

Annual Financial Report

City of Medina

Medina, Minnesota

For the Year Ended
December 31, 2014

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CITY OF MEDINA
MEDINA, MINNESOTA

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2014

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CITY OF MEDINA, MINNESOTA
ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

CITY OF MEDINA
MEDINA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

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CITY OF MEDINA, MINNESOTA
ELECTED AND APPOINTED OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2014

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Elizabeth Weir	Mayor - Appointed	12/31/14
Jeff Pederson	Council Member	12/31/16
Melissa Martinson	Council Member	12/31/14
John Anderson	Council Member	12/31/16
Kathleen Martin	Council Member	12/31/14

APPOINTED

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

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FINANCIAL SECTION

CITY OF MEDINA
MEDINA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of Medina, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Medina, Minnesota (the City), as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

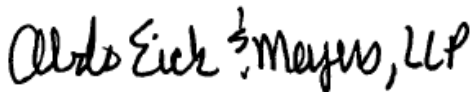
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 13 and the Schedule of Funding Progress on page 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the basic financial statements that collectively comprise the City's basis financial statements. The introductory section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
April 24, 2015

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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, 2014.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$35,506,768 (*net position*). Of this amount, \$12,368,260 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$1,402,051 as a result of an increase to building growth.
- The total net position of governmental activities increased by \$465,625 and total net position of the business-type activities increased by \$936,426. This resulted in an increase to total net position of \$1,402,051 for the City. Governmental activities transferred capital assets of \$494,232 to business-type activities. Interest earnings increased \$131,427 from prior year.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$12,951,454, a decrease of \$204,000 in comparison with the prior year. Factors contributing to this variance include significant amounts of licenses and permits received in the General fund, park dedication fees received in the Park Dedication fund, and water and sewer connection fees received in the Water and Sewer Capital Improvements funds due to increased development.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$2,094,917, or 52 percent of total General fund expenditures.
- The City's total debt decreased \$3,190,241, or 15 percent during the current fiscal year. This was the result of the payment to refund \$2,185,000 of the 2005A Water Revenue Bonds on February 1, 2014 with cash held in escrow as well as regularly scheduled principal and interest payments.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves.

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

Figure 1
Required Components of the
City's Annual Financial Report

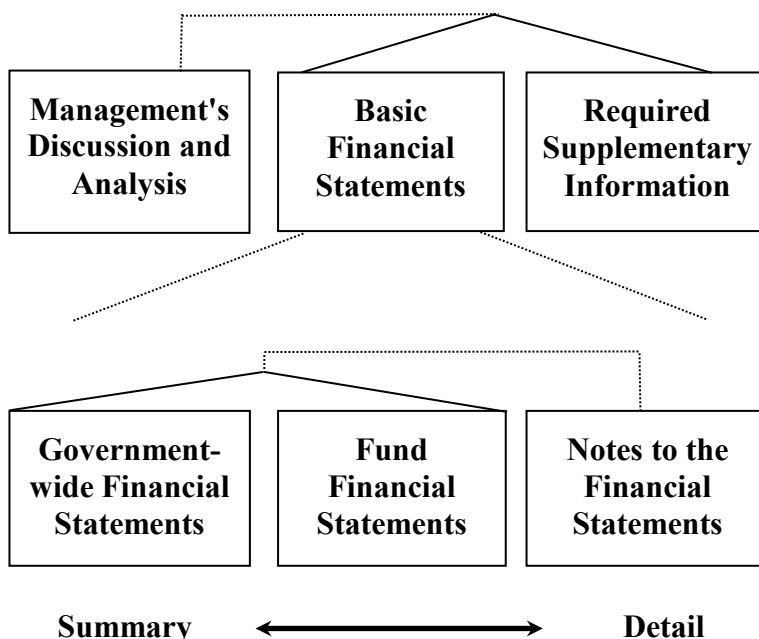


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

	Fund Financial Statements			
	Government-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds)	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities of the City that operates similar to private businesses, such as the water and sewer systems	Instances in which the City administers resources on behalf of someone else, such as developers
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statements of Net Position • Statements of Revenues, Expenses and Changes in Fund Net Position • Statements of Cash Flows 	<ul style="list-style-type: none"> • Statements of fiduciary Net Position
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	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	All assets and liabilities, both short-term and long-term; fund do not currently contain capital assets, although they can
Type of deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of inflow/out flow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

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

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

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

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

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

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

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

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

The City maintains 29 individual governmental funds, ten of which are Debt Service 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, Debt Service fund, Park Dedication fund, Water Capital Improvements fund, Sewer Capital Improvements fund and the Road Improvement fund, all of which are considered to be major funds. Data from the other 14 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 40 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 basic fiduciary fund financial statements can be found on page 46 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 47 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 74 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$35,506,768 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (57 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

City of Medina's Summary of Net Position

	Governmental Activities			Business-type Activities		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
Assets						
Current and other assets	\$ 14,670,823	\$ 15,362,430	\$ (691,607)	\$ 5,225,072	\$ 7,106,097	\$ (1,881,025)
Capital assets	23,736,949	23,590,943	146,006	11,088,877	10,989,620	99,257
Total assets	38,407,772	38,953,373	(545,601)	16,313,949	18,095,717	(1,781,768)
Liabilities						
Noncurrent liabilities						
outstanding	12,521,258	13,057,603	(536,345)	5,558,155	8,212,051	(2,653,896)
Other liabilities	1,055,761	1,530,642	(474,881)	79,779	144,077	(64,298)
Total liabilities	13,577,019	14,588,245	(1,011,226)	5,637,934	8,356,128	(2,718,194)
Net position						
Net investment in						
capital assets	12,976,949	12,451,263	525,686	7,136,115	6,561,472	574,643
Restricted	3,025,444	3,215,236	(189,792)	-	-	-
Unrestricted	8,828,360	8,698,629	129,731	3,539,900	3,178,117	361,783
Total net position	\$24,830,753	\$24,365,128	\$ 465,625	\$10,676,015	\$ 9,739,589	\$ 936,426

An additional portion of the City's net position (9 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* \$12,368,260 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 position, both for the City as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

Governmental activities. Governmental activities increased the City's net position by \$465,625 thereby accounting for 33.2 percent of the total growth in the net position of the City. Key elements of this increase are as follows:

City of Medina's Changes in Net Position

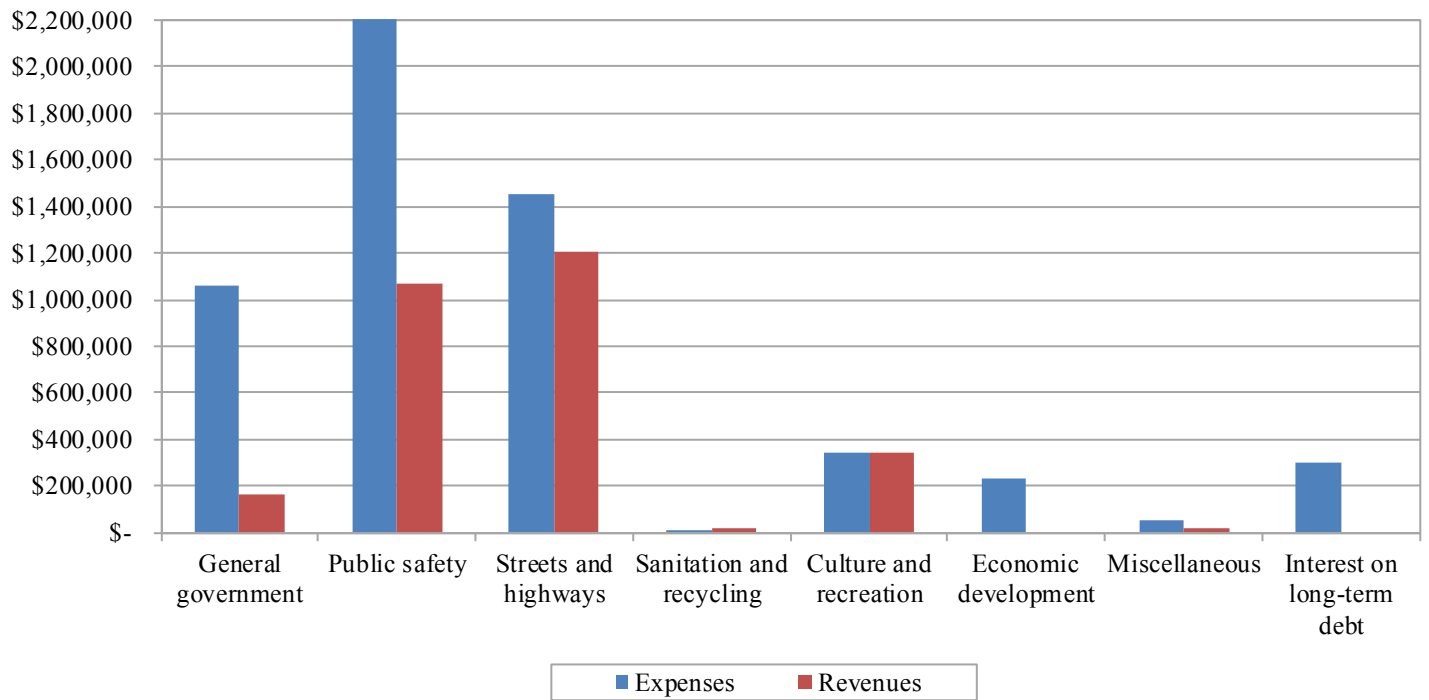
	Governmental Activities			Business-type Activities		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 1,136,595	\$ 1,544,269	\$ (407,674)	\$ 1,739,291	\$ 1,778,825	\$ (39,534)
Operating grants and contributions	200,243	218,645	(18,402)	-	-	-
Capital grants and contributions	1,475,488	3,099,125	(1,623,637)	21,257	34,629	(13,372)
General revenues						
Property taxes	3,475,185	3,314,104	161,081	-	-	-
Tax increments	379,605	379,428	177	-	-	-
Franchise taxes	36,847	-	36,847	-	-	-
Unrestricted investment earnings	116,665	13,410	103,255	33,415	5,243	28,172
Gain on sale of capital assets	20,028	10,485	9,543	-	-	-
Total revenues	<u>6,840,656</u>	<u>8,579,466</u>	<u>(1,738,810)</u>	<u>1,793,963</u>	<u>1,818,697</u>	<u>(24,734)</u>
Expenses						
General government	1,056,358	1,071,588	(15,230)	-	-	-
Public safety	2,344,346	2,262,753	81,593	-	-	-
Streets and highways	1,456,175	1,122,461	333,714	-	-	-
Sanitation and recycling	11,119	11,331	(212)	-	-	-
Culture and recreation	343,445	284,220	59,225	-	-	-
Economic development	230,107	226,175	3,932	-	-	-
Miscellaneous	51,836	42,067	9,769	-	-	-
Interest on long-term debt	300,301	329,304	(29,003)	-	-	-
Water	-	-	-	803,233	948,222	(144,989)
Sanitary sewer	-	-	-	513,039	464,397	48,642
Storm water	-	-	-	122,609	101,516	21,093
Total expenses	<u>5,793,687</u>	<u>5,349,899</u>	<u>443,788</u>	<u>1,438,881</u>	<u>1,514,135</u>	<u>(75,254)</u>
Change in net position before transfers	1,046,969	3,229,567	(2,182,598)	355,082	304,562	50,520
Transfers - capital assets	(494,232)	(3,028)	(491,204)	494,232	3,028	491,204
Transfers	<u>(87,112)</u>	<u>(179,010)</u>	<u>91,898</u>	<u>87,112</u>	<u>179,010</u>	<u>(91,898)</u>
Change in net position	465,625	3,047,529	(2,581,904)	936,426	486,600	449,826
Net position, January 1	<u>24,365,128</u>	<u>21,317,599</u>	<u>3,047,529</u>	<u>9,739,589</u>	<u>9,252,989</u>	<u>486,600</u>
Net position, December 31	<u>\$24,830,753</u>	<u>\$24,365,128</u>	<u>\$ 465,625</u>	<u>\$10,676,015</u>	<u>\$ 9,739,589</u>	<u>\$ 936,426</u>

Property taxes represent 38.6 percent of total revenues in 2014 in governmental activities.

