

CITY OF MEDINA
MEDINA, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2012

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CITY OF MEDINA, MINNESOTA
 ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

CITY OF MEDINA
MEDINA, MINNESOTA

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CITY OF MEDINA, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2012

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Tom Crosby	Mayor	12/31/12
Jeff Pederson	Council Member	12/31/14
Melissa Martison	Council Member	12/31/14
Elizabeth Weir	Council Member	12/31/12
Mike Siitari	Council Member	12/31/12

APPOINTED

<u>Name</u>	<u>Title</u>
Scott Johnson	City Administrator
Joe Rigden	Finance Director
Jodi Gallup	Deputy Clerk

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FINANCIAL SECTION

CITY OF MEDINA
MEDINA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

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5201 Eden Avenue
Suite 250
Edina, MN 55436

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Medina, Minnesota

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the City's 2011 financial statements and, in our report dated March 16, 2012 we express unqualified opinions on the respective proprietary fund financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 financial statement presentation.

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of December 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Change in Accounting Standards

As described in the Note 7 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended December 31, 2012. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements.

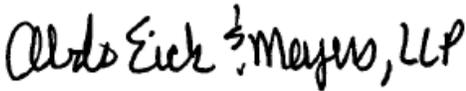
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 13 and the Schedule of Funding Progress on page 76 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.

Supplementary Information in Relation to the Financial Statements as a Whole

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 and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

April 24, 2013
Minneapolis, Minnesota


ABDO, EICK & MEYERS, LLP
Certified Public Accountants

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Management's Discussion and Analysis

As management of the City of Medina, Minnesota (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2012.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$30,570,588 (net position). Of this amount, \$9,614,088 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1,785,111 as a result of bond issuances and significant capital asset activity.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12,648,863, an increase of \$5,455,115 in comparison with the prior year. This was primarily a result of the issuance of debt and the capital outlay related to the public works/police facility.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$2,578,326, or 72 percent of total General fund expenditures.
- The City's total debt increased by \$8,403,303, or 72 percent during the current fiscal year. This was the result of the issuance of \$6,100,000 of 2012A G.O. Improvement Bonds and \$2,845,000 of 2012B G.O. Refunding Bonds.

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 comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of combining and individual fund financial statements and schedules that further explains and supports the information in the financial statements. Figure 1 shows how the required parts of this annual report are arranged and relate to one another. In addition to these required elements, we have included a section with combining and individual fund financial statements and schedules that provide details about nonmajor governmental funds, which are added together and presented in single columns in the basic financial statements.

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

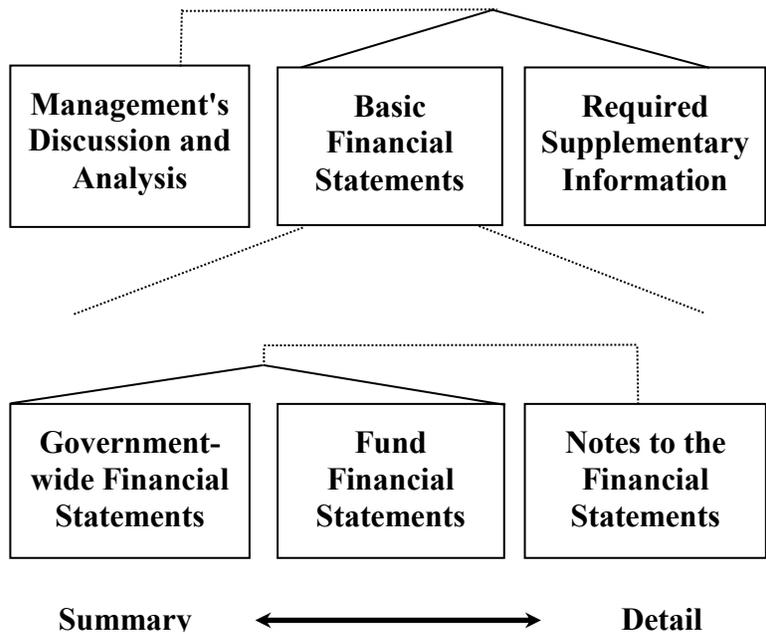


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

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

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

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

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

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

The government-wide financial statements start on page 27 of this report.

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

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

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

The City maintains 25 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, Sewer Capital Improvement fund and the Public Works/Police Facility fund, all of which are considered to be major funds. Data from the other 22 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements or schedules* elsewhere in this report.

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

The basic governmental fund financial statements start on page 32 of this report.

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

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

The basic proprietary fund financial statements start on page 38 this report.

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

The basic fiduciary fund financial statements can be found on page 48 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements start on page 49 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented following the notes to the financial statements. Combining and individual fund statements and schedules start on page 76 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$30,570,588 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (49 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), 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 investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Medina's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2012	2011	Increase (Decrease)	2012	2011	Increase (Decrease)
Assets						
Current and other assets	\$ 14,482,845	\$ 8,870,756	\$ 5,612,089	\$ 5,343,586	\$ 4,421,886	\$ 921,700
Capital assets	20,605,282	16,583,896	4,021,386	11,235,479	11,526,697	(291,218)
Total assets	35,088,127	25,454,652	9,633,475	16,579,065	15,948,583	630,482
Liabilities						
Noncurrent liabilities						
outstanding	12,915,174	4,831,607	8,083,567	7,199,013	6,879,277	319,736
Other liabilities	855,354	743,526	111,828	127,063	163,348	(36,285)
Total liabilities	13,770,528	5,575,133	8,195,395	7,326,076	7,042,625	283,451
Net position						
Net investment in						
capital assets	8,795,282	12,053,896	(3,258,614)	6,287,658	4,691,697	1,595,961
Restricted	5,873,560	1,956,459	3,917,101	-	-	-
Unrestricted	6,648,757	5,869,164	779,593	2,965,331	4,214,261	(1,248,930)
Total net position	\$21,317,599	\$19,879,519	\$ 1,438,080	\$ 9,252,989	\$ 8,905,958	\$ 347,031

An additional portion of the City's net position (19 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$9,614,088 may be used to meet the City's ongoing obligations to citizens and creditors.

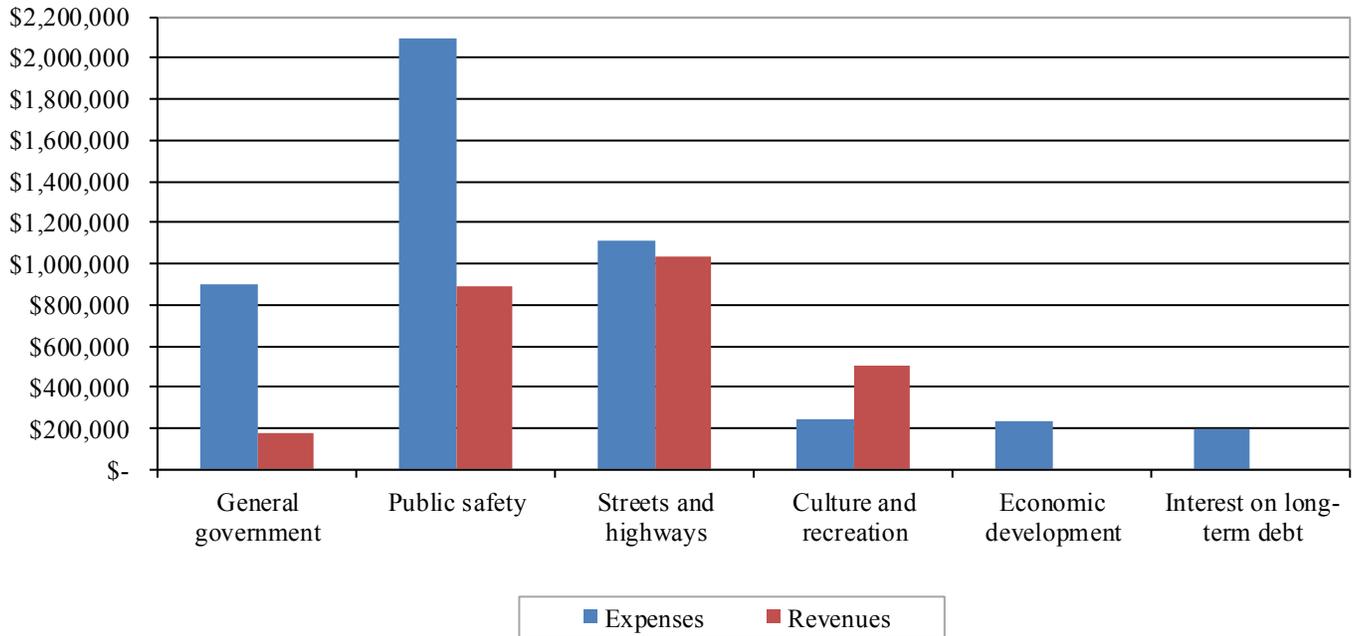
Governmental activities. Governmental activities increased the City’s net position by \$1,438,080 thereby accounting for 80.6 percent of the total growth in the net position of the City. Key elements of this increase are as follows:

City of Medina’s Changes in Net Position

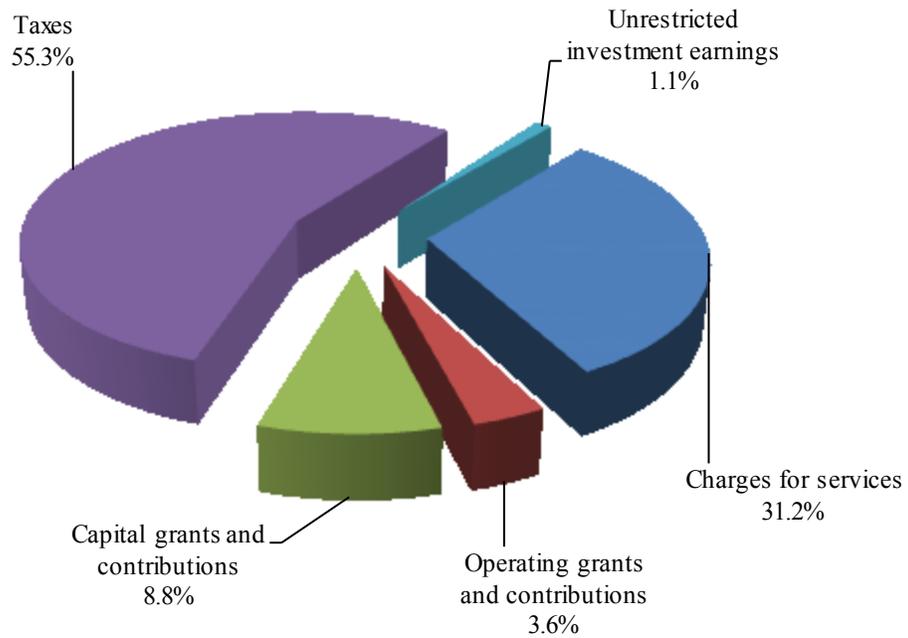
	Governmental Activities			Business-type Activities		
	2012	2011	Increase (Decrease)	2012	2011	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 1,875,751	\$ 1,920,277	\$ (44,526)	\$ 2,033,125	\$ 1,410,120	\$ 623,005
Operating grants and contributions	217,060	266,065	(49,005)	-	75	(75)
Capital grants and contributions	526,894	520,188	6,706	-	-	-
General revenues						
Property taxes/tax increments	3,327,590	3,168,585	159,005	-	-	-
Unrestricted investment earnings	68,322	72,689	(4,367)	29,346	50,018	(20,672)
Gain on sale of capital assets	1,360	2,100	(740)	-	-	-
Miscellaneous	-	11,312	(11,312)	-	-	-
Total revenues	<u>6,016,977</u>	<u>5,961,216</u>	<u>55,761</u>	<u>2,062,471</u>	<u>1,460,213</u>	<u>602,258</u>
Expenses						
General government	897,078	1,018,811	(121,733)	-	-	-
Public safety	2,097,372	2,135,735	(38,363)	-	-	-
Streets and highways	1,109,201	913,092	196,109	-	-	-
Sanitation and recycling	10,037	11,183	(1,146)	-	-	-
Culture and recreation	246,283	307,207	(60,924)	-	-	-
Economic development	235,228	264,198	(28,970)	-	-	-
Miscellaneous	528	7,516	(6,988)	-	-	-
Interest on long-term debt	194,376	131,811	62,565	-	-	-
Water	-	-	-	934,779	890,709	44,070
Sanitary sewer	-	-	-	478,280	470,137	8,143
Storm water	-	-	-	91,175	116,599	(25,424)
Total expenses	<u>4,790,103</u>	<u>4,789,553</u>	<u>550</u>	<u>1,504,234</u>	<u>1,477,445</u>	<u>26,789</u>
Change in net position before transfers	1,226,874	1,171,663	55,211	558,237	(17,232)	575,469
Transfers - capital assets	(67,894)	-	(67,894)	67,894	-	67,894
Transfers	<u>279,100</u>	<u>270,700</u>	<u>8,400</u>	<u>(279,100)</u>	<u>(270,700)</u>	<u>(8,400)</u>
Change in net position	1,438,080	1,442,363	(4,283)	347,031	(287,932)	634,963
Net position as restated, January 1	<u>19,879,519</u>	<u>18,437,156</u>	<u>1,442,363</u>	<u>8,905,958</u>	<u>9,193,890</u>	<u>(287,932)</u>
Net position, December 31	<u>\$21,317,599</u>	<u>\$19,879,519</u>	<u>\$ 1,438,080</u>	<u>\$ 9,252,989</u>	<u>\$ 8,905,958</u>	<u>\$ 347,031</u>

The following graph depicts various governmental activities and shows the revenue and expenses directly related to those activities.

