



COMPREHENSIVE
ANNUAL FINANCIAL REPORT
2014

Year Ended December 31, 2014
City of Lakeville, Minnesota

COMPREHENSIVE ANNUAL FINANCIAL REPORT

City of



Minnesota

For the Year Ended
December 31, 2014

ISSUED BY THE FINANCE DEPARTMENT

INTRODUCTORY SECTION

CITY OF LAKEVILLE, MINNESOTA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED DECEMBER 31, 2014
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CITY OF LAKEVILLE, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2014

ELECTED OFFICIALS

Term of Office Expires

MAYOR	Matt Little	December 31, 2016
COUNCIL MEMBERS:	Doug Anderson	December 31, 2016
	Bart Davis	December 31, 2018
	Colleen Ratzlaff LaBeau	December 31, 2018
	Kerrin Swecker	December 31, 2016

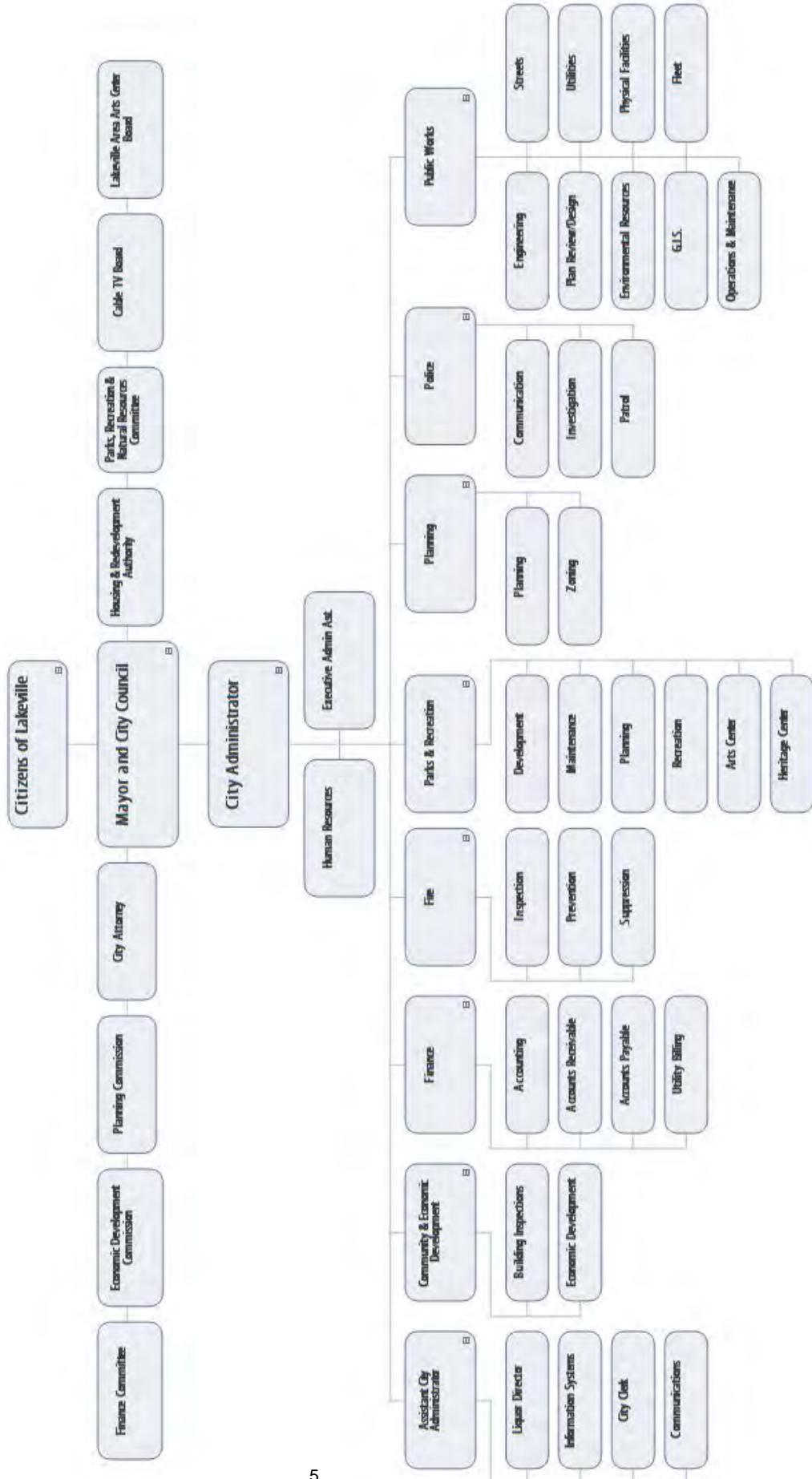
APPOINTED OFFICIALS

City Administrator	Justin Miller
Finance Director/Treasurer	Dennis Feller
City Clerk	Charlene Friedges

CITY OF LAKEVILLE, MINNESOTA

Organizational Structure

December 31, 2014





City of Lakeville
Positioned to Thrive

June 9, 2015

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, 2014. 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 unmodified ("clean") opinion, meaning that the financial statements fairly present the City's financial position at December 31, 2014 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. The 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 58,727 in 2014.

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

The City is financially accountable for the Housing and Redevelopment Authority (HRA), which is included in the City's financial statements. 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 and the special revenue funds budgetary comparison schedules are presented in the nonmajor governmental funds subsection of this report.

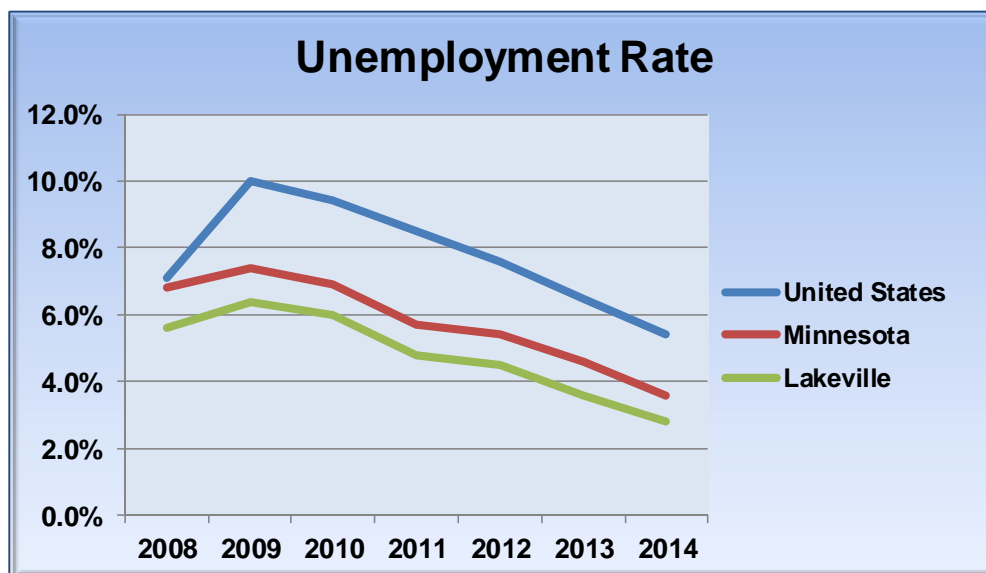
Factors Affecting Financial Condition

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

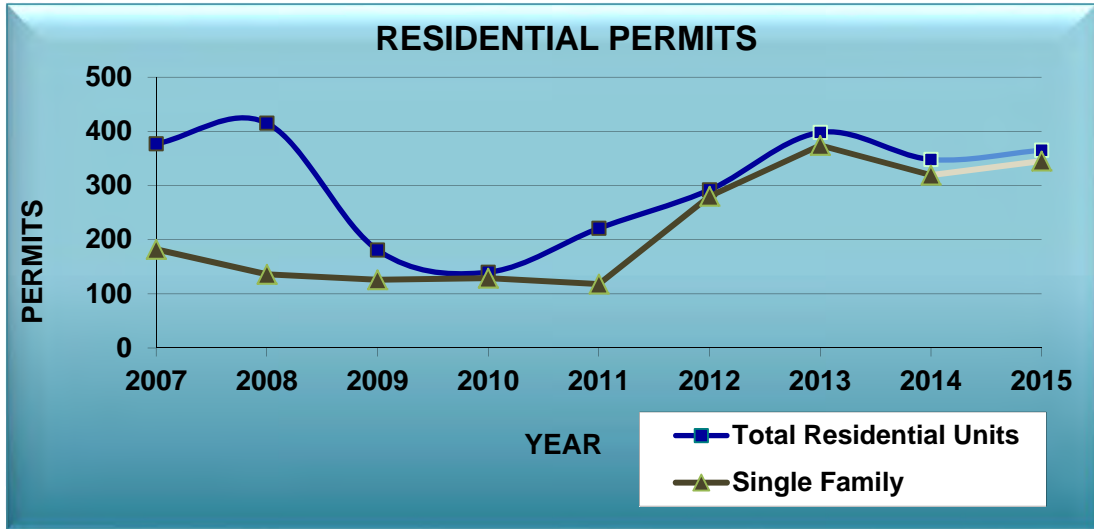
Our community has persevered through the economic struggles of the past six years. The City responded in 2008 and 2009 to the economic challenges by downsizing its operations and reducing personnel. The City has grown by almost 3,000 new residents or approximately 5.3% since 2009, while the number of City employees has increased by 3.0%.

According to the Bureau of Labor Statistics, Lakeville's unemployment rate is favorable compared to the State and National rates.



Source: www.positivelyminnesota.com

The trend for building permit activity for single family homes and newly platted lots or applications from developers for new residential lots is on the rise although building permits for single family homes decreased to 319 in 2014 compared to 374 permits for single family homes in 2013. The 2015 budget is premised on an assumed steady growth of new single family homes in the coming year.

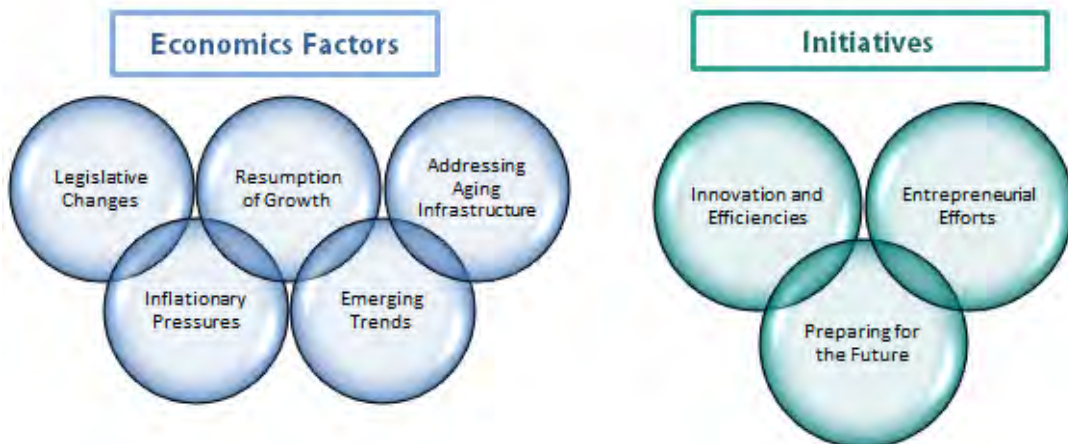


- Actual Residential Units
- Estimated Residential Units
- Actual Single Family
- Estimated Single Family

According to the Dakota County Assessor’s office, the median value home increased by 8.9% as of January 2014 (for taxes payable 2015). The trend of improving market values is expected to continue as the number of foreclosures and regional unemployment becomes more favorable. The improving housing market is also strengthened with the current low inflation and interest rate environment.

Major Initiatives

As the City emerges from the Great Recession and post-recession era, there are a number of pressures and issues confronting the City that emerged as themes which affect the community. The themes identified and addressed within the 2014 adopted budget included legislative changes, resumption of growth, aging infrastructure, inflationary pressures, emerging trends, innovation and efficiencies, entrepreneurial efforts and preparing for the future.



Legislative Changes. Recent Legislative changes regarding (limited) sales tax exemption, police pension financing and property tax levy limits as well as Federal Environmental Protection Agency storm water regulations and sequestering are having or will have financial implications for our City.

Resumption of Growth. New residential housing construction is at pre-recession levels due in large part to improving economic conditions. The resumption of growth will result in increased demands for infrastructure enhancements as well as service delivery such as inspections, code enforcement, police, fire, streets and parks.

Addressing Aging Infrastructure. Our City has more than \$300 million of investment in infrastructure such as roads, water mains, parks, trails, facilities, equipment and other assets. The assets have maintenance, and in certain situations, replacement requirements. The 2014 budget addressed the short-term plan while the Capital Improvement Plan addressed the anticipated intermediate and long term needs. The most significant 2014 projects included:

- Accelerated pavement management program to improve city-wide pavement management index
 - 2014 Street Reconstruction
 - Kenrick Avenue – surface mill and overlay
 - Bridge replacement at 168th Street and Gannon Avenue
- ADA Improvements to City Hall entrance doors
- Downtown parking lot replacement
- Ladder truck #4 acquisition
- Highview Avenue trail overlay from 175th to 160th Street

Inflationary Pressures. As the economy improves; there will be upward pressure on commodities, services and personnel costs. Although inflation is still relatively benign compared to the decade preceding the recession, the budget anticipated modest price increases in the near term.

Emerging Trends. There are trends emerging within our community which are influenced at least in part by external factors such as technology related crimes and the emerald ash borer insects. Currently there is a defined need for our community to react to or be prepared to react to the issues; however, there is little or no financial assistance available from State or federal agencies to react to the trends.

Innovation and Efficiencies. Lakeville has a long standing history of being fiscally conservative and prudent. In spite of the fact that the City of Lakeville receives no state aid for property tax relief, per capita current expenditures for operations are still amongst the lowest in the twin cities according to the Minnesota State Auditor’s Office. The adopted budget included several initiatives which continued the focus on a commitment to cost effectiveness and efficiencies. Effective application of technology is a major factor in optimizing organizational efficiencies.

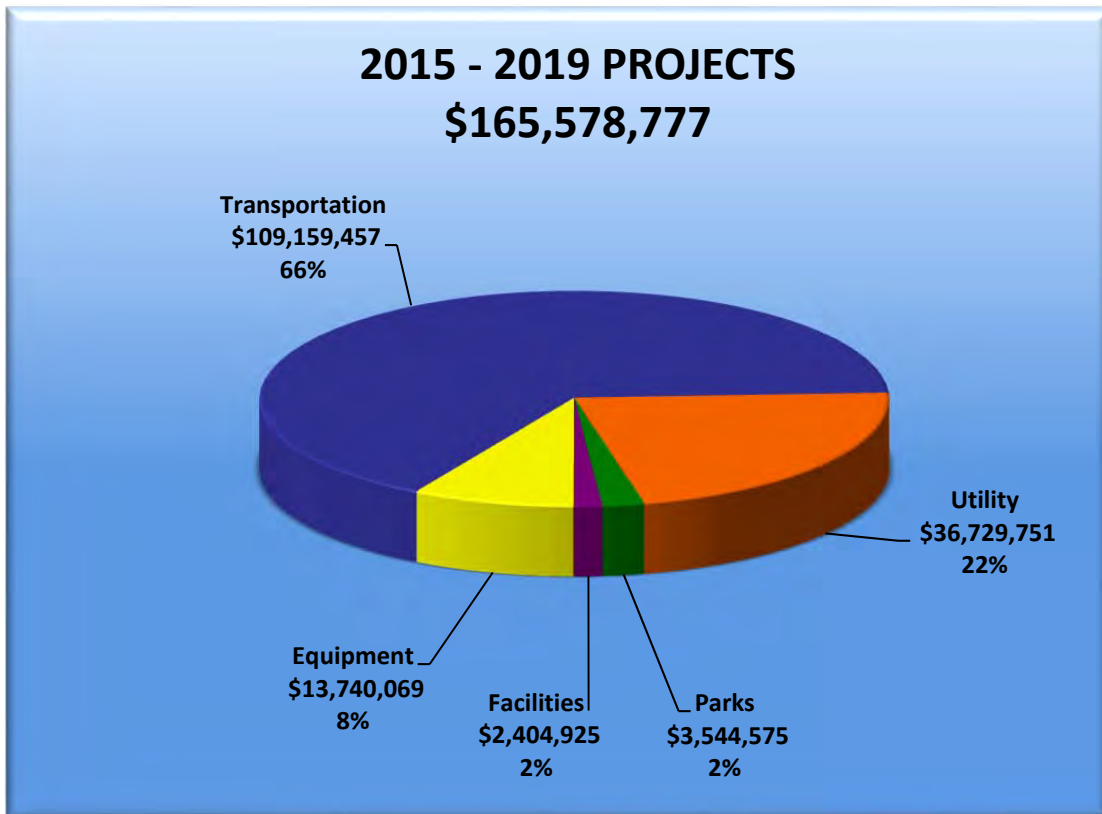
Entrepreneurial Efforts. Continued marketing initiatives are proposed to promote economic developments. Property was acquired in southwestern Lakeville for a future new liquor store to improve revenues and sales opportunities.

Preparing for the Future. As a Community that embraces a high quality of life and a pro-business attitude, Lakeville is “Positioned to Thrive.” It is an objective that embraces a vision for the future and a commitment to preparing for it.

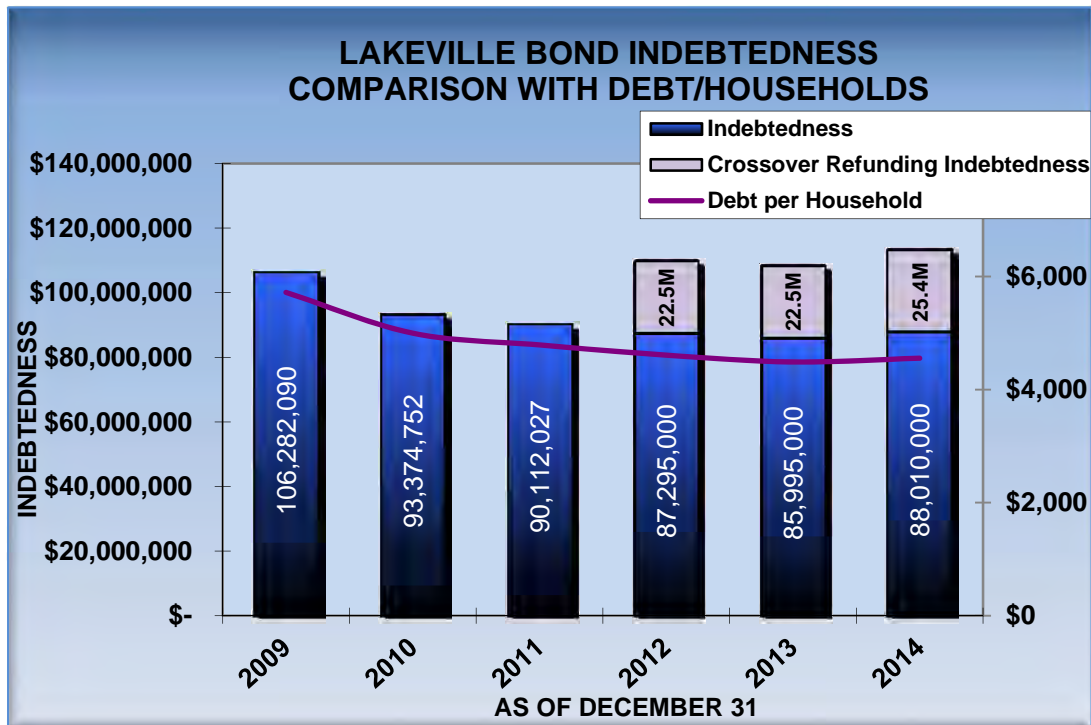
Long-Term Financial Planning

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) 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 \$166 million in transportation, utility, equipment, facilities and parks over the next five years to achieve program objectives.



As of December 31, 2014, the City of Lakeville had approximately \$113.430 million of debt outstanding, including; \$12.765 million of (cross-over) refunding debt issued in August 2012 to refinance the G.O. Capital Improvement Bonds series 2004 A; and \$12.660 million of (cross-over) refunding debt in August 2014 to refinance the G.O. Capital Improvement Bonds series 2007 D and the Street Reconstruction Bonds series 2005 A. The City will issue approximately \$63 million general obligation improvement bonds in the coming years to finance street reconstruction projects.



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 are 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.

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, 2013. This is the twenty-sixth 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.

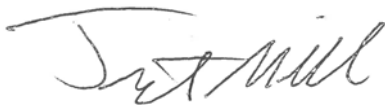
A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe our current comprehensive annual financial report continues to conform to the Certificate of Achievement for Excellence program requirements, and we are submitting it to the GFOA to determine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

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its fiscal year 2014 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 the GFOA's Distinguished Budget Presentation Award for six consecutive years.

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 Nesseth, and Julie Werner.

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

Respectfully submitted,



Justin Miller
City Administrator



Jerylyn Erickson
Finance Director



Government Finance Officers Association

**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, 2013

Executive Director/CEO

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

AUDITOR'S RESPONSIBILITY

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

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

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

(continued)

OPINIONS

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

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

Other 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 9, 2015 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 9, 2015

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CITY OF LAKEVILLE, MINNESOTA

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2014. Please read the information presented here in conjunction with our letter of transmittal.

Financial Highlights

- The assets of the City exceeded liabilities by \$282,638,509 at the close of the most recent fiscal year. Of this amount, \$17,192,527 (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 \$13,796,984.
- The City's governmental funds reported combined ending fund balances of \$71,913,871. Of this total amount, \$27,372,126 or 38% 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 \$10,850,065 or 49.2% of total general fund expenditures of \$22,061,293.

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 an internal service fund to account for its risk management insurance liability program. 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 fund is presented in a single aggregated presentation in the proprietary fund financial statements.

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 \$282,638,509 at the close of the fiscal year ending December 31, 2014. By far the largest portion or 86.7% 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	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 87,030,427	\$ 75,950,861	\$ 14,097,040	\$ 16,159,618	\$ 101,127,467	\$ 92,110,479
Capital assets	200,577,423	190,143,507	112,623,635	108,310,808	313,201,058	298,454,315
Total assets	<u>\$ 287,607,850</u>	<u>\$ 266,094,368</u>	<u>\$ 126,720,675</u>	<u>\$ 124,470,426</u>	<u>\$ 414,328,525</u>	<u>\$ 390,564,794</u>
Current and other liabilities	\$ 7,627,977	\$ 4,740,243	\$ 2,106,658	\$ 1,776,002	\$ 9,734,635	\$ 6,516,245
Long-term liabilities	118,518,885	111,596,752	3,436,496	3,610,272	121,955,381	115,207,024
Total liabilities	<u>126,146,862</u>	<u>116,336,995</u>	<u>5,543,154</u>	<u>5,386,274</u>	<u>131,690,016</u>	<u>121,723,269</u>
Net position:						
Net investment in capital assets	135,673,737	129,599,494	109,535,106	105,055,746	245,208,843	234,655,240
Restricted	19,913,014	17,645,944	324,125	324,125	20,237,139	17,970,069
Unrestricted	5,874,237	2,511,935	11,318,290	13,704,281	17,192,527	16,216,216
Total net position	<u>161,460,988</u>	<u>149,757,373</u>	<u>121,177,521</u>	<u>119,084,152</u>	<u>282,638,509</u>	<u>268,841,525</u>
Total liabilities and net position	<u>\$ 287,607,850</u>	<u>\$ 266,094,368</u>	<u>\$ 126,720,675</u>	<u>\$ 124,470,426</u>	<u>\$ 414,328,525</u>	<u>\$ 390,564,794</u>

The City's total restricted net position of \$20,237,139 comprises 7.2% of total net position at the close of the fiscal year ending December 31, 2014. These assets are subject to external restrictions on how they may be used.

The 2014 remaining balance of \$17,192,527 (6.1% 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 2014 total net position during the current fiscal year increased by \$13,796,984 as shown in the following table. This increase is primarily attributed to economic conditions and an increase in community growth. 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>	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues						
Charges for services	\$ 11,969,777	\$ 10,460,900	\$ 13,101,060	\$ 13,075,437	\$ 25,070,837	\$ 23,536,337
Operating grants and contributions	4,562,781	2,317,530	115,943	73,730	4,678,724	2,391,260
Capital grants and contributions	10,090,946	7,843,284	4,252,192	3,414,738	14,343,138	11,258,022
General revenues						
Property taxes	24,465,333	23,947,968	-	-	24,465,333	23,947,968
Investment income (charges)	552,444	(28,949)	150,310	(42,114)	702,754	(71,063)
Gain on sale of capital assets	-	-	-	-	-	-
Total revenues	<u>51,641,281</u>	<u>44,540,733</u>	<u>17,619,505</u>	<u>16,521,791</u>	<u>69,260,786</u>	<u>61,062,524</u>
Expenses						
General government	6,051,985	5,363,354	-	-	6,051,985	5,363,354
Public safety	11,807,183	11,784,109	-	-	11,807,183	11,784,109
Public works	14,776,390	11,241,434	-	-	14,776,390	11,241,434
Parks and recreation	5,202,168	5,154,919	-	-	5,202,168	5,154,919
Interest on long-term debt	3,665,421	3,864,333	-	-	3,665,421	3,864,333
Liquor	-	-	2,498,103	2,473,738	2,498,103	2,473,738
Utility	-	-	11,462,552	10,863,625	11,462,552	10,863,625
Total expenses	<u>41,503,147</u>	<u>37,408,149</u>	<u>13,960,655</u>	<u>13,337,363</u>	<u>55,463,802</u>	<u>50,745,512</u>
Change in net position before transfers	10,138,134	7,132,584	3,658,850	3,184,428	13,796,984	10,317,012
Transfers	1,565,481	2,094,059	(1,565,481)	(2,094,059)	-	-
Change in net position	<u>11,703,615</u>	<u>9,226,643</u>	<u>2,093,369</u>	<u>1,090,369</u>	<u>13,796,984</u>	<u>10,317,012</u>
Net position - beginning	<u>149,757,373</u>	<u>140,530,730</u>	<u>119,084,152</u>	<u>117,993,783</u>	<u>268,841,525</u>	<u>258,524,513</u>
Net position - ending	<u>\$ 161,460,988</u>	<u>\$ 149,757,373</u>	<u>\$ 121,177,521</u>	<u>\$ 119,084,152</u>	<u>\$ 282,638,509</u>	<u>\$ 268,841,525</u>

Governmental activities. Governmental activities change in net position before transfers were an increase of \$10,138,134. As previously discussed, this increase is primarily due to community growth. The governmental revenue increase in operating grants and contributions is directly related to the increase in construction activity.