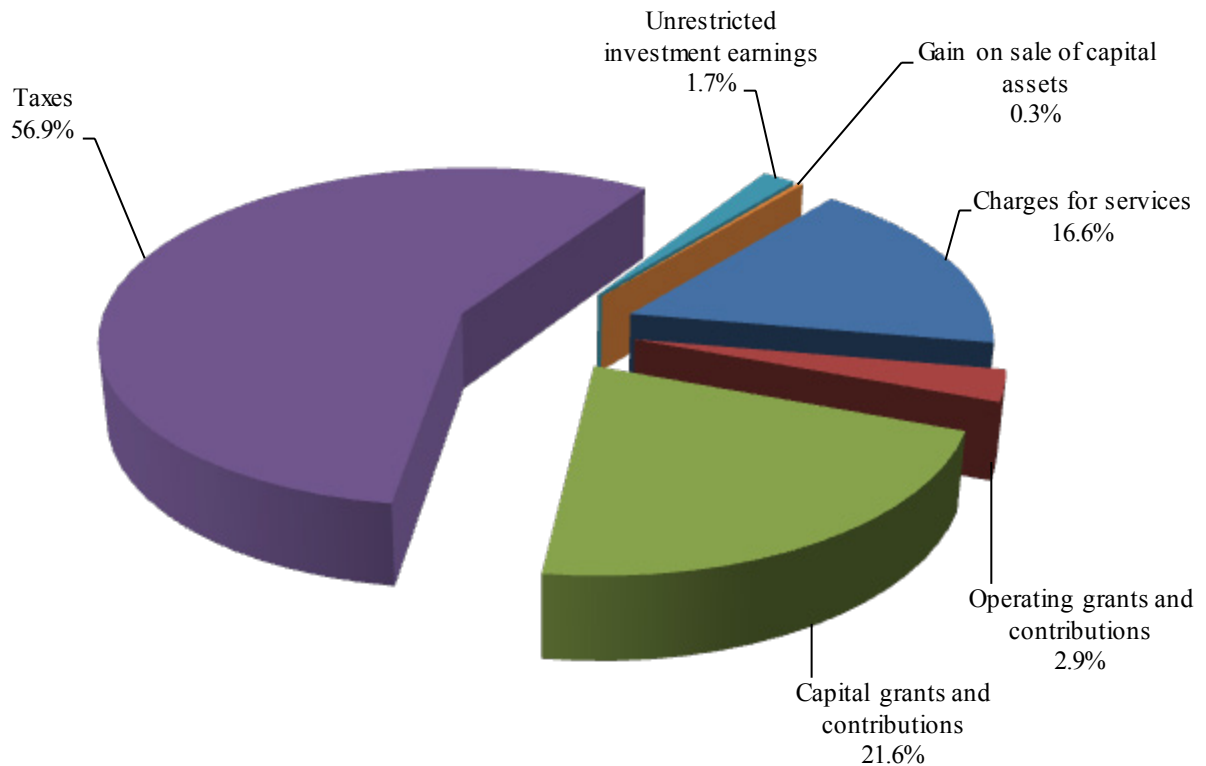
- The largest change in revenue was a decrease in capital grants and contributions of \$1,623,637 in governmental activities. This was due to decreased collections of park dedication fees and water and sewer connection fees in comparison to 2013, related to less building activity.

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

Expenses and Program Revenue - Governmental Activities



Revenue by Source - Governmental Activities

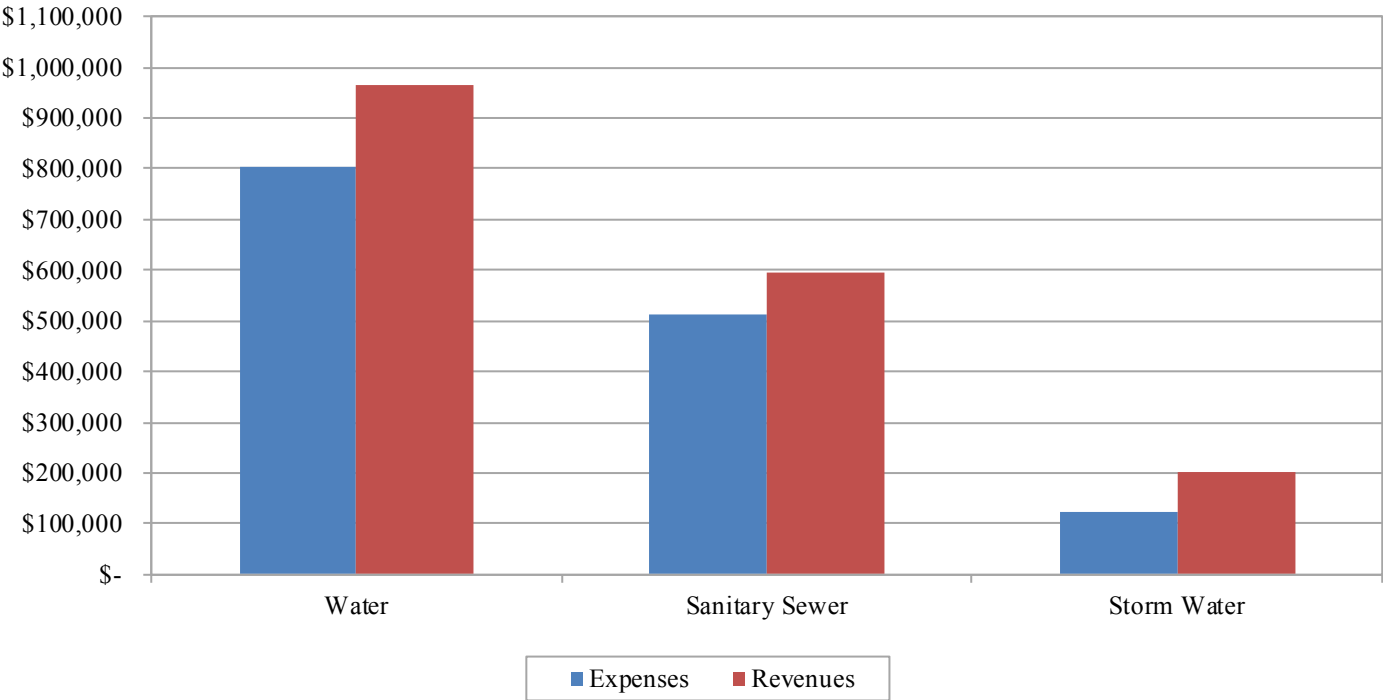


Business-type activities. Business-type activities increased the City’s net position by \$936,426, accounting for 66.8 percent of the growth in the City’s net position. Key elements of this increase are as follows:

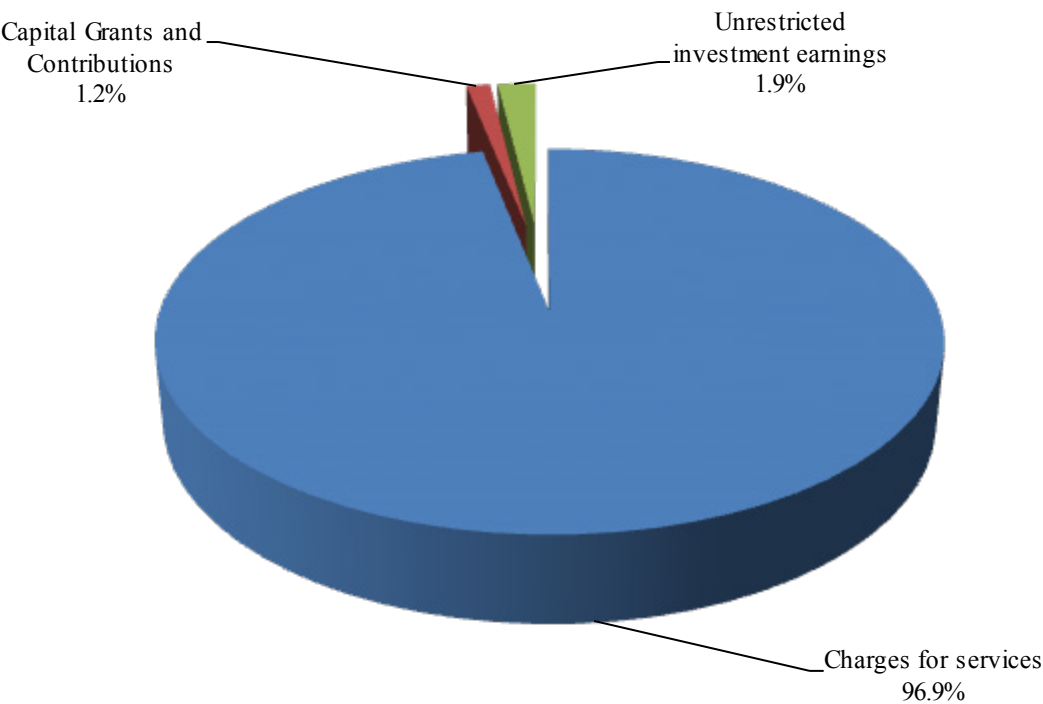
- Expenses for the business-type activities were \$1,438,881. The net revenue of the business-type activities was \$321,667. This essentially points out that utility charges are sufficient to cover expenses incurred during the operations of the utilities.
- The governmental activities transferred \$494,232 of capital assets to the business-type activities during the year.

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

Expenses and Program - Revenue Business-type Activities Graph



Revenue by Source - Business-type Activities



Financial Analysis of the Government's Funds

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

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

Major Funds	Fund Balance December 31,		Increase (Decrease)
	2014	2013	
General	\$ 2,102,951	\$ 2,651,879	\$ (548,928)
The fund balance of the General fund decreased by \$548,928 as a result of transfers out to the Water and Sewer Capital Improvement funds and nonmajor governmental funds for future capital projects and equipment purchases.			
Debt Service	\$ 2,411,645	\$ 2,189,583	\$ 222,062
The Debt Service fund balance increased \$222,064 as a result of revenues and transfers in exceeding debt service expenditures.			
Park Dedication	\$ 1,775,931	\$ 1,694,447	\$ 81,484
The Park Dedication fund balance increased by \$81,484 as a result of park dedication fees exceeding current year expenditures.			
Water Capital Improvement	\$ 1,829,200	\$ 1,415,853	\$ 413,347
The Water Capital Improvement fund balance increased by \$413,347 as a result of collections of water connection fees related to increased development.			
Sewer Capital Improvements	\$ 2,453,522	\$ 2,332,037	\$ 121,485
The Sewer Capital Improvement fund balance increased by \$121,485 as a result of collections of sewer connection fees related to increased development.			
Road Improvement Fund	\$ 632,105	\$ 681,390	\$ (49,285)
The Road Improvement fund balance decreased by \$49,285. The net change in fund balance was a decrease of \$604,285 prior to a transfer in of \$555,000 from the General fund. Significant road projects included Chippewa Road West, Tuckborough Road, and Deerhill Road.			

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$3,539,900. The total increase in net position for the funds was \$936,426. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The City's General fund budget was not amended during the year and the budget called for no change in fund balance. Revenues exceeded budget by \$378,158, primarily due to licenses and permits and charges for services exceeding budget by \$220,685 and \$103,424, respectively. Expenditures were over budget by \$72,598 during the year with the largest variance in the public safety - building inspection program/function (\$57,621) as a result of development activity.

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, 2014, amounts to \$34,825,826 (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:

- Public works and police departments building completion
- Loretto Ponds project completion
- Acquisition of new squad cars
- Acquisition of new plow
- Fields of Medina playground construction in progress

Additional information on the City's capital assets can be found in Note 3B starting on page 59 of this report.