Expenses and Program Revenue - Governmental Activities



Revenue by Source - Governmental Activities

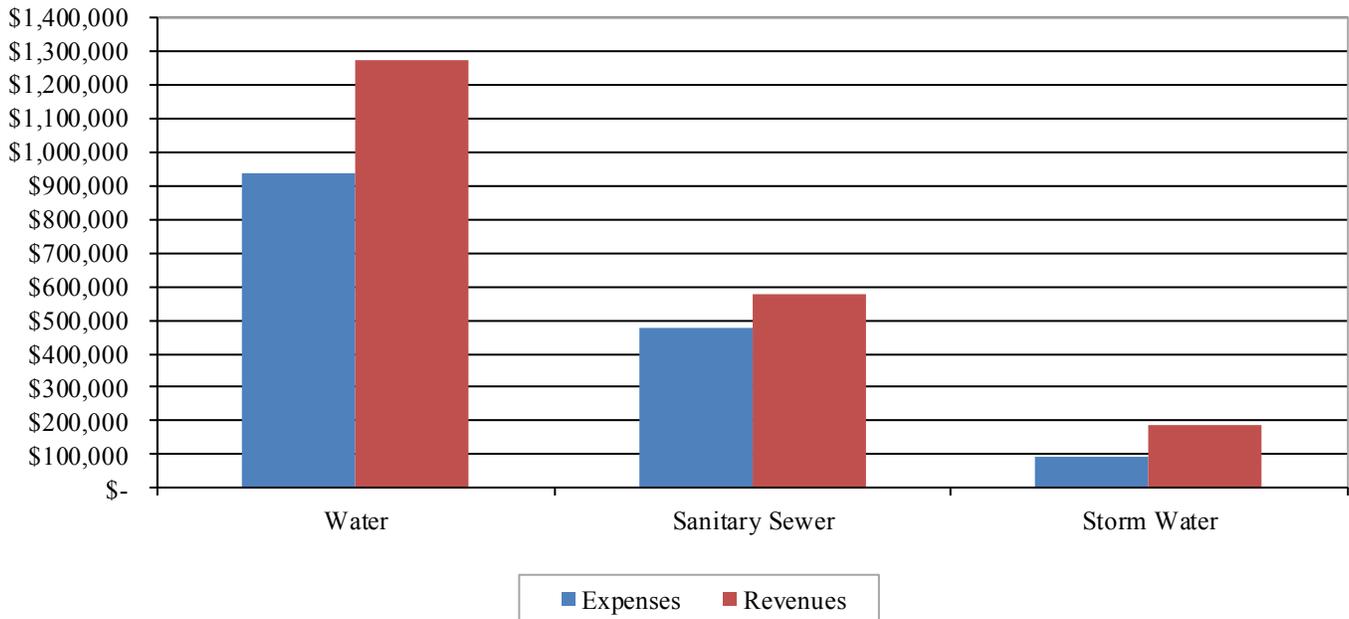


Business-type activities. Business-type activities increased the City’s net position by \$347,031, accounting for 19.4 percent of the growth in the City’s net position. Key elements of this increase are as follows:

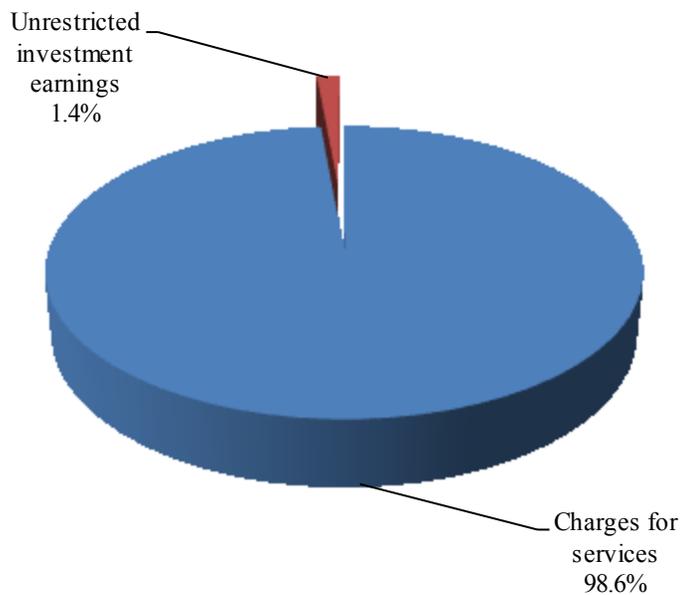
- Expenses for the business-type activities were \$1,504,234. The net revenue of the business-type activities was \$528,891. This essentially points out that utility charges are sufficient to cover expenses incurred during the operations of the utilities.
- Charges for services increased \$623,005 from prior year.

The following graph depicts various business-type activities and shows the revenue and expenses directly related to those activities.

Expenses and Program - Revenue Business-type Activities Graph



Revenue by Source - Business-type Activities



Financial Analysis of the Government's Funds

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

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

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2012	2011	
General	\$ 2,646,876	\$ 2,134,701	\$ 512,175
The fund balance of the General fund increased by \$512,175. The primary reason for the increase in fund balance was due to revenues exceeding budget by 9 percent (\$324,245) and expenditures being 5 percent (\$200,130) less than budget.			
Sewer Capital Improvements	\$ 1,980,926	\$ 1,799,989	\$ 180,937
The Sewer Capital Improvements fund increased by \$180,937. This was primarily a result of the collection of charges for services, special assessments and interest on investments.			
Public Works/Police Facility	\$ 3,312,416	\$ -	\$ 3,312,416
This fund was new in 2012 to account for the Public Works/Police Facility project and had an ending fund balance of \$3,312,416. In 2012 the City issued \$6,100,000 of Capital Improvement Bonds and re-characterized \$1,400,000 of previously reported Revenue Bonds to finance the project. Expenditures in 2012 related to the purchase of the land and building, and construction will continue in 2013.			

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

Unrestricted net position of the utility funds at the end of the year amounted to \$2,965,331. The total increase in net position for the funds was \$347,031. Factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's General fund budget was not amended during the year and the budget called for no change in fund balance. Revenues exceeded budget by \$324,245, primarily due to licenses and permits, charges for services, and miscellaneous revenues exceeding budget by \$196,975, \$84,392, and \$80,980, respectively. Expenditures were under budget by \$200,130 during the year. Current expenditures for each of the General fund functions were under budget, with the largest variance of \$106,831 in general government.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2012, amounts to \$31,840,761 (net of accumulated depreciation). This investment in capital assets includes land, structures, improvements, machinery and equipment, park facilities, and roads.

Major capital asset events during the current fiscal year included the following:

- Completion of Hunter Drive North road improvements.
- Acquisition of a facility and improvements for use by the City's public works and police departments.
- Completion of trail improvements.
- Acquisition of Ford F550 truck.
- Loretto Ponds Project construction in progress.

Additional information on the City's capital assets can be found in Note 3B starts on page 61 of this report.

City of Medina's Capital Assets (net of depreciation)

	Governmental Activities			Business-type Activities		
	2012	2011	Increase (Decrease)	2012	2011	Increase (Decrease)
Land	\$ 465,778	\$ 300,778	\$ 165,000	\$ 56,393	\$ 56,393	\$ -
Buildings	1,368,288	1,388,309	(20,021)	6,166,671	6,367,385	(200,714)
Improvements	395,419	528,638	(133,219)	63,176	66,760	(3,584)
Machinery and equipment	572,644	637,460	(64,816)	1,241,998	1,306,541	(64,543)
Infrastructure	13,168,286	11,989,080	1,179,206	3,649,621	3,720,620	(70,999)
Construction in progress	4,634,867	1,739,631	2,895,236	57,620	8,998	48,622
Total	\$ 20,605,282	\$ 16,583,896	\$ 4,021,386	\$ 11,235,479	\$ 11,526,697	\$ (291,218)

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$19,540,000. Of this amount, \$10,702,026 is G.O. Improvement Bond debt, \$1,375,000 is G.O. Tax Increment debt, \$382,974 is debt related to equipment certificates, and \$7,080,000 is G.O. Revenue debt. While all of the City's bonds have revenue streams, they are all backed by the full faith and credit of the City.

City of Medina's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2012	2011	Increase (Decrease)	2012	2011	Increase (Decrease)
General obligation						
improvement bonds	\$ 10,702,026	\$ 3,357,026	\$ 7,345,000	\$ -	\$ -	\$ -
G.O. tax increment bonds	1,375,000	790,000	585,000	-	-	-
General obligation revenue bonds	-	-	-	7,080,000	6,835,000	245,000
Unamortized premium on bonds	93,584	-	93,584	62,821	-	62,821
G.O. equipment certificates	382,974	382,974	-	-	-	-
Other postemployment benefits payable	127,315	94,283	33,032	19,267	14,060	5,207
Compensated absences	234,275	207,324	26,951	36,925	30,217	6,708
Total	<u>\$ 12,915,174</u>	<u>\$ 4,831,607</u>	<u>\$ 8,083,567</u>	<u>\$ 7,199,013</u>	<u>\$ 6,879,277</u>	<u>\$ 319,736</u>

The City's total debt increased by \$8,403,303 (72 percent) during the current fiscal year. This is due to the issuance of \$6,100,000 of G.O Capital Improvement Plan bonds, Series 2012A and \$2,845,000 of G.O. Refunding bonds, Series 2012B.

The City maintains an "Aa2" rating from Moody's for all of its outstanding bonded debt.

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3.0 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt limitation for the City is approximately \$38 million. The City currently has \$6,482,974 outstanding general obligation debt payable solely from ad valorem taxes.

Additional information on the City's long-term debt can be found in Note 3D starts on page 64 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Hennepin County is currently 4.8 percent (March 2013), which is a decrease from a rate of 5.5 percent in March of 2012. This compares favorably to the State's seasonally adjusted unemployment rate of 5.4 percent and the national seasonally adjusted average rate of 7.6 percent.
- Property valuations decreased 4.5 percent within the City from 2012 to 2013.

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

The City's property tax levy will increase in 2013 by 10.7 percent. The City's share of property taxes is low when compared to similar sized cities throughout the State with a tax rate of only 24.6 percent. The tax increase will provide an additional \$206,320 for the City's debt service obligations. The operations portion of the tax levy was increased by \$106,783 and the overall operating budget was reduced by \$10,000 from 2012 to 2013.

A water rate increase of 5 percent was approved for the three individual water systems for 2013. Sanitary sewer and storm water utility rates were not changed.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Medina, 2052 County Road 24, Medina, MN 55340-9790.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF MEDINA
MEDINA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

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CITY OF MEDINA, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2012

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and temporary investments	\$ 13,001,935	\$ 2,812,461	\$ 15,814,396
Cash with fiscal agent	-	2,221,514	2,221,514
Receivables			
Accounts	282,650	250,412	533,062
Delinquent taxes	87,221	-	87,221
Special assessments	990,718	30,900	1,021,618
Due from other governments	51,318	986	52,304
Prepaid items	69,003	27,313	96,316
Capital assets			
Nondepreciable	5,100,645	114,013	5,214,658
Depreciable, net of accumulated depreciation	<u>15,504,637</u>	<u>11,121,466</u>	<u>26,626,103</u>
TOTAL ASSETS	<u>35,088,127</u>	<u>16,579,065</u>	<u>51,667,192</u>
LIABILITIES			
Accounts payable	397,857	27,869	425,726
Retainage payable	4,963	-	4,963
Due to other governments	28,197	6,247	34,444
Salaries payable	72,726	11,262	83,988
Accrued interest payable	99,311	81,685	180,996
Deposits payable	195,150	-	195,150
Unearned revenue	57,150	-	57,150
Noncurrent liabilities			
Due within one year	1,186,667	581,558	1,768,225
Due in more than one year	<u>11,728,507</u>	<u>6,617,455</u>	<u>18,345,962</u>
TOTAL LIABILITIES	<u>13,770,528</u>	<u>7,326,076</u>	<u>21,096,604</u>
NET POSITION			
Net investment in capital assets	8,795,282	6,287,658	15,082,940
Restricted for			
Debt service	1,316,820	-	1,316,820
Capital improvements	3,312,416	-	3,312,416
Park improvements	529,542	-	529,542
Police expenditures	127,331	-	127,331
Equipment replacement	192,186	-	192,186
Road improvements	395,265	-	395,265
Unrestricted	<u>6,648,757</u>	<u>2,965,331</u>	<u>9,614,088</u>
TOTAL NET POSITION	<u>\$ 21,317,599</u>	<u>\$ 9,252,989</u>	<u>\$ 30,570,588</u>

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

CITY OF MEDINA, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 897,078	\$ 172,387	\$ -	\$ 1,403
Public safety	2,097,372	733,790	155,612	-
Streets and highways	1,109,201	642,720	-	388,572
Sanitation and recycling	10,037	4,200	13,009	-
Culture and recreation	246,283	316,625	48,439	136,919
Economic development	235,228	-	-	-
Miscellaneous	528	6,029	-	-
Interest on long-term debt	194,376	-	-	-
Total governmental activities	<u>4,790,103</u>	<u>1,875,751</u>	<u>217,060</u>	<u>526,894</u>
Business-type activities				
Water	934,779	1,272,216	-	-
Sanitary sewer	478,280	574,772	-	-
Storm water	91,175	186,137	-	-
Total business-type activities	<u>1,504,234</u>	<u>2,033,125</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 6,294,337</u>	<u>\$ 3,908,876</u>	<u>\$ 217,060</u>	<u>\$ 526,894</u>

General revenues

Taxes

 Property taxes, levied for general purposes

 Property taxes, levied for debt service

 Tax increments

Unrestricted investment earnings

Gain on sale of capital assets

Transfers - capital assets

Transfers

Total general revenues and transfers

Change in net position

Net position as restated, January 1

Net position, December 31

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

Net (Expenses) Revenues and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (723,288)	\$ -	\$ (723,288)
(1,207,970)	-	(1,207,970)
(77,909)	-	(77,909)
7,172	-	7,172
255,700	-	255,700
(235,228)	-	(235,228)
5,501	-	5,501
<u>(194,376)</u>	<u>-</u>	<u>(194,376)</u>
<u>(2,170,398)</u>	<u>-</u>	<u>(2,170,398)</u>
-	337,437	337,437
-	96,492	96,492
-	94,962	94,962
<u>-</u>	<u>94,962</u>	<u>94,962</u>
-	528,891	528,891
<u>-</u>	<u>528,891</u>	<u>528,891</u>
<u>(2,170,398)</u>	<u>528,891</u>	<u>(1,641,507)</u>
2,663,895	-	2,663,895
275,611	-	275,611
388,084	-	388,084
68,322	29,346	97,668
1,360	-	1,360
(67,894)	67,894	-
279,100	(279,100)	-
<u>3,608,478</u>	<u>(181,860)</u>	<u>3,426,618</u>
1,438,080	347,031	1,785,111
<u>19,879,519</u>	<u>8,905,958</u>	<u>28,785,477</u>
<u>\$ 21,317,599</u>	<u>\$ 9,252,989</u>	<u>\$ 30,570,588</u>

