



COMPREHENSIVE  
ANNUAL FINANCIAL REPORT  
2012

Year Ended December 31, 2012  
City of Lakeville, Minnesota

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

*City of*



*Minnesota*

For the Year Ended  
December 31, 2012

*ISSUED BY THE FINANCE DEPARTMENT  
Dennis Feller, Finance Director*

## **INTRODUCTORY SECTION**

**CITY OF LAKEVILLE, MINNESOTA**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**YEAR ENDED DECEMBER 31, 2012**  
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**CITY OF LAKEVILLE, MINNESOTA**  
ELECTED AND APPOINTED OFFICIALS  
DECEMBER 31, 2012

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**ELECTED OFFICIALS**

**Term of Office Expires**

<b>MAYOR</b>	Mark Bellows	December 31, 2012
<b>COUNCIL MEMBERS:</b>	Colleen Ratzlaff LaBeau	December 31, 2014
	Matt Little	December 31, 2014
	Laurie Rieb	December 31, 2012
	Kerrin Swecker	December 31, 2012

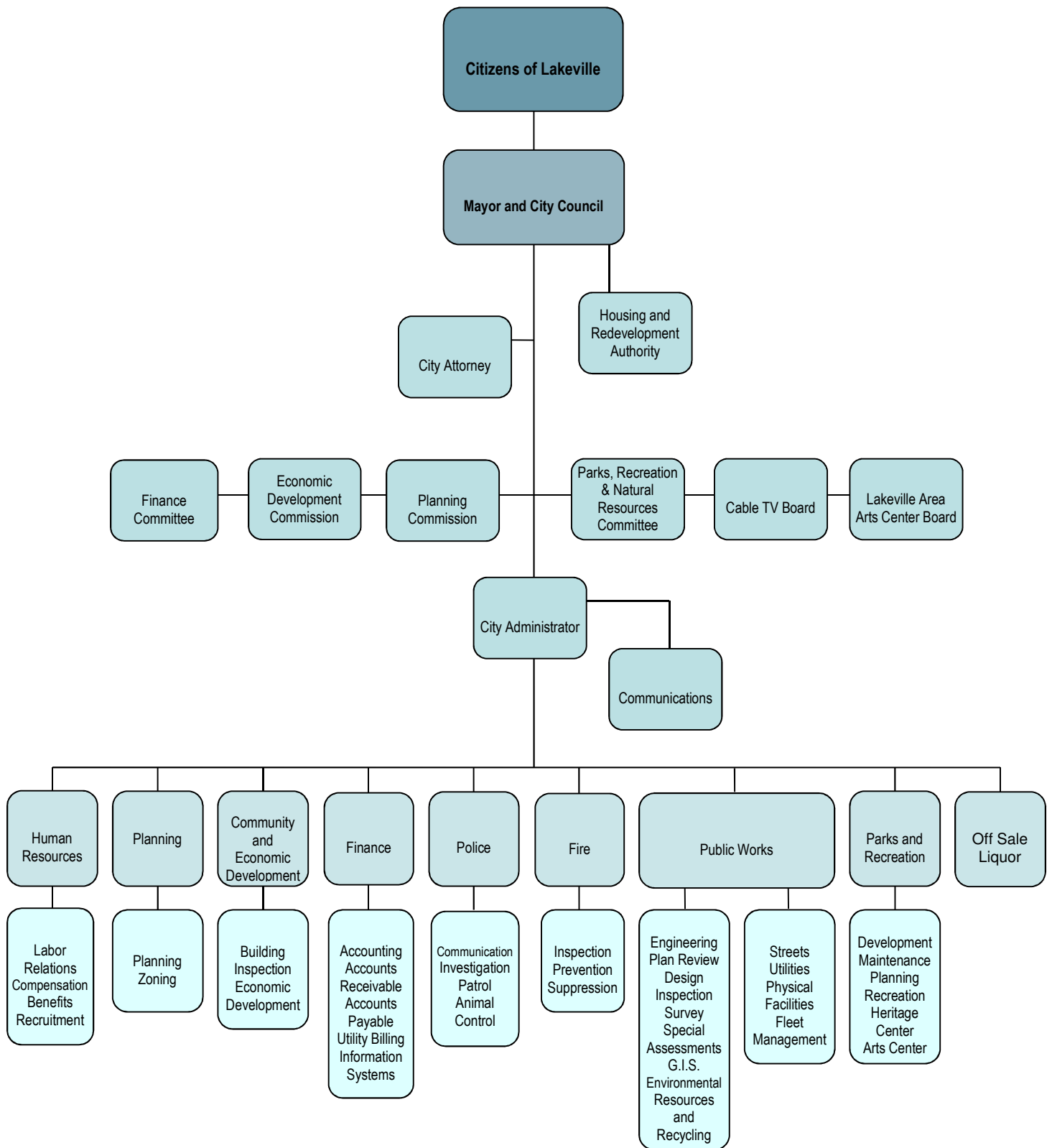
**APPOINTED OFFICIALS**

City Administrator	Steven C. Mielke
Finance Director/Treasurer	Dennis Feller
City Clerk	Charlene Friedges

# CITY OF LAKEVILLE, MINNESOTA

Organizational Structure

December 31, 2012







City of Lakeville  
*Positioned to Thrive*

June 5, 2013

The Honorable Mayor and Council Members  
20195 Holyoke Avenue  
Lakeville, Minnesota 55044

Honorable Mayor, Members of the City Council and Citizens of the City of Lakeville

The Comprehensive Annual Financial Report is hereby presented for the purpose of providing you, the reader, with a thorough overview of the financial affairs of the City for the year ended December 31, 2012. The Report was prepared in accordance with Minnesota Statutes and Generally Accepted Accounting Principals (GAAP).

This report was prepared by the City's Finance Department and consists of management's representations concerning the finances of the City. Consequently, management assumes full responsibility for the completeness and reliability of all information presented in this report. To provide a reasonable basis for making these representations, management of the City has established internal controls designed to protect the City's assets from loss, theft or misuse and to provide sufficient reliable information for the preparation of these financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's internal controls have been designed to provide reasonable rather than absolute assurance, that the financial statements will be free from material misstatements. As management, we assert that to the best of our knowledge and belief this report is complete and reliable in all material respects.

The City of Lakeville's financial statements have been audited by Malloy, Montague, Karnowski, Radosevich & Co., P.A., a professional firm of certified public accountants. The independent auditors report is included in the Financial Section of this report. The auditors have given this report an unqualified ("clean") opinion, meaning that the financial statements fairly present the City's financial position at December 31, 2012 and the changes in financial position for the year then ended.

Management's discussion and analysis (MD&A) immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

## **Profile of Government**

The City of Lakeville is a suburban community located 20 miles south of downtown Minneapolis in the southeast corner of the Twin Cities metropolitan area within Dakota County. Lakeville continues to be one of the fastest growing cities in Minnesota with a population that has grown from 43,128 in 2000 to 57,380 in 2012.

The City of Lakeville operates under the Mayor-Council form of organization. The governing City Council consists of the Mayor and four other Council members. The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing members to the various committees and commissions; and hiring the City Administrator, heads of various departments and City employees. The City Administrator is responsible for carrying out the policies, directions and ordinances of the City Council and for overseeing the day-to-day operations of the City. The City Council is elected on a non-partisan at large basis. The Mayor is elected to serve a two-year term, while Council members serve four-year staggered terms, with two Council Members elected every two years.

The City provides its residents and businesses with a full range of municipal services consisting of public safety (police and fire), public works, parks and recreation, and general government administration. The City also operates two enterprises: utilities (public water, sanitary sewer, street lights and environmental resources) and off-sale liquor stores. Sewage treatment and disposal is operated on a regional basis by the Metropolitan Council Environmental Services (MCES) and refuse collection and disposal are handled on a private basis through contractual arrangements by City residents with private haulers. Further information regarding city services can be obtained from the City's website at [www.lakevillemn.gov](http://www.lakevillemn.gov)

The City is financially accountable for the Housing and Redevelopment Authority (HRA), which is included in the City's financial statement. Additional information on the HRA can be found in Note 1A. – *Summary of Significant Accounting Policies* of the Notes to Basic Financial Statements.

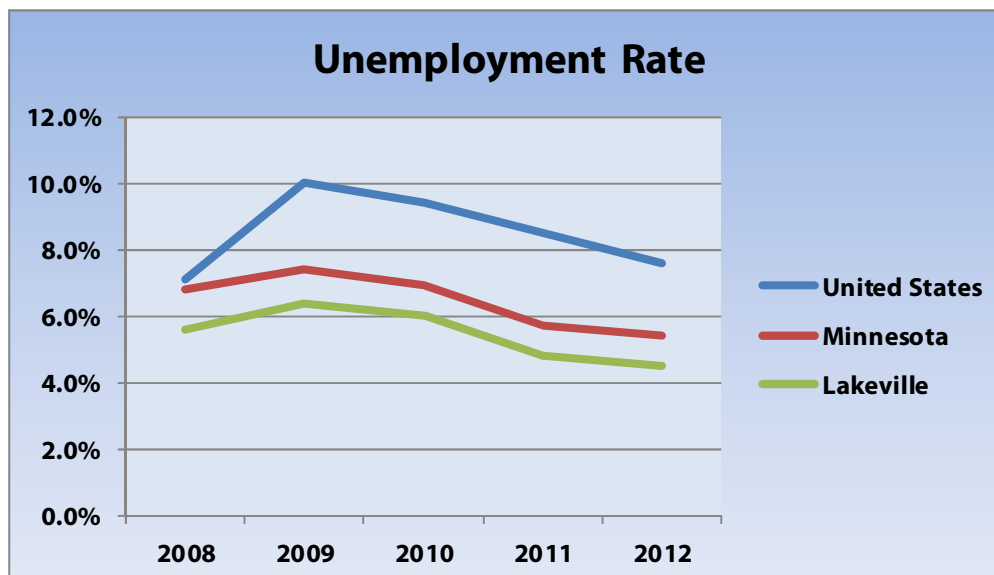
The annual budget serves as the foundation for the City of Lakeville's financial planning and control. The budgetary process is outlined in the notes within the required supplementary information section of this report. The City applies budgetary controls to ensure compliance with legal provisions of the laws of Minnesota. Budgets are adopted on a basis consistent with GAAP. Annual appropriated budgets are adopted for the general fund and special revenue funds. Budget to actual comparisons are provided in this report for each individual governmental fund for which an annual budget has been adopted. The general fund budgetary comparison schedules are presented within the required supplementary information section for governmental funds and the special revenue funds budgetary comparison schedules are presented in the nonmajor governmental funds subsection of this report.

## **Factors Affecting Financial Condition**

The City of Lakeville is committed to maintaining a strong financial condition, while continuing to provide quality public services to its residents and businesses. The City's financial position, as reflected in the financial statements presented in this report, is perhaps best understood when it is considered from the broader perspective of the environment within which the City operates.

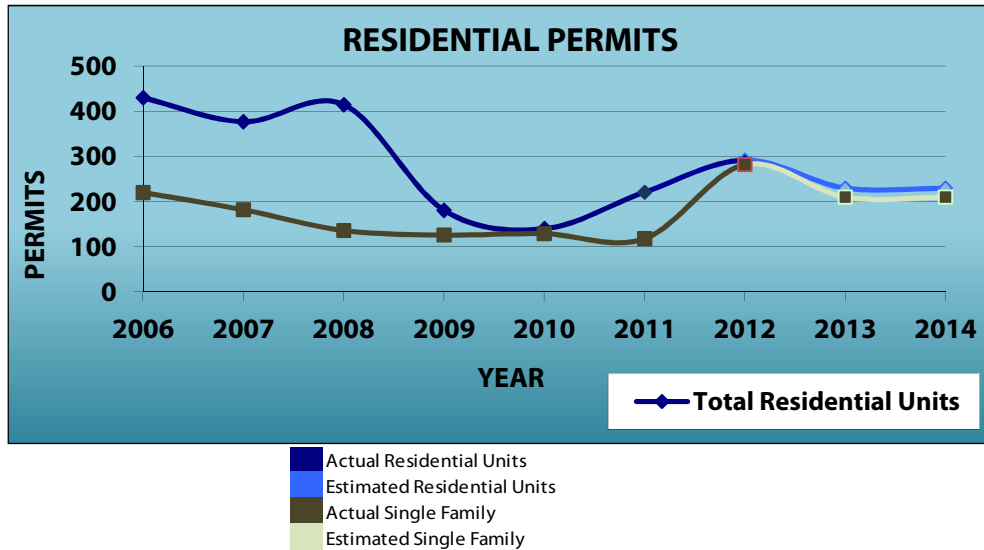
### ***Local Economy***

Our community has persevered through the economic struggles of the past five years. The City responded in 2008 and 2009 to the economic challenges by downsizing its operations and reducing personnel. The City has grown by almost 1,600 new residents or approximately 3.0% since 2009, while the number of City employees has decreased by 7.6%. According to the Bureau of Labor Statistics, Lakeville's unemployment rate is favorable compared to the State and National rates.



Source: [www.positivelyminnesota.com](http://www.positivelyminnesota.com)

Building permit activity for single family homes and the number of newly platted lots or applications from developers for new residential lots is on the rise. Building permits for single family homes increased to 282 in 2012. The 2013 budget is premised on an assumed steady growth of new single family homes in each of the next two years.



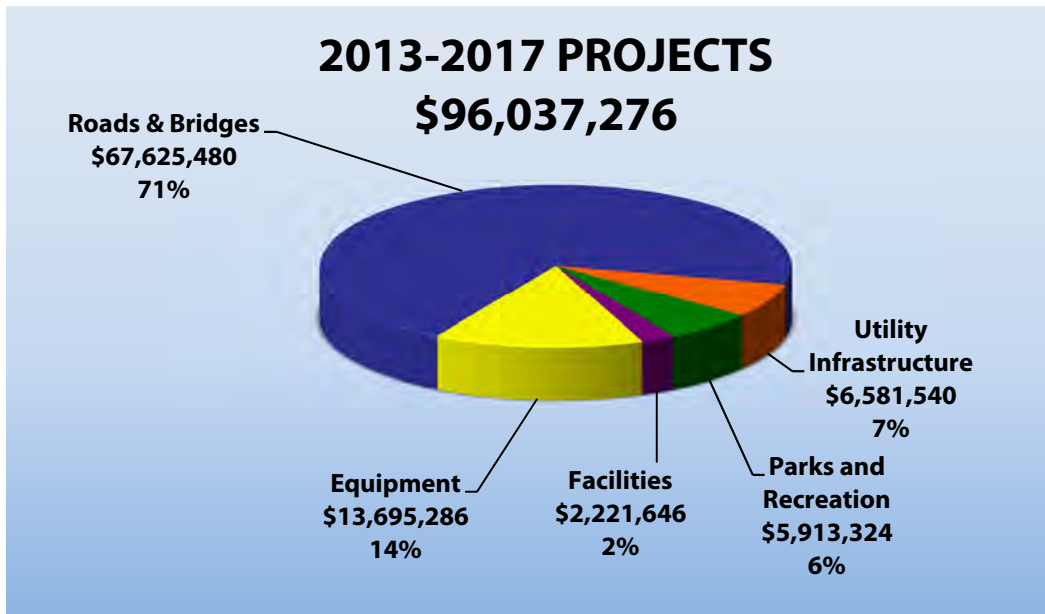
The residential real estate markets have continued to experience a steady decline in values. According to the Dakota County Assessor, as of January 1, 2012, the value of the residential home was 6.6% less than the previous year. However, recent Minneapolis Area Association of Realtors report shows low inventory and a decline in distressed sales has caused an increase in median home values.

If the economic recovery is sustainable, as the data may suggest, property values will increase and the tax base will grow. Community growth will result in expansion of the infrastructure. The City's financial plan provides for a continuation of services and monitoring of community economic progress.

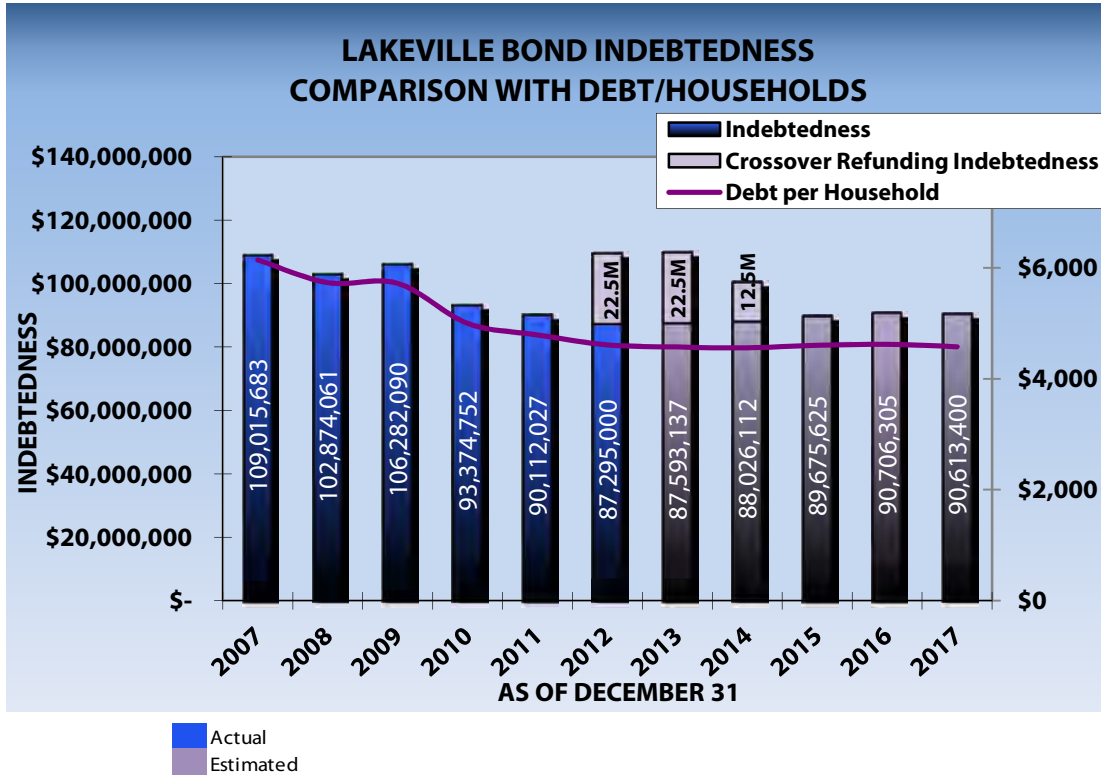
### ***Long-term Financial Planning***

There is an interrelationship between a community's physical development and its long-term financial plan. A comprehensive plan provides the guidance for current and future land use and public infrastructure decisions to provide managed growth throughout the community. The City of Lakeville completed an update of its Comprehensive Plan in 2008.

A Capital Improvement Plan (CIP) has been approved by the City which is a flexible, five-year plan that identifies the City's infrastructure, development objectives and allocation of financial resources. It provides policy makers and the community with a strategic (documented) approach to implementation and administration of improvement projects. The City will invest \$96 million in transportation, utility, equipment, facilities and Parks in course of the next five years to achieve program objectives.



As of December 31, 2012, the City of Lakeville had approximately \$109.745 million of debt outstanding including \$22.450 million of (cross-over) refunding debt in August 2012 to refinance the G.O. Street Reconstruction Bonds Series 2003 A and G.O. Capital Improvement Bonds series 2004 A. The City will issue general obligation improvement bonds in the coming years to finance street reconstruction projects. All factors consider the City debt will remain stable for the foreseeable future.



## ***Relevant Financial Policies***

The City has a number of policies which are utilized in the management of its fiscal affairs. The primary policies include, but not limited to, operating budget policy, budget amendment process, revenue, debt, investment and fund balance.

- ***Operating Budgets.*** The City's operating budget policy sets forth guidance with respect to balanced operating budgets, with an overriding goal of achieving structural balance over a longer-term period, while recognizing that in certain periods, revenues and expenditures may not be equal. A balanced budget for the General Fund is defined as revenues and other sources equal to or exceeding operating expenditures and other uses. Other sources can include that portion of General Fund balance that is allowed to be budgeted for use per the City's fund balance policy. The budget will provide for adequate maintenance of capital facilities and equipment and for their orderly replacement.

Balanced budgets for the proprietary enterprise funds are defined as providing sufficient revenues to support the operations of those funds, without subsidy from the General Fund or property taxes. Charges from the Proprietary Internal Service Funds shall be sufficient to support such activities, with no trend of operating deficits.

The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is at the department level for the General Fund and total expenditures level for Special Revenue Funds. The City Administrator has authorization to expend funds in excess of the appropriation for individual line items. Budgeted expenditure appropriations lapse at year-end. Supplementary appropriations can be carried forward to the following year if approved by the City Council.

- ***Revenue Policies.*** The City will project its annual revenues by a conservative objective and thorough analytical process. The City will endeavor to maintain a diversified and stable revenue system to shelter it from annual fluctuations in any one revenue source. All existing and potential revenue sources will be reexamined annually. New sources of non-property-tax revenue should be actively explored at all times. Where appropriate and not contrary to accepted public policy or statutes, emphasis will be directed toward full cost recovery through user fees. User fees and cost allocation formulas will be updated periodically (annually if needed). Ongoing, the City will review the full cost of activities supported by user fees to identify the impact of inflation and other factors. The fees along with the resulting net property tax costs will be reviewed with the City Council during the budget process. Sensitivity to market rates will also be considered in setting fees. Intergovernmental grant requests are subject to fiscal review before the application is submitted. This review is to ensure that the grants do not create an obligation for unfunded expenditures by the City relating to the grant's purpose and to provide an overall budgetary review of grant proposals.
- ***Debt.*** The City's debt policy provides guidance to ensure that long-term debt is utilized appropriately and in a fiscally prudent manner. Limiting long-term

borrowing to capital improvements or other long-term projects which cannot, and appropriately should not, be financed from current revenues. Final maturity of bonds and notes should not exceed the expected useful life of the underlying project for which it is being issued. Where possible, the City will endeavor to pledge special assessments, State-aid or other non-tax revenues to debt service payments.

- **Investments.** The City's policy is to invest all available monies at competitive interest rates, coordinated with projections of the City's operating and program cash flow needs. Interest earnings will be distributed to the funds based on the average cash balances. Investments will take into consideration safety, liquidity and yield as well as complying with State regulations.
- **Fund Balance.** Fund balance or net position are terms used to define the difference between a fund's assets, deferred outflows of financial resources, liabilities and deferred inflows of financial resources. Fund balance is used in governmental fund types and net position is used in proprietary fund types.

## **Major Initiatives**

The City of Lakeville, in collaboration with the area schools and business community, initiated a theme of "*Positioned to Thrive.*" The purposes of the theme are accent and accelerate the promotion of its commitment to investment in services, maintain the quality of life and enhancing the economic vitality of our community.

The Heritage Center, which is home for the Lakeville Area Historical Society, Yellow Ribbon and the area senior center operations, had its grand opening in October 2012. The new facility serves as a recreation and resource center for community seniors, a gathering and support center for our military veterans as well as a space to preserve and honor Lakeville history.

The City is committed to maintaining its investment in the community's infrastructure. The most significant 2012 project was street reconstruction and water main replacement in the Valley Park area.

## **Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) of the United States awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lakeville, Minnesota, for its comprehensive annual financial report for the fiscal year ended December 31, 2011. This is the twenty-fourth consecutive year that the City of Lakeville has received this prestigious award.

In order to be awarded a Certificate of Achievement for Excellence, a government must publish an easily readable and efficiently organized comprehensive annual financial

report, and the contents must conform to the program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe our current comprehensive annual financial report continues to conform to the Certificate of Achievement for Excellence program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its fiscal year 2012 annual budget document. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in a number of categories, including a policy document, a financial plan, an operations guide, and a communications device. The City of Lakeville has received GFOA's Distinguished Budget Presentation Award for four consecutive years; the fiscal year 2013 annual budget document has been submitted for another award and is currently under review.

The preparation of this report could not have been accomplished without the professional, efficient and dedicated services of the entire staff of the Finance Department. We would like to express our appreciation to all members of the department, with special recognition to Senior Accountants David Lang, Tom Nesselth, and Julie Werner.

We would also like to express our sincere gratitude the City Council for its sincere commitment and progressive leadership in the financial affairs of our community.

Respectfully submitted,



Steven Mielke  
City Administrator



Dennis Feller  
Finance Director



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lakeville  
Minnesota

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

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



*Christopher P. Moynell*

President

*Jeffrey R. Emer*

Executive Director

## **FINANCIAL SECTION**



PRINCIPALS

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

INDEPENDENT AUDITOR'S REPORT

To the City Council and Management  
City of Lakeville, Minnesota

**REPORT ON THE FINANCIAL STATEMENTS**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Lakeville, Minnesota (the City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**

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

**AUDITOR'S RESPONSIBILITY**

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

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

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

(continued)

## **OPINIONS**

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City at December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof, 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. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* during the year ended December 31, 2012.

## **OTHER MATTERS**

### **Required Supplementary Information**

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

### **Other Information**

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

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

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

(continued)

## OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Minneapolis, Minnesota

June 5, 2013

## CITY OF LAKEVILLE, MINNESOTA

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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This discussion and analysis presents an overview of the financial activities and financial position for the City of Lakeville (the "City") for the year ended December 31, 2012. Please read the information presented here in conjunction with our letter of transmittal.

#### **Financial Highlights**

- The assets of the City exceeded liabilities by \$258,524,513 at the close of the most recent fiscal year. Of this amount, \$13,734,645 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$10,151,771.
- The City's governmental funds reported combined ending fund balances of \$61,706,702. Of this total amount, \$22,863,189 or 37% is unrestricted and available for spending at the government's discretion.
- As of the end of the current fiscal year, the City's unrestricted fund balance for the general fund was \$11,235,299 or 55.4% of total general fund expenditures of \$20,280,060.

#### **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 required supplementary information in addition to the basic financial statements themselves.

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (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, and parks and recreation. The business-type activities of the City include the enterprise activities of the liquor operation, and utility operation.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate housing and redevelopment authority (HRA) for which the City is considered to be financially accountable or for which the nature and significance of their relationship with the City is such that the exclusion would cause the City's financial statements to be misleading or incomplete. Financial information for this component unit is blended within the financial information presented for the primary government itself.

**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 of 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 22 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, general obligation (debt service) fund, G.O. improvement (debt service) fund, building (capital projects) fund, and the improvement construction (capital projects) fund, all of which are considered to be major funds. Data from the other governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements following the required supplementary information.

The City adopts annual appropriated budgets for its general fund and special revenue funds. A budgetary comparison schedule has been provided as required supplementary information for the general fund to demonstrate compliance with this budget. Special revenue funds budgetary comparison schedules can be found in the nonmajor governmental funds subsection of the report after the capital projects funds.

**Proprietary funds.** The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The internal service fund is an accounting device used to accumulate and allocate costs internally among the City's various functions.

The City uses enterprise funds to account for its off-sale liquor, and utility (water, sanitary sewer, street light, and environmental resources) operations. The City uses internal service funds to account for its risk management insurance liability program and to account for compensation liability. These services benefit the governmental and business-type functions; therefore, they have been included within governmental and business-type activities in the government-wide financial statements.

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, all of which are considered to be major funds of the City. The internal service funds are presented in a single aggregated presentation in the proprietary fund financial statements. Individual fund data for each of these internal service funds is provided in the form of combining statements following the required supplementary information.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement 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.

**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.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information.



This section includes a budgetary comparison schedule and related notes for the general fund, and a schedule of funding progress for the other post-employment benefits plan of the City. The combining statements referred to earlier in connection with nonmajor governmental and internal service funds are presented immediately following the required supplementary information.

### Government-wide Financial Analysis

As presented on the following table, the City's governmental and business-type assets exceeded liabilities by \$258,524,513 at the close of the fiscal year ending December 31, 2012. By far the largest portion or 87.8% of net position is reflected in its net investment in capital assets (e.g. land, buildings and improvements, machinery and equipment, infrastructure, and construction in process) less any related debt used to acquire those assets that is 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 net investment in 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.

	Governmental Activities		Business-type Activities		Total	
	2012	2011 Restated	2012	2011 Restated	2012	2011 Restated
Current and other assets	\$ 72,353,175	\$ 44,732,398	\$ 18,153,265	\$ 18,937,742	\$ 90,506,440	\$ 63,670,140
Capital assets	185,030,218	181,172,567	105,426,488	103,958,303	290,456,706	285,130,870
Total assets	<u>\$257,383,393</u>	<u>\$ 225,904,965</u>	<u>\$123,579,753</u>	<u>\$ 122,896,045</u>	<u>\$380,963,146</u>	<u>\$ 348,801,010</u>
Current and other liabilities	\$ 4,175,645	\$ 3,952,783	\$ 1,810,188	\$ 1,576,109	\$ 5,985,833	\$ 5,528,892
Long-term liabilities	112,677,018	90,962,221	3,775,782	3,937,155	116,452,800	94,899,376
Total liabilities	<u>116,852,663</u>	<u>94,915,004</u>	<u>5,585,970</u>	<u>5,513,264</u>	<u>122,438,633</u>	<u>100,428,268</u>
Net position:						
Net investment in capital assets	125,051,058	120,485,858	102,009,893	100,390,175	227,060,951	220,876,033
Restricted	17,403,167	16,474,815	325,750	325,750	17,728,917	16,800,565
Unrestricted	(1,923,495)	(5,970,712)	15,658,140	16,666,856	13,734,645	10,696,144
Total net position	<u>140,530,730</u>	<u>130,989,961</u>	<u>117,993,783</u>	<u>117,382,781</u>	<u>258,524,513</u>	<u>248,372,742</u>
Total liabilities and net position	<u>\$257,383,393</u>	<u>\$ 225,904,965</u>	<u>\$123,579,753</u>	<u>\$ 122,896,045</u>	<u>\$380,963,146</u>	<u>\$ 348,801,010</u>

The City's total restricted net position of \$17,728,917 comprises 6.9% of total net position at the close of the fiscal year ending December 31, 2012. These assets are subject to external restrictions on how they may be used.

The 2012 remaining balance of \$13,734,645 (5.3% of total net position), in unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors. Certain balances within unrestricted net position have internally imposed commitments or limitations, which may further limit the purpose for which such net position may be used.

**Change in net position.** The City's 2012 total net position during the current fiscal year increased by \$10,151,771 as shown in the following table. This increase is primarily attributed to economic conditions, an increase in community growth, and reduction in expenses related to the right-of-way land acquisitions from the Interstate Highway 35/County Road 70 Interchange project that were settled and paid in 2011 for approximately \$2.8 million. Additional details that account for the change in net position are provided in the following analysis of the governmental and business-type activities.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2012</u>	<u>2011 Restated</u>	<u>2012</u>	<u>2011 Restated</u>	<u>2012</u>	<u>2011 Restated</u>
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 9,126,942	\$ 6,467,301	\$ 13,382,007	\$ 12,413,222	\$ 22,508,949	\$ 18,880,523
Operating grants and contributions	2,236,183	2,299,434	107,287	63,469	2,343,470	2,362,903
Capital grants and contributions	6,051,234	3,229,676	2,903,043	1,129,764	8,954,277	4,359,440
General revenues						
Property taxes	24,221,741	24,207,406	-	-	24,221,741	24,207,406
Investment income	176,409	280,364	78,611	130,403	255,020	410,767
Gain on sale of capital assets	214,004	-	-	-	214,004	-
Total revenues	<u>42,026,513</u>	<u>36,484,181</u>	<u>16,470,948</u>	<u>13,736,858</u>	<u>58,497,461</u>	<u>50,221,039</u>
<b>Expenses</b>						
General government	5,258,319	5,134,169	-	-	5,258,319	5,134,169
Public safety	11,202,018	11,068,287	-	-	11,202,018	11,068,287
Public works	10,849,213	13,778,800	-	-	10,849,213	13,778,800
Parks and recreation	4,780,666	4,796,035	-	-	4,780,666	4,796,035
Interest on long-term debt	3,496,878	4,383,684	-	-	3,496,878	4,383,684
Liquor	-	-	2,392,945	2,439,261	2,392,945	2,439,261
Utility	-	-	10,365,651	10,401,650	10,365,651	10,401,650
Total expenses	<u>35,587,094</u>	<u>39,160,975</u>	<u>12,758,596</u>	<u>12,840,911</u>	<u>48,345,690</u>	<u>52,001,886</u>
<b>Change in net position</b>						
before transfers	6,439,419	(2,676,794)	3,712,352	895,947	10,151,771	(1,780,847)
Transfers	<u>3,101,350</u>	<u>2,692,671</u>	<u>(3,101,350)</u>	<u>(2,692,671)</u>	-	-
Change in net position	<u>9,540,769</u>	<u>15,877</u>	<u>611,002</u>	<u>(1,796,724)</u>	<u>10,151,771</u>	<u>(1,780,847)</u>
Net position - beginning as restated	<u>130,989,961</u>	<u>130,974,084</u>	<u>117,382,781</u>	<u>119,179,505</u>	<u>248,372,742</u>	<u>250,153,589</u>
Net position - ending	<u>\$ 140,530,730</u>	<u>\$ 130,989,961</u>	<u>\$ 117,993,783</u>	<u>\$ 117,382,781</u>	<u>\$ 258,524,513</u>	<u>\$ 248,372,742</u>

**Governmental activities.** Governmental activities change in net position before transfers were an increase of \$6,439,419. As previously discussed, this increase is primarily due to community growth, and reduction in expenses related to the Interstate Highway 35/County Road 70 Interchange reconstruction project paid in the previous year. The governmental revenue increase in charges for services is directly related to the increase in construction activity.

*Revenues* – The City’s 2012 total revenues for governmental activities increased by \$5,542,332. Charges for services increased a total of \$2,659,641 primarily due to recent growth in the community as evidenced by an increase in building permit fees, connection and area charges, and park dedication fees. A summary of the various increases are shown as follows:

<u>Charges for services</u>	<u>2012</u>	<u>2011</u>	<u>Increase / (Decrease)</u>
Licenses and building permit fees	\$ 2,429,951	\$ 1,820,408	\$ 609,543
Connection and area charges	2,474,810	1,615,649	859,161
Park dedication fees	970,360	300,950	669,410
Other	<u>3,251,821</u>	<u>2,730,294</u>	<u>521,527</u>
Total charges for services	<u>\$ 9,126,942</u>	<u>\$ 6,467,301</u>	<u>\$ 2,659,641</u>

Operating grants and contributions experienced an overall decrease of (\$63,251). The City receives state-aid for street revenue bonds; as a result of refunding the State-Aid Street Bonds, Series 2001 C the state-aid payment was reduced by \$57,406. A summary of the various operating grants and contributions are shown as follows:

<u>Operating grants and contributions</u>	<u>2012</u>	<u>2011</u>	<u>Increase / (Decrease)</u>
State-aid for street maintenance	\$ 374,335	\$ 374,335	\$ -
State-aid for street revenue bonds	770,762	828,168	(57,406)
Federal street reconstruction bonds payment	75,867	76,888	(1,021)
Other grants, contributions and donations	<u>1,015,219</u>	<u>1,020,043</u>	<u>(4,824)</u>
Total operating grants and contributions	<u>\$ 2,236,183</u>	<u>\$ 2,299,434</u>	<u>\$ (63,251)</u>

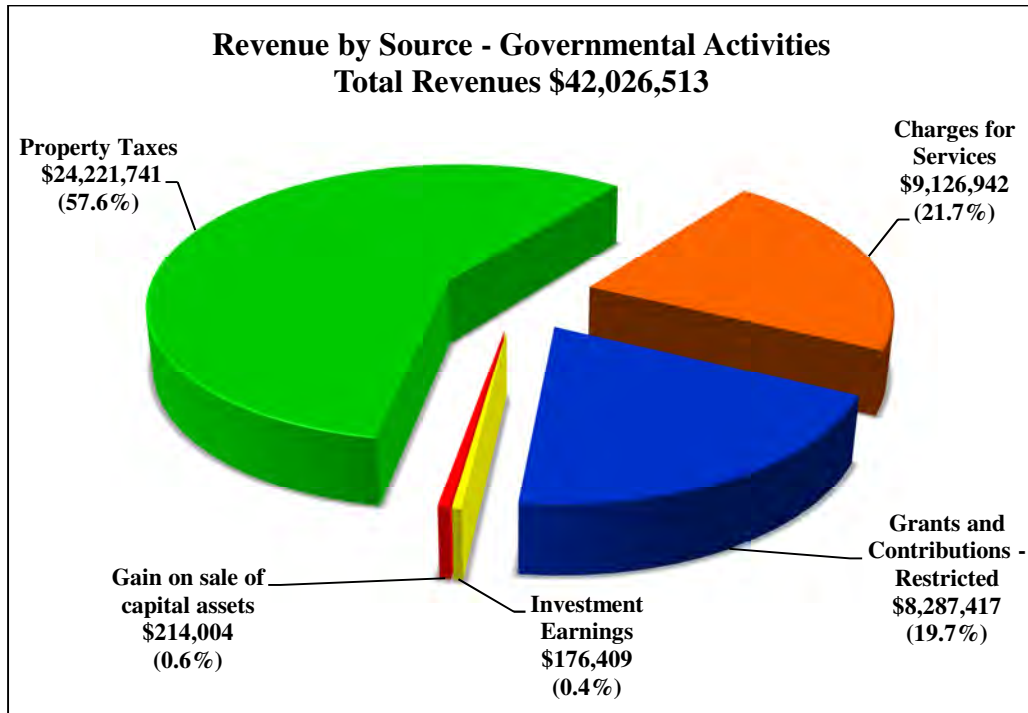
Capital grants and contributions increased by \$2,821,558. Municipal state-aid decreased by (\$181,004). The City was awarded a Federal Energy Efficiency Conservation Block grant in late 2009; the grant provides funding for energy efficiency upgrades to several City facilities that will yield significant long-term operating electricity savings. The remainder of the funds was spent in 2011. Special assessments increased by \$1.7 million primarily due to a major street reconstruction project that was levied against the benefitting property owners. Contributed infrastructure from private land developers increased by \$1,403,340; the infrastructure consists of street, storm sewer, and park and trail capital assets. The summary of capital grants and contributions is shown as follows:

<u>Capital grants and contributions</u>	<u>2012</u>	<u>2011</u>	<u>Increase / (Decrease)</u>
Minnesota municipal state-aid	\$ -	\$ 181,004	\$ (181,004)
City facilities energy efficiency grant	-	76,101	(76,101)
Safe Routes to School grant	14,084	164,195	(150,111)
Special assessments	2,930,329	1,235,704	1,694,625
Contributed infrastructure from developers	2,845,720	1,442,380	1,403,340
Other grants and contributions	<u>261,101</u>	<u>130,292</u>	<u>130,809</u>
Total capital grants and contributions	<u>\$ 6,051,234</u>	<u>\$ 3,229,676</u>	<u>\$ 2,821,558</u>

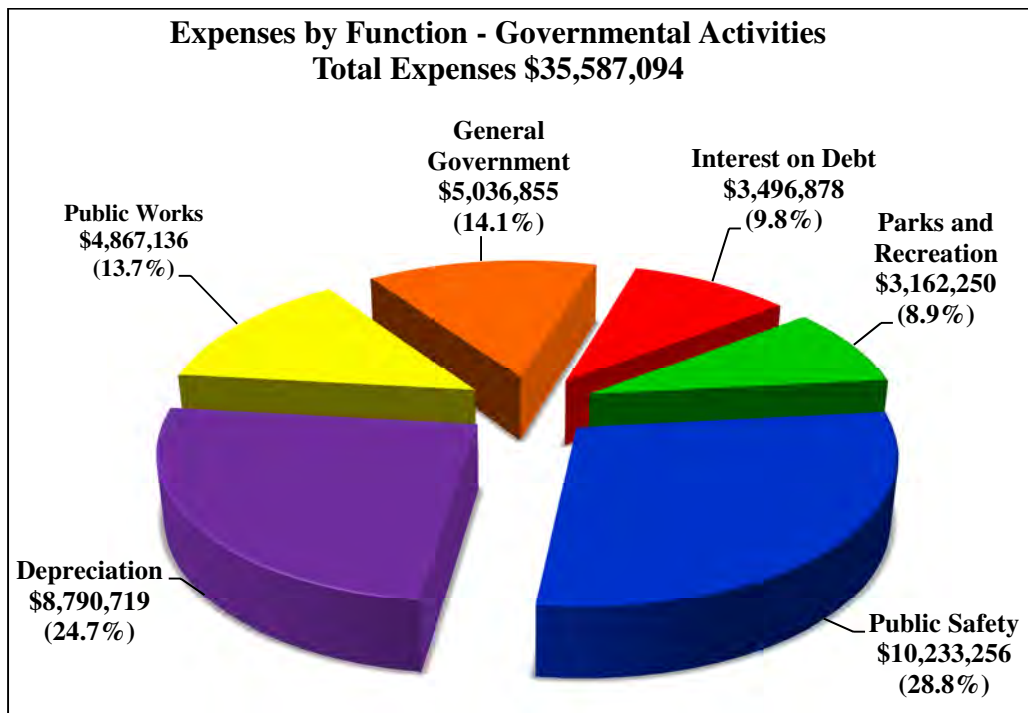
Property tax revenue increased \$14,335 or 0.1% primarily due to increase in prior year delinquent collections. Investment income earnings decreased by (\$103,955) or (37.1%) due to low yields consistent with prevailing market conditions. Gain on sale of capital assets is related to the sale of the former Senior Center.