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

	Governmental Activities			Business-type Activities		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
Land	\$ 774,778	\$ 774,778	\$ -	\$ 56,393	\$ 56,393	\$ -
Infrastructure	12,159,267	12,671,534	(512,267)	3,427,779	3,538,700	(110,921)
Buildings	8,365,548	1,313,219	7,052,329	5,771,499	5,969,086	(197,587)
Improvements	1,271,453	641,165	630,288	413,951	59,592	354,359
Machinery and equipment	722,520	568,794	153,726	1,150,220	1,181,254	(31,034)
Construction in progress	443,383	7,621,453	(7,178,070)	269,035	184,595	84,440
Total	<u>\$ 23,736,949</u>	<u>\$ 23,590,943</u>	<u>\$ 146,006</u>	<u>\$ 11,088,877</u>	<u>\$ 10,989,620</u>	<u>\$ 99,257</u>

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$17,305,000. Of this amount, \$11,234,148 is G.O. Improvement Bond debt, \$575,000 is G.O. Tax Increment debt, \$120,852 is debt related to equipment certificates, and \$5,375,000 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		
	2014	2013	Increase (Decrease)	2014	2013	Increase (Decrease)
General obligation improvement bonds	\$11,234,148	\$11,618,144	\$ (383,996)	\$ -	\$ -	\$ -
G.O. tax increment bonds	575,000	650,000	(75,000)	-	-	-
General obligation revenue bonds	-	-	-	5,375,000	8,030,000	(2,655,000)
Unamortized premium on bonds	123,038	133,665	(10,627)	97,762	113,148	(15,386)
G.O. equipment certificates	120,852	241,856	(121,004)	-	-	-
Other postemployment benefits payable	189,805	160,038	29,767	30,240	24,934	5,306
Compensated absences	278,415	253,900	24,515	55,153	43,969	11,184
Total	<u>\$12,521,258</u>	<u>\$13,057,603</u>	<u>\$ (536,345)</u>	<u>\$ 5,558,155</u>	<u>\$ 8,212,051</u>	<u>\$ (2,653,896)</u>

The City's total debt decreased \$3,190,241 (15 percent) during the current fiscal year. This was the result of the payment to refund \$2,185,000 of the 2005A Water Revenue Bonds on February 1, 2014 with cash held in escrow as well as regularly scheduled principal and interest payments.

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

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3.0 percent of the market value of taxable property within the City. Net debt is debt payable solely from ad valorem taxes. The current debt limitation for the City is approximately \$41 million. The City currently has \$120,852 outstanding general obligation debt payable solely from ad valorem taxes.

Additional information on the City's long-term debt can be found in Note 3D starting on page 62 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for Hennepin County is currently 3.6 percent (February 2015). This compares favorably to the State of Minnesota's average unemployment rate of 4.4 percent and the national average rate of 5.8 percent.
- Property valuations increased 9.2 percent within the City from 2014 to 2015.

The City's property tax levy will increase in 2015 by 2.2 percent. The City's share of property taxes is low when compared to similar sized cities throughout the State with a tax rate of 23.6 percent. The operations portion of the tax levy was increased by \$84,237 and the overall operating budget was increased by \$156,332 from 2014 to 2015.

A water rate increase of 3.0 percent was approved for the three individual water systems for 2015. Sanitary sewer and storm water utility rates also increased 3.0 percent.

All of these factors were considered in preparing the City's budget for the 2015 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance 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, 2014

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

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and temporary investments	\$ 12,580,430	\$ 3,462,472	\$ 16,042,902
Cash with fiscal agent	1,170,025	1,513,029	2,683,054
Receivables			
Accounts	25,872	216,441	242,313
Delinquent taxes	69,668	-	69,668
Special assessments	719,869	29,141	749,010
Due from other governments	96,837	2,820	99,657
Prepaid items	8,122	1,169	9,291
Capital assets			
Nondepreciable	1,218,161	325,428	1,543,589
Depreciable, net of accumulated depreciation	<u>22,518,788</u>	<u>10,763,449</u>	<u>33,282,237</u>
TOTAL ASSETS	<u>38,407,772</u>	<u>16,313,949</u>	<u>54,721,721</u>
LIABILITIES			
Accounts payable	382,342	18,775	401,117
Due to other governments	1,394	6,015	7,409
Salaries payable	19,847	2,683	22,530
Accrued interest payable	125,929	52,306	178,235
Deposits payable	513,303	-	513,303
Unearned revenue	12,946	-	12,946
Noncurrent liabilities			
Due within one year	2,009,848	2,030,033	4,039,881
Due in more than one year	<u>10,511,410</u>	<u>3,528,122</u>	<u>14,039,532</u>
TOTAL LIABILITIES	<u>13,577,019</u>	<u>5,637,934</u>	<u>19,214,953</u>
NET POSITION			
Net investment in capital assets	12,976,949	7,136,115	20,113,064
Restricted for			
Debt service	1,377,783	-	1,377,783
Park improvements	1,524,615	-	1,524,615
Police expenditures	123,046	-	123,046
Unrestricted	<u>8,828,360</u>	<u>3,539,900</u>	<u>12,368,260</u>
TOTAL NET POSITION	<u><u>\$ 24,830,753</u></u>	<u><u>\$ 10,676,015</u></u>	<u><u>\$ 35,506,768</u></u>

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

CITY OF MEDINA, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2014

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	\$ 1,056,358	\$ 167,681	\$ -	\$ 15
Public safety	2,344,346	888,094	178,794	-
Streets and highways	1,456,175	27,839	-	1,177,957
Sanitation and recycling	11,119	-	14,770	-
Culture and recreation	343,445	37,226	6,679	297,516
Economic development	230,107	-	-	-
Miscellaneous	51,836	15,755	-	-
Interest on long-term debt	300,301	-	-	-
Total governmental activities	<u>5,793,687</u>	<u>1,136,595</u>	<u>200,243</u>	<u>1,475,488</u>
Business-type activities				
Water	803,233	945,193	-	21,257
Sanitary sewer	513,039	593,986	-	-
Storm water	122,609	200,112	-	-
Total business-type activities	<u>1,438,881</u>	<u>1,739,291</u>	<u>-</u>	<u>21,257</u>
Total	<u>\$ 7,232,568</u>	<u>\$ 2,875,886</u>	<u>\$ 200,243</u>	<u>\$ 1,496,745</u>

General revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Tax increments

Franchise taxes

Unrestricted investment earnings

Gain on sale of capital assets

Transfers - capital assets

Transfers

Total general revenues and transfers

Change in net position

Net position, January 1

Net position, December 31

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

Net (Expenses) Revenues and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (888,662)	\$ -	\$ (888,662)
(1,277,458)	-	(1,277,458)
(250,379)	-	(250,379)
3,651	-	3,651
(2,024)	-	(2,024)
(230,107)	-	(230,107)
(36,081)	-	(36,081)
(300,301)	-	(300,301)
<u>(2,981,361)</u>	<u>-</u>	<u>(2,981,361)</u>
-	163,217	163,217
-	80,947	80,947
-	77,503	77,503
<u>-</u>	<u>321,667</u>	<u>321,667</u>
<u>(2,981,361)</u>	<u>321,667</u>	<u>(2,659,694)</u>
2,864,323	-	2,864,323
610,862	-	610,862
379,605	-	379,605
36,847	-	36,847
116,665	33,415	150,080
20,028	-	20,028
(494,232)	494,232	-
(87,112)	87,112	-
<u>3,446,986</u>	<u>614,759</u>	<u>4,061,745</u>
465,625	936,426	1,402,051
<u>24,365,128</u>	<u>9,739,589</u>	<u>34,104,717</u>
<u>\$ 24,830,753</u>	<u>\$ 10,676,015</u>	<u>\$ 35,506,768</u>

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FUND FINANCIAL STATEMENTS

CITY OF MEDINA
MEDINA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

CITY OF MEDINA, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2014

	101	Debt	225	402
	General	Service	Park Dedication	Water Capital Improvements
ASSETS				
Cash and temporary investments	\$ 2,707,566	\$ 1,237,537	\$ 1,769,681	\$ 1,876,753
Cash with fiscal agent	-	1,170,025	-	-
Receivables				
Accounts	11,238	-	7,667	5,050
Delinquent taxes	56,851	12,817	-	-
Special assessments	46,070	249,250	-	38,872
Due from other governments	21,572	4,469	-	-
Due from other funds	180,000	-	-	-
Prepaid items	8,034	-	-	-
TOTAL ASSETS	<u>\$ 3,031,331</u>	<u>\$ 2,674,098</u>	<u>\$ 1,777,348</u>	<u>\$ 1,920,675</u>
LIABILITIES				
Accounts payable	\$ 279,363	\$ -	\$ 1,417	\$ 52,603
Due to other funds	-	386	-	-
Due to other governments	-	-	-	-
Salaries payable	19,847	-	-	-
Deposits payable	513,303	-	-	-
Unearned revenue	12,946	-	-	-
TOTAL LIABILITIES	<u>825,459</u>	<u>386</u>	<u>1,417</u>	<u>52,603</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - taxes	56,851	12,817	-	-
Unavailable revenue - assessments	46,070	249,250	-	38,872
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>102,921</u>	<u>262,067</u>	<u>-</u>	<u>38,872</u>
FUND BALANCES				
Nonspendable	8,034	-	-	-
Restricted	-	2,411,645	1,524,615	-
Committed	-	-	251,316	-
Assigned	-	-	-	1,829,200
Unassigned	2,094,917	-	-	-
TOTAL FUND BALANCES	<u>2,102,951</u>	<u>2,411,645</u>	<u>1,775,931</u>	<u>1,829,200</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 3,031,331</u>	<u>\$ 2,674,098</u>	<u>\$ 1,777,348</u>	<u>\$ 1,920,675</u>

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

403 Sewer Capital Improvements	420 Road Improvement	Other Governmental Funds	Total Governmental Funds
\$ 2,312,753	\$ 678,174	\$ 1,997,966	\$ 12,580,430
-	-	-	1,170,025
717	-	1,200	25,872
-	-	-	69,668
44,711	340,966	-	719,869
-	210	70,586	96,837
142,647	-	-	322,647
-	-	88	8,122
<u>\$ 2,500,828</u>	<u>\$ 1,019,350</u>	<u>\$ 2,069,840</u>	<u>\$ 14,993,470</u>
\$ 2,595	\$ 46,279	\$ 85	\$ 382,342
-	-	322,261	322,647
-	-	1,394	1,394
-	-	-	19,847
-	-	-	513,303
-	-	-	12,946
<u>2,595</u>	<u>46,279</u>	<u>323,740</u>	<u>1,252,479</u>
-	-	-	69,668
<u>44,711</u>	<u>340,966</u>	<u>-</u>	<u>719,869</u>
<u>44,711</u>	<u>340,966</u>	<u>-</u>	<u>789,537</u>
-	-	88	8,122
-	-	123,046	4,059,306
-	-	520,028	771,344
2,453,522	632,105	1,190,535	6,105,362
-	-	(87,597)	2,007,320
<u>2,453,522</u>	<u>632,105</u>	<u>1,746,100</u>	<u>12,951,454</u>
<u>\$ 2,500,828</u>	<u>\$ 1,019,350</u>	<u>\$ 2,069,840</u>	<u>\$ 14,993,470</u>

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

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

Total fund balances - governmental funds	\$ 12,951,454
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	29,329,209
Less accumulated depreciation	(5,592,260)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds.	
Long-term liabilities at year-end consist of	
Bonds payable	(11,930,000)
Plus premium on bonds	(123,038)
Compensated absences payable	(278,415)
Other postemployment benefits payable	(189,805)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Delinquent taxes receivable	69,668
Special assessments receivable	719,869
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(125,929)</u>
Total net position - governmental activities	<u><u>\$ 24,830,753</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, 2014

	101	Debt	225	402
	General	Service	Park	Water Capital
			Dedication	Improvements
REVENUES				
Taxes	\$ 2,814,421	\$ 610,862	\$ -	\$ -
Licenses and permits	478,385	-	-	-
Intergovernmental	239,118	-	-	-
Charges for services	299,215	-	232,465	752,762
Fines and forfeitures	114,365	-	-	-
Special assessments	15	177,266	-	-
Interest on investments	27,482	8,508	16,419	16,180
Miscellaneous	168,432	-	1,100	-
	<u>4,141,433</u>	<u>796,636</u>	<u>249,984</u>	<u>768,942</u>
TOTAL REVENUES				
EXPENDITURES				
Current				
General government	1,041,219	-	-	-
Public safety	2,142,791	-	-	-
Streets and highways	635,206	-	-	-
Sanitation and recycling	11,119	-	-	-
Culture and recreation	145,122	-	37,802	-
Economic development	-	-	-	-
Miscellaneous	49,578	-	-	-
Capital outlay				
General government	-	-	-	-
Public safety	725	-	-	-
Streets and highways	-	-	-	86,039
Culture and recreation	8,013	-	130,698	-
Economic development	-	-	-	-
Debt service				
Principal	-	580,000	-	-
Interest and other charges	-	322,152	-	-
	<u>4,033,773</u>	<u>902,152</u>	<u>168,500</u>	<u>86,039</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>107,660</u>	<u>(105,516)</u>	<u>81,484</u>	<u>682,903</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	512	-	-	-
Transfers in	199,900	327,578	-	100,000
Transfers out	(857,000)	-	-	(369,556)
	<u>(656,588)</u>	<u>327,578</u>	<u>-</u>	<u>(269,556)</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCES	(548,928)	222,062	81,484	413,347
FUND BALANCES, JANUARY 1	<u>2,651,879</u>	<u>2,189,583</u>	<u>1,694,447</u>	<u>1,415,853</u>
FUND BALANCES, DECEMBER 31	<u>\$ 2,102,951</u>	<u>\$ 2,411,645</u>	<u>\$ 1,775,931</u>	<u>\$ 1,829,200</u>