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FUND FINANCIAL STATEMENTS

CITY OF MEDINA
MEDINA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

CITY OF MEDINA, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	101	403	408	Other	Total
	General	Sewer Capital Improvements	Public Works/ Police Facility	Governmental Funds	Governmental Funds
ASSETS					
Cash and temporary investments	\$ 3,134,587	\$ 1,813,321	\$ 3,339,549	\$ 4,714,478	\$ 13,001,935
Receivables					
Accounts	5,936	1,383	-	275,331	282,650
Delinquent taxes	80,340	-	-	6,881	87,221
Special assessments	55,840	54,888	-	879,990	990,718
Due from other governments	35,789	-	-	15,529	51,318
Due from other funds	-	167,605	-	-	167,605
Prepaid items	68,550	-	-	453	69,003
TOTAL ASSETS	\$ 3,381,042	\$ 2,037,197	\$ 3,339,549	\$ 5,892,662	\$ 14,650,450
LIABILITIES					
Accounts payable	\$ 282,103	\$ -	\$ 27,133	\$ 88,621	\$ 397,857
Retainage payable	-	-	-	4,963	4,963
Due to other funds	-	-	-	167,605	167,605
Due to other governments	26,929	-	-	1,268	28,197
Salaries payable	72,726	-	-	-	72,726
Deposits payable	195,150	-	-	-	195,150
Unearned revenue	21,078	1,383	-	34,689	57,150
TOTAL LIABILITIES	597,986	1,383	27,133	297,146	923,648
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - taxes	80,340	-	-	6,881	87,221
Unavailable revenue - assessments	55,840	54,888	-	879,990	990,718
TOTAL DEFERRED INFLOWS OF RESOURCES	136,180	54,888	-	886,871	1,077,939
FUND BALANCES					
Nonspendable	68,550	-	-	453	69,003
Restricted	-	-	3,312,416	2,432,150	5,744,566
Committed	-	-	-	760,778	760,778
Assigned	-	1,980,926	-	1,671,072	3,651,998
Unassigned	2,578,326	-	-	(155,808)	2,422,518
TOTAL FUND BALANCES	2,646,876	1,980,926	3,312,416	4,708,645	12,648,863
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 3,381,042	\$ 2,037,197	\$ 3,339,549	\$ 5,892,662	\$ 14,650,450

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

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

Total fund balances - governmental funds	\$ 12,648,863
Amounts reported for governmental activities in the statement of net position are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	24,627,206
Less accumulated depreciation	(4,021,924)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
Bonds payable	(12,460,000)
Plus premium on bonds	(93,584)
Compensated absences payable	(234,275)
Other postemployment benefits payable	(127,315)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Delinquent taxes	87,221
Special assessments	990,718
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(99,311)</u>
Total net position - governmental activities	<u><u>\$ 21,317,599</u></u>

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

CITY OF MEDINA, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	101	403	408	Other	Total
	General	Sewer Capital Improvements	Public Works/ Police Facility	Governmental Funds	Governmental Funds
REVENUES					
Taxes	\$ 2,627,003	\$ -	\$ -	\$ 700,587	\$ 3,327,590
Licenses and permits	369,765	-	-	-	369,765
Intergovernmental	142,560	-	-	139,515	282,075
Charges for services	251,517	158,164	-	703,864	1,113,545
Fines and forfeitures	138,808	-	-	47,600	186,408
Special assessments	1,403	11,469	-	257,578	270,450
Interest on investments	18,834	15,504	7,479	23,909	65,726
Miscellaneous	204,480	-	-	113,493	317,973
TOTAL REVENUES	3,754,370	185,137	7,479	1,986,546	5,933,532
EXPENDITURES					
Current					
General government	875,294	-	-	-	875,294
Public safety	1,976,644	-	-	7,971	1,984,615
Streets and highways	529,371	-	-	6,072	535,443
Sanitation and recycling	10,037	-	-	-	10,037
Culture and recreation	129,350	-	-	15,603	144,953
Economic development	-	-	-	214,975	214,975
Miscellaneous	-	-	-	528	528
Capital outlay					
General government	-	-	-	8,408	8,408
Public safety	-	-	1,427,168	26,608	1,453,776
Streets and highways	47,599	4,200	2,719,918	335,357	3,107,074
Culture and recreation	-	-	-	205,047	205,047
Economic development	-	-	-	7,891	7,891
Debt service					
Principal	-	-	-	220,000	220,000
Interest and other	-	-	-	148,118	148,118
Bond issuance costs	-	-	76,985	10,250	87,235
TOTAL EXPENDITURES	3,568,295	4,200	4,224,071	1,206,828	9,003,394
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	186,075	180,937	(4,216,592)	779,718	(3,069,862)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	-	-	-	1,360	1,360
Transfers in	344,100	-	-	126,044	470,144
Re-characterization of bonds from enterprise fund	-	-	1,400,000	-	1,400,000
Bonds issued	-	-	6,100,000	650,000	6,750,000
Premium on bonds issued	-	-	79,008	15,509	94,517
Transfers out	(18,000)	-	(50,000)	(123,044)	(191,044)
TOTAL OTHER FINANCING SOURCES (USES)	326,100	-	7,529,008	669,869	8,524,977
NET CHANGE IN FUND BALANCES	512,175	180,937	3,312,416	1,449,587	5,455,115
FUND BALANCES, JANUARY 1	2,134,701	1,799,989	-	3,259,058	7,193,748
FUND BALANCES, DECEMBER 31	\$ 2,646,876	\$ 1,980,926	\$ 3,312,416	\$ 4,708,645	\$ 12,648,863

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

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

Total net change in fund balances - governmental funds	\$ 5,455,115
Amounts reported for governmental activities in the statement of activities are different because	
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>	
Capital outlay	4,788,374
Depreciation expense	(715,592)
Assets transferred to proprietary fund	(67,894)
Adjustment for reclassification of asset	16,500
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.</p>	
Bonds issued	(8,150,000)
Premium on bonds issued	(94,517)
Principal repayments	220,000
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	(36,008)
<p>Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Property taxes	(22,355)
Special assessments	104,440
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>	
Other postemployment benefits costs	(33,032)
Compensated absences	(26,951)
	(33,032)
	(26,951)
Change in net position - governmental activities	\$ 1,438,080

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

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CITY OF MEDINA, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,610,495	\$ 2,610,495	\$ 2,627,003	\$ 16,508
Licenses and permits	172,790	172,790	369,765	196,975
Intergovernmental	153,615	153,615	142,560	(11,055)
Charges for services	167,125	167,125	251,517	84,392
Fines and forfeitures	154,000	154,000	138,808	(15,192)
Special assessments	2,250	2,250	1,403	(847)
Interest on investments	46,350	46,350	18,834	(27,516)
Miscellaneous	123,500	123,500	204,480	80,980
TOTAL REVENUES	3,430,125	3,430,125	3,754,370	324,245
EXPENDITURES				
Current				
General government	982,125	982,125	875,294	106,831
Public safety				
Police	1,455,030	1,455,030	1,419,263	35,767
Building inspection	257,100	257,100	249,521	7,579
Fire	311,600	311,600	307,860	3,740
Streets and highways	556,015	556,015	529,371	26,644
Sanitation and recycling	16,000	16,000	10,037	5,963
Culture and recreation	146,880	146,880	129,350	17,530
Capital outlay	43,675	43,675	47,599	(3,924)
TOTAL EXPENDITURES	3,768,425	3,768,425	3,568,295	200,130
EXCESS (DEFICIENCY) OF REVENUES (OVER) UNDER EXPENDITURES	(338,300)	(338,300)	186,075	524,375
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	12,200	12,200	-	(12,200)
Transfers in	344,100	344,100	344,100	-
Transfers out	(18,000)	(18,000)	(18,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	338,300	338,300	326,100	(12,200)
NET CHANGE IN FUND BALANCES	-	-	512,175	512,175
FUND BALANCES, JANUARY 1	2,134,701	2,134,701	2,134,701	-
FUND BALANCES, DECEMBER 31	<u>\$ 2,134,701</u>	<u>\$ 2,134,701</u>	<u>\$ 2,646,876</u>	<u>\$ 512,175</u>

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

CITY OF MEDINA, MINNESOTA
STATEMENTS OF NET POSITION - CONTINUED ON THE FOLLOWING PAGES
PROPRIETARY FUNDS
DECEMBER 31, 2012 AND 2011

	Business-type Activities - Enterprise funds			
	601		602	
	Water		Sanitary Sewer	
	2012	Restated 2011	2012	2011
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 955,465	\$ 2,523,454	\$ 1,697,694	\$ 1,613,344
Cash with fiscal agent	2,221,514	-	-	-
Accounts receivable	199,839	46,364	50,696	47,145
Special assessments receivable	9,335	9,051	9,108	9,110
Due from other governments	332	408	630	74
Prepaid items	3,638	1,599	22,328	19,897
TOTAL CURRENT ASSETS	3,390,123	2,580,876	1,780,456	1,689,570
NONCURRENT ASSETS				
Capital assets				
Land	7,393	7,393	49,000	49,000
Infrastructure	4,101,708	4,082,986	1,864,139	1,864,139
Buildings	8,414,236	8,414,236	192,000	192,000
Improvements	-	-	-	-
Machinery and equipment	1,130,785	1,125,441	2,814,367	2,814,367
Construction in progress	53,420	8,998	4,200	-
Less: accumulated depreciation	(4,875,738)	(4,570,993)	(2,633,019)	(2,549,975)
TOTAL NONCURRENT ASSETS	8,831,804	9,068,061	2,290,687	2,369,531
TOTAL ASSETS	12,221,927	11,648,937	4,071,143	4,059,101

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

Business-type Activities - Enterprise funds

603			
Storm Water		Totals	
2012	2011	2012	Restated 2011
\$ 159,302	\$ 107,888	\$ 2,812,461	\$ 4,244,686
-	-	2,221,514	-
(123)	805	250,412	94,314
12,457	17,367	30,900	35,528
24	116	986	598
1,347	25,264	27,313	46,760
<u>173,007</u>	<u>151,440</u>	<u>5,343,586</u>	<u>4,421,886</u>
-	-	56,393	56,393
47,811	16,844	6,013,658	5,963,969
-	-	8,606,236	8,606,236
71,685	71,685	71,685	71,685
11,087	11,087	3,956,239	3,950,895
-	-	57,620	8,998
<u>(17,595)</u>	<u>(10,511)</u>	<u>(7,526,352)</u>	<u>(7,131,479)</u>
<u>112,988</u>	<u>89,105</u>	<u>11,235,479</u>	<u>11,526,697</u>
<u>285,995</u>	<u>240,545</u>	<u>16,579,065</u>	<u>15,948,583</u>

CITY OF MEDINA, MINNESOTA
STATEMENTS OF NET POSITION - CONTINUED
PROPRIETARY FUNDS
DECEMBER 31, 2012 AND 2011

	Business-type Activities - Enterprise funds			
	601		602	
	Water	Sanitary Sewer		
	2012	Restated 2011	2012	2011
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 22,529	\$ 16,745	\$ 3,867	\$ 19,274
Accrued interest payable	81,685	106,799	-	-
Salaries payable	5,194	4,212	4,268	3,450
Due to other governments	4,178	4,370	1,069	1,165
Compensated absences payable - current	5,673	4,594	4,097	3,333
Bonds payable - current	570,000	550,000	-	-
TOTAL CURRENT LIABILITIES	689,259	686,720	13,301	27,222
NONCURRENT LIABILITIES				
Other postemployment benefits payable	10,024	7,522	7,132	5,270
Compensated absences payable	12,070	9,928	9,106	7,476
Bonds payable	6,572,821	6,285,000	-	-
TOTAL NONCURRENT LIABILITIES	6,594,915	6,302,450	16,238	12,746
TOTAL LIABILITIES	7,284,174	6,989,170	29,539	39,968
NET POSITION				
Net investment in capital assets	3,883,983	2,233,061	2,290,687	2,369,531
Unrestricted	1,053,770	2,426,706	1,750,917	1,649,602
TOTAL NET POSITION	\$ 4,937,753	\$ 4,659,767	\$ 4,041,604	\$ 4,019,133

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

Business-type Activities - Enterprise funds

603			
Storm Water		Totals	
2012	2011	2012	Restated 2011
\$ 1,473	\$ 5,798	\$ 27,869	\$ 41,817
-	-	81,685	106,799
1,800	1,535	11,262	9,197
1,000	-	6,247	5,535
1,788	1,384	11,558	9,311
-	-	570,000	550,000
<u>6,061</u>	<u>8,717</u>	<u>708,621</u>	<u>722,659</u>
2,111	1,268	19,267	14,060
4,191	3,502	25,367	20,906
-	-	6,572,821	6,285,000
<u>6,302</u>	<u>4,770</u>	<u>6,617,455</u>	<u>6,319,966</u>
<u>12,363</u>	<u>13,487</u>	<u>7,326,076</u>	<u>7,042,625</u>
112,988	89,105	6,287,658	4,691,697
160,644	137,953	2,965,331	4,214,261
<u>\$ 273,632</u>	<u>\$ 227,058</u>	<u>\$ 9,252,989</u>	<u>\$ 8,905,958</u>

CITY OF MEDINA, MINNESOTA
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Business-type Activities - Enterprise funds			
	601		602	
	Water	Restated	Sanitary Sewer	
	2012	2011	2012	2011
OPERATING REVENUES				
Charges for services	\$ 949,056	\$ 712,576	\$ 566,702	\$ 519,416
OPERATING EXPENSES				
Wages and salaries	135,968	133,454	108,923	99,664
Materials and supplies	85,121	53,603	6,656	5,112
Professional services	37,728	26,116	18,056	16,596
Repairs and maintenance	35,450	37,713	18,140	24,415
Insurance	7,501	7,858	5,426	2,792
Utilities	70,089	72,993	7,002	8,852
Depreciation	304,745	300,219	83,044	86,376
Sewer treatment charges	-	-	231,033	226,330
TOTAL OPERATING EXPENSES	676,602	631,956	478,280	470,137
OPERATING INCOME	272,454	80,620	88,422	49,279
NONOPERATING REVENUES (EXPENSES)				
Water connection fees	313,803	4,890	-	-
Interest on investments	14,705	29,750	13,429	18,603
Miscellaneous	9,357	(19)	8,070	-
Bond issuance costs	(37,114)	-	-	-
Interest and service charges	(221,063)	(258,753)	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	79,688	(224,132)	21,499	18,603
INCOME (LOSS) BEFORE TRANSFERS	352,142	(143,512)	109,921	67,882
TRANSFERS - CAPITAL ASSETS FROM OTHER FUNDS	63,144	-	4,200	-
TRANSFERS OUT	(137,300)	(137,550)	(91,650)	(82,800)
CHANGE IN NET POSITION	277,986	(281,062)	22,471	(14,918)
FUND NET POSITION AS RESTATED, JANUARY 1	4,659,767	4,940,829	4,019,133	4,034,051
FUND NET POSITION, DECEMBER 31	\$ 4,937,753	\$ 4,659,767	\$ 4,041,604	\$ 4,019,133

