

CITY OF MEDINA  
MEDINA, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED  
DECEMBER 31, 2011

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ANNUAL FINANCIAL REPORT  
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**INTRODUCTORY SECTION**

CITY OF MEDINA  
MEDINA, MINNESOTA

FOR THE YEAR ENDED  
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CITY OF MEDINA, MINNESOTA  
ELECTED AND APPOINTED OFFICIALS  
FOR THE YEAR ENDED DECEMBER 31, 2011

**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, 2011

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5201 Eden Avenue  
Suite 250  
Edina, MN 55436

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Council  
City of Medina, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Medina, Minnesota (the City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the City's 2010 financial statements and, in our report dated April 22, 2011, we expressed 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

As described in the Note 7 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended December 31, 2011. Adoption of the provision of this statement results in significant changes to the classifications of the components of fund balances.

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 for the Postemployment Benefit Plan on page 78 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.

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Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the City's basic financial statements as a whole. 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 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.

May 16, 2012  
Minneapolis, Minnesota

*Abdo, Eick & Meyers, LLP*  
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, 2011.

### **Financial Highlights**

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$28,942,651 (net assets). Of this amount, \$10,240,599 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$1,138,746.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,193,748, an increase of \$1,416,009 in comparison with the prior year. The City has an excess of the combined ending fund balance of \$1,860,230 available for spending at their discretion. The remainder of the fund balance, \$5,333,518, is not available for new spending because it is either restricted (\$1,574,667), committed (\$722,616), assigned (\$3,021,053), or nonspendable (\$15,182) for the purposes described in Note 3.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$2,119,679, or 60 percent of total General fund expenditures. These funds are not legally reserved, and are available for spending at the City's discretion; \$15,022 of the General fund balance is nonspendable prepaid items.
- The City's total debt increased by \$559,003, or 4.9 percent during the current fiscal year. This was mainly the result of the issuance of G.O. Improvement Bonds and G.O. Equipment Certificates in 2011.

### **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**

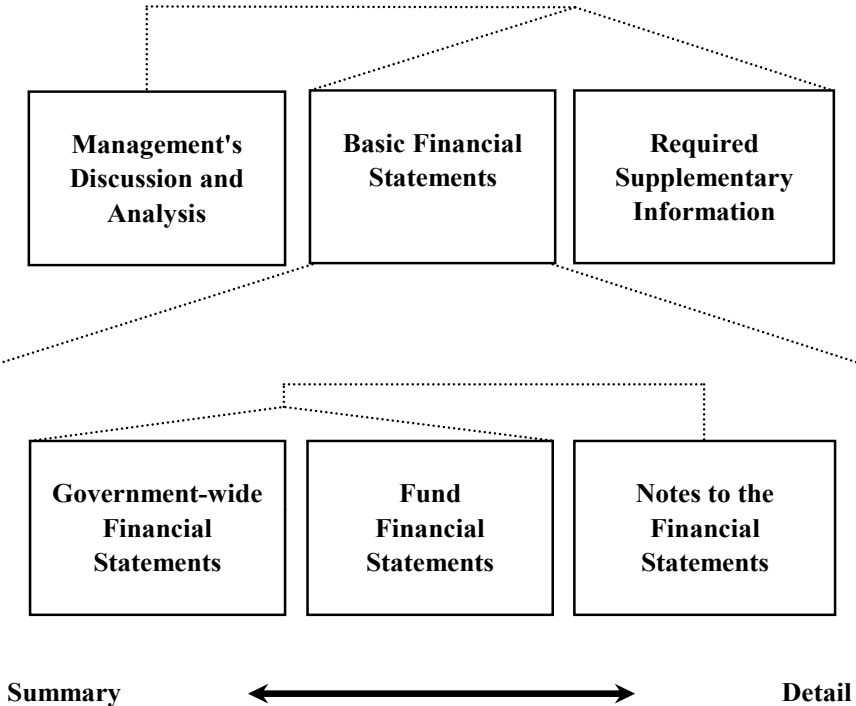




Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

	<b>Government-wide Statements</b>	<b>Fund Financial Statements</b>	
		<b>Governmental Funds</b>	<b>Proprietary Funds</b>
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"> <li>• Statement of Net Assets</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures, and Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statements of Net Assets</li> <li>• Statements of Revenues, Expenses and Changes in Fund Net Assets</li> <li>• Statements of Cash Flows</li> </ul>
Accounting Basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, 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 in flow/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 assets* presents information on all of the City’s assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets and highway, recycling, sanitation, culture and recreation, and miscellaneous. 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 twenty-three 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 and the Sewer Capital Improvement fund, which are considered to be major funds. Data from the other twenty-one 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 80 of this report.

## Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$28,942,651 at the close of the most recent fiscal year.

By far, the largest portion of the City's net assets (58 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 Assets

	Governmental Activities			Business-type Activities		
	2011	2010	Increase (Decrease)	2011	2010	Increase (Decrease)
<b>Assets</b>						
Current and other assets	\$ 8,951,679	\$ 7,600,536	\$ 1,351,143	\$ 4,498,137	\$ 4,946,475	\$ (448,338)
Capital assets	16,583,896	15,380,610	1,203,286	11,526,697	11,910,948	(384,251)
Total assets	25,535,575	22,981,146	2,554,429	16,024,834	16,857,423	(832,589)
<b>Liabilities</b>						
Noncurrent liabilities						
outstanding	4,831,607	3,749,367	1,082,240	6,879,277	7,402,514	(523,237)
Other liabilities	743,526	705,823	37,703	163,348	176,960	(13,612)
Total liabilities	5,575,133	4,455,190	1,119,943	7,042,625	7,579,474	(536,849)
<b>Net assets</b>						
Invested in capital assets, net of related debt	12,053,896	11,905,610	148,286	4,691,697	4,545,948	145,749
Restricted	1,956,459	705,067	1,251,392	-	-	-
Unrestricted	5,950,087	5,915,279	34,808	4,290,512	4,732,001	(441,489)
Total net assets	\$19,960,442	\$18,525,956	\$ 1,434,486	\$ 8,982,209	\$ 9,277,949	\$ (295,740)

An additional portion of the City's net assets (6.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$10,240,599) may be used to meet the City's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the City as a whole, as well as for its separate governmental and business-type activities.

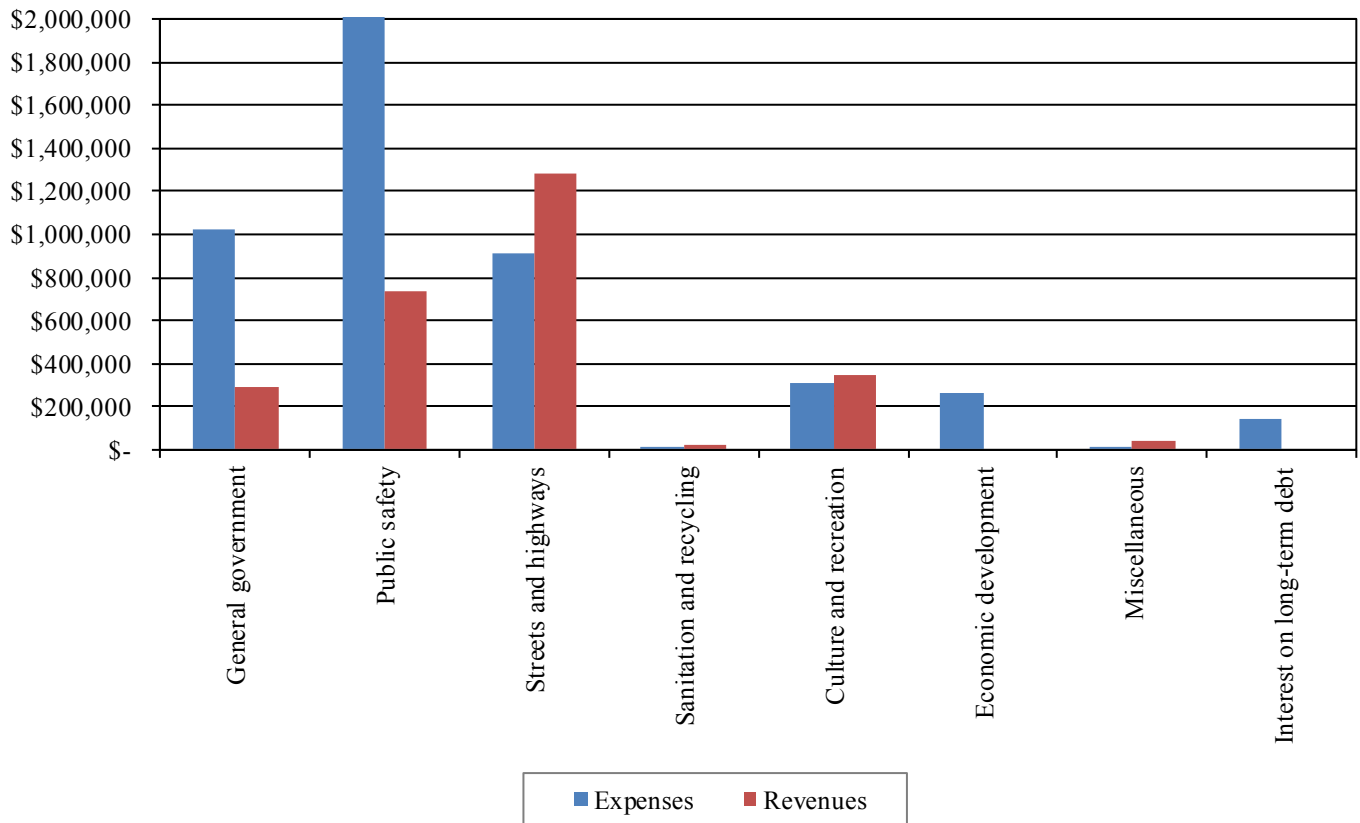
**Governmental activities.** Governmental activities increased the City's net assets by \$1,434,486.

### City of Medina's Changes in Net Assets

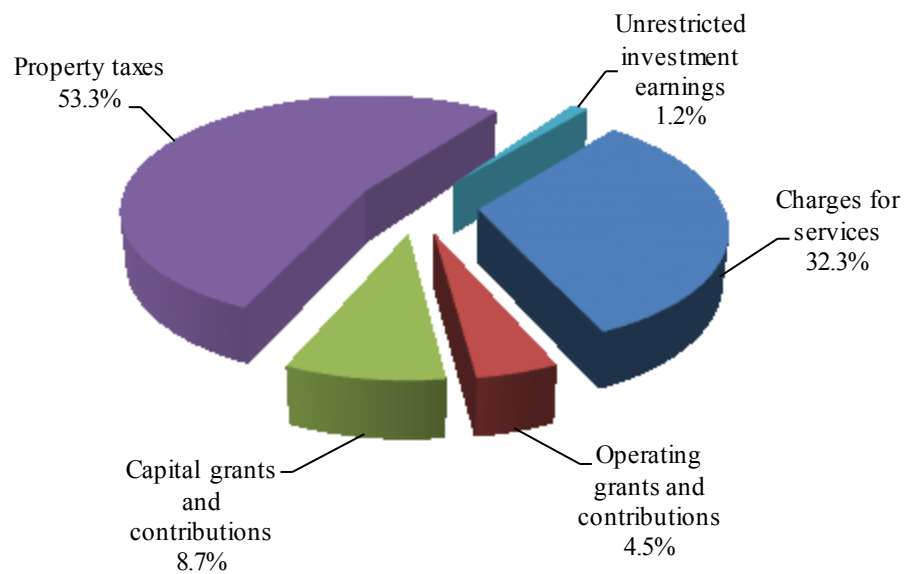
	Governmental Activities			Business-type Activities		
	2011	2010	Increase (Decrease)	2011	2010	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 1,920,277	\$ 1,058,032	\$ 862,245	\$ 1,410,120	\$ 1,332,787	\$ 77,333
Operating grants and contribution	266,065	190,402	75,663	75	-	75
Capital grants and contributions	520,188	408,528	111,660	-	-	-
General revenues						
Property taxes/tax increments	3,168,585	3,210,869	(42,284)	-	-	-
Unrestricted investment earnings	72,689	129,785	(57,096)	50,018	71,074	(21,056)
Gain on sale of capital assets	2,100	23,535	(21,435)	-	-	-
Miscellaneous	11,312	11,638	(326)	-	-	-
Total revenues	<u>5,961,216</u>	<u>5,032,789</u>	<u>928,427</u>	<u>1,460,213</u>	<u>1,403,861</u>	<u>56,352</u>
Expenses						
General government	1,018,811	946,393	72,418	-	-	-
Public safety	2,135,735	2,068,959	66,776	-	-	-
Streets and highways	913,092	1,008,181	(95,089)	-	-	-
Sanitation and recycling	11,183	11,905	(722)	-	-	-
Culture and recreation	307,207	292,044	15,163	-	-	-
Economic development	264,198	282,664	(18,466)	-	-	-
Miscellaneous	7,516	6,222	1,294	-	-	-
Interest on long-term debt	139,688	132,619	7,069	-	-	-
Water	-	-	-	898,517	961,606	(63,089)
Sanitary sewer	-	-	-	470,137	466,007	4,130
Storm water	-	-	-	116,599	91,300	25,299
Total expenses	<u>4,797,430</u>	<u>4,748,987</u>	<u>48,443</u>	<u>1,485,253</u>	<u>1,518,913</u>	<u>(33,660)</u>
Increase (decrease) in net assets before transfers	1,163,786	283,802	879,984	(25,040)	(115,052)	90,012
Transfers	<u>270,700</u>	<u>105,312</u>	<u>165,388</u>	<u>(270,700)</u>	<u>(105,312)</u>	<u>(165,388)</u>
Change in net assets	1,434,486	389,114	1,045,372	(295,740)	(220,364)	(75,376)
Net assets, January 1	18,525,956	18,136,842	389,114	9,277,949	12,210,522	(2,932,573)
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,712,209)</u>	<u>2,712,209</u>
Net assets, December 31	<u>\$19,960,442</u>	<u>\$18,525,956</u>	<u>\$ 1,434,486</u>	<u>\$ 8,982,209</u>	<u>\$ 9,277,949</u>	<u>\$ (295,740)</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**