Revenues – The City’s 2014 total revenues for governmental activities increased by \$7,100,548. Charges for services increased a total of \$1,508,877 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>2014</u>	<u>2013</u>	<u>Increase / (Decrease)</u>
Licenses and building permit fees	\$ 2,836,555	\$ 2,727,494	\$ 109,061
Connection and area charges	3,723,587	3,244,126	479,461
Park dedication fees	1,642,309	1,201,812	440,497
Other	<u>3,767,326</u>	<u>3,287,468</u>	<u>479,858</u>
Total charges for services	<u>\$ 11,969,777</u>	<u>\$ 10,460,900</u>	<u>\$ 1,508,877</u>

Operating grants and contributions experienced an overall increase of \$2,245,251. The increase is composed of state-aid provided for street maintenance and improvement projects. A summary of the various operating grants and contributions are shown as follows:

<u>Operating grants and contributions</u>	<u>2014</u>	<u>2013</u>	<u>Increase / (Decrease)</u>
State-aid for street maintenance	\$ 2,343,083	\$ 374,335	\$ 1,968,748
State-aid for street revenue bonds	837,342	847,628	(10,286)
Federal street reconstruction bonds payment	67,188	71,780	(4,592)
Other grants, contributions and donations	<u>1,315,168</u>	<u>1,023,787</u>	<u>291,381</u>
Total operating grants and contributions	<u>\$ 4,562,781</u>	<u>\$ 2,317,530</u>	<u>\$ 2,245,251</u>

Capital grants and contributions increased by \$2,247,662. The City received a payment on the interest rate reduction loan from Southfork Apartments, the proceeds of which are limited and subject to the authority of the HRA. The Downtown parking lot replacement project was primarily funded by Dakota County CDA grant funds which increased by \$440,007. Special assessments increased by \$600,054 primarily due to a major street reconstruction project that was levied against the benefiting property owners in 2014. Contributed infrastructure from private land developers decreased by (\$100,043); the infrastructure consists of street, storm sewer, and park and trail capital assets. The summary of capital grants and contributions is shown as follows:

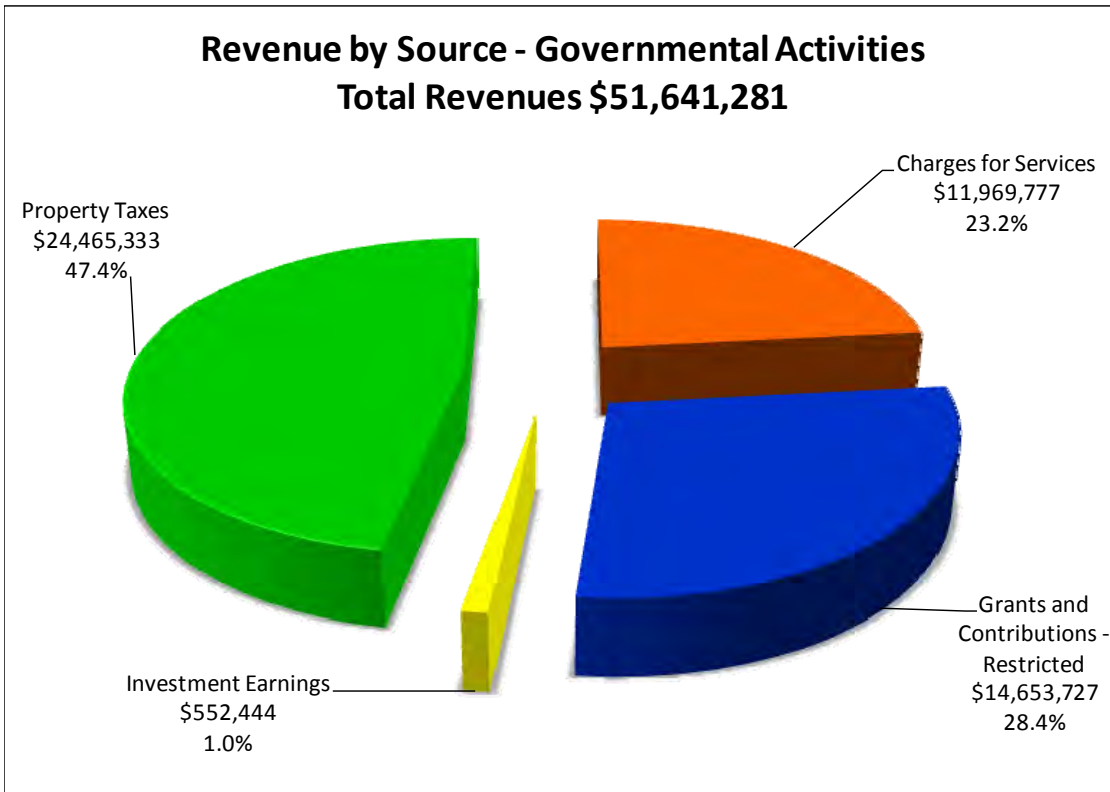
<u>Capital grants and contributions</u>	<u>2014</u>	<u>2013</u>	<u>Increase / (Decrease)</u>
Southfork interest reduction loan repayment	\$ 2,230,000	\$ -	\$ 2,230,000
Kenrick Trail grant	-	826,400	(826,400)
Minnesota municipal state-aid	14,146	268,780	(254,634)
Downtown parking lot county grant	464,622	24,615	440,007
Special assessments	2,785,514	2,185,460	600,054
Contributed infrastructure from developers	4,038,286	4,138,329	(100,043)
Other grants and contributions	<u>558,378</u>	<u>399,700</u>	<u>158,678</u>
Total capital grants and contributions	<u>\$ 10,090,946</u>	<u>\$ 7,843,284</u>	<u>\$ 2,247,662</u>

Property tax revenue increased \$517,365 or 2.2% primarily due to an increase in the overall tax levy and an increase in the collection of the current year's levy.

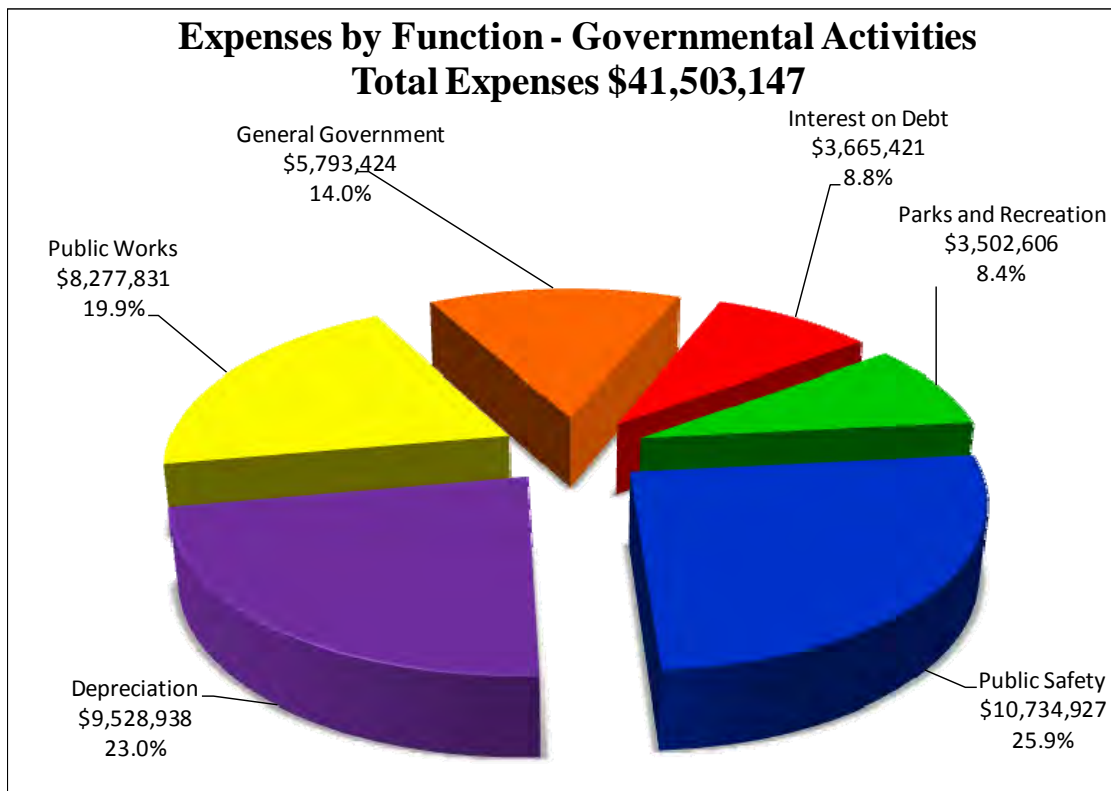
Investment income earnings increased by \$581,393 due to higher yields consistent with prevailing market conditions and positive market value adjustments on the City's investment portfolio.

<u>General revenues</u>	<u>2014</u>	<u>2013</u>	<u>Increase / (Decrease)</u>
Property taxes	\$ 24,465,333	\$ 23,947,968	\$ 517,365
Investment income (charges)	<u>552,444</u>	<u>(28,949)</u>	<u>581,393</u>
Total general revenues	<u>\$ 25,017,777</u>	<u>\$ 23,919,019</u>	<u>\$ 1,098,758</u>

A summary of 2014 revenues by source for governmental activities are shown as follows:



A summary of 2014 expenses by function for governmental activities are as follows:



Expenses – The City’s 2014 total governmental activities expenses (before depreciation on capital assets and interest on long-term debt) increased by \$3,705,395, or 15.1%. Total governmental activities expenses increased by \$4,094,998, or 10.9%, shown as follows:

<u>Governmental activities expenses</u>	<u>2014</u>	<u>2013</u>	<u>Increase / (Decrease)</u>
General government	\$ 5,793,424	\$ 5,135,338	\$ 658,086
Public safety	10,734,927	10,879,335	(144,408)
Public works	8,277,831	5,085,633	3,192,198
Parks and recreation	3,502,606	3,503,087	(481)
Total before depreciation and interest	28,308,788	24,603,393	3,705,395
Depreciation on capital assets	9,528,938	8,940,423	588,515
Interest on long-term debt	3,665,421	3,864,333	(198,912)
Total governmental activities expenses	<u>\$ 41,503,147</u>	<u>\$ 37,408,149</u>	<u>\$ 4,094,998</u>

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

General government expenses increased by \$658,086, or 12.8%; which is primarily attributed to the Downtown parking lot replacement and payment of excess tax increment related to a decertified tax increment financing district.

Public safety expenses decreased by \$144,408 or 1.3%; which is comprised of several components that include installation of cameras in each of the police vehicles, upgrade to the LOGIS public safety application suite and in the prior year the City paid for its share of the construction for the joint Dakota County fire training center.

Public works expenses increased by \$3,192,198, or 62.8%; primarily due to County intersection reconstruction projects; the roundabout at Dodd Boulevard and Highview Avenue and the roundabout at County Road 50 and County Road 60, which are not considered City assets. The street department expenses in 2014 decreased due to snow events at year end and the associated decrease in overtime, motor fuels and road de-icing chemicals.

Parks and recreation expenses decreased \$481, or 0.1%; in part due to an increase in personnel services and decrease in capital outlay expensed.

Interest on long-term debt decreased \$198,912, or 5.1%; which is primarily due to new debt issuances and payment of crossover refunded debt.

Business-type activities. Business-type activities increased the City’s 2014 total net position by \$2,093,369. Key elements of the increase in net position along with a comparison of revenues, expenses, and changes in net position during fiscal years 2014 and 2013 are shown as follows:

	<u>2014</u>	<u>2013</u>	<u>Increase / (Decrease)</u>
Revenues			
Charges for services			
Liquor	\$ 3,804,942	\$ 3,948,599	\$ (143,657)
Utility	9,296,118	9,126,838	169,280
Operating grants and contributions			
Liquor	3,762	3,762	-
Utility	112,181	69,968	42,213
Capital contributions			
Utility	4,252,192	3,414,738	837,454
Investment earnings (charges)	150,310	(42,114)	192,424
Total revenues	<u>17,619,505</u>	<u>16,521,791</u>	<u>1,097,714</u>
Expenses			
Liquor	2,498,103	2,473,738	24,365
Utility	11,462,552	10,863,625	598,927
Total expenses	<u>13,960,655</u>	<u>13,337,363</u>	<u>623,292</u>
Change in net position before transfers	3,658,850	3,184,428	474,422
Transfers	<u>(1,565,481)</u>	<u>(2,094,059)</u>	<u>528,578</u>
Change in net position	2,093,369	1,090,369	1,003,000
Net position - beginning	<u>119,084,152</u>	<u>117,993,783</u>	<u>1,090,369</u>
Net position - ending	<u>\$ 121,177,521</u>	<u>\$ 119,084,152</u>	<u>\$ 2,093,369</u>

The City’s 2014 business-type total revenues increased by \$1,097,714 or 6.6%; the various revenue components are discussed in detail in the following paragraphs.

- The liquor fund 2014 charges for services (sales less cost of goods sold) decreased due to sales volume. The 2014 cost of goods sold as a percentage of sales were 74.4%, compared to 74.3% in 2013.
- The overall utility revenue charges for services increased by \$169,280. This overall increase is represented by a water revenue decrease of \$146,909, sanitary sewer revenue increase of \$252,313, street light revenue increase of \$48,552 and environmental resources revenue increase of \$15,324. The water decrease is due to customer consumption as a result of changes in weather patterns, a rate increase and an increase in customers as a result of community growth. The sanitary sewer and street light increases are due to an increase in customers and rates. The environmental resources increase is due to an increase in customers.

- The utility fund experienced a total increase of \$837,454 in capital contributions. The majority of the increase is derived from water and sanitary sewer contributed from developer improvement projects. City improvement project infrastructure assets of \$230,565 were contributed to the utility fund which is within the net transfer amount of (\$1,565,481) on the Statement of Activities. The total amount of contributed infrastructure assets received by the utility fund varies yearly.
- Investment earnings increased \$192,424. The increase is the result of changes in investment market values and increasing interest earnings consistent with prevailing market conditions.

The City’s 2014 business-type total expenses increased \$623,292, or 4.7% as follows:

<u>Business-type activities expenses</u>	<u>Increase/(Decrease) From 2013</u>		
	<u>Liquor Fund</u>	<u>Utility Fund</u>	<u>Total</u>
Personnel services	\$ 35,769	\$ 51,823	\$ 87,592
Commodities	1,503	38,676	40,179
Other charges and services	(8,646)	167,130	158,484
Sanitary sewage treatment and disposal	-	205,787	205,787
Depreciation on capital assets	4,068	135,511	139,579
Interest, fiscal charges, bond premium (net)	(8,329)	-	(8,329)
Total increase/(decrease)	<u>\$ 24,365</u>	<u>\$ 598,927</u>	<u>\$ 623,292</u>

- The liquor fund personnel services increase of \$35,769 is primarily the result of filling prior year staffing vacancies.
- The utility fund other charges and services increase is attributed to several major maintenance projects compared to the previous year on the water meter replacement program. Metropolitan Council Environmental Services (MCES), which is responsible for sewage treatment and disposal, increased sanitary sewer processing costs by approximately 6.7%.

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 \$71,913,871. Of this amount, \$27,372,126 or 38% of this combined ending fund balance constitutes unrestricted fund balance that is available for spending at the government's discretion. Nonspendable fund balances of \$221,873 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 \$39,734,802, (b) various capital acquisition needs of \$4,543,098, and (c) other restricted purposes of \$41,972.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, the fund balance was \$11,071,769, an increase of \$1,405,209 of revenues over expenditures.

The G.O. obligation (debt service) fund balance increased by \$3,409,793 due to issuance of refunding debt obligations. The G.O. improvement (debt service) fund balance increased by \$1,336,187. 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 is subject to principal and interest requirements of existing debt and that of new debt issuance.

The building (capital projects) fund expended \$275,892 for the replacement of the rooftop HVAC unit at fire station #4, and major maintenance projects. Financing was provided by \$126,215 of revenues from investment income, donations and other revenue sources. An additional \$7,711 of financing was provided from transfers from the liquor fund (enterprise), utility fund (enterprise) and communications fund (special revenue).

The improvement construction (capital projects) fund accounts for major infrastructure reconstruction projects that require debt issuance for financing purposes. The activity in this fund may fluctuate from year to year depending on the scope of the project. Large projects such as the interstate highway interchange and bridge reconstruction projects may take several years to complete. The fund balance increased by \$57,078 due to the preliminary engineering costs associated with the 2015 street reconstruction project. The 2015 street reconstruction project will be financed with bond issuance in 2015.

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 15. – *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 committees and commissions, operations and maintenance, street maintenance, heritage center, and arts center departments, all other general fund departments expended their 2014 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:

	General Fund			
	Budget As Originally <u>Adopted</u>	Final <u>Budget</u>	<u>Actual</u>	Variance With Final <u>Budget</u>
Revenues				
Property taxes	\$ 16,794,367	\$ 16,794,367	\$ 16,841,970	\$ 47,603
Licenses and permits	1,947,676	1,975,626	2,159,289	183,663
Intergovernmental	608,401	712,876	811,709	98,833
Charges for services	2,148,167	2,163,171	2,489,277	326,106
Fines	274,590	274,590	223,642	(50,948)
Investment income (charges)	44,413	44,413	99,179	54,766
Donations	13,370	25,270	30,254	4,984
Miscellaneous	55,961	55,961	51,368	(4,593)
Total revenues	<u>21,886,945</u>	<u>22,046,274</u>	<u>22,706,688</u>	<u>660,414</u>
Expenditures				
Personnel services	15,762,570	16,129,816	15,845,381	284,435
Commodities	1,626,533	1,718,959	1,765,378	(46,419)
Other charges and services	4,382,922	4,438,865	4,314,962	123,903
Capital outlay	108,563	117,859	135,572	(17,713)
Other	303,497	-	-	-
Total expenditures	<u>22,184,085</u>	<u>22,405,499</u>	<u>22,061,293</u>	<u>344,206</u>
Other financing sources	<u>759,814</u>	<u>759,814</u>	<u>759,814</u>	<u>-</u>
Net change in fund balance	\$ <u>462,674</u>	\$ <u>400,589</u>	\$ <u>1,405,209</u>	\$ <u>1,004,620</u>

The 2014 actual general fund revenues exceeded the final budget by \$660,414 and expenditures were under final adopted budget by \$344,206. Other financing sources were at the final budget. The general fund actual net change in fund balance surpassed final budget by \$1,004,620.

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

- Property taxes were greater than anticipated by \$47,603 due to higher than anticipated collection of current taxes.
- Licenses and permits exceeded estimates by \$183,663 due to greater than anticipated building permit fees. The number of residential building permits budgeted were 210 compared to 319 actual.
- Intergovernmental revenues exceeded estimates by \$98,833 due to federal grants for public safety highway safety initiatives.
- Charges for services exceeded estimates by \$326,106 which is primarily related to public works engineering fees derived from reconstruction projects.
- Fines were below estimates by \$50,948 due to police officer vacancies in the traffic control division.
- Investment income was above estimates by \$54,766 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 variances of \$4,984 and (\$4,593), respectively.

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

- Personnel costs including benefits were \$284,435 below budget due to vacant positions as a result of retirements and resignations, lower than anticipated benefit costs, and lower fire emergency calls.
- Commodities exceeded the budget by \$46,419 due to an increase in motor fuel costs.
- Other charges and services were \$123,903 below budget due to hiring seasonal staff versus contracting out for summer park maintenance.
- Capital outlay exceeded the budget by \$17,713 due to remodeling existing space and providing new computers for the newly created operations and maintenance department.

Capital Asset and Debt Administration

Capital assets. The City's capital assets for governmental and business-type activities as of December 31, 2014 are \$313.2 million (net of accumulated depreciation). This amount represents an increase (including additions, deletions, and depreciation) of approximately \$14.75 million from 2013.

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:

	Capital Assets (net of depreciation)		
	Governmental	Business-type	Total
	<u>Activities</u>	<u>Activities</u>	
Land	\$ 23,501,740	\$ 3,812,073	\$ 27,313,813
Historical treasures	100,000	-	100,000
Buildings and improvements	41,860,145	18,191,267	60,051,412
Machinery and equipment	7,814,743	1,432,931	9,247,674
Other improvements	3,027,368	-	3,027,368
Infrastructure			
Streets	56,344,605	-	56,344,605
Storm sewer	42,655,929	-	42,655,929
Parks	7,754,686	-	7,754,686
Water	-	49,213,969	49,213,969
Sanitary sewer	-	37,280,071	37,280,071
Construction in process	17,518,207	2,693,324	20,211,531
Total	<u>\$ 200,577,423</u>	<u>\$ 112,623,635</u>	<u>\$ 313,201,058</u>

The City's 2015 adopted budget provides funding for \$59.4 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 \$113.430 million, which is an increase of \$4.985 million compared to the prior year. The increase is due to the issuance of two new bond issues totaling \$21.180 million, and principal bond maturities, including a crossover refunding of (\$10.035 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 2014, the City issued the General Obligation Refunding Bonds Series 2014 B to call the Street Reconstruction Bonds Series 2005 A and the Capital Improvement Plan Bonds

Series 2007 D on February 1, 2016, and February 1, 2017, respectively. The refunding transaction yielded a net savings to the City of \$1,628,573 with a present value economic gain of \$1,057,711. 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 debt as of December 31, 2014 is shown as follows:

Outstanding Debt Governmental Bonds and Business-type Bonds				
	Balance <u>January 1</u>	<u>Issued</u>	<u>Redeemed</u>	Balance <u>December 31</u>
<u>Governmental bonds</u>				
General obligation bonds				
Capital improvement	\$ 39,015,000	\$ 11,065,000	\$ 770,000	\$ 49,310,000
Street reconstruction	29,580,000	1,595,000	11,205,000	19,970,000
G.O. Improvement	16,640,000	8,520,000	1,255,000	23,905,000
State-aid street revenue	4,590,000	-	700,000	3,890,000
Water revenue	2,865,000	-	890,000	1,975,000
Tax increment	2,335,000	-	445,000	1,890,000
Park	815,000	-	405,000	410,000
Arena revenue	1,045,000	-	135,000	910,000
HRA lease revenue	8,325,000	-	225,000	8,100,000
Total governmental	<u>105,210,000</u>	<u>21,180,000</u>	<u>16,030,000</u>	<u>110,360,000</u>
<u>Business-type bonds</u>				
Liquor revenue	<u>3,235,000</u>	-	<u>165,000</u>	<u>3,070,000</u>
Total bonds payable	<u>\$ 108,445,000</u>	<u>\$ 21,180,000</u>	<u>\$ 16,195,000</u>	<u>\$ 113,430,000</u>

Credit Rating

Aa1

The City of Lakeville’s general obligation bond rating as of December 31, 2014 is “Aa1” as rated by Moody’s Investors Service. Moody’s Investor Service credit report stated the rating was “*The Aa1 underlying rating reflects the city’s history of excellent financial management and strong reserve levels; wealthy tax base located just south of the Twin Cities Metropolitan Area, and an above average debt burden.*”

State statutes limit the amount of general obligation debt a Minnesota city may issue to 3% of the total assessor’s taxable market valuation. The City has \$34,767,965 of net bonded debt, which is subject to the \$149,874,547 current debt limitation, thereby resulting in a legal debt margin of \$115,106,582. 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. The trend for building permit activity for single family homes is on the rise although building permits for single family homes decreased to 319 in 2014 compared to 374 permits in 2013. In our opinion, the resurgence is due to a number of factors including but not limited to; near historical low interest rates, a low regional unemployment rate of 2.8%, improved personal income levels, a reduced number of home foreclosures and increasing home values. 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 2015 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; however, key staff positions and resources were added to accommodate community growth. The 2015 budget also focuses on City efforts to achieve strategic priorities established in the Envision Lakeville Community Vision Plan to prepare for the future; these efforts include 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 your request to jerickson@lakevillemn.gov.

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BASIC FINANCIAL STATEMENTS

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CITY OF LAKEVILLE, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2014

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and investments	\$ 46,007,226	\$ 8,781,136	\$ 54,788,362
Receivables	13,529,966	2,412,682	15,942,648
Internal balances	(200,422)	200,422	-
Inventory	162,322	2,342,096	2,504,418
Prepaid items	59,551	36,579	96,130
Restricted assets (temporarily):			
Cash and investments	-	324,125	324,125
Investments held by trustee	27,471,784	-	27,471,784
Capital assets			
Non-depreciable	41,119,947	6,505,397	47,625,344
Depreciable, net	159,457,476	106,118,238	265,575,714
Total capital assets	<u>200,577,423</u>	<u>112,623,635</u>	<u>313,201,058</u>
Total assets	<u>287,607,850</u>	<u>126,720,675</u>	<u>414,328,525</u>
LIABILITIES:			
Salaries, accounts, contracts, interest, and deposits	7,134,099	2,106,658	9,240,757
Unearned revenue	493,878	-	493,878
Non-current liabilities			
Due within one year	21,094,511	392,780	21,487,291
Due in more than one year	97,424,374	3,043,716	100,468,090
Total liabilities	<u>126,146,862</u>	<u>5,543,154</u>	<u>131,690,016</u>
NET POSITION:			
Net investment in capital assets	135,673,737	109,535,106	245,208,843
Restricted for			
Special purposes	41,980	-	41,980
Debt service	16,293,027	324,125	16,617,152
Capital acquisition	3,578,007	-	3,578,007
Unrestricted	5,874,237	11,318,290	17,192,527
Total net position	<u>\$ 161,460,988</u>	<u>\$ 121,177,521</u>	<u>\$ 282,638,509</u>

See accompanying notes to basic financial statements.

CITY OF LAKEVILLE, MINNESOTA
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2014

Function/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 6,051,985	\$ 3,219,644	\$ 5,399	\$ 2,762,609	\$ (64,333)	\$ (64,333)	\$ (64,333)
Public safety	11,807,183	660,910	825,434	-	(10,320,839)	(10,320,839)	(10,320,839)
Public works	14,776,390	5,280,338	3,665,373	6,892,230	1,061,551	1,061,551	1,061,551
Parks and recreation	5,202,168	2,808,885	66,575	436,107	(1,890,601)	(1,890,601)	(1,890,601)
Interest on long-term debt	3,665,421	-	-	-	(3,665,421)	(3,665,421)	(3,665,421)
Total governmental activities	<u>41,503,147</u>	<u>11,969,777</u>	<u>4,562,781</u>	<u>10,090,946</u>	<u>(14,879,643)</u>	<u>(14,879,643)</u>	<u>(14,879,643)</u>
Business-type activities							
Liquor	2,498,103	3,804,942	3,762	-			\$ 1,310,601
Utility	11,462,552	9,296,118	112,181	4,252,192			2,197,939
Total business-type activities	<u>13,960,655</u>	<u>13,101,060</u>	<u>115,943</u>	<u>4,252,192</u>			<u>3,508,540</u>
Total primary government	<u>\$ 55,463,802</u>	<u>\$ 25,070,837</u>	<u>\$ 4,678,724</u>	<u>\$ 14,343,138</u>	<u>(14,879,643)</u>	<u>3,508,540</u>	<u>(11,371,103)</u>
General revenues							
Property taxes					24,465,333	-	24,465,333
Investment income					552,444	150,310	702,754
Transfers					1,565,481	(1,565,481)	-
Total general revenues and transfers					<u>26,583,258</u>	<u>(1,415,171)</u>	<u>25,168,087</u>
Change in net position					11,703,615	2,093,369	13,796,984
Net position, January 1					149,757,373	119,084,152	268,841,525
Net position, December 31					<u>\$ 161,460,988</u>	<u>\$ 121,177,521</u>	<u>\$ 282,638,509</u>

See accompanying notes to basic financial statements.