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

Business-type Activities - Enterprise funds

603			
Storm Water		Totals	
2012	2011	2012	Restated 2011
\$ 179,322	\$ 172,715	\$ 1,695,080	\$ 1,404,707
40,439	49,781	285,330	282,899
1,353	1,460	93,130	60,175
40,805	53,123	96,589	95,835
521	5,931	54,111	68,059
973	769	13,900	11,419
-	-	77,091	81,845
7,084	5,535	394,873	392,130
-	-	231,033	226,330
91,175	116,599	1,246,057	1,218,692
88,147	56,116	449,023	186,015
-	-	313,803	4,890
1,212	1,665	29,346	50,018
6,815	617	24,242	598
-	-	(37,114)	-
-	-	(221,063)	(258,753)
8,027	2,282	109,214	(203,247)
96,174	58,398	558,237	(17,232)
550	-	67,894	-
(50,150)	(50,350)	(279,100)	(270,700)
46,574	8,048	347,031	(287,932)
227,058	219,010	8,905,958	9,193,890
<u>\$ 273,632</u>	<u>\$ 227,058</u>	<u>\$ 9,252,989</u>	<u>\$ 8,905,958</u>

CITY OF MEDINA, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Business-type Activities - Enterprise funds			
	601		602	
	Water		Sanitary Sewer	
	2012	2011	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 804,730	\$ 708,054	\$ 570,667	\$ 518,192
Payments to suppliers	(232,336)	(204,493)	(304,247)	(268,720)
Payments to employees	(129,263)	(131,287)	(103,849)	(97,678)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>443,131</u>	<u>372,274</u>	<u>162,571</u>	<u>151,794</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers to other funds	<u>(137,300)</u>	<u>(137,550)</u>	<u>(91,650)</u>	<u>(82,800)</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Acquisition of capital assets	(5,344)	(2,079)	-	-
Connection fees received	313,803	4,890	-	-
Transfers of capital assets between funds	-	(28,328)	-	28,328
Payment on short term account to finance capital asset acquisitions	-	-	-	-
Interest paid on bonds	(222,541)	(258,754)	-	-
Re-characterization of revenue bonds	(1,400,000)	-	-	-
Proceeds from refunding bonds issued	2,195,000	-	-	-
Premium on refunding bonds issued	64,299	-	-	-
Payment to escrow for bond refunding	(2,221,514)	-	-	-
Bond issuance costs paid	(37,114)	-	-	-
Principal paid on bonds	(550,000)	(530,000)	-	-
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	<u>(1,863,411)</u>	<u>(814,271)</u>	<u>-</u>	<u>28,328</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	<u>(10,409)</u>	<u>22,070</u>	<u>13,429</u>	<u>18,603</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,567,989)	(557,477)	84,350	115,925
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>2,523,454</u>	<u>3,080,931</u>	<u>1,613,344</u>	<u>1,497,419</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 955,465</u></u>	<u><u>\$ 2,523,454</u></u>	<u><u>\$ 1,697,694</u></u>	<u><u>\$ 1,613,344</u></u>

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

Business-type Activities - Enterprise funds

603			
Storm Water		Totals	
2012	2011	2012	2011
\$ 192,067	\$ 179,177	\$ 1,567,464	\$ 1,405,423
(23,060)	(89,462)	(559,643)	(562,675)
(38,238)	(48,179)	(271,350)	(277,144)
<u>130,769</u>	<u>41,536</u>	<u>736,471</u>	<u>565,604</u>
<u>(50,150)</u>	<u>(50,350)</u>	<u>(279,100)</u>	<u>(270,700)</u>
(30,417)	(5,800)	(35,761)	(7,879)
-	-	313,803	4,890
-	-	-	-
-	(11,087)	-	(11,087)
-	-	(222,541)	(258,754)
-	-	(1,400,000)	-
-	-	2,195,000	-
-	-	64,299	-
-	-	(2,221,514)	-
-	-	(37,114)	-
-	-	(550,000)	(530,000)
<u>(30,417)</u>	<u>(16,887)</u>	<u>(1,893,828)</u>	<u>(802,830)</u>
<u>1,212</u>	<u>1,665</u>	<u>4,232</u>	<u>42,338</u>
51,414	(24,036)	(1,432,225)	(465,588)
<u>107,888</u>	<u>131,924</u>	<u>4,244,686</u>	<u>4,710,274</u>
<u>\$ 159,302</u>	<u>\$ 107,888</u>	<u>\$ 2,812,461</u>	<u>\$ 4,244,686</u>

CITY OF MEDINA, MINNESOTA
STATEMENTS OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Business-type Activities - Enterprise funds			
	601		602	
	Water		Sanitary Sewer	
	2012	2011	2012	2011
RECONCILIATION OF OPERATING INCOME				
TO NET CASH PROVIDED (USES)				
BY OPERATING ACTIVITIES				
Operating income	\$ 272,454	\$ 80,620	\$ 88,422	\$ 49,279
Adjustments to reconcile operating income to net cash provided (used) by operating activities				
Other items related to operations	9,357	(19)	8,070	-
Depreciation	304,745	300,219	83,044	86,376
(Increase) decrease in assets				
Accounts receivable	(153,475)	(2,798)	(3,551)	(614)
Due from other governments	76	313	(556)	647
Special assessments receivable	(284)	(2,018)	2	(1,257)
Prepaid items	(2,039)	(40)	(2,431)	(516)
Increase (decrease) in liabilities				
Accounts payable	5,784	(4,829)	(15,407)	16,560
Unearned revenue	-	-	-	-
Due to other governments	(192)	(1,341)	(96)	(667)
Salaries payable	982	(875)	818	(429)
Compensated absences payable	3,221	1,025	2,394	914
Other postemployment benefits payable	2,502	2,017	1,862	1,501
	<u>\$ 443,131</u>	<u>\$ 372,274</u>	<u>\$ 162,571</u>	<u>\$ 151,794</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES				
SCHEDULE OF NONCASH				
CAPITAL FINANCING ACTIVITIES				
Contribution of assets from other funds	<u>\$ 63,144</u>	<u>\$ -</u>	<u>\$ 4,200</u>	<u>\$ -</u>
Amortization of bond premium	<u>\$ 1,478</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Business-type Activities - Enterprise funds

603

Storm Water		Totals	
2012	2011	2012	2011
\$ 88,147	\$ 56,116	\$ 449,023	\$ 186,015
6,815	617	24,242	598
7,084	5,535	394,873	392,130
928	4,957	(156,098)	1,545
92	7	(388)	967
4,910	881	4,628	(2,394)
23,917	(24,619)	19,447	(25,175)
(4,325)	2,112	(13,948)	13,843
-	(5,567)	-	(5,567)
1,000	(105)	712	(2,113)
265	296	2,065	(1,008)
1,093	628	6,708	2,567
843	678	5,207	4,196
<u>\$ 130,769</u>	<u>\$ 41,536</u>	<u>\$ 736,471</u>	<u>\$ 565,604</u>
<u>\$ 550</u>	<u>\$ -</u>	<u>\$ 67,894</u>	<u>\$ -</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,478</u>	<u>\$ -</u>

CITY OF MEDINA, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2012

	Agency
	810
	Escrow
ASSETS	
Cash and temporary investments	\$ 98,525
Receivables	
Special assessments	60,397
Accounts	44,940
TOTAL ASSETS	\$ 203,862
LIABILITIES	
Accounts payable	\$ 203,862

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

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of Medina, Minnesota (the City) operates under the “Optional Plan A” form of government as defined in the State of Minnesota statutes. Under this plan, the government of the City is directed by a City Council composed of an elected Mayor and four elected City Council Members. The City Council exercises legislative authority and determines all matters of policy. The City Council appoints personnel responsible for the proper administration of all affairs relating to the City.

The City has considered all potential units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization’s governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City. Blended component units, although legally separate entities are, in substance, part of the City’s operations and so data from these units are combined with data of the City. The City has the following component unit:

Blended Component Unit. The Medina Economic Development Authority (MEDA) of the City was created pursuant to Minnesota statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment consistent with policies established by the City Council. It is comprised of five members, all of which are City Council members, and has a December 31 year end. The EDA activities are blended and reported in a Capital Project fund. Separate financial statements are not issued for this component unit.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

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

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

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

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City reports the following major governmental funds:

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

The *Sewer Capital Improvements fund* accounts for the costs associated with replacement of the City's utility and road systems.

The *Public Works/Police Facility fund* accounts for the costs associated with the public works/police facility project.

The City reports the following major proprietary funds:

The *Water fund* accounts for the activities of the City's water distribution system, which are financed by the water utility fee, and insure that user charges are sufficient to pay for those costs.

The *Sanitary Sewer fund* accounts for the activities of the City's wastewater collection operations which are financed by the sanitary sewer utility fee, and insure that user charges are sufficient to pay for those costs.

The *Storm Water fund* accounts for the costs associated with the City's storm water system, which are financed by the storm water utility fee, and insure that user charges are sufficient to pay for those costs.

Additionally, the government reports the following fiduciary fund type:

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the City holds for others in an agency capacity.

As a general rule, the effect of interfund activity has been eliminated from government-wide financial statements. Exceptions to this general rule are charges between the City's water, sewer and storm water functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contribution, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenue includes all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

D. Assets, liabilities deferred inflows of resources, and net position or fund balance

Deposits and investments

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

Cash balances from all funds are pooled and invested, to the extent available, in certificates of deposit and other authorized investments. Earnings from such investments are allocated on the basis of applicable participation by each of the funds.

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

1. Direct obligations or obligations guaranteed by the United States or its agencies.
2. Shares of investment companies registered under the Federal Investment Company Act of 1940 and received the highest credit rating, rated in one of the two highest rating categories by a statistical rating agency, and have a final maturity of thirteen months or less.
3. General obligations of a state or local government with taxing powers rated "A" or better; revenue obligations rated "AA" or better.
4. General obligations of the Minnesota Housing Finance Agency rated "A" or better.
5. Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
6. Commercial paper issued by United States banks corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less.
7. Repurchase or reverse repurchase agreements and securities lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
8. Guaranteed Investment Contracts (GIC's) issued or guaranteed by a United States commercial bank, a domestic branch of a foreign bank, a United States insurance company, or its Canadian subsidiary, whose similar debt obligations were rated in one of the top two rating categories by a nationally recognized rating agency.

Investments of the City are reported at fair value. The Minnesota Municipal Money Market Fund (4M) operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. Financial statements of the 4M Fund can be obtained by contacting RBC Global Asset Management at 100 South Fifth Street Suite 2300, Minneapolis, MN 55402-1240.

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Property taxes

The City Council annually adopts a tax levy and certifies it to the County in December for collection the following year. The County is responsible for collecting all property taxes for the City. These taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments. The taxes are collected by the County Treasurer and tax settlements are made to the City during January, July and December each year.

Delinquent taxes receivable include the past six years' uncollected taxes. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year end in the fund financial statements.

Accounts receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2012. The City annually certifies delinquent water, sewer and storm water accounts to the County for collection in the following year.

Special assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. Assessments were also completed for unreimbursed costs and uncollected City charges for services. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are certified to the County or received in cash or within 60 days after year end. All governmental special assessments receivable are offset by a deferred inflow of resources in the fund financial statements.

Interfund receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

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

CITY OF MEDINA, MINNESOTA
 NOTES TO THE FINANCIAL STATEMENTS
 DECEMBER 31, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include all assets accounted for prospectively from the phase 3 GASB 34 implementation date. As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost.

Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the City values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

Assets	Useful Lives in Years
Buildings	20 to 40
Land improvements	20
Building improvements	20
Furniture and equipment	5 to 10
Light vehicles	3 to 5
Machinery and equipment	5 to 10
Heavy trucks	7 to 10
Infrastructure	25 to 40

Compensated absences

The City compensates employees who resign or retire in good standing for all unused vacation. Sick leave may be accumulated and banked to a maximum of 720 hours for full-time and regular part-time employees. For sick leave accumulated in excess of 720 hours, the employee may bank the hours in an account established by the City for retirement health insurance premiums. An employee who leaves employment voluntarily, with four or more years of service with the City and gives a 14 calendar day notice of termination of employment will be paid at the base rate of pay, one-third of accumulated sick leave hours. Any sick leave banked in excess of 720 hours will be forfeited. Two options are available in regards to accrued sick leave for an employee who voluntarily leaves after 20 or more years of service with the City. After giving at least a 14 day notice of termination of employment an employee may receive payment for one-half of all accrued sick leave at the employee's base rate of pay at the time of termination including sick leave banked in excess of 720 hours. A second option allows the employee to give the City at least 14 days' notice of termination of employment; which then allows the employee to place any accrued sick leave into the retirement health insurance account including sick leave banked in excess of 720 hours converted to a monetary value by using the employees base rate of pay for that year.

Compensation time is also paid out upon termination. All hourly employees can earn compensation time for every hour of overtime they work. Each hour of overtime is accrued into 1.5 hours of compensation time. Also, a police employee who works any of the 11 holidays can accrue at a rate of 1.5 compensation hours per hour worked and be paid out for accruals over 80 hours.

Vacation, sick, and compensation time pay are considered expenditures in the year paid in the governmental fund statements. This differs from the proprietary and government-wide statements where vacation, sick, and compensation pay are expensed when earned.

The General fund is typically used to liquidate governmental compensated absences.

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Postemployment benefits other than pensions

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 45, at December 31, 2012.

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Recognition of bond premiums and discounts are delayed and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred inflows of resources

In addition to liabilities, the governmental funds balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies as needing to be reported in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from two sources: property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available

Net position

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

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

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund balance

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

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

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

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

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

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

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

The City has formally adopted a fund balance policy for the General fund. The City's policy is to maintain an unrestricted fund balance in the General fund of the greater of (1) 50 percent of the next year's General fund property tax levy, or (2) a minimum of five months of the next year's budgeted expenditures of the General fund.

