

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2011

PREPARED BY:

FINANCE DEPARTMENT

Clara Thorne
Finance Director

Member GFOA of U.S. and Canada
Published July 25, 2012

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INTRODUCTORY SECTION

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2011

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CITY OF NORTH MANKATO

July 25, 2012

Honorable Mayor
Members of the City Council
City of North Mankato
North Mankato, MN 56003

State law requires that all general purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformance with generally accepted accounting principals (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of the City of North Mankato (the City) for the fiscal year ended December 31, 2011.

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

The City's financial statements have been audited by Abdo, Eick & Meyers, LLP, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended December 31, 2011 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosure in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City's financial statements for the fiscal year ended December 31, 2011 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

GAAP require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD & A). This letter of transmittal is designed to complement MD & A and should be read in conjunction with it. The City's MD & A can be found immediately following the report of the independent auditors.

Profile of the Government

The City of North Mankato is a city of the third class and is located in Nicollet County, on the Minnesota River in south central Minnesota and is approximately 80 miles southwest of the Minneapolis / Saint Paul metropolitan area. The City is empowered to levy a property tax on real property located within its corporate limits

The City was incorporated in 1898 and became a statutory city of the fourth class in 1974. Policy making and legislative authority is vested in a governing council consisting of the Mayor and four Council Members. The Mayor and City Council are responsible, among other things, for passing ordinances, adopting the budget, appointing committees, and hiring the City Administrator. The City Administrator is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day to day operations of the government, and for appointing the heads of various departments. The Mayor and Council are elected on a non-partisan basis. Council Members serve four-year staggered terms. The Mayor is elected to serve a two-year term. The Mayor and Council Members are elected at large.

The City provides a full range of services, including police and fire protection, the construction and maintenance of highways, streets and other infrastructure, and recreational services along with water, sewer, storm water and sanitation utility service.

The annual budget serves as the foundation for the City's financial planning and control. All departments of the City are required to submit requests for appropriation to the City Administrator in July each year. The City Administrator uses these requests as the starting point for developing the proposed budget. The City Administrator then presents the proposed budget to the council for review prior to September 15. The Council will hold a public hearing on the proposed budget and adopt a final budget by no later than December 31, the close of the City's fiscal year. The appropriated budget is prepared by fund, function, and departmental program. The City Administrator may make transfers of appropriations within a fund or department. Budget amendments require approval of the City Council. Budget to actual comparisons are provided for each individual governmental fund for which an appropriated annual budget has been adopted.

Factors Affecting Financial Condition

The information presented in the financial statements is best understood when it is considered from the broader perspective of the specific environment within which the City operates.

Local Economy

The City currently enjoys a favorable economic environment and local indicators point to continued growth. The Mankato/North Mankato area is a regional center for retail trade, medical care, manufacturing and education. The area is home to Minnesota State University-Mankato, South Central College, Bethany College and Rasmussen College.

The region (which includes the City and the surrounding area) has an employed labor force of approximately 56,100, which is anticipated to grow at an annual rate of two percent. The City continues to experience residential growth. Permits were issued in 2011 for 29 new housing units at a total value of \$5,592,682.

Long-Term Financial Planning

The preparation of the annual budget includes a Five-Year Capital Improvement Plan and long-term projections of debt service requirements.

The following projects will require the allocation of future financial resources to be derived from a variety of sources:

Transportation Projects

In conjunction with Nicollet County and the State of Minnesota, two significant projects are being implemented. A 2.5 mile extension of Trunk Highway 14 including an interchange at County State Aid Highway 41 will be constructed in two phases beginning in 2012 with completion anticipated in the fall of 2013. Work on an extension of CSAH 41 through Northport Industrial Park began in 2011 with completion anticipated in the late summer of 2012. The project includes extensions of Carlson Drive and Howard Drive. Funded with a combination of State, Federal and local funds, total costs for the two projects are anticipated to be \$23 million. When completed, the improvements will service a significant expansion of the industrial park and provide opportunities for commercial development along Trunk Highway 14.

Park Improvement Projects

Caswell Park improvements will include construction of two additional softball fields. The cost will be paid from the resources of the Parkland Fund, grants, contributions from the Mankato Area Softball Association and a one-half percent local option sales tax that was approved by the voters in 2006 and received final legislative approval in 2008.

The City has applied for a Legacy Fund Grant to improve Benson Park. The 70 acre park features two large ponds, walking trails and will have additional water features, substantial tree plantings, wildflower plantings and interpretive features. The local share of the project cost will be funded from sales tax revenues.

The revenues of the Parkland Fund are a combination of tax levy, cell tower rentals, private contributions and a portion of building permit revenues.

Caswell Park North is a 38-acre site to be jointly developed by the City and Independent School District 77. The School District plans to construct an elementary school on 20 acres of the site with the remaining 18 acres to be developed by the City as an athletic complex. Acquisition of the site was approved by referendum in 2008. The School District purchased the site in 2009. Initial development of the athletic facilities will begin in 2012. The local soccer organization has pledged a contribution of \$150,000 to the project which is estimated to cost \$917,000.

Utility Projects

The Five-Year Capital Improvement Plan calls for the replacement of the main sanitary sewer lift station controls in 2014 at a cost of \$350,000 and replacement of the Roe Crest/Noretta/Old Belgrade Hill Sewer in 2013 at a cost of \$300,000. The project cost will be financed from sanitary sewer rates. Recoating the 500,000 gallon water tower interior and exterior at a cost of \$275,000 and demolition of the 100,000 gallon water tower are scheduled for completion in 2012.

Storm Water Projects

With significant new federal and state mandates for storm water management, additional staff time and project costs will be necessary. The required activities will almost certainly result in an increase in storm water utility rates. In the Five-Year Plan we intend to pursue a program of slope stabilization, ravine stabilization and storm sewer repair, realignment and improvement. A portion of the cost of the improvements may be assessable to benefiting property owners but the majority will need to be financed from storm sewer utility rates.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to the City of North Mankato for its comprehensive annual financial report (CAFR) for the fiscal year ended December 31, 2010. This was the twenty-fourth year that the City has received the prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been possible without the efforts of the staff of the Finance Department and former City Administrator, Wendell Sande. We would like to express our appreciation to everyone who contributed to the preparation of this report. We would also like to acknowledge the support of the City Council in providing the equipment, training and facilities necessary to provide a high level of public service to the community.

Respectfully submitted,



Michael Fischer
Interim City Administrator



Clara Thorne
Finance Director

CITY OF NORTH MANKATO, MINNESOTA
PRINCIPAL CITY OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2011

MAYOR: *Mark Dehen*

COUNCIL MEMBERS: *Diane Norland*
Bill Schindle
Billy Steiner
Bob Freyberg

CITY ADMINISTRATOR: *Wendell G. Sande*

FINANCE DIRECTOR: *Steven P. Mork (9/30/2011)*
Clara Thorne

CITY CLERK: *Nancy Gehrke*

POLICE CHIEF: *Chris Boyer*

FIRE CHIEF: *Tim Pohlman*

PUBLIC WORKS DIRECTOR: *Rich Peterson*

PARK SUPERINTENDENT: *Todd Mettler*

STREET SUPERINTENDENT: *Brad Swanson*

WATER SUPERINTENDENT: *Duane Rader*

BUILDING INSPECTOR: *Bruce Royer*

CITY ATTORNEY: *Kennedy and Kennedy*

CONSULTING ENGINEER: *Bolton & Menk*

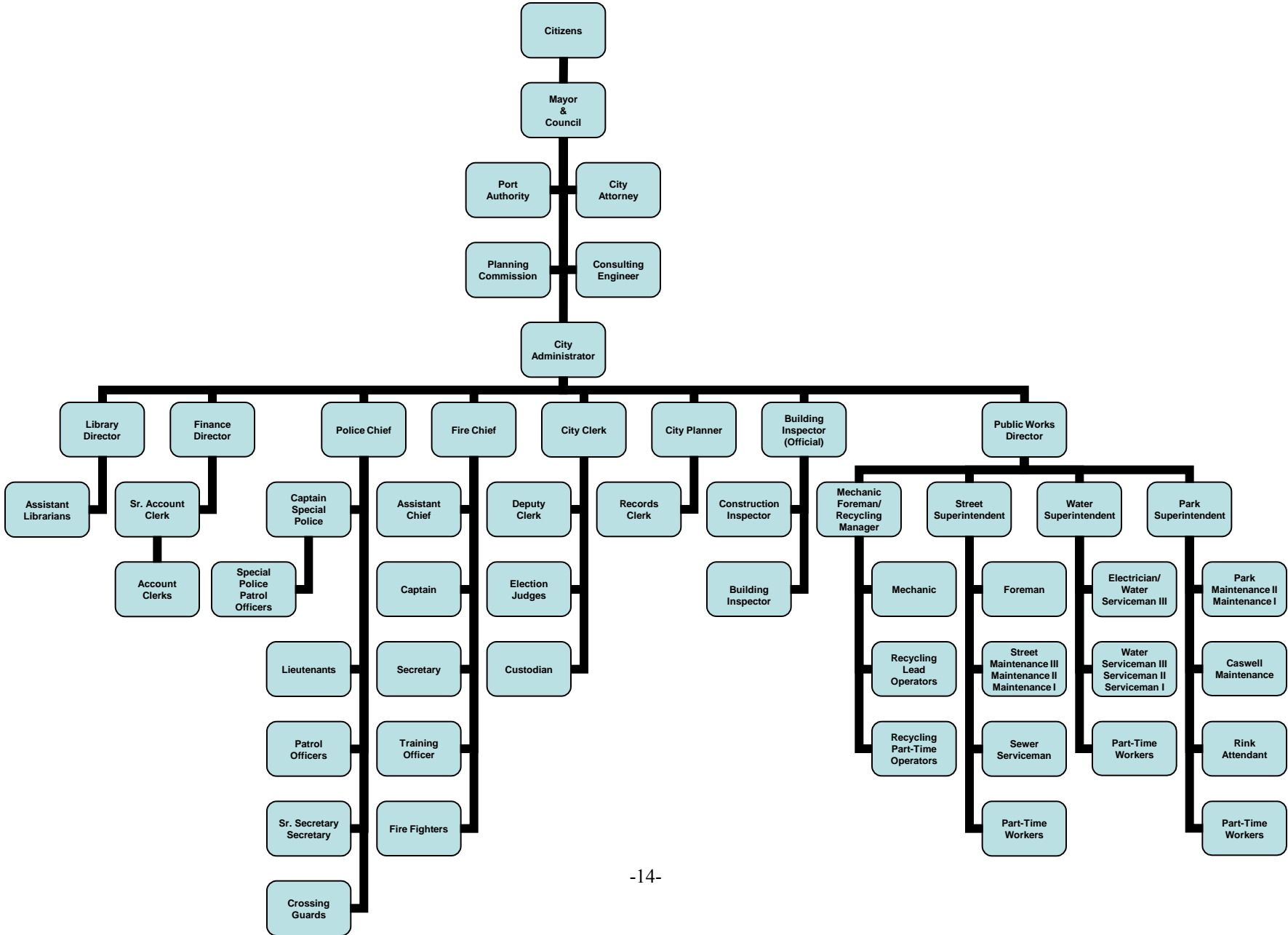
AUDITOR: *Abdo, Eick & Meyers, LLP*

BOND COUNSEL: *Kennedy & Graven, Chtd.*

FINANCIAL ADVISOR: *Northland Securities, Inc.*

PORT AUTHORITY BOND COUNSEL: *Briggs & Morgan*

City of North Mankato Organization Chart
January, 2012



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of North Mankato
Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2010

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



Linda C. Sandison

President

Jeffrey R. Evers

Executive Director

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FINANCIAL SECTION

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2011

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11 Civic Center Plaza
Suite 300
P.O. Box 3166
Mankato, MN 56002-3166

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
City of North Mankato, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of North Mankato, Minnesota, (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the City's 2010 financial statements and, in our report dated July 29, 2011, we expressed unqualified opinions on the respective proprietary fund financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

As described in the Note 9 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended December 31, 2011. Adoption of the provision of this statement results in significant changes to the classifications of the components of fund balances.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 25, 2012 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide and opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 23 and the Schedule of Funding Progress starting on page 103 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual fund financial statements and schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual fund financial statements and schedules and schedule of expenditures and federal awards 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

July 25, 2012
Mankato, Minnesota

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

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Management's Discussion and Analysis

As management of the City of North Mankato (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2011. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found starting on page 9 of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$53,394,678 (*net assets*). Of this amount, a balance of \$5,291,057 represents *unrestricted net assets* which may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$1,056,265 as compared to a decrease of \$39,319 in the previous year. A major reason for the increase was the increase in grants and contributions of \$1,120,802, mostly as a result of the U.S. Department of Transportation Highway Planning and Construction grant.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,089,926 a decrease of \$398,412 in comparison with the prior year. The decrease was mainly due to capital expenditures exceeding bonds issued. At the end of the current fiscal year, unassigned fund balance was \$998,925.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$2,085,321, or 38.0 percent of total General fund expenditures.
- The City's total debt decreased by \$1,387,067, or 3.9 percent during the current fiscal year. Debt issuances amounted to \$3,215,000 and \$4,602,067 in long-term debt was retired during the year.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City’s basic financial statements. The City’s basic financial statements comprise 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

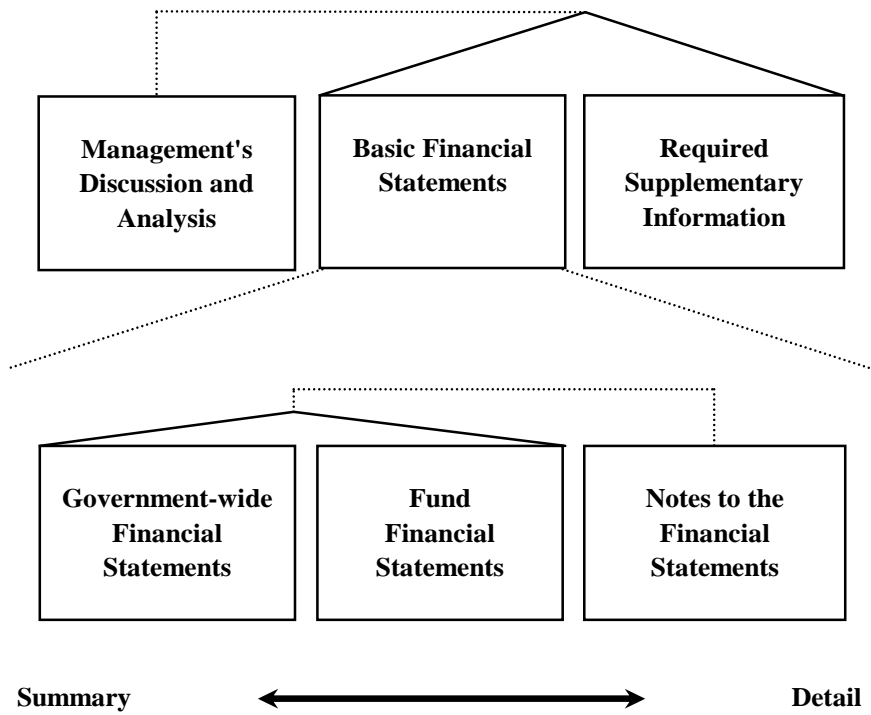


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the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

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

	Government-wide Statements	Fund Financial Statements	
		Governmental Funds	Proprietary Funds
Scope	Entire City government (except fiduciary funds) and the City’s component units	The activities of the City that are not proprietary or fiduciary, such as police, fire and parks	Activities the City operates similar to private businesses, such as the water and sewer system
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Assets • 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"> • Statement of Net Assets • Statement of Revenues, Expenses and Changes in Fund Net Assets • Statement of Cash Flows
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, and 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, and short-term and long-term
Type of in flow/out flow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, culture and recreation and miscellaneous. The business-type activities of the City include water, wastewater, sanitation and storm water.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a legally separate port authority for which the City is financially accountable. Financial information for this *component unit* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found starting on page 37 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 government, 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 36 individual governmental funds, which includes 19 Debt Service funds that are considered one fund for financial reporting. 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, the Debt Service fund and the 2011 Construction fund, all of which are considered to be major funds. Data from the other 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* 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 can be found starting on page 44 of this report.

Proprietary funds. The City maintains one type of proprietary funds. *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, sewer, sanitary collection and storm water operations.

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 the water, sewer, sanitary collection and storm water operations, all of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found starting on page 52 of this report.

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

The basic fiduciary fund financial statements can be found starting on page 60 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 can be found starting on page 61 of this report.

Other information. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found starting on page 107 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$53,394,678 at the close of the most recent fiscal year.

By far, the largest portion of the City's net assets (71.7 percent) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment), less any related debt used to acquire those assets that are 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 North Mankato's Summary of Net Assets

	Governmental Activities			Business-type Activities		
	2011	2010	Increase (Decrease)	2011	2010	Increase (Decrease)
Current and other assets	\$ 17,942,661	\$ 18,286,694	\$ (344,033)	\$ 4,493,377	\$ 4,352,034	\$ 141,343
Capital assets	43,076,736	41,561,890	1,514,846	24,663,058	25,416,227	(753,169)
Total assets	61,019,397	59,848,584	1,170,813	29,156,435	29,768,261	(611,826)
Long-term liabilities outstanding	25,768,603	26,467,887	(699,284)	9,126,170	9,844,365	(718,195)
Other liabilities	1,510,543	681,744	828,799	375,838	284,436	91,402
Total liabilities	27,279,146	27,149,631	129,515	9,502,008	10,128,801	(626,793)
Invested in capital assets, net of related debt	21,718,486	17,936,216	3,782,270	16,548,626	16,636,920	(88,294)
Restricted	9,836,509	9,430,699	405,810	-	-	-
Unrestricted	2,185,256	5,332,038	(3,146,782)	3,105,801	3,002,540	103,261
Total net assets	\$ 33,740,251	\$ 32,698,953	\$ 1,041,298	\$ 19,654,427	\$ 19,639,460	\$ 14,967

An additional portion of the City's net assets (18.4 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (9.9 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net assets increased by \$1,056,265 as compared to a decrease of \$39,319 in the previous year. A major reason for the increase was the increase in grants and contributions of \$1,120,802, mostly as a result of the U.S. Department of Transportation Highway Planning and Construction grant.

Governmental activities. Governmental activities increased the City’s net assets by \$1,041,298 accounting for 98.6 percent of the total increase. Key elements of this change are as follows:

City of North Mankato’s Changes in Net Assets

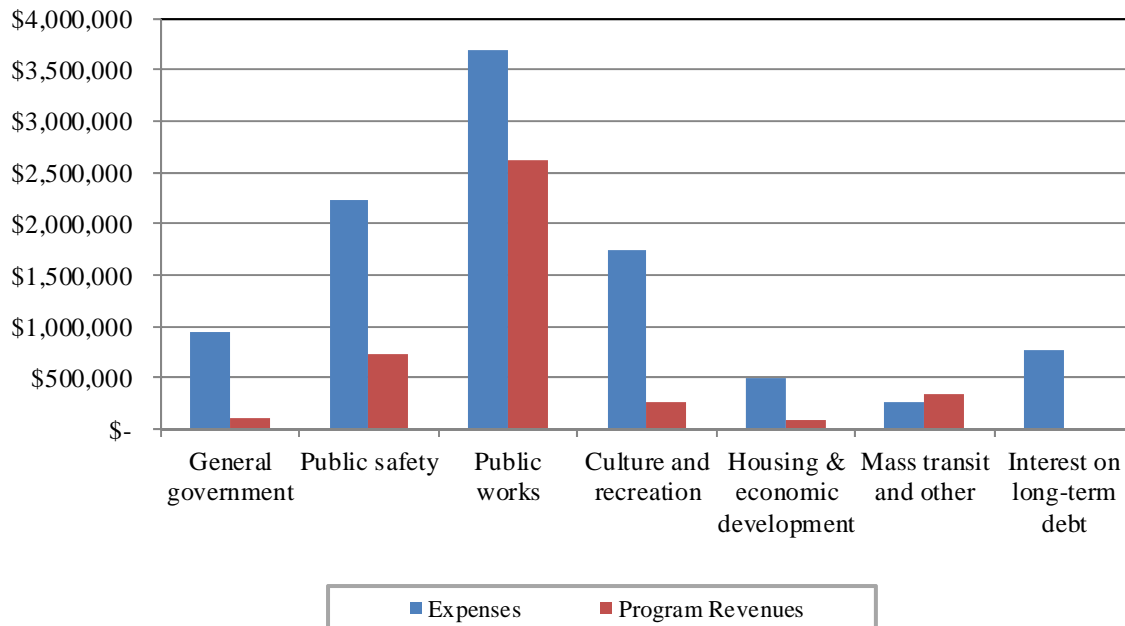
	Governmental Activities			Business-type Activities		
	2011	2010	Increase (Decrease)	2011	2010	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 1,095,346	\$ 802,645	\$ 292,701	\$ 4,677,623	\$ 4,621,474	\$ 56,149
Operating grants and contributions	871,835	231,029	640,806	4,994	-	4,994
Capital grants and contributions	2,221,476	1,725,806	495,670	(6,230)	14,438	(20,668)
General revenues						
Property taxes/ tax increments	4,370,347	4,441,359	(71,012)	50,000	50,000	-
Other taxes	848,426	822,652	25,774	965	949	16
Grants and contributions not restricted to specific programs	1,456,390	1,452,797	3,593	-	-	-
Unrestricted investment earnings	33,678	13,917	19,761	1,564	1,956	(392)
Other	67,840	121,274	(53,434)	-	-	-
Total revenues	10,965,338	9,611,479	1,353,859	4,728,916	4,688,817	40,099

City of North Mankato's Changes in Net Assets - Continued

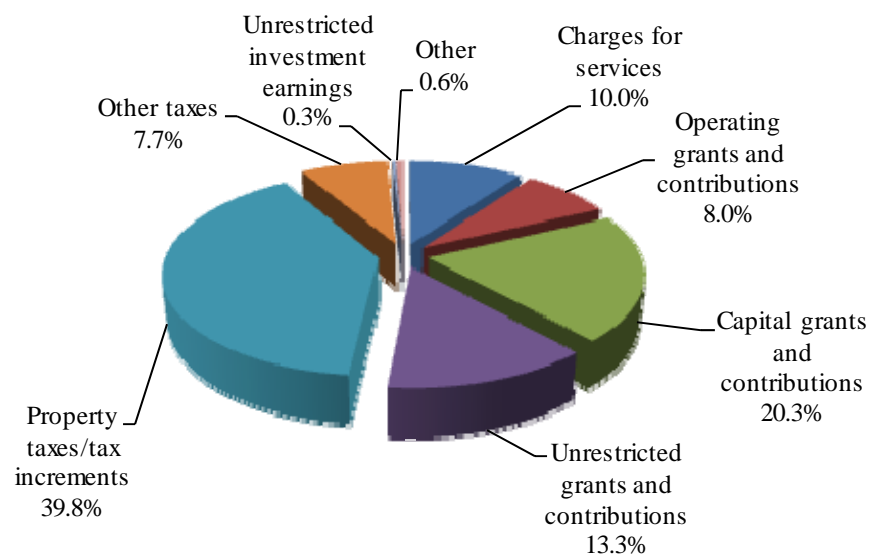
	Governmental Activities			Business-type Activities		
	2011	2010	Increase (Decrease)	2011	2010	Increase (Decrease)
Expenses						
General government	\$ 952,893	\$ 959,723	\$ (6,830)	\$ -	\$ -	\$ -
Public safety	2,235,789	2,267,522	(31,733)	-	-	-
Public works	3,696,626	3,556,817	139,809	-	-	-
Culture and recreation	1,744,224	1,674,756	69,468	-	-	-
Housing and economic development	498,794	209,738	289,056	-	-	-
Mass transit and other	258,873	487,047	(228,174)	-	-	-
Interest on long-term debt	778,471	739,561	38,910	-	-	-
Water	-	-	-	1,527,901	1,473,548	54,353
Wastewater	-	-	-	1,498,428	1,544,390	(45,962)
Sanitation	-	-	-	1,264,612	1,252,643	11,969
Storm water	-	-	-	181,378	173,870	7,508
Total expenses	10,165,670	9,895,164	270,506	4,472,319	4,444,451	27,868
Increase (decrease) in net assets before transfers	799,668	(283,685)	1,083,353	256,597	244,366	12,231
Transfers	241,630	293,777	(52,147)	(241,630)	(293,777)	52,147
Change in net assets	1,041,298	10,092	1,031,206	14,967	(49,411)	64,378
Net assets - January 1	32,698,953	32,688,861	10,092	19,639,460	19,688,871	(49,411)
Net assets - December 31	\$ 33,740,251	\$ 32,698,953	\$ 1,041,298	\$ 19,654,427	\$ 19,639,460	\$ 14,967

The following graphs depict various governmental activities and show the revenue and expenses directly related to those activities.

Expenses and Program Revenues - Governmental Activities



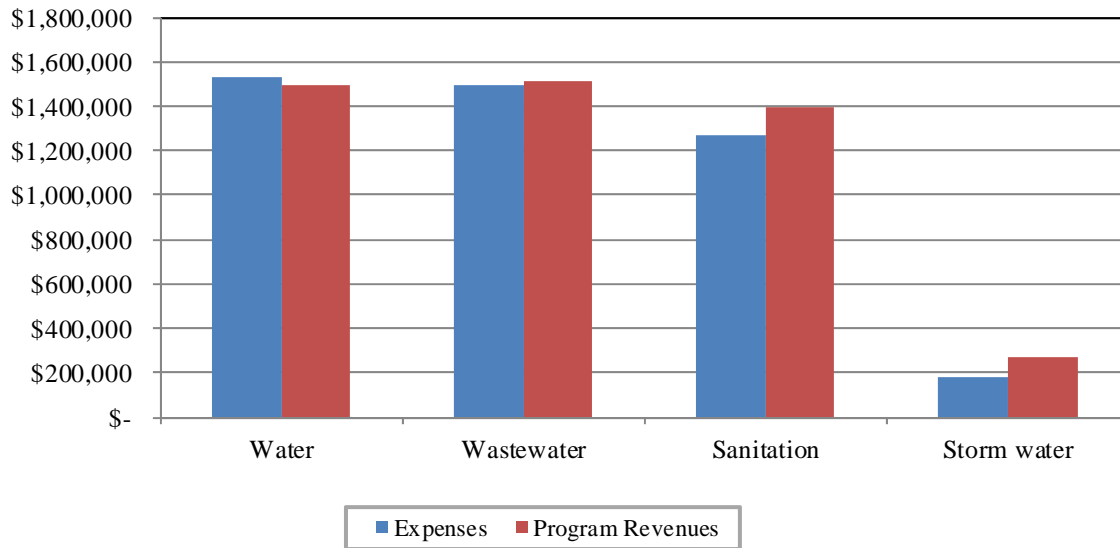
Revenues by Source - Governmental Activities



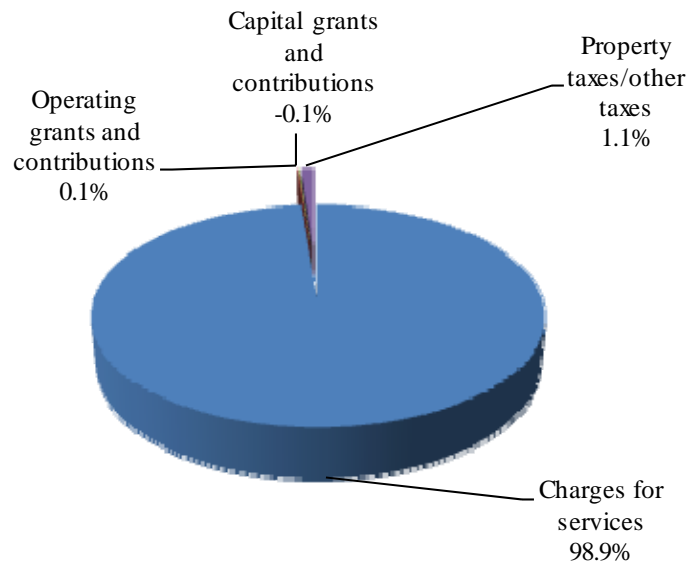
Business-type activities. Business-type activities increased the City’s net assets by \$14,967 accounting for 1.4 of the total increase. Key elements of this change are as follows:

- Total operating income was \$560,513, a \$26,188 increase over the prior year.
- Total nonoperating expenses exceeded nonoperating revenues by \$303,916.
- Transfers out totaled \$241,630 for 2011.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Financial Analysis of the City's Funds

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

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

As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,089,926 a decrease of \$398,412 in comparison with the prior year. The decrease was mainly due to capital expenditures exceeding bonds issued. At the end of the current fiscal year, unassigned fund balance was \$998,925.