<u>General revenues</u>	<u>2012</u>	<u>2011</u>	<u>Increase / (Decrease)</u>
Property taxes	\$ 24,221,741	\$ 24,207,406	\$ 14,335
Investment income	176,409	280,364	(103,955)
Gain on sale of capital assets	<u>214,004</u>	<u>-</u>	<u>214,004</u>
Total general revenues	<u>\$ 24,398,150</u>	<u>\$ 24,487,770</u>	<u>\$ (89,620)</u>

A summary of 2012 revenues by source for governmental activities are shown as follows:



A summary of 2012 expenses by function for governmental activities are shown as follows:



*Expenses* – The City’s 2012 total governmental activities expenses (before depreciation on capital assets and interest on long-term debt) decreased by (\$2,744,509) or 10.5%. Total governmental activities expenses decreased by (\$3,573,881) or 9.1%, shown as follows:

<u>Governmental activities expenses</u>	<u>2012</u>	<u>2011</u>	<u>Increase / (Decrease)</u>
General government	\$ 5,036,855	\$ 4,928,482	\$ 108,373
Public safety	10,233,256	10,076,976	156,280
Public works	4,867,136	7,874,766	(3,007,630)
Parks and recreation	<u>3,162,250</u>	<u>3,163,782</u>	<u>(1,532)</u>
Total before depreciation and interest	23,299,497	26,044,006	(2,744,509)
Depreciation on capital assets	8,790,719	8,733,285	57,434
Interest on long-term debt	<u>3,496,878</u>	<u>4,383,684</u>	<u>(886,806)</u>
Total governmental activities expenses	<u>\$ 35,587,094</u>	<u>\$ 39,160,975</u>	<u>\$ (3,573,881)</u>

Following are explanations of various increases and (decreases) in expenses by governmental function as shown above.

*General government* expenses increased by \$108,373 or 2.2%; which is primarily attributed to the elections administration and personnel services.

*Public safety* expenses increased by \$156,280 or 1.6%; which is comprised of several components that include personnel increases attributed to the addition of two full time personnel, personnel costs such as salaries and benefits; motor fuels; and K-9 unit.

*Public works* expenses decreased by (\$3,007,630) or (38.2%); primarily due to the final payment in 2011 for the right-of-way costs associated with the Interstate Highway 35 and County Road 70 interchange reconstruction project. Construction overall was higher than the prior year. The street department expenses in 2012 increased due to snow events at year end and associated increase in overtime, motor fuels and road de-icing chemicals.

*Parks and recreation* expenses decreased slightly (\$1,532) or (0.05%); primarily as a result of vacant director position which was offset by the increase in operating expense for the Heritage Center.

*Interest on long-term debt* decreased by (\$886,806) or (20.2%); which is primarily due to bonded debt refinancing.

**Business-type activities.** Business-type activities increased the City's 2012 total net position by \$611,002. Key elements of the increase in net position along with a comparison of revenues, expenses, and changes in net position during fiscal years 2012 and 2011 are shown as follows:

	<u>2012</u>	<u>2011 Restated</u>	<u>Increase / (Decrease)</u>
Revenues			
Charges for services			
Liquor	\$ 3,839,723	\$ 3,546,877	\$ 292,846
Utility	9,542,284	8,866,345	675,939
Operating grants and contributions			
Liquor	3,762	3,762	-
Utility	103,525	59,707	43,818
Capital contributions			
Utility	2,903,043	1,129,764	1,773,279
Investment earnings	78,611	130,403	(51,792)
Total revenues	<u>16,470,948</u>	<u>13,736,858</u>	<u>2,734,090</u>
Expenses			
Liquor	2,392,945	2,439,261	(46,316)
Utility	10,365,651	10,401,650	(35,999)
Total expenses	<u>12,758,596</u>	<u>12,840,911</u>	<u>(82,315)</u>
Change in net position before transfers	3,712,352	895,947	2,816,405
Transfers	(3,101,350)	(2,692,671)	(408,679)
Change in net position	<u>611,002</u>	<u>(1,796,724)</u>	<u>2,407,726</u>
Net position - beginning as restated	<u>117,382,781</u>	<u>119,179,505</u>	<u>(1,796,724)</u>
Net position - ending	<u>\$ 117,993,783</u>	<u>\$ 117,382,781</u>	<u>\$ 611,002</u>

The City's 2012 business-type total revenues increased by \$2,734,090 or 19.9%; the various revenue components are discussed in detail in the following paragraphs.

- The liquor fund 2012 charges for services (sales less cost of goods sold) increased due to market conditions. The 2012 cost of goods sold as a percentage of sales were 74.8%, compared to 75.3% in 2011.
- The overall utility revenue charges for services increased by \$675,939. This overall increase is represented by a water revenue increase of \$567,039, sanitary sewer revenue increase of \$81,855, street light revenue increase of \$20,186 and environmental resources revenue increase of \$6,859. The water increase is due to customer consumption as a result of changes in weather patterns and increase in customers as a result of community growth. The sanitary sewer, street light and environmental resources increases are due to increase in customers.

- The utility fund experienced a total increase of \$1,773,279 in capital contributions. Majority of the increase is derived from water and sanitary sewer contributed from developer improvement projects. City improvement project infrastructure assets of \$29,395 were contributed to the utility fund which is within the net transfer amount of (\$3,101,350) on the Statement of Activities. The total amount of contributed infrastructure assets received by the utility fund varies yearly.
- Investment earnings decreased (\$51,792) or (39.7%) consistent with prevailing market conditions.

The City's 2012 business-type total expenses decreased by (\$82,315) or (0.6%) are as follows:

<u>Business-type activities expenses</u>	Increase/(Decrease) From 2011		
	<u>Liquor Fund</u>	<u>Utility Fund</u>	<u>Total</u>
Personnel services	\$ 40,468	\$ 6,299	\$ 46,767
Commodities	9,089	(10,899)	(1,810)
Other charges and services	(18,083)	(83,517)	(101,600)
Sanitary sewage treatment and disposal	-	110	110
Depreciation on capital assets	573	52,008	52,581
Interest, fiscal charges, bond premium (net)	(78,363)	-	(78,363)
Total increase/(decrease)	\$ (46,316)	\$ (35,999)	\$ (82,315)

- The liquor fund personnel services increase of \$40,468 is primarily the result of compensation and benefit adjustments and employee transitions.
- The utility fund other charges and services decrease of (\$83,517) is attributed to reduction in major maintenance projects compared to previous year on lift stations.

### **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. Some funds are required statutorily while others are established internally to assist management in accounting for certain activities.

**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, unrestricted 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 \$61,706,702. Of this amount, \$22,863,189 or 37% of this



combined ending fund balance constitutes unrestricted fund balance that is available for spending at the government's discretion. Nonspendable fund balances of \$256,476 are amounts that are not in a spendable form, such as prepaid items, and inventory. The remaining fund balance is restricted for (a) debt service of \$32,787,368, (b) capital acquisition of \$5,773,866, and (c) other restricted purposes of \$25,803.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the fund balance was \$11,491,775. The 2012 net change in fund balance of \$943,437 surpassed the final adopted budget net change in fund balance of (\$1,227,840) by \$2,171,277. The 2012 ending fund balance surpassed the beginning 2013 budgeted fund balance of \$10,198,765, by \$1,293,010.

The G.O. obligation (debt service) fund balance increased by \$22,276,992 mainly due to the issuance of \$22.45 million of crossover refunding bonds, the proceeds of which were placed in an escrow account to call outstanding bonds from another issue in the future. The G.O. improvement (debt service) fund balance increased by \$1,013,225. The City levies the required property taxes and special assessments levied against benefited property owners to meet the bonded debt service requirements in the following year. The change in fund balance may fluctuate yearly based on fluctuating principal and interest requirements of existing debt and that of new debt issuance.

The building (capital projects) fund expended \$1,523,741 for the remodeling of the Heritage Center, fire station #4 administration offices, and major maintenance projects. Financing was provided by \$212,977 of revenues from sale of the Senior Center building, investment income and other revenue sources. An additional \$371,833 of financing was provided from donations and transfers from the enterprise liquor fund for the Heritage Center. The fund balance provided the remaining financing of \$938,931.

The improvement construction (capital projects) fund accounts for major infrastructure improvement projects that require debt issuance for financing purposes. The activity in this fund may fluctuate from year to year depending on the demand for infrastructure expansion. Large projects such as the interstate highway interchange and bridge reconstruction projects may take several years to complete. The fund balance increased by \$1,148,183 due to the issuance of the 2012 General Obligation Improvement Bonds Series A for \$6,805,000. These bonds were issued to fund the 2012 Street Reconstruction project in the Valley Park area.

### **Other Post-Employment Benefits (OPEB)**

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions, an actuarial valuation was required to be computed and reported for the City's post-employment health insurance benefits provided to eligible employees through the City's Other Post-Employment Benefits Plan. The net OPEB obligation and corresponding expense for governmental activities is reported within the government-wide financial statements. The net OPEB obligation liability and corresponding expense for enterprise funds are recorded within those funds.

Refer to Note 14. – *Other Post-Employment Benefits (OPEB) Plan*, of the Notes to Basic Financial Statements for complete information concerning the City’s OPEB Plan.

### General Fund Budgetary Highlights

With the exception of the legal counsel, planning and heritage center departments, all other general fund departments expended their 2012 budget appropriations at or below the final adopted budget. A schedule of revenues, expenditures and changes in fund balances – budgetary comparison is disclosed in the required supplemental information section of this report. A summary of general fund revenues, expenditures, other financing sources (uses), variance with final budget, and net change in fund balance is as follows:

	Budget As Originally Adopted	Final Budget	Actual	Variance With Final Budget
<b>Revenues</b>				
Property taxes	\$ 16,135,591	\$ 16,135,591	\$ 16,529,500	\$ 393,909
Licenses and permits	972,953	972,953	1,831,073	858,120
Intergovernmental	664,317	775,688	804,276	28,588
Charges for services	1,520,711	1,521,116	1,885,622	364,506
Fines	279,301	279,301	281,879	2,578
Investment income	91,795	91,795	44,159	(47,636)
Donations	14,115	29,568	33,257	3,689
Miscellaneous	50,712	50,712	59,794	9,082
Total revenues	<u>19,729,495</u>	<u>19,856,724</u>	<u>21,469,560</u>	<u>1,612,836</u>
<b>Expenditures</b>				
Personnel services	14,834,432	14,831,908	14,585,714	246,194
Commodities	1,634,235	1,639,149	1,549,443	89,706
Other charges and services	4,311,780	4,326,929	4,108,002	218,927
Capital outlay	44,447	55,137	36,901	18,236
Other	104,000	-	-	-
Total expenditures	<u>20,928,894</u>	<u>20,853,123</u>	<u>20,280,060</u>	<u>573,063</u>
Other financing sources (uses)	<u>680,253</u>	<u>(231,441)</u>	<u>(246,063)</u>	<u>(14,622)</u>
Net change in fund balance	<u>\$ (519,146)</u>	<u>\$ (1,227,840)</u>	<u>\$ 943,437</u>	<u>\$ 2,171,277</u>

The 2012 actual general fund revenues exceeded the final budget by \$1,612,836 and expenditures were under final adopted budget by \$573,063. Other financing sources (uses) were slightly under final budget by \$14,622. The general fund actual net change in fund balance surpassed final budget by \$2,171,277.

The following is a brief summary explanation of the various budgets to actual variances for revenues:

- Property taxes were greater than anticipated by \$393,909 due to collection of delinquent taxes and county tax adjustments for development of agricultural land.
- Licenses and permits exceeded estimates by \$858,120 due to greater than anticipated building permit fees. Commercial and industrial permits increased significantly due the addition of Kingsley Shores Senior Living housing project which includes 101 units. The number of residential building permits issued increased from 124 in 2011 to 282 units in 2012.
- Intergovernmental exceeded estimates by \$28,588 due to greater than expected federal and state grants for storm related damages.
- Charges for services exceeded estimates by \$364,506 which is primarily related to public safety activities for security charges and public works engineering fees related to improvement projects.
- Fines experienced slight variance of \$2,578.
- Investment income was below estimates by (\$47,636) due to prevailing market conditions. The City's Management employs prudent investment practices and cash management techniques to maximize investment income while protecting the City's treasury.
- Donations and miscellaneous revenues experienced slight variances of \$3,689 and \$9,082, respectively.

The following is a brief summary explanation of the various budgets to actual variances for expenditures:

- Personnel costs including benefits variance of \$246,194 below budget due to reductions related to vacant positions due to retirements and resignations, lower than anticipated benefit costs and fire emergency calls.
- Commodities were \$89,706 below budget due to a number of factors the most significant of which is the number and quantity of snow events which resulted in a reduction in de-icing chemicals.
- Other charges and services were \$218,927 below budget which is attributed to a energy reduction programs which resulted in overall lower cost of natural gas and electricity.
- Capital outlay is \$18,236 less than budget due to voting equipment which was donated.

## Capital Asset and Debt Administration

**Capital assets.** The City's capital assets for governmental and business-type activities as of December 31, 2012 are \$290.5 million (net of accumulated depreciation). This amount represents an increase (including additions, deletions, and depreciation) of approximately \$5.4 million from 2011.

The net investment in capital assets including land, historical treasures, buildings, machinery and equipment, other improvements, infrastructure, and construction in process are shown as follows:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
Land	\$ 22,213,543	\$ 1,800,456	\$ 24,013,999
Historical treasures	100,000	-	100,000
Buildings and improvements	43,883,427	19,020,097	62,903,524
Machinery and equipment	6,573,062	1,116,895	7,689,957
Other improvements	2,966,782	-	2,966,782
Infrastructure			
Streets	55,175,348	-	55,175,348
Storm sewer	39,231,469	-	39,231,469
Parks	8,086,310	-	8,086,310
Water		46,859,137	46,859,137
Sanitary sewer		35,001,323	35,001,323
Construction in process	<u>6,800,277</u>	<u>1,628,580</u>	<u>8,428,857</u>
Total	<u>\$ 185,030,218</u>	<u>\$ 105,426,488</u>	<u>\$ 290,456,706</u>

The City's 2013 adopted budget provides funding for \$27.9 million in infrastructure capital assets, public buildings improvements and upgrades, and equipment capital assets such as vehicle replacements for public safety and public works, and technology equipment. Refer to Note 3. - *Capital Assets*, of the Notes to Basic Financial Statements for additional information.

**Debt administration.** At the end of the current fiscal year, the City of Lakeville had total bonded debt outstanding of \$109,745,000, which is an increase of (\$19.73 million) compared to the prior year. The increase is due to the issuance of two new bond issues totaling \$29.255 million, and principal bond maturities of (\$9.525 million).

The City manages its debt structure by utilizing approaches that take full advantage of its financial position, revenue trends and conditions in municipal bond markets. During 2012, the City issued the General Obligation Refunding Bonds Series 2012 B to call the Street Reconstruction Bonds Series 2003 A and the Capital Improvement Plan Bonds Series 2004 A on February 1, 2014, and February 1, 2015, respectively. The refunding transaction yielded a net savings to the City of \$2,768,474 with a present value economic

gain of \$2,235,119. Refer to Note 5. – *Long-Term Liabilities*, of the Notes to Basic Financial Statements for additional information about the City’s governmental and business-type long-term debt activity.

The City’s outstanding bonded obligation debt as of December 31, 2012 is shown as follows:

	<u>Balance</u> <u>January 1</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Balance</u> <u>December 31</u>
<u>Governmental bonds</u>				
General obligation bonds				
Equipment certificates	\$ 450,000	\$ -	\$ 450,000	\$ -
Park	2,780,000	-	1,565,000	1,215,000
Capital improvement	27,625,000	12,765,000	660,000	39,730,000
Street reconstruction	22,130,000	9,685,000	1,100,000	30,715,000
G.O. Improvement	7,365,000	6,805,000	985,000	13,185,000
Tax increment	3,180,000	-	425,000	2,755,000
State-aid street revenue	6,505,000	-	1,225,000	5,280,000
Water revenue	4,630,000	-	870,000	3,760,000
Arena revenue	1,305,000	-	130,000	1,175,000
HRA lease revenue	10,500,000	-	1,965,000	8,535,000
Total governmental	<u>86,470,000</u>	<u>29,255,000</u>	<u>9,375,000</u>	<u>106,350,000</u>
<u>Business-type bonds</u>				
Liquor revenue	<u>3,545,000</u>	<u>-</u>	<u>150,000</u>	<u>3,395,000</u>
Total bonds payable	<u>\$ 90,015,000</u>	<u>\$ 29,255,000</u>	<u>\$ 9,525,000</u>	<u>\$ 109,745,000</u>

The City of Lakeville’s general obligation bond rating as of December 31, 2012 is “Aa1” as rated by Moody’s Investors Service.

State statutes limit the amount of general obligation debt a Minnesota city may issue to 3% of total assessor’s taxable market valuation. The City has \$51,110,442 of net bonded debt, which is subject to the \$150,900,095 current debt limitation, thereby resulting in a legal debt margin of \$99,789,653. Refer to the Statistical Section of this report for a detailed computation of the City’s legal debt margin.

## **Economic Conditions and Next Year's Budget**

The City of Lakeville remains one of the top growth cities in the Minnesota twin city metro area albeit at a level far below the peak years of the early 2000's. The number of residential building permits for new construction was up in 2012 (282 residential dwelling units compared to 124 residential dwelling units in 2011). In our opinion, the modest resurgence is due primarily to an unemployment rate that is below the national average and improving. The budget and five year capital improvement plan are premised on the assumption growth will continue at a subdued level for the foreseeable future.

The adopted 2013 – 2014 budget reflects a continuation of the program and service levels established by the City Council over the past several years. No new programs or services were included in the adopted budget. The 2013 budget also focuses on City efforts to position the City to thrive through investments in community planning to prepare for the future, investments in technology to maximize efficiencies, developing effective partnerships to capitalize on opportunities and multi-agency resources, infrastructure improvements to promote economic and community development and service continuity through staffing enhancements to meet the expectations of community residents and businesses.

## **Requests for Information**

This financial report is designed to provide a general overview of the City of Lakeville's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the City of Lakeville Finance Department at 20195 Holyoke Avenue, Lakeville, Minnesota 55044, (952) 985-4400, or email request to [dfeller@ci.lakeville.mn.us](mailto:dfeller@ci.lakeville.mn.us).

## **BASIC FINANCIAL STATEMENTS**

**CITY OF LAKEVILLE, MINNESOTA**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2012**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS:</b>			
Cash and investments	\$ 37,811,737	\$ 13,421,352	\$ 51,233,089
Receivables	10,130,194	2,629,462	12,759,656
Internal balances	(208,516)	208,516	-
Inventory	243,870	1,533,191	1,777,061
Prepaid items	12,606	34,994	47,600
Restricted assets (temporarily):			
Cash and investments	-	325,750	325,750
Investments held by trustee	24,363,284	-	24,363,284
Capital assets			
Non-depreciable	29,113,820	3,429,036	32,542,856
Depreciable, net	<u>155,916,398</u>	<u>101,997,452</u>	<u>257,913,850</u>
Total capital assets	<u>185,030,218</u>	<u>105,426,488</u>	<u>290,456,706</u>
Total assets	<u>257,383,393</u>	<u>123,579,753</u>	<u>380,963,146</u>
<b>LIABILITIES:</b>			
Salaries, accounts, contracts, interest, and deposits	3,797,758	1,810,188	5,607,946
Unearned revenue	377,887	-	377,887
Non-current liabilities			
Due within one year	6,922,897	389,243	7,312,140
Due in more than one year	<u>105,754,121</u>	<u>3,386,539</u>	<u>109,140,660</u>
Total liabilities	<u>116,852,663</u>	<u>5,585,970</u>	<u>122,438,633</u>
<b>NET POSITION:</b>			
Net investment in capital assets	125,051,058	102,009,893	227,060,951
Restricted for			
Special purposes	26,357	-	26,357
Debt service	10,935,596	325,750	11,261,346
Capital acquisition	6,441,214	-	6,441,214
Unrestricted	<u>(1,923,495)</u>	<u>15,658,140</u>	<u>13,734,645</u>
Total net position	<u>\$ 140,530,730</u>	<u>\$ 117,993,783</u>	<u>\$ 258,524,513</u>

See accompanying notes to basic financial statements.



**CITY OF LAKEVILLE, MINNESOTA**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2012**

<b>Function/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Changes in Net Position</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Governmental activities</b>							
General government	\$ 5,258,319	\$ 2,736,653	\$ 40,359	\$ 91,735	\$ (2,389,572)		\$ (2,389,572)
Public safety	11,202,018	714,587	698,949	19,530	(9,768,952)		(9,768,952)
Public works	10,849,213	3,588,062	1,396,560	5,569,732	(294,859)		(294,859)
Parks and recreation	4,780,666	2,087,640	100,315	370,237	(2,222,474)		(2,222,474)
Interest on long-term debt	3,496,878	-	-	-	(3,496,878)		(3,496,878)
Total governmental activities	<u>35,587,094</u>	<u>9,126,942</u>	<u>2,236,183</u>	<u>6,051,234</u>	<u>(18,172,735)</u>		<u>(18,172,735)</u>
<b>Business-type activities</b>							
Liquor	2,392,945	3,839,723	3,762	-		\$ 1,450,540	1,450,540
Utility	10,365,651	9,542,284	103,525	2,903,043		2,183,201	2,183,201
Total business-type activities	<u>12,758,596</u>	<u>13,382,007</u>	<u>107,287</u>	<u>2,903,043</u>		<u>3,633,741</u>	<u>3,633,741</u>
Total primary government	<u>\$48,345,690</u>	<u>\$ 22,508,949</u>	<u>\$ 2,343,470</u>	<u>\$ 8,954,277</u>	<u>(18,172,735)</u>	<u>3,633,741</u>	<u>(14,538,994)</u>
General revenues							
Property taxes					24,221,741	-	24,221,741
Investment income					176,409	78,611	255,020
Gain on sale of capital assets					214,004	-	214,004
Transfers					3,101,350	(3,101,350)	-
Total general revenues and transfers					<u>27,713,504</u>	<u>(3,022,739)</u>	<u>24,690,765</u>
Change in net position					<u>9,540,769</u>	<u>611,002</u>	<u>10,151,771</u>
Net position - beginning as previously reported					131,943,686	117,449,171	249,392,857
Change in accounting principle					(953,725)	(66,390)	(1,020,115)
Net position - beginning as restated					<u>130,989,961</u>	<u>117,382,781</u>	<u>248,372,742</u>
Net position - ending					<u>\$ 140,530,730</u>	<u>\$ 117,993,783</u>	<u>\$ 258,524,513</u>

See accompanying notes to basic financial statements.

**CITY OF LAKEVILLE, MINNESOTA**  
BALANCE SHEET - GOVERNMENTAL FUNDS  
DECEMBER 31, 2012

	<u>General</u>	<u>Debt Service</u>		<u>Capital Projects</u>		<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
		<u>General Obligation</u>	<u>G.O. Improvement</u>	<u>Building</u>	<u>Improvement Construction</u>		
<b>Assets</b>							
Cash and investments	\$ 10,912,850	\$ 3,882,807	\$ 2,196,737	\$ 514,825	\$ 1,940,782	\$ 17,505,579	\$ 36,953,580
Investments held by trustee	-	23,667,928	-	-	-	695,356	24,363,284
Interest receivable	42,664	166,297	5,513	4,466	5,356	76,733	301,029
Taxes receivable	1,536,258	343,737	52,464	-	-	205,001	2,137,460
Accounts receivable	444,999	-	-	970,000	-	227,556	1,642,555
Loan receivable	-	-	-	-	-	115,000	115,000
Special assessments receivable	-	764,669	4,648,730	-	-	601,025	6,014,424
Inventory	243,870	-	-	-	-	-	243,870
Prepaid items	12,606	-	-	-	-	-	12,606
<b>Total assets</b>	<b>\$ 13,193,247</b>	<b>\$ 28,825,438</b>	<b>\$ 6,903,444</b>	<b>\$ 1,489,291</b>	<b>\$ 1,946,138</b>	<b>\$ 19,426,250</b>	<b>\$ 71,783,808</b>
<b>Liabilities</b>							
Salaries payable	\$ 379,064	\$ -	\$ -	\$ -	\$ -	\$ 6,440	\$ 385,504
Accounts payable	637,853	1,007	663	167,392	193,289	253,861	1,254,065
Contracts payable	-	-	-	22,873	480,319	17,765	520,957
Deposits payable	13,840	-	-	-	-	86,395	100,235
Unearned revenue	377,887	-	-	-	-	-	377,887
<b>Total liabilities</b>	<b>1,408,644</b>	<b>1,007</b>	<b>663</b>	<b>190,265</b>	<b>673,608</b>	<b>364,461</b>	<b>2,638,648</b>
<b>Deferred inflows of resources</b>							
Unavailable revenue - taxes	292,828	48,794	6,992	-	-	24,966	373,580
Unavailable revenue - special assessments	-	763,923	4,615,185	-	-	600,216	5,979,324
Unavailable revenue - other	-	-	-	970,000	-	115,554	1,085,554
<b>Total deferred inflows of resources</b>	<b>292,828</b>	<b>812,717</b>	<b>4,622,177</b>	<b>970,000</b>	<b>-</b>	<b>740,736</b>	<b>7,438,458</b>
<b>Fund balances</b>							
Nonspendable	256,476	-	-	-	-	-	256,476
Restricted	-	28,011,714	2,280,604	-	923,987	7,370,732	38,587,037
Committed	-	-	-	329,026	582,453	10,950,321	11,861,800
Assigned	620,725	-	-	-	-	-	620,725
Unassigned	10,614,574	-	-	-	(233,910)	-	10,380,664
<b>Total fund balances</b>	<b>11,491,775</b>	<b>28,011,714</b>	<b>2,280,604</b>	<b>329,026</b>	<b>1,272,530</b>	<b>18,321,053</b>	<b>61,706,702</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 13,193,247</b>	<b>\$ 28,825,438</b>	<b>\$ 6,903,444</b>	<b>\$ 1,489,291</b>	<b>\$ 1,946,138</b>	<b>\$ 19,426,250</b>	<b>\$ 71,783,808</b>

See accompanying notes to basic financial statements.

**CITY OF LAKEVILLE, MINNESOTA**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2012**

Fund balance - total governmental funds \$ 61,706,702

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

1.	Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds.		
	Governmental capital assets	\$ 299,713,182	
	Less accumulated depreciation	<u>(114,682,964)</u>	185,030,218
2.	Grant receivable that is applicable towards accrued bond interest payable is susceptible to full accrual on the government-wide statements.		31,575
3.	Long term liabilities are not payable with current financial resources and therefore are not reported in the governmental funds.		
	Bonds	(106,350,000)	
	Accrued interest	(1,533,053)	
	Loan	(1,159,843)	
	Unamortized bond discount	8,911	
	Unamortized bond premium	<u>(2,711,537)</u>	(111,745,522)
4.	Accrued compensated absences and net OPEB obligations are not Payable with current financial resources and therefore are not reported in the governmental funds.		(2,464,549)
5.	Deferred inflows of resources in governmental funds is susceptible to full accrual on the government-wide statements.		7,323,458
6.	The City uses an internal service fund to charge the cost of insurance activities to individual funds. A portion of the assets and liabilities of the municipal reserves fund are included in governmental activities in the statement of net position.		<u>648,848</u>
	Net position of governmental activities		<u>\$ 140,530,730</u>

See accompanying notes to basic financial statements.

**CITY OF LAKEVILLE, MINNESOTA**  
 STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
 YEAR ENDED DECEMBER 31, 2012

	Debt Service			Capital Projects		Nonmajor Governmental Funds	Total Governmental Funds
	General	General Obligation	G.O. Improvement	Building	Improvement Construction		
<b>Revenues</b>							
Property taxes	\$ 16,529,500	\$ 4,122,480	\$ 645,090	\$ -	\$ -	\$ 2,297,624	\$ 23,594,694
Tax increment	-	-	-	-	-	859,155	859,155
Licenses and permits	1,831,073	-	-	-	-	598,878	2,429,951
Intergovernmental	804,276	76,308	-	-	-	1,410,792	2,291,376
Charges for services	1,885,622	-	-	-	-	3,948,154	5,833,776
Special assessments	-	162,506	885,052	-	-	84,568	1,132,126
Fines	281,879	-	-	-	-	-	281,879
Investment income	44,159	36,389	5,687	4,605	4,401	79,117	174,358
Donations	33,257	-	-	71,381	-	102,753	207,391
Miscellaneous	59,794	-	-	8,372	6,660	515,093	589,919
Total revenues	<u>21,469,560</u>	<u>4,397,683</u>	<u>1,535,829</u>	<u>84,358</u>	<u>11,061</u>	<u>9,896,134</u>	<u>37,394,625</u>
<b>Expenditures - current</b>							
General government	4,103,042					469,735	4,572,777
Public safety	9,844,232					-	9,844,232
Public works	3,245,103					-	3,245,103
Parks and recreation	3,050,782					-	3,050,782
Total expenditures - current	<u>20,243,159</u>					<u>469,735</u>	<u>20,712,894</u>
<b>Expenditures - capital outlay</b>							
General government	17,108			70,160	130,804	518,394	736,466
Public safety	11,301			239,483	-	341,586	592,370
Public works	5,739			51,559	6,410,036	2,738,332	9,205,666
Parks and recreation	2,753			1,162,539	-	713,566	1,878,858
Total expenditures - capital outlay	<u>36,901</u>			<u>1,523,741</u>	<u>6,540,840</u>	<u>4,311,878</u>	<u>12,413,360</u>
<b>Expenditures - debt service</b>							
Principal maturities		2,585,000	985,000			4,072,027	7,642,027
Interest on debt		2,240,703	154,676			962,945	3,358,324
Fiscal charges		147,205	5,702			20,165	173,072
Total expenditures - debt service		<u>4,972,908</u>	<u>1,145,378</u>			<u>5,055,137</u>	<u>11,173,423</u>
Total expenditures	<u>20,280,060</u>	<u>4,972,908</u>	<u>1,145,378</u>	<u>1,523,741</u>	<u>6,540,840</u>	<u>9,836,750</u>	<u>44,299,677</u>
Excess (deficiency) of revenues over expenditures	<u>1,189,500</u>	<u>(575,225)</u>	<u>390,451</u>	<u>(1,439,383)</u>	<u>(6,529,779)</u>	<u>59,384</u>	<u>(6,905,052)</u>
<b>Other financing sources and (uses)</b>							
Transfers from other funds	665,631	100,000	622,774	300,452	542,000	4,468,590	6,699,447
Transfers to other funds	(911,694)	-	-	-	(133,871)	(1,793,767)	(2,839,332)
Issuance of debt	-	-	-	-	6,805,000	-	6,805,000
Refunding bonds issued	-	22,450,000	-	-	-	-	22,450,000
Payment to refunded bonds escrow agent	-	(1,190,000)	-	-	-	(640,000)	(1,830,000)
Premium on bonds issued	-	1,492,217	-	-	464,833	-	1,957,050
Sale of capital assets	-	-	-	200,000	-	-	200,000
Total other financing sources and (uses)	<u>(246,063)</u>	<u>22,852,217</u>	<u>622,774</u>	<u>500,452</u>	<u>7,677,962</u>	<u>2,034,823</u>	<u>33,442,165</u>
Net change in fund balance	943,437	22,276,992	1,013,225	(938,931)	1,148,183	2,094,207	26,537,113
Fund balance, January 1	10,548,338	5,734,722	1,267,379	1,267,957	124,347	16,226,846	35,169,589
Fund balance, December 31	<u>\$ 11,491,775</u>	<u>\$ 28,011,714</u>	<u>\$ 2,280,604</u>	<u>\$ 329,026</u>	<u>\$ 1,272,530</u>	<u>\$ 18,321,053</u>	<u>\$ 61,706,702</u>

See accompanying notes to basic financial statements.

## CITY OF LAKEVILLE, MINNESOTA

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES YEAR ENDED DECEMBER 31, 2012

Net change in fund balances - total governmental funds		\$ 26,537,113
Amounts reported for governmental activities in the statement of activities are different because:		
1. Governmental funds report capital outlays as expenditures while the government-wide statement of activities reports depreciation expense to allocate those expenditures over the life of the assets. As a result, fund balance decreases by the amount of financial resources expended, whereas net position decreases by the amount of depreciation expense charged for the year. This is the amount by which depreciation expense exceeded capital outlay.		
Capital outlay	\$10,153,263	
Capital contributed by developer	2,845,720	
Depreciation expense	<u>(8,790,719)</u>	4,208,264
2. In the government-wide statement of activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sales increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed of.		
		(350,613)
3. Revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		
Deferred inflows of resources - December 31, 2011	(5,617,972)	
Deferred inflows of resources - December 31, 2012	<u>7,323,458</u>	1,705,486
4. Bond proceeds are reported as other financing sources in governmental funds and thus contribute to the increase in fund balance. Bond, loan, and capital lease principal maturities are reported as expenditures in governmental funds thus reducing fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities while debt repayment reduces long-term liabilities thus affecting the statement of activities.		
Bond proceeds	(29,255,000)	
Bond, loan, and capital lease principal maturities	<u>9,472,027</u>	(19,782,973)
5. Interest and debt premium/discounts in the government-wide statement of activities differs from the amounts reported in governmental funds because accrued interest was calculated for long-term debt payable in addition to the amortizations of debt premiums/ discounts which are recognized respectively as expenditures and other financing sources and uses in the governmental fund statements.		
Accrued interest payable	(104,692)	
Grant applicable towards accrued interest payable	(441)	
Premium on 2012 bonds issued	(1,957,050)	
Amortization of debt premiums/discounts	<u>139,210</u>	(1,922,973)
6. Accrued compensated absences and net OPEB obligations are not payable with current financial resources and therefore are not reported in the governmental funds.		
Net compensated absences increase - December 31, 2012	(66,765)	
Net OPEB obligation increase - December 31, 2012	<u>(47,219)</u>	(113,984)
7. Internal service funds are used by management to charge the costs of certain activities, such as insurance, to individual funds. This amount represents a portion of the change in net position of the internal service fund, which are reported in with governmental activities.		
		<u>(739,551)</u>
Change in net position of governmental activities		<u>\$ 9,540,769</u>

See accompanying notes to basic financial statements.

**CITY OF LAKEVILLE, MINNESOTA**  
 STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
 DECEMBER 31, 2012

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities - Internal Service Funds</b>
	<b>Liquor</b>	<b>Utility</b>	<b>Total</b>	
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and investments	\$ 4,512,813	\$ 8,908,539	\$ 13,421,352	\$ 858,157
Interest receivable	25,604	50,009	75,613	2,617
Accounts receivable	1,002	2,552,847	2,553,849	534
Inventory	1,403,501	129,690	1,533,191	-
Prepaid expenses	21,494	13,500	34,994	-
Total current assets	<u>5,964,414</u>	<u>11,654,585</u>	<u>17,618,999</u>	<u>861,308</u>
<b>Non-current assets</b>				
Restricted cash and investments	<u>325,750</u>		<u>325,750</u>	
<b>Capital assets</b>				
Land	1,272,296	528,160	1,800,456	
Buildings and improvements	3,866,890	22,041,706	25,908,596	
Machinery and equipment	420,956	2,136,623	2,557,579	
Infrastructure	-	124,861,812	124,861,812	
Construction in process	4,700	1,623,880	1,628,580	
Accumulated depreciation	<u>(1,240,335)</u>	<u>(50,090,200)</u>	<u>(51,330,535)</u>	
Net capital assets	<u>4,324,507</u>	<u>101,101,981</u>	<u>105,426,488</u>	
Total non-current assets	<u>4,650,257</u>	<u>101,101,981</u>	<u>105,752,238</u>	
Total assets	<u>10,614,671</u>	<u>112,756,566</u>	<u>123,371,237</u>	<u>861,308</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Salaries payable	27,027	40,381	67,408	-
Accounts payable	1,140,870	369,955	1,510,825	3,944
Contracts payable	-	147,009	147,009	-
Accrued interest payable	70,729	-	70,729	-
Deposits payable	8,317	5,900	14,217	-
Accrued compensated absences	101,369	127,874	229,243	-
Bonds payable	160,000	-	160,000	-
Total current liabilities	<u>1,508,312</u>	<u>691,119</u>	<u>2,199,431</u>	<u>3,944</u>
<b>Non-current liabilities</b>				
Accrued compensated absences	24,917	73,481	98,398	
Unamortized bond premium	21,595	-	21,595	
Net OPEB obligation	11,375	20,171	31,546	
Bonds payable	<u>3,235,000</u>	<u>-</u>	<u>3,235,000</u>	
Total non-current liabilities	<u>3,292,887</u>	<u>93,652</u>	<u>3,386,539</u>	
Total liabilities	<u>4,801,199</u>	<u>784,771</u>	<u>5,585,970</u>	<u>3,944</u>
<b>NET POSITION</b>				
Net investment in capital assets	907,912	101,101,981	102,009,893	
Restricted for debt service	325,750	-	325,750	
Unrestricted	<u>4,579,810</u>	<u>10,869,814</u>	<u>15,449,624</u>	<u>857,364</u>
Total net position	<u>\$ 5,813,472</u>	<u>\$ 111,971,795</u>	<u>117,785,267</u>	<u>\$ 857,364</u>

Explanation of difference between proprietary funds statement of net position and the government-wide statement of net position:

The City uses an internal service fund to charge the cost of its insurance activities to individual funds. This amount consists of the necessary adjustment to reflect the consolidation of internal service fund activities:	208,516
Net position of business-type activities	<u>\$ 117,993,783</u>

See accompanying notes to basic financial statements.

