

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2012

PREPARED BY:

FINANCE DEPARTMENT

Clara Thorne
Finance Director

Member GFOA of U.S. and Canada
Published June 18, 2013

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INTRODUCTORY SECTION

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

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June 18, 2013

Honorable Mayor
Members of the City Council
City of North Mankato
North Mankato, Minnesota 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, 2012.

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. 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, 2012 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, 2012 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 2012 for 35 new housing units at a total value of \$7,895,390.

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.

After approving the 2013 budget, the City Council elected to conduct a debt study to analyze existing debt obligations with estimated revenues. This was prompted by declining revenue from projects funded with special assessments resulting in interfund loans to the Debt Service funds from both the General fund and Water Utility fund. These loans totaled \$3,483,000 at the end of fiscal year 2011 and were reduced by approximately \$314,000 by the end of fiscal year 2012 to an amount of approximately \$3,169,000. Adoption of the debt study and its attendant recommendations by the City Council is anticipated in June of 2013. The findings of this study will be used to craft the 2014 budget and include a specific plan for repayment over the next four to five fiscal years. Repayment of these loans and stabilizing fund balances in both the General fund and Water Utility fund will be priorities of management in the 2014 proposed budget and will take priority over capital projects lacking statutory dedicated funding streams.

While the City has adopted a five year Capital Improvement Plan for 2013, all projects that have not been financed previously or that can be funded with cash have been placed on hold by management. The following projects are scheduled for completion in 2013:

Transportation

The interchange at County State Aid Highway 41 will be completed in the fall of 2013. 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 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. The local soccer organization has pledged a contribution of \$150,000 to the project which is estimated to cost \$917,000. Approximately \$550,000 was spent on the soccer fields in 2012 using cash from the Local Option Sales Tax fund and an additional \$300,000 will be spent in 2013 on the project.

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. These projects have been postponed until resolution of the issues identified in the debt study is completed. Recoating the 500,000 gallon water tower interior and exterior at a cost of \$150,000 is scheduled for 2014 and will be funded with water utility revenues.

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 Capital Improvement 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, 2011. This was the twenty-fifth 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.

Respectfully submitted,



John Harrenstein
City Administrator



Clara Thorne
Finance Director

CITY OF NORTH MANKATO, MINNESOTA
PRINCIPAL CITY OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2012

MAYOR: *Mark Dehen*

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

CITY ADMINISTRATOR: *Wendell G. Sande (resigned May 2012)*
Michael Fischer (interim May 2012-March 2013)
John Harrenstein (appointed March 2013)

FINANCE DIRECTOR: *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*

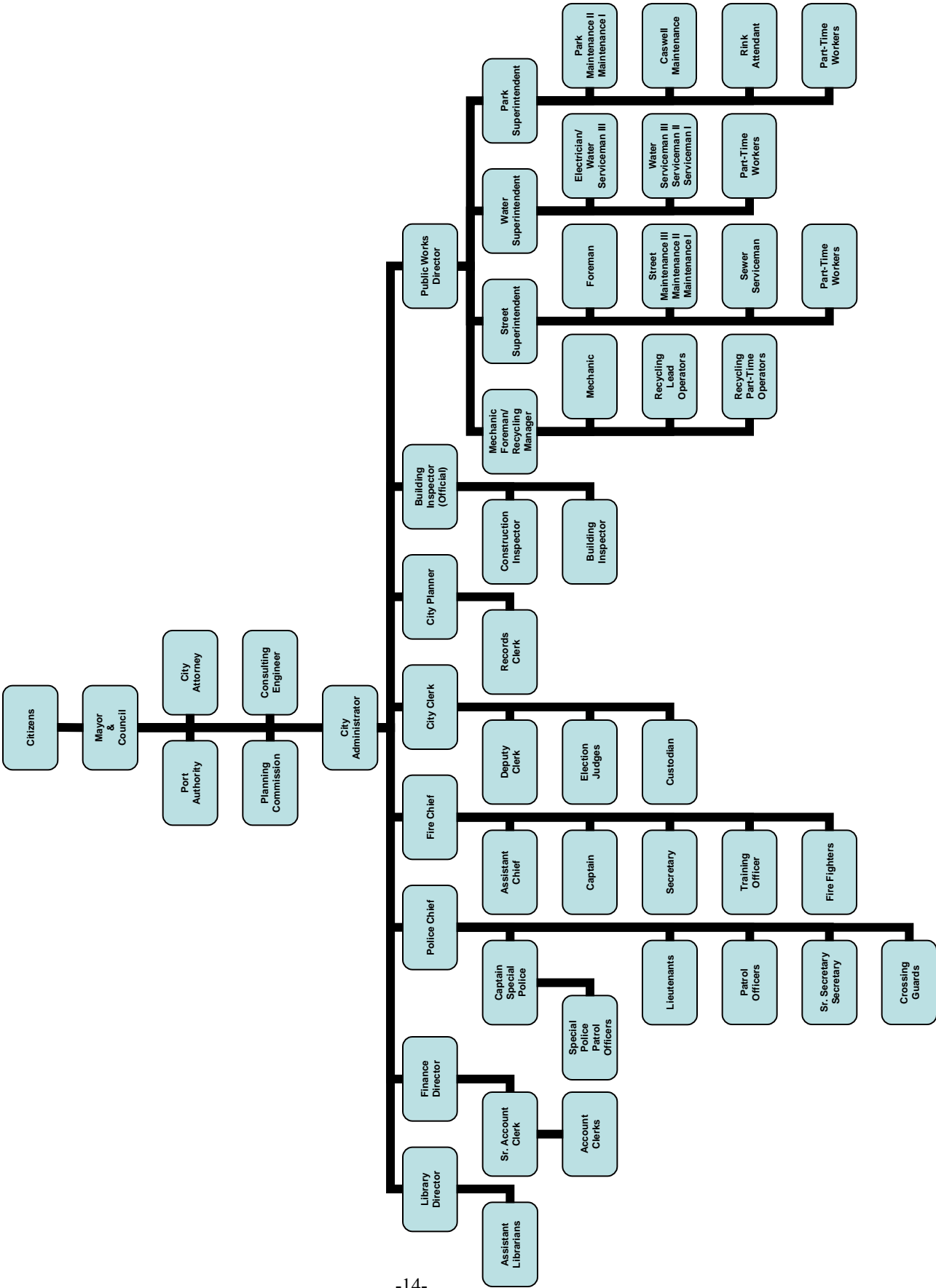
AUDITOR: *Abdo, Eick & Meyers, LLP*

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, 2011

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.



Christopher P. Moynell
President

Jeffrey R. Enen
Executive Director

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FINANCIAL SECTION

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

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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

We have audited the accompanying financial statements of 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, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. The prior year comparative information has been derived from the City's 2011 financial statements and, in our report dated July 25, 2012 we express unqualified opinions on the respective proprietary fund financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

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

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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the General fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Other Matters

Change in Accounting Standards

As described in the Note 8 to the basic financial statements, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended December 31, 2012. Adoption of the provisions of these statements results in significant change to the classifications of the components of the financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis starting on page 23 and the Schedule of Funding Progress 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.

Supplementary Information in Relation to the Financial Statements as a Whole

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, statistical section and combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole. The introductory section 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 an 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* in considering the City's internal control over financial reporting and compliance.

June 18, 2013
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, 2012. 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 \$51,240,886 (*net position*). Of this amount, a balance of \$5,717,234 represents *unrestricted net position* which may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$1,799,828 as compared to an increase of \$1,088,179 in the previous year. A major reason for the decrease is the decrease in capital grants and contributions of \$1,267,077, mostly as a result of the U.S. Department of Transportation Highway Planning and Construction grant and County grants and aids for highways. Also, increases in public works expenses in the amount of \$2,610,836, related to the non-capitalized portions of the Highway 41/Carlson Drive/Howard Drive and the Highway 14/41 Interchange projects, contributed to the decrease in net position.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$4,061,585 a decrease of \$3,028,341 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 \$1,599,437.
- At the end of the current fiscal year, unassigned fund balance for the General fund was \$2,731,388, or 49.5 percent of total General fund expenditures.
- The City's total debt decreased by \$2,080,499, or 6.1 percent during the current fiscal year. Debt issuances amounted to \$1,935,423 and \$4,015,922 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.

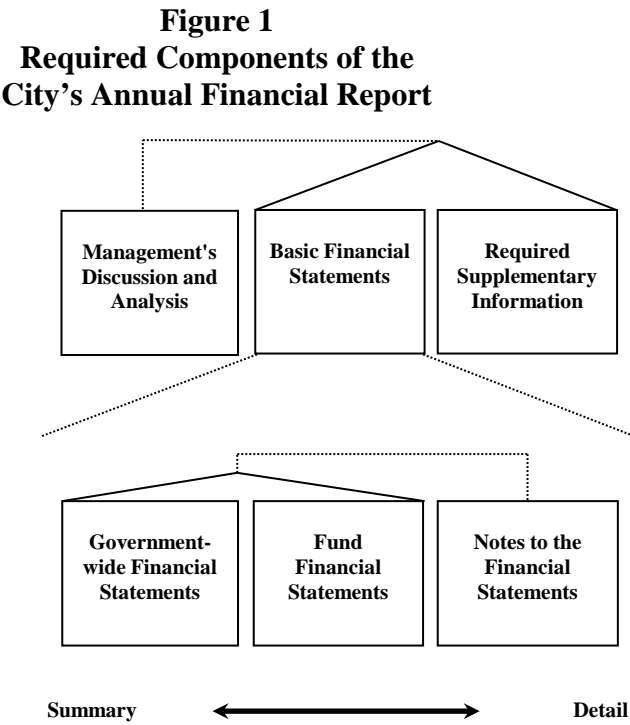


Figure 2 summarizes the major features of the City’s financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the 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 Position • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures, and Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Position • Statement of Revenues, Expenses and Changes in Net Position • 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 deferred outflows/inflows of resources information	All deferred outflows/inflows of resources, regardless of when cash is received or paid.	Only deferred outflows of resources expected to be used up and deferred inflows of resources that come due during the year or soon thereafter; no capital assets included	All deferred outflows/inflows of resources, regardless of when cash is received or paid
Type of 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 position* presents information on all of the City’s assets and liabilities with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, 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 or 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 31 individual governmental funds, which includes 14 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 position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$51,240,886 at the close of the most recent fiscal year.

By far, the largest portion of the City's net position (75.0 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 Position

	Governmental Activities			Business-type Activities		
	2012	(Restated) 2011	Increase (Decrease)	2012	(Restated) 2011	Increase (Decrease)
Current and other assets	\$ 13,627,471	\$ 17,682,636	\$ (4,055,165)	\$ 4,519,300	\$ 4,419,961	\$ 99,339
Capital assets	43,294,109	43,076,736	217,373	23,851,089	24,663,058	(811,969)
Total assets	56,921,580	60,759,372	(3,837,792)	28,370,389	29,083,019	(712,630)
Long-term liabilities outstanding	24,404,418	25,768,603	(1,364,185)	8,481,168	9,146,693	(665,525)
Other liabilities	857,306	1,510,543	(653,237)	308,191	375,838	(67,647)
Total liabilities	25,261,724	27,279,146	(2,017,422)	8,789,359	9,522,531	(733,172)
Net position						
Net investment in capital assets	22,078,379	21,718,486	359,893	16,380,284	16,528,103	(147,819)
Restricted	7,064,989	9,836,509	(2,771,520)	-	-	-
Unrestricted	2,516,488	1,925,231	591,257	3,200,746	3,032,385	168,361
Total net position	\$ 31,659,856	\$ 33,480,226	\$ (1,820,370)	\$ 19,581,030	\$ 19,560,488	\$ 20,542

An additional portion of the City's net position (13.8 percent) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position* (11.2 percent) may be used to meet the City's ongoing obligations to citizens and creditors.

The City's total net position decreased by \$1,799,828 as compared to an increase of \$1,088,179 in the previous year. A major reason for the decrease is the decrease in capital grants and contributions of \$1,267,077, mostly as a result of the U.S. Department of Transportation Highway Planning and Construction grant and County grants and aids for highways. Also, increases in public works expenses in the amount of \$2,610,836, related to the non-capitalized portions of the Highway 41/Carlson Drive/Howard Drive and the Highway 14/41 Interchange projects, contributed to the decrease in net position.

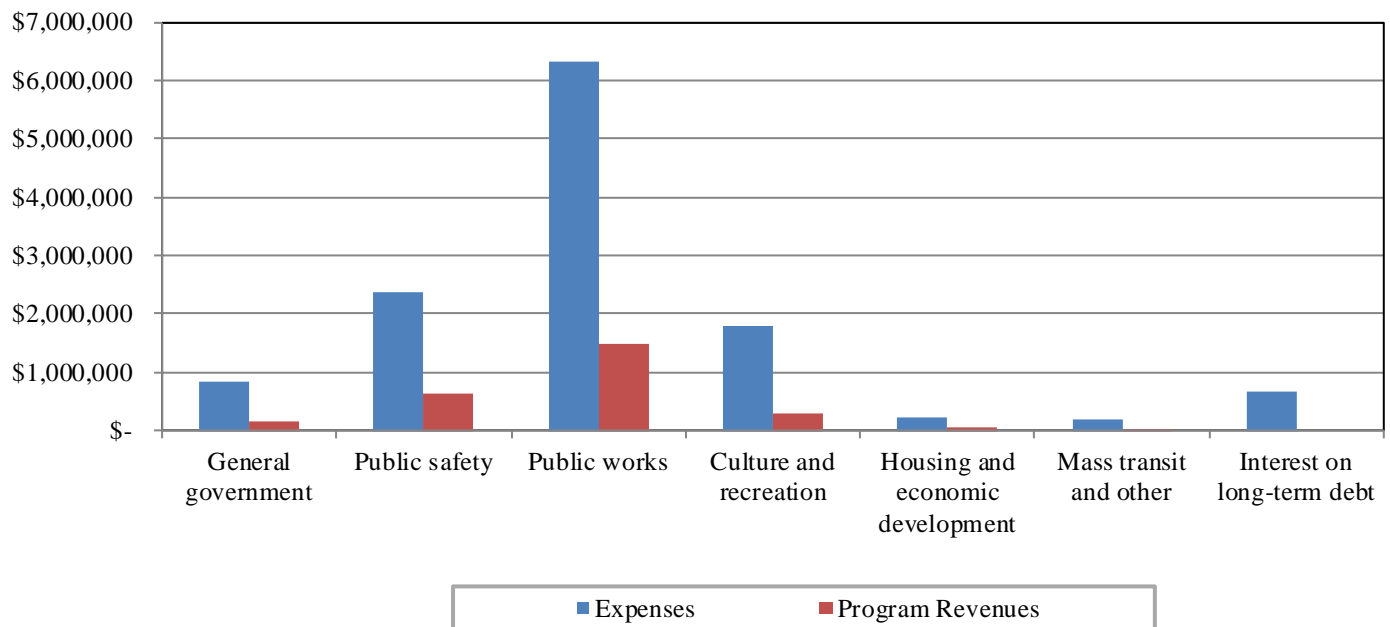
Governmental activities. Governmental activities decreased the City's net position by \$1,820,370 accounting for 101.1 percent of the total decrease. Key elements of this change are as follows:

City of North Mankato's Changes in Net Position

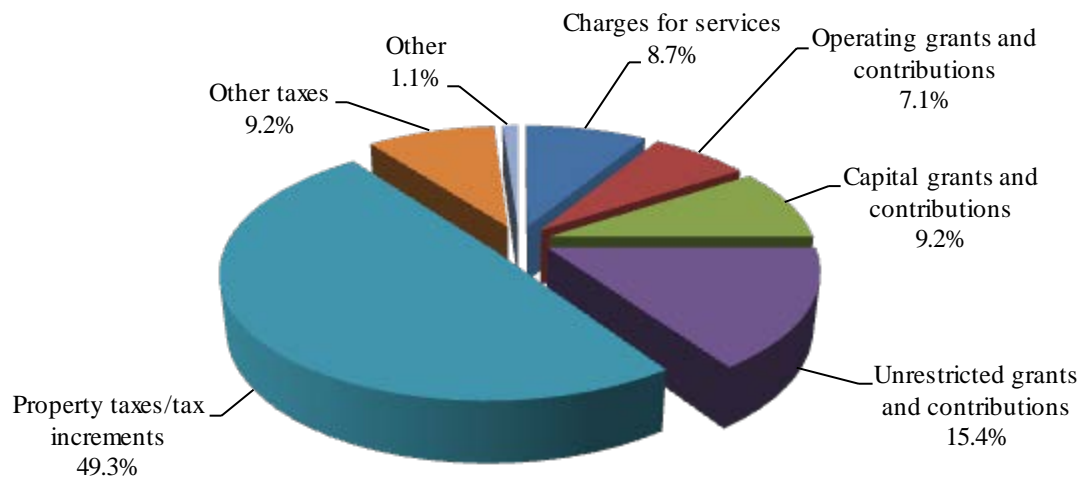
	Governmental Activities			Business-type Activities		
	2012	(Restated) 2011	Increase (Decrease)	2012	(Restated) 2011	Increase (Decrease)
Revenues						
Program revenues						
Charges for services	\$ 892,067	\$ 1,095,346	\$ (203,279)	\$ 4,748,710	\$ 4,677,623	\$ 71,087
Operating grants and contributions	726,999	871,835	(144,836)	-	4,994	(4,994)
Capital grants and contributions	944,501	2,221,476	(1,276,975)	3,668	(6,230)	9,898
General revenues						
Property taxes/ tax increments	5,026,073	4,370,347	655,726	50,000	50,000	-
Other taxes	945,317	848,426	96,891	1,079	965	114
Grants and contributions not restricted to specific programs	1,575,869	1,456,390	119,479	-	-	-
Unrestricted investment earnings	4,259	33,678	(29,419)	4,663	1,564	3,099
Other	104,107	67,840	36,267	-	-	-
Gain on sale of capital assets	11,052	-	11,052	-	-	-
Total revenues	10,230,244	10,965,338	(735,094)	4,808,120	4,728,916	79,204
Expenses						
General government	849,434	952,893	(103,459)	-	-	-
Public safety	2,372,795	2,235,789	137,006	-	-	-
Public works	6,307,462	3,696,626	2,610,836	-	-	-
Culture and recreation	1,787,372	1,744,224	43,148	-	-	-
Housing and economic development	223,016	498,794	(275,778)	-	-	-
Mass transit and other	208,994	258,873	(49,879)	-	-	-
Interest on long-term debt	677,767	752,795	(75,028)	-	-	-
Water	-	-	-	1,433,452	1,522,644	(89,192)
Wastewater	-	-	-	1,532,381	1,498,908	33,473
Sanitation	-	-	-	1,292,299	1,263,485	28,814
Storm water	-	-	-	153,220	181,044	(27,824)
Total expenses	12,426,840	10,139,994	2,286,846	4,411,352	4,466,081	(54,729)
Increase (decrease) in net position before transfers	(2,196,596)	825,344	(3,021,940)	396,768	262,835	133,933
Transfers	376,226	241,630	134,596	(376,226)	(241,630)	(134,596)
Change in net position	(1,820,370)	1,066,974	(2,887,344)	20,542	21,205	(663)
Net position - January 1 as restated	33,480,226	32,413,252	1,066,974	19,560,488	19,539,283	21,205
Net position - December 31 as restated	\$ 31,659,856	\$ 33,480,226	\$ (1,820,370)	\$ 19,581,030	\$ 19,560,488	\$ 20,542

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

Expenses and Program Revenues - Governmental Activities



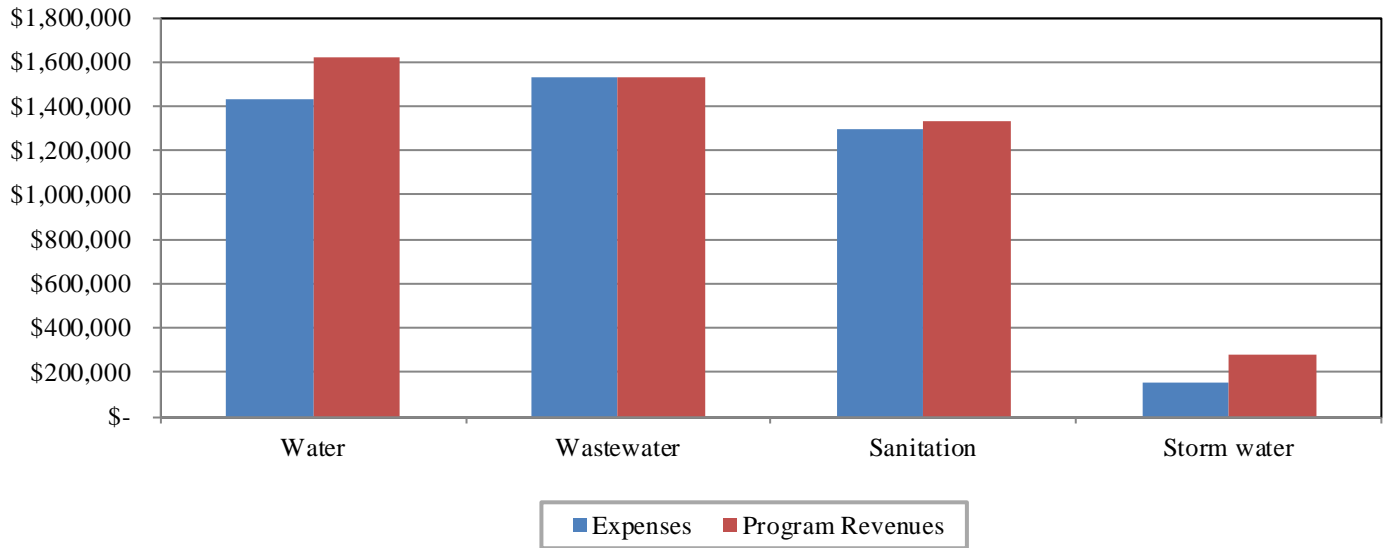
Revenues by Source - Governmental Activities



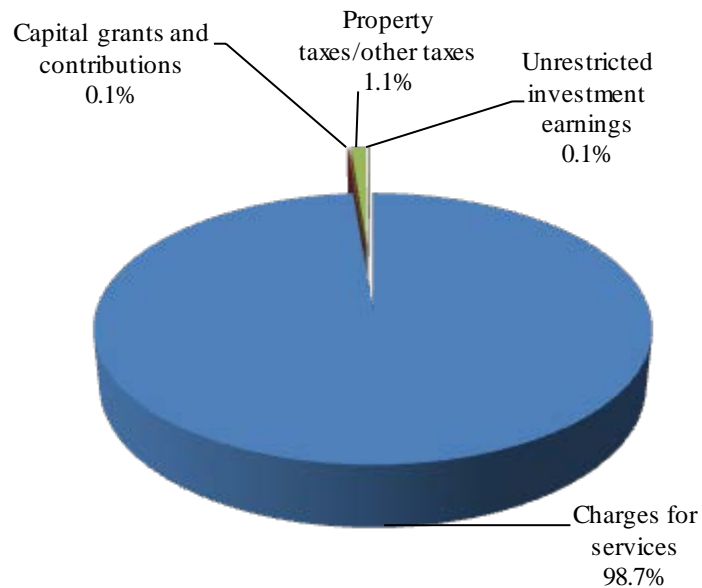
Business-type activities. Business-type activities increased the City’s net position by \$20,542 accounting for 1.1 of the total decrease. Key elements of this change are as follows:

- Total operating income was \$672,596, an increase of \$112,083 over the prior year.
- Total nonoperating expenses exceeded nonoperating revenues by \$275,828.
- Transfers out totaled \$361,630 for 2012.