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

403 Sewer Capital Improvements	420 Road Improvement	Other Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 416,452	\$ 3,841,735
-	-	-	478,385
-	-	65,051	304,169
128,255	-	18,635	1,431,332
-	-	49,471	163,836
7,140	131,943	-	316,364
22,271	6,627	19,178	116,665
-	14,184	8,376	192,092
<u>157,666</u>	<u>152,754</u>	<u>577,163</u>	<u>6,844,578</u>
-	-	-	1,041,219
-	-	4,443	2,147,234
-	-	-	635,206
-	-	-	11,119
-	-	54,578	237,502
-	-	210,736	210,736
-	-	2,258	51,836
-	-	42,192	42,192
-	-	382,567	383,292
36,181	757,039	111,843	991,102
-	-	74,792	213,503
-	-	119,401	119,401
-	-	-	580,000
-	-	-	322,152
<u>36,181</u>	<u>757,039</u>	<u>1,002,810</u>	<u>6,986,494</u>
<u>121,485</u>	<u>(604,285)</u>	<u>(425,647)</u>	<u>(141,916)</u>
-	-	24,516	25,028
-	555,000	202,000	1,384,478
-	-	(245,034)	(1,471,590)
<u>-</u>	<u>555,000</u>	<u>(18,518)</u>	<u>(62,084)</u>
121,485	(49,285)	(444,165)	(204,000)
<u>2,332,037</u>	<u>681,390</u>	<u>2,190,265</u>	<u>13,155,454</u>
<u>\$ 2,453,522</u>	<u>\$ 632,105</u>	<u>\$ 1,746,100</u>	<u>\$ 12,951,454</u>

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, 2014

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

Total net change in fund balances - governmental funds	\$ (204,000)
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	1,636,649
Depreciation expense	(991,411)
Governmental funds report a gain (loss) on sale of capital assets to the extent of cash exchanged, whereas the disposition of the assets book value is included in the total gain (loss) in the statement of activities.	
Disposals	(90,222)
Depreciation on disposals	85,222
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.	
Principal repayments	580,000
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.	21,851
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	49,902
Special assessments	(73,852)
Capital assets constructed in capital projects funds but intended for enterprise fund use are transferred in the government-wide financial statements.	(494,232)
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	(29,767)
Compensated absences	(24,515)
Change in net position - governmental activities	<u>\$ 465,625</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 -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2014

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes	\$ 2,827,902	\$ 2,827,902	\$ 2,814,421	\$ (13,481)
Licenses and permits	257,700	257,700	478,385	220,685
Intergovernmental	182,202	182,202	239,118	56,916
Charges for services	195,791	195,791	299,215	103,424
Fines and forfeitures	161,000	161,000	114,365	(46,635)
Special assessments	1,000	1,000	15	(985)
Interest on investments	10,000	10,000	27,482	17,482
Miscellaneous	127,680	127,680	168,432	40,752
TOTAL REVENUES	3,763,275	3,763,275	4,141,433	378,158
EXPENDITURES				
Current				
General government	1,059,456	1,059,456	1,041,219	18,237
Public safety				
Police	1,513,254	1,513,254	1,494,353	18,901
Building inspection	249,786	249,786	307,407	(57,621)
Fire	332,800	332,800	341,031	(8,231)
Streets and highways	595,767	595,767	635,206	(39,439)
Sanitation and recycling	14,179	14,179	11,119	3,060
Culture and recreation	156,433	156,433	145,122	11,311
Miscellaneous	39,500	39,500	49,578	(10,078)
Capital outlay	-	-	8,738	(8,738)
TOTAL EXPENDITURES	3,961,175	3,961,175	4,033,773	(72,598)
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(197,900)	(197,900)	107,660	305,560
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	512	512
Transfers in	199,900	199,900	199,900	-
Transfers out	(2,000)	(2,000)	(857,000)	(855,000)
TOTAL OTHER FINANCING SOURCES (USES)	197,900	197,900	(656,588)	(854,488)
NET CHANGE IN FUND BALANCES	-	-	(548,928)	(548,928)
FUND BALANCES, JANUARY 1	2,651,879	2,651,879	2,651,879	-
FUND BALANCES, DECEMBER 31	\$ 2,651,879	\$ 2,651,879	\$ 2,102,951	\$ (548,928)

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

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

	Business-type Activities - Enterprise funds			
	601 Water	602 Sanitary Sewer	603 Storm Water	Totals
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 1,359,512	\$ 1,725,417	\$ 377,543	\$ 3,462,472
Cash with fiscal agent	1,513,029	-	-	1,513,029
Accounts receivable	165,420	51,021	-	216,441
Special assessments receivable	12,533	12,533	4,075	29,141
Due from other governments	2,082	637	101	2,820
Prepaid items	531	638	-	1,169
TOTAL CURRENT ASSETS	3,053,107	1,790,246	381,719	5,225,072
NONCURRENT ASSETS				
Capital assets				
Land	7,393	49,000	-	56,393
Infrastructure	4,101,708	1,864,139	47,811	6,013,658
Buildings	8,414,236	192,000	-	8,606,236
Improvements	-	-	448,467	448,467
Machinery and equipment	1,130,785	2,847,377	11,087	3,989,249
Construction in progress	138,135	130,900	-	269,035
Less accumulated depreciation	(5,453,774)	(2,789,786)	(50,601)	(8,294,161)
TOTAL NONCURRENT ASSETS	8,338,483	2,293,630	456,764	11,088,877
TOTAL ASSETS	11,391,590	4,083,876	838,483	16,313,949

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

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

	Business-type Activities - Enterprise funds			
	601	602	603	
	<u>Water</u>	<u>Sanitary Sewer</u>	<u>Storm Water</u>	<u>Totals</u>
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	\$ 13,865	\$ 2,171	\$ 2,739	\$ 18,775
Accrued interest payable	52,306	-	-	52,306
Salaries payable	1,212	962	509	2,683
Due to other governments	4,923	672	420	6,015
Compensated absences payable - current	9,989	6,740	3,304	20,033
Bonds payable - current	2,010,000	-	-	2,010,000
TOTAL CURRENT LIABILITIES	<u>2,092,295</u>	<u>10,545</u>	<u>6,972</u>	<u>2,109,812</u>
NONCURRENT LIABILITIES				
Other postemployment benefits payable	15,233	11,029	3,978	30,240
Compensated absences payable	15,567	13,160	6,393	35,120
Bonds payable	3,462,762	-	-	3,462,762
TOTAL NONCURRENT LIABILITIES	<u>3,493,562</u>	<u>24,189</u>	<u>10,371</u>	<u>3,528,122</u>
TOTAL LIABILITIES	<u>5,585,857</u>	<u>34,734</u>	<u>17,343</u>	<u>5,637,934</u>
NET POSITION				
Net investment in capital assets	4,385,721	2,293,630	456,764	7,136,115
Unrestricted	1,420,012	1,755,512	364,376	3,539,900
TOTAL NET POSITION	<u>\$ 5,805,733</u>	<u>\$ 4,049,142</u>	<u>\$ 821,140</u>	<u>\$ 10,676,015</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, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-type Activities - Enterprise funds			
	601	602	603	
	Water	Sanitary Sewer	Storm Water	Totals
OPERATING REVENUES				
Charges for services	\$ 936,285	\$ 591,708	\$ 200,112	\$ 1,728,105
OPERATING EXPENSES				
Wages and salaries	152,254	121,890	58,309	332,453
Materials and supplies	103,360	3,503	468	107,331
Professional services	34,375	62,541	37,572	134,488
Repairs and maintenance	24,534	8,984	338	33,856
Insurance	6,125	949	-	7,074
Utilities	73,931	8,663	-	82,594
Depreciation	289,019	80,034	25,922	394,975
Sewer treatment charges	-	226,475	-	226,475
TOTAL OPERATING EXPENSES	683,598	513,039	122,609	1,319,246
OPERATING INCOME	252,687	78,669	77,503	408,859
NONOPERATING REVENUES (EXPENSES)				
Interest on investments	14,766	15,321	3,328	33,415
Miscellaneous	8,908	2,278	-	11,186
Interest and service charges	(119,635)	-	-	(119,635)
TOTAL NONOPERATING REVENUES (EXPENSES)	(95,961)	17,599	3,328	(75,034)
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	156,726	96,268	80,831	333,825
CAPITAL CONTRIBUTIONS FROM OTHER FUNDS	81,687	35,763	376,782	494,232
CAPITAL CONTRIBUTIONS	21,257	-	-	21,257
TRANSFERS IN	369,556	-	-	369,556
TRANSFERS OUT	(113,295)	(118,949)	(50,200)	(282,444)
CHANGE IN NET POSITION	515,931	13,082	407,413	936,426
NET POSITION, JANUARY 1	5,289,802	4,036,060	413,727	9,739,589
NET POSITION, DECEMBER 31	\$ 5,805,733	\$ 4,049,142	\$ 821,140	\$ 10,676,015

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

CITY OF MEDINA, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-type Activities - Enterprise funds			
	601 Water	602 Sanitary Sewer	603 Storm Water	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 904,436	\$ 593,041	\$ 202,498	\$ 1,699,975
Payments to suppliers	(243,335)	(308,340)	(38,401)	(590,076)
Payments to employees	(149,087)	(119,436)	(56,561)	(325,084)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>512,014</u>	<u>165,265</u>	<u>107,536</u>	<u>784,815</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers from other funds	369,556	-	-	369,556
Transfers to other funds	(113,295)	(118,949)	(50,200)	(282,444)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>256,261</u>	<u>(118,949)</u>	<u>(50,200)</u>	<u>87,112</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Connection fees received	21,257	-	-	21,257
Receipt from bond escrow agent	2,185,000	-	-	2,185,000
Principal paid on bonds	(2,655,000)	-	-	(2,655,000)
Interest paid on bonds	(131,209)	-	-	(131,209)
NET CASH PROVIDED (USED) BY CAPITAL FINANCING ACTIVITIES	<u>(579,952)</u>	<u>-</u>	<u>-</u>	<u>(579,952)</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on investments	<u>8,841</u>	<u>15,321</u>	<u>3,329</u>	<u>27,491</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	197,164	61,637	60,665	319,466
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>1,162,348</u>	<u>1,663,780</u>	<u>316,878</u>	<u>3,143,006</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 1,359,512</u></u>	<u><u>\$ 1,725,417</u></u>	<u><u>\$ 377,543</u></u>	<u><u>\$ 3,462,472</u></u>

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

CITY OF MEDINA, MINNESOTA
STATEMENT OF CASH FLOWS - CONTINUED
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2014

	Business-type Activities - Enterprise funds			
	601 Water	602 Sanitary Sewer	603 Storm Water	Totals
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 252,687	\$ 78,669	\$ 77,503	\$ 408,859
Adjustments to reconcile operating income to net cash provided by operating activities				
Other items related to operations	8,908	2,278	-	11,186
Depreciation	289,019	80,034	25,922	394,975
(Increase) decrease in assets				
Accounts receivable	(35,364)	3,963	848	(30,553)
Due from other governments	(834)	(114)	58	(890)
Special assessments receivable	(4,559)	(4,794)	1,480	(7,873)
Prepaid items	2,982	2,681	1,381	7,044
Increase (decrease) in liabilities				
Accounts payable	(4,131)	188	(1,824)	(5,767)
Due to other governments	139	(94)	420	465
Salaries payable	(3,913)	(3,727)	(1,481)	(9,121)
Compensated absences payable	4,575	4,295	2,314	11,184
Other postemployment benefits payable	2,505	1,886	915	5,306
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 512,014</u>	<u>\$ 165,265</u>	<u>\$ 107,536</u>	<u>\$ 784,815</u>
SCHEDULE OF NONCASH CAPITAL FINANCING ACTIVITIES				
Contribution of assets from other funds	<u>\$ 81,687</u>	<u>\$ 35,763</u>	<u>\$ 376,782</u>	<u>\$ 494,232</u>
Amortization of bond premium	<u>\$ 15,386</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,386</u>

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

CITY OF MEDINA, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2014

	<u>Agency</u>
	810
	<u>Escrow</u>
ASSETS	
Cash and temporary investments	\$ 290,209
Accounts receivable	<u>61,698</u>
TOTAL ASSETS	<u><u>\$ 351,907</u></u>
LIABILITIES	
Accounts payable	<u><u>\$ 351,907</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, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

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

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

Blended Component Unit. The Medina Economic Development Authority (MEDA) of the City was created pursuant to Minnesota statutes 469.090 through 469.108 to carry out economic and industrial development and redevelopment consistent with policies established by the City Council. It is comprised of five members, all of which are City Council members, and has a December 31 year end. The EDA activities are blended and reported in a Capital Project fund (Tax Increment 1-9) due to substantively the same governing board and the financial benefit/burden relationship. Separate financial statements are not issued for this component unit.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City. *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 segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Amounts reported as *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, even though the latter are excluded from the government-wide financial statements. 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, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

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

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

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

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

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

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

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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 *Debt Service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *Park Dedication fund* accounts for the collection of park dedication fees that shall be used to purchase park land and/or funding of park facilities, in accordance with Minnesota statutes.

