bonds of 2005	Water capital projects and infrastructure	Utility charges	100%	2013–2019	\$ 847,738	\$ 121,343	\$ 609,554
G.O. Sewer Revenue Bonds of 2012	Sewer capital projects and infrastructure	Utility charges	100%	2013–2027	\$ 910,606	\$ –	\$ 629,548
PFA Drinking Water Revolving Loan	Water capital projects and infrastructure	Utility charges	100%	2013–2024	\$ 626,181	\$ 52,852	\$ 609,554

**NOTE 6 – FUND BALANCES**

At December 31, 2012, a summary of the City’s governmental fund balance classifications are as follows:

	General Fund	G.O. Improvement Bonds of 2010	G.O. Improvement Bonds of 2012	Street Improvement	Highland Road Improvement	Nonmajor	Total
<b>Restricted</b>							
Park development	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 585,039	\$ 585,039
Debt service	-	599,189	42,159	-	-	932,004	1,573,352
Total restricted	-	599,189	42,159	-	-	1,517,043	2,158,391
<b>Committed</b>							
Emergency warning siren	-	-	-	-	-	129,588	129,588
Road maintenance	-	-	-	-	-	54,635	54,635
Total committed	-	-	-	-	-	184,223	184,223
<b>Assigned</b>							
Subsequent year budget	120,243	-	-	-	-	-	120,243
Emergency warning siren	-	-	-	-	-	25,952	25,952
Park development	-	-	-	-	-	211,367	211,367
Road maintenance	-	-	-	-	-	28,672	28,672
CIP plan improvements	-	-	-	-	-	324,430	324,430
Other capital projects	-	-	-	-	-	1,668,076	1,668,076
Total assigned	120,243	-	-	-	-	2,258,497	2,378,740
<b>Unassigned</b>							
General Fund	2,550,994	-	-	-	-	-	2,550,994
Capital project fund deficits	-	-	-	(315,214)	(105,411)	-	(420,625)
Total unassigned	2,550,994	-	-	(315,214)	(105,411)	-	2,130,369
<b>Total</b>	<b>\$ 2,671,237</b>	<b>\$ 599,189</b>	<b>\$ 42,159</b>	<b>\$ (315,214)</b>	<b>\$ (105,411)</b>	<b>\$ 3,959,763</b>	<b>\$ 6,851,723</b>

The City Council has adopted a policy that states the City will strive to maintain an unrestricted General Fund balance at each fiscal year-end equivalent to 50 percent of the total annual budgeted expenditures for the following year. The General Fund balance at December 31, 2012 is equivalent to 66 percent of 2013 General Fund budgeted expenditures.

## **NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE**

### **A. Plan Description**

All full-time and certain part-time employees of the City are covered by defined benefit plans administered by the Public Employees' Retirement Association (PERA) of Minnesota. PERA administers the General Employees' Retirement Fund (GERF) and the Public Employees Police and Fire Fund (PEPFF), which are cost-sharing, multiple-employer retirement plans. These plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356.

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. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by state statutes, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of a step-rate benefit accrual formula (Method 1) or a level accrual formula (Method 2). Under Method 1, the annuity accrual rate for a Basic Plan member is 2.2 percent of average salary for each of the first 10 years of service and 2.7 percent for each remaining year. The annuity accrual rate for a Coordinated Plan member is 1.2 percent of average salary for each of the first 10 years of service and 1.7 percent for each remaining year. Under Method 2, the annuity accrual rate is 2.7 percent of average salary for Basic Plan members and 1.7 percent for Coordinated Plan members for each year of service. For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service. For all PEPFF members and for GERF members hired prior to July 1, 1989 whose annuity is calculated using Method 1, a full annuity is available when age plus years of service equal 90. Normal retirement age is 55 for PEPFF members, and 65 for Basic and Coordinated Plan members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated Plan members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

There are different types of annuities available to members upon retirement. A single-life annuity is a lifetime annuity that ceases upon the death of the retiree—no survivor annuity is payable. There are also various types of joint and survivor annuity options available which will be payable over joint lives. Members may also leave their contributions in the fund upon termination of public service in order to qualify for a deferred annuity at retirement age. Refunds of contributions are available at any time to members who leave public service, but before retirement benefits begin.

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF and PEPFF. That report may be obtained at [mnpera.org](http://mnpera.org); by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088; or by calling (651) 296-7460 or (800) 652-9026.

**NOTE 7 – DEFINED BENEFIT PENSION PLANS – STATE-WIDE (CONTINUED)**

**B. Funding Policy**

Minnesota Statutes, Chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State Legislature. The City makes annual contributions to the pension plans equal to the amount required by state statutes. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.25 percent, respectively, of their annual covered salary in 2012. PEPFF members were required to contribute 9.6 percent of their annual covered salary in 2012. In 2012, the City was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERF members, 7.25 percent for Coordinated Plan GERF members, and 14.4 percent for PEPFF members. The City’s contributions for the past three years ending December 31, which were equal to the contractually required contributions for each year as set by state statutes, were as follows:

	<u>GERF</u>	<u>PEPFF</u>
2012	\$ 68,001	\$ 114,985
2011	\$ 80,648	\$ 120,865
2010	\$ 79,698	\$ 126,780

**C. Defined Contribution Pension Plan – PERA**

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

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

Total contributions made by the City during fiscal year 2012 were:

<u>Contribution Amount</u>		<u>Percentage of Covered Payroll</u>		<u>Required</u>
<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	<u>Rates</u>
<u>\$ 6,546</u>	<u>\$ 6,546</u>	<u>5.0%</u>	<u>5.0%</u>	<u>5.0%</u>

## NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS PLAN

### A. Plan Description

The City administers a single-employer defined benefit healthcare plan (the Retiree Health Plan). The plan provides healthcare insurance for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members. The benefit levels, employee contributions, and employer contributions are governed by the City and can be amended by the City through the City's collective bargaining agreements with employee groups. The Retiree Health Plan does not issue a publicly available financial report. The benefits provided are as follows:

**Post-Employment Insurance Benefits** – All retirees of the City have the option under state law to continue their medical insurance coverage through the City from the time of retirement until the employee reaches the age of eligibility for Medicare. For members of all employee groups, the retiree must pay the full premium to continue coverage for medical insurance.

The City is legally required to include any retirees for whom it provides health insurance coverage in the same insurance pool as its active employees, whether the premiums are paid by the City or the retiree. Consequently, participating retirees are considered to receive a secondary benefit known as an "implicit rate subsidy." This benefit relates to the assumption that the retiree is receiving a more favorable premium rate than they would otherwise be able to obtain if purchasing insurance on their own, due to being included in the same pool with the City's younger and statistically healthier active employees.

### B. Funding Policy

Contribution requirements are also set by the City Council annually on a pay-as-you-go basis. The City contributes none of the cost of current year premiums for eligible retired plan members and their spouses except for the implicit rate subsidy described above. For fiscal year 2012, the City contributed \$670 to the plan. Plan members receiving benefits contribute 100 percent of their premium costs. As of December 31, 2012, there were no retirees receiving health benefits from the City's health plan.

### C. Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost (expense) is calculated based on the annual required contributions (ARC) of the employer. The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than 100 total plan members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation to the Retiree Health Plan:

ARC	\$	45,183
Interest on net OPEB obligation		8,193
Adjustment to ARC		(7,027)
Annual OPEB cost (expense)		<u>46,349</u>
Contributions made		<u>(670)</u>
Increase in net OPEB obligation		45,679
Net OPEB obligation – beginning of year		<u>182,070</u>
Net OPEB obligation – end of year	\$	<u><u>227,749</u></u>

## NOTE 8 – OTHER POST-EMPLOYMENT BENEFITS PLAN (CONTINUED)

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the past three years are as follows:

<u>Fiscal Year Ended December 31,</u>	<u>Annual OPEB Cost</u>	<u>Employer Contribution</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 46,349	\$ 670	1.4 %	\$ 227,749
2011	\$ 44,088	\$ 2,376	5.4 %	\$ 182,070
2010	\$ 43,945	\$ 572	1.3 %	\$ 140,358

### D. Funded Status and Funding Progress

As of January 1, 2012, the most recent valuation date, the actuarial accrued liability for benefits was \$275,566, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,785,728 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 15.4 percent.

The projection of future benefit payments for an ongoing plan involves 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 the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARC 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 basic financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

### 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 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.

At the January 1, 2012 actuarial valuation date, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 4.5 percent discount rate, which is based on the investment yield expected to finance benefits; an annual payroll growth rate of 3.75 percent; and an annual healthcare cost trend rate was calculated to be 9 percent initially, reduced incrementally to an ultimate rate of 5 percent after 10 years. All rates included a 3 percent inflation assumption. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at January 1, 2012 was 30 years.