The *General fund* is the chief operating fund of the City. At the end of the current year total fund balance of the General fund was \$2,161,885 most of which was unassigned. As a measure of the General fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 38.0 percent of total General fund expenditures.

The *General fund* balance decreased by \$156,387 during the current year. The key factor of the decrease in the fund balance of the City's General fund was due to total revenues being \$391,958 under budget, mainly due to unallotment of State aids.

The *Debt Service fund* has a total fund deficit of \$1,065,615. Debt issuances amounted to \$3,215,000 and \$4,602,067 in long-term debt was retired during the year.

The *2011 Construction fund* has a total fund balance of \$4,518,957. This balance is mainly due to bond proceeds and transfers in exceeding project expenditures.

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

Unrestricted net assets of the Water, Wastewater, Sanitation and Storm Water funds at the end of the year totaled \$3,105,801. The total increase in net assets for these funds totaled was \$14,967.

General Fund Budgetary Highlights

The City's General fund budget was not amended during the year. Revenues were under budget by \$391,958 and expenditures came in under budget by \$219,571. The net result was a decrease to the General fund balance of \$156,387.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2011 amounts to \$67,739,794 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system improvements, machinery and equipment, park facilities, roads, highways, and bridges. The total increase in the City's investment in capital assets for the current fiscal year was 1.1 percent.

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

- 2011 Street improvements project was completed with a cost of \$245,475.
- 2010 construction project costs totaling \$795,165 were added to infrastructure.
- 2011 construction project costs totaling \$3,159,942 were added to construction in progress.

Additional information on the City's capital assets can be found in Note 3D starting on page 75 of this report.

City of North Mankato's Capital Assets (net of depreciation)

	Governmental Activities			Business-type Activities		
	2011	2010	Increase (Decrease)	2011	2010	Increase (Decrease)
Land	\$ 3,387,161	\$ 3,387,161	\$ -	\$ 490,616	\$ 490,616	\$ -
Buildings and improvements	33,357,987	34,149,069	(791,082)	23,753,801	24,455,388	(701,587)
Machinery and equipment	1,150,313	1,227,013	(76,700)	418,641	470,223	(51,582)
Construction in progress	<u>5,181,275</u>	<u>2,798,647</u>	<u>2,382,628</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$ 43,076,736</u></u>	<u><u>\$ 41,561,890</u></u>	<u><u>\$ 1,514,846</u></u>	<u><u>\$ 24,663,058</u></u>	<u><u>\$ 25,416,227</u></u>	<u><u>\$ (753,169)</u></u>

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$30,664,190. Of this amount, \$2,488,000 comprises debt backed by the full faith and credit of the City and \$17,005,000 is special assessment debt for which the City is liable in the event of default by the property owners subject to the assessment. The remainder of the City's bonded debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds) in the amount of \$11,171,190.

City of North Mankato's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2011	2010	Increase (Decrease)	2011	2010	Increase (Decrease)
General obligation bonds	\$ 2,488,000	\$ 2,963,000	\$ (475,000)	\$ -	\$ -	\$ -
G.O. improvement bonds	15,885,000	19,125,000	(3,240,000)	1,120,000	1,180,000	(60,000)
General obligation revenue bonds	3,260,000	3,418,000	(158,000)	7,911,190	8,520,257	(609,067)
Notes	3,215,000	-	3,215,000	-	-	-
Contracts	45,000	105,000	(60,000)	-	-	-
Total	\$ 24,893,000	\$ 25,611,000	\$ (718,000)	\$ 9,031,190	\$ 9,700,257	\$ (669,067)

The City's total debt decreased by \$1,387,067 (3.9 percent) during the current fiscal year. Debt issuances amounted to \$3,215,000 and \$4,602,067 in long-term debt was retired during the year.

The City maintained an "AA" rating from Standard and Poor's for their 2011 issues.

Minnesota statutes limit the amount of net general obligation debt a City may issue to 3 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 \$23,734,790, which is significantly in excess of the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found in Note 3F starting on page 80 of this report.

Economic Factors and Next Year's Budgets and Rates

- The 2011 unemployment rate for the City was 4.6 percent, which is a decrease from a rate of 5.6 percent a year ago. This compares favorably to the State's average unemployment rate of 5.8 percent and the national average rate of 8.3 percent.
- Inflationary trends in the region compare favorably to national indices.
- Tax capacity valuation decreased in 2011 for taxes payable in 2011 by \$353,640 or 3.3 percent. Market value of property has increased an average of 2.4 percent per year for the past 10 years.

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

During the current fiscal year, fund balance in the General fund decreased by \$156,387 to \$2,161,885. Most of this fund balance is unassigned and is to be used for cash flow purposes.

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 North Mankato, P.O. Box 2055, North Mankato, 56003-2055.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2011

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CITY OF NORTH MANKATO, MINNESOTA
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Port Authority
ASSETS				
Cash and temporary investments	\$ 7,002,910	\$ 1,626,150	\$ 8,629,060	\$ 596,921
Restricted assets - cash with fiscal agent	1,865,311	875,527	2,740,838	598,426
Receivables				
Delinquent taxes	99,591	-	99,591	-
Accounts	54,337	385,739	440,076	-
Interest	24,341	-	24,341	21,706
Notes, mortgages and leases	68,141	-	68,141	5,193,366
Special assessments	6,272,372	16,009	6,288,381	-
Intergovernmental	3,693,272	-	3,693,272	119,500
Internal balances	(1,436,000)	1,436,000	-	-
Inventories	-	55,360	55,360	-
Prepaid items	79,460	25,176	104,636	-
Unamortized deferred charges	218,926	73,416	292,342	47,386
Capital assets				
Nondepreciable assets	8,568,436	490,616	9,059,052	2,175,039
Depreciable assets net of accumulated depreciation	34,508,300	24,172,442	58,680,742	-
TOTAL ASSETS	61,019,397	29,156,435	90,175,832	8,752,344
LIABILITIES				
Accounts payable	169,017	93,493	262,510	45,744
Contracts payable	932,061	-	932,061	-
Due to other governments	54,448	133,481	187,929	164,645
Accrued interest payable	228,697	131,989	360,686	81,804
Accrued wages payable	88,136	16,875	105,011	-
Unearned revenue	38,184	-	38,184	-
Noncurrent liabilities:				
Due within one year	2,753,078	1,644,163	4,397,241	1,040,000
Due in more than one year	23,015,525	7,482,007	30,497,532	6,605,000
TOTAL LIABILITIES	27,279,146	9,502,008	36,781,154	7,937,193
NET ASSETS (LIABILITIES)				
Invested in capital assets, net of related debt	21,718,486	16,548,626	38,267,112	1,866,858
Restricted for				
Debt service	6,130,792	-	6,130,792	-
Capital improvements	2,699,615	-	2,699,615	-
Library programs	50,997	-	50,997	-
Park development	14,180	-	14,180	-
TH14/CH41 interchange project	940,925	-	940,925	-
Economic development	-	-	-	2,241,087
Tax increment financing	-	-	-	101,960
Unrestricted	2,185,256	3,105,801	5,291,057	(3,394,754)
TOTAL NET ASSETS	\$ 33,740,251	\$ 19,654,427	\$ 53,394,678	\$ 815,151

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

CITY OF NORTH MANKATO, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2011

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 952,893	\$ 112,111	\$ -	\$ -
Public safety	2,235,789	598,884	136,616	-
Public works	3,696,626	130,487	276,763	2,221,476
Culture and recreation	1,744,224	245,129	25,456	-
Housing and economic development	498,794	8,630	83,000	-
Mass transit and other	258,873	105	350,000	-
Interest on long-term debt	778,471	-	-	-
Total governmental activities	10,165,670	1,095,346	871,835	2,221,476
Business-type activities				
Water	1,527,901	1,499,185	4,994	(6,311)
Sewer	1,498,428	1,510,772	-	81
Sanitation	1,264,612	1,394,977	-	-
Storm water	181,378	272,689	-	-
Total business-type activities	4,472,319	4,677,623	4,994	(6,230)
Total primary government	<u>\$ 14,637,989</u>	<u>\$ 5,772,969</u>	<u>\$ 876,829</u>	<u>\$ 2,215,246</u>
Component unit				
Port Authority	<u>\$ 892,361</u>	<u>\$ 111,391</u>	<u>\$ 255,000</u>	<u>\$ 181,400</u>
General revenues				
Property taxes, levied for general purposes				
Property taxes, levied for debt service				
Tax increments				
Sales taxes				
Hotel/motel taxes				
Gambling taxes				
Franchise taxes				
Grants and contributions not restricted to specific programs				
Unrestricted investment earnings				
Other revenues				
Gain on sale of assets				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets, January 1				
Net assets, December 31				

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

Net (Expense) Revenue and
Changes in Net Assets

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Port Authority
\$ (840,782)		\$ (840,782)	
(1,500,289)		(1,500,289)	
(1,067,900)		(1,067,900)	
(1,473,639)		(1,473,639)	
(407,164)		(407,164)	
91,232		91,232	
(778,471)		(778,471)	
<u>(5,977,013)</u>		<u>(5,977,013)</u>	
	\$ (30,033)	(30,033)	
	12,425	12,425	
	130,365	130,365	
	<u>91,311</u>	<u>91,311</u>	
	204,068	204,068	
<u>(5,977,013)</u>	<u>204,068</u>	<u>(5,772,945)</u>	
			<u>\$ (344,570)</u>
2,894,504	-	2,894,504	65,000
1,475,843	50,000	1,525,843	-
-	-	-	94,958
462,223	965	463,188	-
40,685	-	40,685	-
13,049	-	13,049	-
332,469	-	332,469	-
1,456,390	-	1,456,390	30,500
33,678	1,564	35,242	10,770
67,840	-	67,840	-
-	-	-	602,354
<u>241,630</u>	<u>(241,630)</u>	<u>-</u>	<u>-</u>
<u>7,018,311</u>	<u>(189,101)</u>	<u>6,829,210</u>	<u>803,582</u>
<u>1,041,298</u>	<u>14,967</u>	<u>1,056,265</u>	<u>459,012</u>
<u>32,698,953</u>	<u>19,639,460</u>	<u>52,338,413</u>	<u>356,139</u>
<u>\$ 33,740,251</u>	<u>\$ 19,654,427</u>	<u>\$ 53,394,678</u>	<u>\$ 815,151</u>

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FUND FINANCIAL STATEMENTS

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2011

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CITY OF NORTH MANKATO, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

	General	Debt Service	2011 Construction
ASSETS			
Cash and temporary investments	\$ 126,867	\$ 500,108	\$ 5,106,799
Restricted assets - cash with fiscal agent	-	1,865,311	-
Receivables			
Taxes	99,591	-	-
Accounts	10,200	-	-
Interest	-	24,341	-
Notes	68,141	-	-
Special assessments	72,268	6,200,104	-
Intergovernmental	57,220	3,008,149	429,031
Due from other funds	2,047,524	-	-
Prepaid items	76,564	-	117
	<u>2,558,375</u>	<u>11,598,013</u>	<u>5,535,947</u>
TOTAL ASSETS	<u>\$ 2,558,375</u>	<u>\$ 11,598,013</u>	<u>\$ 5,535,947</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 58,042	\$ -	\$ 79,240
Contracts payable	-	-	932,061
Due to other funds	-	3,483,524	-
Due to other governments	49,888	-	4,215
Accrued wages payable	78,517	-	1,474
Deferred revenue	210,043	9,180,104	-
	<u>396,490</u>	<u>12,663,628</u>	<u>1,016,990</u>
TOTAL LIABILITIES	<u>396,490</u>	<u>12,663,628</u>	<u>1,016,990</u>
FUND BALANCES (DEFICITS)			
Nonpendable	76,564	-	117
Restricted	-	-	2,699,615
Committed	-	-	-
Assigned	-	-	1,819,225
Unassigned	2,085,321	(1,065,615)	-
	<u>2,161,885</u>	<u>(1,065,615)</u>	<u>4,518,957</u>
TOTAL FUND BALANCES (DEFICITS)	<u>2,161,885</u>	<u>(1,065,615)</u>	<u>4,518,957</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,558,375</u>	<u>\$ 11,598,013</u>	<u>\$ 5,535,947</u>

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

Other Governmental Funds	Totals
\$ 1,269,136	\$ 7,002,910
-	1,865,311
-	99,591
44,137	54,337
-	24,341
-	68,141
-	6,272,372
198,872	3,693,272
88,169	2,135,693
2,779	79,460
<u>\$ 1,603,093</u>	<u>\$ 21,295,428</u>

\$ 31,735	\$ 169,017
-	932,061
88,169	3,571,693
345	54,448
8,145	88,136
-	9,390,147
<u>128,394</u>	<u>14,205,502</u>

2,779	79,460
1,006,102	3,705,717
206,264	206,264
280,335	2,099,560
(20,781)	998,925
<u>1,474,699</u>	<u>7,089,926</u>
<u>\$ 1,603,093</u>	<u>\$ 21,295,428</u>

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CITY OF NORTH MANKATO, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
GOVERNMENTAL FUNDS
DECEMBER 31, 2011

Total fund balances - governmental funds	\$ 7,089,926
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	43,076,736
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:	
Contracts payable	(45,000)
Notes payable	(3,215,000)
Severance payable	(573,233)
Other postemployment benefits obligation	(186,877)
Bonds payable	(21,633,000)
Unamortized deferred charges	218,926
Bond discounts/premiums, net of accumulated amortization	(115,493)
Long-term assets are not available to pay current-period expenditures and, therefore, are deferred in the funds.	
Delinquent property taxes receivable	99,591
Special assessments receivable	6,272,372
Due from other governments	2,980,000
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(228,697)</u>
Total net assets - governmental activities	<u><u>\$ 33,740,251</u></u>

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

CITY OF NORTH MANKATO, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

	General	Debt Service	2011 Construction
REVENUES			
Taxes	\$ 2,539,135	\$ 1,475,843	\$ -
Special assessments	5,101	761,598	-
Licenses and permits	521,628	-	-
Intergovernmental	1,622,556	238,763	2,180,029
Charges for services	296,966	-	-
Fines and forfeits	29,492	-	-
Investment earnings	7,170	24,591	681
Contributions and donations	-	350,000	-
Miscellaneous	95,581	-	128,491
TOTAL REVENUES	<u>5,117,629</u>	<u>2,850,795</u>	<u>2,309,201</u>
EXPENDITURES			
Current			
General government	937,067	-	-
Public safety	1,993,515	-	94,929
Public works	1,669,898	-	200,322
Culture and recreation	804,517	-	-
Housing and economic development	-	-	-
Miscellaneous	76,349	-	-
Capital outlay			
Public safety	5,300	-	-
Public works	-	-	3,502,445
Culture and recreation	-	-	-
Miscellaneous	-	-	-
Debt service			
Principal	-	3,873,000	-
Interest and other	-	755,378	-
TOTAL EXPENDITURES	<u>5,486,646</u>	<u>4,628,378</u>	<u>3,797,696</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	<u>(369,017)</u>	<u>(1,777,583)</u>	<u>(1,488,495)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	212,630	338,855	2,848,588
Bonds issued	-	-	3,215,000
Discount/premium on bonds issued	-	-	3,864
Transfers out	-	-	(60,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>212,630</u>	<u>338,855</u>	<u>6,007,452</u>
NET CHANGE IN FUND BALANCES	(156,387)	(1,438,728)	4,518,957
FUND BALANCES, JANUARY 1	<u>2,318,272</u>	<u>373,113</u>	<u>-</u>
FUND BALANCES (DEFICITS), DECEMBER 31	<u>\$ 2,161,885</u>	<u>\$ (1,065,615)</u>	<u>\$ 4,518,957</u>

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

Other Governmental Funds	Totals
\$ 1,263,222	\$ 5,278,200
-	766,699
-	521,628
100,468	4,141,816
8	296,974
-	29,492
1,236	33,678
-	350,000
121,311	345,383
<u>1,486,245</u>	<u>11,763,870</u>
-	937,067
4,799	2,093,243
-	1,870,220
724,233	1,528,750
498,757	498,757
77,816	154,165
54,681	59,981
109,895	3,612,340
69,917	69,917
104,708	104,708
60,000	3,933,000
5,250	760,628
<u>1,710,056</u>	<u>15,622,776</u>
<u>(223,811)</u>	<u>(3,858,906)</u>
135,401	3,535,474
-	3,215,000
-	3,864
<u>(3,233,844)</u>	<u>(3,293,844)</u>
<u>(3,098,443)</u>	<u>3,460,494</u>
(3,322,254)	(398,412)
<u>4,796,953</u>	<u>7,488,338</u>
<u>\$ 1,474,699</u>	<u>\$ 7,089,926</u>

CITY OF NORTH MANKATO, MINNESOTA
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Net change in fund balances - governmental funds	\$ (398,412)
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Amounts reported for governmental activities in the statement
of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.

Capital outlay	3,581,715
Depreciation expense	(2,066,869)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Principal repayments	3,933,000
Debt issued or incurred	(3,215,000)
Premium/discount on bonds issued, net of amortization expense	(28,345)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund 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.

6,638

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	(59,428)
Special assessments	(599,104)
Intergovernmental revenues	(140,000)

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.

Compensated absences	32,819
Other postemployment benefits costs	(5,716)

Change in net assets - governmental activities	<u><u>\$ 1,041,298</u></u>
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The notes to the financial statements are an integral part of this statement.

CITY OF NORTH MANKATO, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 2,500,776	\$ 2,500,776	\$ 2,539,135	\$ 38,359
Special assessments	970	970	5,101	4,131
Licenses and permits	315,345	315,345	521,628	206,283
Intergovernmental	2,338,671	2,338,671	1,622,556	(716,115)
Charges for services	238,225	238,225	296,966	58,741
Fines and forfeits	32,900	32,900	29,492	(3,408)
Investment earnings	20,000	20,000	7,170	(12,830)
Miscellaneous	62,700	62,700	95,581	32,881
TOTAL REVENUES	5,509,587	5,509,587	5,117,629	(391,958)
EXPENDITURES				
Current				
General government	1,002,340	1,002,340	937,067	65,273
Public safety	2,044,766	2,044,766	1,993,515	51,251
Public works	1,695,290	1,695,290	1,669,898	25,392
Culture and recreation	851,320	851,320	804,517	46,803
Miscellaneous	107,501	107,501	76,349	31,152
Capital outlay				
Public safety	-	-	5,300	(5,300)
Culture and recreation	5,000	5,000	-	5,000
TOTAL EXPENDITURES	5,706,217	5,706,217	5,486,646	219,571
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(196,630)	(196,630)	(369,017)	(172,387)
OTHER FINANCING SOURCES				
Transfers in	196,630	196,630	212,630	16,000
NET CHANGE IN FUND BALANCES	-	-	(156,387)	(156,387)
FUND BALANCES, JANUARY 1	2,318,272	2,318,272	2,318,272	-
FUND BALANCES, DECEMBER 31	\$ 2,318,272	\$ 2,318,272	\$ 2,161,885	\$ (156,387)

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

CITY OF NORTH MANKATO, MINNESOTA
STATEMENTS OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2011 AND 2010

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
	2011	2010	2011	2010
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 908,542	\$ 132,862	\$ 504,245	\$ 105,094
Restricted assets - cash with fiscal agent	875,527	884,284	-	-
Receivables				
Accounts	346,486	324,159	-	1,312
Special assessments	3,226	7,735	-	-
Due from other funds	1,083,000	1,905,000	353,000	750,000
Inventories	55,360	54,892	-	-
Prepaid items	11,702	12,371	9,442	10,996
TOTAL CURRENT ASSETS	3,283,843	3,321,303	866,687	867,402
NONCURRENT ASSETS				
Special assessments receivable - deferred	3,518	7,184	9,265	10,248
Unamortized bond issuance costs	40,920	44,425	12,514	14,946
Capital assets				
Land	276,966	276,966	53,000	53,000
Buildings	16,586,291	16,586,291	13,392,880	13,392,880
Machinery and equipment	869,286	869,286	567,910	562,910
Less accumulated depreciation	(5,263,060)	(4,860,172)	(4,146,683)	(3,850,227)
TOTAL CAPITAL ASSETS	12,469,483	12,872,371	9,867,107	10,158,563
TOTAL NONCURRENT ASSETS	12,513,921	12,923,980	9,888,886	10,183,757
TOTAL ASSETS	15,797,764	16,245,283	10,755,573	11,051,159
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	10,502	8,507	2,238	2,193
Due to other funds	-	-	-	-
Due to other governments	7,289	5,707	85,589	51,312
Accrued interest payable	80,617	78,416	26,595	30,280
Accrued wages payable	11,868	9,533	2,790	3,358
Compensated absences payable - current portion	59,499	44,585	5,915	4,425
Bonds payable - current portion	1,200,833	310,417	280,922	267,815
TOTAL CURRENT LIABILITIES	1,370,608	457,165	404,049	359,383
NONCURRENT LIABILITIES				
Compensated absences payable, net of current portion	6,444	75,948	1,117	2,353
Other postemployment benefits obligation	26,634	25,760	19,064	18,492
Unamortized bond discount	(23,554)	(25,652)	(6,291)	(7,529)
Bonds payable, net of current portion	4,471,083	5,671,916	1,431,018	1,711,942
TOTAL NONCURRENT LIABILITIES	4,480,607	5,747,972	1,444,908	1,725,258
TOTAL LIABILITIES	5,851,215	6,205,137	1,848,957	2,084,641
NET ASSETS (LIABILITIES)				
Invested in capital assets, net of related debt	7,696,121	7,790,690	8,161,458	8,186,335
Unrestricted	2,250,428	2,249,456	745,158	780,183
TOTAL NET ASSETS	\$ 9,946,549	\$ 10,040,146	\$ 8,906,616	\$ 8,966,518

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

Business-type Activities - Enterprise Funds

603		604			
Sanitary Collection		Storm Water		Totals	
2011	2010	2011	2010	2011	2010
\$ 71,389	\$ 1,392	\$ 141,974	\$ 100,507	\$ 1,626,150	\$ 339,855
-	-	-	-	875,527	884,284
39,253	29,244	-	-	385,739	354,715
-	-	-	-	3,226	7,735
-	-	-	-	1,436,000	2,655,000
-	-	-	-	55,360	54,892
3,472	3,317	560	623	25,176	27,307
114,114	33,953	142,534	101,130	4,407,178	4,323,788
-	-	-	-	12,783	17,432
15,785	16,912	4,197	4,531	73,416	80,814
160,650	160,650	-	-	490,616	490,616
1,500,777	1,500,777	804,379	804,379	32,284,327	32,284,327
426,015	418,552	13,644	13,644	1,876,855	1,864,392
(507,867)	(469,241)	(71,130)	(43,468)	(9,988,740)	(9,223,108)
1,579,575	1,610,738	746,893	774,555	24,663,058	25,416,227
1,595,360	1,627,650	751,090	779,086	24,749,257	25,514,473
1,709,474	1,661,603	893,624	880,216	29,156,435	29,838,261
80,078	35,169	675	7	93,493	45,876
-	70,000	-	-	-	70,000
7,953	7,235	32,650	23,917	133,481	88,171
21,615	22,615	3,162	3,342	131,989	134,653
1,002	1,666	1,215	1,179	16,875	15,736
-	1,314	2,827	3,080	68,241	53,404
60,000	60,000	34,167	30,833	1,575,922	669,065
170,648	197,999	74,696	62,358	2,020,001	1,076,905
828	608	987	486	9,376	79,395
7,678	7,435	5,745	5,572	59,121	57,259
(11,948)	(12,802)	35	33	(41,758)	(45,950)
1,060,000	1,120,000	493,167	527,334	7,455,268	9,031,192
1,056,558	1,115,241	499,934	533,425	7,482,007	9,121,896
1,227,206	1,313,240	574,630	595,783	9,502,008	10,198,801
471,523	443,540	219,524	216,355	16,548,626	16,636,920
10,745	(95,177)	99,470	68,078	3,105,801	3,002,540
<u>\$ 482,268</u>	<u>\$ 348,363</u>	<u>\$ 318,994</u>	<u>\$ 284,433</u>	<u>\$ 19,654,427</u>	<u>\$ 19,639,460</u>

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

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
	2011	2010	2011	2010
OPERATING REVENUES				
Charges for services	\$ 1,453,134	\$ 1,467,294	\$ 1,510,772	\$ 1,490,287
Facility rental	-	-	-	-
Penalties	39,148	48,663	-	-
TOTAL OPERATING REVENUES	1,492,282	1,515,957	1,510,772	1,490,287
OPERATING EXPENSES				
Personal services	520,095	534,091	199,089	232,935
Supplies	133,568	133,718	62,380	22,114
Other services and charges	88,761	49,708	19,406	30,521
Contractual services	-	-	799,260	825,810
Insurance	19,596	19,386	16,704	16,495
Utilities	146,909	132,668	33,511	27,901
Depreciation	402,888	398,670	296,456	307,400
TOTAL OPERATING EXPENSES	1,311,817	1,268,241	1,426,806	1,463,176
OPERATING INCOME	180,465	247,716	83,966	27,111
NONOPERATING REVENUES (EXPENSES)				
Property taxes	-	-	-	-
Sales tax	965	949	-	-
Intergovernmental	4,994	-	-	-
Special assessments	(6,311)	5,052	81	9,386
Investment income	1,011	1,185	553	771
Other income	6,903	7,203	-	-
Interest expense	(210,481)	(201,607)	(67,952)	(77,544)
Amortization expense	(5,603)	(3,700)	(3,670)	(3,670)
TOTAL NONOPERATING REVENUES (EXPENSES)	(208,522)	(190,918)	(70,988)	(71,057)
INCOME (LOSS) BEFORE TRANSFERS	(28,057)	56,798	12,978	(43,946)
TRANSFERS OUT	(65,540)	(75,088)	(72,880)	(70,760)
CHANGE IN NET ASSETS	(93,597)	(18,290)	(59,902)	(114,706)
NET ASSETS, JANUARY 1	10,040,146	10,058,436	8,966,518	9,081,224
NET ASSETS, DECEMBER 31	\$ 9,946,549	\$ 10,040,146	\$ 8,906,616	\$ 8,966,518

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

Business-type Activities - Enterprise Funds

603		604			
Sanitary Collection		Storm Water		Totals	
2011	2010	2011	2010	2011	2010
\$ 1,241,745	\$ 1,182,265	\$ 272,689	\$ 272,530	\$ 4,478,340	\$ 4,412,376
153,232	153,232	-	-	153,232	153,232
-	-	-	-	39,148	48,663
<u>1,394,977</u>	<u>1,335,497</u>	<u>272,689</u>	<u>272,530</u>	<u>4,670,720</u>	<u>4,614,271</u>
174,249	192,390	61,780	58,826	955,213	1,018,242
20,254	29,026	3,029	5,230	219,231	190,088
41,860	33,539	46,295	39,792	196,322	153,560
911,383	865,020	-	-	1,710,643	1,690,830
5,581	5,755	-	-	41,881	41,636
18,205	14,124	22,660	21,417	221,285	196,110
38,626	55,749	27,662	27,661	765,632	789,480
<u>1,210,158</u>	<u>1,195,603</u>	<u>161,426</u>	<u>152,926</u>	<u>4,110,207</u>	<u>4,079,946</u>
<u>184,819</u>	<u>139,894</u>	<u>111,263</u>	<u>119,604</u>	<u>560,513</u>	<u>534,325</u>
50,000	50,000	-	-	50,000	50,000
-	-	-	-	965	949
-	-	-	-	4,994	-
-	-	-	-	(6,230)	14,438
-	-	-	-	1,564	1,956
-	-	-	-	6,903	7,203
(52,473)	(55,059)	(19,616)	(20,608)	(350,522)	(354,818)
(1,981)	(1,981)	(336)	(336)	(11,590)	(9,687)
<u>(4,454)</u>	<u>(7,040)</u>	<u>(19,952)</u>	<u>(20,944)</u>	<u>(303,916)</u>	<u>(289,959)</u>
180,365	132,854	91,311	98,660	256,597	244,366
<u>(46,460)</u>	<u>(55,105)</u>	<u>(56,750)</u>	<u>(92,824)</u>	<u>(241,630)</u>	<u>(293,777)</u>
133,905	77,749	34,561	5,836	14,967	(49,411)
<u>348,363</u>	<u>270,614</u>	<u>284,433</u>	<u>278,597</u>	<u>19,639,460</u>	<u>19,688,871</u>
<u>\$ 482,268</u>	<u>\$ 348,363</u>	<u>\$ 318,994</u>	<u>\$ 284,433</u>	<u>\$ 19,654,427</u>	<u>\$ 19,639,460</u>