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 \$4,061,585 a decrease of \$3,028,341 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 \$1,599,437.

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 \$2,818,337 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 49.5 percent of total General fund expenditures.

The *General fund* balance increased by \$656,452 during the current year. The key factor of the increase in the fund balance of the City's General fund was due to total revenues being \$383,030 over budget and expenditures being \$137,263 under budget. Licenses and permits, intergovernmental and miscellaneous revenues were over budget by \$194,152, \$143,823 and \$100,569, respectively.

The *Debt Service fund* has a total fund balance deficit of \$415,282. There was a decrease of \$650,333 in this deficit in the current year, mainly due to issuance of refunding bonds of \$895,000 that will be used to refund the G.O. Street Reconstruction Bonds of 2004A and G.O. Improvement Bonds of 2005D in future years.

The *2011 Construction fund* has a total fund balance of \$1,013,755. This balance is mainly due to prior year 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 position of the Water, Wastewater, Sanitation and Storm Water Utility funds at the end of the year totaled \$3,200,746. The total increase in net position in the current year for these funds totaled \$20,542.

General Fund Budgetary Highlights

The City's General fund budget was not amended during the year. Revenues were over budget by \$383,030 and expenditures came in under budget by \$137,263. Other financing sources (uses) had a favorable budget variance of \$136,159. The net result was an increase to the General fund balance of \$656,452.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2012 amounts to \$67,145,198 (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 decrease in the City's investment in capital assets for the current fiscal year was 0.9 percent.

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

- A new HVAC system was installed in the Municipal Building for \$101,388.
- The Caswell Park building roof was replaced in the amount of \$67,956.
- Soccer field lights were installed at Caswell North for \$105,423.
- Improvements totaling \$2,315,547 were added to construction in progress for the 14/41 Interchange project, Caswell North soccer fields and CSAH 41-Carlson Drive-Howard Drive.

Additional information on the City's capital assets can be found in Note 3C starting on page 74 of this report.

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

	Governmental Activities			Business-type Activities		
	2012	2011	Increase (Decrease)	2012	2011	Increase (Decrease)
Land	\$ 3,420,428	\$ 3,387,161	\$ 33,267	\$ 490,616	\$ 490,616	\$ -
Buildings and improvements	31,698,049	33,357,987	(1,659,938)	23,013,652	23,753,801	(740,149)
Machinery and equipment	1,105,004	1,150,313	(45,309)	346,821	418,641	(71,820)
Construction in progress	7,070,628	5,181,275	1,889,353	-	-	-
Total	<u>\$ 43,294,109</u>	<u>\$ 43,076,736</u>	<u>\$ 217,373</u>	<u>\$ 23,851,089</u>	<u>\$ 24,663,058</u>	<u>\$ (811,969)</u>

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$28,523,268. Of this amount, \$2,597,000 comprises debt backed by the full faith and credit of the City and \$16,480,000 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 \$9,446,268.

City of North Mankato's Outstanding Debt

	Governmental Activities			Business-type Activities		
	2012	2011	Increase (Decrease)	2012	2011	Increase (Decrease)
General obligation bonds	\$ 2,597,000	\$ 2,488,000	\$ 109,000	\$ -	\$ -	\$ -
G.O. improvement bonds	14,485,000	15,885,000	(1,400,000)	1,995,000	1,120,000	875,000
General obligation revenue bonds	3,051,000	3,260,000	(209,000)	6,395,268	7,911,190	(1,515,922)
Notes	3,215,000	3,215,000	-	-	-	-
Contracts	105,423	45,000	60,423	-	-	-
Total	<u>\$ 23,453,423</u>	<u>\$ 24,893,000</u>	<u>\$ (1,439,577)</u>	<u>\$ 8,390,268</u>	<u>\$ 9,031,190</u>	<u>\$ (640,922)</u>

The City's total debt decreased by \$2,080,499 (6.1 percent) during the current fiscal year. Debt issuances amounted to \$1,935,423 and \$4,015,922 in long-term debt was retired during the year.

The City maintained an "AA" rating from Standard and Poor's for their 2012 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 \$23,523,184, 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 3E starting on page 80 of this report.

Economic Factors and Next Year's Budgets and Rates

- The 2012 unemployment rate for the City was 4.4 percent, which is a decrease from a rate of 4.7 percent a year ago. This compares favorably to the State's average unemployment rate of 5.4 percent and the national average rate of 8.1 percent.
- Inflationary trends in the region compare favorably to national indices.
- Tax capacity valuation decreased in 2012 for taxes payable in 2013 by \$315,908 or 3.10 percent. Market value of property has increased an average of 0.5 percent per year for the past 10 years.

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

During the current fiscal year, fund balance in the General fund increased by \$656,452 to \$2,818,337. 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.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

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CITY OF NORTH MANKATO, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Port Authority
ASSETS				
Cash and temporary investments	\$ 2,508,965	\$ 1,655,374	\$ 4,164,339	\$ 921,436
Restricted assets - cash with fiscal agent	2,388,183	900,666	3,288,849	-
Receivables				
Delinquent taxes	94,686	-	94,686	-
Accounts	89,294	401,986	491,280	2,954
Interest	23,546	-	23,546	7,050
Notes, mortgages and leases	240,092	-	240,092	4,666,227
Special assessments	5,910,501	26,340	5,936,841	-
Intergovernmental	3,395,141	17,265	3,412,406	750
Internal balances	(1,436,000)	1,436,000	-	-
Due from component unit	323,005	-	323,005	-
Inventories	-	55,608	55,608	-
Prepaid items	90,058	26,061	116,119	-
Capital assets				
Nondepreciable assets	10,491,056	490,616	10,981,672	2,242,820
Depreciable assets net of accumulated depreciation	32,803,053	23,360,473	56,163,526	-
TOTAL ASSETS	56,921,580	28,370,389	85,291,969	7,841,237
LIABILITIES				
Accounts payable	102,379	94,409	196,788	259
Contracts payable	292,525	-	292,525	-
Due to primary government	-	-	-	323,005
Due to other governments	128,251	65,197	193,448	182,696
Accrued interest payable	208,077	121,834	329,911	102,730
Accrued wages payable	124,474	26,751	151,225	-
Unearned revenue	1,600	-	1,600	24,160
Noncurrent liabilities:				
Due within one year	3,001,701	635,428	3,637,129	470,000
Due in more than one year	21,402,717	7,845,740	29,248,457	6,137,183
TOTAL LIABILITIES	25,261,724	8,789,359	34,051,083	7,240,033
NET POSITION				
Net investment in capital assets	22,078,379	16,380,284	38,458,663	(1,774,363)
Restricted for				
Debt service	6,043,608	-	6,043,608	821,522
Library programs	51,049	-	51,049	-
Park development	14,180	-	14,180	-
Park improvements	956,152	-	956,152	-
Economic development	-	-	-	2,011,091
Tax increment financing	-	-	-	619,305
Unrestricted	2,516,488	3,200,746	5,717,234	(1,076,351)
TOTAL NET POSITION	\$ 31,659,856	\$ 19,581,030	\$ 51,240,886	\$ 601,204

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, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities				
General government	\$ 849,434	\$ 145,142	\$ -	\$ -
Public safety	2,372,795	455,110	128,144	40,618
Public works	6,307,462	37,434	575,025	858,982
Culture and recreation	1,787,372	218,307	15,354	44,901
Housing and economic development	223,016	36,004	8,476	-
Mass transit and other	208,994	70	-	-
Interest on long-term debt	677,767	-	-	-
Total governmental activities	12,426,840	892,067	726,999	944,501
Business-type activities				
Water	1,433,452	1,615,436	-	1,376
Sewer	1,532,381	1,525,340	-	2,292
Sanitation	1,292,299	1,333,111	-	-
Storm water	153,220	274,823	-	-
Total business-type activities	4,411,352	4,748,710	-	3,668
Total primary government	\$ 16,838,192	\$ 5,640,777	\$ 726,999	\$ 948,169
Component unit				
Port Authority	\$ 604,467	\$ 77,673	\$ 234,711	\$ -

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 position
Net position, January 1 as restated
Net position, December 31

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

Net (Expense) Revenue and
Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Port Authority
\$ (704,292)		\$ (704,292)	
(1,748,923)		(1,748,923)	
(4,836,021)		(4,836,021)	
(1,508,810)		(1,508,810)	
(178,536)		(178,536)	
(208,924)		(208,924)	
(677,767)		(677,767)	
<u>(9,863,273)</u>		<u>(9,863,273)</u>	
	\$ 183,360	183,360	
	(4,749)	(4,749)	
	40,812	40,812	
	<u>121,603</u>	<u>121,603</u>	
	341,026	341,026	
<u>(9,863,273)</u>	<u>341,026</u>	<u>(9,522,247)</u>	
			<u>\$ (292,083)</u>
3,646,058	-	3,646,058	65,000
1,380,015	50,000	1,430,015	-
-	-	-	65,741
545,157	1,079	546,236	-
47,126	-	47,126	-
16,427	-	16,427	-
336,607	-	336,607	-
1,575,869	-	1,575,869	-
4,259	4,663	8,922	472
104,107	-	104,107	(6,470)
11,052	-	11,052	3,000
<u>376,226</u>	<u>(376,226)</u>	<u>-</u>	<u>-</u>
<u>8,042,903</u>	<u>(320,484)</u>	<u>7,722,419</u>	<u>127,743</u>
<u>(1,820,370)</u>	<u>20,542</u>	<u>(1,799,828)</u>	<u>(164,340)</u>
<u>33,480,226</u>	<u>19,560,488</u>	<u>53,040,714</u>	<u>765,544</u>
<u>\$ 31,659,856</u>	<u>\$ 19,581,030</u>	<u>\$ 51,240,886</u>	<u>\$ 601,204</u>

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FUND FINANCIAL STATEMENTS

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

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CITY OF NORTH MANKATO, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2012

	General	Debt Service	2011 Construction
ASSETS			
Cash and temporary investments	\$ 707,965	\$ 295,194	\$ 880,341
Restricted assets - cash with fiscal agent	-	2,388,183	-
Receivables			
Taxes	94,686	-	-
Accounts	34,162	-	-
Interest	-	23,466	-
Notes	61,751	-	-
Special assessments	76,129	5,834,372	-
Intergovernmental	34,350	2,852,578	401,895
Due from other funds	1,802,844	-	83,233
Due from component unit	323,005	-	-
Prepaid items	86,949	-	136
	<u>\$ 3,221,841</u>	<u>\$ 11,393,793</u>	<u>\$ 1,365,605</u>
TOTAL ASSETS			
LIABILITIES			
Accounts payable	\$ 69,243	\$ -	\$ 4,878
Contracts payable	-	-	270,284
Due to other funds	-	3,169,207	-
Due to other governments	52,936	-	75,295
Accrued interest payable	-	496	-
Accrued wages payable	108,910	-	1,393
Unearned revenue	1,600	-	-
	<u>232,689</u>	<u>3,169,703</u>	<u>351,850</u>
TOTAL LIABILITIES			
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - taxes	94,686	-	-
Unavailable revenue - special assessments	76,129	5,834,372	-
Unavailable revenue - due from other governments/notes	-	2,805,000	-
	<u>170,815</u>	<u>8,639,372</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES			
FUND BALANCES			
Nonpendable	86,949	-	136
Restricted	-	-	-
Committed	-	-	-
Assigned	-	-	1,013,619
Unassigned	2,731,388	(415,282)	-
	<u>2,818,337</u>	<u>(415,282)</u>	<u>1,013,755</u>
TOTAL FUND BALANCES			
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 3,221,841</u>	<u>\$ 11,393,793</u>	<u>\$ 1,365,605</u>

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

Other Governmental Funds	Totals
\$ 625,465	\$ 2,508,965
-	2,388,183
-	94,686
55,132	89,294
80	23,546
177,790	239,541
-	5,910,501
106,318	3,395,141
525,452	2,411,529
-	323,005
2,973	90,058
<u>\$ 1,493,210</u>	<u>\$ 17,474,449</u>
\$ 29,943	\$ 104,064
22,241	292,525
678,322	3,847,529
20	128,251
-	496
12,486	122,789
-	1,600
<u>743,012</u>	<u>4,497,254</u>
-	94,686
-	5,910,501
105,423	2,910,423
<u>105,423</u>	<u>8,915,610</u>
2,973	90,058
915,958	915,958
105,848	105,848
336,665	1,350,284
(716,669)	1,599,437
<u>644,775</u>	<u>4,061,585</u>
<u>\$ 1,493,210</u>	<u>\$ 17,474,449</u>

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

Total fund balances - governmental funds	\$ 4,061,585
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the funds.	43,294,109
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	
Severance payable	(610,571)
Other postemployment benefits obligation	(189,934)
Bonds payable	(23,348,000)
Contracts payable	(105,423)
Unamortized bond discounts, net of amortization	20,644
Unamortized bond premiums, net of amortization	(171,134)
Long-term assets are not available to pay current-period expenditures and, therefore, are unavailable in the funds.	
Delinquent property taxes receivable	94,686
Special assessments receivable	5,910,501
Due from other governments/notes	2,910,423
Interest receivable	551
Governmental funds do not report a liability for accrued interest until due and payable.	<u>(207,581)</u>
Total net position - governmental activities	<u><u>\$ 31,659,856</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
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012

	General	Debt Service	2011 Construction
REVENUES			
Taxes	\$ 3,244,213	\$ 1,380,015	\$ -
Special assessments	49,776	878,393	-
Licenses and permits	526,752	-	-
Intergovernmental	1,670,304	269,737	745,520
Charges for services	164,327	-	-
Fines and forfeits	27,172	-	-
Investment earnings	1,367	149	1,449
Miscellaneous	148,269	-	-
TOTAL REVENUES	<u>5,832,180</u>	<u>2,528,294</u>	<u>746,969</u>
EXPENDITURES			
Current			
General government	927,260	-	-
Public safety	2,060,175	-	106,560
Public works	1,643,266	-	133,460
Culture and recreation	771,837	-	-
Housing and economic development	-	-	-
Miscellaneous	76,676	-	-
Capital outlay			
General government	12,825	-	-
Public safety	-	-	-
Public works	27,478	-	4,012,151
Culture and recreation	-	-	-
Housing and economic development	-	-	-
Miscellaneous	-	-	-
Debt service			
Principal	-	2,395,000	-
Interest and other	-	687,062	-
Bond issuance costs	-	16,348	-
TOTAL EXPENDITURES	<u>5,519,517</u>	<u>3,098,410</u>	<u>4,252,171</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>312,663</u>	<u>(570,116)</u>	<u>(3,505,202)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	461,177	327,913	-
Debt issued	-	895,000	-
Transfers out	(117,388)	(2,464)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>343,789</u>	<u>1,220,449</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	656,452	650,333	(3,505,202)
FUND BALANCES, JANUARY 1	<u>2,161,885</u>	<u>(1,065,615)</u>	<u>4,518,957</u>
FUND BALANCES, DECEMBER 31	<u>\$ 2,818,337</u>	<u>\$ (415,282)</u>	<u>\$ 1,013,755</u>

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

Other Governmental Funds	Totals
\$ 1,352,067	\$ 5,976,295
-	928,169
-	526,752
(5,778)	2,679,783
5	164,332
-	27,172
743	3,708
276,371	424,640
<u>1,623,408</u>	<u>10,730,851</u>
-	927,260
4,800	2,171,535
-	1,776,726
751,073	1,522,910
223,016	223,016
33,451	110,127
-	12,825
12,388	12,388
73,293	4,112,922
924,174	924,174
33,267	33,267
146,646	146,646
45,000	2,440,000
1,575	688,637
-	16,348
<u>2,248,683</u>	<u>15,118,781</u>
<u>(625,275)</u>	<u>(4,387,930)</u>
212,407	1,001,497
105,423	1,000,423
(522,479)	(642,331)
<u>(204,649)</u>	<u>1,359,589</u>
(829,924)	(3,028,341)
<u>1,474,699</u>	<u>7,089,926</u>
<u>\$ 644,775</u>	<u>\$ 4,061,585</u>

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

Net change in fund balances - governmental funds \$ (3,028,341)

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	2,420,759
Depreciation expense	(2,142,976)
Capital contributions from business-type activities, net of related debt	57,678

The statement of activities reports losses arising from trade-in of existing capital assets to acquire new capital assets. Conversely, governmental funds do not report any gain or loss on a trade-in of capital assets. (12,665)

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

Principal repayments	2,440,000
Debt issued or incurred	(1,000,423)
Discount on bonds issued, net of amortization expense	(4,249)
Premium on bonds issued, net of amortization expense	10,351

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. 21,116

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	(4,905)
Special assessments	(361,871)
Intergovernmental revenues	(175,000)
Interest earnings	551

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	(37,338)
Other postemployment benefits costs	(3,057)

Change in net position - governmental activities \$ (1,820,370)

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, 2012

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Taxes	\$ 3,253,694	\$ 3,253,694	\$ 3,244,213	\$ (9,481)
Special assessments	3,150	3,150	49,776	46,626
Licenses and permits	332,600	332,600	526,752	194,152
Intergovernmental	1,526,481	1,526,481	1,670,304	143,823
Charges for services	240,625	240,625	164,327	(76,298)
Fines and forfeits	34,900	34,900	27,172	(7,728)
Investment earnings	10,000	10,000	1,367	(8,633)
Miscellaneous	47,700	47,700	148,269	100,569
TOTAL REVENUES	5,449,150	5,449,150	5,832,180	383,030
EXPENDITURES				
Current				
General government	966,540	966,540	927,260	39,280
Public safety	2,055,040	2,055,040	2,060,175	(5,135)
Public works	1,702,335	1,702,335	1,643,266	59,069
Culture and recreation	822,365	822,365	771,837	50,528
Miscellaneous	100,500	100,500	76,676	23,824
Capital outlay				
General government	-	-	12,825	(12,825)
Public works	-	-	27,478	(27,478)
Culture and recreation	10,000	10,000	-	10,000
TOTAL EXPENDITURES	5,656,780	5,656,780	5,519,517	137,263
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(207,630)	(207,630)	312,663	520,293
OTHER FINANCING SOURCES (USES)				
Transfers in	207,630	207,630	461,177	253,547
Transfers out	-	-	(117,388)	(117,388)
TOTAL OTHER FINANCING SOURCES (USES)	207,630	207,630	343,789	136,159
NET CHANGE IN FUND BALANCES	-	-	656,452	656,452
FUND BALANCES, JANUARY 1	2,161,885	2,161,885	2,161,885	-
FUND BALANCES, DECEMBER 31	\$ 2,161,885	\$ 2,161,885	\$ 2,818,337	\$ 656,452

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

CITY OF NORTH MANKATO, MINNESOTA
STATEMENTS OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2012 AND 2011

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
		(Restated)		(Restated)
	2012	2011	2012	2011
ASSETS				
CURRENT ASSETS				
Cash and temporary investments	\$ 1,049,285	\$ 908,542	\$ 396,780	\$ 504,245
Restricted assets - cash with fiscal agent	-	875,527	-	-
Receivables				
Accounts	388,288	346,486	-	-
Special assessments	244	3,226	-	-
Intergovernmental	-	-	-	-
Due from other funds	1,083,000	1,083,000	353,000	353,000
Inventories	55,608	55,360	-	-
Prepaid items	11,977	11,702	9,711	9,442
TOTAL CURRENT ASSETS	2,588,402	3,283,843	759,491	866,687
NONCURRENT ASSETS				
Special assessments receivable - noncurrent	2,996	3,518	23,100	9,265
Restricted assets - cash with fiscal agent	-	-	-	-
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	587,023	567,910
Less accumulated depreciation	(5,686,318)	(5,263,060)	(4,462,334)	(4,146,683)
TOTAL CAPITAL ASSETS	12,046,225	12,469,483	9,570,569	9,867,107
TOTAL NONCURRENT ASSETS	12,049,221	12,473,001	9,593,669	9,876,372
TOTAL ASSETS	14,637,623	15,756,844	10,353,160	10,743,059
LIABILITIES				
CURRENT LIABILITIES				
Accounts payable	11,225	10,502	3,598	2,238
Due to other governments	7,962	7,289	49,939	85,589
Accrued interest payable	62,091	80,617	22,223	26,595
Accrued wages payable	14,822	11,868	7,796	2,790
Compensated absences payable - current portion	26,126	59,499	3,684	5,915
Bonds payable - current portion	352,833	1,200,833	150,092	280,922
TOTAL CURRENT LIABILITIES	475,059	1,370,608	237,332	404,049
NONCURRENT LIABILITIES				
Compensated absences payable, net of current portion	9,174	6,444	3,734	1,117
Other postemployment benefits obligation	27,125	26,634	19,318	19,064
Bonds payable, net of current portion	4,115,565	4,468,052	1,275,871	1,424,727
TOTAL NONCURRENT LIABILITIES	4,151,864	4,501,130	1,298,923	1,444,908
TOTAL LIABILITIES	4,626,923	5,871,738	1,536,255	1,848,957
NET POSITION				
Net investment in capital assets	7,577,827	7,675,598	8,144,606	8,161,458
Unrestricted	2,432,873	2,209,508	672,299	732,644
TOTAL NET POSITION	\$ 10,010,700	\$ 9,885,106	\$ 8,816,905	\$ 8,894,102

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	
	(Restated)		(Restated)		(Restated)
2012	2011	2012	2011	2012	2011
\$ 184,161	\$ 71,389	\$ 25,148	\$ 141,974	\$ 1,655,374	\$ 1,626,150
-	-	-	-	-	875,527
13,698	39,253	-	-	401,986	385,739
-	-	-	-	244	3,226
-	-	17,265	-	17,265	-
-	-	-	-	1,436,000	1,436,000
-	-	-	-	55,608	55,360
3,745	3,472	628	560	26,061	25,176
201,604	114,114	43,041	142,534	3,592,538	4,407,178
-	-	-	-	26,096	12,783
900,666	-	-	-	900,666	-
160,650	160,650	-	-	490,616	490,616
1,500,777	1,500,777	804,379	804,379	32,284,327	32,284,327
408,955	426,015	13,644	13,644	1,878,908	1,876,855
(564,178)	(507,867)	(89,932)	(71,130)	(10,802,762)	(9,988,740)
1,506,204	1,579,575	728,091	746,893	23,851,089	24,663,058
2,406,870	1,579,575	728,091	746,893	24,777,851	24,675,841
2,608,474	1,693,689	771,132	889,427	28,370,389	29,083,019
78,584	80,078	1,002	675	94,409	93,493
7,296	7,953	-	32,650	65,197	133,481
34,550	21,615	2,970	3,162	121,834	131,989
1,384	1,002	2,749	1,215	26,751	16,875
895	-	1,881	2,827	32,586	68,241
65,000	60,000	34,917	34,167	602,842	1,575,922
187,709	170,648	43,519	74,696	943,619	2,020,001
398	828	3,842	987	17,148	9,376
7,686	7,678	5,834	5,745	59,963	59,121
1,918,906	1,048,052	458,287	493,202	7,768,629	7,434,033
1,926,990	1,056,558	467,963	499,934	7,845,740	7,502,530
2,114,699	1,227,206	511,482	574,630	8,789,359	9,522,531
422,964	471,523	234,887	219,524	16,380,284	16,528,103
70,811	(5,040)	24,763	95,273	3,200,746	3,032,385
<u>\$ 493,775</u>	<u>\$ 466,483</u>	<u>\$ 259,650</u>	<u>\$ 314,797</u>	<u>\$ 19,581,030</u>	<u>\$ 19,560,488</u>