## NOTE 9 – COMMITMENTS

### A. Public Safety Contract

The City has a contract to provide public safety services to the City of St. Bonifacius, Minnesota. The annual service fee will be determined based on a percentage of the City's annual police department budget. The percentage of the annual budget to be paid by the City of St. Bonifacius will be based on the respective populations and tax capacities of the two cities. During 2012, the City received \$207,823 from the City of St. Bonifacius for public safety services.

### B. Fire Protection Service Contract

The City has contracted with the cities of St. Bonifacius and Mound, Minnesota, to provide fire protection services for portions of the City. The annual fee will be determined based on a formula that includes the level of services provided and the market values of the fire service area covered by the contract. The City paid \$376,972 for fire protection services in 2012.

### C. Public Safety Building

The City of Mound issued general obligation bonds to finance the construction of a public safety building, a portion of which is used for the Mound Police Department and the other portion used by the area fire service, which consists of five area cities, including the City. As part of its annual fee for fire protection services, the City has agreed to contribute its proportionate share of the area fire service's debt service obligation on the City of Mound's general obligation bonds. The City's payments of \$67,943 for 2012 are included in debt service principal (\$42,572) and interest (\$25,191) in the governmental fund financial statements. Future payments are contingent upon the City continuing participation in the area fire service.

### D. Construction Commitment

The City entered into contracts for construction as follows:

<u>Project</u>	<u>Project Authorization</u>	<u>Expended Through 12/31/2012</u>	<u>Commitment</u>
Highland Road improvements	<u>\$ 1,520,309</u>	<u>\$ 1,281,636</u>	<u>\$ 238,673</u>

### E. Legal Claims

The City has the usual and customary type of miscellaneous legal claims pending at year-end. Although the outcome of these lawsuits is not presently determinable, the City's management believes that the City will not incur any material monetary loss resulting from these claims. No loss has been recorded on the City's financial statements relating to these claims.

### F. Federal and State Receivables

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

**REQUIRED SUPPLEMENTARY INFORMATION**

CITY OF MINNETRISTA

REQUIRED SUPPLEMENTARY INFORMATION

Other Post-Employment Benefits Plan  
Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded Liability as a Percentage of Payroll ((b-a)/c)
January 1, 2012	\$ -	\$ 275,566	\$ 275,566	- %	\$ 1,785,728	15.4 %
January 1, 2010	-	222,602	222,602	- %	1,998,138	11.1 %
January 1, 2008	-	222,612	222,612	- %	1,786,878	12.5 %

SUPPLEMENTAL INFORMATION

CITY OF MINNETRISTA

Combining Balance Sheet  
Nonmajor Governmental Funds

	Special Revenue Funds			Debt Service Funds				Capital Project Funds				Total	
	Emergency Warning Siren (402)	Park Development (404)	Road Maintenance (406)	G.O. Equipment Certificates (501)	Mound Fire Improvement Bonds of 2003 (514)	Enchanted Bridge Improvement Bonds of 2003 (525)	G.O. Improvement Bonds of 2007 (526)	EDA Lease Revenue Bonds of 2009 (527)	Capital Improvement (401)	Water Improvement (491)	Sewer Improvement (492)		Game Farm Road/South Bay Drive Improvement (495)
<b>Assets</b>													
Cash and investments	\$ 155,150	\$ 794,406	\$ 86,958	\$ -	\$ 1,618	\$ 114,474	\$ 146,736	\$ 258,413	\$ 336,576	\$ 1,038,726	\$ 628,641	\$ -	\$ 3,561,698
Cash with fiscal agent	-	-	-	-	-	-	-	405,818	-	-	-	-	405,818
Interest receivable	390	2,000	219	-	-	292	369	651	847	2,611	3,544	-	10,923
Special assessments receivable	-	-	-	-	-	-	-	-	-	-	-	-	-
Delinquent	-	-	-	-	-	21	-	-	-	-	-	-	21
Deferred	-	-	-	-	-	24,895	277,963	-	-	27,554	8,089	-	338,501
Due from other governments	-	-	-	-	492	250	150	2,741	-	-	-	-	3,633
<b>Total assets</b>	<b>\$ 155,540</b>	<b>\$ 796,406</b>	<b>\$ 87,177</b>	<b>\$ -</b>	<b>\$ 2,110</b>	<b>\$ 139,932</b>	<b>\$ 425,218</b>	<b>\$ 667,623</b>	<b>\$ 337,423</b>	<b>\$ 1,068,891</b>	<b>\$ 640,274</b>	<b>\$ -</b>	<b>\$ 4,320,594</b>
<b>Liabilities</b>													
Accounts payable	\$ -	\$ -	3,870	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,993	\$ -	\$ 5,446	\$ -	\$ 22,309
Deferred inflows of resources													
Unavailable revenue – special assessment	-	-	-	-	-	24,916	277,963	-	-	27,554	8,089	-	338,522
<b>Fund balances</b>													
Restricted	-	585,039	-	-	2,110	115,016	147,255	667,623	-	-	-	-	1,517,043
Committed	129,588	-	54,635	-	-	-	-	-	-	-	-	-	184,223
Assigned	25,952	211,367	28,672	-	-	-	-	-	324,430	1,041,337	626,739	-	2,258,497
<b>Total fund balances</b>	<b>155,540</b>	<b>796,406</b>	<b>83,307</b>	<b>-</b>	<b>2,110</b>	<b>115,016</b>	<b>147,255</b>	<b>667,623</b>	<b>324,430</b>	<b>1,041,337</b>	<b>626,739</b>	<b>-</b>	<b>3,959,763</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 155,540</b>	<b>\$ 796,406</b>	<b>\$ 87,177</b>	<b>\$ -</b>	<b>\$ 2,110</b>	<b>\$ 139,932</b>	<b>\$ 425,218</b>	<b>\$ 667,623</b>	<b>\$ 337,423</b>	<b>\$ 1,068,891</b>	<b>\$ 640,274</b>	<b>\$ -</b>	<b>\$ 4,320,594</b>

CITY OF MINNETRISTA

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 Year Ended December 31, 2012

	Special Revenue Funds			Debt Service Funds				Capital Project Funds				Total	
	Emergency Warning Siren (402)	Park Development (404)	Road Maintenance (406)	G.O. Equipment Certificates (501)	Mound Fire Improvement Bonds of 2003 (514)	Enchanted Bridge Improvement Bonds of 2003 (525)	G.O. Improvement Bonds of 2007 (526)	EDA Lease Revenue Bonds of 2009 (527)	Capital Improvement (401)	Water Improvement (491)	Sewer Improvement (492)		Game Farm Road/ South Bay Drive Improvement (495)
Revenue													
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 70,926	\$ 35,575	\$ 21,672	\$ 395,479	\$ -	\$ -	\$ -	\$ -	\$ 523,652
Special assessments	-	-	-	-	-	5,946	35,294	-	-	3,286	-	-	44,526
Intergovernmental revenue	-	-	74,323	-	-	-	-	-	-	-	-	-	74,323
Charges for services	-	-	-	-	-	-	-	-	-	64,800	38,500	-	103,300
Miscellaneous													
Investment income	2,190	10,871	1,350	460	-	1,710	2,143	303	5,890	14,424	18,055	2,122	59,518
Other	-	38,894	12,550	-	-	-	-	19,664	-	-	-	-	71,108
Total revenue	2,190	49,765	88,223	460	70,926	43,231	59,109	415,446	5,890	82,510	56,555	2,122	876,427
Expenditures													
Debt service													
Principal	-	-	-	-	42,752	35,000	35,000	185,000	-	45,427	-	-	343,179
Interest and other charges	-	-	-	-	25,191	11,043	33,863	218,598	-	7,425	-	-	296,120
Capital outlay													
Public safety	-	-	-	-	-	-	-	-	121,510	-	-	-	121,510
Public works	-	-	46,138	-	-	-	-	-	56,802	-	36,386	67,862	207,188
Park and recreation	-	9,269	-	-	-	-	-	-	-	-	-	-	9,269
Total expenditures	-	9,269	46,138	-	67,943	46,043	68,863	403,598	178,312	52,852	36,386	67,862	977,266
Excess (deficiency) of revenue over expenditures	2,190	40,496	42,085	460	2,983	(2,812)	(9,754)	11,848	(172,422)	29,658	20,169	(65,740)	(100,839)
Other financing sources (uses)													
Sale of capital assets	-	-	-	-	-	-	-	-	11,547	-	-	-	11,547
Transfers (out)	-	-	-	(46,317)	-	-	-	-	-	-	-	(146,015)	(192,332)
Total other financing sources (uses)	-	-	-	(46,317)	-	-	-	-	11,547	-	-	(146,015)	(180,785)
Net change in fund balances	2,190	40,496	42,085	(45,857)	2,983	(2,812)	(9,754)	11,848	(160,875)	29,658	20,169	(211,755)	(281,624)
Fund balances													
Beginning of year	153,350	755,910	41,222	45,857	(873)	117,828	157,009	655,775	485,305	1,011,679	606,570	211,755	4,241,387
End of year	\$ 155,540	\$ 796,406	\$ 83,307	\$ -	\$ 2,110	\$ 115,016	\$ 147,255	\$ 667,623	\$ 324,430	\$ 1,041,337	\$ 626,739	\$ -	\$ 3,959,763

