

**City of Minnetrista, Minnesota
Comprehensive Annual
Financial Report**

For the Year Ended
December 31, 2011



**CITY OF MINNETRISTA
HENNEPIN COUNTY, MINNESOTA
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**For Year Ended
December 31, 2011**

Michael Funk – City Administrator

Prepared by

The Department of Finance

CITY OF MINNETRISTA
HENNEPIN COUNTY, MINNESOTA

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CITY OF MINNETRISTA
HENNEPIN COUNTY, MINNESOTA

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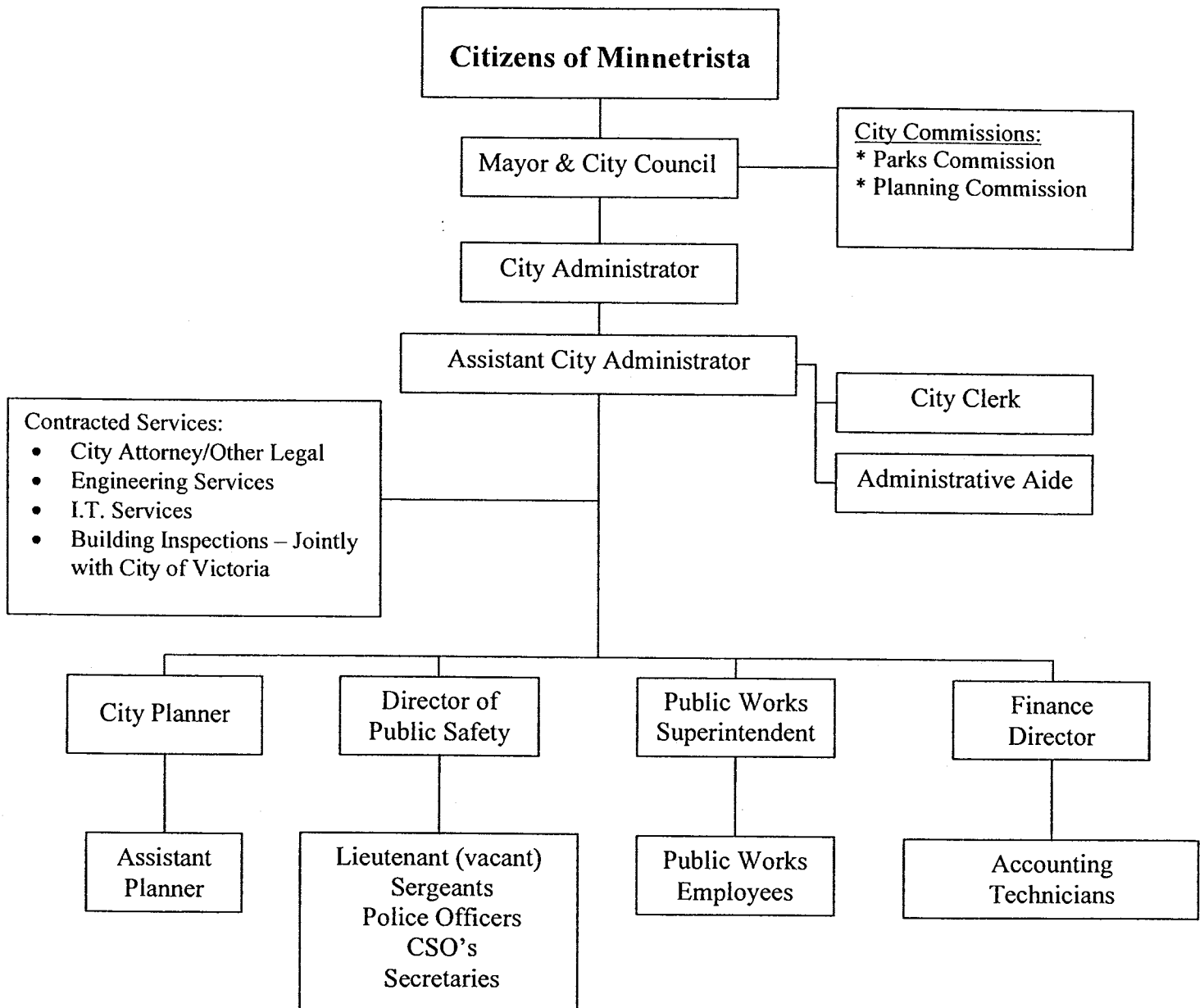
INTRODUCTORY SECTION

CITY OF MINNETRISTA
HENNEPIN COUNTY, MINNESOTA

Elected Officials and Administration
Year Ended December 31, 2011

<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	Interim Director of Public Safety	Appointed
Brian Grimm	Finance Director	Appointed

City of Minnetrista
Organization Chart
December 31, 2011





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

May 15, 2012

To the Honorable Mayor, City Council Members
and Minnetrista Residents

This comprehensive annual financial report is submitted for fiscal year ending December 31, 2011. 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

Minnetrista, 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 29 new single family homes in 2011 with a total housing value of \$11,288,485.

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 *6,384 per the 2010 Census with an estimated population of 6,471 including 2011 building permit activity.

Though the City saw an increase from the previous year in the number of building permits for new homes in 2011, 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 2011 and going forward.

DEVELOPMENT MARKET CONDITIONS DURING 2011

Growth has slowed some during 2011 due to market conditions in the housing market. There were still developments and proposed developments coming in and being discussed during 2011. Building permit revenue could lag in comparison to previous years for the next year or two.

* Source – City of Minnetrista; 2010 Census data for population. Estimated for 2011 based on 2011 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 2011, 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, 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 2011 is \$2,401,386. This is 55 percent of the 2012 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: a Warning Siren Fund, a Park Dedication 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.

2011 GENERAL FUND ACTUAL TO BUDGET

The General Fund was budgeted to spend down \$81,917 of reserves during 2011. At the end of the year, if the General Fund balance was anticipated to be below 40 percent of 2012 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 55 percent of 2012 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.

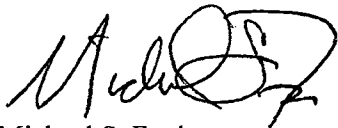
INDEPENDENT AUDIT

The City is required by state statutes and city code to provide an independent audit of all city accounts. The 2011 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.

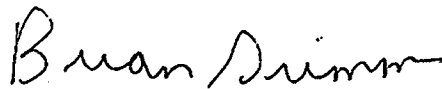
ACKNOWLEDGEMENTS

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, 2010

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.



Linda C. Sandson

President

Jeffrey R. Enner

Executive Director

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the City Council
City of Minnetrista, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Minnetrista, Minnesota (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2011, and the respective changes in financial position and cash flows, where applicable thereof, and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 of the notes to basic financial statements, the City has implemented Governmental Accounting Standards Board (GASB) Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" during the year ended December 31, 2011.

(continued)

In accordance with *Government Auditing Standards*, we have also issued a report dated May 15, 2012 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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.

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, combining and individual fund statements and schedules, 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 combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 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.

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

May 15, 2012

CITY OF MINNETRISTA

Management's Discussion and Analysis Year Ended December 31, 2011

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, 2011. 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 \$37,222,440 (net assets). Of this amount, \$6,380,515 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets decreased \$868,061 from current year operations. Business-type activities net assets increased \$104,149, while governmental activities net assets decreased \$972,210. This excludes a prior period adjustment that increased governmental activities net assets \$576,716.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,635,646.
- At the end of the current fiscal year, unrestricted fund balance for the General Fund was \$2,401,386, or 55 percent, of 2012 budgeted General Fund expenditures.
- The City's total long-term liabilities decreased by \$387,736 during the current fiscal year, mainly due to the payment of \$415,050 of outstanding bond, certificate, and loan principal 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

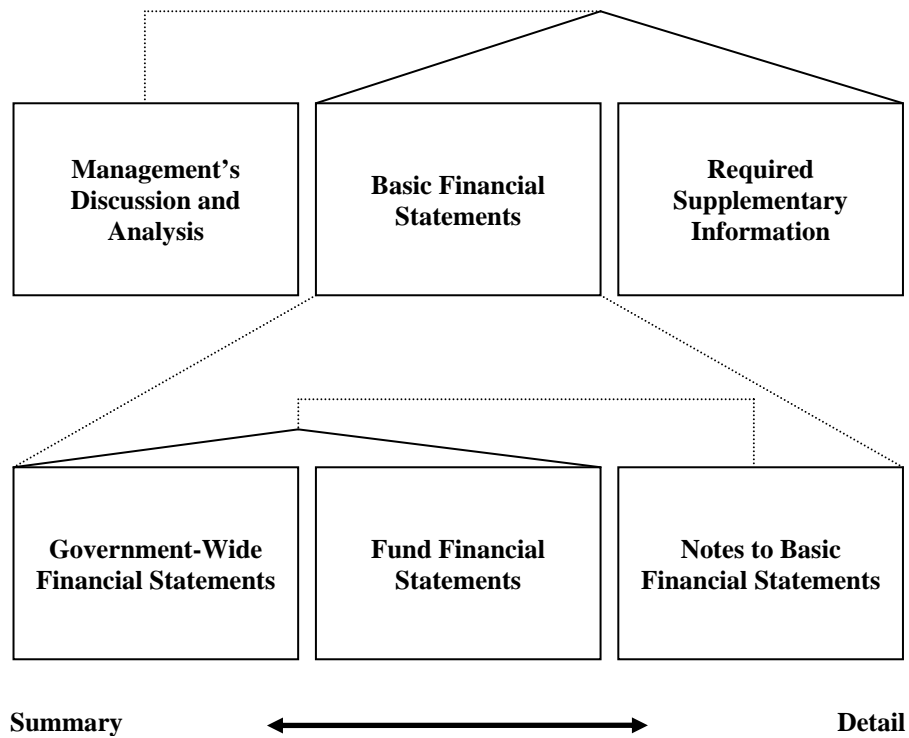


Figure 2 summarizes the major features of the City's financial statements, including the portion of the city government they cover and the types of information they contain. The remainder of this overview section of Management's Discussion and Analysis explains the structure and contents of each of the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

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

	Government-Wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
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"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Revenues, Expenses, and Changes in Fund Net Assets • Statement of Cash Flows
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 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 Assets presents information on all of the City’s assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets 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 assets changed during the most recent fiscal year. All changes in net assets 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 15–16 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 fund Balance Sheet and the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 15 individual governmental funds. Information is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund, G.O. Improvement Bonds of 2010 Debt Service Fund, and G.O. Improvement Bonds of 2007 Debt Service 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 17–23 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 24–26 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 27 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 28–49 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 50 of this report. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the RSI. Combining and individual fund financial statements and schedules can be found on pages 51–72 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$37,222,440 at the close of the most recent fiscal year.

Summary of Net Assets

	Governmental Activities			Business-Type Activities		
	2011	2010	Increase (Decrease)	2011	2010	Increase (Decrease)
Assets						
Current and other assets	\$ 7,001,758	\$ 7,448,122	\$ (446,364)	\$ 3,668,025	\$ 3,465,470	\$ 202,555
Capital assets	25,892,281	26,267,950	(375,669)	12,696,051	12,929,680	(233,629)
Total assets	32,894,039	33,716,072	(822,033)	16,364,076	16,395,150	(31,074)
Liabilities						
Long-term liabilities						
outstanding	10,003,618	10,280,369	(276,751)	1,474,999	1,585,984	(110,985)
Other liabilities	501,546	651,334	(149,788)	55,512	79,750	(24,238)
Total liabilities	10,505,164	10,931,703	(426,539)	1,530,511	1,665,734	(135,223)
Net assets						
Invested in capital assets, net of related debt	16,434,576	17,025,689	(591,113)	11,250,260	11,368,839	(118,579)
Restricted for						
Debt service	2,601,675	2,397,302	204,373	—	—	—
Park dedication	555,414	764,109	(208,695)	—	—	—
Unrestricted	2,797,210	2,597,269	199,941	3,583,305	3,360,577	222,728
Total net assets	\$ 22,388,875	\$ 22,784,369	\$ (395,494)	\$ 14,833,565	\$ 14,729,416	\$ 104,149

The City's investment in capital assets is 74 percent of the total net assets 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 assets (\$3,157,089) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets (\$6,380,515) 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 three categories of net assets, 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 assets decreased \$868,061 in 2011, excluding prior period adjustments. See the table below for details:

Changes in Net Assets

	Governmental Activities			Business-Type Activities		
	2011	2010	Increase (Decrease)	2011	2010	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 688,325	\$ 601,208	\$ 87,117	\$ 1,390,740	\$ 1,346,075	\$ 44,665
Operating grants and contributions	233,568	186,286	47,282	19,657	19,709	(52)
Capital grants and contributions	403,713	1,415,745	(1,012,032)	1,791	1,911	(120)
General revenues						
Property taxes	4,083,647	4,535,937	(452,290)	—	—	—
Unrestricted investment earnings	57,354	67,523	(10,169)	48,981	56,521	(7,540)
Other general revenues	66,684	23,827	42,857	—	—	—
Total revenues	5,533,291	6,830,526	(1,297,235)	1,461,169	1,424,216	36,953
Expenses						
General government	1,208,808	1,278,649	(69,841)	—	—	—
Public safety	2,482,340	2,364,865	117,475	—	—	—
Public works	1,877,626	2,332,918	(455,292)	—	—	—
Parks and recreation	218,600	187,391	31,209	—	—	—
Interest on long-term debt	386,100	346,216	39,884	—	—	—
Water	—	—	—	593,418	543,151	50,267
Sewer	—	—	—	804,553	686,443	118,110
Storm water	—	—	—	198,138	162,901	35,237
Recycling	—	—	—	92,938	86,293	6,645
Total expenses	6,173,474	6,510,039	(336,565)	1,689,047	1,478,788	210,259
Increase (decrease) in net assets before transfers	(640,183)	320,487	(960,670)	(227,878)	(54,572)	(173,306)
Transfers	(332,027)	460,000	(792,027)	332,027	(460,000)	792,027
Change in net assets	(972,210)	780,487	(1,752,697)	104,149	(514,572)	618,721
Net assets – January 1, as previously reported	22,784,369	21,022,529	1,761,840	14,729,416	15,163,684	(434,268)
Prior period adjustments	576,716	981,353	(404,637)	—	80,304	(80,304)
Net assets – January 1, as restated	23,361,085	22,003,882	1,357,203	14,729,416	15,243,988	(514,572)
Net assets – December 31	<u>\$ 22,388,875</u>	<u>\$ 22,784,369</u>	<u>\$ (395,494)</u>	<u>\$ 14,833,565</u>	<u>\$ 14,729,416</u>	<u>\$ 104,149</u>

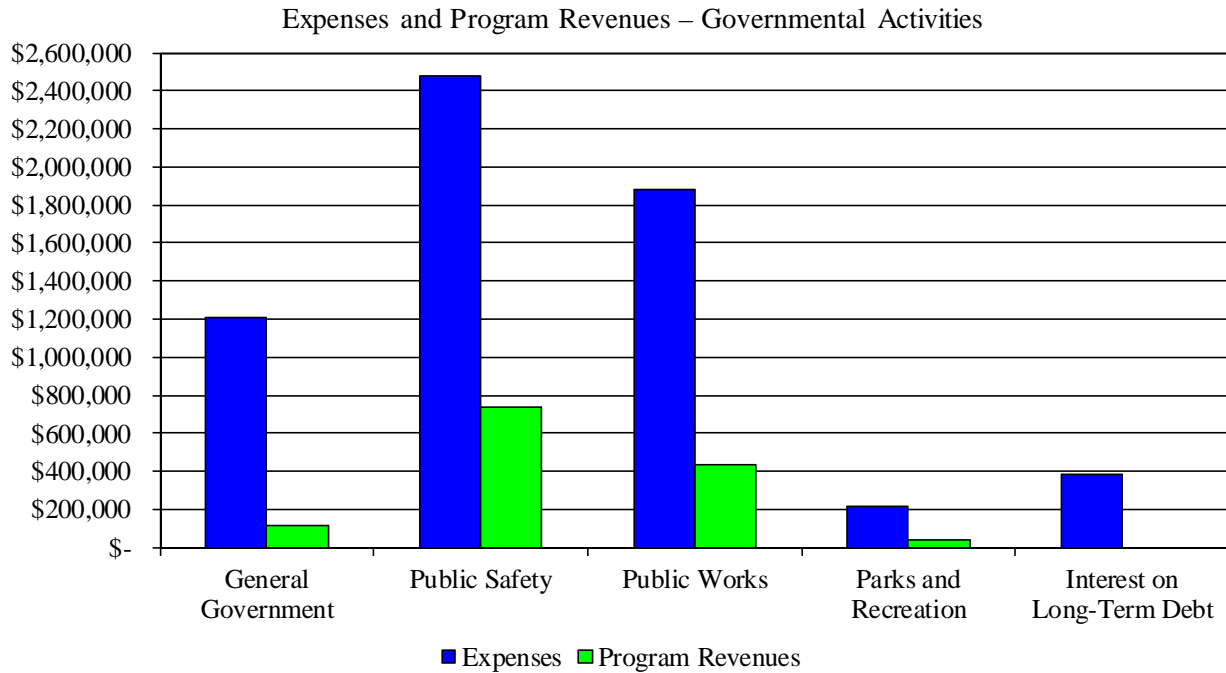
Major changes in governmental activities were as follows:

- Capital grants and contributions decreased \$1,012,032 due to less special assessments being levied for public works projects in comparison to 2010.
- Property taxes decreased \$452,290 due to lowering the 2011 levy 10 percent in comparison with 2010.
- Public works expenses went down \$455,292 due to less engineering costs from 2011 to 2010. There was not an infrastructure project completed in 2011.

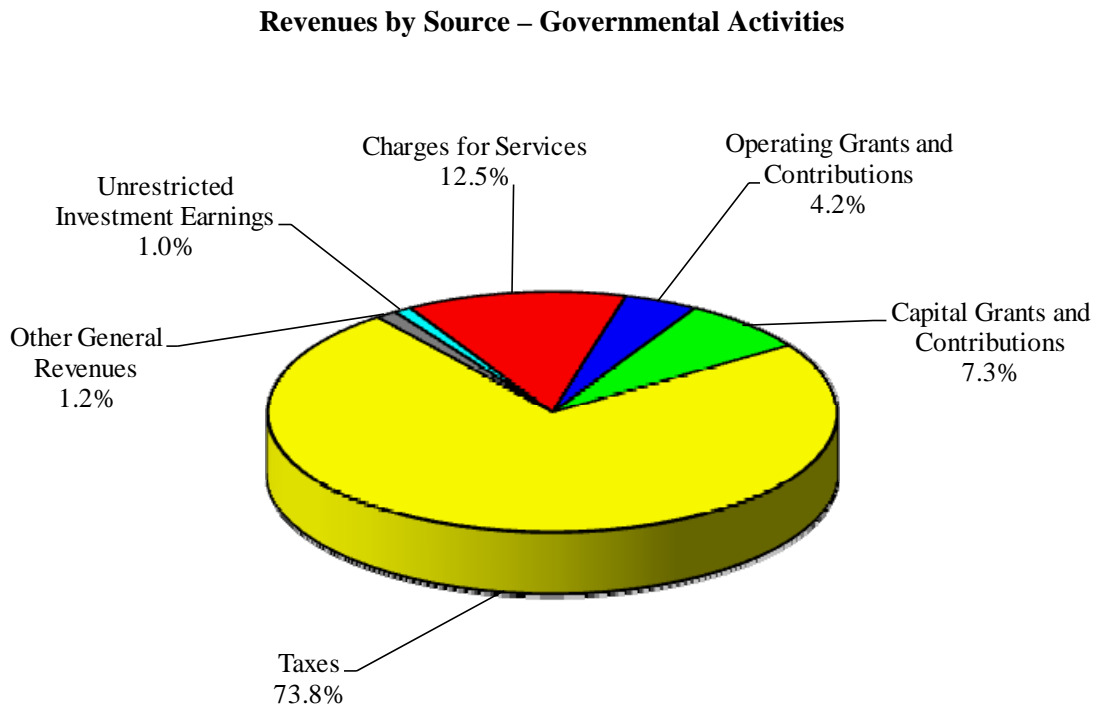
Major changes in business-type activities were as follows:

- Net transfers changed by \$792,027 between the two years.
- All other areas were fairly consistent when comparing between 2011 and 2010.

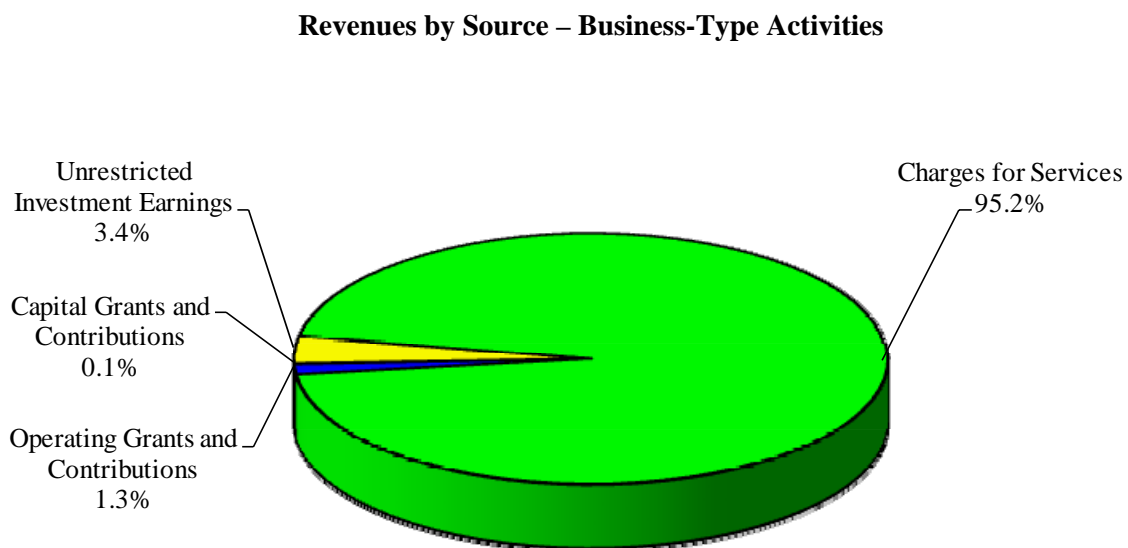
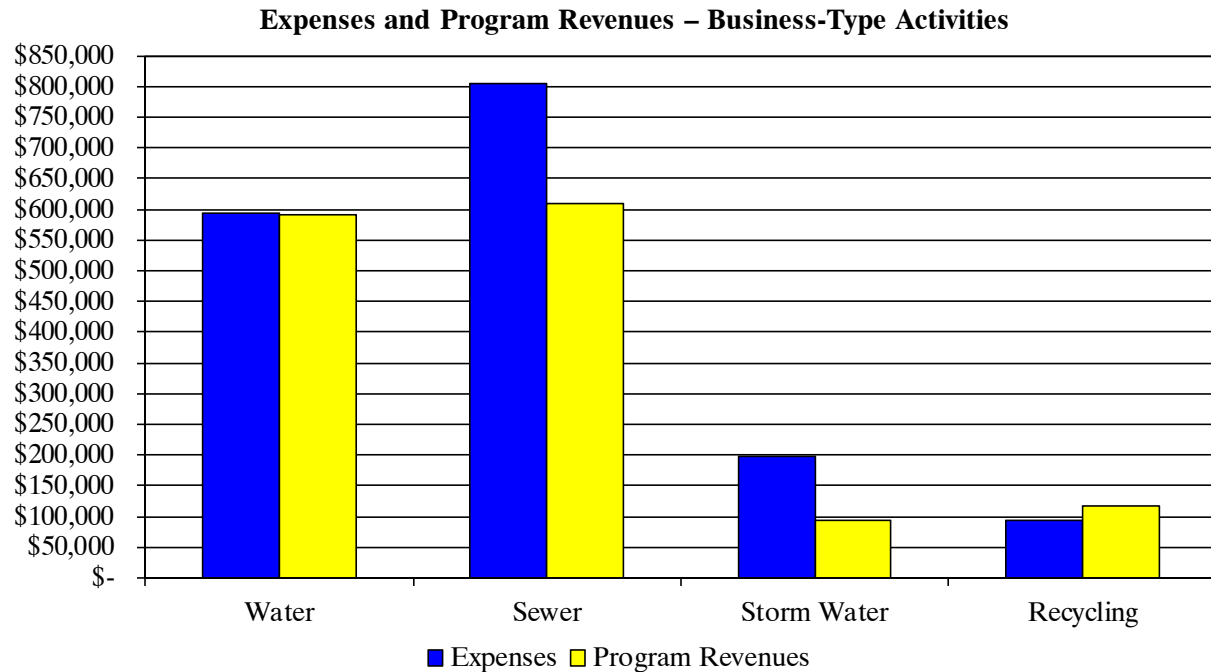
Governmental Activities – Governmental activities decreased the City’s net assets by \$972,210. The following graph depicts various governmental activities and shows the expenses and program revenues directly related to those activities.



For the most part, expenses stayed relatively flat for governmental activities. Overall, they decreased \$336,565. Revenues decreased by \$1,297,235. The biggest decreases were in capital grants and contributions and property taxes as mentioned above.



Business-Type Activities – Business-type activities increased the City’s net assets by \$104,149.



Business-type activity revenues and expenses stayed fairly consistent from 2010 to 2011, 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 \$6,635,646, a decrease of \$124,001 in comparison with the prior year. Of the total amount, \$1,964,129 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 \$156,038 committed by Council action, and \$2,511,466 assigned. The remaining \$2,004,013 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 \$2,401,386. 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 55 percent of 2012 budgeted expenditures.

The fund balance of the City's General Fund increased \$215,902 during the current fiscal year due to revenues coming in \$171,341 better than expected and expenditures coming in \$120,785 under budget. These two positive variances add up to almost \$300,000 in better than budgeted results. The City had budgeted to use \$81,917 in reserves in 2011 and instead will put the above \$215,902 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 2011 was \$274,835, which increased \$79,710 during the year as special assessments collected exceeded the required debt service payments.

The G.O. Improvement Bonds of 2007 Fund was created as a debt service fund for the Maple Crest Street and Utility Projects. The fund balance at the end of 2011 was \$157,009, which decreased \$31,966 during the year as required debt service payments exceeded the related property taxes and special assessments collected.