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

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
		(Restated)		(Restated)
	2012	2011	2012	2011
OPERATING REVENUES				
Charges for services	\$ 1,572,915	\$ 1,453,134	\$ 1,525,340	\$ 1,510,772
Facility rental	-	-	-	-
Penalties	41,823	39,148	-	-
TOTAL OPERATING REVENUES	1,614,738	1,492,282	1,525,340	1,510,772
OPERATING EXPENSES				
Personal services	450,176	520,095	206,374	199,089
Supplies	138,816	133,568	45,735	62,380
Other services and charges	76,781	88,761	31,465	19,406
Contractual services	-	-	829,939	799,260
Insurance	21,642	19,596	16,206	16,704
Utilities	160,498	146,909	28,151	33,511
Depreciation	423,258	402,888	315,651	296,456
TOTAL OPERATING EXPENSES	1,271,171	1,311,817	1,473,521	1,426,806
OPERATING INCOME	343,567	180,465	51,819	83,966
NONOPERATING REVENUES (EXPENSES)				
Property taxes	-	-	-	-
Sales tax	1,079	965	-	-
Intergovernmental	-	4,994	-	-
Special assessments	1,376	(6,311)	2,292	81
Investment income	4,231	1,011	432	553
Other income	698	6,903	-	-
Interest expense	(161,935)	(210,481)	(57,624)	(67,952)
Bond issuance costs	-	-	-	-
Amortization expense	(346)	(346)	(1,236)	(4,150)
TOTAL NONOPERATING REVENUES (EXPENSES)	(154,897)	(203,265)	(56,136)	(71,468)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	188,670	(22,800)	(4,317)	12,498
CAPITAL CONTRIBUTIONS TO OTHER FUNDS	-	-	-	-
TRANSFERS IN	2,464	-	-	-
TRANSFERS OUT	(65,540)	(65,540)	(72,880)	(72,880)
CHANGE IN NET POSITION	125,594	(88,340)	(77,197)	(60,382)
NET POSITION, JANUARY 1 AS RESTATED	9,885,106	9,973,446	8,894,102	8,954,484
NET POSITION, DECEMBER 31 AS RESTATED	\$ 10,010,700	\$ 9,885,106	\$ 8,816,905	\$ 8,894,102

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	
	(Restated)		(Restated)		(Restated)
2012	2011	2012	2011	2012	2011
\$ 1,172,443	\$ 1,241,745	\$ 274,823	\$ 272,689	\$ 4,545,521	\$ 4,478,340
160,668	153,232	-	-	160,668	153,232
-	-	-	-	41,823	39,148
1,333,111	1,394,977	274,823	272,689	4,748,012	4,670,720
198,495	174,249	67,279	61,780	922,324	955,213
32,618	20,254	6,969	3,029	224,138	219,231
25,722	41,860	29,920	46,295	163,888	196,322
858,398	911,383	-	-	1,688,337	1,710,643
7,078	5,581	-	-	44,926	41,881
17,493	18,205	11,639	22,660	217,781	221,285
56,311	38,626	18,802	27,662	814,022	765,632
1,196,115	1,210,158	134,609	161,426	4,075,416	4,110,207
136,996	184,819	140,214	111,263	672,596	560,513
50,000	50,000	-	-	50,000	50,000
-	-	-	-	1,079	965
-	-	-	-	-	4,994
-	-	-	-	3,668	(6,230)
-	-	-	-	4,663	1,564
-	-	-	-	698	6,903
(63,081)	(52,473)	(18,609)	(19,616)	(301,249)	(350,522)
(32,249)	-	-	-	(32,249)	-
(854)	(854)	(2)	(2)	(2,438)	(5,352)
(46,184)	(3,327)	(18,611)	(19,618)	(275,828)	(297,678)
90,812	181,492	121,603	91,645	396,768	262,835
(17,060)	-	-	-	(17,060)	-
-	-	-	-	2,464	-
(46,460)	(46,460)	(176,750)	(56,750)	(361,630)	(241,630)
27,292	135,032	(55,147)	34,895	20,542	21,205
466,483	331,451	314,797	279,902	19,560,488	19,539,283
\$ 493,775	\$ 466,483	\$ 259,650	\$ 314,797	\$ 19,581,030	\$ 19,560,488

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

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
	2012	2011	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers	\$ 1,572,936	\$ 1,469,955	\$ 1,525,340	\$ 1,512,084
Payments to suppliers and vendors	(396,864)	(385,056)	(986,055)	(895,385)
Payments to and on behalf of employees	(477,374)	(571,476)	(200,728)	(198,831)
Other receipts	698	6,903	-	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>699,396</u>	<u>520,326</u>	<u>338,557</u>	<u>417,868</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Property taxes	-	-	-	-
Intergovernmental	-	4,994	-	-
Sales tax	1,079	965	-	-
Transfers from other funds	2,464	-	-	-
Transfers to other funds	(65,540)	(65,540)	(72,880)	(72,880)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(61,997)</u>	<u>(59,581)</u>	<u>(72,880)</u>	<u>(72,880)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
(Increase) decrease in due from other funds	-	822,000	-	397,000
Decrease in due to other funds	-	-	-	-
Acquisition of capital assets	(346)	(5,603)	(20,349)	(8,670)
Cash paid to refunding bond escrow agent	-	-	-	-
Cash received from refunding bond escrow agent	875,527	-	-	-
Bond proceeds	-	-	-	-
Principal paid on revenue bonds payable	(1,200,833)	(310,417)	(280,922)	(267,817)
Interest paid on revenue bonds payable	(180,115)	(202,677)	(60,760)	(67,967)
Bond issuance costs paid on bonds	-	-	-	-
Payment made on consent assessment	-	-	(11,585)	-
Payments received on assessments receivable	4,880	1,864	42	1,064
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(500,887)</u>	<u>305,167</u>	<u>(373,574)</u>	<u>53,610</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received on cash and investments	<u>4,231</u>	<u>9,768</u>	<u>432</u>	<u>553</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	140,743	775,680	(107,465)	399,151
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>908,542</u>	<u>132,862</u>	<u>504,245</u>	<u>105,094</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 1,049,285</u></u>	<u><u>\$ 908,542</u></u>	<u><u>\$ 396,780</u></u>	<u><u>\$ 504,245</u></u>

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	
2012	2011	2012	2011	2012	2011
\$ 1,197,998	\$ 1,231,736	\$ 257,558	\$ 272,689	\$ 4,553,832	\$ 4,486,464
(943,733)	(951,811)	(80,919)	(62,520)	(2,407,571)	(2,294,772)
(197,640)	(175,764)	(63,747)	(61,323)	(939,489)	(1,007,394)
160,668	153,232	-	-	161,366	160,135
217,293	257,393	112,892	148,846	1,368,138	1,344,433
50,000	50,000	-	-	50,000	50,000
-	-	-	-	-	4,994
-	-	-	-	1,079	965
-	-	-	-	2,464	-
(46,460)	(46,460)	(176,750)	(56,750)	(361,630)	(241,630)
3,540	3,540	(176,750)	(56,750)	(308,087)	(185,671)
-	-	-	-	-	1,219,000
-	(70,000)	-	-	-	(70,000)
-	(7,463)	-	-	(20,695)	(21,736)
(900,666)	-	-	-	(900,666)	-
-	-	-	-	875,527	-
935,000	-	-	-	935,000	-
(60,000)	(60,000)	(34,167)	(30,833)	(1,575,922)	(669,067)
(50,146)	(53,473)	(18,801)	(19,796)	(309,822)	(343,913)
(32,249)	-	-	-	(32,249)	-
-	-	-	-	(11,585)	-
-	-	-	-	4,922	2,928
(108,061)	(190,936)	(52,968)	(50,629)	(1,035,490)	117,212
-	-	-	-	4,663	10,321
112,772	69,997	(116,826)	41,467	29,224	1,286,295
71,389	1,392	141,974	100,507	1,626,150	339,855
\$ 184,161	\$ 71,389	\$ 25,148	\$ 141,974	\$ 1,655,374	\$ 1,626,150

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

	Business-type Activities - Enterprise Funds			
	601		602	
	Water Utility		Sewer Utility	
	2012	2011	2012	2011
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income	\$ 343,567	\$ 180,465	\$ 51,819	\$ 83,966
Adjustments to reconcile operating income to net cash provided by operating activities				
Other income related to operations	698	6,903	-	-
Depreciation	423,258	402,888	315,651	296,456
(Increase) decrease in assets				
Accounts receivable	(41,802)	(22,327)	-	1,312
Due from other governments	-	-	-	-
Inventories	(248)	(468)	-	-
Prepaid items	(275)	669	(269)	1,554
Increase (decrease) in liabilities				
Accounts payable	723	1,995	1,360	45
Due to other governments	673	1,582	(35,650)	34,277
Accrued wages payable	2,954	2,335	5,006	(568)
Compensated absences payable	(30,643)	(54,590)	386	254
Other postemployment benefits obligation	491	874	254	572
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 699,396</u>	<u>\$ 520,326</u>	<u>\$ 338,557</u>	<u>\$ 417,868</u>
NONCASH INVESTING CAPITAL AND FINANCING ACTIVITIES				
Capital assets contributed to other funds	\$ -	\$ -	\$ -	\$ -
Amortization expense	346	346	1,236	4,150

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	
2012	2011	2012	2011	2012	2011
\$ 136,996	\$ 184,819	\$ 140,214	\$ 111,263	\$ 672,596	\$ 560,513
-	-	-	-	698	6,903
56,311	38,626	18,802	27,662	814,022	765,632
25,555	(10,009)	-	-	(16,247)	(31,024)
-	-	(17,265)	-	(17,265)	-
-	-	-	-	(248)	(468)
(273)	(155)	(68)	63	(885)	2,131
(1,494)	44,909	327	668	916	47,617
(657)	718	(32,650)	8,733	(68,284)	45,310
382	(664)	1,534	36	9,876	1,139
465	(1,094)	1,909	248	(27,883)	(55,182)
8	243	89	173	842	1,862
<u>\$ 217,293</u>	<u>\$ 257,393</u>	<u>\$ 112,892</u>	<u>\$ 148,846</u>	<u>\$ 1,368,138</u>	<u>\$ 1,344,433</u>
\$ 17,060	\$ -	\$ -	\$ -	\$ 17,060	\$ -
854	854	2	2	2,438	5,352

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

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 932,870
Receivables	
Accounts	37,202
Intergovernmental	23,037
Other current assets	<u>2,632</u>
TOTAL ASSETS	<u><u>\$ 995,741</u></u>
LIABILITIES	
Accounts payable	\$ 3,228
Due to other governments	986,312
Accrued wages payable	<u>6,201</u>
TOTAL LIABILITIES	<u><u>\$ 995,741</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, 2012

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 position 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, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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.

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

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The City reports the following major governmental funds:

The *General fund* is the 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.

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, 2012

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, deferred inflow of resources and net position 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, 2012

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, 2012 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.

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

Accounts receivable

Accounts receivable include amounts billed for services provided before year end. Unbilled utility enterprise fund receivables are also included for services provided in 2012. 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, 2012

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 inflow of resources in the fund financial statements.

Interfund receivables and payables

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

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, 2012

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, 2012 is \$660,305. 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, 2012

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Deferred outflows/inflows of resources

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

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts 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 an expense in the period incurred.

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

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.

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Net position

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

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

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 2012.

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

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY - CONTINUED

B. Excess of expenditures over appropriations

For the year ended December 31, 2012, expenditures exceeded appropriations for the following funds:

Fund	Budget	Actual	Excess of Expenditures Over Appropriations
Special revenue			
Library	\$ 430,890	\$ 497,375	\$ 66,485
Bookmobile	1,710	1,769	59
Local Option Sales Tax	46,575	371,556	324,981

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, 2012:

Fund	Amount
Debt Service	
Bond Reserve	\$ 632,366
2005C G.O. Refunding Bonds	372,668
2008 G.O. Improvement Bonds	135,532
2010 G.O. Improvement Bonds	100,423
2010C G.O. Refunding Bonds	743,773
Capital Projects	
Equipment Certificates	61,162
Local Option Sales Tax	564,153
2012 Construction	83,233
2013 Construction	8,121

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, 2012

Note 3: DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

Custodial credit risk for deposits and investments is the risk that in the event of a bank failure, the City's deposits and investments may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. In accordance with Minnesota statutes and as authorized by the 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 \$6,016,905, including \$932,820 reported in fiduciary funds and the bank balance was \$6,262,825. Of the bank balance, \$500,000 was covered by federal depository insurance. The remaining balance of \$5,762,825 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, 2012

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Investments

At the year end, the City had 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.

<u>Types of Investments</u>	<u>Cost (3)</u>	<u>Credit Quality/ Ratings (1)</u>	<u>Segmented Time Distribution (2)</u>
Pooled Investments			
Broker Money Market Accounts	\$ 302	N/A	less than 6 months
Non-pooled investments			
U.S. Government Securities	789,295	Aaa	less than 6 months
U.S. Government Securities	32,918	Aaa	6 months to 1 year
U.S. Government Securities	<u>2,466,334</u>	Aaa	1 to 3 years
Total non-pooled investments	<u>3,288,547</u>		
Total investments	<u><u>\$ 3,288,849</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, 2012

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 Position for the City, including the component unit and fiduciary funds, follows:

	Primary Government	Component Unit	Fiduciary Funds	Totals
Deposits	\$ 4,162,699	\$ 921,386	\$ 932,820	\$ 6,016,905
Investments	3,288,849	-	-	3,288,849
Cash on hand	1,640	50	50	1,740
Total	<u>\$ 7,453,188</u>	<u>\$ 921,436</u>	<u>\$ 932,870</u>	<u>\$ 9,307,494</u>
Cash and cash temporary investments	\$ 4,164,339	\$ 921,436	\$ 932,870	\$ 6,018,645
Restricted assets - cash with fiscal agent	3,288,849	-	-	3,288,849
Total	<u>\$ 7,453,188</u>	<u>\$ 921,436</u>	<u>\$ 932,870</u>	<u>\$ 9,307,494</u>

B. Notes, mortgages and leases receivable

The General fund has a note receivable from a resident for housing rehabilitation due in monthly installments of \$750 at 4.00 percent interest. The balance on this note at December 31, 2012 is \$61,751.

The Local Option Sales Tax fund has notes receivable from three businesses in the Central business district with interest at 4.00 percent for improvements to their facilities. At December 31, 2012, the outstanding balance on these notes totaled \$72,367. In 2012, the City entered into an agreement with the Mankato United Soccer Club to reimburse the City for an amount equal to annual lease payments, in the amount of \$17,918 with interest of 4.45 percent, for the purchase of a lighting system on property owned by the City. The balance at December 31, 2012 is \$105,423.

The Port Authority (Component Unit) has various low interest notes with local business through its Port Authority Federal 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 2.50 percent to 4.50 percent. The balance on these notes at December 31, 2012 is \$914,205 net of allowance for doubtful accounts, \$124,733 and \$182,696, respectively. The Joint Economic Development fund has a note receivable from a resident for housing rehab due in monthly installments of \$359 at 5.25 percent interest. The balance on this note at December 31, 2012 is \$60,843. In addition, the North Mankato Port Authority made low interest notes to two businesses in the Central Business District for improvement to their facilities. At December 31, 2012, the outstanding balance on these notes totaled \$13,750. 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 6.00 percent. The balance on this lease at December 31, 2012 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, the proceeds of which went to the City for the Highway 14/41 Interchange project and the City will reimburse the Port authority for 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, 2012 is \$3,215,000.

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Capital assets

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

Primary government

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	\$ 3,387,161	\$ 33,267	\$ -	\$ 3,420,428
Construction in progress	5,181,275	1,889,353	-	7,070,628
 Total capital assets not being depreciated	 8,568,436	 1,922,620	 -	 10,491,056
Capital assets being depreciated				
Buildings and improvements	58,428,222	274,767	-	58,702,989
Machinery, equipment and vehicles	6,059,551	175,627	(164,603)	6,070,575
 Total capital assets being depreciated	 64,487,773	 450,394	 (164,603)	 64,773,564
Less accumulated depreciation for				
Buildings and improvements	(25,070,235)	(1,934,705)	-	(27,004,940)
Machinery, equipment and vehicles	(4,909,238)	(208,271)	151,938	(4,965,571)
 Total accumulated depreciation	 (29,979,473)	 (2,142,976)	 151,938	 (31,970,511)
 Total capital assets being depreciated, net	 34,508,300	 (1,692,582)	 (12,665)	 32,803,053
 Governmental activities capital assets, net	 \$43,076,736	 \$ 230,038	 \$ (12,665)	 \$43,294,109

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
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	1,876,855	19,113	(17,060)	1,878,908
Total capital assets being depreciated	<u>34,161,182</u>	<u>19,113</u>	<u>(17,060)</u>	<u>34,163,235</u>
Less accumulated depreciation for				
Buildings and improvements	(8,530,526)	(740,149)	-	(9,270,675)
Machinery, equipment and vehicles	(1,458,214)	(73,873)	-	(1,532,087)
Total accumulated depreciation	<u>(9,988,740)</u>	<u>(814,022)</u>	<u>-</u>	<u>(10,802,762)</u>
Total capital assets being depreciated, net	<u>24,172,442</u>	<u>(794,909)</u>	<u>(17,060)</u>	<u>23,360,473</u>
Business-type activities capital assets, net	<u>\$24,663,058</u>	<u>\$ (794,909)</u>	<u>\$ (17,060)</u>	<u>\$23,851,089</u>

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

Governmental activities	
General government	\$ 26,047
Public safety	145,758
Public works, including depreciation of general infrastructure assets	1,748,308
Culture and recreation	222,863
Total depreciation expense - governmental activities	<u>\$ 2,142,976</u>
Business-type activities	
Water utility	\$ 423,258
Sewer utility	315,651
Sanitation collection	56,311
Storm water	18,802
Total depreciation expense - business-type activities	<u>\$ 814,022</u>

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Construction commitments

The City has active construction projects as of December 31, 2012. 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-Howard Drive/CSAH	\$ 5,110,120	\$ 530,222
Caswell North Soccer Fields	441,573	40,588
Wetland Seeding	25,270	38,196
Highway 14/41 Interchange	<u>761,487</u>	<u>1,814,513</u>
 Total	 <u><u>\$ 6,338,450</u></u>	 <u><u>\$ 2,423,519</u></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, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	<u><u>\$ 2,175,039</u></u>	<u><u>\$ 135,562</u></u>	<u><u>\$ (67,781)</u></u>	<u><u>\$ 2,242,820</u></u>

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

D. Interfund receivables, payables and transfers

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

Due to/from other funds

Primary government

Receivable Fund	Payable Fund	Amount
General	Debt Service	\$ 1,733,207
	Nonmajor governmental	69,637
2011 Construction	Nonmajor governmental	83,233
Nonmajor governmental	Nonmajor governmental	525,452
Water Utility enterprise	Debt Service	1,083,000
Sewer Utility enterprise	Debt Service	353,000
		<u>353,000</u>
Total		<u><u>\$ 3,847,529</u></u>

Due to/from component unit

Receivable Entity	Payable Entity	Amount
Primary government	Component unit	
General	Marigold TIF #8	<u><u>\$ 323,005</u></u>

Discretely presented component unit

Receivable Fund	Payable Fund	Amount
General	Debt Service	\$ 192,420
Tax Increment Project	Marigold TIF #8	17,542
	Webster Redev TIF #14	50,733
	National Dentex TIF #17	28
	Webster Ave TIF #2	2,502
	LJP Enterprised TIF #18	7,500
	Debt Service	243,301
Debt Service	Marigold TIF #8	286,171
Creative Companies TIF #16	Marigold TIF #8	35,704
422 Belgrade TIF #19	Marigold TIF #8	261,997
Port Authority Construction	Marigold TIF #8	17,030
		<u>17,030</u>
Total		<u><u>\$ 1,114,928</u></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, 2012

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Interfund transfers

The following transfers were made for the year ended December 31, 2012:

Primary government

	Transfer in				
	General	Debt Service	Nonmajor	Water	
	Fund	Fund	Governmental	Utility	Total
			Funds	Fund	
Transfer out					
General fund	\$ -	\$ -	\$ 117,388	\$ -	\$ 117,388
Debt Service fund	-	-	-	2,464	2,464
Nonmajor governmental funds	144,547	282,913	95,019	-	522,479
Water Utility fund	65,540	-	-	-	65,540
Sewer Utility fund	72,880	-	-	-	72,880
Sanitary Collection fund	46,460	-	-	-	46,460
Storm Water fund	131,750	45,000	-	-	176,750
Total transfers out	<u>\$ 461,177</u>	<u>\$ 327,913</u>	<u>\$ 212,407</u>	<u>\$ 2,464</u>	<u>\$ 1,003,961</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 2012:

- \$3,547 from the Community Development Block Grant fund to the General fund to administer the CDBG grant activity.
- \$11,000 from the Community Development fund to the General fund due to 2012 costs.
- \$100,000 from the Community Development fund to the General fund due to reduction in 2011 State aid revenue.
- \$30,000 from the Contingency fund to the General fund due to reduction in 2011 State aid revenue.
- \$65,540 from the Water Utility fund to the General fund for administrative services.
- \$72,880 from the Sewer Utility fund to the General fund for administrative services.
- \$46,460 from the Sanitary Collection fund to the General fund for administrative services.
- \$11,750 from the Storm Water fund to the General fund for administrative services.
- \$120,000 from the Storm Water fund to the General fund due to reduction in 2011 State aid revenue.
- \$282,913 from the Local Option Sales Tax fund to the 2009 G.O. Sales Tax Revenue Bonds fund for debt service payments.
- \$45,000 from the Storm Water fund to the 2010 G.O. Improvement Bonds fund for debt service payments.
- \$16,000 from the General fund to the Community Development Block Grant fund for costs associated with grant activity.
- \$6,569 from the Community Development Block Grant fund to the Community Development fund for costs associated with grant activity.
- \$101,388 from the General fund to the Capital Facilities fund for cost of HVAC unit for the municipal building.
- \$88,450 from the Local Option Sales Tax special revenue fund to the Local Option Sales Tax capital projects fund for 2012 costs.
- \$2,464 from the 2010C G.O. Refunding Bonds to the Water Utility fund to transfer remaining 2001A bond escrow funds.