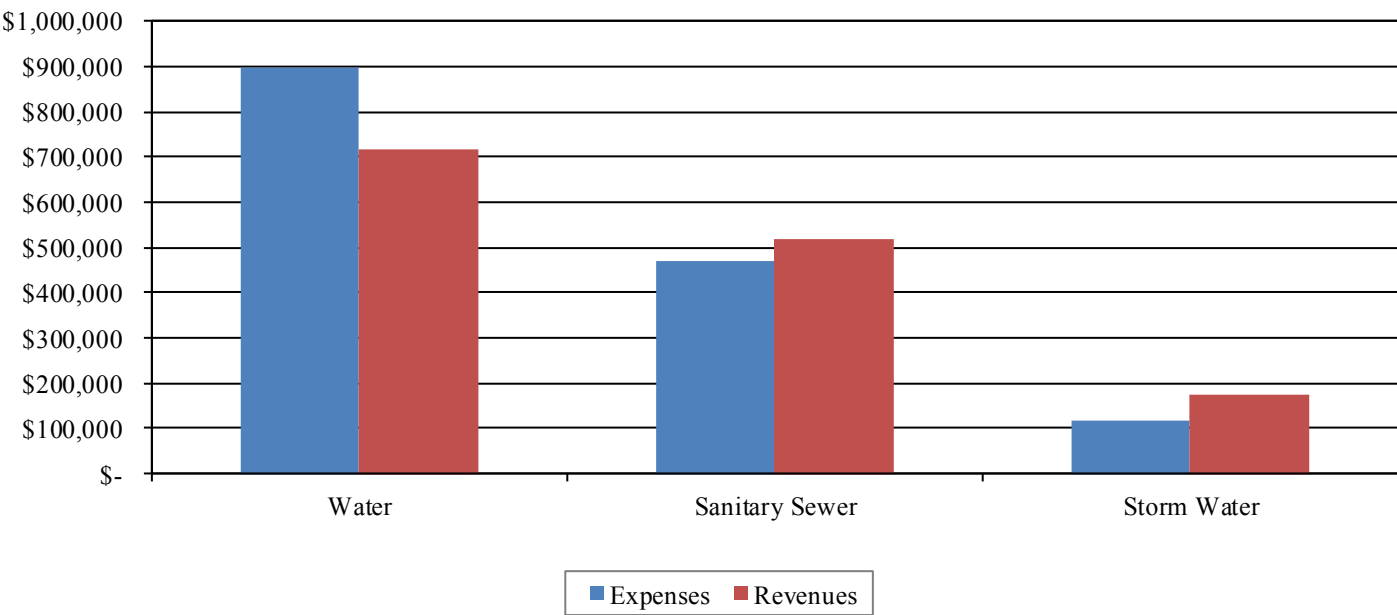
**Revenue by Source - Governmental Activities**



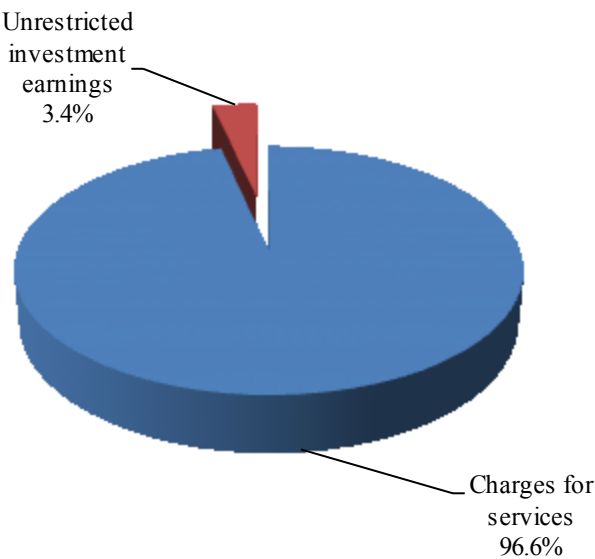
**Business-type activities.** There was a decrease of \$295,740 in net assets reported in connection with the City’s business-type activities.

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.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,193,748, a decrease of \$1,416,009 in comparison with the prior year. 25.9 percent of this total amount, \$1,860,230, constitutes *unassigned fund balance*, which is available for spending at the City's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been *restricted*, *committed*, or *assigned* in the amounts of \$1,574,667, \$722,616, \$3,021,053, respectively. Also, \$15,182 of the fund balance is *nonspendable* prepaid items.

The General fund is the chief operating fund of the City. At the end of the current year, the fund balance of the General fund was \$2,134,701. As a measure of the General fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Total fund balance represents 56.1 percent of fund expenditures and transfers out.

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2011	2010	
<b>General</b>	\$ 2,134,701	\$ 2,029,973	\$ 104,728
The increase in the General fund was mainly due to expenditures being less than expected. The fund balance is strong relative to the following years budget (53.5 percent).			
<b>Sewer Capital Improvements</b>	\$ 1,799,989	\$ 1,722,232	\$ 77,757
The increase in the Sewer Capital Improvements fund will be used for future capital expenditures.			
<b>Road Improvements</b>	\$ 853,556	\$ 369,989	\$ 483,567
The increase in the Road Improvements fund was a result of the issuance of the 2011 G.O. Improvement Bonds. The expenditures in the fund were related to the Hunter Drive North and Hunter Drive South improvement projects.			

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

Unrestricted net assets of the utility funds at the end of the year amounted to \$4,290,512. The total decrease in net assets for the funds was \$295,740. 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.

## 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, 2011, amounts to \$28,110,593 (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 South road improvements.
- Hunter Drive North road improvements construction in progress.
- Completion of trail improvements.
- Acquisition of skid steer.

Additional information on the City's capital assets can be found in Note 3C starts on page 62 of this report.

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

	Governmental Activities			Business-type Activities		
	2011	2010	Increase (Decrease)	2011	2010	Increase (Decrease)
Land	\$ 300,778	\$ 300,778	\$ -	\$ 56,393	\$ 56,393	\$ -
Buildings	1,388,309	1,411,686	(23,377)	6,367,385	6,568,093	(200,708)
Improvements	528,638	559,989	(31,351)	66,760	25,477	41,283
Machinery and equipment	637,460	671,941	(34,481)	1,306,541	1,375,861	(69,320)
Infrastructure	11,989,080	11,841,357	147,723	3,720,620	3,839,138	(118,518)
Construction in progress	1,739,631	594,859	1,144,772	8,998	45,986	(36,988)
Total	<u>\$ 16,583,896</u>	<u>\$ 15,380,610</u>	<u>\$ 1,203,286</u>	<u>\$ 11,526,697</u>	<u>\$ 11,910,948</u>	<u>\$ (384,251)</u>



**Long-term debt.** At the end of the current fiscal year, the City had total bonded debt outstanding of \$11,365,000. Of this amount, \$3,357,026 is G.O. Improvement Bond debt, \$790,000 is G.O. Tax Increment debt, \$382,974 is debt related to equipment certificates, and \$6,835,000 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		
	2011	2010	Increase (Decrease)	2011	2010	Increase (Decrease)
General obligation bonds	\$ 3,357,026	\$ 2,480,000	\$ 877,026	\$ -	\$ -	\$ -
G.O. tax increment bonds	790,000	855,000	(65,000)	-	-	-
General obligation revenue bonds	-	-	-	6,835,000	7,365,000	(530,000)
G.O. equipment certificates	382,974	140,000	242,974	-	-	-
Other postemployment benefits payable	94,283	65,491	28,792	14,060	9,864	4,196
Compensated absences	207,324	208,876	(1,552)	30,217	27,650	2,567
Total	<u>\$ 4,831,607</u>	<u>\$ 3,749,367</u>	<u>\$ 1,082,240</u>	<u>\$ 6,879,277</u>	<u>\$ 7,402,514</u>	<u>\$ (523,237)</u>

The City's total debt increased by \$559,003 (4.9 percent) during the current fiscal year. This is due to the issuance of a 2011A G.O. Improvement bond for \$127,026, a 2011B Taxable G.O. Improvement bond for \$870,000 and a 2011A G.O. Equipment Certificate for \$382,974 and total principal repayments of \$855,000.

The City maintains an "Aa3" 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 \$38.6 million. The City currently has \$382,974 outstanding general obligation debt payable solely from ad valorem taxes.

Additional information on the City's long-term debt can be found in Note 3E starts on page 65 of this report.

### Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Hennepin County is currently 5.5 percent (March 2012), which is a decrease from a rate of 6.2 percent in March of 2011. This compares favorably to the State's unemployment rate of 5.8 percent and the national seasonally adjusted average rate of 8.1 percent.
- Property valuations decreased 6.3 percent within the City from 2011 to 2012.

All of these factors were considered in preparing the City's budget for the 2012 fiscal year.

The City's property tax levy will increase in 2012 by 5.1 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 21.3 percent. The tax increase will provide an additional \$124,181 for the City's debt service obligations. The operations portion of the tax levy was increased by \$18,881 and the overall operating budget was reduced by \$5,000 from 2011 to 2012.

A water rate increase of 8 percent was approved for the three individual water systems for 2012. Sanitary sewer utility rates increased 0 percent, and the storm water utility rates increased 5.0 percent for 2012.