CITY OF MINNETRISTA

General Fund  
 Schedule of Revenue, Expenditures, and  
 Changes in Fund Balances – Budget and Actual  
 Year Ended December 31, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenues</b>			
Property taxes	\$ 3,224,000	\$ 3,262,084	\$ 38,084
Special assessments	3,000	51	(2,949)
Licenses and permits	253,500	274,871	21,371
<b>Intergovernmental</b>			
Federal grants and aids	16,000	13,510	(2,490)
State grants and aids			
Market value credit	–	5,021	5,021
PERA aid	2,800	2,852	52
Police aid	80,000	73,355	(6,645)
Other grants and aids	26,000	23,677	(2,323)
Total intergovernmental	<u>124,800</u>	<u>118,415</u>	<u>(6,385)</u>
<b>Charges for services</b>			
General government	14,400	22,593	8,193
Public safety	237,991	236,475	(1,516)
Public works	20,000	8,488	(11,512)
Total charges for services	<u>272,391</u>	<u>267,556</u>	<u>(4,835)</u>
Fines and forfeitures	67,000	69,141	2,141
<b>Miscellaneous revenue</b>			
Investment income	15,000	25,955	10,955
Refunds and reimbursements	304,500	316,214	11,714
Other	164,000	198,549	34,549
Total miscellaneous revenue	<u>483,500</u>	<u>540,718</u>	<u>57,218</u>
Total revenues	4,428,191	4,532,836	104,645
<b>Expenditures</b>			
<b>Current</b>			
<b>General government</b>			
<b>Mayor and City Council</b>			
Salaries and benefits	23,683	23,899	216
Supplies and maintenance	200	187	(13)
Other	20,000	12,315	(7,685)
Total Mayor and City Council	<u>43,883</u>	<u>36,401</u>	<u>(7,482)</u>

(continued)

CITY OF MINNETRISTA

General Fund  
 Schedule of Revenue, Expenditures, and  
 Changes in Fund Balances – Budget and Actual (continued)  
 Year Ended December 31, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures (continued)			
Current (continued)			
General government (continued)			
Planning and zoning			
Salaries and benefits	163,075	126,350	(36,725)
Supplies and maintenance	7,550	8,666	1,116
Contracted services	4,000	2,200	(1,800)
Other	1,000	14	(986)
Total planning and zoning	<u>175,625</u>	<u>137,230</u>	<u>(38,395)</u>
Administration and finance			
Salaries and benefits	496,629	509,993	13,364
Materials and supplies	22,000	16,173	(5,827)
Other	55,500	54,339	(1,161)
Total administration and finance	<u>574,129</u>	<u>580,505</u>	<u>6,376</u>
Assessor			
Contracted services	90,000	92,064	2,064
Auditor			
Contracted services	21,500	21,500	-
Legal			
Contracted services	103,000	142,921	39,921
Elections			
Salaries and benefits	12,000	15,159	3,159
Supplies and maintenance	4,000	1,618	(2,382)
Other	1,000	6,554	5,554
Total elections	<u>17,000</u>	<u>23,331</u>	<u>6,331</u>
General government building			
Salaries and benefits	13,277	1,800	(11,477)
Supplies and maintenance	10,300	8,714	(1,586)
Contracted services	12,500	16,248	3,748
Other	26,500	27,336	836
Capital outlay	4,000	-	(4,000)
Total general government building	<u>66,577</u>	<u>54,098</u>	<u>(12,479)</u>
Total general government	1,091,714	1,088,050	(3,664)

(continued)

CITY OF MINNETRISTA

General Fund  
 Schedule of Revenue, Expenditures, and  
 Changes in Fund Balances – Budget and Actual (continued)  
 Year Ended December 31, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures (continued)			
Current (continued)			
Public safety			
Police protection			
Salaries and benefits	1,345,237	1,339,675	(5,562)
Supplies and maintenance	114,500	87,537	(26,963)
Contracted services	5,000	2,447	(2,553)
Other	198,300	159,968	(38,332)
Total police protection	<u>1,663,037</u>	<u>1,589,627</u>	<u>(73,410)</u>
Fire protection			
Contracted services	381,600	376,971	(4,629)
Engineering			
Contracted services	42,500	40,106	(2,394)
Building inspection			
Contracted services	60,000	75,662	15,662
Other	200	107	(93)
Total building inspection	<u>60,200</u>	<u>75,769</u>	<u>15,569</u>
Total public safety	2,147,337	2,082,473	(64,864)
Public works			
Streets and highways			
Salaries and benefits	397,518	288,225	(109,293)
Supplies and maintenance	310,000	275,255	(34,745)
Contracted services	20,000	18,589	(1,411)
Other	58,500	58,712	212
Total streets and highways	<u>786,018</u>	<u>640,781</u>	<u>(145,237)</u>
Snow and ice removal			
Salaries and benefits	92,616	38,688	(53,928)
Supplies and maintenance	57,000	40,696	(16,304)
Other	300	222	(78)
Total snow and ice removal	<u>150,016</u>	<u>79,606</u>	<u>(70,410)</u>
Street lighting			
Other	18,000	17,689	(311)
Total public works	954,034	738,076	(215,958)

(continued)

CITY OF MINNETRISTA

General Fund  
 Schedule of Revenue, Expenditures, and  
 Changes in Fund Balances – Budget and Actual (continued)  
 Year Ended December 31, 2012

	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures (continued)			
Current (continued)			
Parks and recreation			
Salaries and benefits	37,028	25,755	(11,273)
Supplies and maintenance	11,300	7,329	(3,971)
Contracted services	63,500	66,221	2,721
Other	13,700	15,618	1,918
Total parks and recreation	<u>125,528</u>	<u>114,923</u>	<u>(10,605)</u>
Miscellaneous			
Unallocated	<u>321,500</u>	<u>288,780</u>	<u>(32,720)</u>
Total expenditures	<u>4,640,113</u>	<u>4,312,302</u>	<u>(327,811)</u>
Excess (deficiency) of revenues over expenditures	(211,922)	220,534	432,456
Other financing sources			
Sale of capital assets	5,000	3,000	(2,000)
Transfers in	–	46,317	46,317
Total other financing sources	<u>5,000</u>	<u>49,317</u>	<u>44,317</u>
Net change in fund balances	<u>\$ (206,922)</u>	269,851	<u>\$ 476,773</u>
Fund balances			
Beginning of year		<u>2,401,386</u>	
End of year		<u>\$ 2,671,237</u>	

CITY OF MINNETRISTA

Emergency Warning Siren Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 Year Ended December 31, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue			
Miscellaneous revenues			
Investment income	\$ 2,000	\$ 2,190	\$ 190
Contributions and donations	<u>2,000</u>	<u>—</u>	<u>(2,000)</u>
Total revenue	4,000	2,190	(1,810)
Expenditures			
Current			
Public safety	<u>2,000</u>	<u>—</u>	<u>(2,000)</u>
Net change in fund balances	<u>\$ 2,000</u>	2,190	<u>\$ 190</u>
Fund balance			
Beginning of year		<u>153,350</u>	
End of year		<u>\$ 155,540</u>	

CITY OF MINNETRISTA

Park Development Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 Year Ended December 31, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenue</b>			
Miscellaneous revenues			
Investment income	\$ 10,000	\$ 10,871	\$ 871
Contributions and donations	-	38,894	38,894
<b>Total revenue</b>	<u>10,000</u>	<u>49,765</u>	<u>39,765</u>
<b>Expenditures</b>			
Capital outlay			
Parks and recreation	<u>553,075</u>	<u>9,269</u>	<u>(543,806)</u>
<b>Net change in fund balances</b>	<u>\$ (543,075)</u>	40,496	<u>\$ 583,571</u>
<b>Fund balance</b>			
Beginning of year		<u>755,910</u>	
End of year		<u>\$ 796,406</u>	

CITY OF MINNETRISTA

Road Maintenance Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 Year Ended December 31, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue			
Intergovernmental revenue	\$ 80,000	\$ 74,323	\$ (5,677)
Miscellaneous revenues			
Investment income	1,000	1,350	350
Contributions and donations	-	12,550	12,550
Total revenue	<u>81,000</u>	<u>88,223</u>	<u>7,223</u>
Expenditures			
Capital outlay			
Public works	<u>40,000</u>	<u>46,138</u>	<u>6,138</u>
Net change in fund balances	<u>\$ 41,000</u>	<u>42,085</u>	<u>\$ 1,085</u>
Fund balance			
Beginning of year		<u>41,222</u>	
End of year		<u>\$ 83,307</u>	