**CITY OF LAKEVILLE, MINNESOTA**

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION - PROPRIETARY FUNDS  
 YEAR ENDED DECEMBER 31, 2012

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Liquor	Utility	Total	
<b>Sales and cost of sales</b>				
Sales	\$ 15,220,064		\$ 15,220,064	
Cost of sales	11,380,341		11,380,341	
Gross profit	<u>3,839,723</u>		<u>3,839,723</u>	
<b>Operating revenues</b>				
User charges		\$ 9,356,521	9,356,521	\$ 293,779
Other		180,785	180,785	164,456
Total operating revenues		<u>9,537,306</u>	<u>9,537,306</u>	<u>458,235</u>
Gross profit and total operating revenues	<u>3,839,723</u>	<u>9,537,306</u>	<u>13,377,029</u>	<u>458,235</u>
<b>Operating expenses</b>				
Personnel services	1,274,805	1,711,932	2,986,737	-
Commodities	57,869	387,863	445,732	-
Other charges and services	765,980	2,200,264	2,966,244	484,415
Disposal charges	-	2,950,600	2,950,600	-
Depreciation	117,168	3,116,774	3,233,942	-
Total operating expenses	<u>2,215,822</u>	<u>10,367,433</u>	<u>12,583,255</u>	<u>484,415</u>
Operating income (loss)	<u>1,623,901</u>	<u>(830,127)</u>	<u>793,774</u>	<u>(26,180)</u>
<b>Non-operating revenue (expense)</b>				
Intergovernmental - grants	3,762	98,398	102,160	21,363
Investment income	26,400	51,564	77,964	2,698
Interest, fiscal charges, bond premium (net)	(169,362)	-	(169,362)	-
Disposal of capital assets	(8,267)	4,978	(3,289)	-
Total non-operating revenue (expense)	<u>(147,467)</u>	<u>154,940</u>	<u>7,473</u>	<u>24,061</u>
Income (loss) before contributions and transfers	<u>1,476,434</u>	<u>(675,187)</u>	<u>801,247</u>	<u>(2,119)</u>
Contributed capital from governmental activities	-	29,395	29,395	-
Contributed capital from developers	-	2,903,043	2,903,043	-
Transfers from other funds	-	3,122	3,122	-
Transfers to other funds	(2,554,609)	(579,258)	(3,133,867)	(729,370)
Total contributions and transfers (net)	<u>(2,554,609)</u>	<u>2,356,302</u>	<u>(198,307)</u>	<u>(729,370)</u>
Change in net position	<u>(1,078,175)</u>	<u>1,681,115</u>	<u>602,940</u>	<u>(731,489)</u>
Net position, January 1 as previously reported	6,958,037	110,290,680		1,588,853
Change in accounting principle	(66,390)	-		-
Net position, January 1 as restated	<u>6,891,647</u>	<u>110,290,680</u>		<u>1,588,853</u>
Net position, December 31	<u>\$ 5,813,472</u>	<u>\$ 111,971,795</u>		<u>\$ 857,364</u>

Explanation of difference between proprietary funds statement of revenue, expenses, and changes in fund net position and the statement of activities:

The City uses an internal service fund to charge the cost of its insurance activities to individual funds. This amount represents the income that has been allocated back to the business-type activities in the government-wide statement of activities that is attributable to the City's business-type activities:

	8,062
Change in net position of business-type activities	<u>\$ 611,002</u>

See accompanying notes to basic financial statements.

**CITY OF LAKEVILLE, MINNESOTA**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS**  
**YEAR ENDED DECEMBER 31, 2012**

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental Activities - Internal Service Funds</b>
	<b>Liquor</b>	<b>Utility</b>	<b>Total</b>	
<b>Cash flows from operating activities</b>				
Cash received from customers	\$ 15,219,829	\$ 9,379,299	\$ 24,599,128	\$ -
Cash received from general service charges				457,701
Cash paid to suppliers	(12,142,076)	(5,451,389)	(17,593,465)	(492,006)
Cash paid to and for employees	(1,292,954)	(1,691,512)	(2,984,466)	-
Net cash flows from operating activities	<u>1,784,799</u>	<u>2,236,398</u>	<u>4,021,197</u>	<u>(34,305)</u>
<b>Cash flows from noncapital financing activities</b>				
Intergovernmental - grant	3,762	98,398	102,160	21,363
Transfers from other funds	-	3,122	3,122	-
Transfers to other funds	(2,554,609)	(579,258)	(3,133,867)	(729,370)
Net cash flows from noncapital financing activities	<u>(2,550,847)</u>	<u>(477,738)</u>	<u>(3,028,585)</u>	<u>(708,007)</u>
<b>Cash flows from capital and related financing activities</b>				
Acquisition of capital assets	(4,700)	(1,774,013)	(1,778,713)	-
Proceeds from sale of capital assets	757	4,978	5,735	-
Interest and fiscal charges	(174,020)	-	(174,020)	-
Principal maturities	(150,000)	-	(150,000)	-
Net cash flows from capital and related financing activities	<u>(327,963)</u>	<u>(1,769,035)</u>	<u>(2,096,998)</u>	<u>-</u>
<b>Cash flows from investing activities</b>				
Investment income received	<u>43,969</u>	<u>63,749</u>	<u>107,718</u>	<u>8,867</u>
Net change in cash and cash equivalents	(1,050,042)	53,374	(996,668)	(733,445)
Cash and cash equivalents, January 1	5,888,605	8,855,165	14,743,770	1,591,602
Cash and cash equivalents, December 31	<u>\$ 4,838,563</u>	<u>\$ 8,908,539</u>	<u>\$ 13,747,102</u>	<u>\$ 858,157</u>
(including restricted cash account of \$325,750)				
<b>Reconciliation of operating income (loss) to net cash flows from operating activities</b>				
Operating income (loss)	\$ 1,623,901	\$ (830,127)	\$ 793,774	\$ (26,180)
Adjustments				
Depreciation expense	117,168	3,116,774	3,233,942	-
(Increase) decrease in assets				
Accounts receivable	(235)	(158,007)	(158,242)	(534)
Inventory	(11,064)	(57,970)	(69,034)	-
Prepaid expenses	993	(7,600)	(6,607)	-
Increase (decrease) in liabilities				
Salaries payable	3,878	8,233	12,111	-
Accounts payable	72,535	4,399	76,934	(7,591)
Contracts payable		147,009	147,009	-
Deposits payable	(350)	1,500	1,150	-
Accrued compensated absences	(24,804)	6,633	(18,171)	-
Net OPEB obligation	2,777	5,554	8,331	-
Total adjustments	<u>160,898</u>	<u>3,066,525</u>	<u>3,227,423</u>	<u>(8,125)</u>
Net cash flows from operating activities	<u>\$ 1,784,799</u>	<u>\$ 2,236,398</u>	<u>\$ 4,021,197</u>	<u>\$ (34,305)</u>

**Supplemental schedule of non-cash financing activities:**

The City assumes ownership of utility capital assets from governmental projects and land developers.

Capital assets assumed were as follows:

\$ 2,932,438      \$ 2,932,438

See accompanying notes to basic financial statements.



**CITY OF LAKEVILLE, MINNESOTA**  
STATEMENT OF FIDUCIARY NET POSITION -  
AGENCY FUND  
DECEMBER 31, 2012

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	<b>Escrow Fund</b>
<b>Assets</b>	
Cash and investments	<u>\$ 5,890,114</u>
<b>Liabilities</b>	
Deposits payable	<u>\$ 5,890,114</u>

See accompanying notes to basic financial statements.

# **NOTES TO BASIC FINANCIAL STATEMENTS**

Note 1 – Summary of Significant Accounting Policies

Note 2 – Cash and Investments

Note 3 – Capital Assets

Note 4 – Operating Leases

Note 5 – Long-Term Liabilities

Note 6 – Net Investment in Capital Assets

Note 7 – Net Position (Restricted)

Note 8 – Construction Commitments

Note 9 – Fund Balances

Note 10 – Contributed Capital Assets from Private Land Developers and City Government

Note 11 – Excess of Expenditures over Appropriations

Note 12 – Interfund Transfers

Note 13 – Joint Powers Debt Commitment

Note 14 – Other Post-Employment Benefits (OPEB) Plan

Note 15 – Risk Financing and Related Insurance Issues

Note 16 – Defined Benefit Pension Plans - Statewide

Note 17 – Defined Contribution Plan – Statewide

Note 18 – Lakeville Fire Relief Association

Note 19 – Deferred Compensation Plan

Note 20 – Litigation

Note 21 – Conduit Debt

**CITY OF LAKEVILLE, MINNESOTA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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**Note 1 – Summary of Significant Accounting Policies**

The City of Lakeville operates under the “Optional Plan A” form of government, according to applicable State of Minnesota Statutes. The Statutes prescribe a Mayor-Council form of organization. The City provides the following services: public safety, highways and streets, water and sanitary sewer, public improvements, planning and zoning, culture-recreation, and general administration.

The basic financial statements of the City of Lakeville have been prepared in conformity with United States generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City’s more significant accounting policies are described below.

**A. Financial Reporting Entity of the City**

The City of Lakeville is a municipal corporation governed by an elected mayor and a four-member council. In accordance with GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units – an amendment of GASB Statement No. 14*, these financial statements represent the City of Lakeville and its sole component unit. The City includes all funds, organizations, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the basic financial statements of the City based on the nature and the significance of their operational or financial relationships with the City.

**Blended Component Unit**

The Housing and Redevelopment Authority (HRA) of Lakeville, Minnesota was created by the City to provide housing and redevelopment assistance to its citizens. The HRA provides this assistance through the administration of various programs. The HRA is governed by a five-member Board of Commissioners comprised of the City of Lakeville Council in accordance with Minnesota Statutes 469.003, Subdivision 6. Although it is legally separate from the City, the HRA is reported as if it were a part of the City (blended) because the City Council is also the HRA governing board. The Commissioners terms of office coincide with those of the City Council member. The City Administrator serves as the HRA Executive Director.

During fiscal year 2006, the HRA issued \$9,230,000 in Ice Arena Lease Revenue Bonds, Series 2006, to finance the construction of the single sheet Hasse ice arena facility. Debt service will be payable from equal lease payments to be made by the City pursuant to the lease agreement between the HRA and the City, and in conjunction with the joint powers agreement between the City and Independent School District No. 194.

These HRA bond obligations are combined and presented separately in the debt service funds as debt supported by HRA lease revenue.

The HRA has not issued separate financial statements for the period ending December 31, 2012. Information of a non-financial matter regarding the HRA can be obtained at the City’s Finance offices, located at 20195 Holyoke Avenue, Lakeville, Minnesota 55044.

**CITY OF LAKEVILLE, MINNESOTA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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**Note 1 – Summary of Significant Accounting Policies** (continued)

**B. Government-wide and Fund Financial Statements**

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements focus on the City as a whole (consolidation of the City, excluding fiduciary funds) while the fund financial statements focus on the major individual funds (reported as separate columns within the fund financial statements). Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds.

Both the government-wide and fund financial statements (within the basic financial statements) categorize primary activities as either governmental or business-type. In the governmental-wide Statement of Net Position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reflected, on a full accrual, economic resources measurement focus, which incorporates long-term assets and receivables as well as long-term debt and obligations. The City generally first uses restricted assets for expenses incurred for which both restricted and unrestricted assets are available. The City may defer the use of restricted assets based on a review of the specific transaction.

The government-wide Statement of Activities reflects both the gross cost and the net cost per function category (general government, public safety, public works, and parks and recreation) which are otherwise being supported by both program and general revenues (charges for services, grants and contributions, property taxes, etc.). The Statement of Activities reduces gross expenses (including depreciation) by the related program revenues and operating/capital grants and contributions.

The program revenues must be directly associated with the function (general government, public safety, public works, and parks and recreation) or a business-type activity. Program revenues are derived directly from the program itself or from parties outside the City's taxpayers or citizenry, as a whole. The City does not allocate indirect expenses. The operating grants and contributions column include operating-specific and discretionary grants while the capital grants and contributions column includes capital specific grants and contributions.

The governmental fund financial statements are presented using the current financial resources measurement focus and the modified accrual basis of accounting. This is the manner in which these funds are normally budgeted. Since the governmental fund statements are presented using a measurement focus and basis of accounting different from that used in the government-wide statement's governmental column, a reconciliation is presented that briefly explains the adjustments necessary to reconcile ending net position and the change in net position.

Both the City as a whole and the City's major funds, including both governmental and enterprise funds, as well as an agency fund, are presented utilizing the focus of the GASB Statement No. 34 reporting model. Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

**CITY OF LAKEVILLE, MINNESOTA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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**Note 1 – Summary of Significant Accounting Policies** (continued)

**B. Government-wide and Fund Financial Statements** (continued)

In the fund financial statements, financial transactions and accounts of the City are organized on the basis of funds. The operation of each fund is considered to be an independent fiscal and separate accounting entity, with a self-balancing set of accounts recording cash and/or other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Major governmental funds – The City reports the following major governmental funds:

- *General fund* – The general fund is the general operating fund of the City. It is used to account for all financial resources except for those required to be accounted for in another fund. This fund records revenues such as property taxes, licenses and permits, intergovernmental revenues, charges for services, fines, and investment income. Most of the current day-to-day operations of the City are financed from this fund.
- *Debt service general obligation fund* – This fund accounts for those bond issues that financed debt approved by voter referendum, equipment certificates of indebtedness, and capital improvement bonds. Revenues are provided primarily from property taxes.
- *Debt service G.O. Improvement fund* – This fund accounts for those bond issues that financed street, storm sewer, water, and sanitary sewer improvements. The special assessments levied against benefited property owners are pledged toward the repayment of the principal and interest on these bonds.
- *Capital projects building fund* – This fund accounts for the accumulation and disbursement of funds for the construction or improvement of public buildings.
- *Capital projects improvement construction fund* – This fund accounts for complex construction contracts that involve multiple financing resources from the City and other government entities. Construction projects usually extend over several years before completion.

Major proprietary funds – The City reports the following major proprietary funds:

- *Enterprise liquor fund* – This fund is used to account for the retail operations of three off-sale liquor stores.
- *Enterprise utility fund* – This fund is used to account for water, sanitary sewer service, street lighting, and environmental resources provided to City customers.

**CITY OF LAKEVILLE, MINNESOTA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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**Note 1 – Summary of Significant Accounting Policies** (continued)

**B. Government-wide and Fund Financial Statements** (continued)

Other funds – The City reports the following other funds:

- *Internal service fund Municipal Reserves* – The internal service fund accounts for the City’s risk management program relating to general liability, excess liability, property, and casualty insurance costs which are charged to other departments of the City.
- *Internal service fund Compensation Liability* – The internal service fund accounts for expenditures attributable to severance and paid time off employee benefits disbursed at the time of termination including annual paid time off cash-outs, which are charged to benefited departments of the City.
- *Agency fund* – The agency fund is used to record the receipt and remittance of monies held by the City as an agent primarily for land developers and builders that will be refunded to the respective depositors when the conditions are satisfied in accordance with the respective agreements.

**C. Measurement Focus and Basis of Accounting**

The accounting and reporting treatment applied to a fund is determined by its measurement focus. Funds are classified into three categories: Governmental, Proprietary, and Fiduciary. To provide an accurate cost measurement of individual activities in the fund financial statement consolidation process, the City’s interfund activity relating to services provided by and used between functions has been removed from these statements; exceptions are for charges between the government’s liquor and utility function and other functions of the government.

**Governmental Funds:**

- *Measurement focus:* Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Reported fund balance is considered a measure of “available spendable resources.” Governmental fund operating statements represent increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.
- *Basis of accounting:* Governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current fiscal year or soon enough thereafter to be used to pay liabilities of the current fiscal year. For this purpose the City generally considers revenues to be available if collected within 60 days of year end.

**CITY OF LAKEVILLE, MINNESOTA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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**Note 1 – Summary of Significant Accounting Policies** (continued)

**C. Measurement Focus and Basis of Accounting** (continued)

**Governmental Funds:** (continued)

- *Revenues:* Major revenues that are susceptible to accrual include property taxes, excluding delinquent taxes received over 60 days after current fiscal year-end; special assessments, intergovernmental revenue, charges for services, investment income, and donations. Major revenues that are not susceptible to accrual (i.e., license and permit revenues, and miscellaneous revenues) are recorded when received because they are not measurable until collected.
- *Expenditures:* Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for principal and interest on long-term debt, other post-employment benefits, and compensated absences which are recognized when due.

**Proprietary and Fiduciary Funds:**

- *Measurement focus:* Proprietary funds and fiduciary funds (with the exception of agency funds) are accounted for on a flow of economic resources measurement focus. This means that all assets, including capital assets, and all liabilities, including long-term liabilities, associated with fund activity are included on the Statement of Net Position. Proprietary fund types Statement of Revenues, Expenses and Changes in Net Position present increases (i.e., revenues) and decreases (i.e., expenses) in net total position.
- *Basis of accounting:* Proprietary funds and fiduciary funds (including agency funds) are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded at the time the liabilities are incurred. Unbilled utility service receivables are recorded at current fiscal year-end.
- *Operating versus non-operating items:* Proprietary funds distinguish operating revenues and expenses from non-operating 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 revenue of the City's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**CITY OF LAKEVILLE, MINNESOTA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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**Note 1 – Summary of Significant Accounting Policies** (continued)

**D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Equity**

1. Cash and investments, and interest receivable

Cash balances from all funds are combined and invested to the extent available in certificates of deposit, commercial paper, U.S. Government securities, and other securities authorized by State Statutes. Earnings from such investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

2. Investments held by trustee

Cash and investments held by trustee represent in part the fair value of deposits that are required to be held in trust for various City obligations. These established escrow accounts will remain in effect until the terms and conditions of the obligations have been fulfilled.

3. Taxes receivable

Property tax levies are set by the City Council in December each year and are certified to Dakota County for collection in the following year. Such taxes become a receivable of the City and become a lien on the respective property as of January 1. In Minnesota, most counties act as collection agents for all property taxes. Dakota County spreads the levies over all taxable property within the City of Lakeville. Real and personal property taxes are payable in equal installments by property owners to Dakota County on May 15 and October 15 of each year. Dakota County remits these and delinquent collections to the City twice a year, in January and July. Unpaid taxes on December 31 are classified in the fund financial statements as delinquent taxes receivable.

Taxes receivable include the following components:

**Unremitted** - amounts collected by Dakota County but not yet remitted to the City by December 31.

**Delinquent** - amounts billed to property owners but not paid.

4. Loan receivable

The capital projects storm sewer fund has a loan receivable of \$115,000; the loan repayment is fully supported by annual tax increment revenue generated by the Di Hed Yokes (DHY) Tax Increment Financing District 17. The loan receivable is fully offset by deferred inflow of resources, as it is not available to finance current expenditures.



**CITY OF LAKEVILLE, MINNESOTA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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**Note 1 – Summary of Significant Accounting Policies** (continued)

**D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Equity** (continued)

5. Special assessments receivable

Special assessments are levied against the benefited properties for the assessable costs of special assessment improvement projects in accordance with State Statutes. The City usually adopts the assessment rolls when the individual projects are complete or substantially complete. The City is obligated for the payment of special assessment debt not covered through the collection of special assessments from property owners. Any obligation by the City would be paid by property taxes. Special assessments are collectable over a term of years generally consistent with the term of years of the related bond issue. Collection of annual special assessment installments (including interest) is administered by Dakota 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 includes the following components:

**Unremitted** - amounts collected by Dakota County but not yet remitted to the City by December 31.

**Delinquent** - amounts billed to property owners but not paid.

**Deferred** - assessment installments that will be billed to property owners in future years.

**Other** - assessments for which payment has been delayed based on State Statutes or City Council action.

6. Inventory

The inventory in the general fund is stated at FIFO (first-in, first-out) cost and consists of expendable supplies held for consumption. Under FIFO, the cost is recognized as an expenditure at the time the inventory items are used (consumption method). The inventories of the proprietary funds are stated at the lower of FIFO cost or replacement market.

7. Prepaid items

Payments made to vendors for services that will benefit periods beyond the current year are recorded as prepaid items. Prepaid items are also accounted for using the consumption method.

8. Unamortized bond premium and bond discount

In the governmental fund financial statements, bond premiums and discounts are recognized as other financing sources and uses, respectively in the current fiscal year. Bond discounts and bond premiums for the City's government-wide financial statements are deferred and amortized over the term of the bonds using the straight-line method. Unamortized bond premiums and discounts are included within the non-current liabilities due in more than one year of the City's government-wide statement of net position.

The enterprise liquor fund includes a non-current liability for unamortized bond premium associated with the issuance of the liquor revenue bonds of 2007. The bond premium is amortized over the term of the bonds using the straight-line method.

**CITY OF LAKEVILLE, MINNESOTA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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**Note 1 – Summary of Significant Accounting Policies** (continued)

**D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Equity** (continued)

9. Restricted assets (temporarily)

The government-wide Statement of Net Position “restricted assets (temporarily)” represents cash and investments, and investments held by trustee that have imposed restrictions placed on them by parties outside the government. These restricted amounts are pledged by bond covenants to the repayment of City indebtedness. The assets are temporarily restricted until the terms and conditions of the obligations have been fulfilled.

10. Capital assets

Capital assets, which include land, historical treasures, construction in process, buildings and improvements, machinery and equipment, other improvements, and infrastructure, are reported in the applicable governmental or business-type activity columns of the government-wide Statement of Net Position. Such assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair value on the date of donation. The City defines capital assets as those with an initial, individual cost of \$5,000 or more with an estimated useful life of not less than three years. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

Capital outlays are recorded as expenditures in the City’s governmental fund financial statements, which use the modified accrual basis of accounting. Capital outlays that meet the City’s capitalization criteria are reported in the government-wide Statement of Net Position and proprietary funds Statement of Net Position, both of which use the full accrual basis of accounting. Interest incurred during the construction phase of capital assets for business-type activities is included as part of the capitalization value of assets constructed.

Depreciation on the capital assets is recorded on a government-wide basis. Land, historical treasures, and construction in process are not depreciated. Capital assets are depreciated using the straight-line method over their estimated useful lives as follows:

Buildings and improvements	50-75 years
Machinery and equipment	3-15 years
Other improvements	10-50 years
Infrastructure	20-50 years

**CITY OF LAKEVILLE, MINNESOTA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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**Note 1 – Summary of Significant Accounting Policies** (continued)

**D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Equity** (continued)

11. Deferred inflows of resources

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

12. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused leave benefits as either paid time off (PTO), or vacation and sick leave. Under the City's personnel policies and collective bargaining contracts, City employees are granted leave benefits in varying amounts based on length of services. PTO accruals vary from 18 to 30 days per year, vacation accruals vary from 10 to 20 days per year and sick leave accrues at a rate of 12 days per year.

As benefits accrue to employees, the accumulated PTO, vacation and vested sick leave is reported as an expense and liability in the government-wide and proprietary fund financial statements. Accrued PTO, vacation and a percentage of sick leave is paid to employees upon termination (severance) and is reported as an expenditure in the governmental fund that will pay for it. No liability is recorded for non-vesting accumulating rights to receive sick leave benefits.

13. Net other post-employment benefits (OPEB) obligation

In accordance with the provisions of GASB Statement No. 45, *Accounting and financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, an actuarial valuation is required to be computed and reported for the City's post-employment health insurance benefits provided to eligible employees through the City's Other Post-Employment Benefits Plan. OPEB is reported as an expense on a pay-as-you-go basis and is accrued as it is earned. The net OPEB obligation liability and corresponding expense for governmental activities is reported within the government-wide financial statements. The net OPEB obligation liability and corresponding expense for enterprise funds are recorded within those funds.

14. Long-term obligations

Long-term obligations are recorded in the City's government-wide Statement of Net Position when they become a liability of the City. Long-term obligations are recognized as a liability of a governmental fund only when due or when payment is made to the paying agent.

**CITY OF LAKEVILLE, MINNESOTA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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**Note 1 – Summary of Significant Accounting Policies** (continued)

**D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Equity** (continued)

15. Net Position Classifications

In the government-wide and proprietary fund financial statements, net position represents the difference between assets, deferred outflows of resources (if any), liabilities, and deferred inflows of resources. Net position is displayed in three components:

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

16. Fund balance classifications

In the fund financial statements, governmental fund reports 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 amounts that can be used only for the specific purposes determined by a formal action of the government’s highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.
- **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. Pursuant to City resolution, the City Administrator and the Finance Director are authorized to establish assignments of fund balance.
- **Unassigned** – The residual classification for the General Fund, which also reflects negative residual amounts in the other funds.

The City will endeavor to maintain an unrestricted (committed, assigned and unassigned) fund balance in the General fund of an amount not less than 40 and not greater than 50 percent of the next year’s budgeted expenditures of the General fund. This will assist in maintaining an adequate level of fund balance to provide for cash flow requirements and contingency needs. At December 31, 2012, the unrestricted fund balance of the General Fund was 52.9 percent of the subsequent year’s budgeted expenditures.

**CITY OF LAKEVILLE, MINNESOTA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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**Note 1 – Summary of Significant Accounting Policies** (continued)

**D. Assets, Liabilities, Deferred Inflows of Resources, and Net Position or Equity** (continued)

16. Fund balance classifications (continued)

When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, and 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.

**E. Revenue, Expenditures and Expenses**

1. In the governmental fund financial statements property tax revenue is recognized when it becomes measurable and available to finance expenditures of the current fiscal year. All delinquent taxes receivable are fully offset by deferred inflow of resources in the governmental fund financial statements. Taxes due from Dakota County on December 31 are included in revenue since they are remitted to the City within 60 days after December 31. In the government-wide Statement of Activities property tax revenue is recognized when levied.
2. In the governmental fund financial statements special assessments principal and interest are recognized as revenue when they become measurable and available to finance expenditures of the current fiscal year. All delinquent and deferred assessments receivable are fully offset by deferred inflow of resources in the fund financial statements. Both the principal and interest on special assessments are payable in installments over a term of years that matches the scheduled payments for the bond issue which financed the project. In the government-wide Statement of Activities special assessments revenue is recognized when levied.
3. Investment income is recorded as revenue in the year earned. Elements of investment income include interest earned on investments and unrealized gains or (losses) on net increases or decreases in the fair value of investments.
4. Certain grants and aids received by the City require that eligible expenditures be made in order to earn the grant. Revenue for these grants is recorded in the period of which eligible expenditures are made.
5. Enterprise utility fund service charges are recognized when earned with no allowance for uncollectibles because delinquent accounts deemed uncollectible during the normal billing process are certified to Dakota County as a property tax lien. Quarterly utility service charges provided to customers but unbilled are included as receivables as of December 31.
6. Interfund service transactions are accounted for as expenditures or expenses. Service transaction payments to a fund are recorded as an expenditure or expense in the paying fund and conversely recorded as a reduction of expenditure or expense in the fund that is receiving payment. Interfund service transactions within the respective categories of governmental activities and business-type activities in the government-wide Statement of Activities are eliminated.

**CITY OF LAKEVILLE, MINNESOTA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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**Note 1 – Summary of Significant Accounting Policies** (continued)

**F. Cash Flows**

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

**G. Prior Year Comparative Information**

Certain prior year information presented has been reclassified to conform to the current year presentation.

**H. Change in Accounting Principle**

During the year ended December 31, 2012, the City has implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No 65, *Items Previously Reported as Assets and Liabilities*. GASB Statement No. 63 created two new financial statement elements, *deferred outflows of resources* (a consumption of net position that is applicable to a future reporting period), and *deferred inflows of resources* (an acquisition of net position that is applicable to a future reporting period), which are distinct from assets and liabilities. It also defined *Net Position* as the residual of all other elements presented in a statement of net position (assets + deferred outflows of resources – liabilities – deferred inflows of resources = net position). GASB Statement No. 65 identified specific items previously reported as assets that will now be classified as either deferred outflows of resources or outflows (expenditures/expenses), and items previously reported as liabilities that will now be reported as either deferred inflows of resources or inflows (revenues). Both standards require retroactive implementation, which resulted in the restatement of net position as of December 31, 2011 due to the write-off of bond issuance costs, which had been recorded as deferred charges and amortized in the past.

**Note 2 – Cash and Investments**

**A. Components of Cash and Investments**

The City's cash surpluses are pooled and invested in accordance with State Statute and City investment policy. Investment earnings and unrealized gains and losses are allocated to funds on the basis of average cash balances. Investments are stated at fair value, which is the amount that a financial instrument could be exchanged for in a current transaction between willing parties. The investments are not identified with specific funds. Investments held by trustee include balances held in segregated accounts for specific purposes. Interest earned on these trustee accounts is allocated directly to the responsible fund. The amounts represent funds held as required by the debt obligation covenants and other agreements.

**CITY OF LAKEVILLE, MINNESOTA**  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2012

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**Note 2 – Cash and Investments** (continued)

**A. Components of Cash and Investments** (continued)

The City’s cash and investments as of December 31, 2012 consist of the following:

Cash on hand	\$	12,915
Deposits		1,513,803
Investments		80,285,519
Total cash and investments	\$	<u>81,812,237</u>

The City’s cash and investments as of December 31, 2012 are presented in the financial statements as follows:

**Statement of Net Position**

Cash and investments	\$	51,233,089
Temporarily restricted cash and investments		325,750
Temporarily restricted investments held by trustee		24,363,284

**Statement of Fiduciary Net Position**

Cash and investments		<u>5,890,114</u>
Total cash and investments	\$	<u>81,812,237</u>

**B. Deposits**

In accordance with applicable Minnesota Statutes, the City is permitted to maintain deposits at depository banks authorized by the City Council, including checking accounts, savings accounts, and non-negotiable certificates of deposits. The City’s deposit policy does not limit depository choices. 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.

At year-end, the carrying amount of the City’s deposits was \$1,513,803 while the balance on the bank records was \$1,534,641. The City does not have any custodial credit risk for its deposits since all City deposits held in safekeeping by the City’s banks are fully protected by insurance and/or collateral as required by Minnesota Statutes and authorized by the City Council.

**CITY OF LAKEVILLE, MINNESOTA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 2 – Cash and Investments** (continued)

C. Investments

The City's investments as of December 31, 2012 are as follows:

<u>Investment Type</u>	<u>Credit Risk</u>		<u>Fair Value</u>	<u>Interest Risk - Maturity Duration in Years</u>		
	<u>Rating</u>	<u>Agency</u>		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>
Money market funds						
Minnesota Municipal (4M)	N/R	N/A	\$ 1,385,630	\$ -	\$ -	\$ -
Wells Fargo Advantage	AAA	S&P	388,061	-	-	-
First American Treasury						
Obligation	AAA	S&P	695,356	-	-	-
Certificates of deposit	N/R	N/A	13,127,252	6,756,000	6,371,252	-
U.S. treasury securities	N/R	N/A	47,246	47,246	-	-
U.S. government agencies	AA+	S&P	55,378,623	17,604,341	29,838,447	7,935,835
Municipal Bonds	AAA	S&P	559,956	-	559,956	-
Municipal Bonds	Aa1	Moody's	535,780	-	535,780	-
Municipal Bonds	AA	S&P	1,919,204	1,513,216	125,695	280,293
Municipal Bonds	Aa2	Moody's	546,269	-	546,269	-
Municipal Bonds	AA-	S&P	250,822	-	250,822	-
Municipal Bonds	Aa3	Moody's	1,257,085	914,001	343,084	-
Municipal Bonds	A+	S&P	500,150	500,150	-	-
Municipal Bonds	A	S&P	1,584,650	1,000,000	584,650	-
Municipal Bonds	A-	S&P	2,109,435	303,918	1,805,517	-
			<u>\$ 80,285,519</u>	<u>\$ 28,638,872</u>	<u>\$ 40,961,472</u>	<u>\$ 8,216,128</u>

N/R - Not rated

N/A - Not applicable

The 4M Fund is regulated by Minnesota Statutes and the Board of Directors of the League of Minnesota Cities and is an external investment pool not registered with the Securities and Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. The City's investment in the 4M 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. The City's investment policy does not place any further limitations beyond the state statute requirements for the risk categories described below. 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 does not have any custodial credit risk for its investments since all of the City's investments held in safekeeping by the City's brokerage firm in the City's name are insured and registered.



**CITY OF LAKEVILLE, MINNESOTA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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**Note 2 – Cash and Investments** (continued)

C. Investments (continued)

**Credit Risk** – This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State Statutes authorize investments in money market funds, certificates of deposit, commercial paper, U.S. treasury securities, U.S. government agencies, and other securities provided they meet the two highest quality ratings of nationally recognized rating organizations.

**Concentration Risk** – This is the risk associated with investing a significant portion of the City’s investments (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.

As of December 31, 2012, the City’s investment portfolio includes the following securities of single issuers exceeding 5 percent:

Federal National Mortgage Association	35.5%
Federal Home Loan Bank	24.0%
Federal Home Loan Mortgage Corporation	6.7%

**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).

D. Investment Policy

The City’s investment policy limits exposure to interest rate risk by investing in shorter term securities (maturing in one year or less) to meet current operating cash requirements. Longer term investments are to be purchased with the intent to match maturity periods with future funding needs for capital replacement and debt obligations. The City will not purchase investments that, at the time of investment, cannot be held to maturity. This does not mean that an investment cannot be sold prior to maturity.

Investment activity will focus upon protection of taxpayer dollars and investment income, consistent with statutory authorization and financial prudence. The City will conduct its investment transactions with several legal competing, reputable investment security dealers and qualifying banks. The City will invest only in the following instruments or those others that may subsequently be permitted by State Statute.

- United States Treasury obligations
- Federal Agency Securities
- Certificates of Deposit
- Commercial Paper
- Banker’s Acceptance
- Money Market Funds
- State and local securities

**CITY OF LAKEVILLE, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**Note 3 – Capital Assets**

A summary of changes in governmental capital assets during the year ended December 31, 2012 are as follows:

<b>Governmental Activities</b>	<b>Balance January 1</b>	<b>Additions</b>	<b>Deletions</b>	<b>Transfers</b>	<b>Balance December 31</b>
<b>Depreciable</b>					
Buildings and improvements	\$ 53,401,653	\$ 1,315,247	\$ (407,228)	\$ -	\$ 54,309,672
Machinery and equipment	17,366,389	1,496,681	(542,672)	29,131	18,349,529
Other improvements	4,729,462	392,340	(194,637)	-	4,927,165
<b>Infrastructure</b>					
Streets	118,714,936	2,744,484	(617,356)	-	120,842,064
Storm sewer	51,264,484	1,992,966	-	-	53,257,450
Parks	18,496,261	612,632	(195,411)	-	18,913,482
Total depreciable at cost	<u>263,973,185</u>	<u>8,554,350</u>	<u>(1,957,304)</u>	<u>29,131</u>	<u>270,599,362</u>
<b>Less accumulated depreciation</b>					
Buildings and improvements	(9,529,349)	(1,115,841)	218,945	-	(10,426,245)
Machinery and equipment	(10,924,669)	(1,356,319)	533,652	(29,131)	(11,776,467)
Other improvements	(1,898,418)	(242,815)	180,850	-	(1,960,383)
<b>Infrastructure</b>					
Streets	(61,873,627)	(4,270,922)	477,833	-	(65,666,716)
Storm sewer	(12,975,479)	(1,050,502)	-	-	(14,025,981)
Parks	(10,268,263)	(754,320)	195,411	-	(10,827,172)
Total accumulated depreciation	<u>(107,469,805)</u>	<u>(8,790,719)</u>	<u>1,606,691</u>	<u>(29,131)</u>	<u>(114,682,964)</u>
Total depreciable, net	<u>\$ 156,503,380</u>	<u>\$ (236,369)</u>	<u>\$ (350,613)</u>	<u>\$ -</u>	<u>\$ 155,916,398</u>
<b>Non-depreciable</b>					
Land	\$ 21,755,670	\$ 457,873	\$ -	\$ -	\$ 22,213,543
Historical treasures	100,000	-	-	-	100,000
Construction in process	2,813,517	6,642,906	(2,656,146)	-	6,800,277
Total non-depreciable	24,669,187	7,100,779	(2,656,146)	-	29,113,820
Depreciable, net	<u>156,503,380</u>	<u>(236,369)</u>	<u>(350,613)</u>	<u>-</u>	<u>155,916,398</u>
Total capital assets, net	<u>\$ 181,172,567</u>	<u>\$ 6,864,410</u>	<u>\$ (3,006,759)</u>	<u>\$ -</u>	<u>\$ 185,030,218</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 221,464
Public safety	968,762
Public works	5,982,077
Parks and recreation	1,618,416
Total depreciation expense	<u>\$ 8,790,719</u>

**CITY OF LAKEVILLE, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**Note 3 – Capital Assets** (continued)

A summary of changes in business-type capital assets during the year ended December 31, 2012 are as follows:

<b><u>Business-type Activities</u></b>	<b><u>Balance</u></b> <b><u>January 1</u></b>	<b><u>Additions</u></b>	<b><u>Deletions</u></b>	<b><u>Transfers</u></b>	<b><u>Balance</u></b> <b><u>December 31</u></b>
Depreciable					
Buildings and improvements	\$ 25,925,500	\$ -	\$ (16,904)	\$ -	\$ 25,908,596
Machinery and equipment	2,590,725	58,173	(62,188)	(29,131)	2,557,579
Infrastructure					
Water	68,942,195	1,747,974	-	-	70,690,169
Sanitary sewer	<u>52,895,219</u>	<u>1,276,424</u>	<u>-</u>	<u>-</u>	<u>54,171,643</u>
Total depreciable at cost	<u>150,353,639</u>	<u>3,082,571</u>	<u>(79,092)</u>	<u>(29,131)</u>	<u>153,327,987</u>
Less accumulated depreciation					
Buildings and improvements	(6,350,039)	(546,340)	7,880	-	(6,888,499)
Machinery and equipment	(1,356,889)	(175,114)	62,188	29,131	(1,440,684)
Infrastructure					
Water	(22,382,788)	(1,448,244)	-	-	(23,831,032)
Sanitary sewer	<u>(18,106,076)</u>	<u>(1,064,244)</u>	<u>-</u>	<u>-</u>	<u>(19,170,320)</u>
Total accumulated depreciation	<u>(48,195,792)</u>	<u>(3,233,942)</u>	<u>70,068</u>	<u>29,131</u>	<u>(51,330,535)</u>
Total depreciable, net	<u>\$ 102,157,847</u>	<u>\$ (151,371)</u>	<u>\$ (9,024)</u>	<u>\$ -</u>	<u>\$ 101,997,452</u>
Non-depreciable					
Land	\$ 1,800,456	\$ -	\$ -	\$ -	\$ 1,800,456
Construction in process	<u>-</u>	<u>1,628,580</u>	<u>-</u>	<u>-</u>	<u>1,628,580</u>
Total non-depreciable	1,800,456	1,628,580	-	-	3,429,036
Depreciable, net	<u>102,157,847</u>	<u>(151,371)</u>	<u>(9,024)</u>	<u>-</u>	<u>101,997,452</u>
Total capital assets, net	<u>\$ 103,958,303</u>	<u>\$ 1,477,209</u>	<u>\$ (9,024)</u>	<u>\$ -</u>	<u>\$ 105,426,488</u>

Depreciation expense was charged to enterprise funds as follows:

Liquor fund	\$ 117,168
Utility fund	<u>3,116,774</u>
Total depreciation expense	<u>\$ 3,233,942</u>

**CITY OF LAKEVILLE, MINNESOTA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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**Note 4 – Operating Leases**

Operating Lease (Ames Arena):

On December 1, 2006, the City (as lessor) entered into a joint powers agreement with the Lakeville Arenas (a Minnesota Joint Powers entity, as lessee), whereas the Lakeville Arenas is responsible for operations and maintenance of the Ames Arena. Lakeville Arenas shall pay all debt service requirements due on the Gross Revenue Recreation Facility Bonds of 1999 less payments received by Lakeville Hockey Association, Inc. (Boosters) towards debt service payments in accordance with the revised and restated gaming revenue agreement dated February 16, 1999. The agreement will remain in effect until August 1, 2019. The cost of the leased space is included in the total Ames ice arena cost of \$4,143,826, of which \$1,308,854 has been depreciated to date. These amounts are recorded in the City's capital assets. The 2012 lease revenue totaled \$88,626.