### 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.

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

CITY OF MEDINA  
MEDINA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2011

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CITY OF MEDINA, MINNESOTA  
STATEMENT OF NET ASSETS  
DECEMBER 31, 2011

	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and temporary investments	\$ 6,792,711	\$ 4,244,686	\$ 11,037,397
Property tax receivable	109,577	-	109,577
Accounts receivable	1,039,424	94,314	1,133,738
Due from other governments	27,585	598	28,183
Special assessments receivable			
Delinquent	9,687	15,081	24,768
Deferred	876,590	20,447	897,037
Prepaid items	15,182	46,760	61,942
Deferred charges	80,923	76,251	157,174
Capital assets			
Land and construction in progress	2,040,409	65,391	2,105,800
Depreciable assets (net of accumulated depreciation)	14,543,487	11,461,306	26,004,793
<b>TOTAL ASSETS</b>	<b>25,535,575</b>	<b>16,024,834</b>	<b>41,560,409</b>
<b>LIABILITIES</b>			
Accounts payable	334,750	41,817	376,567
Retainage payable	59,029	-	59,029
Due to other governments	11,612	5,535	17,147
Salaries payable	68,566	9,197	77,763
Accrued interest payable	62,372	106,799	169,171
Deposits payable	69,216	-	69,216
Unearned revenue	137,981	-	137,981
Noncurrent liabilities			
Due within one year			
Compensated absences payable	62,425	9,311	71,736
Bonds payable	220,000	550,000	770,000
Due in more than one year			
Other postemployment benefits payable	94,283	14,060	108,343
Compensated absences payable	144,899	20,906	165,805
Bonds payable	4,310,000	6,285,000	10,595,000
<b>TOTAL LIABILITIES</b>	<b>5,575,133</b>	<b>7,042,625</b>	<b>12,617,758</b>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	12,053,896	4,691,697	16,745,593
Restricted for			
Debt service	968,501	-	968,501
Capital improvements	266,213	-	266,213
Park improvements	295,837	-	295,837
Police expenditures	176,609	-	176,609
Equipment replacement	249,299	-	249,299
Unrestricted	5,950,087	4,290,512	10,240,599
<b>TOTAL NET ASSETS</b>	<b>\$ 19,960,442</b>	<b>\$ 8,982,209</b>	<b>\$ 28,942,651</b>

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, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 1,018,811	\$ 141,880	\$ 5,000	\$ 146,031
Public safety	2,135,735	535,959	197,289	-
Streets and highways	913,092	1,106,470	-	175,157
Sanitation and recycling	11,183	4,200	13,091	-
Culture and recreation	307,207	94,593	50,685	199,000
Economic development	264,198	-	-	-
Miscellaneous	7,516	37,175	-	-
Interest on long-term debt	139,688	-	-	-
Total governmental activities	4,797,430	1,920,277	266,065	520,188
Business-type activities				
Water	898,517	717,447	-	-
Sanitary sewer	470,137	519,416	-	-
Storm water	116,599	173,257	75	-
Total business-type activities	1,485,253	1,410,120	75	-
Total	\$ 6,282,683	\$ 3,330,397	\$ 266,140	\$ 520,188

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

Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets, January 1

Net assets, December 31

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

Net (Expenses) Revenues and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (725,900)		\$ (725,900)
(1,402,487)		(1,402,487)
368,535		368,535
6,108		6,108
37,071		37,071
(264,198)		(264,198)
29,659		29,659
(139,688)		(139,688)
<u>(2,090,900)</u>		<u>(2,090,900)</u>
-	\$ (181,070)	(181,070)
-	49,279	49,279
-	56,733	56,733
<u>-</u>	<u>(75,058)</u>	<u>(75,058)</u>
<u>(2,090,900)</u>	<u>(75,058)</u>	<u>(2,165,958)</u>
2,615,591	-	2,615,591
145,613	-	145,613
407,381	-	407,381
72,689	50,018	122,707
2,100	-	2,100
11,312	-	11,312
270,700	(270,700)	-
<u>3,525,386</u>	<u>(220,682)</u>	<u>3,304,704</u>
1,434,486	(295,740)	1,138,746
<u>18,525,956</u>	<u>9,277,949</u>	<u>27,803,905</u>
<u>\$ 19,960,442</u>	<u>\$ 8,982,209</u>	<u>\$ 28,942,651</u>

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**FUND FINANCIAL STATEMENTS**

CITY OF MEDINA  
MEDINA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2011

CITY OF MEDINA, MINNESOTA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2011

	101 General	403 Sewer Capital Improvements	420 Road Improvement	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and temporary investments	\$ 2,436,084	\$ 1,546,508	\$ 77,570	\$ 2,732,549	\$ 6,792,711
Receivables					
Property tax	109,577	-	-	-	109,577
Accounts	14,657	22,517	911,477	90,773	1,039,424
Special assessments	55,799	64,313	306,136	460,029	886,277
Due from other governments	25,869	-	226	1,490	27,585
Due from other funds	-	253,481	-	-	253,481
Prepaid items	15,022	-	-	160	15,182
<b>TOTAL ASSETS</b>	<b>\$ 2,657,008</b>	<b>\$ 1,886,819</b>	<b>\$ 1,295,409</b>	<b>\$ 3,285,001</b>	<b>\$ 9,124,237</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts payable	\$ 188,601	\$ -	\$ 76,688	\$ 69,461	\$ 334,750
Retainage payable	-	-	59,029	-	59,029
Due to other funds	-	-	-	253,481	253,481
Due to other governments	5,857	-	-	5,755	11,612
Salaries payable	68,566	-	-	-	68,566
Deposits payable	69,216	-	-	-	69,216
Deferred revenue	190,067	86,830	306,136	550,802	1,133,835
<b>TOTAL LIABILITIES</b>	<b>522,307</b>	<b>86,830</b>	<b>441,853</b>	<b>879,499</b>	<b>1,930,489</b>
<b>FUND BALANCES</b>					
Nonspendable	15,022	-	-	160	15,182
Restricted	-	-	266,213	1,308,454	1,574,667
Committed	-	-	-	722,616	722,616
Assigned	-	1,799,989	587,343	633,721	3,021,053
Unassigned	2,119,679	-	-	(259,449)	1,860,230
<b>TOTAL FUND BALANCES</b>	<b>2,134,701</b>	<b>1,799,989</b>	<b>853,556</b>	<b>2,405,502</b>	<b>7,193,748</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,657,008</b>	<b>\$ 1,886,819</b>	<b>\$ 1,295,409</b>	<b>\$ 3,285,001</b>	<b>\$ 9,124,237</b>

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 ASSETS  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2011

Total fund balances - governmental funds	\$ 7,193,748
Amounts reported for governmental activities in the statement of net assets are different because	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	19,926,593
Less accumulated depreciation	(3,342,697)
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	
Other postemployment benefits payable	(94,283)
Compensated absences payable	(207,324)
Bonds payable	(4,530,000)
Less deferred charges	80,923
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.	
Property taxes receivable	109,576
Special assessments receivable	886,278
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(62,372)</u>
Total net assets - governmental activities	<u><u>\$ 19,960,442</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, 2011

	101 General	403 Sewer Capital Improvements	420 Road Improvement	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 2,574,502	\$ -	\$ -	\$ 594,083	\$ 3,168,585
Licenses and permits	201,363	-	-	-	201,363
Intergovernmental	183,943	-	-	264,100	448,043
Charges for services	180,951	47,063	-	172,990	401,004
Fines and forfeitures	151,571	-	-	52,574	204,145
Special assessments	146,031	13,230	87,043	160,279	406,583
Interest on investments	21,426	17,464	6,617	25,762	71,269
Miscellaneous	143,106	-	940,552	111,242	1,194,900
TOTAL REVENUES	3,602,893	77,757	1,034,212	1,381,030	6,095,892
EXPENDITURES					
Current					
General government	933,842	-	-	-	933,842
Public safety	1,900,215	-	-	70,418	1,970,633
Streets and highways	517,484	-	-	9,400	526,884
Sanitation and recycling	11,183	-	-	-	11,183
Culture and recreation	130,416	-	-	42,862	173,278
Economic development	-	-	-	245,439	245,439
Miscellaneous	-	-	-	7,516	7,516
Capital outlay					
General government	-	-	-	125,104	125,104
Public safety	37,825	-	-	64,409	102,234
Streets and highways	-	-	1,592,509	69,242	1,661,751
Culture and recreation	-	-	-	69,525	69,525
Economic development	-	-	-	6,397	6,397
Debt service					
Principal	-	-	-	325,000	325,000
Interest and other	-	-	-	122,286	122,286
Bond issuance costs	-	-	31,893	19,718	51,611
TOTAL EXPENDITURES	3,530,965	-	1,624,402	1,177,316	6,332,683
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	71,928	77,757	(590,190)	203,714	(236,791)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	2,100	-	-	-	2,100
Transfers in	305,700	-	123,696	639,922	1,069,318
Bonds issued	-	-	983,332	396,668	1,380,000
Transfers out	(275,000)	-	(33,271)	(490,347)	(798,618)
TOTAL OTHER FINANCING SOURCES (USES)	32,800	-	1,073,757	546,243	1,652,800
NET CHANGE IN FUND BALANCES	104,728	77,757	483,567	749,957	1,416,009
FUND BALANCES, JANUARY 1	2,029,973	1,722,232	369,989	1,655,545	5,777,739
FUND BALANCES, DECEMBER 31	\$ 2,134,701	\$ 1,799,989	\$ 853,556	\$ 2,405,502	\$ 7,193,748

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, 2011

Total net change in fund balances - governmental funds	\$ 1,416,009
Amounts reported for governmental activities in the statement of activities are different because	
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.	
Capital outlay	1,879,134
Depreciation expense	(675,850)
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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
Bonds issued	(1,380,000)
Principal repayments	325,000
Amortization of deferred charges	(7,877)
Bond issuance costs	51,611
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.	(9,525)
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.	
Property taxes	22,314
Special assessments	(159,090)
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.	
Other postemployment benefits costs	(28,792)
Compensated absences	1,552
Change in net assets - governmental activities	<u>\$ 1,434,486</u>

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, 2011

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes	\$ 2,591,614	\$ 2,591,614	\$ 2,574,502	\$ (17,112)
Licenses and permits	169,700	169,700	201,363	31,663
Intergovernmental	193,015	193,015	183,943	(9,072)
Charges for services	158,750	158,750	180,951	22,201
Fines and forfeitures	154,000	154,000	151,571	(2,429)
Special assessments	3,000	3,000	146,031	143,031
Interest on investments	77,521	77,521	21,426	(56,095)
Miscellaneous	124,925	124,925	143,106	18,181
TOTAL REVENUES	3,472,525	3,472,525	3,602,893	130,368
EXPENDITURES				
Current				
General government	986,675	986,675	933,842	52,833
Public safety				
Police	1,489,425	1,489,425	1,446,393	43,032
Building inspection	239,450	239,450	169,178	70,272
Fire	297,500	297,500	284,644	12,856
Streets and highways	545,800	545,800	517,484	28,316
Sanitation and recycling	16,100	16,100	11,183	4,917
Culture and recreation	149,300	149,300	130,416	18,884
Capital outlay	42,175	42,175	37,825	4,350
TOTAL EXPENDITURES	3,766,425	3,766,425	3,530,965	235,460
EXCESS (DEFICIENCY) OF REVENUES (OVER) UNDER EXPENDITURES	(293,900)	(293,900)	71,928	365,828
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	12,200	12,200	2,100	(10,100)
Transfers in	306,700	306,700	305,700	(1,000)
Transfers out	(25,000)	(25,000)	(275,000)	(250,000)
TOTAL OTHER FINANCING SOURCES (USES)	293,900	293,900	32,800	(261,100)
NET CHANGE IN FUND BALANCES	-	-	104,728	104,728
FUND BALANCES, JANUARY 1	2,029,973	2,029,973	2,029,973	-
FUND BALANCES, DECEMBER 31	\$ 2,029,973	\$ 2,029,973	\$ 2,134,701	\$ 104,728

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

CITY OF MEDINA, MINNESOTA  
STATEMENTS OF NET ASSETS - CONTINUED ON THE FOLLOWING PAGES  
PROPRIETARY FUNDS  
DECEMBER 31, 2011 AND 2010