CITY OF LAKEVILLE, MINNESOTA
 BALANCE SHEET - GOVERNMENTAL FUNDS
 DECEMBER 31, 2014

	<u>General</u>	<u>Debt Service</u>	
		<u>General Obligation</u>	<u>G.O. Improvement</u>
Assets			
Cash and investments	\$ 11,160,908	\$ 3,763,882	\$ 4,103,787
Investments held by trustee	-	26,774,406	-
Interest receivable	21,638	36,143	6,644
Taxes receivable	1,181,436	255,132	88,313
Accounts receivable	568,957	-	-
Due from other funds	-	-	-
Special assessments receivable	-	536,120	7,261,691
Inventory	162,322	-	-
Prepaid items	59,382	-	-
Total assets	<u>\$ 13,154,643</u>	<u>\$ 31,365,683</u>	<u>\$ 11,460,435</u>
Liabilities			
Salaries payable	\$ 513,738	\$ -	\$ -
Accounts payable	779,846	-	-
Due to other funds	-	-	-
Contracts payable	-	-	-
Deposits payable	175,872	-	-
Unearned revenue	429,305	-	-
Total liabilities	<u>1,898,761</u>	<u>-</u>	<u>-</u>
Deferred inflows of resources			
Unavailable revenue - taxes	184,113	48,111	15,469
Unavailable revenue - special assessments	-	536,120	7,141,494
Unavailable revenue - other	-	-	-
Total deferred inflows of resources	<u>184,113</u>	<u>584,231</u>	<u>7,156,963</u>
Fund balances			
Nonspendable	221,704	-	-
Restricted	-	30,781,452	4,303,472
Committed	45,000	-	-
Unassigned	10,805,065	-	-
Total fund balances	<u>11,071,769</u>	<u>30,781,452</u>	<u>4,303,472</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 13,154,643</u>	<u>\$ 31,365,683</u>	<u>\$ 11,460,435</u>

See accompanying notes to basic financial statements.

Capital Projects		Nonmajor	Total
Building	Improvement Construction	Governmental Funds	Governmental Funds
\$ 1,491,261	\$ 2,531,547	\$ 22,178,162	\$ 45,229,547
-	-	697,378	27,471,784
4,333	5,944	64,398	139,100
-	-	114,575	1,639,456
122,063	14,146	2,720,727	3,425,893
-	-	38,336	38,336
-	-	493,635	8,291,446
-	-	-	162,322
-	-	169	59,551
<u>\$ 1,617,657</u>	<u>\$ 2,551,637</u>	<u>\$ 26,307,380</u>	<u>\$ 86,457,435</u>
\$ -	\$ -	\$ 9,132	\$ 522,870
20,359	578,598	2,074,561	3,453,364
-	-	38,336	38,336
100,225	895,248	269,178	1,264,651
-	-	26,125	201,997
-	-	64,573	493,878
<u>120,584</u>	<u>1,473,846</u>	<u>2,481,905</u>	<u>5,975,096</u>
-	-	28,022	275,715
-	-	493,068	8,170,682
122,063	-	8	122,071
<u>122,063</u>	-	<u>521,098</u>	<u>8,568,468</u>
-	-	169	221,873
-	1,603,920	7,631,028	44,319,872
1,375,010	105,906	15,673,180	17,199,096
-	(632,035)	-	10,173,030
<u>1,375,010</u>	<u>1,077,791</u>	<u>23,304,377</u>	<u>71,913,871</u>
<u>\$ 1,617,657</u>	<u>\$ 2,551,637</u>	<u>\$ 26,307,380</u>	<u>\$ 86,457,435</u>

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CITY OF LAKEVILLE, MINNESOTA
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
DECEMBER 31, 2014

Fund balance - total governmental funds		\$ 71,913,871
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	\$ 330,257,785	
Less accumulated depreciation	<u>(129,680,362)</u>	200,577,423
2. Grant receivable that is applicable towards accrued bond interest payable is susceptible to full accrual on the government-wide statements.		30,126
3. Long-term liabilities are not payable with current financial resources and, therefore, are not reported in the governmental funds.		
Bonds	(110,360,000)	
Accrued interest	(1,682,752)	
Loan	(1,159,843)	
Unamortized bond discount	182	
Unamortized bond premium	<u>(4,290,199)</u>	(117,492,612)
4. Accrued compensated absences and net OPEB obligations are not payable with current financial resources and, therefore, are not reported in the governmental funds.		(2,709,025)
5. Deferred inflows of resources in governmental funds is susceptible to full accrual on the government-wide statements.		8,568,468
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>572,737</u>
Net position of governmental activities		<u>\$ 161,460,988</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, 2014

	<u>General</u>	<u>Debt Service</u>	
		<u>General Obligation</u>	<u>G.O. Improvement</u>
Revenues			
Property taxes	\$ 16,841,970	\$ 3,702,381	\$ 1,288,974
Tax increment	-	-	-
Licenses and permits	2,159,289	-	-
Intergovernmental	811,709	67,995	-
Charges for services	2,489,277	-	-
Special assessments	-	213,187	1,378,919
Fines	223,642	-	-
Investment income	99,179	76,674	30,435
Loan repayments	-	-	-
Donations	30,254	-	-
Miscellaneous	51,368	-	-
Total revenues	<u>22,706,688</u>	<u>4,060,237</u>	<u>2,698,328</u>
Expenditures - current			
General government	4,484,313		
Public safety	10,305,450		
Public works	3,805,470		
Parks and recreation	3,330,488		
Total expenditures - current	<u>21,925,721</u>		
Expenditures - capital outlay			
General government	24,577		
Public safety	4,017		
Public works	95,568		
Parks and recreation	11,410		
Total expenditures - capital outlay	<u>135,572</u>		
Expenditures - debt service			
Principal bond maturities		2,345,000	1,255,000
Interest on debt		2,547,008	415,216
Fiscal charges		129,967	12,633
Total expenditures - debt service		<u>5,021,975</u>	<u>1,682,849</u>
Total expenditures	<u>22,061,293</u>	<u>5,021,975</u>	<u>1,682,849</u>
Excess (deficiency) of revenues over expenditures	<u>645,395</u>	<u>(961,738)</u>	<u>1,015,479</u>
Other financing sources and (uses)			
Transfers from other funds	759,814	400,000	118,086
Transfers to other funds	-	-	-
Issuance of debt	-	-	202,622
Refunding bonds issued	-	12,660,000	-
Payment to refunded bonds escrow agent	-	(10,035,000)	-
Premium on bonds issued	-	1,346,531	-
Total other financing sources and (uses)	<u>759,814</u>	<u>4,371,531</u>	<u>320,708</u>
Net change in fund balance	1,405,209	3,409,793	1,336,187
Fund balance, January 1	<u>9,666,560</u>	<u>27,371,659</u>	<u>2,967,285</u>
Fund balance, December 31	<u>\$ 11,071,769</u>	<u>\$ 30,781,452</u>	<u>\$ 4,303,472</u>

See accompanying notes to basic financial statements.

<u>Capital Projects</u>		<u>Nonmajor</u>	<u>Total</u>
<u>Building</u>	<u>Improvement</u>	<u>Governmental</u>	<u>Governmental</u>
	<u>Construction</u>	<u>Funds</u>	<u>Funds</u>
\$ -	\$ -	\$ 1,863,334	\$ 23,696,659
-	-	828,050	828,050
-	-	677,266	2,836,555
-	14,146	4,085,306	4,979,156
44,473	-	5,871,742	8,405,492
-	-	44,161	1,636,267
-	-	-	223,642
19,844	27,229	295,481	548,842
-	-	2,230,000	2,230,000
38,623	-	173,750	242,627
23,275	-	883,294	957,937
<u>126,215</u>	<u>41,375</u>	<u>16,952,384</u>	<u>46,585,227</u>
		1,205,917	5,690,230
		-	10,305,450
		-	3,805,470
		-	3,330,488
		<u>1,205,917</u>	<u>23,131,638</u>
29,431	88,049	240,405	382,462
174,300	-	1,279,674	1,457,991
23,542	8,730,528	7,975,094	16,824,732
48,619	-	2,695,661	2,755,690
<u>275,892</u>	<u>8,818,577</u>	<u>12,190,834</u>	<u>21,420,875</u>
		2,395,000	5,995,000
		738,366	3,700,590
		34,189	176,789
		<u>3,167,555</u>	<u>9,872,379</u>
<u>275,892</u>	<u>8,818,577</u>	<u>16,564,306</u>	<u>54,424,892</u>
<u>(149,677)</u>	<u>(8,777,202)</u>	<u>388,078</u>	<u>(7,839,665)</u>
7,711	-	2,203,614	3,489,225
-	(118,086)	(1,526,538)	(1,644,624)
-	8,317,378	-	8,520,000
-	-	-	12,660,000
-	-	-	(10,035,000)
-	634,988	-	1,981,519
<u>7,711</u>	<u>8,834,280</u>	<u>677,076</u>	<u>14,971,120</u>
(141,966)	57,078	1,065,154	7,131,455
<u>1,516,976</u>	<u>1,020,713</u>	<u>22,239,223</u>	<u>64,782,416</u>
<u>\$ 1,375,010</u>	<u>\$ 1,077,791</u>	<u>\$ 23,304,377</u>	<u>\$ 71,913,871</u>

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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, 2014

Net change in fund balances - total governmental funds		\$ 7,131,455
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	\$ 16,029,441	
Capital contributed by developer	4,038,286	
Depreciation expense	<u>(9,528,938)</u>	10,538,789
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.		(104,873)
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, 2013	(7,491,769)	
Deferred inflows of resources - December 31, 2014	<u>8,568,468</u>	1,076,699
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	(21,180,000)	
Bond, loan, and capital lease principal maturities	<u>16,030,000</u>	(5,150,000)
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	(38,123)	
Grant applicable towards accrued interest payable	(807)	
Premium on 2014 bonds issued	(1,981,519)	
Amortization of debt premiums/discounts	<u>250,081</u>	(1,770,368)
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 decrease - December 31, 2014	19,541	
Net OPEB obligation increase - December 31, 2014	<u>(60,236)</u>	(40,695)
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>22,608</u>
Change in net position of governmental activities		<u>\$ 11,703,615</u>

See accompanying notes to basic financial statements.

CITY OF LAKEVILLE, MINNESOTA
 STATEMENT OF NET POSITION - PROPRIETARY FUNDS
 DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	<u>Liquor</u>	<u>Utility</u>	<u>Total</u>	
ASSETS				
Current assets				
Cash and investments	\$ 1,514,415	\$ 7,266,721	\$ 8,781,136	\$ 777,679
Interest receivable	10,700	21,867	32,567	1,038
Accounts receivable	845	2,379,270	2,380,115	2,907
Inventory	1,723,071	619,025	2,342,096	-
Prepaid expenses	22,388	14,191	36,579	-
Total current assets	<u>3,271,419</u>	<u>10,301,074</u>	<u>13,572,493</u>	<u>781,624</u>
Non-current assets				
Restricted cash and investments	<u>324,125</u>		<u>324,125</u>	
Capital assets				
Land	3,283,913	528,160	3,812,073	
Buildings and improvements	3,896,890	22,245,024	26,141,914	
Machinery and equipment	520,642	2,587,927	3,108,569	
Infrastructure	-	134,114,079	134,114,079	
Construction in process	-	2,693,324	2,693,324	
Accumulated depreciation	(1,426,392)	(55,819,932)	(57,246,324)	
Net capital assets	<u>6,275,053</u>	<u>106,348,582</u>	<u>112,623,635</u>	
Total non-current assets	<u>6,599,178</u>	<u>106,348,582</u>	<u>112,947,760</u>	
Total assets	<u>9,870,597</u>	<u>116,649,656</u>	<u>126,520,253</u>	<u>781,624</u>
LIABILITIES				
Current liabilities				
Salaries payable	33,904	54,890	88,794	-
Accounts payable	1,017,288	920,426	1,937,714	8,465
Accrued interest payable	63,959	-	63,959	-
Deposits payable	8,191	8,000	16,191	-
Accrued compensated absences	54,649	163,131	217,780	-
Long-term debt-current	175,000	-	175,000	-
Total current liabilities	<u>1,352,991</u>	<u>1,146,447</u>	<u>2,499,438</u>	<u>8,465</u>
Non-current liabilities				
Accrued compensated absences	65,363	15,246	80,609	
Net OPEB obligation	17,385	32,193	49,578	
Long-term debt	2,913,529	-	2,913,529	
Total non-current liabilities	<u>2,996,277</u>	<u>47,439</u>	<u>3,043,716</u>	
Total liabilities	<u>4,349,268</u>	<u>1,193,886</u>	<u>5,543,154</u>	<u>8,465</u>
NET POSITION				
Net investment in capital assets	3,186,524	106,348,582	109,535,106	
Restricted for debt service	324,125	-	324,125	
Unrestricted	2,010,680	9,107,188	11,117,868	773,159
Total net position	<u>\$ 5,521,329</u>	<u>\$ 115,455,770</u>	<u>120,977,099</u>	<u>\$ 773,159</u>

Explanation of difference between Proprietary Funds Statement 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:

Net position of business-type activities

200,422
\$ 121,177,521

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, 2014

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Liquor	Utility	Total	
Sales and cost of sales				
Sales	\$ 14,883,858		\$ 14,883,858	
Cost of sales	<u>11,078,916</u>		<u>11,078,916</u>	
Gross profit	<u>3,804,942</u>		<u>3,804,942</u>	
Operating revenues				
User charges		\$ 9,143,659	9,143,659	\$ 381,324
Other		<u>152,459</u>	<u>152,459</u>	<u>62,469</u>
Total operating revenues		<u>9,296,118</u>	<u>9,296,118</u>	<u>443,793</u>
Gross profit and total operating revenues	<u>3,804,942</u>	<u>9,296,118</u>	<u>13,101,060</u>	<u>443,793</u>
Operating expenses				
Personnel services	1,317,782	1,847,945	3,165,727	-
Commodities	52,476	393,977	446,453	-
Other charges and services	858,837	2,665,859	3,524,696	368,572
Disposal charges	-	3,297,982	3,297,982	-
Depreciation	<u>117,984</u>	<u>3,296,855</u>	<u>3,414,839</u>	<u>-</u>
Total operating expenses	<u>2,347,079</u>	<u>11,502,618</u>	<u>13,849,697</u>	<u>368,572</u>
Operating income (loss)	<u>1,457,863</u>	<u>(2,206,500)</u>	<u>(748,637)</u>	<u>75,221</u>
Non-operating revenue (expense)				
Intergovernmental - grants	3,762	112,181	115,943	-
Investment income	49,005	100,155	149,160	4,752
Interest, fiscal charges, bond premium (net)	(152,980)	-	(152,980)	-
Disposal of capital assets	<u>84</u>	<u>34,278</u>	<u>34,362</u>	<u>-</u>
Total non-operating revenue (expense)	<u>(100,129)</u>	<u>246,614</u>	<u>146,485</u>	<u>4,752</u>
Income (loss) before contributions and trans	<u>1,357,734</u>	<u>(1,959,886)</u>	<u>(602,152)</u>	<u>79,973</u>
Contributed capital from governmental activities	-	230,565	230,565	-
Contributed capital from developers	-	4,252,192	4,252,192	-
Transfers from other funds	-	2,989	2,989	-
Transfers to other funds	<u>(1,369,063)</u>	<u>(429,972)</u>	<u>(1,799,035)</u>	<u>(48,555)</u>
Total contributions and transfers (net)	<u>(1,369,063)</u>	<u>4,055,774</u>	<u>2,686,711</u>	<u>(48,555)</u>
Change in net position	<u>(11,329)</u>	<u>2,095,888</u>	<u>2,084,559</u>	<u>31,418</u>
Net position, January 1	<u>5,532,658</u>	<u>113,359,882</u>		<u>741,741</u>
Net position, December 31	<u>\$ 5,521,329</u>	<u>\$ 115,455,770</u>		<u>\$ 773,159</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:

	<u>8,810</u>
Change in net position of business-type activities	<u>\$ 2,093,369</u>

See accompanying notes to basic financial statements.

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CITY OF LAKEVILLE, MINNESOTA
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2014

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds
	Liquor	Utility	Total	
Cash flows from operating activities				
Cash received from customers	\$ 14,883,094	\$ 9,279,276	\$ 24,162,370	\$ -
Cash received from general service charges	-	-	-	440,886
Cash paid to suppliers	(12,224,883)	(6,345,497)	(18,570,380)	(369,629)
Cash paid to and for employees	(1,295,855)	(1,869,952)	(3,165,807)	-
Net cash flows from operating activities	<u>1,362,356</u>	<u>1,063,827</u>	<u>2,426,183</u>	<u>71,257</u>
Cash flows from noncapital financing activities				
Intergovernmental - grant	3,762	220,600	224,362	-
Transfers from other funds	-	2,989	2,989	-
Transfers to other funds	(1,369,063)	(429,972)	(1,799,035)	(48,555)
Net cash flows from noncapital financing activities	<u>(1,365,301)</u>	<u>(206,383)</u>	<u>(1,571,684)</u>	<u>(48,555)</u>
Cash flows from capital and related financing activities				
Acquisition of capital assets	(2,093,779)	(1,225,964)	(3,319,743)	-
Proceeds from sale of capital assets	84	37,798	37,882	-
Interest and fiscal charges	(157,950)	-	(157,950)	-
Principal maturities	(165,000)	-	(165,000)	-
Net cash flows from capital and related financing activities	<u>(2,416,645)</u>	<u>(1,188,166)</u>	<u>(3,604,811)</u>	<u>-</u>
Cash flows from investing activities				
Investment income received	<u>57,247</u>	<u>118,158</u>	<u>175,405</u>	<u>5,451</u>
Net change in cash and cash equivalents	(2,362,343)	(212,564)	(2,574,907)	28,153
Cash and cash equivalents, January 1	<u>4,200,883</u>	<u>7,479,285</u>	<u>11,680,168</u>	<u>749,526</u>
Cash and cash equivalents, December 31 (including restricted cash account of \$324,125)	<u>\$ 1,838,540</u>	<u>\$ 7,266,721</u>	<u>\$ 9,105,261</u>	<u>\$ 777,679</u>
Reconciliation of operating income (loss) to net cash flows from operating activities				
Operating income (loss)	<u>\$ 1,457,863</u>	<u>\$ (2,206,500)</u>	<u>\$ (748,637)</u>	<u>\$ 75,221</u>
Adjustments				
Depreciation expense	117,984	3,296,855	3,414,839	-
(Increase) decrease in assets				
Accounts receivable	(764)	(16,842)	(17,606)	(2,907)
Inventory	(43,602)	(576,606)	(620,208)	-
Prepaid expenses	322	(691)	(369)	-
Increase (decrease) in liabilities				
Salaries payable	1,681	5,482	7,163	-
Accounts payable	(190,628)	734,027	543,399	(1,057)
Contracts payable	-	(147,009)	(147,009)	-
Deposits payable	(746)	2,600	1,854	-
Accrued compensated absences	16,702	(34,577)	(17,875)	-
Net OPEB obligation	3,544	7,088	10,632	-
Total adjustments	<u>(95,507)</u>	<u>3,270,327</u>	<u>3,174,820</u>	<u>(3,964)</u>
Net cash flows from operating activities	<u>\$ 1,362,356</u>	<u>\$ 1,063,827</u>	<u>\$ 2,426,183</u>	<u>\$ 71,257</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:		<u>\$ 4,482,757</u>	<u>\$ 4,482,757</u>	

See accompanying notes to basic financial statements.

CITY OF LAKEVILLE, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION -
AGENCY FUND
DECEMBER 31, 2014

	Escrow Fund
Assets	
Cash and investments	<u>\$ 7,227,588</u>
Liabilities	
Deposits payable	<u>\$ 7,227,588</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 Receivables and Payables

Note 13 – Interfund Transfers

Note 14 – Joint Powers Debt Commitment

Note 15 – Other Post-Employment Benefits (OPEB) Plan

Note 16 – Risk Financing and Related Insurance Issues

Note 17 – Defined Benefit Pension Plans - Statewide

Note 18 – Defined Contribution Plan – Statewide

Note 19 – Lakeville Fire Relief Association

Note 20 – Deferred Compensation Plan

Note 21 – Litigation

Note 22 – Conduit Debt

Note 23 – GASB Standards Issued But Not Yet Implemented

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

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 standards, 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. The operational responsibility for the HRA rests with management of the City.

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, 2014. 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, 2014

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 includes 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, 2014

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.

Other funds – The City reports the following other funds:

- *Internal service fund* – 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.

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

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

- *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.
- *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.

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

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.

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. Earnings from such investments are allocated directly to the respective funds in which the assets are held.

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

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

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. 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. As of December 31, 2014 the special assessment delinquent receivable was \$7,141 in the governmental funds and \$32,105 in the proprietary enterprise utility fund. 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.

5. 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.

6. 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.

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

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

7. 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.

8. 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.

9. 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.

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

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

9. Capital assets (continued)

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

10. 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.

11. 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.

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

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

12. 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.

13. 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.

14. 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."

15. 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.

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

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

15. Fund balance classifications (continued)

- **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, 2014, the unrestricted fund balance of the General Fund was 44.8 percent of the subsequent year’s budgeted expenditures.

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.

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1 – Summary of Significant Accounting Policies (continued)

E. Revenue, Expenditures and Expenses (continued)

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.

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.

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, 2014

Note 2 – Cash and Investments (continued)

A. Components of Cash and Investments (continued)

The City’s cash and investments as of December 31, 2014 consist of the following:

Cash on hand	\$	13,165
Deposits		878,767
Investments		<u>88,919,927</u>
Total cash and investments	\$	<u>89,811,859</u>

The City’s cash and investments as of December 31, 2014 are presented in the financial statements as follows:

Cash and investments	\$	54,788,362
Temporarily restricted cash and investments		324,125
Temporarily restricted investments held by trustee		27,471,784

Statement of Fiduciary Net Position

Cash and investments		<u>7,227,588</u>
Total cash and investments	\$	<u>89,811,859</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. The City does not have a formal policy addressing this risk.

At year-end, the carrying amount of the City’s deposits was \$878,767 while the balance on the bank records was \$703,249. 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, 2014

Note 2 – Cash and Investments (continued)

C. Investments

The City's investments as of December 31, 2014 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	\$ 5,112,358	\$ -	\$ -	\$ -
Wells Fargo Advantage	AAAm	S&P	765,741	-	-	-
First American Treasury						
Obligation	AAAm	S&P	1,323	-	-	-
Certificates of deposit	N/R	N/A	25,769,690	14,868,000	10,901,690	-
U.S. treasury securities	N/R	N/A	26,760,226	13,048,739	13,711,487	-
U.S. government agencies	Aaa	Moody's	3,690,832	2,945,453	745,379	-
U.S. government agencies	AA+	S&P	19,480,930	3,014,762	15,181,309	1,284,860
Municipal Bonds	Aaa	Moody's	607,072	607,072	-	-
Municipal Bonds	Aa1	Moody's	1,487,361	121,548	1,262,503	103,310
Municipal Bonds	AA+	S&P	129,409	129,409	-	-
Municipal Bonds	Aa2	Moody's	996,828	-	996,828	-
Municipal Bonds	AA	S&P	887,048	77,692	809,356	-
Municipal Bonds	Aa3	Moody's	1,445,671	-	1,336,902	108,769
Municipal Bonds	AA-	S&P	225,506	225,506	-	-
Municipal Bonds	A1	Moody's	109,936	-	-	109,936
Municipal Bonds	A	S&P	221,033	221,033	-	-
Municipal Bonds	A3	Moody's	1,228,963	1,228,963	-	-
			<u>\$ 88,919,927</u>	<u>\$ 36,488,177</u>	<u>\$ 44,945,454</u>	<u>\$ 1,606,875</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, 2014

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, 2014, the City’s investment portfolio includes the following securities of single issuers exceeding 5 percent:

Federal National Mortgage Association	11.0%
Federal Home Loan Bank	9.7%

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, 2014

Note 3 – Capital Assets

A summary of changes in governmental capital assets during the year ended December 31, 2014 are as follows:

<u>Governmental Activities</u>	<u>Balance January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31</u>
Depreciable				
Buildings and improvements	\$ 54,465,289	\$ 136,350	\$ -	\$ 54,601,639
Machinery and equipment	19,361,638	2,299,788	(699,499)	20,961,927
Other improvements	5,064,901	449,057	(40,795)	5,473,163
Infrastructure				
Streets	126,909,351	2,670,273	-	129,579,624
Storm sewer	55,764,095	2,980,012	-	58,744,107
Parks	<u>19,380,570</u>	<u>762,545</u>	<u>(365,737)</u>	<u>19,777,378</u>
Total depreciable at cost	<u>280,945,844</u>	<u>9,298,025</u>	<u>(1,106,031)</u>	<u>289,137,838</u>
Less accumulated depreciation				
Buildings and improvements	(11,580,178)	(1,161,316)	-	(12,741,494)
Machinery and equipment	(12,240,651)	(1,539,209)	632,676	(13,147,184)
Other improvements	(2,204,925)	(262,219)	21,349	(2,445,795)
Infrastructure				
Streets	(68,598,936)	(4,636,083)	-	(73,235,019)
Storm sewer	(14,937,234)	(1,150,944)	-	(16,088,178)
Parks	<u>(11,590,658)</u>	<u>(779,167)</u>	<u>347,133</u>	<u>(12,022,692)</u>
Total accumulated depreciation	<u>(121,152,582)</u>	<u>(9,528,938)</u>	<u>1,001,158</u>	<u>(129,680,362)</u>
Total depreciable, net	<u>\$ 159,793,262</u>	<u>\$ (230,913)</u>	<u>\$ (104,873)</u>	<u>\$ 159,457,476</u>
Non-depreciable				
Land	\$ 22,717,752	\$ 783,988	\$ -	\$ 23,501,740
Historical treasures	100,000	-	-	100,000
Construction in process	<u>7,532,493</u>	<u>11,296,997</u>	<u>(1,311,283)</u>	<u>17,518,207</u>
Total non-depreciable	30,350,245	12,080,985	(1,311,283)	41,119,947
Depreciable, net	<u>159,793,262</u>	<u>(230,913)</u>	<u>(104,873)</u>	<u>159,457,476</u>
Total capital assets, net	<u>\$ 190,143,507</u>	<u>\$ 11,850,072</u>	<u>\$ (1,416,156)</u>	<u>\$ 200,577,423</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 258,561
Public safety	1,072,256
Public works	6,498,559
Parks and recreation	<u>1,699,562</u>
Total depreciation expense	<u>\$ 9,528,938</u>

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3 – Capital Assets (continued)

A summary of changes in business-type capital assets during the year ended December 31, 2014 are as follows:

<u>Business-type Activities</u>	<u>Balance January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31</u>
Depreciable				
Buildings and improvements	\$ 25,945,370	\$ 203,318	\$ (6,774)	\$ 26,141,914
Machinery and equipment	2,764,057	423,385	(78,873)	3,108,569
Infrastructure				
Water	73,303,555	2,506,973	-	75,810,528
Sanitary sewer	55,973,997	2,329,554	-	58,303,551
Total depreciable at cost	<u>157,986,979</u>	<u>5,463,230</u>	<u>(85,647)</u>	<u>163,364,562</u>
Less accumulated depreciation				
Buildings and improvements	(7,404,178)	(553,243)	6,774	(7,950,647)
Machinery and equipment	(1,565,253)	(185,738)	75,353	(1,675,638)
Infrastructure				
Water	(25,060,816)	(1,535,744)	-	(26,596,560)
Sanitary sewer	(19,883,365)	(1,140,114)	-	(21,023,479)
Total accumulated depreciation	<u>(53,913,612)</u>	<u>(3,414,839)</u>	<u>82,127</u>	<u>(57,246,324)</u>
Total depreciable, net	<u>\$ 104,073,367</u>	<u>\$ 2,048,391</u>	<u>\$ (3,520)</u>	<u>\$ 106,118,238</u>
Non-depreciable				
Land	\$ 1,800,456	\$ 2,011,617	\$ -	\$ 3,812,073
Construction in process	2,436,985	433,561	(177,222)	2,693,324
Total non-depreciable	<u>4,237,441</u>	<u>2,445,178</u>	<u>(177,222)</u>	<u>6,505,397</u>
Depreciable, net	<u>104,073,367</u>	<u>2,048,391</u>	<u>(3,520)</u>	<u>106,118,238</u>
Total capital assets, net	<u>\$ 108,310,808</u>	<u>\$ 4,493,569</u>	<u>\$ (180,742)</u>	<u>\$ 112,623,635</u>

Depreciation expense was charged to enterprise funds as follows:

Liquor fund	\$ 117,984
Utility fund	<u>3,296,855</u>
Total depreciation expense	<u>\$ 3,414,839</u>

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

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 \$1,477,144 has been depreciated to date. These amounts are recorded in the City's capital assets. The 2014 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 2014 lease revenue totaled \$284,070.