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

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
	2011	2010	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 1,469,955	\$ 1,512,433	\$ 1,512,084	\$ 1,488,975
Payments to suppliers and vendors	(385,056)	(335,040)	(895,385)	(1,080,488)
Payments to and on behalf of employees	(571,476)	(518,500)	(198,831)	(222,681)
Other receipts	6,903	7,203	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	520,326	666,096	417,868	185,806
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Property taxes	-	-	-	-
Intergovernmental	4,994	-	-	-
Sales tax	965	949	-	-
Transfers to other funds	(65,540)	(75,088)	(72,880)	(70,760)
NET CASH USED BY NONCAPITAL FINANCING ACTIVITIES	(59,581)	(74,139)	(72,880)	(70,760)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
(Increase) decrease in due from other funds	822,000	(270,000)	397,000	-
Decrease in due to other funds	-	-	-	-
Acquisition of capital assets	(5,603)	(18,972)	(8,670)	(1,718)
Cash paid to refunding bond escrow agent	-	(884,284)	-	-
Bond proceeds	-	886,676	-	-
Principal paid on revenue bonds payable	(310,417)	(301,667)	(267,817)	(264,835)
Interest paid on revenue bonds payable	(202,677)	(206,315)	(67,967)	(77,388)
Payments received on assessments receivable	1,864	1,043	1,064	1,143
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	305,167	(793,519)	53,610	(342,798)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on cash and investments	9,768	1,185	553	771
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	775,680	(200,377)	399,151	(226,981)
CASH AND CASH EQUIVALENTS, JANUARY 1	132,862	333,239	105,094	332,075
CASH AND CASH EQUIVALENTS, DECEMBER 31	\$ 908,542	\$ 132,862	\$ 504,245	\$ 105,094

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

Business-type Activities - Enterprise Funds

603		604			
Sanitary Collection		Storm Water		Totals	
2011	2010	2011	2010	2011	2010
\$ 1,231,736	\$ 1,170,869	\$ 272,689	\$ 272,530	\$ 4,486,464	\$ 4,444,807
(951,811)	(951,450)	(62,520)	(76,921)	(2,294,772)	(2,443,899)
(175,764)	(187,844)	(61,323)	(55,669)	(1,007,394)	(984,694)
153,232	153,232	-	-	160,135	160,435
257,393	184,807	148,846	139,940	1,344,433	1,176,649
50,000	50,000	-	-	50,000	50,000
-	-	-	-	4,994	-
-	-	-	-	965	949
(46,460)	(55,105)	(56,750)	(92,824)	(241,630)	(293,777)
3,540	(5,105)	(56,750)	(92,824)	(185,671)	(242,828)
-	-	-	-	1,219,000	(270,000)
(70,000)	(70,000)	-	-	(70,000)	(70,000)
(7,463)	-	-	-	(21,736)	(20,690)
-	-	-	-	-	(884,284)
-	-	-	-	-	886,676
(60,000)	(55,000)	(30,833)	(30,833)	(669,067)	(652,335)
(53,473)	(55,975)	(19,796)	(20,789)	(343,913)	(360,467)
-	-	-	-	2,928	2,186
(190,936)	(180,975)	(50,629)	(51,622)	117,212	(1,368,914)
-	-	-	-	10,321	1,956
69,997	(1,273)	41,467	(4,506)	1,286,295	(433,137)
1,392	2,665	100,507	105,013	339,855	772,992
<u>\$ 71,389</u>	<u>\$ 1,392</u>	<u>\$ 141,974</u>	<u>\$ 100,507</u>	<u>\$ 1,626,150</u>	<u>\$ 339,855</u>

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

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
	2011	2010	2011	2010
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	\$ 180,465	\$ 247,716	\$ 83,966	\$ 27,111
Adjustments to reconcile operating income to net cash provided by operating activities:				
Other income related to operations	6,903	7,203	-	-
Depreciation	402,888	398,670	296,456	307,400
(Increase) decrease in assets:				
Accounts receivable	(22,327)	(4,053)	1,312	(1,312)
Due from other governments	-	529	-	-
Inventories	(468)	2,776	-	-
Prepaid items	669	1,124	1,554	1,497
Increase (decrease) in liabilities:				
Accounts payable	1,995	(3,015)	45	(19,535)
Due to other governments	1,582	(445)	34,277	(139,609)
Accrued wages payable	2,335	1,137	(568)	143
Compensated absences payable	(54,590)	1,459	254	1,005
Other postemployment benefits obligation	874	12,995	572	9,106
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 520,326</u>	<u>\$ 666,096</u>	<u>\$ 417,868</u>	<u>\$ 185,806</u>
NONCASH INVESTING CAPITAL AND FINANCING ACTIVITIES				
Discount on bonds issued	\$ -	\$ 13,324	\$ -	\$ -
Amortization expense	5,603	3,700	3,670	3,670

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

Business-type Activities - Enterprise Funds

603		604			
Sanitary Collection		Storm Water		Totals	
2011	2010	2011	2010	2011	2010
\$ 184,819	\$ 139,894	\$ 111,263	\$ 119,604	\$ 560,513	\$ 534,325
-	-	-	-	6,903	7,203
38,626	55,749	27,662	27,661	765,632	789,480
(10,009)	(11,396)	-	-	(31,024)	(16,761)
-	-	-	-	-	529
-	-	-	-	(468)	2,776
(155)	841	63	(50)	2,131	3,412
44,909	(4,727)	668	(26,239)	47,617	(53,516)
718	(100)	8,733	15,807	45,310	(124,347)
(664)	(25)	36	175	1,139	1,430
(1,094)	950	248	-	(55,182)	3,414
243	3,621	173	2,982	1,862	28,704
<u>\$ 257,393</u>	<u>\$ 184,807</u>	<u>\$ 148,846</u>	<u>\$ 139,940</u>	<u>\$ 1,344,433</u>	<u>\$ 1,176,649</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,324
1,981	1,981	336	336	11,590	9,687

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

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 935,367
Receivables	
Accounts	39,069
Intergovernmental	78,403
Other current assets	<u>6,811</u>
TOTAL ASSETS	<u><u>\$ 1,059,650</u></u>
LIABILITIES	
Accounts payable	\$ 7,722
Due to other governments	1,049,568
Accrued wages payable	<u>2,360</u>
TOTAL LIABILITIES	<u><u>\$ 1,059,650</u></u>

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The City of North Mankato (the City) operates under “Optional Plan A” as defined in the Minnesota statutes. The City is governed by an elected Mayor and a four-member Council. The Council exercises legislative authority and determines all matters of policy. The Council appoints personnel responsible for the proper administration of all affairs relating to the City. The City has considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City’s financial statements to be misleading or incomplete. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization’s governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. Each discretely presented component unit is reported in a separate column in the combined financial statements to emphasize it is legally separate from the City. Each discretely presented component unit has a December 31 year end.

Discretely Presented Component Unit. The City of North Mankato Port Authority (the Port Authority) was established by the City Council to commence an active role as a facilitator for land acquisitions and improvements and as a promoter of community economic development. The Port Authority is governed by seven commission members, including two City Council members, who are directly appointed by the Mayor and confirmed by the City Council. Subject to the approval of the City Council, the Port Authority may issue bonds for public improvements and land development. The Port Authority’s principal activities are economic and industrial development within the City and financing building activity for the City. In accordance with GASB Statement No. 14, this entity is properly presented as a discretely presented component unit as a governmental fund type. Separate financial statements are not issued for this component unit.

Excluded

The Housing and Redevelopment Authority (HRA) was created pursuant to Chapter 487 of the Minnesota Session Laws of 1947. The HRA was created by the City to carry out housing and redevelopment projects and its governing board is appointed by the City Council. The HRA is a related organization; however, the City is not financially accountable for the HRA.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, 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 NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City 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 and sales taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

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

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

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are also recorded as deferred revenue. On the modified accrual basis, receivables that will not be collected within the available period have also been reported as deferred revenue in the fund financial statements.

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City reports the following major governmental funds:

The *General fund* is the City'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 accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

The *2011 Construction fund* accounts for street construction projects associated with the 2011 improvements program.

The City reports the following major proprietary funds:

The *Water Utility fund* accounts for costs associated with the City's water system and to ensure that user charges are sufficient to pay for those costs.

The *Sewer Utility fund* accounts for the costs associated with the City's sewer system and to ensure that user charges are sufficient to pay for those costs.

The *Sanitary Collection fund* accounts for the costs associated with the City's refuse collection and to ensure that user charges are sufficient to pay for those costs.

The *Storm Water fund* accounts for the costs associated with the City's storm water system, which are financed by the storm water surcharge, and to ensure 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 government in a trustee capacity or as an agent on behalf of others. Fiduciary funds are accounted for using the accrual basis of accounting.

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 accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity. Agency activities include the following: Public Access Authority, Public Access Equipment, Minnesota River Valley Task Force, 10 percent Gambling and Tactical Response Team activities.

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

Enterprise funds are used to account for those operations that are financed and operated in a manner similar to private business or where the Council has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, liabilities and net assets or equity

Deposits and investments

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

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

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

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City's investment policy follows Minnesota statutes, which reduces the City's exposure to credit, custodial credit and interest rate risks. Specific risk information for the City is as follows:

- *Custodial Credit Risk* - For investments, custodial credit risk is the risk that in the event of a failure of the counterparty, the government would not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. As of December 31, 2011 all investments were insured or registered, or securities were held by the City or its agent in the City's name.
- *Credit Risk* - Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments in commercial paper that is rated in the highest quality category by at least two nationally recognized rating agencies. The City's investment policy does not further limit the ratings of their investments.
- *Concentration Risk* - The City's investment policy does not address concentration with a particular broker. Investment instruments are varied to prevent concentration in any one investment type.
- *Interest Rate Risk* - In accordance with its investment policy, the City diversifies its investment portfolio to eliminate the risk of loss resulting from the over-concentration of assets in a specific maturity. The maturities selected shall provide for stability of income and reasonable liquidity.

Investments for the City are reported at fair value. The broker money market accounts operate in accordance with appropriate state laws and regulations. The reported value of the pools is the same as the fair value of the pool shares.

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, June and November each year.

Taxes payable on homestead property, as defined by Minnesota statutes, are partially reduced by a market value credit aid. The credit is paid to the City by the State of Minnesota, (the State) in lieu of taxes levied against the homestead property. The State remits this credit in two equal installments in October and December each year.

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

Accounts receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2011. All trade receivables are shown net of an allowance for uncollectible accounts. The City has no allowance for uncollectible accounts, as the City is generally able to certify amounts not collected to the County for collection as special assessments.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Special assessments

Special assessments represent the financing for public improvements paid for by benefiting property owners. These assessments are recorded as receivables upon certification to the County. Special assessments are recognized as revenue when they are annually certified to the County or received in cash or within 60 days after year end. All governmental special assessments receivable are offset by a deferred revenue liability in the fund financial statements.

Interfund receivables and payables

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance nonspendable account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Inventories and prepaid items

All inventories are stated at the lower of cost or market on the first-in, first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an estimated useful life in excess of one year. The City reports infrastructure assets on a network and subsystem basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements.

In the case of initial capitalization of general infrastructure assets (i.e., those reported by governmental activities) the City chose to include items dating back to June 30, 1980. The City had already accounted for its prior infrastructure at historical cost for the initial reporting of these assets. As the City constructs or acquires capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. 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. 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. For financial statement purposes only, a capitalization threshold is established for each capital asset category as follows:

Land improvements	\$ 25,000
Other improvements	25,000
Buildings and building improvements	50,000
Machinery and equipment	5,000
Vehicles	5,000
Infrastructure	250,000
Other assets	5,000

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

Assets	Years
Buildings and improvements	50
System improvements/infrastructure	20 - 30
Machinery, equipment and vehicles	15

Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the government does not have a policy to pay any amounts when employees separate from service with the government. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The total amount accrued for compensated absences at December 31, 2011 is \$650,850. For the most part, the General fund is typically used to liquidate governmental compensated absences payable.

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 determined using the alternative measurement method, in accordance with GASB Statement 45, at January 1, 2011.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred 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 deferred charges and amortized over the term of the related debt.

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

Fund balance

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

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

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

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

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

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 a minimum unrestricted fund balance on the last day of each fiscal year equal to the following:

- 50 percent of property tax levy - budgeted in following year
- 50 percent of State aid revenues - local government aid and municipal State aid for roads; budgeted in following year

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Net assets

Net assets represent the difference between assets and liabilities. Net assets are displayed in three components:

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

Comparative data/reclassifications

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

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 special revenue funds. All annual appropriations lapse at fiscal year end. The City does not use encumbrance accounting.

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

The appropriated budget is prepared by fund, function and department. The City’s department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Administrator. Transfers of appropriations between funds require the approval of the Council. The legal level of budgetary control is the fund level. Budgeted amounts are as originally adopted, or as amended by the Council. There were no amendments to the General fund expenditure budget during 2011.

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

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

B. Excess of expenditures over appropriations

For the year ended December 31, 2011, expenditures exceeded appropriations for the following funds:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
Special revenue			
Library	\$ 445,720	\$ 451,008	\$ 5,288
Community Development Block Grant	80,000	80,101	101
Local Option Sales Tax	395,250	484,488	89,238
Contingency	55,405	77,816	22,411

These over expenditures were funded by an excess of revenues over budget and available fund balance.

C. Deficit fund equity

The following funds had fund equity deficits at December 31, 2011:

Fund	Amount
Special Revenue	
Community Development Block Grant	\$ 13,101
Debt Service	
Bond Reserve	1,106,234
2001B G.O. Improvement Bonds	71,165
2005 G.O. Improvement Bonds	25,135
2006 G.O. Improvement Bonds	493,900
2007 G.O. Improvement Bonds	10,620
2010 G.O. Improvement Bonds	69,673
Capital Projects	
Equipment Certificates	331
2012 Construction	7,349

The above deficits will be eliminated through transfers from other funds and future taxes and assessments.

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

Note 3: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

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

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

Authorized collateral in lieu of a corporate surety bond includes:

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

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

At year end, the City's carrying amount of deposits was \$10,159,608, including \$935,317 reported in fiduciary funds and the bank balance was \$10,409,040. Of the bank balance, \$500,000 was covered by federal depository insurance. The remaining balance of \$9,909,040 was collateralized with securities held by the pledging financial institution's trust department in the City's name.

Cash on hand

Cash in the possession of the City, consisting of petty cash and change funds, totals \$1,740.

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Investments

At the year end, the City had \$3,339,264, in investments that are insured or registered, or securities held by the City or its agent in the City's name.

- **Credit Risk.** Ratings provided by various credit rating agencies where applicable indicate associated credit risk. The City's investments have ratings of AAA and P1.
- **Interest Rate Risk.** Using the segmented time distribution method, the interest rate risk of these investments ranges from less than 6 months to more than 3 years.
- **Concentration of Credit Risk.** The City places no limit on the amount that may be invested in any one issuer. The City has not invested more than five percent in any one issuer.

Types of Investments	Cost (3)	Credit Quality/ Ratings (1)	Segmented Time Distribution (2)
Pooled Investments			
Broker Money Market Accounts	\$ 598,694	N/A	less than 6 months
Non-pooled investments			
U.S. Government Securities	1,203,423	Aaa	less than 6 months
U.S. Government Securities	28,851	Aaa	6 months to 1 year
U.S. Government Securities	<u>1,508,296</u>	Aaa	1 to 3 years
Total non-pooled investments	<u>2,740,570</u>		
Total investments	<u><u>\$ 3,339,264</u></u>		

- (1) Ratings are provided by various credit rating agencies where applicable to indicate associated credit risk. N/A indicates not applicable or available.
- (2) Interest rate risk is disclosed using the segmented time distribution method.
- (3) Escrow investments carried at cost because refunded bond payments are guaranteed.

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Cash and investments summary

A reconciliation of temporary cash and investments as shown on the Statement of Net Assets for the City, including the component unit and fiduciary funds, follows:

	Primary Government	Component Unit	Fiduciary Funds	Totals
Deposits	\$ 8,627,420	\$ 596,871	\$ 935,317	\$ 10,159,608
Investments	2,740,838	598,426	-	3,339,264
Cash on hand	1,640	50	50	1,740
	<u>11,369,898</u>	<u>1,195,347</u>	<u>935,367</u>	<u>13,500,612</u>
Total	<u>\$ 11,369,898</u>	<u>\$ 1,195,347</u>	<u>\$ 935,367</u>	<u>\$ 13,500,612</u>
Cash and cash temporary investments	\$ 8,629,060	\$ 596,921	\$ 935,367	\$ 10,161,348
Restricted assets - cash with fiscal agent	2,740,838	598,426	-	3,339,264
	<u>11,369,898</u>	<u>1,195,347</u>	<u>935,367</u>	<u>13,500,612</u>
Total	<u>\$ 11,369,898</u>	<u>\$ 1,195,347</u>	<u>\$ 935,367</u>	<u>\$ 13,500,612</u>

B. Notes, mortgages and leases receivable

The General fund has a loan receivable from a resident for housing rehabilitation due in monthly installments of \$750 at 4.00 interest. The balance on this loan at December 31, 2011 is \$68,141.

The Port Authority (Component Unit) has various low interest notes with local business through its Port Authority Revolving Loan fund, Local Revolving Loan fund, State Revolving Loan fund as well as a mortgage receivable through its Joint Economic Development fund. The revolving notes are to be repaid to the Port Authority in various monthly installments with interest at 3.0 percent to 6.0 percent. The balance on these notes at December 31, 2011 is \$1,237,784 net of allowance for doubtful accounts, \$153,276 and \$205,806, respectively. The mortgage receivable was related to the sale of a portion of the Northport Center and was payable in monthly installments with interest at 5.925 percent. The Joint Economic Development fund has a loan receivable from a resident for housing rehab due in monthly installments of \$359 at 5.25 interest. The balance on this loan at December 31, 2011 is \$61,925. During 2008, the North Mankato Port Authority made low interest loans to two businesses in the Central Business District for improvement to their facilities. At December 31, 2011, the outstanding balance on these loans totaled \$14,575. The Port Authority also has a capital lease receivable related to the construction of the Nicollet County Services building and payable in annual installments with interest at 5.30 percent to 6.00 percent. The balance on this lease at December 31, 2011 is \$155,000. The Port Authority also has a long term note with the City related the General Obligation Bonds Series 2011A. The Port Authority issued the bonds but City spent the proceeds and will reimburse the Port authority for the terms consistent with the bond issuance. The note from the city has interest rates from 2.00 percent to 3.75 percent and matures February 1, 2034. The balance at December 31, 2011 is \$3,215,000. The North Mankato Port Authority extended a note outstanding from C & C Property Group, LLC to be due on June 30, 2012, which has a balance at December 31, 2011 of \$150,000.

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Deferred revenue

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

Primary Government

Fund	Unavailable	Unearned
Delinquent taxes receivable		
General	\$ 99,591	\$ -
Special assessments receivable		
General	72,268	-
Debt Service	6,200,104	-
Due from State - MSA funding		
Debt Service	2,980,000	-
Unearned grant and other revenue		
General	-	38,184
	<u> </u>	<u> </u>
Total	<u><u>\$ 9,351,963</u></u>	<u><u>\$ 38,184</u></u>

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

Note 3: DETAILED NOTES ON ALL FUNDS – CONTINUED

D. Capital assets

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

Primary government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 3,387,161	\$ -	\$ -	\$ 3,387,161
Construction in progress	2,798,647	3,423,269	(1,040,641)	5,181,275
 Total capital assets not being depreciated	 6,185,808	 3,423,269	 (1,040,641)	 8,568,436
Capital assets being depreciated				
Buildings and improvements	57,387,581	1,040,641	-	58,428,222
Machinery, equipment and vehicles	6,041,906	158,446	(140,801)	6,059,551
 Total capital assets being depreciated	 63,429,487	 1,199,087	 (140,801)	 64,487,773
Less accumulated depreciation for				
Buildings and improvements	(23,238,512)	(1,831,723)	-	(25,070,235)
Machinery, equipment and vehicles	(4,814,893)	(235,146)	140,801	(4,909,238)
 Total accumulated depreciation	 (28,053,405)	 (2,066,869)	 140,801	 (29,979,473)
 Total capital assets being depreciated, net	 35,376,082	 (867,782)	 -	 34,508,300
 Governmental activities capital assets, net	 \$ 41,561,890	 \$ 2,555,487	 \$ (1,040,641)	 \$ 43,076,736

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 490,616	\$ -	\$ -	\$ 490,616
Capital assets being depreciated				
Buildings and improvements	32,284,327	-	-	32,284,327
Machinery, equipment and vehicles	1,864,392	12,463	-	1,876,855
Total capital assets being depreciated	34,148,719	12,463	-	34,161,182
Less accumulated depreciation for				
Buildings and improvements	(7,828,939)	(701,587)	-	(8,530,526)
Machinery, equipment and vehicles	(1,394,169)	(64,045)	-	(1,458,214)
Total accumulated depreciation	(9,223,108)	(765,632)	-	(9,988,740)
Total capital assets being depreciated, net	24,925,611	(753,169)	-	24,172,442
Business-type activities capital assets, net	<u>\$ 25,416,227</u>	<u>\$ (753,169)</u>	<u>\$ -</u>	<u>\$ 24,663,058</u>

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

Governmental activities

General government	\$ 34,201
Public safety	146,995
Public works, including depreciation of general infrastructure assets	1,741,521
Culture and recreation	144,152
Total depreciation expense - governmental activities	<u>\$ 2,066,869</u>

Business-type activities

Water utility	\$ 402,888
Sewer utility	296,456
Sanitation collection	38,626
Storm water utility	27,662
Total depreciation expense - business-type activities	<u>\$ 765,632</u>

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Construction commitments

The City has active construction projects as of December 31, 2011. The projects include street construction in areas with newly developed housing and widening and construction of existing streets and bridges. At year end the City's commitments with contractors are as follows:

<u>Project</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
Carlson Drive/CSAH	<u>\$ 2,206,544</u>	<u>\$ 3,433,798</u>

The special assessment portion of the commitment for residential street construction is being financed by special assessment bonds that will be repaid by the benefiting property owners.

Discretely presented component unit

Capital assets activity for the Port Authority for the year ended December 31, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	<u>\$ 1,409,018</u>	<u>\$ 1,189,400</u>	<u>\$ (423,379)</u>	<u>\$ 2,175,039</u>

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

E. Interfund receivables, payables and transfers

The composition of interfund balances at December 31, 2011 is as follows:

Due to/from other funds:

Primary Government

Receivable Fund	Payable Fund	Amount
General	Debt Service	\$ 2,047,524
Nonmajor governmental	Nonmajor governmental	88,169
Water Utility enterprise	Debt Service	1,083,000
Sewer Utility enterprise	Debt Service	353,000
Total		<u>\$ 3,571,693</u>

Component Unit - Port Authority

Receivable Fund	Payable Fund	Amount
General	Debt Service	\$ 240,000
Joint Economic Development	Debt Service	104,958
	Tax Increment Project	15,274
Port Authority Construction	Debt Service	401,737
Total		<u>\$ 761,969</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These balances also include temporary loans made to other funds caused by the timing of bond sales, temporary capital loans and special assessment collections in the subsequent year.

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Interfund transfers:

	Transfer in:				Total
	General Fund	Debt Service Fund	2011 Construction Fund	Nonmajor Governmental Funds	
Transfer out					
2011 Construction fund	\$ -	\$ 60,000	\$ -		\$ 60,000
Nonmajor governmental funds	16,000	233,855	2,848,588	135,401	3,233,844
Water Utility enterprise fund	53,334	12,206	-	-	65,540
Sewer Utility enterprise fund	59,307	13,573	-	-	72,880
Sanitary Collection enterprise fund	37,808	8,652	-	-	46,460
Storm Water enterprise fund	46,181	10,569	-	-	56,750
Total transfers out	<u>\$ 212,630</u>	<u>\$ 338,855</u>	<u>\$ 2,848,588</u>	<u>\$ 135,401</u>	<u>\$ 3,535,474</u>

Transfers are used to 1) move revenues from the fund with collection authorization to the Debt Service fund as debt service principal and interest payments become due, 2) move restricted amounts from borrowings to the debt service fund to establish mandatory reserve accounts, 3) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs. The following transfers were made during 2011:

- \$196,630 from the enterprise funds to the General fund for administrative services.
- \$16,000 from the Community Development Block Grant Fund to the General fund for administrative costs to administer the CDBG grant activity.
- \$60,000 from the 2011 Construction fund to the Bond Reserve fund to increase the debt service reserve.
- \$12,206 from the Water enterprise fund to the Debt Service fund for debt service payments.
- \$13,573 from the Sewer enterprise fund to the Debt Service fund for debt service payments.
- \$8,652 from the Sanitary Collection enterprise fund to the Debt Service fund for debt service payments.
- \$10,569 from the Storm Water enterprise fund to the Debt Service fund for debt service payments.
- \$233,855 from the Local Option Sales Tax special revenue fund to the 2009 G.O. Sales Tax Revenue Bond fund for debt service payments.
- \$2,848,588 from the 2010 Construction fund to the 2011 Construction fund to close the 2010 Construction fund.
- \$135,401 from the Local Option Sales Tax special revenue fund to the Local Option Sales Tax capital projects fund for 2011 costs.

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

F. Long-term debt

General obligation bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. These bonds are reported in the proprietary funds if they are expected to be repaid from proprietary fund revenues. In addition, general obligation bonds have been issued to refund special assessments related bonds.