	Business-type Activities - Enterprise funds			
	<b>601</b>		<b>602</b>	
	Water		Sanitary Sewer	
	2011	2010	2011	2010
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 2,523,454	\$ 3,080,931	\$ 1,613,344	\$ 1,497,419
Accounts receivable	46,364	43,566	47,145	46,531
Due from other governments	408	721	74	721
Special assessments receivable				
Delinquent	1,732	1,654	1,953	1,300
Deferred	7,319	5,379	7,157	6,553
Prepaid items	1,599	1,559	19,897	19,381
<b>TOTAL CURRENT ASSETS</b>	<b>2,580,876</b>	<b>3,133,810</b>	<b>1,689,570</b>	<b>1,571,905</b>
NONCURRENT ASSETS				
Deferred charges	76,251	84,058	-	-
Capital assets				
Land	7,393	7,393	49,000	49,000
Infrastructure	4,082,986	4,082,986	1,864,139	1,864,139
Buildings	8,414,236	8,414,236	192,000	192,000
Improvements	-	-	-	-
Machinery and equipment	1,125,441	1,097,113	2,814,367	2,842,695
Construction in progress	8,998	6,919	-	-
Less accumulated depreciation	(4,570,993)	(4,270,774)	(2,549,975)	(2,463,599)
Total capital assets (net of accumulated depreciation)	9,068,061	9,337,873	2,369,531	2,484,235
<b>TOTAL NONCURRENT ASSETS</b>	<b>9,144,312</b>	<b>9,421,931</b>	<b>2,369,531</b>	<b>2,484,235</b>
<b>TOTAL ASSETS</b>	<b>11,725,188</b>	<b>12,555,741</b>	<b>4,059,101</b>	<b>4,056,140</b>

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



Business-type Activities - Enterprise funds

**603**

Storm Water		Totals	
2011	2010	2011	2010
\$ 107,888	\$ 131,924	\$ 4,244,686	\$ 4,710,274
805	5,762	94,314	95,859
116	123	598	1,565
11,396	13,169	15,081	16,123
5,971	5,079	20,447	17,011
25,264	645	46,760	21,585
151,440	156,702	4,421,886	4,862,417
-	-	76,251	84,058
-	-	56,393	56,393
16,844	16,844	5,963,969	5,963,969
-	-	8,606,236	8,606,236
71,685	26,818	71,685	26,818
11,087	11,087	3,950,895	3,950,895
-	39,067	8,998	45,986
(10,511)	(4,976)	(7,131,479)	(6,739,349)
89,105	88,840	11,526,697	11,910,948
89,105	88,840	11,602,948	11,995,006
240,545	245,542	16,024,834	16,857,423

CITY OF MEDINA, MINNESOTA  
STATEMENTS OF NET ASSETS - CONTINUED  
PROPRIETARY FUNDS  
DECEMBER 31, 2011 AND 2010

	Business-type Activities - Enterprise funds			
	<b>601</b>		<b>602</b>	
	Water		Sanitary Sewer	
	2011	2010	2011	2010
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accounts payable	\$ 16,745	\$ 21,574	\$ 19,274	\$ 2,714
Accrued interest payable	106,799	114,479	-	-
Salaries payable	4,212	5,087	3,450	3,879
Deferred revenue	-	-	-	-
Due to other governments	4,370	5,711	1,165	1,832
Compensated absences payable - current	4,594	3,810	3,333	2,875
Bonds payable - current	550,000	530,000	-	-
<b>TOTAL CURRENT LIABILITIES</b>	<b>686,720</b>	<b>680,661</b>	<b>27,222</b>	<b>11,300</b>
<b>NONCURRENT LIABILITIES</b>				
Other postemployment benefits payable	7,522	5,505	5,270	3,769
Compensated absences payable	9,928	9,687	7,476	7,020
Bonds payable	6,285,000	6,835,000	-	-
<b>TOTAL NONCURRENT LIABILITIES</b>	<b>6,302,450</b>	<b>6,850,192</b>	<b>12,746</b>	<b>10,789</b>
<b>TOTAL LIABILITIES</b>	<b>6,989,170</b>	<b>7,530,853</b>	<b>39,968</b>	<b>22,089</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	2,233,061	1,972,873	2,369,531	2,484,235
Unrestricted	2,502,957	3,052,015	1,649,602	1,549,816
<b>TOTAL NET ASSETS</b>	<b>\$ 4,736,018</b>	<b>\$ 5,024,888</b>	<b>\$ 4,019,133</b>	<b>\$ 4,034,051</b>

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

Business-type Activities - Enterprise funds

**603**

Storm Water		Totals	
2011	2010	2011	2010
\$ 5,798	\$ 14,773	\$ 41,817	\$ 39,061
-	-	106,799	114,479
1,535	1,239	9,197	10,205
-	5,567	-	5,567
-	105	5,535	7,648
1,384	1,254	9,311	7,939
-	-	550,000	530,000
8,717	22,938	722,659	714,899
1,268	590	14,060	9,864
3,502	3,004	20,906	19,711
-	-	6,285,000	6,835,000
4,770	3,594	6,319,966	6,864,575
13,487	26,532	7,042,625	7,579,474
89,105	88,840	4,691,697	4,545,948
137,953	130,170	4,290,512	4,732,001
<u>\$ 227,058</u>	<u>\$ 219,010</u>	<u>\$ 8,982,209</u>	<u>\$ 9,277,949</u>

CITY OF MEDINA, MINNESOTA  
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Business-type Activities - Enterprise funds			
	601		602	
	Water		Sanitary Sewer	
	2011	2010	2011	2010
OPERATING REVENUES				
Charges for services	\$ 712,576	\$ 680,952	\$ 519,416	\$ 522,143
OPERATING EXPENSES				
Wages and salaries	133,454	135,087	99,664	100,446
Materials and supplies	53,603	55,259	5,112	3,514
Professional services	26,116	26,812	16,596	15,997
Repairs and maintenance	37,713	29,377	24,415	7,147
Insurance	7,858	6,982	2,792	2,360
Utilities	72,993	70,894	8,852	7,920
Depreciation	300,219	351,374	86,376	125,644
Sewer treatment charges	-	-	226,330	202,979
TOTAL OPERATING EXPENSES	631,956	675,785	470,137	466,007
OPERATING INCOME	80,620	5,167	49,279	56,136
NONOPERATING REVENUES (EXPENSES)				
Water connection fees	4,890	2,637	-	-
Investment income	29,750	46,388	18,603	22,557
Miscellaneous income (expense)	(19)	(717)	-	-
Interest expense	(266,561)	(285,821)	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(231,940)	(237,513)	18,603	22,557
INCOME (LOSS) BEFORE TRANSFERS	(151,320)	(232,346)	67,882	78,693
TRANSFERS IN	-	165,388	-	-
TRANSFERS OUT	(137,550)	(137,550)	(82,800)	(82,800)
TOTAL TRANSFERS	(137,550)	27,838	(82,800)	(82,800)
CHANGE IN FUND NET ASSETS	(288,870)	(204,508)	(14,918)	(4,107)
FUND NET ASSETS, JANUARY 1	5,024,888	5,229,396	4,034,051	4,038,158
FUND NET ASSETS, DECEMBER 31	\$ 4,736,018	\$ 5,024,888	\$ 4,019,133	\$ 4,034,051

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

Business-type Activities - Enterprise funds

<b>603</b>			
Storm Water		Totals	
2011	2010	2011	2010
\$ 172,715	\$ 127,167	\$ 1,404,707	\$ 1,330,262
49,781	43,571	282,899	279,104
1,460	933	60,175	59,706
53,123	40,381	95,835	83,190
5,931	2,494	68,059	39,018
769	629	11,419	9,971
-	-	81,845	78,814
5,535	3,292	392,130	480,310
-	-	226,330	202,979
116,599	91,300	1,218,692	1,233,092
56,116	35,867	186,015	97,170
-	-	4,890	2,637
1,665	2,129	50,018	71,074
617	605	598	(112)
-	-	(266,561)	(285,821)
2,282	2,734	(211,055)	(212,222)
58,398	38,601	(25,040)	(115,052)
-	-	-	165,388
(50,350)	(50,350)	(270,700)	(270,700)
(50,350)	(50,350)	(270,700)	(105,312)
8,048	(11,749)	(295,740)	(220,364)
219,010	230,759	9,277,949	9,498,313
\$ 227,058	\$ 219,010	\$ 8,982,209	\$ 9,277,949

CITY OF MEDINA, MINNESOTA  
STATEMENTS OF CASH FLOWS - CONTINUED ON THE FOLLOWING PAGES  
PROPRIETARY FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Business-type Activities - Enterprise funds			
	<b>601</b>		<b>602</b>	
	Water		Sanitary Sewer	
	2011	2010	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers and users	\$ 712,944	\$ 679,208	\$ 518,192	\$ 520,980
Payments to suppliers	(204,493)	(175,641)	(268,720)	(236,773)
Payments to employees	(131,287)	(131,365)	(97,678)	(96,771)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>377,164</b>	<b>372,202</b>	<b>151,794</b>	<b>187,436</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers from other funds	-	165,388	-	-
Transfers to other funds	(137,550)	(137,550)	(82,800)	(82,800)
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>(137,550)</b>	<b>27,838</b>	<b>(82,800)</b>	<b>(82,800)</b>
<b>CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES</b>				
Acquisition of property and equipment	(2,079)	(11,292)	-	-
Transfers of capital assets between funds	(28,328)	-	28,328	-
Payment on short term account to finance capital asset acquisitions	-	(36,991)	-	(36,991)
Interest paid on bonds	(258,754)	(278,013)	-	-
Principal paid on bonds	(530,000)	(510,000)	-	-
<b>NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES</b>	<b>(819,161)</b>	<b>(836,296)</b>	<b>28,328</b>	<b>(36,991)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest received on investments	22,070	39,073	18,603	22,557
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(557,477)</b>	<b>(397,183)</b>	<b>115,925</b>	<b>90,202</b>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<b>3,080,931</b>	<b>3,478,114</b>	<b>1,497,419</b>	<b>1,407,217</b>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<b>\$ 2,523,454</b>	<b>\$ 3,080,931</b>	<b>\$ 1,613,344</b>	<b>\$ 1,497,419</b>

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

Business-type Activities - Enterprise funds

**603**

Storm Water		Totals	
2011	2010	2011	2010
\$ 179,177	\$ 185,821	\$ 1,410,313	\$ 1,386,009
(89,462)	(41,549)	(562,675)	(453,963)
(48,179)	(37,995)	(277,144)	(266,131)
41,536	106,277	570,494	665,915
-	-	-	165,388
(50,350)	(50,350)	(270,700)	(270,700)
(50,350)	(50,350)	(270,700)	(105,312)
(5,800)	(39,067)	(7,879)	(50,359)
-	-	-	-
(11,087)	-	(11,087)	(73,982)
-	-	(258,754)	(278,013)
-	-	(530,000)	(510,000)
(16,887)	(39,067)	(807,720)	(912,354)
1,665	2,129	42,338	63,759
(24,036)	18,989	(465,588)	(287,992)
131,924	112,935	4,710,274	4,998,266
\$ 107,888	\$ 131,924	\$ 4,244,686	\$ 4,710,274

CITY OF MEDINA, MINNESOTA  
STATEMENTS OF CASH FLOWS - CONTINUED  
PROPRIETARY FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Business-type Activities - Enterprise funds			
	601		602	
	Water		Sanitary Sewer	
	2011	2010	2011	2010
RECONCILIATION OF OPERATING INCOME TO				
NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 80,620	\$ 5,167	\$ 49,279	\$ 56,136
Adjustments to reconcile operating income to				
net cash provided by operating activities				
Other items related to operations	4,871	1,920	-	-
Depreciation	300,219	351,374	86,376	125,644
(Increase) decrease in assets				
Accounts receivable	(2,798)	(4,415)	(614)	(1,548)
Due from other governments	313	(356)	647	(721)
Special assessments receivable				
Delinquent	(78)	230	(653)	255
Deferred	(1,940)	877	(604)	851
Prepaid items	(40)	2,750	(516)	1,053
Increase (decrease) in liabilities				
Accounts payable	(4,829)	9,976	16,560	1,118
Contracts payable	-	(1,500)	-	-
Deferred revenue	-	-	-	-
Due to other governments	(1,341)	2,457	(667)	973
Salaries payable	(875)	2,363	(429)	1,866
Compensated absences payable	1,025	(891)	914	227
Other postemployment benefits payable	2,017	2,250	1,501	1,582
NET CASH PROVIDED BY				
OPERATING ACTIVITIES	<u>\$ 377,164</u>	<u>\$ 372,202</u>	<u>\$ 151,794</u>	<u>\$ 187,436</u>
SCHEDULE OF NONCASH				
CAPITAL FINANCING ACTIVITIES				
Assets acquired on short-term account	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Amortization of deferred charges	<u>\$ 7,807</u>	<u>\$ 7,808</u>	<u>\$ -</u>	<u>\$ -</u>