CITY OF MINNETRISTA

G.O. Improvement Bonds of 2010 Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 Year Ended December 31, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenue</b>			
Property taxes	\$ 122,609	\$ 120,781	\$ (1,828)
Special assessments	100,000	130,688	30,688
Miscellaneous revenues			
Investment income	2,500	4,720	2,220
Refunds and reimbursements	—	12,316	12,316
Total revenue	<u>225,109</u>	<u>268,505</u>	<u>43,396</u>
<b>Expenditures</b>			
Debt service			
Interest and other charges	<u>89,356</u>	<u>90,166</u>	<u>810</u>
Excess of revenues over expenditures	135,753	178,339	42,586
<b>Other financing sources</b>			
Transfers in	<u>—</u>	<u>146,015</u>	<u>146,015</u>
Net change in fund balances	<u>\$ 135,753</u>	<u>324,354</u>	<u>\$ 188,601</u>
<b>Fund balance</b>			
Beginning of year		<u>274,835</u>	
End of year		<u>\$ 599,189</u>	

CITY OF MINNETRISTA

Mound Fire Improvement Bonds of 2003 Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 Year Ended December 31, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue			
Property taxes	\$ 72,000	\$ 70,926	\$ (1,074)
Expenditures			
Debt service			
Principal	41,335	42,752	1,417
Interest and other charges	30,665	25,191	(5,474)
Total expenditures	<u>72,000</u>	<u>67,943</u>	<u>(4,057)</u>
Net change in fund balances	<u>\$ -</u>	2,983	<u>\$ 2,983</u>
Fund balance			
Beginning of year		<u>(873)</u>	
End of year		<u>\$ 2,110</u>	

CITY OF MINNETRISTA

Enchanted Bridge Improvement Bonds of 2003 Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 Year Ended December 31, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue			
Property taxes	\$ 36,600	\$ 35,575	\$ (1,025)
Special assessments	8,000	5,946	(2,054)
Miscellaneous revenues			
Investment income	1,500	1,710	210
Total revenue	<u>46,100</u>	<u>43,231</u>	<u>(2,869)</u>
Expenditures			
Debt service			
Principal	35,000	35,000	-
Interest and other charges	10,683	11,043	360
Total expenditures	<u>45,683</u>	<u>46,043</u>	<u>360</u>
Net change in fund balances	<u>\$ 417</u>	<u>(2,812)</u>	<u>\$ (3,229)</u>
Fund balance			
Beginning of year		<u>117,828</u>	
End of year		<u>\$ 115,016</u>	

CITY OF MINNETRISTA

G.O. Improvement Bonds of 2007 Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 Year Ended December 31, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenue</b>			
Property taxes	\$ 22,000	\$ 21,672	\$ (328)
Special assessments	10,000	35,294	25,294
Miscellaneous revenues			
Investment income	2,000	2,143	143
Total revenue	<u>34,000</u>	<u>59,109</u>	<u>25,109</u>
<b>Expenditures</b>			
Debt service			
Principal	35,000	35,000	-
Interest and other charges	33,502	33,863	361
Total expenditures	<u>68,502</u>	<u>68,863</u>	<u>361</u>
Net change in fund balances	<u>\$ (34,502)</u>	(9,754)	<u>\$ 24,748</u>
<b>Fund balance</b>			
Beginning of year		<u>157,009</u>	
End of year		<u>\$ 147,255</u>	

CITY OF MINNETRISTA

EDA Lease Revenue Bonds of 2009 Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 Year Ended December 31, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue			
Property taxes	\$ 401,466	\$ 395,479	\$ (5,987)
Miscellaneous revenues			
Investment income	1,000	303	(697)
Other	19,665	19,664	(1)
Total revenue	<u>422,131</u>	<u>415,446</u>	<u>(6,685)</u>
Expenditures			
Debt service			
Principal	185,000	185,000	-
Interest and other charges	216,342	218,598	2,256
Total expenditures	<u>401,342</u>	<u>403,598</u>	<u>2,256</u>
Net change in fund balances	<u>\$ 20,789</u>	11,848	<u>\$ (8,941)</u>
Fund balance			
Beginning of year		<u>655,775</u>	
End of year		<u>\$ 667,623</u>	

CITY OF MINNETRISTA

Capital Improvement Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 Year Ended December 31, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue			
Miscellaneous revenues			
Investment income	\$ 5,000	\$ 5,890	\$ 890
Expenditures			
Capital outlay			
Public safety	108,250	121,510	13,260
Public works	42,280	56,802	14,522
Total expenditures	<u>150,530</u>	<u>178,312</u>	<u>27,782</u>
Excess (deficiency) of revenues over expenditures	(145,530)	(172,422)	(26,892)
Other financing sources			
Sale of capital assets	<u>—</u>	<u>11,547</u>	<u>11,547</u>
Net change in fund balances	<u>\$ (145,530)</u>	<u>(160,875)</u>	<u>\$ (15,345)</u>
Fund balance			
Beginning of year		<u>485,305</u>	
End of year		<u>\$ 324,430</u>	

CITY OF MINNETRISTA

Water Improvement Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 Year Ended December 31, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenue</b>			
Special assessments	\$ 3,500	\$ 3,286	\$ (214)
Charges for services	47,000	64,800	17,800
Miscellaneous			
Investment income	13,000	14,424	1,424
Total revenue	<u>63,500</u>	<u>82,510</u>	<u>19,010</u>
<b>Expenditures</b>			
Debt service			
Principal	47,000	45,427	(1,573)
Interest and other charges	-	7,425	7,425
Capital outlay			
Public works	50,000	-	(50,000)
Total expenditures	<u>97,000</u>	<u>52,852</u>	<u>(44,148)</u>
Net change in fund balances	<u>\$ (33,500)</u>	29,658	<u>\$ 63,158</u>
<b>Fund balance</b>			
Beginning of year		<u>1,011,679</u>	
End of year		<u>\$ 1,041,337</u>	

CITY OF MINNETRISTA

Sewer Improvement Fund  
 Schedule of Revenue, Expenditures, and Changes in Fund Balances  
 Budget and Actual  
 Year Ended December 31, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
<b>Revenue</b>			
Charges for services	\$ 51,700	\$ 38,500	\$ (13,200)
Miscellaneous			
Investment income	—	18,055	18,055
Total revenue	<u>51,700</u>	<u>56,555</u>	<u>4,855</u>
<b>Expenditures</b>			
Capital outlay			
Public works	<u>700,000</u>	<u>36,386</u>	<u>(663,614)</u>
Excess (deficiency) of revenues over expenditures	(648,300)	20,169	668,469
<b>Other financing sources (uses)</b>			
Issuance of debt	<u>1,000,000</u>	—	<u>(1,000,000)</u>
Net change in fund balances	<u>\$ 351,700</u>	20,169	<u>\$ (331,531)</u>
<b>Fund balance</b>			
Beginning of year		<u>606,570</u>	
End of year		<u>\$ 626,739</u>	

CITY OF MINNETRISTA

Land Use Agency Fund  
 Statement of Changes in Assets and Liabilities  
 Budget and Actual  
 Year Ended December 31, 2012

	December 31, 2011	Additions	Deductions	December 31, 2012
<b>Assets</b>				
Cash and investments	\$ 100,476	\$ 272,711	\$ 345,152	\$ 28,035
Special assessments receivable				
Delinquent	401	-	401	-
Deferred	507	6,394	507	6,394
Land use receivables	128,124	252,111	374,062	6,173
Due from other governments	22,089	-	22,089	-
	<u>251,597</u>	<u>531,216</u>	<u>742,211</u>	<u>40,602</u>
<b>Total assets</b>	<b>\$ 251,597</b>	<b>\$ 531,216</b>	<b>\$ 742,211</b>	<b>\$ 40,602</b>
<b>Liabilities</b>				
Accounts payable	\$ 233,472	\$ 13,897	\$ 224,892	\$ 22,477
Developer payable	18,125	-	-	18,125
	<u>251,597</u>	<u>13,897</u>	<u>224,892</u>	<u>40,602</u>
<b>Total liabilities</b>	<b>\$ 251,597</b>	<b>\$ 13,897</b>	<b>\$ 224,892</b>	<b>\$ 40,602</b>

STATISTICAL SECTION

(UNAUDITED)

## STATISTICAL SECTION (UNAUDITED)

This part of the City of Minnetrista, Minnesota's (the City) comprehensive annual financial report (CAFR) presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

	<u>Page</u>
<b>Contents:</b>	
<b>Financial Trends</b>	<b>73–83</b>
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
<b>Revenue Capacity</b>	<b>84–88</b>
These schedules contain information to help the reader assess the City's most significant revenue source, including the property tax and utility revenue.	
<b>Debt Capacity</b>	<b>89–95</b>
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	
<b>Demographic and Economic Information</b>	<b>96–99</b>
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
<b>Operating Indicators</b>	<b>100–103</b>
These schedules contain service and infrastructure data to help the reader understand how the information in the City's CAFR relates to the services the City provides, and the activities it performs.	