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 2014 lease expense totaled \$175,200. The lease has a term of fifteen years expiring on June 30, 2015. 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, 2014

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 215th 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 \$597,431 in 2014. 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 \$986,641 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		Remaining Principal and Interest	Current Year	
		Type	Term of Pledge		Principal and Interest Paid	Pledged Revenue Received
Recreation Facility	Ice arena	Arena Revenues	2014-2019	\$ 1,040,985	\$ 182,788	\$ 183,626
Ice Arena Lease Revenue	Additional ice arena	Lease Revenues	2014-2032	11,953,101	597,431	307,212
Liquor Revenue	Additional Liquor Store	Liquor Sales Revenue	2014-2027	4,172,250	322,625	3,804,942
Water Connection Revenue	Water system infrastructure	Water Connections	2014-2016	2,014,500	986,800	4,885,747

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

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 2014, the City made no payments on this loan. As of December 31, 2014 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 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 were 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 will retire 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 \$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.

General Obligation Improvement Bonds, Series 2014 A

On August 20, 2014, the City issued \$8,520,000 in General Obligation Improvement Bonds, Series 2014 A to finance various improvement projects in the City. The bonds mature February 1, 2035, with a provisional call date of February 1, 2024, bearing interest rates ranging from 2.0% to 3.5%. Debt service will be payable from property taxes and special assessments levied to benefiting properties.

General Obligation Refunding Bonds, Series 2014 B

On August 20, 2014, the City issued \$12,660,000 in General Obligation Refunding Bonds, Series 2014 B. The proceeds of this issue will be used to retire, in advance of their stated maturities, the 2018 through 2032 maturities of the Capital Improvement Plan Bonds, Series 2007 D (refunded principal of \$11,185,000) on their February 1, 2017 call date; and the 2017 through 2026 maturities of the Street Reconstruction Bonds, Series 2005 A (refunded principal \$1,950,000) on their February 1, 2016 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 (\$13,135,000) in addition to the series 2014 B accrued interest payments of \$228,452 due February 1, 2015, \$255,413 due August 1, 2015, \$255,413 due February 1, 2016, \$221,931 due August 1, 2016 and \$221,931 due on the crossover refunding date of February 1, 2017. The refunding transaction yielded a net savings to the City of \$1,628,573 with a present value economic gain of \$1,057,711.

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 5 – Long-Term Liabilities (continued)

The total long-term bonded debt outstanding as of December 31, 2014 (including amounts to be called 2/1/2015 of \$12,460,000, 2/1/2016 of \$1,950,000, and 2/1/2017 of \$11,185,000) is summarized as follows:

	<u>Maturities</u>	<u>Interest Rates</u>	<u>Amount</u>
<u>Governmental Activity Bonds</u>			
General obligation bonds			
Park bonds	2015	0.75%	\$ 410,000
Capital improvement bonds	2030, 2032	2.00%-5.00%	49,310,000
Street reconstruction bonds	2016-2030	1.75%-5.95%	19,970,000
G.O. Improvement bonds	2016-2035	0.95%-4.125%	23,905,000
Tax increment bonds	2022	4.00%-4.20%	1,890,000
State-aid street revenue bonds	2018-2021	0.75% - 4.00%	3,890,000
Water connection revenue bonds	2015	4.00%	1,975,000
Arena revenue bonds	2015-2019	3.25%-5.40%	<u>910,000</u>
Total general obligation bonds			102,260,000
HRA lease revenue bonds	2032	4.25%-4.625%	<u>8,100,000</u>
Total governmental activity bonds			110,360,000
<u>Business-Type Bonds</u>			
Liquor revenue bonds	2027	5.00%	<u>3,070,000</u>
Total long-term bonded debt outstanding			<u>\$ 113,430,000</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 \$26,403,808 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2015	\$ 19,845,000	\$ 3,735,118	\$ 175,000	\$ 149,125	\$ 23,904,243
2016	7,885,000	3,248,564	180,000	140,250	11,453,814
2017	17,095,000	2,768,430	190,000	131,000	20,184,430
2018	6,125,000	2,304,358	200,000	121,250	8,750,608
2019	5,840,000	2,094,840	210,000	111,000	8,255,840
2020-2024	26,315,000	7,497,960	1,225,000	381,625	35,419,585
2025-2029	19,140,000	3,179,421	890,000	68,000	23,277,421
2030-2034	8,000,000	470,855	-	-	8,470,855
2035	<u>115,000</u>	<u>2,012</u>	<u>-</u>	<u>-</u>	<u>117,012</u>
Total	<u>\$ 110,360,000</u>	<u>\$ 25,301,558</u>	<u>\$ 3,070,000</u>	<u>\$ 1,102,250</u>	<u>\$ 139,833,808</u>

CITY OF LAKEVILLE, MINNESOTA
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2014

Note 5 – Long-Term Liabilities (continued)

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, 2014 is \$2,423,708. This amount is included in the non-current liabilities of the government-wide Statement of Net Position.

In the event of employee separation from the 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, 2014 is \$298,389. In the event of employee separation from the 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	\$ 4,290,199	\$ 18,529
Unamortized bond discount	<u>(182)</u>	<u>-</u>
Total unamortized (net)	<u>\$ 4,290,017</u>	<u>\$ 18,529</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, 2014

Note 5 – Long-Term Liabilities (continued)

During the year ended December 31, 2014 the following changes occurred in non-current liabilities:

	<u>Balance</u> <u>January 1</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>December 31</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental Activities</u>					
G.O. Improvement bonds	\$ 69,410,000	\$ 12,660,000	\$ (12,380,000)	\$ 69,690,000	\$ 14,825,000
Other bonds	<u>35,800,000</u>	<u>8,520,000</u>	<u>(3,650,000)</u>	<u>40,670,000</u>	<u>5,020,000</u>
Total bonds	105,210,000	21,180,000	(16,030,000)	110,360,000	19,845,000
Metropolitan Council loan	<u>1,159,843</u>	<u>-</u>	<u>-</u>	<u>1,159,843</u>	<u>-</u>
Total long-term debt	106,369,843	21,180,000	(16,030,000)	111,519,843	19,845,000
Accrued compensated absences	2,443,249	1,229,970	(1,249,511)	2,423,708	1,249,511
Unamortized bond premium/discount	2,558,579	1,981,519	(250,081)	4,290,017	-
Net OPEB obligation	<u>225,081</u>	<u>75,342</u>	<u>(15,106)</u>	<u>285,317</u>	<u>-</u>
Total governmental activities	<u>111,596,752</u>	<u>24,466,831</u>	<u>(17,544,698)</u>	<u>118,518,885</u>	<u>21,094,511</u>
<u>Business-type Activities</u>					
Liquor revenue bonds	3,235,000	-	(165,000)	3,070,000	175,000
Accrued compensated absences	316,264	199,905	(217,780)	298,389	217,780
Unamortized bond premium	20,062	-	(1,533)	18,529	-
Net OPEB obligation	<u>38,946</u>	<u>16,048</u>	<u>(5,416)</u>	<u>49,578</u>	<u>-</u>
Total business-type activities	<u>3,610,272</u>	<u>215,953</u>	<u>(389,729)</u>	<u>3,436,496</u>	<u>392,780</u>
Total governmental and business-type activities	<u>\$ 115,207,024</u>	<u>\$ 24,682,784</u>	<u>\$ (17,934,427)</u>	<u>\$ 121,955,381</u>	<u>\$ 21,487,291</u>

Note 6 – Net Investment in Capital Assets

Net investment in capital assets as of December 31, 2014 is calculated as follows:

	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
Capital assets, net of depreciation	\$ 200,577,423	\$ 112,623,635	\$ 313,201,058
Less applicable:			
Bonds payable	(63,715,000)	(3,070,000)	(66,785,000)
Loan payable	(1,159,843)	-	(1,159,843)
Unamortized bond premium/ discount (net)	(1,632,763)	(18,529)	(1,651,292)
Unspent bond proceeds	<u>1,603,920</u>	<u>-</u>	<u>1,603,920</u>
Invested in capital assets, net	<u>\$ 135,673,737</u>	<u>\$ 109,535,106</u>	<u>\$ 245,208,843</u>

The City has \$46,645,000 in bonds and \$2,657,254 in bond premium/discount (net) that are unrelated in the calculation above.

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

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:

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
<u>Restricted Net Position</u>			
Cash and investments	\$ 15,682,622	\$ -	\$ 15,682,622
Temporarily restricted			
Cash and investments	-	324,125	324,125
Investments held by trustee	27,471,784	-	27,471,784
Receivables	10,832,559	-	10,832,559
Less related liabilities	<u>(34,073,951)</u>	<u>-</u>	<u>(34,073,951)</u>
Total restricted net position	<u>\$ 19,913,014</u>	<u>\$ 324,125</u>	<u>\$ 20,237,139</u>

Note 8 – Construction Commitments

The City has outstanding construction and build projects as of December 31, 2014. These projects include a street reconstruction project, equipment purchases, and other sanitary sewer projects. The City's commitments with contractors and other governmental entities are shown as follows:

<u>Projects</u>	<u>Spent-to-Date</u>	<u>Remaining</u> <u>Commitment</u>
<u>Governmental Activities</u>		
Improvement Project 14-02	\$ 6,317,307	\$ 443,223
Ladder Truck #4	405,618	295,524
Antlers Retaining Wall	33,597	8,286
City of Lakeville/City of Apple Valley sanitary sewer interceptor	<u>53,591</u>	<u>55,614</u>
Total governmental	<u>\$ 6,810,113</u>	<u>\$ 802,647</u>

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 9 – Fund Balances

At December 31, 2014, a summary of the governmental fund balance classification are as follows:

	General Fund	Debt Service		Capital Projects			Total
		General Obligation	G.O. Improvement	Building	Improvement Construction	Nonmajor	
Nonspendable							
Inventory	\$ 162,322	\$ –	\$ –	\$ –	\$ –	\$ –	\$ 162,322
Prepaid items	59,382	–	–	–	–	169	59,551
Total nonspendable	221,704	–	–	–	–	169	221,873
Restricted							
Debt Service	–	30,781,452	4,303,472	–	–	4,649,878	39,734,802
Public improvements	–	–	–	–	1,603,920	–	1,603,920
Street construction	–	–	–	–	–	1,409,684	1,409,684
Park development	–	–	–	–	–	1,287,265	1,287,265
Tax increment	–	–	–	–	–	242,229	242,229
Public communications	–	–	–	–	–	26,933	26,933
Special Service District	–	–	–	–	–	15,039	15,039
Total restricted	–	30,781,452	4,303,472	–	1,603,920	7,631,028	44,319,872
Committed							
Emerald Ash Borer	45,000	–	–	–	–	–	45,000
Public improvements	–	–	–	–	105,906	–	105,906
Public buildings	–	–	–	1,375,010	–	–	1,375,010
Pavement management	–	–	–	–	–	1,630,391	1,630,391
Storm sewer trunk system	–	–	–	–	–	2,823,792	2,823,792
Water trunk system	–	–	–	–	–	2,668,607	2,668,607
Sanitary sewer trunk system	–	–	–	–	–	4,414,212	4,414,212
Trail improvement	–	–	–	–	–	742,470	742,470
Capital acquisitions	–	–	–	–	–	2,423,247	2,423,247
Public communications	–	–	–	–	–	918,083	918,083
Economic development	–	–	–	–	–	52,378	52,378
Total committed	45,000	–	–	1,375,010	105,906	15,673,180	17,199,096
Unassigned	10,805,065	–	–	–	(632,035)	–	10,173,030
Total	\$ 11,071,769	\$ 30,781,452	\$ 4,303,472	\$ 1,375,010	\$ 1,077,791	\$ 23,304,377	\$ 71,913,871

CITY OF LAKEVILLE, MINNESOTA
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2014

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	\$ 1,501,419	\$ -
Storm sewer	2,274,510	-
Parks	262,357	-
Water	-	2,041,419
Sanitary sewer	-	2,210,773
Total	<u>\$ 4,038,286</u>	<u>\$ 4,252,192</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>\$ 230,565</u>

Note 11 – Excess of Expenditures over Appropriations

For the year ended December 31, 2014, total expenditures (the legal level of budgetary control) in the special revenue downtown special service district fund exceeded appropriations. The expenditures exceeding budget of (\$3,202) were funded by available fund balance.

Note 12 – Interfund Receivables and Payables

Activity between funds representative of lending or borrowing arrangements is reported in the fund financial statements as “due from/to other funds” (current portion) or “advances to/from other funds.” Such amounts are eliminated in the government-wide financial statements, with any residual balances outstanding between the governmental and business-type activities reported as “internal balances.” At December 31, 2014 the nonmajor special revenue Economic Development Fund had a payable of \$38,336 to the nonmajor special revenue Communications Fund to finance a temporary cash deficit.

CITY OF LAKEVILLE, MINNESOTA
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2014

Note 13 – 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 Projects</u>	<u>Nonmajor Govntl. Funds</u>	<u>Enterprise</u>	
		<u>G.O.</u>	<u>Improve.</u>	<u>Bldg.</u>	<u>Utility</u>		
Improve Const. Fund	\$ -	\$ -	\$ 118,086	\$ -	\$ -	\$ -	\$ 118,086
Nonmajor govntl. funds	122,654	-	-	270	1,403,614	-	1,526,538
Total	122,654	-	118,086	270	1,403,614	-	1,644,624
Enterprise - Liquor	159,323	400,000	-	6,751	800,000	2,989	1,369,063
Enterprise - Utility	429,282	-	-	690	-	-	429,972
Internal service funds	48,555	-	-	-	-	-	48,555
Total	<u>\$ 759,814</u>	<u>\$ 400,000</u>	<u>\$ 118,086</u>	<u>\$ 7,711</u>	<u>\$ 2,203,614</u>	<u>\$ 2,989</u>	3,492,214
	(1)	(2)	(3)	(4)	(5)(6)	(7)	
Less: Utility fund							(2,989)
Total governmental funds							<u>\$ 3,489,225</u>

The following are explanations to interfund transfers sub-notes 1 through 7.

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)	\$ 122,654	Public communications and city hall overhead costs.
Liquor (E)	159,323	Patrol, chemical awareness, and city hall overhead costs.
Utility (E)	429,282	City hall overhead costs.
Municipal reserves (IS)	48,555	City hall overhead costs.
Total	<u>\$ 759,814</u>	

- (2) The total transfer to the debt service general obligation fund was provided by the liquor fund (\$400,000) to be applied towards the debt service of the new police station completed in 2008.
- (3) The total transfer to the debt service G.O. improvement fund was provided by the improvement construction fund (\$118,086) to reduce the future special assessment fee requirements and provide adequate cash flow.
- (4) The total transfer to the capital projects building fund was provided by the special revenue fund communications (\$270) and enterprise utility fund (\$690) to finance various future building maintenance, and by the enterprise liquor fund (\$6,751) for fundraising revenues collected on behalf of the Heritage Center.

CITY OF LAKEVILLE, MINNESOTA
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2014

Note 13 – Interfund Transfers (continued)

(5) The total transfer to nonmajor governmental funds (\$1,403,614) was provided from the following governmental funds:

<u>From:</u>	<u>Amount</u>	<u>To:</u>
Park Dedication (CP)	\$ 416,464	Trail improvement (CP) for Kenrick Avenue Trail.
Water (CP)	<u>987,150</u>	Water revenue (DS) for debt service requirements.
Total other govntl.	<u>\$ 1,403,614</u>	

(6) The total transfer to the nonmajor governmental funds was provided by the enterprise liquor fund (\$800,000) to fund various equipment purchases.

(7) The total transfer to the enterprise utility fund was provided by the enterprise liquor fund (\$2,989) for customer service billing overhead costs.

Included within the transfers to governmental activities from business-type activities of \$1,565,481 on the Statement of Activities is the City’s contributed capital from governmental activities to enterprise utility fund capital assets of (\$230,565).

Note 14 – 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 the DCC their pro rata share of cost of operations and maintenance, and capital projects.

Information regarding the Dakota Communications Center can be obtained at the website www.mn-dcc.org/stats.asp or by contacting Jerilyn Erickson at the City of Lakeville, 20195 Holyoke Avenue, Lakeville, Minnesota 55044. Telephone 952-985-4481 or email address jerickson@lakevillemn.gov.

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 15 – 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."

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.

CITY OF LAKEVILLE, MINNESOTA
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2014

Note 15 – Other Post-Employment Benefits (OPEB) Plan (continued)

C. Annual OPEB Cost and Net OPEB Obligation (continued)

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	\$ 96,418
Interest on net OPEB obligation	10,561
Adjustment to annual required contribution	<u>(15,589)</u>
Annual OPEB cost (expense)	91,390
Contributions made	<u>(20,522)</u>
Increase in net OPEB obligation	70,868
Net OPEB obligation - beginning of year	<u>264,027</u>
Net OPEB obligation - end of year	<u><u>\$ 334,895</u></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, 2012	\$ 72,144	\$ 16,594	23.0%	\$ 214,674
December 31, 2013	\$ 71,043	\$ 21,690	30.5%	\$ 264,027
December 31, 2014	\$ 91,390	\$ 20,522	22.5%	\$ 334,895

D. Funded Status and Funding Progress

As of January 1, 2014, the most recent actuarial valuation date, the plan was zero percent funded. The actuarial accrued liability for benefits was \$728,270, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$728,270.

The covered payroll (annual payroll of active employees covered by the plan) was \$12,363,168, and the ratio of the UAAL to the covered payroll was 5.9 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 ARCs 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.

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 15 – Other Post-Employment Benefits (OPEB) Plan (continued)

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, 2014 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 2014 annual healthcare cost trend rate of 7.5 percent, and reduced by decrements of .25 percent to an ultimate rate of 5.0 percent after ten 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, 2014 for the various amortization layers ranged from 24 to 30 years.

Note 16 – 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.

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 2014 and 2013 were \$448,455 and \$360,277, 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 17 – Defined Benefit Pension Plans - Statewide

A. Plan Description

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

GERF members belong to either the Coordinated Plan or the Basic Plan. Coordinated Plan members are covered by Social Security and Basic Plan members are not. All new members must participate in the Coordinated Plan. All police officers, firefighters, and peace officers who qualify for membership by statute are covered by the 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 five years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

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

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

The benefit provisions stated in the previous paragraphs of this section are current provisions and apply to active plan participants.

CITY OF LAKEVILLE, MINNESOTA
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 17 – Defined Benefit Pension Plans – Statewide (continued)

A. Plan Description (continued)

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF and PEPFF. That report may be obtained on the internet at www.mnpera.org, 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. GERF Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.25 percent, respectively, of their annual covered salary in 2014. PEPFF members were required to contribute 10.2 percent of their annual covered salary in 2014. In 2014, the City was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan members, 7.25 percent for Coordinated Plan members, and 15.3 percent for PEPFF members.

The City's contributions to the GERF coordinated plan for the years ending December 31, 2014, 2013, and 2012 were \$644,215, \$611,079, and \$587,750, respectively. The City's contributions to the PEPFF for the years ending December 31, 2014, 2013, and 2012 were \$719,853, \$693,976, and \$650,578, respectively. The City's contributions were equal to the contractually required contributions for each year as set by state statutes.

Contribution rates will increase on January 1, 2015 in the coordinated Plan (6.5% for members and 7.5% for employers) and the Police and Fire Fund (10.8% for members and 16.2% for employers).

Note 18 – 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).

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.

CITY OF LAKEVILLE, MINNESOTA
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2014

Note 18 – Defined Contribution Plan – Statewide (continued)

B. Funding Policy (continued)

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, 2014 were as follows:

<u>Contribution Amount</u>		<u>Percentage of Covered Payroll</u>		<u>Required</u>
<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>	<u>Rates</u>
\$ 1,756	\$ 1,756	5.0%	5.0%	0.0%

Note 19 – 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.

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.

CITY OF LAKEVILLE, MINNESOTA
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2014

Note 19 – Lakeville Fire Relief Association (continued)

B. Current Plan Membership

At December 31, 2014, membership data related to the Association was as follows:

	<u>Members</u>
Retired members entitled to benefits, but not yet receiving them	22
Active Plan Participants	
Vested	3
Partially vested	31
Non-vested	<u>48</u>
Total plan membership	<u><u>104</u></u>

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 \$6,610 (effective January 1, 2014) 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 increase to \$6,742 for calendar year 2015 and \$6,877 for calendar year 2016.

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, 2014

Note 19 – Lakeville Fire Relief Association (continued)

C. Benefit Provisions (continued)

For Duty of:			
More Than		Less Than	% of Pension
7	Years	8	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, 2014

Note 19 – 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

The annual pension cost (APC) contributed from the State of Minnesota and the City of Lakeville for the most recent three years available is as follows:

<u>Year</u>	<u>State of Minnesota</u>	<u>City of Lakeville</u>	<u>Pension Contribution</u>	<u>APC</u>	<u>% of APC Contributed</u>	<u>Pension Obligation</u>
2013	\$ 314,365	\$ 60,000	\$ 374,365	\$ 374,365	100%	\$ -
2012	221,958	44,804	266,762	266,762	100%	-
2011	213,067	44,804	257,871	257,871	100%	-

E. Funding Progress

<u>Valuation Date December 31,</u>	<u>Value of Assets</u>	<u>Accrued Liability</u>	<u>(Unfunded) Overfunded</u>	<u>Funded Ratio</u>
2013	\$ 7,022,870	\$ 5,674,075	\$ 1,348,795	123.8%
2012	5,852,995	5,485,211	367,784	106.7%
2011	5,619,763	5,480,096	139,667	102.5%

F. Additional Information:

Actuarial valuation date: August 1, 2013
 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, 2014

Note 20 – 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 21 – 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 22 – 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 (the School) under the responsibility of All Saints Church (the Church), a religious corporation organized as a nonprofit corporation under the laws of the State of Minnesota. The note funds provided funding for the non-religious portions of the renovation and equipping of, and construction of additions to the School (serving kindergarten through 8th grade), owned and operated by the Church, and located at 19795 Holyoke Avenue in Lakeville.

The HRA authorized the \$2,000,000 revenue note to provide 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, 2014, \$2,000,000 remains outstanding on this note.

Note 23 – GASB Standards Issued But Not Yet Implemented

GASB Statement No. 68 replaces the requirements of Statement No. 27, "Accounting for Pensions by State and Local Governmental Employers" and Statement No. 50, "Pension Disclosures," as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments providing defined benefit provisions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This statement will be effective for the City's 2015 fiscal year. The City has not yet determined the financial statement impact of adopting this new standard.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF LAKEVILLE, MINNESOTA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

BUDGETARY COMPARISON

YEAR ENDED DECEMBER 31, 2014

	Budget As Originally Adopted	Final Budget	Actual	Variance With Final Budget
Revenues				
Property taxes				
General property taxes				
Current	\$ 14,631,396	\$ 14,631,396	\$ 14,895,165	\$ 263,769
Delinquent	193,640	193,640	51,618	(142,022)
Fiscal disparities	1,904,664	1,904,664	1,834,465	(70,199)
Mobile home tax	45,200	45,200	51,731	6,531
Gravel tax	19,467	19,467	8,991	(10,476)
Total property taxes	<u>16,794,367</u>	<u>16,794,367</u>	<u>16,841,970</u>	<u>47,603</u>
Licenses and permits	<u>1,947,676</u>	<u>1,975,626</u>	<u>2,159,289</u>	<u>183,663</u>
Intergovernmental				
Market value homestead credit	-	-	2,113	2,113
State-aid police	349,747	349,747	397,301	47,554
State-aid fire	213,067	317,542	317,542	-
State-aid PERA	21,303	21,303	21,303	-
State police and fire grants	19,704	19,704	34,242	14,538
State other grants	200	200	200	-
Federal other grants	-	-	39,008	39,008
County and other grants	4,380	4,380	-	(4,380)
Total intergovernmental	<u>608,401</u>	<u>712,876</u>	<u>811,709</u>	<u>98,833</u>
Charges for services				
General government	221,323	223,923	277,836	53,913
Public safety	418,318	419,466	414,334	(5,132)
Public works	929,517	929,517	1,147,996	218,479
Parks and recreation	579,009	590,265	649,111	58,846
Total charges for services	<u>2,148,167</u>	<u>2,163,171</u>	<u>2,489,277</u>	<u>326,106</u>
Fines	<u>274,590</u>	<u>274,590</u>	<u>223,642</u>	<u>(50,948)</u>
Investment income	<u>44,413</u>	<u>44,413</u>	<u>99,179</u>	<u>54,766</u>

(continued)

CITY OF LAKEVILLE, MINNESOTA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

BUDGETARY COMPARISON

YEAR ENDED DECEMBER 31, 2014

	Budget As Originally Adopted	Final Budget	Actual	Variance With Final Budget
Revenues (continued)				
Donations	\$ 13,370	\$ 25,270	\$ 30,254	\$ 4,984
Miscellaneous	55,961	55,961	51,368	(4,593)
Total revenues	<u>21,886,945</u>	<u>22,046,274</u>	<u>22,706,688</u>	<u>660,414</u>
Expenditures				
General government				
Mayor and Council				
Personnel services	49,740	49,740	48,448	1,292
Commodities	50	50	-	50
Other charges and services	<u>47,231</u>	<u>47,231</u>	<u>44,674</u>	<u>2,557</u>
Total Mayor and Council	<u>97,021</u>	<u>97,021</u>	<u>93,122</u>	<u>3,899</u>
Committees/Commissions				
Personnel services	49,884	53,904	56,044	(2,140)
Commodities	1,530	2,630	2,605	25
Other charges and services	<u>11,380</u>	<u>12,880</u>	<u>11,973</u>	<u>907</u>
Total committees/commissions	<u>62,794</u>	<u>69,414</u>	<u>70,622</u>	<u>(1,208)</u>
City administration				
Personnel services	388,671	394,878	358,993	35,885
Commodities	1,052	1,052	624	428
Other charges and services	<u>13,505</u>	<u>13,505</u>	<u>26,734</u>	<u>(13,229)</u>
Total city administration	<u>403,228</u>	<u>409,435</u>	<u>386,351</u>	<u>23,084</u>

(continued)

CITY OF LAKEVILLE, MINNESOTA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

BUDGETARY COMPARISON

YEAR ENDED DECEMBER 31, 2014

	<u>Budget As Originally Adopted</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Expenditures (continued)				
General government (continued)				
City Clerk				
Personnel services	\$ 112,724	\$ 114,347	\$ 109,735	\$ 4,612
Commodities	1,686	1,686	380	1,306
Other charges and services	<u>70,314</u>	<u>70,314</u>	<u>73,170</u>	<u>(2,856)</u>
Total City Clerk	<u>184,724</u>	<u>186,347</u>	<u>183,285</u>	<u>3,062</u>
Legal counsel				
Other charges and services	<u>82,351</u>	<u>82,351</u>	<u>53,495</u>	<u>28,856</u>
Planning				
Personnel services	406,183	411,930	377,771	34,159
Commodities	2,573	2,573	1,755	818
Other charges and services	17,086	17,086	37,497	(20,411)
Capital outlay	<u>1,945</u>	<u>1,945</u>	<u>1,169</u>	<u>776</u>
Total planning	<u>427,787</u>	<u>433,534</u>	<u>418,192</u>	<u>15,342</u>
Community and economic development				
Personnel services	261,480	265,548	251,837	13,711
Commodities	192	192	224	(32)
Other charges and services	<u>34,281</u>	<u>34,281</u>	<u>20,533</u>	<u>13,748</u>
Total community and economic development	<u>295,953</u>	<u>300,021</u>	<u>272,594</u>	<u>27,427</u>
Inspections				
Personnel services	649,227	664,783	666,616	(1,833)
Commodities	11,901	11,901	11,925	(24)
Other charges and services	167,614	198,164	191,614	6,550
Capital outlay	<u>22,460</u>	<u>22,460</u>	<u>23,408</u>	<u>(948)</u>
Total inspections	<u>851,202</u>	<u>897,308</u>	<u>893,563</u>	<u>3,745</u>