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 assets of the enterprise funds at the end of the year amounted to \$1,927,795. The total increase in net assets for the funds was \$80,131. 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.
- 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 \$87,580 (2.5 percent) due to higher than expected delinquent collections. Licenses and permits exceeded budget by \$67,747 (30.2 percent) due to more building permits (new homes) than projected. Finally, miscellaneous revenue exceeded budget by \$64,381 due to cell phone tower revenues being classified to the general fund for 2011 instead of the water fund.
- Total General Fund expenditures were \$120,785 under budget. Public safety was \$139,835 under budget, mostly attributable to lower than expected personnel costs in the police department due to an open position and other expenditures coming in lower than expected. 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, 2011 amounts to \$38,588,332 (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		
	2011	2010 *	Increase (Decrease)	2011	2010	Increase (Decrease)
Land	\$ 3,235,661	\$ 3,235,661	\$ –	\$ –	\$ –	\$ –
Construction in progress	331,989	2,767,509	(2,435,520)	–	–	–
Buildings and improvements	9,570,670	7,048,726	2,521,944	–	–	–
Infrastructure	11,137,322	11,893,664	(756,342)	12,290,659	12,486,752	(196,093)
Vehicles and equipment	1,616,639	1,899,106	(282,467)	405,392	442,928	(37,536)
Total	<u>\$ 25,892,281</u>	<u>\$ 26,844,666</u>	<u>\$ (952,385)</u>	<u>\$ 12,696,051</u>	<u>\$ 12,929,680</u>	<u>\$ (233,629)</u>
* As restated for prior period adjustment						

Additional information on the City's capital assets can be found in Note 3 of the notes to basic financial statements on pages 39–40 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 \$11,478,617. 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		
	2011	2010 *	Increase (Decrease)	2011	2010	Increase (Decrease)
Land	\$ 3,235,661	\$ 3,235,661	\$ –	\$ –	\$ –	\$ –
Construction in progress	331,989	2,767,509	(2,435,520)	–	–	–
Buildings and improvements	9,570,670	7,048,726	2,521,944	–	–	–
Infrastructure	11,137,322	11,893,664	(756,342)	12,290,659	12,486,752	(196,093)
Vehicles and equipment	1,616,639	1,899,106	(282,467)	405,392	442,928	(37,536)
Total	<u>\$ 25,892,281</u>	<u>\$ 26,844,666</u>	<u>\$ (952,385)</u>	<u>\$ 12,696,051</u>	<u>\$ 12,929,680</u>	<u>\$ (233,629)</u>
* As restated for prior period adjustment						

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 \$1,382,773,800, which leaves a margin of \$36,479,540.

Additional information on the City's long-term debt can be found in Note 5 of the notes to basic financial statements on pages 41–43 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. 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 will continue to slow the building permit revenue in comparison to a few years ago for the short-term budget prognosis.

All of these factors were considered in preparing the City's budget for the 2012 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 Officer, City of Minnetrista, 7701 County Road 110 West, Minnetrista, Minnesota 55364-9553.

BASIC FINANCIAL STATEMENTS

CITY OF MINNETRISTA

Statement of Net Assets
December 31, 2011

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 4,926,641	\$ 3,263,585	\$ 8,190,226
Interest receivable	16,298	10,762	27,060
Accounts receivable	3,500	314,387	317,887
Taxes receivable	131,461	—	131,461
Special assessments receivable			
Delinquent	8,554	—	8,554
Deferred	1,477,141	77,892	1,555,033
Due from other governmental units	32,395	1,399	33,794
Restricted assets – temporarily restricted			
Cash with fiscal agent	405,768	—	405,768
Capital assets			
Not depreciated	3,567,650	—	3,567,650
Depreciated, net of accumulated depreciation	22,324,631	12,696,051	35,020,682
Total capital assets, net of depreciation	<u>25,892,281</u>	<u>12,696,051</u>	<u>38,588,332</u>
Total assets	<u>\$ 32,894,039</u>	<u>\$ 16,364,076</u>	<u>\$ 49,258,115</u>
Liabilities			
Accounts payable	\$ 281,465	\$ 47,434	\$ 328,899
Salaries and benefits payable	85,739	5,466	91,205
Accrued interest payable	134,342	2,612	136,954
Noncurrent liabilities			
Due within one year	375,000	145,300	520,300
Due in more than one year	9,628,618	1,329,699	10,958,317
Total long-term liabilities	<u>10,003,618</u>	<u>1,474,999</u>	<u>11,478,617</u>
Total liabilities	10,505,164	1,530,511	12,035,675
Net assets			
Invested in capital assets, net of related debt	16,434,576	11,250,260	27,684,836
Restricted for			
Debt service	2,601,675	—	2,601,675
Park development	555,414	—	555,414
Unrestricted	2,797,210	3,583,305	6,380,515
Total net assets	<u>22,388,875</u>	<u>14,833,565</u>	<u>37,222,440</u>
Total liabilities and net assets	<u>\$ 32,894,039</u>	<u>\$ 16,364,076</u>	<u>\$ 49,258,115</u>

See notes to basic financial statements

CITY OF MINNETRISTA

Statement of Activities
Year Ended December 31, 2011

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities							
General government	\$1,208,808	\$ 112,573	\$ 3,472	\$ —	\$ (1,092,763)	\$ —	\$ (1,092,763)
Public safety	2,482,340	575,752	165,323	—	(1,741,265)	—	(1,741,265)
Public works	1,877,626	—	29,413	403,713	(1,444,500)	—	(1,444,500)
Park and recreation	218,600	—	35,360	—	(183,240)	—	(183,240)
Interest and fiscal charges	386,100	—	—	—	(386,100)	—	(386,100)
Total governmental activities	6,173,474	688,325	233,568	403,713	(4,847,868)	—	(4,847,868)
Business-type activities							
Water	593,418	590,895	—	1,626	—	(897)	(897)
Sewer	804,553	608,277	—	165	—	(196,111)	(196,111)
Storm water	198,138	94,213	—	—	—	(103,925)	(103,925)
Recycling	92,938	97,355	19,657	—	—	24,074	24,074
Total business-type activities	1,689,047	1,390,740	19,657	1,791	—	(276,859)	(276,859)
Total governmental and business-type activities	<u>\$7,862,521</u>	<u>\$2,079,065</u>	<u>\$ 253,225</u>	<u>\$ 405,504</u>	(4,847,868)	(276,859)	(5,124,727)
General revenues							
Property taxes, levied for general purpose					3,499,490	—	3,499,490
Property taxes, levied for debt service					584,157	—	584,157
Investment earnings					57,354	48,981	106,335
Other general revenues					66,684	—	66,684
Transfers – capital assets					(332,027)	332,027	—
Total general revenues and transfers					<u>3,875,658</u>	<u>381,008</u>	<u>4,256,666</u>
Change in net assets					(972,210)	104,149	(868,061)
Net assets – beginning, as previously reported					22,784,369	14,729,416	37,513,785
Prior period adjustments					<u>576,716</u>	—	<u>576,716</u>
Net assets – beginning, as restated					<u>23,361,085</u>	<u>14,729,416</u>	<u>38,090,501</u>
Net assets – ending					<u>\$ 22,388,875</u>	<u>\$ 14,833,565</u>	<u>\$ 37,222,440</u>

See notes to basic financial statements

CITY OF MINNETRISTA

Balance Sheet
Governmental Funds
December 31, 2011

	General Fund (101)	G.O. Improvement Bonds of 2010 (528)	G.O. Improvement Bonds of 2007 (526)	Nonmajor Funds	Totals
Assets					
Cash and investments	\$ 2,410,398	\$ 273,969	\$ 156,448	\$ 3,710,069	\$ 6,550,884
Cash with fiscal agent	—	—	—	405,768	405,768
Interest receivable	8,206	823	507	12,017	21,553
Accounts receivable	3,500	—	—	—	3,500
Taxes receivable – delinquent	131,461	—	—	—	131,461
Special assessment receivable					
Delinquent	982	7,572	—	—	8,554
Deferred	—	1,152,308	295,789	66,306	1,514,403
Due from other governmental units	30,900	43	54	1,398	32,395
Due from other funds	164,775	—	—	—	164,775
Total assets	<u>\$ 2,750,222</u>	<u>\$ 1,434,715</u>	<u>\$ 452,798</u>	<u>\$ 4,195,558</u>	<u>\$ 8,833,293</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 130,653	\$ —	\$ —	\$ 162,062	\$ 292,715
Salaries and benefits payable	85,739	—	—	—	85,739
Due to other funds	—	—	—	164,775	164,775
Deferred revenue	132,444	1,159,880	295,789	66,305	1,654,418
Total liabilities	<u>348,836</u>	<u>1,159,880</u>	<u>295,789</u>	<u>393,142</u>	<u>2,197,647</u>
Fund balances					
Restricted	—	274,835	157,009	1,572,169	2,004,013
Committed	—	—	—	156,038	156,038
Assigned	154,422	—	—	2,357,044	2,511,466
Unassigned, reported in					
General Fund	2,246,964	—	—	—	2,246,964
Debt service funds	—	—	—	(873)	(873)
Capital projects funds	—	—	—	(281,962)	(281,962)
Total fund balances	<u>2,401,386</u>	<u>274,835</u>	<u>157,009</u>	<u>3,802,416</u>	<u>6,635,646</u>
Total liabilities and fund balances	<u>\$ 2,750,222</u>	<u>\$ 1,434,715</u>	<u>\$ 452,798</u>	<u>\$ 4,195,558</u>	<u>\$ 8,833,293</u>

See notes to basic financial statements

CITY OF MINNETRISTA

Reconciliation of the Balance Sheet to the
Statement of Net Assets
Governmental Funds
December 31, 2011

Total fund balances – governmental funds	\$ 6,635,646
Amounts reported for governmental activities in the Statement of Net Assets 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	44,528,212
Less accumulated depreciation	(18,635,931)
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	(9,655,000)
Other post-employment benefits payable	(164,742)
Compensated absences payable	(183,876)
Certain revenues (including delinquent taxes and special assessments) are included in net assets, but are excluded from fund balances until they are available to liquidate liabilities of the current period.	1,617,157
Accrued interest payable is included in net assets, but is excluded from fund balances until due and payable.	(134,342)
Activities of certain funds are presented as governmental, but their functions from a government-wide perspective are business-type:	
Water Improvement Fund	(1,011,679)
Sewer Improvement Fund	(606,570)
Total net assets – governmental activities	<u>\$ 22,388,875</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, 2011

	General Fund (101)	G.O. Improvement Bonds of 2010 (528)	G.O. Improvement Bonds of 2007 (526)	Nonmajor Funds	Totals
Revenue					
Property taxes	\$ 3,583,151	\$ 16,871	\$ 21,195	\$ 576,091	\$ 4,197,308
Special assessments	2,066	118,358	8,928	11,096	140,448
Licenses and permits	291,747	—	—	—	291,747
Intergovernmental	154,520	—	—	267,495	422,015
Charges for services	306,252	—	—	99,291	405,543
Fines and forfeitures	69,663	—	—	—	69,663
Miscellaneous					
Investment income	20,441	3,118	2,554	55,601	81,714
Refunds and reimbursements	68,910	20,000	—	—	88,910
Other	62,125	—	—	69,005	131,130
Total revenue	4,558,875	158,347	32,677	1,078,579	5,828,478
Expenditures					
Current					
General government	1,143,459	—	—	—	1,143,459
Public safety	2,166,811	—	—	—	2,166,811
Public works	902,260	—	—	—	902,260
Parks and recreation	93,999	—	—	2,274	96,273
Miscellaneous unallocated	46,137	—	—	—	46,137
Debt service					
Principal	—	—	30,000	357,335	387,335
Interest and other charges	—	78,637	34,643	271,268	384,548
Capital outlay					
Public safety	—	—	—	38,504	38,504
Public works	—	—	—	760,061	760,061
Park and recreation	—	—	—	52,734	52,734
Total expenditures	4,352,666	78,637	64,643	1,482,176	5,978,122
Excess (deficiency) of revenue over expenditures	206,209	79,710	(31,966)	(403,597)	(149,644)
Other financing sources					
Sale of capital assets	9,693	—	—	—	9,693
Issuance of debt	—	—	—	15,950	15,950
Total other financing sources	9,693	—	—	15,950	25,643
Net change in fund balances	215,902	79,710	(31,966)	(387,647)	(124,001)
Fund balances					
Beginning of year	2,185,484	195,125	188,975	4,190,063	6,759,647
End of year	\$ 2,401,386	\$ 274,835	\$ 157,009	\$ 3,802,416	\$ 6,635,646

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, 2011

Total net change in fund balances – governmental funds	\$ (124,001)
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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	744,492
Depreciation expense	(1,364,850)

Contributions of capital assets to proprietary funds are not a use of current financial resources and are not reported in the change in fund balance.	(332,027)
---	-----------

Principal payments on long-term debt are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.	300,000
--	---------

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.	(8,862)
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Certain revenues (including delinquent taxes and special assessments) are included in the change in net assets, but are excluded from the change in fund balances until they are available to liquidate liabilities of the current period.	(168,128)
--	-----------

Certain expenses, including long-term compensated absences, are included in the change in net assets, but do not require the use of current funds, and are not included in the change in fund balances.	14,240
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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.	(37,489)
--	----------

Activities of certain funds are presented as governmental, but their functions from a government-wide perspective are business-type:	
Water Improvement Fund	(10,531)
Sewer Improvement Fund	14,946