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Discretely presented component unit

		Transfer in			
	422 Belgrade TIF #19	1993A Port Authority Revenue Bonds	2011B Port Authority GO Bonds	1988 G.O. Tax Increment Bonds	Total
Transfer out					
Tax Increment Project	\$ 6,230	\$ -	\$ -	\$ 210,779	\$ 217,009
Port Authority Construction	400,000	-	37,642	-	437,642
Joint Economic Development	-	92,000	-	-	92,000
Marigold TIF #8	-	-	-	489,518	489,518
Webster Redevelopment TIF #14	-	-	-	66,311	66,311
Webster Avenue TIF #2	-	-	-	5,272	5,272
Total transfers out	<u>\$ 406,230</u>	<u>\$ 92,000</u>	<u>\$ 37,642</u>	<u>\$ 771,880</u>	<u>\$ 1,307,752</u>

- \$6,230 from Tax Increment Project fund to the 422 Belgrade TIF #19 fund for 422 Belgrade project.
- \$400,000 from Port Authority Construction fund to the 422 Belgrade TIF #19 fund for 422 Belgrade Project.
- \$92,000 from the Joint Economic Development fund to break out the Tax Increment Districts in to separate funds and make transfers for debt service.
- \$37,642 from Port Authority Construction fund to 2011B Port Authority G.O. Bonds fund for 2011B capitalized interest.
- \$210,779 from the Port Authority Tax Increment Project fund to the 1988 G.O Tax Increment Bonds fund for debt service payments.
- \$489,518 from the Marigold TIF #8 fund to the 1988 G.O. Tax Increment Bonds fund for debt service payments.
- \$66,311 from the Webster Redevelopment TIF #14 fund to the 1988 G.O. Tax Increment Bonds fund for debt service payments.
- \$5,272 from the Webster Avenue TIF #2 fund to the 1988 G.O. Tax Increment Bonds fund for debt service payments.

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

E. Long-term debt

General obligation bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. 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 Reconstruction Bonds of 2004A	\$ 1,035,000	4.00 - 4.70 %	06/01/04	02/01/15	\$ 615,000
G.O. Capital Improvement Plan Refunding Bonds of 2008C	2,145,000	2.50 - 3.60	05/01/08	02/01/19	1,425,000
G.O. Equipment Certificates of 2009A	306,000	2.50	05/12/09	12/01/14	127,000
G.O. Crossover Refunding of 2012A	430,000	1.00 - 1.90	04/01/12	02/01/20	430,000
Total General Obligation Bonds					<u>\$ 2,597,000</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
2013	\$ 328,000	\$ 81,105	\$ 409,105
2014	334,000	68,695	402,695
2015	690,000	48,483	738,483
2016	300,000	30,333	330,333
2017	315,000	22,034	337,034
2018 - 2020	630,000	18,938	648,938
Total	<u>\$ 2,597,000</u>	<u>\$ 269,588</u>	<u>\$ 2,866,588</u>

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

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. Capital Project Bonds of 2005A	\$ 2,495,000	2.15 - 4.20 %	02/01/05	02/01/20	\$ 540,000
G.O. Improvement Bonds of 2005D	1,600,000	3.25 - 3.65	10/01/05	02/01/13	615,000
G.O. Improvement Bonds of 2006A	3,630,000	4.00	05/01/06	02/01/14	1,465,000
G.O. Improvement Bonds of 2006C	1,760,000	4.00	12/01/06	02/01/18	900,000
G.O. Improvement Bonds of 2007A	2,550,000	4.00 - 4.20	08/01/07	02/01/18	990,000
G.O. Improvement Bonds of 2008A	1,815,000	2.40 - 3.70	05/01/08	02/01/19	1,245,000
G.O. State Aid Street and Refunding Bonds of 2009D	3,120,000	2.00 - 4.00	12/22/09	04/01/25	2,805,000
G.O. Improvement Bonds of 2010A	2,305,000	2.00 - 4.00	12/30/10	12/01/27	2,305,000
G.O. Refunding Bonds of 2010C	3,455,000	.75 - 3.15	12/30/10	02/01/22	3,155,000
G.O. Crossover Refunding Bonds of 2012A	465,000	.60 - 1.00	04/01/12	02/01/16	465,000
Total G.O. Special Assessments Bonds - Governmental					<u>14,485,000</u>
Business-type					
G.O. Capital Improvement Bonds of 2004B	1,445,000	3.25 - 5.00	06/01/04	02/01/15	1,060,000
G.O. Crossover Refunding Bonds of 2012A	935,000	1.00 - 2.70	04/01/12	02/01/25	<u>935,000</u>
Total G.O. Special Assessments Bonds - Business-type					<u>1,995,000</u>
Total G.O. Special Assessments Bonds					<u>\$ 16,480,000</u>

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
2013	\$ 2,220,000	\$ 436,216	\$ 2,656,216	\$ 65,000	\$ 72,867	\$ 137,867
2014	2,350,000	360,576	2,710,576	65,000	63,911	128,911
2015	1,130,000	306,353	1,436,353	930,000	40,555	970,555
2016	1,330,000	272,586	1,602,586	85,000	18,155	103,155
2017	990,000	238,668	1,228,668	90,000	17,168	107,168
2018 - 2022	4,795,000	725,660	5,520,660	460,000	63,088	523,088
2023 - 2027	1,670,000	156,649	1,826,649	300,000	12,024	312,024
Total	<u>\$14,485,000</u>	<u>\$ 2,496,708</u>	<u>\$16,981,708</u>	<u>\$ 1,995,000</u>	<u>\$ 287,768</u>	<u>\$ 2,282,768</u>

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

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					
Public Facilities Authority Loan of 1997A	\$ 1,032,679	3.41 %	11/25/97	02/20/19	\$ 415,268
G.O. Capital Project Bonds of 2005A	2,495,000	2.15 - 4.20	02/01/05	02/01/20	445,000
G.O. Utility Revenue Bonds of 2006B	2,495,000	2.15 - 4.20	02/01/05	02/01/20	1,185,000
G.O. Utility Revenue Bonds of 2007B	2,495,000	2.15 - 4.20	02/01/05	02/01/20	710,000
G.O. Water Utility Revenue Bonds of 2008B	2,295,000	2.50 - 4.20	05/01/08	02/01/29	2,160,000
G.O. Utility Revenue Bonds of 2009B	690,000	3.00 - 4.00	05/12/09	12/01/24	580,000
G.O. Refunding Bonds of 2010C	900,000	.75 - 3.15	12/30/10	02/01/22	900,000
Total G.O. Revenue Bonds - Business-type					<u>6,395,268</u>
Governmental					
Public Facilities Authority Loan of 1999B	442,988	3.14	12/31/99	08/20/19	191,000
G.O. Sales Tax Revenue Bonds of 2009C	2,560,000	2.00 - 4.00	05/12/09	12/01/24	2,160,000
G.O. Sales Tax Revenue Bonds of 2010B	750,000	1.00 - 4.00	12/30/10	12/01/25	700,000
Total G.O. Revenue Bonds - Governmental					<u>3,051,000</u>
Total G.O. Revenue Bonds					<u>\$ 9,446,268</u>

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
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	584,008	173,232	757,240
2017	253,000	76,294	329,294	591,206	154,670	745,876
2018 - 2022	1,289,000	261,445	1,550,445	2,070,500	500,831	2,571,331
2023 - 2027	620,000	40,699	660,699	1,080,000	192,977	1,272,977
2028 - 2029	-	-	-	420,000	17,850	437,850
Total	<u>\$ 3,051,000</u>	<u>\$ 745,199</u>	<u>\$ 3,796,199</u>	<u>\$ 6,395,268</u>	<u>\$ 1,658,493</u>	<u>\$ 8,053,761</u>

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Notes payable

This note payable was issued to finance the debt service payments for the proceeds of the General Obligation Bonds Series 2011A 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
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	135,000	90,506	225,506
2018 - 2022	705,000	408,344	1,113,344
2023 - 2027	785,000	306,231	1,091,231
2028 - 2032	915,000	162,984	1,077,984
2033 - 2034	415,000	15,658	430,658
Total	<u>\$ 3,215,000</u>	<u>\$ 1,366,747</u>	<u>\$ 4,581,747</u>

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Contracts payable

This contract was issued to purchase lighting for the soccer complex. The contracts will be funded through the Parkland fund.

Description	Authorized and issued	Interest Rate	Issue Date	Maturity Date	Balance at Year End
Soccer Field Lights	\$ 105,423	4.45 %	11/16/12	11/19/19	<u>\$ 105,423</u>

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

<u>December 31,</u>	Contracts Payable		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 13,130	\$ 4,788	\$ 17,918
2014	13,726	4,192	17,918
2015	14,349	3,568	17,917
2016	15,001	2,917	17,918
2017	15,682	2,235	17,917
2018 - 2019	<u>33,535</u>	<u>2,301</u>	<u>35,836</u>
Total	<u>\$ 105,423</u>	<u>\$ 20,001</u>	<u>\$ 125,424</u>

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable					
General obligation bonds	\$ 2,488,000	\$ 430,000	\$ (321,000)	\$ 2,597,000	\$ 328,000
General obligation special assessment bonds	15,885,000	465,000	(1,865,000)	14,485,000	2,220,000
General obligation revenue bonds	3,260,000	-	(209,000)	3,051,000	215,000
Bond discounts	(24,893)	-	4,249	(20,644)	-
Bond premiums	181,485	-	(10,351)	171,134	-
Total bonds payable	21,789,592	895,000	(2,401,102)	20,283,490	2,763,000
Notes payable	3,215,000	-	-	3,215,000	-
Contracts payable	45,000	105,423	(45,000)	105,423	13,130
Compensated absences payable	573,233	384,443	(347,105)	610,571	225,571
Other postemployment benefits obligation	186,877	64,700	(61,643)	189,934	-
Governmental activity long-term liabilities	<u>\$ 25,809,702</u>	<u>\$ 1,449,566</u>	<u>\$ (2,854,850)</u>	<u>\$ 24,404,418</u>	<u>\$ 3,001,701</u>
Business-type activities					
Bonds payable					
General obligation revenue bonds	\$ 7,911,190	\$ -	\$ (1,515,922)	\$ 6,395,268	\$ 537,842
General obligation special assessment bonds	1,120,000	935,000	(60,000)	1,995,000	65,000
Bond discounts	(23,316)	-	2,598	(20,718)	-
Bond premiums	2,081	-	(160)	1,921	-
Total bonds payable	9,009,955	935,000	(1,573,484)	8,371,471	602,842
Compensated absences payable	77,617	65,653	(93,536)	49,734	32,586
Other postemployment benefits obligation	59,121	17,820	(16,978)	59,963	-
Business-type activity long-term liabilities	<u>\$ 9,146,693</u>	<u>\$ 1,018,473</u>	<u>\$ (1,683,998)</u>	<u>\$ 8,481,168</u>	<u>\$ 635,428</u>

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

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, 2012, the following conduit debt existed:

- \$2,500,000 Educational Facilities Revenue Note, Series 2007, (Evangelical Covenant Preschool Project) with an outstanding balance of \$2,393,839 at December 31, 2012.
- \$8,560,000 Housing Revenue Loan Participation Note 2005A, (North Point-GEAC), with an outstanding balance of \$7,409,698 at December 31, 2012.
- \$300,000 Taxable Housing Revenue Loan Participation 2005B, (North Point-GEAC), with an outstanding balance of \$263,215 at December 31, 2012.
- \$500,000 Subordinate housing Revenue Notes 2005C, (North Point-GEAC Project), with an outstanding balance of \$460,000 at December 31, 2012.

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
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	135,000	90,506	225,506
2018 - 2022	705,000	408,344	1,113,344
2023 - 2027	785,000	306,231	1,091,231
2028 - 2032	915,000	162,984	1,077,984
2033 - 2034	415,000	15,658	430,658
Total	<u>\$ 3,215,000</u>	<u>\$ 1,366,747</u>	<u>\$ 4,581,747</u>

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

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
Taxable G.O. Tax Increment Bonds of 2010D	\$ 810,000	2.85 - 6.25 %	12/30/10	02/01/37	\$ 810,000
Taxable G.O. Tax Increment Revenue Bonds of 2011B	455,000	3.00 - 5.00	12/01/11	02/01/35	<u>455,000</u>
Total G.O. Tax Increment Bonds					<u><u>\$ 1,265,000</u></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
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	65,000	52,275	117,275
2018 - 2022	500,000	209,834	709,834
2023 - 2027	315,000	100,943	415,943
2028 - 2032	160,000	57,676	217,676
2033 - 2037	140,000	13,813	153,813
Total	<u><u>\$ 1,265,000</u></u>	<u><u>\$ 655,771</u></u>	<u><u>\$ 1,920,771</u></u>

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

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 G.O. Revenue Bonds of 1994A	\$ 2,460,000	4.50 - 5.70 %	09/01/97	02/01/18	\$ 80,000
G.O. Port Authority Taxable Revenue Refunding Bonds of 2003A	1,610,000	2.00 - 5.00	11/01/03	02/01/13	145,000
G.O. Port Authority Taxable Refunding Bonds of 2009A	1,370,000	2.0 - 4.375	12/22/09	02/01/19	1,100,000
Total G.O. Revenue Bonds					<u>\$ 1,325,000</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
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	160,000	17,996	177,996
2018 - 2019	345,000	15,055	360,055
Total	<u>\$ 1,325,000</u>	<u>\$ 167,548</u>	<u>\$ 1,492,548</u>

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

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>\$ 800,000</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
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	100,000	14,000	114,000
2018 - 2019	<u>300,000</u>	<u>14,000</u>	<u>314,000</u>
Total	<u>\$ 800,000</u>	<u>\$ 124,000</u>	<u>\$ 924,000</u>

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

Changes in long-term liabilities

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

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Component unit activities					
Bonds payable					
General obligation bonds	\$ 3,215,000	\$ -	\$ -	\$ 3,215,000	\$ -
General obligation tax increment bonds	1,845,000	-	(580,000)	1,265,000	-
General obligation revenue bonds	1,685,000	-	(360,000)	1,325,000	370,000
Bond premiums (discounts)	<u>(11,819)</u>	<u>14,002</u>	<u>-</u>	<u>2,183</u>	<u>-</u>
Total bonds payable	6,733,181	14,002	(940,000)	5,807,183	370,000
Contracts payable	<u>900,000</u>	<u>-</u>	<u>(100,000)</u>	<u>800,000</u>	<u>100,000</u>
Component unit long-term liabilities	<u>\$ 7,633,181</u>	<u>\$ 14,002</u>	<u>\$ (1,040,000)</u>	<u>\$ 6,607,183</u>	<u>\$ 470,000</u>

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

Note 3: DETAILED NOTES ON ALL FUNDS - CONTINUED

F. Components of fund balance

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

	General	Debt Service	2011 Construction	Other Governmental Funds	Total Governmental Funds
Nonspendable					
Prepaid items	\$ 86,949	\$ -	\$ 136	\$ 2,973	\$ 90,058
Restricted for					
Library programs	\$ -	\$ -	\$ -	\$ 51,049	\$ 51,049
Park development	-	-	-	14,180	14,180
Park improvements	-	-	-	850,729	850,729
Total restricted	\$ -	\$ -	\$ -	\$ 915,958	\$ 915,958
Committed for					
Parkland acquisition					
development and improvement	\$ -	\$ -	\$ -	\$ 20,074	\$ 20,074
Flood control facilities					
maintenance	-	-	-	2,401	2,401
Community development	-	-	-	83,373	83,373
Total committed	\$ -	\$ -	\$ -	\$ 105,848	\$ 105,848
Assigned for					
Capital improvements	\$ -	\$ -	\$ 1,013,619	\$ -	\$ 1,013,619
Community development	-	-	-	133,885	133,885
Bookmobile operations	-	-	-	39,673	39,673
Library operations,					
maintenance and improvements	-	-	-	36,797	36,797
Parkland acquisition					
development and improvement	-	-	-	62,283	62,283
Flood control facilities					
maintenance	-	-	-	35,958	35,958
Development promotions	-	-	-	28,069	28,069
Total assigned	\$ -	\$ -	\$ 1,013,619	\$ 336,665	\$ 1,350,284
Unassigned	\$ 2,731,388	\$ (415,282)	\$ -	\$ (716,669)	\$ 1,599,437

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

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, 2012

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 9.10 percent and 6.25 percent, respectively, of their annual covered salary in 2012. PEPFF members were required to contribute 9.60 percent of their annual covered salary in 2012. In 2012, the City of 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 14.40 percent for PEPFF members. The City's contributions to the GERP for the years ending December 31, 2012, 2011 and 2010 were \$168,194, \$182,750, and \$176,150, respectively. The City's contributions to the PEPFF for the years ending December 31, 2012, 2011, and 2010 were \$125,759, \$116,600, and \$112,246, 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, 2012, 2011 and 2010 were \$1,300, \$1,300 and \$580, 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, 2012

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 2012 was \$45,742. 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	\$ 68,482
Contributions made	
City	22,740
State aid	45,742
Actuarial valuation date	12/31/12
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, 2012

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
12/31/12		\$ 68,482	100.0 %	\$	-
12/31/11		79,497	100.0		-
12/31/10		70,340	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
12/31/12	\$ 1,371,912	\$ 1,453,753	\$ (81,841)	94.4 %	\$ 3,000
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

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 2012, the City contributed \$78,621 to the plan. Plan members receiving benefits contribute 100 percent of their premium costs. 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, 2012

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	7,380
Adjustment to annual required contribution	<u>(8,963)</u>
Annual OPEB cost (expense)	82,520
Contributions made	<u>(78,621)</u>
Increase in net OPEB obligation	3,899
Net OPEB obligation- beginning of year	<u>245,998</u>
NET OPEB obligating - end of year	<u><u>\$ 249,897</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 2012 and previous two years are as follows:

Year Ending	Three Year Trend Information		
	Annual OPEB Cost	Percentage Annual OPEB Contributed	Net OPEB Obligation
12/31/12	\$ 82,520	95.3 %	\$ 249,897
12/31/11	82,569	90.8	245,998
12/31/10	125,647	-	238,420

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, 2012

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, 2012 was 30 years.

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

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.

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 2012 was \$1,358,107 and (\$3,122) for LGA and MVHC, respectively. This accounted for 23 percent of General fund revenues.

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

Note 8: CHANGE IN ACCOUNTING PRINCIPLE

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

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

Fund	December 31, 2011		
	Net Position December 31, 2010 as Previously Reported	Prior Period Restatement (1)	Net Position January 1, 2011 as Restated
Governmental activities	\$ 32,698,953	\$ (285,701)	\$ 32,413,252
Business-type activities	\$ 19,639,460	\$ (100,177)	\$ 19,539,283
Component unit activities	\$ 356,139	\$ (37,336)	\$ 318,803
Business-type activities			
Water Utility	\$ 10,040,146	\$ (66,700)	\$ 9,973,446
Sewer Utility	8,966,518	(12,034)	8,954,484
Sanitary Collection	348,363	(16,912)	331,451
Storm Water	284,433	(4,531)	279,902
Total business-type activities	\$ 19,639,460	\$ (100,177)	\$ 19,539,283

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

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

Note 8: CHANGE IN ACCOUNTING PRINCIPLE - CONTINUED

Fund	December 31, 2012		
	Net Position December 31, 2011 as Previously Reported	Prior Period Restatement (2)	Net Position January 1, 2012 as Restated
Governmental activities	\$ 33,740,251	\$ (260,025)	\$ 33,480,226
Business-type activities	\$ 19,654,427	\$ (93,939)	\$ 19,560,488
Component unit activities	\$ 815,151	\$ (49,607)	\$ 765,544
Business-type activities			
Water Utility	\$ 9,946,549	\$ (61,443)	\$ 9,885,106
Sewer Utility	8,906,616	(12,514)	8,894,102
Sanitary Collection	482,268	(15,785)	466,483
Storm Water	318,994	(4,197)	314,797
Total business-type activities	\$ 19,654,427	\$ (93,939)	\$ 19,560,488

- (2) Write off of any bond issuance cost activity for the year ended December 31, 2011 plus unamortized bond issuance costs at December 31, 2010.

**REQUIRED SUPPLEMENTARY
INFORMATION**

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

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CITY OF NORTH MANKATO, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2012

Schedule of funding progress for the retiree health plan

Actuarial Valuation Date	Required Supplementary Information					
	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)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/11	\$ -	\$ 759,434	\$ 759,434	- %	\$ 2,656,218	28.6 %
01/01/08	-	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, 2012

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

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
ASSETS			
Cash and temporary investments	\$ 623,780	\$ 1,685	\$ 625,465
Receivables			
Accounts	55,132	-	55,132
Interest	80	-	80
Notes	177,790	-	177,790
Intergovernmental	106,318	-	106,318
Due from other funds	525,452	-	525,452
Prepaid items	2,973	-	2,973
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 1,491,525</u>	<u>\$ 1,685</u>	<u>\$ 1,493,210</u>
LIABILITIES			
Accounts payable	\$ 3,677	\$ 26,266	\$ 29,943
Contracts payable	-	22,241	22,241
Due to other funds	8,475	669,847	678,322
Due to other governments	20	-	20
Accrued wages payable	12,486	-	12,486
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>24,658</u>	<u>718,354</u>	<u>743,012</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - notes	105,423	-	105,423
	<u> </u>	<u> </u>	<u> </u>
FUND BALANCES			
Nonspendable	2,973	-	2,973
Restricted	915,958	-	915,958
Committed	105,848	-	105,848
Assigned	336,665	-	336,665
Unassigned	-	(716,669)	(716,669)
	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>1,361,444</u>	<u>(716,669)</u>	<u>644,775</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,491,525</u>	<u>\$ 1,685</u>	<u>\$ 1,493,210</u>

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

	Nonmajor Special Revenue	Nonmajor Capital Projects	Total Nonmajor Governmental Funds
REVENUES			
Taxes			
Property taxes	\$ 531,214	\$ -	\$ 531,214
Sales taxes	544,504	-	544,504
Franchise taxes	229,223	-	229,223
Hotel taxes	47,126	-	47,126
Intergovernmental			
Federal	8,476	-	8,476
State	-	(59,155)	(59,155)
County	44,901	-	44,901
Charges for services			
Other	5	-	5
Investment earnings	743	-	743
Miscellaneous			
Rents	26,820	-	26,820
Contributions and donations	15,924	-	15,924
Other	83,627	150,000	233,627
TOTAL REVENUES	<u>1,532,563</u>	<u>90,845</u>	<u>1,623,408</u>
EXPENDITURES			
Current			
Public safety			
Flood control	4,800	-	4,800
Culture and recreation			
Parks	173,920	-	173,920
Library	577,153	-	577,153
Housing and economic development	223,016	-	223,016
Miscellaneous			
Community promotion	33,451	-	33,451
Capital outlay			
Public safety	-	12,388	12,388
Public works	-	73,293	73,293
Culture and recreation	161,883	762,291	924,174
Housing and economic development	33,267	-	33,267
Miscellaneous	-	146,646	146,646
Debt service			
Principal	45,000	-	45,000
Interest	1,575	-	1,575
TOTAL EXPENDITURES	<u>1,254,065</u>	<u>994,618</u>	<u>2,248,683</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>278,498</u>	<u>(903,773)</u>	<u>(625,275)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	22,569	189,838	212,407
Debt issued	105,423	-	105,423
Transfers out	(522,479)	-	(522,479)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(394,487)</u>	<u>189,838</u>	<u>(204,649)</u>
NET CHANGE IN FUND BALANCES	(115,989)	(713,935)	(829,924)
FUND BALANCES, JANUARY 1	<u>1,477,433</u>	<u>(2,734)</u>	<u>1,474,699</u>
FUND BALANCES, DECEMBER 31	<u>\$ 1,361,444</u>	<u>\$ (716,669)</u>	<u>\$ 644,775</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, 2012