Primary government debt

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Street Construction - 2004A	\$ 1,035,000	4.00 - 4.70 %	06/01/04	02/01/20	\$ 680,000
G.O. Capital Improvement Bonds - 2008C	2,145,000	2.50 - 3.60	05/01/08	02/01/19	1,620,000
G.O. Equipment Certificates - 2009A	306,000	2.50	05/12/09	12/01/14	188,000
Total General Obligation Bonds					<u>\$ 2,488,000</u>

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

Year Ending December 31,	General Obligation Bonds Governmental Activities		
	Principal	Interest	Total
2012	\$ 321,000	\$ 82,755	\$ 403,755
2013	328,000	72,705	400,705
2014	334,000	62,395	396,395
2015	280,000	51,425	331,425
2016	290,000	41,330	331,330
2017 - 2020	935,000	60,735	995,735
Total	<u>\$ 2,488,000</u>	<u>\$ 371,345</u>	<u>\$ 2,859,345</u>

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

G.O. special assessment (improvement) bonds

The following bonds were issued to finance various improvements and will be repaid primarily from special assessments levied on the properties benefiting from the improvements. Some issues, however, are partly financed by 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
Governmental					
G.O. Improvement					
Bonds of 2001B	\$ 1,325,000	3.25 - 4.25 %	11/01/01	02/01/12	\$ 60,000
G.O. Improvement					
Bonds of 2005A	2,495,000	2.15 - 4.20	02/01/05	02/01/20	685,000
G.O. Improvement					
Bonds of 2005D	1,600,000	3.25 - 3.65	10/01/05	02/01/16	780,000
G.O. Improvement					
Bonds of 2006A	3,630,000	4.00	05/01/06	02/01/14	1,755,000
G.O. Improvement					
Bonds of 2006C	1,760,000	4.00	12/01/06	02/01/18	1,060,000
G.O. Improvement					
Bonds of 2007A	2,550,000	4.00 - 4.20	08/01/07	02/01/18	1,375,000
G.O. Improvement					
Bonds of 2008A	1,815,000	2.40 - 3.70	05/01/08	02/01/19	1,430,000
G.O. State Aid Street					
Bonds of 2009D	3,120,000	2.00 - 4.00	12/22/09	04/01/25	2,980,000
G.O. Improvement					
Bonds of 2010A	2,305,000	2.00 - 4.00	12/30/10	12/01/27	2,305,000
G.O. Improvement Refunding					
Bonds of 2010C	3,455,000	.75 - 3.15	12/30/10	02/01/22	3,455,000
Total G.O. Special Assessments Bonds - Governmental					15,885,000
Business-type					
G.O. Improvement					
Bonds of 2004B	1,445,000	3.25 - 5.00	06/01/04	02/01/25	1,120,000
Total G.O. Special Assessments Bonds					\$ 17,005,000

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Annual debt service requirements to maturity for general obligation special assessment bonds are as follows:

Year Ending December 31,	G.O. Special Assessment Bonds Governmental Activities			G.O. Special Assessment Bonds Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 1,865,000	\$ 494,963	\$ 2,359,963	\$ 60,000	\$ 50,675	\$ 110,675
2013	1,765,000	439,460	2,204,460	65,000	48,094	113,094
2014	2,345,000	370,908	2,715,908	65,000	45,331	110,331
2015	1,125,000	312,409	1,437,409	70,000	42,445	112,445
2016	1,330,000	274,573	1,604,573	70,000	39,435	109,435
2017 - 2021	5,110,000	883,475	5,993,475	400,000	144,775	544,775
2022 - 2026	2,155,000	229,901	2,384,901	390,000	40,138	430,138
2027	190,000	7,600	197,600	-	-	-
Total	<u>\$ 15,885,000</u>	<u>\$ 3,013,289</u>	<u>\$ 18,898,289</u>	<u>\$ 1,120,000</u>	<u>\$ 410,893</u>	<u>\$ 1,530,893</u>

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

G.O. revenue bonds

The following bonds were issued to finance capital improvements in the enterprise funds. They will be retired from net revenues of the enterprise funds.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Business-type					
G.O. Sewer Revenue Refunding Bonds of 2003B	\$ 945,000	1.30 - 3.40 %	11/01/03	02/01/12	\$ 140,000
Public Facilities Authority of 1997A	1,032,679	3.41	11/25/97	02/20/19	471,190
G.O. Water Revenue Bonds of 2001A	1,825,000	3.50 - 4.65	11/01/01	02/01/12	1,030,000
G.O. Improvement Bonds of 2005A	2,495,000	2.15 - 4.20	02/01/05	02/01/20	490,000
G.O. Utility Revenue Bonds of 2006B	2,495,000	2.15 - 4.20	02/01/05	02/01/20	1,295,000
G.O. Utility Revenue Bonds of 2007B	2,495,000	2.15 - 4.20	02/01/05	02/01/20	760,000
G.O. Water Utility Revenue Bonds of 2008B	2,295,000	2.50 - 4.20	05/01/08	02/01/29	2,205,000
G.O. Utility Revenue Bonds of 2009B	690,000	3.00 - 4.00	05/12/09	12/01/24	620,000
G.O. Water Revenue Refunding Bonds of 2010C	900,000	.75 - 3.15	12/30/10	02/01/22	<u>900,000</u>
Total G.O. Revenue Bonds - Business-type					<u>7,911,190</u>
Governmental					
Public Facilities Authority of 1998B	442,988	3.14	12/31/99	08/20/19	215,000
G.O. Sales Tax Revenue Bonds of 2009C	2,560,000	2.00 - 4.00	05/12/09	12/01/24	2,295,000
G.O. Sales Tax Revenue Bonds of 2010B	750,000	1.00 - 4.00	12/30/10	12/01/25	<u>750,000</u>
Total G.O. Revenue Bonds - Governmental					<u>3,260,000</u>
Total G.O. Revenue Bonds					<u><u>\$ 11,171,190</u></u>

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

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

Year Ending December 31,	G.O. Revenue Bonds Governmental Activities			G.O. Revenue Bonds Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 209,000	\$ 103,864	\$ 312,864	\$ 1,515,922	\$ 256,837	\$ 1,772,759
2013	215,000	99,910	314,910	537,842	221,663	759,505
2014	221,000	95,000	316,000	549,829	206,671	756,500
2015	226,000	89,084	315,084	561,883	190,599	752,482
2016	227,000	82,767	309,767	584,007	173,232	757,239
2017 - 2021	1,282,000	303,114	1,585,114	2,396,707	587,344	2,984,051
2022 - 2026	880,000	75,324	955,324	1,150,000	239,399	1,389,399
2027 - 2029	-	-	-	615,000	39,583	654,583
Total	<u>\$ 3,260,000</u>	<u>\$ 849,063</u>	<u>\$ 4,109,063</u>	<u>\$ 7,911,190</u>	<u>\$ 1,915,328</u>	<u>\$ 9,826,518</u>

Notes payable

This note payable was issued to finance the debt service payments for the proceeds of the General Obligation Bonds Series 2012A issued by the Port Authority of which the City will use for capital improvements.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Note Payable to Port Authority	\$ 3,215,000	2.00 - 3.75 %	11/30/11	02/01/34	<u>\$ 3,215,000</u>

Annual debt service requirements to maturity for notes payable are as follows:

Year Ending December 31,	Notes Payable Governmental Activities		
	Principal	Interest	Total
2012	\$ -	\$ 64,705	\$ 64,705
2013	-	97,056	97,056
2014	-	97,056	97,056
2015	130,000	95,756	225,756
2016	130,000	93,156	223,156
2017 - 2021	695,000	424,053	1,119,053
2022 - 2026	765,000	329,622	1,094,622
2027 - 2031	885,000	195,294	1,080,294
2032 - 2034	610,000	34,753	644,753
Total	<u>\$ 3,215,000</u>	<u>\$ 1,431,451</u>	<u>\$ 4,646,451</u>

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Contracts payable

This contract was issued to purchase park land for Benson Park. The contracts will be funded through the Parkland fund.

<u>Description</u>	<u>Authorized and issued</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Balance at Year End</u>
Benson Park	\$ 561,680	7.00 %	02/01/02	02/01/12	<u>\$ 45,000</u>

Annual debt service requirements to maturity for contracts payable are as follows:

<u>December 31,</u>	<u>Contracts Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	<u>\$ 45,000</u>	<u>\$ 1,575</u>	<u>\$ 46,575</u>

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General obligation bonds	\$ 2,963,000	\$ -	\$ (475,000)	\$ 2,488,000	\$ 321,000
General obligation special assessment bonds	19,125,000	-	(3,240,000)	15,885,000	1,865,000
General obligation revenue bonds	3,418,000	-	(158,000)	3,260,000	209,000
Less deferred amounts for premiums (discounts)	<u>(131,778)</u>	<u>(43,010)</u>	<u>71,355</u>	<u>(103,433)</u>	<u>-</u>
Total bonds payable	25,374,222	(43,010)	(3,801,645)	21,529,567	2,395,000
Notes payable	-	3,215,000	-	3,215,000	-
Contracts payable	105,000	-	(60,000)	45,000	45,000
Compensated absences payable	606,052	492,532	(525,351)	573,233	313,078
Other postemployment benefits obligation	<u>181,161</u>	<u>62,280</u>	<u>(56,564)</u>	<u>186,877</u>	<u>-</u>
Governmental activity long-term liabilities	<u>\$ 26,266,435</u>	<u>\$ 3,726,802</u>	<u>\$ (4,443,560)</u>	<u>\$ 25,549,677</u>	<u>\$ 2,753,078</u>
Business-type activities					
Bonds payable					
General obligation revenue bonds	\$ 8,520,257	\$ -	\$ (609,067)	\$ 7,911,190	\$ 1,515,922
General obligation special assessment bonds	1,180,000	-	(60,000)	1,120,000	60,000
Less deferred amounts for premiums (discounts)	<u>(45,950)</u>	<u>-</u>	<u>4,192</u>	<u>(41,758)</u>	<u>-</u>
Total bonds payable	9,654,307	-	(664,875)	8,989,432	1,575,922
Compensated absences payable	132,799	92,594	(147,776)	77,617	68,241
Other postemployment benefits obligation	<u>57,259</u>	<u>20,289</u>	<u>(18,427)</u>	<u>59,121</u>	<u>-</u>
Business-type activity long-term liabilities	<u>\$ 9,844,365</u>	<u>\$ 112,883</u>	<u>\$ (831,078)</u>	<u>\$ 9,126,170</u>	<u>\$ 1,644,163</u>

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Conduit debt obligations

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At December 31, 2011, the following conduit debt existed:

- \$2,500,000 Educational Facilities Revenue Note, Series 2007, (Evangelical Covenant Preschool Project) with an outstanding balance of \$2,500,000 at December 31, 2011.
- \$8,560,000 Housing Revenue Loan Participation Note 2005A, (North Point-GEAC), with an outstanding balance of \$7,585,830 at December 31, 2011.
- \$300,000 Taxable Housing Revenue Loan Participation 2005B, (North Point-GEAC), with an outstanding balance of \$268,957 at December 31, 2011.
- \$500,000 Subordinate housing Revenue Notes 2005C, (North Point-GEAC Project), with an outstanding balance of \$465,000 at December 31, 2011.

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Component unit debt

General obligation bonds

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

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
General Obligation Bonds 2011A	\$ 3,215,000	2.00 - 3.75 %	11/30/11	02/01/34	<u>\$ 3,215,000</u>

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

Year Ending December 31,	G.O. Bonds Component Unit Activities		
	Principal	Interest	Total
2012	\$ -	\$ 64,705	\$ 64,705
2013	-	97,056	97,056
2014	-	97,056	97,056
2015	130,000	95,756	225,756
2016	130,000	93,156	223,156
2017 - 2021	695,000	424,053	1,119,053
2022 - 2026	765,000	329,622	1,094,622
2027 - 2031	885,000	195,294	1,080,294
2032 - 2034	610,000	34,753	644,753
Total	<u>\$ 3,215,000</u>	<u>\$ 1,431,451</u>	<u>\$ 4,646,451</u>

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

General obligation tax increment bonds

The following bonds were issued for redevelopment projects. The additional tax increments resulting from increased tax capacity of the redeveloped properties will be used to retire related debt.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
G.O. Tax Increment Bonds of 2001D	\$ 990,000	4.00 - 6.75 %	11/01/01	02/01/12	\$ 580,000
G.O. Tax Increment Bonds of 2010D	810,000	2.85 - 6.25	12/30/10	02/01/37	810,000
G.O. Tax Increment Bonds of 2011B	455,000	3.00 - 5.00	12/01/11	02/01/35	455,000
Total G.O. Tax Increment Bonds					<u>\$ 1,845,000</u>

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

Year Ending December 31,	G.O. Tax Increment Bonds Component Unit Activities		
	Principal	Interest	Total
2012	\$ 580,000	\$ 67,494	\$ 647,494
2013	-	55,848	55,848
2014	10,000	55,698	65,698
2015	10,000	55,398	65,398
2016	65,000	54,289	119,289
2017 - 2021	455,000	229,081	684,081
2022 - 2026	400,000	117,986	517,986
2027 - 2031	150,000	65,409	215,409
2032 - 2036	165,000	21,751	186,751
2037	10,000	313	10,313
Total	<u>\$ 1,845,000</u>	<u>\$ 723,265</u>	<u>\$ 2,568,265</u>

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

G.O. revenue bonds

The following bonds were issued to finance capital improvements in the Port Authority. They will be retired from net revenues of the Port Authority.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Port Authority Lease Revenue Bonds of 1997	\$ 2,460,000	4.50 - 5.70 %	09/01/97	02/01/18	\$ 155,000
G.O. Port Authority Revenue Refunding Bonds of 2003A	1,610,000	2.00 - 5.00	11/01/03	02/01/13	290,000
G.O. Port Authority Taxable Refunding Bonds of 2009A	1,370,000	2.0 - 4.375	12/22/09	02/01/19	<u>1,240,000</u>
Total G.O. Revenue Bonds					<u>\$ 1,685,000</u>

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

Year Ending December 31,	G.O. Revenue Bonds		
	Component Unit Activities		
	Principal	Interest	Total
2012	\$ 360,000	\$ 61,446	\$ 421,446
2013	370,000	46,484	416,484
2014	145,000	34,071	179,071
2015	150,000	29,646	179,646
2016	155,000	24,296	179,296
2017 - 2019	<u>505,000</u>	<u>33,051</u>	<u>538,051</u>
Total	<u>\$ 1,685,000</u>	<u>\$ 228,994</u>	<u>\$ 1,913,994</u>

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Contracts payable

The following contract was issued to finance land purchases in the Northport Industrial Park. It will be retired from net revenues of the Port Authority.

Description	Authorized and Issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Northport Industrial Park	\$ 900,000	4.00 %	01/15/11	01/15/19	<u>\$ 900,000</u>

Annual debt service requirements to maturity for contracts payable are as follows:

Year Ending December 31,	Contracts Payable Component Unit Activities		
	Principal	Interest	Total
2012	\$ 100,000	\$ 34,000	\$ 134,000
2013	100,000	30,000	130,000
2014	100,000	26,000	126,000
2015	100,000	22,000	122,000
2016	100,000	18,000	118,000
2017 - 2019	<u>400,000</u>	<u>28,000</u>	<u>428,000</u>
Total	<u>\$ 900,000</u>	<u>\$ 158,000</u>	<u>\$ 1,058,000</u>

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Component unit activities					
Bonds payable					
General obligation bonds	\$ -	\$ 3,215,000	\$ -	\$ 3,215,000	\$ -
General obligation tax increment bonds	1,445,000	455,000	(55,000)	1,845,000	580,000
General obligation revenue bonds	2,030,000	-	(345,000)	1,685,000	360,000
Less deferred amounts for premiums (discounts)	(14,180)	-	2,361	(11,819)	-
Total bonds payable	3,460,820	3,670,000	(397,639)	6,733,181	940,000
Contracts payable	-	1,008,000	(108,000)	900,000	100,000
Component unit long-term liabilities	<u>\$ 3,460,820</u>	<u>\$ 4,678,000</u>	<u>\$ (505,639)</u>	<u>\$ 7,633,181</u>	<u>\$ 1,040,000</u>

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

G. Components of fund balance

At December 31, 2011, portions of the City's fund balance are not available for appropriation due to not being in spendable form (Nonspendable), legal restrictions (Restricted), City Council action (Committed), policy and/or intent (Assigned). The following is a summary of the components of fund balance:

	General	Debt Service	2011 Construction	Other Governmental Funds	Total Governmental Funds
Nonspendable					
Prepaid items	\$ 76,564	\$ -	\$ 117	\$ 2,779	\$ 79,460
Restricted for					
Capital improvements	\$ -	\$ -	\$ 2,699,615	\$ -	\$ 2,699,615
Library programs				50,997	50,997
Park development	-	-	-	14,180	14,180
TH14/CH41 interchange project	-	-	-	940,925	940,925
Total restricted	\$ -	\$ -	\$ 2,699,615	\$ 1,006,102	\$ 3,705,717
Committed for					
Parkland acquisition					
development and improvement	\$ -	\$ -	\$ -	\$ 4,076	\$ 4,076
Flood control facilities					
maintenance	-	-	-	1,201	1,201
Community development	-	-	-	200,987	200,987
Total committed	\$ -	\$ -	\$ -	\$ 206,264	\$ 206,264
Assigned for					
Capital improvements	\$ -	\$ -	\$ 1,819,225	\$ -	\$ 1,819,225
Capital equipment	-	-	-	4,946	4,946
Community development	-	-	-	47,348	47,348
Bookmobile operations	-	-	-	42,305	42,305
Library operations,					
maintenance and improvements	-	-	-	48,130	48,130
Parkland acquisition					
development and improvement	-	-	-	61,203	61,203
Flood control facilities					
maintenance	-	-	-	35,958	35,958
Development promotions	-	-	-	40,445	40,445
Total assigned	\$ -	\$ -	\$ 1,819,225	\$ 280,335	\$ 2,099,560
Unassigned	\$ 2,085,321	\$ (1,065,615)	\$ -	\$ (20,781)	\$ 998,925

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

Note 4: DEFINED BENEFIT PENSION PLAN - STATEWIDE

A. Plan description

All full-time and certain part-time employees of the City of North Mankato 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 statute are covered by the PEPFF.

PERA provides retirement benefits as well as disability benefits to members, and benefits to survivors upon death of eligible members. Benefits are established by Minnesota statute, and vest after three years of credited service. The defined retirement benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service.

Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. The retiring member receives the higher of 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 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, 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088 or by calling (651) 296-7460 or 1-800-652-9026.

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

Note 4: DEFINED BENEFIT PENSION PLAN - STATEWIDE - CONTINUED

B. Funding policy

Minnesota statutes, chapter 353 sets the rates for employer and employee contributions. These statutes are established and amended by the State legislature. The City makes annual contributions to the pension plans equal to the amount required by Minnesota statutes. GERP Basic Plan members and Coordinated Plan members were required to contribute 9.1 percent and 6.25 percent, respectively, of their annual covered salary in 2011. PEPFF members were required to contribute 9.6 percent of their annual covered salary in 2011. In 2011, the City of North Mankato 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 14.4 percent for PEPFF members. The City's contributions to the General Employees Retirement Fund for the years ending December 31, 2011, 2010 and 2009 were \$182,750, \$176,150, and \$179,096, respectively. The City's contributions to the Public Employees Police & Fire Fund for the years ending December 31, 2011, 2010, and 2009 were \$116,600, \$112,246, and \$110,859, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statute.

C. Defined contribution plan

Elected officials of the City are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by the Public Employees Retirement Association of Minnesota (PERA). The PEDCP is a tax qualified plan under section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota statutes, chapter 353D.03, specifies the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5 percent of salary which is matched by the elected official's employer. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2 percent of employer contributions and four-tenths of one percent of the assets in each member's account annually.

The City's contributions to the PEDCP for the years ended December 31, 2011, 2010 and 2009 were \$1,300, \$580 and \$560, respectively. The City's contributions were equal to the contractually required contributions for each year as set by Minnesota statutes.

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

Note 5: DEFINED BENEFIT PENSION PLAN - FIRE RELIEF ASSOCIATION

Plan description

All members of the North Mankato Fire Department (the Department) are covered by a defined benefit plan administered by the North Mankato Firefighters' Relief Association (the Association). The plan is a single employer retirement plan and is established and administered in accordance with Minnesota statute, chapter 69.

The Association maintains a separate Special fund to accumulate assets to fund the retirement benefits earned by the Department's membership. Funding for the Association is derived from an insurance premium tax in accordance with the Volunteer Firefighter's Relief Association Financing Guidelines Act of 1971 (chapter 261 as amended by chapter 509 of Minnesota statutes 1980). Funds are also derived from investment income.

The Association issues a publicly available financial report. The report may be obtained by writing to North Mankato Firefighters' Relief Association, Box 2055, North Mankato, MN 56002-2055.

The City levies property taxes at the direction of and for the benefit of the Fire Relief Association and passes through State aids allocated to the plan, all in accordance with enabling Minnesota statutes. The State aid is recognized as both a revenue and expenditure in the General fund. The State aid for 2011 was \$43,461. The firefighter has no obligation to contribute to this pension plan.

Funding policy

The financial requirements of the Special fund are determined in accordance with section 69.772 of the Minnesota statutes, which requires the payment of pension benefits in a lump sum or optionally in annual installments. The benefits are payable after age 50, 5 years of service, and 5 years of Association membership or upon death. The City's annual pension cost for the current year and related information for the plan is as follows:

Annual pension cost	\$ 79,497
Contributions made	
City	32,686
State aid	46,811
Actuarial valuation date	12/31/11
Actuarial cost method	Entry age normal
Amortization method	Level dollar closed
Remaining amortization period	
Normal cost	20 years
Prior service cost	10 years
Asset valuation method	Market
Actuarial assumptions	
Investment rate of return	5%
Projected salary increases	N/A
Inflation rate	N/A
Cost of living adjustments	None

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

Note 5: DEFINED BENEFIT PENSION PLAN - FIRE RELIEF ASSOCIATION - CONTINUED

Three Year Trend Information					
Year Ending		Annual Pension Cost (APC)	Percentage of APC Contributed		Net Pension Obligation
12/31/11		\$ 79,497	100.0 %	\$	-
12/31/10		70,340	100.0		-
12/31/09		55,780	100.0		-

Required Supplementary Information					
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Assets in Excess of (Unfunded) Accrued Liability	Funded Rate	Pension Benefit Per Year of Service
12/31/11	\$ 1,299,077	\$ 1,385,092	\$ (86,015)	93.8 %	\$ 3,000
12/31/10	1,382,824	1,361,262	21,562	101.6	3,000
12/31/09	1,240,881	1,299,490	(58,609)	95.5	3,000

Note 6: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

A. Plan description

The City administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members. Benefit provisions are established through negotiations between the City and the union representing employees and are renegotiated each three-year bargaining period. The Retiree Health Plan does not issue a publicly available financial report.

B. Funding policy

Contribution requirements also are negotiated between the City and union representatives. The City contributes none of the cost of current-year premiums for eligible retired plan members and their spouses. For fiscal year 2011, the City contributed \$0 to the plan. Plan members receiving benefits contribute 100 percent of their premium costs. In fiscal year 2011, total member contributions were \$74,991. The General fund is typically used to liquidate the net other postemployment benefit obligation.

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

Note 6: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS – CONTINUED

C. Annual other postemployment benefit cost

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *annual required contribution of the employer* (ARC). The City has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement No. 45 for employers in plans with fewer than one hundred total plan members. 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:

Annual required contribution	\$ 84,103
Interest on net OPEB obligation	7,153
Adjustment to annual required contribution	<u>(8,687)</u>
Annual OPEB cost (expense)	82,569
Contributions made	<u>(74,991)</u>
Increase in net OPEB obligation	7,578
Net OPEB obligation- beginning of year	<u>238,420</u>
NET OPEB obligating - end of year	<u><u>\$ 245,998</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2011 and previous two years are as follows:

Year Ending	Three Year Trend Information		
	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/11	\$ 82,569	90.8 %	\$ 245,998
12/31/10	125,647	-	238,420
12/31/09	102,624	44.3	112,773

D. Funded status and funding progress.

As of January 1, 2011, the actuarial accrued liability for benefits was \$759,434 all of which was unfunded. The covered payroll (annual payroll of active employees covered by the plan) was \$2,656,218, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 28.6 percent.

The projection of future benefit payments for an ongoing plan involves 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 NORTH MANKATO, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2011

Note 6: DEFINED BENEFIT PENSION PLAN - FIRE RELIEF ASSOCIATION - CONTINUED

E. 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 of benefit costs between the employer and plan members to that point. The 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.

The following simplifying assumptions were made:

Retirement age for active employees - Based on the historical average age of retirement and expectations of management, the retirement age for active plan members was determined on an individual level. In addition, spouses of retired employees were assumed to continue on the plan until the spouse reaches Medicare age.

Marital status - Marital status of members at the calculation date was assumed to continue throughout retirement.

Mortality - Life expectancies were based on mortality tables from the National Center for Health Statistics. The 2007 United States Life Tables for Males and for Females were used.

Turnover - Non-group-specific age-based turnover data from GASB Statement No. 45 were used as the basis for assigning active members a probability of remaining employed until the assumed retirement age and for developing an expected future working lifetime assumption for purposes of allocating to periods the present value of total benefits to be paid.

Healthcare cost trend rate - The expected rate of increase in healthcare insurance premiums was based on projections of the Office of the Actuary at the Centers for Medicare & Medicaid Services. A rate of 0.0 percent initially, increased to an ultimate rate of 5.2 percent after six years, was used.

Health insurance premiums - 2010 and 2011 health insurance premiums for retirees were used as the basis for calculation of the present value of total benefits to be paid.

Inflation rate - The expected long-term inflation assumption of 2.4 percent was based on average changes over the past ten years in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) in *The 2010 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* for an intermediate growth scenario.

Payroll growth rate - The expected long-term payroll growth rate was assumed to equal the rate of inflation. Based on the historical and expected returns of the City's short-term investment portfolio, a discount rate of 3.0 percent was used. In addition, a simplified version of the entry age actuarial cost method was used. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2011 was 30 years.

Note 7: OTHER INFORMATION

A. Risk management

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

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

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

Note 7: OTHER INFORMATION - CONTINUED

B. Contingent liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City's tax increment districts are 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.

C. Joint venture - joint economic development fund

During 1990, the Port Authority (Component Unit) and Frost-Benco-Wells Electric initiated a joint venture whereby each entity contributed \$125,000. The purpose of the joint venture is to purchase and develop an industrial park area in the Frost-Benco-Wells service area and to facilitate economic development. The land purchase of \$349,990 as well as the activities of this joint venture are accounted for in the Port Authority Joint Economic Development fund. Each entity will make future contributions to the joint venture as needed. Since 1990, the participating entities have not had to contribute additional funds. No separate financial statements are issued for this joint venture.

D. Agency

The City has entered into an agreement with the City of Mankato and is acting as an agent in connection with the public access cable TV system. Under this agreement, they are currently holding funds in the Public Access Authority fund, created for this purpose. These funds earn interest and are directly offset by any investment amount plus earned interest in an accrued liability account. Therefore, this fund is presented only on the fiduciary fund balance sheet and has no revenues, expenditures or fund balances.

E. Concentrations

The City receives a significant amount of its annual General fund revenues from the State of Minnesota from the Local Government Aid (LGA) and Market Value Homestead Credit (MVHC) programs. The amount received in 2011 was \$1,358,107 and \$83,109 for LGA and MVHC, respectively. This accounted for 28 percent of General fund revenues.

Note 8: SUBSEQUENT EVENTS

On April 19, 2012, the City issued \$1,830,000 in crossover General Obligation Refunding Bonds Series 2012 A to refund the General Obligation Street Reconstruction Bonds Series 2004A, General Obligation Capital Improvement Plan Bonds Series 2004B, General Obligation Improvement Bonds Series 2005D. The refunding will save the City approximately \$84,154 in future interest costs.

Note 9: ACCOUNTING CHANGE

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

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2011

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CITY OF NORTH MANKATO, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2011

Schedule of funding progress for the retiree health plan

Actuarial Valuation Date	Required Supplementary Information						UAAL as a Percentage of Covered Payroll ((b-a)/c)
	Actuarial Value of Assets (a)	Actuarial Accrued Liability - Simplified Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)		
1/1/11	\$ -	\$ 759,434	\$ 759,434	- %	\$ 2,656,218		28.6 %
1/1/08	-	826,097	826,097	-	3,712,347		22.3

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

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2011

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

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and temporary investments	\$ 1,254,534	\$ 14,602	\$ 1,269,136
Receivables			
Accounts	44,137	-	44,137
Intergovernmental	198,872	-	198,872
Due from other funds	88,101	68	88,169
Prepaid items	2,779	-	2,779
	<u>2,779</u>	<u>-</u>	<u>2,779</u>
TOTAL ASSETS	<u><u>\$ 1,588,423</u></u>	<u><u>\$ 14,670</u></u>	<u><u>\$ 1,603,093</u></u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 14,399	\$ 17,336	\$ 31,735
Due to other funds	88,101	68	88,169
Due to other governments	345	-	345
Accrued wages payable	8,145	-	8,145
	<u>8,145</u>	<u>-</u>	<u>8,145</u>
TOTAL LIABILITIES	<u>110,990</u>	<u>17,404</u>	<u>128,394</u>
FUND BALANCES (DEFICITS)			
Nonspendable	2,779	-	2,779
Restricted	1,006,102	-	1,006,102
Committed	206,264	-	206,264
Assigned	275,389	4,946	280,335
Unassigned	(13,101)	(7,680)	(20,781)
	<u>(13,101)</u>	<u>(7,680)</u>	<u>(20,781)</u>
TOTAL FUND BALANCES (DEFICITS)	<u>1,477,433</u>	<u>(2,734)</u>	<u>1,474,699</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 1,588,423</u></u>	<u><u>\$ 14,670</u></u>	<u><u>\$ 1,603,093</u></u>

CITY OF NORTH MANKATO, MINNESOTA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Taxes			
Property taxes	\$ 534,268	\$ -	\$ 534,268
Sales taxes	461,510	-	461,510
Franchise taxes	226,759	-	226,759
Hotel taxes	40,685	-	40,685
Intergovernmental			
Federal	83,000	13,852	96,852
State	3,616	-	3,616
Charges for services			
Other	8	-	8
Investment earnings	1,236	-	1,236
Miscellaneous			
Rents	22,333	-	22,333
Contributions and donations	21,945	-	21,945
Other	77,033	-	77,033
TOTAL REVENUES	<u>1,472,393</u>	<u>13,852</u>	<u>1,486,245</u>
EXPENDITURES			
Current			
Public safety			
Flood control	4,799	-	4,799
Culture and recreation			
Parks	206,771	-	206,771
Library	517,462	-	517,462
Housing and economic development	498,757	-	498,757
Miscellaneous			
Community promotion	77,816	-	77,816
Capital outlay			
Public safety	-	54,681	54,681
Public works	-	109,895	109,895
Culture and recreation	39,224	30,693	69,917
Miscellaneous	-	104,708	104,708
Debt service			
Principal	60,000	-	60,000
Interest	5,250	-	5,250
TOTAL EXPENDITURES	<u>1,410,079</u>	<u>299,977</u>	<u>1,710,056</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>62,314</u>	<u>(286,125)</u>	<u>(223,811)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	135,401	135,401
Transfers out	(385,256)	(2,848,588)	(3,233,844)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(385,256)</u>	<u>(2,713,187)</u>	<u>(3,098,443)</u>
NET CHANGE IN FUND BALANCES	(322,942)	(2,999,312)	(3,322,254)
FUND BALANCES, JANUARY 1	<u>1,800,375</u>	<u>2,996,578</u>	<u>4,796,953</u>
FUND BALANCES, DECEMBER 31	<u>\$ 1,477,433</u>	<u>\$ (2,734)</u>	<u>\$ 1,474,699</u>

NONMAJOR SPECIAL REVENUE FUNDS

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Library fund: This fund accounts for the resources necessary to provide the educational, cultural and recreational activities of the North Mankato Public Library.