(continued)

CITY OF LAKEVILLE, MINNESOTA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

BUDGETARY COMPARISON

YEAR ENDED DECEMBER 31, 2014

	Budget As Originally Adopted	Final Budget	Actual	Variance With Final Budget
Expenditures (continued)				
General government (continued)				
General government facilities				
Personnel services	\$ 196,686	\$ 199,695	\$ 203,802	\$ (4,107)
Commodities	22,339	23,114	20,365	2,749
Other charges and services	197,652	197,652	168,189	29,463
Capital outlay	775	-	-	-
Total general government facilities	<u>417,452</u>	<u>420,461</u>	<u>392,356</u>	<u>28,105</u>
Finance				
Personnel services	549,882	566,165	567,613	(1,448)
Commodities	4,024	4,024	3,375	649
Other charges and services	72,797	72,797	68,534	4,263
Total finance	<u>626,703</u>	<u>642,986</u>	<u>639,522</u>	<u>3,464</u>
Information systems				
Personnel services	307,362	311,917	305,945	5,972
Commodities	5,847	5,847	2,187	3,660
Other charges and services	177,424	177,424	164,553	12,871
Total information systems	<u>490,633</u>	<u>495,188</u>	<u>472,685</u>	<u>22,503</u>
Human resources				
Personnel services	264,704	268,870	268,720	150
Commodities	1,609	1,609	1,986	(377)
Other charges and services	82,099	82,099	73,322	8,777
Capital outlay	2,601	2,601	-	2,601
Total human resources	<u>351,013</u>	<u>355,179</u>	<u>344,028</u>	<u>11,151</u>
Insurance coverage				
Other charges and services	<u>289,075</u>	<u>289,075</u>	<u>289,075</u>	<u>-</u>
Total general government	<u>4,579,936</u>	<u>4,678,320</u>	<u>4,508,890</u>	<u>169,430</u>

(continued)

CITY OF LAKEVILLE, MINNESOTA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

BUDGETARY COMPARISON

YEAR ENDED DECEMBER 31, 2014

	<u>Budget As Originally Adopted</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Expenditures (continued)				
Public safety				
Police				
Personnel services	\$ 6,945,066	\$ 7,041,490	\$ 6,803,235	\$ 238,255
Commodities	347,025	336,425	349,733	(13,308)
Other charges and services	1,629,759	1,640,359	1,633,344	7,015
Capital outlay	-	-	4,017	(4,017)
Total police	<u>8,921,850</u>	<u>9,018,274</u>	<u>8,790,329</u>	<u>227,945</u>
Fire protection				
Personnel services	1,044,462	1,155,490	1,144,157	11,333
Commodities	132,484	132,484	126,833	5,651
Other charges and services	<u>254,669</u>	<u>254,669</u>	<u>248,148</u>	<u>6,521</u>
Total fire protection	<u>1,431,615</u>	<u>1,542,643</u>	<u>1,519,138</u>	<u>23,505</u>
Total public safety	<u>10,353,465</u>	<u>10,560,917</u>	<u>10,309,467</u>	<u>251,450</u>
Public works				
Engineering				
Personnel services	745,746	712,246	580,251	131,995
Commodities	10,542	10,542	6,258	4,284
Other charges and services	69,652	69,402	62,725	6,677
Capital outlay	<u>78,788</u>	<u>78,788</u>	<u>66,051</u>	<u>12,737</u>
Total engineering	<u>904,728</u>	<u>870,978</u>	<u>715,285</u>	<u>155,693</u>
Operations and Maintenance				
Personnel services	-	40,690	109,089	(68,399)
Commodities	-	-	2,372	(2,372)
Other charges and services	-	250	6,332	(6,082)
Capital outlay	<u>-</u>	<u>-</u>	<u>27,018</u>	<u>(27,018)</u>
Total operations and maintenance	<u>-</u>	<u>40,940</u>	<u>144,811</u>	<u>(103,871)</u>
Street maintenance				
Personnel services	1,672,427	1,705,534	1,806,345	(100,811)
Commodities	787,830	887,358	916,799	(29,441)
Other charges and services	278,445	278,445	315,299	(36,854)
Capital outlay	<u>-</u>	<u>-</u>	<u>2,499</u>	<u>(2,499)</u>
Total street maintenance	<u>2,738,702</u>	<u>2,871,337</u>	<u>3,040,942</u>	<u>(169,605)</u>
Total public works	<u>3,643,430</u>	<u>3,783,255</u>	<u>3,901,038</u>	<u>(117,783)</u>

(continued)

CITY OF LAKEVILLE, MINNESOTA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

BUDGETARY COMPARISON

YEAR ENDED DECEMBER 31, 2014

	<u>Budget As Originally Adopted</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Expenditures (continued)				
Parks and recreation				
Park maintenance				
Personnel services	\$ 1,509,110	\$ 1,525,215	\$ 1,550,286	\$ (25,071)
Commodities	254,394	254,394	276,257	(21,863)
Other charges and services	470,177	480,177	385,135	95,042
Capital outlay	1,994	1,994	783	1,211
Total park maintenance	<u>2,235,675</u>	<u>2,261,780</u>	<u>2,212,461</u>	<u>49,319</u>
Recreation				
Personnel services	335,988	365,447	362,731	2,716
Commodities	26,404	26,404	21,981	4,423
Other charges and services	221,848	221,848	217,718	4,130
Total recreation	<u>584,240</u>	<u>613,699</u>	<u>602,430</u>	<u>11,269</u>
Heritage Center				
Personnel services	28,055	33,432	31,655	1,777
Commodities	1,846	3,469	5,295	(1,826)
Other charges and services	48,873	52,166	53,659	(1,493)
Capital outlay	-	10,071	10,627	(556)
Total heritage center	<u>78,774</u>	<u>99,138</u>	<u>101,236</u>	<u>(2,098)</u>
Arts Center				
Personnel services	245,173	248,495	242,108	6,387
Commodities	13,205	13,205	14,424	(1,219)
Other charges and services	146,690	146,690	169,239	(22,549)
Total arts center	<u>405,068</u>	<u>408,390</u>	<u>425,771</u>	<u>(17,381)</u>
Total parks and recreation	<u>3,303,757</u>	<u>3,383,007</u>	<u>3,341,898</u>	<u>41,109</u>
Other	<u>303,497</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>22,184,085</u>	<u>22,405,499</u>	<u>22,061,293</u>	<u>344,206</u>
Excess (deficiency) of revenues over expenditures	<u>(297,140)</u>	<u>(359,225)</u>	<u>645,395</u>	<u>1,004,620</u>

(continued)

CITY OF LAKEVILLE, MINNESOTA

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -

BUDGETARY COMPARISON

YEAR ENDED DECEMBER 31, 2014

	Budget As Originally Adopted	Final Budget	Actual	Variance With Final Budget
(continued)				
Other financing sources				
Transfers from				
Special Revenue - Communications Fund	\$ 122,654	\$ 122,654	\$ 122,654	\$ -
Enterprise - Liquor Fund	159,323	159,323	159,323	-
Enterprise - Utility Fund	429,282	429,282	429,282	-
Internal Service - Municipal Reserves Fund	<u>48,555</u>	<u>48,555</u>	<u>48,555</u>	-
Total other financing sources	<u>759,814</u>	<u>759,814</u>	<u>759,814</u>	-
Net change in fund balance	<u>\$ 462,674</u>	<u>\$ 400,589</u>	1,405,209	<u>\$ 1,004,620</u>
Fund balance, January 1			<u>9,666,560</u>	
Fund balance, December 31			<u>\$ 11,071,769</u>	

CITY OF LAKEVILLE, MINNESOTA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2014

A. Budgetary Information

Budgets are adopted on a basis consistent with U.S. generally accepted accounting principles. 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, 2014

Actuarial Valuation Date	Actuarial Accrued Liability	Actuarial Value of Plan Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Liability as a Percentage of Payroll
January 1, 2008	\$ 290,424	\$ -	\$ 290,424	-	\$ 11,365,890	2.6%
January 1, 2011	\$ 588,458	\$ -	\$ 588,458	-	\$ 11,683,196	5.0%
January 1, 2014	\$ 728,720	\$ -	\$ 728,720	-	\$ 12,363,168	5.9%

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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's 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.

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CITY OF LAKEVILLE, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2014

	<u>Special Revenue Funds</u>	<u>Debt Service Funds</u>	<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
Assets				
Cash and investments	\$ 797,830	\$ 4,105,059	\$ 17,275,273	\$ 22,178,162
Investments held by trustee	-	697,378	-	697,378
Interest receivable	3,032	7,240	54,126	64,398
Taxes receivable				
Unremitted	-	(605)	87,158	86,553
Delinquent	-	4,324	23,698	28,022
Accounts receivable	288,636	47,500	2,384,591	2,720,727
Due from other funds	38,336	-	-	38,336
Special assessments				
Unremitted	-	-	567	567
Delinquent	-	-	14	14
Deferred	-	-	172,728	172,728
Other	-	-	320,326	320,326
Prepaid items	169	-	-	169
Total assets	<u>\$ 1,128,003</u>	<u>\$ 4,860,896</u>	<u>\$ 20,318,481</u>	<u>\$ 26,307,380</u>
Liabilities				
Salaries payable	\$ 9,132	\$ -	\$ -	\$ 9,132
Accounts payable	58,943	206,694	1,808,924	2,074,561
Due to other funds	38,336	-	-	38,336
Contracts payable	8,982	-	260,196	269,178
Deposits payable	-	-	26,125	26,125
Unearned revenue	-	-	64,573	64,573
Total liabilities	115,393	206,694	2,159,818	2,481,905
Deferred inflows of resources				
Unavailable revenue - taxes	-	4,324	23,698	28,022
Unavailable revenue - special assessments	-	-	493,068	493,068
Unavailable revenue - other	8	-	-	8
Total deferred inflows of resources	8	4,324	516,766	521,098
Fund balance				
Nonspendable	169	-	-	169
Restricted	41,972	4,649,878	2,939,178	7,631,028
Committed	970,461	-	14,702,719	15,673,180
Total fund balance	<u>1,012,602</u>	<u>4,649,878</u>	<u>17,641,897</u>	<u>23,304,377</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,128,003</u>	<u>\$ 4,860,896</u>	<u>\$ 20,318,481</u>	<u>\$ 26,307,380</u>

CITY OF LAKEVILLE, MINNESOTA

NONMAJOR GOVERNMENTAL FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED DECEMBER 31, 2014

	Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Total Nonmajor Governmental Funds
Revenues				
Property taxes	\$ -	\$ 314,628	\$ 1,548,706	\$ 1,863,334
Tax increment	-	638,312	189,738	828,050
Licenses and permits	677,266	-	-	677,266
Intergovernmental	468,702	837,342	2,779,262	4,085,306
Charges for services	98,008	395,838	5,377,896	5,871,742
Special assessments	-	-	44,161	44,161
Investment income	11,438	36,150	247,893	295,481
Loan repayments	-	2,230,000	-	2,230,000
Donations	-	95,000	78,750	173,750
Miscellaneous	1,393	-	881,901	883,294
Total revenues	<u>1,256,807</u>	<u>4,547,270</u>	<u>11,148,307</u>	<u>16,952,384</u>
Expenditures - current				
General government	<u>1,002,294</u>	<u>203,623</u>		<u>1,205,917</u>
Expenditures - capital outlay				
General government	87,777		152,628	240,405
Public safety	-		1,279,674	1,279,674
Public works	-		7,975,094	7,975,094
Parks and recreation	-		2,695,661	2,695,661
Total expenditures - capital outlay	<u>87,777</u>		<u>12,103,057</u>	<u>12,190,834</u>
Expenditures - debt service				
Principal bond maturities		2,395,000		2,395,000
Interest on debt		738,366		738,366
Fiscal charges		34,189		34,189
Total expenditures - debt service		<u>3,167,555</u>		<u>3,167,555</u>
Total expenditures	<u>1,090,071</u>	<u>3,371,178</u>	<u>12,103,057</u>	<u>16,564,306</u>
Excess (deficiency) of revenues over expenditures	<u>166,736</u>	<u>1,176,092</u>	<u>(954,750)</u>	<u>388,078</u>
Other financing sources (uses)				
Transfers from other funds	-	987,150	1,216,464	2,203,614
Transfers to other funds	<u>(122,924)</u>	-	<u>(1,403,614)</u>	<u>(1,526,538)</u>
Total other financing sources (uses)	<u>(122,924)</u>	<u>987,150</u>	<u>(187,150)</u>	<u>677,076</u>
Net change in fund balance	43,812	2,163,242	(1,141,900)	1,065,154
Fund balance, January 1	968,790	2,486,636	18,783,797	22,239,223
Fund balance, December 31	<u>\$ 1,012,602</u>	<u>\$ 4,649,878</u>	<u>\$ 17,641,897</u>	<u>\$ 23,304,377</u>

CITY OF LAKEVILLE, MINNESOTA
SPECIAL REVENUE FUNDS (NONMAJOR)
COMBINING BALANCE SHEET
DECEMBER 31, 2014

	<u>Communications</u>	<u>Economic Development</u>	<u>Downtown Special Service District</u>	<u>Total</u>
Assets				
Cash and investments	\$ 783,255	\$ -	\$ 14,575	\$ 797,830
Interest receivable	2,560	-	472	3,032
Accounts receivable	178,856	109,780	-	288,636
Due from other funds	38,336	-	-	38,336
Prepaid items	169	-	-	169
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 1,003,176</u>	<u>\$ 109,780</u>	<u>\$ 15,047</u>	<u>\$ 1,128,003</u>
Liabilities				
Salaries payable	\$ 9,132	\$ -	\$ -	\$ 9,132
Accounts payable	48,859	10,084	-	58,943
Contracts payable	-	8,982	-	8,982
Due to other funds	-	38,336	-	38,336
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	57,991	57,402	-	115,393
Deferred inflows of resources				
Unavailable revenue - other	-	-	8	8
	<hr/>	<hr/>	<hr/>	<hr/>
Fund balance				
Nonspendable	169	-	-	169
Restricted	26,933	-	15,039	41,972
Committed	918,083	52,378	-	970,461
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balance	<u>945,185</u>	<u>52,378</u>	<u>15,039</u>	<u>1,012,602</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,003,176</u>	<u>\$ 109,780</u>	<u>\$ 15,047</u>	<u>\$ 1,128,003</u>

CITY OF LAKEVILLE, MINNESOTA

SPECIAL REVENUE FUNDS (NONMAJOR)

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED DECEMBER 31, 2014

	<u>Communications</u>	<u>Economic Development</u>	<u>Downtown Special Service District</u>	<u>Total</u>
Revenues				
Licenses and permits	\$ 677,266	\$ -	\$ -	\$ 677,266
Intergovernmental				
Federal grants	-	3,564	-	3,564
State-aid PERA	516	-	-	516
County and local grants	-	464,622	-	464,622
Charges for services	64,423	2,500	31,085	98,008
Investment income (charges)	11,727	(289)	-	11,438
Miscellaneous	1,393	-	-	1,393
Total revenues	<u>755,325</u>	<u>470,397</u>	<u>31,085</u>	<u>1,256,807</u>
Expenditures				
Current				
General government	493,715	477,877	30,702	1,002,294
Capital outlay				
General government	87,777	-	-	87,777
Total expenditures	<u>581,492</u>	<u>477,877</u>	<u>30,702</u>	<u>1,090,071</u>
Excess (deficiency) of revenues over expenditures	<u>173,833</u>	<u>(7,480)</u>	<u>383</u>	<u>166,736</u>
Other financing uses				
Transfer to				
General Fund	(122,654)	-	-	(122,654)
Capital Projects - Building Fund	(270)	-	-	(270)
Total other financing uses	<u>(122,924)</u>	<u>-</u>	<u>-</u>	<u>(122,924)</u>
Net change in fund balance	50,909	(7,480)	383	43,812
Fund balance, January 1	894,276	59,858	14,656	968,790
Fund balance, December 31	<u>\$ 945,185</u>	<u>\$ 52,378</u>	<u>\$ 15,039</u>	<u>\$ 1,012,602</u>

CITY OF LAKEVILLE, MINNESOTA
DEBT SERVICE FUNDS (NONMAJOR)
COMBINING BALANCE SHEET
DECEMBER 31, 2014

	Bonds					Total
	Tax Increment	State-aid Revenue	Water Revenue	Arena Revenue	HRA Revenue	
Assets						
Cash and investments	\$ 3,512,817	\$ 23,647	\$ -	\$ 213,174	\$ 355,421	\$ 4,105,059
Investments held by trustee	-	-	-	-	697,378	697,378
Interest receivable	6,490	70	-	511	169	7,240
Taxes receivable						
Unremitted	(18,220)	-	-	-	17,615	(605)
Delinquent	58	-	-	-	4,266	4,324
Accounts receivable	-	-	-	47,500	-	47,500
Total assets	<u>\$ 3,501,145</u>	<u>\$ 23,717</u>	<u>\$ -</u>	<u>\$ 261,185</u>	<u>\$ 1,074,849</u>	<u>\$ 4,860,896</u>
Liabilities						
Accounts payable	\$ 206,694	\$ -	\$ -	\$ -	\$ -	\$ 206,694
Deferred inflows of resources						
Unavailable revenue - taxes	58	-	-	-	4,266	4,324
Fund balance						
Restricted for debt service	<u>3,294,393</u>	<u>23,717</u>	<u>-</u>	<u>261,185</u>	<u>1,070,583</u>	<u>4,649,878</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,501,145</u>	<u>\$ 23,717</u>	<u>\$ -</u>	<u>\$ 261,185</u>	<u>\$ 1,074,849</u>	<u>\$ 4,860,896</u>

CITY OF LAKEVILLE, MINNESOTA

DEBT SERVICE FUNDS (NONMAJOR)

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED DECEMBER 31, 2014

	Bonds					Total
	Tax Increment	State-aid Revenue	Water Revenue	Arena Revenue	HRA Revenue	
Revenues						
Property taxes						
Current and delinquent	\$ 34	\$ -	\$ -	\$ -	\$ 280,163	\$ 280,197
Fiscal disparities	5	-	-	-	34,426	34,431
Total property taxes	<u>39</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>314,589</u>	<u>314,628</u>
Tax increment	638,312	-	-	-	-	638,312
Intergovernmental - State-aid	-	837,342	-	-	-	837,342
Charges for services	-	-	-	88,626	307,212	395,838
Investment income (charges)	29,720	319	-	2,340	3,771	36,150
Loan repayments	2,230,000	-	-	-	-	2,230,000
Donations	-	-	-	95,000	-	95,000
Total revenues	<u>2,898,071</u>	<u>837,661</u>	<u>-</u>	<u>185,966</u>	<u>625,572</u>	<u>4,547,270</u>
Expenditures - current						
General government	203,623	-	-	-	-	203,623
Expenditures - debt service						
Principal bond maturities	445,000	700,000	890,000	135,000	225,000	2,395,000
Interest on debt	84,004	137,343	96,800	47,788	372,431	738,366
Fiscal charges	27,189	3,074	350	1,375	2,201	34,189
Total expenditures - debt service	<u>556,193</u>	<u>840,417</u>	<u>987,150</u>	<u>184,163</u>	<u>599,632</u>	<u>3,167,555</u>
Total expenditures	<u>759,816</u>	<u>840,417</u>	<u>987,150</u>	<u>184,163</u>	<u>599,632</u>	<u>3,371,178</u>
Excess (deficiency) of revenues over expenditures	<u>2,138,255</u>	<u>(2,756)</u>	<u>(987,150)</u>	<u>1,803</u>	<u>25,940</u>	<u>1,176,092</u>
Other financing sources						
Transfer from						
Capital Projects - Water Fund	-	-	987,150	-	-	987,150
Net change in fund balance	2,138,255	(2,756)	-	1,803	25,940	2,163,242
Fund balance, January 1	<u>1,156,138</u>	<u>26,473</u>	<u>-</u>	<u>259,382</u>	<u>1,044,643</u>	<u>2,486,636</u>
Fund balance, December 31	<u>\$ 3,294,393</u>	<u>\$ 23,717</u>	<u>\$ -</u>	<u>\$ 261,185</u>	<u>\$ 1,070,583</u>	<u>\$ 4,649,878</u>

CITY OF LAKEVILLE, MINNESOTA
CAPITAL PROJECTS FUNDS (NONMAJOR)
COMBINING BALANCE SHEET
DECEMBER 31, 2014

	<u>Municipal State-aid</u>	<u>Pavement Management</u>	<u>Storm Sewer</u>	<u>Water</u>
Assets				
Cash and investments	\$ 447,317	\$ 1,717,547	\$ 2,817,326	\$ 2,814,602
Interest receivable	8,411	4,404	6,466	6,458
Taxes receivable				
Unremitted	-	67,068	-	-
Delinquent	-	17,211	-	-
Accounts receivable	2,384,591	-	-	-
Special assessments				
Unremitted	-	40	-	-
Delinquent	-	-	-	-
Deferred	-	2,986	1,499	100,399
Other	-	-	60,171	44,733
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 2,840,319</u>	<u>\$ 1,809,256</u>	<u>\$ 2,885,462</u>	<u>\$ 2,966,192</u>
Liabilities				
Accounts payable	\$ 1,430,635	\$ 145,183	\$ -	\$ 92,406
Contracts payable	-	13,485	-	-
Deposits payable	-	-	-	-
Unearned revenue	-	-	-	60,047
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	1,430,635	158,668	-	152,453
Deferred inflows of resources				
Unavailable revenue - taxes	-	17,211	-	-
Unavailable revenue - special assessments	-	2,986	61,670	145,132
Total deferred inflows of resources	-	<u>20,197</u>	<u>61,670</u>	<u>145,132</u>
Fund balance				
Restricted	1,409,684	-	-	-
Committed	-	1,630,391	2,823,792	2,668,607
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>1,409,684</u>	<u>1,630,391</u>	<u>2,823,792</u>	<u>2,668,607</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,840,319</u>	<u>\$ 1,809,256</u>	<u>\$ 2,885,462</u>	<u>\$ 2,966,192</u>

<u>Sanitary Sewer</u>	<u>Park Dedication</u>	<u>Trail Improvement</u>	<u>Tax Increment</u>	<u>Equipment</u>	<u>Total</u>
\$ 4,427,981	\$ 1,360,759	\$ 986,840	\$ 256,390	\$ 2,446,511	\$ 17,275,273
11,829	5,016	2,655	371	8,516	54,126
-	-	2,609	1,341	16,140	87,158
-	-	324	-	6,163	23,698
-	-	-	-	-	2,384,591
527	-	-	-	-	567
14	-	-	-	-	14
67,652	192	-	-	-	172,728
215,422	-	-	-	-	320,326
<u>\$ 4,723,425</u>	<u>\$ 1,365,967</u>	<u>\$ 992,428</u>	<u>\$ 258,102</u>	<u>\$ 2,477,330</u>	<u>\$ 20,318,481</u>
\$ -	\$ 73,984	\$ 2,923	\$ 15,873	\$ 47,920	\$ 1,808,924
-	-	246,711	-	-	260,196
26,125	-	-	-	-	26,125
-	4,526	-	-	-	64,573
26,125	78,510	249,634	15,873	47,920	2,159,818
-	-	324	-	6,163	23,698
283,088	192	-	-	-	493,068
283,088	192	324	-	6,163	516,766
-	1,287,265	-	242,229	-	2,939,178
4,414,212	-	742,470	-	2,423,247	14,702,719
4,414,212	1,287,265	742,470	242,229	2,423,247	17,641,897
<u>\$ 4,723,425</u>	<u>\$ 1,365,967</u>	<u>\$ 992,428</u>	<u>\$ 258,102</u>	<u>\$ 2,477,330</u>	<u>\$ 20,318,481</u>

CITY OF LAKEVILLE, MINNESOTA

CAPITAL PROJECTS FUNDS (NONMAJOR)

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

YEAR ENDED DECEMBER 31, 2014

	<u>Municipal State-aid</u>	<u>Pavement Management</u>	<u>Storm Sewer</u>	<u>Water</u>
Revenues				
Property taxes				
Current	\$ -	\$ 1,071,531	\$ -	\$ -
Fiscal disparities	-	131,595	-	-
Total property taxes	-	1,203,126	-	-
Tax increment	-	-	-	-
Intergovernmental				
Municipal state-aid	1,968,748	374,335	-	-
County and local grants	415,843	-	-	-
Charges for services	-	-	1,448,032	1,726,957
Special assessments	-	4,118	244	21,288
Investment income	38,521	20,171	29,612	29,577
Donations	-	-	-	-
Miscellaneous	276,641	40,000	-	337,806
Total revenues	<u>2,699,753</u>	<u>1,641,750</u>	<u>1,477,888</u>	<u>2,115,628</u>
Expenditures - capital outlay				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	4,573,763	1,511,419	169,907	763,392
Parks and recreation	117,195	-	-	-
Total expenditures - capital outlay	<u>4,690,958</u>	<u>1,511,419</u>	<u>169,907</u>	<u>763,392</u>
Excess (deficiency) of revenues over expenditures	<u>(1,991,205)</u>	<u>130,331</u>	<u>1,307,981</u>	<u>1,352,236</u>
Other financing sources (uses)				
Transfer from/(to)				
Debt Service - Water Revenue Bond Fund	-	-	-	(987,150)
Capital Projects - Park Dedication Fund	-	-	-	-
Capital Projects - Trail Improvement Fund	-	-	-	-
Enterprise - Liquor Fund	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(987,150)</u>
Net change in fund balance	(1,991,205)	130,331	1,307,981	365,086
Fund balance, January 1	<u>3,400,889</u>	<u>1,500,060</u>	<u>1,515,811</u>	<u>2,303,521</u>
Fund balance, December 31	<u>\$ 1,409,684</u>	<u>\$ 1,630,391</u>	<u>\$ 2,823,792</u>	<u>\$ 2,668,607</u>

<u>Sanitary Sewer</u>	<u>Park Dedication</u>	<u>Trail Improvement</u>	<u>Tax Increment</u>	<u>Equipment</u>	<u>Total</u>
\$ -	\$ -	\$ 39,972	\$ -	\$ 267,920	\$ 1,379,423
-	-	4,935	-	32,753	169,283
-	-	44,907	-	300,673	1,548,706
-	-	-	189,738	-	189,738
-	-	-	-	-	2,343,083
-	522	-	-	19,814	436,179
548,598	1,642,309	-	12,000	-	5,377,896
18,447	64	-	-	-	44,161
54,174	22,976	12,161	1,700	39,001	247,893
-	78,750	-	-	-	78,750
-	22,138	-	-	205,316	881,901
<u>621,219</u>	<u>1,766,759</u>	<u>57,068</u>	<u>203,438</u>	<u>564,804</u>	<u>11,148,307</u>
-	-	-	36,181	116,447	152,628
-	-	-	-	1,279,674	1,279,674
116	-	-	-	956,497	7,975,094
-	1,406,189	656,710	-	515,567	2,695,661
<u>116</u>	<u>1,406,189</u>	<u>656,710</u>	<u>36,181</u>	<u>2,868,185</u>	<u>12,103,057</u>
<u>621,103</u>	<u>360,570</u>	<u>(599,642)</u>	<u>167,257</u>	<u>(2,303,381)</u>	<u>(954,750)</u>
-	-	-	-	-	(987,150)
-	-	416,464	-	-	416,464
-	(416,464)	-	-	-	(416,464)
-	-	-	-	800,000	800,000
-	(416,464)	416,464	-	800,000	(187,150)
621,103	(55,894)	(183,178)	167,257	(1,503,381)	(1,141,900)
3,793,109	1,343,159	925,648	74,972	3,926,628	18,783,797
<u>\$ 4,414,212</u>	<u>\$ 1,287,265</u>	<u>\$ 742,470</u>	<u>\$ 242,229</u>	<u>\$ 2,423,247</u>	<u>\$ 17,641,897</u>