	211	212	213	215	220
	Library	Bookmobile	Library Endowment	Community Development Block Grant	Community Development
ASSETS					
Cash and temporary investments	\$ 47,430	\$ 42,451	\$ 51,049	\$ -	\$ 175,434
Receivables					
Accounts	9	-	-	8,475	44,027
Interest	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Notes	-	-	-	-	-
Due from other funds	-	-	-	-	-
Prepaid items	2,624	167	-	-	182
TOTAL ASSETS	<u>\$ 50,063</u>	<u>\$ 42,618</u>	<u>\$ 51,049</u>	<u>\$ 8,475</u>	<u>\$ 219,643</u>
LIABILITIES					
Accounts payable	\$ 2,561	\$ 285	\$ -	\$ -	\$ 276
Due to other funds	-	-	-	8,475	-
Due to other governments	15	-	-	-	-
Accrued wages payable	8,066	2,493	-	-	1,927
TOTAL LIABILITIES	<u>10,642</u>	<u>2,778</u>	<u>-</u>	<u>8,475</u>	<u>2,203</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - notes	-	-	-	-	-
FUND BALANCES					
Nonspendable	2,624	167	-	-	182
Restricted	-	-	51,049	-	-
Committed	-	-	-	-	83,373
Assigned	36,797	39,673	-	-	133,885
TOTAL FUND BALANCES	<u>39,421</u>	<u>39,840</u>	<u>51,049</u>	<u>-</u>	<u>217,440</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 50,063</u>	<u>\$ 42,618</u>	<u>\$ 51,049</u>	<u>\$ 8,475</u>	<u>\$ 219,643</u>

221	224	225	226	227	Total Nonmajor Special Revenue
Local Option Sales Tax	Park Development	Parkland	Flood Control	Contingency	
\$ 146,770	\$ 14,180	\$ 79,736	\$ 38,359	\$ 28,371	\$ 623,780
-	-	2,621	-	-	55,132
80	-	-	-	-	80
106,318	-	-	-	-	106,318
177,790	-	-	-	-	177,790
525,452	-	-	-	-	525,452
-	-	-	-	-	2,973
<u>\$ 956,410</u>	<u>\$ 14,180</u>	<u>\$ 82,357</u>	<u>\$ 38,359</u>	<u>\$ 28,371</u>	<u>\$ 1,491,525</u>
\$ 258	\$ -	\$ -	\$ -	\$ 297	\$ 3,677
-	-	-	-	-	8,475
-	-	-	-	5	20
-	-	-	-	-	12,486
<u>258</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>302</u>	<u>24,658</u>
<u>105,423</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,423</u>
-	-	-	-	-	2,973
850,729	14,180	-	-	-	915,958
-	-	20,074	2,401	-	105,848
-	-	62,283	35,958	28,069	336,665
<u>850,729</u>	<u>14,180</u>	<u>82,357</u>	<u>38,359</u>	<u>28,069</u>	<u>1,361,444</u>
<u>\$ 956,410</u>	<u>\$ 14,180</u>	<u>\$ 82,357</u>	<u>\$ 38,359</u>	<u>\$ 28,371</u>	<u>\$ 1,491,525</u>

CITY OF NORTH MANKATO, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2012

	211	212	213	215	220
	Library	Bookmobile	Library Endowment	Community Development Block Grant	Community Development
REVENUES					
Taxes					
Property taxes	\$ 419,405	\$ 39,831	\$ -	\$ -	\$ 15,978
Sales taxes	-	-	-	-	61
Franchise taxes	-	-	-	-	229,223
Hotel taxes	-	-	-	-	47,126
Intergovernmental					
Federal	-	-	-	8,476	-
County	44,901	-	-	-	-
Charges for services					
Other	-	-	-	-	-
Investment earnings	-	-	52	-	-
Miscellaneous					
Rents	-	-	-	-	-
Contributions and donations	13,674	100	-	-	-
Other	8,233	37,224	-	-	36,004
TOTAL REVENUES	<u>486,213</u>	<u>77,155</u>	<u>52</u>	<u>8,476</u>	<u>328,392</u>
EXPENDITURES					
Current					
Public safety					
Flood control	-	-	-	-	-
Culture and recreation					
Parks	-	-	-	-	-
Library	497,375	79,778	-	-	-
Housing and economic development	-	-	-	1,259	221,757
Miscellaneous					
Community promotion	-	-	-	-	-
Capital outlay					
Culture and recreation	-	-	-	-	-
Housing and economic development	-	-	-	-	33,267
Debt service					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
TOTAL EXPENDITURES	<u>497,375</u>	<u>79,778</u>	<u>-</u>	<u>1,259</u>	<u>255,024</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(11,162)</u>	<u>(2,623)</u>	<u>52</u>	<u>7,217</u>	<u>73,368</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	16,000	6,569
Debt issued	-	-	-	-	-
Transfers out	-	-	-	(10,116)	(111,000)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,884</u>	<u>(104,431)</u>
NET CHANGE IN FUND BALANCES	(11,162)	(2,623)	52	13,101	(31,063)
FUND BALANCES, JANUARY 1	50,583	42,463	50,997	(13,101)	248,503
FUND BALANCES, DECEMBER 31	<u>\$ 39,421</u>	<u>\$ 39,840</u>	<u>\$ 51,049</u>	<u>\$ -</u>	<u>\$ 217,440</u>

221	224	225	226	227	Total Nonmajor Special Revenue
Local Option Sales Tax	Park Development	Parkland	Flood Control	Contingency	
\$ -	\$ -	\$ -	\$ 6,000	\$ 50,000	\$ 531,214
544,443	-	-	-	-	544,504
-	-	-	-	-	229,223
-	-	-	-	-	47,126
-	-	-	-	-	8,476
-	-	-	-	-	44,901
-	-	-	-	5	5
691	-	-	-	-	743
-	-	26,820	-	-	26,820
-	-	1,080	-	1,070	15,924
2,166	-	-	-	-	83,627
547,300	-	27,900	6,000	51,075	1,532,563
-	-	-	4,800	-	4,800
164,246	-	9,674	-	-	173,920
-	-	-	-	-	577,153
-	-	-	-	-	223,016
-	-	-	-	33,451	33,451
160,735	-	1,148	-	-	161,883
-	-	-	-	-	33,267
45,000	-	-	-	-	45,000
1,575	-	-	-	-	1,575
371,556	-	10,822	4,800	33,451	1,254,065
175,744	-	17,078	1,200	17,624	278,498
-	-	-	-	-	22,569
105,423	-	-	-	-	105,423
(371,363)	-	-	-	(30,000)	(522,479)
(265,940)	-	-	-	(30,000)	(394,487)
(90,196)	-	17,078	1,200	(12,376)	(115,989)
940,925	14,180	65,279	37,159	40,445	1,477,433
\$ 850,729	\$ 14,180	\$ 82,357	\$ 38,359	\$ 28,069	\$ 1,361,444

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, 2012
With Comparative Actual Amounts for the Year Ended December 31, 2011

	2012			2011
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Taxes				
Property taxes	\$ 419,405	\$ 419,405	\$ -	\$ 436,745
Intergovernmental				
State	-	-	-	3,616
County	-	44,901	44,901	-
Miscellaneous				
Contributions and donations	4,000	13,674	9,674	5,215
Other	7,485	8,233	748	8,574
TOTAL REVENUES	430,890	486,213	55,323	454,150
EXPENDITURES				
Current				
Culture and recreation				
Library				
Personal services	263,584	314,095	(50,511)	255,014
Supplies	108,615	117,483	(8,868)	137,728
Other services and charges	58,691	65,797	(7,106)	58,266
TOTAL EXPENDITURES	430,890	497,375	(66,485)	451,008
NET CHANGE IN FUND BALANCES	-	(11,162)	(11,162)	3,142
FUND BALANCES, JANUARY 1	50,583	50,583	-	47,441
FUND BALANCES, DECEMBER 31	\$ 50,583	\$ 39,421	\$ (11,162)	\$ 50,583

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, 2012
 With Comparative Actual Amounts for the Year Ended December 31, 2011

	2012			2011
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Taxes				
Property taxes	\$ 39,831	\$ 39,831	\$ -	\$ 12,045
Miscellaneous				
Contributions and donations	-	100	100	-
Other	37,105	37,224	119	59,829
TOTAL REVENUES	76,936	77,155	219	71,874
EXPENDITURES				
Current				
Culture and recreation				
Library				
Personal services	51,650	52,397	(747)	45,874
Supplies	23,576	25,612	(2,036)	18,000
Other services and charges	1,710	1,769	(59)	2,580
TOTAL EXPENDITURES	76,936	79,778	(2,842)	66,454
NET CHANGE IN FUND BALANCES	-	(2,623)	(2,623)	5,420
FUND BALANCES, JANUARY 1	42,463	42,463	-	37,043
FUND BALANCES, DECEMBER 31	\$ 42,463	\$ 39,840	\$ (2,623)	\$ 42,463

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, 2012
With Comparative Actual Amounts for the Year Ended December 31, 2011

	2012			2011
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Investment earnings	\$ 250	\$ 52	\$ (198)	\$ 65
EXPENDITURES				
Current				
Culture and recreation				
Other services and charges	250	-	250	-
NET CHANGE IN FUND BALANCES	-	52	52	65
FUND BALANCES, JANUARY 1	50,997	50,997	-	50,932
FUND BALANCES, DECEMBER 31	<u>\$ 50,997</u>	<u>\$ 51,049</u>	<u>\$ 52</u>	<u>\$ 50,997</u>

CITY OF NORTH MANKATO, MINNESOTA
COMMUNITY DEVELOPMENT BLOCK GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED DECEMBER 31, 2012
With Comparative Actual Amounts for the Year Ended December 31, 2011

	2012			2011
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Intergovernmental				
Federal	\$ -	\$ 8,476	\$ 8,476	\$ 83,000
State	80,000	-	(80,000)	-
TOTAL REVENUES	80,000	8,476	(71,524)	83,000
EXPENDITURES				
Current				
Housing and economic development				
Other services and charges	80,000	1,259	78,741	80,101
EXCESS OF REVENUES OVER EXPENDITURES	-	7,217	7,217	2,899
OTHER FINANCING SOURCES (USES)				
Transfers in	-	16,000	16,000	-
Transfers out	-	(10,116)	(10,116)	(16,000)
TOTAL OTHER FINANCING SOURCES (USES)	-	5,884	5,884	(16,000)
NET CHANGE IN FUND BALANCES	-	13,101	13,101	(13,101)
FUND BALANCES, JANUARY 1	(13,101)	(13,101)	-	-
FUND BALANCES, DECEMBER 31	<u>\$ (13,101)</u>	<u>\$ -</u>	<u>\$ 13,101</u>	<u>\$ (13,101)</u>

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, 2012
With Comparative Actual Amounts for the Year Ended December 31, 2011

	2012			2011
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Taxes				
Property taxes	\$ 15,978	\$ 15,978	\$ -	\$ 15,978
Franchise taxes	223,000	229,223	6,223	226,759
Hotel taxes	40,000	47,126	7,126	40,685
Sales tax	-	61	61	-
Miscellaneous				
Other	8,000	36,004	28,004	8,630
TOTAL REVENUES	286,978	328,392	41,414	292,052
EXPENDITURES				
Current				
Housing and economic development				
Personal services	91,255	79,787	11,468	79,925
Supplies	35,500	49,124	(13,624)	15,953
Other services and charges	149,223	92,846	56,377	122,778
Capital outlay				
Housing and economic development	-	33,267	(33,267)	-
TOTAL EXPENDITURES	275,978	255,024	20,954	218,656
EXCESS OF REVENUES OVER EXPENDITURES	11,000	73,368	62,368	73,396
OTHER FINANCING SOURCES (USES)				
Transfers in	-	6,569	6,569	-
Transfers out	(11,000)	(111,000)	(100,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(11,000)	(104,431)	(93,431)	-
NET CHANGE IN FUND BALANCES	-	(31,063)	(31,063)	73,396
FUND BALANCES, JANUARY 1	248,503	248,503	-	175,107
FUND BALANCES, DECEMBER 31	\$ 248,503	\$ 217,440	\$ (31,063)	\$ 248,503

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, 2012
With Comparative Actual Amounts for the Year Ended December 31, 2011

	2012			2011
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Taxes				
Sales tax	\$ 420,000	\$ 544,443	\$ 124,443	\$ 461,510
Investment earnings	-	691	691	1,171
Miscellaneous				
Other	-	2,166	2,166	-
TOTAL REVENUES	420,000	547,300	127,300	462,681
EXPENDITURES				
Current				
Culture and recreation				
Library				
Other services and charges	-	164,246	(164,246)	173,043
Housing and economic development				
Other services and charges	-	-	-	200,000
Capital outlay				
Culture and recreation	-	160,735	(160,735)	38,684
Debt service				
Principal	45,000	45,000	-	60,000
Interest and fiscal charges	1,575	1,575	-	5,250
TOTAL EXPENDITURES	46,575	371,556	(324,981)	484,488
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	373,425	175,744	(197,681)	(21,807)
OTHER FINANCING SOURCES (USES)				
Debt issued	-	105,423	105,423	-
Transfers out	(373,425)	(371,363)	2,062	(369,256)
TOTAL OTHER FINANCING SOURCES (USES)	(373,425)	(265,940)	107,485	(369,256)
NET CHANGE IN FUND BALANCES	-	(90,196)	(90,196)	(391,063)
FUND BALANCES, JANUARY 1	940,925	940,925	-	1,331,988
FUND BALANCES, DECEMBER 31	\$ 940,925	\$ 850,729	\$ (90,196)	\$ 940,925

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, 2012
With Comparative Actual Amounts for the Year Ended December 31, 2011

	2012			2011
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ 8,500
Miscellaneous				
Rents	21,900	26,820	4,920	22,333
Contributions and donations	18,500	1,080	(17,420)	15,600
TOTAL REVENUES	<u>40,400</u>	<u>27,900</u>	<u>(12,500)</u>	<u>46,433</u>
EXPENDITURES				
Current				
Culture and recreation				
Parks				
Supplies	-	-	-	736
Other services and charges	-	9,674	(9,674)	25,481
Capital outlay				
Culture and recreation				
Parks	42,400	1,148	41,252	540
TOTAL EXPENDITURES	<u>42,400</u>	<u>10,822</u>	<u>31,578</u>	<u>26,757</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,000)	17,078	19,078	19,676
OTHER FINANCING SOURCES				
Transfers in	2,000	-	(2,000)	-
NET CHANGE IN FUND BALANCES	-	17,078	17,078	19,676
FUND BALANCES, JANUARY 1	<u>65,279</u>	<u>65,279</u>	<u>-</u>	<u>45,603</u>
FUND BALANCES, DECEMBER 31	<u>\$ 65,279</u>	<u>\$ 82,357</u>	<u>\$ 17,078</u>	<u>\$ 65,279</u>

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, 2012
With Comparative Actual Amounts for the Year Ended December 31, 2011

	2012			2011
	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	4,800	1,200	4,799
NET CHANGE IN FUND BALANCES	-	1,200	1,200	1,201
FUND BALANCES, JANUARY 1	37,159	37,159	-	35,958
FUND BALANCES, DECEMBER 31	<u>\$ 37,159</u>	<u>\$ 38,359</u>	<u>\$ 1,200</u>	<u>\$ 37,159</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, 2012
With Comparative Actual Amounts for the Year Ended December 31, 2011

	2012			2011
	Final Budget	Actual Amounts	Variance with Final Budget	Actual Amounts
REVENUES				
Taxes				
Property taxes	\$ 50,000	\$ 50,000	\$ -	\$ 55,000
Charges for services				
Other	5	5	-	8
Miscellaneous				
Contributions and donations	625	1,070	445	1,130
TOTAL REVENUES	50,630	51,075	445	56,138
EXPENDITURES				
Current				
Miscellaneous				
Community promotion				
Other services and charges	55,630	33,451	22,179	77,816
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(5,000)	17,624	22,624	(21,678)
OTHER FINANCING USES				
Transfers out	-	(30,000)	(30,000)	-
NET CHANGE IN FUND BALANCES	(5,000)	(12,376)	(7,376)	(21,678)
FUND BALANCES, JANUARY 1	40,445	40,445	-	62,123
FUND BALANCES, DECEMBER 31	\$ 35,445	\$ 28,069	\$ (7,376)	\$ 40,445

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, 2012

	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	\$ -	\$ -	\$ -
	<u> </u>	<u> </u>	<u> </u>
LIABILITIES			
Accounts payable	\$ -	\$ 16,460	\$ -
Contracts payable	-	22,241	-
Due to other funds	61,162	525,452	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	61,162	564,153	-
FUND BALANCES			
Unassigned	(61,162)	(564,153)	-
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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2012 Construction	2013 Construction	Total Nonmajor
<u>\$ -</u>	<u>\$ 1,685</u>	<u>\$ 1,685</u>
\$ -	\$ 9,806	\$ 26,266
-	-	22,241
<u>83,233</u>	<u>-</u>	<u>669,847</u>
83,233	9,806	718,354
<u>(83,233)</u>	<u>(8,121)</u>	<u>(716,669)</u>
<u>\$ -</u>	<u>\$ 1,685</u>	<u>\$ 1,685</u>

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

	407	410	230 Capital Facilities and Equipment Replacement - General
	<u>Equipment Certificates</u>	<u>Local Option Sales Tax</u>	
REVENUES			
Intergovernmental			
State			
Street construction aid	\$ -	\$ -	\$ -
Miscellaneous			
Other	<u>-</u>	<u>150,000</u>	<u>-</u>
TOTAL REVENUES	<u>-</u>	<u>150,000</u>	<u>-</u>
EXPENDITURES			
Capital outlay			
Public safety	12,388	-	-
Public works	48,443	-	-
Culture and recreation	-	762,291	-
Miscellaneous	<u>-</u>	<u>40,312</u>	<u>106,334</u>
TOTAL EXPENDITURES	<u>60,831</u>	<u>802,603</u>	<u>106,334</u>
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(60,831)	(652,603)	(106,334)
OTHER FINANCING SOURCES			
Transfers in	<u>-</u>	<u>88,450</u>	<u>101,388</u>
NET CHANGE IN FUND BALANCES	(60,831)	(564,153)	(4,946)
FUND BALANCES, JANUARY 1	<u>(331)</u>	<u>-</u>	<u>4,946</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ (61,162)</u></u>	<u><u>\$ (564,153)</u></u>	<u><u>\$ -</u></u>

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433

<u>2012</u> <u>Construction</u>	<u>2013</u> <u>Construction</u>	<u>Total</u> <u>Nonmajor</u>
\$ (59,155)	\$ -	\$ (59,155)
<u>-</u>	<u>-</u>	<u>150,000</u>
<u>(59,155)</u>	<u>-</u>	<u>90,845</u>
-	-	12,388
16,729	8,121	73,293
-	-	762,291
<u>-</u>	<u>-</u>	<u>146,646</u>
<u>16,729</u>	<u>8,121</u>	<u>994,618</u>
(75,884)	(8,121)	(903,773)
<u>-</u>	<u>-</u>	<u>189,838</u>
(75,884)	(8,121)	(713,935)
<u>(7,349)</u>	<u>-</u>	<u>(2,734)</u>
<u>\$ (83,233)</u>	<u>\$ (8,121)</u>	<u>\$ (716,669)</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, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
ASSETS		
Cash and temporary investments	\$ 707,965	\$ 126,867
Receivables		
Delinquent taxes	94,686	99,591
Accounts	34,162	10,200
Notes	61,751	68,141
Special assessments		
Delinquent	22,162	13,616
Noncurrent	53,967	58,652
Intergovernmental	34,350	57,220
Due from other funds	1,802,844	2,047,524
Due from component unit	323,005	-
Prepaid items	86,949	76,564
	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 3,221,841</u>	<u>\$ 2,558,375</u>
LIABILITIES		
Accounts payable	\$ 69,243	\$ 58,042
Accrued wages payable	108,910	78,517
Due to other governments	52,936	49,888
Unearned revenue	1,600	38,184
	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>232,689</u>	<u>224,631</u>
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - taxes	94,686	99,591
Unavailable revenue - special assessments	76,129	72,268
	<u> </u>	<u> </u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>170,815</u>	<u>171,859</u>
FUND BALANCES		
Nonspendable	86,949	76,564
Unassigned	2,731,388	2,085,321
	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>2,818,337</u>	<u>2,161,885</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 3,221,841</u>	<u>\$ 2,558,375</u>

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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, 2012
With Comparative Actual Amounts for the Year Ended December 31, 2011

	2012				2011
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES					
Taxes					
Property taxes	\$ 3,135,894	\$ 3,135,894	\$ 3,116,549	\$ (19,345)	\$ 2,410,536
Sales tax	800	800	653	(147)	712
Franchise taxes	105,000	105,000	107,384	2,384	105,710
Other taxes	12,000	12,000	19,627	7,627	22,177
Total taxes	3,253,694	3,253,694	3,244,213	(9,481)	2,539,135
Special assessments	3,150	3,150	49,776	46,626	5,101
Licenses and permits					
Business	84,700	84,700	113,715	29,015	84,413
Nonbusiness	247,900	247,900	413,037	165,137	437,215
Total licenses and permits	332,600	332,600	526,752	194,152	521,628
Intergovernmental					
Federal					
Other Federal aid	-	-	4,258	4,258	1,320
State					
Local government aid	1,358,107	1,358,107	1,358,107	-	1,358,107
Property tax credits	-	-	(3,122)	(3,122)	83,109
Street maintenance aid	38,000	38,000	152,888	114,888	38,000
Fire aid	42,000	42,000	45,742	3,742	47,811
Police aid	79,000	79,000	82,402	3,402	79,826
Other State aid	9,374	9,374	24,943	15,569	14,383
Total State	1,526,481	1,526,481	1,660,960	134,479	1,621,236
County					
Other County aid	-	-	5,086	5,086	-
Total intergovernmental	1,526,481	1,526,481	1,670,304	143,823	1,622,556
Charges for services					
General government	23,500	23,500	27,783	4,283	21,936
Public safety	77,500	77,500	4,500	(73,000)	137,954
Public works	2,000	2,000	4,600	2,600	1,981
Sanitation	500	500	908	408	559
Culture and recreation	137,125	137,125	126,536	(10,589)	134,536
Total charges for services	240,625	240,625	164,327	(76,298)	296,966
Fines and forfeits					
Court fines	34,000	34,000	26,797	(7,203)	28,562
Parking fines	900	900	375	(525)	930
Total fines and forfeits	34,900	34,900	27,172	(7,728)	29,492

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, 2012
With Comparative Actual Amounts for the Year Ended December 31, 2011