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

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

The *Road Improvement fund* accounts for the costs associated with the City's road projects.

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 activities of 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 City reports the following fund types:

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent on behalf of others.

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

As a general rule, the effect of interfund activity has been eliminated from government-wide financial statements.

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.

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Deposits and investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The proprietary funds' portion in the government-wide cash and temporary investments pool is considered to be cash and cash equivalents for purposes of the statement of cash flows.

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.

The Minnesota Municipal Money Market (4M) Fund investment pool is regulated by Minnesota statutes and the Board of Directors of the League of Minnesota Cities and 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 4M Fund is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it 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.

Property taxes

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

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

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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 2014. The City annually certifies delinquent water, sewer and storm water accounts to the County for collection in the following year. As a result, there has been no allowance for doubtful accounts established for the enterprise funds.

Special assessments

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

Interfund receivables and payables

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

Prepaid items

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

Capital assets

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

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

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.

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

Compensated absences

The City compensates employees who resign or retire in good standing for all unused vacation. Sick leave may be accumulated and banked to a maximum of 960 hours for full-time and regular part-time employees. For sick leave accumulated in excess of 960 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 960 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 960 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 960 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.

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Postemployment benefits other than pensions

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 45, at December 31, 2014.

Deferred inflows of resources

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

Long-term obligations

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

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

Net position

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

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

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, 2014

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fund balance

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

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

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

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

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

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

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

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

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 30th, the proposed budget is presented to the City Council for review. The City Council holds public hearings and a final budget is prepared and adopted in December.

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

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

B. Excess of expenditures over appropriations

For the year ended December 31, 2014, expenditures exceeded appropriations in the following funds:

<u>Department</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess of Expenditures Over Appropriations</u>
General fund	<u>\$ 3,961,175</u>	<u>\$ 4,033,773</u>	<u>\$ 72,598</u>

These over expenditures were funded by an excess of revenues over budget.

C. Deficit fund equity

The following funds had deficit fund balances at December 31, 2014:

<u>Fund</u>	<u>Amount</u>
Nonmajor	
Tax Increment 1-9	\$ 67,904
Loretto Ponds	5,148
Cable Franchise	<u>14,545</u>
 Total	 <u>\$ 87,597</u>

The City plans to fund these deficits with future revenues from tax increments, intergovernmental revenues, and franchise fees.

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

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

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

Authorized collateral in lieu of a corporate surety bond includes:

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

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

As of December 31, 2014 the City's carrying amount of deposits was \$556,265 and the bank balance was \$669,947. Of the bank balance \$453,314 was covered by federal depository insurance and the remaining amount was covered by collateral held by the City's agent in the City's name.

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Investments

As of December 31, 2014, 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	\$ 517,882
Minnesota Municipal Money Market Fund	N/A	less than 6 months	<u>2,475,493</u>
Total pooled investments			<u>2,993,375</u>
Nonpooled investments			
U.S. Government Agencies	AAA	more than 3 years	<u>2,854,872</u>
U.S. Treasury Securities	AAA	less than 6 months	<u>2,683,054</u>
Brokered Certificates of Deposit	N/A	less than 6 months	1,994,804
Brokered Certificates of Deposit	N/A	6 months to 1 year	2,244,873
Brokered Certificates of Deposit	N/A	1 year to 3 years	3,726,284
Brokered Certificates of Deposit	N/A	more than 3 years	<u>1,962,438</u>
Total brokered CD's			<u>9,928,399</u>
Total non-pooled investments			<u>15,466,325</u>
Total			<u><u>\$ 18,459,700</u></u>

(1) Ratings were provided by various rating agencies where applicable to indicate associated credit risk.

(2) Interest rate risk disclosed using the segmented time distribution method.

N/A Indicate not applicable or available.

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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

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.

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.

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

Cash summary

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

Carrying amount of deposits	\$ 556,265
Investments	18,459,700
Cash on hand	<u>200</u>
Total	<u><u>\$ 19,016,165</u></u>
Government-wide	
Cash and temporary investments	\$ 16,042,902
Cash with fiscal agent	2,683,054
Fiduciary - agency	<u>290,209</u>
Total	<u><u>\$ 19,016,165</u></u>

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

B. Capital assets

Capital asset activity for the year ended December 31, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets, not being depreciated				
Land	\$ 774,778	\$ -	\$ -	\$ 774,778
Construction in progress	7,621,453	488,348	(7,666,418)	443,383
Total capital assets, not being depreciated	8,396,231	488,348	(7,666,418)	1,218,161
Capital assets, being depreciated				
Infrastructure	15,600,378	-	-	15,600,378
Buildings	1,856,201	7,289,639	-	9,145,840
Improvements	788,368	706,282	-	1,494,650
Machinery and equipment	1,635,836	324,566	(90,222)	1,870,180
Total capital assets being depreciated	19,880,783	8,320,487	(90,222)	28,111,048
Less accumulated depreciation for				
Infrastructure	(2,928,844)	(512,267)	-	(3,441,111)
Buildings	(542,982)	(237,310)	-	(780,292)
Improvements	(147,203)	(75,994)	-	(223,197)
Machinery and equipment	(1,067,042)	(165,840)	85,222	(1,147,660)
Total accumulated depreciation	(4,686,071)	(991,411)	85,222	(5,592,260)
Total capital assets, being depreciated, net	15,194,712	7,329,076	(5,000)	22,518,788
Governmental activities capital assets, net	<u>\$ 23,590,943</u>	<u>\$ 7,817,424</u>	<u>\$ (7,671,418)</u>	<u>\$ 23,736,949</u>

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

Governmental activities	
General government	\$ 11,273
Public safety	66,038
Streets and highways	803,173
Culture and recreation	98,565
Economic development	12,362
Total depreciation expense - governmental activities	<u>\$ 991,411</u>

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets, not being depreciated				
Land	\$ 56,393	\$ -	\$ -	\$ 56,393
Construction in progress	184,595	84,440	-	269,035
	<u>240,988</u>	<u>84,440</u>	<u>-</u>	<u>325,428</u>
Total capital assets, not being depreciated	<u>240,988</u>	<u>84,440</u>	<u>-</u>	<u>325,428</u>
Capital assets being depreciated				
Infrastructure	6,013,658	-	-	6,013,658
Buildings	8,606,236	-	-	8,606,236
Improvements	71,685	376,782	-	448,467
Machinery and equipment	3,956,239	33,010	-	3,989,249
	<u>18,647,818</u>	<u>409,792</u>	<u>-</u>	<u>19,057,610</u>
Total capital assets being depreciated	<u>18,647,818</u>	<u>409,792</u>	<u>-</u>	<u>19,057,610</u>
Less accumulated depreciation for				
Infrastructure	(2,474,958)	(110,921)	-	(2,585,879)
Buildings	(2,637,150)	(197,587)	-	(2,834,737)
Improvements	(12,093)	(22,423)	-	(34,516)
Machinery and equipment	(2,774,985)	(64,044)	-	(2,839,029)
	<u>(7,899,186)</u>	<u>(394,975)</u>	<u>-</u>	<u>(8,294,161)</u>
Total accumulated depreciation	<u>(7,899,186)</u>	<u>(394,975)</u>	<u>-</u>	<u>(8,294,161)</u>
Total capital assets, being depreciated, net	<u>10,748,632</u>	<u>14,817</u>	<u>-</u>	<u>10,763,449</u>
Business-type activities capital assets, net	<u>\$ 10,989,620</u>	<u>\$ 99,257</u>	<u>\$ -</u>	<u>\$ 11,088,877</u>

Depreciation expense was charged to functions/programs of the business-type activities as follows:

Business-type activities	
Water	\$ 289,019
Sanitary Sewer	80,034
Storm Water	<u>25,922</u>
Total depreciation expense - business-type activities	<u>\$ 394,975</u>

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Interfund receivables, payables and transfers

Interfund balances

The composition of interfund balances at December 31, 2014 is as follows:

Receivable Fund	Payable Fund	Purpose	Amount
Sewer Capital Improvements Fund	Debt Service	Cash flow purposes	\$ 386
Sewer Capital Improvements Fund	Nonmajor governmental	Cash flow purposes	75,562
Sewer Capital Improvements Fund	Nonmajor governmental	Cash flow purposes	66,699
General Fund	Nonmajor governmental	Capital financing	180,000
Total			<u>\$ 322,647</u>

Interfund transfers

The composition of interfund transfers for the year ended December 31, 2014 is as follows:

Fund	Transfer in						Total
	General	Debt Service	Water Capital Improvements	Road Improvement	Nonmajor Governmental	Water	
Transfer out							
General	\$ -	\$ -	\$ 100,000	\$ 555,000	\$ 202,000	\$ -	\$ 857,000
Water Capital Improvements	-	-	-	-	-	369,556	369,556
Nonmajor governmental	15,000	230,034	-	-	-	-	245,034
Water	69,400	43,895	-	-	-	-	113,295
Sanitary Sewer	65,300	53,649	-	-	-	-	118,949
Storm Water	50,200	-	-	-	-	-	50,200
Total	<u>\$ 199,900</u>	<u>\$ 327,578</u>	<u>\$ 100,000</u>	<u>\$ 555,000</u>	<u>\$ 202,000</u>	<u>\$ 369,556</u>	<u>\$ 1,754,034</u>

The City annually budgets transfers for specific purposes. Annual transfers include, transfers made to cover funds annual operations, transfers for debt service payments, transfers made as part of capital improvement plans and other transfers made for various reasons. The City made the following one-time non-budgeted transfers for the year ended December 31, 2014:

- The General fund transferred \$855,000 to the Water Capital Improvements fund (\$100,000), Road Improvement fund (\$555,000) and non-major governmental funds (\$200,000) for future capital improvements.
- The Water Capital Improvement fund transferred \$369,556 to the Water fund for a portion of debt service.
- The nonmajor governmental Public Works/Police Facility fund transferred \$99,559 to close the fund to the Debt Service fund for future debt service.