Bookmobile fund: This fund accounts for the maintenance costs of the bookmobile.

Library Endowment fund: This fund accounts for contributions which will be used for library programs.

Community Development Block Grant (CDBG) fund: This fund accounts for the City grant program to assist the community.

Community Development fund: This fund accounts for community development activities of the City.

Local Options Sales Tax fund: This fund accounts for the collection and dispersal of the local option sales tax imposed by the City. The tax is used to fund (1) the local share of the TH17/County State-Aid Highway 41 interchange project, (2) development of regional parks and hiking and biking trails, (3) expansion of the north Mankato Taylor Library, (4) riverfront redevelopment, and (5) lake improvement projects.

Park Development fund: This fund accounts for revenues from donations that are used to develop and improve the park system.

Parkland fund: This fund accounts for revenues used for acquisition, development and improvement of any park land or recreational areas acquired by the City.

Flood Control fund: This fund accounts for the resources necessary to maintain flood control facilities.

Contingency fund: This fund accounts for revenues derived from ad valorem taxes and used for the payment of incidental and promotional expenses to promote institutional, residential, commercial and industrial development.

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

	211	212	213	215	220
	Library	Bookmobile	Library Endowment	Community Development Block Grant	Community Development
ASSETS					
Cash and temporary investments	\$ 58,155	\$ 8,421	\$ 50,997	\$ -	\$ 120,493
Receivables					
Accounts	933	-	-	-	43,204
Intergovernmental	-	35,000	-	75,000	-
Due from other funds	-	-	-	-	88,101
Prepaid items	2,453	158	-	-	168
TOTAL ASSETS	<u>\$ 61,541</u>	<u>\$ 43,579</u>	<u>\$ 50,997</u>	<u>\$ 75,000</u>	<u>\$ 251,966</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 4,994	\$ 480	\$ -	\$ -	\$ 1,890
Due to other funds	-	-	-	88,101	-
Due to other governments	28	-	-	-	-
Accrued wages payable	5,936	636	-	-	1,573
TOTAL LIABILITIES	<u>10,958</u>	<u>1,116</u>	<u>-</u>	<u>88,101</u>	<u>3,463</u>
FUND BALANCES (DEFICITS)					
Nonspendable	2,453	158	-	-	168
Restricted	-	-	50,997	-	-
Committed	-	-	-	-	200,987
Assigned	48,130	42,305	-	-	47,348
Unassigned	-	-	-	(13,101)	-
TOTAL FUND BALANCES (DEFICITS)	<u>50,583</u>	<u>42,463</u>	<u>50,997</u>	<u>(13,101)</u>	<u>248,503</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 61,541</u>	<u>\$ 43,579</u>	<u>\$ 50,997</u>	<u>\$ 75,000</u>	<u>\$ 251,966</u>

221	224	225	226	227	Total Nonmajor Special Revenue
Local Option Sales Tax	Park Development	Parkland	Flood Control	Contingency	
\$ 859,394	\$ 14,180	\$ 65,279	\$ 37,159	\$ 40,456	\$ 1,254,534
-	-	-	-	-	44,137
88,872	-	-	-	-	198,872
-	-	-	-	-	88,101
-	-	-	-	-	2,779
<u>\$ 948,266</u>	<u>\$ 14,180</u>	<u>\$ 65,279</u>	<u>\$ 37,159</u>	<u>\$ 40,456</u>	<u>\$ 1,588,423</u>
\$ 7,024	\$ -	\$ -	\$ -	\$ 11	\$ 14,399
-	-	-	-	-	88,101
317	-	-	-	-	345
-	-	-	-	-	8,145
<u>7,341</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11</u>	<u>110,990</u>
-	-	-	-	-	2,779
940,925	14,180	-	-	-	1,006,102
-	-	4,076	1,201	-	206,264
-	-	61,203	35,958	40,445	275,389
-	-	-	-	-	(13,101)
<u>940,925</u>	<u>14,180</u>	<u>65,279</u>	<u>37,159</u>	<u>40,445</u>	<u>1,477,433</u>
<u>\$ 948,266</u>	<u>\$ 14,180</u>	<u>\$ 65,279</u>	<u>\$ 37,159</u>	<u>\$ 40,456</u>	<u>\$ 1,588,423</u>

CITY OF NORTH MANKATO, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
FOR THE YEAR ENDED DECEMBER 31, 2011

	211	212	213	215	220
	Library	Bookmobile	Library Endowment	Community Development Block Grant	Community Development
REVENUES					
Taxes					
Property taxes	\$ 436,745	\$ 12,045	\$ -	\$ -	\$ 15,978
Sales taxes	-	-	-	-	-
Franchise taxes	-	-	-	-	226,759
Hotel taxes	-	-	-	-	40,685
Intergovernmental					
Federal	-	-	-	83,000	-
State	3,616	-	-	-	-
Charges for services					
Other	-	-	-	-	-
Investment earnings	-	-	65	-	-
Miscellaneous					
Rents	-	-	-	-	-
Contributions and donations	5,215	-	-	-	-
Other	8,574	59,829	-	-	8,630
TOTAL REVENUES	<u>454,150</u>	<u>71,874</u>	<u>65</u>	<u>83,000</u>	<u>292,052</u>
EXPENDITURES					
Current					
Public safety					
Flood control	-	-	-	-	-
Culture and recreation					
Parks	-	-	-	-	-
Library	451,008	66,454	-	-	-
Housing and economic development	-	-	-	80,101	218,656
Miscellaneous					
Community promotion	-	-	-	-	-
Capital outlay					
Culture and recreation	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
TOTAL EXPENDITURES	<u>451,008</u>	<u>66,454</u>	<u>-</u>	<u>80,101</u>	<u>218,656</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,142	5,420	65	2,899	73,396
OTHER FINANCING USES					
Transfers out	-	-	-	(16,000)	-
NET CHANGE IN FUND BALANCES	3,142	5,420	65	(13,101)	73,396
FUND BALANCES, JANUARY 1	47,441	37,043	50,932	-	175,107
FUND BALANCES (DEFICITS), DECEMBER 31	<u>\$ 50,583</u>	<u>\$ 42,463</u>	<u>\$ 50,997</u>	<u>\$ (13,101)</u>	<u>\$ 248,503</u>

221	224	225	226	227	Total Nonmajor Special Revenue
Local Option Sales Tax	Park Development	Parkland	Flood Control	Contingency	
\$ -	\$ -	\$ 8,500	\$ 6,000	\$ 55,000	\$ 534,268
461,510	-	-	-	-	461,510
-	-	-	-	-	226,759
-	-	-	-	-	40,685
-	-	-	-	-	83,000
-	-	-	-	-	3,616
-	-	-	-	8	8
1,171	-	-	-	-	1,236
-	-	22,333	-	-	22,333
-	-	15,600	-	1,130	21,945
-	-	-	-	-	77,033
462,681	-	46,433	6,000	56,138	1,472,393
-	-	-	4,799	-	4,799
180,554	-	26,217	-	-	206,771
-	-	-	-	-	517,462
200,000	-	-	-	-	498,757
-	-	-	-	77,816	77,816
38,684	-	540	-	-	39,224
60,000	-	-	-	-	60,000
5,250	-	-	-	-	5,250
484,488	-	26,757	4,799	77,816	1,410,079
(21,807)	-	19,676	1,201	(21,678)	62,314
(369,256)	-	-	-	-	(385,256)
(391,063)	-	19,676	1,201	(21,678)	(322,942)
1,331,988	14,180	45,603	35,958	62,123	1,800,375
\$ 940,925	\$ 14,180	\$ 65,279	\$ 37,159	\$ 40,445	\$ 1,477,433

CITY OF NORTH MANKATO, MINNESOTA
LIBRARY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011
With Comparative Actual Amounts for the Year Ended December 31, 2010

	2011			2010
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Taxes				
Property taxes	\$ 436,745	\$ 436,745	\$ -	\$ 436,745
Intergovernmental				
State	-	3,616	3,616	-
Miscellaneous				
Contributions and donations	3,000	5,215	2,215	3,747
Other	5,975	8,574	2,599	7,047
TOTAL REVENUES	445,720	454,150	8,430	447,539
EXPENDITURES				
Current				
Culture and recreation				
Library				
Personal services	257,855	255,014	2,841	261,649
Supplies	119,105	137,728	(18,623)	129,308
Other services and charges	68,760	58,266	10,494	53,765
TOTAL EXPENDITURES	445,720	451,008	(5,288)	444,722
NET CHANGE IN FUND BALANCES	-	3,142	3,142	2,817
FUND BALANCES, JANUARY 1	47,441	47,441	-	44,624
FUND BALANCES, DECEMBER 31	\$ 47,441	\$ 50,583	\$ 3,142	\$ 47,441

CITY OF NORTH MANKATO, MINNESOTA
 BOOKMOBILE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED DECEMBER 31, 2011
 With Comparative Actual Amounts for the Year Ended December 31, 2010

	2011			2010
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Taxes				
Property taxes	\$ 12,045	\$ 12,045	\$ -	\$ 12,045
Miscellaneous				
Contributions and donations	-	-	-	250
Other	60,000	59,829	(171)	60,000
TOTAL REVENUES	72,045	71,874	(171)	72,295
EXPENDITURES				
Current				
Culture and recreation				
Library				
Personal services	40,855	45,874	(5,019)	39,864
Supplies	24,095	18,000	6,095	22,797
Other services and charges	7,095	2,580	4,515	1,440
TOTAL EXPENDITURES	72,045	66,454	5,591	64,101
NET CHANGE IN FUND BALANCES	-	5,420	5,420	8,194
FUND BALANCES, JANUARY 1	37,043	37,043	-	28,849
FUND BALANCES, DECEMBER 31	\$ 37,043	\$ 42,463	\$ 5,420	\$ 37,043

CITY OF NORTH MANKATO, MINNESOTA
LIBRARY ENDOWMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011
With Comparative Actual Amounts for the Year Ended December 31, 2010

	2011			2010
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Investment earnings	\$ 500	\$ 65	\$ (435)	\$ 109
EXPENDITURES				
Current				
Culture and recreation				
Other services and charges	500	-	500	136
NET CHANGE IN FUND BALANCES	-	65	65	(27)
FUND BALANCES, JANUARY 1	50,932	50,932	-	50,959
FUND BALANCES, DECEMBER 31	<u>\$ 50,932</u>	<u>\$ 50,997</u>	<u>\$ 65</u>	<u>\$ 50,932</u>

CITY OF NORTH MANKATO, MINNESOTA
COMMUNITY DEVELOPMENT BLOCK GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011
With Comparative Actual Amounts for the Year Ended December 31, 2010

	2011			2010
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Intergovernmental				
Federal	\$ -	\$ 83,000	\$ 83,000	\$ 8,000
State	96,000	-	(96,000)	-
TOTAL REVENUES	96,000	83,000	(13,000)	8,000
EXPENDITURES				
Current				
Housing and economic development				
Other services and charges	80,000	80,101	(101)	8,000
EXCESS OF REVENUES OVER EXPENDITURES	16,000	2,899	(13,101)	-
OTHER FINANCING USES				
Transfers out	(16,000)	(16,000)	-	-
NET CHANGE IN FUND BALANCES	-	(13,101)	(13,101)	-
FUND BALANCES, JANUARY 1	-	-	-	-
FUND BALANCES (DEFICITS), DECEMBER 31	\$ -	\$ (13,101)	\$ (13,101)	\$ -

CITY OF NORTH MANKATO, MINNESOTA
COMMUNITY DEVELOPMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011
With Comparative Actual Amounts for the Year Ended December 31, 2010

	2011			2010
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Taxes				
Property taxes	\$ 15,978	\$ 15,978	\$ -	\$ -
Franchise taxes	222,000	226,759	4,759	222,812
Hotel taxes	40,000	40,685	685	42,106
Local sales tax	5	-	(5)	-
Intergovernmental				
State	-	-	-	8,068
Miscellaneous				
Other	7,610	8,630	1,020	7,803
TOTAL REVENUES	285,593	292,052	6,459	280,789
EXPENDITURES				
Current				
Housing and economic development				
Personal services	101,578	79,925	21,653	83,422
Supplies	29,000	15,953	13,047	22,910
Other services and charges	155,015	122,778	32,237	95,406
TOTAL EXPENDITURES	285,593	218,656	66,937	201,738
EXCESS OF REVENUES OVER EXPENDITURES	-	73,396	73,396	79,051
OTHER FINANCING USES				
Transfers out	-	-	-	(35,000)
NET CHANGE IN FUND BALANCES	-	73,396	73,396	44,051
FUND BALANCES, JANUARY 1	175,107	175,107	-	131,056
FUND BALANCES, DECEMBER 31	\$ 175,107	\$ 248,503	\$ 73,396	\$ 175,107

CITY OF NORTH MANKATO, MINNESOTA
LOCAL OPTION SALES TAX FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011
With Comparative Actual Amounts for the Year Ended December 31, 2010

	2011			2010
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Taxes				
Sales tax	\$ 380,000	\$ 461,510	\$ 81,510	\$ 439,849
Investment earnings	-	1,171	1,171	717
TOTAL REVENUES	<u>380,000</u>	<u>462,681</u>	<u>82,681</u>	<u>440,566</u>
EXPENDITURES				
Current				
Culture and recreation				
Library				
Other services and charges	-	180,554	(180,554)	142,576
Housing and economic development				
Other services and charges	-	200,000	(200,000)	-
Capital outlay				
Culture and recreation	330,000	38,684	291,316	182,443
Debt service				
Principal paid	60,000	60,000	-	60,000
Interest and fiscal charges	5,250	5,250	-	16,782
TOTAL EXPENDITURES	<u>395,250</u>	<u>484,488</u>	<u>(89,238)</u>	<u>401,801</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(15,250)</u>	<u>(21,807)</u>	<u>(6,557)</u>	<u>38,765</u>
OTHER FINANCING SOURCES (USES)				
Bonds issued	500,000	-	(500,000)	750,000
Discount on bonds issued	-	-	-	(3,517)
Transfers out	(1,099,450)	(369,256)	730,194	(689,126)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(599,450)</u>	<u>(369,256)</u>	<u>230,194</u>	<u>57,357</u>
NET CHANGE IN FUND BALANCES	(614,700)	(391,063)	223,637	96,122
FUND BALANCES, JANUARY 1	<u>1,331,988</u>	<u>1,331,988</u>	<u>-</u>	<u>1,235,866</u>
FUND BALANCES, DECEMBER 31	<u>\$ 717,288</u>	<u>\$ 940,925</u>	<u>\$ 223,637</u>	<u>\$ 1,331,988</u>

CITY OF NORTH MANKATO, MINNESOTA
PARKLAND FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011
With Comparative Actual Amounts for the Year Ended December 31, 2010

	2011			2010
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Taxes				
Property taxes	\$ 8,500	\$ 8,500	\$ -	\$ 8,500
Miscellaneous				
Rents	21,800	22,333	533	22,986
Contributions and donations	1,000	15,600	14,600	6
TOTAL REVENUES	31,300	46,433	15,133	31,492
EXPENDITURES				
Current				
Culture and recreation				
Parks				
Supplies	-	736	(736)	1,016
Other services and charges	-	25,481	(25,481)	766
Capital outlay				
Culture and recreation				
Parks	31,300	540	30,760	19,059
TOTAL EXPENDITURES	31,300	26,757	4,543	20,841
EXCESS OF REVENUES OVER EXPENDITURES	-	19,676	19,676	10,651
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	10,000
Transfers out	-	-	-	(29,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	(19,000)
NET CHANGE IN FUND BALANCES	-	19,676	19,676	(8,349)
FUND BALANCES, JANUARY 1	45,603	45,603	-	53,952
FUND BALANCES, DECEMBER 31	\$ 45,603	\$ 65,279	\$ 19,676	\$ 45,603

CITY OF NORTH MANKATO, MINNESOTA
FLOOD CONTROL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011
With Comparative Actual Amounts for the Year Ended December 31, 2010

	2011			2010
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Taxes				
Property taxes	\$ 6,000	\$ 6,000	\$ -	\$ 6,000
EXPENDITURES				
Current				
Public safety				
Flood control				
Other services and charges	6,000	4,799	1,201	39,046
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	1,201	1,201	(33,046)
OTHER FINANCING SOURCES				
Transfers in	-	-	-	36,039
NET CHANGE IN FUND BALANCES	-	1,201	1,201	2,993
FUND BALANCES, JANUARY 1	35,958	35,958	-	32,965
FUND BALANCES, DECEMBER 31	<u>\$ 35,958</u>	<u>\$ 37,159</u>	<u>\$ 1,201</u>	<u>\$ 35,958</u>

CITY OF NORTH MANKATO, MINNESOTA
CONTINGENCY FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2011
With Comparative Actual Amounts for the Year Ended December 31, 2010

	2011			2010
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Taxes				
Property taxes	\$ 55,000	\$ 55,000	\$ -	\$ 55,000
Charges for services				
Other	5	8	3	9
Miscellaneous				
Contributions and donations	400	1,130	730	781
TOTAL REVENUES	55,405	56,138	733	55,790
EXPENDITURES				
Current				
Miscellaneous				
Community promotion				
Other services and charges	55,405	77,816	(22,411)	46,349
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	-	(21,678)	(21,678)	9,441
OTHER FINANCING USES				
Transfers out	-	-	-	(85,000)
NET CHANGE IN FUND BALANCES	-	(21,678)	(21,678)	(75,559)
FUND BALANCES, JANUARY 1	62,123	62,123	-	137,682
FUND BALANCES, DECEMBER 31	\$ 62,123	\$ 40,445	\$ (21,678)	\$ 62,123

NONMAJOR CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

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

	407	410	230
	Equipment Certificates	Local Option Sales Tax	Capital Facilities and Equipment Replacement - General
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and temporary investments	\$ -	\$ 9,724	\$ 4,878
Due from other funds	-	-	68
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 9,724</u>	<u>\$ 4,946</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts payable	\$ 263	\$ 9,724	\$ -
Due to other funds	68	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>331</u>	<u>9,724</u>	<u>-</u>
FUND BALANCES (DEFICITS)			
Assigned	-	-	4,946
Unassigned	(331)	-	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES (DEFICITS)	<u>(331)</u>	<u>-</u>	<u>4,946</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 9,724</u>	<u>\$ 4,946</u>

430

432

2010 Construction	2012 Construction	Total Nonmajor
\$ -	\$ -	\$ 14,602
-	-	68
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,670</u>
\$ -	\$ 7,349	\$ 17,336
-	-	68
<u>-</u>	<u>7,349</u>	<u>17,404</u>
-	-	4,946
-	(7,349)	(7,680)
<u>-</u>	<u>(7,349)</u>	<u>(2,734)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,670</u>

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

	407	410	230 Capital Facilities and Equipment Replacement - General
	<u>Equipment Certificates</u>	<u>Local Option Sales Tax</u>	
REVENUES			
Intergovernmental			
Federal			
Other	\$ -	\$ -	\$ -
EXPENDITURES			
Current			
Capital outlay			
Public safety	54,681	-	-
Public works	102,546	-	-
Culture and recreation	-	30,693	-
Miscellaneous	-	104,708	-
TOTAL EXPENDITURES	<u>157,227</u>	<u>135,401</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(157,227)</u>	<u>(135,401)</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	135,401	-
Transfers out	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>135,401</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(157,227)	-	-
FUND BALANCES, JANUARY 1	<u>156,896</u>	<u>-</u>	<u>4,946</u>
FUND BALANCES (DEFICITS), DECEMBER 31	<u><u>\$ (331)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,946</u></u>

430**432**

<u>2010</u> <u>Construction</u>	<u>2012</u> <u>Construction</u>	<u>Total</u> <u>Nonmajor</u>
<u>\$ 13,852</u>	<u>\$ -</u>	<u>\$ 13,852</u>
-	-	54,681
-	7,349	109,895
-	-	30,693
<u>-</u>	<u>-</u>	<u>104,708</u>
<u>-</u>	<u>7,349</u>	<u>299,977</u>
<u>13,852</u>	<u>(7,349)</u>	<u>(286,125)</u>
-	-	135,401
<u>(2,848,588)</u>	<u>-</u>	<u>(2,848,588)</u>
<u>(2,848,588)</u>	<u>-</u>	<u>(2,713,187)</u>
(2,834,736)	(7,349)	(2,999,312)
<u>2,834,736</u>	<u>-</u>	<u>2,996,578</u>
<u><u>\$ -</u></u>	<u><u>\$ (7,349)</u></u>	<u><u>\$ (2,734)</u></u>

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THE GENERAL FUND

The General fund is used to account for resources traditionally associated with the City which are not required legally or by sound financial management to be accounted for in another fund.

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CITY OF NORTH MANKATO, MINNESOTA
GENERAL FUND
COMPARATIVE BALANCE SHEETS
DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
ASSETS		
Cash and temporary investments	\$ 126,867	\$ 1,952,903
Receivables		
Delinquent taxes	99,591	159,019
Accounts	10,200	29,243
Notes	68,141	74,282
Special assessments		
Delinquent	13,616	-
Deferred	58,652	40,655
Intergovernmental	57,220	44,668
Due from other funds	2,047,524	340,000
Prepaid items	<u>76,564</u>	<u>79,792</u>
 TOTAL ASSETS	 <u><u>\$ 2,558,375</u></u>	 <u><u>\$ 2,720,562</u></u>
 LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts payable	\$ 58,042	\$ 62,585
Accrued wages payable	78,517	54,889
Due to other governments	49,888	51,168
Deferred revenue	<u>210,043</u>	<u>233,648</u>
 TOTAL LIABILITIES	 <u>396,490</u>	 <u>402,290</u>
 FUND BALANCES		
Nonspendable	76,564	79,792
Unassigned	<u>2,085,321</u>	<u>2,238,480</u>
 TOTAL FUND BALANCES	 <u>2,161,885</u>	 <u>2,318,272</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u><u>\$ 2,558,375</u></u>	 <u><u>\$ 2,720,562</u></u>

CITY OF NORTH MANKATO, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED ON FOLLOWING PAGES
FOR THE YEAR ENDED DECEMBER 31, 2011
With Comparative Actual Amounts for the Year Ended December 31, 2010

	2011				2010
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Taxes					
Property taxes	\$ 2,384,176	\$ 2,384,176	\$ 2,410,536	\$ 26,360	\$ 2,460,647
Sales tax	600	600	712	112	717
Franchise taxes	101,000	101,000	105,710	4,710	104,000
Other taxes	15,000	15,000	22,177	7,177	15,370
Total taxes	2,500,776	2,500,776	2,539,135	38,359	2,580,734
Special assessments	970	970	5,101	4,131	7,138
Licenses and permits					
Business	77,645	77,645	84,413	6,768	83,230
Nonbusiness	237,700	237,700	437,215	199,515	394,474
Total licenses and permits	315,345	315,345	521,628	206,283	477,704
Intergovernmental					
Federal					
Other Federal aid	-	-	1,320	1,320	-
State					
Local government aid	1,855,430	1,855,430	1,358,107	(497,323)	1,358,107
Property tax credits	314,867	314,867	83,109	(231,758)	84,916
Street maintenance aid	38,000	38,000	38,000	-	38,000
Fire aid	42,000	42,000	47,811	5,811	41,991
Police aid	79,000	79,000	79,826	826	78,317
Other State aid	9,374	9,374	14,383	5,009	9,374
Total State	2,338,671	2,338,671	1,621,236	(717,435)	1,610,705
Total intergovernmental	2,338,671	2,338,671	1,622,556	(716,115)	1,610,705
Charges for services					
General government	22,500	22,500	21,936	(564)	21,087
Public safety	77,500	77,500	137,954	60,454	3,060
Public works	1,000	1,000	1,981	981	3,932
Sanitation	500	500	559	59	1,392
Culture and recreation	136,725	136,725	134,536	(2,189)	137,264
Total charges for services	238,225	238,225	296,966	58,741	166,735
Fines and forfeits					
Court fines	32,000	32,000	28,562	(3,438)	36,421
Parking fines	900	900	930	30	1,145
Total fines and forfeits	32,900	32,900	29,492	(3,408)	37,566

CITY OF NORTH MANKATO, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011
With Comparative Actual Amounts for the Year Ended December 31, 2010

	2011				2010
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
REVENUES - CONTINUED					
Investment earnings	\$ 20,000	\$ 20,000	\$ 7,170	\$ (12,830)	\$ 12,526
Miscellaneous					
Contributions and donations	1,000	1,000	8,450	7,450	52,400
Rents	22,000	22,000	19,298	(2,702)	19,707
Other	39,700	39,700	67,833	28,133	124,231
Total miscellaneous	62,700	62,700	95,581	32,881	196,338
TOTAL REVENUES	5,509,587	5,509,587	5,117,629	(391,958)	5,089,446
EXPENDITURES					
Current					
General government					
Mayor and Council					
Personal services	34,175	34,175	33,984	191	34,151
Supplies	500	500	550	(50)	43
Other services and charges	38,560	38,560	27,494	11,066	34,368
Total Mayor and Council	73,235	73,235	62,028	11,207	68,562
Administration					
Personal services	303,240	303,240	297,111	6,129	310,658
Supplies	11,250	11,250	9,997	1,253	7,843
Other services and charges	18,350	18,350	9,174	9,176	10,422
Total administration	332,840	332,840	316,282	16,558	328,923
Finance director					
Personal services	252,450	252,450	241,341	11,109	197,141
Supplies	8,000	8,000	7,558	442	5,562
Other services and charges	25,150	25,150	19,266	5,884	17,741
Total finance director	285,600	285,600	268,165	17,435	220,444
City attorney					
Personal services	-	-	54	(54)	-
Supplies	100	100	-	100	190
Other services and charges	97,900	97,900	99,550	(1,650)	96,477
Total city attorney	98,000	98,000	99,604	(1,604)	96,667
Planning and zoning					
Personal services	-	-	1,071	(1,071)	-

CITY OF NORTH MANKATO, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011
With Comparative Actual Amounts for the Year Ended December 31, 2010