Change in net assets – governmental activities	\$ (972,210)
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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, 2011

	Budgeted Amounts		Actual	Over (Under) Final Budget
	Original	Final		
Revenues				
Property taxes	\$ 3,495,571	\$ 3,495,571	\$ 3,583,151	\$ 87,580
Special assessments	5,000	5,000	2,066	(2,934)
Licenses and permits	224,000	224,000	291,747	67,747
Intergovernmental	126,800	162,080	154,520	(7,560)
Charges for services	306,788	346,788	306,252	(40,536)
Fines and forfeitures	67,000	67,000	69,663	2,663
Miscellaneous				
Investment income	40,000	40,000	20,441	(19,559)
Refunds and reimbursements	22,095	47,095	68,910	21,815
Other	—	—	62,125	62,125
Total revenues	<u>4,287,254</u>	<u>4,387,534</u>	<u>4,558,875</u>	<u>171,341</u>
Expenditures				
Current				
General government	1,092,669	1,119,419	1,143,459	24,040
Public safety	2,253,487	2,306,646	2,166,811	(139,835)
Public works	902,043	902,043	902,260	217
Parks and recreation	85,343	85,343	93,999	8,656
Miscellaneous unallocated	40,000	60,000	46,137	(13,863)
Total expenditures	<u>4,373,542</u>	<u>4,473,451</u>	<u>4,352,666</u>	<u>(120,785)</u>
Excess (deficiency) of revenues over expenditures	(86,288)	(85,917)	206,209	292,126
Other financing sources				
Sale of capital assets	<u>4,000</u>	<u>4,000</u>	<u>9,693</u>	<u>5,693</u>
Net change in fund balances	<u>\$ (82,288)</u>	<u>\$ (81,917)</u>	<u>215,902</u>	<u>\$ 297,819</u>
Fund balances				
Beginning of year			<u>2,185,484</u>	
End of year			<u>\$ 2,401,386</u>	

See notes to basic financial statements

CITY OF MINNETRISTA

Statement of Net Assets
Enterprise Funds
December 31, 2011

	Water (601)	Sewer (602)	Storm Water (651)	Recycling (671)	Total
Assets					
Current assets					
Cash and cash equivalents	\$ 1,113,373	\$ 315,178	\$ 59,626	\$ 151,165	\$ 1,639,342
Receivables					
Accounts	118,082	148,006	23,691	24,608	314,387
Deferred special assessments	13,338	14,650	6,104	6,538	40,630
Interest receivable	3,795	1,048	184	480	5,507
Due from other governmental units	462	503	224	210	1,399
Total current assets	<u>1,249,050</u>	<u>479,385</u>	<u>89,829</u>	<u>183,001</u>	<u>2,001,265</u>
Noncurrent assets					
Capital assets	8,849,556	8,862,751	2,534,011	–	20,246,318
Less accumulated depreciation	<u>(2,377,494)</u>	<u>(4,269,891)</u>	<u>(902,882)</u>	<u>–</u>	<u>(7,550,267)</u>
Total noncurrent assets	<u>6,472,062</u>	<u>4,592,860</u>	<u>1,631,129</u>	<u>–</u>	<u>12,696,051</u>
Total assets	<u>\$ 7,721,112</u>	<u>\$ 5,072,245</u>	<u>\$ 1,720,958</u>	<u>\$ 183,001</u>	<u>\$ 14,697,316</u>
Liabilities and Net Assets					
Liabilities					
Current liabilities					
Accounts payable	\$ 8,701	\$ 20,822	\$ 6,661	\$ –	\$ 36,184
Salaries and benefits payable	2,451	2,273	371	371	5,466
Interest payable	2,612	–	–	–	2,612
Amount due within one year	<u>93,481</u>	<u>3,481</u>	<u>1,338</u>	<u>–</u>	<u>98,300</u>
Total current liabilities	<u>107,245</u>	<u>26,576</u>	<u>8,370</u>	<u>371</u>	<u>142,562</u>
Noncurrent liabilities					
Compensated absences	4,982	4,982	1,916	–	11,880
Other post-employment benefits	7,752	6,756	2,015	805	17,328
Bonds payable	820,000	–	–	–	820,000
Less amount due within one year	<u>(93,481)</u>	<u>(3,481)</u>	<u>(1,338)</u>	<u>–</u>	<u>(98,300)</u>
Total noncurrent liabilities	<u>739,253</u>	<u>8,257</u>	<u>2,593</u>	<u>805</u>	<u>750,908</u>
Total liabilities	846,498	34,833	10,963	1,176	893,470
Net assets					
Invested in capital assets	5,652,062	4,592,860	1,631,129	–	11,876,051
Unrestricted	<u>1,222,552</u>	<u>444,552</u>	<u>78,866</u>	<u>181,825</u>	<u>1,927,795</u>
Total net assets	<u>6,874,614</u>	<u>5,037,412</u>	<u>1,709,995</u>	<u>181,825</u>	<u>13,803,846</u>
Total liabilities and net assets	<u>\$ 7,721,112</u>	<u>\$ 5,072,245</u>	<u>\$ 1,720,958</u>	<u>\$ 183,001</u>	<u>\$ 14,697,316</u>
Total net assets – enterprise funds					\$ 13,803,846
Water Improvement Fund, fund balances					1,011,679
Sewer Improvement Fund, fund balances					606,570
Water Improvement Fund, debt					(625,791)
Water and Sewer Improvement Funds, delinquent and deferred special assessment receivable					<u>37,261</u>
Total business-type net assets					<u>\$ 14,833,565</u>

See notes to basic financial statements

CITY OF MINNETRISTA

Statement of Revenue, Expenses, and Changes in Net Assets
Enterprise Funds
Year Ended December 31, 2011

	Water (601)	Sewer (602)	Storm Water (651)	Recycling (671)	Total
Operating revenues					
Charges for services	\$ 517,710	\$ 575,145	\$ 93,415	\$ 97,122	\$ 1,283,392
Operating expenses					
Wages and salaries	127,699	110,845	38,477	13,363	290,384
Materials and supplies	76,244	105,053	35,567	—	216,864
Repairs and maintenance	10,825	17,900	3,341	—	32,066
Professional services	11,060	10,993	13,062	79,219	114,334
Insurance	5,793	2,753	—	—	8,546
Utilities	48,862	16,582	—	—	65,444
Depreciation	223,994	236,809	104,853	—	565,656
Miscellaneous	8,082	5,432	2,838	356	16,708
Sewer charges – MCES	—	221,130	—	—	221,130
Sewer services to other governments	—	22,035	—	—	22,035
Total operating expenses	<u>512,559</u>	<u>749,532</u>	<u>198,138</u>	<u>92,938</u>	<u>1,553,167</u>
Operating income (loss)	5,151	(174,387)	(104,723)	4,184	(269,775)
Nonoperating revenue (expenses)					
Investment earnings	16,919	4,669	983	2,050	24,621
Intergovernmental	—	—	—	19,657	19,657
Interest expense	(34,456)	—	—	—	(34,456)
Other income	4,705	2,321	798	233	8,057
Total nonoperating revenue (expenses)	<u>(12,832)</u>	<u>6,990</u>	<u>1,781</u>	<u>21,940</u>	<u>17,879</u>
Income (loss) before capital contributions	(7,681)	(167,397)	(102,942)	26,124	(251,896)
Capital contributions	<u>113,449</u>	<u>218,578</u>	<u>—</u>	<u>—</u>	<u>332,027</u>
Change in net assets	105,768	51,181	(102,942)	26,124	80,131
Net assets					
Beginning of year	<u>6,768,846</u>	<u>4,986,231</u>	<u>1,812,937</u>	<u>155,701</u>	<u>13,723,715</u>
End 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>
Change in net assets – enterprise funds					\$ 80,131
Water Improvement Fund, activity					10,531
Sewer Improvement Fund, activity					(14,946)
Water Improvement Fund, debt issuance					(15,950)
Water Improvement Fund, debt principal repayment					46,000
Change in Water and Sewer Improvement Funds, delinquent and deferred special assessment receivable					<u>(1,617)</u>
Change in business-type net assets					<u>\$ 104,149</u>

See notes to basic financial statements

CITY OF MINNETRISTA

Statement of Cash Flows
Enterprise Funds
Year Ended December 31, 2011

	Water (601)	Sewer (602)	Storm Water (651)	Recycling (671)	Total
Cash flows from operating activities					
Receipts from customers and users	\$ 496,133	\$ 581,360	\$ 99,260	\$ 101,332	\$ 1,278,085
Payments to suppliers/service providers	(159,424)	(401,135)	(48,147)	(79,575)	(688,281)
Payments to employees	(126,353)	(110,287)	(38,115)	(13,146)	(287,901)
Miscellaneous revenue	4,705	2,321	798	233	8,057
Net cash flows from operating activities	215,061	72,259	13,796	8,844	309,960
Cash flows from noncapital financing activities					
Intergovernmental revenue	—	—	—	19,657	19,657
Cash flows from capital and related financing activities					
Principal paid on debt	(85,000)	—	—	—	(85,000)
Interest paid on debt	(34,700)	—	—	—	(34,700)
Net cash flows from capital and related financing activities	(119,700)	—	—	—	(119,700)
Cash flows from investing activities					
Investment income	16,624	4,465	955	1,989	24,033
Net change in cash and cash equivalents	111,985	76,724	14,751	30,490	233,950
Cash and cash equivalents					
Beginning of year	1,001,388	238,454	44,875	120,675	1,405,392
End of year	\$ 1,113,373	\$ 315,178	\$ 59,626	\$ 151,165	\$ 1,639,342
Reconciliation of operating income (loss) to net cash flows from operating activities					
Operating income (loss)	\$ 5,151	\$ (174,387)	\$ (104,723)	\$ 4,184	\$ (269,775)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation and amortization	223,994	236,809	104,853	—	565,656
Other revenue	4,705	2,321	798	233	8,057
Change in assets and liabilities					
Accounts receivable	(24,473)	3,154	3,982	3,369	(13,968)
Deferred special assessments	(86)	(193)	417	(514)	(376)
Due from other governmental units	2,982	3,254	1,446	1,355	9,037
Accounts payable	1,442	743	6,661	—	8,846
Salaries and benefits payable	(460)	(960)	(162)	—	(1,582)
Compensated absences	(66)	(66)	(26)	—	(158)
Other post-employment benefits	1,872	1,584	550	217	4,223
Net cash flows from operating activities	\$ 215,061	\$ 72,259	\$ 13,796	\$ 8,844	\$ 309,960
Noncash investing, capital, and financing activity					
Contributions of capital assets	\$ 113,449	\$ 218,578	\$ —	\$ —	\$ 332,027

See notes to basic financial statements

CITY OF MINNETRISTA

Statement of Fiduciary Net Assets
Agency Fund
December 31, 2011

	<u>Land Use (801)</u>
Assets	
Cash and investments	\$ 100,476
Special assessments receivable	
Delinquent	401
Deferred	507
Land use receivables	128,124
Due from other governments	<u>22,089</u>
Total assets	<u>\$ 251,597</u>
Liabilities	
Accounts payable	233,472
Developer payable	<u>18,125</u>
Total liabilities	<u>\$ 251,597</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 2011, the City paid \$8,835 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 2011, the City was required to contribute \$28,371.

C. Government-Wide Financial Statement Presentation

The government-wide financial statements (Statement of Net Assets 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 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 Activities. 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 government 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 and acquisitions under capital leases 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.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of GASB. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private sector guidance.

Fiduciary fund financial statements also 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

G.O. Improvement Bonds of 2007 Debt Service Fund – This fund accounts for the City’s payment of principal and interest on G.O. bonds issued to finance improvement projects.

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. 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. 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.

A portion of the property taxes levied is paid by the state of Minnesota through Market Value Homestead Credit, which is included in intergovernmental revenue in the financial statements.

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 and are fully offset by deferred revenue in the governmental fund statements because they are not known to be available to finance current expenditures.

G. 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.

H. 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 and special assessments.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

The public works full-time employees that are union members accrue vacation up to a maximum of 80 hours to carryover to the next year. Union employees 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. Any union employee who has 3 years or more of service with the City and who leaves in good standing, receives one-third of unused sick leave up to 160 hours at the rate of pay upon separation.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Long-Term Obligations

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

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.

M. 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 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)

N. Net Assets

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

- **Invested in Capital Assets, Net of Related Debt** – Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- **Restricted Net Assets** – Consists of net assets 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 Assets** – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

O. Budgets and Budgetary Accounting

The City Council adopts annual budgets for the General Fund and special revenue, debt service, capital project (except for the Game Farm Road/South Bay Drive Capital Improvement Capital Project Fund) 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 2011. 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. Annual appropriations lapse at year-end.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Stewardship, Compliance, and Accountability

1. Expenditures in Excess of Appropriations

Expenditures exceeded appropriations in the following funds for the year ended December 31, 2011:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Excess</u>
Nonmajor governmental funds			
Park Development	\$ 51,500	\$ 55,008	\$ 3,508
Road Maintenance	\$ –	\$ 35,011	\$ 35,011
EDA Lease Revenue Bonds of 2009	\$ 399,818	\$ 403,718	\$ 3,900
Street Improvement	\$ –	\$ 282,889	\$ 282,889

2. Deficit Fund Balances

The following funds had deficit fund balances at December 31, 2011:

Nonmajor governmental funds	
Mound Fire Improvement Bonds of 2003	\$ 873
Street Improvement	\$ 281,962

Q. 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 2011.

R. Change in Accounting Principle

For the year ended December 31, 2011, the City has implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. More information on these fund balance classifications is included elsewhere in these notes.