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Long-term debt

General obligation improvement bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Improvement Bonds, Series 2011A	\$ 127,026	0.60 - 2.70 %	07/12/11	02/01/19	\$ 89,148
Taxable G.O. Improvement Bonds, Series 2011B	870,000	0.75 - 4.00	07/12/11	02/01/22	715,000
G.O. Improvement Bonds, Series 2010A	315,000	1.50 - 3.85	07/07/10	02/01/21	225,000
G.O. Improvement Bonds, Series 2008A	2,280,000	3.25 - 4.00	06/17/08	02/01/24	1,655,000
G.O. Capital Improvement Plan Bonds, Series 2012A	6,100,000	1.50 - 2.75	11/07/12	02/01/34	6,100,000
G.O. Water Revenue Bonds, Series 2007A, Recharacterized as Capital Improvement Plan Bonds	1,400,000	3.45 - 4.00	11/07/12	02/01/15	1,280,000
G.O. Crossover Refunding Bonds, Series 2013A	1,170,000	1.75 - 2.00	04/25/13	02/01/23	<u>1,170,000</u>
Total General Obligation Bonds					<u>\$ 11,234,148</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
2015	\$ 1,724,148	\$ 263,038	\$ 1,987,186
2016	580,000	226,974	806,974
2017	595,000	212,909	807,909
2018	610,000	197,832	807,832
2019	615,000	181,913	796,913
2020 - 2024	2,960,000	662,967	3,622,967
2025 - 2029	1,940,000	376,925	2,316,925
2030 - 2034	<u>2,210,000</u>	<u>145,516</u>	<u>2,355,516</u>
Total	<u>\$ 11,234,148</u>	<u>\$ 2,268,074</u>	<u>\$ 13,502,222</u>

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

General obligation tax increment bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Refunding Bonds, Series 2012B	\$ 650,000	1.50 %	11/07/12	02/01/21	<u>\$ 575,000</u>

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2015	\$ 80,000	\$ 8,025	\$ 88,025
2016	75,000	6,862	81,862
2017	80,000	5,700	85,700
2018	85,000	4,462	89,462
2019	80,000	3,225	83,225
2020 - 2021	<u>175,000</u>	<u>2,663</u>	<u>177,663</u>
Total	<u>\$ 575,000</u>	<u>\$ 30,937</u>	<u>\$ 605,937</u>

G.O. revenue bonds

The following bonds were issued to finance capital improvements, and finance acquisition and construction of capital facilities. They will be repaid from future net revenues pledged from the Water fund and are backed by the taxing power of the City. Annual principal and interest payments on the bonds are expected to require over 64 percent of net revenues from the Water fund. For 2014, principal and interest paid and total customer net revenues for the Water fund were \$601,209 and \$936,285, respectively.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Water Revenue Bonds, Series 2007A	\$ 4,395,000	3.30 - 4.00 %	12/20/07	02/01/15	\$ 1,660,000
G.O. Water Revenue Crossover Refunding Bonds, Series 2012B	2,195,000	1.50	11/07/12	02/01/20	2,195,000
G.O. Water Revenue Crossover Refunding Bonds, Series 2013A	1,520,000	1.75 - 2.00	04/25/13	02/01/23	<u>1,520,000</u>
Total G.O. Revenue Bonds					<u>\$ 5,375,000</u>

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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

Year Ending December 31,	Business-type Activities		
	Principal	Interest	Total
2015	\$ 2,010,000	\$ 91,299	\$ 2,101,299
2016	540,000	52,563	592,563
2017	540,000	43,563	583,563
2018	550,000	34,488	584,488
2019	565,000	25,200	590,200
2020 - 2023	1,170,000	31,906	1,201,906
Total	<u>\$ 5,375,000</u>	<u>\$ 279,019</u>	<u>\$ 5,654,019</u>

Equipment certificates

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Equipment Certificates of 2011A	\$ 382,874	0.60 - 1.10 %	07/12/11	02/01/15	<u>\$ 120,852</u>

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

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2015	<u>\$ 120,852</u>	<u>\$ 665</u>	<u>\$ 121,517</u>

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

Long-term liability activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General obligation					
improvement bonds	\$ 11,618,144	\$ -	\$ (383,996)	\$ 11,234,148	\$ 1,724,148
General obligation					
equipment certificates	241,856	-	(121,004)	120,852	120,852
General obligation tax					
increment bonds	650,000	-	(75,000)	575,000	80,000
Unamortized premium on bonds	133,665	-	(10,627)	123,038	-
Total bonds payable	12,643,665	-	(590,627)	12,053,038	1,925,000
Compensated absences					
payable	253,900	212,525	(188,010)	278,415	84,848
Other postemployment					
benefits payable	160,038	34,614	(4,847)	189,805	-
Governmental activities					
Long-term liabilities	<u>\$ 13,057,603</u>	<u>\$ 247,139</u>	<u>\$ (783,484)</u>	<u>\$ 12,521,258</u>	<u>\$ 2,009,848</u>
Business-type activities					
Bonds payable					
General obligations					
revenue bonds	\$ 8,030,000	\$ -	\$ (2,655,000)	\$ 5,375,000	\$ 2,010,000
Unamortized premium on bonds	113,148	-	(15,386)	97,762	-
Total bonds payable	8,143,148	-	(2,670,386)	5,472,762	2,010,000
Compensated absences					
payable	43,969	27,556	(16,372)	55,153	20,033
Other postemployment					
benefits payable	24,934	6,078	(772)	30,240	-
Business-type activities					
Long-term liabilities	<u>\$ 8,212,051</u>	<u>\$ 33,634</u>	<u>\$ (2,687,530)</u>	<u>\$ 5,558,155</u>	<u>\$ 2,030,033</u>

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Crossover refunding

On April 26, 2013 the City issued \$2,690,000 of G.O. Crossover Refunding Bonds, Series 2013A, bearing an average coupon rate of 1.90 percent, to provide resources for the advance crossover refunding of \$1,500,000 of the outstanding principal of the G.O. Water Revenue Bonds, Series 2007A on February 1, 2015, and the advance crossover refunding of \$1,160,000 of the outstanding principal of the G.O. Water Revenue Bonds, Series 2007A (Portion Re-characterized as Capital Improvement Plan Bonds) on February 1, 2015.

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

E. Components of fund balance

At December 31, 2014, 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	Debt Service	Park Dedication	Water Capital Improvement	Sewer Capital Improvements	Road Improvement	Other Governmental Funds	Total
Nonspendable								
Prepaid items	\$ 8,034	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 88	\$ 8,122
Restricted for								
Park improvements	\$ -	\$ -	\$ 1,524,615	\$ -	\$ -	\$ -	\$ -	\$ 1,524,615
Debt service	-	2,411,645	-	-	-	-	-	2,411,645
Police expenditures	-	-	-	-	-	-	123,046	123,046
Total restricted	\$ -	\$ 2,411,645	\$ 1,524,615	\$ -	\$ -	\$ -	\$ 123,046	\$ 4,059,306
Committed to								
Park improvements	\$ -	\$ -	\$ 251,316	\$ -	\$ -	\$ -	\$ 55,930	\$ 307,246
Police expenditures	-	-	-	-	-	-	44,559	44,559
Field house	-	-	-	-	-	-	17,940	17,940
German liberal cemetery	-	-	-	-	-	-	108,296	108,296
Community event	-	-	-	-	-	-	6,892	6,892
Environmental	-	-	-	-	-	-	286,411	286,411
Total committed	\$ -	\$ -	\$ 251,316	\$ -	\$ -	\$ -	\$ 520,028	\$ 771,344
Assigned to								
Capital improvements	\$ -	\$ -	\$ -	\$ 1,829,200	\$ 2,453,522	\$ 632,105	\$ 589,341	\$ 5,504,168
Equipment replacement	-	-	-	-	-	-	601,194	601,194
Total assigned	\$ -	\$ -	\$ -	\$ 1,829,200	\$ 2,453,522	\$ 632,105	\$ 1,190,535	\$ 6,105,362

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

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 five years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age and years of credit at termination of service.

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

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

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

PERA issues a publicly available financial report that includes financial statements and required supplementary information for GERF and PEPFF. That report may be obtained on the Internet at www.mnpera.org, by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or (800) 652-9026.

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 4: DEFINED BENEFIT PENSION PLANS - STATEWIDE

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. GERP 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 2014. PEPFF members were required to contribute 10.20 percent of their annual covered salary in 2014. In 2014, the City was required to contribute the following percentages of annual covered payroll: 11.78 percent for Basic Plan GERP members, 7.25 percent for Coordinated Plan GERP members, and 15.30 percent for PEPFF members. The City's contributions to the GERP for the year ended December 31, 2014, 2013 and 2012 were \$71,418, \$66,118, and \$52,586, respectively. The City's contributions to the PEPFF for the years ending December 31, 2014, 2013 and 2012 were \$130,082, \$114,542, and \$121,732, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute. Contribution rates will increase on January 1, 2015 in Coordinated Plan (6.50 percent for members and 7.50 percent for employers) and the Police and Fire fund (10.80 percent for members and 16.20 percent for employers.)

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. 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 2014, the City contributed \$5,619 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, 2014

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	\$ 39,351
Interest on net OPEB obligation	8,324
Adjustment to annual required contribution	<u>(6,983)</u>
Annual OPEB cost (expense)	40,692
Contributions made	<u>(5,619)</u>
Increase in net OPEB obligation	35,073
Net OPEB obligation - beginning of year	<u>184,972</u>
Net OPEB obligation - end of year	<u><u>\$ 220,045</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, 2014, 2013 and 2012 follows:

Year Ending	Trend Information		
	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/14	\$ 40,692	13.8 %	\$ 220,045
12/31/13	43,731	12.2	184,972
12/31/12	41,969	8.9	146,582

D. Funded status and funding progress

As of December 31, 2014, the most recent actuarial valuation date, the actuarial accrued liability for benefits was \$298,780, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$1,623,918 and the ratio of the unfunded actuarial accrued liability to the covered payroll was 18 percent.

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

CITY OF MEDINA, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2014

Note 5: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS - CONTINUED

E. Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and 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, 2014 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4.5 percent investment rate of return, which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments. The initial healthcare trend rate was 9 percent, reduced by decrements to an ultimate rate of 5 percent after twelve years. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2014, was thirty years.

Note 6: OTHER INFORMATION

A. Risk management

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

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

B. Legal debt margin

The City's statutory debt limit is computed as 3 percent of the taxable market value of property within the City. Long-term debt issued and financed partially or entirely by special assessments or the net revenues of enterprise fund operations is excluded from the debt limit computation. The 2014 taxable market value of property was \$1,374,982,100 and the debt limit was \$41,249,463. The City has \$120,852 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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MEDINA
MEDINA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

CITY OF MEDINA, MINNESOTA
REQUIRED SUPPLEMENTAL INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2014

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
12/31/14	\$ -	\$ 298,780	\$ 298,780	- %	\$ 1,623,918	18 %
12/31/13	-	309,844	309,844	-	1,566,920	20
12/31/12	-	270,565	270,565	-	1,510,284	18

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

CITY OF MEDINA
MEDINA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

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

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and temporary investments	\$ 807,431	\$ 1,190,535	\$ 1,997,966
Accounts receivable	1,200	-	1,200
Due from other governments	-	70,586	70,586
Prepaid items	88	-	88
	<u>88</u>	<u>-</u>	<u>88</u>
TOTAL ASSETS	<u><u>\$ 808,719</u></u>	<u><u>\$ 1,261,121</u></u>	<u><u>\$ 2,069,840</u></u>
LIABILITIES			
Accounts payable	\$ 85	\$ -	\$ 85
Due to other funds	180,000	142,261	322,261
Due to other governments	17	1,377	1,394
	<u>17</u>	<u>1,377</u>	<u>1,394</u>
TOTAL LIABILITIES	<u>180,102</u>	<u>143,638</u>	<u>323,740</u>
FUND BALANCES			
Nonspendable	88	-	88
Restricted	123,046	-	123,046
Committed	520,028	-	520,028
Assigned	-	1,190,535	1,190,535
Unassigned	(14,545)	(73,052)	(87,597)
	<u>(14,545)</u>	<u>(73,052)</u>	<u>(87,597)</u>
TOTAL FUND BALANCES	<u>628,617</u>	<u>1,117,483</u>	<u>1,746,100</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 808,719</u></u>	<u><u>\$ 1,261,121</u></u>	<u><u>\$ 2,069,840</u></u>

CITY OF MEDINA, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2014

	Special Revenue	Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Taxes			
Tax increments	\$ -	\$ 379,605	\$ 379,605
Franchise fees	36,847	-	36,847
Intergovernmental	-	65,051	65,051
Charges for services	18,635	-	18,635
Fines and forfeitures	49,471	-	49,471
Interest on investments	7,440	11,738	19,178
Miscellaneous	8,376	-	8,376
	<u>120,769</u>	<u>456,394</u>	<u>577,163</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
Public safety	4,443	-	4,443
Culture and recreation	53,346	1,232	54,578
Economic development	-	210,736	210,736
Miscellaneous	2,258	-	2,258
Capital outlay			
General government	-	42,192	42,192
Public safety	6,150	376,417	382,567
Streets and highways	-	111,843	111,843
Culture and recreation	4,378	70,414	74,792
Economic development	-	119,401	119,401
	<u>70,575</u>	<u>932,235</u>	<u>1,002,810</u>
TOTAL EXPENDITURES			
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>50,194</u>	<u>(475,841)</u>	<u>(425,647)</u>
OTHER FINANCING SOURCES (USES)			
Sale of capital assets	1,776	22,740	24,516
Transfers in	2,000	200,000	202,000
Transfers out	(15,000)	(230,034)	(245,034)
	<u>(11,224)</u>	<u>(7,294)</u>	<u>(18,518)</u>
TOTAL OTHER FINANCING SOURCES (USES)			
NET CHANGE IN FUND BALANCES	38,970	(483,135)	(444,165)
FUND BALANCES, JANUARY 1	<u>589,647</u>	<u>1,600,618</u>	<u>2,190,265</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 628,617</u></u>	<u><u>\$ 1,117,483</u></u>	<u><u>\$ 1,746,100</u></u>