Operating Sublease (Hasse Arena):

On December 1, 2006, the City (as sublessor) entered into a joint powers agreement with the Lakeville Arenas (a Minnesota Joint Powers entity, as sublessee), whereas the Lakeville Arenas is responsible for operations and maintenance of the Hasse Arena. In addition, the joint powers agreement calls for Independent School District No. 194 to provide for one-half of all future ice arena lease payments to the City. Lease agreement payments coinciding with the bonded debt service schedule commencing February 1, 2007 will remain in effect until February 1, 2032. The 2012 lease revenue totaled \$281,033.

Operating Lease (Heritage Liquor Store):

The Heritage Liquor Store (located in Heritage Shopping Center) consists of 8,859 square feet of space at a monthly lease cost of \$14,600 plus a proportionate share of real estate taxes, property insurance, special assessments, common area maintenance, and management fees. The fiscal year 2012 lease expense totaled \$175,200. The lease has a term of fifteen years expiring on June 30, 2014. The City owns the land and buildings of its remaining two liquor stores.

**Note 5 – Long-Term Liabilities**

General Obligation Bonds

The City's general obligation bonds are supported primarily from revenues derived from property tax levies, special assessment levies, tax increment levies, state-aid street revenue, water connection revenue charges, ice arena operations, and contributions by an organization conducting lawful gaming at approved locations. These bonds are backed by the full-faith and credit of the City.

**CITY OF LAKEVILLE, MINNESOTA**  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2012

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**Note 5 – Long-Term Liabilities (continued)**

Revenue Bonds

The following revenue bonds are not general obligations of the City and accordingly are not backed by the full-faith and credit of the City.

Governmental Activities

The Gross Revenue Recreation Facility Bonds, Series 1999, are supported primarily from revenues derived from ice arena operations and contributions from gaming revenues. The HRA Ice Arena Lease Revenue Bonds, Series 2006, will be payable from equal lease payments to be made by the City pursuant to the lease agreement between the HRA of Lakeville, the City, and in conjunction with the joint powers agreement between the City and Independent School District No. 194. The City's portion of the lease payments are supported by property tax levies. The Water Revenue Refunding Bonds, Series 2004, are payable solely from water connection revenues.

The lease, consisting of land, building and equipment of the Hasse Arena located at 8525 215<sup>th</sup> Street West, requires the City to provide lease payments sufficient to pay when due, the principal and interest on the HRA Ice Arena Lease Revenue Bonds, Series 2006 (\$9,230,000 original amount issued), of which the City paid \$580,175 in 2012. Title to the arena will transfer to the City upon completing the prescribed lease payments coinciding with the bonded debt service schedule commencing February 1, 2007 and maturing February 1, 2032. The cost of the leased space is included in the total Hasse ice arena cost of \$7,505,840, of which \$687,087 has been depreciated to date. These amounts are recorded in the HRA's capital assets.

Business-type Activities

The Liquor Revenue Bonds, Series 2007, are payable solely from enterprise liquor fund revenues.

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

Bond Issue	Use of Proceeds	Revenue Pledged		Current Year		
		Type	Term of Pledge	Remaining Principal and Interest	Principal and Interest Paid	Pledged Revenue Received
Recreation Facility	Ice arena	Arena Revenues	2013-2019	\$ 1,405,603	\$ 185,535	\$ 183,626
Ice Arena Lease Revenue	Additional ice arena	Lease Revenues	2013-2032	13,142,206	580,175	281,033
Liquor Revenue	Additional Liquor Store	Liquor Sales Revenue	2013-2027	4,820,625	323,500	3,839,723
Water Connection Revenue	Water system infrastructure	Water Connections	2013-2016	4,069,400	1,037,800	5,304,238

**CITY OF LAKEVILLE, MINNESOTA**  
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**Note 5 – Long-Term Liabilities (continued)**

Metropolitan Council Loan Agreement 2006

On February 21, 2006, the City entered into a loan agreement with the Metropolitan Council for the purpose of acquiring property for a commuter vehicle park and pool lot located within a proposed state trunk highway right-of-way. The Metropolitan Council provided a loan to the City in the amount of \$1,466,300 to finance the acquisition of the property. In 2012, the City made no payments on this loan. As of December 31, 2012 the balance of the loan is \$1,159,843. The loan (free of interest charge) will be discharged by the Metropolitan Council upon the conveyance of the property to the highway authority at an undetermined future date.

General Obligation Refunding Bonds, Series 2011 B

On December 1, 2011, the City issued \$1,880,000 in General Obligation Refunding Bonds, Series 2011 B, in a refunding transaction. The new bonds were issued to call the remaining principal amounts of the State-Aid Street Bonds, Series 2001 C (\$640,000 for years maturing 2016 – 2021) and Park Refunding Bonds, Series 2003 B (\$1,190,000 for years maturing 2013 –2015) on February 1, 2012. The new bonds will mature on April 1, 2021 (without a provisional call) and bear interest rates ranging from 0.5% to 2.15%. As with the 2001 C and 2003 B refunded bonds, debt service for the 2011 B bonds will be payable primarily from property taxes. The refunding transaction yielded a net savings to the City of \$129,954 with a present value economic gain of \$132,805.

General Obligation Improvement Bonds, Series 2012 A

On August 15, 2012, the City issued \$6,805,000 in General Obligation Improvement Bonds, Series 2012 A to finance various improvement projects in the City. The bonds mature February 1, 2033, with a provisional call date of February 1, 2022, bearing interest rates ranging from 2.0% to 3.1%. Debt service will be payable from property taxes and special assessments levied to benefiting properties.

General Obligation Refunding Bonds, Series 2012 B

On August 15, 2012, the City issued \$22,450,000 in General Obligation Refunding Bonds, Series 2012 B. The proceeds of this issue will be used to retire, in advance of their stated maturities, the 2015 through 2026 maturities of the Street Reconstruction Bonds, Series 2003 A (refunded principal of \$10,035,000) on their February 1, 2014 call date; and the 2016 through 2030 maturities of the Capital Improvement Plan Bonds, Series 2004 A (refunded principal \$12,460,000) on their February 1, 2015 call date.

The proceeds of the new bonds were placed in an escrow account (established by the City) whereby Open Market Securities were purchased by the trustee in adequate amounts sufficient to be responsible for the payment of the total called principal amount (\$22,495,000) in addition to the series 2012 B accrued interest payments of \$673,066 due August 1, 2013, \$350,150 due February 1, 2014, \$199,425 due August 1, 2014, and \$199,425 due on the crossover refunding date of February 1, 2015. The refunding transaction yielded a net savings to the City of \$2,768,474 with a present value economic gain of \$2,235,119.

**CITY OF LAKEVILLE, MINNESOTA**  
 NOTES TO BASIC FINANCIAL STATEMENTS  
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**Note 5 – Long-Term Liabilities (continued)**

The total long-term bonded debt outstanding as of December 31, 2012 (including amounts to be called 2/1/2014 of \$10,035,000 and 2/1/2015 of \$12,460,000) is summarized as follows:

	<u>Maturities</u>	<u>Interest Rates</u>	<u>Amount</u>
<b><u>Governmental Activity Bonds</u></b>			
General obligation bonds			
Park bonds	2015	0.50%-0.75%	\$ 1,215,000
Capital improvement bonds	2030, 2032	2.0%-5.0%	39,730,000
Street construction bonds	2014-2030	2.00%-5.95%	30,715,000
G.O. Improvement bonds	2016-2033	0.50%-4.125%	13,185,000
Tax increment bonds	2014-2022	2.00%-5.10%	2,755,000
State-aid street revenue bonds	2018-2021	0.5% - 4.0%	5,280,000
Water connection revenue bonds	2016	4.00%	3,760,000
Arena revenue bonds	2015-2019	3.0%-5.4%	<u>1,175,000</u>
Total general obligation bonds			97,815,000
HRA lease revenue bonds	2032	4.25%-4.625%	<u>8,535,000</u>
Total governmental activity bonds			106,350,000
<b><u>Business-type Bonds</u></b>			
Liquor revenue bonds	2027	5.00%	<u>3,395,000</u>
Total long-term bonded debt outstanding			<u>\$109,745,000</u>

The City is in compliance with all significant bond covenants. The annual requirements to amortize all outstanding bonded debt as of December 31, including interest payments of \$31,045,275 are as follows:

<b><u>Year Ending</u></b> <b><u>December 31,</u></b>	<b><u>Governmental</u></b>		<b><u>Business-type</u></b>		<b><u>Total</u></b>
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	
2013	\$ 5,825,000	\$ 3,948,607	\$ 160,000	\$ 165,750	\$ 10,099,357
2014	16,030,000	3,584,730	165,000	157,625	19,937,355
2015	18,535,000	2,903,771	175,000	149,125	21,762,896
2016	5,915,000	2,431,769	180,000	140,250	8,667,019
2017	4,895,000	2,259,248	190,000	131,000	7,475,248
2018-2022	22,810,000	8,620,193	1,110,000	498,250	33,038,443
2023-2027	18,930,000	4,605,783	1,415,000	183,625	25,134,408
2028-2032	13,285,000	1,263,611	-	-	14,548,611
2033	<u>125,000</u>	<u>1,938</u>	<u>-</u>	<u>-</u>	<u>126,938</u>
Total	<u>\$ 106,350,000</u>	<u>\$ 29,619,650</u>	<u>\$ 3,395,000</u>	<u>\$ 1,425,625</u>	<u>\$140,790,275</u>

**CITY OF LAKEVILLE, MINNESOTA**  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2012

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**Note 5 – Long-Term Liabilities** (continued)

Equipment Capital Lease (ice arena dehumidification equipment):

During fiscal year 2005, the City entered into a capital lease purchase agreement (as lessee) to finance the acquisition of dehumidification equipment at the Lakeville Ames Arena. The carrying value of the dehumidification system within machinery and equipment of governmental capital assets is \$130,500. Title to the equipment will transfer to the City at the time the lease expires on February 1, 2021. On August 1, 2012 the City paid off the lease in the amount of \$97,027 to reduce immediate and future interest costs.

Accrued Compensated Absences

Governmental Activities

The governmental funds accumulated liability for accrued PTO, vacation and vested sick pay (including applicable salary-related payments) as of December 31, 2012 is \$2,281,421. This amount is included in the non-current liabilities of the government-wide Statement of Net Position.

In the event of employee separation from City, the general fund and the responsible special revenue fund will pay the accumulated vacation portion, while the internal service compensation liability fund paid the PTO and vested sick pay portion. In future years the general fund and the responsible special revenue fund will pay the PTO and vested sick pay portion.

Business-type Activities

The accumulated liability for accrued PTO, vacation and vested sick pay for proprietary enterprise funds (including applicable salary-related payments) as of December 31, 2012 is \$327,641. In the event of employee separation from City, the responsible enterprise fund will pay the accumulated severance portion. These amounts are recorded as a liability and as an expense when earned in the responsible funds.

Unamortized Bond Premium and Discount

Unamortized bond premium and bond discount included within non-current liabilities are as follows:

	<u>Governmental</u>	<u>Business-type</u>
Unamortized bond premium	\$ 2,711,537	\$ 21,595
Unamortized bond discount	<u>(8,911)</u>	<u>-</u>
Total unamortized (net)	<u>\$ 2,702,626</u>	<u>\$ 21,595</u>

Net Other Post-Employment Benefit (OPEB) Obligation

Other post-employment benefit obligations in prior years have been liquidated primarily by the general fund for governmental activities and by the liquor fund and utility fund for business-type activities.



**CITY OF LAKEVILLE, MINNESOTA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012

**Note 5 – Long-Term Liabilities** (continued)

During the year ended December 31, 2012 the following changes occurred in non-current liabilities:

	<b>Balance January 1</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance December 31</b>	<b>Due Within One Year</b>
<b><u>Governmental Activities</u></b>					
General obligation bonds	\$ 52,985,000	\$ 22,450,000	\$ (3,775,000)	\$ 71,660,000	\$ 2,250,000
Other bonds	33,485,000	6,805,000	(5,600,000)	34,690,000	3,575,000
Total bonds	86,470,000	29,255,000	(9,375,000)	106,350,000	5,825,000
Capital lease	97,027	-	(97,027)	-	-
Metropolitan Council loan	1,159,843	-	-	1,159,843	-
Total long-term debt	87,726,870	29,255,000	(9,472,027)	107,509,843	5,825,000
Accrued compensated absences	2,214,656	1,164,662	(1,097,897)	2,281,421	1,097,897
Unamortized bond premium/discount	884,786	1,957,050	(139,210)	2,702,626	-
Net OPEB obligation	135,909	61,323	(14,104)	183,128	-
Total governmental activities	<u>90,962,221</u>	<u>32,438,035</u>	<u>(10,723,238)</u>	<u>112,677,018</u>	<u>6,922,897</u>
<b><u>Business-type Activities</u></b>					
Liquor revenue bonds	3,545,000	-	(150,000)	3,395,000	160,000
Accrued compensated absences	345,812	211,072	(229,243)	327,641	229,243
Unamortized bond premium	23,128	-	(1,533)	21,595	-
Net OPEB obligation	23,215	10,821	(2,490)	31,546	-
Total business-type activities	<u>3,937,155</u>	<u>221,893</u>	<u>(383,266)</u>	<u>3,775,782</u>	<u>389,243</u>
Total governmental and business-type activities	<u>\$ 94,899,376</u>	<u>\$ 32,659,928</u>	<u>\$(11,106,504)</u>	<u>\$ 116,452,800</u>	<u>\$ 7,312,140</u>

**Note 6 – Net Investment in Capital Assets**

Net investment in capital assets as of December 31, 2012 is calculated as follows:

	<b>Governmental</b>	<b>Business-type</b>	<b>Total</b>
Capital assets, net of depreciation	\$ 185,030,218	\$ 105,426,488	\$ 290,456,706
Less applicable:			
Bonds payable	(58,605,000)	(3,395,000)	(62,000,000)
Loan payable	(1,159,843)	-	(1,159,843)
Unamortized bond premium/ discount (net)	(1,138,304)	(21,595)	(1,159,899)
Unspent bond proceeds	923,987	-	923,987
Invested in capital assets, net	<u>\$ 125,051,058</u>	<u>\$ 102,009,893</u>	<u>\$ 227,060,951</u>

The City has \$47,745,000 in bonds and \$1,564,322 in bond premium/discount (net) that are unrelated in the calculation above.

**CITY OF LAKEVILLE, MINNESOTA**  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2012

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**Note 7 – Net Position (Restricted)**

The government-wide Statement of Net Position reports restricted amounts in the net position section. These amounts represent assets (less any related liabilities) that have imposed restrictions placed on them by parties outside the City government. Net position restricted for debt service represents assets pledged by bond covenant to the repayment of City bond obligations. The government-wide restricted net position is as follows:

<b><u>Restricted Net Position</u></b>	<b><u>Governmental Activities</u></b>	<b><u>Business-type Activities</u></b>	<b><u>Total</u></b>
Cash and investments	\$ 13,679,167	\$ -	\$ 13,679,167
Temporarily restricted			
Cash and investments	-	325,750	325,750
Investments held by trustee	24,363,284	-	24,363,284
Receivables	6,188,716	-	6,188,716
Less related liabilities	<u>(26,828,000)</u>	<u>-</u>	<u>(26,828,000)</u>
Total restricted net position	<u>\$ 17,403,167</u>	<u>\$ 325,750</u>	<u>\$ 17,728,917</u>

**Note 8 – Construction Commitments**

The City has outstanding construction and build projects as of December 31, 2012. These projects include a fuel system upgrade and other sanitary sewer projects. The City's commitments with contractors and other governmental entities are shown as follows:

<b><u>Projects</u></b>	<b><u>Spent-to-Date</u></b>	<b><u>Remaining Commitment</u></b>
<b><u>Governmental Activities</u></b>		
Fuel System Upgrade	\$ 57,706	\$ 12,648
City of Lakeville/City of Apple Valley sanitary sewer interceptor	<u>53,591</u>	<u>55,614</u>
Total governmental	<u>\$ 111,297</u>	<u>\$ 68,262</u>

**CITY OF LAKEVILLE, MINNESOTA**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**DECEMBER 31, 2012**

**Note 9 – Fund Balances**

At December 31, 2012, a summary of the governmental fund balance classification are as follows:

	General Fund	Debt Service		Capital Projects		Nonmajor	Total
		General Obligation	G.O. Improvement	Building	Improvement Construction		
Nonspendable							
Inventory	\$ 243,870	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 243,870
Prepaid items	12,606	–	–	–	–	–	12,606
Total nonspendable	256,476	–	–	–	–	–	256,476
Restricted							
Debt Service	–	28,011,714	2,280,604	–	–	2,495,050	32,787,368
Public improvements	–	–	–	–	923,987	–	923,987
Street construction	–	–	–	–	–	3,396,712	3,396,712
Park development	–	–	–	–	–	1,397,039	1,397,039
Tax increment	–	–	–	–	–	56,128	56,128
Special Service District	–	–	–	–	–	25,803	25,803
Total restricted	–	28,011,714	2,280,604	–	923,987	7,370,732	38,587,037
Committed							
Public improvements	–	–	–	–	582,453	–	582,453
Public buildings	–	–	–	329,026	–	–	329,026
Pavement management	–	–	–	–	–	1,126,938	1,126,938
Storm sewer trunk system	–	–	–	–	–	676,510	676,510
Water trunk system	–	–	–	–	–	1,537,508	1,537,508
Sanitary sewer trunk system	–	–	–	–	–	3,306,837	3,306,837
Trail improvement	–	–	–	–	–	1,007,973	1,007,973
Capital acquisitions	–	–	–	–	–	2,444,869	2,444,869
Public communications	–	–	–	–	–	782,910	782,910
Economic development	–	–	–	–	–	66,776	66,776
Total committed	–	–	–	329,026	582,453	10,950,321	11,861,800
Assigned							
Subsequent year budget	620,725	–	–	–	–	–	620,725
Unassigned	10,614,574	–	–	–	(233,910)	–	10,380,664
Total	\$ 11,491,775	\$ 28,011,714	\$ 2,280,604	\$ 329,026	\$ 1,854,983	\$ 18,321,053	\$ 61,706,702

**CITY OF LAKEVILLE, MINNESOTA**  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2012

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**Note 10 – Contributed Capital Assets from Private Land Developers and City Government**

The ownership of local streets, storm sewer, parks, water and sanitary sewer infrastructure capital assets that are constructed and completed during the year by private land developers becomes contributed property of the City. Storm sewer, water and sanitary sewer infrastructure assets constructed within Dakota County and State of Minnesota right-of-way boundaries also become City capital assets since they are serviced and maintained by the City. Roads and highways constructed within Dakota County and State of Minnesota right-of-way boundaries are excluded from City capital assets. The City assumed ownership of the following governmental and business-type capital assets contributed through private land developers during the current fiscal year as follows:

<u>From Private Land Developers</u>	<u>Governmental</u>	<u>Enterprise Utility Fund</u>
Infrastructure		
Streets	\$ 1,237,986	\$ -
Storm sewer	1,346,581	-
Parks	261,153	-
Water	-	1,626,619
Sanitary sewer	-	1,276,424
Total	<u>\$ 2,845,720</u>	<u>\$ 2,903,043</u>

The ownership of water and sanitary sewer infrastructure assets that are constructed and completed during the year by City governmental activities (through various funding sources at cost) becomes contributed property of the City’s enterprise utility fund. The City’s enterprise utility fund assumed ownership of the following capital assets contributed during the current fiscal year as follows:

<u>From governmental activities</u>	<u>Enterprise Utility Fund</u>
Infrastructure	
Water	<u>\$ 29,395</u>

**Note 11 – Excess of Expenditures over Appropriations**

For the year ended December 31, 2012, total expenditures (the legal level of budgetary control) in the special revenue economic development fund exceeded appropriations. The expenditures exceeding budget of (\$93,014) were funded by greater than anticipated revenues.

**CITY OF LAKEVILLE, MINNESOTA**  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2012

**Note 12 – Interfund Transfers**

The City provides financing for a variety of operations and capital projects utilizing resources from certain funds, interfund transfers used for these various activities during the current fiscal year are as follows:

<u>Transfers From</u>	<u>Transfers To:</u>							<u>Total</u>
	<u>General Fund</u>	<u>Debt Service</u>		<u>Capital Project</u>		<u>Nonmajor Govntl. Funds</u>	<u>Enterprise Utility</u>	
		<u>G.O.</u>	<u>Improve.</u>	<u>Bldg.</u>	<u>Improv. Const.</u>			
General fund	\$ -	\$ -	\$ -	\$ -	\$ 542,000	\$ 369,694	\$ -	\$ 911,694
Improve Const. Fund	-	-	133,871	-	-	-	-	133,871
Nonmajor govntl. funds	58,171	-	488,903	-	-	1,246,693	-	1,793,767
Total	58,171	-	622,774	-	542,000	1,616,387	-	2,839,332
Enterprise - Liquor	152,434	100,000	-	300,452	-	1,998,601	3,122	2,554,609
Enterprise - Utility	409,258	-	-	-	-	170,000	-	579,258
Internal service funds	45,768	-	-	-	-	683,602	-	729,370
Total	<u>\$ 665,631</u>	<u>\$ 100,000</u>	<u>\$ 622,774</u>	<u>\$ 300,452</u>	<u>\$ 542,000</u>	<u>\$ 4,468,590</u>	<u>\$ 3,122</u>	6,702,569
	(1)	(2)	(3)	(4)	(5)	(6)(7)(8)	(9)	
Less: Utility fund							(9)	(3,122)
Total governmental funds								<u>\$ 6,699,447</u>

The following are explanations to interfund transfers sub-notes 1 through 9.

Abbreviation key:

(SR) special revenue fund, (DS) debt service fund, (CP) capital projects fund,  
 (E) enterprise fund, (IS) internal service fund.

- (1) The transfers to general fund were provided mainly as overhead and maintenance costs from the following funds:

<u>Fund</u>	<u>Amount</u>	<u>Description</u>
Communications (SR)	\$ 58,171	Public communications and city hall overhead costs.
Liquor (E)	152,434	Patrol, chemical awareness, and city hall overhead costs.
Utility (E)	409,258	City hall overhead costs.
Municipal reserves (IS)	45,768	City hall overhead costs.
Total	<u>\$ 665,631</u>	

- (2) The total transfer to debt service general obligation fund was provided by the liquor fund (\$100,000) to be applied towards the debt service of the new station completed in 2008.
- (3) The total transfer to debt service G.O. improvement fund was provided by the improvement construction fund (\$133,871) to reduce the future special assessment fee requirements and provide adequate cash flow and by various capital projects funds (\$488,903) related to City improvement projects whereby user connection service charges are pledged towards the improvement bonds debt service requirements.

**CITY OF LAKEVILLE, MINNESOTA**  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2012

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**Note 12 – Interfund Transfers** (continued)

- (4) The total transfer to capital projects building fund was provided by the enterprise liquor fund (\$300,452) to provide interim financing for the major remodel of the Heritage Center.
- (5) The total transfer to capital projects improvement construction fund was provided by the general fund (\$542,000) to finance various future road construction projects.
- (6) The total transfer to nonmajor governmental funds (\$1,616,387) was provided from the following governmental funds:

<u>From:</u>	<u>Amount</u>	<u>To:</u>
General Fund	\$ 369,694	Equipment (CP) for equipment acquisition
Communications (SR)	148,416	Equipment (CP) for equipment acquisition
Tax increment (DS)	59,900	Storm sewer (CP) for DHY TIF district loan.
Water (CP)	<u>1,038,377</u>	Water revenue (DS) for debt service requirements.
Total other govntl.	<u>1,616,387</u>	

- (7) The total transfer to nonmajor governmental funds was provided by the enterprise liquor fund (\$1,399,467) to provide funding for debt service requirements within the HRA revenue fund and (\$599,134) to fund various equipment purchases, and by enterprise utility fund (\$170,000) to provide funding for debt service requirements within the water capital projects fund.
- (8) The total transfer to nonmajor governmental funds was provided by the internal service fund (\$683,602) to close out the compensation liability internal service fund.
- (9) The total transfer to enterprise utility fund was provided by the enterprise liquor fund (\$3,122) for customer service billing overhead costs.

Included within the transfers to governmental activities from business-type activities of \$3,101,350 on the Statement of Activities is the City’s contributed capital from governmental activities to enterprise utility fund capital assets of (\$29,395).

**Note 13 – Joint Powers Debt Commitment**

On August 25, 2005 the City of Lakeville entered into a joint powers agreement with the Cities of Apple Valley, Burnsville, Eagan, Farmington, Hastings, Inver Grove Heights, Mendota Heights, Rosemount, South St. Paul, West St. Paul, Minnesota, and Dakota County Minnesota, to establish the Dakota Communications Center (DCC), a Minnesota nonprofit corporation. The purpose of the DCC is to engage in the operation and maintenance of a countywide public safety answering point and communications center for law enforcement, fire, emergency medical services, and other public safety services for the mutual benefit of residents residing in the above mentioned cities and county, (members). Pursuant to the joint powers agreement, members are required to provide DCC their pro rata share of cost of operations and maintenance, and capital projects.

**CITY OF LAKEVILLE, MINNESOTA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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**Note 13 – Joint Powers Debt Commitment (continued)**

On May 1, 2007, the DCC issued Public Safety Revenue Bonds, Series 2007 in the amount of \$7,315,000 to provide financing for the acquisition of equipment and reimbursement for conversion costs. The bonds are special obligations of the DCC, payable from revenues to be received from members. Pursuant to the joint powers agreement, members will levy taxes for the payment of their pro rata share of the principal and interest payments due on the bonds. The bonds maturing February 1, 2014, bear interest rates ranging from 4.5% - 5.0%. The debt will be re-paid with member assessments over a seven year amortization. All members reserve the right to prepay, in whole or in part on any date, its allocated share of principal and interest on the bonds.

Payments from the City of Lakeville are provided from general fund appropriations. The City of Lakeville’s future member payments to DCC as of December 31, 2012 are as follows:

<u>Payment Year</u>	<u>Amount</u>
2013	<u>\$ 147,000</u>

Pursuant to Section 9.5 of the joint powers agreement, member payments are submitted monthly and held in escrow by U.S. Bank National Association (trustee) until the funds are remitted to the bond holders according to the established bond principal and interest due dates. The interest earnings from the escrow account will reduce future member obligations on the debt. Information regarding the Dakota Communications Center can be obtained at the website [www.mn-dcc.org/stats.asp](http://www.mn-dcc.org/stats.asp) or by contacting Dennis Feller at the City of Lakeville, 20195 Holyoke Avenue, Lakeville, Minnesota 55044. Telephone 952-985-4481 or email address [dfeller@ci.lakeville.mn.us](mailto:dfeller@ci.lakeville.mn.us).

**Note 14 – Other Post-Employment Benefits (OPEB) Plan**

**A. Plan Description**

The City provides post-employment insurance benefits to certain eligible employees through the City’s Other Post-Employment Benefits Plan, a single-employer defined benefit plan administered by the City. All post-employment benefits are based on contractual agreements with employee groups. These contractual agreements do not include any specific contribution or funding requirements. These benefits are summarized 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 and dental 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.”

**CITY OF LAKEVILLE, MINNESOTA**  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2012

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**Note 14 – Other Post-Employment Benefits (OPEB) Plan** (continued)

A. Plan Description (continued)

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

The required contribution is based on projected pay-as-you-go financing requirements, with additional amounts to pre-fund benefits as determined annually by the City.

C. Annual OPEB Cost and Net OPEB Obligation

The City’s annual OPEB cost (expense) is calculated based on annual required contributions (ARC) of the City, an amount determined on an actuarially determined basis in accordance with the parameters of GASB Statement No. 45. The ARC represents a level funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and the changes in the City’s net OPEB obligation to the plan:

Annual required contribution	\$ 75,006
Interest on net OPEB obligation	6,365
Adjustment to annual required contribution	<u>(9,227)</u>
Annual OPEB cost (expense)	72,144
Contributions made	<u>(16,594)</u>
Increase in net OPEB obligation	55,550
Net OPEB obligation - beginning of year	<u>159,124</u>
Net OPEB obligation - end of year	<u>\$ 214,674</u>

The City’s annual OPEB cost; the percentage of annual OPEB cost contributed to the plan; and the net OPEB obligation for the year are as follows:

<u>Fiscal</u> <u>Year Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Employer</u> <u>Contribution</u>	<u>Annual OPEB</u> <u>Cost Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
December 31, 2010	\$ 41,447	\$ 9,809	23.7%	\$ 97,199
December 31, 2011	\$ 73,281	\$ 11,356	15.5%	\$ 159,124
December 31, 2012	\$ 72,144	\$ 16,594	23.0%	\$ 214,674

D. Funded Status and Funding Progress

As of January 1, 2011, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$588,458, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$588,458.



**CITY OF LAKEVILLE, MINNESOTA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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**Note 14 – Other Post-Employment Benefits (OPEB) Plan** (continued)

**D. Funded Status and Funding Progress** (continued)

The covered payroll (annual payroll of active employees covered by the plan) was \$11,683,196, and the ratio of the UAAL to the covered payroll was 5.0 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability 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 ARC's 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 immediately following the notes to the 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 the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2011 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included: a 4.0 percent investment rate of return (net of administrative expenses) based on the City's own investments; a 2011 annual healthcare cost trend rate of 8.0 percent, and reduced by decrements of .5 percent to an ultimate rate of 5.0 percent after six years for medical insurance. Both rates included a 2.5% inflation assumption. The UAAL is being amortized on a level dollar basis over a closed period. The remaining amortization periods at January 1, 2011 for the various amortization layers ranged from 27 to 30 years.

**Note 15 – Risk Financing and Related Insurance Issues**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchased the following insurance coverage through the League of Minnesota Cities Insurance Trust (LMCIT), a public entity risk pool currently operating as a common risk management and insurance program for Minnesota cities: general liability, excess liability, workers compensation, property, automobile, marine, crime, employee dishonesty, boiler, petro fund, and open meeting law.

The City pays an annual premium to the LMCIT for its insurance coverage. The LMCIT is self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of reserved amounts for each insured event. The LMCIT allows for the pool to make additional assessments to make the pool self-sustaining. Current state statutes (Minnesota statutes subd. 466.04) provide limits of liability for the City.

**CITY OF LAKEVILLE, MINNESOTA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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**Note 15 – Risk Financing and Related Insurance Issues** (continued)

These limits are that the combination of defense expense and indemnification expense shall not exceed \$1,500,000 for any number of claims arising out of a single occurrence. The Minnesota statutory limit on claims is \$1,500,000 per occurrence. The City self-insures the risk of any potential judicial ruling in excess of the statutory maximum. The City has never had a claim in excess of the statutory maximum.

There have been no significant reductions in insurance coverage from the prior year and insurance settlements have not exceeded coverage in the past three years.

Workers compensation premiums for 2012 and 2011 were \$368,868 and \$368,923, respectively. The City is enrolled in the LMCIT workers compensation “regular” program. The LMCIT regular program provides a fixed premium based on payroll and provides no claim risk to the City as a result of high claims experience. The City’s workers compensation premiums are accounted for directly in the responsible funds.

**Note 16 – Defined Benefit Pension Plans - Statewide**

**A. Plan Description**

All full-time and certain part-time employees of the City of Lakeville 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. The City does not have any members enrolled in the Basic Plan; therefore all new members must participate in the Coordinated Plan. All police officers 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 Statute, 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 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 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 1.7 percent of average salary for each year of service.

For PEPFF members, the annuity accrual rate is 3.0 percent for each year of service.

For all GERF and PEPFF 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 Coordinated Plan members hired prior to July 1, 1989.

**CITY OF LAKEVILLE, MINNESOTA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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**Note 16 – Defined Benefit Pension Plans – Statewide** (continued)

**A. Plan Description** (continued)

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 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 GERS and PEPFF. That report may be obtained on the internet at [www.mnpera.org](http://www.mnpera.org), or by writing to PERA at 60 Empire Drive #200, Saint Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

**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. GERS Coordinated Plan members were required to contribute 6.25% of their annual covered salary in 2012. PEPFF members were required to contribute 9.6% of their annual covered salary in 2012. In 2012, the City of Lakeville was required to contribute the following percentages of annual covered payroll: 7.25% for Coordinated Plan members, and 14.4% for PEPFF members.

The City's contributions to the GERS Coordinated Plan for the years ending December 31, 2012, 2011, and 2010 were \$587,750, \$596,142, and \$583,884, respectively. The City's contributions to the PEPFF for the years ending December 31, 2012, 2011, and 2010 were \$679,673, \$650,578, and \$621,658, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statute.

**Note 17 – Defined Contribution Plan – Statewide**

**A. Plan Description**

Two Council members of the City of Lakeville are 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).

**CITY OF LAKEVILLE, MINNESOTA**  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2012

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**Note 17 – Defined Contribution Plan – Statewide** (continued)

**A. Plan Description** (continued)

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.

**B. Funding Policy**

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.

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 of Lakeville for the year ending December 31, 2012 were as follows:

<u>Contribution Amount</u>		<u>Covered Payroll</u>		<u>Required</u>
<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	<u>Rates</u>
\$ 1,311	\$ 1,311	5.0%	5.0%	5.0%

**Note 18 – Lakeville Fire Relief Association**

**A. Plan Description**

Firefighters of the City of Lakeville Fire Department are members of the Lakeville Fire Relief Association. There are no covered salaries or related fringe benefits in connection with the Relief Association plan. Since members are volunteers, City of Lakeville contributions to the Lakeville Fire Relief Association are not based on payroll, but rather on years of active service.

The Association is the administrator of a single employer defined benefit pension plan available to firefighters that was established in 1972 and operates under the provisions of *Minnesota State Statutes* Chapter 424A. The plan is governed by a board of six members elected by the members of the Association for three year terms. One City Council member, Finance Director, and Fire Chief are ex officio, nonvoting members of the Board of Trustees.

Non-employer pension contributions include state-aid from the State of Minnesota and municipal contributions from the City of Lakeville. On-behalf state-aid payments from the State of Minnesota are received initially by the City of Lakeville and subsequently remitted to the Relief Association. These on-behalf state-aid payments in addition to the City’s municipal contribution payments to the Relief Association plan are recognized as revenues and expenditures in the City’s general fund during the period.

**CITY OF LAKEVILLE, MINNESOTA**  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2012

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**Note 18 – Lakeville Fire Relief Association** (continued)

A. Plan Description (continued)

The Lakeville Fire Relief Association issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Lakeville Volunteer Firefighters’ Relief Association, 20195 Holyoke Avenue, Lakeville, Minnesota, 55044 or by calling (952) 985-4480.

B. Current Plan Membership

At December 31, 2012, membership data related to the Association was as follows:

	<b>Members</b>
Retired members entitled to benefits, but not yet receiving them	26
Active Plan Participants	
Vested	2
Partially vested	39
Non-vested	31
Total plan membership	98

C. Benefit Provisions

Authority for payment of pension benefits is established in *Minnesota State Statute 69.77* and may be amended only by the Minnesota State Legislature.

Twenty-Year Service Pension - Each member who is at least 50 years of age, has retired from the Fire Department, has served at least 20 years of active service with the department before retirement and has been a member of the Association in good standing at least 7 years prior to retirement, shall be entitled to a lump sum service pension in the amount of \$6,417 for each year of service (including each year over 20) but not exceeding the maximum amount per year of service allowed by law for the minimum average amount of available financing per firefighter. The Association’s benefit amount will remain at \$6,417 for calendar year 2013.

Any member who retires after 20 years of service and is under the age of 50 is placed on the deferred pension roll. In 2009, the Association amended their bylaws on March 30, 2009 which changed how interest is earned on a deferred member’s retirement account. All moneys deferred prior to the amendment shall earn interest at 5 percent compounded annually. All moneys deferred after the amendment will be placed in a separate investment account and will earn interest at the current market rate.

Seven-Year Service, but Less than Twenty-Year Service Pension - Each member who is at least 50 years of age; who has retired from the Fire Department; who has served at least 7 years of active service with the department before retirement, but has not served at least 20 years of active service; and, who has been a member of the Association in good standing at least 7 years prior to retirement, shall be entitled to a pro-rated lump sum service pension based on the percentages shown in the following table:

**CITY OF LAKEVILLE, MINNESOTA**  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2012

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**Note 18– Lakeville Fire Relief Association** (continued)

C. Benefit Provisions (continued)

For Duty of:				
More Than		Less Than		% of Pension
7	Years	8	Years	48%
8		9		52%
9		10		56%
10		11		60%
11		12		64%
12		13		68%
13		14		72%
14		15		76%
15		16		80%
16		17		84%
17		18		88%
18		19		92%
19		20		96%
20		-		100%

The payment amount will be calculated by using the amount payable per year of service in effect at the time of such early retirement, multiplied by the number of accumulative years of service, multiplied by the appropriate percentage as defined above.

Death Benefit - Upon the death of any member who is in good standing, the Association will pay a death benefit equal to the full annual service pension amount for each year the member has served.

Disability Benefits - In the event of total permanent disability incurred in the line of duty, a member shall be eligible to collect a disability benefit in an amount equal to his/her full years of active service on the Fire Department multiplied by the base sum pension benefit. The benefit is payable immediately upon approval by the Association regardless of age. For total permanent disability not incurred in the line of duty, a member shall be paid in accordance with the seven-year partial vesting provision described above.

State Supplemental Benefits - Minnesota Statutes provide for the payment of a supplemental benefit equal to 10 percent of a regular lump sum distribution up to a maximum of \$1,000.

D. Contributions and Reserves

The Lakeville Fire Relief Association’s funding policy provides for contributions from the State of Minnesota and the City of Lakeville, in amounts sufficient to accumulate assets to pay benefits when due.