Sources: Unless otherwise noted, the information in these schedules is derived from the CAFR for the relevant year.

CITY OF MINNETRISTA

Net Position by Component  
Last Nine Fiscal Years  
(Accrual Basis of Accounting)

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental activities</b>									
Net investment in capital assets	\$ 11,214,054	\$ 10,697,835	\$ 14,619,088	\$ 17,005,628	\$ 17,155,765	\$ 17,238,125	\$ 17,025,689	\$ 16,434,576	\$ 15,566,817
Restricted	1,470,940	1,911,860	1,061,323	2,956,183	2,971,265	1,344,446	3,161,411	3,157,089	3,933,026
Unrestricted	2,854,140	2,524,411	2,901,925	524,825	134,772	2,439,958	2,597,269	2,797,210	2,726,677
Total governmental activities net position	<u>\$ 15,539,134</u>	<u>\$ 15,134,106</u>	<u>\$ 18,582,336</u>	<u>\$ 20,486,636</u>	<u>\$ 20,261,802</u>	<u>\$ 21,022,529</u>	<u>\$ 22,784,369</u>	<u>\$ 22,388,875</u>	<u>\$ 22,226,520</u>
<b>Business-type activities</b>									
Net investment in capital assets	\$ 9,135,912	\$ 8,865,789	\$ 10,360,220	\$ 10,533,641	\$ 11,026,422	\$ 11,733,525	\$ 11,368,839	\$ 11,250,260	\$ 10,776,769
Unrestricted	3,344,871	3,577,168	4,273,515	4,604,997	4,466,518	3,430,159	3,360,577	3,583,305	4,042,164
Total business-type activities net position	<u>\$ 12,480,783</u>	<u>\$ 12,442,957</u>	<u>\$ 14,633,735</u>	<u>\$ 15,138,638</u>	<u>\$ 15,492,940</u>	<u>\$ 15,163,684</u>	<u>\$ 14,729,416</u>	<u>\$ 14,833,565</u>	<u>\$ 14,818,933</u>
<b>Primary government</b>									
Net investment in capital assets	\$ 20,349,966	\$ 19,563,624	\$ 24,979,308	\$ 27,539,269	\$ 28,182,187	\$ 28,971,650	\$ 28,394,528	\$ 27,684,836	\$ 26,343,586
Restricted	1,470,940	1,911,860	1,061,323	2,956,183	2,971,265	1,344,446	3,161,411	3,157,089	3,933,026
Unrestricted	6,199,011	6,101,579	7,175,440	5,129,822	4,601,290	5,870,117	5,957,846	6,380,515	6,768,841
Total primary government net position	<u>\$ 28,019,917</u>	<u>\$ 27,577,063</u>	<u>\$ 33,216,071</u>	<u>\$ 35,625,274</u>	<u>\$ 35,754,742</u>	<u>\$ 36,186,213</u>	<u>\$ 37,513,785</u>	<u>\$ 37,222,440</u>	<u>\$ 37,045,453</u>

Note: Government-wide net position is not available prior to 2004

Source: City of Minnetrista financial records

CITY OF MINNETRISTA

Changes in Net Position  
Last Nine Fiscal Years  
(Accrual Basis of Accounting)

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>									
<b>Governmental activities</b>									
General government	\$ 842,820	\$ 1,029,858	\$ 1,222,367	\$ 1,281,429	\$ 1,184,154	\$ 1,199,254	\$ 1,278,649	\$ 1,208,808	\$ 1,385,084
Public safety	1,722,355	1,919,182	1,990,624	2,214,155	2,421,020	2,780,014	2,364,865	2,482,340	2,403,185
Public works	949,171	1,871,319	1,604,585	1,769,776	2,093,346	2,177,115	2,332,918	1,877,626	2,372,757
Parks and recreation	154,656	130,789	132,879	159,350	245,390	167,405	187,391	218,600	192,206
Interest on long-term debt	141,772	175,264	170,660	156,650	173,255	375,092	346,216	386,100	411,838
Total governmental activities	<u>3,810,774</u>	<u>5,126,412</u>	<u>5,121,115</u>	<u>5,581,360</u>	<u>6,117,165</u>	<u>6,698,880</u>	<u>6,510,039</u>	<u>6,173,474</u>	<u>6,765,070</u>
<b>Business-type activities</b>									
Water	449,733	606,474	576,741	587,923	619,499	588,448	543,151	593,418	686,378
Sewer	508,451	563,784	678,729	675,917	735,947	744,469	686,443	804,553	754,958
Storm water	115,126	161,748	133,497	154,752	186,620	195,835	162,901	198,138	204,343
Recycling	-	77,987	80,552	72,016	84,005	85,590	86,293	92,938	97,054
Total business-type activities	<u>1,073,310</u>	<u>1,409,993</u>	<u>1,469,519</u>	<u>1,490,608</u>	<u>1,626,071</u>	<u>1,614,342</u>	<u>1,478,788</u>	<u>1,689,047</u>	<u>1,742,733</u>
Total primary government	<u>\$ 4,884,084</u>	<u>\$ 6,536,405</u>	<u>\$ 6,590,634</u>	<u>\$ 7,071,968</u>	<u>\$ 7,743,236</u>	<u>\$ 8,313,222</u>	<u>\$ 7,988,827</u>	<u>\$ 7,862,521</u>	<u>\$ 8,507,803</u>
<b>Program revenues</b>									
<b>Governmental activities</b>									
<b>Charges for services</b>									
General government	\$ 125,227	\$ 67,329	\$ 37,386	\$ 122,348	\$ 49,705	\$ 32,982	\$ 42,040	\$ 112,573	\$ 320,787
Public safety	1,045,651	1,003,667	952,434	838,865	751,002	671,373	559,168	575,752	560,023
Public works	50,229	35,655	16,789	25,941	23,445	34,254	-	-	-
Operating grants and contributions	302,951	273,945	474,371	129,734	102,241	106,321	186,286	233,568	200,604
Capital grants and contributions	-	46,590	3,918,094	1,944,639	413,575	1,004,261	1,415,745	403,713	1,378,968
Total governmental activities	<u>1,524,058</u>	<u>1,427,186</u>	<u>5,399,074</u>	<u>3,061,527</u>	<u>1,339,968</u>	<u>1,849,191</u>	<u>2,203,239</u>	<u>1,325,606</u>	<u>2,460,382</u>
<b>Business-type activities</b>									
<b>Charges for services</b>									
Water	430,173	466,867	547,824	919,868	794,468	568,261	567,648	590,895	696,488
Sewer	516,444	572,988	547,265	553,178	536,113	525,082	578,391	608,277	668,048
Storm water	64,911	78,528	77,760	81,812	86,885	89,017	98,454	94,213	176,956
Recycling	-	80,524	81,546	84,917	90,140	92,087	101,582	97,355	95,609
Operating grants and contributions	-	15,086	14,627	15,473	18,562	18,727	19,709	19,657	29,778
Capital grants and contributions	1,014,063	93,073	1,539,136	88,719	333,044	774,551	1,911	1,791	1,668
Total business-type activities	<u>2,025,591</u>	<u>1,307,066</u>	<u>2,808,158</u>	<u>1,743,967</u>	<u>1,859,212</u>	<u>2,067,725</u>	<u>1,367,695</u>	<u>1,412,188</u>	<u>1,668,547</u>
Total primary government	<u>\$ 3,549,649</u>	<u>\$ 2,734,252</u>	<u>\$ 8,207,232</u>	<u>\$ 4,805,494</u>	<u>\$ 3,199,180</u>	<u>\$ 3,916,916</u>	<u>\$ 3,570,934</u>	<u>\$ 2,737,794</u>	<u>\$ 4,128,929</u>

(continued)

CITY OF MINNETRISTA

Changes in Net Position  
Last Nine Fiscal Years (continued)  
(Accrual Basis of Accounting)