	2012				2011
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
REVENUES - CONTINUED					
Investment earnings	\$ 10,000	\$ 10,000	\$ 1,367	\$ (8,633)	\$ 7,170
Miscellaneous					
Contributions and donations	1,000	1,000	2,650	1,650	8,450
Rents	20,000	20,000	16,420	(3,580)	19,298
Sale of assets	-	-	11,052	11,052	-
Other	26,700	26,700	118,147	91,447	67,833
Total miscellaneous	47,700	47,700	148,269	100,569	95,581
TOTAL REVENUES	5,449,150	5,449,150	5,832,180	383,030	5,117,629
EXPENDITURES					
Current					
General government					
Mayor and Council					
Personal services	34,005	34,005	33,993	12	33,984
Supplies	350	350	144	206	550
Other services and charges	35,135	35,135	35,471	(336)	27,494
Total Mayor and Council	69,490	69,490	69,608	(118)	62,028
Administration					
Personal services	321,595	321,595	299,637	21,958	297,111
Supplies	9,550	9,550	7,302	2,248	9,997
Other services and charges	13,800	13,800	26,563	(12,763)	9,174
Total administration	344,945	344,945	333,502	11,443	316,282
Finance director					
Personal services	213,890	213,890	222,941	(9,051)	241,341
Supplies	7,100	7,100	4,542	2,558	7,558
Other services and charges	23,500	23,500	27,110	(3,610)	19,266
Total finance director	244,490	244,490	254,593	(10,103)	268,165
City attorney					
Personal services	-	-	-	-	54
Supplies	100	100	-	100	-
Other services and charges	97,200	97,200	95,113	2,087	99,550
Total city attorney	97,300	97,300	95,113	2,187	99,604
Planning and zoning					
Personal services	-	-	-	-	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, 2012
With Comparative Actual Amounts for the Year Ended December 31, 2011

	2012				2011
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - Continued					
General government					
General government building					
Personal services	\$ 73,260	\$ 73,260	\$ 68,134	\$ 5,126	\$ 66,487
Supplies	40,550	40,550	24,369	16,181	33,820
Other services and charges	96,505	96,505	81,941	14,564	89,610
Total general government building	210,315	210,315	174,444	35,871	189,917
Total general government	966,540	966,540	927,260	39,280	937,067
Public safety					
Police protection					
Personal services	1,223,735	1,223,735	1,294,669	(70,934)	1,182,095
Supplies	88,350	88,350	105,235	(16,885)	100,869
Other services and charges	62,920	62,920	62,515	405	59,079
Total police protection	1,375,005	1,375,005	1,462,419	(87,414)	1,342,043
Fire protection					
Personal services	217,960	217,960	212,230	5,730	199,787
Supplies	41,300	41,300	54,192	(12,892)	36,639
Other services and charges	58,570	58,570	60,424	(1,854)	48,641
Total fire protection	317,830	317,830	326,846	(9,016)	285,067
Building inspection					
Personal services	293,945	293,945	217,240	76,705	307,017
Supplies	16,500	16,500	17,053	(553)	14,676
Other services and charges	25,600	25,600	22,428	3,172	24,263
Total building inspection	336,045	336,045	256,721	79,324	345,956
Civil defense					
Personal services	14,210	14,210	12,428	1,782	14,106
Supplies	9,000	9,000	545	8,455	3,742
Other services and charges	2,950	2,950	1,216	1,734	2,601
Total civil defense	26,160	26,160	14,189	11,971	20,449
Total public safety	2,055,040	2,055,040	2,060,175	(5,135)	1,993,515
Public works					
Street maintenance					
Personal services	554,670	554,670	548,932	5,738	540,140
Supplies	349,350	349,350	295,917	53,433	358,732
Other services and charges	72,975	72,975	74,171	(1,196)	68,547
Total street maintenance	976,995	976,995	919,020	57,975	967,419

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, 2012
With Comparative Actual Amounts for the Year Ended December 31, 2011

	2012				2011
	Budgeted Amounts		Actual Amounts	Variance with Final Budget	Actual Amounts
	Original	Final			
EXPENDITURES - CONTINUED					
Current - Continued					
Public works					
Equipment maintenance					
Personal services	\$ 227,190	\$ 227,190	\$ 229,188	\$ (1,998)	\$ 218,774
Supplies	157,350	157,350	159,998	(2,648)	150,937
Other services and charges	35,270	35,270	37,629	(2,359)	34,449
Total equipment maintenance	419,810	419,810	426,815	(7,005)	404,160
Street lighting					
Personal services	8,530	8,530	8,581	(51)	8,484
Supplies	12,000	12,000	10,612	1,388	16,161
Other services and charges	285,000	285,000	278,238	6,762	273,674
Total street lighting	305,530	305,530	297,431	8,099	298,319
Total public works	1,702,335	1,702,335	1,643,266	59,069	1,669,898
Culture and recreation					
Swimming pool					
Personal services	35,650	35,650	1,566	34,084	40,776
Supplies	35,050	35,050	11,196	23,854	28,541
Other services and charges	10,615	10,615	56,679	(46,064)	10,128
Total swimming pool	81,315	81,315	69,441	11,874	79,445
Caswell Park concessions					
Personal services	76,260	76,260	67,378	8,882	77,353
Supplies	84,800	84,800	80,961	3,839	88,106
Other services and charges	16,355	16,355	16,217	138	15,467
Total Caswell Park concessions	177,415	177,415	164,556	12,859	180,926
Parks					
Personal services	349,640	349,640	357,243	(7,603)	368,175
Supplies	130,200	130,200	101,984	28,216	97,927
Other services and charges	83,795	83,795	78,613	5,182	78,044
Total parks	563,635	563,635	537,840	25,795	544,146
Total culture and recreation	822,365	822,365	771,837	50,528	804,517
Miscellaneous					
Mass transit					
Other services and charges	53,500	53,500	47,553	5,947	46,379
Other					
Other services and charges	27,500	27,500	9,623	17,877	10,470
Joint activities	19,500	19,500	19,500	-	19,500
Total other	47,000	47,000	29,123	17,877	29,970
Total miscellaneous	100,500	100,500	76,676	23,824	76,349
Total current	5,646,780	5,646,780	5,479,214	167,566	5,481,346

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, 2012
With Comparative Actual Amounts for the Year Ended December 31, 2011

	2012			2011
	Budgeted Amounts		Actual Amounts	Actual Amounts
	Original	Final		
EXPENDITURES- CONTINUED				
Capital outlay				
General government	\$ -	\$ -	\$ 12,825	\$ (12,825)
Public safety	-	-	-	5,300
Public works	-	-	27,478	(27,478)
Culture and recreation	10,000	10,000	-	10,000
Total capital outlay	10,000	10,000	40,303	(30,303)
TOTAL EXPENDITURES	5,656,780	5,656,780	5,519,517	137,263
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(207,630)	(207,630)	312,663	520,293
OTHER FINANCING SOURCES (USES)				
Transfers in	207,630	207,630	461,177	253,547
Transfers out	-	-	(117,388)	(117,388)
TOTAL OTHER FINANCING SOURCES (USES)	207,630	207,630	343,789	136,159
NET CHANGE IN FUND BALANCES	-	-	656,452	656,452
FUND BALANCES, JANUARY 1	2,161,885	2,161,885	2,161,885	-
FUND BALANCES, DECEMBER 31	\$ 2,161,885	\$ 2,161,885	\$ 2,818,337	\$ 656,452

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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, 2012
With Comparative Totals for December 31, 2011

	305 G.O. Equipment Debt	316 Bond Reserve	308 Capital Improvement Bonds of 2008	341 2001B G.O. Improvement Bonds
ASSETS				
Cash and temporary investments	\$ 68,457	\$ -	\$ 102	\$ 10,131
Restricted assets - cash with fiscal agent	-	-	-	-
Receivables				
Interest	-	-	-	-
Special assessments				
Delinquent	-	16,991	-	-
Noncurrent	-	760,319	-	9,484
Intergovernmental	-	665	-	-
Due from other funds	-	372,700	300,542	-
	<u>-</u>	<u>372,700</u>	<u>300,542</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 68,457</u></u>	<u><u>\$ 1,150,675</u></u>	<u><u>\$ 300,644</u></u>	<u><u>\$ 19,615</u></u>
LIABILITIES				
Due to other funds	\$ -	\$ 1,005,731	\$ -	\$ -
Accrued interest payable	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>-</u>	<u>1,005,731</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - special assessments	-	777,310	-	9,484
Unavailable revenue - due from other governments	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>777,310</u>	<u>-</u>	<u>9,484</u>
FUND BALANCES				
Unassigned	68,457	(632,366)	300,644	10,131
	<u>68,457</u>	<u>(632,366)</u>	<u>300,644</u>	<u>10,131</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u><u>\$ 68,457</u></u>	<u><u>\$ 1,150,675</u></u>	<u><u>\$ 300,644</u></u>	<u><u>\$ 19,615</u></u>

344 2004 G.O. Improvement Bonds	345 2005 G.O. Improvement Bonds	355 2005C G.O. Refunding Bonds	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	349 2009 G.O. Improvement Bonds
\$ 16,802 422,182	\$ 34,223 457,405	\$ 17 -	\$ - -	\$ 89,150 -	\$ - -	\$ - -	\$ 31,312 -
-	-	-	-	-	-	-	23,466
-	150,271	3,397	-	119,264	-	-	-
7,532	1,035,226	45,028	-	1,133,808	100,751	-	94,637
-	27,283	15	-	18,498	10	-	2,805,000
281,111	-	-	-	-	-	-	-
<u>\$ 727,627</u>	<u>\$ 1,704,408</u>	<u>\$ 48,457</u>	<u>\$ -</u>	<u>\$ 1,360,720</u>	<u>\$ 100,761</u>	<u>\$ -</u>	<u>\$ 2,954,415</u>
\$ - 315	\$ 210,688 181	\$ 372,700 -	\$ - -	\$ - -	\$ 135,542 -	\$ - -	\$ - -
315	210,869	372,700	-	-	135,542	-	-
7,532	1,185,497	48,425	-	1,253,072	100,751	-	94,637
-	-	-	-	-	-	-	2,805,000
7,532	1,185,497	48,425	-	1,253,072	100,751	-	2,899,637
719,780	308,042	(372,668)	-	107,648	(135,532)	-	54,778
<u>\$ 727,627</u>	<u>\$ 1,704,408</u>	<u>\$ 48,457</u>	<u>\$ -</u>	<u>\$ 1,360,720</u>	<u>\$ 100,761</u>	<u>\$ -</u>	<u>\$ 2,954,415</u>

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CITY OF NORTH MANKATO, MINNESOTA
DEBT SERVICE FUNDS
COMBINING BALANCE SHEET - CONTINUED
DECEMBER 31, 2012
With Comparative Totals for December 31, 2011

	350 2010 G.O. Improvement Bonds	356 2010C G.O. Refunding Bonds	<u>Totals</u>	
			2012	2011
ASSETS				
Cash and temporary investments	\$ 45,000	\$ -	\$ 295,194	\$ 500,108
Restricted assets - cash with fiscal agent	-	1,508,596	2,388,183	1,865,311
Receivables				
Interest	-	-	23,466	24,341
Special assessments				
Delinquent	-	411,741	701,664	590,025
Noncurrent	-	1,945,923	5,132,708	5,610,079
Intergovernmental	-	1,107	2,852,578	3,008,149
Due from other funds	-	-	954,353	203,041
	<u>45,000</u>	<u>3,867,367</u>	<u>12,348,146</u>	<u>11,801,054</u>
TOTAL ASSETS				
	<u>\$ 45,000</u>	<u>\$ 3,867,367</u>	<u>\$ 12,348,146</u>	<u>\$ 11,801,054</u>
LIABILITIES				
Due to other funds	\$ 145,423	\$ 2,253,476	\$ 4,123,560	\$ 3,686,565
Accrued interest payable	-	-	496	-
	<u>145,423</u>	<u>2,253,476</u>	<u>4,124,056</u>	<u>3,686,565</u>
TOTAL LIABILITIES				
	<u>145,423</u>	<u>2,253,476</u>	<u>4,124,056</u>	<u>3,686,565</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - special assessments	-	2,357,664	5,834,372	6,200,104
Unavailable revenue - due from other governments	-	-	2,805,000	2,980,000
	<u>-</u>	<u>2,357,664</u>	<u>8,639,372</u>	<u>9,180,104</u>
TOTAL DEFERRED INFLOWS OF RESOURCES				
	<u>-</u>	<u>2,357,664</u>	<u>8,639,372</u>	<u>9,180,104</u>
FUND BALANCES				
Unassigned	(100,423)	(743,773)	(415,282)	(1,065,615)
	<u>(100,423)</u>	<u>(743,773)</u>	<u>(415,282)</u>	<u>(1,065,615)</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
	<u>\$ 45,000</u>	<u>\$ 3,867,367</u>	<u>\$ 12,348,146</u>	<u>\$ 11,801,054</u>

CITY OF NORTH MANKATO, MINNESOTA
DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
CONTINUED ON THE FOLLOWING PAGES
FOR THE YEAR ENDED DECEMBER 31, 2012
With Comparative Totals for the Year Ended December 31, 2011

	305 G.O. Equipment Debt	316 Bond Reserve	308 Capital Improvement Bonds of 2008	341 2001B G.O. Improvement Bonds
REVENUES				
Taxes				
Property taxes	\$ 68,985	\$ 462,195	\$ 246,935	\$ 115,000
Special assessments	-	11,673	-	27,571
Intergovernmental				
State				
Street construction aid	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous				
Contributions and donations	-	-	-	-
	<u>68,985</u>	<u>473,868</u>	<u>246,935</u>	<u>142,571</u>
TOTAL REVENUES				
EXPENDITURES				
Debt service				
Principal	61,000	-	195,000	60,000
Interest and other	4,700	-	50,260	1,275
Bond issuance costs	-	-	-	-
	<u>65,700</u>	<u>-</u>	<u>245,260</u>	<u>61,275</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>3,285</u>	<u>473,868</u>	<u>1,675</u>	<u>81,296</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Bonds issued	-	-	-	-
Transfers out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)				
NET CHANGE IN FUND BALANCES	3,285	473,868	1,675	81,296
FUND BALANCES, JANUARY 1	<u>65,172</u>	<u>(1,106,234)</u>	<u>298,969</u>	<u>(71,165)</u>
FUND BALANCES, DECEMBER 31	<u>\$ 68,457</u>	<u>\$ (632,366)</u>	<u>\$ 300,644</u>	<u>\$ 10,131</u>

344 2004 G.O. Improvement Bonds	345 2005 G.O. Improvement Bonds	355 2005C G.O. Refunding Bonds	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	349 2009 G.O. Improvement Bonds
\$ 96,490 2,806	\$ - 231,507	\$ 99,928 441	\$ - -	\$ 196,321 355,403	\$ 57,598 24,542	\$ - -	\$ - 16,533
-	-	-	-	-	-	-	269,737
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
99,296	231,507	100,369	-	551,724	82,140	-	286,270
65,000 28,595 9,324	310,000 46,306 7,024	24,000 6,752 -	- - -	385,000 48,456 -	185,000 45,400 -	185,000 97,913 -	175,000 96,012 -
102,919	363,330	30,752	-	433,456	230,400	282,913	271,012
(3,623)	(131,823)	69,617	-	118,268	(148,260)	(282,913)	15,258
- 430,000 -	- 465,000 -	- - -	493,900 - -	- - -	- - -	282,913 - -	- - -
430,000	465,000	-	493,900	-	-	282,913	-
426,377	333,177	69,617	493,900	118,268	(148,260)	-	15,258
293,403	(25,135)	(442,285)	(493,900)	(10,620)	12,728	-	39,520
\$ 719,780	\$ 308,042	\$ (372,668)	\$ -	\$ 107,648	\$ (135,532)	\$ -	\$ 54,778

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CITY OF NORTH MANKATO, MINNESOTA
DEBT SERVICE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CONTINUED
FOR THE YEAR ENDED DECEMBER 31, 2012
With Comparative Totals for the Year Ended December 31, 2011

	350 2010 G.O. Improvement Bonds	356 2010C G.O. Refunding Bonds	<u>Totals</u>	
			<u>2012</u>	<u>2011</u>
REVENUES				
Taxes				
Property taxes	\$ -	\$ 36,563	\$ 1,380,015	\$ 1,475,843
Special assessments	-	207,917	878,393	761,598
Intergovernmental				
State				
Street construction aid	-	-	269,737	238,763
Investment earnings	-	149	149	24,591
Miscellaneous				
Contributions and donations	-	-	-	350,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>350,000</u>
TOTAL REVENUES	<u>-</u>	<u>244,629</u>	<u>2,528,294</u>	<u>2,850,795</u>
EXPENDITURES				
Debt service				
Principal	-	750,000	2,395,000	3,873,000
Interest and other	75,750	185,643	687,062	755,378
Bond issuance costs	-	-	16,348	-
	<u>-</u>	<u>-</u>	<u>16,348</u>	<u>-</u>
TOTAL EXPENDITURES	<u>75,750</u>	<u>935,643</u>	<u>3,098,410</u>	<u>4,628,378</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(75,750)</u>	<u>(691,014)</u>	<u>(570,116)</u>	<u>(1,777,583)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	45,000	-	821,813	5,466,273
Bonds issued	-	-	895,000	-
Transfers out	-	(496,364)	(496,364)	(5,127,418)
	<u>-</u>	<u>(496,364)</u>	<u>(496,364)</u>	<u>(5,127,418)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>45,000</u>	<u>(496,364)</u>	<u>1,220,449</u>	<u>338,855</u>
NET CHANGE IN FUND BALANCES	(30,750)	(1,187,378)	650,333	(1,438,728)
FUND BALANCES, JANUARY 1	<u>(69,673)</u>	<u>443,605</u>	<u>(1,065,615)</u>	<u>373,113</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ (100,423)</u></u>	<u><u>\$ (743,773)</u></u>	<u><u>\$ (415,282)</u></u>	<u><u>\$ (1,065,615)</u></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 POSITION
 DECEMBER 31, 2012
 With Comparative Totals for December 31, 2011

	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	\$ 454,744	\$ 148,423	\$ 320,919
Receivables			
Accounts	35,976	-	-
Intergovernmental	9,380	-	13,657
Other current assets	<u>1,657</u>	<u>-</u>	<u>975</u>
 TOTAL ASSETS	 <u><u>\$ 501,757</u></u>	 <u><u>\$ 148,423</u></u>	 <u><u>\$ 335,551</u></u>
LIABILITIES			
Accounts payable	\$ 3,228	\$ -	\$ -
Due to other governments	492,328	148,423	335,551
Accrued wages payable	<u>6,201</u>	<u>-</u>	<u>-</u>
 TOTAL LIABILITIES	 <u><u>\$ 501,757</u></u>	 <u><u>\$ 148,423</u></u>	 <u><u>\$ 335,551</u></u>

864 10% Gambling	865 Tactical Response Team	Totals	
		2012	2011
\$ 2,925	\$ 5,859	\$ 932,870	\$ 935,367
1,226	-	37,202	39,069
-	-	23,037	78,403
-	-	2,632	6,516
<u>\$ 4,151</u>	<u>\$ 5,859</u>	<u>\$ 995,741</u>	<u>\$ 1,059,355</u>
\$ -	\$ -	\$ 3,228	\$ 7,427
4,151	5,859	986,312	1,049,568
-	-	6,201	2,360
<u>\$ 4,151</u>	<u>\$ 5,859</u>	<u>\$ 995,741</u>	<u>\$ 1,059,355</u>

CITY OF NORTH MANKATO, MINNESOTA
 AGENCY FUNDS
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
Public Access Authority (861)				
ASSETS				
Cash and temporary investments	\$ 508,048	\$ 187,620	\$ 240,924	\$ 454,744
Receivables				
Accounts	38,185	54,283	56,492	35,976
Intergovernmental	9,153	18,533	18,306	9,380
Other current assets	5,609	1,657	5,609	1,657
	<u>5,609</u>	<u>1,657</u>	<u>5,609</u>	<u>1,657</u>
TOTAL ASSETS	<u>\$ 560,995</u>	<u>\$ 262,093</u>	<u>\$ 321,331</u>	<u>\$ 501,757</u>
LIABILITIES				
Accounts payable	\$ 1,409	\$ 100,765	\$ 98,946	\$ 3,228
Due to other governments	557,226	73,436	138,334	492,328
Accrued wages payable	2,360	87,892	84,051	6,201
	<u>2,360</u>	<u>87,892</u>	<u>84,051</u>	<u>6,201</u>
TOTAL LIABILITIES	<u>\$ 560,995</u>	<u>\$ 262,093</u>	<u>\$ 321,331</u>	<u>\$ 501,757</u>
Public Access Equipment (862)				
ASSETS				
Cash and temporary investments	\$ 180,900	\$ -	\$ 32,477	\$ 148,423
	<u>180,900</u>	<u>-</u>	<u>32,477</u>	<u>148,423</u>
LIABILITIES				
Accounts payable	\$ (295)	\$ 32,393	\$ 32,098	\$ -
Due to other governments	181,195	-	32,772	148,423
	<u>181,195</u>	<u>-</u>	<u>32,772</u>	<u>148,423</u>
TOTAL LIABILITIES	<u>\$ 180,900</u>	<u>\$ 32,393</u>	<u>\$ 64,870</u>	<u>\$ 148,423</u>
Minnesota River Valley Task Force (863)				
ASSETS				
Cash and temporary investments	\$ 216,499	\$ 413,542	\$ 309,122	\$ 320,919
Receivables				
Due from other governments	69,250	13,657	69,250	13,657
Other current assets	907	975	907	975
	<u>907</u>	<u>975</u>	<u>907</u>	<u>975</u>
TOTAL ASSETS	<u>\$ 286,656</u>	<u>\$ 428,174</u>	<u>\$ 379,279</u>	<u>\$ 335,551</u>
LIABILITIES				
Accounts payable	\$ 6,313	\$ 337,812	\$ 344,125	\$ -
Due to other governments	280,343	90,362	35,154	335,551
	<u>280,343</u>	<u>90,362</u>	<u>35,154</u>	<u>335,551</u>
TOTAL LIABILITIES	<u>\$ 286,656</u>	<u>\$ 428,174</u>	<u>\$ 379,279</u>	<u>\$ 335,551</u>

CITY OF NORTH MANKATO, MINNESOTA
 AGENCY FUNDS
 SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - CONTINUED
 FOR THE YEAR ENDED DECEMBER 31, 2012

	Balance January 1, 2012	Additions	Deletions	Balance December 31, 2012
10% Gambling (864)				
ASSETS				
Cash and temporary investments	\$ 14,842	\$ 17,429	\$ 29,346	\$ 2,925
Receivables				
Accounts	884	2,109	1,767	1,226
TOTAL ASSETS	<u>\$ 15,726</u>	<u>\$ 19,538</u>	<u>\$ 31,113</u>	<u>\$ 4,151</u>
LIABILITIES				
Due to other governments	<u>\$ 15,726</u>	<u>\$ 19,538</u>	<u>\$ 31,113</u>	<u>\$ 4,151</u>
Tactical Response Team (865)				
ASSETS				
Cash and temporary investments	<u>\$ 15,078</u>	<u>\$ 2,100</u>	<u>\$ 11,319</u>	<u>\$ 5,859</u>
LIABILITIES				
Due to other governments	<u>\$ 15,078</u>	<u>\$ 10,987</u>	<u>\$ 20,206</u>	<u>\$ 5,859</u>
TOTALS - ALL FUNDS				
ASSETS				
Cash and temporary investments	\$ 935,367	\$ 620,691	\$ 623,188	\$ 932,870
Receivables				
Accounts	39,069	56,392	58,259	37,202
Intergovernmental	78,403	32,190	87,556	23,037
Other current assets	6,516	2,632	6,516	2,632
TOTAL ASSETS	<u>\$ 1,059,355</u>	<u>\$ 711,905</u>	<u>\$ 775,519</u>	<u>\$ 995,741</u>
LIABILITIES				
Accounts payable	\$ 7,427	\$ 470,970	\$ 475,169	\$ 3,228
Due to other governments	1,049,568	194,323	257,579	986,312
Accrued wages payable	2,360	87,892	84,051	6,201
TOTAL LIABILITIES	<u>\$ 1,059,355</u>	<u>\$ 753,185</u>	<u>\$ 816,799</u>	<u>\$ 995,741</u>