	2011				2010
	Budgeted Amounts		Actual	Variance with	Actual
	Original	Final	Amounts	Final Budget	Amounts
EXPENDITURES - CONTINUED					
Current - Continued					
General government					
General government building					
Personal services	\$ 75,385	\$ 75,385	\$ 66,487	\$ 8,898	\$ 64,259
Supplies	40,750	40,750	33,820	6,930	31,405
Other services and charges	96,530	96,530	89,610	6,920	86,112
Total general government building	212,665	212,665	189,917	22,748	181,776
Total general government	1,002,340	1,002,340	937,067	65,273	896,372
Public safety					
Police protection					
Personal services	1,188,580	1,188,580	1,182,095	6,485	1,145,942
Supplies	85,950	85,950	100,869	(14,919)	76,005
Other services and charges	61,300	61,300	59,079	2,221	53,745
Total police protection	1,335,830	1,335,830	1,342,043	(6,213)	1,275,692
Fire protection					
Personal services	228,636	228,636	199,787	28,849	212,720
Supplies	48,700	48,700	36,639	12,061	28,834
Other services and charges	60,740	60,740	48,641	12,099	56,339
Total fire protection	338,076	338,076	285,067	53,009	297,893
Building inspection					
Personal services	289,080	289,080	307,017	(17,937)	272,141
Supplies	25,800	25,800	14,676	11,124	15,136
Other services and charges	29,820	29,820	24,263	5,557	20,036
Total building inspection	344,700	344,700	345,956	(1,256)	307,313
Civil defense					
Personal services	14,210	14,210	14,106	104	14,128
Supplies	9,000	9,000	3,742	5,258	11,148
Other services and charges	2,950	2,950	2,601	349	4,339
Total civil defense	26,160	26,160	20,449	5,711	29,615
Total public safety	2,044,766	2,044,766	1,993,515	51,251	1,910,513
Public works					
Street maintenance					
Personal services	564,160	564,160	540,140	24,020	495,679
Supplies	341,900	341,900	358,732	(16,832)	272,174
Other services and charges	78,685	78,685	68,547	10,138	62,617
Total street maintenance	984,745	984,745	967,419	17,326	830,470

CITY OF NORTH MANKATO, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011
With Comparative Actual Amounts for the Year Ended December 31, 2010

	2011				2010
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - Continued					
Public works					
Equipment maintenance					
Personal services	\$ 225,130	\$ 225,130	\$ 218,774	\$ 6,356	\$ 212,672
Supplies	165,750	165,750	150,937	14,813	161,747
Other services and charges	37,155	37,155	34,449	2,706	32,506
Total equipment maintenance	428,035	428,035	404,160	23,875	406,925
Street lighting					
Personal services	8,510	8,510	8,484	26	8,191
Supplies	12,000	12,000	16,161	(4,161)	10,753
Other services and charges	262,000	262,000	273,674	(11,674)	249,190
Total street lighting	282,510	282,510	298,319	(15,809)	268,134
Total public works	1,695,290	1,695,290	1,669,898	25,392	1,505,529
Culture and recreation					
Swimming pool					
Personal services	46,375	46,375	40,776	5,599	47,513
Supplies	38,050	38,050	28,541	9,509	29,370
Other services and charges	10,285	10,285	10,128	157	10,132
Total swimming pool	94,710	94,710	79,445	15,265	87,015
Caswell Park concessions					
Personal services	84,785	84,785	77,353	7,432	88,224
Supplies	82,770	82,770	88,106	(5,336)	85,885
Other services and charges	11,955	11,955	15,467	(3,512)	14,837
Total Caswell Park concessions	179,510	179,510	180,926	(1,416)	188,946
Parks					
Personal services	367,875	367,875	368,175	(300)	350,698
Supplies	120,250	120,250	97,927	22,323	102,555
Other services and charges	88,975	88,975	78,044	10,931	79,813
Total parks	577,100	577,100	544,146	32,954	533,066
Total culture and recreation	851,320	851,320	804,517	46,803	809,027
Miscellaneous					
Mass transit					
Other services and charges	52,500	52,500	46,379	6,121	45,637
Other					
Other services and charges	35,501	35,501	10,470	25,031	21,868
Joint activities	19,500	19,500	19,500	-	19,500
Total other	55,001	55,001	29,970	25,031	41,368
Total miscellaneous	107,501	107,501	76,349	31,152	87,005
Total current	5,701,217	5,701,217	5,481,346	219,871	5,208,446

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CITY OF NORTH MANKATO, MINNESOTA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011
With Comparative Actual Amounts for the Year Ended December 31, 2010

	2011			2010
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final		
EXPENDITURES- CONTINUED				
Capital outlay				
Public safety	\$ -	\$ -	\$ 5,300	\$ 11,458
Culture and recreation	5,000	5,000	-	12,550
Total capital outlay	5,000	5,000	5,300	24,008
TOTAL EXPENDITURES	5,706,217	5,706,217	5,486,646	5,232,454
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(196,630)	(196,630)	(369,017)	(143,008)
OTHER FINANCING SOURCES				
Transfers in	196,630	196,630	212,630	351,353
NET CHANGE IN FUND BALANCES	-	-	(156,387)	208,345
FUND BALANCES, JANUARY 1	2,318,272	2,318,272	2,318,272	2,109,927
FUND BALANCES, DECEMBER 31	\$ 2,318,272	\$ 2,318,272	\$ 2,161,885	\$ 2,318,272

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DEBT SERVICE FUNDS

Debt service funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources and special assessment bond principal and interest from special assessment levies when the City is obligated in some manner for the payment.

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CITY OF NORTH MANKATO, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET - CONTINUED ON THE FOLLOWING PAGES
DECEMBER 31, 2011
With Comparative Totals for December 31, 2010

	305 G.O. Equipment Debt	316 Bond Reserve	308 Capital Improvement Bonds of 2008	338 1998 G.O. Improvement Bonds
ASSETS				
Cash and temporary investments	\$ 65,172	\$ 17,698	\$ 298,969	\$ -
Restricted assets - cash with fiscal agent	-	-	-	-
Receivables				
Interest	-	-	-	-
Special assessments				
Delinquent	-	18,419	-	-
Deferred	-	576,865	-	-
Intergovernmental	-	436	-	-
Due from other funds	-	-	-	-
Due from component unit	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 65,172</u></u>	<u><u>\$ 613,418</u></u>	<u><u>\$ 298,969</u></u>	<u><u>\$ -</u></u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	1,124,368	-	-
Accrued interest payable	-	-	-	-
Deferred revenue	-	595,284	-	-
	<u>-</u>	<u>595,284</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>1,719,652</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICITS)				
Restricted	65,172	-	298,969	-
Unassigned	<u>-</u>	<u>(1,106,234)</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES (DEFICITS)	<u>65,172</u>	<u>(1,106,234)</u>	<u>298,969</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 65,172</u></u>	<u><u>\$ 613,418</u></u>	<u><u>\$ 298,969</u></u>	<u><u>\$ -</u></u>

340 2000A G.O. Improvement Bonds	341 2001B G.O. Improvement Bonds	342 2002A G.O. Improvement Bonds	343 2003A G.O. Improvement Bonds	354 2003C G.O. Refunding Bonds	344 2004 G.O. Improvement Bonds	345 2005 G.O. Improvement Bonds	355 2005C G.O. Refunding Bonds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 90,362	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	114,628	3,259
-	34,875	-	-	-	9,795	1,207,492	45,550
-	-	-	-	-	-	26,448	17
-	-	-	-	-	203,041	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 34,875</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 303,198</u>	<u>\$ 1,348,568</u>	<u>\$ 48,826</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	71,165	-	-	-	-	51,583	442,302
-	-	-	-	-	-	-	-
-	34,875	-	-	-	9,795	1,322,120	48,809
-	106,040	-	-	-	9,795	1,373,703	491,111
-	-	-	-	-	293,403	-	-
-	(71,165)	-	-	-	-	(25,135)	(442,285)
-	(71,165)	-	-	-	293,403	(25,135)	(442,285)
<u>\$ -</u>	<u>\$ 34,875</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 303,198</u>	<u>\$ 1,348,568</u>	<u>\$ 48,826</u>

CITY OF NORTH MANKATO, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET - CONTINUED
DECEMBER 31, 2011
With Comparative Totals for December 31, 2010

	346 2006 G.O. Improvement Bonds	347 2007 G.O. Improvement Bonds	348 2008 G.O. Improvement Bonds	311 2009 G.O. Sales Tax Revenue Bonds
ASSETS				
Cash and temporary investments	\$ -	\$ -	\$ 12,728	\$ -
Restricted assets - cash with fiscal agent	-	-	-	-
Receivables				
Interest	-	-	-	-
Special assessments				
Delinquent	-	109,226	-	-
Deferred	-	1,378,214	119,183	-
Intergovernmental	-	-	-	-
Due from other funds	-	-	-	-
Due from component unit	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ -</u></u>	<u><u>\$ 1,487,440</u></u>	<u><u>\$ 131,911</u></u>	<u><u>\$ -</u></u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	493,900	10,620	-	-
Accrued interest payable	-	-	-	-
Deferred revenue	-	1,487,440	119,183	-
	<u>-</u>	<u>1,487,440</u>	<u>119,183</u>	<u>-</u>
TOTAL LIABILITIES	<u>493,900</u>	<u>1,498,060</u>	<u>119,183</u>	<u>-</u>
FUND BALANCES (DEFICITS)				
Restricted	-	-	12,728	-
Unassigned	(493,900)	(10,620)	-	-
	<u>(493,900)</u>	<u>(10,620)</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES (DEFICITS)	<u>(493,900)</u>	<u>(10,620)</u>	<u>12,728</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ -</u></u>	<u><u>\$ 1,487,440</u></u>	<u><u>\$ 131,911</u></u>	<u><u>\$ -</u></u>

349 2009 G.O. Improvement Bonds	350 2010 G.O. Improvement Bonds	356 2010C G.O. Refunding Bonds	Totals	
			2011	2010
\$ 15,179	\$ -	\$ -	\$ 500,108	\$ 508,902
-	-	1,865,311	1,865,311	2,221,080
24,341	-	-	24,341	-
-	-	344,493	590,025	503,103
104,268	-	2,133,837	5,610,079	6,327,718
2,980,000	-	1,248	3,008,149	3,134,031
-	-	-	203,041	1,060,000
-	-	-	-	583,580
<u>\$ 3,123,788</u>	<u>\$ -</u>	<u>\$ 4,344,889</u>	<u>\$ 11,801,054</u>	<u>\$ 14,338,414</u>
\$ -	\$ -	\$ -	\$ -	\$ 15,119
-	69,673	1,422,954	3,686,565	3,985,000
-	-	-	-	14,361
3,084,268	-	2,478,330	9,180,104	9,950,821
<u>3,084,268</u>	<u>69,673</u>	<u>3,901,284</u>	<u>12,866,669</u>	<u>13,965,301</u>
39,520	-	443,605	1,153,397	3,258,181
-	(69,673)	-	(2,219,012)	(2,885,068)
<u>39,520</u>	<u>(69,673)</u>	<u>443,605</u>	<u>(1,065,615)</u>	<u>373,113</u>
<u>\$ 3,123,788</u>	<u>\$ -</u>	<u>\$ 4,344,889</u>	<u>\$ 11,801,054</u>	<u>\$ 14,338,414</u>

CITY OF NORTH MANKATO, MINNESOTA
DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS) -
CONTINUED ON THE FOLLOWING PAGES
FOR THE YEAR ENDED DECEMBER 31, 2011
With Comparative Totals for the Year Ended December 31, 2010

	305 G.O. Equipment Debt	316 Bond Reserve	308 Capital Improvement Bonds of 2008	338 1998 G.O. Improvement Bonds
REVENUES				
Taxes				
Property taxes	\$ 254,525	\$ 189,766	\$ 247,785	\$ -
Special assessments	-	25,612	-	-
Intergovernmental				
State				
Street construction aid	-	-	-	-
Investment earnings	-	-	16	-
Miscellaneous				
Contributions and donations	-	350,000	-	-
	<u>254,525</u>	<u>565,378</u>	<u>247,801</u>	<u>-</u>
TOTAL REVENUES	<u>254,525</u>	<u>565,378</u>	<u>247,801</u>	<u>-</u>
EXPENDITURES				
Debt service				
Principal	230,000	-	180,000	-
Interest and other	13,205	600	55,435	-
	<u>243,205</u>	<u>600</u>	<u>235,435</u>	<u>-</u>
TOTAL EXPENDITURES	<u>243,205</u>	<u>600</u>	<u>235,435</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>11,320</u>	<u>564,778</u>	<u>12,366</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	60,000	-	738,652
Bonds issued	-	-	-	-
Discount/premium on bonds issued	-	-	-	-
Transfers out	-	(2,355,022)	-	-
	<u>-</u>	<u>(2,295,022)</u>	<u>-</u>	<u>738,652</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(2,295,022)</u>	<u>-</u>	<u>738,652</u>
NET CHANGE IN FUND BALANCES	11,320	(1,730,244)	12,366	738,652
FUND BALANCES (DEFICITS), JANUARY 1	<u>53,852</u>	<u>624,010</u>	<u>286,603</u>	<u>(738,652)</u>
FUND BALANCES (DEFICITS), DECEMBER 31	<u>\$ 65,172</u>	<u>\$ (1,106,234)</u>	<u>\$ 298,969</u>	<u>\$ -</u>

340 2000A G.O. Improvement Bonds	341 2001B G.O. Improvement Bonds	342 2002A G.O. Improvement Bonds	343 2003A G.O. Improvement Bonds	354 2003C G.O. Refunding Bonds	344 2004 G.O. Improvement Bonds	345 2005 G.O. Improvement Bonds	355 2005C G.O. Refunding Bonds
\$ 152,000 10,261	\$ 99,220 29,159	\$ - 39,729	\$ - -	\$ - -	\$ - 2,942	\$ - 95,368	\$ 145,047 1,399
- -	- -	- -	- -	- -	- 194	- -	- -
-	-	-	-	-	-	-	-
162,261	128,379	39,729	-	-	3,136	95,368	146,446
300,000 7,200	60,000 4,881	775,000 12,568	530,000 9,550	- -	65,000 31,195	320,000 56,240	118,000 8,898
307,200	64,881	787,568	539,550	-	96,195	376,240	126,898
(144,939)	63,498	(747,839)	(539,550)	-	(93,059)	(280,872)	19,548
1,481,567 - - -	- - - -	747,839 - - (225)	539,550 - - (326,120)	134,803 - - -	- - - -	- - - -	- - - -
1,481,567	-	747,614	213,430	134,803	-	-	-
1,336,628	63,498	(225)	(326,120)	134,803	(93,059)	(280,872)	19,548
(1,336,628)	(134,663)	225	326,120	(134,803)	386,462	255,737	(461,833)
\$ -	\$ (71,165)	\$ -	\$ -	\$ -	\$ 293,403	\$ (25,135)	\$ (442,285)

CITY OF NORTH MANKATO, MINNESOTA
DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS) - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011
With Comparative Totals for the Year Ended December 31, 2010

	346 2006 G.O. Improvement Bonds	347 2007 G.O. Improvement Bonds	348 2008 G.O. Improvement Bonds	311 2009 G.O. Sales Tax Revenue Bonds
REVENUES				
Taxes				
Property taxes	\$ -	\$ 211,071	\$ 55,453	\$ -
Special assessments	-	310,753	26,087	-
Intergovernmental				
State				
Street construction aid	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous				
Contributions and donations	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	<u>-</u>	<u>521,824</u>	<u>81,540</u>	<u>-</u>
EXPENDITURES				
Debt service				
Principal	445,000	390,000	185,000	135,000
Interest and other	48,901	63,955	49,995	98,924
	<u>493,901</u>	<u>453,955</u>	<u>234,995</u>	<u>233,924</u>
TOTAL EXPENDITURES	<u>493,901</u>	<u>453,955</u>	<u>234,995</u>	<u>233,924</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(493,901)</u>	<u>67,869</u>	<u>(153,455)</u>	<u>(233,924)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	233,855
Bonds issued	-	-	-	-
Discount/premium on bonds issued	-	-	-	-
Transfers out	(1,158,662)	-	-	-
	<u>(1,158,662)</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,158,662)</u>	<u>-</u>	<u>-</u>	<u>233,855</u>
NET CHANGE IN FUND BALANCES	(1,652,563)	67,869	(153,455)	(69)
FUND BALANCES (DEFICITS), JANUARY 1	<u>1,158,663</u>	<u>(78,489)</u>	<u>166,183</u>	<u>69</u>
FUND BALANCES (DEFICITS), DECEMBER 31	<u><u>\$ (493,900)</u></u>	<u><u>\$ (10,620)</u></u>	<u><u>\$ 12,728</u></u>	<u><u>\$ -</u></u>

349 2009 G.O. Improvement Bonds	350 2010 G.O. Improvement Bonds	356 2010C G.O. Refunding Bonds	Totals	
			2011	2010
\$ -	\$ -	\$ 120,976	\$ 1,475,843	\$ 1,413,987
15,979	-	204,309	761,598	702,247
238,763	-	-	238,763	83,469
24,341	7	33	24,591	347
-	-	-	350,000	-
279,083	7	325,318	2,850,795	2,200,050
140,000	-	-	3,873,000	3,736,000
99,563	69,680	124,588	755,378	755,312
239,563	69,680	124,588	4,628,378	4,491,312
39,520	(69,673)	200,730	(1,777,583)	(2,291,262)
-	-	1,530,007	5,466,273	255,748
-	-	-	-	3,455,000
-	-	-	-	(24,644)
-	-	(1,287,389)	(5,127,418)	-
-	-	242,618	338,855	3,686,104
39,520	(69,673)	443,348	(1,438,728)	1,394,842
-	-	257	373,113	(1,021,729)
<u>\$ 39,520</u>	<u>\$ (69,673)</u>	<u>\$ 443,605</u>	<u>\$ (1,065,615)</u>	<u>\$ 373,113</u>

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AGENCY FUNDS

Agency funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds.

Public Access Authority fund: This fund accounts for resources that are held in connection with the public access TV system, for which the City is acting as Agent under an agreement with the City of Mankato.

Public Access Equipment fund: This fund accounts for accumulation of funds for major capital equipment purchases.

Minnesota River Valley Task Force fund: This fund accounts for the activities of the multi-jurisdictional task force for which the City is the fiscal agent.

10 % Gambling fund: This fund accounts for receipts of 10% of gambling revenues generated within the City.

Tactical Response Team fund: This fund accounts for the activities of the multi-jurisdictional tactical response team for which the City is the fiscal agent.

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CITY OF NORTH MANKATO, MINNESOTA
 AGENCY FUNDS
 COMBINING STATEMENT OF FIDUCIARY NET ASSETS
 DECEMBER 31, 2011
 With Comparative Totals for December 31, 2010

	861 Public Access Authority	862 Public Access Equipment	863 Minnesota River Valley Task Force
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and cash equivalents	\$ 508,048	\$ 180,900	\$ 216,499
Receivables			
Accounts	38,185	-	-
Intergovernmental	9,153	-	69,250
Other current assets	<u>5,609</u>	<u>295</u>	<u>907</u>
 TOTAL ASSETS	 <u><u>\$ 560,995</u></u>	 <u><u>\$ 181,195</u></u>	 <u><u>\$ 286,656</u></u>
LIABILITIES			
Accounts payable	\$ 1,409	\$ -	\$ 6,313
Due to other governments	557,226	181,195	280,343
Accrued wages payable	<u>2,360</u>	<u>-</u>	<u>-</u>
 TOTAL LIABILITIES	 <u><u>\$ 560,995</u></u>	 <u><u>\$ 181,195</u></u>	 <u><u>\$ 286,656</u></u>

864 10% Gambling	865 Tactical Response Team	Totals	
		2011	2010
\$ 14,842	\$ 15,078	\$ 935,367	\$ 987,137
884	-	39,069	40,979
-	-	78,403	56,081
-	-	6,811	2,978
<u>\$ 15,726</u>	<u>\$ 15,078</u>	<u>\$ 1,059,650</u>	<u>\$ 1,087,175</u>
\$ -	\$ -	\$ 7,722	\$ 21,436
15,726	15,078	1,049,568	1,065,739
-	-	2,360	-
<u>\$ 15,726</u>	<u>\$ 15,078</u>	<u>\$ 1,059,650</u>	<u>\$ 1,087,175</u>

CITY OF NORTH MANKATO, MINNESOTA
 AGENCY FUNDS
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Balance January 1, 2011	Additions	Deletions	Balance December 31, 2011
Public Access Authority (861)				
ASSETS				
Cash and temporary investments	\$ 520,924	\$ 201,842	\$ 214,718	\$ 508,048
Receivables				
Accounts	40,193	55,989	57,997	38,185
Intergovernmental	17,804	9,153	17,804	9,153
Other current assets	2,978	4,017	1,386	5,609
TOTAL ASSETS	\$ 581,899	\$ 271,001	\$ 291,905	\$ 560,995
LIABILITIES				
Accounts payable	\$ 1,932	\$ 78,272	\$ 78,795	\$ 1,409
Due to other governments	579,967	180,622	203,363	557,226
Accrued wages payable	-	12,107	9,747	2,360
TOTAL LIABILITIES	\$ 581,899	\$ 271,001	\$ 291,905	\$ 560,995
Public Access Equipment (862)				
ASSETS				
Cash and temporary investments	\$ 202,448	\$ -	\$ 21,548	\$ 180,900
Other current assets	-	295	-	295
TOTAL ASSETS	\$ 202,448	\$ 295	\$ 21,548	\$ 181,195
LIABILITIES				
Accounts payable	\$ -	\$ 21,510	\$ 21,510	\$ -
Due to other governments	202,448	(21,215)	38	181,195
TOTAL LIABILITIES	\$ 202,448	\$ 295	\$ 21,548	\$ 181,195
Minnesota River Valley Task Force (863)				
ASSETS				
Cash and temporary investments	\$ 234,849	\$ 353,987	\$ 372,337	\$ 216,499
Receivables				
Due from other governments	38,277	69,250	38,277	69,250
Other current assets	-	907	-	907
TOTAL ASSETS	\$ 273,126	\$ 424,144	\$ 410,614	\$ 286,656
LIABILITIES				
Accounts payable	\$ 19,504	\$ 398,599	\$ 411,790	\$ 6,313
Due to other governments	253,622	25,545	(1,176)	280,343
TOTAL LIABILITIES	\$ 273,126	\$ 424,144	\$ 410,614	\$ 286,656

CITY OF NORTH MANKATO, MINNESOTA
 AGENCY FUNDS
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 2011

	Balance January 1, 2011	Additions	Deletions	Balance December 31, 2011
10% Gambling (864)				
ASSETS				
Cash and temporary investments	\$ 15,058	\$ 14,484	\$ 14,700	\$ 14,842
Receivables				
Accounts	786	884	786	884
TOTAL ASSETS	<u>\$ 15,844</u>	<u>\$ 15,368</u>	<u>\$ 15,486</u>	<u>\$ 15,726</u>
LIABILITIES				
Due to other governments	<u>\$ 15,844</u>	<u>\$ 15,368</u>	<u>\$ 15,486</u>	<u>\$ 15,726</u>
Tactical Response Team (865)				
ASSETS				
Cash and temporary investments	<u>\$ 13,858</u>	<u>\$ 2,800</u>	<u>\$ 1,580</u>	<u>\$ 15,078</u>
LIABILITIES				
Due to other governments	<u>\$ 13,858</u>	<u>\$ 2,800</u>	<u>\$ 1,580</u>	<u>\$ 15,078</u>
TOTALS - ALL FUNDS				
ASSETS				
Cash and temporary investments	\$ 987,137	\$ 573,113	\$ 624,883	\$ 935,367
Receivables				
Accounts	40,979	56,873	58,783	39,069
Intergovernmental	56,081	78,403	56,081	78,403
Other current assets	2,978	5,219	1,386	6,811
TOTAL ASSETS	<u>\$ 1,087,175</u>	<u>\$ 713,608</u>	<u>\$ 741,133</u>	<u>\$ 1,059,650</u>
LIABILITIES				
Accounts payable	\$ 21,436	\$ 498,381	\$ 512,095	\$ 7,722
Due to other governments	1,065,739	203,120	219,291	1,049,568
Accrued wages payable	-	12,107	9,747	2,360
TOTAL LIABILITIES	<u>\$ 1,087,175</u>	<u>\$ 713,608</u>	<u>\$ 741,133</u>	<u>\$ 1,059,650</u>

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**DISCRETELY PRESENTED COMPONENT UNIT -
PORT AUTHORITY**

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2011

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CITY OF NORTH MANKATO, MINNESOTA
DISCRETELY PRESENTED COMPONENT UNIT - PORT AUTHORITY
COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS
DECEMBER 31, 2011
With Comparative Totals for December 31, 2010

	228	229	234	235	238
	General	Federal Revolving Loan	Local Revolving Loan	State Revolving Loan	Tax Increment Project
ASSETS					
Cash and temporary investments	\$ 2,795	\$ 216,673	\$ 66,507	\$ 12,580	\$ -
Restricted assets - cash with fiscal agent	-	-	-	-	-
Receivables					
Accounts	-	-	-	-	-
Interest	-	9,006	-	-	6,230
Intergovernmental	30,500	-	-	-	-
Notes, mortgages and leases	14,575	1,237,784	153,276	205,806	150,000
Due from other funds	240,000	-	-	-	-
TOTAL ASSETS	<u>\$ 287,870</u>	<u>\$ 1,463,463</u>	<u>\$ 219,783</u>	<u>\$ 218,386</u>	<u>\$ 156,230</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 148	\$ -	\$ -	\$ -	\$ 38,996
Accrued interest payable	-	-	-	-	-
Due to other funds	-	-	-	-	15,274
Due to primary government	-	-	-	-	-
Due to other governments	-	-	-	164,645	-
Deferred revenue	-	-	-	-	-
TOTAL LIABILITIES	<u>148</u>	<u>-</u>	<u>-</u>	<u>164,645</u>	<u>54,270</u>
FUND BALANCES (DEFICITS)					
Restricted for					
Economic development	-	1,463,463	219,783	53,741	-
Tax increment financing	-	-	-	-	101,960
Debt service	-	-	-	-	-
Assigned for					
Economic development	287,722	-	-	-	-
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES (DEFICITS)	<u>287,722</u>	<u>1,463,463</u>	<u>219,783</u>	<u>53,741</u>	<u>101,960</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 287,870</u>	<u>\$ 1,463,463</u>	<u>\$ 219,783</u>	<u>\$ 218,386</u>	<u>\$ 156,230</u>

Total fund balances - governmental funds

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.

Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Bonds payable

Unamortized deferred charges

Bond discounts/premiums, net of accumulated amortization

Long-term assets are not available to pay current-period expenditures and, therefore, are deferred in the funds.

Notes receivable

Governmental funds do not report a liability for accrued interest until due and payable.