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



Business-type Activities - Enterprise funds

<b>603</b>			
Storm Water		Totals	
2011	2010	2011	2010
\$ 56,116	\$ 35,867	\$ 186,015	\$ 97,170
617	605	5,488	2,525
5,535	3,292	392,130	480,310
4,957	(5,382)	1,545	(11,345)
7	27	967	(1,050)
1,773	(12,763)	1,042	(12,278)
(892)	76,167	(3,436)	77,895
(24,619)	450	(25,175)	4,253
2,112	(3,234)	13,843	7,860
-	-	-	(1,500)
(5,567)	5,567	(5,567)	5,567
(105)	105	(2,113)	3,535
296	728	(1,008)	4,957
628	4,258	2,567	3,594
678	590	4,196	4,422
<u>\$ 41,536</u>	<u>\$ 106,277</u>	<u>\$ 570,494</u>	<u>\$ 665,915</u>
<u>\$ -</u>	<u>\$ 11,087</u>	<u>\$ -</u>	<u>\$ 11,087</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,807</u>	<u>\$ 7,808</u>

CITY OF MEDINA, MINNESOTA  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2011

	<u>Agency</u>
	<b>810</b>
	<u>Escrow</u>
ASSETS	
Cash and temporary investments	\$ 105,015
Receivables	
Special assessments	
Deferred	7,956
Delinquent	54,336
Accounts	<u>20,983</u>
 TOTAL ASSETS	 <u><u>\$ 188,290</u></u>
LIABILITIES	
Accounts payable	<u><u>\$ 188,290</u></u>

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

CITY OF MEDINA, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**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 Council composed of an elected Mayor and four elected Council Members. The Council exercises legislative authority and determines all matters of policy. The 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 Council. It is comprised of five members, all of which are 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 assets 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, 2011

**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.

Deferred 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 deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue in the fund financial statements.

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, 2011

**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 *Road Improvements fund* accounts for the costs associated with the Hunter Drive North improvement project, which is planned to be completed in 2012.

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.

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

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.

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, 2011

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**D. Assets, liabilities and net assets or equity**

***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. The Minnesota 4M Fund is an external investment pool not registered with the Securities Exchange Commission (SEC) that follows the same regulatory rules of the SEC under rule 2a7. 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, 2011

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***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 2011. The City annually certifies delinquent water, sewer and storm water accounts to the County for collection in the following year.

***Property taxes***

The 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.

Taxes payable on homestead property, as defined by Minnesota statutes, are partially reduced by a market value credit aid. The credit is paid to the City by the State of Minnesota (the State) in lieu of taxes levied against the homestead property. The State remitted half of this in October. The remaining payment was unallotted in December.

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

***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 revenue liability 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.

CITY OF MEDINA, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***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 regardless of their amount.

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



CITY OF MEDINA, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***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 employee's 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.

***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, 2011.

***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 assets. Beginning January 1, 2004, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method for governmental activities. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types 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.

CITY OF MEDINA, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

***Net assets***

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

- a. Invested in capital assets, net of related debt - Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.
- b. Restricted net assets - Consists of net assets 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 assets - All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

***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 (the Council), which is the City’s highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the 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 Council itself or by an official to which the governing body delegates the authority. The 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, 2011

**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 15<sup>th</sup>, the proposed budget is presented to the Council for review. The 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 Council. The legal level of budgetary control is the department level. Budgeted amounts are as originally adopted, or as amended by the Council. There were no budget amendments during the year.

**B. Deficit fund equity**

The following funds had fund balance deficits at December 31, 2011 that will be eliminated by future levies, tax increments, collections of special assessments and operating transfers.

Fund	Amount
Capital projects	
Tax Increment 1-9	\$ 179,212
TH55 Intersection	80,237

CITY OF MEDINA, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**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 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, 2011 the City's carrying amount of deposits was \$256,831 and the bank balance was \$589,768. The entire bank balance was covered by federal depository insurance.

CITY OF MEDINA, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

***Investments***

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.

CITY OF MEDINA, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

As of December 31, 2011, 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	\$ 2,219,855
Minnesota Municipal Money Market Fund	P-1	less than 6 months	<u>1,214,319</u>
Total pooled investments			<u>3,434,174</u>
Nonpooled investments			
U.S. Government Agencies	AAA	more than 3 years	<u>1,452,458</u>
Brokered Certificates of Deposit	N/A	less than 6 months	1,641,931
Brokered Certificates of Deposit	N/A	6 months to 1 year	1,644,210
Brokered Certificates of Deposit	N/A	1 year to 3 years	<u>2,684,363</u>
Total brokered CD's			<u>5,970,504</u>
Total non-pooled investments			<u>7,422,962</u>
Accrued interest			<u>28,245</u>
Total			<u><u>\$ 10,885,381</u></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.

***Cash summary***

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

Carrying amount of deposits	\$ 256,831
Investments	10,885,381
Cash on hand	<u>200</u>
Total	<u><u>\$ 11,142,412</u></u>
Cash and temporary investments	
Government-wide	\$ 11,037,397
Agency	<u>105,015</u>
Total	<u><u>\$ 11,142,412</u></u>

CITY OF MEDINA, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**B. Deferred revenue**

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

Funds	Unavailable	Unearned
General		
Delinquent taxes	\$ 109,577	\$ -
Special assessments - deferred	48,046	-
Special assessments - delinquent	7,753	-
Other	-	24,691
Sewer Capital Improvements		
Special assessments - deferred	64,313	-
Other	-	22,517
Road Improvements		
Special assessments - deferred	305,629	-
Special assessments - delinquent	507	-
Nonmajor Governmental		
Special assessments - deferred	458,602	-
Special assessments - delinquent	1,427	-
Other	-	90,773
	<u>\$ 995,854</u>	<u>\$ 137,981</u>
Total	<u>\$ 995,854</u>	<u>\$ 137,981</u>

CITY OF MEDINA, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**C. Capital assets**

Capital asset activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities</b>				
Capital assets, not being depreciated				
Land	\$ 300,778	\$ -	\$ -	\$ 300,778
Construction in progress	594,859	1,623,793	(479,021)	1,739,631
	<u>895,637</u>	<u>1,623,793</u>	<u>(479,021)</u>	<u>2,040,409</u>
Total capital assets, not being depreciated				
	<u>895,637</u>	<u>1,623,793</u>	<u>(479,021)</u>	<u>2,040,409</u>
Capital assets, being depreciated				
Infrastructure	13,291,440	602,726	-	13,894,166
Buildings	1,783,413	33,741	-	1,817,154
Improvements	627,033	-	-	627,033
Machinery and equipment	1,449,935	97,897	-	1,547,832
	<u>17,151,821</u>	<u>734,364</u>	<u>-</u>	<u>17,886,185</u>
Total capital assets being depreciated				
	<u>17,151,821</u>	<u>734,364</u>	<u>-</u>	<u>17,886,185</u>
Less accumulated depreciation for				
Infrastructure	(1,450,084)	(455,002)	-	(1,905,086)
Buildings	(371,727)	(57,118)	-	(428,845)
Improvements	(67,044)	(31,351)	-	(98,395)
Machinery and equipment	(777,993)	(132,379)	-	(910,372)
	<u>(2,666,848)</u>	<u>(675,850)</u>	<u>-</u>	<u>(3,342,698)</u>
Total accumulated depreciation				
	<u>(2,666,848)</u>	<u>(675,850)</u>	<u>-</u>	<u>(3,342,698)</u>
Total capital assets, being depreciated, net				
	<u>14,484,973</u>	<u>58,514</u>	<u>-</u>	<u>14,543,487</u>
Governmental activities capital assets, net	<u>\$ 15,380,610</u>	<u>\$ 1,682,307</u>	<u>\$ (479,021)</u>	<u>\$ 16,583,896</u>



CITY OF MEDINA, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

	Beginning Balance	Reclassifications	Increases	Decreases	Ending Balance
<b>Business-type activities</b>					
Capital assets, not being depreciated					
Land	\$ 56,393	\$ -	\$ -	\$ -	\$ 56,393
Construction in progress	45,986	-	7,879	(44,867)	8,998
Total capital assets, not being depreciated	102,379	-	7,879	(44,867)	65,391
Capital assets being depreciated					
Infrastructure	5,963,969	-	-	-	5,963,969
Buildings	8,606,236	-	-	-	8,606,236
Improvements	26,818	-	44,867	-	71,685
Machinery and equipment	3,950,895	-	-	-	3,950,895
Total capital assets being depreciated	18,547,918	-	44,867	-	18,592,785
Less accumulated depreciation for					
Infrastructure	(1,412,191)	(712,641)	(118,516)	-	(2,243,348)
Buildings	(1,970,189)	(67,952)	(200,712)	-	(2,238,853)
Improvements	(81,637)	80,297	(3,584)	-	(4,924)
Machinery and equipment	(3,275,332)	700,296	(69,318)	-	(2,644,354)
Total accumulated depreciation	(6,739,349)	-	(392,130)	-	(7,131,479)
Total capital assets, being depreciated, net	11,808,569	-	(347,263)	-	11,461,306
Business-type activities capital assets, net	<u>\$ 11,910,948</u>	<u>\$ -</u>	<u>\$ (339,384)</u>	<u>\$ (44,867)</u>	<u>\$ 11,526,697</u>

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

**Governmental activities**

General government	\$ 7,246
Public safety	60,848
Public works	496,487
Culture and recreation	98,907
Economic development	12,362
Total depreciation expense - governmental activities	<u>\$ 675,850</u>

**Business-type activities**

Water	\$ 300,219
Sanitary Sewer	86,376
Storm Water	5,535
Total depreciation expense - business-type activities	<u>\$ 392,130</u>

CITY OF MEDINA, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**D. Interfund receivables, payables and transfers**

*Interfund balances*

Receivable Fund	Payable Fund	Purpose	Amount
Sewer Capital Improvement Fund	Nonmajor governmental	Cash flow purposes	<u>\$ 253,481</u>

*Interfund transfers*

Fund	Transfer in			
	General Fund	Road Improvement	Nonmajor Governmental Funds	Total
Transfer out				
General	\$ -	\$ 100,000	\$ 175,000	\$ 275,000
Road Improvement	-	-	33,271	33,271
Nonmajor governmental	35,000	23,696	431,651	490,347
Water enterprise	137,550	-	-	137,550
Sanitary sewer enterprise	82,800	-	-	82,800
Storm water enterprise	50,350	-	-	50,350
Total transfers out	<u>\$ 305,700</u>	<u>\$ 123,696</u>	<u>\$ 639,922</u>	<u>\$ 1,069,318</u>

- The General fund transferred \$100,000 to the Road Improvement fund and \$175,000 to non-major governmental funds for project costs.
- The Road Improvement fund transferred \$33,271 to non-major governmental funds for project costs.
- The non-major governmental funds transferred \$35,000 to the General fund for capital costs.
- The non-major governmental funds transferred \$23,696 to the Road Improvement fund for debt service contributions per the bond documents.
- The non-major governmental funds transferred \$431,651 to other non-major governmental funds for debt service contributions.
- The Water, Sanitary Sewer, and Storm Water funds transferred \$270,700 to the General fund for their share of administrative costs.

CITY OF MEDINA, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**E. Long-term debt**

General obligation bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities and infrastructure. General obligation bonds have been issued for general government activities.