NOTE 2 – CASH AND INVESTMENTS

A. Components of Cash and Investments

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

Deposits	\$	253,099
Investments		8,443,121
Cash on hand		250
		<hr/>
	\$	8,696,470
		<hr/>

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

Cash and investments – Statement of Net Assets	\$	8,190,226
Cash with fiscal agent – Statement of Net Assets		405,768
Cash and investments – Statement of Fiduciary Net Assets		100,476
		<hr/>
Total	\$	8,696,470
		<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 \$253,099 while the balance on the bank records was \$261,885. At December 31, 2011, 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	\$ –	\$ 250,087	\$ 670,183	\$ 920,270
Federal Home Loan Mortgage Corporation	AA+	S&P	–	–	452,948	452,948
Federal National Mortgage Association	AA+	S&P	–	419,706	525,627	945,333
Negotiable certificates of deposit	N/R	N/A	878,378	2,281,460	–	3,159,838
Investment pools/mutual funds						
4M Fund	N/R	N/A	2,535,384	–	–	2,535,384
Wells Fargo Advantage Government Money Market	AAA	S&P	1,562	–	–	1,562
First American Government Obligation	AAAm	S&P	405,768	–	–	405,768
Morgan Stanley U.S. Government Money Market Trust	N/R	N/A	22,018	–	–	22,018
Total investments			<u>\$ 3,843,110</u>	<u>\$ 2,951,253</u>	<u>\$ 1,648,758</u>	<u>\$ 8,443,121</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.

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, 2011, 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, Federal Home Loan Mortgage Corporation – 5 percent, and Federal National Mortgage Association – 11 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, 2011 was as follows:

	Beginning Balance, as Restated*	Additions	Disposals	Completed Construction	Ending Balance
Capital assets, not depreciated					
Land	\$ 3,235,661	\$ –	\$ –	\$ –	\$ 3,235,661
Construction in progress	2,767,509	655,523	–	(3,091,043)	331,989
Total capital assets, not depreciated	6,003,170	655,523	–	(3,091,043)	3,567,650
Capital assets, depreciated					
Land improvements	1,633,436	–	–	–	1,633,436
Buildings and improvements	6,815,005	–	–	2,759,016	9,574,021
Infrastructure	25,089,542	–	–	–	25,089,542
Vehicles and equipment	4,650,530	88,969	(75,936)	–	4,663,563
Total capital assets, depreciated	38,188,513	88,969	(75,936)	2,759,016	40,960,562
Less accumulated depreciation on					
Land improvements	(558,003)	(69,120)	–	–	(627,123)
Buildings and improvements	(841,712)	(167,952)	–	–	(1,009,664)
Infrastructure	(13,195,878)	(756,342)	–	–	(13,952,220)
Vehicles and equipment	(2,751,424)	(371,436)	75,936	–	(3,046,924)
Total accumulated depreciation	(17,347,017)	(1,364,850)	75,936	–	(18,635,931)
Total capital assets, depreciated net of accumulated depreciation	20,841,496	(1,275,881)	–	2,759,016	22,324,631
Total capital assets, net of depreciation	\$ 26,844,666	\$ (620,358)	\$ –	\$ (332,027)	\$ 25,892,281

* As restated for the prior period adjustment described later in these notes.

NOTE 3 – CAPITAL ASSETS (CONTINUED)**B. Business-Type Activities**

	Beginning Balance	Additions	Disposals	Completed Construction	Ending Balance
Capital assets, depreciated					
Infrastructure	\$ 19,304,973	\$ –	\$ –	\$ 332,027	\$ 19,637,000
Machinery and equipment	609,318	–	–	–	609,318
Total capital assets, depreciated	19,914,291	–	–	332,027	20,246,318
Less accumulated depreciation on					
Infrastructure	(6,818,221)	(528,120)	–	–	(7,346,341)
Machinery and equipment	(166,390)	(37,536)	–	–	(203,926)
Total accumulated depreciation	(6,984,611)	(565,656)	–	–	(7,550,267)
Net capital assets	<u>\$ 12,929,680</u>	<u>\$ (565,656)</u>	<u>\$ –</u>	<u>\$ 332,027</u>	<u>\$ 12,696,051</u>

C. Depreciation Expense by Function

Depreciation expense for the year ended December 31, 2011 was charged to the various functions/programs as follows:

Governmental activities	
General government	\$ 19,753
Public safety	270,251
Public works	1,005,726
Park and recreation	69,120
Total depreciation expense – governmental activities	<u>\$ 1,364,850</u>
Business-type activities	
Water	\$ 223,994
Sewer	236,809
Storm water	104,853
Total depreciation expense – business-type activities	<u>\$ 565,656</u>

NOTE 4 – INTERFUND BALANCES AND TRANSACTIONS

At December 31, 2011, the General Fund had a receivable due from two nonmajor governmental funds to cover temporary negative cash positions to be repaid as funds become available.

NOTE 5 – LONG-TERM DEBT

A. Components of Long-Term Debt

The City had the following long-term liabilities outstanding at December 31, 2011:

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%	\$ 255,000
G.O. Improvement Bonds of 2007	10/01/2007	\$ 890,000	12/01/2027	3.75–4.50%	790,000
G.O. Improvement Bonds of 2010	09/16/2010	\$ 3,270,000	02/01/2031	2.00–3.50%	3,270,000
EDA Lease Revenue Bonds of 2009	06/09/2009	\$ 5,520,000	02/01/2031	3.00–4.75%	5,340,000
Total debt					9,655,000
Compensated absences					183,876
OPEB (Note 8)					164,742
Total governmental activities					10,003,618
Business-type activities					
G.O. Water Revenue Refunding Bonds					
of 2005	10/01/2005	\$ 1,070,000	12/01/2020	3.30–3.95%	820,000
PFA Drinking Water Revolving Loan	Various	\$ 719,813	08/20/2024	1.189%	625,791
Compensated absences					11,880
OPEB (Note 8)					17,328
Total business-type activities					1,474,999
Total all long-term liabilities					\$11,478,617

The City issues G.O. 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. G.O. 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 Fund will pay any principal and interest on the Water Revenue Bonds. The Water Improvement Fund will pay any principal and interest on the PFA Drinking Water Revolving Loan. The General, Water, and Sewer Funds will pay for the corresponding compensated absence and OPEB liabilities.

NOTE 5 – LONG-TERM DEBT (CONTINUED)

B. Changes in Long-Term Debt

	December 31, 2010	Additions	Retirements	December 31, 2011	Due Within One Year
Governmental activities					
Special assessment bonds	\$ 4,380,000	\$ –	\$ 65,000	\$ 4,315,000	\$ 70,000
Lease revenue bonds	5,520,000	–	180,000	5,340,000	185,000
Certificates of Indebtedness	55,000	–	55,000	–	–
Compensated absences	198,116	177,836	192,076	183,876	120,000
OPEB	127,253	39,624	2,135	164,742	–
Total governmental activities	<u>\$ 10,280,369</u>	<u>\$ 217,460</u>	<u>\$ 494,211</u>	<u>\$ 10,003,618</u>	<u>\$ 375,000</u>
Business-type activities					
Revenue bonds	\$ 905,000	\$ –	\$ 85,000	\$ 820,000	\$ 90,000
PFA Drinking Water Revolving Loan	655,841	15,950	46,000	625,791	47,000
Compensated absences	12,038	8,749	8,907	11,880	8,300
OPEB	13,105	4,464	241	17,328	–
Total business-type activities	<u>\$ 1,585,984</u>	<u>\$ 29,163</u>	<u>\$ 140,148</u>	<u>\$ 1,474,999</u>	<u>\$ 145,300</u>

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.
- **Certificates of Indebtedness** – These certificates were issued in accordance with Minnesota Statute § 412.301 to finance various equipment purchases and will be repaid primarily with ad valorem tax levies.
- **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. During 2011, the City drew down \$15,950 relating to the loan. The total amount drawn on this loan at December 31, 2011 is \$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
2012	\$ 70,000	\$ 133,541	\$ 185,000	\$ 214,343
2013	215,000	129,499	190,000	208,718
2014	215,000	123,699	195,000	202,943
2015	220,000	117,814	205,000	196,943
2016	225,000	111,844	210,000	190,718
2017–2021	1,105,000	461,194	1,175,000	824,338
2022–2026	1,165,000	292,507	1,425,000	561,356
2027–2031	1,100,000	94,006	1,755,000	213,096
	<u>\$ 4,315,000</u>	<u>\$ 1,464,104</u>	<u>\$ 5,340,000</u>	<u>\$ 2,612,455</u>

Year Ending December 31,	Business-Type Activities			
	Revenue Bonds Payable		PFA Drinking Water Revolving Loan	
	Principal	Interest	Principal	Interest
2012	\$ 90,000	\$ 31,343	\$ 47,000	\$ 7,764
2013	95,000	28,103	47,000	7,205
2014	95,000	24,683	48,000	6,647
2015	100,000	21,072	48,000	6,076
2016	105,000	17,273	49,000	5,505
2017–2021	335,000	26,608	254,000	18,632
2022–2024	–	–	132,791	3,818
	<u>\$ 820,000</u>	<u>\$ 149,082</u>	<u>\$ 625,791</u>	<u>\$ 55,647</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%	2012–2020	\$ 969,082	\$ 119,275	\$ 517,710
PFA Drinking Water Revolving Loan	Water capital projects and infrastructure	Utility charges	100%	2012–2024	\$ 681,438	\$ 53,310	\$ 517,710

NOTE 6 – FUND BALANCES

At December 31, 2011, 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 2007	Nonmajor	Total
Restricted					
Park development	\$ —	\$ —	\$ —	\$ 555,414	\$ 555,414
Street improvements	—	—	—	197,295	197,295
Debt service	—	274,835	157,009	819,460	1,251,304
Total restricted	—	274,835	157,009	1,572,169	2,004,013
Committed					
Emergency warning siren	—	—	—	129,588	129,588
Road maintenance	—	—	—	26,450	26,450
Total committed	—	—	—	156,038	156,038
Assigned					
Subsequent year budget	154,422	—	—	—	154,422
Emergency warning siren	—	—	—	23,762	23,762
Park development	—	—	—	200,496	200,496
Road maintenance	—	—	—	14,772	14,772
CIP plan improvements	—	—	—	485,305	485,305
Street improvements	—	—	—	14,460	14,460
Other capital projects	—	—	—	1,618,249	1,618,249
Total assigned	154,422	—	—	2,357,044	2,511,466
Unassigned					
General Fund	2,246,964	—	—	—	2,246,964
Debt service fund deficits	—	—	—	(873)	(873)
Capital project fund deficits	—	—	—	(281,962)	(281,962)
Total unassigned	2,246,964	—	—	(282,835)	1,964,129
Total	\$ 2,401,386	\$ 274,835	\$ 157,009	\$ 3,802,416	\$ 6,635,646

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 operating budget for the following year. The General Fund balance at December 31, 2011 is equivalent to 55 percent of the 2012 General Fund operating budget.

NOTE 7 – PENSION PLANS – STATE-WIDE

A. Defined Benefit Plans

All full-time and certain part-time employees of the City are covered by defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). 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 on the Internet at www.mnpera.org, by writing to PERA at 60 Empire Drive, Suite 200, St. Paul, Minnesota 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

NOTE 7 – 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. GERP 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 2011. PEPFF members were required to contribute 9.6 percent of their annual covered salary in 2011. In 2011, the City was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERP members, 7.25 percent for Coordinated Plan GERP 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>GERP</u>	<u>PEPFF</u>
2011	\$ 80,648	\$ 120,865
2010	\$ 79,698	\$ 126,780
2009	\$ 76,285	\$ 123,972

C. Defined Contribution Plan – PERA

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

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 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 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 one percent of the assets in each member's account annually.

Total contributions made by the City during fiscal year 2011 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>
\$ 6,686	\$ 6,686	5.0%	5.0%	5.0%

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 2011, the City contributed \$2,376 to the plan. Plan members receiving benefits contribute 100 percent of their premium costs. As of December 31, 2011, 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:

Annual required contribution	\$ 42,845
Interest on net OPEB obligation	6,316
Adjustment to annual required contribution	<u>(5,073)</u>
Annual OPEB cost (expense)	44,088
Contributions made	<u>(2,376)</u>
Increase in net OPEB obligation	41,712
Net OPEB obligation – beginning of year	<u>140,358</u>
Net OPEB obligation – end of year	<u>\$ 182,070</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>
2011	\$ 44,088	\$ 2,376	5.4 %	\$ 182,070
2010	\$ 43,945	\$ 572	1.3 %	\$ 140,358
2009	\$ 49,403	\$ 1,030	2.1 %	\$ 96,985

D. Funded Status and Funding Progress

As of January 1, 2010, the most recent valuation date, the actuarial accrued liability for benefits was \$222,602, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,998,138 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 11.1 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, 2010 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 4.5 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. 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, 2010 was 28 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 2011, the City received \$218,889 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 \$377,713 for fire protection services in 2011.