Comparative data/reclassifications

Comparative data for the prior year have been presented only for the enterprise funds financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General and all special revenue funds. All annual appropriations lapse at fiscal year end. The City does not use encumbrance accounting.

In July of each year, all departments of the City submit requests for appropriations to the City Administrator so that a budget may be prepared. Before September 15th, the proposed budget is presented to the City Council for review. The City Council holds public hearings and a final budget is prepared and adopted in December.

The appropriated budget is prepared by fund, function and department. The City's department heads, with the approval of the City Administrator, may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. Budgeted amounts are as originally adopted, or as amended by the City Council. There were no budget amendments during the year.

B. Deficit fund equity

The following funds had fund balance deficits at December 31, 2012 that will be eliminated by future levies, tax increments, collections of special assessments and operating transfers.

<u>Fund</u>	<u>Amount</u>
Capital projects	
Tax Increment 1-9	\$ 74,272
TH 55 Intersection	<u>81,536</u>
Total	<u>\$ 155,808</u>

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 3: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

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

Minnesota statutes require that all City deposits be protected by insurance, surety bond or collateral. The market value of collateral pledged must equal 110 percent of the deposits not covered by insurance or bonds.

Authorized collateral in lieu of a corporate surety bond includes:

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

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

As of December 31, 2012 the City's carrying amount of deposits was \$679,392 and the bank balance was \$718,774. Of the bank balance \$452,559 was covered by federal depository insurance. The remaining amount was covered by collateral held by the City's agent in the City's name.

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Investments

As of December 31, 2012, the City had the following investments that are insured or registered, or securities held by the City or its agent in the City's name.

Investment Type	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)	Fair Value and Carrying Amount
Pooled investments			
Broker money market	N/A	less than 6 months	\$ 1,937,536
Minnesota Municipal Money Market Fund	N/A	less than 6 months	<u>2,300,706</u>
Total pooled investments			<u>4,238,242</u>
Nonpooled investments			
U.S. Government Agencies	AA	less than 6 months	2,499,575
U.S. Government Agencies	AA	more than 3 years	<u>450,637</u>
Total U.S. Governmental Agencies			<u>2,950,212</u>
U.S. Treasury Securities	AAA	6 months to 1 year	21,702
U.S. Treasury Securities	AAA	1 year to 3 years	<u>2,199,812</u>
Total U.S. Treasury Securities			<u>2,221,514</u>
Brokered Certificates of Deposit	N/A	less than 6 months	2,602,342
Brokered Certificates of Deposit	N/A	6 months to 1 year	1,591,698
Brokered Certificates of Deposit	N/A	1 year to 3 years	3,347,279
Brokered Certificates of Deposit	N/A	more than 3 years	<u>503,556</u>
Total brokered CD's			<u>8,044,875</u>
Total non-pooled investments			<u>13,216,601</u>
Total			<u>\$ 17,454,843</u>

- 1) Ratings were provided by Moody's.
2) Interest rate risk disclosed using the segmented time distribution method.
N/A Indicate not applicable or available.

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

The investments of the City are subject to the following risk:

Custodial Credit Risk - Deposits: For deposits, this is the risk that in the event of bank failure the City's deposits may not be returned to it. The City has a policy in place to address custodial credit risk for deposits, stating all demand deposit accounts, including checking accounts and nonnegotiable certificates of deposit, in accordance with the GFOA Recommended Practices on the Collateralization of Public Deposits and Minnesota statutes 118A will be required to be fully collateralized.

Interest Rate Risk: This is the risk that market values of securities in a portfolio would decrease due to changes in market interest rates. The City's investment policy states the City will minimize interest rate rise by structuring the portfolio so that securities mature to meet cash requirements for ongoing operations and investing operating funds primarily in shorter term securities, money market mutual funds or similar investment pools and limiting the average maturity of the portfolio. The policy states the City will not directly invest in securities maturing more than 10 years from the date of purchase or in accordance with the state and local statutes and ordinances unless matched to a specific cash flow. The policy also states the investments will be diversified by investing in securities with varying maturities, continuously investing at least 10 percent of the portfolio in readily available funds such as LGIPs, money market funds to ensure that appropriate liquidity is maintained and never investing more than 20 percent of the portfolio in securities with final maturities greater than five years.

Credit Risk: This is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper and corporate bonds to be in the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy states the instruments that the City will invest in will be consistent with the GFOA Policy Statement on the State and Local Laws Concerning Investment Practices and Minnesota statutes 118A. It also states investments in derivatives shall not be allowed.

Concentration of Credit Risk: This is the risk of loss attributed to the magnitude of an investment in a single issuer. The City's investment policy states the City will limit investments to avoid over concentration in securities from a specific issuer or business sector, excluding U.S. Treasury securities and limiting investments in securities that have higher credit risks and investing in securities with varying maturities. The policy also states the City will diversify the investment portfolio so the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

Cash summary

A reconciliation of cash as shown on the Statement of Net Position for the City follows:

Carrying amount of deposits	\$ 679,392
Investments	17,454,843
Cash on hand	200
Total	\$ 18,134,435
Government-wide	
Cash and temporary investments	\$ 15,814,396
Cash with fiscal agent	2,221,514
Fiduciary - agency	98,525
Total	\$ 18,134,435

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

B. Capital assets

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

	Beginning Balance	Increases	Decreases	Transfers/ Reclassifications	Ending Balance
Governmental activities					
Capital assets, not being depreciated					
Land	\$ 300,778	\$ -	\$ -	\$ 165,000	\$ 465,778
Construction in progress	1,739,631	4,618,336	(1,723,100)	-	4,634,867
Total capital assets, not being depreciated	2,040,409	4,618,336	(1,723,100)	165,000	5,100,645
Capital assets, being depreciated					
Infrastructure	13,894,165	1,690,698	-	-	15,584,863
Buildings	1,817,154	39,047	-	-	1,856,201
Improvements	627,033	40,403	-	(165,000)	502,436
Machinery and equipment	1,547,832	55,094	(19,865)	-	1,583,061
Total capital assets being depreciated	17,886,184	1,825,242	(19,865)	(165,000)	19,526,561
Less accumulated depreciation for					
Infrastructure	(1,905,085)	(511,492)	-	-	(2,416,577)
Buildings	(428,844)	(59,069)	-	-	(487,913)
Improvements	(98,395)	(25,122)	-	16,500	(107,017)
Machinery and equipment	(910,373)	(119,909)	19,865	-	(1,010,417)
Total accumulated depreciation	(3,342,697)	(715,592)	19,865	16,500	(4,021,924)
Total capital assets, being depreciated, net	14,543,487	1,109,650	-	(148,500)	15,504,637
Governmental activities capital assets, net	<u>\$ 16,583,896</u>	<u>\$ 5,727,986</u>	<u>\$ (1,723,100)</u>	<u>\$ 16,500</u>	<u>\$ 20,605,282</u>

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 56,393	\$ -	\$ -	\$ 56,393
Construction in progress	8,998	48,622	-	57,620
Total capital assets, not being depreciated	<u>65,391</u>	<u>48,622</u>	<u>-</u>	<u>114,013</u>
Capital assets being depreciated				
Infrastructure	5,963,969	49,689	-	6,013,658
Buildings	8,606,236	-	-	8,606,236
Improvements	71,685	-	-	71,685
Machinery and equipment	3,950,895	5,344	-	3,956,239
Total capital assets being depreciated	<u>18,592,785</u>	<u>55,033</u>	<u>-</u>	<u>18,647,818</u>
Less accumulated depreciation for				
Infrastructure	(2,243,348)	(120,689)	-	(2,364,037)
Buildings	(2,238,853)	(200,712)	-	(2,439,565)
Improvements	(4,924)	(3,585)	-	(8,509)
Machinery and equipment	(2,644,354)	(69,887)	-	(2,714,241)
Total accumulated depreciation	<u>(7,131,479)</u>	<u>(394,873)</u>	<u>-</u>	<u>(7,526,352)</u>
Total capital assets, being depreciated, net	<u>11,461,306</u>	<u>(339,840)</u>	<u>-</u>	<u>11,121,466</u>
Business-type activities capital assets, net	<u>\$ 11,526,697</u>	<u>\$ (291,218)</u>	<u>\$ -</u>	<u>\$ 11,235,479</u>

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities		
General government		\$ 7,246
Public safety		44,967
Public works		558,340
Culture and recreation		92,677
Economic development		12,362
Total depreciation expense - governmental activities		<u>\$ 715,592</u>
Business-type activities		
Water		\$ 304,745
Sanitary Sewer		83,044
Storm Water		7,084
Total depreciation expense - business-type activities		<u>\$ 394,873</u>

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Interfund receivables, payables and transfers

Interfund balances

The composition of interfund balances at December 31, 2012 is as follows:

Receivable Fund	Payable Fund	Purpose	Amount
Sewer Capital Improvement Fund	Nonmajor governmental	Cash flow purposes	<u>\$ 167,605</u>

Interfund transfers

The composition of interfund transfers for the year ended December 31, 2012 is as follows:

Fund	Transfer in		Total
	General Fund	Nonmajor Governmental Funds	
Transfer out			
General	\$ -	\$ 18,000	\$ 18,000
Public Works/Police Facility	-	50,000	50,000
Nonmajor governmental	65,000	58,044	123,044
Water	137,300	-	137,300
Sanitary Sewer	91,650	-	91,650
Storm Water	50,150	-	50,150
Total transfers out	<u>\$ 344,100</u>	<u>\$ 126,044</u>	<u>\$ 470,144</u>

- The general fund transferred \$18,000 to the non-major governmental funds, \$2,000 was for contributions the City provided for a community event and \$16,000 was for project costs.
- The Public Works/ Public Facility fund transferred \$50,000 to the non-major governmental funds to reimburse for the payment of initial costs incurred related to the Public Works/Public Facility project.
- Non-major government funds transferred \$65,000 to the General fund for capital costs.
- Non-major government funds transferred \$58,044 to another non-major governmental fund to fund debt service.
- The Water, Sanitary Sewer, and Storm Water funds transferred a total of \$279,100 to the General fund for their portion of the administrative costs.

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Long-term debt

General obligation improvement bonds

The City issues G.O. improvement bonds to finance various improvements and will be repaid from special assessments levied on the properties benefiting from the improvements, tax increment from the district and ad valorem tax levies. All special assessment debt is backed by the full faith and credit of the City. Each year the combined assessment and tax levy equals 105 percent of the amount required for debt service. The excess of 5 percent is to cover any delinquencies in tax or assessment payments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds, Series 2011A	\$ 127,026	0.60 - 2.70 %	07/12/11	02/01/19	\$ 127,026
Taxable G.O. Improvement Bonds, Series 2011B	870,000	0.75 - 4.00	07/12/11	02/01/22	870,000
G.O. Improvement Bonds, Series 2010A	315,000	1.50 - 3.85	07/07/10	02/01/21	285,000
G.O. Improvement Bonds, Series 2008A	2,280,000	3.25 - 4.00	06/17/08	02/01/24	1,920,000
G.O. Capital Improvement Plan Bonds, Series 2012A	6,100,000	1.50 - 2.75	11/07/12	02/01/34	6,100,000
G.O. Water Revenue Bonds, Series 2007A, Recharacterized as Capital Improvement Plan Bonds	1,400,000	3.45 - 4.00	11/07/12	02/01/23	<u>1,400,000</u>
Total General Obligation Bonds					<u><u>\$ 10,702,026</u></u>

Annual debt service requirements to maturity for the general obligation improvement bonds are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2013	\$ 253,882	\$ 249,268	\$ 503,150
2014	383,996	274,865	658,861
2015	564,148	262,669	826,817
2016	570,000	247,961	817,961
2017	590,000	231,941	821,941
2018-2022	3,090,000	882,721	3,972,721
2023-2027	2,240,000	470,103	2,710,103
2028-2032	2,090,000	247,156	2,337,156
2033-2034	<u>920,000</u>	<u>25,153</u>	<u>945,153</u>
Total	<u><u>\$ 10,702,026</u></u>	<u><u>\$ 2,891,838</u></u>	<u><u>\$ 13,593,864</u></u>

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

General obligation tax increment bonds

The G.O. Tax Increment Bonds, Series 2005C was issued for storm water mitigation and road work within phase 1 of the TIF district. The G.O Refunding Bonds, Series 2012B were issued to refund the 2005C bonds. The 2012B bonds will be repaid with future tax increments.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Tax Increment Bonds, Series 2005C	\$ 1,040,000	3.25 - 3.95 %	10/13/05	02/01/13	\$ 725,000
G.O. Refunding Bonds, Series 2012B	650,000	1.50	11/07/12	02/01/21	<u>650,000</u>
Total G.O. Tax Increment Bonds					<u>\$ 1,375,000</u>

Annual debt service requirements to maturity for the general obligation tax increment bonds are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2013	\$ 725,000	\$ 20,659	\$ 745,659
2014	75,000	9,188	84,188
2015	80,000	8,025	88,025
2016	75,000	6,862	81,862
2017	80,000	5,700	85,700
2018-2021	<u>340,000</u>	<u>10,350</u>	<u>350,350</u>
Total	<u>\$ 1,375,000</u>	<u>\$ 60,784</u>	<u>\$ 1,435,784</u>

G.O. revenue bonds

The following bonds were issued to finance capital improvements, and finance acquisition and construction of capital facilities. They will be repaid from future net revenues pledged from the Water fund and are backed by the taxing power of the City. Annual principal and interest payments on the bonds are expected to require over 26 and 51 percent of net revenues from the Water and Sewer funds, respectively. For 2012, principal and interest paid and total customer net revenues for the Water fund were \$587,114 and \$949,056, respectively.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Water Revenue Bonds, Series 2005A	\$ 4,760,000	3.63 - 4.00 %	05/17/05	02/01/14	\$ 2,815,000
G.O. Water Revenue Bonds, Series 2007A	4,395,000	3.30 - 4.00	12/20/07	02/01/23	2,070,000
G.O. Water Revenue Crossover Refunding Bonds, Series 2012B	2,195,000	1.50	11/07/12	02/01/20	<u>2,195,000</u>
Total G.O. Revenue Bonds					<u>\$ 7,080,000</u>