**CITY OF LAKEVILLE, MINNESOTA**  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 DECEMBER 31, 2012

**Note 18 – Lakeville Fire Relief Association** (continued)

D. Contributions and Reserves (continued)

The Volunteer Firefighters’ Relief Association Financing Guidelines Act of 1971 (Chapter 261 as amended by Chapter 509 of Minnesota Statutes 1980) specifies minimum contributions required on an annual basis. The minimum support rates from the municipality and state aid are determined in the amount required to meet the normal cost plus amortizing any existing prior year service costs over a closed 10-year period. The minimum contribution from the City of Lakeville and state aid is determined as follows:

Normal cost  
 + Amortization payment on unfunded accrued liability prior to any change  
 + Amortization contribution on unfunded accrued liability prior to any change  
 = Total contribution required

Annual pension cost (APC) contributed from the State of Minnesota and the City of Lakeville for the last three years are as follows:

<u>Year</u>	<u>State of Minnesota</u>	<u>City of Lakeville</u>	<u>Total Pension Contribution</u>	<u>APC</u>	<u>% of APC Contributed</u>	<u>Net Pension Obligation</u>
2012	\$ 221,958	\$ 44,804	\$ 266,762	\$ 266,762	100%	\$ -
2011	213,067	44,804	257,871	257,871	100%	-
2010	196,224	178,380	374,604	374,604	100%	-

E. Funding Progress

<u>Actuarial Valuation Date December 31,</u>	<u>Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>(Unfunded) Overfunded</u>	<u>Funded Ratio</u>
2012	\$ 5,852,995	\$ 5,485,211	\$ 367,784	106.7%
2011	5,619,763	5,480,096	139,667	102.5%
2010	5,677,470	5,297,410	380,060	107.2%

F. Additional Information:

Actuarial valuation date: August 1, 2012  
 Actuarial valuation method: Fair Value  
 Actuarial cost method: Entry age normal cost  
 Actuarial assumptions rate of investment return: 5% per annum, compounded annually  
 Annual covered payroll: None (all volunteer firefighters)  
 Age and service retirement age: Assumed to occur at age 50. No turnover or early retirement  
 Amortization method: Level Dollar Closed  
 Amortization period: 10 Years  
 Inflation rate: Not applicable

**CITY OF LAKEVILLE, MINNESOTA**  
NOTES TO BASIC FINANCIAL STATEMENTS  
DECEMBER 31, 2012

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**Note 19 – Deferred Compensation Plan**

The City offers its employees an optional deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. The plan is available to all City employees, which permits them to tax defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. Under provisions of Section 72(p) of the Internal Revenue Code, a plan may permit participant loans once 457 plan assets are held in a trust. As of the current fiscal year, the City's plan does not have a loan provision for its participants. All amounts of compensation deferred under the plan must be held in trust for the exclusive benefit of plan participants and/or beneficiaries. Investments are managed by the plan's trustee under various investment options or a combination thereof. The choice of investment options is made by the participant.

**Note 20 – Litigation**

There are several lawsuits pending in which the City is involved. The City Attorney has indicated that existing and pending lawsuit claims and other actions in which the City is a defendant are either covered by insurance, fully reserved for by the City, or the cases are in the early stages of discovery, and accordingly, the ultimate outcome cannot presently be determined. It is the opinion of City management that in each case the possibility of material loss, net of amounts reserved is remote.

**Note 21 – Conduit Debt**

On April 7, 2008, the Housing and Redevelopment Authority (HRA) of Lakeville approved the issuance of the Housing and Redevelopment Authority of Lakeville, Minnesota Education Facilities Revenue Note (All Saints School Project), Series 2008. The HRA acted as the conduit for a bank qualified tax-exempt refinancing of existing debt for All Saints School under the responsibility of All Saints Church of Lakeville, Dakota County, Minnesota, a religious corporation organized under the laws of the State of Minnesota and constituting a nonprofit corporation under the laws of the State of Minnesota. The note funds will provide non-religious portions of the renovation and equipping of, and construction of additions to, a school for grades kindergarten through 8th grade known as All Saints School, owned and operated by the All Saints Church, and located at 19795 Holyoke Avenue in Lakeville.

The HRA authorized the revenue note in the principal amount of \$2,000,000. The note provides needed financial assistance to a private-sector entity deemed to be in the public interest. Neither the HRA nor the City is obligated in any circumstance for repayment of this note, and accordingly the note is not reported as a liability in the accompanying financial statements. As of December 31, 2012, \$2,000,000 remains outstanding on this note.



**REQUIRED SUPPLEMENTARY INFORMATION**

**CITY OF LAKEVILLE, MINNESOTA**

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

BUDGETARY COMPARISON

YEAR ENDED DECEMBER 31, 2012

	<u>Budget As Originally Adopted</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b><u>Revenues</u></b>				
<b>Property taxes</b>				
General property taxes				
Current	\$ 13,816,776	\$ 13,816,776	\$ 14,221,745	\$ 404,969
Delinquent	257,928	257,928	349,108	91,180
Fiscal disparities	2,006,780	2,006,780	1,895,748	(111,032)
Mobile home tax	45,200	45,200	46,000	800
Gravel tax	8,907	8,907	16,899	7,992
	<u>16,135,591</u>	<u>16,135,591</u>	<u>16,529,500</u>	<u>393,909</u>
	<u>972,953</u>	<u>972,953</u>	<u>1,831,073</u>	<u>858,120</u>
<b>Intergovernmental</b>				
Market value homestead credit	-	-	3,195	3,195
Market value homestead mobile home credit	18,050	18,050	-	(18,050)
State-aid police	342,585	342,585	336,571	(6,014)
State-aid fire	213,067	219,958	219,958	-
State-aid PERA	21,303	21,303	21,303	-
State police and fire grants	18,616	18,616	28,773	10,157
State other grants	8,034	8,034	34,918	26,884
Federal other grants	2,100	106,580	112,631	6,051
County and other grants	40,562	40,562	46,927	6,365
	<u>664,317</u>	<u>775,688</u>	<u>804,276</u>	<u>28,588</u>
<b>Charges for services</b>				
General government	193,678	193,678	209,277	15,599
Public safety	326,149	326,149	412,748	86,599
Public works	445,581	445,581	655,067	209,486
Parks and recreation	555,303	555,708	608,530	52,822
	<u>1,520,711</u>	<u>1,521,116</u>	<u>1,885,622</u>	<u>364,506</u>
	<u>279,301</u>	<u>279,301</u>	<u>281,879</u>	<u>2,578</u>
<b>Investment income</b>				
	<u>91,795</u>	<u>91,795</u>	<u>44,159</u>	<u>(47,636)</u>

(continued)

**CITY OF LAKEVILLE, MINNESOTA**

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

BUDGETARY COMPARISON

YEAR ENDED DECEMBER 31, 2012

	<u>Budget As Originally Adopted</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b><u>Revenues</u></b> (continued)				
<b>Donations</b>	\$ 14,115	\$ 29,568	\$ 33,257	\$ 3,689
<b>Miscellaneous</b>	<u>50,712</u>	<u>50,712</u>	<u>59,794</u>	<u>9,082</u>
Total revenues	<u>19,729,495</u>	<u>19,856,724</u>	<u>21,469,560</u>	<u>1,612,836</u>
 <b><u>Expenditures</u></b>				
<b>General government</b>				
<b>Mayor and Council</b>				
Personnel services	49,752	49,752	48,792	960
Commodities	50	50	-	50
Other charges and services	<u>44,922</u>	<u>44,922</u>	<u>44,976</u>	<u>(54)</u>
Total Mayor and Council	<u>94,724</u>	<u>94,724</u>	<u>93,768</u>	<u>956</u>
 <b>Committees/Commissions</b>				
Personnel services	47,538	47,538	46,106	1,432
Commodities	1,924	1,924	1,033	891
Other charges and services	<u>16,941</u>	<u>16,941</u>	<u>12,455</u>	<u>4,486</u>
Total committees/commissions	<u>66,403</u>	<u>66,403</u>	<u>59,594</u>	<u>6,809</u>
 <b>City administration</b>				
Personnel services	308,853	306,541	309,881	(3,340)
Commodities	900	900	293	607
Other charges and services	10,742	10,742	7,913	2,829
Capital outlay	<u>1,032</u>	<u>1,032</u>	<u>1,032</u>	<u>-</u>
Total city administration	<u>321,527</u>	<u>319,215</u>	<u>319,119</u>	<u>96</u>

(continued)

**CITY OF LAKEVILLE, MINNESOTA**

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

BUDGETARY COMPARISON

YEAR ENDED DECEMBER 31, 2012

	<b>Budget As Originally Adopted</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>
<b>Expenditures</b> (continued)				
<b>General government</b> (continued)				
<b>City Clerk</b>				
Personnel services	\$ 104,248	\$ 103,530	\$ 108,696	\$ (5,166)
Commodities	1,900	1,900	2,422	(522)
Other charges and services	61,367	61,367	62,128	(761)
Capital outlay	<u>11,553</u>	<u>11,553</u>	<u>2,601</u>	<u>8,952</u>
Total City Clerk	<u>179,068</u>	<u>178,350</u>	<u>175,847</u>	<u>2,503</u>
<b>Legal counsel</b>				
Other charges and services	<u>65,132</u>	<u>65,132</u>	<u>79,935</u>	<u>(14,803)</u>
<b>Planning</b>				
Personnel services	324,879	322,528	326,917	(4,389)
Commodities	2,210	2,210	1,154	1,056
Other charges and services	15,439	15,439	15,301	138
Capital outlay	<u>1,377</u>	<u>1,377</u>	<u>1,577</u>	<u>(200)</u>
Total planning	<u>343,905</u>	<u>341,554</u>	<u>344,949</u>	<u>(3,395)</u>
<b>Community and economic development</b>				
Personnel services	253,105	251,237	255,075	(3,838)
Commodities	205	205	258	(53)
Other charges and services	46,180	46,180	26,518	19,662
Capital outlay	<u>688</u>	<u>688</u>	<u>688</u>	<u>-</u>
Total community and economic development	<u>300,178</u>	<u>298,310</u>	<u>282,539</u>	<u>15,771</u>
<b>Inspections</b>				
Personnel services	649,708	644,414	623,085	21,329
Commodities	13,244	13,244	11,473	1,771
Other charges and services	110,281	110,281	127,496	(17,215)
Capital outlay	<u>2,753</u>	<u>2,753</u>	<u>2,753</u>	<u>-</u>
Total inspections	<u>775,986</u>	<u>770,692</u>	<u>764,807</u>	<u>5,885</u>

(continued)

**CITY OF LAKEVILLE, MINNESOTA**

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

BUDGETARY COMPARISON

YEAR ENDED DECEMBER 31, 2012

	<b>Budget As Originally Adopted</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>
<b>Expenditures</b> (continued)				
<b>General government</b> (continued)				
<b>General government facilities</b>				
Personnel services	\$ 186,185	\$ 184,780	\$ 186,123	\$ (1,343)
Commodities	31,025	31,025	22,875	8,150
Other charges and services	267,563	247,224	199,685	47,539
Capital outlay	<u>1,032</u>	<u>1,032</u>	<u>1,032</u>	<u>-</u>
Total general government facilities	<u>485,805</u>	<u>464,061</u>	<u>409,715</u>	<u>54,346</u>
<b>Finance</b>				
Personnel services	543,445	538,675	538,533	142
Commodities	4,545	4,545	4,261	284
Other charges and services	64,310	64,310	60,906	3,404
Capital outlay	<u>2,409</u>	<u>2,409</u>	<u>2,753</u>	<u>(344)</u>
Total finance	<u>614,709</u>	<u>609,939</u>	<u>606,453</u>	<u>3,486</u>
<b>Information systems</b>				
Personnel services	305,180	302,927	307,982	(5,055)
Commodities	6,648	6,648	4,437	2,211
Other charges and services	159,784	159,784	131,993	27,791
Capital outlay	<u>11,107</u>	<u>11,107</u>	<u>3,640</u>	<u>7,467</u>
Total information systems	<u>482,719</u>	<u>480,466</u>	<u>448,052</u>	<u>32,414</u>
<b>Human resources</b>				
Personnel services	252,616	250,734	249,198	1,536
Commodities	1,570	1,570	1,935	(365)
Other charges and services	105,783	105,783	59,932	45,851
Capital outlay	<u>1,032</u>	<u>1,032</u>	<u>1,032</u>	<u>-</u>
Total human resources	<u>361,001</u>	<u>359,119</u>	<u>312,097</u>	<u>47,022</u>
<b>Insurance coverage</b>				
Other charges and services	<u>223,275</u>	<u>223,275</u>	<u>223,275</u>	<u>-</u>
Total general government	<u>4,314,432</u>	<u>4,271,240</u>	<u>4,120,150</u>	<u>151,090</u>

(continued)

**CITY OF LAKEVILLE, MINNESOTA**

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

BUDGETARY COMPARISON

YEAR ENDED DECEMBER 31, 2012

	<b>Budget As Originally Adopted</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>
<b>Expenditures</b> (continued)				
<b>Public safety</b>				
<b>Police</b>				
Personnel services	\$ 6,574,843	\$ 6,530,232	\$ 6,569,777	\$ (39,545)
Commodities	336,255	336,255	318,851	17,404
Other charges and services	1,707,955	1,707,955	1,647,697	60,258
Capital outlay	-	10,690	11,301	(611)
Total police	<u>8,619,053</u>	<u>8,585,132</u>	<u>8,547,626</u>	<u>37,506</u>
<b>Fire protection</b>				
Personnel services	951,382	957,263	959,571	(2,308)
Commodities	135,772	135,772	119,389	16,383
Other charges and services	266,694	266,694	228,947	37,747
Total fire protection	<u>1,353,848</u>	<u>1,359,729</u>	<u>1,307,907</u>	<u>51,822</u>
Total public safety	<u>9,972,901</u>	<u>9,944,861</u>	<u>9,855,533</u>	<u>89,328</u>
<b>Public works</b>				
<b>Engineering</b>				
Personnel services	660,919	655,762	535,411	120,351
Commodities	11,157	11,157	9,754	1,403
Other charges and services	50,471	50,471	83,913	(33,442)
Capital outlay	5,959	5,959	5,739	220
Total engineering	<u>728,506</u>	<u>723,349</u>	<u>634,817</u>	<u>88,532</u>
<b>Street maintenance</b>				
Personnel services	1,530,445	1,549,613	1,535,355	14,258
Commodities	786,690	788,092	761,338	26,754
Other charges and services	258,999	330,495	319,332	11,163
Total street maintenance	<u>2,576,134</u>	<u>2,668,200</u>	<u>2,616,025</u>	<u>52,175</u>
Total public works	<u>3,304,640</u>	<u>3,391,549</u>	<u>3,250,842</u>	<u>140,707</u>

(continued)

**CITY OF LAKEVILLE, MINNESOTA**

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

BUDGETARY COMPARISON

YEAR ENDED DECEMBER 31, 2012

	<b>Budget As Originally Adopted</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>
<b>Expenditures</b> (continued)				
<b>Parks and recreation</b>				
<b>Park maintenance</b>				
Personnel services	\$ 1,540,362	\$ 1,531,691	\$ 1,398,158	\$ 133,533
Commodities	254,196	254,196	245,147	9,049
Other charges and services	391,010	391,010	376,026	14,984
Capital outlay	<u>2,752</u>	<u>2,752</u>	<u>-</u>	<u>2,752</u>
Total park maintenance	<u>2,188,320</u>	<u>2,179,649</u>	<u>2,019,331</u>	<u>160,318</u>
<b>Recreation</b>				
Personnel services	329,124	326,497	326,482	15
Commodities	23,444	23,444	16,862	6,582
Other charges and services	244,613	244,613	223,060	21,553
Capital outlay	<u>2,065</u>	<u>2,065</u>	<u>2,065</u>	<u>-</u>
Total recreation	<u>599,246</u>	<u>596,619</u>	<u>568,469</u>	<u>28,150</u>
<b>Heritage Center</b>				
Personnel services	-	7,303	7,456	(153)
Commodities	-	3,512	9,001	(5,489)
Other charges and services	<u>-</u>	<u>14,692</u>	<u>18,088</u>	<u>(3,396)</u>
Total heritage center	<u>-</u>	<u>25,507</u>	<u>34,545</u>	<u>(9,038)</u>
<b>Arts Center</b>				
Personnel services	221,848	270,891	253,116	17,775
Commodities	22,500	22,500	18,960	3,540
Other charges and services	200,319	149,619	158,426	(8,807)
Capital outlay	<u>688</u>	<u>688</u>	<u>688</u>	<u>-</u>
Total arts center	<u>445,355</u>	<u>443,698</u>	<u>431,190</u>	<u>12,508</u>
Total parks and recreation	<u>3,232,921</u>	<u>3,245,473</u>	<u>3,053,535</u>	<u>191,938</u>
<b>Other</b>	<u>104,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>20,928,894</u>	<u>20,853,123</u>	<u>20,280,060</u>	<u>573,063</u>
Excess (deficiency) of revenues over expenditures	<u>(1,199,399)</u>	<u>(996,399)</u>	<u>1,189,500</u>	<u>2,185,899</u>

(continued)

**CITY OF LAKEVILLE, MINNESOTA**

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

BUDGETARY COMPARISON

YEAR ENDED DECEMBER 31, 2012

	<b><u>Budget As</u></b> <b><u>Originally</u></b> <b><u>Adopted</u></b>	<b><u>Final</u></b> <b><u>Budget</u></b>	<b><u>Actual</u></b>	<b><u>Variance</u></b> <b><u>With Final</u></b> <b><u>Budget</u></b>
(continued)				
<b>Other financing sources (uses)</b>				
Transfers from/(to)				
Special Revenue - Communications Fund	\$ 72,793	\$ 72,793	\$ 58,171	\$ (14,622)
Capital Projects - Improvement Construction	-	(542,000)	(542,000)	-
Capital Projects - Equipment Fund	-	(369,694)	(369,694)	-
Enterprise - Liquor Fund	152,434	152,434	152,434	-
Enterprise - Utility Fund	409,259	409,258	409,258	-
Internal Service - Municipal Reserves Fund	<u>45,767</u>	<u>45,768</u>	<u>45,768</u>	<u>-</u>
Total other financing sources (uses)	<u>680,253</u>	<u>(231,441)</u>	<u>(246,063)</u>	<u>(14,622)</u>
Net change in fund balance	<u>\$ (519,146)</u>	<u>\$ (1,227,840)</u>	943,437	<u>\$2,171,277</u>
Fund balance, January 1			<u>10,548,338</u>	
Fund balance, December 31			<u>\$ 11,491,775</u>	



**CITY OF LAKEVILLE, MINNESOTA**  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
DECEMBER 31, 2012

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**A. Budgetary Information**

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principals. Annual appropriated budgets are adopted for the General Fund and Special Revenue Funds. Budgeted amounts are as originally adopted or as amended by the City Council. The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The City Administrator submits a proposed operating budget to the City Council.
2. Public hearings are conducted to obtain taxpayer comments.
3. Upon Council approval the budget is legally adopted and employs formal budgetary integration during the year.
4. Expenditures may legally exceed budgeted appropriations at the fund level through City Council action.
5. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is at the department level for the General Fund and total expenditures for the Special Revenue Funds. The City Administrator has authorization to expend funds in excess of the appropriation for individual line items.
6. Budget appropriations of all funds lapse at year-end to the extent they were not encumbered. Encumbrances are re-appropriated in the following year's budget.

**CITY OF LAKEVILLE, MINNESOTA**

**OTHER POST-EMPLOYMENT BENEFITS PLAN - SCHEDULE OF FUNDING PROGRESS**

DECEMBER 31, 2012

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<b>Actuarial Valuation Date</b>	<b>Actuarial Accrued Liability</b>	<b>Actuarial Value of Plan Assets</b>	<b>Unfunded Actuarial Accrued Liability</b>	<b>Funded Ratio</b>	<b>Covered Payroll</b>	<b>Unfunded Liability as a Percentage of Payroll</b>
January 1, 2008	\$ 290,424	\$ -	\$ 290,424	-	\$ 11,365,890	2.6%
January 1, 2011	\$ 588,458	\$ -	\$ 588,458	-	\$ 11,683,196	5.0%

# NONMAJOR GOVERNMENTAL FUNDS

**Special Revenue Funds** - These funds are used to account for revenues and expenditures that have a legally restricted use for a specific purpose.

## **Communications Fund**

This fund accounts for franchise fees from cable TV provider operations. Expenditures and other financing uses are used to finance the City's cable TV channels and public communications, including long-term replacement of equipment.

## **Economic Development Fund**

This fund accounts for a \$125,000 Economic Recovery Grant received from the State of Minnesota Department of Trade and Economic Development in 1995. The grant purpose is to provide loans to businesses expanding in or locating to Lakeville. The fund also accounts for administrative fees received from the issuance of conduit debt.

## **Downtown Special Service District Fund**

The Downtown Special Service District was created in 1998 pursuant to Minnesota Statute 428A. A service charge, payable with property taxes, is levied against the commercial properties in the Downtown Business District for the purpose of financing budgeted programs and activities within the District.

**Debt Service Funds** – These funds account for the accumulation of resources that are restricted to the payment of long-term debt principal and interest, but excluding debt issued for and serviced by an enterprise fund.

## **Tax Increment Fund**

Debt issued to finance construction of public improvements in accordance with approved tax increment plans. Property tax increments received from designated tax increment financing districts are pledged to the payment of the bonds.

## **State-aid Revenue Fund**

Debt issued to finance construction of State-aid street projects within the City. The primary revenue source is municipal state aid allotments from the State of Minnesota Department of Transportation.

## **Water Revenue Fund**

Debt issued to finance the construction of wells, pump houses, towers, water main systems, and the City's water treatment facility. Water connection fees are pledged toward the repayment of the principal and interest on these bonds.

## **Arena Revenue Fund**

Debt issued for the construction of the Lakeville Ames Ice Arena first and second sheet of ice, spectator seating and locker rooms. Revenue sources include donations from net operating ice arena revenues and other sources pledged to the payment of the bonds. The Ice Center Refunding Bonds, Series 2008 A and the 2005 Capital Dehumidification Lease-Purchase agreement are general obligations that are backed by the full-faith and credit of the City. The Gross Revenue Recreation Facility Bonds of 1999 are not general obligations and accordingly are not backed by the full-faith and credit of the City.

(continued)

# NONMAJOR GOVERNMENTAL FUNDS

## Debt Service Funds (continued)

### HRA Revenue Fund

The HRA also issued the HRA Ice Arena Lease Revenue Bonds, Series 2006 for the Hasse single sheet ice arena facility. Debt service will be payable from property taxes and lease payments to be made to the City pursuant to the lease agreement between the Authority and Independent School District 194. These HRA bonds are not general obligations and accordingly are not backed by the full-faith and credit of the City.

**Capital Projects Funds** – These funds account for financial resources used in the acquisition of capital facilities, equipment, and infrastructure (except those financed by enterprise funds).

### Municipal State-aid Fund

This fund accounts for an annual allotment from the State of Minnesota Municipal State-aid street construction account.

### Pavement Management Fund

This fund accounts for pavement management activities relating to cracksealing, patching, seal coating and overlays. These major maintenance projects are financed with property taxes.

### Storm Sewer Fund

This fund accounts for fees and area charges to land developers for construction of storm sewer systems.

### Water Fund

This fund accounts for revenues derived primarily from connection charges collected at the time building permits are issued and antenna site leases with wireless communications companies. Funds are appropriated towards the construction costs of water supply lines, wells and water storage facilities, and provide the debt service to bonds issued to finance the construction of the City's water treatment facility and other trunk infrastructure improvements.

### Sanitary Sewer Fund

This fund accounts for sewer connection and area fees charged to land developers for connecting to the City's sanitary sewer system, appropriations are applied to the construction of sanitary sewer trunk systems.

### Park Dedication Fund

This fund accounts for park dedication fees received from land developers. The expenditures consist of acquiring and developing City parks and trails.

### Trail Improvement Fund

This fund accounts for the long term maintenance, repairs and replacement of City trails.

### Tax Increment Fund

This fund accounts for revenue received from tax increment property districts that does not require debt financing. The expenditures are for current and future development of tax increment property.

### Equipment Fund

This fund accounts for the purchase of equipment for general government, public safety, public works, and park maintenance.

**CITY OF LAKEVILLE, MINNESOTA**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**DECEMBER 31, 2012**

	<b>Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>Capital Projects Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Assets</b>				
Cash and investments	\$ 789,450	\$ 1,709,684	\$ 15,006,445	\$ 17,505,579
Investments held by trustee	-	695,356	-	695,356
Interest receivable	4,712	5,178	66,843	76,733
Taxes receivable				
Unremitted	-	41,398	138,637	180,035
Delinquent	-	3,847	21,119	24,966
Accounts receivable	155,892	47,500	24,164	227,556
Loan receivable	-	-	115,000	115,000
Special assessments				
Unremitted	-	-	809	809
Delinquent	-	-	705	705
Deferred	-	-	215,886	215,886
Other	-	-	383,625	383,625
Total assets	<u>\$ 950,054</u>	<u>\$ 2,502,963</u>	<u>\$ 15,973,233</u>	<u>\$ 19,426,250</u>
<b>Liabilities</b>				
Salaries payable	\$ 6,440	\$ -	\$ -	\$ 6,440
Accounts payable	67,571	4,066	182,224	253,861
Contracts payable	-	-	17,765	17,765
Deposits payable	-	-	86,395	86,395
Total liabilities	74,011	4,066	286,384	364,461
<b>Deferred inflows of resources</b>				
Unavailable revenue - taxes		3,847	21,119	24,966
Unavailable revenue - special assessments			600,216	600,216
Unavailable revenue - other	554	-	115,000	115,554
Total deferred inflows of resources	554	3,847	736,335	740,736
<b>Fund balance</b>				
Restricted	25,803	2,495,050	4,849,879	7,370,732
Committed	849,686	-	10,100,635	10,950,321
Total fund balance	<u>875,489</u>	<u>2,495,050</u>	<u>14,950,514</u>	<u>18,321,053</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 950,054</u>	<u>\$ 2,502,963</u>	<u>\$ 15,973,233</u>	<u>\$ 19,426,250</u>

**CITY OF LAKEVILLE, MINNESOTA**

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED DECEMBER 31, 2012

	<b>Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>Capital Projects Funds</b>	<b>Total Nonmajor Governmental Funds</b>
<b>Revenues</b>				
Property taxes	\$ -	\$ 337,209	\$ 1,960,415	\$ 2,297,624
Tax increment	-	667,362	191,793	859,155
Licenses and permits	598,878	-	-	598,878
Intergovernmental	96,751	770,762	543,279	1,410,792
Charges for services	33,105	469,879	3,445,170	3,948,154
Special assessments	-	-	84,568	84,568
Investment income	4,859	5,337	68,921	79,117
Donations	500	95,000	7,253	102,753
Miscellaneous	-	-	515,093	515,093
Total revenues	<u>734,093</u>	<u>2,345,549</u>	<u>6,816,492</u>	<u>9,896,134</u>
<b>Expenditures - current</b>				
General government	<u>469,735</u>			<u>469,735</u>
<b>Expenditures - capital outlay</b>				
General government	132,006		386,388	518,394
Public safety	-		341,586	341,586
Public works	-		2,738,332	2,738,332
Parks and recreation	-		713,566	713,566
Total expenditures - capital outlay	<u>132,006</u>		<u>4,179,872</u>	<u>4,311,878</u>
<b>Expenditures - debt service</b>				
Principal bond maturities		3,975,000		3,975,000
Principal lease maturities		97,027		97,027
Interest on debt		962,945		962,945
Fiscal charges		20,165		20,165
Total expenditures - debt service		<u>5,055,137</u>		<u>5,055,137</u>
Total expenditures	<u>601,741</u>	<u>5,055,137</u>	<u>4,179,872</u>	<u>9,836,750</u>
Excess (deficiency) of revenues over expenditures	<u>132,352</u>	<u>(2,709,588)</u>	<u>2,636,620</u>	<u>59,384</u>
<b>Other financing sources (uses)</b>				
Transfers from other funds	-	2,437,844	2,030,746	4,468,590
Transfers to other funds	(206,587)	(59,900)	(1,527,280)	(1,793,767)
Payment to refunded bonds escrow agent	-	(640,000)	-	(640,000)
Total other financing sources (uses)	<u>(206,587)</u>	<u>1,737,944</u>	<u>503,466</u>	<u>2,034,823</u>
Net change in fund balance	(74,235)	(971,644)	3,140,086	2,094,207
Fund balance, January 1	949,724	3,466,694	11,810,428	16,226,846
Fund balance, December 31	<u>\$ 875,489</u>	<u>\$ 2,495,050</u>	<u>\$ 14,950,514</u>	<u>\$ 18,321,053</u>

**CITY OF LAKEVILLE, MINNESOTA**  
**SPECIAL REVENUE FUNDS (NONMAJOR)**  
**COMBINING BALANCE SHEET**  
**DECEMBER 31, 2012**

	<u>Communications</u>	<u>Economic Development</u>	<u>Downtown Special Service District</u>	<u>Total</u>
<b>Assets</b>				
Cash and investments	\$ 696,800	\$ 67,702	\$ 24,948	\$ 789,450
Interest receivable	4,359	353	-	4,712
Accounts receivable	<u>154,483</u>	<u>-</u>	<u>1,409</u>	<u>155,892</u>
Total assets	<u>\$ 855,642</u>	<u>\$ 68,055</u>	<u>\$ 26,357</u>	<u>\$ 950,054</u>
<b>Liabilities</b>				
Salaries payable	\$ 6,440	\$ -	\$ -	\$ 6,440
Accounts payable	<u>66,292</u>	<u>1,279</u>	<u>-</u>	<u>67,571</u>
Total liabilities	72,732	1,279	-	74,011
<b>Deferred inflows of resources</b>				
Unavailable revenue - other	<u>-</u>	<u>-</u>	<u>554</u>	<u>554</u>
<b>Fund balance</b>				
Restricted	-	-	25,803	25,803
Committed	<u>782,910</u>	<u>66,776</u>	<u>-</u>	<u>849,686</u>
Total fund balance	<u>782,910</u>	<u>66,776</u>	<u>25,803</u>	<u>875,489</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 855,642</u>	<u>\$ 68,055</u>	<u>\$ 26,357</u>	<u>\$ 950,054</u>

**CITY OF LAKEVILLE, MINNESOTA**

SPECIAL REVENUE FUNDS (NONMAJOR)

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED DECEMBER 31, 2012

	<u>Communications</u>	<u>Economic Development</u>	<u>Downtown Special Service District</u>	<u>Total</u>
<b>Revenues</b>				
Licenses and permits	\$ 598,878	\$ -	\$ -	\$ 598,878
Intergovernmental				
Federal grants	4,500	91,735	-	96,235
State-aid PERA	516	-	-	516
Charges for services	-	2,500	30,605	33,105
Investment income	4,495	364	-	4,859
Donations	-	-	500	500
Total revenues	<u>608,389</u>	<u>94,599</u>	<u>31,105</u>	<u>734,093</u>
<b>Expenditures</b>				
Current				
General government	439,416	-	30,319	469,735
Capital outlay				
General government	<u>38,992</u>	<u>93,014</u>	<u>-</u>	<u>132,006</u>
Total expenditures	<u>478,408</u>	<u>93,014</u>	<u>30,319</u>	<u>601,741</u>
Excess of revenues over expenditures	<u>129,981</u>	<u>1,585</u>	<u>786</u>	<u>132,352</u>
<b>Other financing uses</b>				
Transfer to				
General Fund	(58,171)	-	-	(58,171)
Capital Projects - Equipment Fund	<u>(148,416)</u>	<u>-</u>	<u>-</u>	<u>(148,416)</u>
Total other financing uses	<u>(206,587)</u>	<u>-</u>	<u>-</u>	<u>(206,587)</u>
Net change in fund balance	(76,606)	1,585	786	(74,235)
Fund balance, January 1	<u>859,516</u>	<u>65,191</u>	<u>25,017</u>	<u>949,724</u>
Fund balance, December 31	<u>\$ 782,910</u>	<u>\$ 66,776</u>	<u>\$ 25,803</u>	<u>\$ 875,489</u>



**CITY OF LAKEVILLE, MINNESOTA**  
DEBT SERVICE FUNDS (NONMAJOR)  
COMBINING BALANCE SHEET  
DECEMBER 31, 2012

	<b>Bonds</b>					<b>Total</b>
	<b><u>Tax Increment</u></b>	<b><u>State-aid Revenue</u></b>	<b><u>Water Revenue</u></b>	<b><u>Arena Revenue</u></b>	<b><u>HRA Revenue</u></b>	
<b>Assets</b>						
Cash and investments	\$ 1,114,599	\$ 28,128	\$ 91	\$ 210,215	\$ 356,651	\$ 1,709,684
Investments held by trustee					695,356	695,356
Interest receivable	3,467	408	-	877	426	5,178
Taxes receivable						
Unremitted	20,896	-	-	-	20,502	41,398
Delinquent	432	-	-	-	3,415	3,847
Accounts receivable	-	-	-	47,500	-	47,500
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 1,139,394</u>	<u>\$ 28,536</u>	<u>\$ 91</u>	<u>\$ 258,592</u>	<u>\$ 1,076,350</u>	<u>\$ 2,502,963</u>
<b>Liabilities</b>						
Accounts payable	\$ 2,804	\$ 944	\$ 91	\$ 136	\$ 91	\$ 4,066
<b>Deferred inflows of resources</b>						
Unavailable revenue - taxes	432	-	-	-	3,415	3,847
<b>Fund balance</b>						
Restricted for debt service	<u>1,136,158</u>	<u>27,592</u>	<u>-</u>	<u>258,456</u>	<u>1,072,844</u>	<u>2,495,050</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,139,394</u>	<u>\$ 28,536</u>	<u>\$ 91</u>	<u>\$ 258,592</u>	<u>\$ 1,076,350</u>	<u>\$ 2,502,963</u>

**CITY OF LAKEVILLE, MINNESOTA**

DEBT SERVICE FUNDS (NONMAJOR)

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED DECEMBER 31, 2012

	<b>Bonds</b>					<b>Total</b>
	<b>Tax Increment</b>	<b>State-aid Revenue</b>	<b>Water Revenue</b>	<b>Arena Revenue</b>	<b>HRA Revenue</b>	
<b>Revenues</b>						
General property taxes						
Current and delinquent	\$ 45,794	\$ -	\$ -	\$ -	\$ 252,405	\$ 298,199
Fiscal disparities	<u>6,052</u>	-	-	-	<u>32,958</u>	<u>39,010</u>
Total general property taxes	51,846	-	-	-	285,363	337,209
Tax increment	667,362	-	-	-	-	667,362
Intergovernmental - State-aid	-	770,762	-	-	-	770,762
Charges for services	-	-	-	188,846	281,033	469,879
Investment income	3,574	420	-	904	439	5,337
Donations	-	-	-	<u>95,000</u>	-	<u>95,000</u>
Total revenues	<u>722,782</u>	<u>771,182</u>	<u>-</u>	<u>284,750</u>	<u>566,835</u>	<u>2,345,549</u>
<b>Expenditures - debt service</b>						
Principal bond maturities	425,000	585,000	870,000	130,000	1,965,000	3,975,000
Principal lease maturities	-	-	-	97,027	-	97,027
Interest on debt	111,586	185,762	167,800	62,133	435,664	962,945
Fiscal charges	<u>9,454</u>	<u>1,898</u>	<u>577</u>	<u>705</u>	<u>7,531</u>	<u>20,165</u>
Total expenditures - debt service	<u>546,040</u>	<u>772,660</u>	<u>1,038,377</u>	<u>289,865</u>	<u>2,408,195</u>	<u>5,055,137</u>
Excess (deficiency) of revenues over expenditures	<u>176,742</u>	<u>(1,478)</u>	<u>(1,038,377)</u>	<u>(5,115)</u>	<u>(1,841,360)</u>	<u>(2,709,588)</u>
<b>Other financing sources (uses)</b>						
Transfer from/(to)						
Capital Projects						
Storm Sewer Fund	(59,900)	-	-	-	-	(59,900)
Water Fund	-	-	1,038,377	-	-	1,038,377
Enterprise - Liquor Fund	-	-	-	-	1,399,467	1,399,467
Payment to refunded bond escrow agent	-	<u>(640,000)</u>	-	-	-	<u>(640,000)</u>
Total other financing sources (uses)	<u>(59,900)</u>	<u>(640,000)</u>	<u>1,038,377</u>	<u>-</u>	<u>1,399,467</u>	<u>1,737,944</u>
Net change in fund balance	116,842	(641,478)	-	(5,115)	(441,893)	(971,644)
Fund balance, January 1	<u>1,019,316</u>	<u>669,070</u>	<u>-</u>	<u>263,571</u>	<u>1,514,737</u>	<u>3,466,694</u>
Fund balance, December 31	<u>\$1,136,158</u>	<u>\$ 27,592</u>	<u>\$ -</u>	<u>\$ 258,456</u>	<u>\$1,072,844</u>	<u>\$2,495,050</u>

**CITY OF LAKEVILLE, MINNESOTA**  
 CAPITAL PROJECTS FUNDS (NONMAJOR)  
 COMBINING BALANCE SHEET  
 DECEMBER 31, 2012

	<u>Municipal State-aid</u>	<u>Pavement Management</u>	<u>Storm Sewer</u>	<u>Water</u>	<u>Sanitary Sewer</u>	<u>Park Dedication</u>	<u>Trail Improvement</u>	<u>Tax Increment</u>	<u>Equipment</u>	<u>Total</u>
<b>Assets</b>										
Cash and investments	\$ 3,404,152	\$ 1,046,938	\$ 673,905	\$ 1,590,439	\$ 3,316,202	\$ 1,404,602	\$ 1,019,721	\$ 132,250	\$ 2,418,236	\$ 15,006,445
Interest receivable	19,083	4,783	2,605	2,891	16,183	6,096	6,609	332	8,261	66,843
Taxes receivable - unremitted	-	89,458	-	-	-	-	-	2,089	47,090	138,637
Taxes receivable - delinquent	-	13,975	-	-	-	-	-	1,245	5,899	21,119
Accounts receivable	-	-	-	-	-	14,084	-	-	10,080	24,164
Loan receivable	-	-	115,000	-	-	-	-	-	-	115,000
Special assessments										
Unremitted	-	-	-	232	577	-	-	-	-	809
Delinquent	-	112	-	2	591	-	-	-	-	705
Deferred	-	10,963	1,730	113,246	89,659	288	-	-	-	215,886
Other	-	-	58,890	48,452	276,283	-	-	-	-	383,625
<b>Total assets</b>	<b>\$ 3,423,235</b>	<b>\$ 1,166,229</b>	<b>\$ 852,130</b>	<b>\$ 1,755,262</b>	<b>\$ 3,699,495</b>	<b>\$ 1,425,070</b>	<b>\$ 1,026,330</b>	<b>\$ 135,916</b>	<b>\$ 2,489,566</b>	<b>\$ 15,973,233</b>
<b>Liabilities</b>										
Accounts payable	\$ 26,523	\$ 14,241	\$ -	\$ -	\$ -	\$ 12,371	\$ 18,357	\$ 78,543	\$ 32,189	\$ 182,224
Contracts payable	-	-	-	-	-	11,156	-	-	6,609	17,765
Deposits payable	-	-	-	56,054	26,125	4,216	-	-	-	86,395
<b>Total liabilities</b>	<b>26,523</b>	<b>14,241</b>	<b>-</b>	<b>56,054</b>	<b>26,125</b>	<b>27,743</b>	<b>18,357</b>	<b>78,543</b>	<b>38,798</b>	<b>286,384</b>
<b>Deferred inflows of resources</b>										
Unavailable revenue - taxes	-	13,975	-	-	-	-	-	1,245	5,899	21,119
Unavailable revenue - special assessments	-	11,075	60,620	161,700	366,533	288	-	-	-	600,216
Unavailable revenue - other	-	-	115,000	-	-	-	-	-	-	115,000
<b>Total deferred inflows of resources</b>	<b>-</b>	<b>25,050</b>	<b>175,620</b>	<b>161,700</b>	<b>366,533</b>	<b>288</b>	<b>-</b>	<b>1,245</b>	<b>5,899</b>	<b>736,335</b>
<b>Fund balance</b>										
Restricted	3,396,712	-	-	-	-	1,397,039	-	56,128	-	4,849,879
Committed	-	1,126,938	676,510	1,537,508	3,306,837	-	1,007,973	-	2,444,869	10,100,635
<b>Total fund balance</b>	<b>3,396,712</b>	<b>1,126,938</b>	<b>676,510</b>	<b>1,537,508</b>	<b>3,306,837</b>	<b>1,397,039</b>	<b>1,007,973</b>	<b>56,128</b>	<b>2,444,869</b>	<b>14,950,514</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 3,423,235</b>	<b>\$ 1,166,229</b>	<b>\$ 852,130</b>	<b>\$ 1,755,262</b>	<b>\$ 3,699,495</b>	<b>\$ 1,425,070</b>	<b>\$ 1,026,330</b>	<b>\$ 135,916</b>	<b>\$ 2,489,566</b>	<b>\$ 15,973,233</b>