C. Public Safety Building

The City of Mound issued G.O. 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 G.O. bonds. The City's payments of \$67,439 for 2011 are included in debt service principal (\$41,335) and interest (\$26,104) 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 12/31/2011</u>	<u>Commitment</u>
Highland Road Improvements	<u>\$ 1,506,937</u>	<u>\$ 331,989</u>	<u>\$ 1,174,948</u>

NOTE 10 – PRIOR PERIOD ADJUSTMENT

In 2011, the City recorded a prior period adjustment to correct construction capital asset activity that had been accounted for incorrectly in previous years. The adjustment increased the beginning of the year balance of the governmental activities net assets by \$576,716 on the Statement of Activities. The adjustment had no impact on the fund based financial statements.

NOTE 11 – SUBSEQUENT EVENT

In April 2012, the City issued \$1,550,000 of General Obligation Bonds, Series 2012A. The bonds bear interest rates ranging from 0.5–2.8 percent and mature in February 2027.

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, 2010	\$ —	\$ 222,602	\$ 222,602	— %	\$ 1,998,138	11.1 %
January 1, 2008	—	222,612	222,612	—	1,786,878	12.5

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

CITY OF MINNETRISTA

Combining Balance Sheet
Nonmajor Governmental Funds
as of December 31, 2011

	Special Revenue Funds			Debt Service Funds			Capital Project Funds						
	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)	EDA Lease Revenue Bonds of 2009 (527)	Capital Improvement (401)	Street Improvement (490)	Water Improvement (491)	Sewer Improvement (492)	Game Farm Road/ South Bay Drive Improvement (495)	Total
Assets													
Cash and investments	\$ 152,855	\$ 753,801	\$ 41,089	\$ 45,568	\$ —	\$ 117,352	\$ 248,277	\$ 514,174	\$ —	\$ 1,016,641	\$ 607,602	\$ 212,710	\$ 3,710,069
Cash with fiscal agent	—	—	—	—	—	—	405,768	—	—	—	—	—	405,768
Interest receivable	495	2,506	133	148	—	386	740	1,665	—	3,287	1,968	689	12,017
Special assessments receivable													
Deferred	—	—	—	—	—	29,044	—	—	—	29,337	7,925	—	66,306
Due from other governments	—	—	—	141	177	90	990	—	—	—	—	—	1,398
Total assets	<u>\$ 153,350</u>	<u>\$ 756,307</u>	<u>\$ 41,222</u>	<u>\$ 45,857</u>	<u>\$ 177</u>	<u>\$ 146,872</u>	<u>\$ 655,775</u>	<u>\$ 515,839</u>	<u>\$ —</u>	<u>\$ 1,049,265</u>	<u>\$ 617,495</u>	<u>\$ 213,399</u>	<u>\$ 4,195,558</u>
Liabilities and Fund Balances													
Liabilities													
Accounts payable	\$ —	\$ 397	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 30,534	\$ 118,237	\$ 8,250	\$ 3,000	\$ 1,644	\$ 162,062
Due to other funds	—	—	—	—	1,050	—	—	—	163,725	—	—	—	164,775
Deferred revenue	—	—	—	—	—	29,044	—	—	—	29,336	7,925	—	66,305
Total liabilities	<u>—</u>	<u>397</u>	<u>—</u>	<u>—</u>	<u>1,050</u>	<u>29,044</u>	<u>—</u>	<u>30,534</u>	<u>281,962</u>	<u>37,586</u>	<u>10,925</u>	<u>1,644</u>	<u>393,142</u>
Fund balances													
Restricted	—	555,414	—	45,857	—	117,828	655,775	—	—	—	—	197,295	1,572,169
Committed	129,588	—	26,450	—	—	—	—	—	—	—	—	—	156,038
Assigned	23,762	200,496	14,772	—	—	—	—	485,305	—	1,011,679	606,570	14,460	2,357,044
Unassigned	—	—	—	—	(873)	—	—	—	(281,962)	—	—	—	(282,835)
Total fund balances	<u>153,350</u>	<u>755,910</u>	<u>41,222</u>	<u>45,857</u>	<u>(873)</u>	<u>117,828</u>	<u>655,775</u>	<u>485,305</u>	<u>(281,962)</u>	<u>1,011,679</u>	<u>606,570</u>	<u>211,755</u>	<u>3,802,416</u>
Total liabilities and fund balances	<u>\$ 153,350</u>	<u>\$ 756,307</u>	<u>\$ 41,222</u>	<u>\$ 45,857</u>	<u>\$ 177</u>	<u>\$ 146,872</u>	<u>\$ 655,775</u>	<u>\$ 515,839</u>	<u>\$ —</u>	<u>\$ 1,049,265</u>	<u>\$ 617,495</u>	<u>\$ 213,399</u>	<u>\$ 4,195,558</u>

CITY OF MINNETRISTA

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2011

	Special Revenue Funds			Debt Service Funds			Capital Project Funds						
	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)	EDA Lease Revenue Bonds of 2009 (527)	Capital Improvement (401)	Street Improvement (490)	Water Improvement (491)	Sewer Improvement (492)	Game Farm Road/ South Bay Drive Improvement (495)	Total
Revenue													
Property taxes	\$ -	\$ -	\$ -	\$ 55,133	\$ 69,364	\$ 34,825	\$ 386,769	\$ 30,000	\$ -	\$ -	\$ -	\$ -	\$ 576,091
Special assessments	-	-	-	-	-	7,688	-	-	-	3,408	-	-	11,096
Intergovernmental revenue	-	-	61,461	-	-	-	-	-	206,034	-	-	-	267,495
Charges for services	-	-	-	-	-	-	-	-	-	68,480	30,811	-	99,291
Miscellaneous													
Investment income	2,270	11,641	792	868	-	1,809	259	7,541	-	15,096	9,264	6,061	55,601
Other	192	35,168	13,980	-	-	-	19,665	-	-	-	-	-	69,005
Total revenue	2,462	46,809	76,233	56,001	69,364	44,322	406,693	37,541	206,034	86,984	40,075	6,061	1,078,579
Expenditures													
Current													
Parks and recreation	-	2,274	-	-	-	-	-	-	-	-	-	-	2,274
Debt service													
Principal	-	-	-	55,000	41,335	35,000	180,000	-	-	46,000	-	-	357,335
Interest and other charges	-	-	-	2,228	26,104	11,908	223,718	-	-	7,310	-	-	271,268
Capital outlay													
Public safety	-	-	-	-	-	-	-	38,504	-	-	-	-	38,504
Public works	-	-	35,011	-	-	-	-	18,222	282,889	39,093	55,021	329,825	760,061
Park and recreation	-	52,734	-	-	-	-	-	-	-	-	-	-	52,734
Total expenditures	-	55,008	35,011	57,228	67,439	46,908	403,718	56,726	282,889	92,403	55,021	329,825	1,482,176
Excess (deficiency) of revenue over expenditures	2,462	(8,199)	41,222	(1,227)	1,925	(2,586)	2,975	(19,185)	(76,855)	(5,419)	(14,946)	(323,764)	(403,597)
Other financing sources (uses)													
Issuance of debt	-	-	-	-	-	-	-	-	-	15,950	-	-	15,950
Net change in fund balances	2,462	(8,199)	41,222	(1,227)	1,925	(2,586)	2,975	(19,185)	(76,855)	10,531	(14,946)	(323,764)	(387,647)
Fund balances													
Beginning of year	150,888	764,109	-	47,084	(2,798)	120,414	652,800	504,490	(205,107)	1,001,148	621,516	535,519	4,190,063
End of year	\$ 153,350	\$ 755,910	\$ 41,222	\$ 45,857	\$ (873)	\$ 117,828	\$ 655,775	\$ 485,305	\$ (281,962)	\$ 1,011,679	\$ 606,570	\$ 211,755	\$ 3,802,416

CITY OF MINNETRISTA

General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual
Year Ended December 31, 2011

	Final Budget	Actual	Over (Under) Budget
Revenues			
Property taxes	\$ 3,495,571	\$ 3,583,151	\$ 87,580
Special assessments	5,000	2,066	(2,934)
Licenses and permits	224,000	291,747	67,747
Intergovernmental			
Federal grants and aids	12,000	11,384	(616)
State grants and aids			
Market value credit	—	620	620
PERA aid	2,800	2,852	52
Police aid	80,000	79,826	(174)
Other grants and aids	67,280	59,838	(7,442)
Total intergovernmental	162,080	154,520	(7,560)
Charges for services			
General government	51,400	58,782	7,382
Public safety	260,388	238,057	(22,331)
Public works	35,000	9,413	(25,587)
Total charges for services	346,788	306,252	(40,536)
Fines and forfeitures	67,000	69,663	2,663
Miscellaneous revenue			
Investment income	40,000	20,441	(19,559)
Refunds and reimbursements	47,095	68,910	21,815
Other	—	62,125	62,125
Total miscellaneous revenue	87,095	151,476	64,381
Total revenues	4,387,534	4,558,875	171,341
Expenditures			
Current			
General government			
Mayor and City Council			
Salaries and benefits	35,955	27,228	(8,727)
Supplies and maintenance	100	419	319
Other	57,000	50,451	(6,549)
Total Mayor and City Council	93,055	78,098	(14,957)

(continued)

CITY OF MINNETRISTA

General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual (continued)
Year Ended December 31, 2011

	<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	159,863	159,176	(687)
Supplies and maintenance	7,550	9,076	1,526
Contracted services	3,000	3,960	960
Other	1,000	30	(970)
Total planning and zoning	<u>171,413</u>	<u>172,242</u>	<u>829</u>
Administration and finance			
Salaries and benefits	480,951	491,609	10,658
Materials and supplies	30,000	15,875	(14,125)
Other	52,500	54,490	1,990
Total administration and finance	<u>563,451</u>	<u>561,974</u>	<u>(1,477)</u>
Assessor			
Contracted services	90,000	89,324	(676)
Auditor			
Contracted services	21,500	21,500	–
Legal			
Contracted services	100,000	106,875	6,875
Elections			
Salaries and benefits	1,000	–	(1,000)
Supplies and maintenance	500	–	(500)
Other	1,000	903	(97)
Total elections	<u>2,500</u>	<u>903</u>	<u>(1,597)</u>
General government building			
Salaries and benefits	–	9,301	9,301
Supplies and maintenance	10,200	7,218	(2,982)
Contracted services	36,750	41,580	4,830
Other	27,550	30,205	2,655
Capital outlay	3,000	24,239	21,239
Total general government building	<u>77,500</u>	<u>112,543</u>	<u>35,043</u>
Total general government	1,119,419	1,143,459	24,040

(continued)

CITY OF MINNETRISTA

General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual (continued)
Year Ended December 31, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures (continued)			
Current (continued)			
Public safety			
Police protection			
Salaries and benefits	1,444,375	1,357,288	(87,087)
Supplies and maintenance	117,500	98,047	(19,453)
Contracted services	22,879	20,610	(2,269)
Other	202,300	163,169	(39,131)
Total police protection	<u>1,787,054</u>	<u>1,639,114</u>	<u>(147,940)</u>
Fire protection			
Contracted services	413,592	418,504	4,912
Engineering			
Contracted services	43,000	33,523	(9,477)
Building inspection			
Contracted services	62,800	75,568	12,768
Other	200	102	(98)
Total building inspection	<u>63,000</u>	<u>75,670</u>	<u>12,670</u>
Total public safety	2,306,646	2,166,811	(139,835)
Public works			
Streets and highways			
Salaries and benefits	393,008	394,218	1,210
Supplies and maintenance	291,900	288,756	(3,144)
Contracted services	20,000	19,178	(822)
Other	56,900	65,299	8,399
Total streets and highways	<u>761,808</u>	<u>767,451</u>	<u>5,643</u>
Snow and ice removal			
Salaries and benefits	80,840	64,414	(16,426)
Supplies and maintenance	42,500	54,086	11,586
Other	300	188	(112)
Total snow and ice removal	<u>123,640</u>	<u>118,688</u>	<u>(4,952)</u>
Street lighting			
Other	12,000	15,467	3,467

(continued)

CITY OF MINNETRISTA

General Fund
Schedule of Revenues, Expenditures, and
Changes in Fund Balances – Budget and Actual (continued)
Year Ended December 31, 2011

	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Expenditures (continued)			
Current (continued)			
Public works (continued)			
Weed control			
Supplies and maintenance	4,595	654	(3,941)
Total public works	902,043	902,260	217
Parks and recreation			
Salaries and benefits	49,716	31,775	(17,941)
Supplies and maintenance	22,300	45,737	23,437
Contracted services	—	1,603	1,603
Other	13,327	14,884	1,557
Total parks and recreation	85,343	93,999	8,656
Miscellaneous			
Unallocated insurance	60,000	46,137	(13,863)
Total expenditures	4,473,451	4,352,666	(120,785)
Excess (deficiency) of revenues over expenditures	(85,917)	206,209	292,126
Other financing sources			
Proceeds from sale of capital assets	4,000	9,693	5,693
Net change in fund balances	<u>\$ (81,917)</u>	215,902	<u>\$ 297,819</u>
Fund balances			
Beginning of year		<u>2,185,484</u>	
End of year		<u>\$ 2,401,386</u>	