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 3: DETAILED NOTES ON ALL FUNDS- CONTINUED

Annual debt service requirements to maturity for the general obligation revenue bonds are as follows:

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2013	\$ 570,000	\$ 198,387	\$ 768,387
2014	2,655,000	146,638	2,801,638
2015	510,000	90,683	600,683
2016	525,000	79,548	604,548
2017	530,000	68,033	598,033
2018-2023	2,290,000	168,392	2,458,392
Total	<u>\$ 7,080,000</u>	<u>\$ 751,681</u>	<u>\$ 7,831,681</u>

Equipment certificates

The City has issued the following certificate for the purchase of equipment. The equipment certificate will be repaid with ad valorem taxes or charges for service and are secured by the full faith and credit of the City.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Equipment Certificates of 2011A	\$ 382,874	0.60 - 1.10 %	07/12/11	02/01/15	<u>\$ 382,974</u>

Annual debt service requirements to maturity for equipment certificates are as follows:

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2013	\$ 141,118	\$ 2,721	\$ 143,839
2014	121,004	1,813	122,818
2015	120,852	665	121,517
Total	<u>\$ 382,974</u>	<u>\$ 5,199</u>	<u>\$ 388,173</u>

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General obligation improvement bonds	\$ 3,357,026	\$ 7,500,000	\$ (155,000)	\$ 10,702,026	\$ 253,882
General obligation equipment certificates	382,974	-	-	382,974	141,118
General obligation tax increment bonds	790,000	650,000	(65,000)	1,375,000	725,000
Unamortized premium on bonds	-	94,517	(933)	93,584	-
	4,530,000	8,244,517	(220,933)	12,553,584	1,120,000
Compensated absences payable	207,324	192,759	(165,808)	234,275	66,667
Other postemployment benefits payable	94,283	33,032	-	127,315	-
	\$ 4,831,607	\$ 8,470,308	\$ (386,741)	\$ 12,915,174	\$ 1,186,667
Business-type activities					
Bonds payable					
General obligations revenue bonds	\$ 6,835,000	\$ 2,195,000	\$ (1,950,000)	\$ 7,080,000	\$ 570,000
Unamortized premium on bonds	-	64,299	(1,478)	62,821	-
	6,835,000	2,259,299	(1,951,478)	7,142,821	570,000
Compensated absences payable	30,217	22,510	(15,802)	36,925	11,558
Other postemployment benefits payable	14,060	5,207	-	19,267	-
	\$ 6,879,277	\$ 2,287,016	\$ (1,967,280)	\$ 7,199,013	\$ 581,558

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Current and Crossover Refunding

On November 7, 2012 the City issued \$2,845,000 of G.O. Crossover Refunding Bonds, Series 2012B, bearing an average coupon rate of 1.50 percent, to provide resources for the current refunding of \$655,000 of the outstanding principal of the G.O. Tax Increment Bonds, Series 2005C on February 1, 2013 and the advance crossover refunding of \$2,185,000 of the outstanding principal of the G.O. Water Revenue Bonds, Series 2005A on February 1, 2014.

A portion of the proceeds of the Series 2012B Bonds were deposited into an escrow account which shall pay issuance costs and purchase securities bearing interest to provide sufficient funds to pay the interest on the 2012B bonds and pay the \$2,185,000 called G.O. Water Revenue Bonds, Series 2005A on February 1, 2014. The City will continue to pay, as due, principal and interest on the 2005A Bonds at the rates and amounts specified to the call date (February 1, 2014). As a result of the refunding issue, the City will save \$258,423 in debt service payments and achieve an economic gain (the present value of the difference between the old and the new debt service) of \$248,340.

E. Components of fund balance

At December 31, 2012, portions of the City's fund balance are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), City Council action (Committed), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Sewer Capital Improvements	Public Works/ Police Facility	Other Governmental Funds	Total
Nonspendable					
Prepaid items	\$ 68,550	\$ -	\$ -	\$ 453	\$ 69,003
Restricted for					
Capital improvements	\$ -	\$ -	\$ 3,312,416	\$ 110,079	\$ 3,422,495
Park improvements	-	-	-	499,236	499,236
Debt service	-	-	-	1,503,318	1,503,318
Police expenditures	-	-	-	127,331	127,331
Equipment replacement	-	-	-	192,186	192,186
Total restricted	\$ -	\$ -	\$ 3,312,416	\$ 2,432,150	\$ 5,744,566
Committed to					
Park improvements	\$ -	\$ -	\$ -	\$ 308,343	\$ 308,343
Police expenditures	-	-	-	42,561	42,561
Field house	-	-	-	24,948	24,948
German liberal cemetery	-	-	-	88,520	88,520
Community event	-	-	-	4,796	4,796
Environmental	-	-	-	291,610	291,610
Total committed	\$ -	\$ -	\$ -	\$ 760,778	\$ 760,778
Assigned to					
Sewer capital improvements	\$ -	\$ 1,980,926	\$ -	\$ -	\$ 1,980,926
Capital improvements	-	-	-	1,303,678	1,303,678
Equipment replacement	-	-	-	367,394	367,394
Total assigned	\$ -	\$ 1,980,926	\$ -	\$ 1,671,072	\$ 3,651,998

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE

A. Plan description

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

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

Two methods are used to compute benefits for PERA's Coordinated 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 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 members hired prior to July 1, 1989. Normal retirement age is the age for unreduced Social Security benefits capped at 66 for Coordinated members hired on or after July 1, 1989. A reduced retirement annuity is also available to eligible members seeking early retirement.

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

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF and PEPFF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or (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 Minnesota statutes. GERF Basic Plan members and Coordinated Plan members are required to contribute 9.10 percent and 6.25 percent, respectively, of their annual covered salary in 2012. PEPFF members were required to contribute 9.60 percent of their annual covered salary in 2012. In 2012, the City of Medina was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERF members, 7.25 percent for Coordinated Plan GERF members, and 14.40 percent for PEPFF members. The City's contributions to the GERF for the year ended December 31, 2012, 2011 and 2010 were \$52,586, \$52,981 and \$50,648, respectively. The City's contributions to the PEPFF for the years ending December 31, 2012, 2011 and 2010 were \$121,732, \$121,005 and \$111,752, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 5: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

A. Plan description

The City’s defined benefit healthcare plan (“the Retiree Health Plan”) provides healthcare insurance for eligible retirees and their spouses. The Retiree Health Plan is affiliated with the healthcare plan administered through LOGIS, an agent multiple-employer postemployment healthcare plan. LOGIS is a consortium of Minnesota local government units controlled by its members. LOGIS’ Board of Directors is composed of one representative from each agency. LOGIS issues a publicly available financial report that includes financial statements and required supplementary information for the health plan. That report may be obtained by writing to LOGIS, 5750 Duluth Street, Golden Valley, MN 55422, or by calling (763) 543-2600.

B. Funding policy

The contribution requirements of plan members and the City are established and may be amended by LOGIS’ Board of Directors. The required contributions are based on projected pay-as-you-go financing requirements. The City did not contribute to the plan for the year ended December 31, 2012. At the present time, retiree benefits are provided for two participating employees. The City does not contribute any of the cost of current year premiums for eligible retired plan members and their spouses. For fiscal year 2012, the City contributed \$3,730 to the plan. Retired plan members receiving benefits contribute 100 percent of their premium costs.

C. Annual other postemployment benefit cost and net other postemployment benefit obligation

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

Annual required contribution	\$ 41,275
Interest on net OPEB obligation	4,875
Adjustment to annual required contribution	<u>(4,181)</u>
Annual OPEB cost (expense)	41,969
Contributions made	<u>(3,730)</u>
Increase in net OPEB obligation	38,239
Net OPEB obligation - beginning of year	<u>108,343</u>
Net OPEB obligation - end of year	<u><u>\$ 146,582</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 ended December 31, 2012, 2011 and 2010 follows:

Year Ending	Trend Information		
	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/12	\$ 41,275	8.9 %	\$ 146,582
12/31/11	41,479	20.5	108,343
12/31/10	41,124	20.0	75,355

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 5: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - CONTINUED

D. Funded status and funding progress

As of December 31, 2012, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$270,565, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,510,284, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 18 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

E. Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing 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 December 31, 2012 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return, which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments. The initial healthcare trend rate was 9 percent, reduced by decrements to an ultimate rate of 5 percent after twelve years. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2012, was thirty years.

Note 6: OTHER INFORMATION

A. Risk management

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

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

B. Legal debt margin

The City's statutory debt limit is computed as 3 percent of the taxable market value of property within the City. Long-term debt issued and financed partially or entirely by special assessments or the net revenues of enterprise fund operations is excluded from the debt limit computation. The 2012 taxable market value of property was \$1,232,436,900 and the debt limit was \$36,973,107. There City has \$382,974 of debt applicable to this limit at year end.

C. Tax increment districts

The City's tax increment district is subject to review by the State of Minnesota Office of the State Auditor (OSA). Any disallowed claims or misuse of tax increments could become a liability of the applicable fund. Management has indicated that they are not aware of any instances of noncompliance which would have a material effect on the financial statements.

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 7: CHANGE IN ACCOUNTING PRINCIPLE

During fiscal year 2012, the City implemented several new accounting pronouncements issued by the Government Accounting Standards Board (GASB), including Statement No. 63, “*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*” and Statement No. 65, “*Items Previously Reported as Assets and Liabilities*”. These standards required a retroactive implementation which resulted in the restatement of beginning balances in the December 31, 2012 financial statements. Changes related to these standards are reflected in the financial statements and schedules and related disclosures are included in Note 1.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2010 balances to the December 31, 2012 financial statements:

Activities/Fund	Net Position December 31, 2010 as Previously Reported	(1) Restatement	Net Position January 1, 2011 as Restated
Governmental activities	\$ 18,525,956	\$ (88,800)	\$ 18,437,156
Business-type activities	\$ 9,277,949	\$ (84,059)	\$ 9,193,890
Proprietary funds			
Water	\$ 5,024,888	\$ (84,059)	\$ 4,940,829
Sanitary Sewer	4,034,051	-	4,034,051
Storm Water	219,010	-	219,010
Total business-type activities	\$ 9,277,949	\$ (84,059)	\$ 9,193,890

(1) Write-off of unamortized bond issuance cost balances at December 31, 2010.

As a result of the restatement of beginning balances, the following schedule reconciles the previously reported December 31, 2011 balances to the December 31, 2012 financial statements:

Activities/Fund	Net Position December 31, 2011 as Previously Reported	(2) Restatement	Net Position January 1, 2012 as Restated
Governmental activities	\$ 19,960,442	\$ (80,923)	\$ 19,879,519
Business-type activities	\$ 8,982,209	\$ (76,251)	\$ 8,905,958
Proprietary funds			
Water	\$ 4,736,018	\$ (76,251)	\$ 4,659,767
Sanitary Sewer	4,019,133	-	4,019,133
Storm Water	227,058	-	227,058
Total business-type activities	\$ 8,982,209	\$ (76,251)	\$ 8,905,958

(2) Write-off of unamortized bond issuance cost balances at December 31, 2011.

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2012

Note 8: SUBSEQUENT EVENT

On April 2, 2013 the City issued \$2,690,000 of G.O. Crossover Refunding Bonds, Series 2013A, bearing an average coupon rate of 1.29 percent, to provide resources for the advance crossover refunding of \$1,500,000 of the outstanding principal of the G.O. Water Revenue Bonds, Series 2007A on February 1, 2015, and the advance crossover refunding of \$1,160,000 of the outstanding principal of the G.O. Water Revenue Bonds, Series 2007A (Portion Recharacterized as Capital Improvement Plan Bonds) on February 1, 2015.

The proceeds of the Series 2013A Bonds were deposited in an escrow account which shall pay issuance costs and purchase securities bearing interest to provide sufficient funds to pay the interest on the 2013A bonds, pay the \$1,500,000 called G.O. Water Revenue Bonds, Series 2007A on February 1, 2015, and pay the \$1,160,000 called G.O. Water Revenue Bonds, Series 2007A (Portion Recharacterized as Capital Improvement Plan Bonds) on February 1, 2015. The City will continue to pay, as due, principal and interest on the 2007A Bonds at the rates and amounts specified to the call date (February 1, 2015). As a result of the refunding issue, the City will save \$225,389 in debt service payments and achieve an economic gain (the present value of the difference between the old and the new debt service) of \$210,013.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MEDINA
MEDINA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

CITY OF MEDINA, MINNESOTA
 REQUIRED SUPPLEMENTAL INFORMATION
 FOR THE YEAR ENDED DECEMBER 31, 2012

Schedule of funding progress for the postemployment benefit plan

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/11	\$ -	\$ 270,565	\$ 270,565	- %	\$ 1,510,284	18 %
12/31/10	-	271,842	271,842	-	1,516,368	18
12/31/09	-	237,104	237,104	-	1,451,070	16

**COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES**

CITY OF MEDINA
MEDINA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

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

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
ASSETS				
Cash and temporary investments	\$ 657,407	\$ 1,501,032	\$ 2,556,039	\$ 4,714,478
Receivables				
Accounts	1,050	-	274,281	275,331
Delinquent taxes	-	6,881	-	6,881
Special assessments	-	555,932	324,058	879,990
Due from other governments	-	2,286	13,243	15,529
Prepaid items	453	-	-	453
TOTAL ASSETS	<u>\$ 658,910</u>	<u>\$ 2,066,131</u>	<u>\$ 3,167,621</u>	<u>\$ 5,892,662</u>
LIABILITIES				
Accounts payable	\$ 1,598	\$ -	\$ 87,023	\$ 88,621
Retainage payable	1,350	-	3,613	4,963
Due to other funds	-	-	167,605	167,605
Due to other governments	-	-	1,268	1,268
Unearned revenue	-	-	34,689	34,689
TOTAL LIABILITIES	<u>2,948</u>	<u>-</u>	<u>294,198</u>	<u>297,146</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - taxes	-	6,881	-	6,881
Unavailable revenue - assessments	-	555,932	324,058	879,990
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>562,813</u>	<u>324,058</u>	<u>886,871</u>
FUND BALANCES				
Nonspendable	453	-	-	453
Restricted	127,331	1,503,318	801,501	2,432,150
Committed	528,178	-	232,600	760,778
Assigned	-	-	1,671,072	1,671,072
Unassigned	-	-	(155,808)	(155,808)
TOTAL FUND BALANCES	<u>655,962</u>	<u>1,503,318</u>	<u>2,549,365</u>	<u>4,708,645</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 658,910</u>	<u>\$ 2,066,131</u>	<u>\$ 3,167,621</u>	<u>\$ 5,892,662</u>