**CITY OF LAKEVILLE, MINNESOTA**

CAPITAL PROJECTS FUNDS (NONMAJOR)

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED DECEMBER 31, 2012

	<u>Municipal</u> <u>State-aid</u>	<u>Pavement</u> <u>Management</u>	<u>Storm</u> <u>Sewer</u>	<u>Water</u>	<u>Sanitary</u> <u>Sewer</u>	<u>Park</u> <u>Dedication</u>	<u>Trail</u> <u>Improvement</u>	<u>Tax</u> <u>Increment</u>	<u>Equipment</u>	<u>Total</u>
<b>Revenues</b>										
General property taxes										
Current	\$ -	\$ 1,118,025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 614,763	\$ 1,732,788
Fiscal disparities	-	146,428	-	-	-	-	-	-	81,199	227,627
Total general property taxes	-	1,264,453	-	-	-	-	-	-	695,962	1,960,415
Tax increment	-	-	-	-	-	-	-	191,793	-	191,793
Intergovernmental										
Municipal state-aid	-	374,335	-	-	-	-	-	-	-	374,335
Federal grants	-	-	-	-	-	20,654	-	-	55,443	76,097
State grants	-	-	-	-	-	-	-	-	18,481	18,481
County and local grants	-	-	-	-	-	54,836	-	-	19,530	74,366
Charges for services	-	-	653,980	1,463,245	357,585	970,360	-	-	-	3,445,170
Special assessments	-	210	955	45,094	38,239	70	-	-	-	84,568
Investment income	19,676	4,932	2,686	2,980	16,686	6,286	6,815	342	8,518	68,921
Donations	-	-	-	-	-	5,678	-	-	1,575	7,253
Miscellaneous	-	-	-	273,836	-	20,867	-	-	220,390	515,093
Total revenues	19,676	1,643,930	657,621	1,785,155	412,510	1,078,751	6,815	192,135	1,019,899	6,816,492
<b>Expenditures - capital outlay</b>										
General government	-	-	-	-	-	-	-	161,691	224,697	386,388
Public safety	-	-	-	-	-	-	-	-	341,586	341,586
Public works	26,522	1,481,789	235,852	29,786	143	-	-	-	964,240	2,738,332
Parks and recreation	-	-	-	-	-	307,755	329,971	-	75,840	713,566
Total expenditures - capital outlay	26,522	1,481,789	235,852	29,786	143	307,755	329,971	161,691	1,606,363	4,179,872
Excess (deficiency) of revenues over expenditures	(6,846)	162,141	421,769	1,755,369	412,367	770,996	(323,156)	30,444	(586,464)	2,636,620
<b>Other financing sources (uses)</b>										
Transfer from/(to)										
General Fund	-	-	-	-	-	-	-	-	369,694	369,694
Special Revenue - Communications	-	-	-	-	-	-	-	-	148,416	148,416
Debt Service - G.O. Improvement Fund	-	-	(331,000)	(136,093)	-	-	-	(21,810)	-	(488,903)
Debt Service - Tax Increment Fund	-	-	59,900	-	-	-	-	-	-	59,900
Debt Service - Water Revenue Fund	-	-	-	(1,038,377)	-	-	-	-	-	(1,038,377)
Enterprise - Liquor Fund	-	-	-	-	-	-	-	-	599,134	599,134
Enterprise - Utility Fund	-	-	-	170,000	-	-	-	-	-	170,000
Internal Service - Comp. Liability Fund	-	-	-	-	-	-	-	-	683,602	683,602
Total other financing sources (uses)	-	-	(271,100)	(1,004,470)	-	-	-	(21,810)	1,800,846	503,466
Net change in fund balance	(6,846)	162,141	150,669	750,899	412,367	770,996	(323,156)	8,634	1,214,382	3,140,086
Fund balance, January 1	3,403,558	964,797	525,841	786,609	2,894,470	626,043	1,331,129	47,494	1,230,487	11,810,428
Fund balance, December 31	\$ 3,396,712	\$ 1,126,938	\$ 676,510	\$ 1,537,508	\$ 3,306,837	\$ 1,397,039	\$ 1,007,973	\$ 56,128	\$ 2,444,869	\$ 14,950,514

**CITY OF LAKEVILLE, MINNESOTA**  
COMMUNICATIONS - SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2012

	<b>Budget As Originally Adopted</b>	<b>Final Budget</b>	<b>Actual</b>	<b>Variance With Final Budget</b>
<b>Revenues</b>				
Licenses and permits	\$ 607,523	\$ 607,523	\$ 598,878	\$ (8,645)
Intergovernmental	516	516	5,016	4,500
Investment income	<u>4,106</u>	<u>4,106</u>	<u>4,495</u>	<u>389</u>
Total revenues	<u>612,145</u>	<u>612,145</u>	<u>608,389</u>	<u>(3,756)</u>
<b>Expenditures - general government</b>				
Current				
Personnel	318,770	315,615	316,273	(658)
Commodities	8,876	8,876	3,179	5,697
Other charges and services	107,995	148,170	119,964	28,206
Capital outlay	<u>27,227</u>	<u>27,227</u>	<u>38,992</u>	<u>(11,765)</u>
Total expenditures - general government	<u>462,868</u>	<u>499,888</u>	<u>478,408</u>	<u>21,480</u>
Excess of revenues over expenditures	<u>149,277</u>	<u>112,257</u>	<u>129,981</u>	<u>17,724</u>
<b>Other financing uses</b>				
Transfer to				
General Fund	(72,793)	(72,793)	(58,171)	14,622
Capital Projects - Equipment Fund	<u>(148,416)</u>	<u>(148,416)</u>	<u>(148,416)</u>	<u>-</u>
Total other financing uses	<u>(221,209)</u>	<u>(221,209)</u>	<u>(206,587)</u>	<u>14,622</u>
Net change in fund balance	<u>\$ (71,932)</u>	<u>\$ (108,952)</u>	<u>(76,606)</u>	<u>\$ 32,346</u>
Fund balance, January 1			<u>859,516</u>	
Fund balance, December 31			<u>\$ 782,910</u>	

**CITY OF LAKEVILLE, MINNESOTA**  
 ECONOMIC DEVELOPMENT - SPECIAL REVENUE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 YEAR ENDED DECEMBER 31, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>Revenues</b>			
Intergovernmental - Federal grants	\$ -	\$ 91,735	\$ 91,735
Charges for services	2,250	2,500	250
Investment income	<u>652</u>	<u>364</u>	<u>(288)</u>
Total revenues	<u>2,902</u>	<u>94,599</u>	<u>91,697</u>
<b>Expenditures - General government</b>			
Capital outlay	<u>-</u>	<u>93,014</u>	<u>(93,014)</u>
Excess of revenues over expenditures	<u>\$ 2,902</u>	1,585	<u>\$ (1,317)</u>
Fund balance, January 1		<u>65,191</u>	
Fund balance, December 31		<u>\$ 66,776</u>	

**CITY OF LAKEVILLE, MINNESOTA**  
DOWNTOWN SPECIAL SERVICE DISTRICT - SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED DECEMBER 31, 2012

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
<b>Revenues</b>			
Charges for services	\$ 27,534	\$ 30,605	\$ 3,071
Donations	-	500	500
Miscellaneous	<u>4,000</u>	<u>-</u>	<u>(4,000)</u>
Total revenues	<u>31,534</u>	<u>31,105</u>	<u>(429)</u>
<b>Expenditures - general government</b>			
Current			
Personnel	11,250	10,436	814
Commodities	650	449	201
Other charges and services	<u>21,190</u>	<u>19,434</u>	<u>1,756</u>
Total expenditures - general government	<u>33,090</u>	<u>30,319</u>	<u>2,771</u>
Excess (deficiency) of revenues over expenditures	<u>\$ (1,556)</u>	786	<u>\$ 2,342</u>
Fund balance, January 1		<u>25,017</u>	
Fund balance, December 31		<u>\$ 25,803</u>	

## **INTERNAL SERVICE FUNDS**

**Internal Service Funds** – The Internal Service Funds are used to account for services provided by one City department to other City departments on a cost reimbursement basis.

### **Municipal Reserves Fund**

This fund accounts for the City's risk management program relating to general liability, excess liability, property and casualty insurance premiums. Premiums are based upon a \$50,000 deductible per occurrence with a \$100,000 aggregate maximum. The Statutory Municipal Tort Liability has a maximum limit of \$1,500,000. This fund also accounts for excess liability self-insurance coverage in excess of the statutory maximum of \$1,500,000.

### **Compensation Liability Fund**

This fund accounts for expenses attributable to severance and paid time off employee benefits disbursed at the time of termination including annual paid time off cash-outs. Funding is provided by investment income and transfers.



**CITY OF LAKEVILLE, MINNESOTA**  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF NET POSITION  
DECEMBER 31, 2012

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	<b>Municipal Reserves Fund</b>	<b>Compensation Liability Fund</b>	<b>Total</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and investments	\$ 858,157	\$ -	\$ 858,157
Interest receivable	2,617	-	2,617
Accounts receivable	<u>534</u>	<u>-</u>	<u>534</u>
Total current assets	<u>861,308</u>	<u>-</u>	<u>861,308</u>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable	<u>3,944</u>	<u>-</u>	<u>3,944</u>
<b>NET POSITION</b>			
Unrestricted	<u>\$ 857,364</u>	<u>\$ -</u>	<u>\$ 857,364</u>

**CITY OF LAKEVILLE, MINNESOTA**

INTERNAL SERVICE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

YEAR ENDED DECEMBER 31, 2012

	<b>Municipal Reserves Fund</b>	<b>Compensation Liability Fund</b>	<b>Total</b>
<b>Operating revenues</b>			
Charges for services	\$ 293,779	\$ -	\$ 293,779
Other	164,456	-	164,456
Total revenues	<u>458,235</u>	<u>-</u>	<u>458,235</u>
<b>Operating expenses</b>			
Other charges and services	<u>402,934</u>	<u>81,481</u>	<u>484,415</u>
Operating income (loss)	<u>55,301</u>	<u>(81,481)</u>	<u>(26,180)</u>
<b>Non-operating revenue</b>			
Intergovernmental - grants	21,363	-	21,363
Investment income	<u>2,698</u>	<u>-</u>	<u>2,698</u>
Total non-operating revenue	<u>24,061</u>	<u>-</u>	<u>24,061</u>
Income (loss) before contributions and transfers	79,362	(81,481)	(2,119)
Transfers to other funds	<u>(45,768)</u>	<u>(683,602)</u>	<u>(729,370)</u>
Change in net position	33,594	(765,083)	(731,489)
Net position, January 1	<u>823,770</u>	<u>765,083</u>	<u>1,588,853</u>
Net position, December 31	<u>\$ 857,364</u>	<u>\$ -</u>	<u>\$ 857,364</u>

**CITY OF LAKEVILLE, MINNESOTA**  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
YEAR ENDED DECEMBER 31, 2012

	<b>Municipal Reserves Fund</b>	<b>Compensation Liability Fund</b>	<b>Total</b>
<b>Cash flows from operating activities</b>			
Cash received from general service charges	\$ 457,701	\$ -	\$ 457,701
Cash paid to suppliers	(410,525)	(81,481)	(492,006)
Net cash flows from operating activities	<u>47,176</u>	<u>(81,481)</u>	<u>(34,305)</u>
<b>Cash flows from noncapital financing activities</b>			
Intergovernmental - grant	21,363	-	21,363
Transfers to other funds	(45,768)	(683,602)	(729,370)
Net cash flows from noncapital financing activities	<u>(24,405)</u>	<u>(683,602)</u>	<u>(708,007)</u>
<b>Cash flows from investing activities</b>			
Investment income received	<u>2,974</u>	<u>5,893</u>	<u>8,867</u>
Net change in cash and cash equivalents	25,745	(759,190)	(733,445)
Cash and cash equivalents, January 1	<u>832,412</u>	<u>759,190</u>	<u>1,591,602</u>
Cash and cash equivalents, December 31	<u>\$ 858,157</u>	<u>\$ -</u>	<u>\$ 858,157</u>
<b>Reconciliation of operating income (loss) to net cash flows from operating activities</b>			
Operating income (loss)	\$ 55,301	\$ (81,481)	\$ (26,180)
Adjustments			
(Increase) decrease in assets			
Accounts receivable	(534)	-	(534)
Increase (decrease) in liabilities			
Accounts payable	(7,591)	-	(7,591)
Total adjustments	<u>(8,125)</u>	<u>-</u>	<u>\$ (8,125)</u>
Net cash flows from operating activities	<u>\$ 47,176</u>	<u>\$ (81,481)</u>	<u>\$ (34,305)</u>

## **AGENCY FUND**

**Agency Fund** – The Agency Fund is used to account for assets held by the City as an agent for other City funds, governments, and individuals.

### **Escrow Fund**

This fund accounts for deposits paid by land developers, builders, and other individuals for future disbursements. The disbursements relating to these events will be made when specific terms and conditions have been satisfied.

**CITY OF LAKEVILLE, MINNESOTA**  
AGENCY FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
YEAR ENDED DECEMBER 31, 2012

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<u>Escrow Fund</u>	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
<b>Assets</b>				
Cash and investments	<u>\$ 5,512,751</u>	<u>\$ 1,126,680</u>	<u>\$ 749,317</u>	<u>\$ 5,890,114</u>
<b>Liabilities</b>				
Deposits payable	<u>\$ 5,512,751</u>	<u>\$ 1,126,680</u>	<u>\$ 749,317</u>	<u>\$ 5,890,114</u>

**S U P P L E M E N T A L   I N F O R M A T I O N**

**CITY OF LAKEVILLE, MINNESOTA**  
**SCHEDULE OF CHANGES IN BONDED INDEBTEDNESS**  
**YEAR ENDED DECEMBER 31, 2012**

	<b><u>Outstanding January 1</u></b>	<b><u>Issued</u></b>	<b><u>Redeemed</u></b>	<b><u>Outstanding December 31</u></b>
<b><u>Governmental Activities:</u></b>				
General obligation bonds	\$ 52,985,000	\$ 22,450,000	\$ 3,775,000	\$ 71,660,000
G.O. Improvement bonds	7,365,000	6,805,000	985,000	13,185,000
Tax increment bonds	3,180,000	-	425,000	2,755,000
State-aid street revenue bonds	6,505,000	-	1,225,000	5,280,000
Water connection revenue bonds	4,630,000	-	870,000	3,760,000
Arena revenue bonds	1,305,000	-	130,000	1,175,000
HRA lease revenue bonds	<u>10,500,000</u>	<u>-</u>	<u>1,965,000</u>	<u>8,535,000</u>
Total governmental activity bonds	<u>86,470,000</u>	<u>29,255,000</u>	<u>9,375,000</u>	<u>106,350,000</u>
<b><u>Business-type Activities:</u></b>				
Liquor revenue bonds	<u>3,545,000</u>	<u>-</u>	<u>150,000</u>	<u>3,395,000</u>
Total bonded indebtedness	<u>\$ 90,015,000</u>	<u>\$ 29,255,000</u>	<u>\$ 9,525,000</u>	<u>\$ 109,745,000</u>

**CITY OF LAKEVILLE, MINNESOTA**  
**SCHEDULE OF BONDED INDEBTEDNESS AND ANNUAL INTEREST PAYABLE**  
**DECEMBER 31, 2012**

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Principal Maturity Date</u>	<u>Amount</u>	<u>Annual Interest</u>
<b><u>General Obligation Bonds:</u></b>					
<b>Park Refunding Bonds of 2011 B</b>	<b>12/1/11</b>				
Principal and Interest		0.50	4/1/13	\$ 400,000	\$ 6,505
Principal and Interest		0.60	4/1/14	405,000	4,290
Principal and Interest		0.75	4/1/15	410,000	1,538
Total				<u>1,215,000</u>	<u>12,333</u>
<b>Capital Improvement Bonds of 2004 A</b>	<b>11/1/04</b>				
(Central Maintenance Facility)					
Principal and interest		4.00	2/1/13	280,000	598,506
Principal and interest		4.00	2/1/14	320,000	586,506
Principal and interest		4.00	2/1/15	360,000	290,053
Principal (call 2/1/15)				12,460,000	-
Total				<u>13,420,000</u>	<u>1,475,065</u>
<b>Capital Improvement Refunding Bonds of 2012 B</b>	<b>8/15/12</b>				
(Central Maintenance Facility)					
Interest August 1, 2013				-	383,339
Interest		2.00	2/1/14	-	398,850
Interest		2.00	2/1/15	-	398,850
Principal and interest		2.00	2/1/16	505,000	393,800
Principal and interest		2.00	2/1/17	530,000	383,450
Principal and interest		4.00	2/1/18	570,000	366,750
Principal and interest		4.00	2/1/19	635,000	342,650
Principal and interest		4.00	2/1/20	670,000	316,550
Principal and interest		4.00	2/1/21	750,000	288,150
Principal and interest (call provision date)		3.00	2/1/22	770,000	261,600
Principal and interest		3.00	2/1/23	810,000	237,900
Principal and interest		3.00	2/1/24	865,000	212,775
Principal and interest		3.00	2/1/25	930,000	185,850
Principal and interest		3.00	2/1/26	1,040,000	156,300
Principal and interest		3.00	2/1/27	1,070,000	124,650
Principal and interest		3.00	2/1/28	1,125,000	91,725
Principal and interest		3.00	2/1/29	1,200,000	56,850
Principal and interest		3.00	2/1/30	1,295,000	19,425
Total				<u>12,765,000</u>	<u>4,619,464</u>
<b>Capital Improvement Bonds of 2007 D</b>	<b>8/1/07</b>				
(Police Station)					
Principal and interest		5.00	2/1/13	435,000	652,238
Principal and interest		5.00	2/1/14	450,000	630,113
Principal and interest		5.00	2/1/15	470,000	607,113
Principal and interest		5.00	2/1/16	490,000	583,113
Principal and Interest (call provision date)		5.00	2/1/17	515,000	557,988
Principal and interest		5.00	2/1/18	535,000	531,738
Principal and interest		5.00	2/1/19	560,000	504,363
Principal and interest		5.00	2/1/20	585,000	475,738
Principal and interest		5.00	2/1/21	610,000	445,863

(continued)



**CITY OF LAKEVILLE, MINNESOTA**  
**SCHEDULE OF BONDED INDEBTEDNESS AND ANNUAL INTEREST PAYABLE**  
**DECEMBER 31, 2012**

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Principal Maturity Date</u>	<u>Amount</u>	<u>Annual Interest</u>
<b>General Obligation Bonds:</b> (continued)					
<b>Capital Improvement Bonds of 2007 D</b>					
(Police Station, continued)					
Principal and interest		5.00	2/1/22	\$ 635,000	\$ 414,738
Principal and interest		5.00	2/1/23	665,000	382,238
Principal and interest		5.00	2/1/24	695,000	348,238
Principal and interest		5.00	2/1/25	730,000	312,613
Principal and interest		5.00	2/1/26	765,000	275,238
Principal and interest		5.00	2/1/27	800,000	236,113
Principal and interest		5.00	2/1/28	835,000	195,238
Principal and interest		4.625	2/1/29	875,000	154,128
Principal and interest		4.625	2/1/30	920,000	112,619
Principal and interest		4.625	2/1/31	965,000	69,028
Principal and interest		4.625	2/1/32	1,010,000	23,356
Total				<u>13,545,000</u>	<u>7,511,814</u>
<b>Street Reconstruction Bonds of 2003 A</b>					
	<b>3/15/03</b>				
Principal and interest		3.50	2/1/13	680,000	464,283
Principal and Interest		4.00	2/1/14	700,000	226,191
Principal (call 2/1/14)				10,035,000	-
Total				<u>11,415,000</u>	<u>690,474</u>
<b>Street Reconstruction Refunding Bonds of 2012 B</b>					
	<b>8/15/12</b>				
Interest August 1, 2013				-	289,727
Interest		2.00	2/1/14	-	301,450
Principal and interest		2.00	2/1/15	645,000	295,000
Principal and interest		2.00	2/1/16	725,000	281,300
Principal and interest		2.00	2/1/17	675,000	267,300
Principal and interest		4.00	2/1/18	730,000	245,950
Principal and interest		4.00	2/1/19	765,000	216,050
Principal and interest		4.00	2/1/20	805,000	184,650
Principal and interest		4.00	2/1/21	835,000	151,850
Principal and interest (call provision date)		3.00	2/1/22	850,000	122,400
Principal and interest		3.00	2/1/23	880,000	96,450
Principal and interest		3.00	2/1/24	905,000	69,675
Principal and interest		3.00	2/1/25	935,000	42,075
Principal and interest		3.00	2/1/26	935,000	14,025
Total				<u>9,685,000</u>	<u>2,577,902</u>
<b>Street Reconstruction Bonds of 2005 A</b>					
	<b>12/1/05</b>				
Principal and interest		3.85	2/1/13	140,000	98,205
Principal and interest		3.85	2/1/14	145,000	92,719
Principal and interest		3.75	2/1/15	150,000	87,115
Principal and Interest (call provision date)		3.75	2/1/16	155,000	81,396
Principal and interest		3.85	2/1/17	160,000	75,410
Principal and interest		3.85	2/1/18	170,000	69,058
Principal and interest		3.90	2/1/19	175,000	62,373
Principal and interest		3.90	2/1/20	180,000	55,450
Principal and interest		4.00	2/1/21	190,000	48,140
Principal and interest		4.00	2/1/22	195,000	40,440
(continued)					

**CITY OF LAKEVILLE, MINNESOTA**  
**SCHEDULE OF BONDED INDEBTEDNESS AND ANNUAL INTEREST PAYABLE**  
**DECEMBER 31, 2012**

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Principal Maturity Date</u>	<u>Amount</u>	<u>Annual Interest</u>
<b>General Obligation Bonds:</b> (continued)					
<b>Street Reconstruction Bonds of 2005 A</b> (continued)					
Principal and interest		4.10	2/1/23	\$ 205,000	\$ 32,338
Principal and interest		4.10	2/1/24	215,000	23,728
Principal and interest		4.20	2/1/25	225,000	14,595
Principal and interest		4.20	2/1/26	<u>235,000</u>	<u>4,935</u>
Total				<u>2,540,000</u>	<u>785,902</u>
<b>Street Reconstruction Bonds of 2007 H</b> <b>12/15/07</b>					
Principal and interest		3.50	2/1/13	115,000	101,658
Principal and interest		3.50	2/1/14	120,000	97,545
Principal and interest		4.00	2/1/15	125,000	92,945
Principal and interest		4.00	2/1/16	125,000	87,945
Principal and interest		4.00	2/1/17	130,000	82,845
Principal and Interest (call provision date)		4.00	2/1/18	140,000	77,445
Principal and interest		4.00	2/1/19	145,000	71,745
Principal and interest		4.00	2/1/20	150,000	65,845
Principal and interest		4.10	2/1/21	155,000	59,668
Principal and interest		4.125	2/1/22	160,000	53,190
Principal and interest		4.20	2/1/23	170,000	46,320
Principal and interest		4.375	2/1/24	175,000	38,922
Principal and interest		4.375	2/1/25	185,000	31,047
Principal and interest		4.50	2/1/26	190,000	22,725
Principal and interest		4.50	2/1/27	200,000	13,950
Principal and interest		4.50	2/1/28	<u>210,000</u>	<u>4,725</u>
Total				<u>2,495,000</u>	<u>948,520</u>
<b>Taxable Street Reconstruction Bonds of 2009 A</b> <b>12/30/09</b>					
(Build America Bonds)					
Principal and interest		2.20	2/1/13	200,000	214,313
Principal and interest		2.70	2/1/14	205,000	209,345
Principal and interest		3.00	2/1/15	205,000	203,503
Principal and interest		3.50	2/1/16	210,000	196,753
Principal and interest		4.00	2/1/17	215,000	188,778
Principal and interest		4.25	2/1/18	225,000	179,696
Principal and interest		4.50	2/1/19	230,000	169,740
Principal and Interest (call provision date)		4.65	2/1/20	235,000	159,101
Principal and interest		4.75	2/1/21	245,000	147,819
Principal and interest		4.90	2/1/22	250,000	135,875
Principal and interest		5.00	2/1/23	260,000	123,250
Principal and interest		5.20	2/1/24	270,000	109,730
Principal and interest		5.30	2/1/25	280,000	95,290
Principal and interest		5.40	2/1/26	290,000	80,040
Principal and interest		5.50	2/1/27	300,000	63,960
Principal and interest		5.65	2/1/28	310,000	46,953
Principal and interest		5.80	2/1/29	320,000	28,915
Principal and interest		5.95	2/1/30	<u>330,000</u>	<u>9,818</u>
Total				<u>4,580,000</u>	<u>2,362,879</u>
<b>Total General Obligation Bonds</b>				<b>\$ 71,660,000</b>	<b>\$ 20,984,353</b>

**CITY OF LAKEVILLE, MINNESOTA**  
**SCHEDULE OF BONDED INDEBTEDNESS AND ANNUAL INTEREST PAYABLE**  
**DECEMBER 31, 2012**

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Principal Maturity Date</u>	<u>Amount</u>	<u>Annual Interest</u>
<b><u>G.O. Improvement Bonds:</u></b>					
<b>Improvement Refunding Bonds of 2007 B</b>	<b>2/1/07</b>				
Principal and interest		3.875	2/1/13	\$ 295,000	\$ 16,566
Principal and interest		3.875	2/1/14	95,000	9,009
Principal and interest		3.875	2/1/15	90,000	5,425
Principal and interest		3.875	2/1/16	95,000	1,841
Total				<u>575,000</u>	<u>32,841</u>
<b>Improvement Bonds of 2007 F</b>	<b>8/1/07</b>				
Principal and interest		4.00	2/1/13	50,000	11,113
Principal and Interest (call provision date)		4.00	2/1/14	50,000	9,113
Principal and interest		4.00	2/1/15	50,000	7,113
Principal and interest		4.00	2/1/16	50,000	5,113
Principal and interest		4.00	2/1/17	50,000	3,088
Principal and interest		4.125	2/1/18	50,000	1,031
Total				<u>300,000</u>	<u>36,571</u>
<b>Improvement Bonds of 2008 A</b>	<b>10/1/08</b>				
Principal and interest		3.00	2/1/13	30,000	6,855
Principal and interest		3.10	2/1/14	30,000	5,940
Principal and interest		3.25	2/1/15	30,000	4,988
Principal and interest		3.75	2/1/16	30,000	3,938
Principal and interest		3.75	2/1/17	30,000	2,813
Principal and interest		3.75	2/1/18	30,000	1,688
Principal and interest		3.75	2/1/19	30,000	563
Total				<u>210,000</u>	<u>26,785</u>
<b>Improvement Refunding Bonds of 2009 B</b>	<b>12/30/09</b>				
Principal and interest		2.00	2/1/13	510,000	66,563
Principal and interest		2.00	2/1/14	385,000	57,613
Principal and interest		2.00	2/1/15	380,000	49,963
Principal and interest		2.50	2/1/16	390,000	41,288
Principal and interest		2.75	2/1/17	375,000	31,256
Principal and interest		3.00	2/1/18	355,000	20,775
Principal and interest		3.00	2/1/19	360,000	10,050
Principal and interest		3.00	2/1/20	155,000	2,325
Total				<u>2,910,000</u>	<u>279,833</u>
<b>Improvement Bonds of 2011 A</b>	<b>12/1/11</b>				
Principal and interest		0.500	2/1/13	345,000	39,983
Principal and interest		0.700	2/1/14	190,000	38,455
Principal and interest		0.950	2/1/15	195,000	36,864
Principal and interest		1.200	2/1/16	190,000	34,798
Principal and interest		1.400	2/1/17	190,000	32,328
Principal and interest		1.700	2/1/18	190,000	29,383
Principal and interest		1.900	2/1/19	190,000	25,963
Principal and interest		2.100	2/1/20	190,000	22,163
Principal and interest		2.250	2/1/21	195,000	17,974
Principal and interest		2.600	2/1/22	50,000	15,130
Principal and interest		2.600	2/1/23	50,000	13,830
Principal and interest		3.100	2/1/24	50,000	12,530

(continued)

**CITY OF LAKEVILLE, MINNESOTA**  
**SCHEDULE OF BONDED INDEBTEDNESS AND ANNUAL INTEREST PAYABLE**  
**DECEMBER 31, 2012**

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Principal Maturity Date</u>	<u>Amount</u>	<u>Annual Interest</u>
<b>G.O. Improvement Bonds:</b> (continued)					
<b>Improvement Bonds of 2011 A</b> (continued)					
Principal and interest		3.100	2/1/25	\$ 45,000	\$ 11,183
Principal and interest		3.100	2/1/26	45,000	9,788
Principal and interest		3.100	2/1/27	45,000	8,393
Principal and interest		3.500	2/1/28	45,000	6,998
Principal and interest		3.500	2/1/29	45,000	5,513
Principal and interest		3.500	2/1/30	45,000	3,938
Principal and interest		3.500	2/1/31	45,000	2,363
Principal and interest		3.500	2/1/32	45,000	788
Total				<u>2,385,000</u>	<u>368,365</u>
<b>Improvement Bonds of 2012 A</b>					
	<b>8/15/12</b>				
Interest August 1, 2013				-	177,109
Principal and interest		2.000	2/1/14	505,000	179,225
Principal and interest		2.000	2/1/15	550,000	168,675
Principal and interest		2.000	2/1/16	550,000	157,675
Principal and interest		2.000	2/1/17	555,000	146,625
Principal and interest		2.000	2/1/18	550,000	135,575
Principal and interest		3.000	2/1/19	550,000	121,825
Principal and interest		3.000	2/1/20	555,000	105,250
Principal and interest		3.000	2/1/21	565,000	88,450
Principal and interest (call provision date)		3.000	2/1/22	565,000	71,500
Principal and interest		4.000	2/1/23	575,000	51,525
Principal and interest		4.000	2/1/24	135,000	37,325
Principal and interest		3.000	2/1/25	130,000	32,675
Principal and interest		3.000	2/1/26	130,000	28,775
Principal and interest		3.000	2/1/27	130,000	24,875
Principal and interest		3.000	2/1/28	130,000	20,975
Principal and interest		3.000	2/1/29	130,000	17,075
Principal and interest		3.000	2/1/30	125,000	13,250
Principal and interest		3.000	2/1/31	125,000	9,500
Principal and interest		3.000	2/1/32	125,000	5,750
Principal and interest		3.100	2/1/33	125,000	1,938
Total				<u>6,805,000</u>	<u>1,595,572</u>
<b>Total G.O. Improvement Bonds</b>				<b>\$ 13,185,000</b>	<b>\$ 2,339,967</b>
<b>Tax Increment Bonds:</b>					
<b>Tax Increment Refunding</b>					
<b>Bonds of 2007 A</b>					
Principal and interest		4.00	2/1/13	\$ 55,000	\$ 80,661
Principal and interest		4.00	2/1/14	70,000	78,161
Principal and interest		4.00	2/1/15	210,000	72,561
Principal and Interest (call provision date)		4.00	2/1/16	220,000	63,961
Principal and interest		4.00	2/1/17	220,000	55,161
Principal and interest		4.00	2/1/18	230,000	46,161
Principal and interest		4.00	2/1/19	240,000	36,761
Principal and interest		4.125	2/1/20	245,000	26,908
Principal and interest		4.125	2/1/21	260,000	16,493
Principal and interest		4.20	2/1/22	265,000	5,565
Total				<u>2,015,000</u>	<u>482,393</u>

(continued)

**CITY OF LAKEVILLE, MINNESOTA**  
**SCHEDULE OF BONDED INDEBTEDNESS AND ANNUAL INTEREST PAYABLE**  
**DECEMBER 31, 2012**

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Principal Date</u>	<u>Maturity Amount</u>	<u>Annual Interest</u>
<b>Tax Increment Bonds: (continued)</b>					
<b>Taxable Tax Increment Refunding Bonds of 2007 C</b>	<b>2/1/07</b>				
Principal and interest		5.10	2/1/13	\$ 130,000	\$ 10,200
Principal and interest		5.10	2/1/14	135,000	3,443
Total				<u>265,000</u>	<u>13,643</u>
<b>Tax Increment Refunding Bonds of 2009 B</b>	<b>12/30/09</b>				
Principal and interest		2.00	2/1/13	235,000	7,150
Principal and interest		2.00	2/1/14	240,000	2,400
Total				<u>475,000</u>	<u>9,550</u>
<b>Total Tax Increment Bonds</b>				<b><u>\$ 2,755,000</u></b>	<b><u>\$ 505,586</u></b>
<b>State-aid Street Revenue Bonds:</b>					
<b>State-aid Street Bonds of 2007 G</b>	<b>12/15/07</b>				
Principal and interest		4.00	4/1/13	\$ 365,000	\$ 88,700
Principal and interest		4.00	4/1/14	375,000	73,900
Principal and interest		4.00	4/1/15	390,000	58,600
Principal and Interest (call provision date)		4.00	4/1/16	405,000	42,700
Principal and interest		4.00	4/1/17	425,000	26,100
Principal and interest		4.00	4/1/18	440,000	8,800
Total				<u>2,400,000</u>	<u>298,800</u>
<b>State-aid Street Refunding Bonds of 2010 A</b>	<b>1/1/10</b>				
Principal and interest		2.00	4/1/13	255,000	60,000
Principal and interest		2.00	4/1/14	255,000	54,900
Principal and interest		2.00	4/1/15	260,000	49,750
Principal and interest		3.00	4/1/16	275,000	43,025
Principal and interest		3.00	4/1/17	280,000	34,700
Principal and interest		3.00	4/1/18	285,000	26,225
Principal and interest		3.25	4/1/19	300,000	17,075
Principal and interest		4.00	4/1/20	305,000	6,100
Total				<u>2,215,000</u>	<u>291,775</u>
<b>State-aid Street Refunding Bonds of 2011 B</b>	<b>12/1/11</b>				
Principal and interest		0.50	4/1/13	70,000	8,928
Principal and interest		0.60	4/1/14	70,000	8,543
Principal and interest		0.75	4/1/15	75,000	8,051
Principal and interest		1.25	4/1/16	70,000	7,333
Principal and interest		1.25	4/1/17	75,000	6,426
Principal and interest		1.75	4/1/18	75,000	5,301
Principal and interest		1.75	4/1/19	75,000	3,989
Principal and interest		2.15	4/1/20	75,000	2,526
Principal and interest		2.15	4/1/21	80,000	860
Total				<u>665,000</u>	<u>51,957</u>
<b>Total State-aid Street Revenue Bonds</b>				<b><u>\$ 5,280,000</u></b>	<b><u>\$ 642,532</u></b>

**CITY OF LAKEVILLE, MINNESOTA**  
 SCHEDULE OF BONDED INDEBTEDNESS AND ANNUAL INTEREST PAYABLE  
 DECEMBER 31, 2012

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Principal Date</u>	<u>Maturity Amount</u>	<u>Annual Interest</u>
<b><u>Water Connection Revenue Bonds:</u></b>					
<b>Water Revenue Refunding Bonds of 2004 B</b>	<b>11/1/04</b>				
Principal and interest		4.00	2/1/13	\$ 895,000	\$ 132,500
Principal and interest (call provision date)		4.00	2/1/14	890,000	96,800
Principal and interest		4.00	2/1/15	960,000	59,800
Principal and interest		4.00	2/1/16	<u>1,015,000</u>	<u>20,300</u>
<b>Total Water Connection Revenue Bonds</b>				<b><u>\$ 3,760,000</u></b>	<b><u>\$ 309,400</u></b>
<b><u>Arena Revenue Bonds:</u></b>					
<b>Ice Center Refunding Bonds of 2008 A</b> (Ames Ice Arena)	<b>10/1/08</b>				
Principal and interest		3.00	2/1/13	\$ 130,000	\$ 10,685
Principal and interest		3.10	2/1/14	135,000	6,643
Principal and interest		3.25	2/1/15	<u>140,000</u>	<u>2,275</u>
Total				<u>405,000</u>	<u>19,603</u>
<b>Gross Revenue Recreation Facility Bonds of 1999</b> (Ames Ice Arena)	<b>4/1/99</b>				
Interest		5.30	2/1/13 & 8/1/13		41,145
Interest		5.30	2/1/14 & 8/1/14		41,145
Principal and interest		5.30	8/1/15	135,000	41,145
Principal and interest		5.30	8/1/16	145,000	33,990
Principal and interest		5.30	8/1/17	155,000	26,305
Principal and interest		5.40	8/1/18	165,000	18,090
Principal and interest		5.40	8/1/19	<u>170,000</u>	<u>9,180</u>
Total				<u>770,000</u>	<u>211,000</u>
<b>Total Arena Revenue Bonds</b>				<b><u>\$ 1,175,000</u></b>	<b><u>\$ 230,603</u></b>
<b><u>HRA Lease Revenue Bonds:</u></b>					
<b>HRA Ice Arena Lease Revenue Bonds of 2006</b> (Hasse Ice Arena)	<b>12/01/06</b>				
Principal and interest		4.25	2/1/13	\$ 210,000	\$ 381,675
Principal and interest		4.25	2/1/14	225,000	372,431
Principal and interest		4.25	2/1/15	245,000	362,444
Principal and interest		4.25	2/1/16	270,000	351,500
Principal and interest (call provision date)		4.50	2/1/17	315,000	338,675
Principal and interest		4.50	2/1/18	340,000	323,938
Principal and interest		4.50	2/1/19	355,000	308,300

(continued)

**CITY OF LAKEVILLE, MINNESOTA**  
**SCHEDULE OF BONDED INDEBTEDNESS AND ANNUAL INTEREST PAYABLE**  
**DECEMBER 31, 2012**