General obligation bonds are direct obligations and pledge the full faith and credit of the City. General obligation bonds currently outstanding are as follows:

General obligation improvement bonds

The following bond was issued 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	315,000
G.O. Improvement Bonds, Series 2008A	2,280,000	3.00 - 4.00	06/17/08	02/01/24	2,045,000
Total General Obligation Bonds					<u>\$ 3,357,026</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
2012	\$ 155,000	\$ 110,433	\$ 265,433
2013	253,882	104,157	358,039
2014	263,996	98,298	362,294
2015	274,148	91,577	365,725
2016	275,000	83,799	358,799
2017-2021	1,470,000	271,798	1,741,798
2022-2024	665,000	36,500	701,500
Total	<u>\$ 3,357,026</u>	<u>\$ 796,562</u>	<u>\$ 4,153,588</u>

CITY OF MEDINA, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

General obligation tax increment bonds

The following bond was issued for storm water mitigation and road work within phase 1 of the TIF district. The bonds will be repaid with future tax increment.

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	02/01/21	<u>\$ 790,000</u>

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2012	\$ 65,000	\$ 28,074	\$ 93,074
2013	70,000	25,793	95,793
2014	70,000	23,342	93,342
2015	75,000	20,749	95,749
2016	75,000	18,011	93,011
2017-2021	<u>435,000</u>	<u>43,559</u>	<u>478,559</u>
Total	<u>\$ 790,000</u>	<u>\$ 159,528</u>	<u>\$ 949,528</u>

CITY OF MEDINA, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 3: DETAILED NOTES ON ALL FUNDS- CONTINUED**

General obligation revenue bonds

The following bonds were issued to finance capital improvements, and finance acquisition and construction of capital facilities. They will be retired from net revenue of the Water fund and are backed 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. Water Revenue Bonds, Series 2005A	\$ 4,760,000	3.63 - 4.00 %	05/17/05	02/01/20	\$ 3,115,000
G.O. Water Revenue Bonds, Series 2007A	4,395,000	3.30 - 4.00	12/20/07	02/01/23	<u>3,720,000</u>
Total G.O. Revenue Bonds					<u>\$ 6,835,000</u>

Revenue bonds debt service requirements to maturity are as follows:

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2012	\$ 550,000	\$ 246,754	\$ 796,754
2013	570,000	227,154	797,154
2014	590,000	206,658	796,658
2015	610,000	185,249	795,249
2016	635,000	162,608	797,608
2017-2021	3,135,000	432,601	3,567,601
2022-2023	<u>745,000</u>	<u>30,100</u>	<u>775,100</u>
Total	<u>\$ 6,835,000</u>	<u>\$ 1,491,124</u>	<u>\$ 8,326,124</u>

CITY OF MEDINA, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

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	\$ 382,974

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2012	\$ -	\$ 3,310	\$ 3,310
2013	141,118	2,721	143,838
2014	121,004	1,813	122,818
2015	120,852	665	121,517
Total	<u>\$ 382,974</u>	<u>\$ 8,509</u>	<u>\$ 391,483</u>

CITY OF MEDINA, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2011, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
Bonds payable					
General obligation bonds	\$ 2,480,000	\$ 997,026	\$ (120,000)	\$ 3,357,026	\$ 155,000
General obligation equipment certificates	140,000	382,974	(140,000)	382,974	-
General obligation tax increment bonds	855,000	-	(65,000)	790,000	65,000
Total bonds payable	3,475,000	1,380,000	(325,000)	4,530,000	220,000
Compensated absences payable	208,876	165,796	(167,348)	207,324	62,425
Other postemployment benefits payable	65,491	28,792	-	94,283	-
Governmental activity long-term liabilities	<u>\$ 3,749,367</u>	<u>\$ 1,574,588</u>	<u>\$ (492,348)</u>	<u>\$ 4,831,607</u>	<u>\$ 282,425</u>
<b>Business-type activities</b>					
Bonds payable					
General obligations revenue bonds	\$ 7,365,000	\$ -	\$ (530,000)	\$ 6,835,000	\$ 550,000
Compensated absences payable	27,650	16,626	(14,059)	30,217	9,311
Other postemployment benefits payable	9,864	4,196	-	14,060	-
Business-type activity long-term liabilities	<u>\$ 7,402,514</u>	<u>\$ 20,822</u>	<u>\$ (544,059)</u>	<u>\$ 6,879,277</u>	<u>\$ 559,311</u>

CITY OF MEDINA, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED**

**F. Components of fund balance**

At December 31, 2011, 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	Road Improvement	Other Governmental Funds	Total
Nonspendable					
Prepaid items	\$ 15,022	\$ -	\$ -	\$ 160	\$ 15,182
Restricted for					
Capital improvements	\$ -	\$ -	\$ 266,213	\$ -	\$ 266,213
Park improvements	-	-	-	272,830	272,830
Debt service	-	-	-	609,716	609,716
Police expenditures	-	-	-	176,609	176,609
Equipment replacement	-	-	-	249,299	249,299
Total restricted	\$ -	\$ -	\$ 266,213	\$ 1,308,454	\$ 1,574,667
Committed to					
Park improvements	\$ -	\$ -	\$ -	\$ 278,562	\$ 278,562
Police expenditures	-	-	-	39,502	39,502
Field house	-	-	-	25,157	25,157
German liberal cemetery	-	-	-	82,520	82,520
Community event	-	-	-	2,503	2,503
Environmental	-	-	-	294,372	294,372
Total committed	\$ -	\$ -	\$ -	\$ 722,616	\$ 722,616
Assigned to					
Sewer capital improvements	\$ -	\$ 1,799,989	\$ -	\$ -	\$ 1,799,989
Road improvements	-	-	587,343	-	587,343
Capital improvements	-	-	-	271,258	271,258
Equipment replacement	-	-	-	362,463	362,463
Total assigned	\$ -	\$ 1,799,989	\$ 587,343	\$ 633,721	\$ 3,021,053



CITY OF MEDINA, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**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](http://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.

CITY OF MEDINA, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE - CONTINUED**

**B. Funding policy**

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State legislature. The City makes annual contributions to the pension plans equal to the amount required by Minnesota statutes. GERS 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 2011. PEPFF members were required to contribute 9.60 percent of their annual covered salary in 2011. In 2011, the City of Medina was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERS members, 7.25 percent for Coordinated Plan GERS members, and 14.40 percent for PEPFF members. The City's contributions to the GERS for the year ended December 31, 2011, 2010 and 2009 were \$52,981, \$50,648 and \$53,727, respectively. The City's contributions to the PEPFF for the years ending December 31, 2011, 2010 and 2009 were \$121,005, \$111,752 and \$107,089, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

**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, 2011. 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 2011, the City contributed \$8,491 to the plan. Retired plan members receiving benefits contribute 100 percent of their premium costs.

CITY OF MEDINA, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 5: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – CONTINUED**

**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	\$ 40,764
Interest on net OPEB obligation	3,391
Adjustment to annual required contribution	<u>(2,676)</u>
Annual OPEB cost (expense)	41,479
Contributions made	<u>(8,491)</u>
Increase in net OPEB obligation	32,988
Net OPEB obligation - beginning of year	<u>75,355</u>
Net OPEB obligation - end of year	<u><u>\$ 108,343</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, 2011, 2010 and 2009 follows:

Year Ending	Trend Information		
	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/11	\$ 41,479	20.5 %	\$ 108,343
12/31/10	41,124	20.0	75,355
12/31/09	50,802	20.0	40,664

CITY OF MEDINA, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 5: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – CONTINUED**

**D. Funded status and funding progress**

As of December 31, 2010, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$271,842, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,516,368, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 17.9 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, 2010 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 9.5 percent, reduced by decrements to an ultimate rate of 5 percent after ten 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, 2011, 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.

CITY OF MEDINA, MINNESOTA  
NOTES TO THE FINANCIAL STATEMENTS  
DECEMBER 31, 2011

**Note 6: OTHER INFORMATION - CONTINUED**

**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 2011 taxable market value of property was \$1,372,125,500 and the debt limit was \$41,163,765. 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.

**Note 7: ACCOUNTING CHANGE**

GASB Statement 54 "*Fund Balance Reporting and Governmental Fund Type Definitions*" enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The City implemented this standard for fiscal year end December 31, 2011. Changes to governmental fund type fund balance reporting is reflected in the financial statements and schedules and related disclosures are included in Note 1 and Note 3.

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

CITY OF MEDINA  
MEDINA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2011

CITY OF MEDINA, MINNESOTA  
REQUIRED SUPPLEMENTAL INFORMATION  
FOR THE YEAR ENDED DECEMBER 31, 2011

**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
12/31/10	\$ -	\$ 271,842	\$ 271,842	- %	\$ 1,516,368	18 %
12/31/09	-	237,104	237,104	-	1,451,070	16
12/31/08	-	385,976	385,976	-	1,326,306	29



**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS**

CITY OF MEDINA  
MEDINA, MINNESOTA

FOR THE YEAR ENDED  
DECEMBER 31, 2011

CITY OF MEDINA, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2011

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
ASSETS				
Cash and temporary investments	\$ 691,713	\$ 609,127	\$ 1,431,709	\$ 2,732,549
Receivables				
Accounts	-	-	90,773	90,773
Special assessments				
Delinquent	-	1,427	-	1,427
Deferred	-	419,730	38,872	458,602
Due from other governments	-	589	901	1,490
Prepaid items	160	-	-	160
TOTAL ASSETS	<u>\$ 691,873</u>	<u>\$ 1,030,873</u>	<u>\$ 1,562,255</u>	<u>\$ 3,285,001</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 936	\$ -	\$ 68,525	\$ 69,461
Due to other funds	-	-	253,481	253,481
Due to other governments	224	-	5,531	5,755
Deferred revenue	-	421,157	129,645	550,802
TOTAL LIABILITIES	<u>1,160</u>	<u>421,157</u>	<u>457,182</u>	<u>879,499</u>
FUND BALANCES				
Nonspendable	160	-	-	160
Restricted	195,765	609,716	502,973	1,308,454
Committed	494,788	-	227,828	722,616
Assigned	-	-	633,721	633,721
Unassigned	-	-	(259,449)	(259,449)
TOTAL FUND BALANCES	<u>690,713</u>	<u>609,716</u>	<u>1,105,073</u>	<u>2,405,502</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 691,873</u>	<u>\$ 1,030,873</u>	<u>\$ 1,562,255</u>	<u>\$ 3,285,001</u>

CITY OF MEDINA, MINNESOTA  
NONMAJOR GOVERNMENTAL FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2011

	Special Revenue	Debt Service	Capital Projects	Total Nonmajor Governmental Funds
REVENUES				
General property taxes	\$ -	\$ 186,702	\$ -	\$ 186,702
Tax increments	-	-	407,381	407,381
Intergovernmental	88,680	-	175,420	264,100
Charges for services	8,903	-	164,087	172,990
Fines and forfeitures	52,574	-	-	52,574
Special assessments	-	154,587	5,692	160,279
Interest on investments	8,648	(781)	17,895	25,762
Miscellaneous	98,430	-	12,812	111,242
	<u>257,235</u>	<u>340,508</u>	<u>783,287</u>	<u>1,381,030</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Public safety	70,418	-	-	70,418
Streets and highways	-	-	9,400	9,400
Culture and recreation	32,035	-	10,827	42,862
Economic development	-	-	245,439	245,439
Miscellaneous	7,516	-	-	7,516
Capital outlay				
General government	-	-	125,104	125,104
Public safety	26,481	-	37,928	64,409
Streets and highways	-	-	69,242	69,242
Culture and recreation	34,941	-	34,584	69,525
Economic development	-	-	6,397	6,397
Debt service				
Principal	-	325,000	-	325,000
Interest and other	-	122,286	-	122,286
Bond issuance costs	-	-	19,718	19,718
	<u>171,391</u>	<u>447,286</u>	<u>558,639</u>	<u>1,177,316</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>85,844</u>	<u>(106,778)</u>	<u>224,648</u>	<u>203,714</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	464,922	175,000	639,922
Bonds issued	-	15,432	381,236	396,668
Transfers out	(35,000)	(23,696)	(431,651)	(490,347)
	<u>(35,000)</u>	<u>456,658</u>	<u>124,585</u>	<u>546,243</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCES	50,844	349,880	349,233	749,957
FUND BALANCES, JANUARY 1	<u>639,869</u>	<u>259,836</u>	<u>755,840</u>	<u>1,655,545</u>
FUND BALANCES, DECEMBER 31	<u>\$ 690,713</u>	<u>\$ 609,716</u>	<u>\$ 1,105,073</u>	<u>\$ 2,405,502</u>