CITY OF MEDINA, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2012

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
REVENUES				
Taxes				
General property taxes	\$ -	\$ 312,503	\$ -	\$ 312,503
Tax increments	-	-	388,084	388,084
Intergovernmental	-	-	139,515	139,515
Charges for services	7,435	-	696,429	703,864
Fines and forfeitures	47,600	-	-	47,600
Special assessments	-	231,231	26,347	257,578
Interest on investments	5,759	4,683	13,467	23,909
Miscellaneous	50,214	-	63,279	113,493
	<u>111,008</u>	<u>548,417</u>	<u>1,327,121</u>	<u>1,986,546</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Public safety	7,971	-	-	7,971
Streets and highways	-	-	6,072	6,072
Culture and recreation	14,700	-	903	15,603
Economic development	-	-	214,975	214,975
Miscellaneous	528	-	-	528
Capital outlay				
General government	-	-	8,408	8,408
Public safety	25,720	-	888	26,608
Streets and highways	-	-	335,357	335,357
Culture and recreation	35,200	-	169,847	205,047
Economic development	-	-	7,891	7,891
Debt service				
Principal	-	220,000	-	220,000
Interest and other	-	148,118	-	148,118
Bond issuance costs	-	10,250	-	10,250
	<u>84,119</u>	<u>378,368</u>	<u>744,341</u>	<u>1,206,828</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES OVER EXPENDITURES				
	<u>26,889</u>	<u>170,049</u>	<u>582,780</u>	<u>779,718</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	1,360	-	-	1,360
Transfers in	2,000	58,044	66,000	126,044
Bonds issued	-	650,000	-	650,000
Premium on bonds issued	-	15,509	-	15,509
Transfers out	(65,000)	-	(58,044)	(123,044)
	<u>(61,640)</u>	<u>723,553</u>	<u>7,956</u>	<u>669,869</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCES				
	(34,751)	893,602	590,736	1,449,587
FUND BALANCES, JANUARY 1				
	<u>690,713</u>	<u>609,716</u>	<u>1,958,629</u>	<u>3,259,058</u>
FUND BALANCES, DECEMBER 31				
	<u>\$ 655,962</u>	<u>\$ 1,503,318</u>	<u>\$ 2,549,365</u>	<u>\$ 4,708,645</u>

CITY OF MEDINA, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2012

	226 Municipal Park	227 Field House	235 Police Forfeiture	236 Police Reserve Equipment
ASSETS				
Cash and temporary investments	\$ 77,093	\$ 24,948	\$ 153,584	\$ 17,906
Accounts receivable	-	-	-	-
Prepaid items	-	-	365	-
TOTAL ASSETS	\$ 77,093	\$ 24,948	\$ 153,949	\$ 17,906
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 1,304	\$ 294
Retainage payable	1,350	-	-	-
TOTAL LIABILITIES	1,350	-	1,304	294
FUND BALANCES				
Nonspendable	-	-	365	-
Restricted	-	-	127,331	-
Committed	75,743	24,948	24,949	17,612
TOTAL FUND BALANCES	75,743	24,948	152,645	17,612
TOTAL LIABILITIES AND FUND BALANCES	\$ 77,093	\$ 24,948	\$ 153,949	\$ 17,906

237	238	240	204	
Safe & Sober Grant	German Liberal Cemetery	Community Event	Environmental	Total
\$ -	\$ 88,520	\$ 4,796	\$ 290,560	\$ 657,407
-	-	-	1,050	1,050
-	88	-	-	453
<u>\$ -</u>	<u>\$ 88,608</u>	<u>\$ 4,796</u>	<u>\$ 291,610</u>	<u>\$ 658,910</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,598
-	-	-	-	1,350
-	-	-	-	2,948
-	88	-	-	453
-	-	-	-	127,331
-	88,520	4,796	291,610	528,178
-	88,608	4,796	291,610	655,962
<u>\$ -</u>	<u>\$ 88,608</u>	<u>\$ 4,796</u>	<u>\$ 291,610</u>	<u>\$ 658,910</u>

CITY OF MEDINA, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUE, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2012

	226 Municipal Park	227 Field House	235 Police Forfeiture	236 Police Reserve Equipment
REVENUES				
Charges for services	\$ -	\$ -	\$ -	\$ 1,600
Fines and forfeitures	-	-	47,600	-
Interest on investments	672	206	1,563	134
Miscellaneous				
Contributions and donations	40,974	-	-	500
Other	-	2,280	-	-
	<u>41,646</u>	<u>2,486</u>	<u>49,163</u>	<u>2,234</u>
EXPENDITURES				
Current				
Public safety	-	-	7,145	817
Culture and recreation	593	2,695	-	-
Miscellaneous	-	-	-	-
Capital outlay				
Public safety	-	-	25,720	-
Culture and recreation	35,200	-	-	-
	<u>35,793</u>	<u>2,695</u>	<u>32,865</u>	<u>817</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES				
	<u>5,853</u>	<u>(209)</u>	<u>16,298</u>	<u>1,417</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	1,360	-
Transfers in	-	-	-	-
Transfers out	-	-	(65,000)	-
	<u>-</u>	<u>-</u>	<u>(63,640)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES				
	5,853	(209)	(47,342)	1,417
FUND BALANCES, JANUARY 1				
	<u>69,890</u>	<u>25,157</u>	<u>199,987</u>	<u>16,195</u>
FUND BALANCES, DECEMBER 31				
	<u>\$ 75,743</u>	<u>\$ 24,948</u>	<u>\$ 152,645</u>	<u>\$ 17,612</u>

<u>237</u> Safe & Sober Grant	<u>238</u> German Liberal Cemetery	<u>240</u> Community Event	<u>204</u> Environmental	<u>Total</u>
\$ -	\$ 5,835	\$ -	\$ -	\$ 7,435
-	-	-	-	47,600
-	701	37	2,446	5,759
-	-	6,460	-	47,934
-	-	-	-	2,280
-	<u>6,536</u>	<u>6,497</u>	<u>2,446</u>	<u>111,008</u>
9	-	-	-	7,971
-	-	6,204	5,208	14,700
-	528	-	-	528
-	-	-	-	25,720
-	-	-	-	35,200
<u>9</u>	<u>528</u>	<u>6,204</u>	<u>5,208</u>	<u>84,119</u>
<u>(9)</u>	<u>6,008</u>	<u>293</u>	<u>(2,762)</u>	<u>26,889</u>
-	-	-	-	1,360
-	-	2,000	-	2,000
-	-	-	-	(65,000)
-	-	<u>2,000</u>	-	<u>(61,640)</u>
(9)	6,008	2,293	(2,762)	(34,751)
<u>9</u>	<u>82,600</u>	<u>2,503</u>	<u>294,372</u>	<u>690,713</u>
<u>\$ -</u>	<u>\$ 88,608</u>	<u>\$ 4,796</u>	<u>\$ 291,610</u>	<u>\$ 655,962</u>

CITY OF MEDINA, MINNESOTA
NONMAJOR DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2012

	306	312	313	314
	G.O. Bonds 2008 Uptown Hamel	G.O. Improvement Bonds 2010A	Hunter South Improvement Bonds 2011B	2011 Equipment Certificates
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash and temporary investments	\$ 355,776	\$ 82,465	\$ 62,370	\$ 125,120
Receivables				
Delinquent taxes	-	784	550	4,287
Special assessments	145,818	16,199	5,973	-
Due from other governments	263	163	294	849
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 501,857</u></u>	<u><u>\$ 99,611</u></u>	<u><u>\$ 69,187</u></u>	<u><u>\$ 130,256</u></u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - taxes	\$ -	\$ 784	\$ 550	\$ 4,287
Unavailable revenue - special assessments	145,818	16,199	5,973	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>145,818</u>	<u>16,983</u>	<u>6,523</u>	<u>4,287</u>
FUND BALANCES				
Restricted for debt service	356,039	82,628	62,664	125,969
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 501,857</u></u>	<u><u>\$ 99,611</u></u>	<u><u>\$ 69,187</u></u>	<u><u>\$ 130,256</u></u>

315	316	
G.O. Bonds 2005 Uptown Hamel	Hunter North Improvement Bonds 2011B	Total
\$ 715,238	\$ 160,063	\$ 1,501,032
-	1,260	6,881
107,311	280,631	555,932
33	684	2,286
<u>\$ 822,582</u>	<u>\$ 442,638</u>	<u>\$ 2,066,131</u>
\$ -	\$ 1,260	\$ 6,881
<u>107,311</u>	<u>280,631</u>	<u>555,932</u>
<u>107,311</u>	<u>281,891</u>	<u>562,813</u>
<u>715,271</u>	<u>160,747</u>	<u>1,503,318</u>
<u>\$ 822,582</u>	<u>\$ 442,638</u>	<u>\$ 2,066,131</u>

CITY OF MEDINA, MINNESOTA
NONMAJOR DEBT SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2012

	306 G.O. Bonds 2008 Uptown Hamel	312 G.O. Improvement Bonds 2010A	313 Hunter South Improvement Bonds 2011B	314 2011 Equipment Certificates
REVENUES				
Taxes				
General property taxes	\$ -	\$ 38,973	\$ 43,906	\$ 127,216
Special assessments	98,315	4,629	3,205	-
Interest on investments	2,219	494	226	314
	<u>100,534</u>	<u>44,096</u>	<u>47,337</u>	<u>127,530</u>
EXPENDITURES				
Debt service				
Principal	125,000	30,000	-	-
Interest and other	80,694	8,610	2,941	3,310
Bond issuance costs	-	-	-	-
	<u>205,694</u>	<u>38,610</u>	<u>2,941</u>	<u>3,310</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(105,160)</u>	<u>5,486</u>	<u>44,396</u>	<u>124,220</u>
OTHER FINANCING SOURCES				
Transfer in	58,044	-	-	-
Bond issued	-	-	-	-
Premium on bonds issued	-	-	-	-
	<u>58,044</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(47,116)	5,486	44,396	124,220
FUND BALANCES, JANUARY 1	<u>403,155</u>	<u>77,142</u>	<u>18,268</u>	<u>1,749</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 356,039</u></u>	<u><u>\$ 82,628</u></u>	<u><u>\$ 62,664</u></u>	<u><u>\$ 125,969</u></u>

315	316	
G.O. Bonds 2005 Uptown Hamel	Hunter North Improvement Bonds 2011B	Total
\$ -	\$ 102,408	\$ 312,503
55,504	69,578	231,231
1,092	338	4,683
<u>56,596</u>	<u>172,324</u>	<u>548,417</u>
65,000	-	220,000
28,524	24,039	148,118
10,250	-	10,250
<u>103,774</u>	<u>24,039</u>	<u>378,368</u>
<u>(47,178)</u>	<u>148,285</u>	<u>170,049</u>
-	-	58,044
650,000	-	650,000
15,509	-	15,509
<u>665,509</u>	<u>-</u>	<u>723,553</u>
618,331	148,285	893,602
96,940	12,462	609,716
<u>\$ 715,271</u>	<u>\$ 160,747</u>	<u>\$ 1,503,318</u>

CITY OF MEDINA, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2012

	225	401	402	406
	Park Dedication	General Capital Improvement	Water Capital Improvement	Tax Increment 1-9
ASSETS				
Cash and temporary investments	\$ 733,110	\$ 304,059	\$ 383,885	\$ -
Receivables				
Accounts	-	-	4,383	-
Special assessments	-	-	38,872	-
Due from other governments	-	-	-	13,065
	<u>733,110</u>	<u>304,059</u>	<u>427,140</u>	<u>13,065</u>
TOTAL ASSETS	<u>\$ 733,110</u>	<u>\$ 304,059</u>	<u>\$ 427,140</u>	<u>\$ 13,065</u>
LIABILITIES				
Accounts payable	\$ 1,274	\$ 3,674	\$ -	\$ -
Retainage payable	-	-	-	-
Due to other funds	-	-	-	86,069
Due to other governments	-	-	-	1,268
Unearned revenue	-	-	4,383	-
	<u>1,274</u>	<u>3,674</u>	<u>4,383</u>	<u>87,337</u>
TOTAL LIABILITIES	<u>1,274</u>	<u>3,674</u>	<u>4,383</u>	<u>87,337</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - assessments	-	-	38,872	-
	<u>-</u>	<u>-</u>	<u>38,872</u>	<u>-</u>
FUND BALANCES				
Restricted	499,236	-	-	-
Committed	232,600	-	-	-
Assigned	-	300,385	383,885	-
Unassigned	-	-	-	(74,272)
	<u>731,836</u>	<u>300,385</u>	<u>383,885</u>	<u>(74,272)</u>
TOTAL FUND BALANCES	<u>731,836</u>	<u>300,385</u>	<u>383,885</u>	<u>(74,272)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 733,110</u>	<u>\$ 304,059</u>	<u>\$ 427,140</u>	<u>\$ 13,065</u>

407	411	419	420	
TH 55 Intersection	Equipment Replacement	Loretto Ponds	Road Improvement	Total
\$ -	\$ 559,863	\$ 116,550	\$ 458,572	\$ 2,556,039
-	-	-	269,898	274,281
-	-	-	285,186	324,058
-	-	-	178	13,243
<u>\$ -</u>	<u>\$ 559,863</u>	<u>\$ 116,550</u>	<u>\$ 1,013,834</u>	<u>\$ 3,167,621</u>
\$ -	\$ 283	\$ 81,792	\$ -	\$ 87,023
-	-	3,613	-	3,613
81,536	-	-	-	167,605
-	-	-	-	1,268
-	-	30,306	-	34,689
<u>81,536</u>	<u>283</u>	<u>115,711</u>	<u>-</u>	<u>294,198</u>
-	-	-	285,186	324,058
-	192,186	-	110,079	801,501
-	-	-	-	232,600
-	367,394	839	618,569	1,671,072
(81,536)	-	-	-	(155,808)
<u>(81,536)</u>	<u>559,580</u>	<u>839</u>	<u>728,648</u>	<u>2,549,365</u>
<u>\$ -</u>	<u>\$ 559,863</u>	<u>\$ 116,550</u>	<u>\$ 1,013,834</u>	<u>\$ 3,167,621</u>