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Principal Date</u>	<u>Maturity Amount</u>	<u>Annual Interest</u>
<b><u>HRA Lease Revenue Bonds:</u></b> (continued)					
<b>HRA Ice Arena Lease Revenue</b>					
<b>Bonds of 2006</b> (Hase Ice Arena continued)					
Principal and interest		4.50	2/1/20	\$ 370,000	\$ 291,988
Principal and interest		4.50	2/1/21	390,000	274,888
Principal and interest		4.50	2/1/22	415,000	256,775
Principal and interest		4.50	2/1/23	435,000	237,650
Principal and interest		4.50	2/1/24	450,000	217,738
Principal and interest		4.50	2/1/25	470,000	197,038
Principal and interest		4.50	2/1/26	495,000	175,325
Principal and interest		4.625	2/1/27	520,000	152,163
Principal and interest		4.625	2/1/28	545,000	127,534
Principal and interest		4.625	2/1/29	575,000	101,634
Principal and interest		4.625	2/1/30	605,000	74,347
Principal and interest		4.625	2/1/31	635,000	45,672
Principal and interest		4.625	2/1/32	670,000	15,494
<b>Total HRA Lease Revenue Bonds</b>				<b><u>\$ 8,535,000</u></b>	<b><u>\$ 4,607,209</u></b>
<b>Total Governmental Activity Bonds</b>				<b><u>\$ 106,350,000</u></b>	<b><u>\$ 29,619,650</u></b>
<b><u>Liquor Revenue Bonds:</u></b>					
<b>Liquor Revenue Bonds of 2007</b>	<b>5/1/07</b>				
Principal and interest		5.00	2/1/13	\$ 160,000	\$ 165,750
Principal and interest		5.00	2/1/14	165,000	157,625
Principal and interest		5.00	2/1/15	175,000	149,125
Principal and interest		5.00	2/1/16	180,000	140,250
Principal and Interest (call provision date)		5.00	2/1/17	190,000	131,000
Principal and interest		5.00	2/1/18	200,000	121,250
Principal and interest		5.00	2/1/19	210,000	111,000
Principal and interest		5.00	2/1/20	220,000	100,250
Principal and interest		5.00	2/1/21	235,000	88,875
Principal and interest		5.00	2/1/22	245,000	76,875
Principal and interest		5.00	2/1/23	255,000	64,375
Principal and interest		5.00	2/1/24	270,000	51,250
Principal and interest		5.00	2/1/25	285,000	37,375
Principal and interest		5.00	2/1/26	295,000	22,875
Principal and interest		5.00	2/1/27	310,000	7,750
<b>Total Business-type Activity Bonds</b>				<b><u>\$ 3,395,000</u></b>	<b><u>\$ 1,425,625</u></b>
<b>Total Bonded Indebtedness and Annual Interest Payable</b>				<b><u>\$ 109,745,000</u></b>	<b><u>\$ 31,045,275</u></b>

**CITY OF LAKEVILLE, MINNESOTA**  
**COMBINED SCHEDULE OF BONDED INDEBTEDNESS**  
 DECEMBER 31, 2012

	Interest Rates %	Issue Date	Call Date	Maturity Date	Bonds				Due in 2013	
					Authorized	Issued	Retired	Outstanding	Principal	Interest
<b>Governmental Activities:</b>										
General Obligation Bonds:										
Equipment Certificates of 2007 E	4.25	Aug-01-07	n/a	Feb-01-12	1,690,000	1,690,000	1,690,000	-	-	-
Park Refunding Bonds of 2003 B	3.50-3.75	Mar-15-03	Feb-01-12	Feb-01-15	3,225,000	3,225,000	3,225,000	-	-	-
Park Refunding Bonds of 2011 B	0.50-0.75	Dec-01-11	n/a	Apr-01-15	1,215,000	1,215,000	-	1,215,000	400,000	6,505
Capital Improvement Bonds of 2004 A	3.50-4.75	Nov-01-04	Feb-01-15	Feb-01-30	14,445,000	14,445,000	1,025,000	13,420,000	280,000	598,506
Capital Improvement Refunding Bonds of 2012 B	2.00-4.00	Aug-15-12	Feb-01-22	Feb-01-30	12,765,000	12,765,000	-	12,765,000	-	383,339
Capital Improvement Bonds of 2007 D	4.625-5.00	Aug-01-07	Feb-01-17	Feb-01-32	15,115,000	15,115,000	1,570,000	13,545,000	435,000	652,238
Street Reconstruction Bonds of 2003 A	3.50-4.50	Mar-15-03	Feb-01-14	Feb-01-26	14,890,000	14,890,000	3,475,000	11,415,000	680,000	464,283
Street Reconstruction Refunding Bonds of 2012 B	2.00-4.00	Aug-15-12	Feb-01-22	Feb-01-30	9,685,000	9,685,000	-	9,685,000	-	289,727
Street Reconstruction Bonds of 2005 A	3.85-4.20	Dec-01-05	Feb-01-16	Feb-01-26	5,430,000	5,430,000	2,890,000	2,540,000	140,000	98,205
Street Reconstruction Bonds of 2007 H	3.50-4.50	Dec-15-07	Feb-01-18	Feb-01-28	2,810,000	2,810,000	315,000	2,495,000	115,000	101,658
Street Reconstruction Bonds of 2009 A (Taxable)	1.55-5.95	Dec-30-09	Feb-01-20	Feb-01-30	4,945,000	4,945,000	365,000	4,580,000	200,000	214,313
Total Park, Capital, and Street Bonds					84,525,000	84,525,000	12,865,000	71,660,000	2,250,000	2,808,774
<b>Total General Obligation Bonds</b>					<b>86,215,000</b>	<b>86,215,000</b>	<b>14,555,000</b>	<b>71,660,000</b>	<b>2,250,000</b>	<b>2,808,774</b>
G.O. Improvement Bonds:										
Improvement Refunding Bonds of 2007 B	3.875	Feb-01-07	n/a	Feb-01-16	3,165,000	3,165,000	2,590,000	575,000	295,000	16,566
Improvement Bonds of 2007 F	4.00-4.125	Aug-01-07	Feb-01-14	Feb-01-18	1,310,000	1,310,000	1,010,000	300,000	50,000	11,113
Improvement Bonds of 2008 A	2.70-3.75	Oct-01-08	n/a	Feb-01-19	620,000	620,000	410,000	210,000	30,000	6,855
Improvement Refunding Bonds of 2009 B	2.00-3.00	Dec-30-09	n/a	Feb-01-20	4,250,000	4,250,000	1,340,000	2,910,000	510,000	66,563
Improvement Refunding Bonds of 2011 A	0.50-3.50	Dec-01-11	Feb-01-21	Feb-01-32	2,385,000	2,385,000	-	2,385,000	345,000	39,983
Improvement Refunding Bonds of 2012 A	2.00-4.00	Aug-15-12	Feb-01-22	Feb-01-33	6,805,000	6,805,000	-	6,805,000	-	177,109
<b>Total G.O. Improvement Bonds</b>					<b>18,535,000</b>	<b>18,535,000</b>	<b>5,350,000</b>	<b>13,185,000</b>	<b>1,230,000</b>	<b>318,189</b>
Tax Increment Bonds:										
Tax Increment Refunding Bonds of 2007 A	4.00-4.20	Feb-01-07	Feb-01-16	Feb-01-22	2,265,000	2,265,000	250,000	2,015,000	55,000	80,661
Tax Increment Refunding Bonds of 2007 C (Taxable)	5.10	Feb-01-07	n/a	Feb-01-14	820,000	820,000	555,000	265,000	130,000	10,200
Tax Increment Refunding Bonds of 2009 B	2.00	Dec-30-09	n/a	Feb-01-14	930,000	930,000	455,000	475,000	235,000	7,150
<b>Total Tax Increment Bonds</b>					<b>4,015,000</b>	<b>4,015,000</b>	<b>1,260,000</b>	<b>2,755,000</b>	<b>420,000</b>	<b>98,011</b>
State-aid Street Revenue Bonds:										
State-aid Street Bonds of 2001 C	4.35	Dec-01-01	Feb-01-12	Apr-01-21	1,080,000	1,080,000	1,080,000	-	-	-
State-aid Street Bonds of 2007 G	4.00	Dec-15-07	Apr-01-16	Apr-01-18	3,675,000	3,675,000	1,275,000	2,400,000	365,000	88,700
State-aid Street Refunding Bonds of 2010 A	2.00-4.00	Jan-01-10	n/a	Apr-01-20	2,680,000	2,680,000	465,000	2,215,000	255,000	60,000
State-aid Street Refunding Bonds of 2011 B	0.50-2.15	Dec-01-11	n/a	Apr-01-21	665,000	665,000	-	665,000	70,000	8,928
<b>Total State-aid Street Revenue Bonds</b>					<b>8,100,000</b>	<b>8,100,000</b>	<b>2,820,000</b>	<b>5,280,000</b>	<b>690,000</b>	<b>157,628</b>
Water Connection Revenue Refunding Bonds of 2004 B	4.00	Nov-01-04	Feb-01-14	Feb-01-16	9,735,000	9,735,000	5,975,000	3,760,000	895,000	132,500
Arena Revenue Bonds:										
Ice Center Refunding Bonds of 2008 A	2.70-3.25	Oct-01-08	n/a	Feb-01-15	775,000	775,000	370,000	405,000	130,000	10,685
Gross Revenue Recreation Facility Bonds of 1999	5.30-5.40	Apr-01-99	Callable	Aug-01-19	1,250,000	1,250,000	480,000	770,000	-	41,145
<b>Total Arena Revenue Bonds</b>					<b>2,025,000</b>	<b>2,025,000</b>	<b>850,000</b>	<b>1,175,000</b>	<b>130,000</b>	<b>51,830</b>
HRA Lease Revenue Bonds:										
HRA Public Facility Lease Revenue Bonds of 2002 A	4.70-5.35	Apr-15-02	Feb-01-12	Feb-01-23	2,535,000	2,535,000	2,535,000	-	-	-
HRA Ice Arena Lease Revenue Bonds of 2006	4.25-4.625	Dec-01-06	Feb-01-17	Feb-01-32	9,230,000	9,230,000	695,000	8,535,000	210,000	381,675
<b>Total HRA Lease Revenue Bonds</b>					<b>11,765,000</b>	<b>11,765,000</b>	<b>3,230,000</b>	<b>8,535,000</b>	<b>210,000</b>	<b>381,675</b>
<b>Total Governmental Activity Bonds</b>					<b>140,390,000</b>	<b>140,390,000</b>	<b>34,040,000</b>	<b>106,350,000</b>	<b>5,825,000</b>	<b>3,948,607</b>
<b>Business-type Activity:</b>										
Liquor Revenue Bonds of 2007	5.00	May-01-07	Feb-01-17	Feb-01-27	3,955,000	3,955,000	560,000	3,395,000	160,000	165,750
<b>Total Bonded Indebtedness</b>					<b>\$ 144,345,000</b>	<b>\$ 144,345,000</b>	<b>\$ 34,600,000</b>	<b>\$ 109,745,000</b>	<b>\$ 5,985,000</b>	<b>\$ 4,114,357</b>



# STATISTICAL SECTION

This part of the City of Lakeville's Comprehensive Annual Financial Report presents detailed information as a context for understanding the current year's financial statements, note disclosures, and required supplementary information about the government's overall financial health. This information has not been audited by the independent auditor.

## **Financial Trends**

These schedules present trend information that may assist the reader in assessing the City's financial performance from a historical perspective.

- Net Position by Component - Government-wide
- Changes in Net Position - Governmental Activities
- Changes in Net Position - Business-type Activities
- Changes in Net Position - Total Governmental and Business-type Activities
- Fund Balances - Governmental Funds
- Changes in Fund Balances - Governmental Funds

## **Revenue Capacity**

These schedules contain information that may assist the reader in assessing the City's most significant revenue source, the property tax.

- Tax Capacity Valuation and Assessor's Taxable Market Value of Taxable Property
- Property Tax Rates - Direct and Overlapping Governments
- Principal Property Taxpayers
- Property Tax Levy and Collections

## **Debt Capacity**

These schedules provide information that may assist the reader in evaluating the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

- Ratio of Outstanding Debt by Type
- Ratio of Net Bonded Debt Outstanding
- Direct and Overlapping Governmental Debt
- Legal Debt Margin
- Pledged Revenue Coverage

## **Demographic and Economic Information**

These schedules present demographic and economic indicators that are commonly used for financial analysis in understanding the City's ongoing and future financial status.

- Demographic and Economic Statistics
- Principal Employers
- Commercial and Industrial Building Permits Issued

## **Operating Information**

These schedules contain service and infrastructure indicators that may assist the reader in understanding the information in the City's financial report as it relates to the services the City provides and the activities it performs.

- Employees by Function/Program (Full-Time Equivalent)
- Operating Indicators by Function
- Capital Assets Statistics by Function

## **Source:**

Unless otherwise noted, the information contained within these schedules is derived from comprehensive annual financial reports for the relevant year.

**CITY OF LAKEVILLE, MINNESOTA**

Net Position by Component - Government-wide

Last Ten Fiscal Years

(accrual basis of accounting)

<b>Fiscal Year</b>	<b><u>2003</u></b>	<b><u>2004</u></b>	<b><u>2005</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2008</u></b>	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>	<b><u>2012</u></b>
<b>Governmental Activities</b>										
Net investment in capital assets (1)	\$ 1,519,076	\$ 13,712,628	\$ 34,629,141	\$ 47,013,052	\$ 125,574,976	\$ 120,954,521	\$ 119,699,102	\$ 119,249,751	\$ 120,485,858	\$ 125,051,058
Restricted	8,247,639	7,079,763	7,728,450	7,200,932	9,727,357	9,037,087	10,542,926	10,027,737	16,474,815	17,403,167
Unrestricted	<u>17,064,853</u>	<u>9,463,615</u>	<u>1,834,965</u>	<u>2,727,757</u>	<u>2,225,861</u>	<u>3,100,244</u>	<u>1,210,922</u>	<u>2,324,315</u>	<u>(5,970,712)</u>	<u>(1,923,495)</u>
Total governmental activities	<u>26,831,568</u>	<u>30,256,006</u>	<u>44,192,556</u>	<u>56,941,741</u>	<u>137,528,194</u>	<u>133,091,852</u>	<u>131,452,950</u>	<u>131,601,803</u>	<u>130,989,961</u>	<u>140,530,730</u>
<b>Business-type Activities</b>										
Net investment in capital assets	92,379,808	95,869,103	102,503,832	105,571,786	103,156,352	104,535,771	103,150,022	101,893,442	100,390,175	102,009,893
Restricted	84,000	72,000	59,000	45,500	326,133	311,133	295,133	295,133	325,750	325,750
Unrestricted	<u>7,922,652</u>	<u>6,741,613</u>	<u>7,396,116</u>	<u>7,423,725</u>	<u>11,770,501</u>	<u>14,107,347</u>	<u>15,828,861</u>	<u>16,363,211</u>	<u>16,666,856</u>	<u>15,658,140</u>
Total business-type activities	<u>100,386,460</u>	<u>102,682,716</u>	<u>109,958,948</u>	<u>113,041,011</u>	<u>115,252,986</u>	<u>118,954,251</u>	<u>119,274,016</u>	<u>118,551,786</u>	<u>117,382,781</u>	<u>117,993,783</u>
<b>Total Government-wide</b>										
Net investment in capital assets	93,898,884	109,581,731	137,132,973	152,584,838	228,731,328	225,490,292	222,849,124	221,143,193	220,876,033	227,060,951
Restricted	8,331,639	7,151,763	7,787,450	7,246,432	10,053,490	9,348,220	10,838,059	10,322,870	16,800,565	17,728,917
Unrestricted	<u>24,987,505</u>	<u>16,205,228</u>	<u>9,231,081</u>	<u>10,151,482</u>	<u>13,996,362</u>	<u>17,207,591</u>	<u>17,039,783</u>	<u>18,687,526</u>	<u>10,696,144</u>	<u>13,734,645</u>
Total government-wide	<u>\$ 127,218,028</u>	<u>\$ 132,938,722</u>	<u>\$ 154,151,504</u>	<u>\$ 169,982,752</u>	<u>\$ 252,781,180</u>	<u>\$ 252,046,103</u>	<u>\$ 250,726,966</u>	<u>\$ 250,153,589</u>	<u>\$ 248,372,742</u>	<u>\$ 258,524,513</u>
							(2)		(3)	

**Notes:**

(1) The net investment in capital assets amount for fiscal years 2003 through 2006 excludes infrastructure assets that were acquired prior to January 1, 2003. 2007 includes the addition of these infrastructure assets acquired (net of depreciation) for \$76,014,220.

(2) Includes a restatement of \$186,003 in Business-type activities.

(3) The City implemented GASB Statement No. 65 in 2012. Net position for 2011 was restated for the effects of implementing this standard. Net position for previous years has not been restated.

**CITY OF LAKEVILLE, MINNESOTA**

Changes in Net Position - Governmental Activities

Last Ten Fiscal Years

(accrual basis of accounting)

<u>Fiscal Year</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Expenses</b>										
General government	\$ 3,404,145	\$ 3,593,032	\$ 3,733,657	\$ 4,452,707	\$ 4,712,995	\$ 6,169,957	\$ 5,916,590	\$ 5,248,677	\$ 5,134,169	\$ 5,258,319
Public safety	7,634,812	8,439,118	8,928,681	10,057,597	10,308,296	10,019,681	9,726,394	10,858,447	11,068,287	11,202,018
Public works	7,985,301	18,238,780	12,970,903	7,507,095	15,844,963	15,706,515	12,866,216	12,197,868	13,778,800	10,849,213
Parks and recreation	2,826,918	3,044,450	3,535,082	3,819,806	4,556,759	4,900,341	4,774,745	4,775,015	4,796,035	4,780,666
Interest on long-term debt	<u>2,784,308</u>	<u>3,109,159</u>	<u>4,032,004</u>	<u>3,278,091</u>	<u>3,867,395</u>	<u>4,218,695</u>	<u>3,994,790</u>	<u>3,740,076</u>	<u>4,383,684</u>	<u>3,496,878</u>
Total expenses	<u>24,635,484</u>	<u>36,424,539</u>	<u>33,200,327</u>	<u>29,115,296</u>	<u>39,290,408</u>	<u>41,015,189</u>	<u>37,278,735</u>	<u>36,820,083</u>	<u>39,160,975</u>	<u>35,587,094</u>
<b>Program Revenues</b>										
Charges for services										
General government	3,758,735	3,965,377	3,313,130	2,960,761	2,495,649	2,238,739	1,940,423	1,834,856	2,108,396	2,736,653
Public safety	693,486	674,034	691,070	850,033	659,989	581,930	643,174	654,226	746,207	714,587
Public works	8,430,227	7,618,764	9,123,403	6,064,174	4,985,965	4,239,190	2,817,604	1,967,309	2,313,334	3,588,062
Parks and recreation	1,299,975	1,924,946	2,598,033	1,556,284	1,437,308	1,937,523	984,206	1,555,560	1,299,364	2,087,640
Operating grants and contributions										
General government	11,347	30,269	42,748	114,152	43,839	25,083	44,648	42,661	37,970	40,359
Public safety	604,281	636,132	683,047	741,342	698,926	639,173	1,048,160	846,553	649,253	698,949
Public works	106,707	152,216	105,659	106,871	6,604,149	783,843	1,142,494	1,399,661	1,451,359	1,396,560
Parks and recreation	9,893	12,658	15,906	33,575	13,456	46,058	20,294	30,144	160,852	100,315
Capital grants and contributions										
General government	50,337	-	-	171,400	-	-	-	-	-	91,735
Public safety	49,900	4,651	-	326,143	5,000	50,000	-	21,576	26,325	19,530
Public works	17,164,034	9,872,250	13,320,961	6,169,357	3,384,857	1,420,813	2,783,528	3,025,905	2,906,106	5,569,732
Parks and recreation	<u>1,312,088</u>	<u>806,770</u>	<u>1,595,022</u>	<u>2,272,358</u>	<u>550,757</u>	<u>871,266</u>	<u>187,699</u>	<u>267,360</u>	<u>297,245</u>	<u>370,237</u>
Total program revenues	<u>33,491,010</u>	<u>25,698,067</u>	<u>31,488,979</u>	<u>21,366,450</u>	<u>20,879,895</u>	<u>12,833,618</u>	<u>11,612,230</u>	<u>11,645,811</u>	<u>11,996,411</u>	<u>17,414,359</u>
<b>Net (Expense) Revenue</b>										
General government	416,274	402,614	(377,779)	(1,206,394)	(2,173,507)	(3,906,135)	(3,931,519)	(3,371,160)	(2,987,803)	(2,389,572)
Public safety	(6,287,145)	(7,124,301)	(7,554,564)	(8,140,079)	(8,944,381)	(8,748,578)	(8,035,060)	(9,336,092)	(9,646,502)	(9,768,952)
Public works	17,715,667	(595,550)	9,579,120	4,833,307	(869,992)	(9,262,669)	(6,122,590)	(5,804,993)	(7,108,001)	(294,859)
Parks and recreation	(204,962)	(300,076)	673,879	42,411	(2,555,238)	(2,045,494)	(3,582,546)	(2,921,951)	(3,038,574)	(2,222,474)
Interest on long-term debt	<u>(2,784,308)</u>	<u>(3,109,159)</u>	<u>(4,032,004)</u>	<u>(3,278,091)</u>	<u>(3,867,395)</u>	<u>(4,218,695)</u>	<u>(3,994,790)</u>	<u>(3,740,076)</u>	<u>(4,383,684)</u>	<u>(3,496,878)</u>
Total net (expense) revenue	<u>8,855,526</u>	<u>(10,726,472)</u>	<u>(1,711,348)</u>	<u>(7,748,846)</u>	<u>(18,410,513)</u>	<u>(28,181,571)</u>	<u>(25,666,505)</u>	<u>(25,174,272)</u>	<u>(27,164,564)</u>	<u>(18,172,735)</u>
<b>General Revenues and Other</b>										
Property taxes	12,176,835	13,049,107	15,491,536	18,009,237	20,873,431	23,391,055	23,912,318	24,369,009	24,207,406	24,221,741
Investment earnings	557,709	794,732	1,023,616	1,505,062	1,977,519	1,383,236	463,092	340,336	280,364	176,409
Gain on sale of capital assets	-	-	-	1,434,692	-	-	-	-	-	214,004
Transfers in (out)	<u>484,702</u>	<u>307,071</u>	<u>(867,254)</u>	<u>(450,960)</u>	<u>131,796</u>	<u>(2,029,933)</u>	<u>(347,807)</u>	<u>613,780</u>	<u>2,692,671</u>	<u>3,101,350</u>
Total general revenues and other (net)	<u>13,219,246</u>	<u>14,150,910</u>	<u>15,647,898</u>	<u>20,498,031</u>	<u>22,982,746</u>	<u>22,744,358</u>	<u>24,027,603</u>	<u>25,323,125</u>	<u>27,180,441</u>	<u>27,713,504</u>
Change in net position	<u>\$ 22,074,772</u>	<u>\$ 3,424,438</u>	<u>\$ 13,936,550</u>	<u>\$ 12,749,185</u>	<u>\$ 4,572,233</u>	<u>\$ (5,437,213)</u>	<u>\$ (1,638,902)</u>	<u>\$ 148,853</u>	<u>\$ 15,877</u>	<u>\$ 9,540,769</u>

**Note:** The City implemented GASB Statement No. 65 in 2012. Change in net position for 2011 was restated for the effect of implementing this standard. Change in net position for previous years has not been restated.

**CITY OF LAKEVILLE, MINNESOTA**

Changes in Net Position - Business-type Activities

Last Ten Fiscal Years

(accrual basis of accounting)

<b>Fiscal Year</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Expenses</b>										
Liquor	\$ 1,597,300	\$ 1,648,759	\$ 1,791,612	\$ 1,940,626	\$ 2,164,440	\$ 2,407,714	\$ 2,437,654	\$ 2,424,290	\$ 2,439,261	\$ 2,392,945
Utility	7,247,801	6,699,466	7,020,440	7,925,809	8,029,064	8,319,303	9,086,172	9,903,296	10,401,650	10,365,651
Total expenses	<u>8,845,101</u>	<u>8,348,225</u>	<u>8,812,052</u>	<u>9,866,435</u>	<u>10,193,504</u>	<u>10,727,017</u>	<u>11,523,826</u>	<u>12,327,586</u>	<u>12,840,911</u>	<u>12,758,596</u>
<b>Program Revenues</b>										
Charges for services										
Liquor	2,382,723	2,590,308	2,911,820	3,080,692	3,314,721	3,603,240	3,611,777	3,612,321	3,546,877	3,839,723
Utility	5,083,820	5,105,936	5,263,274	5,855,346	6,553,811	7,355,207	7,491,674	7,432,391	8,866,345	9,542,284
Operating grants and contributions										
Liquor	-	7,762	3,762	3,762	3,762	3,762	3,762	3,762	3,762	3,762
Utility	-	3,264	3,264	3,264	3,264	3,264	3,264	3,264	59,707	103,525
Capital grants and contributions										
Liquor	-	-	-	-	-	-	-	17,050	-	-
Utility	6,922,442	3,114,733	6,911,241	3,239,467	1,394,810	975,410	158,252	999,716	1,129,764	2,903,043
Total program revenues	<u>14,388,985</u>	<u>10,822,003</u>	<u>15,093,361</u>	<u>12,182,531</u>	<u>11,270,368</u>	<u>11,940,883</u>	<u>11,268,729</u>	<u>12,068,504</u>	<u>13,606,455</u>	<u>16,392,337</u>
<b>Net (Expense) Revenue</b>										
Liquor	785,423	949,311	1,123,970	1,143,828	1,154,043	1,199,288	1,177,885	1,208,843	1,111,378	1,450,540
Utility	4,758,461	1,524,467	5,157,339	1,172,268	(77,179)	14,578	(1,432,982)	(1,467,925)	(345,834)	2,183,201
Total net (expense) revenue	<u>5,543,884</u>	<u>2,473,778</u>	<u>6,281,309</u>	<u>2,316,096</u>	<u>1,076,864</u>	<u>1,213,866</u>	<u>(255,097)</u>	<u>(259,082)</u>	<u>765,544</u>	<u>3,633,741</u>
<b>General Revenues and Other</b>										
Investment income	104,970	129,549	127,669	315,007	468,478	457,466	227,055	150,632	130,403	78,611
Disposal of capital assets	-	-	-	-	798,429	-	-	-	-	-
Transfers in (out)	(484,702)	(307,071)	867,254	450,960	(131,796)	2,029,933	347,807	(613,780)	(2,692,671)	(3,101,350)
Total general revenues and other (net)	<u>(379,732)</u>	<u>(177,522)</u>	<u>994,923</u>	<u>765,967</u>	<u>1,135,111</u>	<u>2,487,399</u>	<u>574,862</u>	<u>(463,148)</u>	<u>(2,562,268)</u>	<u>(3,022,739)</u>
Change in net position	<u>\$ 5,164,152</u>	<u>\$ 2,296,256</u>	<u>\$ 7,276,232</u>	<u>\$ 3,082,063</u>	<u>\$ 2,211,975</u>	<u>\$ 3,701,265</u>	<u>\$ 319,765</u>	<u>\$ (722,230)</u>	<u>\$(1,796,724)</u>	<u>\$ 611,002</u>

(1)

**Note:** The City implemented GASB Statement No. 65 in 2012. Change in net position for 2011 was restated for the effect of implementing this standard. Change in net position for previous years has not been restated.

(1) Includes a restatement of \$186,003.

**CITY OF LAKEVILLE, MINNESOTA**

Changes in Net Position - Total Governmental and Business-type Activities

Last Ten Fiscal Years

(accrual basis of accounting)

<b>Fiscal Year</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Expenses</b>										
Governmental activities	\$ 24,635,484	\$ 36,424,539	\$ 33,200,327	\$ 29,115,296	\$ 39,290,408	\$ 41,015,189	\$ 37,278,735	\$ 36,820,083	\$ 39,160,975	\$ 35,587,094
Business-type activities	<u>8,845,101</u>	<u>8,348,225</u>	<u>8,812,052</u>	<u>9,866,435</u>	<u>10,193,504</u>	<u>10,727,017</u>	<u>11,523,826</u>	<u>12,327,586</u>	<u>12,840,911</u>	<u>12,758,596</u>
Total expenses	<u>33,480,585</u>	<u>44,772,764</u>	<u>42,012,379</u>	<u>38,981,731</u>	<u>49,483,912</u>	<u>51,742,206</u>	<u>48,802,561</u>	<u>49,147,669</u>	<u>52,001,886</u>	<u>48,345,690</u>
<b>Program Revenues</b>										
Governmental activities	33,491,010	25,698,067	31,488,979	21,366,450	20,879,895	12,833,618	11,612,230	11,645,811	11,996,411	17,414,359
Business-type activities	<u>14,388,985</u>	<u>10,822,003</u>	<u>15,093,361</u>	<u>12,182,531</u>	<u>11,270,368</u>	<u>11,940,883</u>	<u>11,268,729</u>	<u>12,068,504</u>	<u>13,606,455</u>	<u>16,392,337</u>
Total program revenues	<u>47,879,995</u>	<u>36,520,070</u>	<u>46,582,340</u>	<u>33,548,981</u>	<u>32,150,263</u>	<u>24,774,501</u>	<u>22,880,959</u>	<u>23,714,315</u>	<u>25,602,866</u>	<u>33,806,696</u>
<b>Net (Expense) Revenue</b>										
Governmental activities	8,855,526	(10,726,472)	(1,711,348)	(7,748,846)	(18,410,513)	(28,181,571)	(25,666,505)	(25,174,272)	(27,164,564)	(18,172,735)
Business-type activities	<u>5,543,884</u>	<u>2,473,778</u>	<u>6,281,309</u>	<u>2,316,096</u>	<u>1,076,864</u>	<u>1,213,866</u>	<u>(255,097)</u>	<u>(259,082)</u>	<u>765,544</u>	<u>3,633,741</u>
Total net (expense) revenue	<u>14,399,410</u>	<u>(8,252,694)</u>	<u>4,569,961</u>	<u>(5,432,750)</u>	<u>(17,333,649)</u>	<u>(26,967,705)</u>	<u>(25,921,602)</u>	<u>(25,433,354)</u>	<u>(26,399,020)</u>	<u>(14,538,994)</u>
<b>General Revenues and Other</b>										
Governmental activities	13,219,246	14,150,910	15,647,898	20,498,031	22,982,746	22,744,358	24,027,603	25,323,125	27,180,441	27,713,504
Business-type activities	<u>(379,732)</u>	<u>(177,522)</u>	<u>994,923</u>	<u>765,967</u>	<u>1,135,111</u>	<u>2,487,399</u>	<u>574,862</u>	<u>(463,148)</u>	<u>(2,562,268)</u>	<u>(3,022,739)</u>
Total general revenues and other (net)	<u>12,839,514</u>	<u>13,973,388</u>	<u>16,642,821</u>	<u>21,263,998</u>	<u>24,117,857</u>	<u>25,231,757</u>	<u>24,602,465</u>	<u>24,859,977</u>	<u>24,618,173</u>	<u>24,690,765</u>
<b>Change in Net Position</b>										
Governmental activities	22,074,772	3,424,438	13,936,550	12,749,185	4,572,233	(5,437,213)	(1,638,902)	148,853	15,877	9,540,769
Business-type activities	<u>5,164,152</u>	<u>2,296,256</u>	<u>7,276,232</u>	<u>3,082,063</u>	<u>2,211,975</u>	<u>3,701,265</u>	<u>319,765</u>	<u>(722,230)</u>	<u>(1,796,724)</u>	<u>611,002</u>
Total change in net position	<u>\$ 27,238,924</u>	<u>\$ 5,720,694</u>	<u>\$ 21,212,782</u>	<u>\$ 15,831,248</u>	<u>\$ 6,784,208</u>	<u>\$ (1,735,948)</u>	<u>\$ (1,319,137)</u>	<u>\$ (573,377)</u>	<u>\$ (1,780,847)</u>	<u>\$ 10,151,771</u>

(1)

**Note:** The City implemented GASB Statement No. 65 in 2012. Change in net position for 2011 was restated for the effects of implementing this standard. Change in net position for previous years has not been restated.

(1) Includes a restatement of \$186,003.

**CITY OF LAKEVILLE, MINNESOTA**

Fund Balances - Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

<u>Fiscal Year</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>General Fund</b>										
Reserved	\$ -	\$ -	\$ 10,322	\$ 8,238	\$ 8,483	\$ 7,420	\$ 9,899	\$ 10,726	\$ -	\$ -
Unreserved	8,756,931	9,089,470	10,012,455	11,010,426	11,698,291	11,238,093	11,196,826	9,385,202	-	-
Nonspendable	-	-	-	-	-	-	-	-	384,329	256,476
Assigned	-	-	-	-	-	-	-	-	519,146	620,725
Unassigned	-	-	-	-	-	-	-	-	9,644,863	10,614,574
Total general fund	<u>8,756,931</u>	<u>9,089,470</u>	<u>10,022,777</u>	<u>11,018,664</u>	<u>11,706,774</u>	<u>11,245,513</u>	<u>11,206,725</u>	<u>9,395,928</u>	<u>10,548,338</u>	<u>11,491,775</u>
<b>All Other Governmental Funds</b>										
Reserved	8,323,038	29,655,447	19,548,472	15,314,937	16,217,023	10,464,632	16,713,410	11,060,144	-	-
Unreserved										
Special revenue	841,832	799,538	810,972	937,978	1,083,601	1,107,202	1,325,731	1,444,846	-	-
Capital projects	24,862,284	16,213,118	13,076,770	9,839,833	17,115,258	11,074,322	12,549,905	15,384,343	-	-
Nonspendable	-	-	-	-	-	-	-	-	75	-
Restricted	-	-	-	-	-	-	-	-	14,744,057	38,587,037
Committed	-	-	-	-	-	-	-	-	9,989,221	11,861,800
Unassigned	-	-	-	-	-	-	-	-	(112,102)	(233,910)
Total all other governmental funds	<u>34,027,154</u>	<u>46,668,103</u>	<u>33,436,214</u>	<u>26,092,748</u>	<u>34,415,882</u>	<u>22,646,156</u>	<u>30,589,046</u>	<u>27,889,333</u>	<u>24,621,251</u>	<u>50,214,927</u>
<b>Total Governmental Funds</b>										
Reserved	8,323,038	29,655,447	19,558,794	15,323,175	16,225,506	10,472,052	16,723,309	11,070,870	-	-
Unreserved	34,461,047	26,102,126	23,900,197	21,788,237	29,897,150	23,419,617	25,072,462	26,214,391	-	-
Nonspendable	-	-	-	-	-	-	-	-	384,404	256,476
Restricted	-	-	-	-	-	-	-	-	14,744,057	38,587,037
Committed	-	-	-	-	-	-	-	-	9,989,221	11,861,800
Assigned	-	-	-	-	-	-	-	-	519,146	620,725
Unassigned	-	-	-	-	-	-	-	-	9,532,761	10,380,664
Total governmental funds	<u>\$ 42,784,085</u>	<u>\$ 55,757,573</u>	<u>\$ 43,458,991</u>	<u>\$ 37,111,412</u>	<u>\$ 46,122,656</u>	<u>\$ 33,891,669</u>	<u>\$ 41,795,771</u>	<u>\$ 37,285,261</u>	<u>\$ 35,169,589</u>	<u>\$ 61,706,702</u>
All governmental funds percentage change	<u>82.4%</u>	<u>30.3%</u>	<u>-22.1%</u>	<u>-14.6%</u>	<u>24.3%</u>	<u>-26.5%</u>	<u>23.3%</u>	<u>-10.8%</u>	<u>-5.7%</u>	<u>75.5%</u>

**Note:** The implementation of Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Type Definitions*, in fiscal year 2011 resulted in significant change in the City's fund balance classifications. Information prior to 2011 has not been restated.