CITY OF MEDINA, MINNESOTA  
NONMAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2011

	<b>226</b> Municipal Park	<b>227</b> Field House	<b>235</b> Police Forfeiture	<b>236</b> Police Reserve Equipment
<b>ASSETS</b>				
Cash and temporary investments	\$ 69,890	\$ 25,157	\$ 200,489	\$ 16,115
Prepaid items	<u>-</u>	<u>-</u>	<u>-</u>	<u>80</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 69,890</u></u>	<u><u>\$ 25,157</u></u>	<u><u>\$ 200,489</u></u>	<u><u>\$ 16,195</u></u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ -	\$ -	\$ 278	\$ -
Due to other governments	<u>-</u>	<u>-</u>	<u>224</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>-</u>	<u>-</u>	<u>502</u>	<u>-</u>
<b>FUND BALANCES</b>				
Nonspendable	-	-	-	80
Restricted	19,156	-	176,600	-
Committed	<u>50,734</u>	<u>25,157</u>	<u>23,387</u>	<u>16,115</u>
<b>TOTAL FUND BALANCES</b>	<u>69,890</u>	<u>25,157</u>	<u>199,987</u>	<u>16,195</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u><u>\$ 69,890</u></u>	<u><u>\$ 25,157</u></u>	<u><u>\$ 200,489</u></u>	<u><u>\$ 16,195</u></u>

<b>237</b> Safe & Sober Grant	<b>238</b> German Liberal Cemetery	<b>240</b> Community Event	<b>204</b> Environmental	Total
\$ 9	\$ 83,178	\$ 2,503	\$ 294,372	\$ 691,713
-	80	-	-	160
<u>\$ 9</u>	<u>\$ 83,258</u>	<u>\$ 2,503</u>	<u>\$ 294,372</u>	<u>\$ 691,873</u>
\$ -	\$ 658	\$ -	\$ -	\$ 936
-	-	-	-	224
-	658	-	-	1,160
-	80	-	-	160
9	-	-	-	195,765
-	82,520	2,503	294,372	494,788
9	82,600	2,503	294,372	690,713
<u>\$ 9</u>	<u>\$ 83,258</u>	<u>\$ 2,503</u>	<u>\$ 294,372</u>	<u>\$ 691,873</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, 2011

	<b>226</b> Municipal Park	<b>227</b> Field House	<b>235</b> Police Forfeiture	<b>236</b> Police Reserve Equipment
REVENUES				
Intergovernmental	\$ 25,000	\$ -	\$ -	\$ -
Charges for services	-	-	-	1,943
Fines and forfeitures	-	-	52,574	-
Interest on investments	1,048	307	2,542	182
Miscellaneous				
Contributions and donations	41,200	-	-	3,860
Other	-	2,400	-	-
	<u>-</u>	<u>2,400</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>67,248</u>	<u>2,707</u>	<u>55,116</u>	<u>5,985</u>
EXPENDITURES				
Current				
Public safety	-	-	2,477	4,270
Culture and recreation	12,141	3,569	-	-
Miscellaneous	-	-	-	-
Capital outlay				
Public safety	-	-	26,481	-
Culture and recreation	34,941	-	-	-
	<u>34,941</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>47,082</u>	<u>3,569</u>	<u>28,958</u>	<u>4,270</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	20,166	(862)	26,158	1,715
OTHER FINANCING USES				
Transfers out	-	-	(35,000)	-
	<u>-</u>	<u>-</u>	<u>(35,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	20,166	(862)	(8,842)	1,715
FUND BALANCES, JANUARY 1	49,724	26,019	208,829	14,480
	<u>49,724</u>	<u>26,019</u>	<u>208,829</u>	<u>14,480</u>
FUND BALANCES, DECEMBER 31	<u>\$ 69,890</u>	<u>\$ 25,157</u>	<u>\$ 199,987</u>	<u>\$ 16,195</u>

<b>237</b> Safe & Sober Grant	<b>238</b> German Liberal Cemetery	<b>240</b> Community Event	<b>204</b> Environmental	Total
\$ 63,680	\$ -	\$ -	\$ -	\$ 88,680
-	6,960	-	-	8,903
-	-	-	-	52,574
-	996	31	3,542	8,648
-	-	7,480	-	52,540
-	30,215	-	13,275	45,890
<u>63,680</u>	<u>38,171</u>	<u>7,511</u>	<u>16,817</u>	<u>257,235</u>
63,671	-	-	-	70,418
-	-	6,050	10,275	32,035
-	7,516	-	-	7,516
-	-	-	-	26,481
-	-	-	-	34,941
<u>63,671</u>	<u>7,516</u>	<u>6,050</u>	<u>10,275</u>	<u>171,391</u>
9	30,655	1,461	6,542	85,844
-	-	-	-	(35,000)
9	30,655	1,461	6,542	50,844
-	51,945	1,042	287,830	639,869
<u>\$ 9</u>	<u>\$ 82,600</u>	<u>\$ 2,503</u>	<u>\$ 294,372</u>	<u>\$ 690,713</u>

CITY OF MEDINA, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2011

	<b>306</b> G.O. Bonds 2008 Uptown Hamel	<b>311</b> Equipment Notes	<b>312</b> G.O. Improvement Bonds 2010A	<b>313</b> Hunter South Improvement Bonds 2011B
ASSETS				
Cash and temporary investments	\$ 402,883	\$ -	\$ 76,859	\$ 18,268
Special assessments receivable				
Delinquent	1,380	-	-	-
Deferred	235,045	-	20,085	8,518
Due from other governments	272	-	283	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL ASSETS	<u><u>\$ 639,580</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 97,227</u></u>	<u><u>\$ 26,786</u></u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Deferred revenue	\$ 236,425	\$ -	\$ 20,085	\$ 8,518
FUND BALANCES				
Restricted for debt service	403,155	-	77,142	18,268
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 639,580</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 97,227</u></u>	<u><u>\$ 26,786</u></u>



<b>314</b> 2011 Equipment Certificates	<b>315</b> G.O. Bonds 2005 Uptown Hamel	<b>316</b> Hunter North Improvement Bonds 2011B	<b>317</b> G.O. Improvement Bonds 2005B	Total
\$ 1,749	\$ 96,906	\$ 12,462	\$ -	\$ 609,127
-	47	-	-	1,427
-	156,082	-	-	419,730
-	34	-	-	589
<u>\$ 1,749</u>	<u>\$ 253,069</u>	<u>\$ 12,462</u>	<u>\$ -</u>	<u>\$ 1,030,873</u>
\$ -	\$ 156,129	\$ -	\$ -	\$ 421,157
<u>1,749</u>	<u>96,940</u>	<u>12,462</u>	<u>-</u>	<u>609,716</u>
<u>\$ 1,749</u>	<u>\$ 253,069</u>	<u>\$ 12,462</u>	<u>\$ -</u>	<u>\$ 1,030,873</u>

CITY OF MEDINA, MINNESOTA  
DEBT SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES (DEFICITS)  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<b>306</b> G.O. Bonds 2008 Uptown Hamel	<b>311</b> Equipment Notes	<b>312</b> G.O. Improvement Bonds 2010A	<b>313</b> Hunter South Improvement Bonds 2011B
REVENUES				
General property taxes	\$ -	\$ 147,486	\$ 39,216	\$ -
Special assessments	102,782	-	8,976	16,917
Interest on investments	(172)	(1,209)	96	43
	<u>102,610</u>	<u>146,277</u>	<u>48,288</u>	<u>16,960</u>
TOTAL REVENUES				
EXPENDITURES				
Debt service				
Principal	120,000	140,000	-	-
Interest and other	80,026	2,100	9,424	-
	<u>200,026</u>	<u>142,100</u>	<u>9,424</u>	<u>-</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(97,416)</u>	<u>4,177</u>	<u>38,864</u>	<u>16,960</u>
OTHER FINANCING SOURCES (USES)				
Transfer in	366,239	5,383	33,271	-
Bond issued	-	-	-	1,308
Transfer out	-	-	-	-
	<u>366,239</u>	<u>5,383</u>	<u>33,271</u>	<u>1,308</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCES	268,823	9,560	72,135	18,268
FUND BALANCES (DEFICITS), JANUARY 1	<u>134,332</u>	<u>(9,560)</u>	<u>5,007</u>	<u>-</u>
FUND BALANCES, DECEMBER 31	<u>\$ 403,155</u>	<u>\$ -</u>	<u>\$ 77,142</u>	<u>\$ 18,268</u>

<b>314</b> 2011 Equipment Certificates	<b>315</b> G.O. Bonds 2005 Uptown Hamel	<b>316</b> Hunter North Improvement Bonds 2011B	<b>317</b> G.O. Improvement Bonds 2005B	Total
\$ -	\$ -	\$ -	\$ -	\$ 186,702
-	25,912	-	-	154,587
11	374	76	-	(781)
11	26,286	76	-	340,508
-	65,000	-	-	325,000
-	30,736	-	-	122,286
-	95,736	-	-	447,286
11	(69,450)	76	-	(106,778)
-	60,029	-	-	464,922
1,738	-	12,386	-	15,432
-	-	-	(23,696)	(23,696)
1,738	60,029	12,386	(23,696)	456,658
1,749	(9,421)	12,462	(23,696)	349,880
-	106,361	-	23,696	259,836
<u>\$ 1,749</u>	<u>\$ 96,940</u>	<u>\$ 12,462</u>	<u>\$ -</u>	<u>\$ 609,716</u>

CITY OF MEDINA, MINNESOTA  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING BALANCE SHEET  
DECEMBER 31, 2011

	<b>225</b>	<b>401</b>	<b>402</b>	<b>406</b>
	Park Dedication	General Capital Improvement	Water Capital Improvement	Tax Increment 1-9
<b>ASSETS</b>				
Cash and temporary investments	\$ 482,142	\$ 258,602	\$ 13,440	\$ -
Receivables				
Accounts	23,007	-	67,766	-
Special assessments				
Deferred	-	-	38,872	-
Due from other governments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 505,149</u></u>	<u><u>\$ 258,602</u></u>	<u><u>\$ 120,078</u></u>	<u><u>\$ -</u></u>
<b>LIABILITIES AND FUND BALANCES (DEFICITS)</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 640	\$ 784	\$ -	\$ -
Due to other funds	-	-	-	173,681
Due to other governments	-	-	-	5,531
Deferred revenue	23,007	-	106,638	-
	<u>23,007</u>	<u>-</u>	<u>106,638</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>23,647</u>	<u>784</u>	<u>106,638</u>	<u>179,212</u>
<b>FUND BALANCES (DEFICITS)</b>				
Restricted	253,674	-	-	-
Committed	227,828	-	-	-
Assigned	-	257,818	13,440	-
Unassigned	-	-	-	(179,212)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(179,212)</u>
<b>TOTAL FUND BALANCES (DEFICITS)</b>	<u>481,502</u>	<u>257,818</u>	<u>13,440</u>	<u>(179,212)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)</b>	<u><u>\$ 505,149</u></u>	<u><u>\$ 258,602</u></u>	<u><u>\$ 120,078</u></u>	<u><u>\$ -</u></u>

407	411	415	
TH 55 Intersection	Equipment Replacement	Uptown Hamel Street and Utility	Total
\$ -	\$ 677,525	\$ -	\$ 1,431,709
-	-	-	90,773
-	-	-	38,872
-	901	-	901
<u>\$ -</u>	<u>\$ 678,426</u>	<u>\$ -</u>	<u>\$ 1,562,255</u>
\$ 437	\$ 66,664	\$ -	\$ 68,525
79,800	-	-	253,481
-	-	-	5,531
-	-	-	129,645
<u>80,237</u>	<u>66,664</u>	<u>-</u>	<u>457,182</u>
-	249,299	-	502,973
-	-	-	227,828
-	362,463	-	633,721
<u>(80,237)</u>	<u>-</u>	<u>-</u>	<u>(259,449)</u>
<u>(80,237)</u>	<u>611,762</u>	<u>-</u>	<u>1,105,073</u>
<u>\$ -</u>	<u>\$ 678,426</u>	<u>\$ -</u>	<u>\$ 1,562,255</u>