CITY OF MEDINA, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2012

	225	401	402	406
	Park	General	Water	Tax
	Dedication	Capital	Capital	Increment
	<u> </u>	<u>Improvement</u>	<u>Improvement</u>	<u>1-9</u>
REVENUES				
Taxes				
Tax increments	\$ -	\$ -	\$ -	\$ 388,084
Intergovernmental	-	-	-	2,596
Charges for services	279,393	-	417,036	-
Special assessments	-	-	-	-
Interest on investments	4,772	2,115	1,431	(4,830)
Miscellaneous	-	-	-	-
TOTAL REVENUES	<u>284,165</u>	<u>2,115</u>	<u>418,467</u>	<u>385,850</u>
EXPENDITURES				
Current				
Streets and highways	-	-	6,072	-
Culture and recreation	903	-	-	-
Economic development	-	-	-	214,975
Capital outlay				
General government	-	7,277	-	-
Public safety	-	-	-	-
Streets and highways	-	18,271	41,950	-
Culture and recreation	32,928	-	-	-
Economic development	-	-	-	7,891
TOTAL EXPENDITURES	<u>33,831</u>	<u>25,548</u>	<u>48,022</u>	<u>222,866</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>250,334</u>	<u>(23,433)</u>	<u>370,445</u>	<u>162,984</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	66,000	-	-
Transfer out	-	-	-	(58,044)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>66,000</u>	<u>-</u>	<u>(58,044)</u>
NET CHANGE IN FUND BALANCES	250,334	42,567	370,445	104,940
FUND BALANCES, JANUARY 1	<u>481,502</u>	<u>257,818</u>	<u>13,440</u>	<u>(179,212)</u>
FUND BALANCES, DECEMBER 31	<u>\$ 731,836</u>	<u>\$ 300,385</u>	<u>\$ 383,885</u>	<u>\$ (74,272)</u>

407	411	419	420	
<u>TH 55 Intersection</u>	<u>Equipment Replacement</u>	<u>Loretto Ponds</u>	<u>Road Improvement</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ 388,084
-	-	136,919	-	139,515
-	-	-	-	696,429
-	-	-	26,347	26,347
(670)	4,931	839	4,879	13,467
-	-	-	63,279	63,279
<u>(670)</u>	<u>4,931</u>	<u>137,758</u>	<u>94,505</u>	<u>1,327,121</u>
-	-	-	-	6,072
-	-	-	-	903
-	-	-	-	214,975
-	1,131	-	-	8,408
-	888	-	-	888
629	55,094	-	219,413	335,357
-	-	136,919	-	169,847
-	-	-	-	7,891
<u>629</u>	<u>57,113</u>	<u>136,919</u>	<u>219,413</u>	<u>744,341</u>
<u>(1,299)</u>	<u>(52,182)</u>	<u>839</u>	<u>(124,908)</u>	<u>582,780</u>
-	-	-	-	66,000
-	-	-	-	(58,044)
-	-	-	-	7,956
(1,299)	(52,182)	839	(124,908)	590,736
<u>(80,237)</u>	<u>611,762</u>	<u>-</u>	<u>853,556</u>	<u>1,958,629</u>
<u>\$ (81,536)</u>	<u>\$ 559,580</u>	<u>\$ 839</u>	<u>\$ 728,648</u>	<u>\$ 2,549,365</u>

CITY OF MEDINA, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CONTINUED ON THE FOLLOWING PAGES
FOR THE YEAR ENDED DECEMBER 31, 2012
(With comparative actual amounts for the year ended December 31, 2011)

	2012			2011	
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Taxes					
Property taxes	\$ 2,610,495	\$ 2,610,495	\$ 2,627,003	\$ 16,508	\$ 2,574,502
Licenses and permits	172,790	172,790	369,765	196,975	201,363
Intergovernmental					
Federal	15,000	15,000	16,758	1,758	11,821
State					
Property tax credits	16,340	16,340	2,596	(13,744)	69
Police state aid	63,500	63,500	73,863	10,363	71,032
Fire state aid	31,000	31,000	34,561	3,561	30,230
PERA aid	1,775	1,775	1,773	(2)	1,773
Other grants and aids	14,000	14,000	-	(14,000)	55,927
County					
Other grants and aids	12,000	12,000	13,009	1,009	13,091
Total	153,615	153,615	142,560	(11,055)	183,943
Charges for services					
General government	26,800	26,800	25,635	(1,165)	21,944
Public safety	122,775	122,775	199,557	76,782	132,881
Public works	4,550	4,550	4,191	(359)	4,148
Culture and recreation	13,000	13,000	22,134	9,134	21,978
Total	167,125	167,125	251,517	84,392	180,951
Fines and forfeitures	154,000	154,000	138,808	(15,192)	151,571
Special assessments	2,250	2,250	1,403	(847)	146,031
Interest on investments	46,350	46,350	18,834	(27,516)	21,426
Miscellaneous					
Contributions and donations	20,000	20,000	28,855	8,855	17,255
Other	103,500	103,500	175,625	72,125	125,851
Total	123,500	123,500	204,480	80,980	143,106
TOTAL REVENUES	3,430,125	3,430,125	3,754,370	324,245	3,602,893

CITY OF MEDINA, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012
(With comparative actual amounts for the year ended December 31, 2011)

	2012			Variance with Final Budget	2011
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
EXPENDITURES					
Current					
General government					
Mayor and Council					
Personal services	\$ 17,500	\$ 17,500	\$ 18,578	\$ (1,078)	\$ 17,494
Other services and charges	6,600	6,600	6,802	(202)	7,932
Total	<u>24,100</u>	<u>24,100</u>	<u>25,380</u>	<u>(1,280)</u>	<u>25,426</u>
City administrator					
Personal services	455,230	455,230	337,335	117,895	438,990
Supplies	6,350	6,350	4,872	1,478	6,049
Other services and charges	95,650	95,650	131,949	(36,299)	113,657
Total	<u>557,230</u>	<u>557,230</u>	<u>474,156</u>	<u>83,074</u>	<u>558,696</u>
Elections					
Personal services	5,500	5,500	5,953	(453)	-
Supplies	2,000	2,000	243	1,757	143
Other services and charges	750	750	3,215	(2,465)	743
Total	<u>8,250</u>	<u>8,250</u>	<u>9,411</u>	<u>(1,161)</u>	<u>886</u>
Assessing					
Supplies	500	500	257	243	-
Other services and charges	77,825	77,825	75,629	2,196	74,972
Total	<u>78,325</u>	<u>78,325</u>	<u>75,886</u>	<u>2,439</u>	<u>74,972</u>
Planning and zoning					
Personal services	166,695	166,695	143,722	22,973	143,303
Supplies	800	800	338	462	889
Other services and charges	44,325	44,325	34,917	9,408	35,263
Total	<u>211,820</u>	<u>211,820</u>	<u>178,977</u>	<u>32,843</u>	<u>179,455</u>
Other general government					
Supplies	7,850	7,850	8,157	(307)	8,618
Other services and charges	94,550	94,550	103,327	(8,777)	85,789
Total	<u>102,400</u>	<u>102,400</u>	<u>111,484</u>	<u>(9,084)</u>	<u>94,407</u>
Total general government	<u>982,125</u>	<u>982,125</u>	<u>875,294</u>	<u>106,831</u>	<u>933,842</u>

CITY OF MEDINA, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012
(With comparative actual amounts for the year ended December 31, 2011)

	2012			Variance with Final Budget	2011
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
EXPENDITURES - CONTINUED					
Current - continued					
Public safety					
Police					
Personal services	\$ 1,235,030	\$ 1,235,030	\$ 1,190,301	\$ 44,729	\$ 1,211,083
Supplies	67,200	67,200	78,519	(11,319)	70,821
Other services and charges	152,800	152,800	150,443	2,357	164,489
Total	1,455,030	1,455,030	1,419,263	35,767	1,446,393
Building inspection					
Personal services	95,525	95,525	88,275	7,250	95,410
Supplies	-	-	383	(383)	-
Other services and charges	161,575	161,575	160,863	712	73,768
Total	257,100	257,100	249,521	7,579	169,178
Fire					
Other services and charges	311,600	311,600	307,860	3,740	284,644
Total public safety	2,023,730	2,023,730	1,976,644	47,086	1,900,215
Streets and highways					
Streets					
Personal services	204,415	204,415	189,479	14,936	174,921
Supplies	258,500	258,500	257,554	946	249,732
Other services and charges	93,100	93,100	82,338	10,762	92,831
Total	556,015	556,015	529,371	26,644	517,484
Sanitation and recycling					
Personal services	7,650	7,650	7,963	(313)	7,068
Supplies	1,600	1,600	-	1,600	949
Other services and charges	6,750	6,750	2,074	4,676	3,166
Total sanitation and recycling	16,000	16,000	10,037	5,963	11,183

CITY OF MEDINA, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012
(With comparative actual amounts for the year ended December 31, 2011)

	2012			Variance with Final Budget	2011
	Budgeted Amounts		Actual		Actual
	Original	Final	Amounts		Amounts
EXPENDITURES - CONTINUED					
Current - continued					
Culture and recreation					
Personal services	\$ 48,130	\$ 48,130	\$ 47,377	\$ 753	\$ 51,872
Supplies	26,850	26,850	14,708	12,142	10,313
Other services and charges	71,900	71,900	67,265	4,635	68,231
Total culture and recreation	<u>146,880</u>	<u>146,880</u>	<u>129,350</u>	<u>17,530</u>	<u>130,416</u>
Total current expenditures	<u>3,724,750</u>	<u>3,724,750</u>	<u>3,520,696</u>	<u>204,054</u>	<u>3,493,140</u>
Capital outlay					
Public safety	43,675	43,675	-	43,675	37,825
Streets and highways	-	-	47,599	(47,599)	-
Total capital outlay	<u>43,675</u>	<u>43,675</u>	<u>47,599</u>	<u>(3,924)</u>	<u>37,825</u>
TOTAL EXPENDITURES	<u>3,768,425</u>	<u>3,768,425</u>	<u>3,568,295</u>	<u>200,130</u>	<u>3,530,965</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(338,300)</u>	<u>(338,300)</u>	<u>186,075</u>	<u>524,375</u>	<u>71,928</u>
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	12,200	12,200	-	(12,200)	2,100
Transfers in	344,100	344,100	344,100	-	305,700
Transfers out	(18,000)	(18,000)	(18,000)	-	(275,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>338,300</u>	<u>338,300</u>	<u>326,100</u>	<u>(12,200)</u>	<u>32,800</u>
NET CHANGE IN FUND BALANCES	-	-	512,175	512,175	104,728
FUND BALANCES, JANUARY 1	<u>2,134,701</u>	<u>2,134,701</u>	<u>2,134,701</u>	<u>-</u>	<u>2,029,973</u>
FUND BALANCES, DECEMBER 31	<u>\$ 2,134,701</u>	<u>\$ 2,134,701</u>	<u>\$ 2,646,876</u>	<u>\$ 512,175</u>	<u>\$ 2,134,701</u>

CITY OF MEDINA, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	Total		Percent Increase (Decrease)
	2012	2011	
REVENUES			
Taxes	\$ 3,327,590	\$ 3,168,585	5.02 %
Licenses and permits	369,765	201,363	83.63
Intergovernmental	282,075	448,043	(37.04)
Charges for services	1,113,545	401,004	177.69
Fines and forfeitures	186,408	204,145	(8.69)
Special assessments	270,450	406,583	(33.48)
Interest on investments	65,726	71,269	(7.78)
Miscellaneous	317,973	1,194,900	(73.39)
	<u>\$ 5,933,532</u>	<u>\$ 6,095,892</u>	(2.66) %
TOTAL REVENUES	<u>\$ 5,933,532</u>	<u>\$ 6,095,892</u>	(2.66) %
Per Capita	\$ 1,207	\$ 1,246	(3.14) %
EXPENDITURES			
Current			
General government	\$ 875,294	\$ 933,842	(6.27) %
Public safety	1,984,615	1,970,633	0.71
Streets and highways	535,443	526,884	1.62
Sanitation and recycling	10,037	11,183	(10.25)
Culture and recreation	144,953	173,278	(16.35)
Economic development	214,975	245,439	(12.41)
Miscellaneous	528	7,516	(92.97)
Capital outlay			
General government	8,408	125,104	(93.28)
Public safety	1,453,776	102,234	1,322.01
Streets and highways	3,107,074	1,661,751	86.98
Culture and recreation	205,047	69,525	194.93
Economic development	7,891	6,397	23.35
Debt service			
Principal	220,000	325,000	(32.31)
Interest and other	148,118	122,286	21.12
Bond issuance costs	87,235	51,611	69.02
	<u>\$ 9,003,394</u>	<u>\$ 6,332,683</u>	42.17 %
TOTAL EXPENDITURES	<u>\$ 9,003,394</u>	<u>\$ 6,332,683</u>	42.17 %
Per Capita	\$ 1,831	\$ 1,295	41.48 %
Total Long-term Indebtedness	\$ 12,460,000	\$ 4,530,000	175.06 %
Per Capita	2,535	926	173.71
General Fund Balance - December 31	\$ 2,646,876	\$ 2,134,701	23.99 %
Per Capita	538	436	23.39

The purpose of this report is to provide a summary of financial information concerning the City of Medina to interested citizens. The complete financial statements may be examined at City Hall, 2052 County Road 24, Medina, Minnesota 55340-9790. Questions about this report should be directed to the Finance Director at (763) 473-4643.

OTHER REPORTS

CITY OF MEDINA
MEDINA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

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5201 Eden Avenue
Suite 250
Edina, MN 55436

AUDITOR'S REPORT ON LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Medina, Minnesota

We have audited financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Medina, Minnesota (the City), as of and for the year ended December 31, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 24, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the Minnesota Office of the State Auditor pursuant to Minnesota statute, section 6.65. Accordingly, the audit included such tests of the accounting records and such other auditing procedures, as we considered necessary in the circumstances.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* covers seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness and claims and disbursements, tax increment financing, and miscellaneous provisions. Our study included all of the listed categories.

The results of our tests indicate that for the items tested, the City complied with the material terms and conditions of applicable legal provisions.

This report is intended solely for the information and use of City Council, management, others within the City and the Minnesota Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

April 24, 2013
Minneapolis, Minnesota

ABDO, EICK & MEYERS, LLP
Certified Public Accountants