CITY OF LAKEVILLE, MINNESOTA
COMMUNICATIONS - SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2014

	Budget As Originally Adopted	Final Budget	Actual	Variance With Final Budget
Revenues				
Licenses and permits	\$ 610,915	\$ 610,915	\$ 677,266	\$ 66,351
Intergovernmental				
State-aid PERA	516	516	516	-
Charges for services	-	64,695	64,923	228
Investment income	8,689	8,689	11,727	3,038
Miscellaneous	-	-	893	893
	<u>620,120</u>	<u>684,815</u>	<u>755,325</u>	<u>70,510</u>
Expenditures - general government				
Current				
Personnel	326,866	331,466	337,882	(6,416)
Commodities	5,649	5,649	3,060	2,589
Other charges and services	114,031	159,031	152,773	6,258
Capital outlay	<u>70,564</u>	<u>92,540</u>	<u>87,777</u>	<u>4,763</u>
	<u>517,110</u>	<u>588,686</u>	<u>581,492</u>	<u>7,194</u>
Total expenditures - general government	<u>517,110</u>	<u>588,686</u>	<u>581,492</u>	<u>7,194</u>
Excess of revenues over expenditures	<u>103,010</u>	<u>96,129</u>	<u>173,833</u>	<u>77,704</u>
Other financing uses				
Transfer to				
General Fund	(122,654)	(122,654)	(122,654)	-
Capital Projects - Building Fund	<u>(270)</u>	<u>(270)</u>	<u>(270)</u>	<u>-</u>
	<u>(122,924)</u>	<u>(122,924)</u>	<u>(122,924)</u>	<u>-</u>
Total other financing uses	<u>(122,924)</u>	<u>(122,924)</u>	<u>(122,924)</u>	<u>-</u>
Net change in fund balance	<u>\$ (19,914)</u>	<u>\$ (26,795)</u>	50,909	<u>\$ 77,704</u>
Fund balance, January 1			<u>894,276</u>	
Fund balance, December 31			<u>\$ 945,185</u>	

CITY OF LAKEVILLE, MINNESOTA
 ECONOMIC DEVELOPMENT - SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 YEAR ENDED DECEMBER 31, 2014

	Budget As Originally Adopted	Final Budget	Actual	Variance With Final Budget
Revenues				
Intergovernmental				
Federal grants	\$ -	\$ -	\$ 3,564	\$ 3,564
County and local grants	-	471,000	464,622	(6,378)
Charges for services	2,500	2,500	2,500	-
Investment income (charges)	<u>624</u>	<u>624</u>	<u>(289)</u>	<u>(913)</u>
Total revenues	3,124	474,124	470,397	(3,727)
Expenditures - General government				
Current				
Other charges and services	<u>7,500</u>	<u>482,500</u>	<u>477,877</u>	<u>4,623</u>
Net change in fund balance	<u>\$ (4,376)</u>	<u>\$ (8,376)</u>	(7,480)	<u>\$ 896</u>
Fund balance, January 1			<u>59,858</u>	
Fund balance, December 31			<u>\$ 52,378</u>	

CITY OF LAKEVILLE, MINNESOTA
DOWNTOWN SPECIAL SERVICE DISTRICT - SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED DECEMBER 31, 2014

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget</u>
Revenues			
Charges for services	\$ 27,500	\$ 31,085	\$ 3,585
Expenditures - general government			
Current			
Personnel	11,250	11,823	(573)
Commodities	7,000	512	6,488
Other charges and services	<u>9,250</u>	<u>18,367</u>	<u>(9,117)</u>
Total expenditures - general government	<u>27,500</u>	<u>30,702</u>	<u>(3,202)</u>
Net change in fund balance	<u>\$ -</u>	383	<u>\$ 383</u>
Fund balance, January 1		<u>14,656</u>	
Fund balance, December 31		<u>\$ 15,039</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, 2014

<u>Escrow Fund</u>	<u>Balance January 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance December 31</u>
Assets				
Cash and investments	\$ 6,851,480	\$ 2,209,351	\$ 1,833,243	\$ 7,227,588
Liabilities				
Deposits payable	\$ 6,851,480	\$ 2,209,351	\$ 1,833,243	\$ 7,227,588

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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, 2014

	<u>Outstanding January 1</u>	<u>Issued</u>	<u>Redeemed</u>	<u>Outstanding December 31</u>
<u>Governmental Activities:</u>				
General obligation bonds	\$ 69,410,000	\$ 12,660,000	\$ 12,380,000	\$ 69,690,000
G.O. Improvement bonds	16,640,000	8,520,000	1,255,000	23,905,000
Tax increment bonds	2,335,000	-	445,000	1,890,000
State-aid street revenue bonds	4,590,000	-	700,000	3,890,000
Water connection revenue bonds	2,865,000	-	890,000	1,975,000
Arena revenue bonds	1,045,000	-	135,000	910,000
HRA lease revenue bonds	<u>8,325,000</u>	<u>-</u>	<u>225,000</u>	<u>8,100,000</u>
Total governmental activity bonds	<u>105,210,000</u>	<u>21,180,000</u>	<u>16,030,000</u>	<u>110,360,000</u>
<u>Business-type Activities:</u>				
Liquor revenue bonds	<u>3,235,000</u>	<u>-</u>	<u>165,000</u>	<u>3,070,000</u>
Total bonded indebtedness	<u>\$ 108,445,000</u>	<u>\$ 21,180,000</u>	<u>\$ 16,195,000</u>	<u>\$ 113,430,000</u>

CITY OF LAKEVILLE, MINNESOTA
SCHEDULE OF BONDED INDEBTEDNESS AND ANNUAL INTEREST PAYABLE
DECEMBER 31, 2014

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Principal Date</u>	<u>Maturity Amount</u>	<u>Annual Interest</u>
<u>General Obligation Bonds:</u>					
Park Refunding Bonds of 2011 B	12/1/11				
Principal and Interest		0.75	4/1/15	\$ 410,000	\$ 1,538
Total				<u>410,000</u>	<u>1,538</u>
Capital Improvement Bonds of 2004 A	11/1/04				
(Central Maintenance Facility)					
Principal and interest		4.00	2/1/15	360,000	290,053
Principal (call 2/1/15)				12,460,000	-
Total				<u>12,820,000</u>	<u>290,053</u>
Capital Improvement Refunding Bonds of 2012 B	8/15/12				
(Central Maintenance Facility)					
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>3,837,275</u>
Capital Improvement Bonds of 2007 D	8/1/07				
(Police Station)					
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	11,700,000	285,430
Total				<u>12,660,000</u>	<u>1,475,656</u>
Capital Improvement Refunding Bonds of 2014 B	8/20/14				
Interest		2.00	2/1/15	-	420,437
Interest		2.00	2/1/16	-	443,863
Interest		2.00	2/1/17	-	443,863
Principal and interest		5.00	2/1/18	555,000	429,988
Principal and interest		5.00	2/1/19	580,000	401,613
Principal and interest		5.00	2/1/20	605,000	371,988
Principal and interest		1.75	2/1/21	635,000	351,305
Principal and interest		5.00	2/1/22	640,000	329,750

(continued)

CITY OF LAKEVILLE, MINNESOTA
SCHEDULE OF BONDED INDEBTEDNESS AND ANNUAL INTEREST PAYABLE
DECEMBER 31, 2014

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Principal Maturity Date</u>	<u>Amount</u>	<u>Annual Interest</u>
General Obligation Bonds: (continued)					
Capital Improvement Refunding Bonds of 2014 B (continued)					
Principal and interest		5.00	2/1/23	\$ 670,000	\$ 297,000
Principal and interest (call provision date)		5.00	2/1/24	700,000	262,750
Principal and interest		4.00	2/1/25	735,000	230,550
Principal and interest		4.00	2/1/26	765,000	200,550
Principal and interest		4.00	2/1/27	790,000	169,450
Principal and interest		4.00	2/1/28	815,000	139,388
Principal and interest		3.50	2/1/29	845,000	110,338
Principal and interest		3.50	2/1/30	875,000	80,238
Principal and interest		3.50	2/1/31	910,000	49,000
Principal and interest		3.50	2/1/32	945,000	16,538
Total				<u>11,065,000</u>	<u>4,748,605</u>
Street Reconstruction Refunding Bonds of 2012 B 8/15/12					
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>1,986,725</u>
Street Reconstruction Bonds of 2005 A 12/1/05					
Principal and interest		3.75	2/1/15	150,000	87,115
Principal and Interest (call provision date)		3.75	2/1/16	2,105,000	39,245
Total				<u>2,255,000</u>	<u>126,360</u>
Street Reconstruction Refunding Bonds of 2014 B 8/20/14					
Interest		2.00	2/1/15	-	63,428
Interest		2.00	2/1/16	-	66,963
Principal and interest		2.00	2/1/17	130,000	65,663
Principal and interest		5.00	2/1/18	135,000	60,988
Principal and interest		5.00	2/1/19	140,000	54,113
Principal and interest		5.00	2/1/20	145,000	46,988
Principal and interest		1.75	2/1/21	155,000	42,006
Principal and interest		5.00	2/1/22	160,000	36,650
Principal and interest		5.00	2/1/23	170,000	28,400
Principal and interest (call provision date)		5.00	2/1/24	175,000	19,775
Principal and interest		4.00	2/1/25	190,000	11,600
Principal and interest		4.00	2/1/26	195,000	3,900
Total				<u>1,595,000</u>	<u>500,472</u>

(continued)

CITY OF LAKEVILLE, MINNESOTA
 SCHEDULE OF BONDED INDEBTEDNESS AND ANNUAL INTEREST PAYABLE
 DECEMBER 31, 2014

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Principal Date</u>	<u>Maturity Amount</u>	<u>Annual Interest</u>
General Obligation Bonds: (continued)					
Street Reconstruction Bonds of 2007 H					
	12/15/07				
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	210,000	4,724
Total				<u>2,260,000</u>	<u>749,316</u>
Taxable Street Reconstruction Bonds of 2009 A					
(Build America Bonds)					
	12/30/09				
Principal and interest		3.00	2/1/15	205,000	203,502
Principal and interest		3.50	2/1/16	210,000	196,752
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	330,000	9,818
Total				<u>4,175,000</u>	<u>1,939,219</u>
Total General Obligation Bonds				<u>\$ 69,690,000</u>	<u>\$ 15,655,219</u>

CITY OF LAKEVILLE, MINNESOTA
SCHEDULE OF BONDED INDEBTEDNESS AND ANNUAL INTEREST PAYABLE
DECEMBER 31, 2014

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Principal Maturity Date</u>	<u>Amount</u>	<u>Annual Interest</u>
G.O. Improvement Bonds:					
Improvement Refunding Bonds of 2007 B					
Principal and interest	2/1/07	3.875	2/1/15	\$ 90,000	\$ 5,425
Principal and interest		3.875	2/1/16	95,000	1,841
Total				<u>185,000</u>	<u>7,266</u>
Improvement Bonds of 2007 F					
Principal and interest	8/1/07	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	1,030
Total				<u>200,000</u>	<u>16,344</u>
Improvement Bonds of 2008 A					
Principal and interest	10/1/08	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	560
Total				<u>150,000</u>	<u>13,987</u>
Improvement Refunding Bonds of 2009 B					
Principal and interest	12/30/09	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	2,324
Total				<u>2,015,000</u>	<u>155,656</u>
Improvement Bonds of 2011 A					
Principal and interest	12/1/11	0.95	2/1/15	195,000	36,864
Principal and interest		1.20	2/1/16	190,000	34,798
Principal and interest		1.40	2/1/17	190,000	32,328
Principal and interest		1.70	2/1/18	190,000	29,383
Principal and interest		1.90	2/1/19	190,000	25,963
Principal and interest		2.10	2/1/20	190,000	22,163
Principal and interest		2.25	2/1/21	195,000	17,974
Principal and interest		2.60	2/1/22	50,000	15,130
Principal and interest		2.60	2/1/23	50,000	13,830
Principal and interest		3.10	2/1/24	50,000	12,530
Principal and interest		3.10	2/1/25	45,000	11,183
Principal and interest		3.10	2/1/26	45,000	9,788
Principal and interest		3.10	2/1/27	45,000	8,393
Principal and interest		3.50	2/1/28	45,000	6,998
Principal and interest		3.50	2/1/29	45,000	5,513
Principal and interest		3.50	2/1/30	45,000	3,938
Principal and interest		3.50	2/1/31	45,000	2,363
Principal and interest		3.50	2/1/32	45,000	781
Total				<u>1,850,000</u>	<u>289,920</u>

(continued)

CITY OF LAKEVILLE, MINNESOTA
SCHEDULE OF BONDED INDEBTEDNESS AND ANNUAL INTEREST PAYABLE
DECEMBER 31, 2014

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Principal Date</u>	<u>Maturity Amount</u>	<u>Annual Interest</u>
G.O. Improvement Bonds: (continued)					
Improvement Bonds of 2012 A					
	8/15/12				
Principal and interest		2.00	2/1/15	\$ 550,000	\$ 168,675
Principal and interest		2.00	2/1/16	550,000	157,675
Principal and interest		2.00	2/1/17	555,000	146,625
Principal and interest		2.00	2/1/18	550,000	135,575
Principal and interest		3.00	2/1/19	550,000	121,825
Principal and interest		3.00	2/1/20	555,000	105,250
Principal and interest		3.00	2/1/21	565,000	88,450
Principal and interest (call provision date)		3.00	2/1/22	565,000	71,500
Principal and interest		4.00	2/1/23	575,000	51,525
Principal and interest		4.00	2/1/24	135,000	37,325
Principal and interest		3.00	2/1/25	130,000	32,675
Principal and interest		3.00	2/1/26	130,000	28,775
Principal and interest		3.00	2/1/27	130,000	24,875
Principal and interest		3.00	2/1/28	130,000	20,975
Principal and interest		3.00	2/1/29	130,000	17,075
Principal and interest		3.00	2/1/30	125,000	13,250
Principal and interest		3.00	2/1/31	125,000	9,500
Principal and interest		3.00	2/1/32	125,000	5,750
Principal and interest		3.10	2/1/33	125,000	1,938
Total				<u>6,300,000</u>	<u>1,239,238</u>
Improvement Bonds of 2013 A					
	8/15/13				
Principal and interest		2.00	2/1/15	295,000	117,600
Principal and interest		2.00	2/1/16	360,000	111,050
Principal and interest		2.00	2/1/17	360,000	103,850
Principal and interest		2.00	2/1/18	365,000	96,600
Principal and interest		2.00	2/1/19	370,000	89,250
Principal and interest		2.00	2/1/20	375,000	81,800
Principal and interest		2.25	2/1/21	380,000	73,775
Principal and interest		2.50	2/1/22	380,000	64,750
Principal and interest (call provision date)		2.75	2/1/23	385,000	54,706
Principal and interest		2.75	2/1/24	395,000	43,981
Principal and interest		3.50	2/1/25	100,000	36,800
Principal and interest		3.50	2/1/26	100,000	33,300
Principal and interest		3.50	2/1/27	100,000	29,800
Principal and interest		3.75	2/1/28	100,000	26,175
Principal and interest		3.75	2/1/29	100,000	22,425
Principal and interest		3.75	2/1/30	100,000	18,675
Principal and interest		4.00	2/1/31	105,000	14,700
Principal and interest		4.00	2/1/32	105,000	10,500
Principal and interest		4.00	2/1/33	105,000	6,300
Principal and interest		4.00	2/1/34	105,000	2,100
Total				<u>4,685,000</u>	<u>1,038,137</u>

(continued)

CITY OF LAKEVILLE, MINNESOTA
 SCHEDULE OF BONDED INDEBTEDNESS AND ANNUAL INTEREST PAYABLE
 DECEMBER 31, 2014

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Principal Date</u>	<u>Maturity Amount</u>	<u>Annual Interest</u>
<u>G.O. Improvement Bonds:</u> (continued)					
Improvement Refunding Bonds of 2014 A	8/20/14				
Interest		2.00	2/1/15	\$ -	\$ 250,185
Principal and interest		2.00	2/1/16	675,000	257,375
Principal and interest		2.00	2/1/17	685,000	243,775
Principal and interest		2.00	2/1/18	695,000	229,975
Principal and interest		2.00	2/1/19	705,000	215,975
Principal and interest		3.00	2/1/20	710,000	198,275
Principal and interest		3.00	2/1/21	730,000	176,675
Principal and interest		4.00	2/1/22	745,000	150,825
Principal and interest		4.00	2/1/23	775,000	120,425
Principal and interest (call provision date)		4.00	2/1/24	800,000	88,925
Principal and interest		4.00	2/1/25	825,000	56,425
Principal and interest		3.00	2/1/26	120,000	38,125
Principal and interest		3.00	2/1/27	120,000	34,525
Principal and interest		3.50	2/1/28	120,000	30,625
Principal and interest		3.50	2/1/29	120,000	26,425
Principal and interest		3.50	2/1/30	120,000	22,225
Principal and interest		3.50	2/1/31	115,000	18,113
Principal and interest		3.50	2/1/32	115,000	14,088
Principal and interest		3.50	2/1/33	115,000	10,062
Principal and interest		3.50	2/1/34	115,000	6,038
Principal and interest		3.50	2/1/35	115,000	2,012
Total				8,520,000	2,191,073
Total G.O. Improvement Bonds				\$ 23,905,000	\$ 4,951,621

CITY OF LAKEVILLE, MINNESOTA
SCHEDULE OF BONDED INDEBTEDNESS AND ANNUAL INTEREST PAYABLE
DECEMBER 31, 2014

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Principal Date</u>	<u>Maturity Amount</u>	<u>Annual Interest</u>
<u>Tax Increment Bonds:</u>					
Tax Increment Refunding					
Bonds of 2007 A					
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>1,890,000</u>	<u>323,571</u>
Total Tax Increment Bonds				\$ 1,890,000	\$ 323,571
<u>State-aid Street Revenue Bonds:</u>					
State-aid Street Bonds of 2007 G					
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>1,660,000</u>	<u>136,200</u>
State-aid Street Refunding					
Bonds of 2010 A					
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>1,705,000</u>	<u>176,875</u>
State-aid Street Refunding					
Bonds of 2011 B					
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>525,000</u>	<u>34,486</u>
Total State-aid Street Revenue Bonds				\$ 3,890,000	\$ 347,561

CITY OF LAKEVILLE, MINNESOTA
SCHEDULE OF BONDED INDEBTEDNESS AND ANNUAL INTEREST PAYABLE
DECEMBER 31, 2014

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Principal Maturity Date</u>	<u>Amount</u>	<u>Annual Interest</u>
<u>Water Connection Revenue Bonds:</u>					
Water Revenue Refunding Bonds of 2004 B	11/1/04				
Principal and interest		4.00	2/1/15	\$ 1,975,000	\$ 39,500
Total Water Connection Revenue Bonds				\$ 1,975,000	\$ 39,500
<u>Arena Revenue Bonds:</u>					
Ice Center Refunding Bonds of 2008 A (Ames Ice Arena)	10/1/08				
Principal and interest		3.25	2/1/15	140,000	2,275
Total				140,000	2,275
Gross Revenue Recreation Facility Bonds of 1999 (Ames Ice Arena)	4/1/99				
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	170,000	9,180
Total				770,000	128,710
Total Arena Revenue Bonds				\$ 910,000	\$ 130,985
<u>HRA Lease Revenue Bonds:</u>					
HRA Ice Arena Lease Revenue Bonds of 2006 (Hasse Ice Arena)	12/01/06				
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
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

(continued)

CITY OF LAKEVILLE, MINNESOTA
SCHEDULE OF BONDED INDEBTEDNESS AND ANNUAL INTEREST PAYABLE
DECEMBER 31, 2014

	<u>Issue Date</u>	<u>Interest Rate</u>	<u>Principal Maturity Date</u>	<u>Amount</u>	<u>Annual Interest</u>
<u>HRA Lease Revenue Bonds:</u> (continued)					
HRA Ice Arena Lease Revenue Bonds of 2006 (continued)					
Principal and interest		4.625	2/1/31	\$ 635,000	\$ 45,672
Principal and interest		4.625	2/1/32	<u>670,000</u>	<u>15,492</u>
Total HRA Lease Revenue Bonds				<u>\$ 8,100,000</u>	<u>\$ 3,853,101</u>
Total Governmental Activity Bonds				<u>\$ 110,360,000</u>	<u>\$ 25,301,558</u>
<u>Liquor Revenue Bonds:</u>					
Liquor Revenue Bonds of 2007	5/1/07				
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	<u>310,000</u>	<u>7,750</u>
Total Business-type Activity Bonds				<u>\$ 3,070,000</u>	<u>\$ 1,102,250</u>
Total Bonded Indebtedness and Annual Interest Payable				<u>\$ 113,430,000</u>	<u>\$ 26,403,808</u>

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CITY OF LAKEVILLE, MINNESOTA
 COMBINED SCHEDULE OF BONDED INDEBTEDNESS
 DECEMBER 31, 2014

	<u>Interest Rates %</u>	<u>Issue Date</u>	<u>Call Date</u>	<u>Maturity Date</u>
<u>Governmental Activities:</u>				
General Obligation Bonds:				
Park Refunding Bonds of 2011 B	0.50-0.75	Dec-01-11	N/A	Apr-01-15
Capital Improvement Bonds of 2004 A	3.50-4.75	Nov-01-04	Feb-01-15	Feb-01-30
Capital Improvement Refunding Bonds of 2012 B	2.00-4.00	Aug-15-12	Feb-01-22	Feb-01-30
Capital Improvement Bonds of 2007 D	4.625-5.00	Aug-01-07	Feb-01-17	Feb-01-32
Capital Improvement Refunding Bonds of 2014 B	1.75-5.00	Aug-20-14	Feb-01-24	Feb-01-32
Street Reconstruction Bonds of 2003 A	3.50-4.50	Mar-15-03	Feb-01-14	Feb-01-26
Street Reconstruction Refunding Bonds of 2012 B	2.00-4.00	Aug-15-12	Feb-01-22	Feb-01-30
Street Reconstruction Bonds of 2005 A	3.85-4.20	Dec-01-05	Feb-01-16	Feb-01-26
Street Reconstruction Refunding Bonds of 2014 B	1.75-5.00	Aug-20-14	Feb-01-24	Feb-01-32
Street Reconstruction Bonds of 2007 H	3.50-4.50	Dec-15-07	Feb-01-18	Feb-01-28
Street Reconstruction Bonds of 2009 A (Taxable)	1.55-5.95	Dec-30-09	Feb-01-20	Feb-01-30
Total General Obligation Bonds				
G.O. Improvement Bonds:				
Improvement Refunding Bonds of 2007 B	3.875	Feb-01-07	N/A	Feb-01-16
Improvement Bonds of 2007 F	4.00-4.125	Aug-01-07	Feb-01-14	Feb-01-18
Improvement Bonds of 2008 A	2.70-3.75	Oct-01-08	N/A	Feb-01-19
Improvement Refunding Bonds of 2009 B	2.00-3.00	Dec-30-09	N/A	Feb-01-20
Improvement Refunding Bonds of 2011 A	0.50-3.50	Dec-01-11	Feb-01-21	Feb-01-32
Improvement Refunding Bonds of 2012 A	2.00-4.00	Aug-15-12	Feb-01-22	Feb-01-33
Improvement Refunding Bonds of 2013 A	2.00-4.00	Aug-15-13	Feb-01-23	Feb-01-34
Improvement Refunding Bonds of 2014 A	2.00-3.50	Aug-20-14	Feb-01-24	Feb-01-35
Total G.O. Improvement Bonds				
Tax Increment Bonds:				
Tax Increment Refunding Bonds of 2007 A	4.00-4.20	Feb-01-07	Feb-01-16	Feb-01-22
State-aid Street Revenue Bonds:				
State-aid Street Bonds of 2007 G	4.00	Dec-15-07	Apr-01-16	Apr-01-18
State-aid Street Refunding Bonds of 2010 A	2.00-4.00	Jan-01-10	N/A	Apr-01-20
State-aid Street Refunding Bonds of 2011 B	0.50-2.15	Dec-01-11	N/A	Apr-01-21
Total State-aid Street Revenue Bonds				
Water Revenue Bonds:				
Water Connection Rev. Refunding Bonds of 2004 B	4.00	Nov-01-04	Feb-01-14	Feb-01-16
Arena Revenue Bonds:				
Ice Center Refunding Bonds of 2008 A	2.70-3.25	Oct-01-08	N/A	Feb-01-15
Gross Revenue Recreation Facility Bonds of 1999	5.30-5.40	Apr-01-99	N/A	Aug-01-19
Total Arena Revenue Bonds				
HRA Lease Revenue Bonds:				
HRA Ice Arena Lease Revenue Bonds of 2006	4.25-4.625	Dec-01-06	Feb-01-17	Feb-01-32
Total Governmental Activity Bonds				
<u>Business-type Activity:</u>				
Liquor Revenue Bonds:				
Liquor Revenue Bonds of 2007	5.00	May-01-07	Feb-01-17	Feb-01-27
Total Bonded Indebtedness				

N/A – Not Applicable

Bonds				Due in 2015	
<u>Authorized</u>	<u>Issued</u>	<u>Retired</u>	<u>Outstanding</u>	<u>Principal</u>	<u>Interest</u>
1,215,000	1,215,000	805,000	410,000	410,000	1,538
14,445,000	14,445,000	1,625,000	12,820,000	12,820,000	290,053
12,765,000	12,765,000	-	12,765,000	-	398,850
15,115,000	15,115,000	2,455,000	12,660,000	470,000	607,112
11,065,000	11,065,000	-	11,065,000	-	420,436
14,890,000	14,890,000	14,890,000	-	-	-
9,685,000	9,685,000	-	9,685,000	645,000	295,000
5,430,000	5,430,000	3,175,000	2,255,000	150,000	87,115
1,595,000	1,595,000	-	1,595,000	-	63,428
2,810,000	2,810,000	550,000	2,260,000	125,000	92,945
4,945,000	4,945,000	770,000	4,175,000	205,000	203,503
<u>93,960,000</u>	<u>93,960,000</u>	<u>24,270,000</u>	<u>69,690,000</u>	<u>14,825,000</u>	<u>2,459,980</u>
3,165,000	3,165,000	2,980,000	185,000	90,000	5,426
1,310,000	1,310,000	1,110,000	200,000	50,000	7,113
620,000	620,000	470,000	150,000	30,000	4,988
4,250,000	4,250,000	2,235,000	2,015,000	380,000	49,963
2,385,000	2,385,000	535,000	1,850,000	195,000	36,864
6,805,000	6,805,000	505,000	6,300,000	550,000	168,675
4,685,000	4,685,000	-	4,685,000	295,000	117,600
8,520,000	8,520,000	-	8,520,000	-	250,185
<u>31,740,000</u>	<u>31,740,000</u>	<u>7,835,000</u>	<u>23,905,000</u>	<u>1,590,000</u>	<u>640,812</u>
<u>2,265,000</u>	<u>2,265,000</u>	<u>375,000</u>	<u>1,890,000</u>	<u>210,000</u>	<u>72,561</u>
3,675,000	3,675,000	2,015,000	1,660,000	390,000	58,600
2,680,000	2,680,000	975,000	1,705,000	260,000	49,750
665,000	665,000	140,000	525,000	75,000	8,051
<u>7,020,000</u>	<u>7,020,000</u>	<u>3,130,000</u>	<u>3,890,000</u>	<u>725,000</u>	<u>116,401</u>
<u>9,735,000</u>	<u>9,735,000</u>	<u>7,760,000</u>	<u>1,975,000</u>	<u>1,975,000</u>	<u>39,500</u>
775,000	775,000	635,000	140,000	140,000	2,275
1,250,000	1,250,000	480,000	770,000	135,000	41,145
<u>2,025,000</u>	<u>2,025,000</u>	<u>1,115,000</u>	<u>910,000</u>	<u>275,000</u>	<u>43,420</u>
<u>9,230,000</u>	<u>9,230,000</u>	<u>1,130,000</u>	<u>8,100,000</u>	<u>245,000</u>	<u>362,444</u>
<u>155,975,000</u>	<u>155,975,000</u>	<u>45,615,000</u>	<u>110,360,000</u>	<u>19,845,000</u>	<u>3,735,118</u>
<u>3,955,000</u>	<u>3,955,000</u>	<u>885,000</u>	<u>3,070,000</u>	<u>175,000</u>	<u>149,125</u>
<u>\$ 159,930,000</u>	<u>\$ 159,930,000</u>	<u>\$ 46,500,000</u>	<u>\$ 113,430,000</u>	<u>\$ 20,020,000</u>	<u>\$ 3,884,243</u>

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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.