Total net assets - governmental activities

240 Joint Economic Development	368/369/370 371/379 Debt Service	448 Port Authority Construction	Totals	
			2011	2010
\$ 232,943	\$ 1,092	\$ 64,331	\$ 596,921	\$ 728,324
-	598,426	-	598,426	691,833
-	-	-	-	2,200
-	6,470	-	21,706	-
89,000	-	-	119,500	-
61,925	3,370,000	-	5,193,366	2,150,888
120,232	-	401,737	761,969	140,000
<u>\$ 504,100</u>	<u>\$ 3,975,988</u>	<u>\$ 466,068</u>	<u>\$ 7,291,888</u>	<u>\$ 3,713,245</u>
\$ -	\$ 2,100	\$ 4,500	\$ 45,744	\$ 28,230
-	1,957	-	1,957	2,860
-	746,695	-	761,969	140,000
-	-	-	-	583,580
-	-	-	164,645	182,587
-	3,215,000	-	3,215,000	350,000
<u>-</u>	<u>3,965,752</u>	<u>4,500</u>	<u>4,189,315</u>	<u>1,287,257</u>
504,100	-	-	2,241,087	1,720,238
-	-	-	101,960	167,737
-	10,236	-	10,236	476,978
-	-	461,568	749,290	243,780
-	-	-	-	(182,745)
<u>504,100</u>	<u>10,236</u>	<u>461,568</u>	<u>3,102,573</u>	<u>2,425,988</u>
<u>\$ 504,100</u>	<u>\$ 3,975,988</u>	<u>\$ 466,068</u>	<u>\$ 7,291,888</u>	<u>\$ 3,713,245</u>
			\$ 3,102,573	\$ 2,425,988
			2,175,039	1,409,018
			(7,645,000)	(3,475,000)
			35,567	28,566
			11,819	14,180
			3,215,000	-
			(79,847)	(46,613)
			<u>\$ 815,151</u>	<u>\$ 356,139</u>

CITY OF NORTH MANKATO, MINNESOTA
DISCRETELY PRESENTED COMPONENT UNIT - PORT AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS) -
CONTINUED ON THE FOLLOWING PAGES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
With Comparative Totals for the Year Ended December 31, 2010

	228	229	234	235	238
	General	Federal Revolving Loan	Local Revolving Loan	State Revolving Loan	Tax Increment Project
REVENUES					
Taxes	\$ 65,000	\$ -	\$ -	\$ -	\$ 94,958
Charges for services	-	-	-	-	-
Investment earnings	586	4	5,926	6,539	129
Intergovernmental					
Federal	30,500	-	-	-	-
State	-	-	-	-	-
Miscellaneous					
Rents	-	-	-	-	-
Contributions and donations	200,000	-	-	-	-
Other	18,550	49,937	-	-	6,230
TOTAL REVENUES	314,636	49,941	5,926	6,539	101,317
EXPENDITURES					
Current					
Economic development	56,209	61,334	-	-	132,994
Capital outlay					
Economic development	-	-	-	-	-
Debt service					
Principal	-	-	-	-	-
Interest and other	-	-	-	5,232	34,100
TOTAL EXPENDITURES	56,209	61,334	-	5,232	167,094
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	258,427	(11,393)	5,926	1,307	(65,777)
OTHER FINANCING SOURCES (USES)					
Sale of assets	-	-	-	-	-
Bonds issued	-	-	-	-	-
Discount/premium on bonds issued	-	-	-	-	-
Transfers in	-	-	213,857	52,434	-
Transfers out	(15,000)	(266,291)	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	(15,000)	(266,291)	213,857	52,434	-
NET CHANGE IN FUND BALANCES	243,427	(277,684)	219,783	53,741	(65,777)
FUND BALANCES (DEFICITS), JANUARY 1	44,295	1,741,147	-	-	167,737
FUND BALANCES, DECEMBER 31	\$ 287,722	\$ 1,463,463	\$ 219,783	\$ 53,741	\$ 101,960

240 Joint Economic Development	368/369/370 371/379	448 Port Authority Construction	Totals	
	Debt Service		2011	2010
\$ -	\$ -	\$ -	\$ 159,958	\$ 286,618
-	12,263	-	12,263	16,540
3,481	6,535	35	23,235	4,917
-	-	-	30,500	-
-	-	-	-	(12,500)
11,946	-	-	11,946	2,800
-	55,000	-	255,000	15,000
-	-	-	74,717	62,721
15,427	73,798	35	567,619	376,096
390,151	3,215,000	2,430	3,858,118	493,986
1,008,000	-	13,859	1,021,859	36,289
108,000	400,000	-	508,000	255,000
18,000	140,540	-	197,872	127,950
1,524,151	3,755,540	16,289	5,585,849	913,225
(1,508,724)	(3,681,742)	(16,254)	(5,018,230)	(537,129)
1,025,733	-	-	1,025,733	64,847
1,008,000	3,215,000	455,000	4,678,000	810,000
-	-	(8,918)	(8,918)	(14,580)
-	-	15,000	281,291	-
-	-	-	(281,291)	-
2,033,733	3,215,000	461,082	5,694,815	860,267
525,009	(466,742)	444,828	676,585	323,138
(20,909)	476,978	16,740	2,425,988	2,102,850
\$ 504,100	\$ 10,236	\$ 461,568	\$ 3,102,573	\$ 2,425,988

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CITY OF NORTH MANKATO, MINNESOTA
DISCRETELY PRESENTED COMPONENT UNIT - PORT AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS) - CONTINUED
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2011
With Comparative Totals for the Year Ended December 31, 2010

	Totals	
	2011	2010
Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balances - governmental funds	\$ 676,585	\$ 323,138
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense.		
Capital outlay	1,008,000	30,931
The effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net assets.		
Sale of capital assets	(423,379)	-
Capital contributions	181,400	-
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets.		
Bond proceeds	(4,678,000)	(810,000)
Principal repayments	508,000	255,000
Bond issue costs, net of amortization expense	-	8,084
Discount/premium on bonds issued, net of amortization expense	4,640	14,618
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund 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.		
	(33,234)	(11,916)
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.		
Loans made	3,215,000	-
Change in net assets - governmental activities	<u>\$ 459,012</u>	<u>\$ (190,145)</u>

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**CAPITAL ASSETS USED IN THE OPERATION
OF GOVERNMENTAL FUNDS**

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2011

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CITY OF NORTH MANKATO, MINNESOTA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
COMPARATIVE SCHEDULES
DECEMBER 31, 2011 AND 2010

	<u>2011</u>	<u>2010</u>
GOVERNMENTAL FUNDS CAPITAL ASSETS		
Land	\$ 3,387,161	\$ 3,387,161
Buildings and improvements	58,428,222	57,387,581
Furniture and equipment	6,059,551	6,041,906
Construction in progress	<u>5,181,275</u>	<u>2,798,647</u>
 TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	 <u><u>\$ 73,056,209</u></u>	 <u><u>\$ 69,615,295</u></u>

CITY OF NORTH MANKATO, MINNESOTA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE BY FUNCTION
DECEMBER 31, 2011

Function	Land	Buildings and Improvements	Furniture and Equipment	Total
General government	\$ 221,449	\$ 1,063,221	\$ 106,220	\$ 1,390,890
Public safety	-	2,200,269	1,638,701	3,838,970
Public works	611,600	50,430,742	3,064,473	54,106,815
Culture and recreation	2,554,112	4,733,990	1,250,157	8,538,259
 TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS ALLOCATED TO FUNCTIONS	 <u>\$ 3,387,161</u>	 <u>\$ 58,428,222</u>	 <u>\$ 6,059,551</u>	 67,874,934
 Construction in progress				 <u>5,181,275</u>
 TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS				 <u>\$ 73,056,209</u>

CITY OF NORTH MANKATO, MINNESOTA
CAPITAL ASSETS USED IN THE OPERATION OF GOVERNMENTAL FUNDS
SCHEDULE OF CHANGES BY FUNCTION
FOR THE YEAR ENDED DECEMBER 31, 2011

Function	Governmental Funds Capital Assets January 1, 2011	Additions	Deletions	Governmental Funds Capital Assets December 31, 2011
General government	\$ 1,390,890	\$ -	\$ -	\$ 1,390,890
Public safety	3,851,817	49,938	62,785	3,838,970
Public works	53,416,136	725,292	34,613	54,106,815
Culture and recreation	8,157,805	423,857	43,403	8,538,259
Construction in progress	2,798,647	3,423,269	1,040,641	5,181,275
 TOTAL GOVERNMENTAL FUNDS CAPITAL ASSETS	 \$ 69,615,295	 \$ 4,622,356	 \$ 1,181,442	 \$ 73,056,209

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

	Total 2011	Total 2010	Percent Increase (Decrease)
REVENUES			
Taxes	\$ 5,278,200	\$ 5,217,778	1.16 %
Special assessments	766,699	709,385	8.08
Licenses and permits	521,628	477,704	9.19
Intergovernmental	4,141,816	3,145,988	31.65
Charges for services	296,974	166,744	78.10
Fines and forfeits	29,492	37,566	(21.49)
Investment earnings	33,678	13,917	141.99
Contributions and donations	350,000	52,000	573.08
Miscellaneous	345,383	247,969	39.28
	<u>\$ 11,763,870</u>	<u>\$ 10,069,051</u>	
TOTAL REVENUES	<u>\$ 11,763,870</u>	<u>\$ 10,069,051</u>	16.83 %
Per Capita	\$ 878	\$ 772	13.79 %
EXPENDITURES			
Current			
General government	\$ 937,067	\$ 906,426	3.38 %
Public safety	2,093,243	1,972,956	6.10
Public works	1,870,220	1,524,184	22.70
Culture and recreation	1,528,750	1,490,825	2.54
Miscellaneous	154,165	178,640	(13.70)
Capital outlay			
Public safety	59,981	119,022	(49.61)
Public works	3,612,340	2,959,841	22.05
Culture and recreation	69,917	248,879	(71.91)
Economic development	498,757	209,738	137.80
Miscellaneous	104,708	398,406	(73.72)
Debt service			
Principal	3,933,000	3,796,000	3.61
Interest and other charges	760,628	788,915	(3.59)
	<u>\$ 15,622,776</u>	<u>\$ 14,593,832</u>	
TOTAL EXPENDITURES	<u>\$ 15,622,776</u>	<u>\$ 14,593,832</u>	7.05 %
Per Capita	\$ 1,166	\$ 1,119	4.26 %
Total Long-term Indebtedness	\$ 24,893,000	\$ 25,611,000	(2.80) %
Per Capita	1,859	1,963	(5.34)
General Fund Balance - December 31	\$ 2,161,885	\$ 2,318,272	(6.75) %
Per Capita	161	178	(9.17)

The purpose of this report is to provide a summary of financial information concerning the City of North Mankato to interested citizens. The complete financial statements may be examined at City Hall, 1001 Belgrade Ave., North Mankato, Minnesota 56003. Questions about this report should be directed to Clara Thorne, Finance Director at (507) 625-4141.

STATISTICAL SECTION (UNAUDITED)

This part of the City of North Mankato's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

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CITY OF NORTH MANKATO, MINNESOTA
NET ASSETS BY COMPONENT
2003 - 2011
(accrual basis of accounting)

	Fiscal Year			
	2011	2010	2009	2008
Governmental activities				
Invested in capital assets, net of related debt	\$ 21,718,486	\$ 17,936,216	\$ 19,365,624	\$ 17,817,241
Restricted	9,836,509	9,430,699	9,176,578	9,114,637
Unrestricted	<u>2,185,256</u>	<u>5,332,038</u>	<u>4,146,659</u>	<u>1,333,792</u>
Total governmental activities net assets	<u>33,740,251</u>	<u>32,698,953</u>	<u>32,688,861</u>	<u>28,265,670</u>
Business-type activities				
Invested in capital assets, net of related debt	16,548,626	16,636,920	16,782,600	17,083,850
Unrestricted	<u>3,105,801</u>	<u>3,002,540</u>	<u>2,906,271</u>	<u>3,027,945</u>
Total business-type activities net assets	<u>19,654,427</u>	<u>19,639,460</u>	<u>19,688,871</u>	<u>20,111,795</u>
Primary government				
Invested in capital assets, net of related debt	38,267,112	34,573,136	36,148,224	34,901,091
Restricted	9,836,509	9,430,699	9,176,578	9,114,637
Unrestricted	<u>5,291,057</u>	<u>8,334,578</u>	<u>7,052,930</u>	<u>4,361,737</u>
Total primary government net assets	<u>\$ 53,394,678</u>	<u>\$ 52,338,413</u>	<u>\$ 52,377,732</u>	<u>\$ 48,377,465</u>

Note: Net assets are not available for years prior to 2003.

Table 1

Fiscal Year				
2007	2006	2005	2004	2003
\$ 15,835,956	\$ 16,520,668	\$ 15,112,464	\$ 15,446,960	\$ 12,800,839
10,404,126	7,886,659	6,048,222	6,695,240	8,090,798
2,217,057	150,512	1,701,239	843,209	1,733,026
28,457,139	24,557,839	22,861,925	22,985,409	22,624,663
16,984,629	17,075,156	15,322,048	14,672,459	14,678,480
3,074,678	2,803,457	2,219,544	2,397,545	1,999,873
20,059,307	19,878,613	17,541,592	17,070,004	16,678,353
32,820,585	33,595,824	30,434,512	30,119,419	27,479,319
10,404,126	7,886,659	6,048,222	6,695,240	8,090,798
5,291,735	2,953,969	3,920,783	3,240,754	3,732,899
<u>\$ 48,516,446</u>	<u>\$ 44,436,452</u>	<u>\$ 40,403,517</u>	<u>\$ 40,055,413</u>	<u>\$ 39,303,016</u>

CITY OF NORTH MANKATO, MINNESOTA
CHANGES IN NET ASSETS - CONTINUED ON THE FOLLOWING PAGES
2003 - 2011
(accrual basis of accounting)

	Fiscal Year			
	2011	2010	2009	2008
EXPENSES				
Governmental activities				
General government	\$ 952,893	\$ 959,723	\$ 938,747	\$ 1,012,996
Public safety	2,235,789	2,267,522	2,287,619	2,216,393
Public works	3,696,626	3,556,817	3,405,036	3,260,898
Culture and recreation	1,744,224	1,674,756	1,342,384	1,228,603
Housing and economic development	498,794	209,738	243,652	141,947
Mass transit and other	258,873	487,047	119,876	445,413
Interest on long-term debt	778,471	739,561	811,657	961,301
Total governmental activities expenses	<u>10,165,670</u>	<u>9,895,164</u>	<u>9,148,971</u>	<u>9,267,551</u>
Business-type activities				
Water	1,527,901	1,473,548	1,526,268	1,378,921
Wastewater	1,498,428	1,544,390	1,607,815	1,429,251
Sanitation	1,264,612	1,252,643	1,231,517	1,304,752
Storm water	181,378	173,870	163,749	152,949
Total business-type activities expenses	<u>4,472,319</u>	<u>4,444,451</u>	<u>4,529,349</u>	<u>4,265,873</u>
Total primary government expenses	<u>\$ 14,637,989</u>	<u>\$ 14,339,615</u>	<u>\$ 13,678,320</u>	<u>\$ 13,533,424</u>
PROGRAM REVENUES				
Governmental activities				
Charges for services				
General government	\$ 112,111	\$ 106,238	\$ 103,099	\$ 102,951
Public safety	598,884	436,145	350,957	400,619
Public works	130,487	3,932	1,036	1,197
Culture and recreation	245,129	248,396	153,760	166,278
Housing and economic development	8,630	7,803	7,851	-
Miscellaneous	105	131	1,153	66
Operating grants and contributions	871,835	231,029	222,321	201,368
Capital grants and contributions	2,221,476	1,725,806	5,161,365	1,281,966
Total governmental activities program revenues	<u>4,188,657</u>	<u>2,759,480</u>	<u>6,001,542</u>	<u>2,154,445</u>
Business-type activities				
Charges for services				
Water	1,499,185	1,523,160	1,578,865	1,611,559
Wastewater	1,510,772	1,490,287	1,506,070	1,561,157
Sanitation	1,394,977	1,335,497	1,261,556	1,306,662
Storm water	272,689	272,530	268,913	263,539
Operating grants and contributions	4,994	-	-	-
Capital grants and contributions	(6,230)	14,438	(5,735)	9,509
Total business-type activities program revenues	<u>4,676,387</u>	<u>4,635,912</u>	<u>4,609,669</u>	<u>4,752,426</u>
Total primary government program revenues	<u>\$ 8,865,044</u>	<u>\$ 7,395,392</u>	<u>\$ 10,611,211</u>	<u>\$ 6,906,871</u>

Table 2

Fiscal Year				
2007	2006	2005	2004	2003
\$ 848,824	\$ 1,028,245	\$ 959,847	\$ 884,403	\$ 833,942
2,201,035	2,108,473	1,840,246	1,711,875	1,560,240
3,609,200	2,607,992	2,548,825	2,224,281	2,340,017
908,793	1,252,630	1,070,003	1,048,355	964,767
25,662	-	-	-	-
373,486	201,999	229,408	134,644	182,781
1,001,100	889,943	772,631	1,040,182	867,483
8,968,100	8,089,282	7,420,960	7,043,740	6,749,230
1,307,569	1,169,608	1,093,982	1,011,557	897,827
1,522,923	1,163,489	1,296,764	1,146,541	1,466,478
1,265,362	1,159,853	1,134,816	1,002,355	935,852
169,727	83,364	94,814	45,187	31,920
4,265,581	3,576,314	3,620,376	3,205,640	3,332,077
<u>\$ 13,233,681</u>	<u>\$ 11,665,596</u>	<u>\$ 11,041,336</u>	<u>\$ 10,249,380</u>	<u>\$ 10,081,307</u>
\$ 83,618	\$ 64,342	\$ 83,377	\$ 90,453	\$ 81,379
417,051	391,500	344,393	336,004	247,533
4,592	6,313	4,385	5,866	7,378
137,303	125,746	114,689	113,609	122,865
-	-	-	-	-
15	391	28	78	61
203,661	306,991	235,872	196,146	317,091
5,542,281	4,318,797	1,220,050	1,436,949	3,393,861
6,388,521	5,214,080	2,002,794	2,179,105	4,170,168
1,530,615	1,378,301	1,045,253	1,042,587	1,017,222
1,584,169	1,565,478	1,546,009	1,520,364	1,541,382
1,281,663	1,228,712	1,037,672	972,206	938,174
214,888	179,178	136,953	97,662	96,128
-	-	-	6,964	26,914
17,185	1,053	900	3,200	10,391
4,628,520	4,352,722	3,766,787	3,642,983	3,630,211
<u>\$ 11,017,041</u>	<u>\$ 9,566,802</u>	<u>\$ 5,769,581</u>	<u>\$ 5,822,088</u>	<u>\$ 7,800,379</u>

CITY OF NORTH MANKATO, MINNESOTA
 CHANGES IN NET ASSETS - CONTINUED
 2003 - 2011
 (accrual basis of accounting)

	Fiscal Year			
	2011	2010	2009	2008
PROGRAM REVENUES - CONTINUED				
Net (expense)/revenue				
Governmental activities	\$ (5,977,013)	\$ (7,135,684)	\$ (3,147,429)	\$ (7,113,106)
Business-type activities	204,068	191,461	80,320	486,553
Total primary government net expense	<u>\$ 5,772,945</u>	<u>\$ 6,944,223</u>	<u>\$ 3,067,109</u>	<u>\$ 6,626,553</u>
GENERAL REVENUES AND OTHER				
CHANGES IN NET ASSETS				
Governmental activities				
Taxes				
Property taxes, levied for general purposes	\$ 2,894,504	\$ 3,027,372	\$ 2,921,378	\$ 2,900,598
Property taxes, levied for debt service	1,475,843	1,413,987	1,318,208	1,268,421
Local option sales tax	462,223	440,566	377,859	82,619
Hotel-motel tax	40,685	42,106	39,255	46,418
Gambling tax	13,049	13,168	12,306	11,092
Franchise taxes	332,469	326,812	321,266	166,928
Grants and contributions not restricted to specific programs	1,456,390	1,452,797	1,931,894	1,827,286
Unrestricted investment earnings	33,678	13,917	26,143	63,312
Other revenues	67,840	121,274	64,246	39,388
Gain on sale of capital assets	-	-	-	-
Transfers	241,630	293,777	558,065	515,575
Total governmental activities	<u>7,018,311</u>	<u>7,145,776</u>	<u>7,570,620</u>	<u>6,921,637</u>
Business-type activities				
Taxes				
Property taxes, levied for debt service	50,000	50,000	50,000	50,000
Local option sales tax	965	949	956	193
Unrestricted investment earnings	1,564	1,956	3,865	31,317
Transfers	(241,630)	(293,777)	(558,065)	(515,575)
Total business-type activities	<u>(189,101)</u>	<u>(240,872)</u>	<u>(503,244)</u>	<u>(434,065)</u>
Total primary government	<u>\$ 6,829,210</u>	<u>\$ 6,904,904</u>	<u>\$ 7,067,376</u>	<u>\$ 6,487,572</u>
CHANGES IN NET ASSETS				
Governmental activities	\$ 1,041,298	\$ 10,092	\$ 4,423,191	\$ (191,469)
Business-type activities	14,967	(49,411)	(422,924)	52,488
Total primary government	<u>\$ 1,056,265</u>	<u>\$ (39,319)</u>	<u>\$ 4,000,267</u>	<u>\$ (138,981)</u>

Note: Changes in net assets are not available for years prior to 2003.

Table 2 (continued)

Fiscal Year				
2007	2006	2005	2004	2003
\$ (2,579,579)	\$ (2,875,202)	\$ (5,418,166)	\$ (4,864,635)	\$ (2,579,062)
362,939	776,408	146,411	437,343	298,134
<u>\$ 2,216,640</u>	<u>\$ 2,098,794</u>	<u>\$ 5,271,755</u>	<u>\$ 4,427,292</u>	<u>\$ 2,280,928</u>
\$ 2,644,377	\$ 2,336,353	\$ 2,278,610	\$ 1,938,391	\$ 1,555,342
1,189,615	1,198,015	1,220,186	1,058,294	1,024,005
-	-	-	-	-
53,030	50,925	46,914	44,700	43,095
13,082	14,650	15,261	14,765	12,521
43,707	41,531	48,408	37,793	34,509
1,946,778	2,164,316	1,781,049	1,912,490	2,133,721
153,821	180,730	40,832	29,800	27,508
107,962	58,409	112,621	48,184	39,927
-	-	-	31,481	273,585
(422,198)	(1,251,381)	(275,700)	42,277	(853,982)
<u>5,730,174</u>	<u>4,793,548</u>	<u>5,268,181</u>	<u>5,158,175</u>	<u>4,290,231</u>
50,000	50,000	50,000	50,000	-
-	-	-	-	-
94,262	36,800	25,978	13,791	13,434
422,198	1,251,381	275,700	(42,277)	853,982
<u>566,460</u>	<u>1,338,181</u>	<u>351,678</u>	<u>21,514</u>	<u>867,416</u>
<u>\$ 6,296,634</u>	<u>\$ 6,131,729</u>	<u>\$ 5,619,859</u>	<u>\$ 5,179,689</u>	<u>\$ 5,157,647</u>
\$ 3,150,595	\$ 1,918,346	\$ (149,985)	\$ 293,540	\$ 1,711,169
929,399	2,114,589	498,089	458,857	1,165,550
<u>\$ 4,079,994</u>	<u>\$ 4,032,935</u>	<u>\$ 348,104</u>	<u>\$ 752,397</u>	<u>\$ 2,876,719</u>

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CITY OF NORTH MANKATO, MINNESOTA
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
2003 - 2011
(accrual basis of accounting)

Table 3

Fiscal Year	Property Taxes		Local Option Sales Tax	Hotel- Motel Tax	Gambling Tax	Franchise Tax	Total
	Levied for General Purposes	Levied for Debt Service					
2003	\$ 1,555,342	\$ 1,024,005	\$ -	\$ 43,095	\$ 12,521	\$ 34,509	\$ 2,669,472
2004	1,938,391	1,058,294	-	44,700	14,765	37,793	3,093,943
2005	2,278,610	1,220,186	-	46,914	15,261	48,408	3,609,379
2006	2,336,353	1,198,015	-	50,925	14,650	41,531	3,641,474
2007	2,644,377	1,189,615	-	53,030	13,082	43,707	3,943,811
2008	2,900,598	1,268,421	82,619	46,418	11,092	166,928	4,476,076
2009	2,921,378	1,318,208	377,859	39,255	12,306	321,266	4,990,272
2010	3,027,372	1,413,987	440,566	42,106	13,168	326,812	5,264,011
2011	2,894,504	1,475,843	462,223	40,685	13,049	332,469	5,218,773

Note: Accrual based tax revenue information is not available for years prior to 2003.

CITY OF NORTH MANKATO, MINNESOTA
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year			
	2002	2003	2004	2005
General fund				
Reserved	\$ -	\$ -	\$ 57,235	\$ 56,392
Unreserved	1,432,592	1,561,838	1,599,939	1,650,279
Nonpendable	-	-	-	-
Unassigned	-	-	-	-
Total General fund	<u>\$ 1,432,592</u>	<u>\$ 1,561,838</u>	<u>\$ 1,657,174</u>	<u>\$ 1,706,671</u>
All other governmental funds				
Reserved	\$ 2,331,003	\$ 2,938,551	\$ 1,428,740	\$ 2,758,377
Unreserved, reported in				
Special revenue funds	435,888	419,447	533,444	419,193
Capital projects funds	(57,970)	(88,637)	(1,048,107)	742,893
Debt Service funds	-	246,374	(814,743)	(1,153,150)
Nonpendable	-	-	-	-
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 2,708,921</u>	<u>\$ 3,515,735</u>	<u>\$ 99,334</u>	<u>\$ 2,767,313</u>

Table 4

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 64,385	\$ 66,586	\$ 73,864	\$ 171,481	\$ -	\$ -
1,687,453	1,790,838	1,855,865	1,938,446	-	-
-	-	-	-	79,792	76,564
-	-	-	-	2,238,480	2,085,321
<u>\$ 1,751,838</u>	<u>\$ 1,857,424</u>	<u>\$ 1,929,729</u>	<u>\$ 2,109,927</u>	<u>\$ 2,318,272</u>	<u>\$ 2,161,885</u>
\$ 2,248,425	\$ 2,517,949	\$ 2,878,350	\$ 2,511,919	\$ -	\$ -
232,382	219,939	342,772	1,798,112	-	-
2,053,767	625,918	(722,371)	2,303,119	-	-
(890,602)	(1,846,138)	(2,715,778)	(3,525,136)	-	-
-	-	-	-	5,556	2,896
-	-	-	-	3,207,722	3,705,717
-	-	-	-	525,157	206,264
-	-	-	-	1,431,631	2,099,560
-	-	-	-	-	(1,086,396)
<u>\$ 3,643,972</u>	<u>\$ 1,517,668</u>	<u>\$ (217,027)</u>	<u>\$ 3,088,014</u>	<u>\$ 5,170,066</u>	<u>\$ 4,928,041</u>

CITY OF NORTH MANKATO, MINNESOTA
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year			
	2002	2003	2004	2005
REVENUES				
Taxes	\$ 2,177,377	\$ 2,976,606	\$ 3,083,901	\$ 3,558,372
Special assessments	1,313,424	1,045,451	964,040	1,631,543
Licenses and permits	173,578	208,059	297,575	312,421
Intergovernmental revenue	2,961,131	2,210,021	3,151,521	2,050,742
Charges for services	191,521	135,682	129,358	108,613
Fines and forfeits	54,307	52,866	65,658	69,614
Interest	65,613	27,740	30,299	43,192
Other revenues	609,094	211,319	153,413	301,266
TOTAL REVENUES	7,546,045	6,867,744	7,875,765	8,075,763
EXPENDITURES				
General government	791,755	772,224	831,482	854,168
Public safety	1,419,390	1,349,414	1,506,322	1,624,262
Public works	1,091,717	992,173	1,099,557	1,158,843
Culture and recreation	803,613	782,441	921,752	917,996
Housing and economic development	-	-	-	-
Miscellaneous	198,983	187,811	178,619	253,833
Capital outlay	5,047,410	2,103,014	5,000,916	3,472,988
Debt service				
Principal	2,158,000	2,339,680	2,499,000	2,624,000
Interest	707,135	924,521	852,643	837,680
TOTAL EXPENDITURES	12,218,003	9,451,278	12,890,291	11,743,770
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(4,671,958)	(2,583,534)	(5,014,526)	(3,668,007)
OTHER FINANCING SOURCES (USES)				
Sale of capital assets	-	273,585	33,217	-
Transfers in	450,885	1,324,245	556,919	1,138,497
Bonds issued	3,881,680	2,730,000	2,480,000	5,965,000
Refunding bonds issued	-	-	1,805,000	-
Premium (discount) on bonds issued	(20,792)	(16,202)	(40,224)	(40,902)
Payments to refunded bond escrow agent	-	-	(3,085,000)	-
Transfers out	(161,150)	(792,034)	(113,569)	(677,112)
TOTAL OTHER FINANCING SOURCES (USES)	4,150,623	3,519,594	1,636,343	6,385,483
NET CHANGE IN FUND BALANCES	\$ (521,335)	\$ 936,060	\$ (3,378,183)	\$ 2,717,476
Debt service as a percentage of noncapital expenditures	40%	43%	42%	41%