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Net (expense) revenue									
Governmental activities	\$ (2,286,716)	\$ (3,699,226)	\$ 277,959	\$ (2,519,833)	\$ (4,777,197)	\$ (4,849,689)	\$ (4,306,800)	\$ (4,847,868)	\$ (4,304,688)
Business-type activities	952,281	(102,927)	1,338,639	253,359	233,141	453,383	(111,093)	(276,859)	(74,186)
Total primary government	<u>\$ (1,334,435)</u>	<u>\$ (3,802,153)</u>	<u>\$ 1,616,598</u>	<u>\$ (2,266,474)</u>	<u>\$ (4,544,056)</u>	<u>\$ (4,396,306)</u>	<u>\$ (4,417,893)</u>	<u>\$ (5,124,727)</u>	<u>\$ (4,378,874)</u>
General revenues and other changes in net position									
Governmental activities									
Property taxes	\$ 2,482,094	\$ 2,993,382	\$ 3,641,062	\$ 4,155,617	\$ 4,364,500	\$ 4,604,445	\$ 4,535,937	\$ 4,083,647	\$ 3,878,823
Investment earnings	93,928	73,777	164,152	229,173	165,774	105,724	67,523	57,354	61,284
Miscellaneous	86,650	285,305	10,816	39,343	22,089	10,247	23,827	66,684	202,226
Transfers	(3,359)	-	(645,759)	-	-	890,000	460,000	(332,027)	-
Total governmental activities	<u>2,659,313</u>	<u>3,352,464</u>	<u>3,170,271</u>	<u>4,424,133</u>	<u>4,552,363</u>	<u>5,610,416</u>	<u>5,087,287</u>	<u>3,875,658</u>	<u>4,142,333</u>
Business-type activities									
Investment earnings	71,250	64,876	206,380	251,544	121,161	107,361	56,521	48,981	59,554
Transfers	3,359	225	645,759	-	-	(890,000)	(460,000)	332,027	-
Total business-type activities	<u>74,609</u>	<u>65,101</u>	<u>852,139</u>	<u>251,544</u>	<u>121,161</u>	<u>(782,639)</u>	<u>(403,479)</u>	<u>381,008</u>	<u>59,554</u>
Total primary government	<u>\$ 2,733,922</u>	<u>\$ 3,417,565</u>	<u>\$ 4,022,410</u>	<u>\$ 4,675,677</u>	<u>\$ 4,673,524</u>	<u>\$ 4,827,777</u>	<u>\$ 4,683,808</u>	<u>\$ 4,256,666</u>	<u>\$ 4,201,887</u>
Change in net position									
Governmental activities	\$ 372,597	\$ (346,762)	\$ 3,448,230	\$ 1,904,300	\$ (224,834)	\$ 760,727	\$ 780,487	\$ (972,210)	\$ (162,355)
Business-type activities	1,026,890	(37,826)	2,190,778	504,903	354,302	(329,256)	(514,572)	104,149	(14,632)
Total primary government	<u>\$ 1,399,487</u>	<u>\$ (384,588)</u>	<u>\$ 5,639,008</u>	<u>\$ 2,409,203</u>	<u>\$ 129,468</u>	<u>\$ 431,471</u>	<u>\$ 265,915</u>	<u>\$ (868,061)</u>	<u>\$ (176,987)</u>

Note: Change in government-wide net position is not available prior to 2004

Source: City of Minnetrista financial records

CITY OF MINNETRISTA

Governmental Activities Tax Revenues by Source  
Last Ten Fiscal Years  
(Accrual Basis of Accounting)

<u>Fiscal Year</u>	<u>Property Taxes</u>
2003	\$ 2,330,393
2004	2,482,094
2005	2,993,382
2006	3,641,062
2007	4,155,617
2008	4,364,500
2009	4,604,445
2010	4,535,937
2011	4,083,647
2012	3,878,823

Source: City of Minnetrista financial records

CITY OF MINNETRISTA

Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ 5,374	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	1,464,167	1,641,199	1,518,043	1,655,209	1,994,014	2,200,846	2,371,750	2,185,484	-	-
Assigned	-	-	-	-	-	-	-	-	154,422	120,243
Unassigned	-	-	-	-	-	-	-	-	2,246,964	2,550,994
Total General Fund	<u>\$ 1,464,167</u>	<u>\$ 1,641,199</u>	<u>\$ 1,518,043</u>	<u>\$ 1,655,209</u>	<u>\$ 1,999,388</u>	<u>\$ 2,200,846</u>	<u>\$ 2,371,750</u>	<u>\$ 2,185,484</u>	<u>\$ 2,401,386</u>	<u>\$ 2,671,237</u>
All other governmental funds										
Reserved	\$ -	\$ 1,326,502	\$ 1,918,794	\$ 1,007,738	\$ -	\$ -	\$ 405,767	\$ 405,768	\$ -	\$ -
Unreserved, reported in										
Special revenue funds	639,470	63,544	64,708	116,688	2,480,240	2,543,175	922,785	914,997	-	-
Debt service funds	851,236	-	-	-	347,949	386,397	572,332	795,832	-	-
Capital project funds	3,043,777	3,172,754	3,004,012	4,167,008	2,106,119	1,296,478	2,600,504	2,457,566	-	-
Restricted	-	-	-	-	-	-	-	-	2,004,013	2,158,391
Committed	-	-	-	-	-	-	-	-	156,038	184,223
Assigned	-	-	-	-	-	-	-	-	2,357,044	2,258,497
Unassigned	-	-	-	-	-	-	-	-	(282,835)	(420,625)
Total all other governmental funds	<u>\$ 4,534,483</u>	<u>\$ 4,562,800</u>	<u>\$ 4,987,514</u>	<u>\$ 5,291,434</u>	<u>\$ 4,934,308</u>	<u>\$ 4,226,050</u>	<u>\$ 4,501,388</u>	<u>\$ 4,574,163</u>	<u>\$ 4,234,260</u>	<u>\$ 4,180,486</u>

Note: The City implemented GASB Statement No. 54 in 2011, which changed the classifications of fund balances. Prior year information has not been restated.

Source: City of Minnetrista financial records

CITY OF MINNETRISTA

Changes in Fund Balances of Governmental Funds  
Last Ten Fiscal Years  
(Modified Accrual Basis of Accounting)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Revenues</b>										
Taxes	\$ 2,330,393	\$ 2,491,200	\$ 2,993,382	\$ 3,656,743	\$ 4,132,861	\$ 4,316,069	\$ 4,561,767	\$ 4,517,943	\$ 4,197,308	\$ 3,906,517
Licenses and permits	764,969	678,701	592,564	516,728	500,209	392,803	330,125	240,645	291,747	274,871
Intergovernmental	1,311,383	89,797	140,528	118,074	141,821	111,723	261,861	127,516	422,015	810,238
Charges for services	332,727	411,764	549,173	539,410	833,691	589,644	376,146	326,057	405,543	370,856
Investment earnings	122,841	139,793	134,895	278,409	394,863	251,864	178,768	61,129	81,714	93,763
Special assessments	146,837	142,282	52,885	20,944	158,438	143,739	82,628	226,342	140,448	217,265
Miscellaneous	606,919	614,692	556,736	478,701	1,780,974	376,076	81,938	191,042	289,703	667,328
Total revenues	5,616,069	4,568,229	5,020,163	5,609,009	7,942,857	6,181,918	5,873,233	5,690,674	5,828,478	6,340,838
<b>Expenditures</b>										
General government	636,253	730,317	972,220	1,148,270	1,189,173	1,353,054	1,094,775	1,162,534	1,143,459	1,088,050
Public safety	1,583,691	1,651,024	1,825,672	2,283,361	2,569,088	2,272,375	5,527,291	3,193,979	2,205,315	2,203,983
Public works	593,025	515,879	717,855	1,103,035	2,445,937	2,043,553	2,676,506	4,507,049	1,662,321	2,447,216
Miscellaneous	2,799,519	729,903	1,128,385	35,492	39,306	36,254	57,221	31,438	46,137	288,780
Parks and recreation	101,108	146,301	82,845	103,274	1,798,332	367,085	882,755	116,293	149,007	124,192
Debt service										
Principal	525,000	639,124	536,988	658,294	687,623	539,041	580,460	312,753	387,335	343,179
Interest	159,405	94,133	95,735	99,042	121,280	141,275	241,786	355,172	384,548	413,908
Total expenditures	6,398,001	4,506,681	5,359,700	5,430,768	8,850,739	6,752,637	11,060,794	9,679,218	5,978,122	6,909,308
Excess of revenues over (under) expenditures	(781,932)	61,548	(339,537)	178,241	(907,882)	(570,719)	(5,187,561)	(3,988,544)	(149,644)	(568,470)
<b>Other financing sources (uses)</b>										
Sale of capital assets	-	-	-	2,845	4,935	63,919	7,365	8,399	9,693	14,547
Issuance of debt	992,088	260,000	648,450	260,000	890,000	-	5,600,304	3,866,350	15,950	770,000
Bond premium	-	-	-	-	-	-	26,134	304	-	-
Transfers in	117,345	94,198	-	1,494,270	923	-	1,842,320	944,021	-	192,332
Transfers out	(117,345)	(217,152)	-	(1,494,270)	(923)	-	(1,842,320)	(944,021)	-	(192,332)
Total other financing sources (uses)	992,088	137,046	648,450	262,845	894,935	63,919	5,633,803	3,875,053	25,643	784,547
Net change in fund balances	\$ 210,156	\$ 198,594	\$ 308,913	\$ 441,086	\$ (12,947)	\$ (506,800)	\$ 446,242	\$ (113,491)	\$ (124,001)	\$ 216,077
Percent of debt service expenditures to total noncapital expenditures	23.0%	16.3%	12.4%	16.1%	14.6%	11.3%	12.8%	10.9%	14.7%	13.3%