CITY OF MEDINA, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2014

	204	226	227	235
	Environmental	Municipal Park	Field House	Police Forfeiture
ASSETS				
Cash and temporary investments	\$ 286,411	\$ 55,930	\$ 17,940	\$ 150,139
Accounts receivable	-	-	-	-
Prepaid items	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 286,411</u></u>	<u><u>\$ 55,930</u></u>	<u><u>\$ 17,940</u></u>	<u><u>\$ 150,139</u></u>
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ 85
Due to other funds	-	-	-	-
Due to other governments	-	-	-	17
	<u>-</u>	<u>-</u>	<u>-</u>	<u>17</u>
TOTAL LIABILITIES	<u>-</u>	<u>-</u>	<u>-</u>	<u>102</u>
FUND BALANCES				
Nonspendable	-	-	-	-
Restricted	-	-	-	123,046
Committed	286,411	55,930	17,940	26,991
Unassigned	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>286,411</u>	<u>55,930</u>	<u>17,940</u>	<u>150,037</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 286,411</u></u>	<u><u>\$ 55,930</u></u>	<u><u>\$ 17,940</u></u>	<u><u>\$ 150,139</u></u>

236 Police Reserve Equipment	238 German Liberal Cemetery	240 Community Event	250 Cable Franchise	Total
\$ 17,568	\$ 107,096	\$ 6,892	\$ 165,455	\$ 807,431
-	1,200	-	-	1,200
-	88	-	-	88
<u>\$ 17,568</u>	<u>\$ 108,384</u>	<u>\$ 6,892</u>	<u>\$ 165,455</u>	<u>\$ 808,719</u>
\$ -	\$ -	\$ -	\$ -	\$ 85
-	-	-	180,000	180,000
-	-	-	-	17
-	-	-	180,000	180,102
-	88	-	-	88
-	-	-	-	123,046
17,568	108,296	6,892	-	520,028
-	-	-	(14,545)	(14,545)
<u>17,568</u>	<u>108,384</u>	<u>6,892</u>	<u>(14,545)</u>	<u>628,617</u>
<u>\$ 17,568</u>	<u>\$ 108,384</u>	<u>\$ 6,892</u>	<u>\$ 165,455</u>	<u>\$ 808,719</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, 2014

	204	226	227	235
	<u>Environmental</u>	<u>Municipal Park</u>	<u>Field House</u>	<u>Police Forfeiture</u>
REVENUES				
Taxes				
Franchise fees	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	49,471
Interest on investments	2,667	514	168	1,370
Miscellaneous	-	99	1,592	705
	<u>-</u>	<u>99</u>	<u>1,592</u>	<u>705</u>
TOTAL REVENUES	<u>2,667</u>	<u>613</u>	<u>1,760</u>	<u>51,546</u>
EXPENDITURES				
Current				
Public safety	-	-	-	3,799
Culture and recreation	8,175	-	2,982	-
Miscellaneous	-	-	-	-
Capital outlay				
Public safety	-	-	-	6,150
Culture and recreation	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>8,175</u>	<u>-</u>	<u>2,982</u>	<u>9,949</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(5,508)</u>	<u>613</u>	<u>(1,222)</u>	<u>41,597</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	-	1,776
Transfers in	-	-	-	-
Transfers out	-	-	-	(15,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(13,224)</u>
NET CHANGE IN FUND BALANCES	(5,508)	613	(1,222)	28,373
FUND BALANCES, JANUARY 1	<u>291,919</u>	<u>55,317</u>	<u>19,162</u>	<u>121,664</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 286,411</u></u>	<u><u>\$ 55,930</u></u>	<u><u>\$ 17,940</u></u>	<u><u>\$ 150,037</u></u>

236 Police Reserve Equipment	238 German Liberal Cemetery	240 Community Event	250 Cable Franchise	Total
\$ -	\$ -	\$ -	\$ 36,847	\$ 36,847
2,880	15,755	-	-	18,635
-	-	-	-	49,471
154	910	72	1,585	7,440
500	-	5,480	-	8,376
<u>3,534</u>	<u>16,665</u>	<u>5,552</u>	<u>38,432</u>	<u>120,769</u>
644	-	-	-	4,443
-	-	6,851	35,338	53,346
-	2,258	-	-	2,258
-	-	-	-	6,150
-	-	-	4,378	4,378
<u>644</u>	<u>2,258</u>	<u>6,851</u>	<u>39,716</u>	<u>70,575</u>
2,890	14,407	(1,299)	(1,284)	50,194
-	-	-	-	1,776
-	-	2,000	-	2,000
-	-	-	-	(15,000)
<u>-</u>	<u>-</u>	<u>2,000</u>	<u>-</u>	<u>(11,224)</u>
2,890	14,407	701	(1,284)	38,970
14,678	93,977	6,191	(13,261)	589,647
<u>\$ 17,568</u>	<u>\$ 108,384</u>	<u>\$ 6,892</u>	<u>\$ (14,545)</u>	<u>\$ 628,617</u>

CITY OF MEDINA, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2014

	401 General Capital Improvement	406 Tax Increment 1-9	408 Public Works/ Police Facility	411 Equipment Replacement
ASSETS				
Cash and temporary investments	\$ 583,482	\$ -	\$ -	\$ 601,194
Due from other governments	<u>-</u>	<u>172</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 583,482</u></u>	<u><u>\$ 172</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 601,194</u></u>
LIABILITIES				
Due to other funds	\$ -	\$ 66,699	\$ -	\$ -
Due to other governments	<u>-</u>	<u>1,377</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>68,076</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Assigned	583,482	-	-	601,194
Unassigned	<u>-</u>	<u>(67,904)</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>583,482</u>	<u>(67,904)</u>	<u>-</u>	<u>601,194</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 583,482</u></u>	<u><u>\$ 172</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 601,194</u></u>

419	421	
Loretto	Lake	
Ponds	Independence	Total
	Outlet	
\$ -	\$ 5,859	\$ 1,190,535
70,414	-	70,586
<u>\$ 70,414</u>	<u>\$ 5,859</u>	<u>\$ 1,261,121</u>
\$ 75,562	\$ -	\$ 142,261
-	-	1,377
<u>75,562</u>	<u>-</u>	<u>143,638</u>
-	5,859	1,190,535
(5,148)	-	(73,052)
<u>(5,148)</u>	<u>5,859</u>	<u>1,117,483</u>
<u>\$ 70,414</u>	<u>\$ 5,859</u>	<u>\$ 1,261,121</u>

CITY OF MEDINA, MINNESOTA
NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2014

	401 General Capital Improvement	406 Tax Increment 1-9	408 Public Works/ Police Facility	411 Equipment Replacement
REVENUES				
Taxes				
Tax increments	\$ -	\$ 379,605	\$ -	\$ -
Intergovernmental	-	-	-	-
Interest on investments	4,443	(1,245)	1,622	7,402
	<u>4,443</u>	<u>(1,245)</u>	<u>1,622</u>	<u>7,402</u>
TOTAL REVENUES	<u>4,443</u>	<u>378,360</u>	<u>1,622</u>	<u>7,402</u>
EXPENDITURES				
Current				
Culture and recreation	-	-	-	-
Economic development	-	210,736	-	-
Capital outlay				
General government	4,335	-	-	37,857
Public safety	-	-	46,551	329,866
Streets and highways	-	-	66,053	45,790
Culture and recreation	-	-	-	-
Economic development	-	119,401	-	-
	<u>4,335</u>	<u>330,137</u>	<u>112,604</u>	<u>413,513</u>
TOTAL EXPENDITURES	<u>4,335</u>	<u>330,137</u>	<u>112,604</u>	<u>413,513</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>108</u>	<u>48,223</u>	<u>(110,982)</u>	<u>(406,111)</u>
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	-	-	22,740
Transfers in	200,000	-	-	-
Transfer out	-	(130,475)	(99,559)	-
	<u>200,000</u>	<u>(130,475)</u>	<u>(99,559)</u>	<u>22,740</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>200,000</u>	<u>(130,475)</u>	<u>(99,559)</u>	<u>22,740</u>
NET CHANGE IN FUND BALANCES	200,108	(82,252)	(210,541)	(383,371)
FUND BALANCES, JANUARY 1	<u>383,374</u>	<u>14,348</u>	<u>210,541</u>	<u>984,565</u>
FUND BALANCES, DECEMBER 31	<u>\$ 583,482</u>	<u>\$ (67,904)</u>	<u>\$ -</u>	<u>\$ 601,194</u>

419	421	
Loretto	Lake	
Ponds	Independence	
	Outlet	Total
\$ -	\$ -	\$ 379,605
65,051	-	65,051
(543)	59	11,738
64,508	59	456,394
-	1,232	1,232
-	-	210,736
-	-	42,192
-	-	376,417
-	-	111,843
70,414	-	70,414
-	-	119,401
70,414	1,232	932,235
(5,906)	(1,173)	(475,841)
-	-	22,740
-	-	200,000
-	-	(230,034)
-	-	(7,294)
(5,906)	(1,173)	(483,135)
758	7,032	1,600,618
<u>\$ (5,148)</u>	<u>\$ 5,859</u>	<u>\$ 1,117,483</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, 2014
(With comparative actual amounts for the year ended December 31, 2013)

	2014			2013
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final		
REVENUES				
Taxes				
Property taxes	\$ 2,827,902	\$ 2,827,902	\$ 2,814,421	\$ 2,854,136
Licenses and permits	257,700	257,700	478,385	714,601
Intergovernmental				
Federal	15,000	15,000	38,308	35,449
State				
Property tax credits	-	-	2,636	2,763
Police state aid	70,500	70,500	79,393	76,187
Fire state aid	30,000	30,000	40,393	32,654
PERA aid	1,775	1,775	1,773	1,773
Other grants and aids	51,927	51,927	61,845	124,125
County				
Other grants and aids	13,000	13,000	14,770	13,550
Total	182,202	182,202	239,118	286,501
Charges for services				
General government	19,775	19,775	18,097	204,299
Public safety	148,816	148,816	248,718	323,782
Public works	4,200	4,200	3,605	3,734
Culture and recreation	23,000	23,000	28,795	23,969
Total	195,791	195,791	299,215	555,784
Fines and forfeitures	161,000	161,000	114,365	121,187
Special assessments	1,000	1,000	15	13,921
Interest on investments	10,000	10,000	27,482	3,126
Miscellaneous				
Contributions and donations	20,000	20,000	18,935	28,950
Other	107,680	107,680	149,497	115,876
Total	127,680	127,680	168,432	144,826
TOTAL REVENUES	3,763,275	3,763,275	4,141,433	4,694,082

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, 2014
(With comparative actual amounts for the year ended December 31, 2013)

	2014				2013
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES					
Current					
General government					
Mayor and Council					
Personal services	\$ 18,494	\$ 18,494	\$ 18,713	\$ (219)	\$ 18,390
Other services and charges	6,650	6,650	7,393	(743)	6,074
Total	25,144	25,144	26,106	(962)	24,464
City administrator					
Personal services	487,646	487,646	373,555	114,091	350,972
Supplies	6,230	6,230	3,775	2,455	5,188
Other services and charges	89,467	89,467	189,211	(99,744)	174,450
Total	583,343	583,343	566,541	16,802	530,610
Elections					
Personal services	8,500	8,500	10,215	(1,715)	-
Supplies	800	800	686	114	176
Other services and charges	3,700	3,700	3,182	518	-
Total	13,000	13,000	14,083	(1,083)	176
Assessing					
Supplies	150	150	204	(54)	89
Other services and charges	77,875	77,875	81,996	(4,121)	78,322
Total	78,025	78,025	82,200	(4,175)	78,411
Planning and zoning					
Personal services	128,447	128,447	147,008	(18,561)	141,646
Supplies	300	300	921	(621)	-
Other services and charges	41,125	41,125	32,727	8,398	30,322
Total	169,872	169,872	180,656	(10,784)	171,968
PW/PD facility					
Supplies	-	-	2,249	(2,249)	2,563
Other services and charges	85,822	85,822	63,181	22,641	154,012
Total	85,822	85,822	65,430	20,392	156,575