**CITY OF LAKEVILLE, MINNESOTA**

Changes in Fund Balances - Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

<u>Fiscal Year</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
<b>Revenues</b>										
Property taxes and tax increment	\$ 11,989,619	\$ 12,982,754	\$ 15,398,468	\$ 17,882,708	\$ 20,171,031	\$ 22,901,637	\$ 23,785,468	\$ 24,435,538	\$ 24,057,622	\$ 24,453,849
Licenses and permits	3,471,896	3,674,865	2,984,753	2,651,382	2,182,252	1,936,532	1,603,909	1,565,028	1,820,408	2,429,951
Intergovernmental	3,352,557	5,716,864	1,305,587	2,400,581	8,420,985	2,250,332	3,158,128	4,242,195	2,622,487	2,291,376
Charges for services	10,524,322	10,310,238	12,460,552	8,207,104	7,105,600	6,713,370	4,145,717	4,002,246	3,938,204	5,833,776
Special assessments	1,804,620	1,247,294	931,771	709,126	826,453	777,153	769,624	573,301	622,799	1,132,126
Investment income	554,428	789,600	1,019,087	1,496,836	1,970,411	1,379,315	459,967	337,788	270,378	174,358
Donations	246,613	281,576	319,949	896,414	475,676	1,008,326	305,146	155,477	269,762	207,391
Miscellaneous	429,347	289,499	381,247	371,033	326,059	366,680	635,781	732,816	731,763	871,798
Total revenues	<u>32,373,402</u>	<u>35,292,690</u>	<u>34,801,414</u>	<u>34,615,184</u>	<u>41,478,467</u>	<u>37,333,345</u>	<u>34,863,740</u>	<u>36,044,389</u>	<u>34,333,423</u>	<u>37,394,625</u>
<b>Expenditures</b>										
General government	2,972,240	3,233,316	3,199,306	3,582,410	3,939,573	5,172,645	4,850,726	4,687,662	4,493,368	4,572,777
Public safety	6,961,425	7,776,381	8,063,605	8,865,167	9,346,490	8,911,017	8,835,563	9,337,884	9,755,251	9,844,232
Public works	3,513,913	3,888,882	3,437,161	3,551,118	3,970,680	4,535,118	3,906,485	3,593,862	3,019,293	3,245,103
Parks and recreation	2,169,700	2,175,558	2,446,065	2,706,898	2,968,924	3,233,422	2,881,402	3,038,433	3,047,906	3,050,782
Capital outlay	13,307,291	23,770,126	29,290,726	15,745,297	29,913,271	18,133,199	7,140,715	4,611,659	10,345,908	12,413,360
Debt service										
Principal retirement	3,165,244	3,783,000	4,016,900	4,097,026	7,021,291	5,301,622	6,436,971	7,337,338	7,689,182	7,642,027
Interest on debt	2,642,352	3,346,744	3,726,938	3,597,771	3,449,720	4,367,257	4,157,176	3,945,265	3,633,285	3,358,324
Fiscal charges	12,522	13,821	37,072	24,707	123,438	46,136	126,570	61,222	78,143	173,072
Total expenditures	<u>34,744,687</u>	<u>47,987,828</u>	<u>54,217,773</u>	<u>42,170,394</u>	<u>60,733,387</u>	<u>49,700,416</u>	<u>38,335,608</u>	<u>36,613,325</u>	<u>42,062,336</u>	<u>44,299,677</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,371,285)</u>	<u>(12,695,138)</u>	<u>(19,416,359)</u>	<u>(7,555,210)</u>	<u>(19,254,920)</u>	<u>(12,367,071)</u>	<u>(3,471,868)</u>	<u>(568,936)</u>	<u>(7,728,913)</u>	<u>(6,905,052)</u>
<b>Other financing sources (uses)</b>										
Transfers in	6,241,430	3,361,954	4,343,025	5,634,822	4,327,025	7,688,315	5,156,485	5,740,982	5,324,043	6,699,447
Transfers out	(4,990,500)	(2,138,784)	(2,775,293)	(4,997,410)	(3,600,158)	(6,857,231)	(4,386,727)	(5,046,945)	(2,524,276)	(2,839,332)
Bond, note, loan and lease proceeds	20,497,274	24,180,000	5,564,000	12,281,300	30,850,000	2,280,000	10,125,000	2,680,000	4,265,000	29,255,000
Payment on refunded bonds called	-	-	-	(12,825,000)	(3,945,000)	(2,975,000)	-	(7,955,000)	-	(1,830,000)
Premium on bonds issued	-	346,672	-	68,479	610,404	-	116,016	99,322	-	1,957,050
Discount on bonds issued	(50,733)	(81,216)	(13,955)	-	(3,242)	-	-	-	-	-
Sale of capital assets	-	-	-	1,045,440	27,135	-	365,196	540,067	-	200,000
Total other financing sources (uses)	<u>21,697,471</u>	<u>25,668,626</u>	<u>7,117,777</u>	<u>1,207,631</u>	<u>28,266,164</u>	<u>136,084</u>	<u>11,375,970</u>	<u>(3,941,574)</u>	<u>7,064,767</u>	<u>33,442,165</u>
Net change in fund balances	<u>\$ 19,326,186</u>	<u>\$ 12,973,488</u>	<u>\$(12,298,582)</u>	<u>\$ (6,347,579)</u>	<u>\$ 9,011,244</u>	<u>\$(12,230,987)</u>	<u>\$ 7,904,102</u>	<u>\$ (4,510,510)</u>	<u>\$ (664,146)</u>	<u>\$ 26,537,113</u>
Debt service as a % of noncapital expenditures (excl. fiscal charges)	<u>51.1%</u>	<u>21.4%</u>	<u>33.7%</u>	<u>30.7%</u>	<u>29.2%</u>	<u>24.4%</u>	<u>30.7%</u>	<u>32.9%</u>	<u>31.8%</u>	<u>32.2%</u>

**Note:** The City has no other taxes than property taxes and tax increment.

**CITY OF LAKEVILLE, MINNESOTA**

Tax Capacity Valuation and Assessor's Taxable Market Value of Taxable Property  
Last Ten Fiscal Years

<b>Fiscal Year</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Taxable Net Tax Capacity Valuation of Taxable Property</b>										
Tax capacity value	\$ 35,160,455	\$ 41,253,071	\$ 48,211,759	\$ 55,521,140	\$ 62,477,351	\$ 66,208,936	\$ 67,887,456	\$ 65,235,789	\$ 61,005,594	\$ 57,583,990
Less:										
Captured tax increment tax capacity	(1,512,956)	(1,684,734)	(1,821,312)	(1,935,093)	(2,129,445)	(2,173,426)	(2,127,819)	(1,998,923)	(904,389)	(862,243)
Contributions to fiscal disparities pool	(2,243,786)	(2,434,792)	(2,848,021)	(3,429,966)	(3,848,084)	(4,416,898)	(4,888,029)	(5,623,626)	(5,845,456)	(5,591,597)
Plus:										
Distribution from fiscal disparities pool	<u>3,976,442</u>	<u>4,281,367</u>	<u>4,416,475</u>	<u>4,707,601</u>	<u>5,329,560</u>	<u>5,967,401</u>	<u>7,115,384</u>	<u>7,429,875</u>	<u>7,807,412</u>	<u>7,194,884</u>
Total taxable net tax capacity	<u>\$ 35,380,155</u>	<u>\$ 41,414,912</u>	<u>\$ 47,958,901</u>	<u>\$ 54,863,682</u>	<u>\$ 61,829,382</u>	<u>\$ 65,586,013</u>	<u>\$ 67,986,992</u>	<u>\$ 65,043,115</u>	<u>\$ 62,063,161</u>	<u>\$ 58,325,034</u>
<b>Taxable Net Tax Capacity Valuation by Class of Property</b>										
Homestead residential	\$ 28,508,725	\$ 32,609,971	\$ 37,990,902	\$ 44,087,330	\$ 49,458,056	\$ 52,038,379	\$ 51,916,328	\$ 48,558,421	\$ 44,951,025	\$ 41,780,807
Commercial/industrial, public utility, and personal property	5,661,002	7,466,958	8,512,830	9,178,530	10,660,273	11,801,273	14,325,341	14,626,593	15,226,802	14,711,893
Non-homestead residential/apartments	853,597	892,175	913,735	939,412	1,008,576	1,000,649	1,082,546	1,127,962	1,271,776	1,265,526
Agriculture and seasonal/recreational	<u>356,831</u>	<u>445,808</u>	<u>541,434</u>	<u>658,410</u>	<u>702,477</u>	<u>745,712</u>	<u>662,777</u>	<u>730,139</u>	<u>613,558</u>	<u>566,808</u>
Total taxable net tax capacity	<u>\$ 35,380,155</u>	<u>\$ 41,414,912</u>	<u>\$ 47,958,901</u>	<u>\$ 54,863,682</u>	<u>\$ 61,829,382</u>	<u>\$ 65,586,013</u>	<u>\$ 67,986,992</u>	<u>\$ 65,043,115</u>	<u>\$ 62,063,161</u>	<u>\$ 58,325,034</u>
Assessor's taxable market valuation	<u>\$3,188,207,500</u>	<u>\$3,742,588,600</u>	<u>\$4,361,601,400</u>	<u>\$5,034,819,600</u>	<u>\$5,642,591,100</u>	<u>\$5,951,319,600</u>	<u>\$6,024,665,500</u>	<u>\$5,736,602,200</u>	<u>\$5,356,855,900</u>	<u>\$5,030,003,164</u>
Taxable net tax capacity as a percentage of assessor's taxable market value	<u>1.110%</u>	<u>1.107%</u>	<u>1.100%</u>	<u>1.090%</u>	<u>1.096%</u>	<u>1.102%</u>	<u>1.128%</u>	<u>1.134%</u>	<u>1.159%</u>	<u>1.160%</u>
Direct tax capacity rate	<u>32.944%</u>	<u>30.050%</u>	<u>31.326%</u>	<u>31.610%</u>	<u>31.583%</u>	<u>34.195%</u>	<u>33.973%</u>	<u>36.624%</u>	<u>38.250%</u>	<u>39.051%</u>

**Notes:**

Taxes are determined by multiplying the taxable net tax capacity by the direct tax capacity rate as expressed as a percentage.

The foregoing direct tax capacity rates do not reflect reductions for state property tax credits.

Source: Dakota County Auditor and Treasurer's Office.



**CITY OF LAKEVILLE, MINNESOTA**

Property Tax Rates - Direct and Overlapping Governments

Last Ten Fiscal Years

Fiscal Year	City of Lakeville Direct Rates		Overlapping Rates					Total Direct and Overlapping Rates		
	General Referendum Levy (Tax Levy (Market Capacity-based) Value-based)		Dakota County General Referendum Levy (Tax Levy (Market Capacity-based) Value-based)		Ind. School District	School District General Referendum Levy (Tax Levy (Market Capacity-based) Value-based)		Special Districts Levy (Tax Capacity-based)	Tax Capacity-based	Market Value-based
	Capacity-based	Value-based	Capacity-based	Value-based		Capacity-based	Value-based			
2003	32.944%	0.00851%	32.463%	0.00935%	192	39.614%	0.03539%	3.904%	108.925%	0.05325%
					194	30.962%	0.12336%		100.273%	0.14122%
					196	27.638%	0.16120%		96.949%	0.17906%
2004	30.050%	0.00729%	30.300%	0.00754%	192	35.599%	0.04003%	3.518%	99.467%	0.05486%
					194	26.901%	0.20593%		90.769%	0.22076%
					196	26.740%	0.13978%		90.608%	0.15461%
2005	31.326%	0.00616%	28.267%	0.00666%	192	36.540%	0.04078%	3.752%	99.885%	0.05360%
					194	25.411%	0.17349%		88.756%	0.18631%
					196	22.065%	0.10862%		85.410%	0.12144%
2006	31.610%	0.00830%	26.318%	0.00592%	192	43.708%	0.05599%	3.780%	105.416%	0.07021%
					194	25.670%	0.17079%		87.378%	0.18501%
					196	27.554%	0.22437%		89.262%	0.23859%
2007	31.583%	0.00743%	25.127%	0.00516%	192	44.190%	0.05679%	3.771%	104.671%	0.06938%
					194	25.252%	0.16868%		85.733%	0.18127%
					196	23.607%	0.20824%		84.088%	0.22083%
2008	34.195%	0.00714%	25.184%	0.00471%	192	45.831%	0.13781%	3.749%	108.959%	0.14966%
					194	26.272%	0.17167%		89.400%	0.18352%
					196	21.136%	0.21274%		84.264%	0.22459%
2009	33.973%	0.00696%	25.821%	0.00471%	192	49.238%	0.13660%	4.301%	113.333%	0.14827%
					194	27.062%	0.17413%		91.157%	0.18580%
					196	21.109%	0.21032%		85.204%	0.22199%
2010	36.624%	0.00738%	27.269%	0.00501%	192	53.452%	0.14742%	4.987%	122.332%	0.15981%
					194	27.714%	0.18363%		96.594%	0.19602%
					196	25.391%	0.22268%		94.271%	0.23507%
2011	38.250%	0.00803%	29.149%	0.00537%	192	52.157%	0.14558%	5.199%	124.755%	0.15898%
					194	32.138%	0.19241%		104.736%	0.20581%
					196	26.959%	0.22601%		99.557%	0.23941%
2012	39.051%	0.00784%	31.426%	0.00551%	192	55.308%	0.14005%	5.562%	131.347%	0.15340%
					194	32.061%	0.18932%		108.100%	0.20267%
					196	28.440%	0.22131%		104.479%	0.23466%

**Notes:**

Taxes are determined by multiplying the taxable net tax capacity by the tax capacity rate and market valued based rate expressed as a percentage. The foregoing tax capacity rates do not reflect reductions for state property tax credits credits.

Special Districts include: Metropolitan Mosquito Control, Metropolitan Council, Metropolitan Transit District, Dakota County Community Development Agency, Light Rail Authority, and Vermillion River Watershed District.

Source: Dakota County Auditor and Treasurer's Office.

**CITY OF LAKEVILLE, MINNESOTA**

Principal Property Taxpayers

Fiscal Year Ended December 31, 2012 and December 31, 2003

<u>Principal Property Taxpayer</u>	<u>Type of Business</u>	<u>2012</u>			<u>2003</u>		
		<u>Taxable Tax Capacity Value</u>	<u>Rank</u>	<u>Percentage of Taxable Tax Capacity Value</u>	<u>Taxable Tax Capacity Value</u>	<u>Rank</u>	<u>Percentage of Taxable Tax Capacity Value</u>
Lakeville 2004 LLC	Commercial	\$ 333,532	1	0.6%			
Heritage Commons LLC	Retail	320,908	2	0.6%			
Dakota Electric Association	Utility	314,834	3	0.5%	\$ 297,000	1	0.8%
Target Corporation	Retail	256,414	4	0.4%			
Argonne Investments LLC	Retail	255,123	5	0.4%			
LTF Real Estate Company Inc.	Real estate	242,738	6	0.4%			
Xcel Energy	Utility	242,352	7	0.4%	145,916	4	0.4%
Walker Highview Hills LLC	Senior Housing	220,599	8	0.4%			
CenterPoint Energy	Utility	199,264	9	0.3%	115,325	8	0.3%
Southfork Apts. Ltd. Partnership	Apartments	191,100	10	0.3%	238,031	2	0.7%
Muller Family Theatres of Lakeville	Commercial				153,740	3	0.4%
International Home Food, Inc.	Food manufacturing				136,226	5	0.4%
Mills Property Inc.	Retail				130,394	6	0.4%
Wausau Supply Company	Lumber supply distributor				118,434	7	0.3%
CRW Lakeville LLC	Retail				109,431	9	0.3%
Fulford Group LLC	Warehouse distribution	-		-	100,106	10	0.3%
Total principal taxpayers		2,576,864		4.5%	1,544,603		4.4%
All other taxpayers		<u>55,007,126</u>		<u>95.5%</u>	<u>33,615,852</u>		<u>95.6%</u>
Total City of Lakeville taxpayers		<u>\$ 57,583,990</u>		<u>100.0%</u>	<u>\$ 35,160,455</u>		<u>100.0%</u>

Source: Dakota County Auditor and Treasurer's Office.

## CITY OF LAKEVILLE, MINNESOTA

### Property Tax Levy and Collections

Last Ten Fiscal Years

<u>Fiscal Year</u>		<u>Current Year Tax Levy Certified</u>	<u>Collection of Current Year's Levy</u>		<u>Collection of Prior Year Levy</u>	<u>Total Collections</u>	<u>Percentage of Total Collections To Tax Levy Certified</u>
			<u>Amount</u>	<u>Percent</u>			
2003	(1)	\$ 11,924,189	\$ 11,144,545	93.46%	\$ 114,295	\$ 11,258,840	94.42%
2004	(1)	12,838,429	12,068,753	94.00%	116,556	12,185,309	94.91%
2005	(1)	15,232,317	14,460,888	94.94%	98,266	14,559,154	95.58%
2006	(1)	17,741,065	16,943,054	95.50%	162,281	17,105,335	96.42%
2007		19,942,716	19,652,615	98.55%	289,187	19,941,802	99.99%
2008	(1)	22,690,614	22,023,558	97.06%	399,978	22,423,536	98.82%
2009	(1)	23,527,163	22,473,650	95.52%	401,335	22,874,985	97.23%
2010	(1)	24,041,653	22,982,110	95.59%	278,247	23,260,357	96.75%
2011	(1)	24,036,652	22,837,484	95.01%	379,170	23,216,654	96.59%
2012		23,126,960	23,050,840	99.67%	-	23,050,840	99.67%

**Note:** (1) The State of Minnesota unallotted state aid for property tax relief - Market Value Homestead Credit (MVHC) in the fiscal years as follows:

<u>Fiscal Year</u>	<u>MVHC Loss Amount</u>	<u>As a Percentage of Tax Levy Certified</u>
2003	\$ 562,069	4.71%
2004	611,064	4.76%
2005	607,574	3.99%
2006	632,238	3.56%
2007	-	-
2008	305,479	1.35%
2009	630,561	2.68%
2010	731,494	3.04%
2011	835,005	3.47%
2012	-	-

## CITY OF LAKEVILLE, MINNESOTA

### Ratio of Outstanding Debt by Type

Last Ten Fiscal years

Fiscal Year	Governmental Activities				Business-type	Total Outstanding Debt	Population (1)	% of Personal Income (2)	Total Outstanding Debt Per Capita
	General Obligation Bonds	Other Bonds	Capital Leases	General Obligation Capital Note	Activity Revenue Bond				
2003	\$ 64,965,000	\$ 3,610,000	\$ 263,192	\$ 179,900	\$ 955,000	\$ 69,973,092	47,523	3.7	\$ 1,472
2004	85,560,000	3,485,000	219,888	136,900	840,000	90,241,788	49,097	4.5	1,838
2005	87,270,000	3,355,000	210,142		720,000	91,555,142	51,472	4.2	1,779
2006	72,110,000	12,445,000	183,697		590,000	85,328,697	52,323	3.7	1,631
2007	92,180,000	12,300,000	152,037		4,410,000	109,042,037	53,829	4.4	2,026
2008	86,390,000	12,100,000	119,061		4,265,000	102,874,061	54,828	4.0	1,876
2009	90,380,000	11,805,000	112,090		3,985,000	106,282,090	55,772	4.3	1,906
2010	78,800,000	10,780,000	104,752		3,690,000	93,374,752	55,954	3.7	1,669
2011	75,970,000	10,500,000	97,027		3,545,000	90,112,027	56,534	3.4	1,594
2012	97,815,000	8,535,000			3,395,000	109,745,000	57,380	N/A	1,913

**Source:**

(1) Metropolitan Council as of April 1, (except for 2010 Federal Census, 2012 City estimate).

(2) See Demographic and Economic Statistics page.

**CITY OF LAKEVILLE, MINNESOTA**

Ratio of Net Bonded Debt Outstanding  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Gross Bonded Debt</u>	<u>Debt Payable From Other Sources (1)</u>	<u>Debt Service Monies Available</u>	<u>Net Bonded Debt</u>	<u>Taxable Net Tax Capacity</u>	<u>Percentage of Net Bonded Debt to Taxable Net Tax Capacity</u>	<u>(2) Population</u>	<u>Net Bonded Debt Per Capita</u>
2003	\$ 69,709,900	\$ 43,469,900	\$ 4,693,676	\$ 21,546,324	\$ 35,380,155	60.90%	47,523	\$ 453
2004	90,021,900	50,536,900	4,340,477	35,144,523	41,414,912	84.86%	49,097	716
2005	91,345,000	47,625,000	4,649,080	39,070,920	47,958,901	81.47%	51,472	759
2006	85,145,000	34,855,000	4,894,911	45,395,089	54,863,682	82.74%	52,323	868
2007	108,890,000	42,870,000	5,171,284	60,848,716	61,829,382	98.41%	53,829	1,130
2008	102,755,000	38,030,000	5,925,387	58,799,613	65,586,013	89.65%	54,828	1,072
2009	106,170,000	39,015,000	6,941,902	60,213,098	67,986,667	88.57%	55,772	1,080
2010	93,270,000	29,460,000	6,527,316	57,282,684	65,043,115	88.07%	55,954	1,024
2011	90,015,000	28,305,000	5,663,237	56,046,763	62,063,161	90.31%	56,534	991
2012	109,745,000	29,550,000	29,084,558	51,110,442	58,325,034	87.63%	57,380	891

**Source:**

(1) G.O. Improvement bonds, tax increment bonds, State-aid street revenue bonds, water connection revenue bonds, arena revenue bonds, HRA public facility lease revenue bonds, and liquor revenue bonds.

(2) Metropolitan Council as of April 1, (except for 2010 Federal Census, 2012 City estimate).

# CITY OF LAKEVILLE, MINNESOTA

Direct and Overlapping Governmental Debt

As of December 31, 2012

<u>Governmental Unit</u>	<u>Debt Outstanding</u> (2)	<u>Debt Applicable to Taxable Net Tax Capacity in the City</u>	
		<u>Percentage</u> (2)	<u>Amount</u>
<b>Overlapping Debt (1)</b>			
<u>Independent School District</u>			
194 (City of Lakeville)	\$ 176,262,884	87.70%	\$ 154,582,549
192 (City of Farmington)	205,270,000	19.00%	39,001,300
196 (Cities of Rosemount, Apple Valley, Eagan)	101,792,334	5.40%	5,496,786
Dakota County	52,415,000	14.20%	7,442,930
<u>Special District</u>			
Metropolitan Council	302,445,000	2.36%	<u>7,152,680</u>
Total overlapping debt			213,676,245
<b>Direct Debt</b>			
City of Lakeville bonded debt	106,350,000	100.00%	<u>106,350,000</u>
Total direct and overlapping debt			<u>\$ 320,026,245</u>

## Notes:

- (1) Overlapping governments are those that coincide, at least in part, with the geographical boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Lakeville. This process recognizes that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.
- (2) Debt figures and applicable percentages for other than the City of Lakeville are supplied by the City's fiscal consultant Springsted.

**CITY OF LAKEVILLE, MINNESOTA**

Legal Debt Margin  
Last Ten Fiscal Years

<u>Fiscal Year</u>	<u>Assessor's Taxable Market Valuation</u>	<u>Legal Debt Limit</u>	<u>Net Bonded Debt Applicable to Debt Limit</u>	<u>Legal Debt Margin</u>	<u>Net Bonded Debt Applicable to Debt Limit as a Percentage of Legal Debt Limit</u>
2003	\$ 3,188,207,500	\$ 63,764,150	\$ 21,546,324	\$ 42,217,826	33.79%
2004	3,742,588,600	74,851,772	35,144,523	39,707,249	46.95%
2005	4,361,601,400	87,232,028	39,070,920	48,161,108	44.79%
2006	5,034,819,600	100,696,392	45,395,089	55,301,303	45.08%
2007	5,642,591,100	112,851,822	60,848,716	52,003,106	53.92%
2008	5,951,319,600	178,539,588	58,799,613	119,739,975	32.93%
2009	6,024,665,500	180,739,965	60,213,098	120,526,867	33.31%
2010	5,736,602,200	172,098,066	57,282,684	114,815,382	33.28%
2011	5,356,855,900	160,705,677	56,046,763	104,658,914	34.88%
2012	5,030,003,164	150,900,095	51,110,442	99,789,653	33.87%

**Legal Debt Margin Calculation:**

**Fiscal Year 2012**

Assessor's taxable market valuation		<u>\$ 5,030,003,164</u>
Legal debt limit:		
3% of Assessor's taxable market valuation		\$ 150,900,095
Amount of debt applicable to legal debt limit:		
Gross bonded debt	\$ 109,745,000	
Less debt payable from sources other than taxes:		
G.O. Improvement bonds	\$ 13,185,000	
Tax increment bonds	2,755,000	
State-aid street revenue bonds	5,280,000	
Water connection revenue bonds	3,760,000	
Arena revenue bonds	1,175,000	
Liquor revenue bonds	<u>3,395,000</u>	<u>(29,550,000)</u>
Debt payable from taxes		80,195,000
Less debt service monies available to pay principal and interest		<u>(29,084,558)</u>
Net bonded debt applicable to debt limit	<u>51,110,442</u>	<u>51,110,442</u>
Legal debt margin		<u>\$ 99,789,653</u>

**Note:** Minnesota Statutes 475.53, Subdivision 1, No municipality, except a school district or a city of the first class, shall incur or be subject to a net debt in excess of two percent of the taxable market value of taxable property in the municipality for years 2007 and prior; three percent for years beginning in 2008.

Source: Dakota County Auditor and Treasurer's Office.

## CITY OF LAKEVILLE, MINNESOTA

Pledged Revenue Coverage

Last Ten Fiscal Years

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<u>Fiscal Year</u>	<u>Gross (1) Revenues</u>	<u>Operating Expenses</u>	<u>Net Revenue Available For Debt Service</u>	<u>Requirements (2)</u>		<u>Total</u>	<u>Times Coverage</u>
				<u>Principal</u>	<u>Interest</u>		
2003	\$ 7,743,699	\$ 3,022,154	\$ 4,721,545	\$ 910,000	\$ 982,067	\$ 1,892,067	2.50
2004	8,358,002	3,350,666	5,007,336	1,045,000	902,036	1,947,036	2.57
2005	9,048,259	3,587,604	5,460,655	1,095,000	848,550	1,943,550	2.81
2006	8,094,630	4,113,336	3,981,294	1,150,000	920,015	2,070,015	1.92
2007	8,731,414	3,945,627	4,785,787	1,335,000	1,011,204	2,346,204	2.04
2008	9,615,243	4,094,080	5,521,163	1,400,000	1,161,886	2,561,886	2.16
2009	8,507,945	4,485,946	4,021,999	1,575,000	1,066,238	2,641,238	1.52
2010	7,380,163	4,749,304	2,630,859	1,685,000	998,751	2,683,751	0.98
2011	8,146,497	4,307,467	3,839,030	1,635,000	937,952	2,572,952	1.49
2012	9,608,620	4,296,022	5,312,598	3,115,000	832,499	3,947,499	1.35

### Notes:

- (1) The primary revenue source for debt service include water system connection charges, water system user fees, ice arena net operating revenue and contributions from one organization conducting lawful gambling at approved locations, and liquor fund gross profits.
- (2) Revenue bonds include water connection revenue, arena revenue, and liquor revenue.



## CITY OF LAKEVILLE, MINNESOTA

Demographic and Economic Statistics

Last Ten Fiscal Years

<u>Year</u>	<u>(1)</u> <u>Population</u>	<u>Percentage</u> <u>Increase from</u> <u>Previous Year</u>	<u>Personal</u> <u>Income (2)</u> <u>(in thousands)</u>	<u>Per Capita</u> <u>Personal</u> <u>Income</u>	<u>Building Permits Issued</u>			<u>Housing units</u> <u>Valuation</u>
					<u>Family Dwellings (3)</u>			
					<u>Single</u>	<u>Multiple</u>	<u>Total</u>	
2003	47,523	2.67%	1,882,861	39,620	422	367	789	149,884,000
2004	49,097	3.31%	2,021,323	41,170	382	524	906	160,871,000
2005	51,472	4.84%	2,174,229	42,241	237	428	665	131,774,000
2006	52,323	1.65%	2,287,875	43,726	221	223	444	101,474,955
2007	53,829	2.88%	2,456,163	45,629	183	195	378	72,128,000
2008	54,828	1.86%	2,541,333	46,351	137	279	416	71,062,000
2009	55,772	1.72%	2,474,827	44,374	127	54	181	41,010,000
2010	55,954	0.33%	2,519,161	45,022	138	2	140	38,718,000
2011	56,534	1.04%	2,617,468	46,299	122	2	124	37,621,000
2012	57,380	1.50%	N/A	N/A	280	2	282	84,444,000

Annual percentage  
increase average last  
ten fiscal years 2.18%

### Labor Force and Unemployment Rate (seasonally adjusted) (2)

<u>Year</u>	<u>City of Lakeville</u>		<u>Dakota County</u>		<u>Rates</u>	
	<u>Labor</u> <u>Force</u>	<u>Unempl.</u> <u>Rate</u>	<u>Labor</u> <u>Force</u>	<u>Unempl.</u> <u>Rate</u>	<u>State of</u> <u>Minnesota</u>	<u>United</u> <u>States</u>
2003	28,302	2.5%	230,968	3.6%	4.5%	5.4%
2004	27,950	3.1%	229,734	4.2%	5.0%	5.4%
2005	28,745	3.2%	231,322	4.0%	4.8%	4.8%
2006	29,677	3.9%	230,427	4.1%	4.9%	4.5%
2007	30,492	4.3%	232,670	4.6%	4.7%	5.1%
2008	30,471	5.6%	229,716	6.1%	6.8%	7.1%
2009	30,727	6.4%	231,391	6.9%	7.4%	10.0%
2010	30,782	6.0%	230,247	6.6%	6.9%	9.4%
2011	31,237	4.8%	232,257	5.2%	5.7%	8.5%
*2012	31,221	4.5%	231,902	4.9%	5.4%	7.6%

**Source:**

(1) Metropolitan Council as of April 1, (except for 2010 Federal Census, 2012 City estimate).

(2) U.S. Department of Commerce Bureau of Economic Analysis as of December 31, 2012.

\* Not seasonally adjusted, information is not available.

(3) City of Lakeville Inspections Department.

N/A - Not available.

**CITY OF LAKEVILLE, MINNESOTA**

Principal Employers

Fiscal Year Ended December 31, 2012 and December 31, 2003

<u>Principal Employer</u> (1)	<u>Product/Service</u>	<u>2012</u>			<u>2003</u>		
		<u>Employees</u>	<u>Rank</u>	<u>%</u>	<u>Employees</u>	<u>Rank</u>	<u>%</u>
Independent School District 194	Elementary & secondary schools	1,273	1	4.1%	1,400	1	4.9%
Ryt-Way Industries, Inc.	Food service contractors	830	2	2.7%	500	3	1.8%
ConAgra Store Brands	Breakfast cereal products	515	3	1.6%	504	2	1.8%
Target	Retail	360	4	1.2%	360	4	1.3%
Imperial Plastics, Inc.	Plastics material & resin mfg.	320	5	1.0%			
Despatch Industries, Inc.	Industrial furnace & oven mfg.	300	6	1.0%			
MOM Brands	Cereal production	250	7	0.8%			
Life Time Fitness	Fitness clubs	230	8	0.7%			
Menasha Corporation	Corrugated & solid fiber box mfg.	204	9	0.7%	200	6	0.7%
City of Lakeville (2)	City government	201	10	0.6%	200	7	0.7%
Fleet Farm	Retail				250	5	0.9%
Hearth & Home Technologies, Inc.	Fireplaces/metal work				153	8	0.5%
Jeff Belzer's Chevy-Dodge-KIA	New & used auto dealership				150	9	0.5%
Carquest Distribution Center	General warehousing & storage	-		-	140	10	0.5%
Total principal employers		4,483		14.4%	3,857		13.5%
All other employers		26,738		85.6%	24,445		86.5%
Total City of Lakeville civilian labor force (3)		31,221		100.0%	28,302		100.0%

**Source:**

(1) Telephone survey of individual employers, August 2012.

(2) As of December 31, 2012 (full-time equivalent).

(3) U.S. Department of Commerce Bureau of Economic Analysis as of December 31, 2012.

**CITY OF LAKEVILLE, MINNESOTA**  
 Commercial and Industrial Building Permits Issued  
 Years 2012 and 2011

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**NEW BUILDING PERMITS 2012 AND 2011** (in excess of \$250,000)

<u>BUSINESS</u>	<u>PRODUCT/SERVICE</u>	<u>VALUATION (1)</u>
Wal-Mart	Retail	\$ 8,495,000
Goodwill	Retail	1,400,000
McDonalds Corp	Restaurant	800,000

**EXPANSION OR REMODEL BUILDING PERMITS 2012 AND 2011** (in excess of \$250,000)

<u>BUSINESS</u>	<u>PRODUCT/SERVICE</u>	<u>VALUATION (1)</u>
Jeff Belzer's Chevy-Dodge-KIA	New & used auto dealership	\$ 2,420,000
Gander Mountain	Retail	2,400,000
Image Trend	Software development	2,050,000
National Polymers	Plastic products	1,865,000
ConAgra Foods	Store brand/private label food products	1,625,000
McDonalds Corp	Restaurant	650,000
Timbercrest	Multi-tenant retail	385,000
Pizza Ranch	Restaurant	300,000
Computer Science Corp	Mail transport/equipment service center	260,000
Dayton Freight	Freight carrier	260,000
MOM Brands	Admin. offices/technology center	250,000

**Notes:**

(1) Valuation excludes land and personal property.

Source: City of Lakeville Inspections Department.

**CITY OF LAKEVILLE, MINNESOTA**

Employees by Function/Program (Full-Time Equivalent)  
Last Ten Fiscal Years

<b>Function/Program</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>General government</b>										
City administration	3.0	3.0	3.0	3.0	3.0	3.0	2.8	2.5	2.5	2.5
Communications	4.9	4.7	4.7	4.7	4.8	4.1	3.9	4.0	4.0	4.0
City clerk	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0	1.0
Finance	6.0	6.0	6.0	5.6	6.6	6.6	6.5	6.4	6.0	7.0
Information systems	2.6	2.6	3.0	3.9	4.0	4.0	3.3	3.0	3.0	3.0
Human resources	2.6	2.6	2.8	2.9	3.0	3.0	2.8	2.8	2.8	2.8
Planning	5.5	5.5	5.5	5.5	5.5	4.5	3.8	3.0	3.0	3.0
Community and economic development	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Protective inspection	11.0	12.0	12.0	12.0	12.0	12.4	8.7	8.0	8.0	7.0
General government buildings	2.5	2.0	2.0	2.5	3.1	3.1	3.0	3.0	3.0	3.0
<b>Total general government</b>	<b>41.6</b>	<b>41.9</b>	<b>42.5</b>	<b>43.6</b>	<b>45.5</b>	<b>44.2</b>	<b>38.3</b>	<b>36.2</b>	<b>35.8</b>	<b>35.8</b>
<b>Public safety</b>										
Police officers (sworn)	44.3	46.0	48.0	49.5	51.2	52.8	51.0	51.5	51.9	53.0
Police dispatchers	8.0	8.4	10.0	10.0	-	-	-	-	-	-
Police administration	11.9	12.0	11.4	11.4	12.9	12.4	11.1	10.8	11.3	12.2
Fire (excluding volunteer firefighters)	3.0	3.0	3.5	4.5	4.6	4.6	4.6	4.6	4.6	4.6
<b>Total public safety</b>	<b>67.2</b>	<b>69.4</b>	<b>72.9</b>	<b>75.4</b>	<b>68.7</b>	<b>69.8</b>	<b>66.7</b>	<b>66.9</b>	<b>67.8</b>	<b>69.8</b>
<b>Public works</b>										
Engineering	12.9	13.0	13.0	14.0	14.0	12.3	9.3	9.0	6.8	7.0
Street maintenance	17.0	17.0	17.6	18.5	19.8	20.0	19.4	19.0	19.0	19.3
<b>Total public works</b>	<b>29.9</b>	<b>30.0</b>	<b>30.6</b>	<b>32.5</b>	<b>33.8</b>	<b>32.3</b>	<b>28.7</b>	<b>28.0</b>	<b>25.8</b>	<b>26.3</b>
<b>Parks and recreation</b>										
Park maintenance	14.0	14.0	14.8	15.0	15.0	15.0	14.5	15.0	15.0	15.0
Recreation	4.7	4.7	4.7	4.7	5.3	5.3	4.9	4.7	4.7	4.7
Arts center	3.0	3.0	3.0	3.0	3.2	3.6	3.7	3.7	3.7	3.7
<b>Total parks and recreation</b>	<b>21.7</b>	<b>21.7</b>	<b>22.5</b>	<b>22.7</b>	<b>23.5</b>	<b>23.9</b>	<b>23.1</b>	<b>23.4</b>	<b>23.4</b>	<b>23.4</b>
<b>Total governmental activities</b>	<b>160.4</b>	<b>163.0</b>	<b>168.5</b>	<b>174.2</b>	<b>171.5</b>	<b>170.2</b>	<b>156.8</b>	<b>154.5</b>	<b>152.8</b>	<b>155.3</b>
Liquor	24.2	24.8	24.8	25.9	26.4	25.9	25.7	25.7	25.8	25.7
Utility	18.0	15.0	15.5	16.5	17.5	18.0	18.0	18.0	20.0	20.0
<b>Total business-type activities</b>	<b>42.2</b>	<b>39.8</b>	<b>40.3</b>	<b>42.4</b>	<b>43.9</b>	<b>43.9</b>	<b>43.7</b>	<b>43.7</b>	<b>45.8</b>	<b>45.7</b>
<b>Total employees</b>	<b>202.6</b>	<b>202.8</b>	<b>208.8</b>	<b>216.6</b>	<b>215.4</b>	<b>214.1</b>	<b>200.5</b>	<b>198.2</b>	<b>198.6</b>	<b>201.0</b>

Source: City of Lakeville Human Resources Department.

# CITY OF LAKEVILLE, MINNESOTA

Operating Indicators by Function  
Last Ten Fiscal Years

<b>Function</b>	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>General government</b>										
Number of registered voters	N/A	26,834	N/A	30,072	N/A	31,024	N/A	32,617	N/A	32,200
Number of final plats approved	26	26	34	21	18	10	8	10	12	13
Number of building permits issued	2,528	2,623	2,179	3,970	3,487	1,878	1,428	1,421	1,467	2,349
Valuation of building permits issued (in millions)	\$ 250	\$ 230	\$ 187	\$ 165	\$ 126	\$ 111	\$ 62	\$ 49	\$ 77	\$ 119
<b>Public safety</b>										
Crimes against person reported	215	201	194	141	155	158	151	151	142	133
Crimes against property reported	1,755	1,198	1,376	1,165	1,477	1,424	1,245	1,259	1,161	1,186
Traffic citations issued	3,871	4,404	5,020	4,229	6,086	6,985	6,487	5,441	4,914	4,789
Number of volunteer firefighters	77	75	88	80	80	90	78	74	83	77
Number of annual fire calls	762	852	1,048	1,078	1,149	1,230	1,343	1,189	1,262	1,208
<b>Public works</b>										
City street miles added	9.6	5.8	9.8	3.5	2.1	1.0	0.5	2.3	2.2	1.4
<b>Parks and recreation</b>										
Park acres mowed	434	442	453	465	465	171	471	471	473	473
Park facility reservations taken	379	363	312	400	432	479	559	661	655	717
Program activity registrations taken	5,146	6,627	5,396	6,749	6,836	7,994	8,201	8,369	9,051	9,850
<b>Liquor</b>										
Annual sales (in millions)	\$ 9.9	\$ 10.5	\$ 11.5	\$ 12.1	\$ 13.0	\$ 14.4	\$ 14.6	\$ 14.7	\$ 14.4	\$ 15.2
<b>Utility (in millions of gallons)</b>										
Water (average daily consumption)	6.0	5.7	5.6	6.0	6.5	6.3	6.1	4.8	5.7	6.7
Sanitary sewer (1) (average daily treatment)	4.3	4.2	4.1	3.9	3.9	4.0	3.3	3.3	3.3	3.4

## Notes:

(1) Sewage is treated by the Metropolitan Council Environmental Services.

N/A Indicates information is not available for this period at the printing of this report.

Source: Various City of Lakeville Departments.

# CITY OF LAKEVILLE, MINNESOTA

## Capital Assets Statistics by Function

Last Ten Fiscal Years

<b>Function</b> (1)	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
<b>Public safety</b>										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	4	4	4	4	4	4	4	4	4	4
<b>Public works</b>										
City streets (miles)	236.0	241.8	251.6	255.1	257.2	258.2	258.7	261.0	263.2	264.6
<b>Parks and recreation</b>										
Acres of parks, conservation areas, and greenways	1,306	1,314	1,325	1,610	1,610	1,623	1,636	1,663	1,671	1,712
Parks	52	53	53	53	55	56	59	59	59	59
Conservation areas	18	18	18	18	18	18	18	18	18	20
Trails and sidewalks - paved (miles)	77	79	83	86	88	91	91	91	100	100
Ice rinks - outdoor (fully boarded)	10	11	11	12	12	12	12	12	12	12
Ice rinks - indoor	2	2	2	2	3	3	3	3	3	3
Fields (softball, soccer, baseball, football, Lacrosse)	120	122	125	125	135	136	136	136	150	150
Courts (basketball, volleyball, tennis)	23	26	27	27	36	39	39	39	38	38
Playgrounds	33	33	36	38	38	39	39	40	40	40
Swimming beaches	3	3	3	3	3	3	3	3	3	3
<b>Liquor</b>										
Number of on-sale stores owned	2	2	2	2	2	2	2	2	2	2
Number of on-sale stores leased	1	1	1	1	1	1	1	1	1	1
<b>Utility</b>										
Water										
Water mains (miles)	247	270	290	297	304	310	311	311	313	313
Fire hydrants	2,634	2,840	3,031	3,128	3,313	3,374	3,386	3,386	3,434	3,434
Wells	13	14	15	15	16	16	17	17	17	17
Water Towers	4	4	4	5	5	5	5	5	5	5
Sanitary sewer										
Sanitary sewer mains (miles)	208	221	230	238	253	255	256	259	261	261
Sanitary sewer lift stations	21	21	21	20	20	20	20	19	19	19

### Notes:

(1) Indicators for general government functions are not available.

Source: Various City of Lakeville Departments.