CITY OF MINNETRISTA

Emergency Warning Siren Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended December 31, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue			
Miscellaneous revenues			
Investment income	\$ 2,000	\$ 2,270	\$ 270
Contributions and donations	2,000	192	(1,808)
Total revenue	<u>4,000</u>	<u>2,462</u>	<u>(1,538)</u>
Expenditures			
Current			
Public safety	<u>2,000</u>	<u>—</u>	<u>(2,000)</u>
Net change in fund balances	<u><u>\$ 2,000</u></u>	<u>2,462</u>	<u><u>\$ 462</u></u>
Fund balance			
Beginning of year		<u>150,888</u>	
End of year		<u><u>\$ 153,350</u></u>	

CITY OF MINNETRISTA

Park Development Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended December 31, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue			
Miscellaneous revenues			
Investment income	\$ 13,000	\$ 11,641	\$ (1,359)
Contributions and donations	–	25,000	25,000
Refunds and reimbursements	–	10,168	10,168
Total revenue	<u>13,000</u>	<u>46,809</u>	<u>33,809</u>
Expenditures			
Current			
Parks and recreation	–	2,274	2,274
Capital outlay			
Parks and recreation	<u>51,500</u>	<u>52,734</u>	<u>1,234</u>
Total expenditures	<u>51,500</u>	<u>55,008</u>	<u>3,508</u>
Net change in fund balances	<u>\$ (38,500)</u>	<u>(8,199)</u>	<u>\$ 30,301</u>
Fund balance			
Beginning of year		<u>764,109</u>	
End of year		<u>\$ 755,910</u>	

CITY OF MINNETRISTA

Road Maintenance Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended December 31, 2011

	Original and Final Budget	Actual	Over (Under) Budget
Revenue			
Intergovernmental revenue	\$ 55,000	\$ 61,461	\$ 6,461
Miscellaneous revenues			
Investment income	1,000	792	(208)
Contributions and donations	—	13,980	13,980
Total revenue	<u>56,000</u>	<u>76,233</u>	<u>20,233</u>
Expenditures			
Capital outlay			
Public works	—	35,011	35,011
Net change in fund balances	<u>\$ 56,000</u>	41,222	<u>\$ (14,778)</u>
Fund balance			
Beginning of year		—	
End of year		<u>\$ 41,222</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, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue			
Property taxes	\$ 17,512	\$ 16,871	\$ (641)
Special assessments	111,496	118,358	6,862
Miscellaneous revenues			
Investment income	—	3,118	3,118
Refunds and reimbursements	—	20,000	20,000
Total revenue	<u>129,008</u>	<u>158,347</u>	<u>29,339</u>
Expenditures			
Debt service			
Interest and other charges	<u>122,865</u>	<u>78,637</u>	<u>(44,228)</u>
Net change in fund balances	<u>\$ 6,143</u>	79,710	<u>\$ 73,567</u>
Fund balance			
Beginning of year		<u>195,125</u>	
End of year		<u>\$ 274,835</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, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue			
Property taxes	\$ 22,000	\$ 21,195	\$ (805)
Special assessments	45,000	8,928	(36,072)
Miscellaneous revenues			
Investment income	1,500	2,554	1,054
Total revenue	<u>68,500</u>	<u>32,677</u>	<u>(35,823)</u>
Expenditures			
Debt service			
Principal	30,000	30,000	-
Interest and other charges	34,643	34,643	-
Total expenditures	<u>64,643</u>	<u>64,643</u>	<u>-</u>
Net change in fund balances	<u>\$ 3,857</u>	<u>(31,966)</u>	<u>\$ (35,823)</u>
Fund balance			
Beginning of year		<u>188,975</u>	
End of year		<u>\$ 157,009</u>	

CITY OF MINNETRISTA

G.O. Equipment Certificates Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended December 31, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue			
Property taxes	\$ 57,228	\$ 55,133	\$ (2,095)
Miscellaneous revenues			
Investment income	<u>2,000</u>	<u>868</u>	<u>(1,132)</u>
Total revenue	<u>59,228</u>	<u>56,001</u>	<u>(3,227)</u>
Expenditures			
Debt service			
Principal	55,000	55,000	-
Interest and other charges	<u>2,228</u>	<u>2,228</u>	<u>-</u>
Total expenditures	<u>57,228</u>	<u>57,228</u>	<u>-</u>
Net change in fund balances	<u><u>\$ 2,000</u></u>	<u>(1,227)</u>	<u><u>\$ (3,227)</u></u>
Fund balance			
Beginning of year		<u>47,084</u>	
End of year		<u><u>\$ 45,857</u></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, 2011

	Original and Final Budget	Actual	Over (Under) Budget
Revenue			
Property taxes	\$ 72,000	\$ 69,364	\$ (2,636)
Miscellaneous revenues			
Investment income	1,000	—	(1,000)
Total revenue	<u>73,000</u>	<u>69,364</u>	<u>(3,636)</u>
Expenditures			
Debt service			
Principal	41,335	41,335	—
Interest and other charges	30,665	26,104	(4,561)
Total expenditures	<u>72,000</u>	<u>67,439</u>	<u>(4,561)</u>
Net change in fund balances	<u>\$ 1,000</u>	<u>1,925</u>	<u>\$ 925</u>
Fund balance			
Beginning of year		<u>(2,798)</u>	
End of year		<u>\$ (873)</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, 2011

	Original and Final Budget	Actual	Over (Under) Budget
Revenue			
Property taxes	\$ 36,600	\$ 34,825	\$ (1,775)
Special assessments	8,000	7,688	(312)
Miscellaneous revenues			
Investment income	1,500	1,809	309
Total revenue	<u>46,100</u>	<u>44,322</u>	<u>(1,778)</u>
Expenditures			
Debt service			
Principal	35,000	35,000	—
Interest and other charges	11,908	11,908	—
Total expenditures	<u>46,908</u>	<u>46,908</u>	<u>—</u>
Net change in fund balances	<u>\$ (808)</u>	<u>(2,586)</u>	<u>\$ (1,778)</u>
Fund balance			
Beginning of year		<u>120,414</u>	
End of year		<u>\$ 117,828</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, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue			
Property taxes	\$ 401,466	\$ 386,769	\$ (14,697)
Miscellaneous revenues			
Investment income	5,000	259	(4,741)
Other	19,665	19,665	—
Total revenue	<u>426,131</u>	<u>406,693</u>	<u>(19,438)</u>
Expenditures			
Debt service			
Principal	180,000	180,000	—
Interest and other charges	219,818	223,718	3,900
Total expenditures	<u>399,818</u>	<u>403,718</u>	<u>3,900</u>
Net change in fund balances	<u>\$ 26,313</u>	2,975	<u>\$ (23,338)</u>
Fund balance			
Beginning of year		<u>652,800</u>	
End of year		<u>\$ 655,775</u>	

CITY OF MINNETRISTA

Capital Improvement Fund
 Schedule of Revenue, Expenditures, and Changes in Fund Balances
 Budget and Actual
 Year Ended December 31, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue			
Property taxes	\$ 30,734	\$ 30,000	\$ (734)
Miscellaneous revenues			
Investment income	<u>8,000</u>	<u>7,541</u>	<u>(459)</u>
Total revenue	<u>38,734</u>	<u>37,541</u>	<u>(1,193)</u>
Expenditures			
Capital outlay			
Public safety	69,600	38,504	(31,096)
Public works	<u>36,134</u>	<u>18,222</u>	<u>(17,912)</u>
Total expenditures	<u>105,734</u>	<u>56,726</u>	<u>(49,008)</u>
Net change in fund balances	<u><u>\$ (67,000)</u></u>	<u>(19,185)</u>	<u><u>\$ 47,815</u></u>
Fund balance			
Beginning of year		<u>504,490</u>	
End of year		<u><u>\$ 485,305</u></u>	

CITY OF MINNETRISTA

Street Improvement Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended December 31, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue			
Intergovernmental	\$ 5,000	\$ 206,034	\$ 201,034
Expenditures			
Capital outlay			
Public works	<u>—</u>	<u>282,889</u>	<u>282,889</u>
Net change in fund balances	<u>\$ 5,000</u>	<u>(76,855)</u>	<u>\$ (81,855)</u>
Fund balance			
Beginning of year		<u>(205,107)</u>	
End of year		<u>\$ (281,962)</u>	

CITY OF MINNETRISTA

Water Improvement Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended December 31, 2011

	Original and Final Budget	Actual	Over (Under) Budget
Revenue			
Special assessments	\$ —	\$ 3,408	\$ 3,408
Charges for services	39,000	68,480	29,480
Miscellaneous			
Investment income	15,000	15,096	96
Total revenue	<u>54,000</u>	<u>86,984</u>	<u>32,984</u>
Expenditures			
Debt service			
Principal	46,000	46,000	—
Interest and other charges	7,613	7,310	(303)
Capital outlay			
Public works	65,000	39,093	(25,907)
Total expenditures	<u>118,613</u>	<u>92,403</u>	<u>(26,210)</u>
Excess (deficiency) of revenues over expenditures	(64,613)	(5,419)	59,194
Other financing sources			
Issuance of debt	—	15,950	15,950
Net change in fund balances	<u>\$ (64,613)</u>	10,531	<u>\$ 75,144</u>
Fund balance			
Beginning of year		<u>1,001,148</u>	
End of year		<u>\$ 1,011,679</u>	

CITY OF MINNETRISTA

Sewer Improvement Fund
Schedule of Revenue, Expenditures, and Changes in Fund Balances
Budget and Actual
Year Ended December 31, 2011

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenue			
Charges for services	\$ 42,900	\$ 30,811	\$ (12,089)
Miscellaneous			
Investment income	<u>14,114</u>	<u>9,264</u>	<u>(4,850)</u>
Total revenue	<u>57,014</u>	<u>40,075</u>	<u>(16,939)</u>
Expenditures			
Capital outlay			
Public works	<u>495,000</u>	<u>55,021</u>	<u>(439,979)</u>
Net change in fund balances	<u><u>\$ (437,986)</u></u>	<u>(14,946)</u>	<u><u>\$ 423,040</u></u>
Fund balance			
Beginning of year		<u>621,516</u>	
End of year		<u><u>\$ 606,570</u></u>	

CITY OF MINNETRISTA

Land Use Agency Fund
Statement of Changes in Assets and Liabilities
Budget and Actual
Year Ended December 31, 2011

	December 31, 2010	Additions	Deductions	December 31, 2011
Assets				
Cash and investments	\$ 35,414	\$ 483,580	\$ 418,518	\$ 100,476
Special assessments receivable				
Delinquent	44,996	—	44,595	401
Deferred	3,635	507	3,635	507
Land use receivables	61,437	453,889	387,202	128,124
Due from other governments	17,807	22,089	17,807	22,089
	<u>17,807</u>	<u>22,089</u>	<u>17,807</u>	<u>22,089</u>
Total assets	<u>\$ 163,289</u>	<u>\$ 960,065</u>	<u>\$ 871,757</u>	<u>\$ 251,597</u>
Liabilities				
Accounts payable	\$ 145,164	\$ 136,763	\$ 48,455	\$ 233,472
Developer payable	18,125	—	—	18,125
	<u>18,125</u>	<u>—</u>	<u>—</u>	<u>18,125</u>
Total liabilities	<u>\$ 163,289</u>	<u>\$ 136,763</u>	<u>\$ 48,455</u>	<u>\$ 251,597</u>

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.

Contents:	<u>Page</u>
Financial Trends	74–84
These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	
Revenue Capacity	85–89
These schedules contain information to help the reader assess the City's most significant revenue source, including the property tax and utility revenue.	
Debt Capacity	90–96
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.	
Demographic and Economic Information	97–100
These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	
Operating Indicators	101–104
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 Assets by Component
Last Eight Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
Governmental activities								
Invested in capital assets, net of related debt	\$ 11,214,054	\$ 10,697,835	\$ 14,619,088	\$ 17,005,628	\$ 17,155,765	\$ 17,238,125	\$ 17,025,689	\$ 16,434,576
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
Unrestricted	2,854,140	2,524,411	2,901,925	524,825	134,772	2,439,958	2,597,269	2,797,210
Total governmental activities net assets	\$ 15,539,134	\$ 15,134,106	\$ 18,582,336	\$ 20,486,636	\$ 20,261,802	\$ 21,022,529	\$ 22,784,369	\$ 22,388,875
Business-type activities								
Invested in capital assets, net of related debt	\$ 9,135,912	\$ 8,865,789	\$ 10,360,220	\$ 10,533,641	\$ 11,026,422	\$ 11,733,525	\$ 11,368,839	\$ 11,250,260
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
Total business-type activities net assets	\$ 12,480,783	\$ 12,442,957	\$ 14,633,735	\$ 15,138,638	\$ 15,492,940	\$ 15,163,684	\$ 14,729,416	\$ 14,833,565
Primary government								
Invested in capital assets, net of related debt	\$ 20,349,966	\$ 19,563,624	\$ 24,979,308	\$ 27,539,269	\$ 28,182,187	\$ 28,971,650	\$ 28,394,528	\$ 27,684,836
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
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
Total primary government net assets	\$ 28,019,917	\$ 27,577,063	\$ 33,216,071	\$ 35,625,274	\$ 35,754,742	\$ 36,186,213	\$ 37,513,785	\$ 37,222,440

Note: Government-wide net assets are not available prior to 2004.