Source: City of Minnetrista financial records

CITY OF MINNETRISTA

Assessed Value and Estimated Actual Value of Taxable Property  
 Last Ten Fiscal Years  
 (Modified Accrual Basis of Accounting)

Fiscal Year Ended December 31,	Taxable Assessed Value			Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value* as a Percentage of Actual Value
	Real Estate	Personal Property	Total			
2003	\$ 6,728,541	\$ 220,078	\$ 6,948,619	28.65 %	753,456,500	0.92 %
2004	7,910,521	245,671	8,156,192	25.68	870,121,500	0.94
2005	9,525,020	267,589	9,792,609	30.19	1,002,426,600	0.98
2006	11,539,167	306,221	11,845,388	30.69	1,117,065,800	1.06
2007	13,732,388	116,580	13,848,968	29.93	1,295,154,600	1.07
2008	15,462,321	113,482	15,575,803	27.73	1,442,627,300	1.08
2009	16,452,171	125,101	16,577,272	27.47	1,528,370,300	1.08
2010	16,388,056	163,470	16,551,526	27.07	1,528,605,700	1.08
2011	14,746,292	151,993	14,898,285	27.30	1,382,773,800	1.08
2012	13,732,806	154,033	13,886,839	27.44	1,294,326,273	1.07

\* Includes tax exempt property.

Note 1: Property in the county is reassessed annually.

Note 2: Estimated actual value is calculated by dividing assessed value by those percentages. Tax rates are per \$1,000 of assessed value.

CITY OF MINNETRISTA

Property Tax Rates  
Direct and Overlapping (1) Governments  
Last Ten Fiscal Years

Fiscal Year	City of Minnetrista			Overlapping Rates						Total Direct and Overlapping Rates
	Operating Tax Rate	Debt Service Tax Rate	Total City Tax Rate	County			**School District Averages			
				Operating Tax Rate	Debt Service Tax Rate	Total County Tax Rate	Operating Tax Rate	Debt Service Tax Rate	Total School Tax Rate	
2003	22.570	6.080	28.650	46.670	3.940	50.610	6.880	19.560	26.440	105.700
2004	18.934	6.746	25.680	43.516	3.804	47.320	7.065	17.790	24.855	97.855
2005	23.780	6.410	30.190	41.354	2.816	44.170	6.340	14.770	21.110	95.470
2006	24.159	6.531	30.690	37.594	3.422	41.016	N/A	N/A	25.430	97.136
2007	24.090	5.840	29.930	N/A	N/A	39.110	N/A	N/A	28.060	97.100
2008	23.710	4.023	27.733	N/A	N/A	38.571	N/A	N/A	23.970	90.274
2009	23.040	4.425	27.465	N/A	N/A	40.413	N/A	N/A	23.279	91.157
2010	22.659	4.408	27.067	N/A	N/A	42.640	N/A	N/A	26.030	95.737
2011	23.286	4.010	27.296	N/A	N/A	45.840	N/A	N/A	26.258	99.394
2012	22.807	4.633	27.440	N/A	N/A	48.231	N/A	N/A	22.780	98.451

\*\* Average of four school districts that serve the City

N/A – Not Available

(1) Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners (e.g. the rates for special districts apply only to the proportion of the City’s property owners whose property is located within the geographic boundaries of the special district

Source: County Board of Equalization and Assessment

CITY OF MINNETRISTA

Principal Property Taxpayers  
Current Year and Seven Years Ago

Taxpayer	2011			2004		
	Net Tax Capacity	Rank	Percentage of Total Taxable Assessed Value	Net Tax Capacity	Rank	Percentage of Total Taxable Assessed Value
Woodland Cove, LLC	\$ 120,502	1	0.8 %	\$ 65,047	1	0.8 %
Woodland Cove, LLC	95,343	2	0.6	28,353	3	0.3
JP Morgan Chase Bank NA	84,775	3	0.6	—	—	—
Individuals	64,963	4	0.4	—	—	—
Individual	49,565	5	0.3	—	—	—
JE Meyer Memorial Park Assoc.	48,375	6	0.3	—	—	—
Individual	45,738	7	0.3	—	—	—
Individual	44,225	8	0.3	—	—	—
Burl Oaks Golf Club	42,198	9	0.3	44,850	2	0.5
Individual	41,788	10	0.3	—	—	—
Total	<u>\$ 637,472</u>		<u>4.3 %</u>	<u>\$ 138,250</u>		<u>1.7 %</u>

Note: Information for years later than 2011 and earlier than 2004 is not available. Only partial information is available for 2004.

Source: Hennepin County Assessor's Office and City of Minnetrista Bond Books

CITY OF MINNETRISTA

Property Tax Levies and Collections  
Last Ten Fiscal Years

Fiscal Year Ended December 31,	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	\$ 2,336,370	\$ 2,313,082	99.0 %	\$ 23,289	\$ 2,336,371	100.0 %
2004	2,514,305	2,453,314	97.6	59,837	2,513,151	100.0
2005	2,980,529	2,928,250	98.2	47,728	2,975,978	99.8
2006	3,673,564	3,656,743	99.5	14,981	3,671,724	99.9
2007	4,188,079	4,132,861	98.7	55,218	4,188,079	100.0
2008	4,376,111	4,309,282	98.5	65,295	4,374,577	100.0
2009	4,614,798	4,421,182	95.8	181,829	4,603,011	99.7
2010	4,557,871	4,423,556	97.1	123,935	4,547,491	99.8
2011	4,133,111	4,053,877	98.1	50,192	4,104,069	99.3
2012	3,878,973	3,819,672	98.5	—	3,819,672	98.5

CITY OF MINNETRISTA

Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year	Governmental Activities		Business-Type Activities	Total Primary Government	Per Capita (1)	Percentage of Personal Income
	G.O. Bonds	Special Assessment Bonds	Water/Sewer Revenue Bonds and Loans			
2003	\$ 1,970,000	\$ 720,000	\$ 1,335,000	\$ 4,025,000	\$ 823	— %
2004	1,900,000	470,000	1,280,000	3,650,000	695	—
2005	2,120,000	440,000	2,290,000	4,850,000	875	—
2006	1,825,000	410,000	2,230,000	4,465,000	781	—
2007	1,200,000	1,270,000	2,170,000	4,640,000	786	—
2008	745,000	1,220,000	1,070,000	3,035,000	487	—
2009	5,775,000	1,165,000	1,070,304	8,010,304	1,272	—
2010	5,575,000	4,380,000	1,560,841	11,515,841	1,804	3.3
2011	5,340,000	4,315,000	1,445,791	11,100,791	1,721	—
2012	5,155,000	5,015,000	2,090,364	12,260,364	1,872	—

(1) See the Schedule of Demographic Statistics on page 96 for population and personal income data.

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

Source: City of Minnetrista financial records

CITY OF MINNETRISTA

Ratios of General Bonded Debt Outstanding  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>General Obligation Bonds</u>	<u>Less Amounts Available in Debt Service Fund</u>	<u>Total</u>	<u>Percentage of Estimated Actual Taxable Value of Property (1)</u>	<u>Per Capita (2)</u>
2003	\$ 1,970,000	\$ 74,127	\$ 1,895,873	0.25 %	\$ 388
2004	1,900,000	84,850	1,815,150	0.21	346
2005	2,120,000	1,526,651	593,349	0.06	107
2006	1,825,000	234,598	1,590,402	0.14	278
2007	1,200,000	347,949	852,051	0.07	144
2008	745,000	56,346	688,654	0.05	110
2009	5,775,000	652,187	5,122,813	0.34	814
2010	5,575,000	699,884	4,875,116	0.32	764
2011	5,340,000	655,775	4,684,225	0.34	726
2012	5,155,000	667,623	4,487,377	0.35	685

(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 84 for property value data.

(2) Population data can be found in the Schedule of Demographic Statistics on page 96.

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

Source: City of Minnetrista financial records

CITY OF MINNETRISTA

Computation of Direct and Overlapping Bonded Debt  
as of December 31, 2012

Governmental Unit	Total G.O. Debt	City's Share	
		Percent	Amount
<b>Direct</b>			
City of Minnetrista	\$ 10,170,000	100.00 %	\$ 10,170,000
<b>Overlapping</b>			
School districts			
ISD No. 110*	52,680,000	10.40	5,478,720
ISD No. 111*	48,450,000	16.40	7,945,800
ISD No. 879**	23,585,000	1.02	240,567
ISD No. 277	34,977,241	31.41	10,986,351
Hennepin County			
Three Rivers Park District	72,840,200	1.41	1,027,047
Regional Rail Authority	38,757,999	1.04	403,083
Metropolitan Council	193,377,711	0.47	908,875
Total overlapping debt			26,990,444
Total direct and overlapping debt			\$ 37,160,444

Note 1: The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of the county's taxable assessed value that is within the City's boundaries and dividing it by the county's total taxable assessed value.