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CITY OF LAKEVILLE, MINNESOTA

Net Position by Component - Government-wide

Last Ten Fiscal Years

(accrual basis of accounting)

<u>Fiscal Year</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Governmental Activities				
Net investment in capital assets (1)	\$ 34,629,141	\$ 47,013,052	\$ 125,574,976	\$ 120,954,521
Restricted	7,728,450	7,200,932	9,727,357	9,037,087
Unrestricted	<u>1,834,965</u>	<u>2,727,757</u>	<u>2,225,861</u>	<u>3,100,244</u>
Total governmental activities	<u>44,192,556</u>	<u>56,941,741</u>	<u>137,528,194</u>	<u>133,091,852</u>
Business-type Activities				
Net investment in capital assets	102,503,832	105,571,786	103,156,352	104,535,771
Restricted	59,000	45,500	326,133	311,133
Unrestricted	<u>7,396,116</u>	<u>7,423,725</u>	<u>11,770,501</u>	<u>14,107,347</u>
Total business-type activities	<u>109,958,948</u>	<u>113,041,011</u>	<u>115,252,986</u>	<u>118,954,251</u>
Total Government-wide				
Net investment in capital assets	137,132,973	152,584,838	228,731,328	225,490,292
Restricted	7,787,450	7,246,432	10,053,490	9,348,220
Unrestricted	<u>9,231,081</u>	<u>10,151,482</u>	<u>13,996,362</u>	<u>17,207,591</u>
Total government-wide	<u>\$ 154,151,504</u>	<u>\$ 169,982,752</u>	<u>\$ 252,781,180</u>	<u>\$ 252,046,103</u>

Notes:

- (1) The net investment in capital assets amount for fiscal years 2004 through 2006 excludes infrastructure assets that were acquired prior to January 1, 2004. 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.

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 119,699,102	\$ 119,249,751	\$ 120,485,858	\$ 125,051,058	\$ 129,599,494	\$ 135,673,737
10,542,926	10,027,737	16,474,815	17,403,167	17,645,944	19,913,014
<u>1,210,922</u>	<u>2,324,315</u>	<u>(5,970,712)</u>	<u>(1,923,495)</u>	<u>2,511,935</u>	<u>5,874,237</u>
<u>131,452,950</u>	<u>131,601,803</u>	<u>130,989,961</u>	<u>140,530,730</u>	<u>149,757,373</u>	<u>161,460,988</u>
103,150,022	101,893,442	100,390,175	102,009,893	105,055,746	109,535,106
295,133	295,133	325,750	325,750	324,125	324,125
<u>15,828,861</u>	<u>16,363,211</u>	<u>16,666,856</u>	<u>15,658,140</u>	<u>13,704,281</u>	<u>11,318,290</u>
<u>119,274,016</u>	<u>118,551,786</u>	<u>117,382,781</u>	<u>117,993,783</u>	<u>119,084,152</u>	<u>121,177,521</u>
222,849,124	221,143,193	220,876,033	227,060,951	234,655,240	245,208,843
10,838,059	10,322,870	16,800,565	17,728,917	17,970,069	20,237,139
<u>17,039,783</u>	<u>18,687,526</u>	<u>10,696,144</u>	<u>13,734,645</u>	<u>16,216,216</u>	<u>17,192,527</u>
<u>\$ 250,726,966</u>	<u>\$ 250,153,589</u>	<u>\$ 248,372,742</u>	<u>\$ 258,524,513</u>	<u>\$ 268,841,525</u>	<u>\$ 282,638,509</u>
(2)		(3)			

CITY OF LAKEVILLE, MINNESOTA

Changes in Net Position - Governmental Activities

Last Ten Fiscal Years

(accrual basis of accounting)

Fiscal Year	2005	2006	2007	2008
Expenses				
General government	\$ 3,733,657	\$ 4,452,707	\$ 4,712,995	\$ 6,169,957
Public safety	8,928,681	10,057,597	10,308,296	10,019,681
Public works	12,970,903	7,507,095	15,844,963	15,706,515
Parks and recreation	3,535,082	3,819,806	4,556,759	4,900,341
Interest on long-term debt	4,032,004	3,278,091	3,867,395	4,218,695
Total expenses	<u>33,200,327</u>	<u>29,115,296</u>	<u>39,290,408</u>	<u>41,015,189</u>
Program Revenues				
Charges for services				
General government	3,313,130	2,960,761	2,495,649	2,238,739
Public safety	691,070	850,033	659,989	581,930
Public works	9,123,403	6,064,174	4,985,965	4,239,190
Parks and recreation	2,598,033	1,556,284	1,437,308	1,937,523
Operating grants and contributions				
General government	42,748	114,152	43,839	25,083
Public safety	683,047	741,342	698,926	639,173
Public works	105,659	106,871	6,604,149	783,843
Parks and recreation	15,906	33,575	13,456	46,058
Capital grants and contributions				
General government	-	171,400	-	-
Public safety	-	326,143	5,000	50,000
Public works	13,320,961	6,169,357	3,384,857	1,420,813
Parks and recreation	1,595,022	2,272,358	550,757	871,266
Total program revenues	<u>31,488,979</u>	<u>21,366,450</u>	<u>20,879,895</u>	<u>12,833,618</u>
Net (Expense) Revenue				
General government	(377,779)	(1,206,394)	(2,173,507)	(3,906,135)
Public safety	(7,554,564)	(8,140,079)	(8,944,381)	(8,748,578)
Public works	9,579,120	4,833,307	(869,992)	(9,262,669)
Parks and recreation	673,879	42,411	(2,555,238)	(2,045,494)
Interest on long-term debt	(4,032,004)	(3,278,091)	(3,867,395)	(4,218,695)
Total net (expense) revenue	<u>(1,711,348)</u>	<u>(7,748,846)</u>	<u>(18,410,513)</u>	<u>(28,181,571)</u>
General Revenues and Other				
Property taxes	15,491,536	18,009,237	20,873,431	23,391,055
Investment earnings (charges)	1,023,616	1,505,062	1,977,519	1,383,236
Gain on sale of capital assets	-	1,434,692	-	-
Transfers in (out)	(867,254)	(450,960)	131,796	(2,029,933)
Total general revenues and other (net)	<u>15,647,898</u>	<u>20,498,031</u>	<u>22,982,746</u>	<u>22,744,358</u>
Change in net position	<u>\$ 13,936,550</u>	<u>\$ 12,749,185</u>	<u>\$ 4,572,233</u>	<u>\$ (5,437,213)</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.

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$	5,916,590	\$ 5,248,677	\$ 5,134,169	\$ 5,258,319	\$ 5,363,354	\$ 6,051,985
	9,726,394	10,858,447	11,068,287	11,202,018	11,784,109	11,807,183
	12,866,216	12,197,868	13,778,800	10,849,213	11,241,434	14,776,390
	4,774,745	4,775,015	4,796,035	4,780,666	5,154,919	5,202,168
	<u>3,994,790</u>	<u>3,740,076</u>	<u>4,383,684</u>	<u>3,496,878</u>	<u>3,864,333</u>	<u>3,665,421</u>
	<u>37,278,735</u>	<u>36,820,083</u>	<u>39,160,975</u>	<u>35,587,094</u>	<u>37,408,149</u>	<u>41,503,147</u>
	1,940,423	1,834,856	2,108,396	2,736,653	3,061,568	3,219,644
	643,174	654,226	746,207	714,587	686,130	660,910
	2,817,604	1,967,309	2,313,334	3,588,062	4,481,445	5,280,338
	984,206	1,555,560	1,299,364	2,087,640	2,231,757	2,808,885
	44,648	42,661	37,970	40,359	60,076	5,399
	1,048,160	846,553	649,253	698,949	902,783	825,434
	1,142,494	1,399,661	1,451,359	1,396,560	1,295,018	3,665,373
	20,294	30,144	160,852	100,315	59,653	66,575
	-	-	-	91,735	195,693	2,762,609
	-	21,576	26,325	19,530	-	-
	2,783,528	3,025,905	2,906,106	5,569,732	6,350,827	6,892,230
	<u>187,699</u>	<u>267,360</u>	<u>297,245</u>	<u>370,237</u>	<u>1,296,764</u>	<u>436,107</u>
	<u>11,612,230</u>	<u>11,645,811</u>	<u>11,996,411</u>	<u>17,414,359</u>	<u>20,621,714</u>	<u>26,623,504</u>
	(3,931,519)	(3,371,160)	(2,987,803)	(2,389,572)	(2,046,017)	(64,333)
	(8,035,060)	(9,336,092)	(9,646,502)	(9,768,952)	(10,195,196)	(10,320,839)
	(6,122,590)	(5,804,993)	(7,108,001)	(294,859)	885,856	1,061,551
	(3,582,546)	(2,921,951)	(3,038,574)	(2,222,474)	(1,566,745)	(1,890,601)
	<u>(3,994,790)</u>	<u>(3,740,076)</u>	<u>(4,383,684)</u>	<u>(3,496,878)</u>	<u>(3,864,333)</u>	<u>(3,665,421)</u>
	<u>(25,666,505)</u>	<u>(25,174,272)</u>	<u>(27,164,564)</u>	<u>(18,172,735)</u>	<u>(16,786,435)</u>	<u>(14,879,643)</u>
	23,912,318	24,369,009	24,207,406	24,221,741	23,947,968	24,465,333
	463,092	340,336	280,364	176,409	(28,949)	552,444
	-	-	-	214,004	-	-
	<u>(347,807)</u>	<u>613,780</u>	<u>2,692,671</u>	<u>3,101,350</u>	<u>2,094,059</u>	<u>1,565,481</u>
	<u>24,027,603</u>	<u>25,323,125</u>	<u>27,180,441</u>	<u>27,713,504</u>	<u>26,013,078</u>	<u>26,583,258</u>
\$	<u>(1,638,902)</u>	<u>\$ 148,853</u>	<u>\$ 15,877</u>	<u>\$ 9,540,769</u>	<u>\$ 9,226,643</u>	<u>\$ 11,703,615</u>

CITY OF LAKEVILLE, MINNESOTA

Changes in Net Position - Business-type Activities

Last Ten Fiscal Years

(accrual basis of accounting)

<u>Fiscal Year</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Expenses				
Liquor	\$ 1,791,612	\$ 1,940,626	\$ 2,164,440	\$ 2,407,714
Utility	<u>7,020,440</u>	<u>7,925,809</u>	<u>8,029,064</u>	<u>8,319,303</u>
Total expenses	<u>8,812,052</u>	<u>9,866,435</u>	<u>10,193,504</u>	<u>10,727,017</u>
Program Revenues				
Charges for services				
Liquor	2,911,820	3,080,692	3,314,721	3,603,240
Utility	5,263,274	5,855,346	6,553,811	7,355,207
Operating grants and contributions				
Liquor	3,762	3,762	3,762	3,762
Utility	3,264	3,264	3,264	3,264
Capital grants and contributions				
Liquor	-	-	-	-
Utility	<u>6,911,241</u>	<u>3,239,467</u>	<u>1,394,810</u>	<u>975,410</u>
Total program revenues	<u>15,093,361</u>	<u>12,182,531</u>	<u>11,270,368</u>	<u>11,940,883</u>
Net (Expense) Revenue				
Liquor	1,123,970	1,143,828	1,154,043	1,199,288
Utility	<u>5,157,339</u>	<u>1,172,268</u>	<u>(77,179)</u>	<u>14,578</u>
Total net (expense) revenue	<u>6,281,309</u>	<u>2,316,096</u>	<u>1,076,864</u>	<u>1,213,866</u>
General Revenues and Other				
Investment income (charges)	127,669	315,007	468,478	457,466
Disposal of capital assets	-	-	798,429	-
Transfers in (out)	<u>867,254</u>	<u>450,960</u>	<u>(131,796)</u>	<u>2,029,933</u>
Total general revenues and other (net)	<u>994,923</u>	<u>765,967</u>	<u>1,135,111</u>	<u>2,487,399</u>
Change in net position	<u>\$ 7,276,232</u>	<u>\$ 3,082,063</u>	<u>\$ 2,211,975</u>	<u>\$ 3,701,265</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.

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

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 2,437,654	\$ 2,424,290	\$ 2,439,261	\$ 2,392,945	\$ 2,473,738	\$ 2,498,103
<u>9,086,172</u>	<u>9,903,296</u>	<u>10,401,650</u>	<u>10,365,651</u>	<u>10,863,625</u>	<u>11,462,552</u>
<u>11,523,826</u>	<u>12,327,586</u>	<u>12,840,911</u>	<u>12,758,596</u>	<u>13,337,363</u>	<u>13,960,655</u>
3,611,777	3,612,321	3,546,877	3,839,723	3,948,599	3,804,942
7,491,674	7,432,391	8,866,345	9,542,284	9,126,838	9,296,118
3,762	3,762	3,762	3,762	3,762	3,762
3,264	3,264	59,707	103,525	69,968	112,181
-	17,050	-	-	-	-
<u>158,252</u>	<u>999,716</u>	<u>1,129,764</u>	<u>2,903,043</u>	<u>3,414,738</u>	<u>4,252,192</u>
<u>11,268,729</u>	<u>12,068,504</u>	<u>13,606,455</u>	<u>16,392,337</u>	<u>16,563,905</u>	<u>17,469,195</u>
1,177,885	1,208,843	1,111,378	1,450,540	1,478,623	1,310,601
<u>(1,432,982)</u>	<u>(1,467,925)</u>	<u>(345,834)</u>	<u>2,183,201</u>	<u>1,747,919</u>	<u>2,197,939</u>
<u>(255,097)</u>	<u>(259,082)</u>	<u>765,544</u>	<u>3,633,741</u>	<u>3,226,542</u>	<u>3,508,540</u>
227,055	150,632	130,403	78,611	(42,114)	150,310
-	-	-	-	-	-
<u>347,807</u>	<u>(613,780)</u>	<u>(2,692,671)</u>	<u>(3,101,350)</u>	<u>(2,094,059)</u>	<u>(1,565,481)</u>
<u>574,862</u>	<u>(463,148)</u>	<u>(2,562,268)</u>	<u>(3,022,739)</u>	<u>(2,136,173)</u>	<u>(1,415,171)</u>
\$ <u>319,765</u>	\$ <u>(722,230)</u>	\$ <u>(1,796,724)</u>	\$ <u>611,002</u>	\$ <u>1,090,369</u>	\$ <u>2,093,369</u>
(1)					

CITY OF LAKEVILLE, MINNESOTA

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

Last Ten Fiscal Years

(accrual basis of accounting)

<u>Fiscal Year</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Expenses				
Governmental activities	\$ 33,200,327	\$ 29,115,296	\$ 39,290,408	\$ 41,015,189
Business-type activities	<u>8,812,052</u>	<u>9,866,435</u>	<u>10,193,504</u>	<u>10,727,017</u>
Total expenses	<u>42,012,379</u>	<u>38,981,731</u>	<u>49,483,912</u>	<u>51,742,206</u>
Program Revenues				
Governmental activities	31,488,979	21,366,450	20,879,895	12,833,618
Business-type activities	<u>15,093,361</u>	<u>12,182,531</u>	<u>11,270,368</u>	<u>11,940,883</u>
Total program revenues	<u>46,582,340</u>	<u>33,548,981</u>	<u>32,150,263</u>	<u>24,774,501</u>
Net (Expense) Revenue				
Governmental activities	(1,711,348)	(7,748,846)	(18,410,513)	(28,181,571)
Business-type activities	<u>6,281,309</u>	<u>2,316,096</u>	<u>1,076,864</u>	<u>1,213,866</u>
Total net (expense) revenue	<u>4,569,961</u>	<u>(5,432,750)</u>	<u>(17,333,649)</u>	<u>(26,967,705)</u>
General Revenues and Other				
Governmental activities	15,647,898	20,498,031	22,982,746	22,744,358
Business-type activities	<u>994,923</u>	<u>765,967</u>	<u>1,135,111</u>	<u>2,487,399</u>
Total general revenues and other (net)	<u>16,642,821</u>	<u>21,263,998</u>	<u>24,117,857</u>	<u>25,231,757</u>
Change in Net Position				
Governmental activities	13,936,550	12,749,185	4,572,233	(5,437,213)
Business-type activities	<u>7,276,232</u>	<u>3,082,063</u>	<u>2,211,975</u>	<u>3,701,265</u>
Total change in net position	<u>\$ 21,212,782</u>	<u>\$ 15,831,248</u>	<u>\$ 6,784,208</u>	<u>\$ (1,735,948)</u>

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.

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 37,278,735	\$ 36,820,083	\$ 39,160,975	\$ 35,587,094	\$ 37,408,149	\$ 41,503,147
<u>11,523,826</u>	<u>12,327,586</u>	<u>12,840,911</u>	<u>12,758,596</u>	<u>13,337,363</u>	<u>13,960,655</u>
<u>48,802,561</u>	<u>49,147,669</u>	<u>52,001,886</u>	<u>48,345,690</u>	<u>50,745,512</u>	<u>55,463,802</u>
11,612,230	11,645,811	11,996,411	17,414,359	20,621,714	26,623,504
<u>11,268,729</u>	<u>12,068,504</u>	<u>13,606,455</u>	<u>16,392,337</u>	<u>16,563,905</u>	<u>17,469,195</u>
<u>22,880,959</u>	<u>23,714,315</u>	<u>25,602,866</u>	<u>33,806,696</u>	<u>37,185,619</u>	<u>44,092,699</u>
(25,666,505)	(25,174,272)	(27,164,564)	(18,172,735)	(16,786,435)	(14,879,643)
<u>(255,097)</u>	<u>(259,082)</u>	<u>765,544</u>	<u>3,633,741</u>	<u>3,226,542</u>	<u>3,508,540</u>
<u>(25,921,602)</u>	<u>(25,433,354)</u>	<u>(26,399,020)</u>	<u>(14,538,994)</u>	<u>(13,559,893)</u>	<u>(11,371,103)</u>
24,027,603	25,323,125	27,180,441	27,713,504	26,013,078	26,583,258
<u>574,862</u>	<u>(463,148)</u>	<u>(2,562,268)</u>	<u>(3,022,739)</u>	<u>(2,136,173)</u>	<u>(1,415,171)</u>
<u>24,602,465</u>	<u>24,859,977</u>	<u>24,618,173</u>	<u>24,690,765</u>	<u>23,876,905</u>	<u>25,168,087</u>
(1,638,902)	148,853	15,877	9,540,769	9,226,643	11,703,615
<u>319,765</u>	<u>(722,230)</u>	<u>(1,796,724)</u>	<u>611,002</u>	<u>1,090,369</u>	<u>2,093,369</u>
<u>\$ (1,319,137)</u>	<u>\$ (573,377)</u>	<u>\$ (1,780,847)</u>	<u>\$ 10,151,771</u>	<u>\$ 10,317,012</u>	<u>\$ 13,796,984</u>

(1)

CITY OF LAKEVILLE, MINNESOTA

Fund Balances - Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

<u>Fiscal Year</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General Fund				
Reserved	\$ 10,322	\$ 8,238	\$ 8,483	\$ 7,420
Unreserved	10,012,455	11,010,426	11,698,291	11,238,093
Nonspendable	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>10,022,777</u>	<u>11,018,664</u>	<u>11,706,774</u>	<u>11,245,513</u>
All Other Governmental Funds				
Reserved	19,548,472	15,314,937	16,217,023	10,464,632
Unreserved				
Special revenue	810,972	937,978	1,083,601	1,107,202
Capital projects	13,076,770	9,839,833	17,115,258	11,074,322
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>33,436,214</u>	<u>26,092,748</u>	<u>34,415,882</u>	<u>22,646,156</u>
Total Governmental Funds				
Reserved	19,558,794	15,323,175	16,225,506	10,472,052
Unreserved	23,900,197	21,788,237	29,897,150	23,419,617
Nonspendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total governmental funds	<u>\$ 43,458,991</u>	<u>\$ 37,111,412</u>	<u>\$ 46,122,656</u>	<u>\$ 33,891,669</u>
All governmental funds percentage change	<u>-22.1%</u>	<u>-14.6%</u>	<u>24.3%</u>	<u>-26.5%</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.

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 9,899	\$ 10,726	\$ -	\$ -	\$ -	\$ -
11,196,826	9,385,202	-	-	-	-
-	-	384,329	256,476	126,014	221,704
-	-	-	-	45,000	45,000
-	-	519,146	620,725	-	-
-	-	9,644,863	10,614,574	9,495,546	10,805,065
<u>11,206,725</u>	<u>9,395,928</u>	<u>10,548,338</u>	<u>11,491,775</u>	<u>9,666,560</u>	<u>11,071,769</u>
16,713,410	11,060,144	-	-	-	-
1,325,731	1,444,846	-	-	-	-
12,549,905	15,384,343	-	-	-	-
-	-	75	-	-	169
-	-	14,744,057	38,587,037	38,716,666	44,319,872
-	-	9,989,221	11,861,800	16,620,820	17,154,096
-	-	(112,102)	(233,910)	(221,630)	(632,035)
<u>30,589,046</u>	<u>27,889,333</u>	<u>24,621,251</u>	<u>50,214,927</u>	<u>55,115,856</u>	<u>60,842,102</u>
16,723,309	11,070,870	-	-	-	-
25,072,462	26,214,391	-	-	-	-
-	-	384,404	256,476	126,014	221,873
-	-	14,744,057	38,587,037	38,716,666	44,319,872
-	-	9,989,221	11,861,800	16,665,820	17,199,096
-	-	519,146	620,725	-	-
-	-	9,532,761	10,380,664	9,273,916	10,173,030
<u>\$ 41,795,771</u>	<u>\$ 37,285,261</u>	<u>\$ 35,169,589</u>	<u>\$ 61,706,702</u>	<u>\$ 64,782,416</u>	<u>\$ 71,913,871</u>
<u>23.3%</u>	<u>-10.8%</u>	<u>-5.7%</u>	<u>75.5%</u>	<u>5.0%</u>	<u>11.0%</u>

CITY OF LAKEVILLE, MINNESOTA

Changes in Fund Balances - Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

Fiscal Year	2005	2006	2007	2008
Revenues				
Property taxes and tax increment	\$ 15,398,468	\$ 17,882,708	\$ 20,171,031	\$ 22,901,637
Licenses and permits	2,984,753	2,651,382	2,182,252	1,936,532
Intergovernmental	1,305,587	2,400,581	8,420,985	2,250,332
Charges for services	12,460,552	8,207,104	7,105,600	6,713,370
Special assessments	931,771	709,126	826,453	777,153
Investment income (charges)	1,019,087	1,496,836	1,970,411	1,379,315
Donations	319,949	896,414	475,676	1,008,326
Miscellaneous	381,247	371,033	326,059	366,680
Total revenues	<u>34,801,414</u>	<u>34,615,184</u>	<u>41,478,467</u>	<u>37,333,345</u>
Expenditures				
General government	3,199,306	3,582,410	3,939,573	5,172,645
Public safety	8,063,605	8,865,167	9,346,490	8,911,017
Public works	3,437,161	3,551,118	3,970,680	4,535,118
Parks and recreation	2,446,065	2,706,898	2,968,924	3,233,422
Capital outlay	29,290,726	15,745,297	29,913,271	18,133,199
Debt service				
Principal retirement	4,016,900	4,097,026	7,021,291	5,301,622
Interest on debt	3,726,938	3,597,771	3,449,720	4,367,257
Fiscal charges	37,072	24,707	123,438	46,136
Total expenditures	<u>54,217,773</u>	<u>42,170,394</u>	<u>60,733,387</u>	<u>49,700,416</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(19,416,359)</u>	<u>(7,555,210)</u>	<u>(19,254,920)</u>	<u>(12,367,071)</u>
Other financing sources (uses)				
Transfers in	4,343,025	5,634,822	4,327,025	7,688,315
Transfers out	(2,775,293)	(4,997,410)	(3,600,158)	(6,857,231)
Bond, note, loan and lease proceeds	5,564,000	12,281,300	30,850,000	2,280,000
Payment on refunded bonds called		(12,825,000)	(3,945,000)	(2,975,000)
Premium on bonds issued	-	68,479	610,404	-
Discount on bonds issued	(13,955)	-	(3,242)	-
Sale of capital assets	-	1,045,440	27,135	-
Total other financing sources (uses)	<u>7,117,777</u>	<u>1,207,631</u>	<u>28,266,164</u>	<u>136,084</u>
Net change in fund balances	<u>\$ (12,298,582)</u>	<u>\$ (6,347,579)</u>	<u>\$ 9,011,244</u>	<u>\$ (12,230,987)</u>
Debt service as a % of noncapital expenditures (excl. fiscal charges)	<u>33.7%</u>	<u>30.7%</u>	<u>29.2%</u>	<u>24.4%</u>

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

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 23,785,468	\$ 24,435,538	\$ 24,057,622	\$ 24,453,849	\$ 23,981,375	\$ 24,524,709
1,603,909	1,565,028	1,820,408	2,429,951	2,727,494	2,836,555
3,158,128	4,242,195	2,622,487	2,291,376	3,534,512	4,979,156
4,145,717	4,002,246	3,938,204	5,833,776	6,925,867	8,405,492
769,624	573,301	622,799	1,132,126	1,143,349	1,636,267
459,967	337,788	270,378	174,358	(28,008)	548,842
305,146	155,477	269,762	207,391	265,953	242,627
635,781	732,816	731,763	871,798	885,323	3,411,579
<u>34,863,740</u>	<u>36,044,389</u>	<u>34,333,423</u>	<u>37,394,625</u>	<u>39,435,865</u>	<u>46,585,227</u>
4,850,726	4,687,662	4,493,368	4,572,777	4,774,775	5,690,230
8,835,563	9,337,884	9,755,251	9,844,232	10,113,958	10,305,450
3,906,485	3,593,862	3,019,293	3,245,103	3,766,665	3,805,470
2,881,402	3,038,433	3,047,906	3,050,782	3,206,004	3,330,488
7,140,715	4,611,659	10,345,908	12,413,360	12,523,103	21,420,875
6,436,971	7,337,338	7,689,182	7,642,027	5,825,000	5,995,000
4,157,176	3,945,265	3,633,285	3,358,324	3,948,740	3,700,590
126,570	61,222	78,143	173,072	26,351	176,789
<u>38,335,608</u>	<u>36,613,325</u>	<u>42,062,336</u>	<u>44,299,677</u>	<u>44,184,596</u>	<u>54,424,892</u>
<u>(3,471,868)</u>	<u>(568,936)</u>	<u>(7,728,913)</u>	<u>(6,905,052)</u>	<u>(4,748,731)</u>	<u>(7,839,665)</u>
5,156,485	5,740,982	5,324,043	6,699,447	7,094,079	3,489,225
(4,386,727)	(5,046,945)	(2,524,276)	(2,839,332)	(4,857,921)	(1,644,624)
10,125,000	2,680,000	4,265,000	29,255,000	4,685,000	21,180,000
-	(7,955,000)	-	(1,830,000)	-	(10,035,000)
116,016	99,322	-	1,957,050	78,287	1,981,519
-	-	-	-	-	-
365,196	540,067	-	200,000	825,000	-
<u>11,375,970</u>	<u>(3,941,574)</u>	<u>7,064,767</u>	<u>33,442,165</u>	<u>7,824,445</u>	<u>14,971,120</u>
<u>\$ 7,904,102</u>	<u>\$ (4,510,510)</u>	<u>\$ (664,146)</u>	<u>\$ 26,537,113</u>	<u>\$ 3,075,714</u>	<u>\$ 7,131,455</u>
<u>30.7%</u>	<u>32.9%</u>	<u>31.6%</u>	<u>32.2%</u>	<u>28.6%</u>	<u>25.3%</u>

CITY OF LAKEVILLE, MINNESOTA

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

<u>Fiscal Year</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<u>Taxable Net Tax Capacity Valuation of Taxable Property</u>				
Tax capacity value	\$ 48,211,759	\$ 55,521,140	\$ 62,477,351	\$ 66,208,936
Less:				
Captured tax increment tax capacity	(1,821,312)	(1,935,093)	(2,129,445)	(2,173,426)
Contributions to fiscal disparities pool	(2,848,021)	(3,429,966)	(3,848,084)	(4,416,898)
Plus:				
Distribution from fiscal disparities pool	<u>4,416,475</u>	<u>4,707,601</u>	<u>5,329,560</u>	<u>5,967,401</u>
Total taxable net tax capacity	<u>\$ 47,958,901</u>	<u>\$ 54,863,682</u>	<u>\$ 61,829,382</u>	<u>\$ 65,586,013</u>
<u>Taxable Net Tax Capacity Valuation by Class of Property</u>				
Homestead residential	\$ 37,990,902	\$ 44,087,330	\$ 49,458,056	\$ 52,038,379
Commercial/industrial, public utility, and personal property	8,512,830	9,178,530	10,660,273	11,801,273
Non-homestead residential/apartments	913,735	939,412	1,008,576	1,000,649
Agriculture and seasonal/recreational	<u>541,434</u>	<u>658,410</u>	<u>702,477</u>	<u>745,712</u>
Total taxable net tax capacity	<u>\$ 47,958,901</u>	<u>\$ 54,863,682</u>	<u>\$ 61,829,382</u>	<u>\$ 65,586,013</u>
Assessor's taxable market valuation	<u>\$ 4,361,601,400</u>	<u>\$ 5,034,819,600</u>	<u>\$ 5,642,591,100</u>	<u>\$ 5,951,319,600</u>
Taxable net tax capacity as a percentage of assessor's taxable market value	<u>1.100%</u>	<u>1.090%</u>	<u>1.096%</u>	<u>1.102%</u>
Direct tax capacity rate	<u>31.326%</u>	<u>31.610%</u>	<u>31.583%</u>	<u>34.195%</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.