Table 5

Fiscal Year					
2006	2007	2008	2009	2010	2011
\$ 3,632,564	\$ 3,935,312	\$ 4,451,394	\$ 4,973,898	\$ 5,217,778	\$ 5,278,200
2,237,837	1,634,954	1,563,332	1,779,206	709,385	766,699
305,370	356,710	359,611	347,939	477,704	521,628
3,091,342	2,831,939	2,435,714	4,326,710	3,145,988	4,141,816
158,122	177,289	186,026	128,919	166,744	296,974
65,543	48,558	48,334	38,850	37,566	29,492
180,730	153,821	63,312	26,143	13,917	33,678
311,818	178,433	168,361	1,061,107	299,969	695,383
9,983,326	9,317,016	9,276,084	12,682,772	10,069,051	11,763,870
939,346	952,073	948,751	866,921	906,426	937,067
1,229,465	1,358,089	1,479,445	1,978,722	1,972,956	2,093,243
980,072	1,111,399	1,246,102	1,540,916	1,524,184	1,870,220
1,815,052	1,906,303	2,080,112	1,277,069	1,490,825	1,528,750
-	25,662	141,947	243,652	209,738	498,757
203,868	162,368	158,480	139,897	178,640	154,165
7,887,293	5,562,047	5,680,942	3,533,734	3,726,148	3,846,946
3,840,000	3,091,000	5,390,604	5,127,000	3,796,000	3,933,000
787,417	953,323	784,997	892,263	788,915	760,628
17,682,513	15,122,264	17,911,380	15,600,174	14,593,832	15,622,776
(7,699,187)	(5,805,248)	(8,635,296)	(2,917,402)	(4,524,781)	(3,858,906)
-	-	-	-	-	-
981,278	456,935	1,535,833	698,849	3,328,062	3,535,474
8,380,000	3,440,000	6,255,000	5,986,000	3,055,000	3,215,000
-	-	-	-	3,455,000	-
7,970	(12,605)	(120,949)	111,574	11,401	3,864
-	-	-	-	-	-
(525,803)	(99,800)	(696,978)	(393,782)	(3,034,285)	(3,293,844)
8,843,445	3,784,530	6,972,906	6,402,641	6,815,178	3,460,494
\$ 1,144,258	\$ (2,020,718)	\$ (1,662,390)	\$ 3,485,239	\$ 2,290,397	\$ (398,412)
46%	40%	49%	46%	40%	39%

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CITY OF NORTH MANKATO, MINNESOTA
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

Table 6

Fiscal Year	Property Tax	Franchise Tax	Hotel/Motel Tax	Charitable Gambling Tax	Total
2002	\$ 2,086,862	\$ 30,882	\$ 44,784	\$ 14,849	\$ 2,177,377
2003	2,887,432	33,490	41,352	14,332	2,976,606
2004	2,986,643	37,793	44,700	14,765	3,083,901
2005	3,447,789	48,408	46,914	15,261	3,558,372
2006	3,525,458	41,531	50,925	14,650	3,632,564
2007	3,825,493	43,707	53,030	13,082	3,935,312
2008	4,351,356	42,528	46,418	11,092	4,451,394
2009	4,823,882	98,455	39,255	12,306	4,973,898
2010	5,058,504	104,000	42,106	13,168	5,217,778
2011	5,118,756	105,710	40,685	13,049	5,278,200

CITY OF NORTH MANKATO, MINNESOTA
TAX CAPACITY AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year Ended December 31,	Real Property		Personal Property	Less:	Total
	Residential Property	Commercial Property	Other	Tax Increment Real Property	Tax Capacity
2002	\$ 5,385,382	\$ 2,348,970	\$ 92,824	\$ 68,043	\$ 7,759,133
2003	6,188,963	2,374,092	101,312	124,135	8,540,232
2004	6,881,661	2,414,958	110,702	165,397	9,241,924
2005	7,145,435	2,435,061	112,368	178,192	9,514,672
2006	7,384,524	2,444,269	114,127	192,264	9,750,656
2007	7,920,674	2,472,004	149,946	198,385	10,344,239
2008	8,059,405	2,459,717	147,393	182,268	10,484,247
2009	7,962,967	2,659,815	117,544	189,067	10,551,259
2010	7,845,345	2,681,586	151,936	80,835	10,598,032
2011	7,432,722	2,652,834	193,966	35,130	10,244,392

Source: Nicollet County Assessor and Auditor

Table 7

Total Direct Tax Rate	Estimated Actual Taxable Value	Tax Capacity Value as a Percentage of Actual Value
36.963	\$ 745,268,535	1.05 %
37.236	814,432,962	1.06
39.888	842,765,058	1.12
42.462	918,940,397	1.05
41.246	940,352,372	1.06
43.267	1,020,753,348	1.03
44.581	1,028,018,285	1.04
45.626	958,751,959	1.12
45.425	923,805,200	1.16
50.598	874,093,000	1.18

CITY OF NORTH MANKATO, MINNESOTA
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

Fiscal Year	City of North Mankato			Nicollet County
	Operating Tax Capacity Rate	Debt Service Tax Capacity Rate	Total City Tax Capacity Rate	Total Tax Capacity Rate
2002	22.717	14.246	36.963	54.585
2003	24.039	13.197	37.236	51.533
2004	26.911	12.977	39.888	49.102
2005	28.718	13.744	42.462	48.391
2006	28.129	13.117	41.246	48.577
2007	30.554	12.713	43.267	48.835
2008	31.561	13.020	44.581	51.351
2009	31.751	13.875	45.626	51.871
2010	31.028	14.397	45.425	53.150
2011	36.554	14.044	50.598	54.067

Source: Nicollet County Auditor

Table 8

Independent School District No. 77	Region 9 Development Commission	Total Direct and Overlapping Rates
Total Tax Capacity Rate	Special Districts	
15.635	0.276	107.459
14.572	0.270	103.611
13.301	0.251	102.542
12.184	0.243	103.280
13.672	0.226	103.721
15.175	0.211	107.488
17.637	0.191	113.760
19.604	0.185	117.286
19.115	0.187	117.877
20.991	0.190	125.846

CITY OF NORTH MANKATO, MINNESOTA
PRINCIPAL PROPERTY TAXPAYERS
CURRENT YEAR AND NINE YEARS AGO

Table 9

Taxpayer	Type of Business	2011			2002		
		Taxable Tax Capacity	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Taylor Corporation	Printing	\$ 348,212	1	3.4 %	\$ 333,250	1	4.3 %
Kato Engineering	Electric rotating equipment	123,326	2	1.2	131,218	2	1.7
Wis-Pak of Mankato	Bottling	110,632	3	1.1	105,330	3	1.4
Carlson Wedding Service	Specialty printing	105,340	4	1.0	104,938	4	1.4
North Point-Geac, Inc.	Apartments	83,482	5	0.8	-		-
Corporate Graphics	Printing	83,258	6	0.8	102,986	5	1.3
Carlson Craft Commercial	Specialty printing	79,052	7	0.8	78,694	7	1.0
Minnegasco, Inc.	Utility	70,021	8	0.7	-		-
Alternative Continuum of Care	Apartments	69,845	9	0.7	-		-
MICO Inc.	Hydraulic components and brake systems	65,394	10	0.6	61,576	9	0.8
DDD Motel	Motel	-		-	63,250	8	0.8
Fine Impressions Envelope Printing	Specialty printing	-		-	96,422	6	1.2
Coloplast Corporation	Skin care and hygiene products	-		-	61,442	10	0.8
Total		<u>\$ 1,138,562</u>		<u>11.1 %</u>	<u>\$ 1,139,106</u>		<u>14.7 %</u>

Source: Blue Earth County Administrative Services.

CITY OF NORTH MANKATO, MINNESOTA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Table 10

Fiscal Year Ended December 31,	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2002	\$ 2,654,594	\$ 2,631,741	99.1 %	\$ 22,853	\$ 2,654,594	100.0 %
2003	2,889,189	2,868,200	99.3	20,989	2,889,189	100.0
2004	3,406,602	3,383,374	99.3	23,228	3,406,602	100.0
2005	3,924,419	3,874,173	98.7	48,914	3,923,087	100.0
2006	4,218,750	4,170,453	98.9	46,889	4,217,342	100.0
2007	4,218,750	4,163,756	98.7	50,529	4,214,285	99.9
2008	4,603,569	4,540,079	98.6	57,408	4,597,487	99.9
2009	4,674,079	4,603,838	98.5	60,277	4,664,115	99.8
2010	4,814,154	4,734,214	98.3	63,309	4,797,523	99.7
2011	4,814,154	4,754,445	98.8	-	4,754,445	98.8

CITY OF NORTH MANKATO, MINNESOTA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Table 11

Fiscal Year	Governmental Activities					Business-type Activities		Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	G.O. Special Assessment Bonds	G.O. Revenue Bonds	Capital Leases	Notes Payable	Utility G.O. Revenue Bonds	G.O. Special Assessment Bonds			
2002	\$ 750,000	\$ 16,485,000	\$ 401,000	\$ -	\$ -	\$ 4,317,977	\$ -	\$ 21,953,977	7.03 %	\$ 1,783
2003	450,000	17,345,000	383,000	2,549,604	490,000	4,976,658	-	26,194,262	8.07	2,108
2004	305,000	16,375,000	364,000	2,434,604	440,000	3,788,973	1,445,000	25,152,577	7.49	2,014
2005	885,000	17,895,000	345,000	2,314,604	375,000	3,514,822	1,445,000	26,774,426	7.69	2,129
2006	1,380,000	20,805,000	325,000	2,189,604	910,000	3,914,155	1,395,000	30,918,759	8.60	2,452
2007	1,090,000	20,755,000	1,194,000	2,059,604	860,000	3,556,920	1,345,000	30,860,524	8.18	2,402
2008	2,940,000	18,010,000	283,000	-	805,000	8,008,063	1,290,000	31,336,063	8.01	2,423
2009	2,771,000	17,140,000	2,821,000	105,000	165,000	8,217,592	1,235,000	32,454,592	7.98	2,488
2010	2,963,000	19,125,000	3,418,000	105,000	-	8,520,257	1,180,000	35,311,257	8.21	2,636
2011	2,488,000	15,885,000	3,260,000	45,000	3,215,000	7,911,190	1,120,000	33,924,190	7.66	2,533

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

CITY OF NORTH MANKATO, MINNESOTA
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

Table 12

Fiscal Year	General Obligation Bonds	Less: Amounts Available in Debt Service Fund	Total	Percentage of Estimated Actual Taxable Value of Property	Per Capita
2002	\$ 750,000	\$ 48,198	\$ 701,802	0.09 %	\$ 57
2003	450,000	15,868	434,132	0.05	35
2004	305,000	77,039	227,961	0.03	18
2005	885,000	410,177	474,823	0.05	38
2006	1,380,000	494,778	885,222	0.09	70
2007	1,090,000	542,661	547,339	0.05	43
2008	2,940,000	859,809	2,080,191	0.20	161
2009	2,771,000	858,650	1,912,350	0.20	147
2010	2,963,000	726,917	2,236,083	0.24	167
2011	2,488,000	657,544	1,830,456	0.21	137

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

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CITY OF NORTH MANKATO, MINNESOTA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2011

Table 13

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
Direct debt			
City of North Mankato	<u>\$ 2,488,000</u>	100.00 %	<u>\$ 2,488,000</u>
Overlapping debt			
Nicollet County	12,410,000	35.24	4,373,284
Blue Earth County	20,452,000	0.00	150
Independent School Dist. 77	<u>55,595,000</u>	18.84	<u>10,474,098</u>
Total overlapping debt	<u>88,457,000</u>		<u>14,847,532</u>
Total direct and overlapping debt	<u><u>\$ 90,945,000</u></u>		<u><u>\$ 17,335,532</u></u>

Sources : Assessed value data used to estimate applicable percentages provided by the County Board of Equalization and Assessment. Debt outstanding data provided by the County.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the North Mankato. This process recognized that, when considering the government's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

CITY OF NORTH MANKATO, MINNESOTA
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Debt limit	\$ 13,503,172	\$ 15,883,998	\$ 16,336,858	\$ 17,051,200
Total net debt applicable to limit	<u>750,000</u>	<u>450,000</u>	<u>305,000</u>	<u>885,000</u>
Legal debt margin	<u>\$ 12,753,172</u>	<u>\$ 15,433,998</u>	<u>\$ 16,031,858</u>	<u>\$ 16,166,200</u>
Total net debt applicable to the limit as a percentage of debt limit	5.55%	2.83%	1.87%	5.19%

Note: Under state finance law, the City of North Mankato's outstanding general obligation debt should not exceed 3 percent of total assessed property value. By law, the general obligation debt subject to the limitation may be offset by amounts set aside for repaying general obligation bonds.

Table 14

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 17,039,185	\$ 16,049,306	\$ 24,497,850	\$ 27,804,603	\$ 27,714,156	\$ 26,222,790
<u>1,380,000</u>	<u>1,090,000</u>	<u>2,940,000</u>	<u>2,771,000</u>	<u>2,963,000</u>	<u>2,488,000</u>
<u>\$ 15,659,185</u>	<u>\$ 14,959,306</u>	<u>\$ 21,557,850</u>	<u>\$ 25,033,603</u>	<u>\$ 24,751,156</u>	<u>\$ 23,734,790</u>
8.10%	6.79%	12.00%	9.97%	10.69%	9.49%
Total estimated market value					<u>\$ 874,093,000</u>
Debt limit (3% of total assessed value)					26,222,790
Debt applicable to limit:					
General obligation bonds					<u>2,488,000</u>
Legal debt margin					<u>\$ 23,734,790</u>

CITY OF NORTH MANKATO, MINNESOTA
 PLEDGED-REVENUE COVERAGE - WATER, SEWER AND SANITATION BONDS
 LAST TEN FISCAL YEARS

Table 15

Year	Gross Revenue	Direct Operating Expenses ⁽²⁾	Net Revenue Available for Debt Service	Debt Service Requirements ⁽¹⁾			Coverage
				Principal	Interest	Total	
2002	\$ 3,467,358	\$ 2,566,415	\$ 900,943	\$ 274,896	\$ 181,083	\$ 455,979	1.98
2003	3,547,285	2,573,040	974,245	286,319	185,873	472,192	2.06
2004	3,595,113	2,458,006	1,137,107	267,685 (3)	163,737	431,422	2.64
2005	3,702,728	2,710,268	992,460	274,151	225,328	499,479	1.99
2006	4,245,249	2,657,562	1,587,687	395,667	212,493	608,160	2.61
2007	4,758,223	3,155,869	1,602,354	407,235	281,784	689,019	2.33
2008	4,826,745	3,180,705	1,646,040	388,857	293,241	682,098	2.41
2009	4,655,244	3,283,078	1,372,166	535,471	335,186	870,657	1.58
2010	4,679,466	3,165,201	1,514,265	652,335	360,467	1,012,802	1.50
2011	4,717,662	3,210,811	1,506,851	669,067	343,913	1,012,980	1.49

Source: City of North Mankato Financial Records.

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Sewer charges and other includes investment earnings but not tap fees. Operating expenses do not include interest or depreciation.

(1) The revenues of the utility are pledged to payment of debt service but bonds are backed by the full faith and credit of the City.

(2) Does not include depreciation.

(3) Excludes \$920,000 of refunding bonds paid in 2004.

CITY OF NORTH MANKATO, MINNESOTA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Table 16

Fiscal Year	Population	Personal Income	Per Capita Income	Median Age	School Enrollment	Unemployment Rate
2002	12,316	\$ 312,087,440	\$ 25,340	33.8	6,877	3.4 %
2003	12,429	324,396,900	26,100	33.8	6,736	3.6
2004	12,489	335,741,787	26,883	33.8	6,798	3.6
2005	12,577	348,244,553	27,689	33.8	6,863	3.0
2006	12,608	359,580,160	28,520	33.8	6,872	3.2
2007	12,850	377,481,600	29,376	33.8	7,119	3.7
2008	12,935	391,374,295	30,257	33.8	6,999	5.3
2009	13,045	406,547,425	31,165	33.8	7,022	6.2
2010	13,394	429,947,400	32,100	33.8	7,258	4.6
2011	13,394	442,845,822	33,063	33.8	7,392	5.6

Source: Minnesota Department of Employment and Economic Development.

Note: Population, median age, and education level information are based on surveys conducted during the last quarter of the calendar year. Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.

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CITY OF NORTH MANKATO, MINNESOTA
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

Table 17

	2011		2002	
	Employees	Rank	Employees	Rank
Carlson Craft	2,000	1	-	
Independent School District 77 (Mankato)	2,189	2	700	4
Immanuel St. Joseph's Hospital	1,828	3	-	
Minnesota State University Mankato	1,450	4	1,387	2
Mankato Clinic	725	5	443	7
Navitor	650	6	-	
South Central Technical College	550	7	-	
Bethany Lutheran College	432	8	317	10
Alltel Wireless	422	9	393	9
Hickory Tech	400	10	515	5
Taylor Corporation	-		2,671	1
Mankato Rehabilitation Center	-		800	3
Kato Engineering	-		476	6
The Thro Company	-		430	8
Total	10,646		8,132	

The economy of North Mankato is closely linked to that of the adjacent City of Mankato. These are major employers in the area.
Source: Springsted, Inc.

CITY OF NORTH MANKATO, MINNESOTA
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

Function	Full-time Equivalent Employees as of December 31			
	2002	2003	2004	2005
General government	11.0	10.5	10.5	10.5
Public safety				
Police				
Officers	11.0	11.0	12.0	12.0
Secretary	1.0	1.0	1.5	1.5
Inspections	3.0	3.0	3.0	3.0
Public works				
Maintenance	13.0	13.0	11.0	11.0
Culture and recreation				
Parks	7.0	7.0	7.0	7.0
Library	4.0	4.0	4.0	4.0
Water	4.0	4.0	4.0	4.0
Sewer	-	-	-	-
Sanitation	-	-	1.0	1.0
Total	54.0	53.5	54.00	54.0

Source: City Personnel Records

Table 18

Full-time Equivalent Employees as of December 31					
2006	2007	2008	2009	2010	2011
10.5	12.0	11.5	11.5	11.5	11.5
12.0	12.0	12.0	12.0	12.0	12.0
1.5	1.5	1.5	1.5	1.5	1.5
4.0	5.0	5.0	5.0	5.0	5.0
11.0	10.0	11.0	11.0	11.0	10.0
6.0	6.0	6.0	6.0	6.0	7.0
5.0	5.0	5.5	6.0	6.5	6.5
6.0	8.0	8.0	7.0	6.0	6.0
2.0	2.0	2.0	2.0	2.0	2.0
1.0	1.0	1.0	1.5	1.5	1.5
59.0	62.5	63.5	63.5	63.0	63.0

CITY OF NORTH MANKATO, MINNESOTA
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS

Function	Fiscal Year			
	2002	2003	2004	2005
Police				
Physical arrests	2,087	1,638	1,921	1,994
Accidents	168	157	159	145
Police reserve volunteer hours	3,545	3,782	3,536	3,452
Educational programs	26	22	25	22
Fire				
Number of calls answered	128	158	144	132
Public works				
Street seal coating (miles)	6.3	6.3	6.9	5.9
Sanitation				
Refuse collected (tons)	3,610	3,530	3,660	3,913
Culture and recreation				
Swim facility attendance	14,523	15,981	11,437	14,969
Library circulation (items checked out)	97,037	101,361	118,172	133,132
Bookmobile circulation	n/a	n/a	n/a	n/a
Water				
Total connections	5,120	5,316	5,455	5,658
Average daily consumption (thousands of gallons)	1,318	1,388	1,305	1,334

Sources: Various City departments.

Note: Indicators are not available for the general government function.

Table 19

Fiscal Year					
2006	2007	2008	2009	2010	2011
1,364	1,025	1,025	1,034	1,217	797
125	173	134	129	125	198
880	968	1,242	1,104	1,503	1,392
22	18	13	8	16	17
144	136	120	112	147	108
7.1	5.8	5.8	3.1	4.8	8.7
3,889	3,963	3,953	3,807	3,760	3,573
17,316	19,019	20,843	15,237	21,970	21,037
132,929	158,589	180,554	193,892	236,863	261,061
n/a	n/a	n/a	27,664	30,947	41,082
5,907	6,083	6,196	6,311	6,349	6,375
1,434	1,483	1,415	1,372	1,280	1,282

CITY OF NORTH MANKATO, MINNESOTA
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS

Function	Fiscal Year			
	2002	2003	2004	2005
General government				
Planning and zoning				
Building permits issued	706	656	645	655
Public safety				
Police				
Stations	1	1	1	1
Fulltime paid police	11	11	12	12
Volunteer police reserves	20	18	20	18
Fire				
Stations	2	2	2	2
Volunteer fire fighters	34	34	36	36
I.S.O. Rating	5	5	5	5
Public works				
Street division				
Miles of street	59.17	59.88	61.01	62.67
Signalized intersections	6	6	6	6
Parks division				
Parks	20	20	20	20
Area in acres	233	233	233	233
Baseball diamonds	14	14	14	14
Basketball courts	7	7	7	7
Horseshoe courts	6	6	8	8
Trails	4	5	5	5
Skating rinks/outdoor	5	5	5	5
Softball diamonds	9	11	11	11
Swimming facility	1	1	1	1
Tennis courts	8	8	8	8
Volleyball courts	9	9	9	9
Utilities				
Municipal water				
Connections	5,120	5,316	5,455	5,658
Average daily consumption (thousands of gallons)	1,318	1,388	1,305	1,334
Maximum daily consumption (thousands of gallons)	2,626	2,628	2,202	2,677

Source: City of North Mankato Financial Records.

Table 20

Fiscal Year					
2006	2007	2008	2009	2010	2011
615	825	976	1,042	2,190	1,750
1	1	1	1	1	1
12	12	12	12	12	12
16	18	17	17	17	19
2	2	2	2	2	2
33	35	38	38	36	35
5	5	5	5	5	4
64.05	66.09	66.09	67.31	68.50	75.37
6	6	6	6	6	6
20	20	20	20	20	21
245	250	250	250	250	251
14	14	14	14	14	14
8	8	8	8	8	8
8	13	13	13	13	13
5	5	6	6	6	6
5	5	5	5	5	5
11	11	11	11	11	11
1	1	1	1	1	1
8	8	8	8	8	8
9	9	9	9	9	9
5,907	6,083	6,196	6,311	6,349	6,375
1,434	1,483	1,415	1,387	1,280	1,282
2,696	2,845	3,045	2,809	2,466	2,267

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**SINGLE AUDIT AND
OTHER REQUIRED REPORTS**

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2011

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11 Civic Center Plaza
Suite 300
P.O. Box 3166
Mankato, MN 56002-3166

AUDITOR'S REPORT ON LEGAL COMPLIANCE

Honorable Mayor and City Council
City of North Mankato, Minnesota

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of North Mankato, Minnesota (the City) as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 25, 2012.

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

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

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

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

July 25, 2012
Mankato, Minnesota

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

11 Civic Center Plaza
Suite 300
P.O. Box 3166
Mankato, MN 56002-3166

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and City Council
City of North Mankato, Minnesota

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of City of North Mankato, Minnesota (the City), as of and for the year ended December 31, 2011, which collectively comprise the City's basic financial statements and have issued our report thereon dated July 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We identified one deficiency in internal control over financial reporting that we consider a material weakness, as defined above and described in the accompanying Schedule of Findings, Responses and Questioned Costs as finding 2011-1. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over financial reporting described in the accompanying Schedule of Findings, Responses and Questioned Costs as finding 2011-2 to be a significant deficiency.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted certain matters that we reported to management of the City in a separate letter dated July 25, 2012.

The City's response to the findings identified in our audit is described in the accompanying Schedule of Findings, Responses and Questioned Costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

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

July 25, 2012
Mankato, Minnesota

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

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Mankato, MN 56002-3166

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH *OMB CIRCULAR A-133*

Honorable Mayor and Council
City of North Mankato, Minnesota

Compliance

We have audited the compliance of the City of North Mankato, Minnesota (the City), with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2011. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings, Responses and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and *OMB Circular A-133*, Audits of States, Local Governments and Non-Profit Organizations. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2011.



Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider a material weakness, as defined above.

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

July 25, 2012
Minneapolis, Minnesota

ABDO, EICK & MEYERS, LLP
Certified Public Accountants

CITY OF NORTH MANKATO, MINNESOTA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

Funding Source/Program Name	Federal Domestic Assistance Number	Pass-Through Agency/ Grant Number	Program Expenditures
U.S. Department of Transportation Highway Planning and Construction	20.205	99911	\$ 1,183,234
U.S. Department of Justice Law Enforcement Assistance Narcotics and Dangerous Drugs Training	16.004		684
U.S. Department of Justice Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608		636
U.S. Department of Housing and Urban Development Community Development Block Grants/ Entitlement Grants	14.228		<u>105,500</u>
Total			<u><u>\$ 1,290,054</u></u>

CITY OF NORTH MANKATO, MINNESOTA
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2011

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal financial award programs of the City of North Mankato, Minnesota (the City). The reporting entity is defined in Note 1A to the City's financial statements. All federal financial assistance received directly from Federal agencies as well as Federal financial assistance passed through other government agencies is included on the schedule.

2. Basis of accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting for governmental funds and accrual basis of accounting for the enterprise funds, which is described in Note 1C to the City's financial statements. The major Federal program activity is reported in the 2011 Construction fund.

CITY OF NORTH MANKATO, MINNESOTA
SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011

A. Summary of Auditors Results

Financial Statements

1. The auditor's report expresses an unqualified opinion on the financial statements of the City.
2. Two significant deficiencies relating to the audit of the financial statements were disclosed in the Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Governmental Auditing Standards as findings 2011-1 and 2011-2. These findings are reported in section B of this schedule. Finding 2011-1 is reported as a material weakness.
3. No instances of noncompliance material to the financial statements were disclosed during the audit.

Federal Awards

1. The auditor's report on compliance for major programs for the City expresses an unqualified opinion on all major federal award programs.
2. There are no audit findings to be reported under Section 510(a) of *OMB Circular A-133*.
3. The programs tested as major programs include:

	<u>CFDA</u>
U.S. Department of Transportation	
Highway Planning and Construction	20.205
4. The threshold for distinguishing between types A and B programs was \$300,000.
5. The City was determined not to be a low-risk auditee under section 530 of Circular A-133 and therefore, the auditors have not reduced the extent of substantive tests.

CITY OF NORTH MANKATO, MINNESOTA
SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

B. Findings - Financial Statements Audit

Finding Description

2011-1 Audit and accounting adjustments

Condition: During our audit, adjustments were needed to record a number of accounting and audit adjustments. Material audit adjustments related to the following situations:

- To record a note between the City and the Port Authority in the amount of \$3,215,000.
- To correct accounts receivable balances in multiple funds for a total of \$257,983.
- To record additional due from other governments in the amount of \$431,946.
- To record additional accounts payable in the amount of \$18,550.
- To record cable franchise fees in the amount of \$24,377.
- To adjust the beginning fund balances of several funds in the amount of \$532,582.
- To record sales tax receivable/revenue in the amount of \$45,932.
- To correct deferred revenue in the amount of \$6,520,000.
- To reclassify a loan receivable from the City to the Port Authority in the amount of \$150,000.

Criteria: The financial statements are the responsibility of the City's management.

Cause: City staff has not prepared a year-end trial balance reflecting all necessary accounting entries.

Effect: This indicates that it would be likely that a misstatement may occur and not be detected by the City's system of internal control. The audit firm cannot serve as a compensating control over this deficiency.

Recommendation: We recommend that management review each journal entry, obtain an understanding of why the entry was necessary and modify current procedures to ensure that future corrections are not needed.

Updated progress since prior year:

Management will continue to review and gain an understanding of the audit adjustments in order to reduce the number of entries necessary for future audits.

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CITY OF NORTH MANKATO, MINNESOTA
SCHEDULE OF FINDINGS, RESPONSES AND QUESTIONED COSTS - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2011

Finding Description

2011-2 Preparation of financial statements

Condition: As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. Recent auditing standards require auditors to communicate this situation to the Council as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of your statements and footnotes, and the responsibility of the auditor to determine the fairness of presentation of those statements. However, based on recent auditing standards, it is our responsibility to inform you that this deficiency could result in a material misstatement to the financial statements that could have been prevented or detected by your management. Essentially, the auditors cannot be part of your internal control process.

Criteria: Internal controls should be in place to ensure adequate internal control over safeguarding of assets and the reliability of financial records and reporting.

Cause: From a practical standpoint, we prepare the statements and determine the fairness of the presentation at the same time in connection with our audit. This is not unusual for us to do with organizations of your size.

Effect: The effectiveness of the internal control system relies on enforcement by management. The effect of deficiencies in internal controls can result in undetected errors. As in prior years, we have instructed management to review a draft of the auditor prepared financials in detail for accuracy; we have answered any questions that management might have, and have encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification of disclosures in your statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation: Under these circumstances, the most effective controls lie in management's knowledge of the Organization's financial operations. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost and other considerations. Regarding the specific situations listed above, we would offer the following specific recommendation: 1) Utilize a disclosure checklist to ensure all required disclosures are present and agree to work papers, and 2) Agree your accounting information from your accounting software to the amounts reported in the financial statements.

Management response:

For now, the City's management accepts the degree of risk associated with this condition and thoroughly reviews a draft of the financial statements.

C. Findings and Questioned Costs - Major Federal Awards Program Audit

None.