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, 2014
(With comparative actual amounts for the year ended December 31, 2013)

	2014				2013
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
General government - continued					
Other general government					
Supplies	\$ 8,850	\$ 8,850	\$ 11,019	\$ (2,169)	\$ 9,389
Other services and charges	95,400	95,400	95,184	216	80,034
Total	104,250	104,250	106,203	(1,953)	89,423
Total general government	1,059,456	1,059,456	1,041,219	18,237	1,051,627
Public safety					
Police					
Personal services	1,283,754	1,283,754	1,287,453	(3,699)	1,241,829
Supplies	74,200	74,200	61,694	12,506	80,914
Other services and charges	155,300	155,300	145,206	10,094	142,852
Total	1,513,254	1,513,254	1,494,353	18,901	1,465,595
Building inspection					
Personal services	123,036	123,036	92,581	30,455	85,857
Supplies	-	-	119	(119)	154
Other services and charges	126,750	126,750	214,707	(87,957)	272,352
Total	249,786	249,786	307,407	(57,621)	358,363
Fire					
Other services and charges	332,800	332,800	341,031	(8,231)	335,345
Total public safety	2,095,840	2,095,840	2,142,791	(46,951)	2,159,303
Streets and highways					
Streets					
Personal services	229,962	229,962	240,769	(10,807)	201,207
Supplies	277,000	277,000	175,390	101,610	248,807
Other services and charges	88,805	88,805	219,047	(130,242)	107,111
Total streets and highways	595,767	595,767	635,206	(39,439)	557,125
Sanitation and recycling					
Personal services	9,229	9,229	9,169	60	8,128
Supplies	-	-	-	-	363
Other services and charges	4,950	4,950	1,950	3,000	2,840
Total sanitation and recycling	14,179	14,179	11,119	3,060	11,331

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, 2014
(With comparative actual amounts for the year ended December 31, 2013)

	2014				2013
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - continued					
Culture and recreation					
Personal services	\$ 53,683	\$ 53,683	\$ 52,921	\$ 762	\$ 49,544
Supplies	29,200	29,200	11,947	17,253	5,418
Other services and charges	73,550	73,550	80,254	(6,704)	69,894
Total culture and recreation	156,433	156,433	145,122	11,311	124,856
Miscellaneous					
Unallocated insurance					
Other services and charges	39,500	39,500	49,578	(10,078)	38,551
Total current expenditures	3,961,175	3,961,175	4,025,035	(63,860)	3,942,793
Capital outlay					
Public safety	-	-	725	(725)	2,403
Streets and highways	-	-	-	-	19,154
Culture and recreation	-	-	8,013	(8,013)	4,281
Total capital outlay	-	-	8,738	(8,738)	25,838
TOTAL EXPENDITURES	3,961,175	3,961,175	4,033,773	(72,598)	3,968,631
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(197,900)	(197,900)	107,660	305,560	725,451
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	-	-	512	512	-
Transfers in	199,900	199,900	199,900	-	194,500
Transfers out	(2,000)	(2,000)	(857,000)	(855,000)	(914,948)
TOTAL OTHER FINANCING SOURCES (USES)	197,900	197,900	(656,588)	(854,488)	(720,448)
NET CHANGE IN FUND BALANCES	-	-	(548,928)	(548,928)	5,003
FUND BALANCES, JANUARY 1	2,651,879	2,651,879	2,651,879	-	2,646,876
FUND BALANCES, DECEMBER 31	<u>\$ 2,651,879</u>	<u>\$ 2,651,879</u>	<u>\$ 2,102,951</u>	<u>\$ (548,928)</u>	<u>\$ 2,651,879</u>

CITY OF MEDINA, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2014

	306 G.O. Bonds 2008 Uptown Hamel	312 G.O. Improvement Bonds 2010A	313 Hunter South Improvement Bonds 2011B	314 2011 Equipment Certificates
ASSETS				
Cash and temporary investments	\$ 133,289	\$ 70,278	\$ 44,412	\$ 121,266
Cash with fiscal agent	-	-	-	-
Receivables				
Delinquent taxes	-	660	317	2,654
Special assessments	101,258	12,352	3,445	-
Due from other governments	921	151	192	704
TOTAL ASSETS	<u><u>\$ 235,468</u></u>	<u><u>\$ 83,441</u></u>	<u><u>\$ 48,366</u></u>	<u><u>\$ 124,624</u></u>
LIABILITIES				
Due to other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - taxes	-	660	317	2,654
Unavailable revenue - special assessments	101,258	12,352	3,445	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>101,258</u>	<u>13,012</u>	<u>3,762</u>	<u>2,654</u>
FUND BALANCES				
Restricted for debt service	134,210	70,429	44,604	121,970
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCE	<u>134,210</u>	<u>70,429</u>	<u>44,604</u>	<u>121,970</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 235,468</u></u>	<u><u>\$ 83,441</u></u>	<u><u>\$ 48,366</u></u>	<u><u>\$ 124,624</u></u>

316 Hunter North Improvement Bonds 2011B	318 G.O. Capital Improvement Bonds 2007A	319 G.O. Capital Improvement Bonds 2012A	320 G.O. Refunding Bonds 2012B	321 G.O. Refunding Bonds 2013A	Total
\$ 334,349	\$ 161,855	\$ 349,324	\$ 22,764	\$ -	\$ 1,237,537
-	1,170,025	-	-	-	1,170,025
1,344	3,214	4,628	-	-	12,817
66,265	-	-	65,930	-	249,250
442	733	1,310	16	-	4,469
<u>\$ 402,400</u>	<u>\$ 1,335,827</u>	<u>\$ 355,262</u>	<u>\$ 88,710</u>	<u>\$ -</u>	<u>\$ 2,674,098</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 386</u>	<u>\$ 386</u>
1,344	3,214	4,628	-	-	12,817
66,265	-	-	65,930	-	249,250
<u>67,609</u>	<u>3,214</u>	<u>4,628</u>	<u>65,930</u>	<u>-</u>	<u>262,067</u>
334,791	1,332,613	350,634	22,780	-	2,412,031
-	-	-	-	(386)	(386)
<u>334,791</u>	<u>1,332,613</u>	<u>350,634</u>	<u>22,780</u>	<u>(386)</u>	<u>2,411,645</u>
<u>\$ 402,400</u>	<u>\$ 1,335,827</u>	<u>\$ 355,262</u>	<u>\$ 88,710</u>	<u>\$ -</u>	<u>\$ 2,674,098</u>

CITY OF MEDINA, MINNESOTA
DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2014

	306 G.O. Bonds 2008 Uptown Hamel	312 G.O. Improvement Bonds 2010A	313 Hunter South Improvement Bonds 2011B	314 2011 Equipment Certificates
REVENUES				
Taxes	\$ -	\$ 28,602	\$ 11,324	\$ 132,471
Special assessments	31,727	2,266	1,629	-
Interest on investments	950	462	347	267
TOTAL REVENUES	32,677	31,330	13,300	132,738
EXPENDITURES				
Debt service				
Principal	135,000	30,000	18,996	121,004
Interest and other charges	67,889	7,553	4,327	3,963
TOTAL EXPENDITURES	202,889	37,553	23,323	124,967
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(170,212)	(6,223)	(10,023)	7,771
OTHER FINANCING SOURCES				
Transfer in	60,475	-	-	-
NET CHANGE IN FUND BALANCES	(109,737)	(6,223)	(10,023)	7,771
FUND BALANCES, JANUARY 1	243,947	76,652	54,627	114,199
FUND BALANCES, DECEMBER 31	\$ 134,210	\$ 70,429	\$ 44,604	\$ 121,970

316 Hunter North Improvement Bonds 2011B	318 G.O. Capital Improvement Bonds 2007A	319 G.O. Capital Improvement Bonds 2012A	320 G.O. Refunding Bonds 2012B	321 G.O. Refunding Bonds 2013A	Total
\$ 54,245	\$ 139,763	\$ 244,457	\$ -	\$ -	\$ 610,862
109,405	-	-	32,239	-	177,266
2,167	3,842	728	(251)	(4)	8,508
<u>165,817</u>	<u>143,605</u>	<u>245,185</u>	<u>31,988</u>	<u>(4)</u>	<u>796,636</u>
80,000	120,000	-	75,000	-	580,000
22,208	79,771	126,489	9,570	382	322,152
<u>102,208</u>	<u>199,771</u>	<u>126,489</u>	<u>84,570</u>	<u>382</u>	<u>902,152</u>
63,609	(56,166)	118,696	(52,582)	(386)	(105,516)
<u>-</u>	<u>35,442</u>	<u>161,661</u>	<u>70,000</u>	<u>-</u>	<u>327,578</u>
63,609	(20,724)	280,357	17,418	(386)	222,062
<u>271,182</u>	<u>1,353,337</u>	<u>70,277</u>	<u>5,362</u>	<u>-</u>	<u>2,189,583</u>
<u>\$ 334,791</u>	<u>\$ 1,332,613</u>	<u>\$ 350,634</u>	<u>\$ 22,780</u>	<u>\$ (386)</u>	<u>\$ 2,411,645</u>

CITY OF MEDINA, MINNESOTA
SUMMARY FINANCIAL REPORT
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
GOVERNMENTAL FUNDS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Total		Percent Increase (Decrease)
	2014	2013	
REVENUES			
Taxes	\$ 3,841,735	\$ 3,760,988	2.15 %
Licenses and permits	478,385	714,601	(33.06)
Intergovernmental	304,169	468,038	(35.01)
Charges for services	1,431,332	3,282,236	(56.39)
Fines and forfeitures	163,836	144,465	13.41
Special assessments	316,364	295,820	6.94
Interest on investments	116,665	13,410	769.99
Miscellaneous	192,092	153,876	24.84
TOTAL REVENUES	<u>\$ 6,844,578</u>	<u>\$ 8,833,434</u>	(22.52) %
Per Capita	<u>\$ 1,289</u>	<u>\$ 1,745</u>	(26.12) %
EXPENDITURES			
Current			
General government	\$ 1,041,219	\$ 1,051,627	(0.99) %
Public safety	2,147,234	2,165,056	(0.82)
Streets and highways	635,206	557,509	13.94
Sanitation and recycling	11,119	11,331	(1.87)
Culture and recreation	237,502	175,143	35.60
Economic development	210,736	212,154	(0.67)
Miscellaneous	51,836	42,067	23.22
Capital outlay			
General government	42,192	32,955	28.03
Public safety	383,292	1,058,060	(63.77)
Streets and highways	991,102	2,425,639	(59.14)
Culture and recreation	213,503	229,735	(7.07)
Economic development	119,401	1,659	7,097.17
Debt service			
Principal	580,000	465,000	24.73
Interest and other	322,152	277,136	16.24
Bond issuance costs	-	23,278	(100.00)
TOTAL EXPENDITURES	<u>\$ 6,986,494</u>	<u>\$ 8,728,349</u>	(19.96) %
Per Capita	<u>\$ 1,316</u>	<u>\$ 1,724</u>	(23.68) %
Total Long-term Indebtedness	\$ 11,930,000	\$ 12,510,000	(4.64) %
Per Capita	2,247	2,471	(9.07)
General Fund Balance - December 31	\$ 2,102,951	\$ 2,651,879	(20.70) %
Per Capita	396	524	(24.39)

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

OTHER REPORTS

CITY OF MEDINA
MEDINA, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2014

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INDEPENDENT AUDITOR'S REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable Mayor and City Council
City of Medina, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements 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, 2014, and the related notes to the financial statements, and have issued our report thereon dated April 24, 2015.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the State Auditor pursuant to Minnesota statute §6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions.

This report is intended solely for the information and use of those charged with governance and management of the City and the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

ABDO, EICK & MEYERS, LLP
Minneapolis, Minnesota
April 24, 2015