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 67,887,456	\$ 65,235,789	\$ 61,005,594	\$ 57,583,990	\$ 54,853,225	\$ 57,174,306
(2,127,819)	(1,998,923)	(904,389)	(862,243)	(863,946)	(861,019)
(4,888,029)	(5,623,626)	(5,845,456)	(5,591,597)	(5,494,207)	(5,439,491)
<u>7,115,384</u>	<u>7,429,875</u>	<u>7,807,412</u>	<u>7,194,884</u>	<u>6,825,229</u>	<u>6,316,073</u>
<u>\$ 67,986,992</u>	<u>\$ 65,043,115</u>	<u>\$ 62,063,161</u>	<u>\$ 58,325,034</u>	<u>\$ 55,320,301</u>	<u>\$ 57,189,869</u>
\$ 51,916,328	\$ 48,558,421	\$ 44,951,025	\$ 41,780,807	\$ 38,983,401	\$ 41,029,548
14,325,341	14,626,593	15,226,802	14,711,893	14,351,101	13,833,973
1,082,546	1,127,962	1,271,776	1,265,526	1,311,388	1,468,225
<u>662,777</u>	<u>730,139</u>	<u>613,558</u>	<u>566,808</u>	<u>674,411</u>	<u>858,123</u>
<u>\$ 67,986,992</u>	<u>\$ 65,043,115</u>	<u>\$ 62,063,161</u>	<u>\$ 58,325,034</u>	<u>\$ 55,320,301</u>	<u>\$ 57,189,869</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>	<u>\$ 4,767,475,321</u>	<u>\$ 4,995,818,217</u>
<u>1.128%</u>	<u>1.134%</u>	<u>1.159%</u>	<u>1.160%</u>	<u>1.160%</u>	<u>1.145%</u>
<u>33.973%</u>	<u>36.624%</u>	<u>38.250%</u>	<u>39.051%</u>	<u>41.234%</u>	<u>40.696%</u>

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 Levy (Tax Capacity-based)			Referendum Levy (Market Value-based) Debt Service	Dakota County		School District		Special Districts Levy (Tax Capacity-based)	Tax Capacity - based	Market Value-based	
	Operating	Debt Service	Total		General Levy (Tax Capacity-based)	Referendum Levy (Market Value-based)	Ind. School District	General Levy (Tax Capacity-based)				Referendum Levy (Market Value-based)
2005	25.475%	5.851%	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	25.043%	6.567%	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	23.319%	8.264%	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	25.616%	8.579%	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	25.450%	8.523%	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	28.066%	8.558%	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	30.904%	7.346%	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	31.122%	7.929%	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%
2013	32.206%	9.028%	41.234%	0.00843%	33.421%	-	192	57.226%	0.15065%	5.884%	137.765%	0.15908%
							194	33.535%	0.19955%		114.074%	0.20798%
							196	27.956%	0.23542%		108.495%	0.24385%
2014	32.045%	8.651%	40.696%	0.00678%	31.827%	-	192	56.326%	0.11117%	5.538%	134.387%	0.11795%
							194	33.048%	0.25954%		111.109%	0.26632%
							196	27.606%	0.25809%		105.667%	0.26487%

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.

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 Years Ended December 31, 2014 and December 31, 2005

<u>Principal Property Taxpayer</u>	<u>Type of Business</u>	<u>2014</u>			<u>2005</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	\$ 331,302	1	0.6%	\$ 219,870	3	0.5%
Heritage Commons, LLC	Retail	319,220	2	0.6%			
Dakota Electric Association	Utility	268,116	3	0.5%	271,868	1	0.6%
Target Corporation	Retail	256,414	4	0.4%	260,182	2	0.5%
Argonne Investments, LLC	Retail	254,243	5	0.4%			
Walker Highview Hills, LLC	Senior Housing	246,873	6	0.4%			
LTF Real Estate Company, Inc.	Real estate	238,810	7	0.4%			
Minnegasco, Inc.	Utility	215,522	8	0.4%	159,015	7	0.3%
FR/CAL Interstate South, LLC	Industrial	230,222	9	0.4%			
Xcel Energy	Utility	215,522	10	0.4%	156,312	8	0.3%
Southfork Apts. Ltd. Partnership	Apartments				192,938	4	0.4%
CRW Lakeville, LLC	Retail				181,598	5	0.4%
Wausau Supply Company	Lumber supply distributor				159,330	6	0.3%
Muller Family Theatres of Lakeville	Commercial				155,800	9	0.3%
Mills Property, Inc.	Retail	-		-	140,176	10	0.3%
Total principal taxpayers		2,576,244		4.5%	1,897,089		3.9%
All other taxpayers		54,598,062		95.5%	46,314,670		96.1%
Total City of Lakeville taxpayers		<u>\$ 57,174,306</u>		<u>100.0%</u>	<u>\$ 48,211,759</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

Fiscal Year		Total Tax Levy for Fiscal Year (2)	Collection of Current Year's Levy		Collection of Prior Year Levy (4)	Total Collections	Percentage of Total Collections To Tax Levy Certified
			Amount (3)	Percent			
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		19,943,578	19,652,615	98.54%	290,963	19,943,578	100.00%
2008	(1)	22,690,614	22,023,558	97.06%	408,068	22,431,626	98.86%
2009	(1)	23,527,163	22,473,650	95.52%	405,882	22,879,532	97.25%
2010	(1)	24,041,653	22,982,110	95.59%	258,612	23,240,722	96.67%
2011	(1)	24,036,652	22,837,484	95.01%	355,278	23,192,762	96.49%
2012		23,126,960	23,050,840	99.67%	18,996	23,069,836	99.75%
2013		23,079,185	22,848,820	99.00%	230,365	23,079,185	100.00%
2014		23,657,996	23,541,510	99.51%	-	23,541,510	99.51%

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

Fiscal Year	As a	
	MVHC Loss Amount	Percentage of Tax Levy Certified
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	\$ -	-
2013	\$ -	-
2014	\$ -	-

(2) Total levy is net of current year cancellations and abatements.

(3) Total tax levy and current tax collections include state paid credits.

(4) Includes county adjustments for prior year over collections, cancellations, and abatements.

CITY OF LAKEVILLE, MINNESOTA

Ratio of Outstanding Debt by Type

Last Ten Fiscal years

Fiscal Year	Governmental Activities				Business-type Activity Revenue Bond	Total Outstanding Debt	Population (1)	% of Personal Income (2)	Total Outstanding Debt Per Capita
	General Obligation Bonds	Other Bonds	Capital Leases	Metropolitan Council Loan					
2005	\$ 87,740,266	\$ 3,355,000	\$ 210,142	\$ -	\$ 720,000	\$ 92,025,408	51,472	4.2 %	\$ 1,788
2006	72,557,465	12,493,799	183,697	1,466,300	590,000	87,291,261	52,323	3.8	1,668
2007	93,176,053	12,346,854	152,037	1,466,300	4,439,260	111,580,504	53,829	4.5	2,073
2008	87,305,937	12,144,909	119,061	1,466,300	4,292,727	105,328,934	54,828	4.1	1,921
2009	91,331,837	11,847,964	112,090	1,466,300	4,011,194	108,769,385	55,772	4.4	1,950
2010	79,746,332	10,821,019	104,752	1,466,300	3,714,661	95,853,064	55,954	3.8	1,713
2011	76,815,712	10,539,074	97,027	1,159,843	3,568,128	92,179,784	56,534	3.5	1,631
2012	100,480,497	8,572,129	-	1,159,843	3,416,595	113,629,064	57,048	4.0	1,992
2013	99,408,395	8,360,184	-	1,159,843	3,255,062	112,183,484	57,789	3.8	1,941
2014	106,516,778	8,133,239	-	1,159,843	3,088,529	118,898,389	58,727	N/A	2,025

Source:

(1) Metropolitan Council as of April 1 (except for 2010 Federal Census, 2014 estimates by the City).

(2) See Demographic and Economic Statistics page.

N/A - Not available.

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 (2)</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>(3) Population</u>	<u>Net Bonded Debt Per Capita</u>
2005	\$ 87,740,266	\$ 47,625,000	\$ 4,649,080	\$ 35,466,186	\$ 47,958,901	73.95%	51,472	\$ 689
2006	72,557,465	34,855,000	4,894,911	32,807,554	54,863,682	59.80%	52,323	627
2007	93,176,053	42,870,000	5,171,284	45,134,769	61,829,382	73.00%	53,829	838
2008	87,305,937	38,030,000	5,925,387	43,350,550	65,586,013	66.10%	54,828	791
2009	91,331,837	39,015,000	6,941,902	45,374,935	67,986,667	66.74%	55,772	814
2010	79,746,332	29,460,000	6,527,316	43,759,016	65,043,115	67.28%	55,954	782
2011	76,815,712	28,305,000	5,663,237	42,847,475	62,063,161	69.04%	56,534	758
2012	100,480,497	29,550,000	29,084,558	41,845,939	58,325,034	71.75%	57,048	734
2013	99,408,395	30,710,000	28,416,302	40,282,093	55,320,301	72.82%	57,789	697
2014	106,516,778	35,640,000	34,767,965	36,108,813	57,189,869	63.14%	58,727	615

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) Debt service monies available include amounts restricted in the debt service funds repaying the related debt. We believe this is the most accurate and consistent representation of the resources restricted for debt service when crossover refunding bonds are being held in escrow, as those resources are not included in the governmental activities net position restricted for debt service due to conversion for full accrual accounting.
- (3) Metropolitan Council as of April 1, except for 2010 (Federal Census).

CITY OF LAKEVILLE, MINNESOTA

Direct and Overlapping Governmental Debt
As of December 31, 2014

<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>
Overlapping Debt (1)			
Independent School District #194	\$ 155,085,000	87.80%	\$ 136,164,630
Independent School District #192	194,835,000	18.80%	36,628,980
Independent School District #196	96,477,253	5.50%	5,306,249
Dakota County	40,890,000	12.70%	5,193,030
<u>Special District</u>			
Metropolitan Council	391,050,000	2.08%	<u>8,127,890</u>
Total overlapping debt			191,420,779
Direct Debt			
City of Lakeville bonded debt	106,516,778	100.00%	<u>106,516,778</u>
Total direct and overlapping debt			<u>\$ 297,937,557</u>

Source: Debt figures and applicable percentages for other than the City of Lakeville are provided by the City's fiscal consultant Springsted.

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

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>
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	39,180,442	111,719,653	25.96%
2013	4,767,475,321	143,024,260	37,758,698	105,265,562	26.40%
2014	4,995,818,217	149,874,547	34,767,965	115,106,582	23.20%

Legal Debt Margin Calculation:

Fiscal Year 2014

Assessor's taxable market valuation		<u>\$ 4,995,818,217</u>
Legal debt limit:		
3% of Assessor's taxable market valuation		\$ 149,874,547
Amount of debt applicable to legal debt limit:		
Gross bonded debt	\$ 102,260,000	
Less debt payable from sources other than taxes:		
G.O. Improvement bonds	\$ 23,905,000	
Tax increment bonds	1,890,000	
State-aid street revenue bonds	3,890,000	
Water connection revenue bonds	1,975,000	
Arena revenue bonds	910,000	
Liquor revenue bonds	<u>3,070,000</u>	<u>(35,640,000)</u>
Debt payable from taxes		66,620,000
Less debt service monies available to pay principal and interest		<u>(31,852,035)</u>
Net bonded debt applicable to debt limit		<u>34,767,965</u>
Legal debt margin		<u>\$ 115,106,582</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

<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>		
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
2013	9,425,862	4,549,736	4,876,126	1,395,000	731,755	2,126,755	2.29
2014	9,181,527	4,942,276	4,239,251	1,415,000	674,644	2,089,644	2.03

Notes:

(1) The primary revenue source for debt service includes 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

Year	(1) Population	Percentage Increase from Previous Year	Personal Income (2) <i>(in thousands)</i>	Per Capita Personal Income	Building Permits Issued			Housing units Valuation
					Family Dwellings (3)			
					Single	Multiple	Total	
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	57,048	0.91%	2,843,672	49,847	280	2	282	84,444,000
2013	57,789	1.30%	2,929,151	50,687	374	-	374	120,393,000
2014	58,727	1.62%	N/A	N/A	319	-	319	108,181,000

Annual percentage
increase average last
ten fiscal years

1.81%

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

Year	City of Lakeville		Dakota County		Rates	
	Labor Force	Unemployment Rate	Labor Force	Unemployment Rate	State of Minnesota	United States
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%
*2013	32,879	3.6%	230,160	4.0%	4.6%	6.5%
*2014	32,903	2.8%	230,176	3.1%	3.6%	5.4%

Source:

(1) Metropolitan Council as of April 1 (except for 2010 Federal Census).

(2) U.S. Department of Commerce Bureau of Economic Analysis as of December 31, 2014.

* Not seasonally adjusted, information is not available.

(3) City of Lakeville Inspections Department.

N/A - Not available.

CITY OF LAKEVILLE, MINNESOTA

Principal Employers

Fiscal Years Ended December 31, 2014 and December 31, 2005

Principal Employer (1)	Product/Service	2014			2005		
		Employees	Rank	%	Employees	Rank	%
Independent School District #194	Elementary & secondary schools	1,684	1	5.1%	1,124	1	3.9%
Hearthside Food Solutions	Food service contractors	715	2	2.2%	500	3	1.7%
ConAgra Store Brands	Breakfast cereal products	515	3	1.6%	545	2	1.9%
Schmitt & Sons Bus Company	Transportation	400	4	1.2%			
MOM Brands	Cereal production	250	5	0.8%			
Despatch Industries, Inc.	Industrial furnace & oven mfg.	230	6	0.7%	142	9	0.5%
Menasha Corporation	Corrugated & solid fiber box mfg.	221	7	0.7%	220	4	0.8%
BTD Manufacturing	Metal manufacturing	210	8	0.6%			
City of Lakeville (2)	City government	207	9	0.6%	209	5	0.7%
National Polymers, Inc.	Plastics material & resin mfg.	150	10	0.5%	132	10	0.5%
Hearth & Home Technologies, Inc.	Fireplaces/metal work				170	6	0.6%
Carquest Distribution Center	General warehousing & storage				155	7	0.5%
Jeff Belzer's Chevy-Dodge-KIA	New & used auto dealership				150	8	0.5%
Total principal employers		4,582		13.9%	3,347		11.5%
All other employers		28,321		86.1%	25,398		88.5%
Total City of Lakeville civilian labor force (3)		32,903		100.0%	28,745		100.0%

Source:

(1) Telephone survey of individual employers, December 2014.

(2) As of December 31, 2014 (full-time equivalent).

(3) U.S. Department of Commerce Bureau of Economic Analysis as of December 31, 2014.

CITY OF LAKEVILLE, MINNESOTA

Commercial and Industrial Building Permits Issued
Years 2014 and 2013

NEW BUILDING PERMITS 2014 AND 2013 (in excess of \$250,000)

<u>BUSINESS</u>	<u>PRODUCT/SERVICE</u>	<u>VALUATION (1)</u>
Cosmopolitan Orthodontics	Medical	\$ 1,400,000
Super America	Convenience Store	995,000
McDonalds Corp (Kenyon Avenue)	Restaurant	900,000
Ballet Royale	Dance Studio	724,000
Advanced Auto Parts	Retail	500,000
Sheila A. Lewis, Trust	Office/Warehouse/Storage	474,000

EXPANSION OR REMODEL BUILDING PERMITS 2014 AND 2013 (in excess of \$250,000)

<u>BUSINESS</u>	<u>PRODUCT/SERVICE</u>	<u>VALUATION (1)</u>
MOM Brands	Admin. Offices/technology center	\$ 4,758,000
Jeff Belzer's Chevy-Dodge-KIA	New & used auto dealership	2,270,000
QA-1 Precision Products	Motorsports products manufacturer	759,000
Park Dental	Medical	312,000
Holiday Station	Convenience Store	260,000

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

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government										
City administration	3.0	3.0	3.0	3.0	2.8	2.5	2.5	2.5	2.4	2.8
Communications	4.7	4.7	4.8	4.1	3.9	4.0	4.0	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	5.6	6.6	6.6	6.5	6.4	6.0	7.0	7.0	7.0
Information systems	3.0	3.9	4.0	4.0	3.3	3.0	3.0	3.0	2.9	3.0
Human resources	2.8	2.9	3.0	3.0	2.8	2.8	2.8	2.8	2.8	2.8
Planning	5.5	5.5	5.5	4.5	3.8	3.0	3.0	3.0	2.8	3.5
Community and economic development	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.4
Protective inspection	12.0	12.0	12.0	12.4	8.7	8.0	8.0	7.0	7.0	7.0
General government buildings	2.0	2.5	3.1	3.1	3.0	3.0	3.0	3.0	3.0	3.0
Total general government	<u>42.5</u>	<u>43.6</u>	<u>45.5</u>	<u>44.2</u>	<u>38.3</u>	<u>36.2</u>	<u>35.8</u>	<u>35.8</u>	<u>35.4</u>	<u>36.5</u>
Public safety										
Police officers (sworn)	48.0	49.5	51.2	52.8	51.0	51.5	51.9	53.0	50.2	54.0
Police dispatchers	10.0	10.0	-	-	-	-	-	-	-	-
Police administration	11.4	11.4	12.9	12.4	11.1	10.8	11.3	12.2	11.5	11.8
Fire (excluding volunteer firefighters)	3.5	4.5	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6
Total public safety	<u>72.9</u>	<u>75.4</u>	<u>68.7</u>	<u>69.8</u>	<u>66.7</u>	<u>66.9</u>	<u>67.8</u>	<u>69.8</u>	<u>66.3</u>	<u>70.4</u>
Public works										
Engineering	13.0	14.0	14.0	12.3	9.3	9.0	6.8	7.0	6.0	6.0
Operations and maintenance	-	-	-	-	-	-	-	-	-	2.0
Street maintenance	17.6	18.5	19.8	20.0	19.4	19.0	19.0	19.3	19.3	21.0
Total public works	<u>30.6</u>	<u>32.5</u>	<u>33.8</u>	<u>32.3</u>	<u>28.7</u>	<u>28.0</u>	<u>25.8</u>	<u>26.3</u>	<u>25.3</u>	<u>29.0</u>
Parks and recreation										
Park maintenance	14.8	15.0	15.0	15.0	14.5	15.0	15.0	15.0	15.0	15.0
Recreation	4.7	4.7	5.3	5.3	4.9	4.7	4.7	4.7	4.7	4.7
Arts center	3.0	3.0	3.2	3.6	3.7	3.7	3.7	3.7	3.7	3.7
Total parks and recreation	<u>22.5</u>	<u>22.7</u>	<u>23.5</u>	<u>23.9</u>	<u>23.1</u>	<u>23.4</u>	<u>23.4</u>	<u>23.4</u>	<u>23.4</u>	<u>23.4</u>
Total governmental activities	<u>168.5</u>	<u>174.2</u>	<u>171.5</u>	<u>170.2</u>	<u>156.8</u>	<u>154.5</u>	<u>152.8</u>	<u>155.3</u>	<u>150.4</u>	<u>159.3</u>
Liquor	24.8	25.9	26.4	25.9	25.7	25.7	25.8	25.7	24.9	26.3
Utility	15.5	16.5	17.5	18.0	18.0	18.0	20.0	20.0	20.0	21.0
Total business-type activities	<u>40.3</u>	<u>42.4</u>	<u>43.9</u>	<u>43.9</u>	<u>43.7</u>	<u>43.7</u>	<u>45.8</u>	<u>45.7</u>	<u>44.9</u>	<u>47.3</u>
Total employees	<u>208.8</u>	<u>216.6</u>	<u>215.4</u>	<u>214.1</u>	<u>200.5</u>	<u>198.2</u>	<u>198.6</u>	<u>201.0</u>	<u>195.3</u>	<u>206.6</u>

Source: City of Lakeville Human Resources Department.

CITY OF LAKEVILLE, MINNESOTA

Operating Indicators by Function
Last Ten Fiscal Years

Function	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General government										
Number of registered voters	N/A	30,072	N/A	31,024	N/A	32,617	N/A	32,200	N/A	36,571
Number of final plats approved	34	21	18	10	8	10	12	14	15	16
Number of building permits issued	2,179	3,970	3,487	1,878	1,428	1,421	1,467	2,349	1,647	3,852
Valuation of building permits issued (in millions)	\$ 187	\$ 165	\$ 126	\$ 111	\$ 62	\$ 49	\$ 77	\$ 119	\$ 142	\$ 139
Public safety										
Crimes against person reported	194	141	155	158	151	151	142	133	141	166
Crimes against property reported	1,376	1,165	1,477	1,424	1,245	1,259	1,161	1,186	1,057	1,187
Traffic citations issued	5,935	6,348	6,773	6,229	6,499	5,497	5,241	4,400	3,370	3,803
Number of volunteer firefighters	88	80	80	90	78	74	83	77	79	80
Number of annual fire calls	1,048	1,078	1,149	1,230	1,343	1,189	1,262	1,208	1,062	1,103
Public works										
City street miles added	10.8	3.9	7.2	2.5	1.0	0.4	1.0	1.4	2.6	2.8
Parks and recreation										
Park acres mowed	409	421	421	427	427	427	429	429	430	430
Park facility reservations taken	312	400	432	479	559	661	655	717	888	958
Program activity registrations taken	5,396	6,749	6,836	7,994	8,201	8,369	9,051	9,850	9,310	9,627
Liquor										
Annual sales (in millions)	\$ 11.5	\$ 12.1	\$ 13.0	\$ 14.4	\$ 14.6	\$ 14.7	\$ 14.4	\$ 15.2	\$ 15.4	\$ 14.9
Utility (in millions of gallons)										
Water (average daily consumption)	5.6	6.0	6.5	6.3	6.1	4.8	5.7	6.7	5.9	5.5
Sanitary sewer (1) (average daily treatment)	4.1	3.9	3.9	4.0	3.3	3.3	3.3	3.4	3.4	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

Function (1)	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Fire stations	4	4	4	4	4	4	4	4	4	4
Public works										
City streets (miles)	244.0	247.9	255.1	257.6	258.6	259.0	260.0	261.4	264.0	266.8
Parks and recreation										
Acres of parks, conservation areas, and greenways	1,325	1,610	1,610	1,623	1,636	1,663	1,671	1,712	1,776	1,776
Parks	53	53	55	56	59	59	59	59	59	59
Conservation areas	18	18	18	18	18	18	18	20	20	20
Trails and sidewalks - paved (miles)	83	86	88	91	91	91	100	100	103	103
Ice rinks - outdoor (fully boarded)	11	12	12	12	12	12	12	12	12	12
Ice rinks - indoor	2	2	3	3	3	3	3	3	3	3
Fields (softball, soccer, baseball, football, Lacrosse)	125	125	135	136	136	136	150	150	150	150
Courts (basketball, volleyball, tennis)	27	27	36	39	39	39	38	38	38	38
Playgrounds	36	38	38	39	39	40	40	40	40	40
Swimming beaches	3	3	3	3	3	3	3	3	3	3
Liquor										
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
Utility										
Water										
Water mains (miles)	290	297	304	310	311	311	313	313	321	321
Fire hydrants	3,031	3,128	3,313	3,374	3,386	3,386	3,434	3,434	3,572	3,572
Wells	15	15	16	16	17	17	17	17	17	17
Water Towers	4	5	5	5	5	5	5	5	5	5
Sanitary sewer										
Sanitary sewer mains (miles)	230	238	253	255	256	259	261	261	261	261
Sanitary sewer lift stations	21	20	20	20	20	19	19	19	20	20

Notes:

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

Source: Various City of Lakeville Departments.

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