CITY OF MEDINA, MINNESOTA  
NONMAJOR CAPITAL PROJECTS FUNDS  
COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES (DEFICITS)  
FOR THE YEAR ENDED DECEMBER 31, 2011

	<b>225</b>	<b>401</b>	<b>402</b>	<b>406</b>
	Park	General	Water	Tax
	Dedication	Capital	Capital	Increment
	<u>          </u>	<u>Improvement</u>	<u>Improvement</u>	<u>1-9</u>
REVENUES				
Tax increments	\$ -	\$ -	\$ -	\$ 407,381
Special assessments	-	-	5,692	-
Intergovernmental	174,000	-	-	1,420
Charges for services	50,175	-	113,912	-
Interest on investments	5,405	3,116	(207)	(2,706)
Miscellaneous	1,500	-	-	-
	<u>231,080</u>	<u>3,116</u>	<u>119,397</u>	<u>406,095</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
Streets and highways				
Public works	-	-	9,400	-
Culture and recreation	10,827	-	-	-
Economic development	-	-	-	245,439
Capital outlay				
General government	-	121,494	-	-
Public safety	-	-	-	-
Streets and highways	-	-	-	-
Culture and recreation	34,584	-	-	-
Economic development	-	-	-	6,397
Debt service				
Bond issuance costs	-	-	-	-
	<u>45,411</u>	<u>121,494</u>	<u>9,400</u>	<u>251,836</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES				
OVER (UNDER) EXPENDITURES	<u>185,669</u>	<u>(118,378)</u>	<u>109,997</u>	<u>154,259</u>
OTHER FINANCING SOURCES (USES)				
Bonds issued	-	-	-	-
Transfers in	-	175,000	-	-
Transfer out	-	-	-	(119,166)
	<u>-</u>	<u>175,000</u>	<u>-</u>	<u>(119,166)</u>
TOTAL OTHER FINANCING				
SOURCES (USES)	<u>-</u>	<u>175,000</u>	<u>-</u>	<u>(119,166)</u>
NET CHANGE IN FUND BALANCES	185,669	56,622	109,997	35,093
FUND BALANCES (DEFICITS), JANUARY 1	<u>295,833</u>	<u>201,196</u>	<u>(96,557)</u>	<u>(214,305)</u>
FUND BALANCES (DEFICITS), DECEMBER 31	<u><u>\$ 481,502</u></u>	<u><u>\$ 257,818</u></u>	<u><u>\$ 13,440</u></u>	<u><u>\$ (179,212)</u></u>

<b>407</b>	<b>411</b>	<b>415</b>	
TH 55	Equipment	Uptown Hamel	
Intersection	Replacement	Street and	Total
		Utility	
\$ -	\$ -	\$ -	\$ 407,381
-	-	-	5,692
-	-	-	175,420
-	-	-	164,087
(718)	6,369	6,636	17,895
-	11,312	-	12,812
<u>(718)</u>	<u>17,681</u>	<u>6,636</u>	<u>783,287</u>
-	-	-	9,400
-	-	-	10,827
-	-	-	245,439
-	3,610	-	125,104
-	37,928	-	37,928
3,944	65,298	-	69,242
-	-	-	34,584
-	-	-	6,397
-	19,718	-	19,718
<u>3,944</u>	<u>126,554</u>	<u>-</u>	<u>558,639</u>
<u>(4,662)</u>	<u>(108,873)</u>	<u>6,636</u>	<u>224,648</u>
-	381,236	-	381,236
-	-	-	175,000
-	(5,383)	(307,102)	(431,651)
-	375,853	(307,102)	124,585
(4,662)	266,980	(300,466)	349,233
<u>(75,575)</u>	<u>344,782</u>	<u>300,466</u>	<u>755,840</u>
<u>\$ (80,237)</u>	<u>\$ 611,762</u>	<u>\$ -</u>	<u>\$ 1,105,073</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, 2011  
(With comparative actual amounts for the year ended December 31, 2010)

	2011			2010
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final		
REVENUES				
Taxes				
Property taxes	\$ 2,591,614	\$ 2,591,614	\$ 2,574,502	\$ 2,611,292
Licenses and permits				
Business	169,700	169,700	201,363	199,100
Intergovernmental				
Federal	13,000	13,000	11,821	16,288
State				
Property tax credits	16,340	16,340	69	89
Police state aid	69,000	69,000	71,032	70,687
Fire state aid	32,000	32,000	30,230	28,994
PERA aid	1,775	1,775	1,773	1,773
Other	48,900	48,900	55,927	14,211
County				
Other	12,000	12,000	13,091	26,454
Total	193,015	193,015	183,943	158,496
Charges for services				
General government	25,300	25,300	21,944	32,776
Public safety	114,750	114,750	132,881	127,287
Public works	5,700	5,700	4,148	4,678
Culture and recreation	13,000	13,000	21,978	25,329
Total	158,750	158,750	180,951	190,070
Special assessments	3,000	3,000	146,031	36,914
Fines and forfeitures	154,000	154,000	151,571	134,609
Interest on investments	77,521	77,521	21,426	63,950
Miscellaneous				
Contributions and donations	20,000	20,000	17,255	1,040
Other	104,925	104,925	125,851	131,955
Total	124,925	124,925	143,106	132,995
TOTAL REVENUES	3,472,525	3,472,525	3,602,893	3,527,426



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, 2011  
(With comparative actual amounts for the year ended December 31, 2010)

	2011			2010
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final		
EXPENDITURES				
Current				
General government				
Mayor and Council				
Personal services	\$ 17,600	\$ 17,600	\$ 17,494	\$ 17,494
Other services and charges	7,250	7,250	7,932	10,279
Total	24,850	24,850	25,426	27,773
City administrator				
Personal services	475,450	475,450	438,990	440,577
Supplies	6,350	6,350	6,049	4,642
Other services and charges	84,450	84,450	113,657	87,643
Total	566,250	566,250	558,696	532,862
Elections				
Personal services	-	-	-	5,311
Supplies	250	250	143	706
Other services and charges	1,000	1,000	743	1,903
Total	1,250	1,250	886	7,920
Assessing				
Supplies	750	750	-	128
Other services and charges	77,800	77,800	74,972	75,182
Total	78,550	78,550	74,972	75,310
Planning and zoning				
Personal services	166,100	166,100	143,303	106,064
Supplies	3,500	3,500	889	1,043
Other services and charges	42,125	42,125	35,263	45,730
Total	211,725	211,725	179,455	152,837
Other general government				
Supplies	6,600	6,600	8,618	6,105
Other services and charges	97,450	97,450	85,789	88,625
Total	104,050	104,050	94,407	94,730
Total general government	986,675	986,675	933,842	891,432

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, 2011  
(With comparative actual amounts for the year ended December 31, 2010)

	2011			2010
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final		
EXPENDITURES - CONTINUED				
Current - continued				
Public safety				
Police				
Personal services	\$ 1,259,425	\$ 1,259,425	\$ 1,211,083	\$ 1,146,412
Supplies	67,200	67,200	70,821	64,380
Other services and charges	162,800	162,800	164,489	145,434
Total	1,489,425	1,489,425	1,446,393	1,356,226
Building inspection				
Personal services	91,650	91,650	95,410	86,468
Supplies	1,000	1,000	-	-
Other services and charges	146,800	146,800	73,768	91,854
Total	239,450	239,450	169,178	178,322
Fire				
Other services and charges	297,500	297,500	284,644	267,278
Total public safety	2,026,375	2,026,375	1,900,215	1,801,826
Streets and highways				
Streets				
Personal services	190,900	190,900	174,921	154,687
Supplies	258,500	258,500	249,732	258,501
Other services and charges	96,400	96,400	92,831	101,716
Total	545,800	545,800	517,484	514,904
Total streets and highways	545,800	545,800	517,484	514,904
Sanitation and recycling				
Personal services	7,530	7,530	7,068	3,525
Supplies	1,600	1,600	949	1,641
Other services and charges	6,970	6,970	3,166	6,739
Total sanitation and recycling	16,100	16,100	11,183	11,905

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, 2011  
(With comparative actual amounts for the year ended December 31, 2010)

	2011				2010
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Culture and recreation					
Personal services	\$ 54,125	\$ 54,125	\$ 51,872	\$ 2,253	\$ 40,238
Supplies	20,200	20,200	10,313	9,887	16,238
Other services and charges	74,975	74,975	68,231	6,744	59,179
Total culture and recreation	149,300	149,300	130,416	18,884	115,655
Total current expenditures	3,724,250	3,724,250	3,493,140	231,110	3,335,722
Capital outlay					
General government	-	-	-	-	4,711
Public safety	42,175	42,175	37,825	4,350	88,005
Total capital outlay	42,175	42,175	37,825	4,350	92,716
TOTAL EXPENDITURES	3,766,425	3,766,425	3,530,965	235,460	3,428,438
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(293,900)	(293,900)	71,928	365,828	98,988
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	12,200	12,200	2,100	(10,100)	16,540
Transfers in	306,700	306,700	305,700	(1,000)	290,700
Transfers out	(25,000)	(25,000)	(275,000)	(250,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	293,900	293,900	32,800	(261,100)	307,240
NET CHANGE IN FUND BALANCES	-	-	104,728	104,728	406,228
FUND BALANCES, JANUARY 1	2,029,973	2,029,973	2,029,973	-	1,623,745
FUND BALANCES, DECEMBER 31	\$ 2,029,973	\$ 2,029,973	\$ 2,134,701	\$ 104,728	\$ 2,029,973

CITY OF MEDINA, MINNESOTA  
SUMMARY FINANCIAL REPORT  
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS  
GOVERNMENTAL FUNDS  
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010

	Total		Percent Increase (Decrease)
	2011	2010	
REVENUES			
Taxes	\$ 3,168,585	\$ 3,210,869	(1.32) %
Special assessments	406,583	850,744	(52.21)
Licenses and permits	201,363	199,100	1.14
Intergovernmental	448,043	291,582	53.66
Charges for services	401,004	342,537	17.07
Fines and forfeits	204,145	134,609	51.66
Interest on investments	71,269	129,785	(45.09)
Miscellaneous	1,194,900	229,802	419.97
TOTAL REVENUES	<u>\$ 6,095,892</u>	<u>\$ 5,389,028</u>	13.12 %
Per Capita	\$ 1,246	\$ 1,072	16.21 %
EXPENDITURES			
Current			
General government	\$ 933,842	\$ 891,432	4.76 %
Public safety	1,970,633	1,848,801	6.59
Streets and highways	526,884	515,867	2.14
Sanitation and recycling	11,183	11,905	(6.06)
Culture and recreation	173,278	265,550	(34.75)
Economic development	245,439	235,817	4.08
Miscellaneous	7,516	6,222	20.80
Capital outlay			
General government	125,104	37,933	229.80
Public safety	102,234	210,011	(51.32)
Streets and highways	1,661,751	362,614	358.27
Culture and recreation	69,525	563,871	(87.67)
Economic development	6,397	290,399	(97.80)
Debt service			
Principal	325,000	600,000	(45.83)
Interest and other	122,286	127,324	(3.96)
Bond issuance costs	51,611	9,804	426.43
TOTAL EXPENDITURES	<u>\$ 6,332,683</u>	<u>\$ 5,977,550</u>	5.94 %
Per Capita	\$ 1,295	\$ 1,189	8.84 %
Total Long-term Indebtedness	\$ 4,831,607	\$ 3,749,367	28.86 %
Per Capita	988	746	32.39
General Fund Balance - December 31	\$ 2,134,701	\$ 2,029,973	5.16 %
Per Capita	436	404	8.04

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, 2011

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5201 Eden Avenue  
Suite 250  
Edina, MN 55436

## REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and 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, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 16, 2012.

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 Local Government*, 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 Local Government* covers seven main 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 the 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.

May 16, 2012  
Minneapolis, Minnesota

*Abdo, Eick & Meyers, LLP*  
ABDO, EICK & MEYERS, LLP  
Certified Public Accountants