Source: City of Minnetrista financial records

CITY OF MINNETRISTA

Changes in Net Assets
Last Eight Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
Expenses								
Governmental activities								
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
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
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
Parks and recreation	154,656	130,789	132,879	159,350	245,390	167,405	187,391	218,600
Interest on long-term debt	141,772	175,264	170,660	156,650	173,255	375,092	346,216	386,100
Total governmental activities expenses	<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>
Business-type activities								
Water	449,733	606,474	576,741	587,923	619,499	588,448	543,151	593,418
Sewer	508,451	563,784	678,729	675,917	735,947	744,469	686,443	804,553
Storm water	115,126	161,748	133,497	154,752	186,620	195,835	162,901	198,138
Recycling	—	77,987	80,552	72,016	84,005	85,590	86,293	92,938
Total business-type activities expenses	<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>
Total primary government expenses	<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>
Program revenues								
Governmental activities								
Charges for services								
General government	\$ 125,227	\$ 67,329	\$ 37,386	\$ 122,348	\$ 49,705	\$ 32,982	\$ 42,040	\$ 112,573
Public safety	1,045,651	1,003,667	952,434	838,865	751,002	671,373	559,168	575,752
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
Capital grants and contributions	—	46,590	3,918,094	1,944,639	413,575	1,004,261	1,415,745	403,713
Total governmental activities program revenues	<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>
Business-type activities								
Charges for services								
Water	430,173	466,867	547,824	919,868	794,468	568,261	567,648	590,895
Sewer	516,444	572,988	547,265	553,178	536,113	525,082	578,391	608,277
Storm water	64,911	78,528	77,760	81,812	86,885	89,017	98,454	94,213
Recycling	—	80,524	81,546	84,917	90,140	92,087	101,582	97,355
Operating grants and contributions	—	15,086	14,627	15,473	18,562	18,727	19,709	19,657
Capital grants and contributions	1,014,063	93,073	1,539,136	88,719	333,044	774,551	1,911	1,791
Total business-type activities program revenues	<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>
Total primary government program revenues	<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>

(continued)

CITY OF MINNETRISTA

Changes in Net Assets
Last Seven Fiscal Years (continued)
(Accrual Basis of Accounting)

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
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)
Business-type activities	952,281	(102,927)	1,338,639	253,359	233,141	453,383	(111,093)	(276,859)
Total primary government net (expense) revenue	<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>
General revenues and other changes in net assets								
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
Investment earnings	93,928	73,777	164,152	229,173	165,774	105,724	67,523	57,354
Miscellaneous	86,650	285,305	10,816	39,343	22,089	10,247	23,827	66,684
Transfers	(3,359)	—	(645,759)	—	—	890,000	460,000	(332,027)
Total governmental activities	2,659,313	3,352,464	3,170,271	4,424,133	4,552,363	5,610,416	5,087,287	3,875,658
Business-type activities								
Investment earnings	71,250	64,876	206,380	251,544	121,161	107,361	56,521	48,981
Transfers	3,359	225	645,759	—	—	(890,000)	(460,000)	332,027
Total business-type activities	74,609	65,101	852,139	251,544	121,161	(782,639)	(403,479)	381,008
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>
Change in net assets								
Governmental activities	\$ 372,597	\$ (346,762)	\$ 3,448,230	\$ 1,904,300	\$ (224,834)	\$ 760,727	\$ 780,487	\$ (972,210)
Business-type activities	1,026,890	(37,826)	2,190,778	504,903	354,302	(329,256)	(514,572)	104,149
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>

Note: Change in government-wide net assets are 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>
2002	\$ 1,863,268
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

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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,374	\$ -	\$ -	\$ -	\$ -
Unreserved	1,196,314	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
Unassigned	-	-	-	-	-	-	-	-	-	2,246,964
Total General Fund	<u>\$ 1,196,314</u>	<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>
All other governmental funds										
Reserved	\$ -	\$ -	\$ 1,326,502	\$ 1,918,794	\$ 1,007,738	\$ -	\$ -	\$ 405,767	\$ 405,768	\$ -
Unreserved, reported in										
Special revenue funds	662,778	639,470	63,544	64,708	116,688	2,480,240	2,543,175	922,785	914,997	-
Debt service funds	235,892	851,236	-	-	-	347,949	386,397	572,332	795,832	-
Capital project funds	2,993,510	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
Committed	-	-	-	-	-	-	-	-	-	156,038
Assigned	-	-	-	-	-	-	-	-	-	2,357,044
Unassigned	-	-	-	-	-	-	-	-	-	(282,835)
Total all other governmental funds	<u>\$ 3,892,180</u>	<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>

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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Taxes	\$ 1,863,268	\$ 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
Licenses and permits	568,533	764,969	678,701	592,564	516,728	500,209	392,803	330,125	240,645	291,747
Intergovernmental	200,932	1,311,383	89,797	140,528	118,074	141,821	111,723	261,861	127,516	422,015
Charges for services	283,258	332,727	411,764	549,173	539,410	833,691	589,644	376,146	326,057	405,543
Investment earnings	182,610	122,841	139,793	134,895	278,409	394,863	251,864	178,768	61,129	81,714
Special assessments	438,663	146,837	142,282	52,885	20,944	158,438	143,739	82,628	226,342	140,448
Miscellaneous	885,904	606,919	614,692	556,736	478,701	1,780,974	376,076	81,938	191,042	289,703
Total revenues	4,423,168	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
Expenditures										
General government	604,287	636,253	730,317	972,220	1,148,270	1,189,173	1,353,054	1,094,775	1,162,534	1,143,459
Public safety	1,391,786	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
Public works	497,614	593,025	515,879	717,855	1,103,035	2,445,937	2,043,553	2,676,506	4,507,049	1,662,321
Miscellaneous	658,792	2,799,519	729,903	1,128,385	35,492	39,306	36,254	57,221	31,438	46,137
Parks and recreation	61,755	101,108	146,301	82,845	103,274	1,798,332	367,085	882,755	116,293	149,007
Debt service										
Principal	325,000	525,000	639,124	536,988	658,294	687,623	539,041	580,460	312,753	387,335
Interest	135,796	159,405	94,133	95,735	99,042	121,280	141,275	241,786	355,172	384,548
Total expenditures	3,675,030	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
Excess of revenues over (under) expenditures	748,138	(781,932)	61,548	(339,537)	178,241	(907,882)	(570,719)	(5,187,561)	(3,988,544)	(149,644)
Other financing sources (uses)										
Sale of capital assets	—	—	—	—	2,845	4,935	63,919	7,365	8,399	9,693
Issuance of debt	904,126	992,088	260,000	648,450	260,000	890,000	—	5,600,304	3,866,350	15,950
Bond premium	—	—	—	—	—	—	—	26,134	304	—
Transfers in	242,997	117,345	94,198	—	1,494,270	923	—	1,842,320	944,021	—
Transfers out	(242,997)	(117,345)	(217,152)	—	(1,494,270)	(923)	—	(1,842,320)	(944,021)	—
Total other financing sources (uses)	904,126	992,088	137,046	648,450	262,845	894,935	63,919	5,633,803	3,875,053	25,643
Net change in fund balances	\$ 1,652,264	\$ 210,156	\$ 198,594	\$ 308,913	\$ 441,086	\$ (12,947)	\$ (506,800)	\$ 446,242	\$ (113,491)	\$ (124,001)
Percent of debt service expenditures to total noncapital expenditures	17.0%	23.0%	16.3%	12.4%	16.1%	14.6%	11.3%	12.8%	10.9%	14.7%

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			
2002	\$ 5,831,039	\$ 203,156	\$ 6,034,195	26.79 %	\$ 636,049,600	0.95 %
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

* 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	
2002	23.592	3.198	26.790	46.487	3.923	50.410	7.642	18.760	26.402	103.602
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

** 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 prior to 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
2002	\$ 1,861,383	\$ 1,851,440	99.5 %	\$ 10,011	\$ 1,861,451	100.0 %
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	52,350	4,185,211	99.9
2008	4,376,111	4,309,282	98.5	58,084	4,367,366	99.8
2009	4,614,798	4,421,182	95.8	176,013	4,597,195	99.6
2010	4,557,871	4,423,556	97.1	113,144	4,536,700	99.5
2011	4,133,111	4,053,877	98.1	—	4,053,877	98.1

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			
2002	\$ 1,715,000	\$ 425,000	\$ 1,385,000	\$ 3,525,000	765	— %
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	1,715	—

(1) See the Schedule of Demographic Statistics on page 97 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>
2002	\$ 1,715,000	\$ 88,923	\$ 1,626,077	0.26 %	\$ 353
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	724

(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property on page 85 for property value data.

(2) Population data can be found in the Schedule of Demographic Statistics on page 97.

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, 2011

Governmental Unit	Total G.O. Debt	City's Share	
		Percent	Amount
Direct			
City of Minnetrista	\$ 5,340,000	100.00 %	\$ 5,340,000
Overlapping			
School districts			
ISD No. 110*	52,680,000	9.59	5,051,064
ISD No. 111*	47,240,000	13.96	6,596,074
ISD No. 879**	23,585,000	1.02	239,671
ISD No. 277	35,280,000	29.37	10,361,136
Hennepin County			
Three Rivers Park District	65,785,000	1.27	835,733
Metropolitan Council	168,665,000	0.46	771,136
Total overlapping debt			23,854,814
Total direct and overlapping debt			\$ 29,194,814

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 Eight Fiscal Years

	Fiscal Year							
	2004	2005	2006	2007	2008	2009	2010	2011
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
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
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>
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%

Legal Debt Margin Calculation for Fiscal Year 2011

Market value	\$1,382,773,800
Debt limit (3% of market value)	41,163,765
Debt applicable to limit	
General obligation bonds	9,655,000
Less special assessment bonds	(4,315,000)
Less amount set aside for repayment of G.O. debt	<u>(655,775)</u>
Total net debt applicable to limit	<u>4,684,225</u>
Legal debt margin	<u>\$ 36,479,540</u>

Note: Information is not available prior to 2004.

Source: City of Minnetrista financial records

CITY OF MINNETRISTA

Pledged Revenue Coverage
Last Eight 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	

* 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>
2002	4,610	\$ —	\$ —	1,626	— %
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	6,471	—	—	2,393	6.1

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.

CITY OF MINNETRISTA

Principal Employers Current Year

Employer		Employees*	Rank
ISD No. 277 – Westonka School District	K–12 education	309 **	1
Burl Oaks Golf Club	Golf course	65	2
Al & Alma’s Supper Club and Charters	Restaurant and boat cruises	50	3
City of Minnetrista	Municipal government	36	4
Lake Minnetonka Regional Park	Recreational Park	30	5
Waterfront Restoration, LLC	Bottled Water Delivery	20	6
Whaletail Lake Seaplane	Airport Operation	16	7
Williams Auto Sale	Automotive Sales	12	8
Widmer Construction, LLC	Water and Sewer Contractors	10	9
WRA Park	Nature Park	10	10
		<u>558</u>	

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

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

Source: Infogroup (www.salesgenie.com), and a written and telephone survey (March 2012).
Information for 2002 is not available.

CITY OF MINNETRISTA

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

	Full-Time Equivalent Employees as of Fiscal Year Ended									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Function										
General government	5.5	6.0	7.0	8.0	9.0	9.0	9.0	9.0	9.0	9.0
Public safety										
Police										
Officers	9.0	9.0	10.0	11.0	11.0	12.0	12.0	12.0	12.0	11.0
Civilians	2.3	2.3	2.4	2.6	2.8	3.8	3.8	3.8	3.8	3.8
Highways and streets	4.0	4.0	5.0	6.0	6.5	6.5	6.5	6.5	6.5	3.5
Parks and recreation	—	—	—	—	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	22.8	23.3	26.4	29.6	31.8	33.8	33.8	33.8	33.8	29.8

Source: City of Minnetrista records

CITY OF MINNETRISTA

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Police										
Physical arrests	36	52	51	59	46	40	81	82	119	100
Parking violations	146	76	100	178	263	279	234	326	235	223
Traffic violations	3,091	2,912	2,740	2,901	2,814	1,478	3,332	3,419	3,572	3,523
Highways and streets										
Street seal coated (miles)	4.00	4.50	4.40	4.50	1.90	2.70	7.70	5.91	5.05	4.67
Blacktop used in "tons" for repair of potholes	1,070	1,713	1,319	1,024	1,411	1,428	677	800	993	1,186
Water										
New connections	117	34	256	15	155	41	64	42	43	25
Average daily consumption (thousands of gallons)	154	243	246	302	322	396	360	386	361	358
Wastewater (thousands of gallons)	233	208	231	251	245	277	284	272	236	233

Source: Various city departments

CITY OF MINNETRISTA

Capital Asset Statistics by Function
Last Ten Fiscal Years

Function	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public safety										
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	–	–	8	9	10	13	13	13	13	12
Highways and streets										
Streets (miles)	51	52	52	56	60	60	60	60	60	64
Traffic signals	–	–	–	–	1	1	1	1	1	2
Parks and recreation										
Parks acreage	45	70	70	73	75	75	75	75	75	75
Parks	18	19	19	20	21	21	21	21	21	21
Water										
Water mains (miles)	–	–	18	18	18	18	18	18	31	29
Fire hydrants	114	136	205	223	257	262	289	289	309	296
Sewer										
Sanitary sewers (miles)	N/A	23	23	23	23	23	23	23	28	35
Storm sewers (miles)	N/A	N/A	12	12	12	12	12	12	12	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