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**DISCRETELY PRESENTED COMPONENT UNIT -
PORT AUTHORITY**

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

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CITY OF NORTH MANKATO, MINNESOTA
DISCRETELY PRESENTED COMPONENT UNIT - PORT AUTHORITY
COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS - CONTINUED ON THE FOLLOWING PAGES
DECEMBER 31, 2012
With Comparative Totals for December 31, 2011

	General 228	Special Revenue		
		229	234	235
	Port Authority	Federal Revolving Loan	Local Revolving Loan	State Revolving Loan
ASSETS				
Cash and temporary investments	\$ -	\$ 597,642	\$ 100,122	\$ 18,374
Restricted assets - cash with fiscal agent	-	-	-	-
Receivables				
Accounts	-	-	-	-
Interest	-	-	-	-
Intergovernmental	-	-	-	-
Notes, mortgages and leases	13,750	914,205	124,733	182,696
Due from other funds	192,420	-	-	-
TOTAL ASSETS	<u>\$ 206,170</u>	<u>\$ 1,511,847</u>	<u>\$ 224,855</u>	<u>\$ 201,070</u>
LIABILITIES				
Accounts payable	\$ 258	\$ -	\$ -	\$ -
Accrued interest payable	-	-	-	3,920
Due to other funds	-	-	-	-
Due to primary government	-	-	-	-
Due to other governments	-	-	-	182,696
Unearned revenue	15,000	-	-	-
TOTAL LIABILITIES	<u>15,258</u>	<u>-</u>	<u>-</u>	<u>186,616</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - notes	-	-	-	-
FUND BALANCES				
Restricted for				
Economic development	-	1,511,847	224,855	14,454
Tax increment financing	-	-	-	-
Debt service	-	-	-	-
Assigned for				
Economic development	190,912	-	-	-
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>190,912</u>	<u>1,511,847</u>	<u>224,855</u>	<u>14,454</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 206,170</u>	<u>\$ 1,511,847</u>	<u>\$ 224,855</u>	<u>\$ 201,070</u>

Special Revenue								
238 Tax Increment Project	240 Joint Economic Development	250 Marigold TIF #8	251 Webster Redevelopment TIF #14	253 Creative Companies TIF #16	254 National Dentex TIF #17	255 Webster Avenue TIF #2	256 LJP Enterprises TIF #18	258 422 Belgrade TIF #19
\$ -	\$ 205,298	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	2,954	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	60,843	-	-	-	-	-	-	-
321,606	-	-	-	35,704	-	-	-	261,996
<u>\$ 321,606</u>	<u>\$ 269,095</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,704</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 261,996</u>
\$ 1	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	-	618,444	50,733	-	28	2,502	7,500	-
-	-	323,005	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
1	-	941,449	50,733	-	28	2,502	7,500	-
-	9,160	-	-	-	-	-	-	-
-	259,935	-	-	-	-	-	-	-
321,605	-	-	-	35,704	-	-	-	261,996
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	(941,449)	(50,733)	-	(28)	(2,502)	(7,500)	-
321,605	259,935	(941,449)	(50,733)	35,704	(28)	(2,502)	(7,500)	261,996
<u>\$ 321,606</u>	<u>\$ 269,095</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 35,704</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 261,996</u>

CITY OF NORTH MANKATO, MINNESOTA
DISCRETELY PRESENTED COMPONENT UNIT - PORT AUTHORITY
COMBINING BALANCE SHEET - GOVERNMENTAL FUNDS - CONTINUED
DECEMBER 31, 2012
With Comparative Totals for December 31, 2011

	Debt Service			
	368	370	371	379
	1993A Port	2011A Port	2011B Port	1988 G.O.
	Authority	Authority	Authority	Tax Increment
	Revenue Bonds	G.O. Bonds	G.O. Bonds	Bonds
ASSETS				
Cash and temporary investments	\$ -	\$ -	\$ -	\$ -
Restricted assets - cash with fiscal agent	-			-
Receivables				
Accounts	-	-	-	-
Interest	7,050	-		
Intergovernmental	750			
Notes, mortgages and leases	155,000	3,215,000	-	-
Due from other funds	-	170,671	21,266	94,235
TOTAL ASSETS	<u>\$ 162,800</u>	<u>\$ 3,385,671</u>	<u>\$ 21,266</u>	<u>\$ 94,235</u>
LIABILITIES				
Accounts payable	-	\$ -	\$ -	-
Accrued interest payable		-	-	-
Due to other funds	435,721	-	-	-
Due to primary government	-	-	-	-
Due to other governments	-	-	-	-
Unearned revenue	-	-	-	-
TOTAL LIABILITIES	<u>435,721</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - notes	-	3,215,000	-	-
FUND BALANCES				
Restricted for				
Economic development				
Tax increment financing				
Debt service	-	170,671	21,266	94,235
Assigned for				
Economic development	-	-	-	-
Unassigned	(272,921)	-	-	-
TOTAL FUND BALANCES	<u>(272,921)</u>	<u>170,671</u>	<u>21,266</u>	<u>94,235</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 162,800</u>	<u>\$ 3,385,671</u>	<u>\$ 21,266</u>	<u>\$ 94,235</u>

Total fund balances - governmental funds

Amounts reported for governmental activities in the statement of net position are different because
Capital assets used in governmental activities are not financial
resources and therefore are not reported as assets in the funds.

Long-term liabilities are not due and payable in the current period and therefore are not reported
in the funds.
Bonds payable
Bond discounts/premiums, net of accumulated amortization

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

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

Total net position - governmental activities

Capital Projects

Port Authority Construction	Totals	
	2012	2011
\$ -	\$ 921,436	\$ 596,921
-	-	598,426
-	2,954	-
-	7,050	21,706
-	750	119,500
-	4,666,227	5,193,366
17,030	1,114,928	761,969
<u>\$ 17,030</u>	<u>\$ 6,713,345</u>	<u>\$ 7,291,888</u>
\$ -	\$ 259	\$ 45,744
-	3,920	1,957
-	1,114,928	761,969
-	323,005	-
-	182,696	164,645
-	15,000	-
-	1,639,808	974,315
-	3,224,160	3,215,000
-	2,011,091	2,241,087
-	619,305	588,728
-	286,172	56,173
17,030	207,942	749,290
-	(1,275,133)	(532,705)
17,030	1,849,377	3,102,573
<u>\$ 17,030</u>	<u>\$ 6,713,345</u>	<u>\$ 7,291,888</u>
	\$ 1,849,377	\$ 3,102,573
	2,242,820	2,175,039
	(6,605,000)	(7,645,000)
	(2,183)	1,652
	3,215,000	3,215,000
	(98,810)	(79,847)
	<u>\$ 601,204</u>	<u>\$ 769,417</u>

CITY OF NORTH MANKATO, MINNESOTA
DISCRETELY PRESENTED COMPONENT UNIT - PORT AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
CONTINUED ON THE FOLLOWING PAGES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
With Comparative Totals for the Year Ended December 31, 2011

	General <u>228</u>	Special Revenue		
	Port Authority	<u>229</u> Federal Revolving Loan	<u>234</u> Local Revolving Loan	<u>235</u> State Revolving Loan
REVENUES				
Taxes	\$ 65,000	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Investment earnings	-	154	-	-
Intergovernmental				
Federal	-	-	-	-
Miscellaneous				
Rents	-	-	-	-
Contributions and donations	-	-	-	-
Other	31,752	48,246	5,072	5,858
	<u>96,752</u>	<u>48,400</u>	<u>5,072</u>	<u>5,858</u>
TOTAL REVENUES	<u>96,752</u>	<u>48,400</u>	<u>5,072</u>	<u>5,858</u>
EXPENDITURES				
Current				
Economic development	58,000	16	-	36,539
Capital outlay				
Economic development	135,562	-	-	-
Debt service				
Principal	-	-	-	-
Interest and other	-	-	-	8,606
Bond issuance costs	-	-	-	-
	<u>193,562</u>	<u>16</u>	<u>-</u>	<u>45,145</u>
TOTAL EXPENDITURES	<u>193,562</u>	<u>16</u>	<u>-</u>	<u>45,145</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(96,810)</u>	<u>48,384</u>	<u>5,072</u>	<u>(39,287)</u>
OTHER FINANCING SOURCES (USES)				
Sale of assets	-	-	-	-
Bonds issued	-	-	-	-
Discount/premium on bonds issued	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	(96,810)	48,384	5,072	(39,287)
FUND BALANCES, JANUARY 1	<u>287,722</u>	<u>1,463,463</u>	<u>219,783</u>	<u>53,741</u>
FUND BALANCES, DECEMBER 31	<u>\$ 190,912</u>	<u>\$ 1,511,847</u>	<u>\$ 224,855</u>	<u>\$ 14,454</u>

Special Revenue								
238 Tax Increment Project	240 Joint Economic Development	250 Marigold TIF #8	251 Webster Redevelopment TIF #14	253 Creative Companies TIF #16	254 National Dentex TIF #17	255 Webster Avenue TIF #2	256 LJP Enterprises TIF #18	258 422 Belgrade TIF #19
\$ -	\$ -	\$ 21,707	\$ -	\$ 23,189	\$ 14,853	\$ 5,992	\$ -	\$ -
-	-	-	-	-	-	-	-	-
-	156	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	4,954	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	3,225	-	-	-	-	-	-	5,766
-	8,335	21,707	-	23,189	14,853	5,992	-	5,766
-	29,500	50	-	22,021	12,409	14	-	150,000
-	-	-	-	-	-	-	-	-
-	100,000	-	-	-	-	-	-	-
-	34,000	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	163,500	50	-	22,021	12,409	14	-	150,000
-	(155,165)	21,657	-	1,168	2,444	5,978	-	(144,234)
-	3,000	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	406,230
(217,009)	(92,000)	(489,518)	(66,311)	-	-	(5,272)	-	-
(217,009)	(89,000)	(489,518)	(66,311)	-	-	(5,272)	-	406,230
(217,009)	(244,165)	(467,861)	(66,311)	1,168	2,444	706	-	261,996
538,614	504,100	(473,588)	15,578	34,536	(2,472)	(3,208)	(7,500)	-
\$ 321,605	\$ 259,935	\$ (941,449)	\$ (50,733)	\$ 35,704	\$ (28)	\$ (2,502)	\$ (7,500)	\$ 261,996

CITY OF NORTH MANKATO, MINNESOTA
DISCRETELY PRESENTED COMPONENT UNIT - PORT AUTHORITY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - CONTINUED
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
With Comparative Totals for the Year Ended December 31, 2011

	Debt Service			
	368	370	371	379
	1993A Port	2011A Port	2011B Port	1988 G.O.
	Authority	Authority	Authority	Tax Increment
	Revenue Bonds	G.O. Bonds	G.O. Bonds	Bonds
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	7,800	-	-	-
Investment earnings	-	97	15	-
Intergovernmental				
Federal				
Miscellaneous				
Rents	-	-	-	-
Contributions and donations		234,711		-
Other	-	(6,470)	-	-
TOTAL REVENUES	<u>7,800</u>	<u>228,338</u>	<u>15</u>	<u>-</u>
EXPENDITURES				
Current				
Economic development	-	-	-	-
Capital outlay				
Economic development	-	-	-	-
Debt service				
Principal	360,000	-	-	580,000
Interest and other	62,949	63,612	13,766	54,333
Bond issuance costs	-	-	-	-
TOTAL EXPENDITURES	<u>422,949</u>	<u>63,612</u>	<u>13,766</u>	<u>634,333</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(415,149)</u>	<u>164,726</u>	<u>(13,751)</u>	<u>(634,333)</u>
OTHER FINANCING SOURCES (USES)				
Sale of assets	-	-	-	-
Bonds issued	-	-	-	-
Discount/premium on bonds issued	-	-	-	-
Transfers in	92,000	-	37,642	771,880
Transfers out	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>92,000</u>	<u>-</u>	<u>37,642</u>	<u>771,880</u>
NET CHANGE IN FUND BALANCES	(323,149)	164,726	23,891	137,547
FUND BALANCES, JANUARY 1	<u>50,228</u>	<u>5,945</u>	<u>(2,625)</u>	<u>(43,312)</u>
FUND BALANCES, DECEMBER 31	<u>\$ (272,921)</u>	<u>\$ 170,671</u>	<u>\$ 21,266</u>	<u>\$ 94,235</u>

<u>Capital Projects</u>		
448		
Port	Totals	
Authority		
Construction	2012	2011
\$ -	\$ 130,741	\$ 159,958
-	7,800	12,263
50	472	10,770
-	-	30,500
-	4,954	11,946
-	234,711	255,000
-	93,449	87,182
50	472,127	567,619
-	308,549	3,858,118
6,946	142,508	1,021,859
-	1,040,000	508,000
-	237,266	159,272
-	-	38,600
6,946	1,728,323	5,585,849
(6,896)	(1,256,196)	(5,018,230)
-	3,000	1,025,733
-	-	4,678,000
-	-	(8,918)
-	1,307,752	281,291
(437,642)	(1,307,752)	(281,291)
(437,642)	3,000	5,694,815
(444,538)	(1,253,196)	676,585
461,568	3,102,573	2,425,988
<u>\$ 17,030</u>	<u>\$ 1,849,377</u>	<u>\$ 3,102,573</u>

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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 - CONTINUED
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2012
With Comparative Totals for the Year Ended December 31, 2011

	Totals	
	2012	2011
Amounts reported for governmental activities in the statement of activities are different because		
Net change in fund balances - governmental funds	\$ (1,253,196)	\$ 676,585
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	135,562	1,008,000
The effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) net position.		
Sale of capital assets	(67,781)	(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 position.		
Bond proceeds	-	(4,678,000)
Principal repayments	1,040,000	508,000
Discount/premium on bonds issued, net of amortization expense	38	4,640
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.		
	(18,963)	(33,234)
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 position - governmental activities	<u>\$ (164,340)</u>	<u>\$ 459,012</u>

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

	Totals		Percent Increase (Decrease)
	2012	2011	
REVENUES			
Taxes	\$ 5,976,295	\$ 5,278,200	13.23 %
Special assessments	928,169	766,699	21.06
Licenses and permits	526,752	521,628	0.98
Intergovernmental	2,679,783	4,141,816	(35.30)
Charges for services	164,332	296,974	(44.66)
Fines and forfeits	27,172	29,492	(7.87)
Investment earnings	3,708	33,678	(88.99)
Contributions and donations	-	350,000	(100.00)
Miscellaneous	424,640	345,383	22.95
TOTAL REVENUES	<u>\$ 10,730,851</u>	<u>\$ 11,763,870</u>	(8.78) %
Per Capita	<u>\$ 799</u>	<u>\$ 878</u>	(9.00) %
EXPENDITURES			
Current			
General government	\$ 927,260	\$ 937,067	(1.05) %
Public safety	2,171,535	2,093,243	3.74
Public works	1,776,726	1,870,220	(5.00)
Culture and recreation	1,522,910	1,528,750	(0.38)
Housing and economic development	223,016	498,757	(55.29)
Miscellaneous	110,127	154,165	(28.57)
Capital outlay			
General government	12,825	-	100.00
Public safety	12,388	59,981	(79.35)
Public works	4,112,922	3,612,340	13.86
Culture and recreation	924,174	69,917	1,221.82
Economic development	33,267	-	100.00
Miscellaneous	146,646	104,708	40.05
Debt service			
Principal	2,440,000	3,933,000	(37.96)
Interest and other charges	688,637	760,628	(9.46)
Bond issuance costs	16,348	-	100.00
TOTAL EXPENDITURES	<u>\$ 15,118,781</u>	<u>\$ 15,622,776</u>	(3.23) %
Per Capita	<u>\$ 1,126</u>	<u>\$ 1,166</u>	(3.46) %
Total Long-term Indebtedness	\$ 23,453,423	\$ 24,893,000	(5.78) %
Per Capita	1,747	1,859	(6.01)
General Fund Balance - December 31	\$ 2,818,337	\$ 2,161,885	30.36 %
Per Capita	210	161	30.05

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 City'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 POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year				
	2012	2011	2010	2009	2008
Governmental activities					
Net investment in capital assets	\$22,078,379	\$21,718,486	\$17,936,216	\$19,365,624	\$17,817,241
Restricted	7,064,989	9,836,509	9,430,699	9,176,578	9,114,637
Unrestricted	2,516,488	1,925,231	5,332,038	4,146,659	1,333,792
Total governmental activities net position	31,659,856	33,480,226	32,698,953	32,688,861	28,265,670
Business-type activities					
Net investment in capital assets	16,380,284	16,548,626	16,636,920	16,782,600	17,083,850
Unrestricted	3,200,746	3,011,862	3,002,540	2,906,271	3,027,945
Total business-type activities net position	19,581,030	19,560,488	19,639,460	19,688,871	20,111,795
Primary government					
Net investment in capital assets	38,458,663	38,267,112	34,573,136	36,148,224	34,901,091
Restricted	7,064,989	9,836,509	9,430,699	9,176,578	9,114,637
Unrestricted	5,717,234	4,937,093	8,334,578	7,052,930	4,361,737
Total primary government net position	<u>\$51,240,886</u>	<u>\$53,040,714</u>	<u>\$52,338,413</u>	<u>\$52,377,732</u>	<u>\$48,377,465</u>

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 POSITION - CONTINUED ON THE FOLLOWING PAGES
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year				
	2012	2011	2010	2009	2008
EXPENSES					
Governmental activities					
General government	\$ 849,434	\$ 952,893	\$ 959,723	\$ 936,740	\$ 1,008,554
Public safety	2,372,795	2,235,789	2,267,522	2,287,619	2,216,393
Public works	6,307,462	3,696,626	3,556,817	3,405,036	3,260,898
Culture and recreation	1,787,372	1,744,224	1,674,756	1,342,384	1,228,603
Housing and economic development	223,016	498,794	209,738	243,652	141,947
Mass transit and other	208,994	258,873	487,047	121,883	449,855
Interest on long-term debt	677,767	752,795	739,561	811,657	961,301
Total governmental activities expenses	<u>12,426,840</u>	<u>10,139,994</u>	<u>9,895,164</u>	<u>9,148,971</u>	<u>9,267,551</u>
Business-type activities					
Water	1,433,452	1,522,644	1,473,548	1,526,268	1,378,921
Wastewater	1,532,381	1,498,908	1,544,390	1,607,815	1,429,251
Sanitation	1,292,299	1,263,485	1,252,643	1,231,517	1,304,752
Storm water	153,220	181,044	173,870	163,749	152,949
Total business-type activities expenses	<u>4,411,352</u>	<u>4,466,081</u>	<u>4,444,451</u>	<u>4,529,349</u>	<u>4,265,873</u>
Total primary government expenses	<u>\$ 16,838,192</u>	<u>\$ 14,606,075</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	\$ 145,142	\$ 112,111	\$ 106,238	\$ 103,099	\$ 102,951
Public safety	455,110	598,884	436,145	350,957	400,619
Public works	37,434	130,487	3,932	1,036	1,197
Culture and recreation	218,307	245,129	248,396	153,760	166,278
Housing and economic development	36,004	8,630	7,803	7,851	-
Miscellaneous	70	105	131	1,153	66
Operating grants and contributions	726,999	871,835	231,029	222,321	201,368
Capital grants and contributions	944,501	2,221,476	1,725,806	5,161,365	1,281,966
Total governmental activities program revenues	<u>2,563,567</u>	<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	1,615,436	1,499,185	1,523,160	1,578,865	1,611,559
Wastewater	1,525,340	1,510,772	1,490,287	1,506,070	1,561,157
Sanitation	1,333,111	1,394,977	1,335,497	1,261,556	1,306,662
Storm water	274,823	272,689	272,530	268,913	263,539
Operating grants and contributions	-	4,994	-	-	-
Capital grants and contributions	3,668	(6,230)	14,438	(5,735)	9,509
Total business-type activities program revenues	<u>4,752,378</u>	<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>\$ 7,315,945</u>	<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
\$ 833,703	\$ 1,007,853	\$ 842,424	\$ 879,540	\$ 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	2,321,249
908,793	1,252,630	1,070,003	1,048,355	964,767
25,662	-	-	-	-
388,607	222,391	346,831	139,507	182,781
1,001,100	889,943	772,631	1,040,182	886,251
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 POSITION - CONTINUED
LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year				
	2012	2011	2010	2009	2008
PROGRAM REVENUES - CONTINUED					
Net (expense)/revenue					
Governmental activities	\$ (9,863,273)	\$ (5,951,337)	\$ (7,135,684)	\$ (3,147,429)	\$ (7,113,106)
Business-type activities	341,026	210,306	191,461	80,320	486,553
Total primary government net expense	<u>\$ 9,522,247</u>	<u>\$ 5,741,031</u>	<u>\$ 6,944,223</u>	<u>\$ 3,067,109</u>	<u>\$ 6,626,553</u>
GENERAL REVENUES AND OTHER					
CHANGES IN NET POSITION					
Governmental activities					
Taxes					
Property taxes, levied for general purposes	\$ 3,646,058	\$ 2,894,504	\$ 3,027,372	\$ 2,921,378	\$ 2,900,598
Property taxes, levied for debt service	1,380,015	1,475,843	1,413,987	1,318,208	1,268,421
Local option sales tax	545,157	462,223	440,566	377,859	82,619
Hotel-motel tax	47,126	40,685	42,106	39,255	46,418
Gambling tax	16,427	13,049	13,168	12,306	11,092
Franchise taxes	336,607	332,469	326,812	321,266	166,928
Grants and contributions not restricted to specific programs	1,575,869	1,456,390	1,452,797	1,931,894	1,827,286
Unrestricted investment earnings	4,259	33,678	13,917	26,143	63,312
Other revenues	104,107	67,840	121,274	64,246	39,388
Gain on sale of capital assets	11,052	-	-	-	-
Transfers	376,226	241,630	293,777	558,065	515,575
Total governmental activities	<u>8,042,903</u>	<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	50,000
Local option sales tax	1,079	965	949	956	193
Unrestricted investment earnings	4,663	1,564	1,956	3,865	31,317
Transfers	(376,226)	(241,630)	(293,777)	(558,065)	(515,575)
Total business-type activities	<u>(320,484)</u>	<u>(189,101)</u>	<u>(240,872)</u>	<u>(503,244)</u>	<u>(434,065)</u>
Total primary government	<u>\$ 7,722,419</u>	<u>\$ 6,829,210</u>	<u>\$ 6,904,904</u>	<u>\$ 7,067,376</u>	<u>\$ 6,487,572</u>
CHANGES IN NET POSITION					
Governmental activities	\$ (1,820,370)	\$ 1,066,974	\$ 10,092	\$ 4,423,191	\$ (191,469)
Business-type activities	20,542	21,205	(49,411)	(422,924)	52,488
Total primary government	<u>\$ (1,799,828)</u>	<u>\$ 1,088,179</u>	<u>\$ (39,319)</u>	<u>\$ 4,000,267</u>	<u>\$ (138,981)</u>

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
LAST TEN FISCAL YEARS
(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
2012	3,646,058	1,380,015	545,157	47,126	16,427	336,607	5,971,390