Note 2: Gross debt totals exclude revenue and special assessment bonds.

Source: Hennepin County Auditor Office  
\*Carver County Auditor Office  
\*\*Wright County Auditor Office

CITY OF MINNETRISTA

Legal Debt Margin Information  
Last Nine Fiscal Years

	Fiscal Year								
	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt limit	\$ 20,048,532	\$ 24,441,818	\$ 26,748,406	\$ 31,134,364	\$ 30,567,406	\$ 45,706,008	\$ 45,858,171	\$ 41,163,765	\$ 38,829,788
Total net debt applicable to limit	2,345,000	2,560,000	2,235,000	2,470,000	1,965,000	6,940,000	5,283,682	4,684,225	4,487,377
Legal debt margin	<u>\$ 17,703,532</u>	<u>\$ 21,881,818</u>	<u>\$ 24,513,406</u>	<u>\$ 28,664,364</u>	<u>\$ 28,602,406</u>	<u>\$ 38,766,008</u>	<u>\$ 40,574,489</u>	<u>\$ 36,479,540</u>	<u>\$ 34,342,411</u>
Total net debt applicable to the limit as a percentage of debt limit	11.70%	10.47%	8.36%	7.93%	6.43%	15.18%	11.52%	11.38%	11.56%

Legal Debt Margin Calculation for Fiscal Year 2012

Market value	\$1,294,326,273
Debt limit (3% of market value)	38,829,788
Debt applicable to limit	
General obligation bonds	10,170,000
Less special assessment bonds	(5,015,000)
Less amount set aside for repayment of G.O. debt	<u>(667,623)</u>
Total net debt applicable to limit	<u>4,487,377</u>
Legal debt margin	<u>\$ 34,342,411</u>

Note: Information is not available prior to 2004.

Source: City of Minnetrista financial records

CITY OF MINNETRISTA

Pledged Revenue Coverage  
Last Nine Fiscal Years

Fiscal Year	Water Revenue Bonds						Special Assessment Bonds				
	Water Charges and Other	Less Operating Expenses*	Net Available Revenue	Debt Service		Coverage	Special Assessment Collections	Debt Service		Coverage	
				Principal	Interest			Principal	Interest		
2004	\$ 459,704	\$ 226,157	\$ 233,547	\$ 55,000	\$ 65,341	1.94	\$ 130,996	\$ 25,000	\$ 17,053	3.12	
2005	494,551	296,032	198,519	60,000	110,695	1.16	56,722	30,000	25,071	1.03	
2006	597,603	324,549	273,054	60,000	98,031	1.73	20,944	30,000	16,153	0.45	
2007	627,992	322,364	305,628	60,000	98,015	1.93	158,438	30,000	15,478	3.48	
2008	615,784	281,232	334,552	80,000	39,720	2.79	143,739	55,000	50,325	1.36	
2009	588,746	324,375	264,371	80,000	40,345	2.20	82,628	55,000	50,326	0.78	
2010	495,680	283,505	212,175	85,000	37,271	1.74	226,342	55,000	48,475	2.19	
2011	517,710	288,565	229,145	85,000	34,456	1.92	134,974	65,000	124,737	0.71	
2012	626,754	416,562	210,192	90,000	31,858	1.72	213,928	70,000	141,400	1.01	

\* Does not include depreciation.

Note 1: Details regarding the City's outstanding debt can be found in the notes to basic financial statements. Water charges and other includes investment earnings. Operating expenses do not include interest or depreciation.

Note 2: Information not available prior to 2004.

Source: City of Minnetrista financial records

CITY OF MINNETRISTA

Demographic Statistics  
Last Ten Fiscal Years

<u>Fiscal Year Ending December 31,</u>	<u>Population (1)</u>	<u>Per Capita Personal Income (2)</u>	<u>Personal Income (2) (in thousands)</u>	<u>Estimated Completed Housing Units (1)</u>	<u>Average Unemployment Hennepin County (3)</u>
2003	4,890	\$ -	\$ -	1,734	- %
2004	5,250	-	-	1,894	-
2005	5,542	-	-	2,118	3.7
2006	5,715	-	-	2,179	3.6
2007	5,902	-	-	2,220	4.1
2008	6,234	-	-	2,307	4.9
2009	6,296	-	-	2,342	7.5
2010	6,384	54,300	346,651	2,364	6.6
2011	6,450	-	-	2,393	6.1
2012	6,549	-	-	2,426	5.3

Data sources:

- (1) Metropolitan Council, except for 2010 population U.S. Census Bureau.
- (2) U.S. Census Bureau. Information only available for census years.
- (3) Hennepin County. Information unavailable prior to 2005.

CITY OF MINNETRISTA

Principal Employers  
Current Year

<u>Employer</u>		<u>Employees*</u>	<u>Rank</u>	<u>Percentage of Total*** Employees</u>
ISD No. 277 – Westonka School District	K–12 education	309 **	1	55.4 %
Burl Oaks Golf Club	Golf course	65	2	11.6
Al & Alma’s Supper Club and Charters	Restaurant and boat cruises	50	3	9.0
City of Minnetrista	Municipal government	36	4	6.4
Lake Minnetonka Regional Park	Recreational park	30	5	5.4
Waterfront Restoration, LLC	Bottled water delivery	20	6	3.6
Whaletail Lake Seaplane	Airport operation	16	7	2.9
Williams Auto Sale	Automotive sales	12	8	2.1
Widmer Construction, LLC	Water and sewer contractors	10	9	1.8
WRA Park	Nature park	10	10	1.8
		<u>558</u>		<u>100</u>

\* Includes full-time, part-time, and seasonal employees.

\*\* Includes all employees of the school district, not all work within the City.

\*\*\* Percentage of employers presented, total employees for the City is not available.

Source: Infogroup (www.salesgenie.com), and a written and telephone survey (March 2012).  
Information for 2003 is not available.

CITY OF MINNETRISTA

Full-Time Equivalent City Government Employees by Function  
Last Ten Fiscal Years

Function	Full-Time Equivalent Employees as of Fiscal Year Ended									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General government	6.0	7.0	8.0	9.0	9.0	9.0	9.0	9.0	9.0	9.0
Public safety										
Police										
Officers	9.0	10.0	11.0	11.0	12.0	12.0	12.0	12.0	11.0	11.0
Civilians	2.3	2.4	2.6	2.8	3.8	3.8	3.8	3.8	3.8	3.8
Highways and streets	4.0	5.0	6.0	6.5	6.5	6.5	6.5	6.5	3.5	3.5
Parks and recreation	-	-	-	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Water	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Sewer	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Total	<u>23.3</u>	<u>26.4</u>	<u>29.6</u>	<u>31.8</u>	<u>33.8</u>	<u>33.8</u>	<u>33.8</u>	<u>33.8</u>	<u>29.8</u>	<u>29.8</u>

Source: City of Minnetrista records

CITY OF MINNETRISTA

Operating Indicators by Function  
Last Ten Fiscal Years

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Police										
Physical arrests	52	51	59	46	40	81	82	119	100	119
Parking violations	76	100	178	263	279	234	326	235	223	235
Traffic violations	2,912	2,740	2,901	2,814	1,478	3,332	3,419	3,572	3,523	3,572
Highways and streets										
Street seal coated (miles)	4.50	4.40	4.50	1.90	2.70	7.70	5.91	5.05	4.67	3.39
Blacktop used in "tons" for repair of potholes	1,713	1,319	1,024	1,411	1,428	677	800	993	1,186	378
Water										
New connections	34	256	15	155	41	64	42	43	25	28
Average daily consumption (thousands of gallons)	243	246	302	322	396	360	386	361	358	392
Wastewater (thousands of gallons)	208	231	251	245	277	284	272	236	233	197

Source: Various city departments

CITY OF MINNETRISTA

Capital Asset Statistics by Function  
Last Ten Fiscal Years

Function	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	-	8	9	10	13	13	13	13	12	13
Highways and streets										
Streets (miles)	52	52	56	60	60	60	60	60	64	63
Traffic signals	-	-	-	1	1	1	1	1	2	2
Parks and recreation										
Parks acreage	70	70	73	75	75	75	75	75	75	75
Parks	19	19	20	21	21	21	21	21	21	21
Water										
Water mains (miles)	-	18	18	18	18	18	18	31	29	29
Fire hydrants	136	205	223	257	262	289	289	309	296	296
Sewer										
Sanitary sewers (miles)	23	23	23	23	23	23	23	28	35	35
Storm sewers (miles)	N/A	12	12	12	12	12	12	12	14	14

N/A – Not Available

Note 1: No capital asset indicators are available for the general government functions

Note 2: Information presented for years that departments had statistics available

Source: Various city departments