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

	Fiscal Year				
	2003	2004	2005	2006	2007
General fund					
Reserved	\$ -	\$ 57,235	\$ 56,392	\$ 64,385	\$ 66,586
Unreserved	1,561,838	1,599,939	1,650,279	1,687,453	1,790,838
Nonspendable	-	-	-	-	-
Unassigned	-	-	-	-	-
Total General fund	<u>\$ 1,561,838</u>	<u>\$ 1,657,174</u>	<u>\$ 1,706,671</u>	<u>\$ 1,751,838</u>	<u>\$ 1,857,424</u>
All other governmental funds					
Reserved	\$ 2,938,551	\$ 1,428,740	\$ 2,758,377	\$ 2,248,425	\$ 2,517,949
Unreserved, reported in					
Special revenue funds	419,447	533,444	419,193	232,382	219,939
Capital projects funds	(88,637)	(1,048,107)	742,893	2,053,767	625,918
Debt Service funds	246,374	(814,743)	(1,153,150)	(890,602)	(1,846,138)
Nonspendable	-	-	-	-	-
Restricted	-	-	-	-	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total all other governmental funds	<u>\$ 3,515,735</u>	<u>\$ 99,334</u>	<u>\$ 2,767,313</u>	<u>\$ 3,643,972</u>	<u>\$ 1,517,668</u>

Table 4

Fiscal Year				
2008	2009	2010	2011	2012
\$ 73,864	\$ 171,481	\$ -	\$ -	\$ -
1,855,865	1,938,446	-	-	-
-	-	79,792	76,564	86,949
-	-	2,238,480	2,085,321	2,731,388
<u>\$ 1,929,729</u>	<u>\$ 2,109,927</u>	<u>\$ 2,318,272</u>	<u>\$ 2,161,885</u>	<u>\$ 2,818,337</u>
\$ 2,878,350	\$ 2,511,919	\$ -	\$ -	\$ -
342,772	1,798,112	-	-	-
(722,371)	2,303,119	-	-	-
(2,715,778)	(3,525,136)	-	-	-
-	-	5,556	2,896	3,109
-	-	3,207,722	3,705,717	915,958
-	-	525,157	206,264	105,848
-	-	1,431,631	2,099,560	1,350,284
-	-	-	(1,086,396)	(1,131,951)
<u>\$ (217,027)</u>	<u>\$ 3,088,014</u>	<u>\$ 5,170,066</u>	<u>\$ 4,928,041</u>	<u>\$ 1,243,248</u>

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

	Fiscal Year				
	2003	2004	2005	2006	2007
REVENUES					
Taxes	\$ 2,976,606	\$ 3,083,901	\$ 3,558,372	\$ 3,632,564	\$ 3,935,312
Special assessments	1,045,451	964,040	1,631,543	2,237,837	1,634,954
Licenses and permits	208,059	297,575	312,421	305,370	356,710
Intergovernmental revenue	2,210,021	3,151,521	2,050,742	3,091,342	2,831,939
Charges for services	135,682	129,358	108,613	158,122	177,289
Fines and forfeits	52,866	65,658	69,614	65,543	48,558
Interest	27,740	30,299	43,192	180,730	153,821
Other revenues	211,319	153,413	301,266	311,818	178,433
TOTAL REVENUES	6,867,744	7,875,765	8,075,763	9,983,326	9,317,016
EXPENDITURES					
General government	772,224	831,482	854,168	939,346	952,073
Public safety	1,349,414	1,506,322	1,624,262	1,229,465	1,358,089
Public works	992,173	1,099,557	1,158,843	980,072	1,111,399
Culture and recreation	782,441	921,752	917,996	1,815,052	1,906,303
Housing and economic development	-	-	-	-	25,662
Miscellaneous	187,811	178,619	253,833	203,868	162,368
Capital outlay	2,103,014	5,000,916	3,472,988	7,887,293	5,562,047
Debt service					
Principal	2,339,680	2,499,000	2,624,000	3,840,000	3,091,000
Interest	924,521	852,643	837,680	787,417	953,323
Bond issuance costs	-	-	-	-	-
TOTAL EXPENDITURES	9,451,278	12,890,291	11,743,770	17,682,513	15,122,264
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(2,583,534)	(5,014,526)	(3,668,007)	(7,699,187)	(5,805,248)
OTHER FINANCING SOURCES (USES)					
Sale of capital assets	273,585	33,217	-	-	-
Transfers in	1,324,245	556,919	1,138,497	981,278	456,935
Bonds issued	2,730,000	2,480,000	5,965,000	8,380,000	3,440,000
Refunding bonds issued	-	1,805,000	-	-	-
Premium (discount) on bonds issued	(16,202)	(40,224)	(40,902)	7,970	(12,605)
Payments to refunded bond escrow agent	-	(3,085,000)	-	-	-
Transfers out	(792,034)	(113,569)	(677,112)	(525,803)	(99,800)
TOTAL OTHER FINANCING SOURCES (USES)	3,519,594	1,636,343	6,385,483	8,843,445	3,784,530
NET CHANGE IN FUND BALANCES	\$ 936,060	\$ (3,378,183)	\$ 2,717,476	\$ 1,144,258	\$ (2,020,718)
Debt service as a percentage of noncapital expenditures	43%	42%	41%	46%	42%

Table 5

Fiscal Year				
2008	2009	2010	2011	2012
\$ 4,451,394	\$ 4,973,898	\$ 5,217,778	\$ 5,278,200	\$ 5,976,295
1,563,332	1,779,206	709,385	766,699	928,169
359,611	347,939	477,704	521,628	526,752
2,435,714	4,326,710	3,145,988	4,141,816	2,679,783
186,026	128,919	166,744	296,974	164,332
48,334	38,850	37,566	29,492	27,172
63,312	26,143	13,917	33,678	3,708
168,361	1,061,107	299,969	695,383	774,640
9,276,084	12,682,772	10,069,051	11,763,870	10,730,851
948,751	866,921	906,426	937,067	927,260
1,479,445	1,978,722	1,972,956	2,093,243	2,171,535
1,246,102	1,540,916	1,524,184	1,870,220	1,776,726
2,080,112	1,277,069	1,490,825	1,528,750	1,522,910
141,947	243,652	209,738	498,757	223,016
158,480	139,897	178,640	154,165	110,127
5,680,942	3,533,734	3,726,148	3,846,946	5,242,222
5,390,604	5,127,000	3,796,000	3,933,000	2,440,000
784,997	892,263	788,915	760,628	688,637
-	-	-	-	16,348
17,911,380	15,600,174	14,593,832	15,622,776	15,118,781
(8,635,296)	(2,917,402)	(4,524,781)	(3,858,906)	(4,387,930)
-	-	-	-	-
1,535,833	698,849	3,328,062	3,535,474	1,001,497
6,255,000	5,986,000	3,055,000	3,215,000	1,000,423
-	-	3,455,000	-	-
(120,949)	111,574	11,401	3,864	-
-	-	-	-	-
(696,978)	(393,782)	(3,034,285)	(3,293,844)	(642,331)
6,972,906	6,402,641	6,815,178	3,460,494	1,359,589
\$ (1,662,390)	\$ 3,485,239	\$ 2,290,397	\$ (398,412)	\$ (3,028,341)
49%	46%	40%	39%	25%

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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	Sales Tax	Franchise Tax	Hotel/Motel Tax	Charitable Gambling Tax	Total
2003	\$ 2,886,481	\$ -	\$ 34,509	\$ 43,095	\$ 12,521	\$ 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	4,144,337	82,619	166,928	46,418	11,092	4,451,394
2009	4,223,212	377,859	321,266	39,255	12,306	4,973,898
2010	4,395,126	440,566	326,812	42,106	13,168	5,217,778
2011	4,429,774	462,223	332,469	40,685	13,049	5,278,200
2012	5,030,978	545,157	336,607	47,126	16,427	5,976,295

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
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
2012	7,423,295	2,639,795	166,920	52,436	10,177,574

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	\$ 814,432,962	1.06 %
37.236	842,765,058	1.12
39.888	918,940,397	1.05
42.462	940,352,372	1.06
41.246	1,020,753,348	1.03
43.267	1,028,018,285	1.04
44.581	958,751,959	1.12
45.626	923,805,200	1.16
45.425	874,093,000	1.18
50.598	870,672,800	1.17

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

Table 8

Fiscal Year	City of North Mankato			Nicollet County	Independent School District No. 77	Region 9 Development Commission	Total Direct and Overlapping Rates
	Operating Tax Capacity Rate	Debt Service Tax Capacity Rate	Total City Tax Capacity Rate	Total Tax Capacity Rate	Total Tax Capacity Rate	Special Districts	
2003	22.717	14.246	36.963	54.585	15.635	0.276	107.459
2004	24.039	13.197	37.236	51.533	14.572	0.270	103.611
2005	26.911	12.977	39.888	49.102	13.301	0.251	102.542
2006	28.718	13.744	42.462	48.391	12.184	0.243	103.280
2007	28.129	13.117	41.246	48.577	13.672	0.226	103.721
2008	30.554	12.713	43.267	48.835	15.175	0.211	107.488
2009	31.531	13.050	44.581	51.351	17.637	0.191	113.760
2010	31.751	13.875	45.626	51.871	19.604	0.185	117.286
2011	31.028	14.397	45.425	53.150	19.115	0.187	117.877
2012	36.554	14.044	50.598	54.067	20.991	0.190	125.846

Source: Nicollet County Auditor

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

Taxpayer	Type of Business	2012		
		Taxable Tax Capacity	Rank	Percentage of Total Taxable Assessed Value
Taylor Corporation	Printing	\$ 345,174	1	3.4 %
Wis-Pak of Mankato	Bottling	100,960	2	1.0
Carlson Wedding Service	Specialty printing	97,108	3	1.0
Kato Engineering	Electric rotating equipment	93,938	4	0.9
Corporate Graphics	Printing	85,134	5	0.8
North Point-Geac, Inc.	Apartments	83,482	6	0.8
Carlson Craft Commercial	Specialty printing	80,476	7	0.8
Minnegasco, Inc.	Utility	73,649	8	0.7
Alternative Continuum of Care	Apartments	70,278	9	0.7
Coloplast Corporation	Skin care and hygiene products	62,320	10	0.6
Minnesota Automotive	Manufacturing	-		-
DDD Motel	Motel	-		-
Fine Impressions Envelope Printing	Specialty printing	-		-
Total		<u>\$ 1,092,519</u>		<u>10.7 %</u>

Source: Blue Earth County Administrative Services.

Table 9

2003		
Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
\$ 375,172	1	4.4 %
110,632	3	1.3
110,224	4	1.3
121,079	2	1.4
108,210	5	1.3
-		-
82,666	7	1.0
-		-
-		-
61,442	10	0.7
64,828	9	0.8
66,450	8	0.8
101,318	6	1.2
<u>\$ 1,202,021</u>		<u>14.2 %</u>

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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
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	49,294	3,923,467	100.0
2006	4,218,750	4,170,453	98.9	47,444	4,217,897	100.0
2007	4,218,750	4,163,756	98.7	51,777	4,215,533	99.9
2008	4,603,569	4,540,079	98.6	59,663	4,599,742	99.9
2009	4,674,079	4,603,838	98.5	64,098	4,667,936	99.9
2010	4,814,154	4,734,214	98.3	70,231	4,804,445	99.8
2011	4,814,154	4,754,445	98.8	36,180	4,790,625	99.5
2012	5,152,123	5,105,667	99.1	-	5,105,667	99.1

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

Fiscal Year	Governmental Activities				
	General Obligation Bonds	G.O. Special Assessment Bonds	G.O. Revenue Bonds	Contracts/ Leases Payable	Notes Payable
2003	\$ 450,000	\$17,345,000	\$ 383,000	\$ 2,549,604	\$ 490,000
2004	305,000	16,375,000	364,000	2,434,604	440,000
2005	885,000	17,895,000	345,000	2,314,604	375,000
2006	1,380,000	20,805,000	325,000	2,189,604	910,000
2007	1,090,000	20,755,000	1,194,000	2,059,604	860,000
2008	2,940,000	18,010,000	283,000	-	805,000
2009	2,771,000	17,140,000	2,821,000	105,000	165,000
2010	2,963,000	19,125,000	3,418,000	105,000	-
2011	2,488,000	15,885,000	3,260,000	45,000	3,215,000
2012	2,597,000	14,485,000	3,051,000	105,423	3,215,000

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

Table 11

Business-type Activities		Total Primary Government	Percentage of Personal Income		Per Capita
Utility G.O. Revenue Bonds	G.O. Special Assessment Bonds				
\$ 4,976,658	\$ -	\$26,194,262	8.07 %	\$	2,108
3,788,973	1,445,000	25,152,577	7.49		2,014
3,514,822	1,445,000	26,774,426	7.69		2,129
3,914,155	1,395,000	30,918,759	8.60		2,452
3,556,920	1,345,000	30,860,524	8.18		2,402
8,008,063	1,290,000	31,336,063	8.01		2,423
8,217,592	1,235,000	32,454,592	7.98		2,488
8,520,257	1,180,000	35,311,257	8.21		2,636
7,911,190	1,120,000	33,924,190	7.66		2,533
6,395,268	1,995,000	31,843,691	6.95		2,365

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
2003	\$ 450,000	\$ 48,198	\$ 401,802	0.05 %	\$ 32
2004	305,000	15,868	289,132	0.03	23
2005	885,000	77,039	807,961	0.09	64
2006	1,380,000	410,177	969,823	0.10	77
2007	1,090,000	494,778	595,222	0.06	46
2008	2,940,000	542,661	2,397,339	0.23	185
2009	2,771,000	859,809	1,911,191	0.20	147
2010	2,963,000	858,650	2,104,350	0.23	157
2011	2,488,000	657,544	1,830,456	0.21	137
2012	2,597,000	1,569,480	1,027,520	0.12	76

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

CITY OF NORTH MANKATO, MINNESOTA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2012

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>\$ 23,453,423</u>	100.00 %	<u>\$ 23,453,423</u>
Overlapping debt			
Nicollet County	10,725,000	35.24	3,779,490
Blue Earth County	19,726,673	0.00	145
Independent School Dist. 77	<u>51,385,000</u>	18.84	<u>9,680,934</u>
Total overlapping debt	<u>81,836,673</u>		<u>13,460,569</u>
Total direct and overlapping debt	<u><u>\$ 105,290,096</u></u>		<u><u>\$ 36,913,992</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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Debt limit	\$15,883,998	\$16,336,858	\$17,051,200	\$17,039,185	\$16,049,306
Total net debt applicable to limit	<u>450,000</u>	<u>305,000</u>	<u>885,000</u>	<u>1,380,000</u>	<u>1,090,000</u>
Legal debt margin	<u>\$15,433,998</u>	<u>\$16,031,858</u>	<u>\$16,166,200</u>	<u>\$15,659,185</u>	<u>\$14,959,306</u>
Total net debt applicable to the limit as a percentage of debt limit	2.83%	1.87%	5.19%	8.10%	6.79%

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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$24,497,850	\$27,804,603	\$27,714,156	\$26,222,790	\$ 26,120,184
<u>2,940,000</u>	<u>2,771,000</u>	<u>2,963,000</u>	<u>2,488,000</u>	<u>2,597,000</u>
<u>\$21,557,850</u>	<u>\$25,033,603</u>	<u>\$24,751,156</u>	<u>\$23,734,790</u>	<u>\$ 23,523,184</u>
12.00%	9.97%	10.69%	9.49%	9.94%
Total estimated market value				<u>\$ 870,672,800</u>
Debt limit (3% of total assessed value)				26,120,184
Debt applicable to limit:				
General obligation bonds				<u>2,597,000</u>
Legal debt margin				<u>\$ 23,523,184</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	
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	4,728,916	3,344,575	1,384,341	669,067	343,913	1,012,980	1.37
2012	4,808,120	3,261,394	1,546,726	700,922 (4)	309,822	1,010,744	1.53

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.

(4) Excludes \$875,000 of refunding bonds paid in 2012.

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

Table 16

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Income</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
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
2012	13,462	458,448,410	34,055	35.5	7,354	4.4

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

	2012			2003		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Mayo Clinic Health System	2,250	1	4.1%	1,700	3	3.3%
Carlson Craft	2,000	2	3.6%	3,000	1	5.7%
Independent School District 77 (Mankato)	2,000	3	3.6%	2,096	2	4.0%
Minnesota State University Mankato	1,600	4	2.9%	1,300	4	2.5%
Mankato Clinic	722	5	1.3%	880	5	1.7%
Navitor	650	6	1.2%	-		
South Central Technical College	550	7	1.0%	-		
Bethany Lutheran College	438	8	0.8%	380	10	0.7%
Verizon Wireless	422	9	0.8%	500	7	1.0%
Kato Engineering	300	10	0.5%	476	8	0.9%
Hickory Tech	-			500	6	1.0%
The Thro Company	-			450	9	0.9%
Total	<u>10,932</u>		<u>19.8%</u>	<u>11,282</u>		<u>21.6%</u>
Total City Employment	<u>55,159</u>			<u>52,183</u>		

The economy of North Mankato is closely linked to that of the adjacent City of Mankato. These are major employers in the area.
Source: Northland Securities, Inc.; U.S. Bureau of Labor Statistics

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				
	2003	2004	2005	2006	2007
General government	10.5	10.5	10.5	10.5	12.0
Public safety					
Police					
Officers	11.0	12.0	12.0	12.0	12.0
Secretary	1.0	1.5	1.5	1.5	1.5
Inspections	3.0	3.0	3.0	4.0	5.0
Public works					
Maintenance	13.0	11.0	11.0	11.0	10.0
Culture and recreation					
Parks	7.0	7.0	7.0	6.0	6.0
Library	4.0	4.0	4.0	5.0	5.0
Water	4.0	4.0	4.0	6.0	8.0
Sewer	-	-	-	2.0	2.0
Sanitation	-	1.0	1.0	1.0	1.0
Total	<u>53.5</u>	<u>54.0</u>	<u>54.00</u>	<u>59.0</u>	<u>62.5</u>

Source: City Personnel Records

Table 18

Full-time Equivalent Employees as of December 31				
2008	2009	2010	2011	2012
11.5	11.5	11.5	11.5	11.5
12.0	12.0	12.0	12.0	13.0
1.5	1.5	1.5	1.5	1.5
5.0	5.0	5.0	5.0	4.0
11.0	11.0	11.0	10.0	10.0
6.0	6.0	6.0	7.0	5.0
5.5	6.0	6.5	6.5	6.5
8.0	7.0	6.0	6.0	6.0
2.0	2.0	2.0	2.0	2.0
1.0	1.5	1.5	1.5	1.5
63.5	63.5	63.0	63.0	61.0

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

Function	Fiscal Year				
	2003	2004	2005	2006	2007
Police					
Physical arrests	1,638	1,921	1,994	1,364	1,025
Accidents	157	159	145	125	173
Police reserve volunteer hours	3,782	3,536	3,452	880	968
Educational programs	22	25	22	22	18
Fire					
Number of calls answered	158	144	132	144	136
Public works					
Street seal coating (miles)	6.3	6.9	5.9	7.1	5.8
Sanitation					
Refuse collected (tons)	3,530	3,660	3,913	3,889	3,963
Culture and recreation					
Swim facility attendance	15,981	11,437	14,969	17,316	19,019
Library circulation (items checked out)	101,361	118,172	133,132	132,929	158,589
Bookmobile circulation	n/a	n/a	n/a	n/a	n/a
Water					
Total connections	5,316	5,455	5,658	5,907	6,083
Average daily consumption (thousands of gallons)	1,388	1,305	1,334	1,434	1,483

Sources: Various City departments.

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

Table 19

Fiscal Year				
2008	2009	2010	2011	2012
1,025	1,034	1,217	797	707
134	129	125	198	171
1,242	1,104	1,503	1,392	1,318
13	8	16	17	14
120	112	147	108	126
5.8	3.1	4.8	8.7	6.6
3,953	3,807	3,760	3,573	3,331
20,843	15,237	21,970	21,037	20,114
180,554	193,892	236,863	261,061	266,163
n/a	27,664	30,947	41,082	39,309
6,196	6,311	6,349	6,375	6,480
1,415	1,372	1,280	1,282	1,463

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

Function	Fiscal Year				
	2003	2004	2005	2006	2007
General government					
Planning and zoning					
Building permits issued	656	645	655	615	825
Public safety					
Police					
Stations	1	1	1	1	1
Fulltime paid police	11	12	12	12	12
Volunteer police reserves	18	20	18	16	18
Fire					
Stations	2	2	2	2	2
Volunteer fire fighters	34	36	36	33	35
I.S.O. Rating	5	5	5	5	5
Public works					
Street division					
Miles of street	59.88	61.01	62.67	64.05	66.09
Signalized intersections	6	6	6	6	6
Parks division					
Parks	20	20	20	20	20
Area in acres	233	233	233	245	250
Baseball diamonds	14	14	14	14	14
Basketball courts	7	7	7	8	8
Horseshoe courts	6	8	8	8	13
Trails	5	5	5	5	5
Skating rinks/outdoor	5	5	5	5	5
Soccer fields	-	-	-	-	-
Softball diamonds	11	11	11	11	11
Swimming facility	1	1	1	1	1
Tennis courts	8	8	8	8	8
Volleyball courts	9	9	9	9	9
Utilities					
Municipal water					
Connections	5,316	5,455	5,658	5,907	6,083
Average daily consumption (thousands of gallons)	1,388	1,305	1,334	1,434	1,483
Maximum daily consumption (thousands of gallons)	2,628	2,202	2,677	2,696	2,845

Source: City of North Mankato Financial Records.

Table 20

Fiscal Year				
2008	2009	2010	2011	2012
976	1,042	2,190	1,750	1,574
1	1	1	1	1
12	12	12	12	13
17	17	17	19	17
2	2	2	2	2
38	38	36	35	35
5	5	5	4	4
66.09	67.31	68.50	75.37	77.06
6	6	6	6	6
20	20	20	21	21
250	250	250	251	251
14	14	14	14	14
8	8	8	8	8
13	13	13	13	12
6	6	6	6	6
5	5	5	5	5
-	-	-	-	10
11	11	11	11	11
1	1	1	1	1
8	8	8	8	8
9	9	9	9	9
6,196	6,311	6,349	6,375	6,480
1,415	1,387	1,280	1,282	1,463
3,045	2,809	2,466	2,267	3,030

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OTHER REQUIRED REPORTS

CITY OF NORTH MANKATO
NORTH MANKATO, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2012

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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, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 18, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, promulgated by the Minnesota Office of the State Auditor pursuant to Minnesota statute 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.

The purpose of this report is solely to describe the scope of our testing of compliance with certain provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, and the result of that testing, and not to provide an opinion on the City's compliance with those provisions. Accordingly, this report is not suitable for any other purpose.

June 18, 2013
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

INDEPENDENT AUDITOR'S 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, in accordance with the 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, 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 the City of North Mankato, Minnesota (the City), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 18, 2013.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control described in the accompanying Schedule of Findings and Responses as item 2012-1 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from 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*.



The City's Response to Finding

The City's response to the finding identified in our audit are described in the accompanying Schedule of Findings and Responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

June 18, 2013
Mankato, Minnesota

ABDO, EICK & MEYERS, LLP
Certified Public Accountants

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CITY OF NORTH MANKATO, MINNESOTA
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2012

Finding Description

2012-1 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.